MEDIOBANCA

Interim Report

for the six months ended 31 December 2006

(as required under Articles 81 and 82 of
Consob Regulation 11971/99 as amended)

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL FULLY PAID UP € 408,781,457.50

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

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Consob Regulation 11971/99 as amended)

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REVIEW OF GROUP OPERATIONS

The Mediobanca Group's results for the six months ended 31 December 2006 reflect a net profit of €526m, higher than the €515.4m recorded at the same time last year, and significantly ahead of the targets set in the 2005-2008 business plan.

Profit from ordinary activities rose from €562.7m to €574m, despite a much lower contribution from trading, where income was down to €29.9m from the €116.5m posted at 31 December 2005 (which was boosted by non-recurring gains of €40.8m linked to disposal of the Group's interest in Ciments Français). Growth by the Group's other main revenue sources drove a 3.7% increase in total income, from €741.4m to €768.5m, as follows:

— net interest income rose by 19.9%, from €276.8m to €332m, as average business volumes in corporate banking grew by 27% and in retail financial services by 19%;

— net fee and commission income rose by 15.4%, from €164.3m to €189.6m, reflecting healthy performances by lending, advisory and capital markets activities, which accounted for roughly three-quarters of the total;

— income from equity-accounted companies was up 18.3%, from €180.7m to €213.8m, on the back of a robust earnings performance by the Assicurazioni Generali group.

An 8.8% increase in operating costs, from €178.7m to €194.5m, was chiefly due to strengthening in wholesale banking, where an extra 21 staff were recruited, and expansion in terms of operations and geographical coverage in retail, with a further nine branches being opened during the six months under review.

Bad debt writeoffs rose from €51.5m to €78.2m, due to the increasing share of higher-profit, higher-risk retail loans, against a general deterioration in households' risk profiles.

Gains on disposals of securities totalled €169.3m (31/12/05: €117.7m), chiefly linked to sale of the Group's investment in Ferrari.

All the Group's main areas of operation reflected increases in net profit: the equity investment portfolio delivered 25.4% growth, from €152.2m to €190.9m, while the performances recorded by the other areas were largely stable, with private banking posting a 0.8% increase, from €23.9m to €24.1m, retail financial services reporting a profit of €40.2m, up from €39.9m one year previously, and wholesale banking delivering a bottom line of €276.7m, compared with some €274m in the six months ended 31 December 2005 net of the one-off gain from disposal of the Group's holding in Ciments Français referred to above.

During the six months under review, the Group continued to grow in line with the targets set in its three-year business plan, through:

— extracting value from the wholesale banking division's equity investment portfolio, via disposal of its stake in Ferrari for €590.4m;

— Micos Banca opening five new branches in France, in Paris and Lyons and on the Côte d'Azur;

— Compagnie Monégasque de Banque's acquisition of ABN Amro's private banking activities in the Principality, as part of the company's plans for expanding its footprint on the local market.

Other significant developments include:

— placement of subordinate bonds worth approx. €1bn on the market, in connection with the partial deduction of the Group's holding in Assicurazioni Generali from regulatory capital, pursuant to new regulations on financial conglomerates coming into force;

— the Appeal Court of Milan upholding the Group's appeal against its alleged failure to launch a full takeover bid for La Fondiaria in 2002.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated profit and loss account and balance sheet have been restated in order to provide a more accurate reflection of the Group's operations. The models proposed by the Bank of Italy are shown as an annex hereto, along with further details about how the relevant items have been restated.

RESTATED PROFIT AND LOSS ACCOUNT

	6 mths to 31/12/05	12 mths to 30/6/06	6 mths to 31/12/06	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	276.8	593.0	332.0	+19.9
Net trading income	116.5	215.7	29.9	-74.3
Net fee and commission income	164.3	302.7	189.6	+15.4
Dividends on AFS securities	3.1	65.0	3.2	+3.2
Share of profits earned by equity-accounted companies	180.7	335.3	213.8	+18.3
TOTAL INCOME	**741.4**	**1,511.7**	**768.5**	**+3.7**
Labour costs	(95.0)	(208.7)	(103.1)	+8.5
Administrative expenses	(83.7)	(184.7)	(91.4)	+9.2
OPERATING COSTS	**(178.7)**	**(393.4)**	**(194.5)**	**+8.8**
PROFIT FROM ORDINARY ACTIVITIES	**562.7**	**1,118.3**	**574.0**	**+2.0**
Gain (loss) on disposal of AFS securities	117.7	87.8	169.3	+43.8
Gain (loss) on disposal of other securities	0.5	2.6	—	n.m.
Bad debt writeoffs	(51.5)	(119.4)	(78.2)	+51.8
Extraordinary provisions	—	—	(6.0)	n.m.
PRE-TAX PROFIT	**629.4**	**1,089.3**	**659.1**	**+4.7**
Income tax for the period	(110.5)	(221.5)	(127.7)	+15.6
Minority interest	(3.5)	(9.4)	(5.4)	+54.3
NET PROFIT	**515.4**	**858.4**	**526.0**	**+2.1**

RESTATED BALANCE SHEET

	31/12/05	30/6/06	31/12/06
	€m	€m	€m
Assets			
Treasury funds	758.6	6,320.6	7,628.8
AFS securities	4,882.6	5,502.7	5,183.3
of which: fixed-income	*2,456.5*	*2,833.9*	*2,485.1*
equities	*2,255.9*	*2,423.0*	*2,285.9*
Financial assets held to maturity	594.1	626.5	629.9
Loans and advances to customers	21,146.6	21,388.1	23,130.3
Equity investments	2,318.5	2,354.9	2,484.7
Tangible and intangible assets	305.3	305.7	314.0
Other assets	464.8	510.2	448.4
of which tax assets	*272.6*	*321.5*	*284.4*
Total assets	30,470.6	37,008.7	39,819.4
Liabilities			
Funding	23,059.8	29,067.7	31,477.4
of which debt securities in issue	*14,964.6*	*21,118.0*	*23,090.3*
Other liabilities	929.5	915.3	1,001.8
of which tax liabilities	*545.0*	*645.6*	*697.7*
Provisions	187.6	191.3	197.9
Net equity	5,778.4	5,976.0	6,616.3
of which: share capital	*398.3*	*406.0*	*408.8*
reserves	*5,297.9*	*5,480.8*	*6,106.6*
minority interest	*82.2*	*89.2*	*100.9*
Profit for the period	515.4	858.4	526.0
Total liabilities	30,470.7	37,008.7	39,819.4
Tier 1 capital	*5,524.7*	*5,743.7*	*6,013.4*
Regulatory capital	*6,794.6*	*6,954.2*	*7,731.1*
Tier 1 capital/risk-weighted assets	*14.59%*	*14.07%*	*14.02%*
Regulatory capital/risk-weighted assets	*17.94%*	*17.24%*	*18.24%*
No. of shares in issue (millions)	*797*	*812*	*818*

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

31/12/06	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income	104.2	223.7	10.2	(4.6)	332.0
Dividends on AFS securities	3.2	—	—	—	3.2
Net trading income	23.4	—	7.5	—	29.9
Net fee and commission income	147.1	20.6	41.8	—	189.6
Share of profits earned by equity-accounted companies	7.5	—	—	201.8	213.8
TOTAL INCOME	**285.4**	**244.3**	**59.5**	**197.2**	**768.5**
Labour costs	(52.9)	(32.5)	(20.1)	(1.9)	(103.1)
Administrative expenses	(29.3)	(52.8)	(13.8)	(0.6)	(91.4)
OPERATING COSTS	**(82.2)**	**(85.3)**	**(33.9)**	**(2.5)**	**(194.5)**
PROFIT FROM ORDINARY ACTIVITIES	**203.2**	**159.0**	**25.6**	**194.7**	**574.0**
Gain (loss) on disposal of AFS securities	160.9	—	8.3	—	169.3
Gain (loss) on disposal of other securities	—	—	—	—	—
Extraordinary provisions	—	—	(6.0)	—	(6.0)
Bad debt writeoffs	(2.1)	(76.1)	(0.1)	—	(78.2)
PRE-TAX PROFIT	**362.0**	**82.9**	**27.8**	**194.7**	**659.1**
Income tax for the period	(85.3)	(37.3)	(3.7)	(3.8)	(127.7)
Minority interest	—	(5.4)	—	—	(5.4)
NET PROFIT	**276.7**	**40.2**	**24.1**	**190.9**	**526.0**
Balance-sheet data					
AFS securities	4,103.3	—	1,100.1	—	5,183.3
Equity investments	152.8	—	—	2,147.7	2,484.7
Loans and advances to customers	17,135.9	9,389.5	608.5	—	23,130.3
of which to Group companies	*3,882.3*	—	—	—	—
Risk-weighted assets	32,228.4	7,617.0	900.4	1,647.8	42,393.6
No. of employees	458	1,055	277 *	—	1,719
Cost/income ratio (%)	28.8	35.0	58.2	1.3	25.3

31/12/05	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income	80.6	189.2	10.3	(3.3)	276.8
Dividends on AFS securities	3.1	—	—	—	3.1
Net trading income	113.7	1.1	3.7	—	116.5
Net fee and commission income	121.8	19.0	40.8	—	164.3
Share of profits earned by equity-accounted companies	7.3	—	—	167.8	180.7
TOTAL INCOME	**326.5**	**209.3**	**54.8**	**164.5**	**741.4**
Labour costs	(44.8)	(30.9)	(21.6)	(1.6)	(95.0)
Administrative expenses	(29.3)	(47.4)	(11.3)	(1.1)	(83.7)
OPERATING COSTS	**(74.1)**	**(78.3)**	**(32.9)**	**(2.7)**	**(178.7)**
PROFIT FROM ORDINARY ACTIVITIES	**252.4**	**131.0**	**21.9**	**161.8**	**562.7**
Gain (loss) on disposal of AFS securities	113.6	—	4.0	—	117.7
Gain (loss) on disposal of equity investments	—	—	—	—	—
Gain (loss) on disposal of other securities	—	—	0.5	—	0.5
Bad debt writeoffs	0.4	(52.3)	0.2	—	(51.5)
PRE-TAX PROFIT	**366.4**	**78.7**	**26.6**	**161.8**	**629.4**
Income tax for the period	(65.9)	(33.9)	(2.7)	(9.6)	(110.5)
Minority interest	—	(4.9)	—	—	(3.5)
NET PROFIT	**300.5**	**39.9**	**23.9**	**152.2**	**515.4**
Balance-sheet data					
AFS securities	3,910.4	—	1,065.4	—	4,882.6
Equity investments	142.4	—	—	2,146.2	2,318.5
Loans and advances to customers	15,616.5	8,058.1	647.5	—	21,146.6
of which to Group companies	*3,066.0*	—	—	—	—
Risk-weighted assets	27,594.1	6,539.0	1,367.0	2,146.2	37,743.2
No. of employees	437	1,006	257 *	—	1,645
Cost/income ratio (%)	23	37	63	2	24

* Includes 92 staff employed by the Esperia group pro-forma not included in the Group total (31/12/05: 73).

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 portfolio*: shareholdings owned by the Group in Assicurazioni Generali and RCS MediaGroup.
2) 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 upon consolidation between different business areas, leading to a shortfall of approx. €6m at 31 December 2005 and of some €1m at 31 December 2006;
   - notional expenses attributable to Mediobanca in respect of stock option scheme operated by Banca Esperia amounting to €5.5m (31/12/05: €1.7m).

REVIEW OF KEY ITEMS

BALANCE SHEET

The following is a review of movements in the main balance-sheet items during the six months under review:

Funding — this item rose from €29,067.7m to €31,477.4m, reflecting an increase in debt securities, from €21,118m to €23,090.3m, which includes two subordinated bonds worth approx. €1bn issued solely to offset the impact of partial deduction of the Group's shareholding in Assicurazioni Generali from regulatory capital under new regulations on financial conglomerates. Other items, i.e. current accounts, borrowings and deposits, increased from €7,949.7m to €8,387.1m, chiefly due to the Compass group raising more funds on the interbank market.

Loans and advances to customers — these rose by 8.1%, from €21,388.1m to €23,130.3m, with growth of approx. €1bn on the corporate side and €600m on the retail side. Particularly remarkable was the growth in finance disbursed by Micos Banca, whose mortgage loan book was up 13.7% at 31 December 2006 to almost €2bn.

	30/6/06	31/12/06	Change
	€m	€m	%
Corporate	12,268.8	13,253.6	+8.0
Retail	8,778.3	9,371.7	+6.8
– of which: consumer credit	*3,216.2*	*3,450.3*	*+7.3*
mortgage lending	*1,682.0*	*1,912.0*	*+13.7*
leasing	*3,817.4*	*3,940.9*	*+3.2*
Other (CMB)	341.0	505.0	+48.1
TOTAL LOANS AND ADVANCES TO CUSTOMERS	21,388.1	23,130.3	+8.1

Loan book composition remained largely unchanged, with 57% made up of corporate loans and structured finance (57%), 24% of consumer credit (23%), 17% of leasing (18%), and the other 2% of loans disbursed by Compagnie Monégasque de Banque (2%).

Equity investments — this item rose by €129.8m, from €2,354.9m to €2,484.7m, on the strength of a €110.8m increase in the contribution from Assicurazioni Generali, representing the balance between profit of €189.4m earned for the period and a €78.6m reduction in the relevant valuation reserve, along with healthy contributions from RCS MediaGroup (€7.7m, reflecting profit of €12.4m for the six months), Banca Esperia (€5.2m), Burgo (€3.9m) and Athena Private Equity (€1.7m, net of stock unit repurchases amounting to €3.6m). The portfolio showed a gain of €4,097.7m based on share prices at 31 December 2006 (30/6/06: €3,352.4m), or €3,852.1m based on current share prices.

	Percentage shareholding*	Book value	Market value based on prices at 31/12/06	Gain
	€m	€m	€m	€m
LISTED INVESTMENTS				
Assicurazioni Generali	14.10	1,999.3	5,993.7	3,994.4
RCS MediaGroup, *ordinary*	13.66	292.6	395.9	103.3
		2,291.9	6,389.6	4,097.7
OTHER INVESTMENTS				
Banca Esperia	48.50	39.9		
Burgo Group S.p.A.	22.13	105.1		
Athena Private Equity class A ...	23.88	35.6		
MB Venture Capital Fund I Partecipating Company A.N.V. class B	45.0	9.2		
Fidia	25.0	2.5		
Other minor investments		0.5		
		192.8		
		2,484.7		

* Of entire share capital.

Financial assets held to maturity — an increase of €3.4m was recorded, from €626.5m to €629.9m, after adjustments to amortized cost amounting to €3.8m.

AFS securities — the €319.4m reduction in this item, from €5,502.7m to €5,183.3m, involved debt securities, which declined from €2,833.9m to €2,485.1m, and equities, which decreased from €2,423m to €2,285.9m.

The main movements in the portfolio during the six months were as follows:

— disposal of the Group's entire shareholding in Ferrari, referred to above, which yielded proceeds of €590.4m and a net gain of €152.8m, €8m of which is attributable to Compagnie Monégasque de Banque;

— subscription for a 19.2% interest in Speed S.r.l., the vehicle company set up in conjunction with other banking investors to acquire a 39% stake in Pirelli Tyre, involving an outlay of €63.9m;

— net disposals of equity holdings as part of market transactions worth €62.8m.

Overall, changes in fair value recognized directly in net equity led to an increase of €339.7m in the relevant reserve, €31.9m of which was due to debt securities and €307.2m to equities, the main items in which were as follows:

	€m
Fiat	85.9
Banca Intesa	36.2
Gemina	31.5
Italmobiliare	28.1
Telecom Italia	27.0
Pirelli & C.	18.7
Delmi	14.7
Finmeccanica	12.9
Fondiaria-SAI	11.3
Mediolanum	9.7

No instances of impairment to holdings owned by the Group were recorded during the period.

Treasury funds — this item rose from €6,320.6m to €7,628.8m, and comprises:

– €8,081m in securities, up €3,312.9m (including €672.1m in connection with the pre-paid forward transaction entered into with the MPS group in December 2006 to acquire a 1.58% stake in Assicurazioni Generali, reported under this heading to reflect the nature of the transaction);

– a shortfall of €828.4m on net short-term applications (e.g. repos, deposits, etc.), compared with a surplus of €1,286.3m at 30 June 2006;
– €376.2m in cash and cash equivalents at banks (€266.2m).

Movements during the period and marking the portfolio to market (including derivatives) generated a €29.9m gain for the six months.

Tangible and intangible assets — these rose from €305.7m to €314m net of depreciation and amortization charges for the period, due to €8m in goodwill being booked upon CMB acquiring ABN Amro's branch in Monaco.

Provisions — this heading comprises the provision for liabilities and charges, which rose from €156.6m to €163.8m after transfers amounting to €6m for the period, and the staff severance indemnity provision, which reduced from €34.7m to €34.1m, as a result of staff leaving.

Net equity — this rose by €628.6m, from €5,886.8m to €6,515.4m, following allocation of profit for the previous financial year net of dividend payments, which amounted to €379.4m, and new share issuance in connection with the exercise of stock options, which totalled €50.7m. The valuation reserve rose from €351.2m to €621.8m, reflecting both a €293.4m rise in the AFS securities portfolio component net of related tax effects, and a reduction in the cash flow hedge reserve from €25.8m to €4.1m. Regulatory capital rose from €6,954.2m to €7,731.1m, following the issue of subordinated bonds worth an aggregate approx. €1bn in October 2006 as mentioned above, the sole purpose of which was to cover partial deduction of the Group's shareholding in Assicurazioni Generali from regulatory capital (i.e. 25% of the book value plus calculable gains) pursuant to the new EU Directive on financial conglomerates coming into force. Full deduction will be implemented gradually up until 31 December 2009, by agreement with the Bank of Italy.

PROFIT AND LOSS ACCOUNT

Net interest income — this item rose by 19.9%, from €276.8m to €332m, on the strength of higher business volumes managed by the Group. Some two-thirds of consolidated net interest income is generated by retail financial services, which improved by 17.3%, and the other third by corporate finance, which delivered 29.3% growth.

Net trading income — net trading income of €29.9m (31/12/05: €116.5m, including the €40.8m gain on Ciments Français) represents the balance between marking the treasury portfolio to market at the reporting-date, which led to a gain of €55.6m, and losses of €27.5m during the period. Dividend income in the six months stood at €1.8m.

	6 mths to 31/12/05	6 mths to 31/12/06
	€m	€m
Net trading income (expense)	73.9	(27.5)
Mark-to-market as at reporting-date	28.1	55.6
Dividends	14.5	1.8
TOTAL	116.5	29.9

The lower result for the period reflects a reduced contribution from arbitrage linked to market transactions on the equity side, and on the fixed-income side, the impact of higher interest rates on prices, which at the same time led to an increase in coupon flows, accounted for as net interest income.

Net fee and commission income — the increase in this item, from €164.3m to €189.6m, is largely attributable to corporate and investment banking fees, which account for almost 80% of the total and were up 21%, from €120.8m to €146m, due to a healthy performance by all the main areas. The heading also includes €19.1m in fees earned by the Compass group (€19.1m), and €24.5m (€24.4m) earned by other Group companies, chiefly Compagnie Monégasque de Banque.

Operating expenses — these rose by 8.8%, from €178.7m to €194.5m, and comprise:

— labour costs of €103.1m (€95m); this includes €2.3m in directors' fees (€2.3m), and €4.7m (€4.2m) in notional expenses in respect of stock option schemes. The increase also reflects the rise in Group headcount referred to above;

— sundry costs and expenses amounting to €91.4m (€83.7m), including €5.6m (€6.7m) in ordinary depreciation charges, €5.5m in charges connected with commitments entered into under the stock option scheme operated by Banca Esperia (€2.5m of which is non-recurring), and administrative expenses amounting to €80.2m (€69.8m) made up as follows:

	6 mths to 31/12/05	6 mths to 31/12/06
	€m	€m
EDP and financial information subscriptions	15.7	16.2
Outside service and consultancy fees............	6.5	10.6
Bad debt recoveries and legal fees	7.4	8.6
Rent, equipment leasing and maintenance charges	6.5	8.6
Advertising....................................	5.8	8.6
Bank charges	6.9	7.8
Stationery, publication costs and utilities	6.0	6.2
Travel, transport and entertainment	3.0	3.3
Others	12.0	10.3
TOTAL	69.8	80.2

Bad debt writeoffs

The increase in this item, from €51.5m to €78.2m, reflects the higher degree of risk involved in the increase in new retail loans. Some 95% of the writeoffs refer to loans granted by the Compass group, while the other €2m reflect collective adjustments to corporate exposures.

Review of Group businesses

A review of the Group's performance in its main areas of operation is provided below in the customary format.

Wholesale banking

	6 mths to 31/12/05	12 mths to 30/6/06	6 mths to 31/12/06	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	80.6	180.6	104.2	+29.3
Dividends on AFS securities	3.1	65.0	3.2	+3.2
Net trading income	113.7	205.3	23.4	-79.4
Net fee and commission income	121.8	215.2	147.1	+20.8
Share of profits earned by equity-accounted companies	7.3	15.7	7.5	+2.7
Total income	326.5	681.8	285.4	-12.6
Operating costs	(74.1)	(176.0)	(82.2)	+10.9
Profit from ordinary activities	252.4	505.8	203.2	-19.5
Other items	114.0	83.9	158.8	+39.3
Income tax for the period	(65.9)	(122.5)	(85.3)	+26.4
Net profit	300.5	467.2	276.7	-7.9
Cost/income ratio (%)	23	26	29	
Bad loans/total loans (%)	—	—	—	

	31/12/05	30/6/06	31/12/06	Changes during period under review
	€m	€m	€m	%
Treasury funds	219.7	6,112.6	7,046.0	+15.3
AFS securities	3,910.4	4,065.8	4,103.3	+0.9
Financial assets held to maturity	594.1	626.5	630.0	+0.6
Equity investments	142.4	146.8	152.8	+4.1
Loans and advances to customers	15,616.5	15,855.9	17,135.9	+8.1
of which to Group companies	*3,066.0*	*3,608.4*	*3,882.3*	*+7.6*
Funding	16,535.3	22,433.8	24,427.1	+8.9

A net profit of €276.7m was recorded during the period under review, lower than the €300.5m recorded one year previously, owing to a reduced contribution from trading activity, which posted income of €23.4m compared with €113.7m last year (boosted by €40.8m in non-recurring gains linked to disposal of the Group's holding in Ciments Français). Net of this item profit from ordinary activities recorded an approx. 30% increase, reflecting higher interest income, up 29.3%, from €80.6m to

€104.2m, on the back of growth in corporate finance, and the increase in net fee and commission income referred to above, up 20.8%, from €121.8m to €147.1m. The 10.9% rise in costs, from €74.1m to €82.2m, is entirely due to strengthening the headcount, with a total of 21 more staff on the books than at the same time last year. Below the operating profit line there were gains of €160.9m (31/12/05: €113.6m) on disposal of securities, most of which were in connection with the sale of the Group's shareholding in Ferrari.

Lending and structured finance — further progress was made during the six months on the €14bn target set for this area in the Group's three-year business plan (for corporate finance, excluding Group companies), with growth of 8.1%, from €12,247.5bn to €13,253.6m. Loans to non-Italian customers also grew in importance, with clients in Spain, France and Germany increasing their share of the loan book from 14.6% to 16.7%. In loan syndication, where the Group arranges club deals or acts as bookrunner, deals worth €5bn were arranged, compared with €14bn previously, in line with market trends.

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

Funding and treasury accounts — funding rose from €22,433.8m to €24,427.1m, and comprised: €23,091.1m in debt securities, €1bn of which in the form of subordinated notes, €363.7m in time deposits and current accounts, and €972.3m in other funds. Treasury accounts consist of €142.2m in cash and cash equivalents, €7,904.9m in securities (including €672.1m in relation to the pre-paid forward transaction completed with the MPS group in December 2006 to acquire a 1.58% stake in Assicurazioni Generali), and €1,001.1m in net short-term funding (repos etc.).

Equity investments and AFS securities — this portfolio brings together all the Group's holdings in AFS securities plus its investments in associate companies (excluding Banca Esperia) which are equity-accounted. At 31 December 2006 it stood at €2,419.3m (€2,550.8m), after adjustments to fair value at the reporting date amounting to €307.2m, and pro-rata adjustments to net equity of €9.2m. In addition to the €63.9m investment in Speed, divestments of €767.3m were made during the period yielding gains of €155.5m, chiefly in connection with the Ferrari disposal.

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

	Percentage shareholding*	Book value at 31 December 2006	Adjustments to fair value	Overall AFS reserve
Fiat	1.94 ÷ 1.66	306.0	85.9	185.0
Telecom Italia	1.54 ÷ 1.06	472.8	27.0	(49.6)
Pirelli	4.45 ÷ 4.34	176.0	18.7	4.3
Italmobiliare	9.5 ÷ 5.47	170.9	28.1	136.3
Banca Intesa	0.45 ÷ 0.39	159.4	36.2	60.0
Gemina	12.66 ÷ 12.53	153.3	31.5	97.5
Commerzbank	0.53	100.5	0.4	41.3
Fondiaria-SAI	1.92 ÷ 1.45	93.3	11.3	59.1
Mediolanum	1.96	88.3	9.7	11.6
Finmeccanica	0.97	84.6	12.9	23.2
Enel	0.11	53.2	7.5	4.3
Other listed securities		159.0	21.8	37.0
TOTAL LISTED SECURITIES		2,017.3	291.0	610.0
Delmi	6.0	124.8	14.7	14.7
Speed	19.2	63.9	—	—
Other unlisted securities		60.5	1.5	2.8
TOTAL UNLISTED SECURITIES		249.2	16.2	17.5
TOTAL		2,266.5	307.2	627.5

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

Investment banking — buoyant market conditions allied to the Group's significant market share in this area translated to a hefty, 20.8% increase in net fee and commission income. In equity capital markets, Mediobanca lead-managed a total of eight placing and underwriting syndicates worth €2.4bn (31/12/05: €11bn), while on the advisory side the Bank was involved in nineteen deals worth a combined approx. €43bn (€98bn). With respect to client trading, securities worth €10.3bn (€13.2bn) were traded, €9.6bn (€10.4bn) of which were equities.

Equity investment portfolio

The Group's share in the profits earned by the two companies included in our equity investment portfolio during the period rose by 20.3%, from €167.8m to €201.8m, €189.4m of which was attributable to Assicurazioni Generali and €12.4m to RCS MediaGroup.

Retail financial services

	6 mths to 31/12/05	12 mths to 30/6/06	6 mths to 31/12/06	Y.o.Y. chg.
	€m	€m	€m	%
Total income	209.3	440.8	244.3	+16.7
Operating costs	(78.3)	(166.4)	(85.3)	+8.9
PROFIT FROM ORDINARY ACTIVITIES	**131.0**	**274.4**	**159.0**	**+21.4**
Bad debt writeoffs	(52.3)	(115.2)	(76.1)	+45.5
Income tax for the period	(33.9)	(69.8)	(37.3)	+10.0
Profit attributable to minorities	(4.9)	(10.8)	(5.4)	+10.2
NET PROFIT	**39.9**	**78.6**	**40.2**	**+0.8**
Loans and advances to customers	8,058.1	8,799.4	9,389.5	+6.7*
New loans	2,244.6	4,579.7	2,264.0	+1.0
No. of branches	129	135	144	+11.6
Cost/income ratio (%)	37	38	35	—
Bad loans/total loans (%)	0.86	0.91	0.89	—

* Compared with figure at 30 June 2006.

The Compass group's consolidated highlights for the six months ended 31 December 2006 reflect a net profit in line with last year, at €40.2m (31/12/05: €39.9m). The slight increase on the commercial side reflects growth, albeit at slower rates than in previous periods, of 11% in consumer credit, and a marked, 14% downturn in leasing business due to unfavourable legislation in the property sector passed during the summer months of 2007, as well as a lower contribution from big tickets. Total income increased by 16.7%, up from €209.3m to €244.3m, after 6.7% growth in lendings compared with 30 June 2006, against a more limited increase in costs than last year, of 8.9%, from €78.3m to €85.3m. This again was attributable to expansion in terms of operations and geographical coverage by Compass, with a further nine branches opened since 30 June 2006, as well as the launch of mortgage lending activity in France, with five new branches opened since 2 January 2007. However, the hefty, 21.4% increase in profit from ordinary activities, from €131m to €159m, was absorbed by the higher cost of risk due almost entirely to the consumer credit business, which led to a €23.8m increase in bad debt writeoffs, from €52.3m to €76.1m.

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

Retail financial services 31/12/06	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	186.4	19.2	205.6	38.7	244.3
Operating costs	(60.9)	(10.6)	(71.5)	(13.8)	(85.3)
PROFIT FROM ORDINARY ACTIVITIES	**125.5**	**8.6**	**134.1**	**24.9**	**159.0**
Provisions and bad debt writeoffs	(68.0)	(3.1)	(71.1)	(5.0)	(76.1)
Profit attributable to minorities	—	—	—	(5.4)	(5.4)
Income tax for the period	(26.8)	(2.5)	(29.3)	(8.0)	(37.3)
NET PROFIT	**30.7**	**3.0**	**33.7**	**6.5**	**40.2**
New loans	1,178.0	301.2	1,479.2	784.8	2,264.0
Loans and advances to customers	3,518.7	1,912.1	5,430.8	3,958.7	9,389.5
No. of branches	112	22	134	10	144
No. of staff	669	175	844	211	1,055

Retail financial services 31/12/05	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	153.1	17.8	170.9	38.4	209.3
Operating costs	(55.4)	(8.7)	(64.1)	(14.2)	(78.3)
PROFIT FROM ORDINARY ACTIVITIES	**97.7**	**9.1**	**106.8**	**24.2**	**131.0**
Provisions and bad debt writeoffs	(45.8)	(2.4)	(48.2)	(4.1)	(52.3)
Profit attributable to minorities	—	—	—	(4.9)	(4.9)
Income tax for the period	(21.9)	(2.8)	(24.7)	(9.2)	(33.9)
NET PROFIT	**30.0**	**3.9**	**33.9**	**6.0**	**39.9**
New loans	1,078.3	251.4	1,329.7	914.9	2,244.6
Loans and advances to customers	2,930.7	1,498.2	4,428.9	3,629.2	8,058.1
No. of branches	98	21	119	10	129
No. of employees	625	168	793	213	1,006

Private banking

	6 mths to 31/12/05	12 mths to 30/6/06	6 mths to 31/12/06	Y.o.Y. chg.
	€m	€m	€m	%
Total income	54.8	115.6	59.5	+8.6
of which net fee and commission income	*40.8*	*82.8*	*41.8*	*+2.5*
Operating costs	(32.9)	(69.4)	(33.9)	+3.0
Profit from ordinary activities	21.9	46.2	25.6	+16.9
Other income (expenses)	4.7	2.7	2.2	-53.2
Income tax for the period	(2.7)	(4.9)	(3.7)	+37.0
Net profit attributable to Group	23.9	44.0	24.1	+0.8

	31/12/05	30/6/06	31/12/06	Chg. during period
	€m	€m	€m	%
Assets under management	11,045.3	11,216.9	12,358.1	+10.2
Securities under trust	1,070.2	1,077.6	1,120.8	+4.0

During the six months under review, total income rose 8.6%, from €54.8m to €59.5m, due to higher trading income, and fees of €41.8m, largely in line with the €40.8m recorded last year, after lower performance fees earned by Banca Esperia. Against a modest, 3% rise in costs, profit from ordinary activities recorded a 16.9% improvement, from €21.9m to €25.6m. The 0.8% increase in net profit, from €23.9m to €24.1m, reflects the reduced contribution from other net income, down from €4.7m to €2.2m (including an €8m gain arising on disposal of CMB's 1% share in Ferrari, only partly offset by one-off net provisions of €6m linked to a programme of long-term loans to the Principality of Monaco), and higher tax, up from €2.7m to €3.7m. In November 2006 CMB acquired ABN Amro's private banking activities in the Principality, which led to an 8.5% rise in CMB's assets under discretionary and non-discretionary management, from €7.1bn to €7.7bn, while Banca Esperia posted a 12.2% increase, from €4.1bn to €4.6bn.

Private banking 31/12/06	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	37.1	18.8	3.6	59.5
of which net fee and commission income	*22.1*	*16.2*	*3.5*	*41.8*
Operating costs	(19.9)	(11.2)	(2.8)	(33.9)
PROFIT FROM ORDINARY ACTIVITIES	**17.2**	**7.6**	**0.8**	**25.6**
Other income (expenses)	2.3	(0.1)	—	2.2
Income tax for the period	—	(3.0)	(0.7)	(3.7)
NET PROFIT	**19.5**	**4.5**	**0.1**	**24.1**
Assets under management	7,749.6	4,608.5	—	12,358.1

Private banking 31/12/05	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	34.4	17.5	2.9	54.8
of which net fee and commission income	*22.4*	*15.5*	*2.9*	*40.8*
Operating costs	(20.7)	(9.1)	(3.1)	(32.9)
PROFIT FROM ORDINARY ACTIVITIES	**13.7**	**8.4**	**(0.2)**	**21.9**
Other income (expenses)	5.1	(0.3)	(0.1)	4.7
Income tax for the period	—	(2.6)	(0.1)	(2.7)
NET PROFIT	**18.8**	**5.5**	**(0.4)**	**23.9**
Assets under management	7,173.9	3,871.5	—	11,045.4

Review of performances by Group companies

As from this year, the financial statements of Mediobanca and the other Group companies' consolidated financial statements for the period ended 31 December 2006 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 under regulation CE 1606/02. This regulation was transposed into Italian law under Legislative Decree 38/05, which came into force on 22 March 2005. Adoption of the new accounting standards with respect to financial reporting by banks and other financial intermediaries was governed respectively by Bank of Italy circular no. 262 issued on 22 December 2005 and Governor's decree on 14 February 2006.

The Annex attached to this report entitled "IAS/IFRS: First-time Adoption" includes the reconciliations required in an FTA scenario for Mediobanca S.p.A., along with notes explaining the main differences in net equity as at 1 July 2006 and the profit and loss account for the twelve months ended 30 June 2006. These reconciliations are subject to audit by the Bank's external auditors.

Mediobanca

In the six months ended 31 December 2006, Mediobanca earned a net profit of €259.2m, down from the €288m recorded at the same time last year due to the reduced contribution from trading, which declined from €102.7m (including one-off gains of €40.8m) to €23.1m. Net of this item profit from ordinary activities rose by 17.8%, from €136.1m to €160.3m, driven by a healthy contribution from net interest income, which climbed 13.8%, from €88.2m to €100.4m, on higher lendings. Net fee and commission income also rose 18.8%, from €124.5m to €147.9m, as corporate and investment banking activities continued to perform well. Operating costs rose by 14.4%, from €79.7m to €91.2m, chiefly due to growth in headcount, from 396 to 414 staff.

Below the operating line, there were gains of €160.9m on disposal of AFS securities (31/12/05: €113.6m) in connection with disposal of the Bank's holding in Ferrari, a €2.1m collective adjustment to performing loans, and income tax for the period of €83m (€64.8m), the increase in which was primarily due to ordinary taxation on the gains referred to above.

With regard to the main balance-sheet items:

— funding increased by €1,066.9m, from €22,003.1m to €23,070m, virtually entirely attributable to the issue of €1bn in subordinated bonds; conversely, current accounts declined from €374.2m to €366.6m, and certificates of deposit decreased from €356.7m to €314.2m, while other borrowings were virtually stable at €1,442.3m;

— loans and advances to customers rose by 7.9%, from €15,870.5m to €17,127.7m, €5,193.3m (30/6/06: €4,026.6m) of which were to Mediobanca Group companies;

— equity investments, recognized at cost, were virtually unchanged at €1,670m (€1,673.2m), and reflect repurchase of Athena Private Equity stock units worth €3.6m. Market prices as at 31 December 2006 reflect a surplus of fair value over book value amounting to €4,846.7m, or of €4,621.7m based on current prices;

— financial assets held to maturity rose from €625.5m to €629m;

— AFS securities rose from €4,043m to €4,103.2m, and comprise €1,836.8m in debt securities (€1,661.8m) and €2,266.4m (€2,381.2m) in equities. In addition to a €307.2m appreciation in value, movements in equities during the period involved acquisitions of €68.9m (€63.9m of which relating to Speed S.p.A.), disposals of €638.3m (€559.6m of which in relation to Ferrari and €60.5m to Toro Assicurazioni), and repurchase of Fondo Clessidra stock units worth €14m. These movements generated gains of €159.2m;

— treasury funds were virtually stable at €5,607.5m (€5,580.6m), and include €114.1m in cash and bank deposits, €7,907.2m in securities, and €2,413.8m in short-term funding;

— tangible and intangible assets declined from €122.9m to €122.5m, and comprise property worth €115.9m – including the value of the land itself at €81.2m – plus other tangible (€4.9m) and intangible (€1.7m) assets;

— provisions include the staff severance indemnity provision at €15.9m (€15.2m) and the provision for risks and liabilities totalling €151m (€151m);

— net equity of €5,323m (€4,930.1m) includes: share capital of €408.8m, valuation reserves amounting to €598.2m, and other reserves and retained earnings totalling €4,316m. The increase reflects allocation of profit for the previous financial year of €66.3m, exercise of stock options worth €55.4m, and adjustments to valuation reserves amounting to €271.2m.

* * *

With reference to the claim made against Mediobanca jointly with other parties involved in what was alleged to be their failure to launch a full takeover bid for La Fondiaria in 2002, in January 2007 the Milan Court of Appeal upheld an appeal submitted against the ruling issued by the Court of Milan in June 2005 ordering Mediobanca and Fondiaria-SAI to pay damages of €3.4m plus legal fees. The Court upheld Mediobanca's appeal, rejecting all demands for damages, and ordering the plaintiffs to pay legal expenses. A total of ten claims in addition to the one referred to above are outstanding, for a total amount of €152m.

* * *

RESTATED PROFIT AND LOSS ACCOUNT*

	6 mths to 31/12/05**	12 mths to 30/6/06**	6 mths to 31/12/06	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	88.2	176.9	100.4	+13.8
Net trading income	102.7	200.8	23.1	-77.5
Net fee and commission income	124.5	214.5	147.9	+18.8
Dividends on AFS securities	3.1	169.8	3.2	+3.2
TOTAL INCOME	**318.5**	**762.0**	**274.6**	**-13.8**
Labour costs	(46.7)	(109.2)	(55.6)	+19.1
Administrative expenses	(33.0)	(75.9)	(35.6)	+7.9
OPERATING COSTS	**(79.7)**	**(185.1)**	**(91.2)**	**+14.4**
PROFIT FROM ORDINARY ACTIVITIES	**238.8**	**576.9**	**183.4**	**-23.2**
Gain (loss) on disposal of AFS securities	113.6	85.9	160.9	+41.6
Gain (loss) on disposal of other securities	—	2.7	—	n.m.
Bad debt writeoffs	0.4	(4.5)	(2.1)	n.m.
PRE-TAX PROFIT	**352.8**	**661.0**	**342.2**	**-3.0**
Income tax for the period	(64.8)	(115.4)	(83.0)	+28.1
NET PROFIT	**288.0**	**545.6**	**259.2**	**-10.0**

* The profit and loss account is also reported in accordance with the recommendations made by the Bank of Italy, which is found in the annex hereto, along with further details on how the various items have been restated.

** IAS/IFRS-compliant.

BALANCE SHEET*

	31/12/05**	30/6/06**	31/12/06
	€m	€m	€m
Assets			
Treasury funds	202.1	5,580.6	5,607.5
AFS securities	3,887.6	4,043.0	4,103.2
of which: fixed-income	*1,631.7*	*1,661.8*	*1,836.8*
equities	*2,255.9*	*2,381.2*	*2,266.4*
Financial assets held to maturity	593.1	625.5	629.0
Loans and advances to customers	15,634.1	15,870.5	17,127.7
Equity investments	1,677.2	1,673.2	1,670.0
Tangible and intangible assets	121.5	122.9	122.5
Other assets	240.0	268.1	174.9
of which tax assets	*156.0*	*182.8*	*130.5*
Total assets	22,355.6	28,183.8	29,434.8
Liabilities			
Funding	16,619.2	22,003.1	23,070.0
of which debt securities in issue	*13,881.7*	*20,192.1*	*21,260.9*
Other liabilities	541.2	539.4	615.7
of which tax liabilities	*405.3*	*449.6*	*493.9*
Provisions	165.2	165.7	166.9
Net equity	4,742.0	4,930.1	5,323.0
of which: share capital	*398.3*	*406.0*	*408.8*
reserves	*4,343.7*	*4,524.1*	*4,914.2*
Profit for the period	288.0	545.5	259.2
Total liabilities	22,355.6	28,183.8	29,434.8

* The profit and loss account is also reported in accordance with the recommendations made by the Bank of Italy, which is found in the annex hereto, along with further details on how the various items have been restated.

** IAS/IFRS-compliant.

* * *

A review of the other Group companies' performance is provided below:

— *Compass S.p.A.*: this company's accounts for the six months ended 31 December 2006 reflect net profit of €31m (31/12/05: €30.3m); loans and advances to customers were up 6% compared with 30 June 2006, from €3,315m to €3,516.2m.

— *SelmaBipiemme Leasing S.p.A.*: this company earned a net profit of €8.2m (€8.6m) during the half-year; as at 31 December 2006, amounts leased to clients had risen by 1.5% since the balance-sheet date, from €2,198.3m to €2,230.2m. Upon renewal of the exclusive commercial agreement with Banca Popolare di Milano in December 2006, a restricted rights issue was subscribed to by BPM, which increased SelmaBipiemme's share capital from €40.2m to €41.3m, with an €11.8m share premium. This resulted in the Mediobanca Group's interest in the company reducing from 61.65% to 60%.

— *Palladio Leasing S.p.A.*: Palladio Leasing's accounts for the six months under review reflect net profit of €4.2m (€4.5m); as at 31 December 2006, amounts leased to clients had risen by 6% since the balance-sheet date, from €1,217.6m to €1,290.2m.

— *Teleleasing S.p.A.*: this company earned a net profit of €4.3m (€4.4m), during the period, and at €492.8m, amounts leased to clients were in line with the €489.9m recorded at 30 June 2006.

— *Micos Banca S.p.A.*: Micos's accounts for the six months reflect net profit of €2.9m (€3.7m), after extraordinary costs of €1.7m incurred in connection with the launch of activities in France, with a total of five new branches being opened during the period. At 31 December 2006 loans outstanding were up 13%, from €1,683.3m to €1,901.6m.

— *Cofactor S.p.A.*: Cofactor recorded a net profit of €24,000 (€23,000); outstanding accounts as at 31 December 2006 were booked at €68.4m (€60.9m) During the six months under review the company implemented a €25m rights issue, paid up by Compass, and its share capital rose accordingly from €7.5m to €32.5m.

— *Creditech S.p.A.*: this company reported a net profit of €184,000 (€509,000) for the six months. Receivables under management at 31 December 2006 totalled €279m (€214m).

— *Compagnie Monégasque de Banque*, Monaco: the draft consolidated accounts as at 31 December 2006 reflect a profit of €40.6m (€35.2m), after net fee and commission income of €44.3m (€43.6m), gains on disposals of holdings worth €8m, and extraordinary provisions amounting to €6m. Lendings totalled €501.9m (€536.9m), and funding €1,590.8m (€1,317.1m). Assets managed on a discretionary and non-discretionary basis amounted to €7.7bn (€7.2bn), up 8% compared to last year. The increase reflects, among other things, acquisition of ABN Amro's private banking activities in the Principality of Monaco, completed in November 2006 as part of the bank's plans for growth. During the six months CMB also strengthened its product offering, through launch of the first closed real estate fund specializing in the Monégasque market.

— *Banca Esperia* (*48.5%-owned*): draft consolidated accounts as at 31 December 2006 reflect a profit of €16.6m (€14.8m), after management fees of €67.5m (€58.1m). The increase is due to growth in assets under management, which rose from €8bn to €9.5bn. The group confirmed its leading position in the top-end private banking segment, and during the six months Banca Esperia commenced operations in London, through Duemme Capital Ltd.

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A.:* this company recorded a net profit of €1.1m (€0.1m), after value adjustments to securities of €1m. Spafid's net worth at 31 December 2006 stood at €33.5m. Securities under trust totalled €1,266.1m (€1,239.4m).

— *Mediobanca International (Luxembourg) S.A.*, Luxembourg: during the six months under review, the company recorded a profit of €1.4m (€1.4m), after €1.6m in net fee income from lending activities. Customer lendings rose from €432.4m to €1,234m, while deposits stood at €1,258.3m, compared with €479.4m at 30 June 2006.

— *R. & S. - Ricerche e Studi S.p.A.*, Milan: this company recorded an even balance for the first six months of the financial year, after charging Mediobanca €0.8m (31/12/05: €0.7m) for services and expenses.

R&S produced the thirty-first edition of its Annual Directory, which includes analysis of leading Italian listed companies, and updated the reports available in digital format on the company's website. It also published the eleventh edition of its survey of leading industrial and service-sector multinationals, and the fourth edition of its survey of the world's largest banks. Its co-operation with Italian daily newspaper *Il Sole 24 Ore* continued, in the form of publishing quarterly survey of blue chip companies' results, as did its partnership with the Research Department of Unioncamere, which commissioned R&S to develop a scoring model to assess the financial stability of small and medium-size enterprises.

* * *

Outlook

The second half of the financial year should see trends in the Group's areas of activity recorded so far continue. In wholesale banking net interest and fee income should continue to improve, as business trends remain buoyant, while a major reduction in trading income is expected from last year. Retail financial services should continue to benefit from ongoing growth in the consumer credit segment, against a worsening risk profile for households. The result of the Group's equity investment portfolio will continue to depend on the performance of equity-accounted companies and that of financial markets generally, which to date have been positive. In private banking growth in assets under management should be confirmed and should translate to growing profitability.

Reconciliation of shareholders' equity and net profit

	Net equity €m	Net profit €m
Balance at 31/12/06 as per Mediobanca accounts	5,323,033	259,201
Net surplus over book value for consolidated companies	14,891	66,377
Other adjustments and restatements on consolidation, including effects of accounting for companies on equity basis	1,177,572	205,717
Dividends received during the period	—	(5,260)
TOTAL	6,515,496	526,035

Milan, 9 March 2007

THE BOARD OF DIRECTORS

CONSOLIDATED

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	Assets	31/12/06		30/6/06	
			(€'000)		(€'000)
10.	Cash and cash equivalents		7,370		5,389
20.	Financial assets held for trading		11,962,081		8,128,902
30.	Financial assets recognized at fair value		—		—
40.	AFS securities		5,183,302		5,502,675
50.	Financial assets held to maturity		629,907		626,456
60.	Due from banks		4,503,385		4,974,046
70.	Due from customers		26,307,099		22,954,200
80.	Hedge derivatives		797,958		793,395
90.	Value adjustments to financial assets subject to general hedging		—		—
100.	Equity investments		2,484,754		2,354,923
110.	Total reinsurers' share of technical reserves		—		—
120.	Property, plant and equipment		301,784		301,814
130.	Intangible assets		12,186		3,909
	of which:				
	– *goodwill*	8,000		—	
140.	Tax assets:		284,384		321,511
	a) current	130,175		175,591	
	b) advance	154,209		145,920	
150.	Other non-current and groups of assets being sold		—		—
160.	Other assets		237,260		149,333
	TOTAL ASSETS		**52,711,470**		**46,116,553**

	Liabilities and shareholders' equity	31/12/06		30/6/06	
		(€'000)		(€'000)	
10.	Due to banks		9,978,184		8,473,086
20.	Due to customers		5,966,695		3,966,619
30.	Debt securities in issue		22,510,653		20,560,941
40.	Trading liabilities		3,850,738		3,302,459
50.	Liabilities recognized at fair value		—		—
60.	Hedge derivatives		1,407,978		1,331,387
70.	Value adjustments to liabilities subject to general hedging		—		—
80.	Tax liabilities:		697,686		645,563
	a) current	274,783		267,260	
	b) deferred	422,903		378,303	
90.	Liabilities in respect of assets being sold		—		—
100.	Other liabilities		959,188		810,817
110.	Staff severance indemnity provision		34,072		34,714
120.	Provisions:		163,844		156,557
	a) post-retirement and similar benefits	—		—	
	b) other provisions	163,844		156,557	
130.	Tecnichal reserves		—		—
140.	Valuation reserves		621,845		351,197
150.	Shares with right of withdrawal		—		—
160.	Equity instruments		—		—
170.	Reserves		3,365,976		3,058,670
180.	Share premium reserve		2,119,328		2,071,364
190.	Share capital		408,781		405,999
200.	Treasury shares		(434)		(434)
210.	Net equity attributable to minority shareholders		100,901		89,211
220.	Profit (loss) for the period		526,035		858,403
	TOTAL LIABILITIES AND NET EQUITY		**52,711,470**		**46,116,553**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		6 mths to 31/12/06		6 mths to 31/12/05	
10.	Interest and similar income		1,201,799		853,235
20.	Interest and similar expense		(892,415)		(576,010)
30.	**Net interest income**		**309,384**		**277,225**
40.	Fee and commission income		184,733		157,073
50.	Fee and commission expense		(13,983)		(11,902)
60.	**Net fee and commission income**		**170,750**		**145,171**
70.	Dividends and similar income		4,996		17,553
80.	Net trading income		50,558		100,803
90.	Net hedging income (expense)		(142)		(876)
100.	Gain (loss) on disposal/repurchase of:		169,578		119,359
	a) loans and advances	—		—	
	b) AFS securities	169,273		117,653	
	c) financial assets held to maturity	52		—	
	d) financial liabilities	253		1,706	
110.	Net income from financial assets/liabilities recognized at fair value		—		—
120.	**Total income**		**705,124**		**659,235**
130.	Adjustments for impairment to:		(78,214)		(51,513)
	a) loans and advances	(78,405)		(51,507)	
	b) AFS securities	—		—	
	c) financial assets held to maturity	191		(6)	
	d) other financial transactions	—		—	
140.	**Net income from financial operations**		**626,910**		**607,722**
150.	Net income		—		—
160.	Income less expense from insurance operations		—		—
170.	**Net income from financial and insurance operations**		**626,910**		**607,722**
180.	Administrative expenses:		(195,483)		(173,269)
	a) labour costs	(102,987)		(95,038)	
	b) other administrative expenses	(92,496)		(78,231)	
190.	Net transfers to provisions		(6,017)		(504)
200.	Net adjustments to tangible assets		(4,840)		(4,974)
210.	Net adjustments to intangible assets		(774)		(1,707)
220.	Other operating income (expense)		25,513		20,858
230.	**Operating costs**		**(181,601)**		**(159,596)**
240.	Gain (loss) on equity-accounted investments		213,847		180,715
250.	Net gain (loss) upon recognition of tangible/intangible assets at fair value		—		—
260.	Adjustments to goodwill		—		—
270.	Gain (loss) upon disposal of investments:		(4)		529
	a) property	—		517	
	b) other assets	(4)		12	
280.	**Profit (loss) before tax on ordinary activities**		**659,152**		**629,370**
290.	Income tax for the period on ordinary activities		(127,696)		(110,529)
300.	**Profit (loss) after tax on ordinary activities**		**531,456**		**518,841**
310.	Gain (loss) after tax on groups of assets being sold		—		—
320.	**Net profit (loss) for the period**		**531,456**		**518,841**
330.	Profit (loss) attributable to minorities		(5,421)		(3,465)
340.	**Profit (loss) attributable to Mediobanca**		**526,035**		**515,376**

STATEMENT OF CHANGES TO CONSOLIDATED NET EQUITY

a) Group

	Previously-reported balance at 30/6/06	Adjust-ments to opening balance	Balance at 30/6/06	Allocation of profit for previous period		Changes during accounting period									Balance at 31/12/06
							Transactions involving net equity								
				Reserves	Dividends and other applications	Changes to reserves	New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instru-ments	Derivatives of treasury shares	Stock options	Profit (loss) for the period		
Share capital:	405,999	—	405,999	—	—	—	2,782	—	—	—	—	—	—		408,781
a) ordinary shares	405,999	—	405,999	—	—	—	2,782	—	—	—	—	—	—		408,781
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—		—
Share premium reserve	2,071,364	—	2,071,364	—	—	—	47,964	—	—	—	—	—	—		2,119,328
Reserves:	3,058,670	—	3,058,670	313,156	—	(10,592)	—	—	—	—	—	4,742	—		3,365,976
a) retained earnings	3,058,670	—	3,058,670	313,156	—	(10,592)	—	—	—	—	—	4,742	—		3,365,976
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—		—
Valuation reserves:	351,197	—	351,197	—	—	270,648	—	—	—	—	—	—	—		621,845
a) AFS securities	311,914	—	311,914	—	—	292,350	—	—	—	—	—	—	—		604,264
b) cash flow hedges	25,769	—	25,769	—	—	(21,658)	—	—	—	—	—	—	—		4,111
c) special laws	13,514	—	13,514	—	—	(44)	—	—	—	—	—	—	—		13,470
d) others	—	—	—	—	—	—	—	—	—	—	—	—	—		—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—		—
Treasury shares	(434)	—	(434)	—	—	—	—	—	—	—	—	—	—		(434)
Profit (loss) for period	858,403	—	858,403	(313,156)	(545,247)	—	—	—	—	—	—	—	526,035		526,035
Net equity	6,745,199	—	6,745,199	—	(545,247)	260,056	50,746	—	—	—	—	4,742	526,035		7,041,531

b) Minorities

	Previously-reported balance at 30/6/06	Adjustments to opening balance	Balance at 30/6/06	Allocation of profit for previous period	Changes during accounting period			Balance at 31/12/06
				Reserves	Changes to reserves	Transactions involving net equity: New shares issued	Profit (loss) for the period	
Share capital:	23,988	—	23,988	—	—	1,386	—	25,374
a) ordinary shares	23,988	—	23,988	—	—	1,386	—	25,374
b) other shares	—	—	—	—	—	—	—	—
Share premium reserves	2,537	—	2,537	—	—	4,818	—	7,355
Reserves:	50,862	—	50,862	6,912	—	2,232	—	60,007
a) retained earnings	50,862	—	50,862	6,912	—	2,232	—	60,007
b) others	—	—	—	—	—	—	—	—
Valuation reserves:	2,452	—	2,452	—	78	214	—	2,744
a) AFS securities	—	—	—	—	—	—	—	—
b) cash flow hedges	905	—	905	—	78	169	—	1,152
c) special laws	1,547	—	1,547	—	—	45	—	1,592
d) others	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—
Treasury shares	—	—	—	—	—	—	—	—
Profit (loss) for the period	9,372	—	9,372	(9,372)	—	—	5,421	5,421
Net equity attributable to minorities	89,211	—	89,211	(2,460)	78	8,650	5,421	100,901

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

FOR SIX MONTHS ENDED 31/12/05

	Previously-reported balance at 30/6/05	Adjustments to opening balance	Balance at 1/7/05	Allocation of profit for previous period		Changes during accounting period								Balance at 31/12/05
						Changes to reserves	Transactions involving net equity						Profit (loss) for the period	
				Reserves	Dividends and other applications		New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instru-ments	Deriva-tives of treasury shares	Stock options		
Share capital:	397,478	—	—	—	—	—	867	—	—	—	—	—	—	398,345
a) ordinary shares	397,478	—	397,478	—	—	—	867	—	—	—	—	—	—	398,345
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	1,933,331	—	1,933,331	—	—	—	14,702	—	—	—	—	—	—	1,948,033
Reserves:	2,708,792	23,547	2,732,339	325,315	—	5,646	—	—	—	—	—	—	—	3,063,300
a) retained earnings	2,708,792	23,547	2,732,339	325,315	—	5,646	—	—	—	—	—	—	—	3,063,300
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	13,514	363,786	377,300	—	—	(90,380)	—	—	—	—	—	—	—	286,920
a) AFS securities	—	332,965	332,965	—	—	(94,721)	—	—	—	—	—	—	—	238,244
b) cash flow hedges	—	30,821	30,821	—	—	4,455	—	—	—	—	—	—	—	35,276
c) special laws	13,514	—	13,514	—	—	—	—	—	—	—	—	—	—	13,514
d) others	—	—	—	—	—	(114)	—	—	—	—	—	—	—	(114)
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(434)	—	(434)	—	—	—	—	—	—	—	—	—	—	(434)
Profit (loss) for the period	713,953	—	713,953	(325,315)	(388,638)	—	—	—	—	—	—	—	515,376	515,376
Net equity	5,766,634	387,333	6,153,967	—	(388,638)	(84,734)	15,569	—	—	—	—	—	515,376	6,211,540
Net equity attributable to minorities	80,794	(1,484)	79,310	—	(2,327)	1,779	—	—	—	—	—	—	3,465	82,227

CONSOLIDATED CASH FLOW STATEMENT
Direct method

		Amount	
		31/12/06	31/12/05
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
1.	**Operating activities**	**229,471**	**298,560**
	– interest received	1,533,354	870,920
	– interest paid	(1,190,923)	(527,086)
	– dividends and similar income	4,990	17,547
	– net fee and commission income	142,749	60,932
	– cash payments to employees	(83,795)	(62,317)
	– net premium income	(1,183)	323
	– other income from insurance activities	935	(9,142)
	– other expenses paid	(328,854)	(57,811)
	– other income received	229,591	38,400
	– income taxes paid	(77,359)	(33,206)
	– income (expense) from groups of assets being sold net of tax effect	(34)	—
2.	**Cash generated (absorbed) by financial assets**	**(3,957,869)**	**(1,836,517)**
	– financial assets held for trading	(2,633,251)	(1,023,402)
	– financial assets recognized at fair value	—	—
	– AFS securities	(89,321)	2,773,685
	– due from customers	(1,889,088)	(3,719,746)
	– due from banks: on demand	(353,232)	59,542
	– due from banks: other amounts	1,059,857	(277)
	– other assets	(52,834)	73,681
3.	**Cash generated (absorbed) by financial liabilities**	**4,143,074**	**2,059,154**
	– due to banks: on demand	60,808	24,427
	– due to banks: other amounts due	2,431,093	3,552,297
	– due to customers	2,165	(1,439,969)
	– debt securities in issue	1,845,475	(30,529)
	– trading liabilities	(278,130)	(2,174)
	– financial liabilities recognized atfair value	—	—
	– other liabilities	81,663	(44,898)
	Net cash flow (outflow) from operating activities	**414,676**	**521,197**
B.	**INVESTMENT ACTIVITIES**		
1.	**Cash generated from**	**4,265**	**9,828**
	– disposals of shareholdings	3,800	—
	– dividends received on equity investments	—	—
	– disposals/redemptions of financial assets held to maturity	303	—
	– disposals of tangible assets	163	9,817
	– disposals of intangible assets	(1)	11
	– disposals of subsidiaries and business units	—	—
2.	**Cash absorbed by**	**5,234**	**(352,377)**
	– acquisitions of shareholdings	(440)	—
	– acquisitions of financial assets held to maturity	—	(343,188)
	– acquisitions of tangible assets	(4,615)	(8,651)
	– acquisitions of intangible assets	(179)	(538)
	– acquisitions of subsidiaries and business units	—	—
	Net cash flow (outflow) from investment/servicing of finance	**(969)**	**(342,549)**
C.	**FUNDING ACTIVITIES**		
	– issuance/acquisition of treasury shares	50,747	1,513
	– issuance/acquisition of equity instruments	12,891	—
	– dividend payouts and other applications of funds	(475,364)	(180,500)
	Net cash flow (outflow) from funding activities	**(411,726)**	**(178,987)**
	NET CASH FLOW (OUTFLOW) DURING PERIOD	**1,981**	**(339)**

RECONCILIATION OF MOVEMENTS DURING PERIOD

	Amount	
	31/12/06	31/12/05
Cash and cash equivalents: balance at start of period	5,389	6,689
Total cash flow (outflow) during period	1,981	(339)
Cash and cash equivalents: exchange rate effect	—	(29)
Cash and cash equivalents: balance at end of period	7,370	6,321

NOTES TO THE ACCOUNTS

PART A - ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 31 December 2006 have, as required by Italian Legislative Decree 38/05, 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), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02. Adoption of the new accounting standards with respect to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005. A summary of the main accounting policies adopted by the Group is provided below. This interim financial statement has been drawn up in conformity with Article 81 of Consob resolution 11971/99 as amended.

Section 2

General principles

These consolidated financial statements comprise:

– balance sheet;
– profit and loss account;
– statement of changes in net equity;
– cash flow statement (direct method);
– notes to the accounts.

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 4, and show data for the period under review compared with that for the previous financial year in the case of balance-sheet figures or the corresponding period in the previous financial year for profit-and-loss data.

Section 3

Area and methods 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 relation-ship[1]	Shareholding		% voting rights[2]
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	*Line-by-line*					
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	99.92	99.92
11.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.7	99.00	99.00
12.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.8	99.80	99.80
13.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.14	1.00	1.00
14.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
15.	MICOS BANCA S.p.A.	Milan	1	A.1.14	100.00	100.00
16.	COFACTOR S.p.A.	Milan	1	A.1.14	100.00	100.00
17.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.14	60.00	60.00
18.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.17	95.00	100.00
				A.1.18	5.00	
19.	TELELEASING S.p.A.	Milan	1	A.1.17	80.00	80.00
20.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
21.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
22.	CREDITECH S.p.A.	Milan	1	A.1.14	100.00	100.00
23.	QUARZO S.r.l.	Milan	4	A.1.14	7.00	7.00
24.	QUARZO LEASE S.r.l.	Milan	4	A.1.17	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 = unified management as defined in Article 26, paragraph 1 of Italian Legislative Decree 87/92.
6 = unified management as defined in Article 26, paragraph 2 of Italian Legislative Decree 87/92.
7 = joint control.

2 Effective and potential voting rights in ordinary AGMs.

Section 4

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 securities

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 profit and loss.

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 consists of 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

The stock option scheme operated on behalf of Group staff members and Directors is treated as a component of labour costs. 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.

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*

	31/12/06	30/6/06
a) Cash	7,370	5,389
Total	7,370	5,389

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

Section 2

Heading 20: Financial assets held for trading

2.1 *Financial assets held for trading*

	31/12/06		30/6/06	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities	4,424,212	597,581	3,749,026	218,431
1.1 Structured	10,935	23,191	11,964	33,654
1.2 Other debt securities	4,413,277	574,390	3,744,772	177,067
2. Equities	2,921,786[1]	—	1,966,146	—
3. OICR units	1,745	—	2,658	—
4. Loans and advances	—	—	—	—
4.1 Repos	—	—	—	—
4.2 Others	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized	2,626,576	—	889,415	—
Total A	9,974,319	597,581	6,607,245	218,431
B. Derivative products				
1. Financial derivatives	12,923	1,336,220	8,035	1,267,678
1.1 trading	12,923	713,219	—	—
1.2 linked to fair value options	—	—	—	—
1.3 others	—	623,001	—	—
2. Credit derivatives	—	41,038	—	27,513
1.1 trading	—	41,038	—	27,513
1.2 linked to fair value options	—	—	—	—
1.3 others	—	—	—	—
Total B	12,923	1,377,258	8,035	1,295,191
Total (A+B)	9,987,242	1,974,839	6,615,280	1,513,622

1 Includes €672,054,000 in connection with the pre-paid forward transaction to acquire a 1.58% stake in Assicurazioni Generali, which is classified as held for trading to reflect the effective nature of the transaction more accurately.

2.3 *Financial assets held for trading: trading derivatives*

	Interest rates	Foreign currency/gold	Equities	Loans and receivables	Other assets	31/12/06	30/6/06
A) Listed derivative products							
1) Financial derivatives:	1,757	—	11,166	—	—	12,923	8,035
- with exchange of principal	1,470		11,139	—	—	12,609	5,860
- options bought	—	—	—	—	—	—	—
- other derivatives	1,470	—	11,139	—	—	12,609	5,860
- without exchange of principal	287	—	27	—	—	314	2,175
- options bought	194	—	—	—	—	194	344
- other derivatives	93	—	27	—	—	120	1,831
2) Credit derivatives:	—	—	—	—	—	—	—
- with exchange of principal	—	—	—	—	—	—	—
- without exchange of principal	—	—	—	—	—	—	—
Total A	1,757	—	11,166	—	—	12,923	8,035
B) Unlisted derivative products							
1) Financial derivatives:	450,005	40,664	780,233	—	65,318	1,336,220	1,267,678
- with exchange of principal	—	40,540	31,877	—	—	72,417	30,569
- options bought	—	—	31,877	—	—	31,877	7,239
- other derivatives	—	40,540	—	—	—	40,540	23,330
- without exchange of principal	450,005	124	748,389	—	65,318	1,263,803	1,237,109
- options bought	174	124	748,356	—	—	748,654	744,691
- other derivatives	449,831	—	33	—	65,318	515,149	492,418
2) Credit derivatives:	—	—	—	41,038	—	41,038	27,513
- with exchange of principal	—	—	—	41,038	—	41,038	27,513
- without exchange of principal	—	—	—	—	—	—	—
Total B	450,005	40,664	780,233	41,038	65,318	1,377,258	1,295,191
Total (A+B)	451,762	40,664	791,399	41,038	65,318	1,390,181	1,303,226

2.4 *Financial assets held for trading (excluding assets sold but not derecognized/impaired assets): movements during six months ended 31 December 2006*

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	3,967,457	1,966,146	2,658	—	5,936,261
B. Additions:	20,270,996	7,710,781	14,105	—	27,995,842
B.1 Acquisitions	18,354,662	5,898,173	13,948	—	24,266,783
B.2 Increases in fair value	15,709	192,954	—	—	208,663
B.3 Other additions	1,900,585	1,619,654	157	—	3,520,396
C. Reductions:	19,216,620	6,755,141	15,018	—	25,986,779
C.1 Disposals	15,788,190	5,261,912	15,018	—	21,065,116
C.2 Redemptions	—	—	—	—	—
C.3 Reductions in fair value	26,305	126,057	—	—	152,362
C.4 Other reductions	3,402,125	1,367,174	—	—	4,769,299
D. Balance at end of period	5,021,793	2,921,786	1,745	—	7,945,324

Section 4

Heading 40: Available for sale (AFS) securities

4.1 *AFS securities*

	31/12/06		30/6/06	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	1,757,080	493,265	1,999,832	454,323
1.1 Structured	227,138	41,434	218,784	36,898
1.2 Other debt securities	1,529,942	451,831	1,781,048	417,425
2. Equities	2,024,997	260,928	1,809,399	613,628
3. OICR units	412,268	—	245,754	—
4. Loans and advances	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized	190,320	44,444	259,601	120,138
Total	4,384,665	798,637	4,314,586	1,188,089

4.2 *AFS securities (excluding assets sold but not derecognized/impaired assets): movements during six months ended 31 December 2006*

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	2,454,155	2,423,027	245,754	—	5,122,936
B. Additions:	4,873,669	556,640	1,034,378	—	6,464,687
B.1 Acquisitions	4,683,450	68,918	1,028,986	—	5,781,354
B.2 Increases in fair value	35,310	310,526	—	—	345,836
B.3 Writebacks	—	—	—	—	—
a) to profit and loss	—	—	—	—	—
b) to net equity	—	—	—	—	—
B.4 Transfers from other portfolios	—	—	—	—	—
B.5 Other additions	154,909	177,196	5,392	—	337,497
C. Reductions:	5,077,479	693,742	867,864	—	6,639,085
C.1 Disposals	5,051,605	669,033	867,864	—	6,588,502
C.2 Redemptions	—	—	—	—	—
C.3 Reductions in fair value	3,296	13,198	—	—	16,494
C.4 Writedowns for impairment	—	—	—	—	—
a) charged to profit and loss	—	—	—	—	—
b) charged to net equity	—	—	—	—	—
C.5 Transfers from other portfolios	—	—	—	—	—
C.6 Other reductions	22,578	11,511	—	—	34,089
D. Balance at end of period	2,250,345	2,285,925	412,268	—	4,948,538

4.3 *AFS securities: hedged assets*

	Hedged assets			
	Total 31/12/06		Total 30/6/06	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	—	—	—	—
2. Equities	—	98,769	—	—
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
5. Portfolio	—	—	—	—
Total	—	98,769	—	—

Section 5

Heading 50: Financial assets held to maturity

5.1 *Financial assets held to maturity*

	31/12/06		30/6/06	
	Book value	Fair value	Book value	Fair value
1. Debt securities	467,108	495,158	626,456	604,025
1.1 Structured	—	—	—	—
1.2 Other debt securities	467,108	495,158	626,456	604,025
2. Loans and advances	—	—	—	—
3. Impaired assets	—	—	—	—
4. Assets sold but not derecognized	162,799	114,570	—	—
Total	629,907	609,728	626,456	604,025

5.4 *Financial assets held to maturity: (excluding assets sold but not derecognized/impaired assets): movements during six months ended 31 December 2006*

	Debt securities	Loans and advances	Total
A. Balance at start of period	626,456	—	626,456
B. Additions:	10,002	—	10,002
B.1 Acquisitions	—	—	—
B.2 Writebacks	442	—	442
B.3 Transfers from other portfolios	—	—	—
B.4 Other additions	9,560	—	9,560
C. Reductions:	169,350	—	169,350
C.1 Disposals	—	—	—
C.2 Redemptions	847	—	847
C.3 Value adjustments	251	—	251
C.4 Transfers from other portfolios	—	—	—
C.5 Other reductions	168,252	—	168,252
D. Balance at end of period	467,108	—	467,108

Section 6

Heading 60: Due from banks

6.1 *Due from banks*

	31/12/06	30/6/06
A. Due from central banks	69,849	52,225
1. Term deposits	—	—
2. Compulsory reserves	69,849	52,225
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	4,433,536	4,921,821
1. Current accounts and demand deposits	1,133,629	457,809
2. Term deposits	905,659	1,998,656
3. Other receivables:	2,207,100	2,442,457
3.1 amounts due under repo agreements	1,367,170	1,700,666
3.2 amounts due under finance leases	2,914	1,195
3.3 other amounts due	837,016	740,596
4. Debt securities:	—	—
4.1 Structured	—	—
4.2 Other debt securities	—	—
5. Impaired assets	127	127
6. Assets sold but not derecognized	187,021	22,772
Total book value	4,503,385	4,974,046
Total fair value	4,504,004	4,969,789

Section 7

Heading 70: Due from customers

7.1 *Due from customers*

	31/12/06	30/6/06
1. Current accounts	10,578	13,091
2. Amounts due under repo agreements	503,495	303,050
3. Mortgages	14,340,935	13,224,058
4 Credit cards, personal loans and salary-backed loans	3,304,456	2,963,815
5. Amounts due under finance leases	3,611,892	3,425,431
6. Factoring	—	—
7. Other transactions	3,087,299	2,011,329
8. Debt securities	—	—
8.1 Structured	—	—
8.2 Other debt securities	—	—
9. Impaired assets	116,868	103,830
10. Assets sold but not derecognized	1,331,576	909,596
Total book value	26,307,099	22,954,200
Total fair value	27,165,336	23,511,858

Section 8

Heading 80: Hedging derivatives

8.1 *Hedging derivatives by type of contract and underlying asset*

	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	—	—	—	—	—	—
b) Credit derivatives:	—	—	—	—	—	—
- with exchange of principal	—	—	—	—	—	—
- without exchange of principal	—	—	—	—	—	—
Total A	—	—	—	—	—	—
B) Unlisted derivative products						
1) Financial derivatives:	797,228	188	—	—	—	797,416
- with exchange of principal	—	188	—	—	—	188
- options bought	—	—	—	—	—	—
- other derivative products	—	188	—	—	—	188
- without exchange of principal	797,228	—	—	—	—	797,228
- options bought	—	—	—	—	—	—
- other derivative products	797,228	—	—	—	—	797,228
2) Credit derivatives:	—	—	—	542	—	542
- with exchange of principal	—	—	—	2	—	2
- without exchange of principal	—	—	—	540	—	540
Total B	797,228	188	—	542	—	797,958
Total at 31/12/06	797,228	188	—	542	—	797,958
Total at 30/6/06	789,328	2,719	—	1,348	—	793,395

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	4,470	—	2	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	4,470	—	2	—	—	—	—	—
1. Financial liabilities	768,519	—	540	—	—	—	24,427	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	768,519	—	540	—	—	—	24,427	—

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 relation-ship	Extent of relationship		% voting rights	Consolidated book value	Fair value
			Investor company	% interest			
B. Companies							
1. Burgo Group S.p.A.	Verzuolo, near Cuneo	2	Mediobanca	22.13	22.13	105,131	—
2. Assicurazioni Generali S.p.A.	Trieste	2	Mediobanca	13.03	13.03	1,999,288[1]	5,993,693
			Spafid	0.09	0.09	—	—
			Compass	0.97	0.97	—	—
3. RCS MediaGroup S.p.A.	Milan	2	Mediobanca	13.66	14.21	292,660	395,915
4. Banca Esperia S.p.A.	Milan	2	Mediobanca	48.50	46.03	39,878	—
5. MB Venture Capital S.A.	Luxembourg	2	Technostart	35.0	35.0	14	—
6. MB Venture Capital Fund I Partecipating Co. A N.V.	Amsterdam	2	Mediobanca	98.84	45.0	9,201	—
7. Fidia SGR S.p.A.	Milan	2	Mediobanca	25.0	25.0	2,464	—
8. Athena Private Equity S.A.	Luxembourg	2	Mediobanca	23.88	23.88	35,629	—
9. Ape S.p.A.	Milan	2	Mediobanca	40.0	40.0	440	—
10. Other minor investments						49	—

1 Cf. note on page 59.

Legend:

1 Jointly-controlled.

2 Subject to significant influence.

Section 12

Heading 120: Property, plant and equipment

12.1 *Tangible assets stated at cost*

	31/12/06	30/6/06
A. Core assets		
1.1 owned by the Group:	272,135	271,959
a) land	83,636	83,636
b) buildings	169,065	169,627
c) furniture	9,696	9,796
d) electronic equipment	6,308	6,129
e) other assets	3,430	2,771
1.2 acquired under finance leases:	—	—
a) land	—	—
b) buildings	—	—
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	272,135	271,959
B. Assets held for investment purposes		
2.1 owned by the Group:	29,649	29,855
a) land	20,350	20,350
b) buildings	9,299	9,505
2.2 acquired under finance leases:		—
a) land	—	—
b) buildings	—	—
Total B	29,649	29,855
Total (A+B)	301,784	301,814

12.3 *Core tangible assets: movements during six months ended 31 December 2006*

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	184,590	17,815	24,932	12,262	323,235
A.1 Total net value reductions	—	14,963	8,019	18,803	9,491	51,276
A.2 Net opening balance	83,636	169,627	9,796	6,129	2,771	271,959
B. Additions:	—	1,166	975	1,370	1,596	5,107
B.1 Purchases	—	1,166	975	1,364	1,561	5,066
B.2. Capitalized improvement expenses	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value recognized in:						
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Transfers from assets held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	6	35	41
C. Reductions	—	1,728	1,075	1,191	937	4,931
C.1 Disposals	—	130	28	16	104	278
C.2 Depreciation	—	1,598	1,047	1,175	797	4,617
C.3 Value adjustments for impairment taken to:	—	—	—	—	17	17
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	17	17
C.4 Reductions in fair value recognized in:						
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
C.5 Reductions arising on exchange rates	—	—	—	—	—	—
C.6 Transfers to:						
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	19	19
D. Net closing balance	83,636	169,065	9,696	6,308	3,430	272,135
D.1 Total net value reductions	—	16,092	8,657	19,735	7,191	51,675
D.2 Gross closing balance	83,636	185,157	18,353	26,043	10,621	323,810

12.4 *Tangible assets held for investment purposes: movements during six months ended 31 December 2006*

	Total	
	Land	Buildings
A. Gross opening balance	20,350	9,505
B. Additions	—	—
B.1 Purchases	—	—
B.2 Capitalized improvement expenses	—	—
B.3 Increases in fair value	—	—
B.4 Revaluations	—	—
B.5 Increases arising on exchange rates	—	—
B.6 Transfers from core tangible assets	—	—
B.7 Other additions	—	—
C. Reductions	—	206
C.1 Disposal	—	—
C.2 Depreciation	—	206
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising on exchange rates	—	—
C.6 Transfers to other portfolios of asset:	—	—
a) core tangible assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	9,299

Section 13

Heading 130: Intangible assets

13.1 *Intangible assets*

	31/12/06		30/6/06	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	—	8,000	—	—
A.1.1 attributable to Group	—	8,000	—	—
A.1.2 attributable to others	—	—	—	—
A.2 Other intangible assets	4,186	—	3,909	—
A.2.1 Assets recognized at cost:	4,186	—	3,909	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	4,186	—	3,909	—
A.2.2 Assets recognized at fair value:	—	—	—	—
a) Intangible assets generated internally	—	—	—	—
b) Other assets	—	—	—	—
Total	4,186	8,000	3,909	—

13.2 *Intangible assets: movements during six months ended 31 December 2006*

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Gross opening balance	—	—	—	8,864	—	8,864
A.1 Total net value reductions	—	—	—	4,955	—	4,955
A.2 Net opening balance	—	—	—	3,909	—	3,909
B. Additions:	8,000	—	—	1,307	—	9,307
B.1 Purchases	8,000	—	—	1,058	—	9,058
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value recognized in:						
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	249	—	249
C. Reductions	—	—	—	1,030	—	1,030
C.1 Disposals	—	—	—	2	—	2
C.2 Value adjustments	—	—	—	772	—	772
– amortization	—	—	—	—	—	—
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss	—	—	—	—	—	—
C.3 Reductions in fair value recognized in:						
a) net equity	—	—	—	—	—	—
b) profit and loss	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions arising on exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	256	—	256
D. Net closing balance	8,000	—	—	4,186	—	12,186
D.1 Total net value adjustments	—	—	—	5,932	—	5,932
E. Gross closing balance	8,000	—	—	10,118	—	18,118

Section 14

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

14.1 *Advance tax assets*

	31/12/06	30/6/06
Corporate income tax (IRES)	148,691	141,509
Regional production tax (IRAP)	5,518	4,411
Total	154,209	145,920

14.2 *Deferred tax liabilities*

	31/12/06	30/6/06
Corporate income tax (IRES)	387,795	352,963
Regional production tax (IRAP)	35,108	25,340
Total	422,903	378,303

14.3 *Movements in advance tax during six months ended 31 December 2006*

	31/12/06	30/6/06
1. Balance at start of period	145,796	132,000
IAS 39 adoption	—	15,557
1. Opening balance	145,796	147,557
2. Additions:	52,353	30,883
2.1 Advance tax originating during period:	20,662	21,204
a) relating to previous years	370	—
b) due to changes in accounting policies	—	—
c) rebates	—	—
d) other	20,292	21,204
2.2 New taxes or increases in tax rates	31,636	9,611
2.3 Other additions	55	68
3. Reductions:	43,981	32,644
3.1 Advance tax reversed during period:	40,722	30,698
a) reclassifications	40,722	30,404
b) writedowns due to amounts becoming unrecoverable	—	294
c) due to changes in accounting policies	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	3,259	1,946
4. Balance at end of period	154,168	145,796

14.4 *Movements in deferred tax*

	31/12/06	30/6/06
1. Balance at start of period	319,931	312,864
IAS 39 adoption	—	(36,244)
1. Opening balance	319,931	276,620
2. Additions:	34,606	69,864
2.1 Advance tax originating during period:	9,367	26,463
a) relating to previous years	25	—
b) due to changes in accounting policies	—	—
c) other	9,342	26,463
2.2 New taxes or increases in tax rates	310	37,301
2.3 Other additions	24,929	6,100
3. Reductions:	18,898	26,553
3.1 Advance tax reversed during period:	1,633	25,921
a) reclassifications	156	6,998
b) due to changes in accounting policies	—	—
c) other	1,477	18,923
3.2 Reductions in tax rates	—	—
3.3 Other reductions	17,265	632
4. Balance at end of period	335,639	319,931

14.5 *Movements in advance tax*[1]

	31/12/06	30/6/06
1. Balance at start of period	124	—
IAS 39 adoption	—	1,989
1. Opening balance	124	1,989
2. Additions:	3	925
2.1 Advance tax originating during period:	3	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:	86	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	86	2,014
4. Balance at end of period	41	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 *Movements in deferred tax*[1]

	31/12/06	30/6/06
1. Balance at start of period	58,372	—
IAS 39 adoption	—	56,930
1. Opening balance	58,372	56,930
2. Additions:	51,299	23,251
2.1 Advance tax originating during period:	6,357	7,748
a) relating to previous years	—	—
b) due to changes in accounting policies	—	—
c) other	6,357	7,748
2.2 New taxes or increases in tax rates	44,379	13,037
2.3 Other additions	563	2,466
3. Reductions:	22,407	21,809
3.1 Advance tax reversed during period:	20,785	21,809
a) reclassifications	—	—
b) due to changes in accounting policies	—	—
c) other	20,785	21,809
3.2 Reductions in tax rates	—	—
3.3 Other reductions	1,622	—
4. Balance at end of period	87,264	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*

	31/12/06	30/6/06
1. Bills for collection	—	9,142
2. Amounts due from customers:	90,941	46,337
– securities drawn by lot, bonds, and coupons being checked	2,072	10,280
– premiums, grants indemnities and other items in respect of lending transactions	1,737	5,964
– futures and other securities transactions	—	—
– advance payments on deposit commissions	5,716	3,452
– other items in transit	80,819	26,641
– invoices to be collected or issued	597	—
3. Interbank accounts, deferred value dates	—	—
4. Other items	28,941	48,744
5. Collateral paid on derivative contracts	117,378	45,110
6. Adjustments arising on consolidation	—	—
TOTAL	237,260	149,333

Liabilities

Section 1

Heading 10: Due to banks

1.1 *Due to banks*

	31/12/06	30/6/06
1. Due to central banks	500,371	597,846
2. Due to banks:	9,477,813	7,875,240
2.1 Current accounts and demand deposits	1,320,493	752,712
2.2 Term deposits	401,758	555,625
2.3 Borrowings	5,200,281	4,791,621
2.4 Amounts due under commitments to buy back own equity instruments	—	—
2.5 Liabilities in respect of assets sold but not derecognized:	1,964,528	415,861
2.5.1 Amounts due under reverse repo agreements	1,777,507	415,861
2.5.2 Other	187,021	—
2.6 Other amounts due to banks	590,753	1,359,421
Total book value	9,978,184	8,473,086
Total fair value	9,978,184	8,473,086

Section 2

Heading 20: Due to customers

2.1 *Due to customers*

	31/12/06	30/6/06
1. Current accounts and demand deposits	1,799,183	1,071,731
2. Term deposits	1,083,970	851,767
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	41,910	44,606
5. Amounts due under commitments to buy back own equity instruments	—	—
6. Liabilities in respect of assets sold but not derecognized:	2,077,759	1,187,815
6.1 Amounts due under reverse repo agreements	746,261	441,888
6.2 Other	1,331,498	745,927
7. Other amounts due	963,873	810,700
Total	5,966,695	3,966,619
Total fair value	5,989,358	3,967,122

Section 3

Heading 30: Debt securities in issue

3.1 *Debt securities in issue*

	31/12/06		30/6/06	
	Book value	Fair value	Book value	Fair value
A. Listed securities:	15,756,521	15,832,336	17,307,423	17,285,449
1. bonds	15,756,521	15,832,336	17,307,423	17,285,449
1.1 structured	5,212,160	5,274,683	6,283,418	6,270,364
1.2 other	10,544,361	10,557,653	11,024,005	11,015,085
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
B. Unlisted securities:	6,754,132	6,695,896	3,253,518	3,249,460
1. bonds	5,029,098	4,971,207	2,896,779	2,892,721
1.1 structured	1,329,213	1,414,363	1,449,821	1,442,668
1.2 other	3,699,885	3,556,844	1,446,958	1,452,053
2. other securities	1,725,034	1,724,689	356,739	356,739
2.1 structured	—	—	—	—
2.2 others	1,725,034	1,724,689	356,739	356,739
Total	22,510,653	22,528,232	20,560,941	20,534,909

Section 4

Heading 40: Trading liabilities

4.1 *Trading liabilities*

	31/12/06			30/6/06		
	Nominal value	Fair value		Nominal value	Fair value	
		Listed	Unlisted		Listed	Unlisted
A. Cash liabilities						
1. Due to banks	1,631,794	1,748,907	—	24,294	26,738	—
2. Due to customers	740,206	739,023	—	2,069,888	2,030,848	—
3. Debt securities	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—
3.1.2 Other debt securities	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—
3.2.2 Other securities	—	—	—	—	—	—
Total A	2,372,000	2,487,930	—	2,094,182	2,057,586	—
B. Derivative products						
1. Financial derivatives:	X	18,848	1,296,564	X	14,821	1,210,480
1.1 Trading	X	18,848	680,564	X	14,821	599,950
1.2 Linked to fair value options	X	—	—	X	—	—
1.3 Others	X	—	616,000	X	—	610,530
2. Credit derivatives:	X	—	47,396	X	—	19,572
2.1 Trading	X	—	47,396	X	—	19,572
2.2 Linked to fair value options	X	—	—	X	—	—
2.3 Others	X	—	—	X	—	—
Total B	X	18,848	1,343,960	X	14,821	1,230,052
Total (A+B)	2,372,000	2,506,778	1,343,960	2,094,182	2,072,407	1,230,052

4.4 *Trading liabilities: derivative products*

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other	31/12/06	30/6/06
A. Listed derivative products							
1. Financial derivatives:	14,094	—	4,754	—	—	18,848	14,821
– with exchange of principal	13,471	—	4,589	—	—	18,060	13,959
– options issued	—	—	—	—	—	—	—
– other derivatives	13,471	—	4,589	—	—	18,060	13,959
– without exchange of principal	623	—	165	—	—	788	862
– options issued	—	—	—	—	—	—	23
– other derivative products	623	—	165	—	—	788	839
2. Credit derivatives:	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—
Total A	14,094	—	4,754	—	—	18,848	14,821
B. Unlisted derivative products							
1. Financial derivatives:	358,602	8,714	772,892	—	156,356	1,296,564	1,210,480
– with exchange of principal	—	8,564	40,235	—	—	48,799	8,386
– options issued	—	—	40,235	—	—	40,235	4,394
– other derivatives	—	8,564	—	—	—	8,564	3,992
– without exchange of principal	358,602	150	732,657	—	156,356	1,247,765	1,203,384
– options issued	7,926	150	732,657	—	—	740,733	735,957
– other derivatives	350,676	—	—	—	156,356	507,032	466,137
2. Credit derivatives:	—	—	—	47,396	—	47,396	19,572
– with exchange of principal	—	—	—	45,575	—	45,575	18,072
– without exchange of principal	—	—	—	1,821	—	1,821	1,500
Total B	358,602	8,714	772,892	47,396	156,356	1,343,960	1,230,052
Total (A+B)	372,696	8,714	777,646	47,396	156,356	1,362,808	1,244,873

Section 6

Heading 60: Hedging derivatives

6.1 *Hedging derivatives: by portfolio hedged/asset type*

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other	Total
A) Listed derivative products						
1) Financial derivatives:	—	—	7,477	—	—	7,477
– with exchange of principal	—	—	7,477	—	—	7,477
– options issued	—	—	—	—	—	—
– other derivative products	—	—	7,477	—	—	7,477
– without exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivative products	—	—	—	—	—	—
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total A	—	—	7,477	—	—	7,477
B) Unlisted derivative products						
1) Financial derivatives:	1,392,955	4,931	—	—	—	1,397,886
– with exchange of principal	—	4,931	—	—	—	4,931
– options issued	—	—	—	—	—	—
– other derivative products	—	4,931	—	—	—	4,931
– without exchange of principal	1,392,955	—	—	—	—	1,392,955
– options issued	—	—	—	—	—	—
– other derivative products	1,392,955	—	—	—	—	1,392,955
2) Credit derivatives:	—	—	—	2,615	—	2,615
– with exchange of principal	—	—	—	2,488	—	2,488
– without exchange of principal	—	—	—	127	—	127
Total B	1,392,955	4,931	—	2,615	—	1,400,501
Total 31/12/06	1,392,955	4,931	7,477	2,615	—	1,407,978
Total 30/6/06	1,321,437	5,740	—	4,210	—	1,331,387

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	—	—	—	—	—	—	7,477	—
2. Loans and receivables	35,597	—	1,419	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	35,597	—	1,419	—	—	—	7,477	—
1. Financial liabilities	1,349,161	—	1,196	—	—	—	13,128	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	1,349,161	—	1,196	—	—	—	13,128	—

Section 10

Heading 100: Other liabilities

10.1 *Other liabilities*

	31/12/06	30/6/06
1. Bills for collection	12	13
2. Amounts payable in respect of:		
– coupons and dividends pending collection	1,188	2,127
– commissions payable to banks	16	54
– commissions payable to participants in underwriting syndicates	—	111
– sums available for payments to customers	28,915	15,957
– invoices pending settlement or receipt	138,951	134,643
– premiums, grants and other items relating to lending transactions	—	—
3. Wages accrued, contribution and amounts payable withheld from staff/customers	20,879	42,326
4. Interbank accounts, deferred value dates	—	—
5. Deposits paid on derivative products (marked to market)	708,436	576,013
6. Other items	60,791	39,573
7. Adjustments on consolidation	—	—
Total	959,188	810,817

Section 11

Heading 110: Staff severance indemnity provision

11.1 *Staff severance indemnity provision: movements during six months ended 31 December 2006*

	31/12/06	30/6/06
A. Balance at start of period	34,714	36,252
B. Additions:	4,277	9,219
B.1 Transfers during period	4,268	8,874
B.2 Other additions	9	345
C. Reductions:	4,919	10,757
C.1 Indemnities paid out	3,667	6,098
C.2 Other reductions[1]	1,252	4,659
D. Balance at end of period	34,072	34,714

[1] Includes transfers to external, defined contribution pension schemes.

Section 12

Heading 120: Provisions

12.1 *Provisions*

	31/12/06	30/6/06
1. Company post-retirement benefit provisions	—	—
2. Other provisions:	163,844	156,557
2.1 litigation	25	39
2.2 staff-related	—	—
2.3 other	163,819	156,518
Total	163,844	156,557

12.2 Provisions: movements during six months ended 31 December 2006

	Post-retirement benefit	Litigation	Other provisions	Total
A. Balance at start of period	—	39	156,518	156,557
B. Additions:	—	—	9,517	9,517
B.1 Transfers during period	—	—	9,517[1]	9,517
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions:	—	14	2,216	2,230
C.1 Transfers during period	—	14	2,216	2,230
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	25	163,819	163,844

[1] Relating to Compagnie Monégasque de Banque in connection with programme of long-term commitments entered into with Principality of Monaco.

Section 15

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

15.1 *Net equity*

	31/12/06	30/6/06
1. Share capital	408,781	405,999
2. Share premium reserve	2,119,328	2,071,364
3. Reserves	3,365,976	3,058,670
4. Treasury shares:	(434)	(434)
a) parent company	—	—
b) group companies	(434)	(434)
5. Valuation reserves	621,845	351,197
6. Equity instruments	—	—
7. Profit (loss) for period attributable to Group	526,035	858,403
Total	7,041,531	6,745,199

15.6 *Valuation reserves*

	31/12/06	30/6/06
1. AFS securities	604,264	311,914
2. Property, plant and equipment	—	—
3. Intangible assets	—	—
4. Foreign investment hedges	—	—
5. Cash flow hedges	4,111	25,769
6. Exchange rate differences	—	—
7. Non-current assets being sold	—	—
8. Special laws	13,470	13,514
9. Staff severance indemnity provision actuarial reserve	—	—
Total	621,845	351,197

15.7 *Valuation reserves: movements during six months ended 31 December 2006*

	AFS securities	Cash flow hedges	Special laws
A. Balance at start of period	311,914	25,769	13,514
B. Additions	312,252	952	—
B.1 Increases in fair value	312,252	639	—
B.2 Other additions	—	313	—
C. Reductions	19,902	22,610	44
C.1 Reductions in fair value	10,439	7,113	—
C.2 Other reductions	9,463	15,497	44
D. Balance at end of period	604,264	4,111	13,470

15.8 *AFS valuation reserves*

	31/12/06	
	Positive reserve	Negative reserve
1. Debt securities	60,241	29,365
2. Equities	681,971	115,805
3. OICR units	7,222	—
4. Loans and advances	—	—
Total	749,434	145,170
Total at 30 June 2006	464,928	153,014

15.9 *AFS valuation reserves: movements during six months ended 31 December 2006*

	Debt securities	Equities	OICR units	Total
1. Balance at start of period	11,877	298,218	1,819	311,914
2. Additions	25,739	281,505	5,403	312,647
2.1 Increases in fair value	25,344	281,505	5,403	312,252
2.2 Shortfalls on reserves charged back to profit and loss:	395	—	—	395
– due to impairment	—	—	—	—
– due to disposals	395	—	—	395
2.3 Other additions	—	—	—	—
3. Reductions	6,740	13,557	—	20,297
3.1 Reductions in fair value	6,740	3,699	—	10,439
3.2 Adjustments due to impairment	—	—	—	—
3.3 Surpluses on reserves credited back to profit and loss: from disposals	—	9,858	—	9,858
3.4 Other reductions	—	—	—	—
4. Balance at end of period	30,876	566,166	7,222	604,264

Section 16

Heading 210: Net equity attributable to minorities

16.1 *Net equity attributable to minorities*

	31/12/06	30/6/06
1. Share capital	25,374	23,988
2. Share premium reserves	7,355	2,537
3. Reserves	60,007	50,862
4. Treasury shares	—	—
5. Revaluation reserves[1]	2,744	2,452
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	5,421	9,372
Total	100,901	89,211

[1] Relates to cash flow hedges.

Other information

1. *Guarantees and commitments*

	31/12/06	30/6/06
1. Financial guarantees given to:	1,798,049	1,499,611
a) Banks	846,101	810,645
b) Customers	951,948	688,966
2. Commercial guarantees given to:	—	5,839
a) Banks	—	—
b) Customers	—	5,839
3. Irrevocable commitments to lend funds to:	24,041,172	69,255,729
a) Banks	6,913,715	4,383,111
i) specific	5,138,208	2,594,234
ii) standby basis	1,775,507	1,788,877
b) Customers	17,127,457	64,872,618
i) specific	7,771,046	7,885,393
ii) standby basis	9,356,411	56,987,225[1]
4. Commitments underlying credit derivatives: hedge sales	1,047,471[2]	273,933
5. Assets pledged as collateral for customers' obligations	39,841	—
6. Other commitments	442,655[3]	159,149
Total	27,369,188	71,194,261

1 Of which €48,544,000,000 guaranteed by letters of credit.
2 Of which €372,872,000 covered by purchases for a like amount and maturity.
3 Sales of put options, €240,473,000 covered by purchases for a like amount and maturity.

2. *Assets pledged as collateral for own liabilities and commitments*

	31/12/06	30/6/06
1. Financial assets held for trading	2,594,430	1,323,179
2. Financial assets recognized at fair value	—	—
3. AFS securities	—	—
4. Financial assets held to maturity	—	—
5. Due from banks	—	—
6. Due from customers	321,538	334,895
7. Tangible assets	—	—

5. *Assets managed and traded for customers*

	31/12/06	30/6/06
1. Securities traded for customers	13,350,698	40,837,772
a) Purchases:	7,052,519	20,638,248
1. settled	6,834,714	20,077,303
2. pending settlement	217,805	560,945
b) Disposals:	6,298,179	20,199,524
1. settled	6,080,374	19,638,579
2. pending settlement	217,805	560,945
2. Asset management[1]:	4,865,000	4,497,000
a) individuals	1,303,000	1,247,000
b) groups	3,562,000	3,250,000
3. Assets under custody/managed on a non-discretionary basis:	19,159,470	18,015,532
a) customers' assets held on deposit in connection with depositary bank activity (excl. asset management)[2]	4,536,517	4,289,689
1. securities issued by companies included in consolidation area	338,432	357,299
2. other securities	4,198,085	3,932,390
b) other customer securities held on deposit (excl. asset management): others	1,331,735	1,298,659
1. securities issued by companies included in consolidation area	27,441	44,324
2. other securities	1,304,294	1,254,335
c) customers' securities held on deposit with customers	4,129,668	3,983,050
d) own securities held on deposit with customers	9,161,550	8,444,134
4. Other transactions	—	—

[1] The Esperia group has assets under management totalling €7,969,000,000 (30/6/06: €7,007,000,000).

[2] The Esperia group manages assets on a non-discretionary basis worth €1,533,000,000 (30/6/06: €1,399,000,000).

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	6 mths to 31/12/06	6 mths to 31/12/05
	Debt securities	Loans and advances				
1. Financial assets held for trading	125,790	—	—	—	125,790	82,638
2. Financial assets recognized at fair value	—	—	—	—	—	—
3. AFS securities	35,871	—	—	—	35,871	36,106
4. Financial assets held to maturity	518	—	—	—	518	10,710
5. Due from banks	—	79,223	—	2,672	81,895	27,114
6. Due from customers	—	640,014	1,660	181	641,855	466,340
7. Hedging derivatives	—	—	—	301,091	301,091	198,301
8. Financial assets sold but not derecognized	511	10,641	—	3,397	14,549	31,753
9. Other assets	—	—	—	230	230	273
Total	162,690	729,878	1,660	307,571	1,201,799	853,235

1.4 *Interest expense and similar charges*

	Accounts payable	Securities	Other liabilities	6 mths to 31/12/06	6 mths to 31/12/05
1. Due to banks	(152,343)	—	(9)	(152,352)	(60,715)
2. Due to customers	(38,663)	—	—	(38,663)	(25,283)
3. Debt securities in issue	—	(696,308)	—	(696,308)	(410,491)
4. Trading liabilities	—	—	—	—	(54,018)
5. Financial liabilities recognized at fair value	—	—	—	—	—
6. Financial liabilities in respect of assets sold but not derecognized	—	(3,835)	—	(3,835)	(25,491)
7. Other liabilities	—	—	(1,257)	(1,257)	(12)
8. Hedging derivatives	—	—	—	—	—
Total	(191,006)	(700,143)	(1,266)	(892,415)	(576,010)

Section 2

Headings 40 and 50: Net fee and commission income

2.1 *Net fee and commission income*

	6 mths to 31/12/06	6 mths to 31/12/05
a) guarantees given	1,891	1,911
b) credit derivatives	777	755
c) management, trading and advisory services:	178,195	151,714
1. securities trading	18,056	20,165
2. currency trading	42	35
3. asset management	3,779	2,778
3.1 individuals[1]	3,779	2,778
3.2 groups	—	—
4. securities under custody and non-discretionary management	1,981	1,892
5. bank deposits	—	—
6. securities placement	49,888	19,048
7. procurement of orders	1,543	—
8. advisory services	95,689	101,215
9. agency fees	7,217	6,581
9.1 asset management	—	—
9.1.1 individuals	7,217	6,581
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	263	269
e) securitization servicing	279	329
f) factoring	—	—
g) tax collection and receipt services	—	—
h) other services	3,328	2,095
Total	184,733	157,073

[1] The Esperia group recorded net fee and commission income of €33,508,000 (31/12/05: € 31,306,000).

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

	6 mths to 31/12/06	6 mths to 31/12/05
a) on the Bank's own premises:	60,884	28,407
1. asset management[1]	3,779	2,778
2. securities placement	49,888	19,048
3. agency fees	7,217	6,581
b) elsewhere:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
Total	60,884	28,407

[1] The Esperia group recorded fee and commission income of €33,508,000 (31/12/05: €31,306,000).

2.3 *Fee and commission expense*

	6 mths to 31/12/06	6 mths to 31/12/05
a) guarantees received	—	—
b) credit derivatives	—	(34)
c) management, trading and advisory services:	(3,995)	(4,301)
1. securities trading	(1,343)	(3,040)
2. currency trading	—	—
3. asset management:	(1)	(1)
3.1 proprietary	—	—
3.2 customer	(1)	(1)
4. securities under custody/non-discretionary management	(1,069)	(1,051)
5. securities placement	(1,582)	(209)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(4,435)	(4,218)
e) other services	(5,553)	(3,349)
Total	(13,983)	(11,902)

Section 3

Heading 70: Dividends and similar income

3.1 *Dividends and similar income*

	6 mths to 31/12/06		6 mths to 31/12/05	
	Dividend	Income from OICR units	Dividends	Income from OICR units
A. Financial assets held for trading	1,791	—	14,465	—
B. AFS securities	3,205	—	3,088	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
Total	4,996	—	17,553	—

Section 4

Heading 80: Net trading income

4.1 *Net trading income*

	Upward adjustments	Trading profits	Downward adjustments	Trading losses	Net income (loss)
1. Trading assets:	216,557	144,996	(158,267)	(113,418)	89,868
1.1 Debt securities	16,269	19,926	(27,583)	(12,277)	(3,665)
1.2 Equities	200,288	124,913	(130,684)	(76,440)	118,077
1.3 OICR units	—	—	—	—	—
1.4 Loans and advances	—	—	—	—	—
1.5 Other	—	157	—	(24,701)	(24,544)
2. Trading liabilities:	7,673	—	(8)	—	7,665
2.1 Debt securities	7,673	—	(8)	—	7,665
2.2 Payables	—	—	—	—	—
2.3 Other	—	—	—	—	—
3. Other financial assets and liabilities: exchange rate differences	12,095	—	(1,355)	—	10,740
4. Derivative products:	89,834	284,399	(82,163)	(349,785)	(57,715)
4.1 Financial derivatives:	89,834	283,215	(69,049)	(347,128)	(43,128)
– on debt securities and interest rates	9,882	144,918	(5,760)	(115,947)	33,093
– on equities and equity indexes	53,235	135,156	(63,289)	(231,181)	(106,079)
– on foreign currency/gold	12,531	3,141	—	—	15,672
– other	14,186	—	—	—	14,186
4.2 Credit derivatives	—	1,184	(13,114)	(2,657)	(14,587)
Total at 31/12/06	326,159	429,395	(241,793)	(463,203)	50,558
Total at 31/12/05	245,009	619,087	(216,777)	(546,516)	100,803

Section 5

Heading 90: Net hedging income

5.1 *Net hedging income*

	6 mths to 31/12/06	6 mths to 31/12/05
A. Income from:		
A.1 Fair value hedge derivatives	113,760	96,811
A.2 Financial assets hedged (fair value)	8,373	—
A.3 Financial liabilities hedged (fair value)	23,071	214,625
A.4 Cash flow hedge derivatives	36	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	145,240	311,436
B. Expenses relating to:		
B.1 Fair value hedge derivatives	(83,175)	(275,420)
B.2 Financial assets hedged (fair value)	(2,736)	(6,709)
B.3 Financial liabilities hedged (fair value)	(59,471)	(30,183)
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(145,382)	(312,312)
C. Net hedging income (expense) (A-B)	(142)	876

Section 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 *Gains (losses) on disposals/repurchases*

	6 mths to 31/12/06			6 mths to 31/12/05		
	Gain	Loss	Net profit (loss)	Gain	Loss	Net profit (loss)
Financial assets:						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities:	180,059	(10,786)	169,273	191,707	(74,054)	117,653
3.1 Debt securities	2,308	(532)	1,776	17,899	(12,153)	5,746
3.2 Equities	177,751	(10,254)	167,497	173,808	(61,901)	111,907
3.3 OICR units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	123	(71)	52	—	—	—
Total assets	180,182	(10,857)	169,325	191,707	(74,054)	117,653
Financial liabilities:						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	2,872	(2,619)	253	8,454	(6,748)	1,706
Total liabilities	2,872	(2,619)	253	8,454	(6,748)	1,706

Section 8

Heading 130: Adjustments for impairment

8.1 *Net adjustments for impairment to loans and advances*

	Value adjustments			Amounts recovered				6 mths to 31/12/06	6 mths to 31/12/05
	Individual		Portfolio	Individual		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	1,094	1,094	—
B. Due from customers	(51,869)	(10,585)	(21,931)	198	3,119	—	1,569	(79,499)	(51,507)
C. Total	(51,869)	(10,585)	(21,931)	198	3,119	—	2,663	(78,405)	(51,507)

Legend

A = interest

B = other amounts recovered

8.3 *Net adjustments for impairment to financial assets held to maturity*

	Value adjustments			Amounts recovered				6 mths to 31/12/06	6 mths to 31/12/05
	Individual		Portfolio	Individual		Portfolio			
	Writeoffs	Other		A	B	A	B		
A. Debt securities	—	(251)	—	—	442	—	—	191	(6)
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(251)	—	—	442	—	—	191	(6)

Legend

A = interest

B = other amounts recovered

Section 11

Heading 180: Administrative expenses

11.1 *Personnel costs*

	6 mths to 31/12/06	6 mths to 31/12/05
1. Employees:	(99,386)	(90,506)
a) wages and salaries	(67,713)	(62,036)
b) social security charges	(17,665)	(16,024)
c) severance indemnities	—	—
d) pension contributions	(372)	(366)
e) transfers to severance indemnity provision	(4,268)	(4,274)
f) transfers to post-employment and similar benefits provision:	—	—
– defined contribution	—	—
– defined benefit	—	—
g) payments to external complementary pension schemes:	(4,068)	(3,560)
– defined contribution	(4,068)	(3,560)
– defined benefit	—	—
h) expenses incurred in connection with share payment schemes	(4,742)	(4,238)
i) other staff benefits	(558)	(8)
2. Other staff	(1,310)	(638)
3. Directors	(2,291)	(3,894)
Total	(102,987)	(95,038)

11.2 *Average number of staff by category*

	6 mths to 31/12/06	6 mths to 31/12/05
Employees:		
a) Senior executives	112	104
b) Executives	670	644
of which: grade 3 and 4	*346*	*334*
c) Other employees	919	888
Other staff	95	56
Total	1,796	1,692

11.5 *Other administrative expenses*

	6 mths to 31/12/06	6 mths to 31/12/05
OTHER ADMINISTRATIVE EXPENSES		
– outside consultants' fees	(10,560)	(6,504)
– legal fees due in respect of credit recovery	(8,615)	(7,448)
– share and bond administration	(1,240)	(982)
– advertising	(8,601)	(5,830)
– rent and maintenance	(8,631)	(6,464)
– EDP costs and financial information subscriptions	(16,176)	(15,652)
– publications, stationery and utilities	(6,236)	(5,993)
– travel and entertainment	(3,333)	(2,985)
– other staff-related expenses	(3,695)	(3,064)
– bank charges	(7,762)	(6,855)
– transport costs	(953)	(188)
– outsourced activities	(3,099)	(1,169)
– expensed assets	(179)	(303)
– indirect and other taxes	(9,961)	(8,183)
– other expenses	(3,455)	(6,611)
Total other administrative expenses	(92,496)	(78,231)

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				
A.1 Owned				
– core	(4,617)	(17)	—	(4,634)
– for investment purposes	(206)	—	—	(206)
A.2 Acquired under finance leases				
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(4,823)	(17)	—	(4,840)
Total at 31/12/05	(4,974)	—	—	(4,974)

Section 14

Heading 210: Net adjustments to intangible assets

14.1 *Net adjustments to tangible assets*

	Amortization	Value adjustments for impairment	Amounts recovered	Net adjustments
A. Intangible assets				
A.1 Owned				
– software	(774)	—	—	(774)
– other intangible assets	—	—	—	—
A.2 Goodwill	—	—	—	—
Total	(774)	—	—	(774)
Total at 31/12/05	(1,707)	—	—	(1,707)

Section 15

Heading 220: Other operating income

15.1 *Other operating income*

	6 mths to 31/12/06	6 mths to 31/12/05
a) Income from leasing	2,096	2,650
b) Amounts recovered from customers	12,281	8,418
c) Other income	16,718	16,463
d) Sundry costs and expenses[1]	(5,582)	(6,673)
Total	25,513	20,858

[1] Includes costs of €5,503,000 (31/12/05: €1,763,000) in relation to commitments entered into in connection with stock option scheme operated by Banca Esperia.

Section 16

Heading 240: Gains (losses) on equity investments

16.1 *Gains (losses) on equity investments*

	6 mths to 31/12/06	6 mths to 31/12/05
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	214,131	180,856
1. Revaluations	—	—
2. Gains on disposal	—	—
3. Amounts recovered	—	—
4. Other increases	214,131	180,856
B. Expenses	(284)	(141)
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses on disposal	—	—
4. Other reductions	(284)	(141)
Net income	213,847	180,715
Total	213,847	180,715

Section 19

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

19.1 *Net gain (loss) upon disposal of investments*

	6 mths to 31/12/06	6 mths to 31/12/05
A. Properties		
– gains on disposals	—	517
– losses on disposals	—	—
B. Other assets		
– gains on disposals	5	12
– losses on disposals	(9)	—
Net gain (loss)	(4)	529

Section 20

Heading 290: Income tax on ordinary activities

20.1 *Income tax on ordinary activities*

	6 mths to 31/12/06	6 mths to 31/12/05
1. Current taxes	(133,362)	(75,567)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	—	—
4. Changes in advance taxes	2,418	(22,935)
5. Changes in deferred taxes	3,248	(12,027)
Tax for the period	(127,696)	(110,529)

Section 24

Earnings per share

24.1 Earnings per share

	31/12/06			31/12/05		
	Profit attributable to Group	Weighted average ordinary shares	Earnings per share	Profit attributable to Group	Weighted average ordinary shares	Earnings per share
EPS basic	526,035	815,476,617	0.65	515,376	799,779,563	0.64
EPS diluted	526,035	832,470,415	0.63	515,376	822,150,415	0.63

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 four 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 *Performing impaired 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	—	—	—	—	—	11,962,081	11,962,081
2. AFS securities	—	—	—	—	—	5,183,302	5,183,302
3. Financial assets held to maturity	—	—	—	—	—	629,907	629,907
4. Due from banks	127	—	—	—	—	4,503,258	4,503,385
5. Due from customers	85,813	22,459	3,865	9,884	22,915	26,162,163	26,307,099
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	797,958	797,958
Total at 31/12/06	85,940	22,459	3,865	9,884	22,915	49,238,669	49,383,732
Total at 30/6/06	80,508	20,479	1,846	7,581	29,891	42,839,369	42,979,674

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

	Impaired assets				Other assets			Total net exposure
	Gross exposure	Individual adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	—	11,962,081	11,962,081
2. AFS securities	—	—	—	—	5,183,302	—	5,183,302	5,183,302
3. Financial assets held to maturity	—	—	—	—	635,566	(5,659)	629,907	629,907
4. Due from banks	127	—	—	127	4,510,145	(6,887)	4,503,258	4,503,385
5. Due from customers	272,601	(70,207)	(80,373)	122,021	26,306,661	(121,583)	26,185,078	26,307,099
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	X	—	797,958	797,958
Total at 31/12/06	272,728	(70,207)	(80,373)	122,148	36,635,674	(134,129)	49,261,584	49,383,732
Total at 30/6/06	261,921	(63,195)	(58,421)	140,305	34,061,696	(144,624)	42,839,369	42,979,674

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	2,855	—	(2,855)	—
f) Other assets	4,510,145	—	(6,887)	4,503,258
Total A	4,513,127	—	(9,742)	4,503,385
B. Off-balance-sheet exposures				
a) Impaired	—	—	—	—
b) Other assets	13,024,667	—	—	13,024,667
Total B	13,024,667	—	—	13,024,667

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	127	—	—	—	2,198
– *of which: accounts sold but not derecognized*	—	—	—	—	—
B. Additions	—	—	—	—	657
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	657
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	127	—	—	—	2,855
– *of which: accounts sold but not derecognized*	—	—	—	—	—

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	—	—	—	—	(2,198)
of which: accounts sold but not derecognized	—	—	—	—	—
B. Additions	—	—	—	—	(657)
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	(657)
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	—	—	—	—	(2,855)
of which: accounts sold but not derecognized	—	—	—	—	—

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	170,978	(59,741)	(25,424)	85,813
b) Potential problem	68,816	(5,864)	(40,493)	22,459
c) Restructured	4,225	(305)	(55)	3,865
d) Overdue	28,582	(4,297)	(14,401)	9,884
e) Country risk	23,083	—	(168)	22,915
f) Other assets	26,283,578	—	(121,415)	26,162,163
Total A	26,579,262	(70,207)	(201,956)	26,307,099
B. Off-balance-sheet exposures				
a) Impaired	—	—	—	—
b) Other assets	17,750,655	—	—	17,750,655
Total B	17,750,655	—	—	17,750,655

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	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*	—
B. Additions	36,046	50,927	3,441	32,318	—
B.1 transfers from performing loans	10,380	45,551	—	16,254	—
B.2 transfers from other categories of impaired assets	6,819	4,951	402	14,650	—
B.3 other additions	18,847	425	3,039	1,414	—
C. Reductions	(18,617)	(34,102)	(1,301)	(25,815)	(6,808)
C.1 transfers to performing loans	(209)	(1,329)	—	(164)	—
C.2 amounts written off	(4,266)	(17,628)	(17)	(10,151)	—
C.3 amounts collected	(11,318)	(3,024)	(63)	(110)	(5,932)
C.4 gains realized on disposals	(458)	(2,173)	—	(1,252)	—
C.5 transfers to other categories of impaired assets	(274)	(8,794)	(591)	(11,183)	—
C.6 other reductions	(2,092)	(1,154)	(630)	(2,955)	(876)
D. Gross exposure at end of period	170,978	68,816	4,225	28,582	23,083
of which: accounts sold but not yet derecognized	*24,396*	*4,229*	*41*	*1,758*	—

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

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Adjustments at start of period	(73,169)	(31,512)	(239)	(14,498)	—
of which: accounts sold but not yet derecognized	*(16,770)*	*(3,839)*	*(6)*	*(1,092)*	—
B. Additions:	(18,808)	(34,865)	(350)	(15,920)	(168)
B.1 value adjustments	(15,920)	(34,250)	(180)	(15,504)	—
B.2 transfers from other categories of impaired assets	(1,048)	(575)	(170)	(313)	—
B.3 other additions	(1,840)	(40)	—	(103)	(168)
C. Reductions:	6,812	20,020	229	11,720	—
C.1 value adjustments based on valuations	227	61	37	48	—
C.2 value adjustments based on amounts collected	1,792	792	149	497	—
C.3 amounts written off	4,077	17,744	13	10,176	—
C.4 transfers to other categories of impaired assets	28	1,184	7	887	—
C.5 other reductions	688	239	23	112	—
D. Adjustments at end of period	(85,165)	(46,357)	(360)	(18,698)	(168)
of which: accounts sold but not yet derecognized	*(21,097)*	*(3,457)*	*(20)*	*(697)*	—

A.1.9 *Credit risk indicators*

	31/12/06	30/6/06
1. Gross NPLs/total loans	0.74%	0.72%
2. Gross irregular items/total loans	1.18%	1.22%
3. Net NPLs/regulatory capital	1.11%	1.16%

A.1.10 *Large risks*

	31/12/06	30/6/06
1. Total weighted amount	9,440,272	10,619,263
2. No. of exposures	7	10
3. Large risks total amount/regulatory capital	1.2	1.5

1.2 MARKET RISK

QUALITATIVE INFORMATION

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 risks deriving from movements in interest and exchange rates, including risks linked to both lending and funding activities, being centred on the Bank's finance division, and is used within the operating limits set by the Board for market activities and asset and liability management (ALM). 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 based on a 99% confidence level. VaR is calculated using the Monte Carlo[2] and historical[3] simulations as well as the parametric method.

At the reporting date, value at risk totalled €17.5m, up 16.8% compared to the figure recorded at 30 June 2006, and reflecting the impact of the Assicurazioni Generali/MPS transaction. The average figure for the six months was €13.6m, most of which was attributable to the equity component and compares with an average figure in the same period last year of €9.7m (recalculated on the basis of 99% confidence levels), €9.4m of which related to equities.

Value at risk and expected shortfall

Risk factors	6 mths to end-2006				30 June 2006
(€'000)	29 Dec.	Min.	Max	Avg.	
Interest rates	7,496	1,202	8,121	3,922	5,762
Equities	17,029	6,616	22,287	13,125	15,272
Exchange rates	794	631	1,779	1,181	1,146
*Diversification effect**	(7,850)	(718)	(10,739)	(2,616)	(7,230)
TOTAL VaR	17,469	7,731	21,448	13,591	14,950
*Expected shortfall***	*28,439*	*12,365*	*40,649*	*19,906*	*16,924*

* Due to mismatches between risk factors.

** Expected shortfall: average potential loss over and above VaR.

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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.

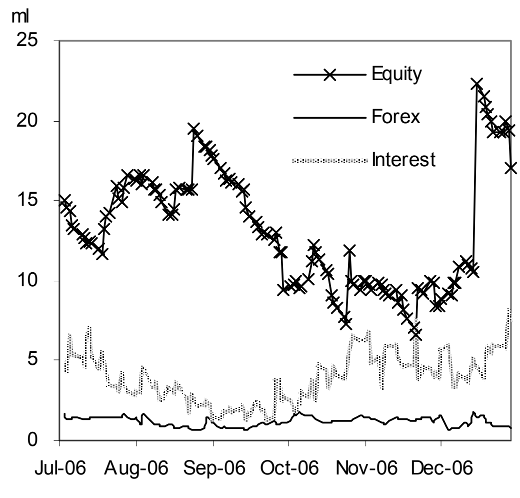
3 Determines portfolio value based on historical variations in risk factors.

The exchange rate component's contribution was virtually unchanged, at around €1.2m, while exposure to interest rates was higher, up from €3.3m to €3.9m, as a result of more positions being opened.

Net of extraordinary items on the equity side, average VaR more than halved at just €5.8m, with more balanced contributions from equity markets at €6.6m and bond markets at €3.3m.

Trends in VaR

Trends in VaR constituents for trading



Back-testing of the Bank's asset base reveals that the new 99% confidence limit for VaR was not breached on any occasion during the first six months of the new financial year, when carried out on either the theoretical results (i.e. gains and losses recalculated in order to eliminate the intraday component) or the actual results.

Insofar as regards Compagnie Monégasque de Banque, the small size and extremely short duration of its portfolio means its VaR levels are very low. The average VaR reading for the period under review amounted to approx. €7,900, with a peak of €11,000 having been recorded.

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 liability management

The sensitivity of Mediobanca's portfolio of assets and liabilities to interest rate movements is calculated daily with respect both to 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 31 December 2006, a 100 bps increase on the entire interest rate curve would lead to an increase of €23.7m in the Group's net interest income, and a similar downward shock would lead to a €23m reduction. This bears out the presence of a clear linearity in the exposure to interest rates. This result is partly offset by the opposite situation at Compass, where a 100 bps increase in interest rates would lead to an €4.1m reduction, and an increase of exactly the same amount (€4.1m) in the event of a 100 bps reduction.

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.

FINANCIAL DERIVATIVE PRODUCTS

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

	Debt securities/ interest rates		Equities share indexes		Exchange rates gold		Other assets		31/12/06		30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	139,667	—	—	—	—	—	—	—	139,667	—	—
2. Interest rate swaps	—	15,222,589	—	—	—	—	—	—	—	15,222,589	—	15,843,335
3. Domestic currency swaps	—	—	—	—	—	2,573,710	—	—	—	2,573,710	—	649,856
4. Currency interest rate swaps	—	—	—	—	—	562,126	—	—	—	562,126	—	557,868
5. Basis swaps	—	2,997,151	—	—	—	—	—	—	—	2,997,151	—	2,982,830
6. Share index swaps	—	—	—	1,337,077	—	—	—	—	—	1,337,077	—	1,353,640
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	11,373,576	—	25,616	—	—	—	—	—	11,399,192	—	6,604,457	—
9. Cap options												
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options												
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	106,700	—	15,832	6,822,872	—	9,450	—	—	122,532	6,832,322	8,615,240	5,634,078
– bought	106,700	—	—	3,098,775	—	9,450	—	—	106,700	3,108,225	8,611,936	2,847,954
– plain vanilla	*106,700*	—	—	*2,998,775*	—	*9,450*	—	—	*106,700*	*3,008,225*	*8,611,936*	*2,717,954*
– exotic	—	—	—	*100,000*	—	—	—	—	—	*100,000*	—	*130,000*
– written	—	—	15,832	3,724,097	—	—	—	—	15,832	3,724,097	3,304	2,786,124
– plain vanilla	—	—	*15,832*	*3,624,097*	—	—	—	—	*15,832*	*3,624,097*	*3,304*	*2,656,124*
– exotic	—	—	—	*100,000*	—	—	—	—	—	*100,000*	—	*130,000*
12. Repo agreements	358,530	4,650,547	231,623	111,579	—	1,041,025	—	—	590,153	5,803,151	857,591	2,770,701
– bought	273,036	3,231,142	96,191	108,477	—	1,041,025	—	—	369,227	4,380,644	418,562	1,372,209
– written	85,494	1,419,405	135,432	3,102	—	—	—	—	220,926	1,422,507	439,029	1,398,492
– currency against currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	131,000	—	—	—	—	—	—	—	131,000	—	131,000
Total	11,838,806	23,140,954	273,071	8,271,528	—	4,186,311	—	—	12,111,877	35,598,793	16,077,288	29,923,308
Average values	12,433,487	23,916,054	267,669	7,544,246	11,618	1,848,535	—	—	12,712,774	33,308,835	14,564,597	25,307,768

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		31/12/06		30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	18,049,321	—	—	—	—	—	—	—	18,049,321	—	18,385,830
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swaps	—	—	—	—	—	17,175	—	—	—	17,175	—	25,465
5. Basis swaps	—	425,134	—	—	—	—	—	—	—	425,134	—	425,134
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	—	—	—	91,996	—	—	—	—	—	91,996	—	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	91,996	—	—	—	—	—	91,996	—	—
– currency against currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	18,474,455	—	91,996	—	17,175	—	—	—	18,583,626	—	18,836,429
Average values	—	18,936,709	—	91,996	—	17,552	—	—	—	19,046,257	—	15,545,989

A.2.2 *Other derivatives*

	Debt securities/ interest rates		Equities share indexes		Exchange rates gold		Other assets		31/12/06		30/6/06	
	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	—	—	—	14,527,988	—	345,224	—	—	—	14,873,212	—	14,769,822
– bought	—	—	—	7,232,764	—	169,112	—	—	—	7,401,876	—	7,361,206
– plain vanilla	—	—	—	*1,062,651*	—	*150,000*	—	—	—	*1,212,651*	—	*824,376*
– exotic	—	—	—	*6,170,113*	—	*19,112*	—	—	—	*6,189,225*	—	*6,536,830*
– written	—	—	—	7,295,224	—	176,112	—	—	—	7,471,336	—	7,408,616
– plain vanilla	—	—	—	*1,081,690*	—	*157,000*	—	—	—	*1,238,690*	—	*783,702*
– exotic	—	—	—	*6,213,534*	—	*19,112*	—	—	—	*6,232,646*	—	*6,624,914*
12. Repo agreements	—	—	—	3,509	—	—	—	—	—	3,509	—	324,660
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	3,509	—	—	—	—	—	3,509	—	324,660
– currency against currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	14,531,497	—	345,224	—	—	—	14,876,721	—	15,094,482
Average values	—	—	—	14,744,727	—	345,224	—	—	—	15,089,951	—	14,640,779

A.3 *Financial derivatives: underlying exposures bought and sold*

	Debt securities/ interest rates		Equities share indexes		Exchange rates gold		Other assets		31/12/06		30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading book	11,838,806	20,143,804	273,071	8,271,158	—	4,186,311	—	—	12,111,877	32,601,643	16,077,286	26,731,038
1. With exchange of principal	5,876,217	4,650,547	244,608	1,486,527	—	4,176,861	—	—	6,120,825	10,313,935	3,422,780	4,853,252
– bought	4,232,937	3,231,142	96,191	492,832	—	1,475,476	—	—	4,329,128	5,199,450	2,295,828	2,192,658
– written	1,643,280	1,419,405	148,417	993,695	—	2,132,012	—	—	1,791,697	4,545,112	1,126,952	2,412,689
– currency against currency	—	—	—	—	—	569,373	—	—	—	569,373	—	247,905
2. Without exchange of principal	5,962,589	15,493,257	28,463	6,785,001	—	9,450	—	—	5,991,052	22,287,708	12,654,508	21,877,786
– bought	5,855,889	6,589,800	—	3,165,428	—	9,450	—	—	5,855,889	9,764,678	12,285,485	9,625,658
– written	106,700	8,903,457	28,463	3,619,573	—	—	—	—	135,163	12,523,030	369,023	12,252,128
– currency against currency	—	—	—	—	—	—	—	—	—	—	—	—
B. Banking book	—	18,049,321	—	14,623,464	—	362,399	—	—	—	33,035,214	—	33,505,777
B.1 Hedging	—	18,049,321	—	91,966	—	17,175	—	—	—	18,158,492	—	18,411,296
1. With exchange of principal	—	—	—	91,996	—	17,175	—	—	—	109,171	—	25,465
– bought	—	—	—	—	—	17,175	—	—	—	17,175	—	25,465
– written	—	—	—	91,996	—	—	—	—	—	91,996	—	—
– currency against currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	18,049,321	—	—	—	—	—	—	—	18,049,321	—	18,385,831
– bought	—	14,400,394	—	—	—	—	—	—	—	14,400,394	—	14,762,154
– written	—	3,648,927	—	—	—	—	—	—	—	3,648,927	—	3,623,677
– currency against currency	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other derivatives	—	—	—	14,531,498	—	345,224	—	—	—	14,876,722		15,094,481
1. With exchange of principal	—	—	—	4,305	—	—	—	—	—	4,305	—	325,456
– bought	—	—	—	716	—	—	—	—	—	716	—	716
– written	—	—	—	3,589	—	—	—	—	—	3,589	—	324,740
– currency against currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	—	—	14,527,193	—	345,224	—	—	—	14,872,417	—	14,769,025
– bought	—	—	—	7,192,609	—	169,112	—	—	—	7,361,721	—	7,328,240
– written	—	—	—	7,334,584	—	176,112	—	—	—	7,510,696	—	7,440,785
– currency against currency	—	—	—	—	—	—	—	—	—	—	—	—
	11,838,806	38,193,125	273,071	22,895,022	—	4,548,710	—	—	12,111,877	65,636,857	16,077,288	60,236,815

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	Netted[1]	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	19,408	85,808	15,657	58,133	459,540	18,816	510	13,343	26,569	—	—	—	74,605	198,937
A.4 Financial companies	113,940	21,464	6,691	35,417	12,322	33,892	3	—	3,797	—	—	—	—	7,502
A.5 Insurances	19,670	—	13,500	5,497	3,468	7,793	—	—	—	—	—	—	—	2,968
A.6 Non-financial undertakings	1,712	3,661	9,187	200	21,651	46	22,901	—	9,491	—	—	—	20,845	10,662
A.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total (31/12/06)	154,730	110,933	45,035	99,247	496,981	60,547	23,414	13,343	39,857	—	—	—	95,450	220,069
Total (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
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	24,424	576,270	5,500	12,751	570,868	5	—	—	—	—	—	—	—	214
B.4 Financial companies	1,732	21,720	875	1,748	32,804	—	—	—	—	—	—	—	—	75
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	1	—	—	—	—	—	—	—	—
Total (31/12/06)	26,156	597,990	6,375	14,499	603,672	6	—	—	—	—	—	—	—	289
Total (30/6/06)	41,937	905,675	15,260	3,657	613,367	5	—	98	—	—	—	—	—	5,383

[1] Reflects netting agreements with leading 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, 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	Netted[1]	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	(3,764)	(27,050)	3,666	(35,870)	(366,870)	37,124	(3,267)	(47)	2,600	—	—	—	(43,611)	50,854
A.4 Financial companies	(210,300)	(1,182)	6,997	(95,736)	(8,746)	65,189	(1,304)	—	1,644	—	—	—	(4,185)	15,015
A.5 Insurances	(8,725)	—	13,500	(13,035)	(2,738)	15,117	—	—	—	—	—	—	—	2,557
A.6 Non-financial undertakings	(19,770)	(4,103)	9,580	(54,329)	(1,762)	15,766	—	—	—	—	—	—	(668)	9,283
A.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total (31/12/06)	(242,559)	(32,335)	33,743	(198,970)	(380,116)	133,196	(4,571)	(47)	4,244	—	—	—	(48,464)	77,709
Total (30/6/06)	(103,972)	(81,977)	11,972	(88,780)	(181,540)	69,770	—	(535)	191	—	—	—	(86,456)	91,103
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	(88,748)	(943,837)	12,102	(689)	(4,169)	41	(4,745)	—	—	—	—	—	(413,051)	251,351
B.4 Financial companies	(30,516)	(122,034)	4,124	—	(26,259)	—	—	—	—	—	—	—	(122,102)	57,302
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	(10)	—	1	—	—	—	—	—	—	—	—
Total (31/12/06)	(119,264)	(1,065,871)	16,226	(699)	(30,428)	42	(4,745)	—	—	—	—	—	(535,153)	308,653
Total (30/6/06)	(99,179)	(986,561)	12,090	(450)	(48,485)	41	—	(5,308)	—	—	—	—	(318,569)	87,910

[1] Reflects netting agreements with leading counterparties.

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				
Credit default	1,584,901	1,075,558	140,000	—
Credit-linked notes	—	—	—	—
Credit spread options	—	—	—	—
Total rate of return swaps	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
Total at 31/12/06	1,584,901	1,075,558	140,000	—
Total at 30/6/06	1,044,062	255,000	140,000	475,000
AVERAGE VALUES	1,331,751	734,006	250,000	220,000
2. Hedge sales				
2.1 With exchange of principal				
Credit default	576,784	295,687	110,000	—
Credit-linked notes	—	—	—	—
Credit spread options	—	—	—	—
Total rate of return swaps	—	—	—	—
2.2 Without exchange of principal				
Credit default	15,000	—	—	50,000
Credit-linked notes	—	—	—	—
Credit spread options	—	—	—	—
Total rate of return swaps	—	—	—	—
Total at 31/12/06	591,784	295,687	110,000	50,000
Total at 30/6/06	73,933	40,000	110,000	50,000
AVERAGE VALUES	305,810	141,023	110,000	50,000

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

	Notional value	Positive fair value	Future exposure
A. REGULATORY TRADING BOOKS	3,547,930	9,345	62,354
A.1 Hedge buys with counterparties:	2,660,459	2,709	41,949
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	1,862,524	1,669	25,712
4. Financial companies	782,935	69	16,237
5. Insurances	15,000	971	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
A.2 Hedge sales with counterparties:	887,471	6,636	20,405
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	525,430	4,545	10,035
4. Financial companies	362,041	2,091	10,370
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B. BANKING BOOK	300,000	363	6,450
B.1 Hedge buys with counterparties:	140,000	2	900
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	115,000	—	775
4. Financial companies	25,000	2	125
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B.2 Hedge sales with counterparties:	160,000	361	5,550
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	160,000	361	5,550
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
Total at 31/12/06	3,847,930	9,708	68,804
Total at 30/6/06	2,187,995	5,062	15,149

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

	Notional value	Negative fair value
A. REGULATORY TRADING BOOK		
1. Hedge buys with counterparties:		
1.1 Governments and central banks	—	—
1.2 Other public agencies	—	—
1.3 Banks	1,862,524	(18,256)
1.4 Financial companies	782,935	(11,511)
1.5 Insurances	15,000	—
1.6 Non-financial undertakings	—	—
1.7 Other counterparties	—	—
Total at 31/12/06	2,660,459	(29,767)
Total at 30/6/06	1,299,062	(9,567)

PART F - INFORMATION ON CONSOLIDATED CAPITAL

Section 1

Regulatory and supervisory capital requirements for banks

1.1 *Regulatory capital for banks*

	31/12/06	30/6/06
A. Tier 1 capital prior to application of prudential filters	6,013,429	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	6,013,429	5,743,732
C. Tier 2 capital prior to application of prudential filters	2,663,211	1,524,070
Tier 2 prudential filters:	(302,416)	(177,576)
– IAS/IFRS positive prudential filters	—	—
– IAS/IFRS negative prudential filters	(302,416)	(177,576)
D. Tier 2 capital post-application of prudential filters	2,360,795	1,346,494
E. Total Tier 1 and Tier 2 capital post-application of prudential filters	8,374,224	7,090,226
Items for deduction from Tier 1 and Tier 2 capital	(643,116)	(136,017)
F. Regulatory capital	7,731,108	6,954,208

1.2 *Capital adequacy: quantitative information*

	Unweighted amounts	Weighted amounts/ requirements	Unweighted amounts	Weighted amounts/ requirements
	31/12/06	31/12/06	30/6/06	30/6/06
A. RISK ASSETS				
A.1 Credit risk				
Standard methodology				
Cash assets	36,797,783	27,342,187	34,077,506	26,090,992
1. Exposures (apart from equities or other subordinated assets) towards (or otherwise guaranteed by):	3,096,727	91,579	26,158,765	19,445,121
1.1 Governments and central banks	333,078	—	2,309,979	41,512
1.2 Public agencies	8,355	1,671	533,663	1
1.3 Banks	241,997	48,399	4,876,989	983,408
1.4 Other entities (apart from amounts receivable under mortgages on properties used for residential and/or non-residential purposes)	2,513,297	41,509	18,438,134	18,420,200
2. Amounts receivable under mortgages on properties used for residential purposes	3,554,986	1,777,493	1,672,933	836,467
3. Amounts receivable under mortgages on properties used for non-residential purposes	—	—	91,911	91,911
4. Equities, participating interests and subordinated assets	5,137,577	5,142,727	4,970,622	4,977,428
5. Other cash assets	25,008,493	20,330,388	1,183,275	740,066
Off-balance-sheet assets	19,360,124	8,246,843	21,308,893	9,453,513
1. Guarantees and commitments towards (or otherwise guaranteed by):	19,151,332	8,197,110	21,118,942	9,391,958
1.1 Governments and central banks	—	—	2,340,334	—
1.2 Public agencies	1,852,728	13,708	—	—
1.3 Banks	1,861,298	558,626	1,501,547	294,859
1.4 Other entities	15,437,306	7,624,776	17,277,061	9,097,099
2. Derivative contracts with (or otherwise guaranteed by):	208,792	49,733	189,951	43,555
2.1 Governments and central banks	—	—	—	—
2.2 Public agencies	—	—	—	—
2.3 Banks	182,213	36,443	171,404	34,281
2.4 Other entities	26,579	13,290	18,547	9,274
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk	X	2,847,123	X	2,842,120
B.2 Market risk	X	516,974	X	362,514
1. Standard methodology				
of which:				
+ risk position on debt securities	X	289,774	X	214,616
+ risk position on equities	X	162,790	X	132,444
+ exchange rate risk	X	12,397	X	15,454
+ other risks	X	52,013	X	—
B.3 Other prudential requirements	X	27,394	X	21,710
B.4 Total prudential requirements (B1+B2+B3)	X	3,391,491	X	3,226,344
C. RISK ASSETS AND SUPERVISORY MARGINS				
C.1 Risk-weighted assets	X	42,393,638	X	40,329,304
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	X	14.02%	X	14.07%
C.3 Regulatory capital/risk-weighted assets (Total capital ratio)	X	18.24%	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 (10.7% of total assets and 11.3% of total income respectively), fall within the various companies' 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 shown below.

Situation at 31 December 2006

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total	Total at 30/6/06
	€m	€m	€m	€m	€m
Assets	1,027.5	1,751.0	2,840.6	5,619.1	4,170.6
of which receivables	*599.8*	*984.2*	*2,372.9*	*3,956.9*	*3,166.8*
Liabilities	472.2	95.0	126.1	693.3	1,411.9
Guarantees and commitments	538.6	1,714.9	1,055.6	3,309.1	1,877.3
Net interest income	(3.9)	16.4	47.8	60.3	190.1
Net fee and commission income	4.9	10.6	10.9	26.4	52.5
Other income (costs)	(3.3) [1]	73.7	18.5	88.8	(113.8)

[1] Of which short-term benefits amounting to €7m and €1m in stock options.

PART I - SHARE-BASED PAYMENT SCHEMES

A. QUALITATIVE INFORMATION

1. *Description*

The stock option scheme currently operated by the Group provides for ordinary par value €0.50 shares to be issued, ranking for dividends *pari passu*, and reserved for Mediobanca Group staff and/or Bank directors vested with key duties with option rights excluded pursuant to Article 2441, paragraphs 8 and 5 of the Italian Civil Code.

The rights issues implemented under the terms of the stock option scheme approved by the Board currently reflect the following situation:

Extraordinary general meeting	Max. no. of shares approved for issue	Award expires	Exercise expires	No. of shares awarded
29 March 1999	3,130,000	Expired	31 December 2011	3,130,000
30 July 2001	50,000,000	Expired	1 July 2015	49,634,000
28 October 2004 *Of which: to Directors*	15,000,000 *4,000,000*	28 October 2009 *28 October 2009*	1 July 2020 *1 July 2020*	2,100,000 *2,000,000*
TOTAL	68,130,000			54,864,000

The scheme provides for a life of up to ten years and a vesting period of between twelve and thirty-six months.

It should also be noted that Mediobanca, along with the other majority shareholder Mediolanum, participates in the stock option scheme operated by Banca Esperia for its own private bankers, and has blocked a part of its shareholding for this purpose. As at 31 December 2006, recognition at fair value of commitments entered into under the terms of this scheme led to a cost of €5.5m being booked to the accounts.

B. QUANTITATIVE INFORMATION

1. *Movements during six months ended 31 December 2006*

	31/12/06			30/6/06		
	No. of options	Avg. prices	Avg. expiry	No. of options	Avg. prices	Avg. expiry
A. Balance at start of period	20,593,250	12.30	September 2013	27,063,750	8.82	May 2013
B. Additions						
B.1 New issues	100,000	18.07	December 2014	10,600,000	15.26	July 2014
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	220,000	15,26	—	29,250	9.69	—
C.2 Options exercised	5,565,750	9.12	—	17,041,250	8.60	—
C.3 Options lapsed	—	—	—	—	—	—
C.4 Other reductions	—	—	—	—	—	—
D. Balance at end of period	14,907,500	13.50	December 2013	20,593,250	12.30	September 2013
E. Options exercised as at reporting date	3,477,500	9.21	July 2011	2,378,250	9.06	December 2013

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2006 PREPARED PURSUANT TO ARTICLE 81 OF THE CONSOB REGULATION ADOPTED BY THE RESOLUTION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have reviewed the interim consolidated financial statements, consisting of the balance sheet, the statement of income, the statement of changes in shareholders' equity and the statement of cash flows (the "Statements") and related explanatory notes included in the Interim Report of Mediobanca S.p.A for the six months ended 31 December 2006. The Interim Report is the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to issue this report based on our review. We have also examined that part of the financial information presented by the directors with respect to their discussions and analyses of the operations, solely for the purpose of evaluating its consistency with the remaining part of the Interim Report.

2. Our review was conducted in accordance with auditing standards governing the review of interim financial statements recommended by Consob (the Italian Stock Exchange Regulatory Commission) in its Resolution No. 10867 of 31 July 1997. The review consisted mainly of obtaining information with respect to the accounts included in the financial statements and the consistency of the accounting principles applied through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Statements. The review did not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of the review was significantly less than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Interim Report of Mediobanca S.p.A. as we do in connection with the audit of the annual consolidated financial statements.

3. With respect to the comparative figures as of and for the six months ended 31 December 2005 and for the year ended 30 June 2006, reference should be made to our audit reports issued respectively on 17 March 2006 and 22 September 2006.

4. Based on our review, nothing has come to our attention that causes us to believe that the Statements and related explanatory notes identified in the first paragraph of this report, are not prepared, in all material respects, in accordance with IAS 34 and Article 81 of the Consob Regulation adopted by Resolution No. 11971 of 14 May 1999 and subsequent modifications.

Milan, 16 March 2007

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

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(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

Annex

IAS/IFRS: FIRST-TIME ADOPTION

Mediobanca did not take up the option provided for under Italian Legislative Decree 38/05 in respect of the financial year ended 30 June 2006, so is adopting the new standards as from the current financial year to 30 June 2007.

In 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 IAS/IFRS;
– application of IAS/IFRS from the first financial year and for the comparison periods (with certain exemptions);
– disclosure regarding the main effects the transition from national GAAP to the new accounting standards.

Accordingly, the following statements have been prepared by applying all the new standards:

– balance sheet as at 30 June 2005 and 30 June 2006;
– profit and loss account for twelve months from 1 July 2005 to 30 June 2006;
– reconciliation of net equity at 30 June 2005 and 30 June 2006;
– reconciliation of net profit for twelve months ended 30 June 2006.

These statements reflect:

– recognition of all assets and liabilities required to be recognized under 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 balance sheet on the basis of the new accounting standards;

– application of measurement 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.

Mediobanca has availed itself of the following exemptions, as expressly permitted under the new standards:

– properties owned by the Bank have been recognized at cost net of cumulative depreciation and any value adjustments, including revaluations carried out previously. Under the new standards provision is made for retaining previous revaluations as an integral part of cost under FTA;
– stock options awarded prior to 7 November 2002 (the date on which the relevant standards came into force) or vesting prior to the date of transition to IAS/IFRS have not been recognized.

Reconciliations and explanations

Reconciliations for the purposes of 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 drawn up 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 financial statements for the year ending 30 June 2007.

A brief description of the main effects of FTA on net equity and profit and loss as at 30 June 2006 is provided below.

Loans and receivables

This item reflects a downward adjustment of €44.1m, due to a collective impairment charge based on like-for-like categories of asset using loss estimates based on historical series of data. Abolition of the provision for general banking risks to cover loans meant that a collective adjustment was necessary based on customer 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.

Securities and derivatives

A portion of the securities which go to make up the non-investment portfolio (€6,729.7m out of €9,867.2m) and derivatives have been classified as *Financial assets held for trading*.

Assets in this category have been 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 at the reporting date, and for other securities is determined by methodologies commonly accepted in market practice.

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

The change in accounting treatment of the assets described above led to a gain of €23.1m, which has been taken to a reserve in net equity.

The following items have also been reclassified:

– debt securities not held for trading purposes and which do not present the characteristics required for being held to maturity worth (€1,661.8m) have been classified as *Available for sale (AFS) securities*. Recognition of such securities at fair value led to a further gain of €13.9m being booked in a reserve in net equity;
– a portion of the Bank's debt securities worth (€625.5m) which was acquired with the objective of being held until redemption in order to maximize interest income from them have duly been recognized under *Financial assets held to maturity*.

Available for sale (AFS) equities

Listed and unlisted investments held for treasury management purposes 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 an increase of €330.3m in the reserve in net equity.

Hedges

Derivative hedging assets and liabilities which were previously stated at cost have been measured to fair value, along with the assets and liabilities they hedge, and recognized accordingly. This has led to an increase of some €2.1m in the figure recorded in net equity, which compared with the value of the items concerned (approx. €21.1bn), 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 in net equity. The related gain of €20.4m regards certain hedges entered into in order to stabilize cash flows from certain applications.

Investments in associates

Under IAS 28, investments in associates must be recognized using the equity method at the consolidated level, but may continue to be recognized at cost in the individual companies' accounts, which is the option Mediobanca has adopted. Under an FTA scenario, all the Bank's holdings which exceed 20% of the investee companies' share capital (Banca Esperia, Burgo Group, Athena Private Equity, MB Venture Capital and Fidia) have been included in this category, as have its stakes in Assicurazioni Generali and RCS MediaGroup in view of their nature as permanent investments and the fact that in any case the investments represent more than 10% of the share capital of the investee companies and entitle the Bank to representation in the governing bodies of both companies.

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 by definition land has an unlimited useful life and therefore need not be depreciated. Goods used under finance leases which continue to be owned by the lessor are also included among tangible assets. Compliance with the new standards, bearing in mind that under the accounting policies previously adopted such assets, with the exception of properties, were depreciated or amortized entirely in the year of acquisition, lead to an increase of approx. €85.7m in net equity.

Other effects

Net equity also reflects the following adjustments:

– a €14.7m upward adjustment, €5.5m of which in relation to the stock option scheme and €9.2m due to application of amortized cost;

– a €2m downward adjustment as a result of the previous year's earnings performance.

Tax effects

The impact on net equity deriving from FTA has been calculated net of the related €61.7m tax effect calculated 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 net equity are treated as extraordinary income or expenses, and hence as irrelevant for tax purposes, save where these are linked to income and expenses relevant for tax purposes in previous or subsequent years; in such cases a rate of 5.25% has been applied.

Finally, deferred tax liabilities have been booked in an amount of (€200.8m) in connection with abolition of 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 Bank's own initiative that might lead to such amounts being taxed.

* * *

In conclusion, FTA has generated an increase of €181.4m in net equity as at 30 June 2006.

* * *

In terms of profit and loss, the net profit for the 12 months ended 30 June 2006 as recalculated on the basis of the new accounting standards amounts to €545.5m, up €51.1m on the figure recorded under national GAAP, following an increase of €65.5m in income tax for the period. The difference between the two figures is chiefly due to the treatment of securities (bonds and equities), which brought about an increase of €120.9m in net profit. Costs of €5.1m have also been recognized, constituting the balance between higher charges of €12.2m, €7.5m of which in relation to labour costs (stock option schemes, revaluation of staff severance indemnity provision, etc.) and a €7.1m reversal of charges due under leases.

RECONCILIATION OF BALANCE SHEET AS AT 30 JUNE 2006 PURSUANT TO ITALIAN LEGISLATIVE DECREE 87/92 WITH THAT PURSUANT TO IAS/IFRS

Assets	Balance at 30/6/06 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements	Balance at 30/6/06 pursuant to IAS/IFRS
10. Cash and cash equivalents	108	(2)	106
20. Financial assets held for trading	9,867,178	(1,829,918)	8,037,260
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	—	4,042,970	4,042,970
50. Financial assets held to maturity	—	625,544	625,544
60. Due from banks	6,618,596	1,387	6,619,983
70. Due from customers	15,636,397	83,546	15,719,943
80. Hedge derivatives	—	784,307	784,307
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments	3,303,352	(1,626,397)	1,676,955
110. Property, plant and equipment	11,693	109,587	121,280
120. Intangible	—	1,634	1,634
of which:			
goodwill	—	—	—
130. Tax assets:	—	182,802	182,802
a) current assets	—	*69,918*	*69,918*
b) advance assets	—	*112,884*	*112,884*
140. Non-current assets and groups of assets for sale	—	—	—
150. Other assets	1,881,717	(1,781,006)	100,711
TOTAL ASSETS	37,319,041	594,454	37,913,495

Liabilities	Balance at 30/6/06 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements	Balance at 30/6/06 pursuant to IAS/IFRS
10. Due to banks	4,955,872	27,635	4,983,507
20. Due to customers	1,844,663	34,143	1,878,806
30. Debt securities in issue	21,248,595	(1,601,433)	19,647,162
40. Financial trading liabilities	—	3,323,322	3,323,322
50. Financial liabilities recognized at fair value	—	—	—
60. Hedge derivatives	—	1,333,189	1,333,189
70. Value adjustments to financial liabilities subject to general hedging	—	—	—
80. Tax liabilities:	65,201	384,405	449,606
a) current	*59,998*	*129,232*	*189,230*
b) deferred	*5,203*	*255,173*	*260,376*
90. Liabilities in respect of groups of assets for sale	—	—	—
100. Other liabilities	3,788,988	(3,136,173)	652,815
110. Staff severance indemnity provision	14,165	547	14,712
120. Provisions:	154,777	(3,777)	151,000
a) post-retirement and similar obligations	—	—	—
b) other provisions	*154,777*	*(3,777)*	*151,000*
130. Valuation reserves	7,587	319,385	326,972
140. Redeemable shares	—	—	—
150. Equity instruments	—	—	—
160. Reserves	2,267,496	(137,975)	2,129,521
170. Share premium reserve	2,071,364	—	2,071,364
180. Share capital	405,999	—	405,999
190. Treasury shares	—	—	—
200. Profit (loss) for the period	494,334	51,186	545,520
TOTAL LIABILITIES AND NET EQUITY	37,319,041	594,454	37,913,495

RECONCILIATION OF PROFIT AND LOSS ACCOUNT FOR YEAR TO 30 JUNE 2006 PURSUANT TO ITALIAN LEGISLATIVE DECREE 87/92 WITH THAT PURSUANT TO IAS/IFRS

	Balance at 30/6/06 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements	Balance at 30/6/06 pursuant to IAS/IFRS
Net interest income	**175,868**	**(15,628)**	**160,240**
Net fee and commission income	**193,949**	**5,800**	**199,749**
Dividends and similar income	307,267	—	307,267
Net trading income (expense)	(107,353)	179,654	72,301
Net hedging income (expense)	—	(2,128)	(2,128)
Gain (loss) on disposal of:	103,741	(8,183)	95,558
b) AFS securities	*103,741*	*(17,843)*	*85,898*
c) financial assets held to maturity	—	*(167)*	*(167)*
d) financial liabilities	—	*9,826*	*9,826*
Total income	**673,472**	**159,514**	**832,986**
Value adjustments for impairment:	34,437	(38,978)	(4,541)
a) loans and advances	—	*(4,511)*	*(4,511)*
b) AFS securities	*34,437*	*(34,437)*	—
c) financial assets held to maturity	—	—	—
b) other financial transactions	—	*(30)*	*(30)*
Net profit from financial operations	**707,909**	**120,536**	**828,445**
Administrative expenses:	(165,906)	(8,639)	(174,545)
a) labour costs	*(98,135)*	*(11,087)*	*(109,222)*
b) other administrative expenses	*(67,771)*	*2,448*	*(65,323)*
Net transfers to provisions	(4,777)	3,777	(1,000)
Net value adjustments to tangible assets	(3,516)	513	(3,003)
Net value adjustments to intangible assets	(192)	(1,163)	(1,355)
Other operating costs	7,816	1,653	9,469
Operating costs	**(166,575)**	**(3,859)**	**(170,434)**
Gain (loss) on equity-accounted investments	2,860	30	2,890
Gain (loss) on disposals of investments	2	—	2
Profit (loss) before tax on ordinary activities	**544,196**	**116,708**	**660,904**
Income tax on ordinary activities for period	(49,862)	(65,522)	(115,384)
Profit (loss) after tax on ordinary activities	**494,334**	**51,186**	**545,520**
NET PROFIT (LOSS) FOR THE PERIOD	**494,334**	**51,186**	**545,520**

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

	30/6/06
NET PROFIT PURSUANT TO ITALIAN LEGISLATIVE DECREE 87/92	**494,334**
– AFS and HTM securities: amortized cost	(8,260)
– amortized cost and FV hedges (other)	(153)
– labour costs (stock options)	(5,503)
– labour costs (staff severance indemnity provision)	(2,044)
– other costs (stock options, Banca Esperia)	(3,316)
– gain (loss) on securities held for trading purposes	(52,447)
– gain (loss) on AFS securities and equity investments	181,641
– fixed assets (leasing)	7,136
– fixed assets	(650)
– collective loan impairment charge	278
– revaluation of provisions	(1,000)
– income tax for period	(64,496)
TOTAL EFFECT, IAS/IFRS ADOPTION	51,186
NET PROFIT PURSUANT TO IAS/IFRS ADOPTION	**545,520**

RECONCILIATION OF NET EQUITY PURSUANT TO ITALIAN LEGISLATIVE DECREE 87/92 WITH THAT PURSUANT TO IAS/IFRS

	Balance at 30/6/05	Balance at 30/6/05
Net equity pursuant to Italian Legislative Decree 87/92	4,527,964	4,752,446
Recognition and measurement of loans and receivables at amortized cost	(44,089)	(44,089)
collective charge, performing loans	*(44,089)*	*(44,089)*
fee effect	—	—
Recognition and measurement of financial assets to fair value	460,302	398,879
securities and derivatives held for trading	*22,266*	*23,079*
securities and derivatives held for hedging	*11,259*	*11,259*
AFS debt securities	*48,930*	*13,875*
AFS equities	*314,151*	*330,263*
cash flow hedge derivatives	*63,696*	*20,403*
Equity investment valuations	—	—
Tangible and intangible assets	72,169	85,691
Stock options	14,637	5,503
Other effects	—	(2,048)
Tax effect	(303,898)	(262,526)
deferred taxes relating to provision for general banking risks	*(195,827)*	*(200,786)*
deferred taxes under FTA	*(108,071)*	*(61,740)*
Total effect, FTA	199,121	181,410
Net equity pursuant to IAS/IFRS	4,727,085	4,933,856

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 30/6/06 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements	Balance at 30/6/06 pursuant to IAS/IFRS
10. Cash and cash equivalents	104	—	104
20. Financial assets held for trading	9,351,178	(2,976,392)	6,374,786
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	—	5,800,020	5,800,020
50. Financial assets held to maturity	—	238,011	238,011
60. Due from banks	3,585,451	6,704	3,592,155
70. Due from customers	13,666,864	83,024	13,749,888
80. Hedge derivatives	—	1,378,016	1,378,016
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments	3,209,225	(1,584,575)	1,624,650
110. Property, plant and equipment	11,550	107,599	119,149
120. Intangible assets	—	2,798	2,798
of which:			
goodwill	—	—	—
130. Tax assets:	—	209,713	209,713
a) current assets	—	*76,978*	*76,978*
b) advance assets	—	*132,735*	*132,735*
140. Non-current assets and groups of assets for sale	—	—	—
150. Other assets	2,050,519	(2,004,198)	46,321
TOTAL ASSETS	31,874,891	1,260,720	33,135,611

	Liabilities	Balance at 30/6/06 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements	Balance at 30/6/06 pursuant to IAS/IFRS
10.	Due to banks	5,788,144	84,388	5,872,532
20.	Due to customers	2,068,460	36,626	2,105,086
30.	Debt securities in issue	14,971,360	(139,699)	14,831,661
40.	Financial trading liabilities	—	3,087,524	3,087,524
50.	Financial liabilities recognized at fair value	—	—	—
60.	Hedge derivatives	—	453,606	453,606
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities:	79,641	301,479	381,120
	a) current liabilities	*77,909*	*29,045*	*106,954*
	b) deferred liabilities	*1,732*	*272,434*	*274,166*
90.	Liabilities in respect of groups of assets being sold	—	—	—
100.	Other liabilities	3,836,282	(2,746,815)	1,089,467
110.	Staff severance indemnity provision	12,986	1,138	14,124
120.	Provisions:	150,000	—	150,000
	a) post-retirement and similar obligations	—	—	—
	b) other provisions	150,000	—	150,000
130.	Valuation reserves	7,587	372,925	380,512
140.	Redeemable shares	—	—	—
150.	Equity instruments	—	—	—
160.	Reserves	2,189,568	(173,804)	2,015,764
170.	Share premium reserve	1,933,331	—	1,933,331
180.	Share capital	397,478	—	397,478
190.	Treasury shares	—	—	—
200.	Profit (loss) for the period	440,054	(16,648)	423,406
	TOTAL LIABILITIES AND NET EQUITY	31,874,891	1,260,720	33,135,611

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INDEPENDENT AUDITORS' REPORT
ON THE IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)
RECONCILIATION STATEMENTS
(Translation from the original Italian text)

To the Board of Directors of
Mediobanca S.p.A.

1. We have audited the statements of reconciliation titled "Reconciliation of balance sheet pursuant to Italian legislative Decree 87/92 and the balance sheet IAS/IFRS" as at 30 June 2006 and 30 June 2005, "Reconciliation of profit and loss account pursuant to Italian legislative Decree 87/92 and the profit and loss account IAS/IFRS" for the year to 30 June 2006, "Reconciliation of net equity pursuant to Italian legislative Decree 87/92 and net equity IAS/IFRS" as at 30 June 2005 and 30 June 2006 (hereinafter, the "IFRS Reconciliation Statements") and the related explanatory notes, presented, in accordance with the criteria and principles set out in Consob Communication No. 6064313 of 28 July 2006, in the section titled "IAS/IFRS: first-time adoption" of the Interim Report of Mediobanca S.p.A. for the six months ended 31 December 2006. These IFRS Reconciliation Statements are based on the financial statements of Mediobanca S.p.A. as of 30 June 2006, prepared in accordance with the Italian regulations governing the criteria for their preparation, which we previously audited and upon which we issued our report dated 22 September 2006. The IFRS Reconciliation Statements have been prepared as part of the Mediobanca S.p.A.'s conversion to International Financial Reporting Standards as adopted by the European Union. These IFRS Reconciliation Statements are the responsibility of Mediobanca S.p.A.'s management. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in Italy. In accordance with such standards we planned and performed the audit to obtain the information necessary in order to determine whether the IFRS Reconciliation Statements are materially misstated. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the IFRS Reconciliation Statements identified in the first paragraph of this report have been prepared, in all material respects, in accordance with the criteria and principles set out in Consob Communication No. 6064313 of 28 July 2006.

4. We draw your attention to the fact that, as described in the explanatory notes, the IFRS Reconciliation Statements have been prepared only for the purposes of the transition to IFRS of the first complete set of financial statements, which will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union. Consequently, the IFRS Reconciliation Statements do not include comparative data and explanatory notes, which would be required for a complete presentation of the financial position and results of operations of Mediobanca S.p.A. in conformity with IFRS.

Milan, 16 March 2007

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

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(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)*

Assets	IAS-compliant 31/12/06	IAS-compliant 30/6/06	IAS-compliant 31/12/05
10. Cash and cash equivalents	7.4	5.4	6.3
20. Financial assets held for trading	11,962.1	8,128.9	7,858.2
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	5,183.3	5,502.7	4,882.6
50. Financial assets held to maturity	629.9	626.5	594.1
60. Due from banks	4,503.4	4,974,0	5,210,0
of which:			
other trading items	*3,664.1*	*4,232.1*	*4,420.4*
other items	*3.4*	*8.2*	—
70. Due from customers	26,307.1	22,954.2	21,765.7
of which:			
other trading items	*3,964.9*	*2,243.2*	*1,387.2*
other items	*14.5*	*32.2*	—
80. Hedge derivatives	797.9	793.4	1,336.2
of which:			
funding hedge derivatives	*769.7*	*745.1*	*1,276.1*
lending hedge derivatives	*5.0*	*3.0*	*4.4*
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments	2,484.7	2,354.9	2,318.5
110. Total reinsurers' share of technical reserves	—	—	—
120. Property, plant and equipment	301.8	301.8	300.8
130. Intangible assets	12.2	3.9	4.4
of which:			
goodwill	*8.0*	—	—
140. Tax assets:	284.4	321.5	272.6
a) current	*130.2*	*175.6*	*130.7*
b) advance	*154.2*	*145.9*	*141.9*
150. Other non-current and groups of assets being sold	—	—	—
160. Other assets	237.2	149.4	155,0
of which:			
other trading items	*114.4*	*46.4*	*18.3*
TOTAL ASSETS	**52,711.6**	**46,116.6**	**44,704.4**

*** Figures in €m.**

The balance sheet provided on page 8 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 and 20 (net of trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedge derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds*) and the relevant amounts of asset heading 80 and liability heading 60 (hedge derivatives).

	Liabilities and net equity	IAS-compliant 31/12/06	IAS-compliant 30/6/06	IAS-compliant 31/12/05
10.	Due to banks	9,978.2	8,473.0	13,099.7
	of which:			
	other trading items	*4,119.5*	*2,879.5*	*7,556.6*
20.	Due to customers	5,966.7	3,966.6	3,729.6
	of which:			
	other trading items	*3,415.1*	*1,577.4*	*1,177.5*
	other liabilities	*22.9*	*32.9*	—
30.	Debt securities in issue	22,510.7	20,560.9	15,629.8
40.	Trading liabilities	3,850.7	3,302.5	3,320.8
50.	Liabilities recognized at fair value	—	—	—
60.	Hedge derivatives	1,408.0	1,331.4	638.3
	of which:			
	funding hedge derivatives	*1,349.5*	*1,302.2*	*610.9*
	lending hedge derivatives	*38.2*	*27.4*	*25.9*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities:	697.7	645.6	545.0
	a) current	*274.8*	*267.3*	*133.6*
	b) deferred	*422.9*	*378.3*	*411.4*
90.	Liabilities in respect of groups of assets being sold	—	—	—
100.	Other liabilities	959.1	810.8	1,259.8
	of which:			
	other trading items	*698.8*	*576.1*	*876.8*
110.	Staff severance indemnity provision	34.1	34.7	34.8
120.	Provisions:	163.8	156.6	152.8
	a) post-retirement and similar benefits	—	—	—
	b) other provisions	*163.8*	*156.6*	*152.8*
130.	Technical reserves	—	—	—
140.	Valuation reserves	621.8	351.2	287.0
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	3,366.0	3,058.7	3,063.3
180.	Share premium reserve	2,119.3	2,071.4	1,948.0
190.	Share capital	408.8	406.0	398.3
200.	Treasury shares	(0.4)	(0.4)	(0.4)
210.	Net equity attributable to minorities	100.9	89.2	82.2
220.	Profit (loss) for the period	526.0	858.4	515.4
	TOTAL LIABILITIES AND NET EQUITY	**52,711.5**	**46,116.6**	**44,704.4**

CONSOLIDATED PROFIT AND LOSS ACCOUNT (IAS/IFRS-compliant)*

		6 mths to 31/12/06	12 mths to 30/6/06	6 mths to 31/12/05
10.	Interest and similar income	1,201.8	1,747.7	853.2
20.	Interest and similar expense	(892.4)	(1,168.6)	(576.0)
30.	**Net interest income**	**309.4**	**579.1**	**277.2**
40.	Fee and commission income	184.7	280.6	157.1
50.	Fee and commission expense	(14.0)	(24.5)	(11.9)
60.	**Net fee and commission income**	**170.7**	**256.1**	**145.2**
70.	Dividends and similar income	5.0	202.4	17.6
80.	Net trading income	50.6	85.4	100.8
90.	Net hedging income (expense)	(0.1)	(2.1)	(1.0)
100.	Gain (loss) on disposal of:	169.5	96.5	119.4
	a) loans and receivables	—	—	—
	b) AFS securities	*169.3*	*87.8*	*117.7*
	c) financial assets held to maturity	—	*(0.2)*	—
	d) financial liabilities	*0.2*	*8.9*	*1.7*
120.	**Total income**	**705.1**	**1,217.4**	**659.2**
130.	Value adjustments for impairment to:	(78.2)	(119.4)	(51.5)
	a) loans and receivables	*(78.4)*	*(119.7)*	*(51.5)*
	b) AFS securities	—	—	—
	c) financial assets held to maturity	*0.2*	*0.3*	—
	d) other financial assets	—	—	—
140.	**Net income from financial operations**	**626.9**	**1,098.0**	**607.7**
150.	Net premium income	—	—	—
160.	Income less expense from insurance operations	—	—	—
170.	**Net income from financial and insurance operations**	**626.9**	**1,098.0**	**607.7**
180.	Administrative expenses:	(195.5)	(381.8)	(173.2)
	a) labour costs	*(103.0)*	*(208.7)*	*(95.0)*
	b) other administrative expenses	*(92.5)*	*(173.1)*	*(78.2)*
190.	Net transfers to provisions for risks and liabilities	(6.0)	(5.3)	(0.5)
200.	Net adjustments to property, plant and equipment	(4.8)	(10.1)	(5.0)
210.	Net adjustments to intangible assets	(0.8)	(2.8)	(1.7)
	of which: goodwill	—	—	—
220.	Other operating income (expense)	25.5	53.2	20.9
230.	**Operating costs**	**(181.6)**	**(346.8)**	**(159.5)**
240.	Profit (loss) on equity-accounted companies	213.8	337.5	180.7
270.	Profit (loss) on disposal of investments	—	0.6	0.5
280.	**Profit (loss) before tax on ordinary activities**	**659.1**	**1,089.3**	**629.4**
290.	Income tax for the period on ordinary activities	(127.7)	(221.5)	(110.5)
300.	**Profit (loss) after tax on ordinary activities**	**531.4**	**867.8**	**518.9**
310.	Gain (loss) after tax on current assets being sold	—	—	—
330.	Profit (loss) for the period attributable to minorities	(5.4)	(9.4)	(3.5)
340.	**Net profit (loss) for the period**	**526.0**	**858.4**	**515.4**

*** Figures in €m.**

The profit and loss account shown on page 7 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 and amounting to €21.5m, €7.2m and (€1.3m) respectively, while as from this half year €0.1m in interest income and €1.1m in interest expense is shown in *Net trading income*;
- amounts reported under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €6.7m, €6.6m and €1.7m respectively which net operating costs; net transfers to provisions for risks and liabilities include €6m booked under *Extraordinary provisions*.

MEDIOBANCA S.p.A. - BALANCE SHEET (IAS/IFRS-compliant)**

	Assets	IAS-compliant 31/12/06	IAS-compliant 30/6/06	IAS-compliant 31/12/05
10.	Cash and cash equivalents	64	106	72
20.	Financial assets held for trading	11,786,798	8,037,260	7,865,069
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	4,103,244	4,042,970	3,887,630
50.	Financial assets held to maturity	629,027	625,544	593,141
60.	Due from banks	6,772,360	6,619,983	6,025,255
	of which:			
	other trading items	*3,430,874*	*4,348,512*	*4,283,946*
	other items	*3,529*	*34*	—
70.	Due from customers	17,680,659	15,719,943	15,095,708
	of which:			
	other trading items	*3,846,165*	*2,087,837*	*1,181,386*
	other items	*12,171*	*9,274*	—
80.	Hedge derivatives	791,802	784,307	1,333,901
	of which:			
	funding hedge derivatives	*783,156*	*758,143*	*1,289,118*
	lending hedge derivatives	*6,208*	*4,590*	*4,397*
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	1,670,022	1,676,954	1,677,217
110.	Tangible assets	120,824	121,278	119,694
120.	Intangible assets	1,675	1,634	1,809
	of which:			
	goodwill	—	—	—
130.	Tax assets:	130,471	182,803	155,979
	a) current	*26,965*	*69,919*	*42,296*
	b) advance	*103,506*	*112,884*	*113,683*
140.	Other non-current and groups of assets being sold	—	—	—
150.	Other assets	144,011	100,711	61,902
	of which:			
	other trading items	*117,773*	*46,264*	*18,261*
	TOTAL ASSETS	**43,830,957**	**37,913,493**	**36,817,377**

**** Figures in €’000.**

The balance sheet provided on page 28 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 150 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 and 20 (net of trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedge derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds*) and the relevant amounts of asset heading 80 and liability heading 60 (hedge derivatives).

	Liabilities and net equity	IAS-compliant 31/12/06	IAS-compliant 30/6/06	IAS-compliant 31/12/05
10.	Due to banks	7,025,430	4,983,507	10,320,118
	of which:			
	other trading items	*5,594,582*	*3,462,690*	*7,768,475*
	other liabilities	*269*	*122*	—
20.	Due to customers	3,813,736	1,878,806	1,363,478
	of which:			
	other trading items	*3,412,333*	*1,577,362*	*1,177,547*
	other liabilities	*22,922*	*11,076*	—
30.	Debt securities in issue	20,694,664	19,646,853	14,563,388
	other liabilities	*172*	—	—
40.	Trading liabilities	3,857,691	3,323,322	3,323,797
50.	Liabilities recognized at fair value	—	—	—
60.	Hedge derivatives	1,408,425	1,333,189	633,492
	of which:			
	funding hedge derivatives	*1,349,558*	*1,303,367*	*607,381*
	lending hedge derivatives	*38,758*	*28,326*	*25,883*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities:	493,940	449,606	405,237
	a) current	*195,702*	*189,230*	*71,713*
	b) deferred	*298,238*	*260,376*	*333,524*
90.	Liabilities in respect of groups of assets being solds	—	—	—
100.	Other liabilities	787,903	653,123	1,012,716
	of which:			
	other trading items	*709,624*	*576,045*	*876,827*
110.	Staff severance indemnity provisions	15,935	14,712	15,153
120.	Provisions:	151,000	151,000	150,000
	a) post-retirement and similar benefits	—	—	—
	b) other provisions	*151,000*	*151,000*	*150,000*
130.	Valuation reserves	598,169	326,972	267,309
140.	Shares with right of withdrawal	—	—	—
150.	Equity instruments	—	—	—
160.	Reserves	2,196,754	2,129,520	2,128,309
170.	Share premium reserve	2,119,328	2,071,364	1,948,033
180.	Share capital	408,781	405,999	398,345
190.	Treasury shares	—	—	—
200.	Profit (loss) for the period	259,201	545,520	288,002
	TOTAL LIABILITIES AND NET EQUITY	**43,830,957**	**37,913,493**	**36,817,377**

MEDIOBANCA S.p.A. - PROFIT AND LOSS ACCOUNT (IAS/IFRS-compliant)**

		6 mths to 31/12/06	12 mths to 30/6/06	6 mths to 31/12/05
10.	Interest and similar income	851,983	1,132,274	581,941
20.	Interest and similar charges	(773,212)	(972,034)	(494,940)
30.	**Net interest income**	**78,771**	**160,240**	**87,001**
40.	Fee and commission income	149,777	206,705	122,829
50.	Fee and commission expense	(5,555)	(6,956)	(4,024)
60.	**Net fee and commission income**	**144,222**	**199,749**	**118,805**
70.	Dividends and similar income	4,990	307,267	17,547
80.	Net trading income	43,854	72,301	87,595
90.	Net hedging income (expense)	(1,340)	(2,128)	(876)
100.	Gain (loss) on disposal of:	161,208	95,557	116,380
	a) loans and receivables	—	—	—
	b) AFS securities	*160,931*	*85,898*	*113,628*
	c) financial assets held to maturity	*(50)*	*(167)*	—
	d) financial liabilities	*327*	*9,826*	*2,752*
120.	**Total income**	**431,705**	**832,986**	**426,452**
130.	Value adjustments for impairment to:	(2,041)	(4,541)	407
	a) loans and receivables	*(2,041)*	*(4,511)*	*407*
	b) AFS securities	—	—	—
	c) financial assets held to maturity	—	—	—
	d) other financial assets	—	*(30)*	—
140.	**Net income from financial operations**	**429,665**	**828,445**	**426,859**
150.	Administrative expenses:	(84,843)	(174,545)	(72,178)
	a) labour costs	*(55,597)*	*(109,222)*	*(46,747)*
	b) other administrative expenses	*(29,246)*	*(65,323)*	*(25,431)*
160.	Net transfers to provisions for liabilities and costs	—	(1,000)	—
170.	Net adjustments to property, plant and equipment	(1,169)	(3,003)	(983)
180.	Net adjustments to intangible assets	(172)	(1,355)	(989)
	of which goodwill	—	—	—
190.	Other operating income (expense)	(1,284)	9,470	106
200.	**Operating costs**	**(87,469)**	**(170,433)**	**(74,044)**
210.	Gain (loss) on equity investments	—	2,890	(14)
240.	Gain (loss) on disposal of investments	5	2	1
250.	**Profit (loss) before tax on ordinary activities**	**342,201**	**660,904**	**352,802**
260.	Income tax for the period on ordinary activities	(83,000)	(115,384)	(64,800)
270.	**Profit (loss) after tax on ordinary activities**	**259,201**	**545,520**	**288,002**
280.	Profit (loss) after tax on extraordinary activities for sale	—	—	—
290.	**Profit (loss) for the period**	**259,201**	**545,520**	**288,002**

**** Figures in €'000.**

The profit and loss account shown on page 27 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 and amounting to €21,665,000, €9,003,000 and (€646,000) respectively, while as from this half year €149,000 in interest income and €1.1m in interest expense is shown in *Net trading income*;
- amounts reported under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €5,625,000 which net operating costs.

TABLE

SIGNIFICANT INVESTMENTS AS DEFINED IN ARTICLE 120 PARAGRAPH 3 OF ITALIAN LEGISLATIVE DECREE 58/98 AND ARTICLE 126 OF CONSOB REGULATION 11971/99

	Shareholding				
	Shares held directly*		Shares held indirectly*		Shares held by:
	No. of shares/units	%	No. of shares/units	%	
Directly-controlled subsidiaries					
COMPASS S.p.A. - Milan Share capital: €87.5m, par value per share €5	17,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A. - Monte Carlo Share capital: €111.1m, par value per share €200	555,535	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. - Luxembourg Share capital: €10m, par value per share €10	990,000	99.00	10,000	1.00	Compass
PROMINVESTMENT S.p.A. - Rome Share capital: €743,000, par value per share €0.52	1,000,000	70.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A. - Milan Share capital: €100,000, par value per share €5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A. - Milan Share capital: €100,000, par value per share €5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l. - Milan Capital: €25,000	1	100.00	—	—	—
SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A. - Milan Share capital: €500,000, par value per share €5	100,000	100.00	—	—	—
SPAFID S.p.A. - Milan Share capital: €100,000, par value per share €10	10,000	100.00	—	—	—
TECHNOSTART S.p.A. - Milan Share capital: €600,000, par value per share €0.50	828,000	69.00	—	—	—
Indirectly-controlled subsidiaries					
COFACTOR S.p.A. - Milan Share capital: €32.5m, par value per share €0.50	—	—	65,000,000	100.00	Compass
CREDITECH S.p.A - Milan Share capital: €250,000, par value per share €1	—	—	250,000	100.00	Compass
MICOS BANCA S.p.A. - Milan Share capital: €70m, par value per share €0.50	—	—	140,000,000	100.00	Compass
PALLADIO LEASING S.p.A. - Vicenza Share capital: €8.7m, par value per share €0.50	—	—	16,482,500 867,500	95.00 5.00	SelmaBipiemme Palladio Leasing
SELMABIPIEMME LEASING S.p.A. - Milan Share capital: €41.3m, par value per share €0.50	—	—	49,564,777	60.00	Compass

* Securities owned.

	Shareholding				
	Shares held directly*		Shares held indirectly*		Shares held by:
	No. of shares/units	%	No. of shares/units	%	
TELELEASING S.p.A. - Milan Share capital: €9.5m, par value per share €1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.I. Compagnie Monégasque Immobilière - SCI Monte Carlo Share capital: €2.4m, par value per share €1,525	—	—	1,599	99.94	CMB S.A.
C.M.G. Compagnie Monégasque de Gestion S.A.M. - Monte Carlo Share capital: €160,000, par value per share €160	—	—	997	99.70	CMB S.A.
SMEF Soc. Monégasque des Etudes Financière S.A.M. - Monte Carlo Share capital: €775,000, par value per share €155	—	—	4,996	99.92	CMB S.A.
MONOECI Soc. Civile Immobilière - Monte Carlo Share capital: €1,600, par value per share €15.5	—	—	99	99.00	CMB S.A.
MOULINS 700 S.A. - Monte Carlo Share capital: €160,000, par value per share €160	—	—	998	99.80	C.M.I. SCI

* Securities owned.

	Shareholding				
	Shares held directly*		Shares held indirectly*		Shares held by:
	No. of shares/units	%	No. of shares/units	%	
Other significant shareholdings					
APE S.p.A. - Milan					
Share capital: €1.1m, par value per share €1	440,000	40.00			
ATHENA PRIVATE EQUITY S.A. - Luxembourg					
Share capital: €51.2m, par value per share €2	6,114,460	23.88	—	—	—
BANCA ESPERIA S.p.A. - Milan					
Share capital: €13m, par value per share €0.52	11,507,100[1]	46.03	—	—	—
BURGO GROUP S.p.A. - Altavilla Vicentina[2]					
Share capital: €205.4m, par value per share €0.52	87,442,365	22.13	—	—	—
FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A. - Milan					
Share capital: €11.4m, par value per share €520	5,500	25.00	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l. - Milan					
Share capital: €79.1m	1	15.06	—	—	—
MB VENTURE CAPITAL FUND I PART. CO. A N.V. - Amsterdam					
Share capital: €50,000, par value per share €1	22,500	45.00	—	—	—
SINTERAMA S.p.A. - Sandigliano					
Share capital: €72.8m, par value per share €0.51	15,000,000	10.51	—	—	—
Speed S.p.A. - Milan					
Share capital: €200,000, par value per share €1	38,376	19.19			
ZAMBIA TANZANIA ROAD SERVICES Ltd - Lusaka (in liquidation)					
Share capital: 4 million Kwacha, par value per share 200 Kwacha	4,667	23.33	—	—	—
MB VENTURE CAPITAL S.A. - Luxembourg					
Share capital: €40,000, par value per share €10	—	—	1,400	35.00	Technostart

* Securities owned.

1 Plus 617,900 shares (2.47%) in connection with the stock option scheme operated by Banca Esperia subject to an irrevocable commitment to purchase.

2 As from 1 January 2007.