

# MEDIOBANCA

*Annual Accounts and Report  
as at 30 June 2007*

Annual General Meeting, 27 October 2007

**MEDIOBANCA**  
LIMITED COMPANY

SHARE CAPITAL € 409,549,082.50

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

*Annual General Meeting*  
*27 October 2007*

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[www.mediobanca.it](http://www.mediobanca.it)

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## **SUPERVISORY BOARD**

		Term expires
CESARE GERONZI	CHAIRMAN	2010
DIETER RAMPL	DEPUTY CHAIRMAN	2010
JEAN AZEMA	BOARD MEMBER	2010
TARAK BEN AMMAR	BOARD MEMBER	2010
GILBERTO BENETTON	BOARD MEMBER	2010
ANTOINE BERNHEIM	BOARD MEMBER	2010
ROBERTO BERTAZZONI	BOARD MEMBER	2010
VINCENT BOLLORE'	BOARD MEMBER	2010
ANGELO CASO'	BOARD MEMBER	2010
GIANCARLO CERUTTI	BOARD MEMBER	2010
FRANCESCO DENOZZA	BOARD MEMBER	2010
ENNIO DORIS	BOARD MEMBER	2010
PIETRO FERRERO	BOARD MEMBER	2010
JONELLA LIGRESTI	BOARD MEMBER	2010
FABRIZIO PALENZONA	BOARD MEMBER	2010
CARLO PESENTI	BOARD MEMBER	2010
EUGENIO PINTO	BOARD MEMBER	2010
ERIC STRUTZ	BOARD MEMBER	2010
MARCO TRONCHETTI PROVERA	BOARD MEMBER	2010
GABRIELE VILLA	BOARD MEMBER	2010
LUIGI ZUNINO	BOARD MEMBER	2010

## **MANAGEMENT BOARD**

RENATO PAGLIARO	CHAIRMAN	2010
ALBERTO NAGEL	MANAGING DIRECTOR	2010
MAURIZIO CEREDA	BOARD MEMBER	2010
MASSIMO DI CARLO	BOARD MEMBER	2010
ALESSANDRO TROTTER	BOARD MEMBER	2010
FRANCESCO SAVERIO VINCI	BOARD MEMBER	2010

\* \* \*

MASSIMO BERTOLINI	HEAD OF FINANCIAL REPORTING
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## **CONSOLIDATED ACCOUNTS**

## REVIEW OF GROUP OPERATIONS

Vincenzo Maranghi passed away on 17 July 2007: forty years devoted entirely to Mediobanca, at least half of which as part of the Bank's senior management. Working in complete harmony with Enrico Cuccia, he was one of the main authors of Mediobanca's fortunes. It is not easy to write of his achievements, given his deep-rooted aversion to any form of public recognition. His professional capabilities, uncompromising ethical rigour and independent character shall never be forgotten by those who knew him, nor in particular by the Group's staff.

\* \* \*

The Mediobanca Group's results for the twelve months ended 30 June 2007 reflect net profit of €953.2m, up 11% on the €858.4m recorded the previous year, and far ahead of the €750m annual target set in the 2005-2008 business plan.

Profit from ordinary activities rose by 5.6%, from €1,118.3m to €1,181.1m, despite a reduced contribution from net trading income, which stood at €82.8m, as opposed to €215.7m. Total income increased by 6.6%, from €1,511.7m to €1,611.5m, driven by healthy performances from the other main items, which were as follows:

- net interest income rose 12.4%, from €593m to €666.8m, on the strength of higher lendings in corporate banking, up 30.6%, from €12.3bn to €16bn, and higher volumes in retail financial services, where loans and advances were up 15% to €10bn, and new loans up 4.3% to €4.8bn;
- net fee and commission income increased by 22.7%, from €302.7m to €371.3m, following a good contribution from wholesale banking, which accounts for some three-quarters of the total;
- income from companies accounted for on an equity basis posted a 24.9% increase, from €335.3m to €418.9m, reflecting a healthy earnings performance by the Assicurazioni Generali group in particular;
- dividends on available for sale (AFS) securities rose by 10.3%, from €65m to €71.7m.



The 9.4% increase in operating costs, from €393.4m to €430.4m, is due in part to non-recurring costs, but also to strengthening in all areas of the Group's activity: 55 more staff have been taken on in wholesale banking, an increase of 13% over last year, and the Group's presence outside Italy was bolstered by opening two new branch offices, in Frankfurt and Madrid; the programme of extending geographical coverage in retail financial services has also continued, with a total of 22 new branches opened during the year, representing growth of 16%.

Bad debt writeoffs grew by 38.2%, from €119.4m to €165m, due chiefly to retail financial services, and are the result of acquiring customers with higher risk profiles, in line with market trends and against a backdrop of fierce competition. Part of this item is attributable to wholesale banking, where a lump sum provision of €5.2m has been set aside on a prudential basis in order to cover the sharp growth in lendings.

Gains on disposals of securities totalled €175.4m (30/6/06: €87.8m), and are chiefly the result of disposal of the Group's holding in Ferrari, completed during the first quarter of the financial year under review.

Tax of €215.2m net of income exempt from and/or subject to reduced taxation (i.e. share in profits earned by equity-accounted companies, dividends and gains realized upon disposal) reflects a tax rate of 39%.

On the balance-sheet side, loans and advances to customers grew by 25%, from €21.4bn to €26.8bn, and funding rose by 18%, from €29.1bn to €34.2bn.

These results refer to the second year of the Mediobanca Group's 2005/2008 business plan. Following a first year of strong growth, this year's results reflect consolidation and further improvement.

Turning to the individual areas of the Group's activity:

- *wholesale banking*, which accounts for around 40% of Group income and roughly half of consolidated net profit, confirmed the results posted during the previous twelve-month period, which themselves were superior to the end-plan estimates, recording a net profit of €459.6m (30/6/06: €467.2m). The sharp downturn in income from trading, which slowed to €69.6m as compared with €205.3m the previous year (€40.8m of which, however, was non-recurring income generated by disposal of the Group's shareholding in Ciments

Français), was more than offset by the growth recorded by other income sources, in particular net fee and commission income, which increased by €66.7m;

- *retail financial services*, which account for over 30% of total income and 8% of consolidated net profit, posted revenue growth of 13.6%, from €440.8m to €500.8m, which translated to a slight increase in the bottom line, from €78.6m to €80.3m, reflecting the higher costs linked to geographical expansion as well as growth in bad debt writeoffs;
- *private banking* reported results above expectations: total income rose by 12.5%, from €115.6m to €130.1m, and net profit stood at €54.7m, up 18.4% on the €46.2m recorded at the same time last year. Assets under management by Banca Esperia grew by 41.9%, from €8.4bn to €11.9bn, and those managed by Compagnie Monégasque de Banque grew by 13.2%, from €7.1bn to €8.1bn, helped in part by the acquisition of ABN Amro's assets in Monaco.

The increase in profits earned by equity-accounted companies, from €268.8m to €363m, corresponds largely to the increase in profit for the year, as the contribution from banking activity remained more or less stable at €590.5m, compared with €589.6m.

The following events during the year were particularly significant with reference to the 2005-2008 business plan:

- creation of value from the Group's equity investment portfolio by:
  - disposing of holdings worth an aggregate amount of over €680m, chiefly Ferrari, yielding gains of €173.9m;
  - subscribing for a 19.2% stake in Speed, the vehicle company set up in conjunction with other banking investors to acquire 39% of Pirelli Tyre, involving an outlay of €63.9m;
  - entering into an agreement whereby Mediobanca will spin off 1.54% of Telecom Italia in return for a shareholding of 10.6% in the newly-established company Telco, which is intended to hold 23.6% of Telecom Italia;
  - setting up a team of equity specialists focusing on Italian and non-Italian listed equities, and adopting a long/short strategy with a medium-term horizon and the objective of unlocking value from the existing portfolio.

- further drive towards international growth for the Group by:
  - setting up an equity brokerage in New York, with the objective of increasing business with US institutional clients;
  - opening Mediobanca branch offices in Frankfurt and Madrid, following on from the branch opened in Paris, with a view to expanding the Bank’s client base in Europe;
  - Micos Banca launching mortgage finance activity on the French market, with the opening of five branches in Paris, Lyons and the Côte d’Azur.
- setting up a team to focus on the mid-corporate segment specifically, with four regional offices, in order to assist medium-sized companies in their path towards growth, including by providing financial support;
- acquisition by Compagnie Monégasque de Banque of ABN Amro’s private banking activities in Monaco;
- strengthening of risk management activity through:
  - upgrading the dealing rooms’ IT systems;
  - in accordance with Bank of Italy recommendations, adopting a business continuity plan to cope with exceptional events that could impact on the continuity of the Group’s operations;
  - implementating a “Basel 2” project with the objective of adopting internal models for determining credit risk as from 2010;
  - adopting a new internal control system pursuant to Italian Legislative Decree 231/01, making provision *inter alia* for plurality of leadership in the Bank’s internal control unit.

At an Extraordinary and Ordinary General Meeting held on 27 June 2007, shareholders voted in favour of a resolution to adopt a new system of corporate governance for Mediobanca based on the dualistic model, and proceeded to appoint members of the new Supervisory Board. At a meeting held subsequently on 2 July, the newly elected Supervisory Board duly appointed members of the Management Board.

We wish to place on record our thanks to Gabriele Galateri di Genola, who recently left his post as Chairman of the Board of Directors of Mediobanca, having discharged his duties with great intelligence during the past four years.

\* \* \*

In response to the requests made by Consob in a letter dated 20 August regarding banks' exposure to subprime mortgages, the Mediobanca Group has no exposure to such products.

\* \* \*

## DEVELOPMENTS IN THE CAPITAL MARKET

The risk capital market has shown uninterrupted net outflows since 2000/2001, and in the twelve months ending in June 2007 a total of €31.3bn was returned to investors, compared with €28.8bn during the preceding period. This represents an all-time high, and is chiefly the result of conflicting trends in terms of volumes of funding and public offerings on the one hand, and dividends paid out on the other:

	12 mths to 30/6/05	12 mths to 30/6/06	12 mths to 30/6/007
	€m	€m	€m
Issues and placements of: <sup>1</sup>			
ordinary and convertible savings shares .....	15,267	9,062	4,970
preference and non-convertible savings shares .....	1	830	—
convertible bonds and bonds with warrants .....	421	153	477
Total.....	<u>15,689</u>	<u>10,045</u>	<u>5,447</u>
<i>of which: rights issues:</i> <sup>2</sup>			
<i>par value</i> .....	2,749	3,772	1,102
<i>share premium</i> .....	3,623	6,372	1,952
3,054		7,303	3,054
Dividends paid out.....	<u>22,754</u>	<u>28,240</u>	<u>30,449</u>
Public tender offers .....	<u>14,253</u>	<u>10,566</u>	<u>6,253</u>
Balance .....	(21,318)	(28,761)	(31,255)

<sup>1</sup> Excluding placements restricted to professional investors.

<sup>2</sup> Excluding initial and other public tender offers, which amounted to €301m in 2004/2005, €351m in 2005/2006, and €549m in 2006/2007, offers restricted to employees, and offers otherwise without option rights.

Capital raised through share issuance and placings halved, from €10bn to €5bn. Four-fifths of this decrease is due to reduced demand by companies for rights issues, with the value of new shares granted as options declining from €7.3bn to €3.1bn, and the share premium rising from 48% of total rights issues to 64%; these mostly involve shares in banks (58% of the total). A total of 60 companies carried out share issuance restricted to employees, mostly through exercise of stock options, the same number as last year, but with the aggregate value of such shares reducing from €848m to €569m. Share placements declined from €1.7bn to €1.3bn, with a total of nine IPOs carried out. Convertible bond issuance again recorded negligible volumes, with just the one issue completed in the second half of 2006.

Looking at funds returned to investors, dividends totalled €30.4bn, 8% higher than the previous year, which translated to a payout ratio of 58%, up from 53%. The largest dividend volumes were posted by energy companies and utilities and by banks (these two groupings accounting for almost identical amounts, and jointly representing 78% of the total); insurances' share was 7%, while the other companies, chiefly industrials, accounted for 15%. A total of 83 out of the 259 listed on the Italian screen-based market, or MTA, failed to pay dividends, or 4% of the total as measured by market capitalization, compared with 6% in the period ended 30 June 2006. Public tender offers, which were down 41% on the previous year, originated in the main from transactions involving changes in controlling entities; in two cases this led to the shares being delisted.

Net aggregate 2006 earnings by Italian companies listed at 30 June 2007 totalled €41bn, up €1.6bn on the previous year; this approx. 4% improvement reflects the balance of higher earnings by the banking and insurance sectors, which grew 30% and 21% respectively, and a 9% reduction in profits earned by industrials. Banks' results improved by an aggregate approx. €4bn, reflecting the inclusion of the HVB group's results for the full year following its merger into UniCredito Italiano. Net of this, aggregate total income recorded by banks showed an increase of €6bn, or 10.2%, nearly half of which was in interest income and another quarter of which was attributable to higher net fees. Conversely, there was an approx. €2bn increase in operating costs, virtually all of which was due to labour and general expenses and depreciation and amortization, up 6% on the

previous year, whereas writedowns and loan losses reduced slightly, by €0.3bn; the cost/income ratio declined from 66% to 63%. Return on equity (ROE) improved, from 12.6% to 15.1%. Turning to insurances, these posted a €0.6bn increase in profits, to reach €3.2bn; this was mostly the combined effect of higher net premium income, up €1.8bn, lower net claims, down €0.8bn, and lower investment income, down €1.7bn. ROE increased from 13.4% to 15.6%. The reduction in earnings by industrial companies, from €25.4bn to €23.1bn, was largely due to the balance of extraordinary items, which reflected a decline of €3.4bn, and a €3.1bn increase in the tax burden, which together outweighed the improvement of €2.8bn in current profit. ROE declined from 18% to 15%; conversely, the companies listed in the STAR segment recorded an improvement in profits, but their ROE declined, from 11.2% to 9.8%, due to a disproportionately large increase in net equity. Aggregate net equity for all listed companies rose by 8%, from €292bn to €314.5bn. Gearing for industrials declined from €1 for every €1 of net equity to €0.9; intangible assets were again considerable, accounting once more for 60% of net equity (40% for companies listed on the STAR segment).

In the twelve months to June 2007 share prices increased on average by 16%, while in the months to 18 September a downturn of 7% was recorded. Conversely, the total return index rose by 21%, representing the average between a 25% increase in industrial stocks and a 16% rise for banking and insurance shares; the return on shares without voting rights was 12%, and that on STAR segment stocks 28%. The average daily volume of stocks traded on the MTA reached €5.4bn, up 28% on the previous year, while the free float rose from 57% to 58%, with the turnover ratio rising from 21% to 22%, and volatility levels continued to be very low, at 1.2% compared with 1.3% for the previous 12 months.

The leading Western financial markets all saw large gains; for the leading listed companies the price/dividend ratio remained largely stable, while the price/earnings ratio reflected differing trends, with increases in the U.K., U.S., German and Swiss markets and reductions in France and the Benelux countries (stable in Italy):

	Price/dividends		Price/earnings	
	%		%	
	2006	2007	2006	2007
Benelux** .....	3.4	3.0	8.1	6.9
France* .....	2.2	2.2	5.9	4.8
Germany* .....	1.8	1.9	5.6	6.2
Italy* .....	2.8	2.7	6.1	6.1
United Kingdom* .....	2.7	2.7	6.0	6.4
United States* .....	1.7	1.9	5.5	5.9
Switzerland** .....	1.6	2.0	5.0	5.3

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

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

NB: mean indicators based on share prices as at 30 March 2007. Year-on-year changes in stock market prices on the main financial markets in the twelve months to 31 March 2007 may be summarized in the following percentage increases on the countries' respective equity indexes: Italy up 10% (Mediobanca MTA), Switzerland up 12% (SMI), Holland up 9% (AEX), Germany up 15% (CDAX), United States up 10% (S&P 500), Belgium up 15% (BAS), France up 10% (SBF 250), United Kingdom up 8% (FTSE All-Share).

Assets managed by funds incorporated under Italian law (including funds of funds, but excluding closed and hedge funds) fell from €344bn at 30 June 2006 to €314.5bn. This was chiefly due to redemptions outweighing subscriptions by €47bn, partly offset by a positive management performance which returned €18bn, or 5%. Portfolio composition shows a reduction in non-Italian government securities, down 3 percentage points, and in other net financial assets, down 2.5 points, against an increasing percentage of Italian gilts (up 2.3 points, after two successive years of reductions), non-Italian bonds (up 1.8 points), and equities (non-Italian equities up 0.9 points, Italian equities up 0.7 points). Roundtrip funds recorded assets of €203bn at 30 June 2007, compared to €185bn twelve months previously, with over €3bn of this increase due to net funding and some €14bn to fund performance.

The aggregate market capitalization of companies listed on the MTA rose from €696bn to €801bn, with the free float up from €396bn to €468bn. Approx. €110bn was added due to the increase in stock market prices, partly offset by the balance of new listings, shareholders' contributions, delisted companies (mostly banks and insurances) and transfers due to mergers, totalling approx. €5bn.

\* \* \*

The consumer credit market in Italy grew by approx. 11% in 2006 in terms of new loans. This increase in the market was driven by the direct forms of financing, i.e. personal loans and credit cards. Further growth is anticipated for 2007, albeit at a slower pace than in the past.

	2004		2005		2006	
	€m	%	€m	%	€m	%
Vehicle credit .....	18,378	46.7	20,403	42.9	20,461	38.7
Personal loans .....	8,819	22.4	11,238	23.6	14,122	26.7
Specific purpose loans .....	5,669	14.4	5,559	11.7	5,762	10.9
Credit cards .....	4,638	11.8	7,652	16.1	8,668	16.4
Other loans .....	1,837	4.7	2,747	5.7	3,834	7.3
	<u>39,341</u>	<u>100.0</u>	<u>47,599</u>	<u>100.0</u>	<u>52,847</u>	<u>100.0</u>

Source: Assofin.

The mortgage lending market in Italy confirmed the healthy trend witnessed in recent years, but also showed signs of slowing. Bank of Italy figures show an increase of 11.7% in volumes of new mortgages in the twelve months to 31 March 2007, from €56.2bn to €62.8bn.

The Italian leasing industry (source: Assilea) reflects growth of 8.6% in 2006 over the previous year, which reduces to 1.8% for the first six months of 2007.

	2004		2005		2006	
	€m	%	€m	%	€m	%
Vehicles .....	8,596	22.5	8,894	20.1	9,171	19.1
Core goods .....	11,206	29.3	11,425	25.8	12,786	26.5
Property .....	16,739	43.8	21,968	49.6	23,554	49.0
Yachts .....	1,644	4.4	2,004	4.5	2,599	5.4
	<u>38,185</u>	<u>100.0</u>	<u>44,291</u>	<u>100.0</u>	<u>48,110</u>	<u>100.0</u>

Source: Assofin.



## CONSOLIDATED FINANCIAL STATEMENTS\*

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

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/06	12 mths to 30/6/07	Year-on-year change
	€m	€m	%
Net interest income .....	593.0	666.8	+12.4
Net trading income .....	215.7	82.8	-61.6
Net fee and commission income .....	302.7	371.3	+22.7
Dividends on AFS securities .....	65.0	71.7	+10.3
Share of profits earned by equity-accounted companies .....	335.3	418.9	+24.9
<b>TOTAL INCOME</b> .....	<b>1,511.7</b>	<b>1,611.5</b>	<b>+6.6</b>
Labour costs .....	(208.7)	(236.4)	+13.3
Other administrative expenses .....	(184.7)	(194.0)	+5.0
<b>OPERATING COSTS</b> .....	<b>(393.4)</b>	<b>(430.4)</b>	<b>+9.4</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>1,118.3</b>	<b>1,181.1</b>	<b>+5.6</b>
Gain (loss) on disposal of AFS securities .....	87.8	175.4	+99.8
Gain (loss) on disposal of other securities .....	2.6	(0.1)	n.m.
Bad debt writeoffs .....	(119.4)	(165.0)	+38.2
Net value adjustments to AFS securities .....	—	(4.2)	n.m.
One-off provisions .....	—	(6.0)	n.m.
<b>PROFIT BEFORE TAX</b> .....	<b>1,089.3</b>	<b>1,181.2</b>	<b>+8.4</b>
Income tax for the period .....	(221.5)	(215.2)	-2.8
Minority interest .....	(9.4)	(12.8)	+36.2
<b>NET PROFIT</b> .....	<b>858.4</b>	<b>953.2</b>	<b>+11.0</b>
<i>of which: from banking activity</i> .....	<i>589.6</i>	<i>590.2</i>	<i>+0.1</i>
<i>from equity investment portfolio</i> .....	<i>268.8</i>	<i>363.0</i>	<i>+35.0</i>

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

## RESTATED BALANCE SHEET

	30/6/06	30/6/07
	€m	€m
<b>Assets</b>		
Treasury funds .....	6,320.6	6,993.0
AFS securities .....	5,502.7	5,573.2
<i>of which: fixed income</i> .....	2,833.9	1,622.4
<i>equities</i> .....	2,423.0	3,335.7
Financial assets held to maturity .....	626.5	622.5
Loans and advances to customers .....	21,388.1	26,811.6
Equity investments .....	2,354.9	2,632.7
Property, plant and equipment .....	305.7	310.5
Other assets .....	510.2	588.6
<i>of which: tax assets</i> .....	321.5	372.0
Total assets .....	<u>37,008.7</u>	<u>43,532.1</u>
<b>Liabilities</b>		
Funding .....	29,067.7	34,227.7
<i>of which: debt securities in issue</i> .....	21,118.0	25,702.6
Other liabilities.....	915.3	1,227.9
<i>of which: tax liabilities</i> .....	645.6	787.1
Provisions .....	191.3	185.4
Net equity .....	5,976.0	6,937.9
<i>of which: share capital</i> .....	406.0	408.8
<i>reserves</i> .....	5,480.8	6,420.9
<i>minority interest</i> .....	89.2	108.3
Profit for the period .....	858.4	953.2
Total liabilities .....	<u>37,008.7</u>	<u>43,532.1</u>
<i>Tier 1 capital</i> .....	5,743.7	6,202.2
<i>Regulatory capital</i> .....	6,954.2	8,106.1
<i>Tier 1 capital/risk-weighted assets</i> .....	14.07%	12.28%
<i>Regulatory capital/risk-weighted assets</i> .....	17.24%	16.18%
<i>No. of shares in issue (millions)</i> .....	812	817.6

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

30/6/07	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
<b>Profit-and-loss figures</b>					
Net interest income (expense).....	200.5	455.2	23.6	(9.1)	666.8
Net trading income .....	69.6	—	14.6	—	82.8
Net fee and commission income .....	281.9	45.6	91.9	—	371.3
Dividends on AFS securities .....	71.7	—	—	—	71.7
Share in profits earned by equity-accounted companies .....	18.0	—	—	387.7	418.9
<b>TOTAL INCOME</b> .....	<b>641.7</b>	<b>500.8</b>	<b>130.1</b>	<b>378.6</b>	<b>1,611.5</b>
Labour costs.....	(130.3)	(70.0)	(42.3)	(3.8)	(236.4)
Administrative expenses.....	(72.9)	(107.6)	(25.6)	(1.5)	(194.0)
<b>OPERATING COSTS</b> .....	<b>(203.2)</b>	<b>(177.6)</b>	<b>(67.9)</b>	<b>(5.3)</b>	<b>(430.4)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>438.5</b>	<b>323.2</b>	<b>62.2</b>	<b>373.3</b>	<b>1,181.1</b>
Gain (loss) on disposal of AFS securities .....	166.7	—	8.8	—	175.4
Gain (loss) on disposal of equity investments ...	—	—	—	—	—
Gain (loss) on disposal of other assets.....	(0.1)	—	—	—	(0.1)
One-off provisions .....	—	—	(6.0)	—	(6.0)
Bad debt writeoffs .....	(5.2)	(159.8)	(0.2)	—	(165.0)
Net value adjustments to AFS securities.....	(4.2)	—	—	—	(4.2)
<b>PROFIT BEFORE TAX</b> .....	<b>595.7</b>	<b>163.4</b>	<b>64.8</b>	<b>373.3</b>	<b>1,181.2</b>
Income tax .....	(136.1)	(70.2)	(10.1)	(9.5)	(215.2)
Minority interest .....	—	(12.9)	—	—	(12.8)
<b>NET PROFIT</b> .....	<b>459.6</b>	<b>80.3</b>	<b>54.7</b>	<b>363.8</b>	<b>953.2</b>
<b>Balance-sheet data</b>					
AFS securities .....	4,788.1	—	808.1	—	5,573.2
Equity investments .....	176.7	—	0.1	2,407.4	2,632.7
Loans and advances to customers .....	20,313.9	10,122.9	868.1	—	26,811.6
<i>of which: to Group companies</i> .....	4,318.9	—	—	—	—
Risk-weighted assets .....	39,033.7	8,190.8	1,151.3	1,737.7	50,113.5
No. of employees .....	473	1,072	280	*	1,783
Cost/income ratio .....	32	35	52	1	27

\* Includes 89 staff employed by the Esperia group pro-forma not included in the Group total.

### Notes:

- 1) Divisions comprise:
  - *wholesale banking*: Mediobanca S.p.A., Mediobanca International, MB Securities USA, Consortium and Prominvestment;
  - *retail financial services*: Compass, Micos Banca, Cofactor and Creditech (consumer finance), SelmaBipiemme Leasing, Palladio Leasing and Teleleasing (leasing);
  - *private banking*: Compagnie Monégasque de Banque, Spafid 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 on consolidation between different business areas, which gave rise to a surplus of approx. €0.9m as at 30 June 2006 and of €2.5m as at 30/6/07;
  - notional expenses attributable to Mediobanca in respect of stock option scheme operated by Banca Esperia, which amount to €7.8m (30/6/06: €3.3m).

30/6/06

	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
<b>Profit-and-loss data</b>					
Net interest income (expense) .....	180.6	398.3	22.1	(6.8)	593.0
Net trading income .....	205.3	1.4	10.7	—	215.7
Net fee and commission income .....	215.2	41.1	82.8	—	302.7
Dividends on AFS securities .....	65.0	—	—	—	65.0
Share in profits earned by equity-accounted companies .....	15.7	—	—	310.5	335.3
<b>TOTAL INCOME</b> .....	<b>681.8</b>	<b>440.8</b>	<b>115.6</b>	<b>303.7</b>	<b>1,511.7</b>
Labour costs .....	(105.4)	(66.2)	(41.8)	(3.1)	(208.7)
Administrative expenses .....	(70.6)	(100.2)	(24.3)	(2.3)	(184.7)
<b>OPERATING COSTS</b> .....	<b>(176.0)</b>	<b>(166.4)</b>	<b>(66.1)</b>	<b>(5.4)</b>	<b>(393.4)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>505.8</b>	<b>274.4</b>	<b>49.5</b>	<b>298.3</b>	<b>1,118.3</b>
Gain (loss) on disposal of AFS securities .....	85.9	—	1.9	—	87.8
Gain (loss) on disposal of equity investments ...	2.2	—	—	—	2.2
Gain (loss) on disposal of other assets .....	(0.2)	—	0.6	—	0.4
Bad debt writeoffs .....	(4.5)	(115.2)	0.2	—	(119.4)
<b>PROFIT BEFORE TAX</b> .....	<b>589.2</b>	<b>159.2</b>	<b>52.2</b>	<b>298.3</b>	<b>1,089.3</b>
Income tax .....	(122.5)	(69.8)	(6.0)	(29.5)	(221.5)
Minority interest .....	0.5	(10.8)	—	—	(9.4)
<b>NET PROFIT</b> .....	<b>467.2</b>	<b>78.6</b>	<b>46.2</b>	<b>268.8</b>	<b>858.4</b>
<b>Balance-sheet data</b>					
AFS securities .....	4,065.8	—	1,456.7	—	5,502.7
Equity investments .....	146.8	—	—	2,173.4	2,354.9
Loans and advances to customers .....	15,855.8	8,799.4	452.5	—	21,388.1
<i>of which: to Group companies</i> .....	<i>3,608.4</i>	—	—	—	—
Risk-weighted assets .....	30,218.5	7,305.8	831.1	1,973.9	40,329.3
No. of staff .....	418	1,026	274	*	1,684
Cost/income ratio .....	26	38	57	2	26

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

## BALANCE SHEET

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

**Funding** — this item rose from €29,067.7m to €34,227.7m, an increase of 17.8%, due to a rise in debt securities, from €21,118m to €25,702.6m, which reflects new issuance of €5,929.6m, redemptions and market repurchases of €2,751.3m, and other adjustments (exchange rate adjustments, amortized cost and hedges) amounting to €34.4m; the heading also includes €2,213.5m in short-term securities, i.e. Euro CDs and commercial paper, up €1,371.9m. Of the new issues, two subordinated bonds placed by the Bank for approx. €1bn should be noted. These were made during the first half of the year, in order to mitigate the impact of partial deduction of the Group's holding in Assicurazioni Generali from regulatory capital, as required under the new directive on financial conglomerates, and also to diversify forms of funding. The other items, i.e. current accounts, borrowings and deposits, rose by 7.2%, from €7,949.7m to €8,525.1m, due to the Compass group raising more funds on the banking market.

**Loans and advances to customers** — these rose by 25.4%, from €21,388.1m to €26,811.6m, chiefly in the corporate segment, which grew over 30% to virtually €16bn. Mortgage lender Micos Banca's loan book also grew by 26.7% to over €2bn. All segments showed double-digit growth.

	30/6/06	30/6/07	Change
	€m	€m	%
Corporate .....	12,268.8	15,995.0	+30.4
Retail .....	8,778.3	10,101.4	+15.1
- of which consumer credit .....	3,216.2	3,659.1	+13.8
mortgage lending .....	1,682.0	2,131.6	+26.7
leasing .....	3,817.4	4,247.9	+11.3
Other (CMB) .....	341.0	715.2	+109.7
TOTAL LOANS AND ADVANCES TO CUSTOMERS .....	21,388.1	26,811.6	+25.4

As a result of these trends, corporate loans and structured finance increased their share of the loan book from 57% to 59%, while consumer

finance and loans disbursed by Compagnie Monégasque de Banque were unchanged at 23% and 2% respectively, and leasing reduced from 18% to 16%.

At the reporting date there was a total of fourteen significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital, four more than at the same time last year, which, when weighted, amount to a total of €15,504.2m (30/6/06: €10,619.3m).

**Equity investments** — accounting for investments by the equity method, which involves reporting the Group's share in profits earned by associates, plus any changes to net equity occurring during the period, led to a rise of €277.8m in this item, from €2,354.9m to €2,632.7m, €211.2m of which is attributable to Assicurazioni Generali, €41.8m to Burgo Group (partly as a result of adopting IAS/IFRS), €22.8m to RCS MediaGroup and €14m to Banca Esperia. The Group's holding in MB Venture Capital worth €9.5m has been classified as available for sale given the nature of the investment (i.e. participation in a fund). At 30 June 2007 the portfolio reflected a gain of €3,928.9m (30/6/06: €3,352.4m), which based on current prices, rises to €3,946.8m.

	Percentage shareholding*	Book value	Market value based on share prices at 30/6/07	Gain
	%	€m	€m	€m
<b>LISTED INVESTMENTS</b>				
Assicurazioni Generali .....	14.09	2,099.7	5,897.5	3,797.8
RCS MediaGroup, <i>ordinary</i> ....	13.94	307.7	438.8	131.1
		<u>2,407.4</u>	<u>6,336.3</u>	<u>3,928.9</u>
<b>OTHER INVESTMENTS</b>				
Banca Esperia .....	48.50	48.6		
Burgo Group .....	22.13	143.0		
Athena Private Equity Class A ..	23.88	31.1		
Fidia .....	25.00	2.2		
Other, minor investments.....		0.4		
		<u>225.3</u>		
		<u>2,632.7</u>		

\* Of entire share capital.

**Financial assets held to maturity** — these were stable at €622.5m (30/6/06: €626.5m), after €4m in adjustments to amortized cost. Based on prices at the reporting date, this portfolio showed a potential loss of €20.6m.

**AFS securities** — this portfolio shows a value of €5,573.2m, up €70.5m, and comprises debt securities worth €1,622.4m (30/6/06: €2,833.9m), equities worth €3,335.7m (€2,423m), and other securities (fund units) worth €615.1m (€245.8m), the latter entirely attributable to Compagnie Monégasque de Banque. The bond component reduced by €1,211.5m, after disposals of €1,223.1m (€1,022.7m of which by CMB and €200.4m by Mediobanca), and measuring the portfolio at fair value as at the reporting date, which accounted for €11.6m. Among equities, there were new investments totalling €872.3m, disposals worth €680m yielding gains, including other income and transfers from valuation reserves, of €173.9m, €152.8m of which in relation to Ferrari, and upward adjustments to fair value recognized directly in net equity amounting to €564.9m. The portfolio is made up as follows:

	Percentage shareholding*	Book value at 30/6/07	Adjustments to fair value	Total AFS reserve
Fiat .....	1.94 – 1.66	467.0	246.9	329.6
Telecom Italia .....	1.54 – 1.06	419.1	(26.7)	(103.3)
Pirelli .....	4.45 – 4.34	206.0	48.7	34.3
Italmobiliare .....	9.5 – 5.47	220.5	77.8	186.0
Other listed securities .....		1,697.9	153.0	353.8
Other unlisted securities .....		325.2	65.2	66.3
<b>TOTAL .....</b>		<b>3,335.7</b>	<b>564.9</b>	<b>866.7</b>

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

Some holdings in unlisted companies were also written down on a prudential basis, in order to bring them in line with their estimated current value. This led to a charge of €4.2m being taken to profit and loss. There were no other impairment situations recorded for any other shares.

Subsequent to the reporting date the following events took place:

- a 9.99% stake in Santé S.A., the holding company which bought French group Générale de Santé, was acquired, for an outlay of €80.6m;

- a memorandum of understanding was signed with Sintonia S.p.A. of the Edizione Holding group and Goldman Sachs to acquire a stake of up to 5% in the share capital of Sintonia S.A., a company which specializes in infrastructure, both in Italy and elsewhere, and which currently holds indirect investments in Atlantia and Telecom Italia;
- disposal of holdings in AFS securities worth over €500m, at a gain of over €100m.

**Treasury funds** — these increased from €6,320.6m to €6,993m, and include €347m in cash and cash equivalents (30/6/06: €266.2m), €8,029.2m in fixed-income securities (€4,105.3m), €843.5m in equities (€662.8m), €177.2m (€58.3m) in positive value adjustments to derivative products, and €2,403.9m in short-term funding products, such as repos, time deposits, etc. Movements during the twelve months and value adjustments to the portfolio, including derivatives, led to a net gain of €82.8m as at 30 June 2007.

**Tangible and intangible assets** — movements during the period chiefly involved €8m in intangible assets being booked, linked to CMB's acquisition of ABN Amro's branch in Monaco, and depreciation and amortization worth a total of €12.9m.

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

	Squ.m	Book value	Book value per squ.m
		€'000	€'000
Milan:			
– Piazzetta Enrico Cuccia, 1 .....	6,874	16,251.9	2.4
– Via Filodrammatici, 3, 5, 7 - Piazzetta Bossi, 1 .....	11,093	65,677.1	6.0
– Piazza Paolo Ferrari, 6 .....	1,967	4,302.2	2.2
– Foro Buonaparte, 10 .....	3,918	8,040.3	2.1
– Via Siusi, 1-7 .....	5,300	4,553.7	0.9
Rome:			
– Piazza di Spagna, 15 .....	8,228	29,008.3	3.5
– Via Nomentana, 146 .....	1,790	9,315.6	5.2
Vicenza:			
– Via Btg. Framarin, 4 .....	4,239	5,209.9	1.2
Monaco .....	8,166	133,873.0	16.3
Other, minor properties .....	6,965	4,550.0	0.7
	<b>58,540</b>	<b>280,782.0</b>	



**Provisions** — this heading comprises the provision for liabilities and charges, which stood at €156m, compared with €156.6m one year previously, and the staff severance indemnity provision, which declined from €34.7m to €29.4m, as a result of staff turnover and actuarial adjustments due to recent changes to legislation regarding the provision.

**Net equity** — this increased by €942.8m, from €5,886.8m to €6,829.6m, due chiefly to the effect of retained earnings from the previous financial year of €379.4m, share issuance linked to the exercise of stock options, which added €50.7m, increase in the valuation reserves (€486m), and differences arising on consolidation (€17.6m) chiefly linked to application of the equity method. The AFS valuation reserve rose from €311.9m to €818.5m, after withdrawals following disposals amounting to €8.1m, and a €514.7m increase due to assets being recognized at fair value at the reporting date net of the related tax effects; the cash flow hedge reserve stood at €5.2m (€25.8m). Regulatory capital rose from €6,954.2m to €8,106.1m, and includes subordinated bonds worth approx. €1bn issued in October 2006, as described earlier.

## PROFIT AND LOSS ACCOUNT

**Net interest income** — this rose by 12.4%, from €593m to €666.8m, on the back of higher lending volumes both in corporate banking and by the Compass group. Some 70% of net interest income is generated by retail operations, and the other 30% by corporate finance.

**Net trading income** — this item more than halved, from €215.7m to €82.8m, and reflects a positive contribution from marking the trading portfolio to market as at the reporting date, amounting to €48m, dividend income of €40.3m, and dealing losses of €5.5m.

	30/6/06	30/6/07	Change
	€m	€m	%
Dealing profits (losses) .....	141.7	(5.5)	n.m.
Mark-to-market as at reporting-date ..	51.8	48.0	-7.3
Dividends .....	22.2	40.3	+81.4
TOTAL .....	215.7	82.8	-61.6

The sharp drop in this item reflects reduced opportunities for arbitrage due to low market volatility and higher interest rates, which drove prices down to the benefit of interest income. The fixed-income portfolio recorded an aggregate loss of €14.3m, in addition to a €4.6m loss on exchange rates; equities, meanwhile, showed a €101.7m profit, compared with €127.4m at the same time last year, due in part to the increased contribution from dividends.

	30/6/06	30/6/07	Change
	€m	€m	%
Fixed-income .....	86.9	(14.3)	n.m.
Equities.....	127.4	101.7	-20.2
Exchange rates .....	1.4	(4.6)	n.m.
TOTAL .....	215.7	82.8	-61.6

**Net fee and commission income** — the increase in this item, from €302.7m to €371.3m, is largely attributable to fees from corporate and investment banking, which account for approx. 76% of the total, and which rose by 31.9%, from €213.2m to €281.3m, due to the positive trend recorded by all business areas. The heading also includes €42.1m in commissions earned by the Compass group (30/6/06: €41.2m), and €47.9m by other Group companies (chiefly Compagnie Monégasque de Banque).

**Operating costs** — the 9.4% increase in this item, from €393.4m to €430.4m, is chiefly due to the growth in the Group's activities, which led among other things to another 22 new Compass group branches being opened during the twelve months under review, to IT upgrades and to strengthening of the Group's headcount, which rose from 1,684 staff to 1,790. This heading comprises:

- labour costs, up from €208.7m to €236.4m, including €14.2m in respect of Board members (30/6/06: €8.2m) and €9m relating to stock options (€5.5m);
- other costs and expenses, up 5%, from €184.7m to €194m, comprising: depreciation and amortization amounting to €12.9m (€13m), one-off items of €8.6m, which include €7.8m (€3.3m) deriving from the expensing of stock options granted by Banca Esperia

and €172.5m (€155.4m) in administrative expenses, made up as follows:

	30/6/06	30/6/07
	€m	€m
EDP and financial information subscriptions info provider .....	40.8	36.0
Outside service and consultancy fees .....	18.5	24.5
Rent, equipment leasing and maintenance charges ...	14.9	17.4
Advertising .....	13.9	16.8
Stationery, publication costs and maintenance charges	14.1	15.8
Bank charges.....	12.4	15.5
Bad debt recoveries and legal fees .....	6.5	7.8
Travel, transfers and entertainment .....	5.8	7.1
Others .....	28.5	31.6
TOTAL .....	155.4	172.5

The increase in outside services and consultancy fees is chiefly due to implementation of new IT systems and to higher legal expenses.

**Bad debt writeoffs** — these are due as to €159.8m to the Compass group (30/6/06: €115.2m) and as to €5.2m to lump-sum provisions set aside to cover performing accounts in the corporate loan book due exclusively to the increase in volumes.

## 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

	12 mths to 30/6/06	12 mths to 30/6/07	Change
	€m	€m	%
Net interest income .....	180.6	200.5	+11.0
Net trading income .....	205.3	69.6	-66.1
Net fee and commission income .....	215.2	281.9	+31.0
Dividends on AFS securities .....	65.0	71.7	+10.3
Share in profits earned by equity-accounted companies .....	15.7	18.0	+14.6
<b>TOTAL INCOME</b> .....	<b>681.8</b>	<b>641.7</b>	<b>-5.9</b>
Operating costs .....	(176.0)	(203.2)	+15.4
<b>PROFIT FROM ORDINARY ACTIVITIES</b> ...	<b>505.8</b>	<b>438.5</b>	<b>-13.3</b>
Gain (loss) on disposal of AFS securities .....	85.9	166.7	+94.1
Other items .....	(2.0)	(9.5)	n.m.
Income tax .....	(122.5)	(136.1)	+11.1
<b>NET PROFIT</b> .....	<b>467.2</b>	<b>459.6</b>	<b>-1.6</b>
Cost/income ratio .....	25.8	31.6	
Bad loans/total loans .....	=	=	
	30/6/06	30/6/07	Change
	€m	€m	%
Treasury funds .....	6,112.6	6,292.6	+2.9
AFS securities .....	4,065.8	4,788.1	+17.8
Financial assets held to maturity .....	626.5	622.5	-0.6
Equity investments .....	146.8	176.7	+20.4
Loans and advances to customers .....	15,855.9	20,313.9	+28.1
<i>of which to Group companies</i> ...	3,608.4	4,318.9	+19.7
Funding .....	(22,433.8)	(26,918.8)	+20.0

Despite the reduction in net trading income, which fell from €205.3m to €69.6m, the wholesale banking division recorded a net profit of €459.6m, not far off the €467.2m posted one year previously. Indeed, net of trading items income increased by 20%, from €476.5m to €572.1m, reflecting:

- an 11% increase in net interest income, up from €180.6m to €200.5m, driven by higher lendings, which rose 28.1%, from €15.9bn to €20.3bn;
- 31% growth in net fee and commission income, from €215.2m to €281.9m, driven by advisory business (up 52.5%, from €67.2m to €102.5m), capital market activities (up 20.8%, from €79.9m to €96.5m), and lending (up 21.7%, from €68.1m to €82.9m);
- higher dividends received on AFS securities, up 10.3%, from €65m to €71.7m;
- income from equity-accounted companies totalling €18m (30/6/06: €15.7m), reflecting the Burgo group's contribution in particular, which, however, was boosted by one-off items linked to disposals of AFS securities.

The 15.4% rise in operating costs, from €176m to €203.2m, reflects the geographical and headcount expansion referred to previously.

Net profit of €459.6m (€467.2m) also includes €166.7m in gains on disposals of AFS securities, €4.2m in writedowns to shares in the same portfolio, and general provisions of €5.2m in respect of performing loans.

**Lending and structured finance** — during the year loans to corporate customers (excluding intra-group loans) grew by 30.6%, from €12.3bn to €16bn, thus beating the €14bn target set for the end of the three-year period. This result was achieved by:

- expanding the share of loans granted to non-Italian customers, which increased from 18% to 33% of the loan book;
- benefiting from the rise in syndicated loan arrangement activity (i.e. arranging club deals or acting as bookrunner), which posted strong growth in volumes compared with the previous year, totalling €44.5bn (€18.9bn).

Higher volumes led to an increase in provisions, from €48.6m to €53.4m, against assets where no potential problem or non-performing items were recorded. Overall, lending contributes just under one-third of the total income delivered by wholesale banking.

**Funding and treasury accounts** — funding rose from €22,433.8m to €26,918.8m, and comprised: €25,701.8m in debt securities, approx. €1bn of which in the form of subordinated notes and €2.2bn in short-term funding instruments, i.e. CDs and commercial paper; €253m in deposits and current accounts; and €964m in other forms of funding. Treasury accounts consist of €200.4m in cash and cash equivalents, €8,455.4m in securities, €176.4m in positive valuations on derivative contracts, and €2,539.6m in net short-term funding (repos etc.); the pre-paid forward agreement signed with the MPS group in December 2006 to acquire a 1.58% stake Assicurazioni Generali has now been hedged almost entirely at a profit. The area generated just under one-quarter of the total income attributable to wholesale banking.

**Investment banking** — Mediobanca retains a leading position in all the main areas of activity, recording a sharp, 30% increase in commission flows over the same time this year, reflecting an excellent performance by advisory activity, boosted *inter alia* by major cross-border and capital market activities, where a total of ten IPOs were completed. Investment banking accounts for over 30% of the total income generated by wholesale banking.

**Equity investments and AFS securities** — this portfolio brings together the Group's holdings in AFS securities, plus its equity-accounted investments in associate companies Burgo Group, Athena, Fidia and Ape S.G.R. At 30 June 2007 the portfolio was worth €3,492.6m (€2,550.8m), after adjustments to fair value at the reporting date amounting to €564.9m, and adjustments to the pro-rata share of net equity attributable (net of dividends) totalling €41.4m. Purchases and subscriptions worth €872.3m were made during the year, and disposals worth €672.1m yielding gains of €165.1m, chiefly concerning the Ferrari stake.

A brief review of the other associate, equity-accounted companies is provided below:

*Burgo Group*: adjustments to pro-rata net equity for the period led to a gain of €14.9m being booked, as well as €26.9m in asset adjustments linked to valuation reserves following adoption of IAS/IFRS; as at 30 June 2007 the Group's holding in this company, which amounts to 22.13% of its share capital, was carried at a value of €143m.

*MB Venture Capital Fund I*: this investment, worth €9.5m, has been reclassified as available for sale.

### **Equity investment portfolio**

The Group's share in the profits earned by Assicurazioni Generali and RCS MediaGroup rose by 24.9%, from €310.5m to €387.7m net of the relevant tax (charged at a rate of 5.28%), reflecting the healthy performances by both companies.

With respect to the two shareholdings in particular:

- *Assicurazioni Generali*: as at 30 June 2007, this investment, which amounts to 14.09% (30/6/06: 14.11%) of the company's share capital, was carried at an aggregate value of €2,099.7m (€1,888.5m), which includes the Group's pro-rata share in the profits earned by Generali (€359.2m) net of the dividend collected (€135.1m).
- *RCS MediaGroup*: the Group holds an interest of 14.49% in the ordinary share capital of this company, and of 13.94% in its total share capital. The holding is carried at €307.2m, following profit for the period of €28.4m and reversal of the dividend amounting to €11.4m.

## Retail financial services

	12 mths to 30/6/06	12 mths to 30/6/07	Change
	€m	€m	%
Net interest income .....	398.3	455.2	+14.3
Net trading income .....	1.4	—	n.m.
Net fee and commission income .....	41.1	45.6	+10.9
<b>TOTAL INCOME</b> .....	<b>440.8</b>	<b>500.8</b>	<b>+13.6</b>
Operating costs .....	(166.4)	(177.6)	+6.7
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>274.4</b>	<b>323.2</b>	<b>+17.8</b>
Net value adjustments to receivables .....	(115.2)	(159.8)	+38.7
Income tax for the period .....	(69.8)	(70.2)	—
Profit attributable to minorities .....	(10.8)	(12.9)	+19.4
<b>NET PROFIT</b> .....	<b>78.6</b>	<b>80.3</b>	<b>+2.2</b>
Loans and advances to customers .....	8,799.4	10,122.9	+15.0
New loans .....	4,579.7	4,778.6	+4.3
No. of branches .....	135	157	—
Cost/income ratio (%) .....	38	36	—
Bad loans/total loans (%) .....	0.91	0.81	—

The Compass group's consolidated highlights for the twelve months ended 30 June 2007 reflect a net profit of €80.3m, slightly above the €78.6m reported last year. Income growth was driven by consumer credit, up 17%, from €359m to €420.2m, against a largely stable performance in leasing, where total income of €80.6m was recorded, compared with €81.8m one year previously. The 6.7% increase in costs, from €166.4m to €177.6m, is largely due to geographical expansion by Compass, with a total of 15 new branches added in the period, and growth projects implemented by Micos, driving a 31.1% increase in costs incurred by this company, from €18.3m to €24m, chiefly in connection with the launch of business in France, with five new branches being opened in addition to the two new branches opened in Italy. The increase in profit before tax from ordinary activities, up 17.8% from €274.4m to €323.2m, was swallowed up by the higher cost of risk, with an increase of €44.6m in bad debt writeoffs, from €115.2m to €159.8m, during the period, almost entirely attributable to consumer credit.



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

Retail financial services 30/6/07	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income .....	378.7	41.5	420.2	80.6	500.8
Operating costs .....	(124.4)	(24.0)	(148.4)	(29.2)	(177.6)
<b>PROFIT FROM ORDINARY ACTIVITIES</b>	<b>254.3</b>	<b>17.5</b>	<b>271.8</b>	<b>51.4</b>	<b>323.2</b>
Net value adjustments to receivables .....	(144.5)	(6.6)	(151.1)	(8.7)	(159.8)
Profit attributable to minorities .....	—	—	—	(12.9)	(12.9)
Income tax for the period .....	(50.6)	(5.3)	(55.9)	(14.3)	(70.2)
<b>NET PROFIT</b> .....	<b>59.2</b>	<b>5.6</b>	<b>64.8</b>	<b>15.5</b>	<b>80.3</b>
New loans .....	2,448.2	619.1	3,067.3	1,711.3	4,778.6
Loans and advances to customers .....	3,721.9	2,138.0	5,859.9	4,263.0	10,122.9
No. of branches .....	118	29	147	10	157
No. of employees .....	660	206	866	206	1,072

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

In consumer credit, Compass, which accounts for over one-third of the loan book and contributes around two-thirds of the total profit from retail operations, posted a 5% increase in new loans, from €2.3bn to €2.5bn, growth of 13.6% in loans and advances to customers, from €3.3bn to €3.7bn, and a 4% rise in net profit, from €57.1m to €59.2m.

In mortgage lending, Micos Banca recorded growth of 20% in new loans and of 27% in finance disbursed to customers, against a bottom line which reduced from €7.8m to €5.6m following non-recurring costs of €5.4m in connection with new strategic initiatives.

On the leasing side, new loans posted by the SelmaBipiemme group were largely stable, at €1.7bn, in a more challenging market scenario owing both to regulatory uncertainties over the new tax regime for real estate transactions (property-related business accounts for approximately half of total new business) and to competitive trends which penalized returns. Growth of 13% in net profit, from €13.7m to €15.5m, reflect efforts to contain administrative expenses and keep the cost of risk under control.

Turning now to the results of the individual Compass group companies:<sup>1</sup>

- *Compass S.p.A., (consumer credit)*: this company's accounts for the period ended 30 June 2007 show a profit of €66.5m (30/6/06: €63.2m) following value adjustments to receivables worth €139.9m (€96m).

Loans outstanding as at the reporting date were up 11.9% on 30 June 2006, from €3,315m to €3,710.1m. New loans worth €2,448.2m (€2,324.2m) were disbursed during the year.

The company employs a total of 578 staff at its head office and 118 branches.

- *Micos Banca S.p.A., (mortgage lending)*: Micos Banca's accounts for the twelve months to 30 June 2007 reflect a net profit of €5.4m (€7.8m), after adjustments to receivables amounting to €6.6m (€4.9m) and tax of €5.4m (€6.2m). During the period a total of 5,403

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<sup>1</sup> As from the current financial year, all Group companies prepare their respective financial statements in conformity with IAS/IFRS. Comparative data as at 30 June 2006 have been restated pro-forma on the basis of the same accounting standards.

mortgages were executed, providing finance of some €619.1m, as against 5,118 mortgages worth €517.8m one year previously. Mortgages outstanding as at the mortgage date amounted to €2,125.3m (€1,683.3m).

The company employs 206 staff at its headquarters and 29 branches, 24 of which are in Italy.

- *SelmaBipiemme Leasing S.p.A., Milano (60%-owned)*: this company earned a net profit of €10.9m in the period under review (30/6/06: €12.1m), after dividends of €4.6m (€5.3m) and tax of €4.8m (€5.3m).

During the twelve months under review, 8,329 leases worth a gross amount of €898.7m were executed, compared with 8,593 leases worth €951.2m last year. This reduction reflects a lower contribution from big ticket deals, which fell from €161.5m to €141.2m. The net value of goods on or pending lease as at 30 June 2007 had risen 8.8% on the previous year, from €2,198.3m to €2,392.3m.

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

- *Palladio Leasing S.p.A., Vicenza (95%-owned via SelmaBipiemme Leasing, the remaining 5% being held by Palladio itself in the form of treasury shares)*: Palladio Leasing earned a net profit of €9.9m (30/6/06: €9.2m), after tax of €7.2m (€6.2m).

During the period, the company executed 3,189 new leases worth a gross value of €533.3m, as compared with 3,088 new leases worth €523.5m last year. The net value of goods on or pending lease as at 30 June 2007 was up 13.1% on the previous year, from €1,217.7m to €1,377.1m.

The company employs 59 staff at its headquarters and 4 branches.

- *Teleleasing S.p.A., Milan (80%-owned via SelmaBipiemme Leasing)*: this company earned a net profit of €12.1m (30/6/06: €9.9m), after tax of €2.5m (€6.4m).

During the twelve months under review, the company executed 8,694 leases worth a gross amount of €279.3m, compared with 8,857 leases worth €263m the previous year. The net value of goods on or pending lease as at 30 June 2007 was up 9.7%, from €489.9m to €537.4m.

The company employs a total of 29 staff.

- *Cofactor S.p.A., Milan (non-recourse factoring)*: this company recorded a net profit of €29,000 during the year (30/6/06: €38,000), after value adjustments to receivables totalling €8.9m (€6.2m).

At the reporting date Cofactor's loan book was carried at cost at €62.8m (€60.9m).

The company employs a total of 46 staff.

- *Creditech S.p.A., Milan (credit management)*: Creditech delivered a net profit of €1m (30/6/06: €773,000), after tax of €864,000 (€589,000). The company generated income of €9.7m (€6.6m).

Creditech employs 36 staff.

## Private banking

	12 mths ended 30/6/06	12 mths ended 30/6/07	Change
	€m	€m	%
Total income .....	115.6	130.1	+12.5
<i>of which: net fee and commission income</i>	82.8	91.9	+11.0
Operating costs .....	(66.1)	(67.9)	+2.7
<b>PROFIT FROM ORDINARY ACTIVITIES...</b>	49.5	62.2	+25.7
Other income (expenses) .....	2.7	2.6	-3.7
Income tax for the period.....	(6.0)	(10.1)	+68.3
<b>NET PROFIT</b> .....	46.2	54.7	+18.4
AUM .....	11,216.9	13,865.6	+23.6
Securities under trust .....	1,077.6	1,217.9	+13.0

The aggregate figures for this division reflect an increase of 18.4% in net profit, from €46.2m to €54.7m, on a 12.5% rise in total income, from €115.6m to €130.1m, partly due to the contribution of net fee and commission income, which grew from €82.8m to €91.9m, and net trading income, up from €10.7m to €14.6m. Against a modest, 2.7% increase in costs, from €66.1m to €67.9m, profit from ordinary activities grew by 25.7%, from €49.5m to €62.2m. The 18.4% increase in the bottom line is boosted on the one hand by an €8m gain arising on disposal of CMB's 1%

stake in Ferrari, and on the other reflects extraordinary provisions of €6m linked to a programme of long-term commitments vis-à-vis the Principality of Monaco, plus higher tax, up from €6m to €10.1m. In November 2006, CMB acquired ABN Amro's private banking activities in Monaco, against payment of €8m booked as intangible assets, which led to a 13.2% rise in CMB's assets under discretionary and non-discretionary management, from €7.1bn to €8.1bn. During the same period Banca Esperia recorded growth of 41.9% in AUM, from €4.1bn to €5.8bn.

Private banking 30/6/07	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
TOTAL INCOME.....	77.7	45.6	6.8	130.1
<i>of which net fee and commission income ....</i>	<i>44.5</i>	<i>40.9</i>	<i>6.5</i>	<i>91.9</i>
Operating costs.....	(38.8)	(23.7)	(5.4)	(67.9)
<b>PROFIT FROM ORDINARY ACTIVITIES .....</b>	<b>38.9</b>	<b>21.9</b>	<b>1.4</b>	<b>62.2</b>
Other income (expenses) .....	2.8	(0.2)	—	2.6
Income tax for the period .....	(0.2)	(9.2)	(0.7)	(10.1)
<b>NET PROFIT.....</b>	<b>41.5</b>	<b>12.5</b>	<b>0.7</b>	<b>54.7</b>
AUM .....	8,081.5	5,784.1	—	13,865.6

Private banking 30/6/06	CMB	Banca Esperia 48.5%*	Others	Total PB
	€m	€m	€m	€m
TOTAL INCOME.....	75.0	34.2	6.4	115.6
<i>of which net fee and commission income ....</i>	<i>45.6</i>	<i>31.0</i>	<i>6.2</i>	<i>82.8</i>
Operating costs .....	(40.5)	(19.5)	(6.1)	(66.1)
<b>PROFIT FROM ORDINARY ACTIVITIES .....</b>	<b>34.5</b>	<b>14.7</b>	<b>0.3</b>	<b>49.5</b>
Other income (expenses) .....	3.2	(0.1)	(0.4)	2.7
Income tax for the period .....	—	(5.7)	(0.3)	(6.0)
<b>NET PROFIT .....</b>	<b>37.7</b>	<b>8.9</b>	<b>(0.4)</b>	<b>46.2</b>
AUM .....	7,140.0	4,076.9	—	11,216.9

A review of the individual Group companies' performance is given below (data refers to accounts compiled in accordance with local accounting practices):

— *Compagnie Monégasque de Banque, Monaco*

CMB's consolidated accounts for the year ended 31 December 2006 reflect net profit of €40.6m (31/12/05: €35.2m), earned on management fees of €48.1m (€47.6m), with assets under discretionary/non-discretionary management of €7.7bn (€7.2bn).

In the six months ended 30 June 2007, CMB posted pre-tax profit of €23.5m (30/6/06: €20.4m), on management fees of €18.9m (€20.8m), with assets under discretionary/non-discretionary management of €8.1bn (€7.1bn).

In the course of the year under review, new management appointed last year has implemented a series of initiatives, including expanding the product offering, strengthening client portfolio management and select development of lending activity, in particular to support real estate ventures within the Principality.

The group employs a total of 153 staff.

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

In the year ended 31 December 2006, the Esperia group recorded a profit of €16.3m (31/12/05: €14.8m), on management fees of €71.3m (€62.7m). Total deposits amounted to €9.5bn (€8bn).

In the six months ended 30 June 2007, a pre-tax profit of €29m (30/6/06: €13m) was recorded, on management fees of €53.7m (€35.9m) and AUM of €11.9bn (€8.4bn).

The group employs a total of 184 staff.

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

In the twelve months ended 30 June 2007, Spafid earned a net profit of €1,543,000 (30/6/06: €316,000), on net fees of €4,516,000 (€3,963,000). Securities under trust totalled €1,338.6m (€1,228.8m).

The company employs 17 staff.

— *Prudentia Fiduciaria*, Milan

In the twelve months ended 30 June 2007, this company earned a profit of €62,000 (30/6/06: €2,000), after tax of €160,000. Securities under trust totalled €78.3m (€69.9m).

The company employs 21 staff.

## **OTHER INFORMATION**

### ***Related party disclosure***

Financial accounts outstanding as at 30 June 2007 between companies forming part of the Mediobanca Group and other related companies are illustrated in Part H of the Notes to the Consolidated Accounts.

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

\* \* \*

### ***Outlook***

Forecasts for the present financial year indicate that, save for the effects of the financial crisis that has hit markets since August, and which are currently hard to predict, the targets set in the business plan ought to be beaten, despite costs linked to initiatives involving developing the Group's activities outside Italy and expanding the range of products offered, as described above, which could lead to a reduction in net profit compared with the result posted this year. Wholesale banking should see an improvement in net interest income. Retail financial services should reflect a consumer credit market scenario featuring an ongoing decline in the customer profile, while the prudential provisioning policy to safeguard asset quality will continue. In private banking, growth in AUM and profitability should be borne out. The equity investment portfolio should also benefit from improved results by the equity-accounted companies.

***Reconciliation of shareholders' equity and net profit***

	Shareholders' equity €m	Net profit €m
Balance at 30/6/07 as per Mediobanca IAS/IFRS-compliant statements	5,537,769	561,110
Net surplus over book value for consolidated companies	14,889	144,148
Exchange rate differences arising from translation of accounts denominated in currencies other than the Euro	—	—
Other adjustments and restatements on consolidation, including effects of accounting for companies on equity basis	1,276,985	253,250
Dividends received during the year	—	(5,260)
<b>TOTAL</b>	<b>6,829,643</b>	<b>953,248</b>

Milan, 24 September 2007

THE MANAGEMENT BOARD



## **AUDITORS' REPORT**

### INDEPENDENT AUDITORS' REPORT

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

To the Shareholders of  
Mediobanca S.p.A.

1. We have audited the consolidated financial statements of Mediobanca S.p.A. and subsidiaries ("Mediobanca Group") as of and for the year ended 30 June 2007, comprising the balance sheet, the profit and loss account, the statement of changes in net equity, the cash flow statement and related explanatory notes. These financial statements are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards and procedures recommended by Consob (the Italian Companies and Stock Exchange Commission). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 22 September 2006.

3. In our opinion, the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2007 comply with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005; accordingly, they present clearly and give a true and fair view of the consolidated financial position, results of operations, changes in net equity and cash flows of Mediobanca Group as of 30 June 2007 and for the year then ended.

Milan, 25 September 2007

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

*This report has been translated into the English language solely for the convenience of international readers.*

## **CONSOLIDATED FINANCIAL STATEMENTS**

## CONSOLIDATED BALANCE SHEET

	Assets	30/6/07	30/6/06
		€'000	€'000
10.	Cash and cash equivalents	4,487	5,389
20.	Financial assets held for trading	12,734,759	8,128,902
40.	Financial assets available for sale	5,573,221	5,502,675
50.	Financial assets held to maturity	622,490	626,456
60.	Due from banks	6,305,704	4,974,046
70.	Due from customers	28,132,580	22,954,200
80.	Hedging derivatives	848,190	793,395
100.	Equity investments	2,632,738	2,354,923
120.	Property, plant and equipment	298,459	301,814
130.	Intangible assets	12,022	3,909
	<i>of which:</i>		
	– <i>goodwill</i>	—	—
140.	Tax assets:	372,017	321,511
	<i>a) current</i>	228,675	175,591
	<i>b) advance</i>	143,342	145,920
160.	Other assets	303,035	149,333
	<b>TOTAL ASSETS</b>	<b>57,839,702</b>	<b>46,116,553</b>

Liabilities and net equity		30/6/07	30/6/06
		€'000	€'000
10.	Due to banks	13,487,140	8,473,086
20.	Due to customers	4,027,012	3,966,619
30.	Debt securities in issue	24,702,529	20,560,941
40.	Trading liabilities	3,684,766	3,302,459
60.	Hedging derivatives	1,868,254	1,331,387
80.	Tax liabilities:	787,097	645,563
	<i>a) current</i>	246,343	267,260
	<i>b) deferred</i>	540,754	378,303
100.	Other liabilities	1,206,375	810,817
110.	Staff severance indemnity provision	29,353	34,714
120.	Provisions:	156,028	156,557
	<i>a) post-employment and similar benefits</i>	—	—
	<i>b) other provisions</i>	156,028	156,557
140.	Revaluation reserves	837,130	351,197
170.	Reserves	3,464,838	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.	Minority interest	108,257	89,211
220.	Profit for the period	953,248	858,403
<b>TOTAL LIABILITIES AND NET EQUITY</b>		<b>57,839,702</b>	<b>46,116,553</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

		12 mths to 30/6/07	12 mths to 30/6/06*
		€'000	€'000
10.	Interest and similar income	2,409,286	1,747,711
20.	Interest expense and similar charges	(1,817,528)	(1,168,611)
<b>30.</b>	<b>Net interest income</b>	<b>591,758</b>	<b>579,100</b>
40.	Fee and commission income	376,921	287,137
50.	Fee and commission expense	(47,508)	(24,450)
<b>60.</b>	<b>Net fee and commission income</b>	<b>329,413</b>	<b>262,687</b>
70.	Dividends and similar income	111,986	202,429
80.	Net trading income	117,648	85,398
90.	Net hedging income (expense)	(863)	(2,128)
100.	Gain (loss) on disposal/repurchase of:	176,051	96,540
	<i>a) loans and advances</i>	—	—
	<i>b) AFS securities</i>	175,393	87,839
	<i>c) financial assets held to maturity</i>	(72)	(167)
	<i>d) financial liabilities</i>	730	8,868
110.	Net result from assets/liabilities recognized at fair value	—	—
<b>120.</b>	<b>Total income</b>	<b>1,325,993</b>	<b>1,224,026</b>
130.	Adjustments for impairment to:	(169,111)	(119,406)
	<i>a) loans and advances</i>	(165,243)	(119,719)
	<i>b) AFS securities</i>	(4,169)	—
	<i>c) financial assets held to maturity</i>	301	313
	<i>d) other financial transactions</i>	—	—
<b>140.</b>	<b>Net income from financial operations</b>	<b>1,156,882</b>	<b>1,104,620</b>
180.	Administrative expenses:	(436,655)	(381,781)
	<i>a) personnel costs</i>	(236,358)	(208,709)
	<i>b) other administrative expenses</i>	(200,297)	(173,072)
190.	Net transfers to provisions	(6,438)	(5,293)
200.	Net adjustments to tangible assets	(10,570)	(10,145)
210.	Net adjustments to intangible assets	(2,703)	(2,812)
220.	Other operating income (expense)	60,816	46,590
<b>230.</b>	<b>Operating costs</b>	<b>(395,550)</b>	<b>(353,441)</b>
240.	Gain (loss) on equity investments	418,886	337,500
270.	Gain (loss) on disposal of investments in:	(75)	615
	<i>a) property</i>	—	517
	<i>b) other assets</i>	(75)	98
<b>280.</b>	<b>Profit (loss) on ordinary activities before tax</b>	<b>1,180,143</b>	<b>1,089,294</b>
290.	Income tax for the year on ordinary activities	(214,052)	(221,519)
<b>300.</b>	<b>Profit (loss) on ordinary activities after tax</b>	<b>966,091</b>	<b>867,775</b>
<b>320.</b>	<b>Net profit (loss) for the period</b>	<b>966,091</b>	<b>867,775</b>
330.	Net profit (loss) for the period attributable to minorities	12,843	9,372
<b>340.</b>	<b>Net profit (loss) for the period attributable to Mediobanca</b>	<b>953,248</b>	<b>858,403</b>

\* Some items of operating income have been restated as fee and commission income in order to provide a more accurate reflection of their nature.

## STATEMENT OF CHANGES TO NET EQUITY

### a) Group

	Previously reported balance at 30/6/06	Adjustments to opening balances	Balance at 30/6/06	Allocation of profit from previous period		Changes during the reference period						Balance at 30/6/07	
				Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity				Profit (loss) for the period		
							New shares issued	Treasury shares	Extra-ordinary dividend payouts	Changes to equity instruments			Treasury share derivatives
Share capital:	405,999	—	405,999	—	—	—	—	—	—	—	—	—	408,781
a) ordinary shares	405,999	—	405,999	—	—	—	—	—	—	—	—	—	408,781
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,071,364	—	2,071,364	—	—	—	—	—	—	—	—	—	2,119,328
Reserves:	3,058,670	—	3,058,670	313,156	—	83,902	—	—	—	—	—	9,110	3,464,838
a) retained earnings	3,058,670	—	3,058,670	313,156	—	83,902	—	—	—	—	—	9,110	3,464,838
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	351,197	—	351,197	—	—	485,933	—	—	—	—	—	—	837,130
a) AFS securities	311,914	—	311,914	—	—	506,595	—	—	—	—	—	—	818,509
b) cash flow hedges	25,769	—	25,769	—	—	(20,618)	—	—	—	—	—	—	5,151
c) special laws	13,514	—	13,514	—	—	(44)	—	—	—	—	—	—	13,470
d) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(434)	—	(434)	—	—	—	—	—	—	—	—	—	(434)
Profit (loss) for the period	858,403	—	858,403	(313,156)	(545,247)	569,835	—	—	—	—	—	9,110	953,248
Net equity	6,745,199	—	6,745,199	—	(545,247)	569,835	50,746	—	—	—	—	9,110	7,782,891

## b) Minorities

	Previously reported balance at 30/6/06	Adjustments to opening balances	Balance at 30/6/06	Allocation of profit from previous period		Changes during the reference period			Balance at 30/6/07	
				Reserves	Reserves	Changes to reserves	Transactions involving net equity			Profit (loss) for the period
							New shares issued			
Share capital:	23,988	—	23,988	—	—	—	312	—	24,300	
a) ordinary shares	23,988	—	23,988	—	—	—	312	—	24,300	
b) other shares	—	—	—	—	—	—	—	—	—	
Share premium reserve	2,537	—	2,537	—	—	—	4,818	—	7,355	
Reserves:	50,862	—	50,862	6,912	—	—	2,655	—	60,429	
a) retained earnings	50,862	—	50,862	6,912	—	—	2,655	—	60,429	
b) others	—	—	—	—	—	—	—	—	—	
Valuation reserves:	2,452	—	2,452	—	—	78	800	—	3,330	
a) AFS securities	—	—	—	—	—	—	—	—	—	
b) cash flow hedges	905	—	905	—	—	78	755	—	1,738	
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)	—	—	—	12,843	12,843	
Net equity	89,211	—	89,211	(2,460)	78	8,585	—	12,843	108,257	



## STATEMENT OF CHANGES TO NET EQUITY FROM 1/7/05 TO 30/06/06

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

**CONSOLIDATED CASH FLOW STATEMENT**  
**Direct method**

	Amounts	
	30/6/07	30/6/06
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>1. Operating activities</b>	<b>814,958</b>	<b>965,610</b>
– interest received	3,283,658	1,814,022
– interest paid	(2,412,380)	(947,320)
– dividends and similar income	253,785	209,776
– net fees and commission income	253,072	140,048
– cash payments to employees	(203,783)	(164,348)
– net premium income	—	—
– other income from insurance activities	2,336	—
– other expenses paid	(730,976)	(393,443)
– other income received	498,475	362,402
– income taxes paid	(129,229)	(55,527)
– net expense/income from groups of assets being sold	—	—
<b>2. Cash generated/absorbed by financial assets</b>	<b>(8,928,145)</b>	<b>(4,817,411)</b>
– financial assets held for trading	(3,198,236)	(1,546,479)
– financial assets recognized at fair value	—	—
– AFS securities	(762,194)	1,841,343
– due from customers	(3,786,326)	(4,677,209)
– due from banks: on demand	(459,620)	(657,559)
– due from banks: other	(297,947)	(266,876)
– other assets	(423,822)	489,369
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>8,680,268</b>	<b>4,359,097</b>
– due to banks: on demand	1,930,793	(928,107)
– due to banks: other	4,232,627	1,056,062
– due to customers	(1,655,354)	(223,333)
– debt securities	4,087,359	4,731,227
– trading liabilities	(161,715)	116,185
– financial liabilities assets recognized at fair value	—	—
– other liabilities	246,558	(392,937)
<b>Net cash flow (outflow) from operating activities</b>	<b>567,081</b>	<b>507,296</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash generated from</b>	<b>62,772</b>	<b>117,069</b>
– disposals of shareholdings	5,375	2,200
– dividends received in respect of equity investments	10,214	112,197
– disposals/redemptions of financial assets held to maturity	47,072	—
– disposals of tangible assets	111	2,672
– disposals of intangible assets	—	—
– disposals of subsidiaries or business units	—	—
<b>2. Cash absorbed by</b>	<b>(34,647)</b>	<b>(379,467)</b>
– acquisitions of shareholdings	(23,765)	—
– acquisitions of held-to-maturity investments	(1)	(374,039)
– acquisitions of tangible assets	(9,084)	(4,940)
– acquisitions of intangible assets	(1,797)	(488)
– acquisitions of subsidiaries or business units	—	—
<b>Net cash flow (outflow) from investment/servicing of finance</b>	<b>28,125</b>	<b>(262,398)</b>
<b>C. FUNDING ACTIVITIES</b>		
– issuance/acquisition of treasury shares	50,747	146,554
– issuance/acquisition of equity instruments	12,891	—
– dividend payouts and other applications of funds	(659,746)	(392,065)
<b>Net cash flow (outflow) from funding activities</b>	<b>(596,108)</b>	<b>(245,511)</b>
<b>NET CASH FLOW (OUTFLOW) DURING PERIOD</b>	<b>(902)</b>	<b>(613)</b>

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

	Amounts	
	30/6/07	30/6/06
Cash and cash equivalents: balance at start of period	5,389	6,002
Total cash flow (outflow) during period	(902)	(613)
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	4,487	5,389

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## **PART A - ACCOUNTING POLICIES**

### **Section 1**

#### **Statement of conformity with IAS/IFRS**

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2007 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 issued by the European Council and Commission on 19 July 2002. 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.

### **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 of 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.

Consortium and Mediobanca Securities USA, which were acquired in the course of the year under review, have been consolidated for the first time using the line-by-line method.

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

		Registered office	Type of relationship <sup>1</sup>	Shareholding		% voting rights <sup>2</sup>
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	<i>Line-by-line</i>					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A.	Rome	1	A.1.1	70.00	70.00
3.	PRUDENTIA FIDUCIARIA S.p.A.	Milan	1	A.1.1	100.00	100.00
4.	SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A.	Milan	1	A.1.1	100.00	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	TECHNOSTART S.p.A.	Milan	1	A.1.1	69.00	69.00
7.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.	Monte Carlo	1	A.1.1	100.00	100.00
8.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.7	99.94	99.94
9.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.7	99.70	99.70
10.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.7	99.92	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.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
24.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00	100.00
25.	QUARZO S.r.l.	Milan	4	A.1.14	7.00	7.00
26.	QUARZO LEASE S.r.l.	Milan	4	A.1.17	10.00	10.00

**Legend**

<sup>1</sup> 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

<sup>2</sup> 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 account.

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 account.

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 account 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 account.

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 account 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 account.

### **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 account.

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 account.

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 account 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 account.

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 account.

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 provision as calculated in line with regulations used for defined benefit schemes. 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 years' contributions not yet capitalized, interest accrued, and actuarial gains and losses.

Units accruing as from 1 January 2007 paid into complementary pension schemes or the Italian national insurance system are recorded on the basis of contributions accrued during the period.

### **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.

Withdrawals are made from provisions only in respect of those charges for which such provision was originally intended.

### **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 account, whereas those on non-cash items are recorded according to the valuation criteria used in respect of the category they belong to (i.e. at cost, through profit and loss account or on an equity basis).

### **Tax assets and liabilities**

Income taxes are recorded in profit and loss account, 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.

### **Dividends and commissions**

These are recognized as and when they are realized, provided there is reasonable likelihood that future benefits will accrue.

Fees included in amortized cost for purposes of calculating the effective interest rate are not included, but are recorded under net interest income.

**PART B - NOTES TO  
CONSOLIDATED BALANCE SHEET\***

**Assets**

**Section 1**

**Heading 10: Cash and cash equivalents**

*1.1 Cash and cash equivalents*

	30/6/07		30/6/06
	Banking Group	Other companies	
a) Cash	4,483	4	5,389
b) Demand deposits held at central banks	—	—	—
Total	4,483	4	5,389

**Section 2**

**Heading 20: Financial assets held for trading**

*2.1 Financial assets held for trading: composition*

	30/6/07		30/6/06	
	Listed	Unlisted	Listed	Unlisted
<b>A. Cash assets</b>				
1. Debt securities	5,511,690	349,644	3,749,026	218,431
1.1 Structured	7,489	15,452	11,964	33,654
1.2 Other debt securities	5,504,201	334,192	3,737,062	184,777
2. Equities	1,507,485	—	1,966,146	—
3. OICR units	21,197	—	2,658	—
4. Loans and advances	—	—	—	—
4.1 Repos	—	—	—	—
4.2 Others	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	3,130,072	—	889,415	—
<b>Total A</b>	<b>10,170,444</b>	<b>349,644</b>	<b>6,607,245</b>	<b>218,431</b>
<b>B. Derivative products</b>				
1. Financial derivatives	4,581	2,162,925	8,035	1,267,678
1.1 trading	4,581	841,846	8,035	644,175
1.2 linked to fair value options	—	—	—	—
1.3 others	—	1,321,079	—	623,503
2. Credit derivatives	—	47,165	—	27,513
2.1 trading	—	47,165	—	27,513
2.2 linked to fair value options	—	—	—	—
2.3 others	—	—	—	—
<b>Total B</b>	<b>4,581</b>	<b>2,210,090</b>	<b>8,035</b>	<b>1,295,191</b>
<b>Total (A+B)</b>	<b>10,175,025</b>	<b>2,559,734</b>	<b>6,615,280</b>	<b>1,513,622</b>

<sup>1</sup> Securities sold under repo agreements.

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

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

	30/6/07	30/6/006
<b>A. CASH ASSETS</b>		
1. Debt securities	5,861,334	3,967,457
a. Governments and central banks	3,530,718	3,040,715
b. Other public agencies	8,129	5,156
c. Banks	1,036,890	321,106
d. Other issuers	1,285,597	600,480
2. Equities	1,507,485	1,966,146
a. Banks	629,147	710,325
b. Other issuers	878,338	1,255,821
- insurances	262,930	735,055
- financial companies	26,167	16,780
- non-financial companies	589,241	173,137
- others	—	330,849
3. OICR units	21,197	2,658
4. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
5. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other issuers	—	—
6. Assets sold but not derecognized <sup>1</sup>	3,130,072	889,415
a. Governments and central banks	2,408,940	555,260
b. Other public agencies	148,816	—
c. Banks	370,538	49,247
d. Other issuers	201,778	284,908
<b>Total A</b>	<b>10,520,088</b>	<b>6,825,676</b>
<b>B. DERIVATIVE PRODUCTS</b>		
a. Banks	1,884,811	1,031,446
b. Customers	329,860	271,780
<b>Total B</b>	<b>2,214,671</b>	<b>1,303,226</b>
<b>Total A+B</b>	<b>12,734,759</b>	<b>8,128,902</b>

<sup>1</sup> Securities sold under repo agreements.

### 2.3 Financial assets held for trading: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other assets	30/6/07	30/6/06
A) Listed derivative products							
1) Financial derivatives:	2,426	—	2,155	—	—	4,581	8,035
– with exchange of principal	2,382	—	1,096	—	—	3,478	5,860
– options bought	—	—	66	—	—	66	—
– other derivatives	2,382	—	1,030	—	—	3,412	5,860
– without exchange of principal	44	—	1,059	—	—	1,103	2,175
– options bought	7	—	—	—	—	7	344
– other derivatives	37	—	1,059	—	—	1,096	1,831
2) Credit derivatives:	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—
<b>Total A</b>	<b>2,426</b>	<b>—</b>	<b>2,155</b>	<b>—</b>	<b>—</b>	<b>4,581</b>	<b>8,035</b>
B) Unlisted derivative products							
1) Financial derivatives:	674,772	55,322	1,380,692	—	52,139	2,162,925	1,267,678
– with exchange of principal	—	55,243	15,857	—	—	71,100	30,569
– options bought	—	—	15,857	—	—	15,857	7,239
– other derivatives	—	55,243	—	—	—	55,243	23,330
– without exchange of principal	674,772	79	1,364,835	—	52,139	2,091,825	1,237,109
– options bought	—	79	1,364,802	—	—	1,364,881	744,691
– other derivatives	674,772	—	33	—	52,139	726,944	492,418
2) Credit derivatives:	—	—	—	47,165	—	47,165	27,513
– with exchange of principal	—	—	—	47,165	—	47,165	27,513
– without exchange of principal	—	—	—	—	—	—	—
<b>Total B</b>	<b>674,772</b>	<b>55,322</b>	<b>1,380,692</b>	<b>47,165</b>	<b>52,139</b>	<b>2,210,090</b>	<b>1,295,191</b>
<b>Total (A+B)</b>	<b>677,198</b>	<b>55,322</b>	<b>1,382,847</b>	<b>47,165</b>	<b>52,139</b>	<b>2,214,671</b>	<b>1,303,226</b>

2.4 *Cash assets held for trading (excluding assets sold but not derecognized/impaired assets): movements during the period*

	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	44,150,570	17,332,939	64,508	—	61,548,017
B.1 Acquisitions	42,158,727	16,369,153	64,209	—	58,592,089
B.2 Increases in fair value	9,714	31,121	—	—	40,835
B.3 Other additions	1,982,129	932,665	299	—	2,915,093
C. Reductions	42,256,693	17,791,600	45,969	—	60,094,262
C.1 Disposals	35,662,168	16,339,010	45,950	—	52,047,128
C.2 Redemptions	2,571,743	—	—	—	2,571,743
C.3 Reductions in fair value	84,454	31,835	—	—	116,289
C.3 Other reductions	3,938,328	1,420,755	19	—	5,359,102
D. Balance at end of period	5,861,334	1,507,485	21,197	—	7,390,016

## Section 4

### Heading 40: Available for sale (AFS) securities

#### 4.1 AFS securities: composition

	30/6/07		30/6/06	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	1,069,622	491,765	1,999,832	454,323
1.1 Structured	239,819	36,575	218,784	36,898
1.2 Other debt securities	829,803	455,190	1,781,048	417,425
2. Equities	3,023,993	311,707	1,809,399	613,628
2.1 Recognized at fair value	3,023,993	311,707	—	—
2.2 Recognized at cost	—	—	—	—
3. OICR units	615,166	—	245,754	—
4. Loans and advances	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	60,968	—	259,601	120,138
<b>Total</b>	<b>4,769,749</b>	<b>803,472</b>	<b>4,314,586</b>	<b>1,188,089</b>

<sup>1</sup> Securities sold under repo agreements.

#### 4.2 AFS securities: by borrower/issuer

	30/6/07		30/6/06
	Listed	Unlisted	
1. Debt securities	1,069,622	491,765	2,454,155
a. Governments and central banks	350,365	—	620,075
b. Other public agencies	—	—	—
c. Banks	303,980	42,690	1,271,781
d. Other issuers	415,277	449,075	562,299
2. Equities	3,023,993	311,707	2,423,027
a. Banks	349,114	3	223,285
b. Other issuers	2,674,879	311,704	2,199,742
- insurances	89,725	—	152,197
- financial companies	95,056	51,890	766,657
- non-financial undertakings	2,490,098	259,814	1,280,888
- others	—	—	—
3. OICR units	615,166	—	245,754
4. Loans and advances	—	—	—
a. Governments and central banks	—	—	—
b. Other public agencies	—	—	—
c. Banks	—	—	—
d. Other entities	—	—	—
5. Impaired assets	—	—	—
a. Governments and central banks	—	—	—
b. Other public agencies	—	—	—
c. Banks	—	—	—
d. Other entities	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	60,968	—	379,739
a. Governments and central banks	—	—	—
b. Other public agencies	—	—	132,449
c. Banks	37,566	—	—
d. Other entities	23,402	—	247,290
<b>Total</b>	<b>4,769,749</b>	<b>803,472</b>	<b>5,502,675</b>

<sup>1</sup> Securities sold under repo agreements.

#### 4.3 AFS securities: hedged assets

	Hedging activity			
	30/6/07		30/6/06	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	—	—	—	—
2. Equities	134,155	355,560	—	—
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
5. Portfolio	—	—	—	—
Total	134,155	355,560	—	—

#### 4.4 AFS securities: assets subject to specific hedging

	30/6/07	30/6/06
1. Financial assets subject to specific fair value hedges:	134,155	—
a. interest rate risk	—	—
b. price risk	134,155	—
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	355,560	—
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	355,560	—
Total	489,715	—

#### 4.5 AFS securities (excluding assets sold but not derecognized/impaired assets): movements during the period

	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	6,317,598	1,653,222	2,866,308	—	10,837,128
B.1 Acquisitions	5,906,940	861,265	2,858,610	—	9,626,815
B.2 Increases in fair value	25,107	612,295	—	—	637,402
B.3 Writebacks	—	—	—	—	—
- taken to profit and loss account	—	—	—	—	—
- taken to net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	385,551	179,662	7,698	—	572,911
C. Reductions	7,210,366	740,549	2,496,896	—	10,447,811
C.1 Disposals	6,888,529	680,047	2,496,896	—	10,065,472
C.2 Redemptions	233,794	—	—	—	233,794
C.3 Reductions in fair value	14,280	47,381	—	—	61,661
C.4 Writedowns due to impairment	—	3,438	—	—	3,438
- taken to profit and loss account	—	3,438	—	—	3,438
- taken to net equity	—	—	—	—	—
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	73,763	9,683	—	—	83,446
D. Balance at end of period	1,561,387	3,335,700	615,166	—	5,512,253



## Section 5

### Heading 50: Financial assets held to maturity

#### 5.1 Financial assets held to maturity

	30/6/07		30/6/06	
	Book value	Fair value	Book value	Fair value
1. Debt securities	417,843	413,857	626,456	604,025
1.1 Structured	—	—	—	—
1.2 Other debt securities	417,843	413,857	626,456	604,025
2. Loans and advances	—	—	—	—
3. Impaired assets	—	—	—	—
4. Assets sold but not derecognized	204,647	188,039	—	—
Total	622,490	601,896	626,456	604,025

#### 5.2 Financial assets held to maturity: by borrower/issuer

	30/6/07	30/6/06
1. Debt securities	417,843	626,456
a. Governments and central banks	2,628	3,290
b. Other public agencies	—	—
c. Banks	65,542	64,992
d. Other entities	349,673	558,174
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
3. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	—	—
4. Assets sold but not derecognized	204,647	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Other entities	204,647	—
Total	622,490	626,456

5.4 *Assets held to maturity (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Loans and advances	Total
A. Balance at start of period	626,456	—	626,456
B. Additions	1,029	—	1,029
B.1 Acquisitions	2	—	2
B.2 Writebacks	643	—	643
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	384	—	384
C. Reductions	209,642	—	209,642
C.1 Disposal	—	—	—
C.2 Redemptions	984	—	984
C.3 Value adjustments	342	—	342
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions <sup>1</sup>	208,316	—	208,316
D. Balance at end of period	417,843	—	417,843

<sup>1</sup> Includes €204,647,000 in repos.

## Section 6

### Heading 60 - Due from banks

#### 6.1 Due from banks

	30/6/07	30/6/06
A. Due from central banks	91,554	52,225
1. Term deposits	—	—
2. Compulsory reserves	91,554	52,225
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	6,209,906	4,921,821
1. Current accounts and demand deposits	1,313,660	457,809
2. Term deposits	934,633	1,998,656
3. Other receivables:	3,201,422	2,442,457
3.1 amounts due under repo agreements	1,991,462	1,700,666
3.2 amounts due under finance leases	3,318	1,195
3.3 other amounts due	1,206,642	740,596
4. Debt securities	—	—
4.1 structured	—	—
4.2 other debt securities	—	—
5. Impaired assets	127	127
6. Assets sold but not derecognized <sup>1</sup>	760,064	22,772
Total, Banking Group	6,301,460	4,974,046
Total, other companies	4,244	—
Total book value	6,305,704	4,974,046
Total fair value	6,305,806	4,969,789

<sup>1</sup> Relates to securities lending transactions.

### 6.3 Due under finance leases

Loan term	Explicit receivables	Receivables in respect of assets under construction	Principal	Interest	Gross investment	
						<i>of which outstanding amount not guaranteed</i>
Up to 3 months	—	—	550	42	593	5
Between 3 months and 1 year	—	—	1,183	820	8,354	157
Between 1 year and 5 years	—	—	1,585	612	10,434	698
Over 5 years	—	—	—	5	186	22
Unspecified	—	—	—	—	—	—
Total, gross	—	—	3,318	1,479	19,567	882
Value adjustments	—	—	—	—	—	—
Total, net	—	—	3,318	1,479	19,567	882

## Section 7

### Heading 70: Due from customers

#### 7.1 Due from customers: composition

	30/6/07	30/6/06
1. Current accounts	18,287	13,091
2. Amounts due under repo agreements	668,879	303,050
3. Mortgages	17,237,086	13,224,058
4. Credit cards, personal loans and salary-guaranteed finance	3,578,898	2,963,815
5. Amounts due under finance leasing	3,982,430	3,425,431
6. Factoring	—	—
7. Other transactions	1,947,474	2,011,329
8. Debt securities	—	—
8.1 structured	—	—
8.2 other debt securities	—	—
9. Impaired assets	111,159	103,830
10. Assets sold but not derecognized <sup>1</sup>	586,985	909,596
Total, Banking Group	28,131,198	22,954,200
Total, other companies	1,382	—
Total book value	28,132,580	22,954,200
Total fair value	28,510,030	23,511,858

<sup>1</sup> Assets forming part of securities lending transactions and securitized assets.

7.2 Due from customers: by borrower/issuer

	30/6/07	30/6/06
1. Debt securities:	—	—
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	—	—
- non-financial undertakings	—	—
- financial companies	—	—
- insurances	—	—
- other entities	—	—
2. Loans and advances to:	27,433,054	21,940,774
a) Governments	279,822	181,547
b) Other public agencies	137,545	280,403
c) Other issuers	27,015,687	21,478,824
- non-financial undertakings	13,177,810	12,839,537
- financial companies	5,946,379	2,567,218
- insurances	913,750	578,866
- other entities	6,977,748	5,493,203
3. Impaired assets	111,159	103,830
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	111,159	103,830
- non-financial undertakings	21,723	20,311
- financial companies	—	—
- insurances	—	—
- other entities	89,436	83,519
4. Assets sold but not derecognized <sup>1</sup>	586,985	909,596
a) Governments	—	—
b) Other public agencies	—	79
c) Other issuers	586,985	909,517
- non-financial undertakings	213,382	321,723
- financial companies	210,529	164,629
- insurances	2	5
- other entities	163,072	423,160
Total, Banking Group	28,131,198	22,954,200
Total, other companies	1,382	—
Total	28,132,580	22,954,200

<sup>1</sup> Assets forming part of securities lending transactions and securitized assets.

### 7.3 Due from customers: assets subject to specific hedging

	30/6/07	30/6/006
1. Items subject to specific fair value hedges for :	588,879	564,493
a) interest rate risk	389,829	306,652
b) exchange rate risk	—	—
c) credit risk	199,050	257,841
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	795,383
a) interest rate risk	—	795,383
b) exchange rate risk	—	—
c) other	—	—
Total	588,879	1,359,876

### 7.4 Due under finance leases

Loan term	Explicit receivables	Receivables in respect of assets under construction	Principal	Interest	Gross investment	
						<i>of which outstanding amount not guaranteed</i>
Up to 3 months	115,243	4,657	222,516 <sup>1</sup>	52,086	279,509	5,300
Between 3 months and 1 year	5,071	—	673,235 <sup>1</sup>	135,195	809,190	15,737
Between 1 year and 5 years	2,045	—	1,157,284 <sup>1</sup>	181,073	1,341,280	58,502
Over 5 years	4,090	—	1,881,189 <sup>1</sup>	377,544	2,274,504	170,963
Unspecified	15,646	197,515	29,451	—	108,603	189,390
Total, gross	142,095	202,172	3,963,675	745,898	4,813,086	439,892
Value adjustments	(21,282)	—	(49,898)	—	—	—
Total, net	120,813	202,172	3,913,777	745,898	4,813,086	439,892

<sup>1</sup> Includes finance leases subject to securitizations in an amount of €233,369,000 and impaired assets worth €20,963,000.

## 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	—	—	3,126	—	—	3,126
1) Financial derivatives:	—	—	3,126	—	—	3,126
– with exchange of principal	—	—	1,033	—	—	1,033
- options bought	—	—	—	—	—	—
- other derivative products	—	—	1,033	—	—	1,033
– without exchange of principal	—	—	2,093	—	—	2,093
- options bought	—	—	—	—	—	—
- other derivative products	—	—	2,093	—	—	2,093
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total A	—	—	3,126	—	—	3,126
B) Unlisted derivative products						
1) Financial derivatives:	830,706	407	13,951	—	—	845,064
– with exchange of principal	—	407	13,951	—	—	14,358
- options bought	—	—	13,951	—	—	13,951
- other derivative products	—	407	—	—	—	407
– without exchange of principal	830,706	—	—	—	—	830,706
- options bought	—	—	—	—	—	—
- other derivative products	830,706	—	—	—	—	830,706
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total B	830,706	407	13,951	—	—	845,064
Total at 30/6/07	830,706	407	17,077	—	—	848,190
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 hedges					Cash flow hedges		
	Specific					General	Specific	General
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	13,951	—	—	3,126	—
2. Loans and advances	7,574	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	7,574	—	—	13,951	—	—	3,126	—
1. Financial liabilities	786,551	—	—	—	—	—	36,988	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	786,551	—	—	—	—	—	36,988	—



## Section 10

### Heading 100: Equity investments

#### 10.1 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: disclosures on shareholdings

Name	Registered office	Percentage shareholding	Percentage voting rights
A. SUBSIDIARIES			
B. JOINTLY-CONTROLLED COMPANIES			
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE			
1. Athena Private Equity S.A. Share capital €51.2m, in par value €2 shares	Luxembourg	23.88	—
2. Banca Esperia S.p.A. Share capital €13m, in par value €0.52 shares	Milan	48.50	45.71
3. Burgo Group S.p.A.  Share capital €205.4m, in par value €0.52 shares	Altavilla Vicentina, near Vicenza	22.13	—
4. Fidia - Fondo Interbancario d'Investimento Azionario SGR S.p.A. Share capital €11.4m, in par value €520 shares	Milan	25.00	—
5. Assicurazioni Generali S.p.A. Share capital €1,278.1m, in par value €1 shares	Trieste	14.24	14.09
6. RCS Mediagroup S.p.A. Share capital €732.7m, in par value €1 shares	Milan	14.02	14.49
7. APE S.G.R. S.p.A. Share capital €1.1m, in par value €1 shares	Milan	40.00	—

<sup>1</sup> Amount included in net equity in preceding column.

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

Name	Key financial data <sup>1</sup>		Data for consolidation <sup>2</sup>			
	Total assets (€m)	Total income (€m)	Net profit (loss)	Net equity	Book value	Fair value
<b>C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)</b>						
1. Burgo Group S.p.A.	2,879,410	2,081,300	67,241	645,988	142,957	—
2. Assicurazioni Generali S.p.A.	377,640,539	81,262,767	2,522,150	15,689,514	2,099,667	5,897,491
3. RCS MediaGroup S.p.A.	2,677,600	2,379,700	202,783	1,184,329	307,738 <sup>3</sup>	438,769
4. Banca Esperia S.p.A.	488,784	83,733	26,693	73,444	48,566	—
5. Fidia SGR S.p.A.	11,869	758	(2,210)	8,667	2,167	—
6. Athena Private Equity S.A.	154,289	48,789	14,864	134,726	31,141	—
7. APE S.G.R. S.p.A.	n.m.	n.m.	n.m.	n.m.	440	—
Other minor investments	—	—	—	—	62	—
<b>Total</b>					<b>2,632,738</b>	

<sup>1</sup> From most recent approved consolidated financial statements.

<sup>2</sup> Calculated pro-forma based on financial situation at 31/3/07 (gross of dividends distributed) or 30/6/07.

<sup>3</sup> Includes goodwill of €144,826,000.

*10.3 Equity investments: movements during the period*

	30/6/07	30/6/06
A. Balance at start of period	2,354,923	2,137,569
B. Additions	446,524	337,500
B.1 Acquisitions	3,279	—
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other adjustments	443,245	337,500
C. Reductions	168,709	120,146
C.1 Disposals	5,375	3,455
C.2 Value adjustments for impairment	—	—
C.4 Other reductions	163,334	116,691
D. Balance at end of period	2,632,738	2,354,923
E. Total revaluations	—	—
F. Total adjustments	—	—

## Section 12

### Heading 120: Property, plant and equipment

#### 12.1 Tangible assets stated at cost

	30/6/07		30/6/06
	Banking Group	Other companies	
<b>A. Core assets</b>			
1.1 owned by the Group	268,892	126	271,959
a) land	83,636	—	83,636
b) buildings	167,705	—	169,627
c) furniture	8,081	87	9,796
d) electronic equipment	5,447	1	6,129
e) other assets	4,023	38	2,771
1.2 acquired under finance leases	—	—	—
a) land	—	—	—
b) buildings	—	—	—
c) furniture	—	—	—
d) electronic equipment	—	—	—
e) other assets	—	—	—
<b>Total A</b>	<b>268,892</b>	<b>126</b>	<b>271,959</b>
<b>B. Assets held for investment purposes</b>			
2.1 owned by the Group:	29,441	—	29,855
a) land	20,350	—	20,350
b) buildings	9,091	—	9,505
2.2 acquired under finance leases	—	—	—
a) land	—	—	—
b) buildings	—	—	—
<b>Total B</b>	<b>29,441</b>	<b>—</b>	<b>29,855</b>
<b>Total (A+B)</b>	<b>298,333</b>	<b>126</b>	<b>301,814</b>

12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	190,468	17,574	24,478	14,800	330,956
A.1 Total net value reductions	—	(20,841)	(7,778)	(18,349)	(12,029)	(58,997)
A.2 Net opening balance	83,636	169,627	9,796	6,129	2,771	271,959
B. Additions:	—	1,402	2,099	2,315	3,673	9,489
B.1 Purchases	—	1,402	2,067	2,281	3,620	9,370
B.2 Improvement expenses, capitalized	—	—	—	—	—	—
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	32	34	53	119
C. Reductions:	—	3,324	3,727	2,996	2,383	12,430
C.1 Disposals	—	130	31	96	156	413
C.2 Depreciation charges	—	3,194	3,696	2,900	1,831	11,621
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	396	396
D. Net closing balance	83,636	167,705	8,168	5,448	4,061	269,018
D.1 Total net value reductions	—	(20,983)	(11,274)	(19,601)	(11,261)	(63,119)
D.2 Gross closing balance	83,636	188,688	19,442	25,049	15,322	332,137
E. Stated at cost	—	—	—	—	—	—

12.4 Tangible assets held for investment purposes: movements during the period

	Total	
	Land	Buildings
A. Gross opening balance	20,350	9,505
B. Additions	—	—
B.1 Purchases	—	—
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	414
C.1 Disposals	—	—
C.2 Depreciation charges	—	414
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	9,091
E. Stated at fair value	87,325	37,794

## Section 13

### Heading 130: Intangible assets

#### 13.1 Intangible assets

	30/6/07		30/6/06	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	—	—	—	—
A.1.1 attributable to the Group	—	—	—	—
A.1.2 attributable to third parties	—	—	—	—
A.2 Other intangible assets	12,022	—	3,909	—
A.2.1 Recognized at cost:	12,022	—	3,909	—
a) intangible assets generated internally	54	—	—	—
b) other assets	11,968 <sup>1</sup>	—	3,909	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	12,022	—	3,909	—

<sup>1</sup> Of which €14,000 relating to other companies not part of the Banking Group.

13.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	—	—	—	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	—	—	—	10,860	—	10,860
B.1 Purchases	—	—	—	10,598	—	10,598
B.2 Increases in internally generated assets	—	—	—	13	—	13
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	249	—	249
C. Reductions	—	—	—	2,747	—	2,747
C.1 Disposals	—	—	—	5	—	5
C.2 Value adjustments	—	—	—	2,486	—	2,486
– amortization	—	—	—	—	—	—
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non- current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	256	—	256
D. Balance at end of period	—	—	—	12,022	—	12,022
D.1 Total net value adjustments	—	—	—	(5,040)	—	(5,040)
E. Gross closing balance	—	—	—	17,062	—	17,062
F. Stated at cost	—	—	—	—	—	—

## Section 14

### Asset heading 140 and Liability heading 80: Tax assets and liabilities

#### 14.1 Advance tax assets

	30/6/07	30/6/06
Corporate income tax (IRES)	136,988	141,509
Regional production tax (IRAP)	6,341	4,411
Total Banking Group	143,329	145,920
Total other companies	13	—
Total	143,342	145,920

#### 14.2 Deferred tax liabilities

	30/6/07	30/6/06
Corporate income tax (IRES)	496,493	352,963
Regional production tax (IRAP)	44,226	25,340
Total Banking Group	540,719	378,303
Total other companies	35	—
Total	540,754	378,303



### 14.3 Changes in advance tax during the period

	30/6/07	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	50,604	30,883
2.1 Advance tax originating during the period	48,458	21,204
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other additions	48,458	21,204
2.2 New taxes or increases in tax rates	—	9,611
2.3 Other additions	2,146	68
3. Reductions	53,058	32,644
3.1 Advance tax reversed during the period	50,432	30,698
a) reclassifications	50,432	30,404
b) amounts written off as unrecoverable	—	294
c) due to changes in accounting policies	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	2,626	1,946
4. Balance at end of period	143,342	145,796

### 14.4 Changes in deferred tax during the period

	30/6/07	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	173,616	69,864
2.1 Deferred tax originating during period	70,419	26,463
a) relating to previous years	66,537	—
b) due to changes in accounting policies	—	—
c) others	3,882	26,463
2.2 New taxes or increases in tax rates	9	37,301
2.3 Other additions	103,188	6,100
3. Reductions	49,882	26,553
3.1 Deferred tax reversed during period	49,205	25,921
a) reclassifications	40,558	6,998
b) due to changes in accounting policies	—	—
c) others	8,647	18,923
3.2 Reductions in tax rates	—	—
3.3 Other reductions	677	632
4. Balance at end of period	443,665	319,931

14.5 Changes in advance tax during the period<sup>1</sup>

	30/6/07	30/6/06
1. Balance at start of period	124	—
IAS 39 adoption	—	1,989
1. Opening balance	124	1,989
2. Additions	—	925
2.1 Advance tax originating during period	—	628
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	—	628
2.2 New taxes or increases in tax rates	—	149
2.3 Other additions	—	148
3. Reductions	124	2,790
3.1 Advance tax reversed during period	—	776
a) reclassifications	—	776
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	124	2,014
4. Balance at end of period	—	124

<sup>1</sup> Tax in respect of cash flow hedges and disposals of AFS securities.

14.6 Changes in deferred tax during the period<sup>1</sup>

	30/6/07	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	51,258	23,251
2.1 Deferred tax originating during period	1,685	7,748
a) for previous years	626	—
b) due to changes in accounting policies	—	—
c) others	1,059	7,748
2.2 New taxes or increases in tax rates	—	13,037
2.3 Other additions	49,573	2,466
3. Reductions	12,541	21,809
3.1 Advance tax reversed during the period	8,044	21,809
a) reclassifications	—	—
b) due to changes in accounting policies	—	—
c) others	8,044	21,809
3.2 Reductions in tax rates	—	—
3.3 Other reductions	4,497	—
4. Balance at end of period	97,089	58,372

<sup>1</sup> Tax in respect of cash flow hedges and disposals of AFS securities.

## Section 16

### Heading 160: Other assets

#### 16.1 Other assets

	30/6/07	30/6/06
1. Bills for collection	—	9,142
2. Amounts due from customers in respect of:	82,407	46,337
– securities drawn by lot, bonds, and coupons currently being checked	—	10,280
– premiums, grants, indemnities and other items in respect of lending transactions	1,506	5,964
– futures and other securities transactions	6,659	—
– advance payments on deposit commissions	4,867	3,452
– other items in transit	68,849	26,641
– invoices to be collected or issued	526	—
3. Accrued income	1,800	—
4. Other items	34,250 <sup>1</sup>	48,744
5. Sums paid by way of collateral on derivative products	184,569	45,110
6. Adjustments upon consolidation	9	—
Total	303,035	149,333

<sup>1</sup> Of which €114,000 in respect of other companies not part of the Banking Group.

## Liabilities

### Section 1

#### Heading 10: Due to banks

##### 1.1 Due to banks: composition

	30/6/07	30/6/06
1. Due to central banks	837,930	597,846
2. Due to banks	12,649,210	7,875,240
2.1 Current accounts and demand deposits	1,433,134	1,168,857
2.2 Term deposits	1,839,497	555,625
2.3 Borrowings	5,532,603	4,791,345
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Liabilities in respect of assets sold but not derecognized	3,041,464	415,869
2.5.1 Amounts due under reverse repo agreements	3,041,464	415,869
2.5.2 Others	—	—
2.6 Other amounts due	802,512	943,544
Total book value	13,487,140	8,473,086
Total fair value	13,485,783	8,473,086

##### 1.4 Due to banks: items subject to specific hedges

	30/6/07	30/6/06
1. Items subject to specific fair value hedges for:	—	55,055
a) interest rate risk	—	55,055
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	1,814,127	720,500
a) interest rate risk	1,814,127	720,500
b) exchange rate risk	—	—
c) other	—	—

## Section 2

### Heading 20: Due to customers

#### 2.1 Due to customers: composition

	30/6/07	30/6/06
1. Current accounts and demand deposits	995,920	1,071,731
2. Term deposits	1,370,030	851,767
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	37,535	44,606
5. Amounts due under commitments to buy back own shares	—	—
6. Liabilities in respect of assets sold but not derecognized	1,243,624	1,236,706
6.1 Amounts due under reverse repo agreements	865,310	490,779
6.2 Others	378,314	745,927
7. Other amounts due	379,903	761,809
Total book value	4,027,012	3,966,619
Total fair value	4,030,816	3,967,122

## Section 3

### Heading 30: Debt securities in issue

#### 3.1 Debt securities in issue : composition

	30/6/07		30/6/06	
	Book value	Fair value	Book value	Fair value
A. Listed securities	16,397,215	16,525,189	17,307,423	17,285,449
1. bonds	16,397,215	16,525,189	17,307,423	17,285,449
1.1 structured	4,989,991	4,990,197	6,283,418	6,270,364
1.2 others	11,407,224	11,534,992	11,024,005	11,015,085
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
B. Unlisted securities	8,305,314	8,305,403	3,253,518	3,251,460
1. bonds	8,019,374	8,019,463	2,896,779	2,894,721
1.1 structured	2,746,041	2,745,920	1,449,821	1,442,668
1.2 others	5,273,333	5,273,543	1,446,958	1,452,053
2. other securities	285,940	285,940	356,739	356,739
2.1 structured	—	—	—	—
2.2 others	285,940	285,940	356,739	356,739
Total	24,702,529	24,830,592	20,560,941	20,536,909

Subordinated liabilities included under the heading *Debt securities in issue* total €995,245,000.

#### 3.3 Debt securities: items subject to specific hedging

	30/6/07	30/6/06
1. Securities subject to specific fair value hedges	15,646,762	15,084,808
a) interest rate risk	15,646,762	15,084,808
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	1,250,000	500,000
a) interest rate risk	1,250,000	500,000
b) exchange rate risk	—	—
c) other	—	—

## Section 4

### Heading 40: Trading liabilities

#### 4.1 Trading liabilities: composition

	30/6/07			30/6/06		
	Nominal value	Fair value		Nominal value	Fair value	
		Listed	Unlisted		Listed	Unlisted
<b>A. Cash liabilities</b>						
1. Due to banks	956,845	929,694	—	24,294	26,738	—
2. Due to customers	717,979	621,983	95,585	2,069,888	2,030,848	—
3. Debt securities	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—
3.1.2 Other	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—
3.2.2 Other	—	—	—	—	—	—
<b>Total A</b>	<b>1,674,824</b>	<b>1,551,677</b>	<b>95,585</b>	<b>2,094,182</b>	<b>2,057,586</b>	<b>—</b>
<b>B. Derivative products</b>						
1. Financial derivatives	X	14,622	1,973,943	X	14,821	1,210,480
1.1 Trading	X	14,622	679,963	X	14,821	599,950
1.2 Linked to fair value options	X	—	—	X	—	—
1.3 Other	X	—	1,293,980	X	—	610,530
2. Credit derivatives	X	—	48,939	X	—	19,572
2.1 Trading	X	—	48,939	X	—	19,572
2.2 Linked to fair value options	X	—	—	X	—	—
2.3 Other	X	—	—	X	—	—
<b>Total B</b>	<b>—</b>	<b>14,622</b>	<b>2,022,882</b>	<b>—</b>	<b>14,821</b>	<b>1,230,052</b>
<b>Total (A+B)</b>	<b>1,674,824</b>	<b>1,566,299</b>	<b>2,118,467</b>	<b>2,094,182</b>	<b>2,072,407</b>	<b>1,230,052</b>

#### 4.4 Trading liabilities: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Others	Total at 30/6/07	Total at 30/6/06
A) Listed derivative products							
1. Financial derivatives:	11,231	—	3,391	—	—	14,622	14,821
– With exchange of principal	6,845	—	1,373	—	—	8,218	13,959
– options issued	—	—	—	—	—	—	—
– other derivatives	6,845	—	1,373	—	—	8,218	13,959
– Without exchange of principal	4,386	—	2,018	—	—	6,404	862
– options issued	807	—	—	—	—	807	23
– other derivatives	3,579	—	2,018	—	—	5,597	839
2. Credit derivatives:	—	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—	—
Total A	11,231	—	3,391	—	—	14,622	14,821
B) Unlisted derivative products							
1. Financial derivatives:	582,500	22,543	1,325,719	—	43,181	1,973,943	1,210,480
– With exchange of principal	—	22,534	18,215	—	—	40,749	8,386
– options issued	—	—	18,215	—	—	18,215	4,394
– other derivatives	—	22,534	—	—	—	22,534	3,992
– Without exchange of principal	582,500	9	1,307,504	—	43,181	1,933,194	1,202,094
– options issued	729	9	1,307,482	—	—	1,308,220	735,957
– other derivatives	581,771	—	22	—	43,181	624,974	466,137
2. Credit derivatives:	—	—	—	48,939	—	48,939	19,572
– With exchange of principal	—	—	—	47,701	—	47,701	18,072
– Without exchange of principal	—	—	—	1,238	—	1,238	1,500
Total B	582,500	22,543	1,325,719	48,939	43,181	2,022,882	1,230,052
Total (A+B)	593,731	22,543	1,329,110	48,939	43,181	2,037,504	1,244,873



## Section 6

### Heading 60: Hedging derivatives

#### 6.1 Hedging derivatives: by type of product/underlying asset

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other	Total
A) Listed derivative products						
1. Financial derivatives:	—	—	22,813	—	—	22,813
– With exchange of principal	—	—	22,813	—	—	22,813
– options issued	—	—	—	—	—	—
– other derivatives	—	—	22,813	—	—	22,813
– Without exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
Total A	—	—	22,813	—	—	22,813
B) Unlisted derivative products						
1. Financial derivatives:	1,798,707	15,592	28,184	—	—	1,842,483
– With exchange of principal	—	15,592	28,184	—	—	43,776
– options issued	—	—	28,184	—	—	28,184
– other derivatives	—	15,592	—	—	—	15,592
– Without exchange of principal	1,798,707	—	—	—	—	1,798,707
– options issued	—	—	—	—	—	—
– other derivatives	1,798,707	—	—	—	—	1,798,707
2. Credit derivatives:	—	—	—	2,958	—	2,958
– With exchange of principal	—	—	—	2,958	—	2,958
– Without exchange of principal	—	—	—	—	—	—
Total B	1,798,707	15,592	28,184	2,958	—	1,845,441
Total 30/6/07	1,798,707	15,592	50,997	2,958	—	1,868,254
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 hedges					Cash flow hedges		
	Specific					General	Specific	General
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	28,184	—	—	22,813	—
2. Loans and advances	27,448	—	2,958	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	27,448	—	2,958	28,184	—	—	22,813	—
1. Financial liabilities	1,786,025	—	—	—	—	—	826	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	1,786,025	—	—	—	—	—	826	—

## Section 10

### Heading 100: Other liabilities

#### 10.1 Other liabilities

	30/6/07	30/6/06
1. Bills for collection	10	13
2. Amounts payable in respect of:		
– coupons and dividends pending collection	2,068	2,127
– commissions payable to banks	—	54
– commissions payable to participants in underwriting syndicates	55,522	111
– sums available for payments to customers	43,950	15,957
– invoices pending settlement or receipt	153,128	134,643
– premiums, grants, and other items relating to lending transactions	1,587	—
3. Wages accrued, contributions and amounts payable withheld from staff and customers	52,685	42,326
4. Impaired endorsements	25,744	—
5. Sums received by way of collateral on exposures to derivative products	820,946	576,013
6. Financial guarantees on CDS products (as required under IAS 37)	1,113	—
7. Other items	47,246	39,573
8. Adjustments on consolidation	—	—
Total Banking Group	1,203,999	810,817
Total other companies	2,376	—
Total	1,206,375	810,817

## Section 11

### Heading 110: Staff severance indemnity provision

#### 11.1 Staff severance indemnity provision: changes during the period

	30/6/07		30/6/06
	Banking Group	Other companies	
A. Balance at start of period	33,848	866	36,252
B. Additions	9,134	184	9,219
B.1 Transfers during period	9,134	184	8,874
B.2 Other additions	—	—	345
C. Reductions	14,494	185	10,757
C.1 Indemnities paid out	5,142	114	6,098
C.2 Other reductions <sup>1</sup>	9,352	71	4,659
D. Balance at end of period	28,488	865	34,714

<sup>1</sup> Includes €5,076,000 in transfers to external, defined contribution pension schemes.

## Section 12

### Heading 120: Provisions

#### 12.1 Provisions: composition

	30/6/07	30/6/06
1. Company post-employment benefit provision	—	—
2. Other provisions	156,028	156,557
2.1 litigation	13	39
2.2 staff-related	—	—
2.3 other	156,015 <sup>1</sup>	156,518
Total	156,028	156,557

<sup>1</sup> Of which €22,000 in respect of other companies not part of the Banking Group.

## 12.2 Provisions: movements during the period

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	39	156,518	156,557
B. Additions	—	—	6,438	6,438
B.1 Transfers during period	—	—	5,438	5,438
B.2 Changes due to passing of time	—	—	1,000	1,000
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	26	6,941	6,967
C.1 Transfers during period	—	26	6,238	6,264
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	703	703
D. Balance at end of period	—	13	156,015	156,028

## Section 15

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

#### 15.1 Net equity

	30/6/07	30/6/06
1. Share capital	408,781	405,999
2. Share premium reserve	2,119,328	2,071,364
3. Reserves	3,464,838	3,058,670
4. Treasury shares <sup>1</sup>	(434)	(434)
a. Mediobanca	—	—
b. other Group companies	(434)	(434)
5. Valuation reserves	837,130	351,197
6. Equity instruments	—	—
7. Profit (loss) for the period	953,248	858,403
Total	7,782,891	6,745,199

<sup>1</sup> Treasury shares in Palladio Leasing S.p.A.

15.3 *Share capital: changes in no. of shares in issue during period*

	Ordinary
A. Shares in issue at start of period	811,997,165
– entirely unrestricted	811,997,165
– with restrictions	—
A.1 Treasury shares	—
A.2 Shares in issue: balance at start of period	811,997,165
B. Additions	5,565,750
B.1 New share issuance as a result of:	5,565,750
– rights issues	5,565,750
– business combinations	—
– bond conversions	—
– exercise of warrants	—
– others	5,565,750
– bonus issues	—
– to staff members	—
– to Board members	—
– others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	817,562,915
D.1 <i>Add:</i> treasury shares	—
D.2 Shares in issue at end of period	817,562,915
– entirely unrestricted	817,562,915
– with restrictions	—

15.6 *Valuation reserves: composition*

	30/6/07	30/6/06
1. AFS securities	818,509	311,914
2. Property, plant and equipment	—	—
3. Intangible assets	—	—
4. Foreign investment hedges	—	—
5. Cash flow hedges	5,151	25,769
6. Exchange rate differences	—	—
7. Non-current assets being sold	—	—
8. Special revaluation laws	13,470	13,514
Total	837,130	351,197

15.7 Valuation reserves: movements during the period

	AFS securities	Cash flow hedges	Special laws
A. Balance at start of period	311,914	25,769	13,514
B. Additions	633,303	26,343	1
B.1 Increases in fair value	623,252	26,343	—
B.2 Other additions	10,051	—	1
C. Reductions	126,708	46,961	45
C.1 Reductions in fair value	113,107	26,544	—
C.2 Other reductions	13,601	20,417	45
D. Balance at end of period	818,509	5,151	13,470

15.8 AFS securities valuation reserve: composition

	30/6/07		30/6/06	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	52,802	27,633	30,768	22,042
2. Equities	991,150	207,331	429,190	130,972
3. OICR units	9,521	—	4,970	—
4. Loans and advances	—	—	—	—
Total	1,053,473	234,964	464,928	153,014

15.9 AFS valuation reserve: movements during the period

	Debt securities	Equities	OICR units	Total
1. Opening balance	8,726	298,218	4,970	311,914
2. Additions	30,666	598,112	4,934	633,712
2.1 Increases in fair value	26,465	596,786	4,934	628,185
2.2 Negative reserves charged back to profit and loss as a result of	4,201	1,326	—	5,527
– impairment	—	—	—	—
– disposals	4,201	1,326	—	5,527
2.3 Other additions	—	—	—	—
3. Reductions	14,223	112,511	383	127,117
3.1 Reductions in fair value	13,961	99,145	—	113,106
3.2 Adjustments for impairment	—	—	—	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals	234	13,366	—	13,600
3.4 Other reductions	28	—	383	411
4. Balance at end of period	25,169	783,819	9,521	818,509

## Section 16

### Heading 210: Net equity attributable to minorities

#### 16.1 Net equity attributable to minorities: composition

	30/6/07	30/6/06
1. Share capital	24,300	23,988
2. Share premium reserve	7,355	2,537
3. Reserves	60,429	50,862
4. Treasury shares	—	—
5. Valuation reserves <sup>1</sup>	3,330	2,452
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	12,843	9,372
<b>Total</b>	<b>108,257</b>	<b>89,211</b>

<sup>1</sup> Relates to cash flow hedges.

## Other information

### 1. Guarantees and commitments

	30/6/07	30/6/06
1. Financial guarantees given to:	2,901,118	1,499,611
a) Banks	1,148,636	810,645
b) Customers	1,752,482	688,966
2. Commercial guarantees given to:	42,112	5,839
a) Banks	—	—
b) Customers	42,112	5,839
3. Irrevocable commitments to lend funds to:	30,351,788	69,255,729
a) Banks	10,112,078	4,383,111
i) specific	8,350,322	2,594,234
ii) standby basis	1,761,756	1,788,877
b) Customers	20,239,710	64,872,618
i) specific	10,842,851	7,885,393
ii) standby basis	9,396,859	56,987,225 <sup>1</sup>
4. Commitments underlying credit derivatives: hedge sales	2,366,393	273,933
5. Assets pledged as collateral for customer obligations	42,111	—
6. Other commitments	617,894	159,149
<b>Total</b>	<b>36,321,416</b>	<b>71,194,261</b>

<sup>1</sup> Of which €48,544,000,000 guaranteed by letters of credit from banks.



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

	30/6/07	30/6/06
1. Financial assets held for trading	1,130,072	1,323,179
2. Financial assets recognized at fair value	—	—
3. AFS securities	60,968	—
4. Financial assets held to maturity	204,647	—
5. Due from banks	—	—
6. Due from customers	619,275	334,895
7. Property, plant and equipment	—	—

5. *Assets managed and traded on behalf of customers: Banking Group*

	30/6/07	30/6/06
1. Securities traded on behalf of customers	34,388,814	40,837,772
a) Purchases	20,378,078	20,638,248
1. settled	19,891,288	20,077,303
2. pending settlement	486,790	560,945
b) Disposals	14,010,736	20,199,524
1. settled	13,523,946	19,638,579
2. pending settlement	486,790	560,945
2. Asset management <sup>1</sup>	4,902,000	4,497,000
a) individuals	1,346,000	1,247,000
b) groups	3,556,000	3,250,000
3. Securities under custody/managed on a non-discretionary basis	22,147,183	18,015,532
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management <sup>2</sup> )	4,698,362	4,289,689
1. securities issued by bank drawing up consolidated financial statements	339,607	357,299
2. other securities	4,358,755	3,932,390
b) other customers' securities held on deposit (not including asset management): others	1,416,900	1,298,659
1. securities issued by bank drawing up consolidated financial statements	26,426	44,324
2. other securities	1,390,474	1,254,335
c) customers' securities held on deposit with customers	5,707,615	3,983,050
d) own securities held on deposit with customers	10,324,306	8,444,134
4. Other transactions	—	—

<sup>1</sup> The Esperia group has assets under management totalling € 10,106,000 (30/6/06: € 7,007,000).

<sup>2</sup> The Esperia group manages assets on a non-discretionary basis worth € 1,541,000 (30/6/06: € 1,399,000).

## PART C - NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

### Section 1

#### Headings 10 and 20: Net interest income

##### 1.1 Interest and similar income: composition

	Performing assets		Impaired assets	Other assets	12 mths to 30/6/07	12 mths to 30/6/06
	Debt securities	Loans and advances				
1. Financial assets held for trading	256,145	—	—	—	256,145	150,100
2. AFS securities	—	—	—	—	—	—
3. Financial assets held to maturity	111,154	—	—	—	111,154	88,478
4. Due from banks	27,287	—	—	—	27,287	20,150
5. Due from customers	—	48,230	—	130,789 <sup>1</sup>	179,019	77,024
6. Financial assets recognized at fair value	—	879,672	39,088	478,287	1,397,047	1,006,104
7. Hedge derivatives	—	—	—	411,814	411,814	336,864
8. Financial assets sold but not derecognized	896	16,299	—	7,716	24,911	66,030
9. Other assets	—	—	—	1,909	1,909	2,961
<b>Total</b>	<b>395,482</b>	<b>944,201</b>	<b>39,088</b>	<b>1,030,515</b>	<b>2,409,286</b>	<b>1,747,711</b>

<sup>1</sup> Of which €19,000 in respect of other companies not part of the Banking Group.

1.2 *Interest and similar income: differences arising on hedging transactions*

	12 mths to 30/6/07	12 mths to 30/6/06
A. Positive differences on transactions involving:		
A.1 Specific fair value hedges of assets	10,503	47,458
A.2 Specific fair value hedges of liabilities	979,261	643,934
A.3 General interest rate risk hedges	—	—
A.4 Specific cash flow hedges of assets	—	—
A.5 Specific cash flow hedges of liabilities	—	—
A.6 General cash flow hedges	19,901	13,031
Total positive differences (A)	1,009,665	704,423
B. Negative differences on transactions involving:		
B.1 Specific fair value hedges of assets	(14,801)	(25,965)
B.2 Specific fair value hedges of liabilities	(579,491)	(341,594)
B.3 General interest rate risk hedges	—	—
B.4 Specific cash flow hedges of assets	—	—
B.5 Specific cash flow hedges of liabilities	—	—
B.6 General cash flow hedges	(3,559)	—
Total negative differences (B)	(597,851)	(367,559)
C. Balance of differences arising on hedges (A – B)	411,814	336,864

1.3 *Interest and similar income: other information*

	12 mths to 30/6/07	12 mths to 30/6/06
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	206,937	30,657
1.3.2 Interest receivable in respect of finance leasing transactions	208,992	167,808
1.3.3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	415,929	198,465

*1.4 Interest expense and similar charges: composition*

	Accounts payable	Securities	Other liabilities	12 mths to 30/6/07	12 mths to 30/6/06
1. Due to banks	(222,996)	—	(81,756) <sup>1</sup>	(304,752)	(234,834)
2. Due to customers	(57,078)	—	(22,126)	(79,204)	(70,713)
3. Debt securities in issue	—	(1,293,681)	—	(1,293,681)	(804,786)
4. Trading liabilities	—	—	—	—	—
5. Financial liabilities recognized at fair value	—	—	—	—	—
6. Financial liabilities in respect of assets sold but not derecognized	—	(6,193)	(133,060)	(139,253)	(57,809)
7. Other liabilities	—	—	(638)	(638)	(469)
8. Hedging derivatives	—	—	—	—	—
<b>Total</b>	<b>(280,074)</b>	<b>(1,299,874)</b>	<b>(237,580)</b>	<b>(1,817,528)</b>	<b>(1,168,611)</b>

<sup>1</sup> Of which €2,000 in respect of companies not forming part of the Banking Group.

*1.6 Interest expense and similar charges: other information*

	12 mths to 30/6/07	12 mths to 30/6/06
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(222,118)	(23,068)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	(1,040)	(225)
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	(4)	—
<b>Total</b>	<b>(223,162)</b>	<b>(23,293)</b>

## Section 2

### Headings 40 and 50: Net fee and commission income

#### 2.1 Net fee and commission income: composition

	12 mths to 30/6/07	12 mths to 30/6/06
a) guarantees given	5,381	4,391
b) credit derivatives	1,565	1,514
c) management, trading and advisory services:	341,407	269,514
1. securities trading	37,667	42,261
2. foreign currency trading	86	81
3. asset management <sup>1</sup>	7,888	6,124
3.1 individuals	7,888	6,124
3.2 groups	—	—
4. securities under custody and non-discretionary management	4,086	3,737
5. deposit bank services	—	—
6. securities placement	97,540	54,964
7. procurement of orders	3,045	2,288
8. advisory services	175,610	146,411
9. agency fees	15,485	13,648
9.1 asset management	15,485	13,648
9.1.1 individuals	15,485	13,648
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	478	512
e) securitization services	504	110
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) other services	27,586 <sup>2</sup>	11,096
Total	376,921	287,137

<sup>1</sup> Banca Esperia recorded net fee and commission income of €86,110,000 (30/6/06: €65,338,000).

<sup>2</sup> Of which €3,593,000 in respect of other companies not part of the Banking Group.

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

	12 mths to 30/6/07	12 mths to 30/6/06
a) on the Bank's own premises:	120,913	74,736
1. asset management <sup>1</sup>	7,888	6,124
2. securities placement	97,540	54,964
3. agency fees	15,485	13,648
b) elsewhere:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
<b>Total</b>	<b>120,913</b>	<b>74,736</b>

<sup>1</sup> Banca Esperia recorded net fee and commission income of € 86,110,000 (30/6/06: €65,338,000).

## 2.3 *Fee and commission expense*

	12 mths to 30/6/07	12 mths to 30/6/06
a) guarantees received	—	—
b) credit derivatives	(1,267)	—
c) management and trading services:	(22,733)	(7,237)
1. securities trading	(5,114)	(4,786)
2. foreign currency trading	—	—
3. asset management:	(2)	(2)
3.1 proprietary	(2)	(2)
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(2,877)	(1,971)
5. securities placement	(14,740)	(478)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(10,525)	—
e) other services	(12,983) <sup>1</sup>	(17,213)
<b>Total</b>	<b>(47,508)</b>	<b>(24,450)</b>

<sup>1</sup> Of which €4,126,000 in respect of other companies not part of the Banking Group.

## Section 3

### Heading 70: Dividends and similar income

#### 3.1 Dividends and similar income: composition

	12 mths to 30/6/07		12 mths to 30/6/06	
	Dividends	Income from OICR units	Dividends	Income from OICR units
A. Financial assets held for trading	40,279	—	137,517	—
B. AFS securities	71,707	—	64,912	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
Total	111,986	—	202,429	—

## Section 4

### Heading 80: Net trading income

#### 4.1 Net trading income: composition

	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	78,325	343,673	(129,904)	(171,428)	120,666
1.1 Debt securities	18,819	57,870	(85,124)	(45,569)	(54,004)
1.2 Equities	59,506	285,635	(44,780)	(125,840)	174,521
1.3 OICR units	—	112	—	(19)	93
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	56	—	—	56
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	220,784	—	(202,176)	—	18,608
4. Derivative products	919,014	816,819	(801,598)	(955,861)	(21,626)
4.1 Financial derivatives:	919,014	792,753	(798,893)	(914,262)	(1,388)
– debt securities and interest rates <sup>1</sup>	22,967	428,280	(2,848)	(315,572)	132,827
– equities and stock market indexes	882,975	364,473	(796,045)	(575,566)	(124,163)
– foreign currency and gold	13,072	—	—	(23,124)	(10,052)
– others	—	—	—	—	—
4.2 Credit derivatives	—	24,066	(2,705)	(41,599)	(20,238)
Total	1,218,123	1,160,492	(1,133,678)	(1,127,289)	117,648
Total at 30/6/06	482,648	1,578,723	(405,363)	(1,570,610)	85,398

<sup>1</sup> Of which €73,222,000 in margins on interest rate derivatives.

## Section 5

### Heading 90: Net hedging income (expense)

#### 5.1 Net hedging income (expense): composition

	12 mths to 30/6/07	12 mths to 30/6/06
A. Income from:		
A.1 Fair value hedge derivatives	107,066	157,351
A.2 Financial assets hedged (fair value)	2,424	10,389
A.3 Financial liabilities hedged (fair value)	435,996	730,666
A.4 Cash flow hedge derivatives	12,321	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	557,807	898,406
B. Expense related to:		
B.1 Fair value hedge derivatives	(331,204)	(792,373)
B.2 Financial assets hedged (fair value)	(8,383)	(44,580)
B.3 Financial liabilities hedged (fair value)	(211,236)	(63,581)
B.4 Cash flow hedge derivatives	(7,847)	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(558,670)	(900,534)
C. Net hedging income (A–B)	(863)	(2,128)



## Section 6

### Heading 100: Gains (losses) on disposals/repurchases

#### 6.1 Gains (losses) on disposals/repurchases: composition

	12 mths to 30/6/07			12 mths to 30/6/06		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities	177,785	(2,392)	175,393	200,493	(112,654)	87,839
3.1 Debt securities	3,901	(2,147)	1,754	19,778	(20,285)	(507)
3.2 Equities	173,884	(245)	173,639	180,715	(92,369)	88,346
3.3 OICR units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	—	(72)	(72)	—	(167)	(167)
<b>Total assets</b>	<b>177,785</b>	<b>(2,464)</b>	<b>175,321</b>	<b>200,493</b>	<b>(112,821)</b>	<b>87,672</b>
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	8,055	(7,325)	730	14,148	(5,280)	8,868
<b>Total liabilities</b>	<b>8,055</b>	<b>(7,325)</b>	<b>730</b>	<b>14,148</b>	<b>(5,280)</b>	<b>8,868</b>

## Section 8

### Heading 130: Adjustments for impairment

#### 8.1 Adjustments for impairment: composition

	Value adjustments			Amounts recovered				12 mths to 30/6/07	12 mths to 30/6/06
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	—	—	
B. Due from customers	(121,850)	(19,623)	(30,069)	638	5,661	—	—	(165,243)	
<b>C. Total</b>	<b>(121,850)</b>	<b>(19,623)</b>	<b>(30,069)</b>	<b>638</b>	<b>5,661</b>	<b>—</b>	<b>—</b>	<b>(165,243)</b>	

*Legend*

A = interest

B = other amounts recovered

### 8.2 Net value adjustments for impairment to AFS securities: composition

	Value adjustments			Amounts recovered				12 mths to 30/6/07	12 mths to 30/6/06
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	—	—	—	—	—	—	—	
B. Equities	—	(4,169)	—	—	—	—	—	(4,169)	
C. OICR units	—	—	—	—	—	—	—	—	
D. Loans and advances to banks	—	—	—	—	—	—	—	—	
E. Loans and advances to customers	—	—	—	—	—	—	—	—	
F. Total	—	(4,169)	—	—	—	—	—	(4,169)	

*Legend*

A = interest

B = other amounts recovered

### 8.3 Adjustments for impairment to financial assets held to maturity: composition

	Value adjustments			Amounts recovered				12 mths to 30/6/07	12 mths to 30/6/06
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(342)	—	267	376	—	—	301	313
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(342)	—	267	376	—	—	301	313

*Legend*

A = interest

B = other amounts recovered

## Section 11

### Heading 180: Administrative expenses

#### 11.1 Personnel costs: composition

	12 mths to 30/6/07		12 mths to 30/6/06
	Banking Group	Other companies	
1. Employees	(215,354)	(3,695)	(198,619)
a) wages and salaries	(151,866)	(2,599)	(140,789)
b) social security contributions	(38,768)	(732)	(36,322)
c) severance indemnities	—	—	—
d) pension contributions	—	—	—
e) transfers to severance indemnity provisions	(6,046)	(275)	(8,741)
f) transfers to post-employment and similar benefits provisions:			
– defined contribution	—	—	—
– defined benefit	—	—	—
g) amounts paid to external complementary pension schemes:			
– defined contribution	(9,234)	(16)	(6,706)
– defined benefit	(9,234)	(16)	(6,706)
– defined benefit	—	—	—
h) expenses incurred in connection with share payment schemes	(8,958)	(40)	(5,502)
i) other staff benefits	(482)	(33)	(559)
2. Other staff	(2,793)	(310)	(1,927)
3. Board members	(14,190)	(16)	(8,163)
Total	(232,337)	(4,021)	(208,709)

#### 11.2 Average number of staff by category

	12 mths to 30/6/07		12 mths to 30/6/06
	Banking Group	Other companies	
Employees:			
a) Senior executives	114	2	107
b) Executives	679	12	637
<i>of which grade 3 and 4</i>	<i>351</i>	<i>7</i>	<i>333</i>
c) Other employees	898	34	915
Other staff	89	11	86
Total	1,780	59	1,745

### 11.5 Other administrative expenses: composition

	12 mths to 30/6/07		12 mths to 30/6/06
	Banking Group	Other companies	
OTHER ADMINISTRATIVE EXPENSES			
– outside consultants' fees	(24,449)	(78)	(18,504)
– legal fees due in respect of credit recovery	(18,881)	—	(10,650)
– share and bond servicing	(2,496)	—	(2,377)
– sundry insurances	(1,376)	—	(1,447)
– advertising	(16,766)	(14)	(13,938)
– rent and maintenance	(17,225)	(142)	(14,945)
– EDP costs and financial information subscriptions	(35,893)	(58)	(40,771)
– publications, stationery and utilities	(15,531)	(392)	(14,055)
– travel and entertainment	(7,019)	(86)	(5,753)
– other staff-related expenses	(7,833)	(131)	(6,517)
– bank charges	(15,509)	(3)	(12,379)
– transport costs	(2,253)	(21)	(1,901)
– outsourced activities	(6,422)	(6)	(4,113)
– assets expensed	(410)	(2)	(2,520)
– substitutive and registration taxes and franking of reserves	(2,857)	—	(1,016)
– substitutive and various other taxes	(19,757)	(11)	(16,924)
– other expenses	(4,417)	(259)	(5,262)
Total, other administrative expenses	(199,094)	(1,203)	(173,072)

## Section 12

### Heading 190: Net transfers to provisions

#### 12.1 Net transfers to provisions: composition

	12 mths to 30/6/07	12 mths to 30/6/06
TRANSFERS MADE TO COVER:		
– litigation	—	(15)
– advertising expenses	—	—
– certain or probable exposures or commitments <sup>1</sup>	(6,438)	(5,278)
Total net transfers to provisions	(6,438)	(5,293)

<sup>1</sup> Includes the effect of discounting such items.

## Section 13

### Heading 200: Net adjustments to tangible assets

#### 13.1 Net adjustments to tangible assets: composition

	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(10,554)	(16)	—	(10,570)
– core	(10,130) <sup>1</sup>	(16)	—	(10,146)
– for investment purposes	(424)	—	—	(424)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(10,554)	(16)	—	(10,570)

<sup>1</sup> Of which €64,000 in respect of other companies not part of the Banking Group.

## Section 14

### Heading 210: Net adjustments to intangible assets

#### 14.1 Net adjustments to intangible assets

	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets			—	
A.1 Owned	(2,703)	—	—	(2,703)
– software	(265)	—	—	(265)
– other	(2,438)	—	—	(2,438)
A.2 Goodwill	—	—	—	—
Total	(2,703)	—	—	(2,703)

<sup>1</sup> Of which €7,000 in respect of other companies not part of the Banking Group.

## Section 15

### Heading 220: Other operating income (expense)

#### 15.1 Other operating income (expense): composition

	12 mths to 30/6/07	12 mths to 30/6/06
a) Leasing activity	5,129	6,797
b) Amounts recovered from customers	26,701 <sup>1</sup>	17,630
c) Other income	36,767 <sup>2</sup>	33,227
d) Sundry costs and expenses	(7,781) <sup>3</sup>	(11,064)
<b>Total</b>	<b>60,816</b>	<b>46,590</b>

<sup>1</sup> Of which €13,000 in respect of other companies not part of the Banking Group.

<sup>2</sup> Of which €8,000 in respect of other companies not part of the Banking Group.

<sup>3</sup> Includes costs of €7,808,000 (30/6/06: €3,316,000) in connection with stock option schemes operated by Banca Esperia.

## Section 16

### Heading 240: Gains (losses) on equity investments

#### 16.1 Gains (losses) on equity investments: composition

	12 mths to 30/6/07	12 mths to 30/6/06
1. Jointly-controlled companies		
A. Income	—	—
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expense	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	—
2. Companies subject to significant influence		
A. Income	419,439	339,378
1. Revaluations	—	—
2. Gains on disposals	—	2,200
3. Amounts recovered	—	—
4. Other increases	419,439	337,178
B. Expense	(553)	(1,878)
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	(553)	(1,878)
Net income	418,886	337,500
<b>Total</b>	<b>418,886</b>	<b>337,500</b>

## Section 19

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

#### 19.1 Net gain (loss) upon disposal of investments: composition

	12 mths to 30/6/07	12 mths to 30/6/06
A. Properties	—	517
– gains on disposals	—	517
– losses on disposals	—	—
B. Other assets	(75)	98
– gains on disposals	3	98
– losses on disposals	(78)	—
Net gain (loss)	(75)	615

## Section 20

### Heading 290: Income tax on ordinary activities

#### 20.1 Income tax on ordinary activities: composition

	12 mths to 30/6/07		12 mths to 30/6/06
	Banking Group	Other companies	
1. Current taxes	(173,800)	(969)	(194,882)
2. Changes in current taxes for previous financial years	—	—	—
3. Reductions in current tax for the period	—	—	—
4. Changes in advance tax	(4,841)	(24)	19,494
5. Changes in deferred tax	(34,433)	15	(46,131)
Income tax for the year	(213,074)	(978)	(221,519)

## 20.2 Reconciliation between theoretical and effective tax burden

	30/6/07
Profit before tax	1,180,143
Theoretical tax rate applicable	33%
Theoretical taxes	(389,447)
Dividends	30,802
Gains on disposals of equity investments (PEX)	26,758
Gains on equity-accounted investments	120,387
Changes in deferred tax from previous years	—
Different tax rates (non-Italian companies)	15,499
Tax losses	12,162
Tax sparring credit	9,366
Other changes	(3,815)
TOTAL ITALIAN CORPORATE INCOME TAX (IRES)	(178,288)
ITALIAN REGIONAL PRODUCTION TAX (IRAP)	(35,764)
TOTAL HEADING 290	(214,052)

## Section 22

### Heading 330: Net profit (loss) attributable to minorities

#### 22.1 Breakdown of profit for the year attributable to minorities

	30/6/07	30/6/06
Palladio Leasing S.p.A.	3,966	3,540
SelmaBipiemme Leasing S.p.A.	4,465	4,286
Teleleasing S.p.A.	6,307	5,017
Other companies	(40)	(57)
Adjustments on consolidation	(1,855)	(3,414)
Total	12,843	9,372

## Section 24

### Earnings per share

#### 24.1 Average number of ordinary shares on a diluted basis

	12 mths to 30/6/07	12 mths to 30/6/06
Net profit	953,248	858,403
Avg. no. of shares in issue	816,514,035	797,557,140
Avg. no. of potentially diluted shares	16,071,380	35,033,275
Avg. no. of diluted shares	832,585,415	832,590,415
Earnings per share	1.17	1.08
Earnings per share, diluted	1.14	1.03



## PART D - SEGMENT REPORTING

### A. PRIMARY SEGMENT REPORTING

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

	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
<i>Profit-and-loss figures</i>	€m	€m	€m	€m	€m
Net interest income .....	196.7	446.1	24.0	—	666.8
Dividends and similar income .....	71.7	—	—	—	71.7
Net trading income .....	69.8	—	13.0	—	82.8
Net fee and commission income .....	281.3	42.0	48.0	—	371.3
Share in profits earned by equity-accounted companies	18.0	—	13.2	387.7	418.9
<b>TOTAL INCOME</b> .....	<b>637.5</b>	<b>488.1</b>	<b>98.2</b>	<b>387.7</b>	<b>1,611.5</b>
<b>OPERATING COSTS</b> .....	<b>(222.7)</b>	<b>(163.8)</b>	<b>(43.9)</b>	<b>—</b>	<b>(430.4)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>414.8</b>	<b>324.3</b>	<b>54.3</b>	<b>387.7</b>	<b>1,181.1</b>
Gain (loss) on disposal of AFS securities .....	166.7	—	8.7	—	175.4
Bad debt writeoffs .....	(5.2)	(159.8)	—	—	(165.0)
Others .....	(4.3)	—	(6.0)	—	(10.3)
<b>PROFIT BEFORE TAX</b> .....	<b>572.0</b>	<b>164.5</b>	<b>57.0</b>	<b>387.7</b>	<b>1,181.2</b>
Income tax for the period .....	(132.7)	(68.6)	(1.6)	(12.3)	(215.2)
Minority interest .....	—	(12.8)	—	—	(12.8)
<b>NET PROFIT</b> .....	<b>439.3</b>	<b>83.1</b>	<b>55.4</b>	<b>375.4</b>	<b>953.2</b>

Business divisions comprise:

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

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

	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
<i>Balance-sheet data</i>	€m	€m	€m	€m	€m
Treasury funds .....	6,265.4	155.5	572.1	—	6,993.0
AFS securities .....	4,788.1	—	785.1	—	5,573.2
<i>of which: equities</i> .....	3,315.9	—	19.8	—	3,335.7
Financial assets held to maturity .....	622.5	—	—	—	622.5
Equity investments .....	176.7	—	48.6	2,407.4	2,632.7
Loans and advances to customers .....	15,995.0	10,101.4	715.2	—	26,811.6
Funding .....	(22,575.6)	(9,912.7)	(1,739.4)	—	(34,227.7)

## B. SECONDARY SEGMENT REPORTING

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

	Italy	Europe <sup>1</sup>	Group
<i>Profit-and-loss figures</i>	€m	€m	€m
Net interest income .....	639.5	27.3	666.8
Dividends and similar income .....	71.7	—	71.7
Net trading income .....	69.9	12.9	82.8
Net fee and commission income .....	321.3	50.0	371.3
Share in profits earned by equity-accounted companies ..	418.0	—	418.9
<b>TOTAL INCOME</b> .....	<b>1,521.3</b>	<b>90.2</b>	<b>1,611.5</b>
<b>OPERATING COSTS</b> .....	<b>(391.1)</b>	<b>(39.3)</b>	<b>(430.4)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b> .....	<b>1,130.2</b>	<b>50.9</b>	<b>1,181.1</b>
Gain (loss) on disposal of AFS securities .....	166.7	8.7	175.4
Gain (loss) on disposal of other securities .....	(165.0)	—	(165.0)
Bad debt writeoffs .....	(4.5)	(5.8)	(10.3)
<b>PROFIT BEFORE TAX</b> .....	<b>1,127.4</b>	<b>53.8</b>	<b>1,181.2</b>
Income tax for the period .....	(213.2)	(2.0)	(215.2)
Minority interest .....	(12.8)	—	(12.8)
<b>NET PROFIT</b> .....	<b>901.4</b>	<b>51.8</b>	<b>953.2</b>

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

	Italy	Europe <sup>1</sup>	Group
<i>Balance-sheet data</i>	€m	€m	€m
Treasury funds .....	6,418.2	574.8	6,993.0
AFS securities .....	4,788.1	785.1	5,573.2
Equity investments .....	2,632.7	—	2,632.7
Loans and advances to customers .....	22,396.5	4,415.1	26,811.6
Funding .....	(25,863.7)	(8,364.0)	(34,227.7)

<sup>1</sup> Mediobanca International, Luxembourg, and Compagnie Monégasque de Banque, Principality of Monaco.

## **PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES**

### **Section 1**

#### **Banking Group risks**

##### *1.1 Credit risk*

#### **QUALITATIVE INFORMATION**

##### ***Corporate banking (Mediobanca)***

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

##### ***Leasing***

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

Sub-standard accounts are managed in a variety of ways which prioritize either recovery of the amount owed or the asset under lease, according to the specific risk profile of the account. All non-performing or potential problem accounts are tested analytically in order to establish the relative estimated loss against the value of the security provided and/or any other form of real or personal guarantees issued. Other doubtful accounts are valued individually on the basis of statistics.

### ***Consumer credit (Compass)***

Applications for finance are approved on the basis of a credit scoring system tailored to individual products. The scoring grids have been developed from internal historical series, enhanced by data provided by central credit *bureaux*. Points of sale are linked electronically to the company's headquarters in order to ensure that applications and credit scoring results are processed and transmitted swiftly. Applications for finance above a certain limit are approved by the relevant bodies at headquarters, 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 Impaired and performing accounts: amounts, adjustments, trends, segmentation by performance and geography

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

	Non-performing	Potential problem	Restructured	Overdue	Country risk	Other assets	Total
1. Financial assets held for trading	—	—	—	—	—	12,734,759	12,734,759
2. AFS securities	—	—	—	—	—	5,573,221	5,573,221
3. Financial assets held for trading	—	—	—	—	—	622,490	622,490
4. Due from banks	127	—	—	—	—	6,301,333	6,301,460
5. Due from customers	80,824	22,491	4,428	7,978	16,816	27,998,661	28,131,198
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	848,190	848,190
Total, 30/6/07	80,951	22,491	4,428	7,978	16,816	54,078,654	54,211,318
Total, 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/credit quality (gross/net values)*

	Impaired assets				Other assets			Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	X	X	12,734,759	12,734,759
2. AFS securities	—	—	—	—	5,573,221	—	5,573,221	5,573,221
3. Financial assets held to maturity	—	—	—	—	628,162	(5,672)	622,490	622,490
4. Due from banks	127	—	—	127	6,304,544	(3,211)	6,301,333	6,301,460
5. Due from customers	265,986	(66,164)	(84,101)	115,721	28,121,418	(105,941)	28,015,477	28,131,198
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	X	X	848,190	848,190
Total, 30/6/07	266,113	(66,164)	(84,101)	115,848	40,627,345	(114,824)	54,095,470	54,211,318
Total, 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: gross/net values*

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURES</b>				
a) Non-performing	127	—	—	127
b) Potential problem	—	—	—	—
c) Restructured	—	—	—	—
d) Overdue	—	—	—	—
e) Country risk	2,992	—	(2,992)	—
f) Other assets	9,922,291	—	(219)	9,922,072
<b>TOTAL A</b>	<b>9,925,410</b>	<b>—</b>	<b>(3,211)</b>	<b>9,922,199</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	—	—	—	—
b) Other assets	23,072,175	—	—	23,072,175
<b>TOTAL B</b>	<b>23,072,175</b>	<b>—</b>	<b>—</b>	<b>23,072,175</b>

*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 <i>of which: accounts sold but not derecognized</i>	127 —	— —	— —	— —	2,198 —
B. Additions	—	—	—	—	794
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	794
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 <i>of which: accounts sold but not derecognized</i>	127 —	— —	— —	— —	2,992 —

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

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Gross exposure at start of period <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	(2,198) —
B. Additions	—	—	—	—	(794)
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	(794)
C. Reductions	—	—	—	—	—
C.1 writebacks based on valuations	—	—	—	—	—
C.2 writebacks due to 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 <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	(2,992) —

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

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURES</b>				
a) Non-performing	163,687	(55,657)	(27,206)	80,824
b) Potential problem	69,915	(5,290)	(42,134)	22,491
c) Restructured	5,362	(793)	(141)	4,428
d) Overdue	27,022	(4,424)	(14,620)	7,978
e) Country risk	17,021	—	(205)	16,816
f) Other assets	41,183,931	—	(111,408)	41,072,523
<b>TOTAL A</b>	<b>41,466,938</b>	<b>(66,164)</b>	<b>(195,714)</b>	<b>41,205,060</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	—	—	—	—
b) Other assets	20,347,050	—	—	20,347,050
<b>TOTAL B</b>	<b>20,347,050</b>	<b>—</b>	<b>—</b>	<b>20,347,050</b>

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

	Non-performing	Potential problem	Restructured	Overdue	Country risk
<b>A. Gross exposure at start of period</b>	153,550	51,991	2,085	22,079	29,891
<i>of which: accounts sold but not derecognized</i>	<i>21,147</i>	<i>4,959</i>	<i>60</i>	<i>1,996</i>	<i>—</i>
<b>B. Additions</b>	61,085	66,240	6,112	45,960	138
B.1 transfers from performing loans	14,625	53,791	1,465	34,523	—
B.2 transfers from other categories of impaired assets	15,182	7,350	527	4,978	—
B.3 other additions	31,278	5,099	4,120	6,459	138
<b>C. Reductions</b>	(50,948)	(48,316)	(2,835)	(41,017)	(13,008)
C.1 transfers to performing loans	(331)	(4,262)	(82)	(11,421)	—
C.2 amounts written off	(5,768)	(20,190)	(137)	(10,538)	—
C.3 amounts collected	(24,023)	(3,780)	(218)	(197)	(11,731)
C.4 gains realized on disposals	(514)	(2,436)	—	(1,291)	—
C.5 transfers to other categories of impaired assets	(156)	(15,303)	(872)	(11,728)	—
C.6 other reductions	(20,156)	(2,345)	(1,526)	(5,842)	(1,277)
<b>D. Gross exposure at end of period</b>	163,687	69,915	5,362	27,022	17,021
<i>of which accounts sold but not derecognized</i>	<i>26,273</i>	<i>2,854</i>	<i>54</i>	<i>1,420</i>	<i>—</i>



*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)	—
<i>of which: accounts sold but not derecognized</i>	<i>(16,770)</i>	<i>(3,839)</i>	<i>(6)</i>	<i>(1,092)</i>	—
B. Additions	(33,379)	(39,200)	(982)	(17,498)	—
B.1 value adjustments	(28,754)	(39,028)	(825)	(17,016)	—
B.2 transfers from other categories of impaired assets	(2,366)	(172)	(153)	(307)	—
B.3 other additions	(2,259)	—	(4)	(175)	—
C. Reductions	23,685	23,288	287	12,952	(205)
C.1 writebacks based on valuations	396	43	12	66	—
C.2 writebacks due to amounts collected	3,537	1,060	204	732	—
C.3 amounts written off	5,387	20,270	17	10,656	—
C.4 transfers to other categories of impaired assets	28	1,635	54	1,280	—
C.5 other reductions	14,337	280	—	218	(205)
D. Adjustments at end of period	(82,863)	(47,424)	(934)	(19,044)	(205)
<i>of which: accounts sold but not derecognized</i>	<i>(23,219)</i>	<i>(2,406)</i>	<i>(33)</i>	<i>(380)</i>	—

*A.2 Exposures by internal and external ratings*

*A.2.1 Cash and off-balance-sheet exposures by external rating category*

	External rating category		Unrated
	Investment grade	Speculative grade	
A. Cash exposures	40.4%	5.1%	54.5%
B. Other exposures	69.2%	8.9%	21.9%

A.3 Secured exposures by type of security

A.3.1 Secured cash exposures to banks and customers

	Amount	Real guarantees <sup>1</sup>				Personal guarantees <sup>2</sup>								Total (1) + (2)		
		Properties	Securities	Other assets	Credit derivatives				Endorsements							
					Gov-ern-ments	Other public agencies	Banks	Others	Gov-ern-ments	Other public agencies	Banks	Others				
1. Secured exposures to banks:																
1.1 completely secured	472,484	—	—	—	—	—	—	—	—	—	—	157,070	622	190,852	348,544	
1.2 partly secured	43,591	—	—	—	—	—	—	—	—	—	—	—	—	41,236	41,236	
2. Secured exposures to customers																
2.1 completely secured	9,791,823	6,557,523	2,834,728	317,175	—	—	120,000	20,000	128,000	100,000	7,100	2,354,697	12,439,223			
2.2 partly secured	2,895,677	2,512	374,300	3,409	—	—	—	—	—	—	75,048	1,028,713	1,483,982			

A.3.2 Secured off-balance-sheet exposures to banks and customers

	Amount	Real guarantees <sup>1</sup>				Personal guarantees <sup>2</sup>								Total (1) + (2)		
		Properties	Securities	Other assets	Credit derivatives				Endorsements							
					Gov-ern-ments	Other public agencies	Banks	Others	Gov-ern-ments	Other public agencies	Banks	Others				
1. Secured exposures to banks:																
1.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1.2 partly secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2. Secured exposures to customers																
2.1 completely secured	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2.2 partly secured	152,021	152,021	—	—	—	—	—	—	—	—	—	—	—	—	—	152,021

*A.3.3 Secured impaired cash exposures to banks and customers*

	Value of exposure	Amount secured	Guarantees (fair value)																Total (1) + (2)	Amount exceeding fair value and security							
			Real guarantees (1)			Credit derivatives								Personal guarantees (2)							Endorsements						
			Properties	Securities	Other assets	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial undertakings	Other entities	Governments and central banks	Other public agencies	Banks	Financial companies	Insurances	Non-financial undertakings				Other entities					
1. Exposures to banks secured:																											
1.1 over 150%																											
1.2 between 100% and 150%	127	127																127									
1.3 between 50% and 100%																											
1.4 up to 50%																											
2. Exposures to customers secured:																											
2.1 over 150%	6,987	17,026	24,800																								
2.2 between 100% and 150%	17,814	33,822	28,978																								
2.3 between 50% and 100%	6,371	4,870	2,797																								
2.4 up to 50%	4,756	926	706																								

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

	Governments and central banks	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
<b>A. Cash exposures</b>						
<b>A.1 Non-performing</b>						
Gross exposure	—	—	—	—	15,673	148,014
Value adjustments to gross exposure	—	—	—	—	(5,151)	(50,506)
Value adjustments to portfolio	—	—	—	—	—	(27,206)
Net exposure	—	—	—	—	10,522	70,302
<b>A.2 Potential problem</b>						
Gross exposure	—	—	—	—	13,441	56,474
Value adjustments to gross exposure	—	—	—	—	(3,602)	(1,688)
Value adjustments to portfolio	—	—	—	—	—	(42,134)
Net exposure	—	—	—	—	9,839	12,652
<b>A.3 Restructured</b>						
Gross exposure	—	—	—	—	4,244	1,118
Value adjustments to gross exposure	—	—	—	—	(634)	(159)
Value adjustments to portfolio	—	—	—	—	(38)	(103)
Net exposure	—	—	—	—	3,572	856
<b>A.4 Overdue</b>						
Gross exposure	—	—	—	—	7,884	19,139
Value adjustments to gross exposure	—	—	—	—	(2,126)	(2,299)
Value adjustments to portfolio	—	—	—	—	—	(14,620)
Net exposure	—	—	—	—	5,758	2,220
<b>A.5 Other exposures</b>						
Gross exposure	6,495,423	297,000	8,500,055	1,376,521	17,261,465	7,269,734
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(5,735)	(2,510)	(4,310)	(900)	(45,771)	(51,633)
Net exposure	6,489,688	294,490	8,495,745	1,375,621	17,215,694	7,218,101
<b>Total A</b>						
Gross exposure	6,495,423	297,000	8,500,055	1,376,521	17,302,707	7,494,479
Value adjustments to gross exposure	—	—	—	—	(11,513)	(54,652)
Value adjustments to portfolio	(5,735)	(2,510)	(4,310)	(900)	(45,809)	(135,696)
Net exposure	6,489,688	294,490	8,495,745	1,375,621	17,245,385	7,304,131
<b>B. Off-balance sheet exposures</b>						
<b>B.4 Other exposures</b>						
Gross exposure	—	955,666	7,116,210	681,396	10,456,119	1,137,659
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	955,666	7,116,210	681,396	10,456,119	1,137,659
<b>Total, 30/6/07:</b>						
Gross exposure	6,495,423	1,252,666	15,616,265	2,057,917	27,758,826	8,632,138
Value adjustments to gross exposure	—	—	—	—	(11,513)	(54,652)
Value adjustments to portfolio	(5,735)	(2,510)	(4,310)	(900)	(45,809)	(135,696)
Net exposure	6,489,688	1,250,156	15,611,955	2,057,017	27,701,504	8,441,790
<b>Total, 30/6/06</b>	<b>4,400,887</b>	<b>4,644,773</b>	<b>9,863,226</b>	<b>2,238,944</b>	<b>68,663,262</b>	<b>9,949,549</b>

*B.2 Distribution of loans to resident non-financial undertakings*

*1.1.3 Distribution of loans to resident non-financial undertakings and productive households*

	30/6/07	30/6/06
a) Other sales services	5,266,527	5,196,817
b) Communications services	719,058	334,937
c) Energy products	1,140,709	818,975
d) Industrial vehicles	636,764	704,129
e) Transport-related services	473,717	1,022,488
f) Other groups of economic activity	3,810,103	3,518,230
Total	12,046,878	11,595,576

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

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	161,152	79,881	2,535	943	—	—	—	—	—	—
A.2 Potential problem	69,915	22,491	—	—	—	—	—	—	—	—
A.3 Restructured	5,362	4,428	—	—	—	—	—	—	—	—
A.4 Overdue	27,022	7,978	—	—	—	—	—	—	—	—
A.5 Other exposures	26,126,546	26,026,546	14,160,138	14,149,052	886,605	886,111	26,241	26,208	1,422	1,422
Total A	26,389,997	26,141,324	14,162,673	14,149,995	886,605	886,111	26,241	26,208	1,422	1,422
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	10,159,980	10,159,980	9,723,197	9,723,197	308,873	308,873	—	—	155,000	155,000
Total B	10,159,980	10,159,980	9,723,197	9,723,197	308,873	308,873	—	—	155,000	155,000
Total, 30/6/07	36,549,977	36,301,304	23,885,870	23,873,192	1,195,478	1,194,984	26,241	26,208	156,422	156,422
Total, 30/6/06	36,465,746	36,233,097	62,985,355	62,969,100	940,327	939,638	27,916	27,471	49,574	49,574

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

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	127	127	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	4,765,785	4,765,696	4,703,698	4,703,628	15,344	15,344	438,681	435,629	1,775	1,775
Total A	4,765,785	4,765,696	4,703,825	4,703,755	15,344	15,344	438,681	435,629	1,775	1,775
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	10,067,627	10,067,627	11,556,248	11,556,248	5,060	5,060	46,841	46,841	1,396,399	1,396,399
Total B	10,067,627	10,067,627	11,556,248	11,556,248	5,060	5,060	46,841	46,841	1,396,399	1,396,399
Total, 30/6/07	14,833,412	14,833,323	16,260,073	16,260,003	20,404	20,404	485,522	482,470	1,398,174	1,398,174
Total, 30/6/06	6,748,858	6,748,122	5,337,298	5,337,298	216,061	216,061	86,467	86,467	1,700,668	1,691,383

### *B.5a Credit risk indicators*

	30/6/07	30/6/06
a) Gross NPLs/total loans	0.61%	0.72%
b) Irregular items/total loans	0.99%	1.22%
c) Net NPLs/regulatory capital	1.0%	1.16%

### *B.5b Large risks*

	30/6/07	30/6/06
a) Total weighted amount	15,504,092	10,619,263
b) No. of exposures	14	10
c) Large risks/regulatory capital	1.9	1.5

## **C. Securitizations and asset disposals**

### *C.1 Securitizations*

#### ***Qualitative information***

Debt securities deriving from securitizations totalled €907.7m, divided equally between assets held for trading and AFS securities. Over 95% were senior bonds with performing underlying assets and high credit profiles focused on the leasing and real estate segments (residential and non-residential). In addition to the two Group securitizations through Quarzo S.r.l. and Quarzo Lease S.r.l., holdings in junior tranches and mezzanine securities involved securitization of state-owned properties (Scip 2 B2) and one deal by a leading leasing group, Agrisecurities, for which Mediobanca was responsible for the placement.



## Quantitative information

### C.1.1 Exposures deriving from securitizations by underlying asset

	Cash exposures <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	40,777	40,777	5,990	5,990	15,720	15,720
a) Impaired	—	—	—	—	—	—
b) Other	40,777	40,777	5,990	5,990	15,720	15,720
B) Using customers' underlying assets	822,052	822,052	3,014	3,014	20,187	20,187
a) Impaired	—	—	—	—	—	—
b) Other	822,052	822,052	3,014	3,014	20,187	20,187
Total at 30/6/07	862,829	862,829	9,004	9,004	35,907	35,907

<sup>1</sup> No off-balance-sheet exposures.

### C.1.2 Exposures deriving from main proprietary securitizations by asset type/exposure

	Cash exposures <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Fully derecognized	—	—	—	—	—	—
B) Partly derecognized	—	—	—	—	—	—
C) Not derecognized						
C.1 Quarzo FLT2015 Class A	4,845	4,845	5,990	5,990	7,310	7,310
C.2 Quarzo Lease Srl 2015 Lease instalments	35,932	35,932	—	—	8,410	8,410
Total at 30/6/07	40,777	40,777	5,990	5,990	15,720	15,720

<sup>1</sup> No off-balance-sheet exposures.

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

	Cash exposures <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Fully derecognized						
A.1 Fip Fund-23 A2 FRN Non-residential properties IT0003872774	96,231	—	—	—	—	—
A.2 Scip 2 B2 26/4/25 Non-residential properties IT0003837082	—	—	—	—	20,187	—
A.3 Velah 4 A1 e A2 Residential properties IT0004102007	47,874	—	—	—	—	—
A.4 Split2-18 A FRN Lease receivables IT0003763882	14,504	—	—	—	—	—
A.5 Agri 2006-1 A1 e B Lease receivables IT0004137409	24,574	—	3,014	—	—	—
A.6 Entasi Srl 17/01/2013 Other receivables IT0003142996	31,062	—	—	—	—	—
A.7 Locat MTGE 34-24 FLT Lease receivables IT0003733083	26,318	—	—	—	—	—
A.8 Locat 12/12/2028 Lease receivables IT0004153661	20,046	—	—	—	—	—
A.9 SCIP 2 A5 26/4/25 Non-residential properties IT0003837074	28,751	—	—	—	—	—
A.10 SCC INPS 31/7/07 Other receivables IT0003341770	30,527	—	—	—	—	—
A.11 San Giorgio II 07/2017 FLT - Personal loans IT0003699557	372,587	—	—	—	—	—
A.12 Cordusio 3 06-42 TV A1 e A2 Residential properties IT0004144884	31,020	—	—	—	—	—
A.13 Kimono 07/09 FRN B1,B2,B3 Other receivables IT0004176779	45,820	—	—	—	—	—
A.14 Intesa Sec 07-33 A1 e A2 Residential properties IT0004180250	20,591	—	—	—	—	—
Other exposures	32,147	—	—	—	—	—
Total at 30/6/07	822,052	—	3,014	—	20,187	—

<sup>1</sup> No off-balance-sheet exposures.

*C.1.4 Exposures to securitizations by asset/portfolio type*

	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	Total at 30/6/07	Total at 30/6/06
1. Cash exposures	499,570	—	408,170	—	—	907,740	712,325
- Senior	454,659	—	408,170	—	—	862,829	659,400
- Mezzanine	9,004	—	—	—	—	9,004	37,205
- Junior	35,907	—	—	—	—	35,907	15,720
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—
Total at 30/6/07	499,570	—	408,170	—	—	907,740	712,325

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

	Traditional securitizations
A. Own underlying assets:	
A.1 Fully derecognized	—
1. Non-performing	—
2. Potential problem	—
3. Restructured	—
4. Overdue	—
5. Other assets	—
A.2 Partly derecognized	—
1. Non-performing	—
2. Potential problem	—
3. Restructured	—
4. Overdue	—
5. Other assets	—
A.3 Not derecognized	403,934
1. Non-performing	23,632
2. Potential problem	2,008
3. Restructured	21
4. Overdue	1,048
5. Other assets	377,225
B. Customer underlying assets:	
B.1 Non-performing	—
B.2 Potential problem	—
B.3 Restructured	—
B.4 Overdue	—
B.5 Other assets	—
Total at 30/6/07	403,934

### C.1.6 Interest in vehicle companies

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

### C.1.7 Servicing (collecting receivables in respect of securitizations and repaying securities issued by vehicle companies)

#### **Quarzo S.r.l. (Compass)**

This revolving securitization was completed on 15 October 2005, when repayment of the securities issued against the receivables commenced, with the possibility of exercising a step-up call option on 15 January 2008. As at 30 June 2007 all the class A securities had been repaid for a nominal amount of €174,640,785. Accounts between Compass and vehicle company Quarzo S.r.l. for the year were as follows (figures in Euros):

Amounts collected on behalf of Quarzo	188,785,932
Servicing fees	475,798
Interest accrued on class C notes	289,335
Interest accrued on junior notes	8,068,798

#### **Quarzo Lease S.r.l. (SelmaBipiemmeLeasing)**

This revolving securitization was completed on 25 April 2005, when repayment of the securities issued against the receivables commenced, with the possibility of exercising a step-up call option on 25 April 2009. As at 30 June 2007 all the class A securities had been repaid for a nominal amount of €128,771,618. Accounts between Compass and vehicle company Quarzo Lease for the year were as follows (figures in Euros):

Amounts collected on behalf of Quarzo Lease	148,996,351
Servicing fees	91,199
Interest accrued on loan to Quarzo Lease Quarzo Lease	396,513
Interest accrued on class C notes	9,963,378

A further securitization was completed on 25 July 2007 involving performing assets worth €386.9m, and two bonds issues were implemented: Senior Notes worth a nominal value of €350m, bought entirely by the European Investment Bank, and Junior Notes worth €36.9m subscribed for by Selmabipiemme. This 9-year transaction will revolve monthly until expiry.

## C.2 Asset disposals

### C.2.1 Financial assets sold but not derecognized

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
	Financial assets sold and fully recognized (book value)					
A. Cash assets						
1. Debt securities	3,130,072	60,968	204,647	760,064	208,781	4,364,532
2. Equities	—	—	—	—	—	—
3. OICR units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	375,812	375,812
5. Impaired assets	—	—	—	—	2,737	2,737
B. Derivative products	—	—	—	—	—	—
Total, 30/6/07	3,130,072	60,968	204,647	760,064	587,330	4,743,081
Total, 30/6/06	889,415	379,739	—	22,772	909,596	2,201,522

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

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Cash assets						
a) in respect of fully recognized assets	593,319	—	—	—	587,330	1,180,649
b) in respect of partly recognized assets	—	—	—	—	—	—
2. Due to banks						
a) in respect of fully recognized assets	2,536,753	60,968	204,647	760,064	—	3,562,432 <sup>1</sup>
b) in respect of partly recognized assets	—	—	—	—	—	—
Total, 30/6/07	3,130,072	60,968	204,647	760,064	587,330	4,743,081
Total, 30/6/06	889,415	379,739	—	22,772	909,596	2,201,522

<sup>1</sup> Of which €837,930,00 in transactions involving central banks, and €377,044,000 in repo transactions.

## 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)<sup>1</sup> for the Bank's entire trading and investment portfolios. Such global measurement is made possible by concentrating all risks deriving from movements in interest and exchange rates, including risks linked to both lending and funding activities, at the Bank's finance division. Interest rate risk also includes risks arising from movements in market curves linked to the credit rating of individual names.

VaR is based on expected volatility and the correlation between the risk factors concerned, and determines possible negative movements that may 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 and historical<sup>2</sup> simulations as well as the parametric method.

#### Value at risk and expected shortfall of asset structure

Risk factors (€'000)	12 mths to 30/6/07				12 mths to 30/6/06
	30/6	Min.	Max.	Avg.	Avg.
Interest rates .....	2,901	1,202	10,695	4,242	3,317
- of which: specific risks .....	1,194	530	2,003	844	—
Equities .....	35,228	6,616	42,925	18,198	9,399
Exchange rates .....	729	383	1,820	1,076	1,157
Diversification effect * .....	(4,129)	(1,853)	(10,388)	(5,421)	(4,147)
Total VaR .....	34,729	7,731	42,656	18,095	9,726
- of which trading .....	4,685	1,428	13,026	5,751	4,247
Expected shortfall .....	41,246	12,365	45,345	26,001	15,408

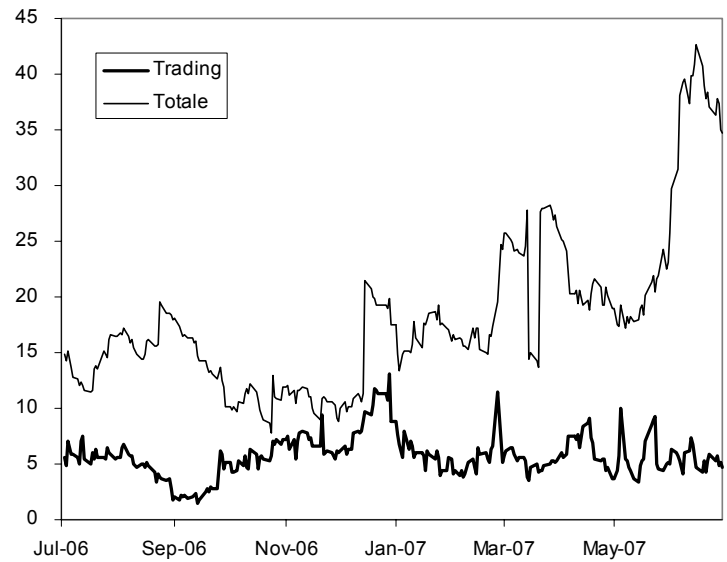
\* Due to mismatches between risk factors.

For the twelve months to the reporting date, value at risk for the trading book averaged €5.7m, up approx. €1.5m on the €4.2m recorded one year previously, due to the increased levels of activity on the market. The main source of risk continues to be interest rates, at €4.3m, while the risk for the equity component stood at €2.9m.

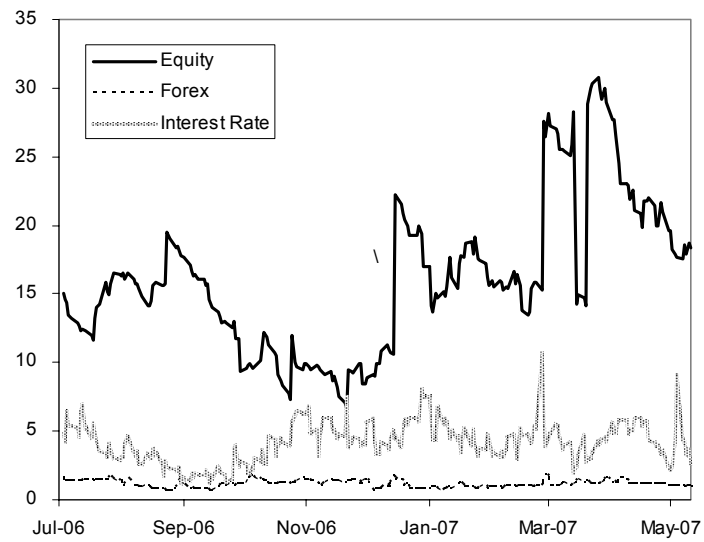
<sup>1</sup> VaR: maximum potential loss over a specified time horizon and given confidence level.

<sup>2</sup> Determines portfolio value based on random and historical variations in risk factors.

### Trends in VaR



### Trends in VaR constituents



VaR is much higher when applied to the asset structure as a whole: the figure at 30 June 2007 of over €34.7m was more than double that recorded at the same time last year. Comparison of average data also reveals a sharp increase, from €9.7m to €18.1m, chiefly caused by the surge in the equity component, from €9.4m to €18.2m, due to the increased volatility of markets and to larger positions in AFS securities. The contribution from interest rates also rose, from €3.3m to €4.2m, with a high of €10.7m, up from €8.9m last year; whereas the contribution from exchange rates remained stable at relatively low levels, of around €1m.

Compagnie Monégasque de Banque recorded an average VaR reading of just €13,000 (calculated using the same methods as Mediobanca).

Back-testing of the Bank's asset base using both a series of simulated gains and losses<sup>1</sup> and operating data reveals that the VaR threshold was breached on just two occasions, by 0.8%, compared with a theoretical 1%.

### **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.

In terms of sensitivity, at 30 June 2007 the impact of a 100 basis point increase in interest rates on net interest income was measured at €9.3m and a similar downward shock would lead to an €8.7m reduction. This confirms the substantial linearity in Mediobanca's exposure to interest rates.

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<sup>1</sup> Based on repricing the previous day's positions using data from the following business day, in order to eliminate intraday trading items.



The opposite situation may be seen with regard to Compass's exposure, and for larger amounts: a 1% increase in interest rates would lead to a loss of €19.3m, while the opposite result would be recorded in the event of a similar reduction.

### **Counterparty risk**

This is measured in terms of expected potential market value, thus 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.

### **Hedging**

#### *Fair value hedging*

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 hedging*

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. The parent company implemented several cash flow hedges during the period under review in respect of future transactions (i.e. disposals of AFS securities via forward contracts).

## 1.2.1 INTEREST RATE RISK – REGULATORY TRADING BOOK: QUANTITATIVE INFORMATION

### 1. Regulatory trading book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products

Currency of denomination: EURO

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	2,770,812	1,486,314	877,642	2,475,037	591,118	320,064	—
1.1 Debt securities	—	2,749,285	1,486,314	877,642	2,475,037	591,118	320,064	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	2,749,285	1,486,314	877,642	2,475,037	591,118	320,064	—
1.2 Other assets	—	21,527	—	—	—	—	—	—
2. Cash liabilities	—	(85,518)	(3,967)	(13,246)	(677,401)	(69,343)	(193,758)	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	(85,518)	(3,967)	(13,246)	(677,401)	(69,343)	(193,758)	—
3. Financial derivatives	—	29,901,977	13,045,056	6,157,113	16,292,086	8,992,725	2,205,838	—
3.1 With underlying securities	—	10,937,691	129,463	551,084	3,475,866	1,137,534	507,847	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	10,937,691	129,463	551,084	3,475,866	1,137,534	507,847	—
+ long positions	—	4,650,485	95,858	469,442	2,292,022	648,817	213,118	—
+ short positions	—	6,287,206	33,605	81,642	1,183,844	488,717	294,729	—
3.2 Without underlying securities	—	18,964,286	12,915,593	5,606,029	12,816,220	7,855,191	1,697,991	—
– Options	—	—	19,150	—	126,406	—	—	—
+ long positions	—	—	9,575	—	63,203	—	—	—
+ short positions	—	—	9,575	—	63,203	—	—	—
– Others	—	18,964,286	12,896,443	5,606,029	12,689,814	7,855,191	1,697,991	—
+ long positions	—	9,711,809	7,544,411	2,492,724	5,648,008	3,597,585	859,491	—
+ short positions	—	9,252,477	5,352,032	3,113,305	7,041,806	4,257,606	838,500	—

*Currency of denomination: US DOLLAR*

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	82,562	187	1,533	28,310	147,690	—	—
1.1 Debt securities	—	82,562	187	1,533	28,310	147,690	—	—
– with early redemption option	—	—	—	—	—	—	—	—
– others	—	82,562	187	1,533	28,310	147,690	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	14,969,564	1,477,238	18,900	1,059	165,676	10,052	—
3.1 With underlying securities	—	2,737,518	—	—	1,059	147,164	10,052	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	2,737,518	—	—	1,059	147,164	10,052	—
+ long positions	—	1,295,361	—	—	345	147,164	5,027	—
+ short positions	—	1,442,157	—	—	714	—	5,025	—
3.2 Without underlying securities	—	12,232,046	1,477,238	18,900	—	18,512	—	—
– Options	—	7,098	—	18,900	—	—	—	—
+ long positions	—	3,549	—	9,450	—	—	—	—
+ short positions	—	3,549	—	9,450	—	—	—	—
– Others	—	12,224,948	1,477,238	—	—	18,512	—	—
+ long positions	—	6,121,730	738,619	—	—	—	—	—
+ short positions	—	6,103,218	738,619	—	—	18,512	—	—

*Currency of denomination: OTHER*

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	13,300	714	—	216,276	1,374	—	—
1.1 Debt securities	—	13,300	714	—	216,276	1,374	—	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	—	13,300	714	—	216,276	1,374	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	14,365,560	4,385,422	4,666	216,212	—	—	—
3.1 With underlying securities	—	216,212	—	—	216,212	—	—	—
- Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
- Others	—	216,212	—	—	216,212	—	—	—
+ long positions	—	—	—	—	216,212	—	—	—
+ short positions	—	216,212	—	—	—	—	—	—
3.2 Without underlying securities	—	14,149,348	4,385,422	4,666	—	—	—	—
- Options	—	8,386,178	—	—	—	—	—	—
+ long positions	—	4,193,089	—	—	—	—	—	—
+ short positions	—	4,193,089	—	—	—	—	—	—
- Others	—	5,763,170	4,385,422	4,666	—	—	—	—
+ long positions	—	2,881,585	2,192,711	2,333	—	—	—	—
+ short positions	—	2,881,585	2,192,711	2,333	—	—	—	—

## 1.2.2 INTEREST RATE RISK – BANKING BOOK

### QUANTITATIVE INFORMATION

#### 1. Banking book by outstanding maturity (repricing date) of cash assets and liabilities

Currency of denomination: EURO

	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	2,250,941	19,585,816	2,373,548	2,092,393	5,757,137	1,536,552	246,586	707,243
1.1 Debt securities	—	858,260	186,270	121,557	348,155	498,530	225,513	—
1.2 Loans to banks	1,556,442	3,280,677	169,146	13,469	876,888	21,948	—	348,221
1.3 Loans to customers	694,499	15,446,879	2,018,132	1,957,367	4,532,094	1,016,074	21,073	359,022
– current accounts	43,898	—	—	—	—	—	—	—
– other loans	—	—	—	—	—	—	—	—
– with early repayment option	69,099	2,154,928	36,973	76,352	289,102	13,358	6,185	13,413
– others	581,502	13,291,951	1,981,159	1,881,015	4,242,992	1,002,716	14,888	345,609
2. Cash liabilities	(2,271,297)	(20,950,461)	(2,205,833)	(5,300,651)	(5,075,866)	(2,416,919)	(178,212)	(32,948)
2.1 Due to customers	(997,587)	(2,235,336)	(1,011)	(2,077)	(12,129)	(666)	(222)	(17,171)
– current accounts	(995,920)	—	—	—	—	—	—	—
– other amounts due	(1,667)	(2,235,336)	(1,011)	(2,077)	(12,129)	(666)	(222)	(17,171)
2.2 Due to banks	(1,250,448)	(8,928,856)	(383,924)	—	—	—	(83,112)	(15,607)
– current accounts	(1,250,418)	—	—	—	—	—	—	—
– other amounts due	(30)	(8,928,856)	(383,924)	—	—	—	(83,112)	(15,607)
2.3 Debt securities	(23,262)	(9,786,269)	(1,820,898)	(5,298,574)	(5,063,737)	(2,416,253)	(94,878)	(170)
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	15,174,167	7,798,125	5,169,030	5,854,730	2,538,806	156,851	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	15,174,167	7,798,125	5,169,030	5,854,730	2,538,806	156,851	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	15,174,167	7,798,125	5,169,030	5,854,730	2,538,806	156,851	—
+ long positions	—	3,156,370	1,806,566	5,124,336	5,782,426	2,308,806	156,851	—
+ short positions	—	12,017,797	5,991,559	44,694	72,304	230,000	—	—

*Currency of denomination: US DOLLAR*

	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	30,624	488,068	27,161	33,951	78,056	10,282	433	—
1.1 Debt securities	—	1,884	4	4	3,977	258	433	—
1.2 Loans to banks	16,618	286,214	7,696	467	54,246	—	—	—
1.3 Loans to customers	14,006	199,970	19,461	33,480	19,833	10,024	—	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	14,006	199,970	19,461	33,480	19,833	10,024	—	—
2. Cash liabilities	(4)	(1,221,517)	(18,541)	(512,592)	(20,044)	(14,809)	—	(485)
2.1 Due to customers	—	(172,357)	—	—	—	—	—	(448)
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	(172,357)	—	—	—	—	—	(448)
2.2 Due to banks	—	(614,668)	(18,534)	—	—	—	—	(37)
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	(614,668)	(18,534)	—	—	—	—	(37)
2.3 Debt securities	(4)	(434,492)	(7)	(512,592)	(20,044)	(14,809)	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	42,851	—	21,997	944,036	14,809	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	42,851	—	21,997	944,036	14,809	—	—
– Options	—	—	—	14,000	923,992	—	—	—
+ long positions	—	—	—	7,000	461,996	—	—	—
+ short positions	—	—	—	7,000	461,996	—	—	—
– Other derivatives	—	42,851	—	7,997	20,044	14,809	—	—
+ long positions	—	—	—	7,997	20,044	14,809	—	—
+ short positions	—	42,851	—	—	—	—	—	—

*Currency of denomination: OTHER*

	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	20,367	358,294	—	71,137	48,582	93,765	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
1.2 Loans to banks	10,973	185,509	—	—	—	—	—	—
1.3 Loans to customers	9,394	172,785	—	71,137	48,582	93,765	—	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	9,394	172,785	—	71,137	48,582	93,765	—	—
2. Cash liabilities	—	(1,343,934)	(306,813)	—	—	(13,427)	—	—
2.1 Due to customers	—	(633,348)	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	(633,348)	—	—	—	—	—	—
2.2 Due to banks	—	(14,987)	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	(14,987)	—	—	—	—	—	—
2.3 Debt securities	—	(695,599)	(306,813)	—	—	(13,427)	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	310,163	—	—	—	310,163	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	310,163	—	—	—	310,163	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	310,163	—	—	—	310,163	—	—
+ long positions	—	—	—	—	—	310,163	—	—
+ short positions	—	310,163	—	—	—	—	—	—

### 1.2.3 PRICE RISK – REGULATORY TRADING BOOK

#### 1. *Regulatory trading book: cash exposure in equities/OICR units*

	Book value	
	Listed	Unlisted
A. Equities		
A.1 Shares	1,507,485 <sup>1</sup>	—
A.2 Innovative equity instruments	—	—
A.3 Other equity instruments	—	—
B. OICR units		
B.1 Italian	—	—
– harmonized, open	—	—
– non-harmonized, open	—	—
– closed	—	—
– reserved	—	—
– speculative	—	—
B.2 Other EU states	21,197	—
– harmonized	—	—
– non-harmonized, open	21,197	—
– non-harmonized, closed	—	—
B.3 Non-EU states	—	—
– open	—	—
– closed	—	—
Total	1,528,682	—

<sup>1</sup> Of which more than 80% Italian.



## 1.2.4 PRICE RISK – BANKING BOOK

### 1. Banking book: cash exposure in equities/OICR units

	Book value	
	Listed	Unlisted
A. Equities		
A.1 Shares	5,431,397 <sup>1</sup>	537,041
A.2 Innovative equity instruments	—	—
A.3 Other equity instruments	—	—
B. OICR units		
B.1 Italian	—	—
– harmonized, open	—	—
– non-harmonized, open	—	—
– closed	—	—
– reserved	—	—
– speculative	—	—
B.2 Other EU states	615,166	—
– harmonized	—	—
– non-harmonized, open	615,166	—
– non-harmonized, closed	—	—
B.3 Non-EU states	—	—
– open	—	—
– closed	—	—
<b>Total</b>	<b>6,046,563</b>	<b>537,041</b>

<sup>1</sup> Of which more than 75% Italian.

## 1.2.5 EXCHANGE RATE RISK

### 1. *Assets, liabilities and derivatives by currency*

	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
<b>A. Financial assets</b>					
A.1 Debt securities	60,490	44,690	175	519	16,601
A.2 Equities	36,678	13,061	—	15,015	—
A.3 Loans and advances to banks	441,786	202,707	2,733	1,329	2,506
A.4 Loans and advances to customers	987,113	872,217	1,573	13,313	67,911
A.5 Other financial assets	262,955	—	—	—	—
<b>B. Financial liabilities</b>					
B.1 Due to banks	(8,824)	(1,699)	—	—	—
B.2 Due to customers	(1,042,816)	(528,814)	(97,368)	(152,039)	(1,707)
B.3 Debt securities	(508,888)	(736,824)	(95,863)	(150,119)	—
B.4 Other financial liabilities	—	—	—	—	—
<b>C. Financial derivatives</b>					
– Options	—	—	—	—	—
+ long positions	—	—	—	—	—
+ short positions	—	—	—	—	—
– Others	154,418	445,780	149,979	227,279	(25,193)
+ long positions	3,349,693	564,474	149,979	227,279	—
+ short positions	(3,195,275)	(118,694)	—	—	(25,193)
<b>Total assets</b>	<b>5,138,715</b>	<b>1,697,149</b>	<b>154,460</b>	<b>257,455</b>	<b>87,018</b>
<b>Total liabilities</b>	<b>(4,755,803)</b>	<b>(1,386,031)</b>	<b>(193,231)</b>	<b>(302,158)</b>	<b>(26,900)</b>
<b>Difference (+/-)</b>	<b>119,957</b>	<b>311,118</b>	<b>(38,771)</b>	<b>(44,703)</b>	<b>60,118</b>

## 1.2.6 FINANCIAL DERIVATIVE PRODUCTS

### A. FINANCIAL DERIVATIVES

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

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/07		Total 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	—	18,062,295	—	—	—	—	—	—	—	18,062,295	—	15,843,335
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	3,598,778	—	649,856
4. Currency interest rate swaps	—	—	—	—	3,598,778	—	—	—	—	—	—	557,868
5. Basis swaps	—	2,416,626	—	—	556,037	—	—	—	—	556,037	—	2,982,830
6. Share index swaps	—	—	—	675,513	—	—	—	—	—	2,416,626	—	1,353,640
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	675,513	—	—
8. Futures	16,727,383	—	276,235	—	—	—	—	—	17,003,618	—	6,604,457	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	4,199,115	—	35,300	7,377,100	—	16,548	—	—	4,234,415	7,393,648	8,615,240	5,634,078
- bought	2,107,127	—	22,400	3,501,830	—	16,548	—	—	2,129,527	3,518,378	8,611,936	2,847,954
- plain vanilla	2,107,127	—	22,400	3,401,830	—	16,548	—	—	2,129,527	3,418,378	8,611,936	2,717,954
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	130,000
- written	2,091,988	—	12,900	3,875,270	—	—	—	—	2,104,888	3,875,270	3,304	2,786,124
- plain vanilla	2,091,988	—	12,900	3,775,270	—	—	—	—	2,104,888	3,775,270	3,304	2,656,124
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	130,000
12. Repo agreements	1,437,271	4,788,255	88,021	123,053	—	4,108,546	—	—	1,525,292	9,019,854	857,591	2,770,701
- bought	842,505	3,312,840	81,306	70,332	—	3,222,817	—	—	923,811	6,605,989	418,562	1,372,209
- sold	594,766	1,475,415	6,715	52,721	—	679,684	—	—	601,481	2,207,820	439,029	1,398,492
- currency bought/sold for currency	—	—	—	—	—	206,045	—	—	—	206,045	—	—
13. Other derivative products	—	63,203	—	—	—	—	—	—	—	63,203	—	131,000
Total	22,363,769	25,470,046	399,556	8,175,666	—	8,279,909	—	—	22,763,325	41,925,621	16,077,288	29,923,308
Average values	18,338,746	24,409,508	232,530	8,641,499	5,809	3,133,480	—	—	18,577,065	36,184,487	14,564,597	25,307,768

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

A.2.1 Hedge derivatives

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/07		Total 30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	18,156,301	—	—	—	—	—	—	18,156,301	—	—	18,385,830
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swaps	—	—	—	52,983	—	—	—	—	—	52,983	—	25,465
5. Basis swaps	—	547,083	—	—	—	—	—	—	547,083	—	—	425,134
6. Share index swaps	—	—	—	3,000	—	—	—	—	3,000	—	—	—
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	395,500	—	—	—	—	395,500	—	—	—
- bought	—	—	—	133,000	—	—	—	—	133,000	—	—	—
- plain vanilla	—	—	—	133,000	—	—	—	—	133,000	—	—	—
- exotic	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	262,500	—	—	—	—	262,500	—	—	—
- plain vanilla	—	—	—	262,500	—	—	—	—	262,500	—	—	—
- exotic	—	—	—	—	—	—	—	—	—	—	—	—
12. Repo agreements	—	—	—	293,147	—	—	—	—	293,147	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- sold	—	—	—	293,147	—	—	—	—	293,147	—	—	—
- currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	18,703,384	—	691,647	—	52,983	—	—	19,448,014	—	—	18,836,429
Average values	—	18,865,514	—	392,689	—	25,181	—	—	19,283,384	—	—	15,545,989

A.2.2 Other derivatives

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/07		Total 30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Non quotati
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	—	—	—	15,926,048	—	468,996	—	—	16,395,044	—	—	14,769,822
— bought	—	—	—	7,951,687	—	230,998	—	—	8,182,685	—	—	7,361,206
— plain vanilla	—	—	—	1,784,307	—	186,527	—	—	1,970,834	—	—	824,376
— exotic	—	—	—	6,167,380	—	44,471	—	—	6,211,851	—	—	6,536,830
— written	—	—	—	7,974,361	—	237,998	—	—	8,212,359	—	—	7,408,616
— plain vanilla	—	—	—	1,723,195	—	193,527	—	—	1,916,722	—	—	783,702
— exotic	—	—	—	6,251,166	—	44,471	—	—	6,295,637	—	—	6,624,914
12. Repo agreements	—	—	—	526,850	—	—	—	—	526,850	—	—	324,660
— bought	—	—	—	—	—	—	—	—	—	—	—	—
— sold	—	—	—	526,850	—	—	—	—	526,850	—	—	324,660
— currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	16,452,898	—	468,996	—	—	16,921,894	—	—	15,094,482
Average values	—	—	—	15,596,047	—	372,457	—	—	15,968,504	—	—	14,640,779

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

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/07		Total 30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading book:	22,363,768	22,595,082	399,556	8,156,512	—	8,279,908	—	—	22,763,324	39,031,502	16,077,288	26,731,038
1. With exchange of principal	5,245,595	4,788,255	114,791	1,388,221	—	8,263,360	—	—	5,360,386	14,439,336	3,422,779	4,853,252
– bought	3,163,024	3,312,840	95,176	762,757	—	4,651,582	—	—	3,258,200	8,727,179	2,295,827	2,192,658
– sold	2,082,571	1,475,415	19,615	625,464	—	3,101,724	—	—	2,102,186	5,202,603	1,126,952	2,412,689
– currency bought/sold for currency	—	—	—	—	—	510,054	—	—	—	510,054	—	247,905
2. Without exchange of principal	17,118,173	17,806,827	284,765	6,768,291	—	16,548	—	—	17,402,938	24,591,666	12,654,507	21,877,786
– bought	16,782,417	8,155,247	31,641	3,376,573	—	12,999	—	—	16,814,058	11,544,819	12,285,484	9,625,658
– sold	335,756	9,651,580	253,124	3,391,718	—	3,549	—	—	588,880	13,046,847	369,023	12,252,128
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B. Banking book	—	18,156,302	—	17,141,546	—	521,979	—	—	—	35,819,827	—	33,505,777
B.1 Hedges	—	—	—	—	—	—	—	—	—	—	—	—
1. With exchange of principal	—	—	—	688,647	—	52,983	—	—	—	741,630	—	25,465
– bought	—	—	—	—	—	52,983	—	—	—	52,983	—	25,465
– sold	—	—	—	688,647	—	—	—	—	—	688,647	—	—
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	18,156,302	—	—	—	—	—	—	—	18,156,302	—	18,385,831
– bought	—	15,266,304	—	—	—	—	—	—	—	15,266,304	—	14,762,154
– sold	—	2,889,998	—	—	—	—	—	—	—	2,889,998	—	3,623,677
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other derivatives	—	—	—	—	—	—	—	—	—	—	—	—
1. With exchange of principal	—	—	—	526,961	—	—	—	—	—	526,961	—	325,456
– bought	—	—	—	31	—	—	—	—	—	31	—	716
– sold	—	—	—	526,930	—	—	—	—	—	526,930	—	324,740
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	—	—	15,925,938	—	468,996	—	—	—	16,394,934	—	14,769,025
– bought	—	—	—	7,911,532	—	230,998	—	—	—	8,142,530	—	7,328,240
– sold	—	—	—	8,014,406	—	237,998	—	—	—	8,252,404	—	7,440,785
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—

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

	Debt securities/ interest rates			Equities/ share indexes			Exchange rates/ gold			Other assets			Other underlying assets	
	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Gross, not netted	Gross, netted	Future exposure	Netted <sup>1</sup>	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	89,087	273,154	18,159	11,158	480,785	959	3,905	18,465	35,044	—	—	139,689	443,705	
A.4 Financial companies	9,510	29,424	2,533	31,223	21,438	38,235	—	1,003	—	—	—	22,155	63,513	
A.5 Insurances	—	—	—	7,122	24,886	8,480	—	—	—	—	—	7,592	7,128	
A.6 Non-financial undertakings	6,752	—	2,886	457	—	937	27,693	—	9,256	—	—	—	—	
A.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	
Total, 30/6/07	105,349	302,578	23,578	49,960	527,109	48,611	31,598	19,468	44,300	—	—	169,436	514,346	
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	27,006	580,418	6,285	934	1,256,898	6	—	23	—	—	—	16,261	66,138	
B.4 Financial companies	1,159	15,359	600	—	67,323	—	—	—	—	—	—	32,440	46,549	
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	
B.7 Other counterparties	—	—	—	—	—	2	—	—	—	—	—	—	—	
Total, 30/6/07	28,165	595,777	6,885	934	1,324,221	8	—	23	—	—	—	48,701	112,687	
Total, 30/6/06	41,937	905,675	15,260	3,657	613,367	5	—	98	—	—	—	—	5,383	

<sup>1</sup> Includes offset agreement with main 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 <sup>1</sup>	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	(17,462)	(161,912)	6,827	—	(489,762)	—	(17,465)	(511)	33,731	—	—	(20,385)	55,223	
A.4 Financial companies	(26,681)	(173)	5,988	(49,044)	(17,555)	29,216	—	(371)	—	—	—	(39,987)	17,590	
A.5 Insurances	—	(8,532)	—	(2,011)	(2,335)	4,641	—	—	—	—	—	—	10,128	
A.6 Non-financial undertakings	(70,601)	(4,059)	24,268	—	—	70	—	—	—	—	—	(232)	1,725	
A.7 Other counterparties	—	—	—	(11)	—	—	—	—	—	—	—	—	—	
Total, 30/6/07	(114,744)	(174,676)	37,083	(51,066)	(509,652)	33,927	(17,465)	(882)	33,731	—	—	(60,604)	84,666	
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	(28,093)	(1,357,248)	9,381	—	(6,236)	—	—	(16,090)	—	—	—	(308,776)	66,927	
B.4 Financial companies	(12,489)	(173,891)	525	—	(21,228)	—	—	—	—	—	—	(56,240)	53,070	
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	
B.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	
Total, 30/6/07	(40,582)	(1,531,139)	9,906	—	(27,464)	—	—	(16,090)	—	—	—	(365,016)	119,997	
Total, 30/6/06	(99,179)	(986,561)	12,090	(450)	(48,485)	41	—	(5,308)	—	—	—	(318,569)	87,910	

<sup>1</sup> Includes offset agreement with main counterparties.



*A.6 OTC financial derivatives by maturity: notional values*

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	6,680,604	8,380,183	10,409,259	25,470,046
A.2 Financial derivatives on equities and share indexes	2,425,506	5,375,160	375,000	8,175,666
A.3 Financial derivatives on foreign currency and gold	7,721,539	558,370	—	8,279,909
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	3,008,196	9,109,860	6,585,328	18,703,384
B.2 Financial derivatives on equities and share indexes	4,078,874	6,569,478	6,496,193	17,144,545
B.3 Financial derivatives on foreign currency and gold	7,000	486,742	28,237	521,979
B.4 Financial derivatives on other assets	—	—	—	—
Total, 30/6/07	23,921,719	30,479,793	23,894,017	78,295,529
Total, 30/6/06	13,401,124	30,924,266	19,528,829	63,854,219

## B. CREDIT DERIVATIVES

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

	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
1.1 With exchange of principal	2,473,454	1,572,749	140,000	—
– credit default	2,473,454	1,572,749	140,000	—
– credit linked notes	—	—	—	—
– credit spread options	—	—	—	—
– total rate of return swaps	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
– credit default	—	—	—	—
– credit linked notes	—	—	—	—
– credit spread options	—	—	—	—
– total rate of return swaps	—	—	—	—
Total at 30/6/07	2,473,454	1,572,749	140,000	—
Total at 30/6/06	1,044,062	255,000	140,000	475,000
Average values	1,781,465	1,077,059	280,815	128,750
2. Hedge sales				
2.1 With exchange of principal	1,536,056	815,337	—	—
– credit default	1,536,056	815,337	—	—
– credit linked notes	—	—	—	—
– credit spread options	—	—	—	—
– total rate of return swaps	—	—	—	—
2.2 Without exchange of principal	15,000	—	—	—
– credit default	15,000	—	—	—
– credit linked notes	—	—	—	—
– credit spread options	—	—	—	—
– total rate of return swaps	—	—	—	—
Total at 30/6/07	1,551,056	815,337	—	—
Total at 30/6/06	73,933	40,000	110,000	50,000
Average values	800,341	417,320	107,500	43,750

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

	Notional value	Positive fair value	Future exposure
A. REGULATORY TRADING BOOK	6,412,596	26,175	82,773
A.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	3,078,407	1,387	35,433
4. Financial companies	952,796	317	13,637
5. Insurances	15,000	710	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
A.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	1,651,953	19,090	25,840
4. Financial companies	564,440	4,652	7,863
5. Insurances	150,000	19	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B. BANKING BOOK	140,000	—	725
B.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	120,000	—	625
4. Financial companies	20,000	—	100
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	—	—	—
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
Total at 30/6/07	6,552,596	26,175	83,498
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	3,078,407	(27,370)
1.4 Financial companies	952,796	(10,916)
1.5 Insurances	15,000	—
1.6 Non-financial undertakings	—	—
1.7 Other counterparties	—	—
Total at 30/6/07	4,046,203	(38,286)
Total at 30/6/06	1,299,062	(9,567)

*B.4 Credit derivatives: outstanding life – notional values*

	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	421,832	4,242,129	1,748,635	6,412,596
A.1 Credit derivatives with “qualified” reference obligation	370,916	3,955,370	1,603,100	5,929,386
A.2 Credit derivatives with “unqualified” reference obligation	50,916	286,759	145,535	483,210
B. Banking book	5,000	130,000	5,000	140,000
B.1 Credit derivatives with “qualified” reference obligation	5,000	130,000	5,000	140,000
B.2 Credit derivatives with “unqualified” reference obligation	—	—	—	—
Total at 30/6/07	426,832	4,372,129	1,753,635	6,552,596
Total at 30/6/06	188,263	1,449,732	550,000	2,187,995

### 1.3 LIQUIDITY RISK

#### 1. Financial assets and liabilities by outstanding life

##### Currency of denomination: EURO

	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
Cash assets	2,075,848	2,169,689	587,064	1,448,686	2,864,226	1,107,328	4,086,522	15,473,076	10,692,728
A.1 Government securities	—	15,673	—	54	556,163	23,385	801,211	3,536,259	996,345
A.2 Listed debt securities	—	3,162	7,272	8,134	25,458	105,508	12,990	1,590,882	1,791,909
A.3 Other debt securities	—	555	—	3,859	377,077	50,187	143,027	60,069	641,867
A.4 OIGR units	—	—	—	—	636,363	—	—	—	—
A.5 Loans and advances	2,075,848	2,150,299	579,792	1,436,639	1,269,165	928,248	3,129,294	10,285,866	7,262,607
– to banks	1,405,365	1,315,547	84,950	300,545	106,680	45,506	76,210	455,285	98,722
– to customers	670,483	834,752	494,842	1,136,094	1,162,485	882,742	3,053,084	9,830,581	7,163,885
Cash liabilities	(1,849,728)	(3,182,044)	(1,135,702)	(3,077,001)	(3,841,873)	(1,348,927)	(2,255,894)	(15,165,385)	(8,096,835)
B.1 Deposits	(1,826,466)	(2,671,062)	(1,121,586)	(2,949,856)	(2,053,414)	(713,251)	(495,958)	(1,527,370)	(536,406)
– to banks	(1,287,694)	(2,508,512)	(771,778)	(1,145,588)	(1,772,691)	(641,843)	(488,673)	(1,494,043)	(535,518)
– to customers	(538,772)	(162,550)	(349,808)	(1,804,268)	(280,723)	(71,408)	(7,285)	(33,327)	(888)
B.2 Debt securities	(23,262)	(510,982)	(14,116)	(127,145)	(1,712,656)	(635,676)	(1,759,936)	(12,960,614)	(7,270,400)
B.3 Other liabilities	—	—	—	—	(75,803)	—	—	(677,401)	(290,029)
Off-balance-sheet transactions	962,324	5,913,841	1,079,309	1,324,717	3,145,770	585,085	305,235	4,099,412	2,203,752
C.1 Financial derivatives with exchange of principal	—	4,424,038	1,074,309	1,314,717	3,106,269	275,085	169,585	683,355	—
– long positions	—	2,159,344	1,011,640	876,658	1,492,520	100,670	121,799	30,501	—
– short positions	—	2,264,694	62,669	438,059	1,613,749	174,415	47,786	652,854	—
C.2 Deposits and loans for collection	—	195,015	—	—	—	60,000	105,650	51,823	97,542
– long positions	—	195,015	—	—	—	60,000	—	—	—
– short positions	—	—	—	—	—	—	—	—	—
C.3 Irrevocable commitments to disburse funds	962,324	1,294,788	5,000	10,000	39,501	250,000	30,000	3,364,234	2,106,210
– long positions	—	40,000	—	5,000	39,501	—	—	2,322,234	1,410,210
– short positions	962,324	1,254,788	5,000	5,000	—	250,000	30,000	1,042,000	696,000

*Currency of denomination: US DOLLAR*

	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
Cash assets	30,624	286,396	3,168	61,330	7,080	2,842	20,825	624,470	187,968
A.1 Government securities	—	20	1,368	—	—	161	4	8,054	148,381
A.2 Listed debt securities	—	102	294	544	255	31	1,533	87,425	—
A.3 Other debt securities	—	—	—	—	155	—	—	18,515	—
A.4 OIGR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	30,624	286,274	1,506	60,786	6,670	2,650	19,288	510,476	39,587
– to banks	16,618	285,493	—	—	260	1,013	1,196	81,714	1,161
– to customers	14,006	781	1,506	60,786	6,410	1,637	18,092	428,762	38,426
Cash liabilities	(4)	(686,440)	—	(113,932)	(415,380)	(18,541)	—	(28,041)	(14,809)
B.1 Deposits	—	(321,173)	—	(77,906)	(387,946)	(18,534)	—	—	—
– to banks	—	(148,816)	—	(77,906)	(387,946)	(18,534)	—	—	—
– to customers	—	(172,357)	—	—	—	—	—	—	—
B.2 Debt securities	(4)	(365,267)	—	(36,026)	(27,434)	(7)	—	(28,041)	(14,809)
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	—	4,326,462	298,408	73,899	2,869,805	787,029	11,107	526,042	382,983
C.1 Financial derivatives with exchange of principal	—	4,128,946	298,408	73,899	2,869,805	772,220	—	209,863	14,810
– long positions	—	4,127,391	296,187	43,985	2,169,725	659,669	—	24,746	14,810
– short positions	—	1,555	2,221	29,914	700,080	112,551	—	185,117	—
C.2 Deposits and loans for collection	—	110,881	—	—	—	—	—	—	110,881
– long positions	—	110,881	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	110,881
C.3 Irrevocable commitments to disburse funds	—	86,635	—	—	—	14,809	11,107	316,179	257,292
– long positions	—	86,635	—	—	—	—	—	25,916	235,078
– short positions	—	—	—	—	—	14,809	11,107	290,263	22,214

*Currency of denomination: OTHER*

	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
Cash assets	17,230	187,439	1,766	3,120	—	801	69,578	477,437	235,576
A.1 Government securities	—	—	—	—	—	664	—	216,276	—
A.2 Listed debt securities	—	—	—	—	—	49	—	—	1,374
A.3 Other debt securities	—	—	—	—	—	—	—	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	17,230	187,439	1,766	3,120	—	88	69,578	261,161	234,202
– to banks	7,836	187,439	—	—	—	—	—	—	—
– to customers	9,394	—	1,766	3,120	—	88	69,578	261,161	234,202
Cash liabilities	—	(405,168)	(29,914)	(262,891)	(273,276)	(11,398)	—	(370,920)	(308,843)
B.1 Deposits	—	(331,131)	(29,914)	(258,788)	(27,294)	—	—	—	—
– to banks	—	(331,131)	(29,914)	(258,788)	(27,294)	—	—	—	—
– to customers	—	—	—	—	—	—	—	—	—
B.2 Debt securities	—	(74,037)	—	(4,103)	(245,982)	(11,398)	—	(370,920)	(308,843)
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	—	828,251	29,674	225,337	327,568	—	2,333	514,926	115,581
C.1 Financial derivatives with exchange of principal	—	684,245	29,674	225,337	327,568	—	2,333	370,920	13,427
– long positions	—	684,245	29,674	225,337	301,743	—	—	370,920	13,427
– short positions	—	—	—	—	25,825	—	2,333	—	—
C.2 Deposits and loans for collection	—	144,006	—	—	—	—	—	144,006	—
– long positions	—	144,006	—	—	—	—	—	144,006	—
– short positions	—	—	—	—	—	—	—	—	—
C.3 Irrevocable commitments to disburse funds	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	102,154
– short positions	—	—	—	—	—	—	—	—	102,154

2. *Financial liabilities by sector*

	Governments and central banks	Financial companies	Insurances	Non-financial undertakings	Others
1. Due to customers	—	2,033,545	6,578	300,885	1,686,004
2. Debt securities in issue	—	—	—	—	24,702,359
3. Trading liabilities	871,705	280,455	14,000	188,006	2,330,600
4. Liabilities at fair value	—	—	—	—	—
Total at 30/6/07	871,705	2,314,000	20,578	488,891	28,718,963
Total at 30/6/06	633,826	2,209,394	1,174,605	960,035	22,852,159

3. *Financial liabilities by geographical region*

	Italy	Rest of Europe	United States	Asia	Rest of world
1. Due to banks	1,266,691	2,757,821	2,203	297	—
2. Due to customers	8,681,301	4,794,680	—	11,159	—
3. Debt securities in issue	24,702,359	—	—	—	—
4. Trading liabilities	2,861,555	786,288	36,923	—	—
5. Liabilities at fair value	—	—	—	—	—
Total at 30/6/07	37,511,906	8,338,789	39,126	11,456	—
Total at 30/6/06	29,668,747	6,600,874	33,044	417	23



## PART F - CONSOLIDATED CAPITAL ADEQUACY

### Section 1

#### Regulatory and supervisory capital requirements for banks

##### *1.1 Regulatory and supervisory capital requirements for banks: quantitative information*

	30/6/07	30/6/06
A. Tier 1 capital prior to application of prudential filters	6,202,152	5,743,732
Tier 1 prudential filters:		
– IAS/IFRS positive filters	—	—
– IAS/IFRS negative filters	—	—
B. Tier 1 capital post-application of prudential filters	6,202,152	5,743,732
C. Tier 2 capital prior to application of prudential filters	2,992,470	1,524,070
Tier 2 prudential filters:		
– IAS/IFRS positive filters	(471,192)	(177,576)
– IAS/IFRS negative filters	(471,192)	(177,576)
D. Tier 2 capital post-application of prudential filters	2,521,278	1,346,494
E. Total Tier 1 and Tier 2 capital post-application of prudential filters	8,723,430	7,090,226
Items to be deducted from Tier 1 and Tier 2 capital	(617,288)	(136,017)
F. Regulatory capital	8,106,142	6,954,208

## 1.2 Capital adequacy: quantitative information

	Unweighted amounts	Weighted amounts/ requirements
	30/6/07	30/6/07
<b>A. RISK ASSETS</b>		
<b>A.1 Credit risk</b>		
Standard methodology		
Cash assets	41,278,734	32,296,214
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	30,053,094	23,285,376
1.1 Governments and central banks	1,428,903	8,044
1.2 Other public agencies	136,389	27,278
1.3 Banks	4,107,059	829,351
1.4 Other entities (other than amounts receivable under mortgages due on properties used for residential and non-residential purposes)	24,380,743	22,420,703
2. Amounts receivable under mortgages due on properties used for residential purposes	4,035,271	2,025,781
3. Amounts receivable under mortgages due on properties used for non-residential purposes	—	—
4. Equities, participating interests and subordinated assets	6,475,687	6,479,612
5. Other cash assets	714,682	505,445
Off-balance-sheet assets	24,867,542	9,818,915
1. Guarantees and commitments to (or guaranteed by):	24,631,372	9,760,035
1.1 Governments and central banks	—	—
1.2 Other public agencies	1,816,536	14
1.3 Banks	3,412,951	582,270
1.4 Other entities	19,401,885	9,177,751
2. Derivative agreements with (or guaranteed by):	236,170	58,880
2.1 Governments and central banks	—	—
2.2 Other public agencies	—	—
2.3 Banks	197,353	39,471
2.4 Other entities	38,817	19,409
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>		
B.1 Credit risk	X	3,369,210
B.2 Market risk	X	612,494
1. Standard methodology		
<i>of which:</i>		
+ risk position on debt securities	X	365,276
+ risk position on equities	X	222,594
+ exchange rate risk	X	24,624
+ other risks	X	—
B.3 Other prudential requirements	X	27,379
B.4 Total prudential requirements (B1+B2+B3)	X	4,009,083
<b>C. RISK ASSETS AND REGULATORY RATIOS</b>		
C.1 Risk-weighted assets	X	50,113,542
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	X	12.28%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)	X	16.18%

## PART H - RELATED PARTY DISCLOSURE

### 1. *Board member and senior management remuneration*

#### 2.1 *Related party disclosure*

Accounts with related parties, the impact of which on the Group's asset and earnings aggregates is limited (less than 10% of total assets and approx. 20% of total income respectively), fall within the ordinary operations of the Group companies, 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 30 June 2007

	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
	€m	€m	€m	€m
Assets .....	687.6	608.6	3,900.5	5,196.7
<i>of which: loans and advances</i> .....	62.2	584.4	2,474.1	3,67.7
Liabilities .....	12.8	56.7	1,534.2	1,603.7
Guarantees and commitments .....	507.4	1,726.4	1,903.1	4,136.9
Interest income .....	51.2	68.4	332.5	452.1
Interest expense .....	(20.2)	(30.8)	(288.6)	(339.6)
Net fee income .....	5.3	13.5	11.5	30.3
Other income (costs) .....	(27.3) <sup>1</sup>	(25.9)	242.7	189.5

<sup>1</sup> Of which: short-term benefits amounting to €24.9m and stock options worth €1.6m.

## PART I - SHARE-BASED PAYMENT SCHEMES

### A. QUALITATIVE INFORMATION

#### 1. Description

Information on the increases in the Bank's share capital as a result of stock option schemes approved pursuant to Article 2441, paragraphs eight and five, of the Italian Civil Code is as follows:

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	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	15,000,000	28 October 2009	1 July 2020	2,215,000
<i>of which to Board members</i>	<i>4,000,000</i>	<i>28 October 2009</i>	<i>1 July 2020</i>	<i>2,000,000</i>
27 June 2007	40,000,000	27 June 2012	1 July 2022	—
<b>TOTAL</b>	<b>108,130,000</b>			<b>54,979,000</b>

The scheme provides for options to be exercised over a period of ten years, vesting in thirty-six months.

The scheme was launched with the dual purpose of encouraging loyalty retention among key members of staff, i.e. persuading employees with essential and/or critical roles within the Group to stay with the company, and making the remuneration package offered to them more varied and flexible.

When each award is made, management identifies beneficiaries based on their importance in organizational terms, by considering the level they occupy within the company structure and the importance of their role in terms of creating value.

Mediobanca, along with Mediolanum, also participates in the stock option scheme operated by Banca Esperia for its staff, reserving a portion of its investment in the company for use in connection with this scheme. As at 30 June 2007, recognizing these commitments at fair value resulted in a charge of €7.8m being expensed.

## B. QUANTITATIVE INFORMATION

### 1. Changes during the period

	30/6/06			30/6/07		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	27,063,750	8.82	May 2013	20,593,250	12.30	December 2013
B. Additions						
B.1 New issues	10,600,000	15.26	July 2014	215,000	17.68	March 2015
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	29,250	9.69	—	220,000	15.26	—
C.2 Options exercised	17,041,250	8.60	—	5,565,750	9.12	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	—	—	—	—	—	—
D. Balance at end of period	20,593,250	12.30	September 2013	15,022,500	13.52	December 2013
E. Options exercisable as at reporting date	2,378,250	9.06	December 2013	3,477,500	9.21	September 2011

## **ACCOUNTS OF THE BANK**

## REVIEW OF OPERATIONS

### HIGHLIGHTS

In the twelve months ended 30 June 2007\*, Mediobanca earned a net profit of €561.1m (30/6/06: €545.5m), after gains on disposals of AFS securities totalling €166.7m (€85.9m), and net adjustments to receivables and securities amounting to €9.4m (€4.5m). Profit from ordinary activities declined from €576.8m to €531.1m, on lower trading income of €65.7m, down from €200.8m, net of which there would have been a 21.5% increase reflecting: higher net interest income, up 9% from €176.9m to €192.9m, 28.5% growth in net fee and commission income to €61.1m, and higher dividends received, up from €169.8m to €213.5m.

The main balance-sheet items all posted increases: loans and advances rose from €15.9bn to €20.3bn, treasury funds were up from €5.6bn to €6.4bn, and AFS securities grew from €4bn to €4.8bn. Funding also rose during the period, from €22bn to €27.1bn, with €5.3bn in new issuance over the twelve months.

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\* Accounts drawn up on a IAS/IFRS-compliant basis for the first time; data as at 30 June 2006 has been restated pro-forma.

## FINANCIAL HIGHLIGHTS\*

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

### Profit and loss account

	12 mths to 30/6/06 (Italian GAAP)	12 mths to 30/6/06 (Pro-forma)**	12 mths to 30/6/07	Y.o.Y. change
	€m	€m	€m	%
Net interest income .....	180.4	176.9	192.9	+9.0
Net trading income .....	26.0	200.8	65.7	-67.3
Net fee and commission income .....	208.3	214.5	275.6	+28.5
Dividends on AFS securities.....	169.8	169.8	213.5	+25.7
<b>TOTAL INCOME .....</b>	<b>584.5</b>	<b>762.0</b>	<b>747.7</b>	<b>-1.9</b>
Labour costs .....	(98.1)	(109.2)	(134.4)	+23.1
Other administrative expenses.....	(82.2)	(76.0)	(82.2)	+8.2
<b>Operating costs .....</b>	<b>(180.3)</b>	<b>(185.2)</b>	<b>(216.6)</b>	<b>+17.0</b>
<b>PROFIT FROM ORDINARY ACTIVITIES</b>	<b>404.2</b>	<b>576.8</b>	<b>531.1</b>	<b>-7.9</b>
Gain (loss) on disposal of AFS securities	106.6	85.9	166.7	+94.1
Gain (loss) on disposal of other securities	—	2.7	(0.1)	n.m.
Bad debt writeoffs .....	—	(4.5)	(5.2)	+15.6
Net value adjustments to AFS securities..	34.4	—	(4.2)	n.s.
<b>PROFIT BEFORE TAX .....</b>	<b>545.2</b>	<b>660.9</b>	<b>688.3</b>	<b>+4.1</b>
Income tax for the period.....	(50.9)	(115.4)	(127.2)	+10.1
Minority interest .....	—	—	—	n.m.
<b>NET PROFIT .....</b>	<b>494.3</b>	<b>545.5</b>	<b>561.1</b>	<b>+2.9</b>
Cost/income ratio .....	30.8	24.3	29.0	

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

\*\* Includes estimated impact of adopting IAS 39.



## Balance sheet

	30/6/06	30/6/07
	€m	€m
<b>Assets</b>		
Treasury funds .....	5,580.6	6,379.4
AFS securities .....	4,043.0	4,788.0
Financial assets held to maturity .....	625.5	621.6
Loans and advances to customers .....	15,870.5	20,306.5
Equity investments .....	1,677.0	1,680.8
Property, plant and equipment .....	122.9	121.3
Other assets .....	267.6	251.6
Total assets .....	<u>28,187.1</u>	<u>34,149.2</u>
<b>Liabilities</b>		
Funding .....	22,003.1	27,105.1
Provisions .....	165.7	162.4
Other liabilities .....	538.9	782.8
Net equity .....	4,933.9	5,537.8
Profit for the period .....	545.5	561.1
Total liabilities .....	<u>28,187.1</u>	<u>34,149.2</u>
Memorandum accounts .....	<u>73,415.1</u>	<u>43,168.3</u>

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

	30/6/06	30/6/07
	€m	€m
Regulatory capital (€m) .....	6,034.4	7,152.5
Solvency margin (%) .....	17.93	16.09
Market capitalization (€m) .....	12,443.9	13,742.4
No. of shares in issue (€m) .....	812.0	817.6
Avg. no. of staff in year ended 30/6/07 .....	435	480

## REVIEW OF KEY ITEMS

### Loans and advances to customers

The Bank's loan book reflected the following trends in the past three-year period:

	12 mths to 30/6/05		12 mths to 30/6/06		12 mths to 30/6/07	
	€m	%	€m	%	€m	%
Balance at start of period .....	13,324	100.0	14,058	100.0	15,871	100.0
Movements during the twelve months:						
– new loans .....	11,182	83.9	15,484	110.1	17,010	107.2
– repayments .....	10,510	78.9	13,656	97.1	12,684	79.9
– net new loans .....	672	5.0	1,828	13.0	4,326	27.3
– changes to amortized cost .....	62	0.5	(15)	(0.1)	109	0.6
Balance at end of period .....	14,058	105.5	15,871	112.9	20,306	127.9

Loans and advances to customers rose 28% in the twelve months under review, from €15,870.5m to €20,306.5m, reflecting a positive trend in corporate business, plus the support guaranteed by ongoing growth by the Compass group, whose loan book rose 19.7%, from €3,608.3m to €4,318.9m. Diversification in terms of non-Italian clientèle went on during the period, with this segment accounting for around one-third of the loan book, due to business originated by the Paris and Frankfurt branches. Domestic and international syndicated activity also continued, with this line of business now providing more than 30% of outstanding loans. Credit quality was therefore unaltered, and the Bank faces no risk from sub-prime mortgages, nor, incidentally, does it have any exposure to vehicle companies investing in such products.

This item includes:

- a single, non-performing item of €127,000 covered by SACE insurance, whom we are suing for the indemnity due;

- loans and advances to Group companies totalling €8,017.6m, up €3,976.2m, or 98.4%, in particular in connection with the activity of Mediobanca International; such accounts break down as follows:

	30/6/06	30/6/07
	€m	€m
Mediobanca International .....	433.1	3,697.2
Micos Banca .....	1,104.2	1,407.2
Compass .....	1,053.3	1,262.5
Palladio Leasing .....	622.6	695.9
SelmaBipiemme Leasing .....	450.6	534.9
Teleleasing .....	377.6	418.4
MB Securities USA .....	—	1.5
	4,041.4	8,017.6
	4,041.4	8,017.6

As at 30 June 2007, there were a total of seventeen significant exposures, i.e. above 10% of the Bank's regulatory capital (including market risks and equity investments), five more than in June 2006, for a total amount of €17,589.6m (€11,734.4m).

## Funding

	30/6/06	30/6/07
	€m	€m
Deposits and current accounts .....	731.0	554.3
Bonds and other debt securities .....	19,843.0	22,748.3
Other funds.....	1,429.1	3,802.5
	22,003.1	27,105.1
	22,003.1	27,105.1

The reduction in deposits and current accounts, from €731m to €554.3m, and is attributable to both the decrease in CDs, from €356.7m to €285.9m, and current accounts, from €374.2m to 268.4m.

Bonds and other debt securities rose from €19,843m to €22,748.3m, after new issues of €5,309.8m, redemptions and repayments (including

early repayments) of €2,443.2m, and other upward adjustments (to amortized cost, exchange rate adjustments and hedging effects) totalling €38.7m. New issuance was divided virtually equally between securities linked to financial and real indicators, such as interest rates, share prices and stock indices, investment funds and the rate of inflation, and plain vanilla bonds; it includes subordinated notes worth around €1bn, carried out to diversify the Bank's sources of funding, but also to mitigate the impact of partial deduction of the shareholding in Assicurazioni Generali from calculation of regulatory capital, as required by the EU directive on financial conglomerates.

Other funds rose from €1,429.1m to €3,802.5m, following implementation of Euro CD and commercial paper fund-raising programmes by Mediobanca International, whose contribution to the Bank's funding increased from €486.4m to €1,927m; EIB funding fell from €811m to €721.7m.

### Treasury accounts

	30/6/06	30/6/07
Cash and bank balances .....	148.3	160.8
Fixed-income securities.....	4,012.0	7,746.3
Equities .....	660.1	843.2
Other trading items .....	760.2	(2,370.9)
	5,580.6	6,379.4
	5,580.6	6,379.4

The item cash and bank balances comprises €104.1m in current account balances held at banks and €56.6m in compulsory reserves.

Fixed-income securities rose by €3,734.3m, from €4,012m to €7,746.3m. As at 30 June 2007, over 80% of the portfolio involved bonds by issuers with ratings equal to or higher than AA; sub-investment grade bonds account for less than 1% of the total. The Bank has no positions in securities that might directly or indirectly contain risks related to US sub-prime mortgages.

Equities totalled €843.2m, up €183.1m on the back of arbitrage dealing and activity by a new equity investment team focusing on listed

Italian and non-Italian stocks over a medium-term investment horizon. In the year under review, a prepaid forward agreement was entered into with the MPS group expiring in June 2009, in respect of a 1.58% stake in Assicurazioni Generali, subsequently hedged at a profit.

Other trading items include: repo trading (including securities lending) worth €3,629.2m (30/6/06: €2,953.1m) and reverse repos totalling €5,840.7m (€3,047.2m); deposits amounting to €1,797.4m (€2,227.2m) and shortfalls of €2,125.6m (€1,414.7m); plus positive valuations on derivative contracts totalling €168.8m (€41.8m).

Overall treasury management, including derivatives, generated net trading income of €65.7m, down from the €200.8m recorded last year.

## Equity investments

	Percentage shareholding*	Book value	Market value base on prices at 30/6/07	Gain
		€m		
LISTED INVESTMENTS				
Assicurazioni Generali .....	13.03	836.2	5,451.7	4,615.5
RCS MediaGroup, <i>ordinary</i> .....	13.94	262.0	438.8	176.8
		<u>1,098.2</u>	<u>5,890.5</u>	<u>4,792.3</u>
OTHER INVESTMENTS				
Banca Esperia .....	48.50	25.6		
Burgo Group .....	22.13	54.6		
Athena Private Equity class A .....	23.88	30.7		
Fidia .....	25.00	3.0		
APE S.G.R. ....	40.00	0.4		
		<u>114.3</u>		
TOTAL ASSOCIATES .....		<u>1,212.5</u>		
TOTAL SUBSIDIARIES .....		<u>468.3</u>		
TOTAL INVESTMENTS .....		<u>1,680.8</u>		

\* Of entire share capital.

The main movements during the year involved:

- acquisition of 100% of Consortium, following the disposal of its entire equity holdings portfolio (comprising shares in Mediobanca and Generali), for an outlay of €10.7m;
- establishment of Mediobanca Securities USA, authorized to act as a broker on the US stock market, with share capital of €0.2m, plus a subordinated loan of €1.5m granted with a view to obtaining authorization;
- award of 2.1 million RCS Mediagroup shares by way of a dividend, which were booked at the normal value of €8.3m;
- bonus share issue by Assicurazioni Generali based on a 1:10 ratio, with 16.7 million shares being awarded to the Bank;
- subscription for a 40% stake in APE Sgr, involving an outlay of €0.4m;
- repayment of €2.5m on the Bank's investment in Athena Private Equity.

Comparison of the book value and fair value of the listed securities (i.e. Assicurazioni Generali and RCS Mediagroup) as at the reporting date reflects a surplus of €4,792.3m (€4,807.7m based on current holdings and prices).

The performance of the other Group companies not mentioned in the Review of Group operations is described below:

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

This company's financial statements as at 30 June 2007 reflect a profit of €9m (30/6/06: €5.3m), on net interest income of €7.3m (€4.6m) and net fee and commission income of €5.5m (€3.1m). During the twelve months under review, the company focused on corporate lending outside Italy (including through participation in syndicated loans), which activity is financed and guaranteed in its entirety by Mediobanca S.p.A. Loans and advances disbursed to customers rose from €432.4m to €3,681.5m; and in addition to traditional fund-raising activity through bond issuance, which increased from €459.3m to €881.5m, the company also engaged in short-term fund-raising through issuance of Euro CDs and commercial paper, in an amount of

€1,927m (€486.4m). The company's net worth stood at €78.6m (€73.3m).

Mediobanca International (Luxembourg) S.A. employs 5 staff, three of whom are seconded from Mediobanca S.p.A.

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

This company's accounts for the year ended 30 June 2007 reflect a loss of €82,000 (30/6/06: €232,000), after net fee and commission income rose from €1m to €1.1m.

Prominvestment employs 8 staff.

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

This company's accounts for the twelve months to 30 April 2007 show an even balance, after charging Mediobanca €1.9m (30/4/06: €1.6m) for expenses and services.

R&S produced updated versions of all its main works during the period, including the thirty-first edition of its Annual Directory, with entries on 173 leading Italian companies, 50 of which were included in the paper edition and the others published on the company's website, the twelfth edition of its survey of industrial and service-sector multinationals, and the fifth edition of its survey of leading international banks. The model R&S developed for credit-scoring small and medium-sized businesses has also been updated on behalf of Unioncamere to reflect the most recent financial statements available; and the company's customary quarterly surveys of listed companies' accounts have continued to be published in conjunction with *Il Sole 24 Ore*.

The company employs 11 staff.

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

This company's accounts for the year ended 30 June 2007 reflect a loss of €47,000 (30/6/06: €44,000).

Table B provides the restated accounts (balance sheet and profit and loss) of the Bank's investee companies.

### Financial assets held to maturity

These totalled €621.6m (30/6/06: €625.5m), after adjustments to amortized cost worth €3.9m. The fall in stock market prices led to a potential loss of €39.5m being recorded on this portfolio.

### AFS securities

	30/6/06	30/6/07
Fixed-income securities .....	1,661.8	1,472.2
Equities .....	2,381.2	3,315.8
	<u>4,043.0</u>	<u>4,788.0</u>

Holdings in bonds fell from €1,661.8m to €1,472.2m, following purchases worth €1,156.4m, disposals and redemptions of €1,356.2m (yielding gains of €4.3m), and other upward adjustments (to reflect amortized cost and/or fair value) totalling €5.8m. Overall there was a €28.7m surplus on the valuation reserve, recording a €10.8m increase for the period.

Investment in equities rose from €2,381.2m to €3,315.8m, after purchases worth €872.3m and disposals of €649.3m. Gains on disposal of €165.1m were realized during the period, €12.8m of which from reserves for previous years and €2.1m in other income. Recognizing investments in equities at fair value as at the reporting date led to an upward adjustment of €564.9m, against writedowns totalling €4.2m.

Accordingly, the AFS securities portfolio as at 30 June 2007 was made up as follows:

	Percentage shareholding*	Book value at 30/6/07	Adjustments to fair value	Aggregate AFS reserve
Fiat .....	1.94 – 1.66	467.0	246.9	329.6
Telecom Italia .....	1.54 – 1.06	419.1	(26.7)	(103.3)
Pirelli .....	4.45 – 4.34	206.0	48.7	34.3
Italmobiliare .....	9.5 – 5.47	220.5	77.8	186.0
Other listed securities .....		1,697.7	153.0	353.8
Other unlisted securities .....		305.5	65.2	66.3
TOTAL .....		<u>3,315.8</u>	<u>564.9</u>	<u>866.7</u>

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



For a description of the main movements in this portfolio subsequent to the reporting date, please see the relevant section in the Review of Group operations.

### **Net fixed assets**

These comprise:

- property, carried at a book value of €115.2m, including properties acquired under leases (€21.4m) as well as land (€81.2m); depreciation charges for the year totalled €1.4m;
- furniture and intangible assets, consisting of furniture, office equipment, computers and software owned by the Bank worth a total of €6.1m, amortized as to €1.5m over the period.

### **Other items and provisions**

These comprise:

- provision for taxation, current and deferred, amounting to €560.9m;
- staff severance indemnity provision, down from €14.7m to €11.6m following actuarial adjustments as a result of changes to legislation;
- provision for liabilities and charges, which reduced from €151m to €150.8m following withdrawals of €1.2m and the relevant discount for the period (€1m).

### **Net equity, subordinated liabilities, regulatory capital and solvency margin**

The Bank's net equity of €5,537.8m (30/6/06: €4,933.9m) includes:

- share capital amounting to €408.8m, up €2.8m owing to issuance of new shares as a result of stock options being exercised;
- reserves and retained earnings of €5,129m, up €601.2m; these consist of:
  - the legal reserve, €81.6m, up €2m;

- the share premium reserve, €2,119.3m, up €47.9m on shares being issued as a result of stock options being exercised;
- other reserves, €2,119.6m, up €69.7m, €9.1m of which accounted for by the cost of the stock options (including the share reserved for Group company staff), and the remainder by allocation of profit earned during the previous financial year.
- valuation reserves, €808.5m, up €481.6m due to recognizing AFS securities at fair value.

Regulatory capital stood at €7,152.5m (30/6/06: €6,034.4m). The increase reflects the share of profits not distributed, reserves deriving from first-time adoption of IAS/IFRS, and the approx. €1bn subordinated notes issue already referred to.

\* \* \*

Assets subject to revaluation included in the financial statements submitted to your approval are illustrated in Table A.

### Net interest income

	12 mths to 30/6/06	12 mths to 30/6/07
	€m	€m
Interest receivable .....	972.6	1,753.5
<i>Less</i> cost of funding .....	(795.7)	(1,560.6)
Net interest income .....	<u>176.9</u>	<u>192.9</u>

Growth of 9% in net interest income reflects trends in average lending volumes and market conditions.

## Net trading income

	12 mths to 30/6/06	12 mths to 30/6/07
	€m	€m
Dealing profits (losses) .....	133.9	(10.8)
Mark-to-market as at reporting date .....	44.7	36.2
Dividends .....	22.2	40.3
TOTAL .....	200.8	65.7

Results for the twelve months reflect adverse trends in the fixed-income segment, which was hit by the rise in market interest rates (and the subsequent reduction in prices) and reduced opportunities for arbitrage. Net trading income accordingly decreased from €200.8m to €65.7m. The item also includes €40.3m in dividends and losses on exchange rates amounting to €11.5m.

## Net fee and commission income

This heading includes €267m (30/6/06: €199.8m) in corporate and investment banking fees, reflecting the Bank's higher business volumes. Other items included here are: €4m (€4.3m) in rent received, €1.1m (€0.7m) in expenses recovered from customers, and €3.5m (€9.7m) in other income.

## Operating costs

The main items under this heading, which rose from €185.2m to €216.6m, were as follows:

- labour costs of €134.4m (30/6/06: €109.2m), including €12.6m (€4.3m) in fees payable to Board members, and stock option expenses of €8.5m (€5.5m);
- sundry costs and expenses amounting to €82.2m (€76m), €3.4m (€4.4m) of which in depreciation and amortization, €7.8m (€3.3m) in expenses incurred in connection with the stock option scheme operated

by Banca Esperia, and €71.1m (€63.7m) in administrative expenses, which break down as follows:

	12 mths to 30/6/06	12 mths to 30/6/07
	€m	€m
EDP and financial information subscriptions ...	21.2	21.4
Outside service and consultancy fees .....	11.4	15.1
Bank charges .....	4.3	6.6
Rent, equipment leasing and maintenance.....	4.0	4.0
Travel, transport and entertainment .....	2.9	3.3
Stationery, publication costs and utilities .....	3.3	2.9
Others .....	16.6	17.8
<b>TOTAL .....</b>	<b>63.7</b>	<b>71.1</b>

The increase in outside services and consultancy fees is chiefly due to implementation of new IT systems and to higher legal expenses.

### **Value adjustments to receivables and to AFS securities**

Provisions of €5.2m were set aside during the year to increase the lump-sum adjustments to loans outstanding (including endorsements and commitments to disburse funds); the provision, which is deducted directly from assets, totalled €55.7m. Certain minor investments held as part of the AFS portfolio were also written down to their estimated fair value, which involved an adjustment of €4.2m.

### **Income tax for the period**

Income tax for the twelve months totalled €127.2m, an increase of €11.8m.

\* \* \*

With reference to the claim made against Mediobanca jointly with other parties involved for their alleged 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. A total of three other first-degree rulings have since been issued, two of which by the Court of Milan have gone against Mediobanca and its co-defendants, and against which appeals are currently pending, and one by the Court of Florence, which rejected the plaintiff's claim for damages. A total of eleven claims remain outstanding, for a total of €152m.

\* \* \*

With regard to the Bank's securities trading operations, a total of 59.7 million Mediobanca shares were traded on behalf of customers, worth an aggregate €1,020.4m.

### **Rating**

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

### **Research**

On the research side, work has continued as in the past on company and capital market surveys (see p. 189), carried out by both Mediobanca's Research Department and Group research arm R&S.

### **Related party disclosure**

Financial accounts with such parties at 30 June 2007 and intra-group and other related party transactions during the year ended at the same date are described in part H of the notes to the financial statements.

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

## **OUTLOOK**

The results achieved during the twelve months ended 30 June 2007 should be borne out in the present financial year, save for the effects of the crisis currently affecting financial markets, which at this stage are hard to predict. Total income should increase once again, as a result of higher volumes and a growing contribution from net trading income, while fee and commission flows are expected to remain stable. The results should reflect higher costs linked to acceleration in the Bank's ventures aimed at growth internationally, but at the same time should also benefit from gains linked to movements in the securities portfolio since the reporting date referred to above.

## **AUDITORS' REPORT**

### INDEPENDENT AUDITORS' REPORT

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

To the Shareholders of  
Mediobanca S.p.A.

1. We have audited the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2007, comprising the balance sheet, the profit and loss account, the statement of changes in net equity, the cash flow statement and related explanatory notes. These financial statements are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit. The above-mentioned financial statements were prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005.
2. We conducted our audit in accordance with auditing standards and procedures recommended by Consob (the Italian Companies and Stock Exchange Commission). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements include, for comparative purposes, the corresponding information for the prior year prepared in conformity with the same international accounting standards. The section of the explanatory notes "IAS/IFRS First Time Adoption" discloses the effects of the transition to the International Financial Reporting Standards as adopted by the European Union and includes the reconciliation statements required by IFRS 1, which were previously approved by the Board of Directors and published as an annex of the Interim Report for the six months ended 31 December 2006, and which have been audited by us. Reference should be made to our report dated 16 March 2007.

3. In our opinion, the financial statements of Mediobanca S.p.A. as of and for the year ended 30 June 2007 comply with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with article 9 of Legislative Decree n. 38 of 28 February 2005; accordingly, they present clearly and give a true and fair view of the financial position, results of operations, changes in net equity and cash flows of Mediobanca S.p.A. as of 30 June 2007 and for the year then ended.

Milan, 25 September 2007

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

*This report has been translated into the English language solely for the convenience of international readers.*



## **INDIVIDUAL FINANCIAL STATEMENTS**

## MEDIOBANCA S.p.A. BALANCE SHEET

	Assets	30/6/07	30/6/06 *
		€	€
10.	Cash and cash equivalents	63,476	106,232
20.	Financial assets held for trading	12,453,735,174	8,037,259,578
40.	Financial assets available for sale	4,788,038,627	4,042,969,723
50.	Financial assets held to maturity	621,634,183	625,543,856
60.	Due from banks	10,894,652,025	6,619,982,590
70.	Due from customers	16,717,698,147	15,719,943,270
80.	Hedging derivatives	853,709,310	784,307,092
100.	Equity investments	1,680,777,018	1,676,954,914
110.	Property, plant and equipment	119,490,720	121,279,899
120.	Intangible assets	1,805,455	1,634,382
130.	Tax assets:	158,567,647	182,802,477
	<i>a) current</i>	<i>48,619,837</i>	<i>69,918,668</i>
	<i>b) advance</i>	<i>109,947,810</i>	<i>112,883,809</i>
150.	Other assets	208,574,072	100,710,999
	<b>TOTAL ASSETS</b>	<b>48,498,745,854</b>	<b>37,913,495,012</b>

\* Data as at 30 June 2006 have been restated in conformity with IAS/IFRS; an annex on first-time adoption of the standards is included on p. 329.

	Liabilities and net equity	30/6/07	30/6/06
		€	€
10.	Due to banks	10,973,550,143	4,983,506,988
20.	Due to customers	2,093,088,483	1,878,805,980
30.	Debt securities in issue	22,055,544,265	19,647,161,925
40.	Trading liabilities	3,695,402,599	3,323,321,764
60.	Hedging derivatives	1,871,490,033	1,333,188,812
80.	Tax liabilities:	560,888,649	449,605,770
	<i>a) current</i>	<i>107,240,596</i>	<i>189,229,859</i>
	<i>b) deferred</i>	<i>453,648,053</i>	<i>260,375,911</i>
100.	Other liabilities	987,468,235	652,816,792
110.	Staff severance indemnity provision	11,657,210	14,712,081
120.	Provisions:	150,776,000	151,000,000
	<i>a) post-employment and similar benefits</i>	—	—
	<i>b) other provisions</i>	<i>150,776,000</i>	<i>151,000,000</i>
130.	Revaluation reserves	808,537,878	326,971,758
160.	Reserves	2,201,122,973	2,129,520,832
170.	Share premium reserve	2,119,327,526	2,071,363,865
180.	Share capital	408,781,458	405,998,582
200.	Profit for the period	561,110,402	545,519,863
	<b>TOTAL LIABILITIES AND NET EQUITY</b>	<b>48,498,745,854</b>	<b>37,913,495,012</b>

## MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

		12 mths to 30/6/07	12 mths to 30/6/06
10.	Interest and similar income	1,682,186,268	1,132,274,076
20.	Interest expense and similar charges	(1,561,423,430)	(972,033,629)
<b>30.</b>	<b>Net interest income</b>	<b>120,762,838</b>	<b>160,240,447</b>
40.	Fee and commission income	291,710,896	206,705,103
50.	Fee and commission expense	(24,798,580)	(6,955,966)
<b>60.</b>	<b>Net fee and commission income</b>	<b>266,912,316</b>	<b>199,749,137</b>
70.	Dividends and similar income	253,784,993	307,267,257
80.	Net trading income	100,290,114	72,300,912
90.	Net hedging income (expense)	(3,588,867)	(2,128,478)
100.	Gain (loss) on disposal/repurchase of:	167,495,634	95,558,454
	<i>a) loans and advances</i>	—	—
	<i>b) AFS securities</i>	166,662,643	85,899,450
	<i>c) financial assets held to maturity</i>	(72,288)	(167,388)
	<i>d) financial liabilities</i>	905,279	9,826,392
<b>120.</b>	<b>Total income</b>	<b>905,657,028</b>	<b>832,987,729</b>
130.	Adjustments for impairment to:	(9,412,170)	(4,541,448)
	<i>a) loans and advances</i>	(5,243,502)	(4,511,146)
	<i>b) AFS securities</i>	(4,168,668)	—
	<i>c) financial assets held to maturity</i>	—	—
	<i>d) other financial transactions</i>	—	(30,302)
<b>140.</b>	<b>Net income from financial operations</b>	<b>896,244,858</b>	<b>828,446,281</b>
150.	Administrative expenses:	(207,888,499)	(174,545,179)
	<i>a) personnel costs</i>	(134,440,479)	(109,221,936)
	<i>b) other administrative expenses</i>	(73,448,020)	(65,323,243)
160.	Net transfers to provisions	224,000	(1,000,000)
170.	Net adjustments to tangible assets	(2,923,387)	(3,003,101)
180.	Net adjustments to intangible assets	(443,327)	(1,355,165)
190.	Other operating income (expense)	1,961,841	9,469,337
<b>200.</b>	<b>Operating costs</b>	<b>(209,069,372)</b>	<b>(170,434,108)</b>
210.	Gain (loss) on equity-accounted investments	—	2,889,974
240.	Gain (loss) upon disposal of investments:	(20,793)	1,742
	<i>a) property</i>	—	—
	<i>b) other assets</i>	(20,793)	1,742
<b>250.</b>	<b>Profit (loss) on ordinary activities before tax</b>	<b>687,154,693</b>	<b>660,903,889</b>
260.	Income tax for the year on ordinary activities	(126,044,291)	(115,384,026)
<b>270.</b>	<b>Profit (loss) on ordinary activities after tax</b>	<b>561,110,402</b>	<b>545,519,863</b>
<b>290.</b>	<b>Net profit (loss) for the year</b>	<b>561,110,402</b>	<b>545,519,863</b>

## STATEMENT OF CHANGES TO AVERAGE MEDIOBANCA NET EQUITY

	Previously reported balance at 30/6/06	Adjustments to opening balances	Balance at 1/7/06	Allocation of profit from previous period		Changes during the reference period						Balance at 30/6/07	
				Reserves	Dividends and other fund applications	Changes to reserves	Transactions involving net equity						Profit (loss) for the period
							Treasury shares issued	Treasury shares	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives		
Share capital:	405,998,582	—	405,998,582	—	—	—	—	—	—	—	—	—	408,781,457
a) ordinary shares	405,998,582	—	405,998,582	—	—	—	—	—	—	—	—	—	408,781,457
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,071,363,865	—	2,071,363,865	—	—	—	—	—	—	—	—	—	2,119,327,526
Reserves:	2,129,520,832	(3,751,951)	2,125,768,881	66,243,398	—	—	—	—	—	—	9,110,694	—	2,201,122,973
a) retained earnings	2,129,520,832	(3,751,951)	2,125,768,881	66,243,398	—	—	—	—	—	—	9,110,694	—	2,201,122,973
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Valuation reserves:	326,971,758	—	326,971,758	—	—	481,566,120	—	—	—	—	—	—	808,537,878
a) AFS securities	306,785,885	—	306,785,885	—	—	502,072,240	—	—	—	—	—	—	808,858,125
b) cash flow hedges	12,599,110	—	12,599,110	—	—	(20,506,120)	—	—	—	—	—	—	(7,907,010)
c) special laws	7,586,763	—	7,586,763	—	—	—	—	—	—	—	—	—	7,586,763
d) others	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	—
Profit (loss) for the period	545,519,863	—	545,519,863	(66,243,398)	(479,276,465)	—	—	—	—	—	—	561,110,402	561,110,402
Net equity	5,479,374,900	(3,751,951)	5,475,622,949	—	(479,276,465)	481,566,120	50,746,536	—	—	—	9,110,694	561,110,402	6,098,880,236

**STATEMENT OF CHANGES TO MEDIOBANCA NET EQUITY FROM 1/7/05 TO 30/06/06**

	Previously reported balance at 30/6/05	Adjustments to opening balance	Balance at 1/7/05	Allocation of profit for previous period		Changes to reserves	Changes during the reference period						Balance at 30/06/06	
				Reserves	Dividends and other fund applications		New shares issued	Treasury shares acquired	Extra-ordinary dividend payouts	Changes to equity instruments	Treasury share derivatives	Stock options		Profit (loss) for the period
Share capital:	397,477,957	—	397,477,957	—	—	—	8,520,625	—	—	—	—	—	405,998,582	
a) ordinary shares	397,477,957	—	397,477,957	—	—	—	8,520,625	—	—	—	—	—	405,998,582	
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—	—	
Share premium reserve	1,933,330,922	—	1,933,330,922	—	—	—	138,032,943	—	—	—	—	—	2,071,363,865	
Reserves:	2,189,568,035	(173,804,000)	2,015,764,035	34,763,308	—	73,485,975	—	—	—	—	5,502,514	—	2,129,520,332	
a) retained earnings	2,189,568,035	(173,804,000)	2,015,764,035	34,763,308	—	73,485,975	—	—	—	—	5,502,514	—	2,129,520,332	
b) others	—	—	—	—	—	—	—	—	—	—	—	—	—	
Valuation reserves:	7,586,763	372,924,719	380,511,482	—	—	(63,539,724)	—	—	—	—	—	—	326,971,758	
a) AFS securities	—	330,248,625	330,248,625	—	—	(23,462,740)	—	—	—	—	—	—	306,785,885	
b) cash flow hedges	—	42,676,094	42,676,094	—	—	(60,076,984)	—	—	—	—	—	—	12,599,110	
c) special laws	7,586,763	—	7,586,763	—	—	—	—	—	—	—	—	—	7,586,763	
d) others	—	—	—	—	—	—	—	—	—	—	—	—	—	
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	
Treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	—	
Profit (loss) for the period	440,053,899	(16,648,000)	423,405,899	(34,763,308)	(888,637,591)	—	—	—	—	—	—	545,519,863	545,519,863	
Net equity	4,968,017,576	182,472,719	5,150,490,295	—	(888,637,591)	19,946,251	146,553,568	—	—	—	5,502,514	—	5,479,374,900	

## MEDIOBANCA CASH FLOW STATEMENT

### Direct method

	Amounts	
	30/6/07	30/6/06
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>1. Operating activities</b>	<b>673,948,018</b>	<b>736,654,932</b>
– interest received	2,564,087,565	1,107,863,320
– interest paid	(2,098,157,717)	(643,707,242)
– dividends and similar income	253,785,112	202,423,339
– net fees and commission income	239,785,992	131,175,927
– cash payments to employees	(100,619,113)	(67,918,240)
– net premium income	—	—
– other income from insurance activities	—	—
– other expenses paid	(611,657,821)	(276,546,427)
– other income received	427,103,019	283,364,255
– income taxes paid	(379,019)	—
– net expense/income from groups of assets being sold	—	—
<b>2. Cash generated/absorbed by financial assets</b>	<b>(8,497,913,567)</b>	<b>(4,291,209,101)</b>
– financial assets held for trading	(3,586,485,794)	(1,810,743,421)
– financial assets recognized at fair value	—	—
– AFS securities	(13,036,950)	1,685,168,200
– due from customers	(458,155,091)	(3,200,899,444)
– due from banks: on demand	(394,336,522)	64,568,327
– due from banks: other	(3,638,581,770)	(1,472,381,920)
– other assets	(407,317,440)	443,079,157
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>8,265,795,264</b>	<b>4,060,182,164</b>
– due to banks: on demand	633,101,215	(1,017,840,334)
– due to banks: other	5,485,470,957	(450,607,295)
– due to customers	(372,791,120)	201,837,496
– debt securities	2,407,435,809	5,551,556,978
– trading liabilities	(161,714,988)	116,216,444
– financial liabilities assets recognized at fair value	—	—
– other liabilities	274,293,391	(340,981,125)
<b>Net cash flow (outflow) from operating activities</b>	<b>441,829,715</b>	<b>505,627,995</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash generated from</b>	<b>5,978,213</b>	<b>107,114,664</b>
– disposals of shareholdings	5,374,907	2,200,000
– dividends received in respect of equity investments	—	104,844,325
– disposals/redemptions of financial assets held to maturity	603,306	—
– disposals of tangible assets	—	70,339
– disposals of intangible assets	—	—
– disposals of subsidiaries or business units	—	—
<b>2. Cash absorbed by</b>	<b>(25,671,444)</b>	<b>(376,929,250)</b>
– acquisitions of shareholdings	(23,955,337)	—
– acquisitions of held-to-maturity investments	—	(374,038,945)
– acquisitions of tangible assets	(1,101,707)	(2,698,928)
– acquisitions of intangible assets	(614,400)	(191,377)
– acquisitions of subsidiaries or business units	—	—
<b>Net cash flow (outflow) from investment/servicing of finance</b>	<b>(19,693,231)</b>	<b>(269,814,586)</b>
<b>C. FUNDING ACTIVITIES</b>		
– issuance/acquisition of treasury shares	50,747,000	146,554,000
– issuance/acquisition of equity instruments	—	—
– dividend payouts and other applications of funds	(472,926,240)	(382,364,689)
<b>Net cash flow (outflow) from funding activities</b>	<b>(422,179,240)</b>	<b>(235,810,689)</b>
<b>NET CASH FLOW (OUTFLOW) DURING PERIOD</b>	<b>(42,756)</b>	<b>2,720</b>

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

	Amounts	
	30/6/07	30/6/06
Cash and cash equivalents: balance at start of period	106,232	103,512
Total cash flow (outflow) during period	(42,756)	2,720
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	63,476	106,232



## NOTES TO THE ACCOUNTS

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## **PART A - ACCOUNTING POLICIES**

### **Section 1**

#### **Statement of conformity with IAS/IFRS**

The Mediobanca Group's consolidated financial statements for the period ended 30 June 2007 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 issued by the European Council and Commission on 19 July 2002. 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.

### **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.

## **Section 3**

### **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 account.

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 account.

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 account 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 account.

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 account 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.

## **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:

- subsidiaries;
- associates, 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;
- other investments of negligible value.

All of these categories 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 if 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 account.

### **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 account.

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 account.

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 account 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 account.

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 account.

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 provision as calculated in line with regulations used for defined benefit schemes. 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 years' contributions not yet capitalized, interest accrued, and actuarial gains and losses.

Units accruing as from 1 January 2007 paid into complementary pension schemes or the Italian national insurance system are recorded on the basis of contributions accrued during the period.

### **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 as at the date of the transaction 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 account, whereas those on non-cash items are recorded according to the valuation criteria used in respect of the category they belong to (i.e. at cost, through profit and loss account or on an equity basis).

### **Tax assets and liabilities**

Income taxes are recorded in profit and loss account, 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.

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.

**Dividends and commissions**

These are recognized as and when they are realized, provided there is reasonable likelihood that future benefits will accrue.

Fees included in amortized cost for purposes of calculating the effective interest rate are not included, but are recorded under net interest income.

## PART B - NOTES TO BALANCE SHEET\*

### Segmental information

#### Assets

#### Section 1

#### Heading 10: Cash and cash equivalents

##### 1.1 Cash and cash equivalents

	30/6/07	30/6/06
a) Cash	63	106
b) Demand deposits held at central banks	—	—
Total	63	106

\* 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: composition

	30/6/07		30/6/06	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities	5,271,629	327,934	3,682,877	191,277
1.1 Structured	7,489	15,452	11,964	33,654
1.2 Other debt securities	5,264,140	312,482	3,670,913	157,623
2. Equities	1,507,155	—	1,966,146	—
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
4.1 Repos	—	—	—	—
4.2 Others	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	3,130,072	—	889,415	—
<b>Total A</b>	<b>9,908,856</b>	<b>327,934</b>	<b>6,538,438</b>	<b>191,277</b>
B. Derivative products				
1. Financial derivatives	4,581	2,165,199	8,035	1,271,997
1.1 trading	4,581	844,120	8,035	648,494
1.2 linked to fair value options	—	—	—	—
1.3 others	—	1,321,079	—	623,503
2. Credit derivatives	—	47,165	—	27,513
2.1 trading	—	47,165	—	27,513
2.2 linked to fair value options	—	—	—	—
2.3 others	—	—	—	—
<b>Total B</b>	<b>4,581</b>	<b>2,212,364</b>	<b>8,035</b>	<b>1,299,510</b>
<b>Total (A+B)</b>	<b>9,913,437</b>	<b>2,540,298</b>	<b>6,546,473</b>	<b>1,490,787</b>

<sup>1</sup> Securities sold under repo agreements.

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

	30/6/07		30/6/06	
	Listed	Unlisted	Listed	Unlisted
<b>A. CASH ASSETS</b>				
1. Debt securities	5,271,629	327,934	3,682,877	191,277
a. Governments and central banks	3,449,442	—	3,036,680	—
b. Other public agencies	8,129	—	3,067	1,516
c. Banks	906,940	38,330	235,589	23,976
d. Other issuers	907,118	289,604	407,541	165,785
2. Equities	1,507,155	—	1,966,146	—
a. Banks	629,147	—	710,325	—
b. Other issuers:	878,008	—	1,255,821	—
- insurances	262,930	—	735,055	—
- financial companies	25,837	—	16,780	—
- non-financial undertakings	589,241	—	173,137	—
- others	—	—	330,849	—
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	—	—
d. Other entities	—	—	—	—
5. Impaired assets	—	—	—	—
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	—	—
d. Other issuers	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	3,130,072	—	889,415	—
a. Governments and central banks	2,408,940	—	555,260	—
b. Other public agencies	148,816	—	—	—
c. Banks	370,538	—	49,247	—
d. Other issuers	201,778	—	284,908	—
<b>Total A</b>	<b>9,908,856</b>	<b>327,934</b>	<b>6,538,438</b>	<b>191,277</b>
<b>B. DERIVATIVE PRODUCTS</b>				
a. Banks	2,374	1,883,450	57	1,032,334
b. Customers	2,207	328,914	7,978	267,176
<b>Total B</b>	<b>4,581</b>	<b>2,212,364</b>	<b>8,035</b>	<b>1,299,510</b>
<b>Total A+B</b>	<b>9,913,437</b>	<b>2,540,298</b>	<b>6,546,473</b>	<b>1,490,787</b>

<sup>1</sup> Securities sold under repo agreements.



### 2.3 Financial assets held for trading: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other assets	30/6/07	30/6/06
A) Listed derivative products							
1) Financial derivatives:	2,426	—	2,155	—	—	4,581	8,035
– with exchange of principal	—	—	—	—	—	—	—
– options bought	—	—	66	—	—	66	—
– other derivatives	2,382	—	1,030	—	—	3,412	5,860
– without exchange of principal	—	—	—	—	—	—	—
– options bought	7	—	—	—	—	7	344
– other derivatives	37	—	1,059	—	—	1,096	1,831
2) Credit derivatives:	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—
<b>Total A</b>	<b>2,426</b>	<b>—</b>	<b>2,155</b>	<b>—</b>	<b>—</b>	<b>4,581</b>	<b>8,035</b>
B) Unlisted derivative products							
1) Financial derivatives:	676,072	56,296	1,380,692	—	52,139	2,165,199	1,271,997
– with exchange of principal	—	—	—	—	—	—	—
– options bought	—	—	15,857	—	—	15,857	7,239
– other derivatives	—	56,217	—	—	—	56,217	24,505
– without exchange of principal	—	—	—	—	—	—	—
– options bought	—	79	1,364,802	—	—	1,364,881	744,691
– other derivatives	676,072	—	33	—	52,139	728,244	495,562
2) Credit derivatives:	—	—	—	47,165	—	47,165	27,513
– with exchange of principal	—	—	—	47,165	—	47,165	27,513
– without exchange of principal	—	—	—	—	—	—	—
<b>Total B</b>	<b>676,072</b>	<b>56,296</b>	<b>1,380,692</b>	<b>47,165</b>	<b>52,139</b>	<b>2,212,364</b>	<b>1,299,510</b>
<b>Total (A+B)</b>	<b>678,498</b>	<b>56,296</b>	<b>1,382,847</b>	<b>47,165</b>	<b>52,139</b>	<b>2,216,945</b>	<b>1,307,545</b>

2.4 *Cash assets held for trading (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	3,874,154	1,966,146	—	—	5,840,300
B. Additions	32,056,032	17,252,817	—	—	49,308,849
B.1 Acquisitions	30,069,084	16,289,118	—	—	46,358,202
B.2 Increases in fair value	9,708	31,121	—	—	40,829
B.3 Other additions	1,977,240	932,578	—	—	2,909,818
C. Reductions	30,330,623	17,711,808	—	—	48,042,431
C.1 Disposals	23,737,070	16,259,229	—	—	39,996,299
C.2 Redemptions	2,571,263	—	—	—	2,571,263
C.3 Reductions in fair value	84,255	31,835	—	—	116,090
C.4 Other reductions	3,938,035	1,420,744	—	—	5,358,779
D. Balance at end of period	5,599,563	1,507,155	—	—	7,106,718

## Section 4

### Heading 40: Available for sale (AFS) securities

#### 4.1 *AFS securities: composition*

	30/6/07		30/6/06	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	919,442	491,765	827,756	454,323
1.1 Structured	239,819	36,575	218,784	36,898
1.2 Other debt securities	679,623	455,190	608,972	417,425
2. Equities	3,004,171	311,693	1,809,399	571,753
2.1 Recognized at fair value	3,004,171	311,693	1,809,399	571,753
2.2 Recognized at cost	—	—	—	—
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	60,968	—	259,601	120,138
Total	3,984,581	803,458	2,896,756	1,146,214

<sup>1</sup> Securities sold under repo agreements.

#### 4.2 AFS securities: by borrower/issuer

	30/6/07		30/6/06	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	919,442	491,765	827,756	454,323
a. Governments and central banks	350,121	—	487,626	—
b. Other public agencies	—	—	—	—
c. Banks	154,044	42,690	214,660	17,494
d. Other issuers	415,277	449,075	125,470	436,829
2. Equities	3,004,171	311,693	1,809,399	571,753
a. Banks	349,114	3	223,282	3
b. Other issuers	2,655,057	311,690	1,586,117	571,750
- insurances	89,725	—	152,197	—
- financial companies	95,056	51,876	748,380	18,263
- non-financial undertakings	2,470,276	259,814	17,860	—
- others	—	—	667,680	553,487
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	—	—
d. Other entities	—	—	—	—
5. Impaired assets	—	—	—	—
a. Governments and central banks <sup>1</sup>	—	—	—	—
b. Other public agencies	—	—	—	—
c. Banks	—	—	—	—
d. Other entities	—	—	—	—
6. Assets sold but not derecognized <sup>1</sup>	60,968	—	259,601	120,138
a. Governments and central banks	—	—	—	—
b. Other public agencies	—	—	132,449	—
c. Banks	37,566	—	—	—
d. Other issuers	23,402	—	127,152	120,138
Total	3,984,581	803,458	2,896,756	1,146,214

<sup>1</sup> Securities sold under repo agreements.

#### 4.3 AFS securities: hedged assets

	Hedging activity			
	30/6/07		30/6/06	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	—	—	—	—
2. Equities	134,155	355,560	—	—
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
5. Portfolio	—	—	—	—
Total	134,155	355,560	—	—

4.4 *AFS securities: assets subject to specific hedging*

	30/6/07	30/6/06
1. Financial assets subject to specific fair value hedges:	134,155	—
a. interest rate risk	—	—
b. price risk	134,155	—
c. exchange rate risk	—	—
d. credit risk	—	—
e. more than one risk	—	—
2. Financial assets subject to specific cash flow hedges:	355,560	—
a. interest rate risk	—	—
b. exchange rate risk	—	—
c. other	355,560	—
Total	489,715	—

4.5 *AFS securities (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Equities	OICR units	Loans and advances	Total
A. Balance at start of period	1,282,079	2,381,152	—	—	3,663,231
B. Additions	1,567,095	1,644,500	—	—	3,211,595
B.1 Acquisitions	1,156,437	861,265	—	—	2,017,702
B.2 Increases in fair value	25,107	612,295	—	—	637,402
B.3 Writebacks	—	—	—	—	—
- taken to profit and loss account	—	—	—	—	—
- taken to net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	385,551	170,940	—	—	556,491
C. Reductions	1,437,967	709,788	—	—	2,147,755
C.1 Disposals	1,122,366	649,286	—	—	1,771,652
C.2 Redemptions	233,794	—	—	—	233,794
C.3 Reductions in fair value	14,280	47,381	—	—	61,661
C.4 Writedowns due to impairment	—	3,438	—	—	3,438
- taken to profit and loss account	—	3,438	—	—	3,438
- taken to net equity	—	—	—	—	—
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	67,527	9,683	—	—	77,210
D. Balance at end of period	1,411,207	3,315,864	—	—	4,727,071

## Section 5

### Heading 50: Financial assets held to maturity

#### 5.1 Financial assets held to maturity

	30/6/07		30/6/06	
	Book value	Fair value	Book value	Fair value
1. Debt securities	416,987	394,066	625,544	582,956
1.1 Structured	—	—	—	—
1.2 Other debt securities	416,987	394,066	625,544	582,956
2. Loans and advances	—	—	—	—
3. Impaired assets	—	—	—	—
4. Assets sold but not derecognized	204,647	188,039	—	—
Total	621,634	582,105	625,544	582,956

#### 5.2 Financial assets held to maturity: by borrower/issuer

	30/6/07	30/6/06
1. Debt securities	416,987	625,544
a. Governments and central banks	1,772	2,378
b. Other public agencies	—	—
c. Banks	65,542	64,992
d. Other issuers	349,673	558,174
2. Loans and advances	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Others	—	—
3. Impaired assets	—	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Others	—	—
4. Assets sold but not derecognized	204,647	—
a. Governments and central banks	—	—
b. Other public agencies	—	—
c. Banks	—	—
d. Others	204,647	—
Total	621,634	625,544

5.3 *Assets held to maturity: hedged assets*

5.4 *Assets held to maturity (excluding assets sold but not derecognized/impaired assets): movements during the period*

	Debt securities	Loans and advances	Total
A. Balance at start of period	625,544	—	625,544
B. Additions	42	—	42
B.1 Acquisitions	—	—	—
B.2 Writebacks	—	—	—
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions	42	—	42
C. Reductions	208,599	—	208,599
C.1 Disposals	—	—	—
C.2 Redemptions	604	—	604
C.3 Value adjustments	—	—	—
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions	207,995	—	207,995
D. Balance at end of period	416,987	—	416,987

## Section 6

### Heading 60 – Due from banks

#### 6.1 Due from banks

	30/6/07	30/6/06
A. Due from central banks	56,637	25,877
1. Term deposits	—	—
2. Compulsory reserves	56,637	25,877
3. Amounts due under repo agreements	—	—
4. Other amounts due	—	—
B. Due from banks	10,838,015	6,594,106
1. Current accounts and demand deposits	1,196,052	394,432
2. Term deposits	863,308	2,204,765
3. Other receivables:	8,018,464	3,972,010
3.1 amounts due under repo agreements	1,991,462	1,700,666
3.2 amounts due under finance leases	—	—
3.3 other amounts due	6,027,002	2,271,344
4. Debt securities	—	—
4.1 receivable under repo agreements	—	—
4.2 other debt securities	—	—
5. Impaired assets	127	127
6. Assets sold but not derecognized <sup>1</sup>	760,064	22,772
Total book value	10,894,652	6,619,983
Total fair value	10,894,652	6,619,983

<sup>1</sup> Securities sold under repo agreements.

## Section 7

### Heading 70: Due from customers

#### 7.1 Due from customers: composition

	30/6/07	30/6/06
1. Current accounts	11	622
2. Amounts due under repo agreements	668,879	303,050
3. Mortgages	14,619,390	13,622,302
4. Credit cards, personal loans and salary-guaranteed finance	—	—
5. Amounts due under finance leasing	—	—
6. Factoring	—	—
7. Other transactions	1,220,637	1,630,300
8. Debt securities	—	—
8.1 structured	—	—
8.2 other debt securities	—	—
9. Impaired assets	—	—
10. Assets sold but not derecognized <sup>1</sup>	208,781	163,669
Total book value	16,717,698	15,719,943
Total fair value	16,704,071	15,718,241

<sup>1</sup> Assets forming part of securities lending transactions and securitized assets.



7.2 Due from customers: by borrower/issuer

	30/6/07	30/6/06
1. Debt securities:	—	—
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	—	—
- non-financial undertakings	—	—
- financial companies	—	—
- insurances	—	—
- other entities	—	—
2. Loans and advances to:	16,508,917	15,556,274
a) Governments	279,671	181,413
b) Other public agencies	—	129,942
c) Other issuers	16,229,246	15,244,919
- non-financial undertakings	8,642,608	9,558,965
- financial companies	6,672,472	5,066,169
- insurances	913,735	578,328
- other entities	431	41,457
3. Impaired assets	—	—
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	—	—
- non-financial undertakings	—	—
- financial companies	—	—
- insurances	—	—
- other entities	—	—
4. Assets sold but not derecognized <sup>1</sup>	208,781	163,669
a) Governments	—	—
b) Other public agencies	—	—
c) Other issuers	208,781	163,669
- non-financial undertakings	—	—
- financial companies	208,781	163,669
- insurances	—	—
- other entities	—	—
Total	16,717,698	15,719,943

<sup>1</sup> Assets forming part of securities lending transactions and securitized assets.

7.3 *Due from customers: assets subject to specific hedging*

	30/6/07	30/6/06
1. Items subject to specific fair value hedges for:	588,879	564,493
a) interest rate risk	389,829	306,652
b) exchange rate risk	—	—
c) credit risk	199,050	257,841
d) more than one risk	—	—
2. Items subject to specific cash flow hedges:	—	795,383
a) interest rate risk	—	795,383
b) exchange rate risk	—	—
c) other	—	—
Total	588,879	1,359,876

## 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:	—	—	3,126	—	—	3,126
– with exchange of principal	—	—	—	—	—	—
– options bought	—	—	—	—	—	—
– other derivative products	—	—	1,033	—	—	1,033
– without exchange of principal	—	—	—	—	—	—
– options bought	—	—	—	—	—	—
– other derivative products	—	—	2,093	—	—	2,093
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total A	—	—	3,126	—	—	3,126
B) Unlisted derivative products						
1) Financial derivatives:	836,225	407	13,951	—	—	850,583
– with exchange of principal	—	—	—	—	—	—
– options bought	—	—	13,951	—	—	13,951
– other derivative products	—	407	—	—	—	407
– without exchange of principal	—	—	—	—	—	—
– options bought	—	—	—	—	—	—
– other derivative products	836,225	—	—	—	—	836,225
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total B	836,225	407	13,951	—	—	850,583
Total at 30/6/07	836,225	407	17,077	—	—	853,709
Total at 30/6/06	778,461	2,719	—	3,127	—	784,307

8.2 Hedging derivatives: by portfolio hedged and hedge type

	Fair value hedges					Cash flow hedges		
	Specific					General	Specific	General
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	13,951	—	—	3,126	—
2. Loans and advances	7,573	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	7,573	—	—	13,951	—	—	3,126	—
1. Financial liabilities	817,437	—	—	—	—	—	11,622	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	817,437	—	—	—	—	—	11,622	—

## Section 10

### Heading 100: Equity investments

#### 10.1 Investments in subsidiaries, jointly-controlled companies and companies subject to significant influence: disclosures on shareholdings

Name	Registered office	Percentage shareholding	Percentage voting rights
<b>A. SUBSIDIARIES</b>			
Directly held investments			
1. Compass S.p.A. Share capital €87.5m, in par value €5 shares	Milan	100.00	—
2. Prominvest S.p.A. Share capital €743,000, in par value €0.52 shares	Rome	70.00	—
3. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.00	—
4. Ricerche e Studi S.p.A. Share capital €100,000, in par value €5 shares	Milan	100.00	—
5. Sade Finanziaria - Intersomer S.r.l. Share capital €25,000	Milan	100.00	—
6. Seteci - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A. Share capital €5,500,000, in par value €5 shares	Milan	100.00	—
7. Spafid S.p.A. Share capital €100,000, in par value €10 shares	Milan	100.00	—
8. Technostart S.p.A. Share capital €600,000, in par value €0.50 shares	Milan	69.00	—
9. Compagnie Monegasque de Banque - CMB S.A. Share capital €111.1m, in par value €200 shares	Monte Carlo	100.00	—
10. Mediobanca International (Luxembourg) S.A. Share capital €10m, in par value €10 shares	Luxembourg	99.00	—
11. MB Securities USA LLC Share capital \$250,000	New York	100.00	—
12. Consortium S.r.l. Share capital €8.6m	Milan	100.00	—
<b>B. JOINTLY-CONTROLLED COMPANIES</b>			
<b>C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE</b>			
1. Athena Private Equity S.A. Share capital €51.2, in par value €2 shares	Luxembourg	23.88	—
2. Banca Esperia S.p.A. Share capital €13m, in par value €0.52 shares	Milan	48.50	45.71
3. Burgo Group S.p.A. Share capital €205.4m, in par value € 0.52 shares	Altavilla Vicentina (VI)	22.13	—
4. Fidia - Fondo Interbancario d'Investimento Azionario SGR S.p.A. Share capital €11.4m, in par value €520 shares	Milan	25.00	—
5. Assicurazioni Generali S.p.A. Share capital €1,278.1m, in par value €1 shares	Trieste	13.03	—
6. RCS Mediagroup S.p.A. Share capital €732.7m, in par value €1 shares	Milan	13.94	14.49
7. APE S.G.R. S.p.A. Share capital €1.1m, in par value €1 shares	Milan	40.00	—

<sup>1</sup> Amount included in net equity in preceding column.

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

	Total assets	Total income	Net equity (€'000) (For. curr. '000)	Net profit (loss) (€'000) (For. curr. '000)	Book value (€'000)
A. SUBSIDIARIES (IAS 27)					
DIRECTLY OWNED					
1. Compass S.p.A. Share capital €87.5m, in par value €5 shares	4,337,663	535,740	329,313	66,457	77,985
2. Prominvestment S.p.A. Share capital €743,000, in par value €0.52 shares	8,915	1,895	1,957	(81)	819
3. Prudentia Fiduciaria S.p.A. Share capital €100,000, in par value €5 shares	1,629	2,059	606	62	103
4. Ricerche e Studi S.p.A. Share capital €100,000, in par value € 5 shares	1,418	2,060	103	—	103
5. Sade Finanziaria - Intersomer S.r.l. Share capital €25,000	20	1	24	(5)	25
6. Seteci - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A. Share capital €500,000, in par value €5 shares	7,162	11,496	3,173	2	522
7. Spafid S.p.A. Share capital € 100,000, in par value €10 shares	40,131	5,936	35,411	1,543	26
8. Technostart S.p.A. Share capital €600,000, in par value €0.50 shares	556	17	574	(46)	396
9. Compagnie Monégasque de Banque - CMB S.A. Share capital €111.1m, in par value €200 shares	2,141,358	149,680	286,253	42,742	371,508
10. Mediobanca International (Luxembourg) S.A. Share capital €10m, in par value €10 shares	6,724,170	201,345	78,623	8,997	5,943
11. MB Securities USA L.L.C. Share capital \$250,000	2,274	—	250	(1,074)	190
12. Consortium S.r.l. Share capital €8.6m	10,716	391	10,357	293	10,650
Total subsidiaries					468,270

	Key financial data <sup>1</sup>					
	Total assets	Total income	Net profit (loss)	Net equity	Book value	Fair value
C. COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE (IAS 28)						
1. Burgo Group S.p.A.	2,879,410	2,081,300	229,329	657,486	54,628	—
2. Assicurazioni Generali S.p.A.	377,640,539	81,262,767	2,404,821	15,206,543	836,151	4,615,556
3. RCS MediaGroup S.p.A.	2,677,600	2,379,700	219,453	1,166,893	262,017	176,752
4. Banca Esperia S.p.A.	488,784	83,733	16,312	81,172	25,629	—
5. Fidia SGR S.p.A.	11,869	758	(2,480)	11,857	2,962	—
6. Athena Private Equity S.A.	154,289	48,789	29,771	51,740	30,630	—
7. APE S.G.R. S.p.A.	n.m.	n.m.	n.m.	n.m.	440	—
Other, minor investments	—	—	—	—	—	—
Total					1,212,507	

<sup>1</sup> Taken from most recently approved consolidated financial statements.

### 10.3 Equity investments: movements during the period

	30/6/07	30/6/06
A. Balance at start of period	1,676,954	1,624,650
B. Additions	23,955	93,431
B.1 Acquisitions	23,955	4,192
B.2 Value adjustments	—	—
B.3 Revaluations	—	—
B.4 Other additions	—	89,239
C. Reductions	20,132	41,127
C.1 Disposals	5,375	35,651
C.2 Value adjustments for impairment	—	30
C.3 Other reductions	14,757	5,446
D. Balance at end of period	1,680,777	1,676,954
E. Total revaluations	—	—
F. Total adjustments	1,676,954	1,624,650

## Section 11

### Heading 110: Property, plant and equipment

#### 11.1 Tangible assets stated at cost

	30/6/07	30/6/06
A. Core assets		
1.1 owned by the Bank	24,806	25,443
a) land	16,567	16,567
b) buildings	3,985	4,254
c) furniture	430	325
d) electronic equipment	3,785	4,276
e) other assets	39	21
1.2 acquired under finance leases	65,677	66,430
a) land	44,291	44,291
b) buildings	21,386	22,139
c) furniture	—	—
d) electronic equipment	—	—
e) other assets	—	—
Total A	90,483	91,873
B. Assets held for investment purposes		
2.1 owned by the Bank:	29,008	29,405
a) land	20,350	20,350
b) buildings	8,658	9,055
2.2 acquired under finance leases	—	—
a) land	—	—
b) buildings	—	—
Total B	29,008	29,405
Total (A+B)	119,491	121,278



11.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	60,858	34,067	1,676	15,886	111	112,598
A.1 Total net value reductions	—	(7,674)	(1,351)	(11,610)	(90)	(20,725)
A.2 Net opening balance	60,858	26,393	325	4,276	21	91,873
B. Additions:	—	—	193	922	47	1,162
B.1 Purchases	—	—	193	917	—	1,110
B.2 Improvement expenses, capitalized	—	—	—	—	—	—
B.3 Writebacks	—	—	—	—	—	—
B.4 Increases in fair value recognized in:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
B.5 Increases arising due to exchange rates	—	—	—	—	—	—
B.6 Transfers from properties held for investment purposes	—	—	—	—	—	—
B.7 Other additions	—	—	—	5	47	52
C. Reductions:	—	1,022	88	1,413	29	2,552
C.1 Disposals	—	—	—	3	23	26
C.2 Depreciation charges	—	1,022	88	1,410	6	2,526
C.3 Value adjustments for impairment taken to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.4 Reductions in fair value charged to:	—	—	—	—	—	—
a) net equity	—	—	—	—	—	—
b) profit and loss account	—	—	—	—	—	—
C.5 Reductions due to exchange rates	—	—	—	—	—	—
C.6 Transfers to:	—	—	—	—	—	—
a) assets held for investment purposes	—	—	—	—	—	—
b) assets being sold	—	—	—	—	—	—
C.7 Other reductions	—	—	—	—	—	—
D. Net closing balance	60,858	25,371	430	3,785	39	90,483
D.1 Total net value reductions	—	(8,696)	(1,439)	(12,677)	(33)	(22,845)
D.2 Gross closing balance	60,858	34,067	1,869	16,462	72	113,328
E. Stated at cost	—	—	—	—	—	—

#### 11.4 Tangible assets held for investment purposes: movements during the period

	Total	
	Land	Buildings
A. Gross opening balance	20,350	9,055
B. Additions	—	—
B.1 Purchases	—	—
B.2 Improvement expenses, capitalized	—	—
B.3 Net increases in fair value	—	—
B.4 Writebacks	—	—
B.5 Increases arising due to exchange rates	—	—
B.6 Transfers from core assets	—	—
B.7 Other additions	—	—
C. Reductions	—	397
C.1 Disposals	—	—
C.2 Depreciation charges	—	397
C.3 Reductions in fair value	—	—
C.4 Value adjustments for impairment	—	—
C.5 Reductions arising due to exchange rates	—	—
C.6 Transfers to other asset portfolios	—	—
a) core assets	—	—
b) non-current assets being sold	—	—
C.7 Other reductions	—	—
D. Closing balance	20,350	8,658
E. Stated at fair value	87,325	37,361

## Section 12

### Heading 120: Intangible assets

#### 12.1 Intangible assets

	30/6/07		30/6/06	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill	—	—	—	—
A.2 Other intangible assets	1,805	—	1,634	—
A.2.1 Recognized at cost:	1,805	—	1,634	—
a) intangible assets generated internally	—	—	—	—
b) other assets	1,805	—	1,634	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	1,805	—	1,634	—

12.2 Intangible assets: movements during the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
A. Balance at start of period	—	—	—	2,989	—	2,989
A.1 Total net value reductions	—	—	—	(1,355)	—	(1,355)
A.2 Net opening balance	—	—	—	1,634	—	1,634
B. Additions	—	—	—	614	—	614
B.1 Purchases	—	—	—	614	—	614
B.2 Increases in internally generated assets	—	—	—	—	—	—
B.3 Revaluations	—	—	—	—	—	—
B.4 Increases in fair value taken to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
B.5 Increases arising on exchange rates	—	—	—	—	—	—
B.6 Other additions	—	—	—	—	—	—
C. Reductions	—	—	—	443	—	443
C.1 Disposals	—	—	—	—	—	—
C.2 Value adjustments	—	—	—	443	—	443
– amortization	—	—	—	443	—	443
– writedowns	—	—	—	—	—	—
+ net equity	—	—	—	—	—	—
+ profit and loss account	—	—	—	—	—	—
C.3 Reductions in fair value charged to:	—	—	—	—	—	—
– net equity	—	—	—	—	—	—
– profit and loss account	—	—	—	—	—	—
C.4 Transfers to non-current assets being sold	—	—	—	—	—	—
C.5 Reductions due to exchange rate differences	—	—	—	—	—	—
C.6 Other reductions	—	—	—	—	—	—
D. Net closing balance	—	—	—	1,805	—	1,805
D.1 Total net value adjustments	—	—	—	1,798	—	1,798
E. Gross closing balance	—	—	—	3,603	—	3,603
F. Stated at cost	—	—	—	—	—	—

## Section 13

### Asset heading 130 and Liability heading 80: Tax assets and liabilities

#### 13.1 Advance tax assets

	30/6/07	30/6/06
Corporate income tax (IRES)	104,147	109,235
Regional production tax (IRAP)	5,801	3,649
Total	109,948	112,884

#### 13.2 Deferred tax liabilities

	30/6/07	30/6/06
Corporate income tax (IRES)	413,685	245,966
Regional production tax (IRAP)	39,963	14,410
Total	453,648	260,376

#### 13.3 Changes in advance tax during the period

	30/6/07	30/6/06
1. Balance at start of period	112,884	132,735
2. Additions	41,883	7,348
2.1 Advance tax originating during the period	39,743	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other additions	39,743	—
2.2 New taxes or increases in tax rates	—	7,348
2.3 Other additions	2,140	—
3. Reductions	44,819	27,199
3.1 Advance tax reversed during the period	44,506	27,199
a) reclassifications	44,506	—
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	27,199
3.2 Reductions in tax rates	—	—
3.3 Other reductions	313	—
4. Balance at end of period	109,948	112,884

### 13.4 Changes in deferred tax during the period

	30/6/07	30/6/06
1. Balance at start of period	215,258	220,314
2. Additions	153,120	12,007
2.1 Deferred tax recorded during the period	66,492	4,959
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) other additions	66,492	4,959
2.2 New taxes or increases in tax rates	—	1,373
2.3 Other additions	86,628	5,675
3. Reductions	511	17,063
3.1 Deferred tax reversed during the period	511	17,063
a) reclassifications	—	—
b) due to changes in accounting policies	—	—
c) other reductions	511	17,063
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	367,867	215,258

### 13.6 Changes in deferred tax during the period<sup>1</sup>

	30/6/07	30/6/06
1. Balance at start of period	45,118	54,133
2. Additions	48,707	13,037
2.1 Deferred tax recorded during the period	48,707	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	—	—
2.2 New taxes or increases in tax rates	48,707	13,037
2.3 Other additions	—	—
3. Reductions	8,044	22,052
3.1 Deferred tax reversed during the period	8,044	22,052
a) reclassifications	—	—
b) due to changes in accounting policies	—	—
c) others	8,044	22,052
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	—
4. Balance at end of period	85,781	45,118

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

## Section 15

### Heading 150: Other assets

#### 15.1 Other assets

	30/6/07	30/6/06
1. Bills for collection	—	—
2. Amounts due from customers in respect of:	6,936	14,823
– securities drawn by lot, bonds, and coupons currently being checked	—	10,280
– premiums, grants, indemnities and other items in respect of lending transactions	—	638
– futures and other securities transactions	6,660	—
– advance payments on deposit commissions	262	—
– other items in transit	—	—
– invoices to be collected or issued	14	3,905
3. Accrued income	1,800	—
4. Other items	15,322	40,779
5. Collateral paid in respect of derivative products	184,516	45,109
Total	208,574	100,711

## Liabilities

### Section 1

#### Heading 10: Due to banks

##### 1.1 Due to banks: composition

	30/6/07	30/6/06
1. Due to central banks	837,930	597,846
2. Due to banks	10,135,620	4,385,661
2.1 Current accounts and demand deposits	717,656	633,609
2.2 Term deposits	3,773,750	1,138,755
2.3 Borrowings	1,867,388	1,415,498
2.3.1 Finance leases	—	—
2.3.2 Other	1,867,388	1,415,498
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Liabilities in respect of assets sold but not derecognized	3,041,464	415,869
2.5.1 Amounts due under reverse repo agreements	3,041,464	415,869
2.5.2 Others	—	—
2.6 Other amounts due	735,362	781,930
Total book value	10,973,550	4,983,507
Total fair value	10,973,550	4,983,507

##### 1.4 Due to banks: items subject to specific hedges

	30/6/07	30/6/06
1. Items subject to specific fair value hedges for:	135,438	55,055
a) interest rate risk	135,438	55,055
b) exchange rate risk	—	—
c) more than one risk	—	—
2. Items subject to specific cash flow hedges for:	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—

## Section 2

### Heading 20: Due to customers

#### 2.1 Due to customers: composition

	30/6/07	30/6/06
1. Current accounts and demand deposits	540,310	594,672
2. Term deposits	278,968	118
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	32,393	32,364
4.1 Under finance leases	14,774	21,288
4.2 Others	17,619	11,076
5. Amounts due under commitments to buy back own shares	—	—
6. Liabilities in respect of assets sold but not derecognized	862,182	490,779
6.1 Amounts due under reverse repo agreements	862,182	490,779
6.2 Others	—	—
7. Other amounts due	379,235	760,873
Total book value	2,093,088	1,878,806
Total fair value	2,093,088	1,878,806



## Section 3

### Heading 30: Debt securities in issue

#### 3.1 Debt securities in issue: composition

	30/6/07		30/6/06	
	Book value	Fair value	Book value	Fair value
A. Listed securities				
1. bonds	16,537,051	16,525,189	17,315,273	17,285,449
1.1 structured	4,989,991	4,990,197	6,291,268	6,270,364
1.2 others	11,547,060	11,534,992	11,024,005	11,015,085
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
B. Unlisted securities				
1. bonds	5,232,553	5,232,642	1,974,841	1,972,600
1.1 structured	1,886,226	1,886,105	1,014,323	1,006,987
1.2 others	3,346,327	3,346,537	960,518	965,613
2. other securities	285,940	285,940	356,739	356,739
2.1 structured	—	—	—	—
2.2 others	285,940	285,940	356,739	356,739
Total	22,055,544	22,043,771	19,646,853	19,614,788

Subordinated liabilities included under the heading *Debt securities in issue* total €995,245,000.

#### 3.3 Debt securities: items subject to specific hedging

	30/6/07	30/6/06
1. Securities subject to specific fair value hedges	14,926,783	14,162,870
a) interest rate risk	14,926,783	14,162,870
b) exchange rate risk	—	—
c) other	—	—
2. Securities subject to specific cash flow hedges	—	—
a) interest rate risk	—	—
b) exchange rate risk	—	—
c) other	—	—

## Section 4

### Heading 40: Trading liabilities

#### 4.1 Trading liabilities: composition

	30/6/07			30/6/06		
	Nominal value	Fair value		Nominal value	Fair value	
		Listed	Unlisted		Listed	Unlisted
<b>A. Cash liabilities</b>						
1. Due to banks	956,845	929,694	—	24,294	26,738	—
2. Due to customers	717,979	621,983	95,585	2,069,888	2,030,817	—
3. Debt securities	—	—	—	—	—	—
3.1 Bonds	—	—	—	—	—	—
3.1.1 Structured	—	—	—	—	—	—
3.1.2 Other	—	—	—	—	—	—
3.2 Other securities	—	—	—	—	—	—
3.2.1 Structured	—	—	—	—	—	—
3.2.2 Other	—	—	—	—	—	—
<b>Total A</b>	<b>1,674,824</b>	<b>1,551,677</b>	<b>95,585</b>	<b>2,094,182</b>	<b>2,057,555</b>	<b>—</b>
<b>B. Derivative products</b>						
1. Financial derivatives	—	14,622	1,984,580	—	14,821	1,231,367
1.1 Trading	—	14,622	663,752	—	14,821	607,849
1.2 Linked to fair value options	—	—	—	—	—	—
1.3 Other	—	—	1,320,828	—	—	623,518
2. Credit derivatives	—	—	48,939	—	—	19,579
2.1 Trading	—	—	48,939	—	—	19,579
2.2 Linked to fair value options	—	—	—	—	—	—
2.3 Other	—	—	—	—	—	—
<b>Total B</b>	<b>—</b>	<b>14,622</b>	<b>2,033,519</b>	<b>—</b>	<b>14,821</b>	<b>1,250,946</b>
<b>Total (A+B)</b>	<b>1,674,824</b>	<b>1,566,299</b>	<b>2,129,104</b>	<b>2,094,182</b>	<b>2,072,376</b>	<b>1,250,946</b>

#### 4.4 Trading liabilities: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Others	Total at 30/6/07	Total at 30/6/06
A) Listed derivative products							
1. Financial derivatives:	11,231	—	3,391	—	—	14,622	14,821
– With exchange of principal	6,845	—	1,373	—	—	8,218	13,959
- options issued	—	—	—	—	—	—	—
- other derivatives	6,845	—	1,373	—	—	8,218	13,959
– Without exchange of principal	4,386	—	2,018	—	—	6,404	862
- options issued	807	—	—	—	—	807	23
- other derivatives	3,579	—	2,018	—	—	5,597	839
2. Credit derivatives:	—	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—	—
Total A	11,231	—	3,391	—	—	14,622	14,821
B) Unlisted derivative products							
1. Financial derivatives:	562,626	26,206	1,352,567	—	43,181	1,984,580	1,231,367
– With exchange of principal	—	26,197	18,215	—	—	44,412	11,945
- options issued	—	—	18,215	—	—	18,215	4,394
- other derivatives	—	26,197	—	—	—	26,197	7,551
– Without exchange of principal	562,626	9	1,334,352	—	43,181	1,940,168	1,219,422
- options issued	729	9	1,334,330	—	—	1,335,068	748,945
- other derivatives	561,897	—	22	—	43,181	605,100	470,477
2. Credit derivatives:	—	—	—	48,939	—	48,939	19,579
– With exchange of principal	—	—	—	47,701	—	47,701	18,079
– Without exchange of principal	—	—	—	1,238	—	1,238	1,500
Total B	562,626	26,206	1,352,567	48,939	43,181	2,033,519	1,250,946
Total (A+B)	573,857	26,206	1,355,958	48,939	43,181	2,048,141	1,265,767

## Section 6

### Heading 60: Hedging derivatives

#### 6.1 Hedging derivatives: by type of product/underlying asset

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other	Total
A) Listed derivative products						
1. Financial derivatives:	—	—	22,813	—	—	22,813
– With exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	22,813	—	—	22,813
– Without exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
Total A	—	—	22,813	—	—	22,813
B) Unlisted derivative products						
1. Financial derivatives:	1,801,943	15,592	28,184	—	—	1,845,719
– With exchange of principal	—	15,592	28,184	—	—	43,776
– options issued	—	—	28,184	—	—	28,184
– other derivatives	—	15,592	—	—	—	15,592
– Without exchange of principal	1,801,943	—	—	—	—	1,801,943
– options issued	—	—	—	—	—	—
– other derivatives	1,801,943	—	—	—	—	1,801,943
2. Credit derivatives:	—	—	—	2,958	—	2,958
– With exchange of principal	—	—	—	2,958	—	2,958
– Without exchange of principal	—	—	—	—	—	—
Total B	1,801,943	15,592	28,184	2,958	—	1,848,677
Total 30/6/07	1,801,943	15,592	50,997	2,958	—	1,871,490
Total 30/6/06	1,322,297	5,740	—	5,152	—	1,333,189

## 6.2 Hedging derivatives: by portfolio hedged/hedge type

	Fair value hedges					Cash flow hedges		
	Specific					General	Specific	General
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	28,184	—	X	22,813	X
2. Loans and advances	27,448	—	2,958	X	—	X	—	X
3. Financial assets held to maturity	X	—	—	X	—	X	—	X
4. Portfolio	X	X	X	X	X	—	X	—
Total assets	27,448	—	2,958	28,184	—	—	22,813	—
1. Financial liabilities	1,789,518	—	—	—	—	X	569	X
2. Portfolio	X	X	X	X	X	—	X	—
Total liabilities	1,789,518	—	—	—	—	—	569	—

## Section 10

### Heading 100: Other liabilities

#### 10.1 Other liabilities

	30/6/07	30/6/06
1. Bills for collection	—	—
2. Amounts payable in respect of:		
– coupons and dividends pending collection	2,068	1,992
– commissions payable to participants in underwriting syndicates	55,522	17,653
– sums available for payments to customers	30,453	18,460
– invoices pending settlement or receipt	15,036	12,548
3. Wages accrued, contributions and amounts payable withheld from staff and customers	36,473	24,254
4. Impaired endorsements	25,744	—
5. Sums received by way of collateral on exposures to derivative products	820,946	576,013
6. Financial guarantees on CDS products (as required under IAS 37)	1,113	1,113
7. Other items	113	1,090
Total	987,468	653,123

## Section 11

### Heading 110: Staff severance indemnity provision

#### 11.1 Staff severance indemnity provision

	30/6/07	30/6/06
A. Balance at start of period	14,712	14,175
B. Additions	5,118	4,475
B.1 Transfers during period	5,118	4,130
B.2 Other additions	—	345
C. Reductions	8,173	3,938
C.1 Indemnities paid out	516	3,346
C.2 Other reductions <sup>1</sup>	7,657	592
D. Balance at end of period	11,657	14,712

<sup>1</sup> Includes transfers to external, defined contribution provisions.

#### 11.2 Other provisions

The staff severance indemnity provision calculated as per the provisions of the Italian Civil Code amounted to €14,232,000, with an increase of €406,000 to reflect service costs.

In order to calculate the actuarial value, the staff severance indemnity provision has been revalued at a rate of 2%, using the swap rate curve as at 30 June 2007 reflecting an interest cost of €528,000.

## Section 12

### Heading 120: Provisions

#### 12.1 Provisions

	30/6/07	30/6/06
1. Company post-employment benefit provision	—	—
2. Other provisions	150,776	151,000
2.1 litigation	—	—
2.2 staff-related	—	—
2.3 other	150,776	151,000
Total	150,776	151,000

#### 12.4 Other provisions

	Post-employment benefit provision	Litigation	Other provisions	Total
A. Balance at start of period	—	—	151,000	151,000
B. Additions	—	—	1,000	1,000
B.1 Transfers during period	—	—	—	—
B.2 Changes due to passing of time	—	—	1,000	1,000
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	—	1,224	1,224
C.1 Transfers during period	—	—	1,224	1,224
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	—	150,776	150,776

## Section 14

### Headings 130, 150, 160, 170, 180, 190 and 200: Net equity

#### 14.1 Net equity

	30/6/07	30/6/06
1. Share capital	408,781	405,999
2. Share premium reserve	2,119,328	2,071,364
3. Reserves	2,201,123	2,129,520
4. Treasury shares	—	—
5. Valuation reserves	808,538	326,972
6. Equity instruments	—	—
7. Profit (loss) for the period	561,110	545,520
Total	6,098,880	5,479,375

#### 14.3 Share capital: changes in no. of shares in issue during period

	No. of ordinary shares
A. Shares in issue at start of period	811,997,165
– entirely unrestricted	811,997,165
– with restrictions	—
A.1 Treasury shares	—
A.2 Shares in issue: balance at start of period	811,997,165
B. Additions	5,565,750
B.1 New share issuance as a result of:	5,565,750
– rights issues	5,565,750
– business combinations	—
– bond conversions	—
– exercise of warrants	—
– others	5,565,750
– bonus issues	—
– to staff members	—
– to Board members	—
– others	—
B.2 Treasury share disposals	—
B.3 Other additions	—
C. Reductions	—
C.1 Cancellations	—
C.2 Treasury share buybacks	—
C.3 Disposals of businesses	—
C.4 Other reductions	—
D. Shares in issue: balance at end of period	817,562,915
D.1 Add: treasury shares	—
D.2 Shares in issue at end of period	817,562,915
– entirely unrestricted	817,562,915
– with restrictions	—



#### 14.7 Valuation reserves

	30/6/07	30/6/06
1. AFS securities	808,858	306,786
2. Property, plant and equipment	—	—
3. Intangible assets	—	—
4. Foreign investment hedges	—	—
5. Cash flow hedges	(7,907)	12,599
6. Exchange rate differences	—	—
7. Non-current assets being sold	—	—
8. Special revaluation laws	7,587	7,587
<b>Total</b>	<b>808,538</b>	<b>326,972</b>

#### 14.8 Valuation reserves: movements during the period

	AFS securities	Cash flow hedges	Special laws
A. Balance at start of period	306,786	12,599	7,587
B. Additions	628,778	25,228	—
B.1 Increases in fair value	623,251	25,228	—
B.2 Other additions	5,527	—	—
C. Reductions	126,706	45,734	—
C.1 Reductions in fair value	113,106	27,491	—
C.2 Other reductions	13,600	18,243	—
D. Balance at end of period	808,858	(7,907)	7,587

#### 14.9 AFS securities valuation reserve

	30/6/07		30/6/06	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	52,672	(27,633)	30,610	(22,042)
2. Equities	991,150	(207,331)	429,190	(130,972)
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
<b>Total</b>	<b>1,043,822</b>	<b>(234,964)</b>	<b>459,800</b>	<b>(153,014)</b>

#### 14.10 AFS valuation reserve: movements during the period

	Debt securities	Equities	OICR units	Total
1. Balance at start of period	8,568	298,218	—	306,786
2. Additions	30,666	598,112	—	628,778
2.1 Increase in fair value	26,465	596,786	—	623,251
2.2 Negative reserves charged back to profit and loss as a result of:				
– impairment	4,201	1,326	—	5,527
– disposals	—	—	—	—
2.3 Other additions	4,201	1,326	—	5,527
2.3 Other additions	—	—	—	—
3. Reductions	14,195	112,511	—	126,706
3.1 Reductions in fair value	13,961	99,145	—	113,106
3.2 Adjustments for impairment	—	—	—	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals	234	13,366	—	13,600
3.4 Other reductions	—	—	—	—
4. Balance at end of period	25,039	783,819	—	808,858

## Other information

### 1. Guarantees and commitments

	30/6/07	30/6/06
1. Financial guarantees given to:	12,953,383	3,294,219
a) Banks	11,192,993	2,603,869
b) Customers	1,760,390	690,350
2. Commercial guarantees given to	23,610	29,015
a) Banks	—	—
b) Customers	23,610	29,015
3. Irrevocable commitments to lend funds to:	27,207,064	68,658,833
a) Banks	12,635,968	6,310,502
i) specific	10,706,366	4,361,813
ii) standby basis	1,929,602	1,948,689
b) Customers	14,571,096	62,348,331
i) specific	9,889,906	7,236,766
ii) standby basis	4,681,190	55,111,565 <sup>1</sup>
4. Commitments underlying credit derivatives: hedge sales	2,366,393	273,933
5. Assets pledged as collateral for customer obligations	—	—
6. Other commitments	617,894	159,149
Total	43,168,344	72,415,149

<sup>1</sup> Of which €48,544,000,000 guaranteed by letters of credit from banks.

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

	30/6/07	30/6/06
1. Financial assets held for trading	3,130,072	1,323,179
2. Financial assets recognized at fair value	—	—
3. AFS securities	60,968	—
4. Financial assets held to maturity	204,467	—
5. Due from banks	—	—
6. Due from customers	619,275	334,895
7. Property, plant and equipment	—	—

4. *Assets managed and traded on behalf of customers*

	30/6/07	30/6/06
1. Securities traded on behalf of customers	34,388,814	40,837,772
a) Purchases	20,378,078	20,638,248
1. settled	19,891,288	20,077,303
2. pending settlement	486,790	560,945
b) Disposals	14,010,736	20,199,524
1. settled	13,523,946	19,638,579
2. pending settlement	486,790	560,945
2. Asset management	—	—
a) individuals	—	—
b) groups	—	—
3. Securities under custody/managed on a non-discretionary basis	19,264,439	16,634,055
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management)	4,698,362	4,289,689
1. securities issued by bank drawing up consolidated financial statements	339,607	357,299
2. other securities	4,358,755	3,932,390
b) other customers' securities held on deposit (not including asset management): others	—	—
1. securities issued by bank drawing up consolidated financial statements	—	—
2. other securities	—	—
c) customers' securities held on deposit with customers	4,248,604	3,913,143
d) own securities held on deposit with customers	10,317,473	8,431,223
4. Other transactions	—	—

## PART C - NOTES TO PROFIT AND LOSS ACCOUNT

### Section 1

#### Headings 10 and 20: Net interest income

##### 1.1 Interest and similar income

	Performing assets		Impaired assets	Other assets	12 mths to 30/6/07	12 mths to 30/6/06
	Debt securities	Loans and advances				
1. Financial assets held for trading	255,004	—	—	—	255,004	147,382
2. AFS securities	65,984	—	—	—	65,984	51,361
3. Financial assets held to maturity	25,933	—	—	—	25,933	19,026
4. Due from banks	—	169,564	—	129,581	299,145	106,026
5. Due from customers	—	596,575	—	47,824	644,399	503,347
6. Financial assets recognized at fair value	—	—	—	—	—	—
7. Hedge derivatives	—	—	—	391,557	391,557	138,332
8. Financial assets sold but not derecognized	—	—	—	—	—	—
9. Other assets	—	—	—	164	164	164
<b>Total</b>	<b>346,921</b>	<b>766,921</b>	<b>—</b>	<b>569,126</b>	<b>1,682,186</b>	<b>965,638</b>

1.2 *Interest and similar income: differences arising on hedging transactions*

	12 mths to 30/6/07	12 mths to 30/6/06
A. Positive differences arising on:		
A.1 Specific hedges of fair value of assets	10,503	35,494
A.2 Specific hedges of fair value of liabilities	987,289	470,433
A.3 General hedging of interest rate risk	—	—
A.4 Specific hedges of cash flow from assets	—	—
A.5 Specific hedges of cash flow from liabilities	—	—
A.6 General hedging of cash flows	—	—
Total, positive differences (A)	997,792	505,927
B. Negative differences arising on:		
B.1 Specific hedges of fair value of assets	(14,801)	(25,964)
B.2 Specific hedges of fair value of liabilities	(591,434)	(341,631)
B.3 General hedging of interest rate risk	—	—
B.4 Specific hedges of cash flow from assets	—	—
B.5 Specific hedges of cash flow from liabilities	—	—
B.6 General hedging of cash flows	—	—
Total, negative differences (B)	(606,235)	(367,595)
C. Balance (A – B)	391,557	138,332

1.3 *Interest and similar income: other information*

	12 mths to 30/6/07	12 mths to 30/6/06
1.3.1 Interest receivable on financial assets denominated in currencies other than the Euro	100,841	30,657
1.3.2 Interest receivable in respect of finance leasing transactions	—	—
1.3.3 Interest income on receivables involving customers' funds held on a non-discretionary basis	—	—
Total	100,841	30,657

*1.4 Interest expense and similar charges*

	Accounts payable	Securities	Other liabilities	12 mths to 30/6/07	12 mths to 30/6/06
1. Due to banks	(122,774)	—	(82,668)	(205,442)	(203,127)
2. Due to customers	(11,912)	—	(22,126)	(34,038)	(39,920)
3. Debt securities in issue	—	(1,199,299)	—	(1,199,299)	(728,554)
4. Trading liabilities	—	—	—	—	—
5. Financial liabilities recognized at fair value	—	—	—	—	—
6. Financial liabilities in respect of assets sold but not derecognized	—	—	(122,052)	(122,052)	—
7. Other liabilities	—	—	(592)	(592)	(433)
8. Hedging derivatives	—	—	—	—	—
<b>Total</b>	<b>(134,686)</b>	<b>(1,199,299)</b>	<b>(227,438)</b>	<b>(1,561,423)</b>	<b>(972,034)</b>

*1.6 Interest expense and similar charges: other information*

	12 mths to 30/6/07	12 mths to 30/6/06
1.6.1 Interest payable on liabilities denominated in currencies other than the Euro	(129,959)	(22,950)
1.6.2 Interest payable on liabilities in respect of finance leasing transactions	(1,042)	(1,334)
1.6.3 Interest payable on customers' funds held on a non-discretionary basis	—	—
<b>Total</b>	<b>(131,001)</b>	<b>(24,284)</b>

## Section 2

### Headings 40 and 50: Net fee and commission income

#### 2.1 Net fee and commission income

	12 mths to 30/6/07	12 mths to 30/6/06
a) guarantees given	5,424	5,379
b) credit derivatives	1,565	1,514
c) management, trading and advisory services:	283,275	199,760
1. securities trading	22,144	20,164
2. foreign currency trading	—	—
3. asset management <sup>1</sup>	—	—
3.1 individuals	—	—
3.2 groups	—	—
4. securities under custody and non-discretionary management	—	—
5. deposit bank services	—	—
6. securities placement	97,978	54,570
7. procurement of orders	118	—
8. advisory services	163,035	125,026
9. agency fees	—	—
9.1 asset management	—	—
9.1.1 individuals	—	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	—	52
e) securitization services	—	—
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) other services	1,447	—
Total	291,711	206,705

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

	12 mths to 30/6/07	12 mths to 30/6/06
a) on the Bank's own premises:	97,978	54,570
1. asset management	—	—
2. securities placement	97,978	54,570
3. agency fees	—	—
b) elsewhere:		
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:		
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
<b>Total</b>	<b>97,978</b>	<b>54,570</b>

## 2.3 Fee and commission expense

	12 mths to 30/6/07	12 mths to 30/6/06
a) guarantees received	—	—
b) credit derivatives	(1,267)	—
c) management and trading services:	(19,714)	(3,149)
1. securities trading	(2,897)	(2,002)
2. foreign currency trading	—	—
3. asset management:	—	—
3.1 proprietary	—	—
3.2 on behalf of customers	—	—
4. securities under custody/held on a non-discretionary basis	(1,539)	(717)
5. securities placement	(15,278)	(430)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(1,328)	(3,807)
e) other services	(2,490)	—
<b>Total</b>	<b>(24,799)</b>	<b>(6,956)</b>



## Section 3

### Heading 70: Dividends and similar income

#### 3.1 Dividends and similar income

	12 mths to 30/6/07		12 mths to 30/6/06	
	Dividends	Income from OICR units	Dividends	Income from OICR units
A. Financial assets held for trading	40,273	—	137,511	—
B. AFS securities	71,707	—	64,912	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	141,805	—	104,844	—
Total	253,785	—	307,267	—

## Section 4

### Heading 80: Net trading income

#### 4.1 Net trading income

	Gains (A)	Dealing profits (B)	Value reductions (C)	Dealing losses (D)	Net trading income [(A+B)-(C+D)]
1. Trading assets	77,514	338,596	(130,186)	(171,151)	114,773
1.1 Debt securities	18,813	53,048	(85,406)	(45,322)	(58,867)
1.2 Equities	58,701	285,548	(44,780)	(125,829)	173,640
1.3 OICR units	—	—	—	—	—
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	56,673	—	(44,768)	—	11,905
4. Derivative products	916,733	816,567	(803,491)	(956,197)	(26,388)
4.1 Financial derivatives on:	916,733	792,501	(800,793)	(914,590)	(6,149)
– debt securities and interest rates <sup>1</sup>	20,912	428,028	(4,748)	(315,902)	128,290
– equities and stock market indexes	882,975	364,473	(796,045)	(575,568)	(124,165)
– foreign currency and gold	12,846	—	—	(23,120)	(10,274)
– others	—	—	—	—	—
4.2 Credit derivatives	—	24,066	(2,698)	(41,607)	(20,239)
Total	1,050,920	1,155,163	(978,445)	(1,127,348)	100,290
Total at 30/6/06	461,881	1,597,348	(390,968)	(1,595,960)	72,301

<sup>1</sup> Of which €72,928,000 in margins on interest rate derivatives.

## Section 5

### Heading 90: Net hedging income

#### 5.1 Net hedging income

	12 mths to 30/6/07	12 mths to 30/6/06
A. Income from:		
A.1 Fair value hedge derivatives	107,066	157,351
A.2 Financial assets hedged (fair value)	2,424	10,389
A.3 Financial liabilities hedged (fair value)	442,368	730,666
A.4 Cash flow hedge derivatives	—	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	551,858	898,406
B. Expense related to:		
B.1 Fair value hedge derivatives	(331,204)	(792,373)
B.2 Financial assets hedged (fair value)	(8,383)	(44,580)
B.3 Financial liabilities hedged (fair value)	(215,860)	(63,581)
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(555,447)	(900,534)
C. Net hedging income (A–B)	(3,589)	(2,128)

## Section 6

### Heading 100: Gains (losses) on disposals/repurchases

#### 6.1 Gains (losses) on disposals/repurchases

	12 mths to 30/6/07			12 mths to 30/6/06		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. AFS securities	169,055	(2,392)	166,663	198,552	(112,654)	85,898
3.1 Debt securities	3,901	(2,147)	1,754	17,837	(20,285)	(2,448)
3.2 Equities	165,154	(245)	164,909	180,715	(92,369)	88,346
3.3 OICR units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	—	(72)	(72)	—	(167)	(167)
Total assets	169,055	(2,464)	166,591	198,552	(112,821)	85,731
Financial liabilities						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	—	—	—	—	—	—
3. Debt securities in issue	8,055	(7,150)	905	15,106	(5,280)	9,826
Total liabilities	8,055	(7,150)	905	15,106	(5,280)	9,826

## Section 8

### Heading 130: Adjustments for impairment

#### 8.1 Adjustments for impairment

	Value adjustments			Amounts recovered				12 mths to 30/6/07	12 mths to 30/6/06
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	—	—	
B. Due from customers	—	—	(5,244)	—	—	—	—	(5,244)	
C. Total	—	—	(5,244)	—	—	—	—	(5,244)	

*Legend*

A = interest

B = other amounts recovered

#### 8.2 Net adjustments for impairment to AFS securities

	Value adjustments		Amounts recovered		12 mths to 30/6/07	12 mths to 30/6/06
	Specific		Specific			
	Writeoffs	Others	A	B		
A. Debt securities	—	—	—	—	—	—
B. Equities	—	(4,169)	—	—	(4,169)	—
C. OICR units	—	—	—	—	—	—
D. Loans and advances to banks	—	—	—	—	—	—
E. Loans and advances to customers	—	—	—	—	—	—
F. Total	—	(4,169)	—	—	(4,169)	—

*Legend*

A = interest

B = other amounts recovered

## Section 9

### Heading 150: Administrative expenses

#### 9.1 Personnel costs

	12 mths to 30/6/07	12 mths to 30/6/06
1. Employees	(119,132)	(103,504)
a) wages and salaries	(82,008)	(70,510)
b) social security contributions	(21,024)	(18,434)
c) severance indemnities		—
d) pension contributions		—
e) transfers to severance indemnity provisions	(1,996)	(3,892)
f) transfers to post-employment and similar benefits provisions:		
– defined contribution	—	—
– defined benefit	—	—
g) amounts paid to external complementary pension schemes:		
– defined contribution	(5,166)	(4,709)
– defined benefit	(5,166)	(4,709)
h) expenses incurred in connection with share payment schemes	(8,483)	(5,502)
i) other staff benefits	(455)	(457)
2. Other staff	(2,698)	(1,462)
3. Board members	(12,610)	(4,256)
Total	(134,440)	(109,222)

#### 9.2 Average number of staff by category

	12 mths to 30/6/07	12 mths to 30/6/06
Employees:		
a) Senior executives	71	66
b) Executives	255	242
<i>of which grade 3 and 4</i>	<i>163</i>	<i>148</i>
c) Other employees	108	96
Other staff	46	31
Total	480	435

## 9.5 Other administrative expenses

	12 mths to 30/6/07	12 mths to 30/6/06
OTHER ADMINISTRATIVE EXPENSES		
– outside consultants’ fees	(15,125)	(11,446)
– legal fees due in respect of credit recovery	—	—
– share and bond servicing	(5,527)	(5,621)
– sundry insurances	—	—
– advertising	—	—
– rent and maintenance	(3,998)	(3,953)
– EDP costs and financial information subscriptions	(21,386)	(21,190)
– publications, stationery and utilities	(2,936)	(3,300)
– travel and entertainment	(3,347)	(2,869)
– other staff-related expenses	(518)	(471)
– bank charges	(6,596)	(4,297)
– transport costs	(1,694)	(1,419)
– outsourced activities	(1,339)	(1,427)
– assets expensed	—	(2,009)
– other expenses	(5,061)	(3,938)
– taxes and indirect taxation	(5,921)	(3,383)
Total other administrative expenses	(73,448)	(65,323)

## Section 10

### Heading 160: Net transfers to provisions

#### 10.1 Net transfers to provisions

	12 mths to 30/6/07	12 mths to 30/6/06
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments <sup>1</sup>	224	(1,000)
Total net transfers to provisions	224	(1,000)

<sup>1</sup> Includes the effect of discounting such items.

## Section 11

### Heading 170: Net adjustments to tangible assets

#### 13.1 Net adjustments to tangible assets

	Depreciation	Value adjustments for impairment	Amounts recovered	Net result
A. Tangible assets				
A.1 Owned	(2,923)	—	—	(2,923)
– core	(2,526)	—	—	(2,526)
– for investment purposes	(397)	—	—	(397)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(2,923)	—	—	(2,923)

## Section 12

### Heading 180: Net adjustments to intangible assets

#### 12.1 Net adjustments to intangible assets

	Amortization	Value adjustments for impairment	Amounts recovered	Net result
A. Intangible assets				
A.1 Owned	(443)	—	—	(443)
– software	(443)	—	—	(443)
– other	—	—	—	—
A.2 Goodwill	—	—	—	—
Total	(443)	—	—	(443)

## Section 13

### Heading 190: Other operating income (expense)

#### 13.1 Other operating expense: composition

	12 mths to 30/6/07	12 mths to 30/6/06
a) Leasing activity	(4)	(17)
b) Sundry costs and expenses <sup>1</sup>	(8,463)	(6,829)
Total	(8,467)	(6,846)

<sup>1</sup> Includes costs of €7,808,000 (30/6/06: €3,316,000) in connection with stock option schemes operated by Banca Esperia.

#### 13.2 Other operating income: composition

	12 mths to 30/6/07	12 mths to 30/6/06
a) Amounts recovered from customers	1,716	1,586
b) Other income	8,712	14,730
Total	10,428	16,316

## Section 14

### Heading 210: Gains (losses) on equity investments

#### 14.1 Gains (losses) on equity investments

	12 mths to 30/6/07	12 mths to 30/6/06
A. Income	—	2,890
1. Revaluations	—	—
2. Gains on disposals	—	2,890
3. Amounts recovered	—	—
4. Other increases	—	—
B. Expense	—	—
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	—	—
Net income	—	2,890



## Section 17

### Heading 240: Net gain (loss) upon disposal of investments

#### 17.1 Net gain (loss) upon disposal of investments

	12 mths to 30/6/07	12 mths to 30/6/06
A. Properties	—	—
– gains on disposals	—	—
– losses on disposals	—	—
B. Other assets	(21)	2
– gains on disposals	1	2
– losses on disposals	(22)	—
Net gain (loss)	(21)	2

## Section 18

### Heading 260: Income tax on ordinary activities

#### 18.1 Income tax on ordinary activities

	12 mths to 30/6/07	12 mths to 30/6/06
1. Current taxes	(56,500)	(121,660)
2. Changes in current taxes for previous financial years	—	—
3. Reductions in current tax for the period	—	—
4. Changes in advance tax	(4,763)	1,220
5. Changes in deferred tax	(64,781)	5,056
Income tax for the year	(126,044)	(115,384)

## 18.2 Reconciliation between theoretical and effective tax burden

	30/6/07
Profit before tax	687,155
Theoretical tax rate applicable	33%
Theoretical taxes	226,761
Dividends	(75,025)
Gains on disposals of equity investments (PEX)	(26,758)
Gains on equity-accounted investments	—
Changes in deferred tax from previous years	—
Different tax rates (non-Italian companies)	—
Tax losses	(11,119)
Tax spearing credit	(9,366)
Impairment	1,376
Other changes	(1,244)
<b>TOTAL ITALIAN CORPORATE INCOME TAX (IRES)</b>	<b>104,625</b>
<b>ITALIAN REGIONAL PRODUCTION TAX (IRAP)</b>	<b>21,419</b>
<b>TOTAL HEADING 260</b>	<b>126,044</b>

## Section 21

### Earnings per share

#### 21.1 Average number of ordinary shares on a diluted basis

	12 mths to 30/6/07	12 mths to 30/6/06
Net profit	561,110	545,520
Avg. no. of shares in issue	816,514,035	797,557,140
Avg. no. of potentially diluted shares	16,071,380	35,033,275
Avg. no. of diluted shares	832,585,415	832,590,415
Earnings per share	0.69	0.68
Earnings per share, diluted	0.67	0.66

## **PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES**

### **Section 1**

#### **Credit risk**

#### **QUALITATIVE INFORMATION**

##### *1. General issues*

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.

## QUANTITATIVE INFORMATION

### A. CREDIT QUALITY

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

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

	Non-performing	Potential problem	Restructured	Overdue	Country risk	Other assets	Total
1. Financial assets held for trading	—	—	—	—	—	12,453,735	12,453,735
2. AFS securities	—	—	—	—	—	4,788,039	4,788,039
3. Financial assets held for trading	—	—	—	—	—	621,634	621,634
4. Due from banks	127	—	—	—	—	10,894,525	10,894,652
5. Due from customers	—	—	—	—	16,816	16,700,882	16,717,698
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	853,709	853,709
Total, 30/6/07	127	—	—	—	16,816	46,312,524	46,329,467
Total, 30/6/06	127	—	—	—	29,891	33,708,137	33,738,155

*A.1.2 Financial assets by portfolio/credity quality (gross/net values)*

	Impaired assets				Other assets			Total
	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	—	—	—	—	12,453,735	—	12,453,735	12,453,735
2. AFS securities	—	—	—	—	4,788,039	—	4,788,039	4,788,039
3. Financial assets held to maturity	—	—	—	—	621,634	—	621,634	621,634
4. Due from banks	127	—	—	127	10,897,736	(3,211)	10,894,525	10,894,652
5. Due from customers	—	—	—	—	16,742,188	(24,490)	16,717,698	16,717,698
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	853,709	—	853,709	853,709
Total, 30/6/07	127	—	—	127	46,357,041	(27,701)	46,329,340	46,329,467
Total, 30/6/06	127	—	—	127	33,786,629	(48,601)	33,738,028	33,738,155

*A.1.3 Cash and off-balance-sheet exposures: gross/net values*

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURES</b>				
a) Non-performing	127	—	—	127
b) Potential problem	—	—	—	—
c) Restructured	—	—	—	—
d) Overdue	—	—	—	—
e) Country risk	2,992	—	(2,992)	—
f) Other assets	13,490,430	—	(219)	13,490,211
<b>TOTAL A</b>	<b>13,493,549</b>	<b>—</b>	<b>(3,211)</b>	<b>13,490,338</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	—	—	—	—
b) Other assets	35,671,768	—	—	35,671,768
<b>TOTAL B</b>	<b>35,671,768</b>	<b>—</b>	<b>—</b>	<b>35,671,768</b>

*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 <i>of which: accounts sold but not derecognized</i>	127 —	— —	— —	— —	2,198 —
B. Additions	—	—	—	—	794
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	794
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 <i>of which: accounts sold but not derecognized</i>	127 —	— —	— —	— —	2,992 —

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

	Non-performing	Potential problem	Restructured	Overdue	Country risk
A. Gross exposure at start of period <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	(2,198) —
B. Additions	—	—	—	—	(794)
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	(794)
C. Reductions	—	—	—	—	—
C.1 writebacks based on valuations	—	—	—	—	—
C.2 writebacks due to 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 <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	(2,992) —

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

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
<b>A. CASH EXPOSURES</b>				
a) Non-performing	—	—	—	—
b) Potential problem	—	—	—	—
c) Restructured	—	—	—	—
d) Overdue	—	—	—	—
e) Country risk	17,021	—	(205)	16,816
f) Other assets	29,775,943	—	(24,285)	29,751,658
<b>TOTAL A</b>	<b>29,792,964</b>	<b>—</b>	<b>(24,490)</b>	<b>29,768,474</b>
<b>B. OFF-BALANCE-SHEET EXPOSURES</b>				
a) Impaired	—	—	—	—
b) Other assets	18,922,874	—	—	18,922,874
<b>TOTAL B</b>	<b>18,922,874</b>	<b>—</b>	<b>—</b>	<b>18,922,874</b>

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

	Non-performing	Potential problem	Restructured	Overdue	Country risk
<b>A. Gross exposure at start of period</b>	—	—	—	—	29,891
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—
IAS 39 FTA adjustments	—	—	—	—	—
<b>A. Gross opening exposure</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>29,891</b>
<b>B. Additions</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>138</b>
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	138
<b>C. Reductions</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13,008</b>
C.1 transfers to performing loans	—	—	—	—	—
C.2 amounts written off	—	—	—	—	—
C.3 amounts collected	—	—	—	—	11,731
C.4 gains realized on disposals	—	—	—	—	—
C.5 transfers to other categories of impaired assets	—	—	—	—	—
C.6 other reductions	—	—	—	—	1,277
<b>D. Gross exposure at end of period</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17,021</b>
<i>of which: accounts sold but not derecognized</i>	—	—	—	—	—

### 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 <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	— —
IAS 39 FTA adjustments	—	—	—	—	—
A. Opening adjustments	—	—	—	—	—
B. Additions	—	—	—	—	—
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	—
C. Reductions	—	—	—	—	(205)
C.1 writebacks based on valuations	—	—	—	—	—
C.2 writebacks due to amounts collected	—	—	—	—	—
C.3 amounts written off	—	—	—	—	—
C.4 transfers to other categories of impaired assets	—	—	—	—	—
C.5 other reductions	—	—	—	—	(205)
D. Adjustments at end of period <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	(205) —

## A.2 Exposures by internal and external ratings

### A.2.1 Cash and off-balance-sheet exposures by external rating category

	External rating category		Unrated
	Investment grade	Speculative grade	
A. Cash exposures	51.26	2.93	45.81
B. Other exposures	78.06	7.10	14.84



*A.3. Secured exposures by type of security*

*A.3.1 Secured cash exposures to banks and customers*

	Amount	Real guarantees (1)				Personal guarantees (2)								Total (1) + (2)			
		Properties	Securities	Other assets	Credit derivatives				Endorsements								
					Governments	Other public agencies	Banks	Others	Governments	Other public agencies	Banks	Others					
1. Secured exposures to banks:																	
1.1 completely secured	193,485	—	—	—	—	—	—	—	—	—	—	—	—	—	—	190,852	345,034
1.2 partly secured	42,662	—	—	—	—	—	—	—	—	—	—	—	—	—	—	40,307	40,307
2. Secured exposures to customers																	
2.1 completely secured	3,147,020	1,858,534	2,362,632	315,229	—	—	—	—	—	—	—	—	—	—	—	1,672,188	6,436,583
2.2 partly secured	1,747,740	—	343,752	2,500	—	—	—	—	—	—	—	—	—	—	43,053	32,840	422,145



## B. Loan distribution and concentration

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

	Governments and central banks	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Other entities
A. Cash exposures						
A.1 Non-performing						
Gross exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—
A.2 Potential problem						
Gross exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—
A.3 Restructured						
Gross exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—
A.4 Overdue						
Gross exposure	—	—	—	—	—	—
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	—	—	—	—	—
A.5 Other exposures						
Gross exposure	6,488,234	156,945	9,224,160	1,376,504	12,496,017	51,104
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(59)	—	(3,913)	(900)	(19,618)	—
Net exposure	6,488,175	156,945	9,220,247	1,375,604	12,476,399	51,104
Total A						
Gross exposure	6,488,234	156,945	9,224,160	1,376,504	12,496,017	51,104
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(59)	—	(3,913)	(900)	(19,618)	—
Net exposure	6,488,175	156,945	9,220,247	1,375,604	12,476,399	51,104
B. Off-balance sheet exposures						
B.4 Other exposures						
Gross exposure	—	955,666	7,407,462	681,396	9,731,890	146,460
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	—	—	—	—	—	—
Net exposure	—	955,666	7,407,462	681,396	9,731,890	146,460
Total at 30/6/07:						
Gross exposure	6,488,234	1,112,611	16,631,622	2,057,900	22,227,907	197,564
Value adjustments to gross exposure	—	—	—	—	—	—
Value adjustments to portfolio	(59)	—	(3,913)	(900)	(19,618)	—
Net exposure	6,488,175	1,112,611	16,627,709	2,057,000	22,208,289	197,564
Total at 30/6/06	4,263,357	4,493,640	9,986,703	2,238,406	69,404,110	2,598,764

*1.1.3 Distribution of loans to resident non-financial undertakings and productive households*

	30/6/07	30/6/06
a) Other sales services	4,634,567	4,113,263
b) Communications services	1,140,709	811,772
c) Energy products	651,808	256,784
d) Industrial vehicles	546,424	612,333
e) Transport-related services	450,449	996,250
f) Other groups of economic activity	2,366,809	1,391,594
Total	9,790,766	8,181,996

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

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	—	—	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	18,961,519	18,942,190	10,124,330	10,119,693	680,874	680,383	26,241	26,208	—	—
Total A	18,961,519	18,942,190	10,124,330	10,119,693	680,874	680,383	26,241	26,208	—	—
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	9,130,151	9,130,151	9,338,086	9,338,086	299,637	299,637	—	—	155,000	155,000
Total B	9,130,151	9,130,151	9,338,086	9,338,086	299,637	299,637	—	—	155,000	155,000
Total, 30/6/07	28,091,670	28,072,341	19,462,416	19,457,779	980,511	980,020	26,241	26,208	155,000	155,000
Total, 30/6/06	29,865,264	29,841,472	62,140,789	62,127,134	940,017	939,329	27,916	27,471	49,574	49,574

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

	Italy		Other European countries		United States		Asia		Rest of world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Cash exposures										
A.1 Non-performing	—	—	127	127	—	—	—	—	—	—
A.2 Potential problem	—	—	—	—	—	—	—	—	—	—
A.3 Restructured	—	—	—	—	—	—	—	—	—	—
A.4 Overdue	—	—	—	—	—	—	—	—	—	—
A.5 Other exposures	6,122,845	6,122,756	7,196,076	7,196,006	13,903	13,903	158,823	155,771	1,775	1,775
Total A	6,122,845	6,122,756	7,196,203	7,196,133	13,903	13,903	158,823	155,771	1,775	1,775
B) Off-balance-sheet exposures										
B.1 Non-performing	—	—	—	—	—	—	—	—	—	—
B.2 Potential problem	—	—	—	—	—	—	—	—	—	—
B.3 Other impaired assets	—	—	—	—	—	—	—	—	—	—
B.4 Other exposures	10,156,928	10,156,928	24,068,209	24,068,209	5,060	5,060	45,172	45,172	1,396,399	1,396,399
Total B	10,156,928	10,156,928	24,068,209	24,068,209	5,060	5,060	45,172	45,172	1,396,399	1,396,399
Total, 30/6/07	16,279,773	16,279,684	31,264,412	31,264,342	18,963	18,963	203,995	200,943	1,398,174	1,398,174
Total, 30/6/06	7,805,915	7,805,179	5,926,178	5,926,178	216,061	216,061	86,467	86,467	1,700,668	1,691,383

## B.5 Large risks

	30/6/07	30/6/06
a) Overall weighted amount	17,589,634	11,734,438
b) No. of exposures	17	12

## C. Securitizations and asset disposals

### C.1 Securitizations

#### **Qualitative information**

Debt securities deriving from securitizations totalled €886m, divided equally between assets held for trading and AFS securities. Over 97% were senior bonds with performing underlying assets and high credit profiles focused on the leasing and real estate segments (residential and non-residential). Holdings in junior tranches and mezzanine securities involved securitization of state-owned properties (Scip 2 B2) and one deal by a leading leasing group, Agrisecurities, for which Mediobanca was responsible for the placement.

#### **Quantitative information**

##### C.1.1 Exposures deriving from securitizations by underlying asset

	Cash exposures <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A) Using own underlying assets	—	—	—	—	—	—
a) Impaired	—	—	—	—	—	—
b) Other	—	—	—	—	—	—
B) Using customers' underlying assets	862,829	862,829	3,014	3,014	20,187	20,187
a) Impaired	—	—	—	—	—	—
b) Other	862,829	862,829	3,014	3,014	20,187	20,187
Total at 30/6/07	862,829	862,829	3,014	3,014	20,187	20,187

<sup>1</sup> No off-balance-sheet exposures.

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

	Cash exposures <sup>1</sup>					
	Senior		Mezzanine		Junior	
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
A. Fully derecognized						
A.1 Fip Fund-23 A2 FRN Non-residential properties IT0003872774	96,230	—	—	—	—	—
A.2 Scip 2 B2 26/4/25 Non-residential properties IT0003837082	—	—	—	—	20,187	—
A.3 Velah 4 A1 e A2 Residential properties IT0004102007	47,874	—	—	—	—	—
A.4 Split2-18 A FRN Lease receivables IT0003763882	14,504	—	—	—	—	—
A.5 Agri 2006-1 A1 e B Lease receivables IT0004137409	24,574	—	3,014	—	—	—
A.6 Entasi Srl 17/01/2013 Other receivables IT0003142996	31,062	—	—	—	—	—
A.7 Locat MTGE 34-24 FLT Lease receivables IT0003733083	26,318	—	—	—	—	—
A.8 Locat 12/12/2028 Lease receivables IT0004153661	20,046	—	—	—	—	—
A.9 SCIP 2 A5 26/4/25 Non-residential properties IT0003837074	28,751	—	—	—	—	—
A.10 SCC INPS 31/7/07 Other receivables IT0003341770	30,527	—	—	—	—	—
A.11 San Giorgio II 07/2017 FLT – Personal loans IT0003699557	372,587	—	—	—	—	—
A.12 Cordusio 3 06-42 TV A1 and A2 Residential properties IT0004144884	31,020	—	—	—	—	—
A.13 Kimono 07/09 FRN B1,B2, B3 Other receivables IT0004176779	45,820	—	—	—	—	—
A.14 Intesa Sec 07-33 A1 e A2 Residential properties IT0004180250	20,590	—	—	—	—	—
A.15 Quarzo lease srl 2015 Lease receivables IT0003372544	35,583	—	—	—	—	—
Other exposures	37,343	—	—	—	—	—
Total at 30/6/07	862,829	—	3,014	—	20,187	—

<sup>1</sup> No off-balance-sheet exposure.



*C.1.4 Exposures to securitizations by asset/portfolio type*

	Held for trading	Recognized at fair value	Available for sale	Held to maturity	Loans and advances	Total at 30/6/07	Total at 30/6/06
1. Cash exposures	477,860	—	408,170	—	—	886,030	768,504
- Senior	454,659	—	408,170	—	—	862,829	737,289
- Mezzanine	3,014	—	—	—	—	3,014	31,215
- Junior	20,187	—	—	—	—	20,187	—
2. Off-balance-sheet exposures	—	—	—	—	—	—	—
- Senior	—	—	—	—	—	—	—
- Mezzanine	—	—	—	—	—	—	—
- Junior	—	—	—	—	—	—	—
Total at 30/6/07	477,860	—	408,170	—	—	886,030	768,504

*C.2 Asset disposals*

*C.2.1 Financial assets sold but not derecognized*

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
	Financial assets sold and fully recognized (book value)					
A. Cash assets						
1. Debt securities	3,130,072	60,968	204,647	760,064	208,781	4,364,532
2. Equities	—	—	—	—	—	—
3. OICR units	—	—	—	—	—	—
4. Loans and advances	—	—	—	—	—	—
5. Impaired assets	—	—	—	—	—	—
B. Derivative products	—	—	—	—	—	—
Total, 30/6/07	3,130,072	60,968	204,647	760,064	208,781	4,364,532
Total, 30/6/06	889,415	379,739	—	22,772	163,669	1,455,595

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

	Financial assets held for trading	AFS securities	Financial assets held to maturity	Due from banks	Due from customers	Total
1. Due to customers	593,319	—	—	—	208,781	802,100
a) in respect of fully recognized assets	593,319	—	—	—	208,781	802,100
b) in respect of partly recognized assets	—	—	—	—	—	—
1. Due to banks	2,536,753	60,968	204,647	760,064	—	3,562,432
a) in respect of fully recognized assets	2,536,753	60,968	204,647	760,064	—	3,562,432 <sup>1</sup>
b) in respect of partly recognized assets	—	—	—	—	—	—
Total, 30/6/07	3,130,072	60,968	204,647	760,064	208,781	4,364,532
Total, 30/6/06	889,415	379,739	—	22,772	163,669	1,455,595

<sup>1</sup> Of which €837,930,00 in transactions involving central banks, and €377,044,000 in repo transactions.

## Section 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)<sup>1</sup> for the Bank's entire trading and investment portfolios. Such global measurement is made possible by concentrating all risks deriving from movements in interest and exchange rates, including risks linked to both lending and funding activities, at the Bank's finance division. Interest rate risk also includes risks arising from movements in market curves linked to the credit rating of individual names.

VaR is based on expected volatility and the correlation between the risk factors concerned, and determines possible negative movements that may 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 and historical<sup>2</sup> simulations as well as the parametric method.

#### Value at risk and expected shortfall of asset structure

Risk factors (€'000)	12 mths to 30/6/07				12 mths to 30/6/06
	30/6	Min.	Max.	Avg.	Avg.
Interest rates .....	2,901	1,202	10,695	4,242	3,317
- of which: specific risks .....	1,194	530	2,003	844	
Equities .....	35,228	6,616	42,925	18,198	9,399
Exchange rates .....	729	383	1,820	1,076	1,157
Diversification effect * .....	(4,129)	(1,853)	(10,388)	(5,421)	(4,147)
Total VaR .....	34,729	7,731	42,656	18,095	9,726
- of which: trading .....	4,685	1,428	13,026	5,751	4,247
Expected shortfall .....	41,246	12,365	45,345	26,001	15,408

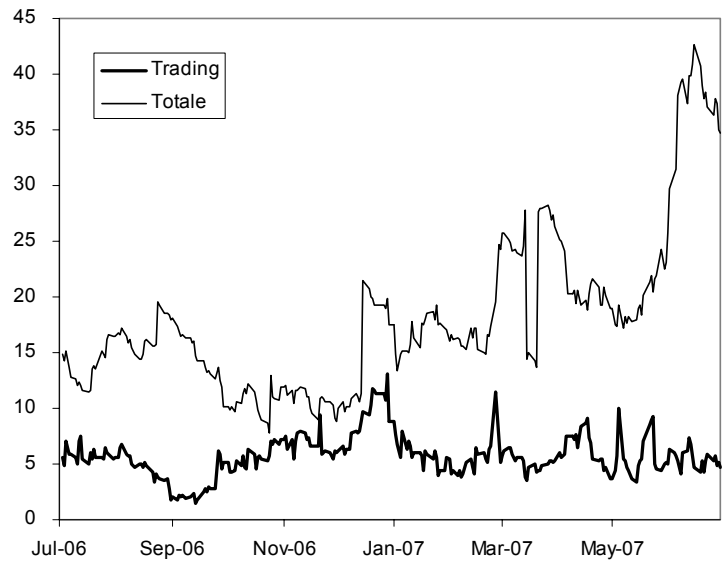
\* Due to mismatches between risk factors.

For the twelve months to the reporting date, value at risk for the trading book averaged €5.7m, up approx. €1.5m on the €4.2m recorded one year previously, due to the increased levels of activity on the market. The main source of risk continues to be interest rates, at €4.3m, while the risk for the equity component stood at €2.9m.

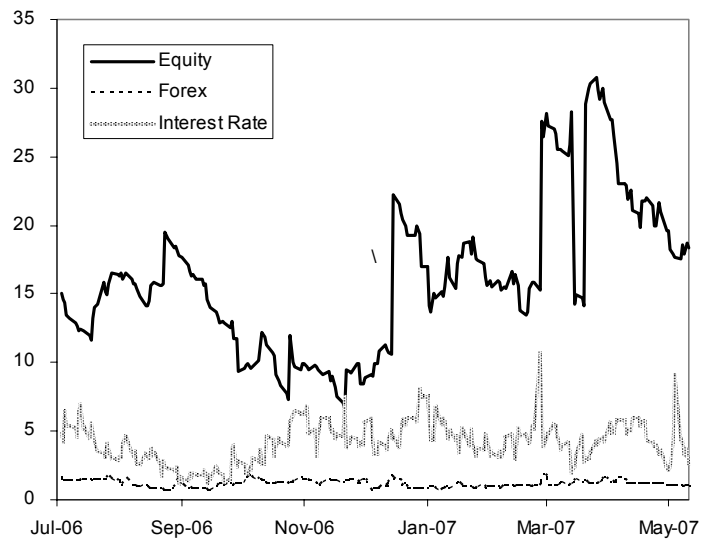
<sup>1</sup> VaR: maximum potential loss over a specified time horizon and given confidence level.

<sup>2</sup> Determines portfolio value based on random and historical variations in risk factors.

### Trends in VaR



### Trends in VaR constituents



VaR is much higher when applied to the asset structure as a whole: the figure at 30 June 2007 of over €34.7m was more than double that recorded at the same time last year. Comparison of average data also reveals a sharp increase, from €9.7m to €18.1m, chiefly caused by the surge in the equity component, from €9.4m to €18.2m, due to the increased volatility of markets and to larger positions in AFS securities. The contribution from interest rates also rose, from €3.3m to €4.2m, with a high of €10.7m, up from €8.9m last year; whereas the contribution from exchange rates remained stable at relatively low levels, of around €1m.

Back-testing of the Bank's asset base using both a series of simulated gains and losses<sup>1</sup> and operating data reveals that the VaR threshold was breached on just two occasions, by 0.8%, compared with a theoretical 1%.

### **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.

In terms of sensitivity, at 30 June 2007 the impact of a 100 basis point increase in interest rates on net interest income was measured at €9.3m and a similar downward shock would lead to an €8.7m reduction. This confirms the substantial linearity to interest rates.

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<sup>1</sup> Based on repricing the previous day's positions using data from the following business day, in order to eliminate intraday trading items.

## **Counterparty risk**

This is measured in terms of expected potential market value, thus 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.

## **Hedging**

### *Fair value hedging*

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 hedging*

The hedge is intended to transform fixed-rate positions into floating-rate positions by correlating the relevant cash flows. Several cash flow hedges were implemented during the period under review in respect of future transactions (i.e. disposals of AFS securities via forward contracts).

## 2.1 INTEREST RATE RISK - REGULATORY TRADING BOOK

### 1. Regulatory trading book by outstanding maturity (repricing date) of cash assets and liabilities and financial derivative products

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	2,831,847	1,119,070	879,175	2,853,269	726,210	320,064	—
1.1 Debt securities	—	2,831,847	1,119,070	879,175	2,853,269	726,210	320,064	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	(25,609)	(3,967)	(13,246)	(677,401)	(69,343)	(193,758)	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	(25,609)	(3,967)	(13,246)	(677,401)	(69,343)	(193,758)	—
3. Financial derivatives	—	60,625,089	18,917,716	6,247,705	16,859,217	9,158,401	2,217,590	—
3.1 With underlying securities:	—	13,923,447	129,463	583,110	3,693,137	1,284,698	517,899	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	13,923,447	129,463	583,110	3,693,137	1,284,698	517,899	—
+ long positions	—	5,945,846	95,858	501,468	2,508,579	795,981	218,145	—
+ short positions	—	7,977,601	33,605	81,642	1,184,558	488,717	299,754	—
3.2 Without underlying securities:	—	46,701,642	18,788,253	5,664,595	13,166,080	7,873,703	1,699,691	—
– Options	—	8,393,276	19,150	18,900	126,406	—	—	—
+ long positions	—	4,196,638	9,575	9,450	63,203	—	—	—
+ short positions	—	4,196,638	9,575	9,450	63,203	—	—	—
– Others	—	38,308,366	18,769,103	5,645,695	13,039,674	7,873,703	1,699,691	—
+ long positions	—	19,205,855	10,485,741	2,530,057	5,987,688	3,597,585	861,191	—
+ short positions	—	19,102,511	8,283,362	3,115,638	7,051,986	4,276,118	838,500	—

*Currency of denomination: EURO*

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	2,749,285	1,118,169	877,642	2,608,683	577,146	320,064	—
1.1 Debt securities	—	2,749,285	1,118,169	877,642	2,608,683	577,146	320,064	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	—	2,749,285	1,118,169	877,642	2,608,683	577,146	320,064	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	(25,609)	(3,967)	(13,246)	(677,401)	(69,343)	(193,758)	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	(25,609)	(3,967)	(13,246)	(677,401)	(69,343)	(193,758)	—
3. Financial derivatives	—	31,245,537	13,055,056	6,224,139	16,641,946	8,992,725	2,207,538	—
3.1 With underlying securities	—	10,969,717	129,463	583,110	3,475,866	1,137,534	507,847	—
- Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
- Others	—	10,969,717	129,463	583,110	3,475,866	1,137,534	507,847	—
+ long positions	—	4,650,485	95,858	501,468	2,292,022	648,817	213,118	—
+ short positions	—	6,319,232	33,605	81,642	1,183,844	488,717	294,729	—
3.2 Without underlying securities	—	20,275,820	12,925,593	5,641,029	13,166,080	7,855,191	1,699,691	—
- Options	—	—	19,150	—	126,406	—	—	—
+ long positions	—	—	9,575	—	63,203	—	—	—
+ short positions	—	—	9,575	—	63,203	—	—	—
- Others	—	20,275,820	12,906,443	5,641,029	13,039,674	7,855,191	1,699,691	—
+ long positions	—	10,180,326	7,554,411	2,527,724	5,987,688	3,597,585	861,191	—
+ short positions	—	10,095,494	5,352,032	3,113,305	7,051,986	4,257,606	838,500	—



*Currency of denomination: US DOLLAR*

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	82,562	187	1,533	28,310	147,690	—	—
1.1 Debt securities	—	82,562	187	1,533	28,310	147,690	—	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	—	82,562	187	1,533	28,310	147,690	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	15,013,992	1,477,238	18,900	1,059	165,676	10,052	—
3.1 With underlying securities	—	2,737,518	—	—	1,059	147,164	10,052	—
- Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
- Others	—	2,737,518	—	—	1,059	147,164	10,052	—
+ long positions	—	1,295,361	—	—	345	147,164	5,027	—
+ short positions	—	1,442,157	—	—	714	—	5,025	—
3.2 Without underlying securities	—	12,276,474	1,477,238	18,900	—	18,512	—	—
- Options	—	7,098	—	18,900	—	—	—	—
+ long positions	—	3,549	—	9,450	—	—	—	—
+ short positions	—	3,549	—	9,450	—	—	—	—
- Others	—	12,269,376	1,477,238	—	—	18,512	—	—
+ long positions	—	6,143,944	738,619	—	—	—	—	—
+ short positions	—	6,125,432	738,619	—	—	18,512	—	—

*Currency of denomination: OTHER*

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	—	—	714	—	216,276	1,374	—	—
1.1 Debt securities	—	—	714	—	216,276	1,374	—	—
- with early redemption option	—	—	—	—	—	—	—	—
- others	—	—	714	—	216,276	1,374	—	—
1.2 Other assets	—	—	—	—	—	—	—	—
2. Cash liabilities	—	—	—	—	—	—	—	—
2.1 Debt securities in issue	—	—	—	—	—	—	—	—
2.2 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivatives	—	14,365,560	4,385,422	4,666	216,212	—	—	—
3.1 With underlying securities	—	216,212	—	—	216,212	—	—	—
- Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
- Others	—	216,212	—	—	216,212	—	—	—
+ long positions	—	—	—	—	216,212	—	—	—
+ short positions	—	216,212	—	—	—	—	—	—
3.2 Without underlying securities	—	14,149,348	4,385,422	4,666	—	—	—	—
- Options	—	8,386,178	—	—	—	—	—	—
+ long positions	—	4,193,089	—	—	—	—	—	—
+ short positions	—	4,193,089	—	—	—	—	—	—
- Others	—	5,763,170	4,385,422	4,666	—	—	—	—
+ long positions	—	2,881,585	2,192,711	2,333	—	—	—	—
+ short positions	—	2,881,585	2,192,711	2,333	—	—	—	—

## 2.2 INTEREST RATE RISK - BANKING BOOK

### 1. Banking book by outstanding maturity (repricing date) of cash assets and liabilities

	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	1,967,077	18,271,795	3,635,485	1,597,943	763,784	745,876	225,511	409,506
1.1 Debt securities	—	852,683	43,551	121,557	351,977	498,530	225,511	—
1.2 Loans to banks	1,370,251	5,020,713	1,584,516	1,017,573	48,783	21,948	—	348,221
1.3 Loans to customers	596,826	12,398,399	2,007,418	458,813	363,024	225,398	—	61,285
– current accounts	11	—	—	—	—	—	—	—
– other loans	596,815	12,398,399	2,007,418	458,813	363,024	225,398	—	61,285
2. Cash liabilities	(1,281,257)	17,348,692	(2,567,616)	(5,312,544)	(5,613,641)	(2,395,969)	(134,878)	(33,433)
2.1 Due to customers	(540,334)	(932,260)	(4,601)	(3,145)	(7,146)	—	—	(17,619)
– current accounts	(540,310)	—	—	—	—	—	—	—
– other amounts due	(24)	(932,260)	(4,601)	(3,145)	(7,146)	—	—	(17,619)
2.2 Due to banks	(717,657)	(7,644,744)	(435,297)	(2,828)	(607,542)	(34,150)	(40,000)	(15,644)
– current accounts	(717,657)	—	—	—	—	—	—	—
– other amounts due	—	(7,644,744)	(435,297)	(2,828)	(607,542)	(34,150)	(40,000)	(15,644)
2.3 Debt securities	(23,266)	(8,771,688)	(2,127,718)	(5,306,571)	(4,998,953)	(2,361,819)	(94,878)	(170)
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	13,174,769	7,663,125	4,591,027	5,698,766	2,923,828	177,851	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Others	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	13,174,769	7,663,125	4,591,027	5,698,766	2,923,828	177,851	—
– Options	—	—	—	14,000	923,992	—	—	—
+ long positions	—	—	—	7,000	461,996	—	—	—
+ short positions	—	—	—	7,000	461,996	—	—	—
– Others	—	13,174,769	7,663,125	4,577,027	4,774,774	2,923,828	177,851	—
+ long positions	—	2,945,689	1,653,566	4,532,333	4,702,470	2,633,778	177,851	—
+ short positions	—	10,229,080	6,009,559	44,694	72,304	290,050	—	—

*Currency of denomination: EURO*

	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	1,917,519	16,852,377	3,371,750	1,597,448	757,509	745,876	225,511	409,506
1.1 Debt securities	—	850,799	43,551	121,557	348,155	498,530	225,511	—
1.2 Loans to banks	1,344,093	3,967,990	1,340,242	1,017,106	47,811	21,948	—	348,221
1.3 Loans to customers	573,426	12,033,588	1,987,957	458,785	361,543	225,398	—	61,285
– current accounts	11	—	—	—	—	—	—	—
– other loans	573,415	12,033,588	1,987,957	458,785	361,543	225,398	—	61,285
2. Cash liabilities	(1,278,074)	(14,761,742)	(2,242,262)	(5,304,547)	(5,593,597)	(2,367,733)	(134,878)	(32,948)
2.1 Due to customers	(540,334)	(759,903)	(4,601)	(3,145)	(7,146)	—	—	(17,171)
– current accounts	(540,310)	—	—	—	—	—	—	—
– other amounts due	(24)	(759,903)	(4,601)	(3,145)	(7,146)	—	—	(17,171)
2.2 Due to banks	(714,478)	(5,605,579)	(416,763)	(2,828)	(607,542)	(34,150)	(40,000)	(15,607)
– current accounts	(714,478)	—	—	—	—	—	—	—
– other amounts due	—	(5,605,579)	(416,763)	(2,828)	(607,542)	(34,150)	(40,000)	(15,607)
2.3 Debt securities	(23,262)	(8,396,260)	(1,820,898)	(5,298,574)	(4,978,909)	(2,333,583)	(94,878)	(170)
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	12,821,755	7,663,125	4,569,030	4,754,730	2,598,856	177,851	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	12,821,755	7,663,125	4,569,030	4,754,730	2,598,856	177,851	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	12,821,755	7,663,125	4,569,030	4,754,730	2,598,856	177,851	—
+ long positions	—	2,945,689	1,653,566	4,524,336	4,682,426	2,308,806	177,851	—
+ short positions	—	9,876,066	6,009,559	44,694	72,304	290,050	—	—

*Currency of denomination: US DOLLAR*

	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	29,190	781,095	148,619	495	6,275	—	—	—
1.1 Debt securities	—	1,884	—	—	3,822	—	—	—
1.2 Loans to banks	15,184	582,893	129,158	467	972	—	—	—
1.3 Loans to customers	14,006	196,318	19,461	28	1,481	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	14,006	196,318	19,461	28	1,481	—	—	—
2. Cash liabilities	(1,300)	(1,244,713)	(18,541)	(7,997)	(20,044)	(14,809)	—	(485)
2.1 Due to customers	—	(172,357)	—	—	—	—	—	(448)
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	(172,357)	—	—	—	—	—	—
2.2 Due to banks	(1,296)	(1,071,951)	(18,534)	—	—	—	—	(37)
– current accounts	(1,296)	—	—	—	—	—	—	—
– other amounts due	—	(1,071,951)	(18,534)	—	—	—	—	(37)
2.3 Debt securities	(4)	(405)	(7)	(7,997)	(20,044)	(14,809)	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	42,851	—	21,997	944,036	14,809	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	42,851	—	21,997	944,036	14,809	—	—
– Options	—	—	—	14,000	923,992	—	—	—
+ long positions	—	—	—	7,000	461,996	—	—	—
+ short positions	—	—	—	7,000	461,996	—	—	—
– Other derivatives	—	42,851	—	7,997	20,044	14,809	—	—
+ long positions	—	—	—	7,997	20,044	14,809	—	—
+ short positions	—	42,851	—	—	—	—	—	—

*Currency of denomination: OTHER*

	On demand	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	From 5 years to 10 years	Over 10 years	Not specified
1. Cash assets	6,576	47,488	—	—	—	—	—	—
1.1 Debt securities	—	—	—	—	—	—	—	—
1.2 Loans to banks	6,028	46,142	—	—	—	—	—	—
1.3 Loans to customers	548	1,346	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other loans	548	1,346	—	—	—	—	—	—
2. Cash liabilities	(10)	(261,438)	—	—	—	—	—	—
2.1 Due to customers	—	—	—	—	—	—	—	—
– current accounts	—	—	—	—	—	—	—	—
– other amounts due	—	—	—	—	—	—	—	—
2.2 Due to banks	(10)	(261,438)	—	—	—	—	—	—
– current accounts	(10)	—	—	—	—	—	—	—
– other amounts due	—	(261,438)	—	—	—	—	—	—
2.3 Debt securities	—	—	—	—	—	—	—	—
2.4 Other liabilities	—	—	—	—	—	—	—	—
3. Financial derivative products	—	—	—	—	—	—	—	—
3.1 With underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
3.2 Without underlying securities	—	—	—	—	—	—	—	—
– Options	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—
– Other derivatives	—	—	—	—	—	—	—	—
+ long positions	—	—	—	—	—	—	—	—
+ short positions	—	—	—	—	—	—	—	—

## 2.3 PRICE RISK - REGULATORY TRADING BOOK

### 1. Regulatory trading book: cash exposure in equities/OICR units

	Book value	
	Listed	Unlisted
A. Equities		
A.1 Shares	1,507,155 <sup>1</sup>	—
A.2 Innovative equity instruments	—	—
A.3 Other equity instruments	—	—
B. OICR units		
B.1 Italian	—	—
– harmonized, open	—	—
– non-harmonized, open	—	—
– closed	—	—
– reserved	—	—
– speculative	—	—
B.2 Other EU states	—	—
– harmonized	—	—
– non-harmonized, open	—	—
– non-harmonized, closed	—	—
B.3 Non-EU states	—	—
– open	—	—
– closed	—	—
Total	1,507,155	—

<sup>1</sup> Of which more than 80% Italian.

## 2.4 PRICE RISK – BANKING BOOK

### QUANTITATIVE INFORMATION

#### 1. *Banking book: cash exposure in equities/OICR units*

	Book value	
	Listed	Unlisted
A. Equities		
A.1 Shares	4,102,339 <sup>1</sup>	894,302
A.2 Innovative equity instruments	—	—
A.3 Other equity instruments	—	—
B. OICR units		
B.1 Italian	—	—
– harmonized, open	—	—
– non-harmonized, open	—	—
– closed	—	—
– reserved	—	—
– speculative	—	—
B.2 Other EU states	—	—
– harmonized	—	—
– non-harmonized, open	—	—
– non-harmonized, closed	—	—
B.3 Non-EU states	—	—
– open	—	—
– closed	—	—
Total	4,102,339	894,302

<sup>1</sup> Of which more than 74% Italian.



## 2.5 EXCHANGE RATE RISK

### QUANTITATIVE INFORMATION

#### 1. Assets, liabilities and derivatives by currency

	Currency				
	US dollars	Pounds sterling	Japanese yen	Swiss francs	Other
<b>A. Financial assets</b>					
A.1 Debt securities	—	20,112	175	519	16,601
A.2 Equities	36,350	13,061	—	15,015	—
A.3 Loans and advances to banks	288,424	189,081	1,480	827	677
A.4 Loans and advances to customers	636,306	516,839	1,346	6,646	28,463
A.5 Other financial assets	—	—	—	—	—
<b>B. Financial liabilities</b>					
B.1 Due to banks	—	—	—	—	—
B.2 Due to customers	(942,965)	(490,782)	(95,933)	(151,732)	(5)
B.3 Debt securities	(80,566)	(662,788)	—	—	—
B.4 Other financial liabilities	—	—	—	—	—
<b>C. Financial derivatives</b>					
– Options	—	—	—	—	—
+ long positions	—	—	—	—	—
+ short positions	—	—	—	—	—
– Others	176,632	445,780	149,979	227,279	(25,193)
+ long positions	3,371,907	564,474	149,979	227,279	—
+ short positions	(3,195,275)	(118,694)	—	—	(25,193)
<b>Total assets</b>	<b>4,332,987</b>	<b>1,303,567</b>	<b>152,980</b>	<b>250,286</b>	<b>45,741</b>
<b>Total liabilities</b>	<b>(4,218,806)</b>	<b>(1,272,264)</b>	<b>(95,933)</b>	<b>(151,732)</b>	<b>(25,198)</b>
<b>Difference (+/-)</b>	<b>114,181</b>	<b>31,303</b>	<b>57,047</b>	<b>98,554</b>	<b>20,543</b>

## 2.6 FINANCIAL DERIVATIVE PRODUCTS

### A. FINANCIAL DERIVATIVES

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

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/07		Total 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	—	18,448,855	—	—	—	—	—	—	—	18,448,855	—	16,052,351
3. Domestic currency swaps	—	—	—	—	3,598,778	—	—	—	—	3,598,778	—	649,856
4. Currency interest rate swaps	—	—	—	—	578,251	—	—	—	—	578,251	—	593,265
5. Basis swaps	—	2,874,963	—	—	—	—	—	—	—	2,874,963	—	3,687,615
6. Share index swaps	—	—	—	675,513	—	—	—	—	—	675,513	—	1,353,640
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	16,727,383	—	276,235	—	—	—	—	—	17,003,618	—	6,604,457	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	4,199,115	—	35,300	7,377,100	—	16,548	—	—	4,234,415	7,393,648	8,615,240	5,634,078
- bought	2,107,127	—	22,400	3,501,830	—	16,548	—	—	2,129,527	3,518,378	8,611,936	2,847,954
- plain vanilla	2,107,127	—	22,400	3,401,830	—	16,548	—	—	2,129,527	3,418,378	8,611,936	2,717,954
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	130,000
- written	2,091,988	—	12,900	3,875,270	—	—	—	—	2,104,888	3,875,270	3,304	2,786,124
- plain vanilla	2,091,988	—	12,900	3,775,270	—	—	—	—	2,104,888	3,775,270	3,304	2,656,124
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	130,000
12. Repo agreements	1,437,271	4,820,281	88,021	123,053	—	4,108,546	—	—	1,525,292	9,051,880	857,591	2,578,382
- bought	842,505	3,344,866	81,306	70,332	—	3,222,817	—	—	923,811	6,638,015	418,562	1,300,330
- sold	594,766	1,475,415	6,715	52,721	—	679,684	—	—	601,481	2,207,820	439,029	1,278,052
- currency bought/sold for currency	—	—	—	—	—	206,045	—	—	—	206,045	—	—
13. Other derivative products	—	63,203	—	—	—	—	—	—	—	63,203	—	131,000
Total	22,363,769	26,346,969	399,556	8,175,666	—	8,302,123	—	—	22,763,325	42,824,758	16,077,288	30,680,187
Average values	18,338,746	24,399,508	232,530	8,641,499	5,809	3,133,480	—	—	18,577,085	36,174,487	14,564,597	25,307,768

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

A.2.1 Hedge derivatives

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/07		Total 30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	16,045,620	—	—	—	—	—	—	16,045,620	—	—	15,706,529
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swaps	—	—	—	—	—	52,983	—	—	52,983	—	—	25,465
5. Basis swaps	—	547,083	—	—	—	—	—	—	547,083	—	—	425,134
6. Share index swaps	—	—	—	3,000	—	—	—	—	3,000	—	—	—
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	395,500	—	—	—	—	395,500	—	—	—
– bought	—	—	—	133,000	—	—	—	—	133,000	—	—	—
– plain vanilla	—	—	—	133,000	—	—	—	—	133,000	—	—	—
– exotic	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	262,500	—	—	—	—	262,500	—	—	—
– plain vanilla	—	—	—	262,500	—	—	—	—	262,500	—	—	—
– exotic	—	—	—	—	—	—	—	—	—	—	—	—
12. Repo agreements	—	—	—	293,147	—	—	—	—	293,147	—	—	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– sold	—	—	—	293,147	—	—	—	—	293,147	—	—	—
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	16,592,703	—	691,647	—	52,983	—	—	17,337,333	—	—	16,157,128
Average values	—	16,186,234	—	392,689	—	25,181	—	—	16,604,104	—	—	12,895,644

*A.2.2 Other derivatives*

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/07		Total 30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Non quoted
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	—	—	—	16,112,497	—	468,996	—	—	16,581,493	—	14,844,271	—
– bought	—	—	—	7,951,687	230,998	—	—	—	8,182,685	—	7,361,206	—
– plain vanilla	—	—	—	1,784,307	186,527	—	—	—	1,970,834	—	824,376	—
– exotic	—	—	—	6,167,380	44,471	—	—	—	6,211,851	—	6,536,830	—
– written	—	—	—	8,160,810	237,998	—	—	—	8,398,808	—	7,483,065	—
– plain vanilla	—	—	—	1,835,195	193,527	—	—	—	2,028,722	—	799,151	—
– exotic	—	—	—	6,325,615	44,471	—	—	—	6,370,086	—	6,683,914	—
12. Repo agreements	—	—	—	526,850	—	—	—	—	526,850	—	324,660	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– sold	—	—	—	526,850	—	—	—	—	526,850	—	324,660	—
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	16,639,347	468,996	—	—	—	17,108,343	—	15,168,931	—
Average values	—	—	—	15,596,047	372,457	—	—	—	15,968,504	—	14,640,779	—

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

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 30/6/07		Total 30/6/06	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading book:												
1. With exchange of principal												
– bought	22,363,768	23,472,005	399,556	8,156,512	—	8,302,122	—	—	22,763,324	39,930,639	16,077,288	26,783,132
– sold	5,245,595	4,820,281	114,791	1,388,221	—	8,285,574	—	—	5,360,386	14,494,076	3,422,780	4,696,330
– currency bought/sold for currency	3,163,024	3,344,866	95,176	762,757	—	4,673,796	—	—	3,258,200	8,781,419	2,295,828	2,156,176
2. Without exchange of principal												
– bought	2,082,571	1,475,415	19,615	625,464	—	3,101,724	—	—	2,102,186	5,202,603	1,126,952	2,292,249
– sold	—	—	—	—	—	510,054	—	—	—	510,054	—	247,905
– currency bought/sold for currency	17,118,173	18,651,724	284,765	6,768,291	—	16,548	—	—	17,402,938	25,436,563	12,654,508	22,086,802
B. Banking book												
B.1 Hedges												
1. With exchange of principal												
– bought	16,782,417	8,541,627	31,641	3,376,573	—	12,999	—	—	16,814,058	11,931,199	12,285,485	9,831,916
– sold	335,756	10,110,097	253,124	3,391,718	—	3,549	—	—	588,880	13,505,364	369,023	12,254,886
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other derivatives												
1. With exchange of principal												
– bought	—	16,045,621	—	17,327,995	—	521,979	—	—	—	33,895,595	—	30,900,925
– sold	—	—	—	—	—	—	—	—	—	—	—	—
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal												
– bought	—	15,266,304	—	688,647	—	52,983	—	—	—	741,630	—	25,465
– sold	—	779,317	—	688,647	—	52,983	—	—	—	52,983	—	25,465
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	688,647	—	—
B.2 Other derivatives												
1. With exchange of principal												
– bought	—	—	—	526,961	—	—	—	—	—	526,961	—	325,456
– sold	—	—	—	31	—	—	—	—	—	31	—	716
– currency bought/sold for currency	—	—	—	526,930	—	—	—	—	—	526,930	—	324,740
2. Without exchange of principal												
– bought	—	—	—	16,112,387	—	468,996	—	—	—	16,581,383	—	14,843,474
– sold	—	—	—	7,911,532	—	230,998	—	—	—	8,142,530	—	7,328,240
– currency bought/sold for currency	—	—	—	8,200,855	—	237,998	—	—	—	8,438,853	—	7,515,234

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	Netted <sup>1</sup>	Future exposure
A. Regulatory trading book											
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	89,087	273,154	18,159	11,158	480,785	959	3,905	18,465	35,044	139,689	443,705
A.4 Financial companies	9,351	29,424	2,508	31,223	21,438	38,235	—	1,003	—	22,155	63,513
A.5 Insurances	—	—	—	7,122	24,886	8,480	—	—	—	7,592	7,128
A.6 Non-financial undertakings	6,752	—	2,886	457	—	937	27,693	—	9,256	—	—
A.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—
Total, 30/6/07	105,190	302,578	23,553	49,960	527,109	48,611	31,598	19,468	44,300	169,436	514,346
Total, 30/6/06	101,181	334,638	27,269	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	4,872	580,418	1,650	934	1,256,898	6	—	23	—	16,261	66,138
B.4 Financial companies	—	15,359	—	—	67,323	—	—	—	—	32,440	46,549
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	2	—	—	—	—	—
Total, 30/6/07	4,872	595,777	1,650	934	1,324,221	8	—	23	—	48,701	112,687
Total, 30/6/06	17,515	905,675	10,260	3,657	613,367	5	—	98	—	—	5,383

<sup>1</sup> Includes offset agreement with main 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 <sup>1</sup>	Future exposure
<b>A. Regulatory trading book</b>														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	(17,462)	(161,912)	6,827	—	(489,762)	—	(17,465)	(511)	33,731	—	—	(20,385)	—	55,223
A.4 Financial companies	(26,681)	(173)	5,988	(49,044)	(17,555)	29,216	—	(371)	—	—	—	(39,987)	—	17,590
A.5 Insurances	—	(8,532)	—	(2,011)	(2,335)	4,641	—	—	—	—	—	—	—	10,128
A.6 Non-financial undertakings	(70,601)	(4,059)	24,268	—	—	—	—	—	—	—	—	(232)	—	1,725
A.7 Other counterparties	—	—	—	(11)	—	70	—	—	—	—	—	—	—	—
<b>Total, 30/6/07</b>	<b>(114,744)</b>	<b>(174,676)</b>	<b>37,083</b>	<b>(51,066)</b>	<b>(509,652)</b>	<b>33,927</b>	<b>(17,465)</b>	<b>(882)</b>	<b>33,731</b>	<b>—</b>	<b>—</b>	<b>(60,604)</b>	<b>—</b>	<b>84,666</b>
<b>Total, 30/6/06</b>	<b>(103,972)</b>	<b>(81,977)</b>	<b>11,972</b>	<b>(88,780)</b>	<b>(181,540)</b>	<b>69,770</b>	<b>—</b>	<b>(535)</b>	<b>191</b>	<b>—</b>	<b>—</b>	<b>(86,456)</b>	<b>—</b>	<b>91,103</b>
<b>B. Banking book</b>														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	(27,782)	(1,357,248)	7,881	—	(6,236)	—	—	(16,090)	—	—	—	(308,776)	—	66,927
B.4 Financial companies	(12,489)	(173,891)	525	—	(21,228)	—	—	—	—	—	—	(56,240)	—	53,070
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total, 30/6/07</b>	<b>(40,271)</b>	<b>(1,531,139)</b>	<b>8,406</b>	<b>—</b>	<b>(27,464)</b>	<b>—</b>	<b>—</b>	<b>(16,090)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(365,016)</b>	<b>—</b>	<b>119,997</b>
<b>Total, 30/6/06</b>	<b>(98,089)</b>	<b>(986,561)</b>	<b>11,590</b>	<b>(450)</b>	<b>(48,485)</b>	<b>41</b>	<b>—</b>	<b>(5,308)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(318,569)</b>	<b>—</b>	<b>87,910</b>

<sup>1</sup> Includes offset agreement with main counterparties.

*A.6 OTC financial derivatives by maturity: notional values*

	Up to 1 year	From 1 to 5 years	Over 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt securities and interest rates	6,752,630	9,182,880	10,411,459	26,346,969
A.2 Financial derivatives on equities and share indexes	2,425,506	5,375,160	375,000	8,175,666
A.3 Financial derivatives on foreign currency and gold	7,743,753	558,370	—	8,302,123
A.4 Financial derivatives on other assets	—	—	—	—
B. Banking book:				
B.1 Financial derivatives on debt securities and interest rates	1,836,196	8,096,129	6,660,378	16,592,703
B.2 Financial derivatives on equities and share indexes	4,078,874	6,742,877	6,509,243	17,330,994
B.3 Financial derivatives on foreign currency and gold	7,000	486,742	28,237	521,979
B.4 Financial derivatives on other assets	—	—	—	—
Total, 30/6/07	22,843,959	30,442,158	23,984,317	77,270,434
Total, 30/6/06	11,690,604	30,718,712	19,596,929	62,006,245



## B. CREDIT DERIVATIVES

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

	Regulatory trading book		Other transactions	
	Individual assets	Baskets	Individual assets	Baskets
1. Hedge buys				
1.1 With exchange of principal	2,583,454	1,572,749	140,000	—
– credit default	2,583,454	1,572,749	140,000	—
– credit linked notes	—	—	—	—
– credit spread options	—	—	—	—
– total rate of return swaps	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
– credit default	—	—	—	—
– credit linked notes	—	—	—	—
– credit spread options	—	—	—	—
– total rate of return swaps	—	—	—	—
Total at 30/6/07	2,583,454	1,572,749	140,000	—
Total at 30/6/06	1,069,062	255,000	250,000	525,000
Average values	1,781,465	1,077,059	280,815	128,750
2. Hedge sales				
2.1 With exchange of principal	1,536,056	815,337	—	—
– credit default	1,536,056	815,337	—	—
– credit linked notes	—	—	—	—
– credit spread options	—	—	—	—
– total rate of return swaps	—	—	—	—
2.2 Without exchange of principal	15,000	—	—	—
– credit default	15,000	—	—	—
– credit linked notes	—	—	—	—
– credit spread options	—	—	—	—
– total rate of return swaps	—	—	—	—
Total at 30/6/07	1,551,056	815,337	—	—
Total at 30/6/06	73,933	40,000	110,000	50,000
Average values	800,341	417,320	107,500	43,750

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

	Notional value	Positive fair value	Future exposure
A. REGULATORY TRADING BOOK	6,412,596	26,175	82,773
A.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	3,078,407	1,387	35,433
4. Financial companies	952,796	317	13,637
5. Insurances	15,000	710	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
A.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	1,651,953	19,090	25,840
4. Financial companies	564,440	4,652	7,863
5. Insurances	150,000	19	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B. BANKING BOOK	140,000		725
B.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	120,000	—	625
4. Financial companies	20,000	—	100
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	—	—	—
4. Financial companies	—	—	—
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
Total at 30/6/07	6,552,596	26,175	83,498
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	3,078,407	(27,370)
1.4 Financial companies	952,796	(10,916)
1.5 Insurances	15,000	—
1.6 Non-financial undertakings	—	—
1.7 Other counterparties	—	—
Total at 30/6/07	4,046,203	(38,286)
Total at 30/6/06	1,299,062	(9,567)

*B.4 Credit derivatives: outstanding life - notional values*

	Up to 1 year	From 1 year to 5 years	Over 5 years	Total
A. Regulatory trading book	421,832	4,302,129	1,798,635	6,522,596
A.1 Credit derivatives with “qualified” reference obligation	370,916	4,015,370	1,653,100	6,039,386
A.2 Credit derivatives with “unqualified” reference obligation	50,916	286,759	145,535	483,210
B. Banking book	5,000	130,000	5,000	140,000
B.1 Credit derivatives with “qualified” reference obligation	5,000	130,000	5,000	140,000
B.2 Credit derivatives with “unqualified” reference obligation	—	—	—	—
Total at 30/6/07	426,832	4,432,129	1,803,635	6,662,596
Total at 30/6/06	263,263	1,509,732	600,000	2,372,995

### Section 3

## LIQUIDITY RISK

### 1. Financial assets and liabilities by outstanding life

Currency of denomination: EURO

	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
Cash assets	1,917,520	2,269,478	523,114	1,155,360	1,949,637	1,368,646	3,234,263	12,688,067	8,612,897
A.1 Government securities	—	15,673	—	54	556,163	23,385	801,211	3,530,518	996,038
A.2 Listed debt securities	—	3,162	7,272	8,134	25,458	105,508	12,990	1,590,882	1,791,909
A.3 Other debt securities	—	555	—	3,859	1,471	50,187	308	199,456	614,900
A.4 OIGR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	1,917,520	2,250,088	515,842	1,143,313	1,366,545	1,189,566	2,419,754	7,367,211	5,210,050
– to banks	1,344,093	1,343,753	98,949	203,471	176,192	167,609	935,881	2,083,317	1,385,927
– to customers	573,427	906,335	416,893	939,842	1,190,353	1,021,957	1,483,873	5,283,894	3,824,123
Cash liabilities	(1,278,076)	(2,477,525)	(1,039,824)	(848,693)	(2,433,257)	(729,365)	(1,816,040)	(13,982,637)	(8,060,739)
B.1 Deposits	(1,254,814)	(1,966,543)	(1,025,708)	(751,377)	(1,853,543)	(93,689)	(56,104)	(1,139,711)	(594,980)
– to banks	(714,478)	(1,803,991)	(706,098)	(480,823)	(1,846,357)	(90,548)	(52,830)	(1,131,416)	(594,799)
– to customers	(540,336)	(162,552)	(319,610)	(270,554)	(7,186)	(3,141)	(3,274)	(8,295)	(181)
B.2 Debt securities	(23,262)	(510,982)	(14,116)	(97,316)	(563,820)	(635,676)	(1,759,936)	(12,165,525)	(7,175,730)
B.3 Other liabilities	—	—	—	—	(15,894)	—	—	(677,401)	(290,029)
Off-balance-sheet transactions	—	5,888,229	1,079,309	1,356,743	3,106,269	583,085	305,235	4,056,446	1,726,450
C.1 Financial derivatives with exchange of principal	—	—	—	—	—	—	—	—	—
– long positions	—	4,424,038	1,074,309	1,346,743	3,106,269	275,085	169,585	683,355	—
– short positions	—	2,159,344	1,011,640	908,684	1,492,520	100,670	121,799	30,501	—
C.2 Deposits and loans for collection	—	2,264,694	62,669	488,059	1,613,749	174,415	47,786	652,854	—
– long positions	—	195,015	—	—	—	60,000	105,650	51,823	97,542
– short positions	—	195,015	—	—	—	60,000	—	—	—
C.3 Irrevocable commitments to disburse funds	—	—	—	—	—	—	—	—	—
– long positions	—	1,269,176	5,000	10,000	—	250,000	30,000	51,823	97,542
– short positions	—	40,000	—	5,000	—	—	—	3,321,268	1,628,908
	—	1,229,176	5,000	5,000	—	250,000	30,000	2,279,268	932,908
	—	—	—	—	—	—	—	1,042,000	696,000

*Currency of denomination: US DOLLAR*

	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
Cash assets	29,190	286,302	3,205	62,160	8,937	16,662	40,273	600,438	178,789
A.1 Government securities	—	20	1,368	—	—	157	—	7,899	147,690
A.2 Listed debt securities	—	102	294	544	255	31	1,533	87,425	—
A.3 Other debt securities	—	—	—	—	155	—	—	18,515	—
A.4 OIGR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	29,190	286,180	1,543	61,616	8,527	16,474	38,740	486,599	31,099
– to banks	15,184	285,809	1,543	6,211	2,117	14,837	20,620	370,605	11,748
– to customers	14,006	371	—	55,405	6,410	1,637	18,120	115,994	19,351
Cash liabilities	(1,300)	(691,249)	—	(114,769)	(438,695)	(18,541)	—	(28,041)	(14,809)
B.1 Deposits	(1,296)	(691,249)	—	(114,769)	(438,290)	(18,534)	—	—	—
– to banks	(1,296)	(518,892)	—	(114,769)	(438,290)	(18,534)	—	—	—
– to customers	—	(172,357)	—	—	—	—	—	—	—
B.2 Debt securities	(4)	—	—	—	(405)	(7)	—	(28,401)	(14,809)
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	—	4,326,462	298,408	73,899	2,892,019	787,029	11,107	526,042	373,747
C.1 Financial derivatives with exchange of principal	—	4,128,946	298,408	73,899	2,892,019	772,220	—	209,863	14,810
– long positions	—	4,127,391	296,187	43,985	2,191,939	659,669	—	24,746	14,810
– short positions	—	1,555	2,221	29,914	700,080	112,551	—	185,117	—
C.2 Deposits and loans for collection	—	110,881	—	—	—	—	—	—	110,881
– long positions	—	110,881	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—
C.3 Irrevocable commitments to disburse funds	—	86,635	—	—	—	14,809	11,107	316,179	248,056
– long positions	—	86,635	—	—	—	—	—	25,916	225,842
– short positions	—	—	—	—	—	14,809	11,107	290,263	22,214

*Currency of denomination: OTHER*

	On demand	From 1 days to 7 days	From 7 days to 15 days	From 15 days to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years
Cash assets	20,368	185,536	1,766	3,112	1,479	889	71,061	476,294	231,663
A.1 Government securities	—	—	—	—	—	664	—	216,276	—
A.2 Listed debt securities	—	—	—	—	—	49	—	—	1,374
A.3 Other debt securities	—	—	—	—	—	—	—	—	—
A.4 OICR units	—	—	—	—	—	—	—	—	—
A.5 Loans and advances	20,368	185,536	1,766	3,112	1,479	176	71,061	260,018	230,289
– to banks	10,974	185,536	1,766	78	1,479	176	71,061	201,307	123,541
– to customers	9,394	—	—	3,034	—	—	—	58,711	106,748
Cash liabilities	(1,883)	(406,466)	(29,914)	(262,891)	(272,046)	(11,398)	—	(370,920)	(308,843)
B.1 Deposits	(1,883)	(406,466)	(29,914)	(258,788)	(272,046)	—	—	—	—
– to banks	(1,883)	(406,466)	(29,914)	(258,788)	(272,046)	—	—	—	—
– to customers	—	—	—	—	—	—	—	—	—
B.2 Debt securities	—	—	—	(4,103)	—	(11,398)	—	(370,920)	(308,843)
B.3 Other liabilities	—	—	—	—	—	—	—	—	—
Off-balance-sheet transactions	—	—	—	—	—	—	—	—	—
C.1 Financial derivatives with exchange of principal	—	828,251	29,674	225,337	327,568	—	2,333	514,926	13,427
– long positions	—	684,245	29,674	225,337	327,568	—	2,333	370,920	13,427
– short positions	—	684,245	29,674	225,337	301,743	—	—	370,920	13,427
C.2 Deposits and loans for collection	—	—	—	—	25,825	—	2,333	—	—
– long positions	—	144,006	—	—	—	—	—	144,006	—
– short positions	—	144,006	—	—	—	—	—	—	—
C.3 Irrevocable commitments to disburse funds	—	—	—	—	—	—	—	—	—
– long positions	—	—	—	—	—	—	—	—	—
– short positions	—	—	—	—	—	—	—	—	—

## 2. Financial liabilities by sector

	Governments and central banks	Other public agencies	Financial companies	Insurances	Non-financial undertakings	Others
1. Due to customers	—	—	1,756,101	6,578	300,920	29,489
2. Debt securities in issue	—	—	—	—	—	22,055,374
3. Trading liabilities	871,705	2	287,280	14,000	188,006	2,334,410
4. Liabilities at fair value	—	—	—	—	—	—
Total at 30/6/07	871,705	2	2,043,381	20,578	488,926	24,419,273
Total at 30/6/06	633,826	—	1,826,389	1,174,605	959,463	20,276,503

## 3. Financial liabilities by geographical region

	Italy	Rest of Europe	United States	Asia	Rest of world
1. Due to banks	867,092	1,223,496	2,203	297	—
2. Due to customers	3,566,777	7,395,614	—	11,159	—
3. Debt securities in issue	22,055,374	—	—	—	—
4. Trading liabilities	2,841,534	816,946	36,923	—	—
5. Liabilities at fair value	—	—	—	—	—
Total at 30/6/07	29,330,777	9,436,056	39,126	11,456	—
Total at 30/6/06	24,210,460	5,610,503	33,044	417	23

## PART F - CAPITAL ADEQUACY

### Section 1

#### Capital of the company

##### 1.1 *Net equity: available/distributable reserves pursuant to para. 7-bis of Article 2427 of Italian Civil Code*

	Amount	Possible uses	Portion available	Summary of uses over three previous years	
				To cover losses	Other
Share capital	408,781	—	—	—	—
Share premium reserve	2,119,328	A – B – C	2,119,328	—	—
Reserves:					
- Legal reserve	81,552	B	81,552	—	—
- Statutory reserve	1,067,431	A – B – C	1,067,431	—	—
- Other reserves	1,133,571	A – B – C	1,133,571	—	—
- FTA reserves	(81,431)		(81,431)	—	—
Valuation reserves:					
- AFS securities	808,858	—	—	—	—
- Cash flow hedges	(7,907)	—	—	—	—
- Special laws	7,587	A – B – C	7,587	—	—
<b>Total</b>	<b>5,537,770</b>	<b>—</b>	<b>4,328,038</b>	<b>—</b>	<b>—</b>
Portion unavailable	—	—	81,756	—	—
Remainder distributable	—	—	4,246,282	—	—

**Legend:**

A: due to rights issues

B: to cover losses

C: due to distribution to shareholders



## Section 2

### Regulatory and supervisory capital requirements for banks

#### B. QUANTITATIVE INFORMATION

##### 2.1 Regulatory and supervisory capital requirements for banks: quantitative information

	30/6/07
A. Tier 1 capital prior to application of prudential filters	4,749,850
Tier 1 prudential filters:	
– IAS/IFRS positive filters	—
– IAS/IFRS negative filters	—
B. Tier 1 capital post-application of prudential filters	4,749,850
C. Tier 2 capital prior to application of prudential filters	3,066,537
Tier 2 prudential filters:	
– IAS/IFRS positive filters	—
– IAS/IFRS negative filters	(395,129)
D. Tier 2 capital post-application of prudential filters	2,671,408
E. Total Tier 1 and Tier 2 capital post-application of prudential filters	7,421,258
Items to be deducted from Tier 1 and Tier 2 capital	(268,748)
F. Regulatory capital	7,152,510

Two Tier II subordinated bonds have also been issued, namely:

- XS50270002669 MB GBP 200,000,000 Lower Tier II Subordinate Fixed/Floating Rate Notes Due 2018
- XS0270008864 MB EURO 900,000,000 Lower Tier II Subordinate Floating Rate Notes Due 2016.

## 2.2 Capital adequacy: quantitative information

	Unweighted amounts	Weighted amounts/ requirements
	30/6/07	30/6/07
<b>A. RISK ASSETS</b>		
A.1 Credit risk		
Standard methodology		
Cash assets	32,447,583	23,068,835
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	26,471,189	17,251,394
1.1 Governments and central banks	1,127,247	7,189
1.2 Other public agencies	6	1
1.3 Banks	8,236,527	1,655,244
1.4 Other entities (other than amounts receivable under mortgages due on properties used for residential and non-residential purposes)	17,107,409	15,588,960
2. Amounts receivable under mortgages due on properties used for residential purposes		
3. Amounts receivable under mortgages due on properties used for non-residential purposes		
4. Equities, participating interests and subordinated assets	5,532,598	5,536,524
5. Other cash assets	443,796	280,917
Off-balance-sheet assets	31,228,095	13,191,504
1. Guarantees and commitments to (or guaranteed by):	31,022,137	13,139,250
1.1 Governments and central banks	1,816,397	—
1.2 Other public agencies	—	—
1.3 Banks	11,606,974	2,209,132
1.4 Other entities	17,598,766	10,930,118
2. Derivative agreements with (or guaranteed by):	205,958	52,254
2.1 Governments and central banks	—	—
2.2 Other public agencies	—	—
2.3 Banks	169,084	33,817
2.4 Other entities	36,874	18,437
<b>B. REGULATORY CAPITAL REQUIREMENTS</b>		
B.1 Credit risk	X	2,538,224
B.2 Market risk	X	568,624
1. Standard methodology		
<i>of which:</i>		
+ risk position on debt securities	X	321,601
+ risk position on equities	X	220,347
+ exchange rate risk	X	26,676
+ other risks	X	—
B.3 Other prudential requirements	X	5,669
B.4 Total prudential requirements (B1+B2+B3)	X	3,112,517
<b>C. RISK ASSETS AND REGULATORY RATIOS</b>		
C.1 Risk-weighted assets	X	44,464,529
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	X	10.62%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)	X	16.09%

## PART H - RELATED PARTY DISCLOSURE

### 1. Board member and senior management remuneration

#### Remuneration paid to Board Members, Statutory Auditors, General Managers and other management with strategic responsibilities

Disclosure required under Article 78 of CONSOB Resolution 11971/99

Name	Description			Remuneration			
	Position	Period during which position held	Term expires <sup>§</sup>	Fee €'000	Fringe benefits	Bonuses and other incentives	Other compensation €'000
Gabriele GALATERI di GENOLA	Chairman*	1/07/06 – 30/06/07	2/07/07	2,052	37	950	8,000
Cesare GERONZI .....	Deputy Chairman*	1/07/06 – 30/06/07	2/07/07	375			
Carlo SALVATORI .....	Deputy Chairman*	1/07/06 – 14/09/06	14/09/06	83			
Dieter RAMPL .....	Deputy Chairman *	15/09/06 – 30/06/07	2/07/07	342			
Matteo ARPE .....	Director*	1/07/06 – 31/05/07	31/05/07	369			
Jean AZEMA .....	Director	1/07/06 – 30/06/07	2/07/07	401			
Tarak BEN AMMAR .....	Director	1/07/06 – 30/06/07	2/07/07	419			
Gilberto BENETTON .....	Director	1/07/06 – 30/06/07	2/07/07	407			
Antoine BERNHEIM .....	Director	1/07/06 – 30/06/07	2/07/07	398			
Vincent BOLLORE' .....	Director *	1/07/06 - 30/06/07	2/07/07	419			
Carlo BUORA .....	Director *	1/07/06 - 12/05/07	12/05/07	345			
Giancarlo CERUTTI .....	Director	1/07/06 - 30/06/07	2/07/07	413			
Roberto COLANINNO .....	Director	1/07/06 - 30/06/07	2/07/07	366			
Ennio DORIS .....	Director	1/07/06 - 30/06/07	2/07/07	407			
Gianluigi GABETTI .....	Director	1/07/06 - 30/06/07	2/07/07	353			
Berardino LIBONATI .....	Director	1/07/06 - 30/06/07	2/07/07	404			
Jonella LIGRESTI .....	Director	1/07/06 - 30/06/07	2/07/07	398			
Fabrizio PALENZONA .....	Director *	1/07/06 - 30/06/07	2/07/07	422			
Carlo PESENTI .....	Director	1/07/06 - 30/06/07	2/07/07	413			
Alessandro PROFUMO .....	Director	1/07/06 - 30/06/07	2/07/07	398			
Eric STRUTZ .....	Director *	1/07/06 - 30/06/07	2/07/07	410			
Marco TRONCHETTI PROVERA	Director *	23/05/07 – 30/06/07	2/07/07	43			
Alberto NAGEL .....	General Manager	1/07/06 - 30/06/07	=		5	2,000	1,000
MANAGEMENT with strategic responsibilities**		=	=		18	6,350	2,956
Angelo CASÓ .....	Chairman of Statutory Audit Committee	1/07/06 - 30/06/07	2/07/07	60			
Maria Andrea ARBUFFO .....	Standing Statutory Auditor	1/07/06 – 28/10/06	2/07/07	12			
Eugenio PINTO .....	Standing Statutory Auditor	1/07/06 - 30/06/07	2/07/07	42			
Alessandro TROTTER .....	Standing Statutory Auditor	28/10/06 - 30/06/07	2/07/07	30			

<sup>§</sup> Term expired on 2 July 2007 following adoption of dualistic system of governance.

\* Member of Executive Committee.

\*\* Aggregate data.

N.B. The fees of Matteo ARPE, Jean AZEMA, Carlo BUORA, Carlo PESENTI, Alessandro PROFUMO and Marco TRONCHETTI PROVERA will be paid direct to their companies.

**STOCK OPTIONS GRANTED TO DIRECTORS, GENERAL MANAGERS AND OTHER MANAGEMENT  
WITH STRATEGIC RESPONSIBILITY**

**Disclosure required under Article 78 of CONSOB Resolution 11971/99**

Name	Position	Options at beginning of financial year			Options granted			Options exercised			Options at end of financial year			
		No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. expiry	No. of options	Avg. strike price	Avg. market price	No. of options	Avg. strike price	Avg. expiry	
Gabriele GALATERI	Chairman	2,000,000	10,865	4 years	—	—	—	1,000,000	10,865	18,325	—	1,000,000	10,865	2.5 years
Alberto NAGEL	General Manager	925,000	10,498	> 5 years	—	—	—	125,000	9,691	15,243	—	800,000	10,624	> 5 years
MANAGEMENT with strategic responsibilities*		3,152,500	10,873	> 5 years	—	—	—	1,352,500	8,324	17,367	—	1,800,000	12,788	> 5 years

\* Aggregate data.

**BENEFICIAL INTEREST OF BOARD MEMBERS, STATUTORY AUDITORS, GENERAL MANAGERS  
AND MANAGEMENT WITH STRATEGIC RESPONSIBILITIES**

Disclosure required under Article 79 of Consob resolution 11971/99

Name	Investee company	No. of shares owned at end of previous financial years	No. of shares acquired	No. of shares sold	No. of shares held at end of current financial year
Gilberto BENETTON	MEDIOBANCA	127,500	136,500	—	264,000
Antoine BERNHEIM	MEDIOBANCA	60,000	—	—	60,000
Vincent BOLLORE'	MEDIOBANCA	38,925,230	—	—	38,925,230
Ennio DORIS	MEDIOBANCA	1,722,273	10,000	—	1,732,273
Gabriele GALATERI di GENOLA	MEDIOBANCA	—	1,000,000 <sup>1</sup>	890,000	110,000
Antonio IZZI	MEDIOBANCA	2,000	—	—	2,000
Alberto NAGEL	MEDIOBANCA	2,766,000	125,000 <sup>1</sup>	890,000	2,001,000
MANAGEMENT with strategic responsibilities*	MEDIOBANCA	5,922,500	1,352,500 <sup>1</sup>	3,305,000	3,970,000

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

\* Aggregate data.

<sup>1</sup> Includes shares subscribed for upon exercise of stock options and/or those acquired following partial reinvestment of gain realized.

## 2. Related party disclosure

Accounts with related parties, the impact of which on the Group's asset and earnings aggregates is limited (27% of total assets and approx. 20% of total income respectively), fall within the ordinary operations of the Group companies, are maintained on an arm's length basis, and are entered into in the interests of the individual companies concerned. No atypical or unusual transactions have been entered into with these counterparties. Related parties for the purposes hereof include directors, statutory auditors and strategic management, data in respect of whose remuneration is provided in the relevant table.

Situation at 30 June 2007

	Subsidiaries	Directors, statutory auditors and strategic management	Associates	Other related parties	Total
	€m	€m	€m	€m	€m
Assets .....	8,080.9	686.5	608.5	3,858.8	13,234.7
<i>of which: other assets</i> .....	62.6	66.4	24.2	1,425.5	1,578.7
<i>loans and advances</i>	8,018.3	620.1	584.3	2,433.3	11,656.0
Liabilities .....	3,016.2	12.8	56.7	1,463.6	4,549.3
Guarantees and commitments ....	12,982.6	507.4	1,726.4	1,899.0	17,115.4
Interest income .....	277.8	51.1	68.4	329.6	726.9
Interest expense .....	(143.7)	(20.2)	(30.8)	(285.8)	(480.5)
Net fee income .....	6.2	5.3	13.5	11.4	36.4
Other income (costs) .....	(9.4)	(27.3) <sup>1</sup>	(25.7)	241.5	179.1

<sup>1</sup> Of which: short-term benefits amounting to €24.9m and stock options worth €1.6m.

## PART I - SHARE-BASED PAYMENT SCHEMES

### A. QUALITATIVE INFORMATION

#### 1. Description

Information on the increases in the Bank's share capital as a result of stock option schemes approved pursuant to Article 2441, paragraphs eight and five, of the Italian Civil Code is as follows:

Extraordinary general meeting held on	No. of shares approved	Awards expire on	Deadline for exercising options	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	15,000,000	28 October 2009	1 July 2020	2,215,000
<i>of which to Board members</i>	<i>4,000,000</i>	<i>28 October 2009</i>	<i>1 July 2020</i>	<i>2,000,000</i>
27 June 2007	40,000,000	27 June 2012	1 July 2022	—
TOTAL	108,130,000			54,979,000

The scheme provides for options to be exercised over a period of ten years, vesting in thirty-six months.

The scheme was launched with the dual purpose of encouraging loyalty retention among key members of staff, i.e. persuading employees with essential and/or critical roles within the Group to stay with the company, and making the remuneration package offered to them more varied and flexible.

When each award is made, management identifies beneficiaries based on their importance in organizational terms, by considering the level they occupy within the company structure and the importance of their role in terms of creating value.

Mediobanca, along with Mediolanum, also participates in the stock option scheme operated by Banca Esperia for its staff, reserving a portion of its investment in the company for use in connection with this scheme. As at 30 June 2007, recognizing these commitments at fair value resulted in a charge of €7.8m being expensed.

## B. QUANTITATIVE INFORMATION

### 1. Changes during the period

	30/6/06			30/6/07		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	25,145,000	8.82	May 2013	18,973,250	12.30	December 2013
B. Additions						
B.1 New issues	9,820,000	15.26	July 2014	100,000	18.07	March 2015
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	29,250	9.69	—	220,000	15.26	—
C.2 Options exercised	15,962,500	8.60	—	5,262,000	9.12	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	—	—	—	—	—	—
D. Balance at end of period	18,973,250	12.34	September 2013	13,591,250	13.52	December 2013
E. Options exercisable as at reporting date	1,698,250	9.06	December 2013	2,941,250	9.29	September 2011



## *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 adoption of 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, Cartiere Burgo, 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 assets .....	—	1,634	1,634
<i>of which:</i>			
<i>goodwill</i> .....	—	—	—
130. Tax assets .....	—	182,802	182,802
<i>a) current assets</i> .....	—	69,918	69,918
<i>b) advance assets</i> .....	—	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 .....	<u>37,319,041</u>	<u>594,454</u>	<u>37,913,495</u>

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
<i>a) current</i> .....	59,998	129,232	189,230
<i>b) deferred</i> .....	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
<i>a) post-retirement and similar obligations</i> .....	—	—	—
<i>b) other provisions</i> .....	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 .....	<u>37,319,041</u>	<u>594,454</u>	<u>37,913,495</u>



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
<b>Net interest income</b> .....	<b>175,868</b>	<b>(15,628)</b>	<b>160,240</b>
<b>Net fee and commission income</b> .....	<b>193,949</b>	<b>5,800</b>	<b>199,749</b>
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
<i>b) AFS securities</i> .....	<i>103,741</i>	<i>(17,843)</i>	<i>85,898</i>
<i>c) financial assets held to maturity</i> .....	—	<i>(167)</i>	<i>(167)</i>
<i>d) financial liabilities</i> .....	—	<i>9,826</i>	<i>9,826</i>
<b>Total income</b> .....	<b>673,472</b>	<b>159,514</b>	<b>832,986</b>
Value adjustments for impairment .....	34,437	(38,978)	(4,541)
<i>a) loans and advances</i> .....	—	<i>(4,511)</i>	<i>(4,511)</i>
<i>b) AFS securities</i> .....	<i>34,437</i>	<i>(34,437)</i>	—
<i>c) financial assets held to maturity</i> .....	—	—	—
<i>b) other financial transactions</i> .....	—	<i>(30)</i>	<i>(30)</i>
<b>Net profit from financial operations</b> .....	<b>707,909</b>	<b>120,536</b>	<b>828,445</b>
Administrative expenses: .....	(165,906)	(8,639)	(174,545)
<i>a) labour costs</i> .....	<i>(98,135)</i>	<i>(11,087)</i>	<i>(109,222)</i>
<i>b) other administrative expenses</i> .....	<i>(67,771)</i>	<i>2,448</i>	<i>(65,323)</i>
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
<b>Operating costs</b> .....	<b>(166,575)</b>	<b>(3,859)</b>	<b>(170,434)</b>
Gain (loss) on equity-accounted investments .....	2,860	30	2,890
Gain (loss) on disposals of investments .....	2	—	2
<b>Profit (loss) before tax on ordinary activities</b> .....	<b>544,196</b>	<b>116,708</b>	<b>660,904</b>
Income tax on ordinary activities for period .....	(49,862)	(65,522)	(115,384)
<b>Profit (loss) after tax on ordinary activities</b> .....	<b>494,334</b>	<b>51,186</b>	<b>545,520</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD</b> .....	<b>494,334</b>	<b>51,186</b>	<b>545,520</b>

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

30/6/06

<b>NET PROFIT PURSUANT TO ITALIAN LEGISLATIVE DECREE 87/92 ..</b>	<b>494,334</b>
– 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
<b>NET PROFIT PURSUANT TO IAS/IFRS ADOPTION .....</b>	<b>545,520</b>

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

	Balance at 30/6/05	Balance at 30/6/06
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)
<i>collective charge, performing loans</i> .....	(44,089)	(44,089)
<i>fee effect</i> .....	—	—
Recognition and measurement of financial assets to fair value .....	460,302	398,879
<i>securities and derivatives held for trading</i> .....	22,266	23,079
<i>securities and derivatives held for hedging</i> .....	11,259	11,259
<i>AFS debt securities</i> .....	48,930	13,875
<i>AFS equities</i> .....	314,151	330,263
<i>cash flow hedge derivatives</i> .....	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)
<i>deferred taxes relating to provision for general banking risks</i> .....	(195,827)	(200,786)
<i>deferred taxes under FTA</i> .....	(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 30/6/05 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements	Balance at 30/6/05 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
<i>of which:</i>			
<i>goodwill</i> .....	—	—	—
130. Tax assets .....	—	209,713	209,713
<i>a) current assets</i> .....	—	76,978	76,978
<i>b) advance assets</i> .....	—	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 .....	<u>31,874,891</u>	<u>1,260,720</u>	<u>33,135,611</u>

Liabilities	Balance at 30/6/05 pursuant to Italian Legislative Decree 87/92	Adjustments and restatements	Balance at 30/6/05 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
<i>a) current liabilities</i> .....	77,909	29,045	106,954
<i>b) deferred liabilities</i> .....	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
<i>a) post-retirement and similar obligations</i> .....	—	—	—
<i>b) other provisions</i> .....	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 .....	<u>31,874,891</u>	<u>1,260,720</u>	<u>33,135,611</u>

## CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)

<b>Assets</b>	IAS-compliant 30/6/06	IAS-compliant 30/6/07
10. Cash and cash equivalents .....	5.4	4.5
20. Financial assets held for trading .....	8,128.9	12,734.8
30. Financial assets recognized at fair value .....	—	—
40. AFS securities .....	5,502.7	5,573.2
50. Financial assets held to maturity .....	626.5	622.5
60. Due from banks .....	4,974.0	6,305.7
<i>of which:</i>		
<i>other trading items</i> .....	4,232.1	5,372.7
<i>other items</i> .....	8.2	20.8
70. Due from customers .....	22,954.2	28,132.6
<i>of which:</i>		
<i>other trading items</i> .....	2,243.2	2,168.0
<i>other items</i> .....	32.2	23.0
80. Hedging derivatives .....	793.4	848.2
<i>of which:</i>		
<i>funding hedge derivatives</i> .....	745.1	786.0
<i>lending hedge derivatives</i> .....	3.0	7.6
90. Value adjustments to financial assets subject to general hedging .....	—	—
100. Equity investments .....	2,354.9	2,632.7
110. Total reinsurers' share of technical reserves .....	—	—
120. Property, plant and equipment .....	301.8	298.5
130. Intangible assets .....	3.9	12.0
<i>of which:</i>		
<i>goodwill</i> .....	—	—
140. Tax assets .....	321.5	372.0
<i>a) current</i> .....	175.6	228.7
<i>b) advance</i> .....	145.9	143.3
150. Other non-current and Group assets being sold .....	—	—
160. Other assets .....	149.4	303.0
<i>of which:</i>		
<i>other trading items</i> .....	46.4	184.9
<b>TOTAL ASSETS</b> .....	<b>46,116.6</b>	<b>57,839.7</b>

The balance sheet provided on p. 19 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 (excluding amounts restated as trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds*) plus the relevant amounts of asset heading 80 and liability heading 60 in respect of hedging derivatives.

<b>Liabilities and net equity</b>	IAS-compliant 30/6/06	IAS-compliant 30/6/07
10. Due to banks .....	8,473.0	13,487.1
<i>of which:</i>		
<i>other trading items</i> .....	2,877.8	7,138.8
20. Due to customers .....	3,966.6	4,027.0
<i>of which:</i>		
<i>other trading items</i> .....	1,577.4	1,820.3
<i>other liabilities</i> .....	32.9	14.5
30. Debt securities .....	20,560.9	24,702.5
40. Trading liabilities .....	3,302.5	3,684.8
50. Liabilities recognized at fair value .....	—	—
60. Hedging derivatives .....	1,331.4	1,868.3
<i>of which:</i>		
<i>funding hedge derivatives</i> .....	1,302.2	1,786.2
<i>lending hedge derivatives</i> .....	27.4	30.4
70. Value adjustments to financial liabilities subject to general hedging .....	—	—
80. Tax liabilities .....	645.6	787.1
<i>a) current</i> .....	267.3	246.3
<i>b) deferred</i> .....	378.3	540.8
90. Liabilities in respect of Group assets being sold .....	—	—
100. Other liabilities .....	810.8	1,206.4
<i>of which:</i>		
<i>other trading items</i> .....	576.1	821.5
110. Staff severance indemnity provision .....	34.7	29.4
120. Provisions .....	156.6	156.0
<i>a) post-employment and similar benefits</i> .....	—	—
<i>b) other provisions</i> .....	156.6	156.0
130. Technical reserves .....	—	—
140. Valuation reserves .....	351.2	837.1
150. Shares with right of withdrawal .....	—	—
160. Equity instruments .....	—	—
170. Reserves .....	3,058.7	3,464.8
180. Share premium reserve .....	2,071.4	2,119.3
190. Share capital .....	406.0	408.8
200. Treasury shares .....	(0.4)	(0.4)
210. Net equity attributable to minorities .....	89.2	108.3
220. Profit (loss) for the year .....	858.4	953.2
<b>TOTAL LIABILITIES AND NET EQUITY.....</b>	<b>46,116.6</b>	<b>57,839.7</b>

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

	12 mths to 30/6/06	12 mths to 30/6/07
10. Interest and similar income .....	1,747.7	2,409.3
20. Interest expense and similar charges .....	(1,168.6)	(1,817.5)
<b>30. Net interest income .....</b>	<b>579.1</b>	<b>591.8</b>
40. Fee and commission income .....	287.1	376.9
50. Fee and commission expense .....	(24.4)	(47.5)
<b>60. Net fee and commission income .....</b>	<b>262.7</b>	<b>329.4</b>
70. Dividends and similar income .....	202.4	112.0
80. Net trading income .....	85.4	117.6
90. Net hedging income (expense) .....	(2.1)	(0.8)
100. Gain (loss) on disposal of: .....	96.5	176.0
<i>a) loans and receivables</i> .....	—	—
<i>b) AFS securities</i> .....	87.8	175.4
<i>c) financial assets held to maturity</i> .....	(0.2)	(0.1)
<i>d) other financial assets</i> .....	8.9	0.7
<b>120. Total income .....</b>	<b>1,224.0</b>	<b>1,326.0</b>
130. Adjustments for impairment to: .....	(119.4)	(169.1)
<i>a) loans and receivables</i> .....	(119.7)	(165.2)
<i>b) AFS securities</i> .....	—	(4.2)
<i>c) financial assets held to maturity</i> .....	0.3	0.3
<i>d) other financial liabilities</i> .....	—	—
<b>140. Net income from financial operations .....</b>	<b>1,104.6</b>	<b>1,156.9</b>
150. Net premium income .....	—	—
160. Income less expense from insurance operations .....	—	—
<b>170. Net income from financial and insurance operations .....</b>	<b>1,104.6</b>	<b>1,156.9</b>
180. Administrative expenses: .....	(381.8)	(436.7)
<i>a) personnel costs</i> .....	(208.7)	(236.4)
<i>b) other administrative expenses</i> .....	(173.1)	(200.3)
190. Net transfers to provisions for liabilities and charges .....	(5.3)	(6.4)
200. Net adjustments to property, plant and equipment .....	(10.1)	(10.6)
210. Net adjustments to intangible assets .....	(2.8)	(2.7)
<i>of which: goodwill</i> .....	—	—
220. Other operating income (expenses) .....	46.6	60.8
<b>230. Operating costs .....</b>	<b>(353.4)</b>	<b>(395.6)</b>
240. Profit (loss) from equity-accounted companies .....	337.5	418.9
270. Gain (loss) on disposal of investments .....	0.6	(0.1)
<b>280. Profit (loss) before tax on ordinary activities .....</b>	<b>1,089.3</b>	<b>1,180.1</b>
290. Income tax on ordinary activities for the year .....	(221.5)	(214.1)
<b>300. Profit (loss) after tax on ordinary activities .....</b>	<b>867.8</b>	<b>966.0</b>
310. Net gain (loss) on non-current assets being sold .....	—	—
<b>320. Profit (loss) for the year .....</b>	<b>867.8</b>	<b>966.0</b>
330. Profit (loss) for the year attributable to minorities .....	(9.4)	(12.8)
<b>340. Net profit (loss) for the year attributable to Mediobanca .....</b>	<b>858.4</b>	<b>953.2</b>

The profit and loss account reported on p. 18 reflects the following restatements:

- *Net interest income* includes dividends on AFS securities reported under Heading 70, amounting to €64.9m and €71.7m respectively, the totals reported under Heading 90, gains (losses) on financial liabilities as reported under Heading 100, plus margins on swaps reported under Heading 80 amounting to €7.2m and €73.2m respectively;
- amounts reported under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €11.1m and €7.8m which net operating expenses; net transfers to provisions for liabilities and charges include €6m restated as *One-off provisions*.



## MEDIOBANCA S.p.A. BALANCE SHEET

<b>Assets</b>	IAS-compliant 30/6/06	IAS-compliant 30/6/07
10. Cash and cash equivalents .....	0.1	0.1
20. Financial assets held for trading .....	8,037.3	12,453.7
40. AFS securities .....	4,043.0	4,788.0
50. Financial assets held to maturity .....	625.5	621.6
60. Due from banks .....	6,620.0	10,894.7
<i>of which:</i>		
<i>other trading items</i> .....	4,348.5	5,138.5
<i>other items</i> .....	9.4	20.5
70. Due from customers .....	15,719.9	16,717.7
<i>of which:</i>		
<i>other trading items</i> .....	2,087.8	2,078.2
<i>other items</i> .....	32.1	20.1
80. Hedging derivatives .....	784.3	853.7
<i>of which:</i>		
<i>funding hedge derivatives</i> .....	758.7	817.5
<i>lending hedge derivatives</i> .....	4.6	7.6
100. Equity investments .....	1,677.0	1,680.8
110. Property, plant and equipment .....	121.3	119.5
120. Intangible assets .....	1.6	1.8
130. Tax assets .....	182.8	158.6
<i>a) current</i> .....	69.9	48.6
<i>b) advance</i> .....	112.9	110.0
150. Other assets .....	100.7	208.6
<i>of which:</i>		
<i>other trading items</i> .....	46.3	184.8
<b>TOTAL ASSETS</b> .....	<b>37,913.5</b>	<b>48,498.8</b>

The balance sheet provided on p. 183 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 (excluding trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedging derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds* and other items) and the relevant amounts of asset heading 80 and liability heading 60 in respect of hedging derivatives.

<b>Liabilities and net equity</b>	IAS-compliant 30/6/06	IAS-compliant 30/6/07
10. Due to banks .....	4,983.5	10,973.6
<i>of which:</i>		
<i>other trading items</i> .....	3,462.7	7,138.8
<i>other liabilities</i> .....	—	15.5
20. Due to customers .....	1,878.8	2,093.1
<i>of which:</i>		
<i>other trading items</i> .....	1,577.4	1,820.3
<i>other liabilities</i> .....	11.0	14.5
30. Debt securities .....	19,647.2	22,055.5
40. Trading liabilities .....	3,323.3	3,695.4
60. Hedging derivatives .....	1,333.2	1,871.5
<i>of which:</i>		
<i>funding hedge derivatives</i> .....	1,303.4	1,789.5
<i>lending hedge derivatives</i> .....	28.3	30.4
80. Tax liabilities .....	449.6	560.9
a) current .....	189.2	107.2
b) deferred .....	260.4	453.7
100. Other liabilities .....	652.8	987.5
<i>of which:</i>		
<i>other trading items</i> .....	576.0	821.4
110. Staff severance indemnity provision .....	14.7	11.6
120. Provisions .....	151.0	150.8
a) <i>post-employment and similar benefits</i> .....	—	—
b) <i>other provisions</i> .....	151.0	150.8
130. Valuation reserves .....	327.0	808.5
160. Reserves .....	2,129.5	2,201.2
170. Share premium reserve .....	2,071.4	2,119.3
180. Share capital .....	406.0	408.8
200. Profit (loss) for the period .....	545.5	561.1
<b>TOTAL LIABILITIES AND NET EQUITY.....</b>	<b>37,913.5</b>	<b>48,498.8</b>

## MEDIOBANCA S.p.A. PROFIT AND LOSS ACCOUNT

<b>Profit and loss account</b>	12 mths to 30/6/06	12 mths to 30/6/07
10. Interest and similar income.....	1,132.2	1,682.2
20. Interest expense and similar charges .....	(972.0)	(1,561.4)
<b>30. Net interest income</b> .....	<b>160.2</b>	<b>120.8</b>
40. Fee and commission income .....	206.7	291.7
50. Fee and commission expense .....	(7.0)	(24.8)
<b>60. Net fee and commission income</b> .....	<b>199.7</b>	<b>266.9</b>
70. Dividends and similar income .....	307.3	253.8
80. Net trading income .....	72.3	100.3
90. Net hedging income (expense) .....	(2.1)	(3.6)
100. Gain (loss) on disposal of: .....	95.5	167.4
<i>a) loans and receivables</i> .....	—	—
<i>b) AFS securities</i> .....	85.9	166.7
<i>c) financial assets held to maturity</i> .....	(0.2)	(0.1)
<i>d) other financial assets</i> .....	9.7	0.8
<b>120. Total income</b> .....	<b>832.9</b>	<b>905.6</b>
130. Adjustments for impairment to: .....	(4.5)	(9.4)
<i>a) loans and receivables</i> .....	(4.5)	(5.2)
<i>b) AFS securities</i> .....	—	(4.2)
<i>c) financial assets held to maturity</i> .....	—	—
<i>d) other financial liabilities</i> .....	—	—
<b>140. Net income from financial operations</b> .....	<b>828.4</b>	<b>896.2</b>
150. Administrative expenses: .....	(174.5)	(207.8)
<i>a) personnel costs</i> .....	(109.2)	(134.4)
<i>b) other administrative expenses</i> .....	(65.3)	(73.4)
160. Net transfers to provisions for liabilities and charges .....	(1.0)	0.2
170. Net adjustments to property, plant and equipment .....	(3.0)	(2.9)
180. Net adjustments to intangible assets.....	(1.4)	(0.4)
<i>of which: goodwill</i> .....	—	—
190. Other operating income (expenses) .....	9.5	1.8
<b>200. Operating costs</b> .....	<b>(170.4)</b>	<b>(209.1)</b>
210. Profit (loss) from equity investments .....	2.9	—
240. Gain (loss) on disposal of investments .....	—	—
<b>250. Profit (loss) before tax on ordinary activities</b> .....	<b>660.9</b>	<b>687.1</b>
260. Income tax on ordinary activities for the year .....	(115.4)	(126.0)
<b>270. Profit (loss) after tax on ordinary activities</b> .....	<b>545.5</b>	<b>561.1</b>
<b>290. Net profit (loss) for the period</b> .....	<b>545.5</b>	<b>561.1</b>

The profit and loss account reported on p. 182 reflects the following restatements:

- *Net interest income* includes dividends on AFS securities reported under Heading 70, amounting to €64.9m and €71.7m respectively, the totals reported under Heading 90, gains (losses) on financial liabilities as reported under Heading 100, plus margins on swaps reported under Heading 80 amounting to €9m and €72.9m respectively;
- Other operating income reported under Heading 190 amounting to €14.7m and €8.7m has been treated as *Net fee and commission income*.

## Accompanying Schedules

TABLE A

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

*Revaluations effected under Law 576/75:*

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

*Revaluations effected under Law 72/83:*

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
– ASSICURAZIONI GENERALI S.p.A., Trieste			
– 6,375,000 shares . . . . .	21,174,732.86	—	21,174,732.86
– FONDIARIA-SAI S.p.A., Florence (formerly La Fondiaria Assicurazioni)			
– 2,500,000 shares* . . . . .	1,766,071.64	51,105.98	1,714,965.66
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	11,620,280.23	—	11,620,280.23
– Property in Piazza Paolo Ferrari 6 . . . .	4,389,883.64	—	4,389,883.64
			<u>38,899,862.39</u>

\* Due to disposal of 74,500 shares.

*Revaluations effected under Law 413/91:*

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
– Property in Piazzetta Enrico Cuccia 1 (formerly Via Filodrammatici 6-8-10)	4,174,707.04	—	4,174,707.04

## BANKS AND FINANCIAL COMPANIES (IAS/IFRS)

## TABLE B

## BALANCE SHEETS

	COMPASS (€'000)	MICOS BANCA (€'000)	COFACTOR (€'000)	CREDITTECH (€'000)	SELMABRIEMME LEASING (€'000)	PALLADIO LEASING (€'000)	TELELEASING (€'000)	MEDIOBANCA INTERNATIONAL (LUXEMBOURG) (€'000)	TECHNOSTART (€'000)	PROMINVESTMENT (€'000)	SADE FINANZIARIA- INTERESOMER (€'000)
<b>ASSETS</b>											
10. Cash and cash equivalents .....	1,278	1,472	2	1	4	5	1	37,431	—	—	—
20. Financial assets held for trading .....	13,300	—	—	—	8,410	100	379	36,676	508	—	—
40. AFS securities .....	—	—	—	—	—	—	—	14	—	—	—
50. Financial assets held to maturity .....	—	—	854	—	—	—	—	—	—	—	—
60. Due to banks .....	36,001	12,697	—	4,027	15,908	122	3,873	3,262,443	12	370	20
70. Due to customers .....	3,736,842	2,125,344	62,783	2,075	2,376,356	1,376,935	704,860	3,420,069	20	8,341	—
80. Hedging derivatives .....	24,406	—	—	—	3,656	—	3,254	3,493	—	—	—
100. Equity investments .....	409,913	—	—	—	51,041	—	—	—	—	—	—
120. Property, plant and equipment .....	22,833	1,414	92	116	3,040	7,318	36	49	—	19	—
130. Intangible assets .....	390	211	54	11	543	—	200	24	—	6	—
140. Tax assets .....	85,231	9,336	863	13	71,742	20,037	15,751	—	—	147	—
160. Other assets .....	7,470	9,597	94	52	23,963	40,401	190	1,415	2	29	—
<b>TOTAL ASSETS</b> .....	<b>4,337,664</b>	<b>2,160,071</b>	<b>64,742</b>	<b>6,295</b>	<b>2,554,663</b>	<b>1,444,918</b>	<b>728,544</b>	<b>6,724,171</b>	<b>556</b>	<b>8,912</b>	<b>20</b>
<b>LIABILITIES</b>											
10. Due to banks .....	3,707,656	2,024,739	251	—	1,899,168	1,272,562	594,876	3,781,691	—	280	—
20. Due to customers .....	105,859	5,025	26,773	—	459,896	21,349	38	—	—	—	—
30. Debt securities in issue .....	—	—	—	—	—	—	—	2,786,821	—	—	—
40. Financial liabilities .....	—	—	—	—	—	9	—	28,730	—	—	—
60. Hedging derivatives .....	477	—	—	—	631	—	—	30,886	—	—	—
70. Value adjustments to financial assets subject to general hedging .....	—	—	—	—	—	—	—	—	—	—	—
80. Tax liabilities .....	82,980	17,375	1,405	408	12,727	12,614	32,019	2,376	1	817	1
100. Other liabilities .....	35,916	11,610	1,717	1,885	53,259	54,771	12,144	6,047	27	5,837	—
110. Staff severance indemnity provision .....	9,006	1,337	1,044	286	2,439	1,229	254	—	—	101	—
120. Provisions .....	—	75	—	22	945	—	—	—	—	—	—
130. Valuation reserves .....	16,132	—	—	—	1,907	816	4,308	—	—	511	—
170. Reserves .....	225,681	24,476	1,023	2,415	53,389	63,412	63,293	68,623	(26)	242	(1)
180. Share premium reserve .....	—	—	—	—	18,040	—	—	—	—	462	—
190. Share capital .....	87,500	70,000	32,500	250	41,305	8,675	9,500	10,000	600	743	25
200. Treasury shares .....	—	—	—	—	—	(434)	—	—	—	—	—
220. Profit (loss) for the period .....	66,457	5,434	29	1,029	10,957	9,915	12,112	8,997	(46)	(81)	(5)
<b>TOTAL LIABILITIES</b> .....	<b>4,337,664</b>	<b>2,160,071</b>	<b>64,742</b>	<b>6,295</b>	<b>2,554,663</b>	<b>1,444,918</b>	<b>728,544</b>	<b>6,724,171</b>	<b>556</b>	<b>8,912</b>	<b>20</b>

TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	COMPASS	MICOS BANCA	COFACTOR	CREDITTECH	SELMABRIEMME LEASING	PALLADIO LEASING	TELELEASING	MEDIOBANCA INTERNATIONAL (LUXEMBOURG)	TECHNOSTART	PROMINVESTMENT	SADE FINANZIARIA- INTERSONIER
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
10. Interest and similar income.....	465,422	107,755	5,118	54	115,483	69,910	40,639	202,169	16	3	1
20.. Interest and similar expense.....	(135,499)	(71,091)	(1,172)	—	(83,484)	(45,927)	(21,420)	(194,822)	—	(4)	—
30.. Net interest income.....	329,923	36,664	3,946	54	31,999	23,983	19,219	7,347	16	(1)	1
40. Fee and commission income.....	19,033	4,490	—	9,684	76	—	—	13,636	—	1,888	—
50. Fee and commission expense .....	(10,270)	(710)	—	(4,127)	(1,107)	(117)	(694)	(8,203)	(1)	(752)	—
60. Net fee and commission income .....	8,763	3,780	—	5,557	(1,031)	(117)	(694)	5,433	(1)	1,136	—
70. Dividends and similar income.....	11,784	—	—	—	4,637	—	—	—	—	—	—
80. Net trading income (expense) .....	—	—	(66)	—	25	23	(11)	(384)	(2)	—	—
90. Net hedging income (expense).....	—	—	—	—	9	—	10	—	—	—	—
100. Gain (loss) on disposal/repurchase of financial assets .....	8	—	—	—	—	—	—	—	—	—	—
110. Net income from financial assets and liabilities.....	—	—	—	—	—	—	—	—	—	—	—
120. Total income .....	350,478	40,444	3,880	5,611	35,639	23,889	18,524	12,396	13	1,135	1
130. Adjustments for impairment .....	(139,946)	(6,551)	(8,573)	—	(7,109)	(1,314)	(274)	—	—	—	—
140. Net income from financial operations .....	210,532	33,893	(4,693)	5,611	28,530	22,575	18,250	12,396	13	1,135	1
150. Administrative expenses .....	(134,632)	(25,929)	(5,043)	(3,706)	(16,767)	(7,228)	(4,994)	(1,705)	(60)	(1,163)	(6)
160. Net transfers to provisions .....	—	—	—	—	(495)	—	—	—	—	—	—
170. Net income (expense) from financial operations .....	(2,581)	(307)	(28)	(58)	(232)	(349)	(50)	(16)	—	(10)	—
180. Net adjustments to intangible assets.....	(390)	(212)	(54)	(3)	(361)	—	—	(8)	—	(5)	—
190. Other operating income (expense) .....	39,472	3,362	11,249	(5)	5,059	2,113	1,441	69	1	—	—
200. Operating costs .....	(98,131)	(23,086)	6,124	(3,772)	(12,796)	(5,464)	(3,603)	(1,660)	(59)	(1,178)	(6)
210. Gain (loss) on equity investments .....	29	—	—	—	—	—	—	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value .....	—	—	—	—	—	—	—	—	—	—	—
230. Adjustments to goodwill .....	—	—	—	—	—	—	—	—	—	—	—
240. Gain (loss) on disposal of investments .....	—	—	3	—	—	—	—	—	—	—	—
250. Profit (loss) on ordinary activities before tax.....	112,430	10,807	1,434	1,839	15,734	17,111	14,647	10,736	(46)	(43)	(5)
260. Income tax on ordinary activities for the year .....	(45,973)	(5,373)	(1,405)	(810)	(4,777)	(7,196)	(2,585)	(1,739)	—	(38)	—
270. Profit (loss) on ordinary activities after tax .....	66,457	5,434	29	1,029	10,957	9,915	12,112	8,997	(46)	(81)	(5)
280. Gain (loss) on groups of assets being sold .....	—	—	—	—	—	—	—	—	—	—	—
290. Net profit (loss) for the period .....	66,457	5,434	29	1,029	10,957	9,915	12,112	8,997	(46)	(81)	(5)

## BANKS

## TABLE B (cont.)

## BALANCE SHEETS

	COMPAGNIE MONEGASQUE DE BANQUE	COMPAGNIE MONEGASQUE DE GESTION
	(€'000)	(€'000)
ASSETS		
10. Cash and cash equivalents .....	38,556	11,093
20. Due from banks .....	227,706	—
30. Due from financial institutions .....	—	—
40. Due from customers .....	501,877	—
50. Bonds and other debt securities .....	799,252	108
60. Equities, stock units and other floating-rate securities ..	406,774	—
70. Equity investments .....	19,504	8
80. Investments in Group undertakings .....	59,527	—
90. Intangible fixed assets .....	7,249	1
100. Tangible fixed assets .....	4,362	8
120. Treasury shares and stock units .....	—	—
130. Other assets .....	5,921	2,571
140. Accrued income and deferred expenses .....	4,883	48
TOTAL ASSETS .....	<u>2,075,611</u>	<u>13,837</u>
LIABILITIES		
10. Due to banks .....	138,317	—
20. Due to financial institutions .....	—	—
30. Due to customers .....	1,610,307	—
40. Debt securities .....	1,400	—
50. Other liabilities .....	19,996	1,909
60. Accrued expenses and deferred income .....	9,658	—
70. Staff severance indemnity provision .....	—	—
80. Provision for liabilities and charges .....	763	—
90. Loan loss provision .....	—	—
100. Provision for loan loss .....	—	—
110. Subordinated liabilities .....	—	—
120. Share capital .....	111,110	160
130. Share premium reserve .....	4,573	—
140. Reserves .....	137,635	16
150. Valuation reserves .....	—	—
160. Retained earnings (accumulated loss) .....	1	184
170. Profit (loss) for the period .....	41,851	11,568
TOTAL LIABILITIES .....	<u>2,075,611</u>	<u>13,837</u>



TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	COMPAGNIE MONEGASQUE DE BANQUE	COMPAGNIE MONEGASQUE DE GESTION
	(€'000)	(€'000)
10. Interest and similar income .....	62,575	—
20. Interest and similar expense .....	(50,558)	(2)
30. Dividends and similar income .....	11,107	—
40. Fee and commission income .....	33,876	14,169
50. Fee and commission expense .....	(3,777)	—
60. Gain (loss) on dealing transactions .....	29,211	—
70. Other operating income .....	21	—
80. Administrative expenses .....	(34,491)	(3,545)
90. Value adjustments to tangible/intangible assets .....	(2,484)	(13)
100. Provisions for liabilities and charges .....	(7,162)	—
110. Other operating expenses .....	—	—
120. Value adjustments to receivables and provisions for guarantees and commitments .....	—	—
130. Writebacks on receivables and transfers in respect of guarantees and commitments .....	—	—
140. Transfers to loan loss provision .....	—	—
170. Profit (loss) on ordinary activities .....	38,318	10,609
180. Extraordinary income .....	3,533	996
190. Extraordinary expense .....	—	(37)
200. Net extraordinary income (expense) .....	3,533	959
210. Changes to provision for general banking risks .....	—	—
220. Income tax for the period .....	—	—
230. Net profit (loss) for the period .....	41,851	11,568

## BALANCE SHEETS

	CONSORTIUM	QUARZO SRL	QUARZO LEASE	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(\$'000)
<b>ASSETS</b>						
10. Cash and cash equivalents .....	—	—	—	6	1	—
20. Financial assets held for trading .....	—	—	—	4,527	1,012	—
40. AFS securities .....	—	—	—	—	—	—
50. Financial assets held to maturity .....	—	—	—	1	1	—
60. Due from banks .....	728	10	—	2,557	470	1,946
70. Due from customers .....	—	—	—	2,119	48	—
80. Hedging derivatives .....	—	—	—	—	—	—
100. Equity investments .....	—	—	—	29,478	—	—
120. Property, plant and equipment .....	—	—	—	38	—	268
130. Intangible assets .....	—	—	—	219	—	—
140. Tax assets .....	9,988	4	—	433	93	—
160. Other assets .....	—	50	43	753	4	60
<b>TOTAL ASSETS .....</b>	<b>10,716</b>	<b>64</b>	<b>43</b>	<b>40,131</b>	<b>1,629</b>	<b>2,274</b>
<b>LIABILITIES</b>						
10. Due to banks .....	—	—	—	6	—	2,038
20. Due to customers .....	—	—	—	—	—	—
30. Debt securities in issue .....	—	—	—	—	—	—
40. Financial liabilities .....	—	—	—	—	—	—
60. Hedging derivatives .....	—	—	—	—	—	—
70. Value adjustments to financial assets subject to general hedging .....	—	—	—	—	—	—
80. Tax liabilities .....	19	2	33	1,237	57	1,060
100. Other liabilities .....	46	52	—	1,362	440	—
110. Staff severance indemnity provision .....	—	—	—	572	465	—
120. Provisions .....	—	—	—	—	—	—
130. Valuation reserves .....	—	—	—	—	—	—
170. Reserves .....	1,727	—	—	35,311	505	—
180. Share premium reserve .....	—	—	—	—	—	—
190. Share capital .....	8,631	10	10	100	100	250
200. Treasury shares .....	—	—	—	—	—	—
220. Profit (loss) for the period .....	293	—	—	1,543	62	(1,074)
<b>TOTAL LIABILITIES .....</b>	<b>10,716</b>	<b>64</b>	<b>43</b>	<b>40,131</b>	<b>1,629</b>	<b>2,274</b>

TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	CONSORTIUM	QUARZO SRL	QUARZO LEASE	SPAFID	PRUDENTIA FIDUCIARIA	MEDIOBANCA SECURITIES LLC
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(\$'000)
10. Interest and similar income .....	382	—	—	247	50	—
20. Interest and similar expense .....	—	—	—	—	—	(38)
30. Net interest income .....	382	—	—	247	50	(38)
40. Fee and commission income .....	—	—	—	4,498	2,008	—
50. Fee and commission expense .....	—	—	—	(52)	—	—
60. Net fee and commission income .....	—	—	—	4,446	2,008	—
70. Dividends and similar income .....	—	—	—	908	—	—
80. Net trading income (expense) .....	—	—	—	(5)	1	—
90. Net hedging income (expense) .....	—	—	—	—	—	—
100. Gain (loss) on disposal/repurchase of financial assets .....	—	—	—	—	—	—
110. Net income from financial assets and liabilities ..	—	—	—	—	—	—
120. Total income .....	382	—	—	5,596	2,059	(38)
130. Adjustments for impairment .....	—	—	—	(20)	—	—
140. Net income from financial operations .....	382	—	—	5,576	2,059	(38)
150. Administrative expenses .....	(82)	(69)	(40)	(3,593)	(1,834)	(1,036)
160. Net transfers to provisions .....	—	—	—	—	—	—
170. Net adjustments to tangible assets .....	—	—	—	(32)	—	—
180. Net adjustments to intangible assets .....	—	—	—	(118)	—	—
190. Other operating income (expense) .....	9	69	40	283	(3)	—
200. Operating costs .....	(73)	—	—	(3,460)	(1,837)	(1,036)
210. Gain (loss) on equity investments .....	—	—	—	—	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value .....	—	—	—	—	—	—
230. Adjustments to goodwill .....	—	—	—	—	—	—
240. Gain (loss) on disposal of investments .....	—	—	—	—	—	—
250. Profit (loss) on ordinary activities before tax ...	309	—	—	2,116	222	(1,074)
260. Income tax on ordinary activities for the year ..	(16)	—	—	(573)	(160)	—
270. Profit (loss) on ordinary activities after tax ....	293	—	—	1,543	62	(1,074)
280. Gain (loss) on groups of assets being sold .....	—	—	—	—	—	—
290. Net profit (loss) for the period .....	293	—	—	1,543	62	(1,074)

## OTHER GROUP COMPANIES

## BALANCE SHEETS

TABLE B (cont.)

	COMPAGNIE MONEGASQUE IMMOBILIERE	SOCIETE MONEGASQUE D'ETUDES FINANCIERES	MONOECI SOC. CIVILE IMMOBILIERE	MOULINS 700 S.A.M.
	(€'000)	(€'000)	(€'000)	(€'000)
<b>ASSETS</b>				
B) Fixed assets:				
I) Intangible assets .....	79	—	—	—
II) Tangible assets .....	16,806	13	750	—
III) Financial fixed assets .....	160	16	—	—
Total B .....	17,045	29	750	—
C) Current assets:				
I) Inventories .....	—	—	—	34,753
II) Accounts receivable .....	—	715	—	2,367
III) Financial assets other than fixed assets .....	2	—	—	17
IV) Cash .....	1,631	6,527	210	35
Total C .....	1,633	7,242	210	37,172
D) Accrued income and prepaid expenses .....	16	22	—	—
<b>TOTAL ASSETS .....</b>	<b>18,694</b>	<b>7,293</b>	<b>960</b>	<b>37,172</b>
<b>LIABILITIES</b>				
A) Shareholders' equity:				
I) Share capital .....	2,440	775	2	160
III) Revaluation reserves .....	—	—	—	—
IV) Legal reserve .....	—	—	—	—
VI) Statutory reserve .....	—	—	—	16
VII) Other reserves .....	—	15	—	—
VIII) Retained earnings (accumulated loss) .....	(1,924)	161	(67)	(133)
IX) Profit (loss) for the year .....	367	49	(30)	(18)
Total A .....	883	1,000	(35)	25
B) Provisions for liabilities and charges .....	—	—	—	—
C) Provision for staff termination indemnities .....	—	—	—	—
D) Accounts payable:				
3) Amounts due to banks .....	17,791	—	991	—
4) Amounts due to other lenders .....	—	250	—	34,142
5) Advances from customers .....	—	—	—	—
6) Trade accounts payable .....	18	—	—	—
8) Amounts due to subsidiaries .....	—	—	—	—
9) Amounts due to associated companies .....	—	—	—	—
10) Amounts due to parent companies .....	—	—	—	—
11) Taxable payable .....	—	7	—	—
12) Amounts due to social security institutions .....	—	—	—	—
13) Other accounts payable .....	2	6,036	4	5
Total D .....	17,811	6,293	995	34,147
E) Accrued expenses and deferred income .....	—	—	—	—
<b>TOTAL LIABILITIES .....</b>	<b>18,694</b>	<b>7,293</b>	<b>960</b>	<b>34,172</b>
<b>MEMORANDUM ACCOUNTS</b>				
Assets held by third parties .....	—	—	—	—
Commitments .....	—	—	—	—
Value items pledged as collateral or held for safekeeping .....	—	—	—	—
Depositors for value items .....	—	—	—	—
Other accounts .....	—	—	—	—
<b>TOTAL MEMORANDUM ACCOUNTS .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Securities and value items held on trustee basis .....	—	—	—	—

TABLE B (cont.)

## PROFIT AND LOSS ACCOUNTS

	COMPAGNIE MONEGASQUE IMMOBILIERE	SOCIETE MONEGASQUE D'ETUDES FINANCIERES	MONOECI SOC. CIVILE IMMOBILIERE	MOULINS 700 S.A.M.
	(€'000)	(€'000)	(€'000)	(€'000)
A) Value of production .....	1,374	1,039	103	—
B) Costs of production:				
6) Raw materials, secondary materials consumables, semi-finished and finished goods .....	—	—	—	—
7) Services .....	(316)	(283)	—	—
8) Use of third parties' assets .....	—	—	—	—
9) Personnel .....	—	(265)	—	—
10) Depreciation, amortization and writedowns .....	(749)	(4)	(28)	—
12) Provision for liabilities .....	—	(10)	—	—
13) Other provisions .....	—	—	—	—
14) Sundry operating expenses .....	—	(7,562)	(6)	(17)
Total B .....	(1,065)	(8,124)	(34)	(17)
Value of production less costs of production .....	309	(7,085)	69	(17)
C) Interest income (charges) .....	(693)	(11)	(39)	—
D) Value adjustments to financial fixed assets .....	737	—	—	—
E) Extraordinary income (expenses) .....	14	7,170	—	(1)
Profit (loss) before tax .....	367	73	30	(18)
Income taxes for the year .....	—	(24)	—	—
Profit (loss) for the year .....	367	49	30	(18)

## OTHER NON-FINANCIAL UNDERTAKINGS (IAS/IFRS)

## BALANCE SHEETS

TABLE B (cont.)

	RICERCHE E STUDI S.p.A. <sup>1</sup> (€'000)	SETECI S.p.A. 30/06/2007 (€'000)	RICERCHE E STUDI S.p.A. <sup>1</sup> (€'000)	SETECI S.p.A. 30/06/2007 (€'000)
<b>ASSETS</b>				
Non-current assets	—	—	—	—
Intangible assets	3	291	100	500
Tangible assets	10	—	—	—
Property, plant and equipment	—	5,233	3	2,673
Investments in subsidiaries	—	—	—	—
Investments in associate companies	—	—	—	—
- of which to related parties	—	—	—	—
AFS securities	—	—	—	—
Real estate assets	—	—	—	—
Other non-current assets	—	20	—	—
Financial assets in the form of derivative instruments	—	—	—	—
Advance tax assets	—	52	—	2
Total non-current assets	13	5,596	103	3,175
<b>CURRENT ASSETS</b>				
Accounts receivable	—	667	—	—
- of which to related parties	—	—	592	472
Other receivables	—	—	—	1,404
Sundry receivables and other current assets	1,137	658	—	—
- of which to related parties	—	—	592	—
Current tax assets	10	—	—	—
- of which to related parties	—	—	—	871
Current financial receivables	—	—	—	243
- of which to related parties	—	—	—	—
Financial derivative products	—	—	—	—
Other current financial assets	—	—	—	9
Cash and liquid assets	258	241	—	—
Total current assets	1,405	1,566	163	272
AFS securities	—	—	560	—
TOTAL ASSETS	1,418	7,162	723	716
<b>LIABILITIES</b>				
A) Net equity:				
Share capital	—	—	—	—
Other financial instruments representing equity	—	—	—	—
- of which to related parties	—	—	—	—
Reserves	—	—	—	—
Treasury shares	—	—	—	—
Hedge reserves	—	—	—	—
Other reserves	—	—	—	—
Profit (loss) for previous years	—	—	—	—
Profit (loss) for period	—	—	—	—
Total net equity	—	—	—	—
<b>NON-CURRENT LIABILITIES</b>				
Staff benefits	—	—	—	—
Provisions for liabilities and charges	—	—	—	—
Staff-related provisions	—	—	592	472
Deferred tax liabilities	—	—	—	1,404
Borrowings net of current borrowings	—	—	—	—
Other non-current liabilities	—	—	—	—
Total non-current liabilities	—	—	592	1,876
<b>CURRENT LIABILITIES</b>				
Due to banks	—	—	—	—
Accounts payable	—	—	—	871
- of which to related parties	—	—	—	—
Current tax liabilities	—	—	—	243
- of which to related parties	—	—	—	—
Financial liabilities in the form of derivative products	—	—	—	—
Current financial liabilities	—	—	—	9
- of which to related parties	—	—	—	—
Provisions for liabilities and charges	—	—	163	272
Other current liabilities	—	—	560	—
Sundry payables and other current assets	—	—	—	716
- of which to related parties	—	—	—	—
Total current liabilities	—	—	723	2,111
Liabilities in respect of AFS securities	—	—	—	—
TOTAL LIABILITIES	—	—	1,418	7,162

<sup>1</sup> Financial year ended 30/4/07.

TABLE B (cont.)

## PROFIT AND LOSS ACCOUNT

	RICERCHE E STUDI S.p.A. <sup>1</sup>	SETECI S.p.A. 30/06/2007
	(€'000)	(€'000)
Net income .....	2,052	11,969
- of which to related parties .....	—	—
Consumption of raw materials and services .....	—	(4,219)
- of which to related parties .....	—	—
- of which non-recurring .....	—	—
Personnel costs .....	(1,510)	(3,052)
- of which to related parties .....	—	—
- of which non-recurring .....	—	—
Other operating income .....	—	—
Other operating costs .....	(424)	—
Other operating income and costs .....	—	—
- of which to related parties .....	—	—
Sundry operating expenses .....	—	(2,719)
Provisions for various risks .....	—	—
Depreciation and amortization .....	(10)	—
Depreciation on property, plant and equipment .....	—	(1,674)
Amortization of real estate investments .....	—	—
Operating profit (loss) .....	108	305
Financial income (expense)		
Financial income .....	8	2
- of which to related parties .....	—	—
- of which non-recurring .....	—	—
Financial expense .....	(2)	—
- of which to related parties .....	—	—
Other income (expense) from financial assets and liabilities .....	—	(30)
- of which to related parties .....	—	—
- of which non-recurring .....	—	—
Net profit before tax .....	114	277
Income tax .....	(114)	(275)
Net profit for the period .....	—	2

<sup>1</sup> Financial year ended 30/4/07.

## ASSOCIATE COMPANIES

## TABLE C

## BALANCE SHEETS

	ASSICURAZIONI GENERALI 31/12/2006 (€'000)	ASSICURAZIONI GENERALI 31/12/2006 (€'000)
<b>ASSETS</b>		
B) Total intangible assets .....	127,528	
C) Investments		
I) Land and buildings (total) .....	1,342,295	
II) Investments in Group and other undertakings (total)		
III) Other financial investments	20,809,960	
1) Shares and stock units .....	1,815,491	
2) Mutual fund units .....	795,168	
3) Bonds and other fixed-income securities .....	19,612,763	
4) Loans .....	379,905	
6) Deposits with banks .....	65,283	
7) Other financial investments .....	806	
Total other financial investments .....	22,669,416	
IV) Deposits with reinsurers .....	9,461,023	
Total investments (C) .....	54,282,694	
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total) ..	1,260,425	
Db) Reinsurers' share of technical reserves		
I) General business (total) .....	1,390,441	
II) Life business (total) .....	219,329	
Total reinsurers' share of technical reserves (Db) .....	1,609,770	
E) Accounts receivable		
I) Amounts due in respect of primary insurances (total)	1,396,357	
II) Amount due in respect of reinsurances (total) .....	587,303	
III) Other accounts receivable .....	874,940	
Total accounts receivable (E) .....	2,858,600	
F) Other assets		
I) Tangible assets and inventories (total) .....	2,098	
II) Cash (total) .....	825,698	
III) Own shares or stock units .....	127,951	
IV) Other assets (total) .....	197,714	
Total other assets (F) .....	1,152,461	
G) Accruals and prepayments (total) .....	487,142	
<b>TOTAL ASSETS (B+C+D+Db+E+F+G) .....</b>	<b>61,778,620</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
A) Shareholders' equity		
I) Share capital or equivalent fund .....	1,277,764	
II-VII) Reserves (total) .....	7,944,036	
IX) Profit (loss) for year .....	1,213,644	
Total shareholders' equity (A) .....	10,435,444	
B) Subordinated liabilities .....	1,781,540	
C) Technical reserves		
I) General business (total) .....	8,977,736	
II) Life business (total) .....	30,663,360	
Total technical reserves (C) .....	39,641,096	
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total) .....	1,256,299	
E) Provision for risks and charges (total) .....	149,358	
F) Deposits received from reinsurers .....	192,058	
G) Accounts payable and other liabilities		
I) Amounts payable in respect of primary insurances .....	107,357	
II) Amounts payable in respect of reinsurances .....	206,375	
III) Bond issues .....	2,500,000	
IV) Amounts payable to banks and financial institutions .....	2,024,634	
V) Secured debt .....	-	
VI) Loans and other debt .....	2,104,733	
VII) Staff termination indemnity provision .....	27,156	
VIII) Other accounts payable .....	609,232	
IX) Other liabilities .....	237,620	
Total accounts payable and other liabilities (G) .....	7,817,107	
H) Accruals and deferrals (total) .....	505,718	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H) .....</b>	<b>61,778,620</b>	
<b>GUARANTEES, COMMITMENTS AND OTHER CONTRA ACCOUNTS (TOTAL) .....</b>	<b>36,456,099</b>	



TABLE C (cont.)

## STATEMENT OF EARNINGS (NON-TECHNICAL ACCOUNTS)

	ASSICURAZIONI GENERALI 31/12/2006
	(€'000)
1) Underwriting profit (loss) from general business .....	261,705
2) Underwriting profit (loss) from life business .....	348,251
3) Investment income in general business	
a) Dividends .....	280,356
b) Other investment income (total) .....	186,883
c) Writebacks in book value of investments .....	126,928
d) Gain on disposal of investments .....	74,326
Total investment income in general business .....	668,493
4) Portion of investment income transferred from technical accounts of life business .....	547,472
5) Operating and financial expenses in general business	
a) Investment management expenses and interest paid .....	(72,788)
b) Writedowns to investments .....	(98,885)
c) Loss on disposal of investments .....	(51,732)
Total operating and financial expenses in general business .....	(223,405)
6) Portion of investment income transferred from technical accounts of general business .....	(274,241)
7) Other income .....	205,655
8) Other expenditure .....	(770,581)
9) Profit (loss) on ordinary operations .....	763,349
10) Extraordinary income .....	571,346
11) Extraordinary expenditure .....	(170,361)
12) Net extraordinary income (expenditure) (10-11) .....	400,985
13) Earnings before tax .....	1,164,334
14) Taxation for the year .....	49,310
15) Profit (loss) for the year (13-14) .....	1,213,644

## OTHER ASSOCIATED UNDERTAKINGS

## BALANCE SHEET

TABLE C (cont.)

	RCS Media Group S.p.A. 31/12/06 (€'000)	GEMINA S.p.A. 31/12/06 (€'000)	RCS Media Group S.p.A. 31/12/2006 (€'000)	GEMINA S.p.A. 31/12/2006 (€'000)
<b>ASSETS</b>				
Non-current assets				
Intangible assets	211	7	762,019	362,240
Tangible assets	—	95	4,243	—
Property, plant and equipment	3,812	—	3,593	—
Equity investments	569,446	651,423	287,735	67,149
AFS securities	212,673	23,440	(61,698)	—
Real estate assets	91,966	—	—	505
Other non-current assets	451	7,342	99,649	74,776
Financial assets in the form of derivative instruments	4	—	166,223	38,151
Advance tax assets	3,196	—	—	50,998
Total non-current assets	881,759	682,308	1,258,171	593,819
Current assets	3,798	4,650	2,493	396
- of which to related parties	3,613	655	2,781	—
Other receivables	—	8,601	5,934	—
- of which to related parties	—	1,979	35,842	—
Sundry receivables and other current assets	5,683	—	2,165	—
- of which to related parties	16	—	49,215	396
Current tax assets	71,398	—	—	—
- of which to related parties	3,188	—	—	—
Current financial receivables	287,792	—	3,094	—
- of which to related parties	263,876	—	6,341	988
Financial derivative products	—	544	1,457	107
Other current financial assets	—	2,373	21,077	946
- of which to related parties	—	2,373	12,157	—
Cash and cash equivalents	197,625	1,279	15	—
Total current assets	566,296	17,447	98,297	102,655
Financial assets held for sale	—	—	97,810	51,610
TOTAL ASSETS	1,448,055	699,755	3,276	165
			8,569	786
			1,059	—
			140,669	105,540
			—	—
			1,448,055	699,755
<b>LIABILITIES</b>				
A) Net equity:				
Share capital				
Other financial instruments representing equity				
- of which to related parties				
Reserves				
Treasury shares				
Hedge reserves				
Other reserves				
Profit (loss) for previous years				
Profit (loss) for period				
Total net equity				
Non-current liabilities				
Staff benefits				
Provisions for liabilities and charges				
Staff-related provisions				
Deferred tax liability				
Borrowings net of current borrowings				
Other non-current liabilities				
Total non-current liabilities				
CURRENT LIABILITIES				
Due to banks				
Accounts payable				
- of which to related parties				
Current tax liabilities				
- of which to related parties				
Financial liabilities in the form of derivative products				
Current financial liabilities				
- of which to related parties				
Provisions for liabilities and charges				
Other current liabilities				
Sundry payables and other current assets				
- of which to related parties				
Total current liabilities				
Liabilities in respect of AFS securities				
TOTAL LIABILITIES				

TABLE C (cont.)

## PROFIT AND LOSS ACCOUNT

	RCS Media Group S.p.A. 31/12/06	GEMINA S.p.A. 31/12/06
	(€'000)	(€'000)
Net income .....	9,191	560
- of which to related parties .....	9,170	560
Consumption of raw materials and services .....	(19,716)	—
- of which to related parties .....	(5,942)	—
- of which non-recurring .....	(1,000)	—
Personnel costs .....	(21,922)	(2,308)
- of which to related parties .....	(9,308)	—
- of which non-recurring .....	(5,628)	—
Other operating income .....	(42)	496
- of which to related parties .....	—	494
Other operating costs .....	—	(5,375)
Other operating income and costs	12,981	—
- of which to related parties .....	12,551	—
Sundry operating expenses .....	(1,538)	—
Provisions for various risks .....	(146)	—
Depreciation and amortization .....	—	(28)
Depreciation on property, plant and equipment .....	(340)	—
Amortization of real estate investments .....	(1,069)	—
Operating profit (loss) .....	(22,601)	(6,655)
Income (expense) from equity investments		
Dividends from subsidiaries .....	—	33,548
Dividends from associates .....	—	2,116
Dividends from other companies .....	—	908
Other income (expense) from equity investments .....	—	28,249
Interest income (expense)		
Interest income .....	21,713	3,683
- of which to related parties .....	9,579	667
- of which non-recurring .....	4,973	—
Interest expense .....	(6,021)	(12,069)
- of which to related parties .....	(3,116)	(5,783)
Other income (expense) from financial assets and liabilities .....	148,153	—
- of which to related parties .....	79,536	—
- of which non-recurring .....	59,597	—
Net profit before tax .....	141,244	49,780
Income tax .....	24,979	1,218
Net profit for the period .....	166,223	50,998

## BALANCE SHEET

TABLE C (cont.)

		BURGO GROUP S.p.A. 31/12/06
		(€'000)
ASSETS		
B)	Fixed assets:	
I)	Intangible assets .....	43,444
II)	Tangible assets .....	1,090,661
III)	Financial fixed assets .....	337,786
	Total (B) .....	1,471,891
C)	Current assets:	
I)	Inventories .....	257,827
II)	Accounts receivable:	
1)	Trade receivables .....	429,624
2)	Amounts due from subsidiaries .....	139,316
3)	Amounts due from associated companies .....	9,819
5)	Other accounts .....	28,310
6)	Deferred tax receivables .....	—
	Total receivables .....	607,069
III)	Financial assets other than fixed assets .....	138,313
IV)	Cash .....	25,109
	Total (C) .....	1,028,318
D)	Accrued income and prepaid expenses .....	6,596
	TOTAL ASSETS (B+C+D) .....	2,506,805
LIABILITIES		
A)	Shareholders' equity:	
I)	Share capital .....	205,443
II-VII)	Reserves .....	117,585
VIII)	Retained earnings (accumulated loss) .....	194,973
IX)	Profit (loss) for the year .....	13,098
	Total (A) .....	531,099
B)	Provisions for liabilities and charges .....	72,395
C)	Provision for staff termination indemnities .....	98,473
D)	Accounts payable:	
1)	Bonds .....	—
3)	Amounts due to banks .....	687,786
4)	Amounts due to other lenders .....	537,764
5)	Advances and deposits .....	—
6)	Trade accounts payable .....	411,383
8)	Amounts due to subsidiaries .....	90,938
9)	Amounts due to associated companies .....	8,639
11)	Taxes payable .....	8,842
12)	Amounts due to social security institutions .....	9,059
13)	Other debts .....	32,272
	Total D .....	1,786,683
E)	Deferred income and accrued expenses .....	18,155
	TOTAL LIABILITIES (A+B+C+D+E) .....	2,506,805
MEMORANDUM ACCOUNTS		
	Personal guarantees given .....	68,279
	Collateral given .....	—
	Commitments, contingencies and other memorandum accounts .....	230,635
	TOTAL MEMORANDUM ACCOUNTS .....	298,914

PROFIT AND LOSS ACCOUNT

TABLE C (cont.)

BURGO GROUP S.p.A. 31/12/06	
(€'000)	
A) Value of production:	
1) Revenue from sales and services .....	2,006,623
2) Increase (decrease) in work-in-progress, semi-finished and finished products .....	6,545
4) Internal additions to fixed assets .....	3,007
5) Other income .....	65,095
Total (A) .....	2,081,270
B) Costs of production:	
6) Raw materials, secondary materials, consumables, semi-finished and finished goods .....	(1,144,209)
7) Services .....	(613,253)
8) Assets leased or rented .....	(2,765)
9) Personnel .....	(197,842)
10) Depreciation, amortization and writedowns .....	(102,358)
11) Increase (decrease) in raw materials, secondary materials, consumables, semi-finished and finished goods .....	(9,566)
12) Provisions for liabilities .....	(2,760)
13) Other provisions .....	(1,889)
14) Sundry operating expenses .....	(10,886)
Total (B) .....	(2,085,528)
Value of production less cost of production .....	(4,258)
C) Interest income (expense):	
15) Dividends from investments .....	64,196
16) Other interest income .....	3,093
17) Interest and other financial charges .....	(52,357)
Total C .....	14,932
D) Value adjustments to financial fixed assets:	
18) Revaluations .....	106
19) Writedowns .....	—
Total (D) .....	106
E) Extraordinary income (expenses):	
20) Extraordinary income .....	6,697
21) Extraordinary expenses .....	(10,258)
Total (E) .....	(3,561)
Profit (loss) before tax (A-B+C+D+E).....	7,219
22) Income taxes for the year .....	5,879
26) Profit (loss) for the year .....	13,098

TABLE C (cont.)

## BALANCE SHEET

	MB Venture Capital Fund I Part.Co. A N.V. 31/12/06	Athena Private Equity S.A. 31/12/06
	(€'000)	(€'000)
ASSETS		
10. Cash in hand .....	14	57,795
20. Amounts due from banks .....	—	—
30. Amounts due from financial companies .....	—	—
40 Trade accounts receivable .....	—	—
50. Bonds and other fixed-income securities .....	—	8,847
60. Equities, participating interests and other floating rate securities .....	—	—
70. Equity investments .....	16,598	86,551
80. Investments in Group undertakings .....	—	—
90. Intangible fixed assets .....	—	—
100. Tangible fixed assets .....	—	—
110. Unpaid call on capital .....	—	—
130. Other assets .....	—	1,095
140. Accrued income and prepaid expenses .....	—	—
TOTAL ASSETS .....	16,612	154,288
LIABILITIES		
10. Amounts due to banks .....	—	—
20. Amounts due to financial companies .....	—	—
30. Trade accounts payable .....	—	—
50. Other liabilities .....	—	1,696
60. Accrued expenses and deferred income .....	—	—
70. Provision for staff termination indemnities .....	—	—
80. Provisions for liabilities and charges .....	—	—
90. Loan loss provisions .....	—	—
120. Share capital .....	50	51,200
130. Share premium reserve .....	16,579	—
140. Reserves .....	—	71,621
160. Retained earnings (accumulated loss) .....	(15)	—
170. Profit (loss) for the year .....	(2)	29,771
TOTAL LIABILITIES .....	16,612	154,288

TABLE C (cont.)

## PROFIT AND LOSS ACCOUNT

	MB Venture Capital Fund I Part.Co. A N.V. 31/12/06	Athena Private Equity S.A. 31/12/06
	(€'000)	(€'000)
EXPENSES		
10. Interest payable and similar expenses .....	—	141
20. Commissions payable .....	—	—
30. Loss on dealing transactions .....	—	—
40. Administrative expenses.....	2	5,964
50. Adjustments to intangible and tangible fixed assets .....	—	—
60. Other operating expenses.....	—	—
70. provisions for liabilities and charges .....	—	—
80. Transfer to loan loss provisions .....	—	—
90. Adjustments to receivableS and provisions for guarantees and commitments .....	—	—
100. Adjustments to financial fixed assets .....	—	12,913
110. Extraordinary expenses .....	—	—
130. Net transfers to provisions for liabilities and charges .....	—	—
140. Profit (loss) for the year.....	—	29,771
TOTAL EXPENSES.....	<u>2</u>	<u>48,789</u>
INCOME		
10. Interest receivable and similar income .....	—	1,139
20. Dividends and other income .....	—	47,650
30. Commissions receivable .....	—	—
40. Gain on dealing transactions.....	—	—
70. Other operating income .....	—	—
80. Extraordinary income .....	—	—
100. Loss for the year .....	2	—
TOTAL INCOME.....	<u>2</u>	<u>48,789</u>

## BALANCE SHEET

TABLE C (cont.)

	FIDIA SGR S.p.A. 31/12/2006	Banca Esperia S.p.A. 31/12/2006
	(€'000)	(€'000)
ASSETS		
10. Cash and cash equivalents .....	1	106
20. Financial assets held for trading .....	—	1,155
30. Financial assets recognized at fair value .....	—	—
40. AFS securities .....	6,735	38,911
50. Financial assets held to maturity .....	—	5,000
60. Due from banks .....	5,668	117,999
70. Due from customers .....	—	240,228
80. Hedging derivatives .....	—	—
90. Value adjustments subject to general hedging .....	—	—
100. Equity investments .....	—	19,272
110. Property, plant and equipment .....	25	704
120. Intangible assets .....	—	214
130. Tax assets .....	1	1,348
140. Non-current and groups of assets being sold .....	—	—
150. Other assets .....	151	54,097
TOTAL ASSETS .....	<u>12,581</u>	<u>479,034</u>
LIABILITIES		
10. Due to banks .....	207	70,000
20. Due to customers .....	—	288,099
30. Debt securities in .....	—	—
40. Trading liabilities .....	—	998
50. Financial liabilities recognized at fair value .....	—	—
60. Hedging derivatives .....	—	—
70. Value adjustments to financial liabilities subject to general hedging .....	—	—
80. Tax liabilities .....	6	1,348
a) current .....	—	176
b) deferred .....	—	1,172
90. Liabilities linked to assets being sold .....	—	—
100. Other liabilities .....	411	46,485
110. Staff severance indemnity provision .....	164	1,504
120. Provisions .....	—	—
130. Valuation reserves .....	747	(248)
140. Redeemable shares .....	—	—
150. Equity instruments .....	—	—
160. Reserves .....	53	9,979
170. Share premium reserve .....	—	38,646
180. Share capital .....	11,440	13,000
190. Treasury shares .....	—	—
200. Profit (loss) for the period .....	(447)	9,223
TOTAL LIABILITIES .....	<u>12,581</u>	<u>479,034</u>



TABLE C (cont.)

## PROFIT AND LOSS ACCOUNT

	FIDIA SGR S.p.A. 31/12/2006	Banca Esperia S.p.A. 31/12/2006
	(€'000)	(€'000)
10. Interest and similar income	111	9,821
20. Interest and similar expense	(1)	(4,747)
30. Net interest income	110	5,074
40. Fee and commission income	2,336	40,651
50. Fee and commission expense	(59)	(1,806)
60. Net fee and commission income	2,277	38,845
70. Dividends and similar income	—	31
80. Net trading income	—	431
90. Net hedging income	—	—
100. Gain (loss) on disposal/repurchase of:	—	—
a) loans and advances	—	—
b) AFS securities	—	2,059
c) financial assets held to maturity	—	—
d) financial liabilities	—	—
110. Net income from financial assets/liabilities recognized at fair value	—	—
120. Total income	2,387	46,440
130. Adjustments for impairment to:	—	—
a) loans and advances	—	(280)
b) AFS securities	—	—
c) financial assets held to maturity	—	—
d) other financial transactions	—	—
140. Net income from financial operations	2,387	46,160
150. Administrative expenses	(2,673)	(30,098)
a) labour costs	—	(19,921)
b) other administrative expenses	—	(10,177)
160. Net transfers to provisions	—	—
170. Net adjustments to tangible assets	(41)	(361)
180. Net adjustments to intangible assets	—	(331)
190. Other operating income (expense)	(42)	1,206
200. Operating costs	(2,756)	(29,584)
210. Net gain (loss) on equity investments	—	—
220. Net gain (loss) on recognizing tangible/intangible assets at fair value	—	—
230. Adjustments to goodwill	—	—
240. Gain (loss) on disposal of investments	—	—
250. Profit (loss) on ordinary activities before tax	(369)	16,576
260. Income tax on ordinary activities for the period	(78)	(7,353)
270. Profit (loss) on ordinary activities after tax	(447)	9,223
280. Net gain (loss) on groups of assets being sold	—	—
290. Net profit (loss) for the period	(447)	9,223

TABLE D

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

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
<b>DIRECTLY CONTROLLED SUBSIDIARIES</b>							
COMPASS S.p.A., Milan	87,500	5	17,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., Monte Carlo	111,100	200	555,535	100.00	—	—	—
CONSORTIUM S.R.L. – Milan	8,600	—	1	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A., Luxembourg	10,000	10	990,000	99.00	10,000	1.00	Compass
MEDIOBANCA SECURITIES USA LLC. – New York	250	—	1	100.00	—	—	—
PROMINVESTMENT S.p.A., Rome	743	0.52	1,000,000	70.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan	100	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan	100	5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l., Milan	25	—	1	100.00	—	—	—
SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A., Milan	500	5	100,000	100.00	—	—	—
SPAFID S.p.A., Milan	100	10	10,000	100.00	—	—	—
TECHNOSTART S.p.A., Milan	600	0.50	828,000	69.00	—	—	—
<b>INDIRECTLY CONTROLLED SUBSIDIARIES</b>							
COFACTOR S.p.A., Milan	32,500	0.50	—	—	65,000,000	100.00	Compass
CREDITECH S.p.A., Milan	250	1	—	—	250,000	100.00	Compass
MICOS BANCA S.p.A., Milan	70,000	0.50	—	—	140,000,000	100.00	Compass
PALLADIO LEASING S.p.A., Vicenza	8,700	0.50	—	—	16,482,500 867,500	95.00 5.00	SelmaBipiemme Palladio Leasing
SELMABIPIEMME LEASING S.p.A., Milan	41,300	0.50	—	—	49,564,777	60.00	Compass

\* Shares owned.

TABLE D (cont.)

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
TELELEASING S.p.A., Milan	9,500	1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.I. Compagnie Monégasque Immobilière - SCI, Monte Carlo	2,400	1,525	—	—	1,599	99.94	CMB S.A.
C.M.G. Compagnie Monégasque de Gestion S.A.M., Monte Carlo	160	160	—	—	997	99.70	CMB S.A.
SMEF - Soc. Monégasque des Etudes Financières S.A.M., Monte Carlo	775	155	—	—	4,996	99.92	CMB S.A.
MONOECI Soc. Civile Immobilière, Monte Carlo	1.6	15.5	—	—	99	99.00	CMB S.A.
MOULINS 700 S.A.M., Monte Carlo	160	160	—	—	998	99.80	C.M.I. SCI

\* Shares owned.

TABLE D (cont.)

	Share capital €'000	Par value per share €	No. of shares held directly	Direct interest* %	No. of shares held indirectly	Indirect interest* %	Shares held by
<b>OTHER SIGNIFICANT EQUITY INVESTMENTS</b>							
APE S.G.R., Milan	1,100	1	440,000	40.00	—	—	—
ATHENA PRIVATE EQUITY S.A., Luxembourg	51,200	2	6,114,460	23.88	—	—	—
BANCA ESPERIA S.p.A., Milan	13,000	0.52	11,427,600	45.71	—	—	—
BURGO GROUP S.p.A., Altavilla Vicentina	205,400	0.52	87,442,365	22.13	—	—	—
CENTOTRENTA 4/6 S.R.L. (now TELCO S.R.L.), Milan	10	—	1,064	10.64	—	—	—
FIDIA - Fondo Interbancario d'Inve- stimento Azionario SGR S.p.A., Milan	11,400	520	5,500	25.00	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan	79,100	—	1	15.06	—	—	—
MB VENTURE CAPITAL FUND I PARTICIPATING CO. A N.V., Amsterdam	50	1	22,500	45.00	—	—	—
SINTERAMA S.p.A., Sandigliano	72,800	0.51	15,000,000	10.51	—	—	—
SPEED S.p.A., Milan	200	1	38,376	19.19	—	—	—
ZAMBIA TANZANIA ROAD SERVICES Ltd, Lusaka (in liquidation)	Kwacha 4,000	Kwacha 200	4,667	23.33	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg	40	10	—	—	1,400	35.00	Technostart

\* Shares owned.

## **Declaration by Head of Company Financial Reporting**

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As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the information contained in this report conforms to the documents, account ledgers and book entries of the company.

Head of Company Financial  
Reporting

Massimo Bertolini

## **STATEMENT ON CORPORATE GOVERNANCE**

## **STATEMENT ON CORPORATE GOVERNANCE**

### **CURRENT GOVERNANCE STRUCTURE OF MEDIOBANCA**

At a general meeting of shareholders held on 27 June 2007, Mediobanca adopted a new model of corporate governance based on the so-called dualistic system, with effect from 2 July 2007.

The dualistic model of governance is based on a clear distinction between activities of supervision and direction on the one hand, which are the responsibility of the Supervisory Board, and management and administration of the company on the other, which are entrusted to the Management Board. This separation of roles and responsibilities between governing bodies enables the Bank's governance to function in such a way as to provide a better reflection of Mediobanca's ownership structure and its operational requirements, and to facilitate the Group's expansion on international markets more effectively.

The Group's current governance structure is described below. To complete the picture, information on the governance structure in place until 30 June 2007 is also provided.

### **COMPANY**

Mediobanca was set up in 1946. Its core businesses are lending and investment banking, helping its clients, which include leading Italian corporates as well as numerous medium-size businesses and several international groups, to grow by providing them with professional advisory services as well as traditional medium-term bank credit. Over the years, the advisory and lending sides have been complemented by equity investment, consumer credit (via Group subsidiaries Compass and Micos Banca), leasing (via the SelmaBipiemme group), and private banking (via Compagnie Monégasque de Banque and Banca Esperia).

Mediobanca shares have been listed on the Milan stock market since 1956.

### **SHARE CAPITAL AND OWNERSHIP**

The Bank's share capital at 30 June 2007 totalled €408,781,457.50, made up of 817,562,915 par value € 0.50 ordinary shares.

Since 1998 shareholders in general meeting have adopted resolutions to increase the company's share capital under the terms of the stock option schemes restricted to Management Board members and Group employees. To date a total of 52,165,000 stock options remain unassigned in respect of a like number of shares.

At an extraordinary general meeting held on 27 June 2007, the Management Board was authorized:

- subject to prior approval by the Supervisory Board, to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the resolution, in an amount of up to €100m via the issuance of 200 million new shares, and to issue convertible bonds on or prior to the fifth anniversary of the date of the resolution, in an amount of up to €2bn, establishing that exercise of the above authorization shall not lead to the issue of a total number of shares in excess of 200 million;
- subject to prior approval by the Supervisory Board, to increase the Bank's share capital by means of rights or bonus issues, on or prior to the fifth anniversary of the date of the resolution, in an amount of up to €40m, via the issuance of 80 million new shares to be reserved for subscription by professional Italian and non-Italian investors, with option rights excluded, as permitted under Article 2441 paragraph 4 of the Italian Civil Code.

Mediobanca has approximately 58,000 shareholders. Shareholders representing approx. 48% of the Bank's share capital have entered into an agreement aimed at preserving a stable shareholder base combined with a representative Board of Directors in order to ensure consistent management objectives. The agreement is filed with the Milan Companies' Register, and an excerpt from it may be found on the Bank's institutional website at [www.mediobanca.it](http://www.mediobanca.it). The agreement was renewed with effect from 1 July 2007 until 31 December 2009.

#### **GOVERNING BODIES**

- Shareholders in General Meeting
- Supervisory Board
- Chairman of Supervisory Board
- Management Board
- Chairman of Management Board
- Managing Director
- Head of Financial Reporting

#### **GENERAL MEETING OF SHAREHOLDERS**

The general meeting gives expression to the wishes of the body of the company's shareholders, and decisions taken in such meetings, which are adopted in conformity with the provisions of both the law and the company's Articles of Association, are binding on all shareholders. Issues which fall within the jurisdiction of shareholders gathered in general meeting include the following:

- appointment and/or dismissal of the Supervisory Board;
- responsibilities of Supervisory Board members;



- allocation of profit;
- appointment and/or dismissal of external auditors;
- issues required under law to be approved by shareholders in extraordinary general meeting.

#### **SUPERVISORY BOARD: COMPOSITION AND ROLE**

The Supervisory Board consists of between 11 and 21 members, who remain in office for a period of three financial years, at least four of whom must qualify as independent under the requirements expressly stipulated in the Code of conduct for listed companies., and at least three of whom must be registered auditors. Two Supervisory Board Members are appointed by minority shareholders. The Supervisory Board of Mediobanca for the 2008-2010 period was appointed by shareholders in general meeting on 27 June 2007. The governing body was elected in accordance with the provisions of the Bank's Articles of Association based on lists of candidates possessing the necessary professional qualifications, being fit and proper persons to hold such office, and qualifying as independent where required by law and/or the Articles of Association, which lists were submitted by shareholders owning in the aggregate at least the percentage of the Bank's share capital required under regulations in force at the date of the general meeting, i.e. 27 June 2007, which was one percent.

The Supervisory Board in office until 30 June 2010 is currently made up of 21 members:

Members	Post held	Date of birth	Independent*	Auditor**	Minority representative
Cesare Geronzi	Chairman	15/2/35			
Dieter Rampl	Deputy Chairman	5/9/47			
Jean Azema	Director	23/2/53			
Tarak Ben Ammar	Director	12/6/49	X		
Gilberto Benetton	Director	19/6/41			
Antoine Bernheim	Director	4/9/24			
Roberto Bertazzoni	Director	10/12/42	X		
Vincent Bollorè	Director	1/4/52			
Angelo Casò	Director	11/8/40	X	X	
Giancarlo Cerutti	Director	28/9/50			
Francesco Denozza	Director	5/10/46	X		X
Ennio Doris	Director	3/7/40			
Pietro Ferrero	Director	11/9/63			
Jonella Ligresti	Director	23/3/67			
Fabrizio Palenzona	Director	1/9/53			
Carlo Pesenti	Director	30/3/63			
Eugenio Pinto	Director	20/9/59	X	X	
Eric Strutz	Director	13/12/64			
Marco Tronchetti Provera	Director	18/1/48			
Gabriele Villa	Director	18/6/64	X	X	
Luigi Zunino	Director	24/4/59	X		X

\* Independent as defined in Code of conduct for listed companies.

\*\* Registered auditors.

The Supervisory Board is responsible for the duties attributable to it under law and pursuant to the Articles of Association. In particular the Supervisory Board:

- a) at the Appointment Committee's proposal, appoints one or two Deputy Chairmen of the Supervisory Board; and appoints members of the Management Board and its Chairman, indicates which members should be entrusted with specific duties (Managing Director and General Manager), and, having heard the Remunerations Committee's recommendations in this respect, fixes their remuneration;
- b) exercises, where provided by law, including severally by each individual Supervisory Board member, all powers of supervision and control provided by regulations in force, with particular attention *inter alia* to:
  - adequacy of the internal control system, with particular emphasis on risk control;
  - adequacy of the organizational, administrative and accounting arrangements put in place by the Company and their functioning in practice;
  - correct exercise of activities of management and co-ordination of companies forming part of the Group;
- c) reports in writing to shareholders in general meeting called pursuant to Article 2364-bis of the Italian Civil Code on the supervisory activities carried out by it, on omissions and aspects deserving of censure detected by it, and, at all other ordinary or extraordinary general meetings, on the issues which in its view fall within its own remit;
- d) promotes the taking of disciplinary action vis-à-vis members of the Management Board;
- e) submits reports to the Bank of Italy as required under Article 70, para. 7 of Italian Legislative Decree 385/93.

In addition, at the Management Board's proposal the Supervisory Board:

1. approves the statutory and consolidated financial statements and reviews the half-yearly and quarterly statements;
2. passes resolutions on the strategic direction, business and financial plans and budgets of the Company and the Group, without prejudice to the Management Board's responsibility for deeds carried out;
3. passes resolutions on trading involving more than 15% of any equity investment deemed to be strategic based on holdings as at the start of each financial year;
4. passes resolutions on transactions involving changes to the Group's area of consolidation for individual amounts of over €750m;

5. approves individual rights issues and issues of convertible bonds or bonds with warrants attached which are delegated to the Management Board;
6. examines proposals which the Management Board intends to submit to shareholders in ordinary general meetings;
7. passes resolutions in respect of proposed amendments to the Company's Articles of Association, mergers and spinoffs, and rights issues and issues of convertible bonds and/or bonds with warrants attached to be submitted to shareholders in general meeting.

The Supervisory Board is also responsible for all other duties, including with respect to authorization, provided for under law and these Articles of Association.

Unless provided otherwise by the Supervisory Board, meetings of the Supervisory Board shall also be attended by the Chairman of the Management Board, and the Managing Director, who may be requested to provide information and data with a view to enabling the Supervisory Board to perform its own duties.

As a rule the Supervisory Board will meet at least five times a year. The Supervisory Board is regularly constituted when a majority of the Board Members in office is present and passes resolutions by means of an open vote with a simple majority of those present voting in favour. A total of seven meetings are scheduled for the present financial year.

The Supervisory Board reviews the independence of each Board Member at least once a year based on information provided by them; each Board Member has to issue a declaration upon appointment regarding whether or not he/she qualifies as independent.

The independent Board Members shall meet at least once a year without the other Board Members present.

#### **CHAIRMAN OF SUPERVISORY BOARD**

The Chairman of the Supervisory Board calls and chairs Board meetings and meetings of the Appointments and Remuneration Committees, fixes the agenda and co-ordinates proceedings. He is responsible for ensuring that all Supervisory Board members are provided with adequate information regarding the items on the agenda.

He maintains regular contact with the Management Board via its Chairman, and ensures that the Supervisory Board is kept abreast of the Bank's and the Group's operating performance on an ongoing basis.

## COMMITTEES

The Supervisory Board has established three committees with special responsibilities as provided under the Bank's Articles of Association:

### Internal control committee

Internal control	Auditor*	Independent**
Angelo Casò	X	X
Eugenio Pinto	X	X
Gabriele Villa	X	X
Francesco Denozza		X

\* Registered auditor.

\*\* Independent as defined in Code of conduct for listed companies.

The committee has powers of proposal, consultation and administration with respect to the Bank's systems of internal control and risk management and the arrangement of its IT and financial reporting organization.

### Remunerations committee

Remunerations committee	Auditor*	Independent**
Cesare Geronzi (Chairman)		
Tarak Ben Ammar		X
Eric Strutz		
Jonella Ligresti		
Carlo Pesenti		

\* Registered auditor.

\*\* Independent as defined in Code of conduct for listed companies.

The Remunerations committee has administrative responsibilities in determining the fees payable to the Management Board and those of its members vested with particular responsibilities. The Remuneration Committee also gives its opinions on the remuneration system for senior management and the Group staff loyalty retention policy presented by the Management Board.

## Appointments committee

Appointments committee	Auditor*	Independent**
Cesare Geronzi (Chairman)		
Dieter Rampl		
Marco Tronchetti Provera		
Vincent Bollorè		

\* Registered auditor.

\*\* Independent as defined in Code of conduct for listed companies.

The Appointments committee formulates proposals for the appointment of the Deputy Chairmen and appointment and dismissal of members of the Management Board and identification of members with particular duties. The Appointments Committee also passes resolutions on proposals made by the Management Board for appointments to posts held at companies qualifying as strategic investments.

## MANAGEMENT BOARD: COMPOSITION AND ROLE

The Management Board is responsible for management of the company, and comprises between three and nine members, chosen, without prejudice to regulatory restrictions and the right to appoint an external Board member, from among the management of the companies comprising the Mediobanca Banking Group. Members of the Management Board remain in office for a period of three financial years, lapse from office at the date scheduled for the Supervisory Board meeting called to approve the financial statements for the last year of their term of office, and may be reappointed. However, when the final year of office for the Management Board coincides with the final year of office for the Supervisory Board, the new Management Board shall be appointed in the first Supervisory Board meeting following its renewal by shareholders in general meeting.

The Management Board currently in office was appointed by the Supervisory Board on 2 July 2007, when it was decided that six Board Members would be appointed and Renato Pagliaro was designated Management Board Chairman. At a meeting of the Management Board held on 4 July 2007, Alberto Nagel was appointed Managing Director.

The Management Board is currently comprised as follows:

Board Member	Post held	Term expires	Independent*
Renato Pagliaro	Chairman	FY ending 30/6/10	
Alberto Nagel	Managing Director	FY ending 30/6/10	
Maurizio Cereda	Board Member	FY ending 30/6/10	
Massimo Di Carlo	Board Member	FY ending 30/6/10	
Francesco Saverio Vinci	Board Member	FY ending 30/6/10	
Alessandro Trotter	Board Member	FY ending 30/6/10	X

\* Independent as defined in Code of conduct for listed companies.

The Management Board is responsible for managing the Company in implementing strategic direction approved by the Supervisory Board at the recommendation of the Management Board itself. To this end, the Management Board carries out all transactions it deems necessary, useful, or otherwise appropriate in order to achieve the Company's objectives, including both ordinary and extraordinary transactions: in particular the following areas are reserved to the sole jurisdiction of the Management Board without possibility of delegation, in addition to matters otherwise specified under law as not able to be delegated:

- 1) the drawing up of proposals to the Supervisory Board in respect of strategic direction, long-term plans, and budgets;
- 2) risk management and internal control policies;
- 3) preparation of operating guidelines to which the workforce is bound to conform, and control of the Company's affairs through drawing up specific internal regulations where appropriate;
- 4) implementation of strategic direction approved by the Supervisory Board, establishment of criteria by which to co-ordinate and manage the companies which go to make up the Group, and decisions regarding action to be taken in response to statements from the Bank of Italy laying down principles and/or providing specific instructions of primary and not secondary importance that raise problems with regard to their method of execution;
- 5) preparation of quarterly and six-monthly financial statements and draft statutory and consolidated financial statements;
- 6) subject to the opinion of the Supervisory Board, which is obligatory, appointment and dismissal of the head of financial reporting;
- 7) proposals to be submitted to the Supervisory Board on issues which the Management Board intends to submit to shareholders in ordinary general meetings, and resolutions in respect of proposed amendments to the

Company's Articles of Association, mergers and spinoffs, and rights issues and issues of convertible bonds and/or bonds with warrants attached to be submitted to shareholders in general meeting;

- 8) proposals to be submitted to the Appointments Committee of the Supervisory Board in respect of appointments to posts at companies deemed to be strategic investments;
- 9) subject to prior approval from the Supervisory Board, capital increases and convertible bond issuance provided for under Articles 2443 and 2420-ter of the Italian Civil Code.

The Management Board may establish committees from among its own number, delegating specific duties or assigning advisory and/or co-ordination duties to them.

Management Board meetings are called at the initiative of the Chairman – or at the initiative of the Managing Director or of another two members of the Management Board – and as a rule at least once a month. A total of twelve Management Board meetings are scheduled for the current financial year.

The Management Board passes resolutions with a majority of serving members in attendance and voting in favour.

The Chairman of the Management Board shall be responsible for chairing the meeting, co-ordinating the proceedings, and ensuring that participants receive adequate information in timely fashion.

#### **CHAIRMAN OF MANAGEMENT BOARD**

The Chairman of the Management Board:

- a) handles relations with the Chairman of the Supervisory Board;
- b) handles, in conjunction with the Managing Director and the General Manager, if appointed, relations with and information to be provided to the Supervisory Board with reference to the Company's general operating performance on a quarterly basis, and on the most significant transactions in terms of amount or importance carried out by the Company or any of its subsidiaries pursuant to Article 150, para. 2 of Italian Legislative Decree 58/98 and the Articles of Association;
- c) handles, in conjunction with the Managing Director:
  - relations with the supervisory and in general institutional authorities, reporting regularly to the Chairman of the Supervisory Board thereon;
  - external communications.

In the event of the Chairman being absent or otherwise indisposed, his duties shall be carried out by the Managing Director.

## **MANAGING DIRECTOR**

The Managing Director:

- a) is responsible for the executive and handles execution of resolutions approved by the Management Board;
- b) exercise powers to make proposals to the Management Board with particular reference to operating direction, proposed strategic plans and budgets, draft financial statements and interim reports;
- c) is in charge of staff management and makes proposals to the Management Board for appointments to managerial staff;
- d) ensures that the organizational, administrative and accounting arrangements of the Company are adequate for its operations and size;
- e) reports to the Management Board on each quarter, the general operating performance and its foreseeable developments, and on the most significant transactions carried out by the Company and its subsidiaries;
- f) handle, in conjunction with the Chairman, relations with the supervisory and in general the institutional authorities, external and financial communications.

## **HEAD OF FINANCIAL REPORTING**

At a Management Board meeting held on 4 July 2007, with the Supervisory Board's approval Mr Massimo Bertolini was appointed the Company's head of financial reporting.

The head of financial reporting puts in place adequate administrative and accounting procedures for the preparation of the statutory and consolidated accounts, and all other reporting which is financial in nature. The appointed bodies and the head of financial reporting issue the statements on the Company's capital, earnings and finances required under law.

The Management Board exerts supervision to ensure the head of financial reporting is vested with suitable powers and means to carry out the duties entrusted to him and to ensure that the administrative and accounting procedures are complied with in practice.

Audit of the Company's full-year financial statements, interim accounts and other activities provided for under Article 155 of the Italian Consolidated Finance Act is the responsibility of Reconta Ernst & Young S.p.A., who have been appointed external auditors for the financial years ended 2007, 2008 and 2009.



## **RELATED PARTY DISCLOSURE**

The Management Board has resolved that accounts with related parties, including with Group companies, which are typical and/or usual in nature, maintained on an arm's length basis, and entered into in the interests of the Company itself, should in the normal course of events be approved by the relevant governing bodies pursuant to the resolution in respect of powers adopted by the Management Board on 4 July 2007.

All other transactions with related parties are submitted to the jurisdiction of the Management Board, which is also kept informed of such transactions when approved by the competent governing bodies.

In application of such resolution, an internal procedure has been set in place to evaluate the terms of transactions falling into the above category, even if such transactions are carried out via subsidiaries. Submissions for approval to the relevant governing body state that a transaction has been carried out with a related party and that the terms thereof do not diverge from those usually applied by the Bank in transactions of a similar nature.

Each Board Member is bound to inform the Bank in a timely manner of any transactions entered into by the Bank with related parties through his or her agency, and in the event of his/her being in attendance at the meeting where the said transaction is due to be approved, he/she shall leave the meeting immediately while the matter is discussed.

## **INTERNAL DEALING**

The Management Board of Directors has also approved a code of conduct for internal dealing, i.e. dealing transactions involving equity instruments issued by Mediobanca carried out by persons defined as "relevant". Such relevant persons have all subscribed to the code, and undertake to inform Mediobanca by the third calendar day following execution of each such transaction involving said equity instruments.

Transactions involving sums of less than €5,000 in the course of the year are not considered (the underlying amount is used in the case of linked derivative products).

Mediobanca then discloses all such information to the market and Consob by the next successive day and according to the methods laid down under regulations in force. Relevant persons may not effect such transactions in the 30 days prior to the date on which the Management Board's approval of the Bank's draft annual and interim accounts is made public, nor in the 15 days prior to approval of the quarterly accounts. Disclosure is not required in the case of exercise of stock options, provided that the disposal of shares arising from such exercise is disclosed.

## **INTERNAL CONTROL SYSTEM AS REQUIRED UNDER ITALIAN LEGISLATIVE DECREE 231/01 AND TREATMENT OF CONFIDENTIAL INFORMATION**

At its meeting on 4 July 2007, the Management Board decided provisionally to continue to adopt the pre-existing internal control system implemented pursuant to Italian Legislative Decree 231/01. This system includes a code of conduct with rules and policies that are binding on Board Members, employees, advisors, outside staff and suppliers in respect of treatment of confidential information, to avoid such information for personal interests or on behalf of others. In transposition of regulations on market abuse, the system adopted further makes provision for the establishment of various lists, in which persons in possession of privileged information in respect of Mediobanca and its clients are recorded.

## **MEDIOBANCA: CORPORATE GOVERNANCE IN FORCE UNTIL 30 JUNE 2007**

### **GOVERNING BODIES**

- Shareholders in General Meetings
- Board of Directors
- Executive Committee
- Chairman of Board of Directors
- General Manager
- Statutory Audit Committee.

### **BOARD OF DIRECTORS: COMPOSITION AND FUNCTION**

As at 30 June the Bank was governed by a Board of Directors comprising 19 members who usually met at least five times a year. It was organized and functioned in such a way as to ensure that its duties were discharged effectively. The Board met on a total of eight occasions last year.

The Articles of Association in force until 30 June 2007 provided for the Board to have exclusive responsibility for the following areas:

- approval of the Bank's strategic guidelines and risk management policies;
- identifying equity investments deemed to be strategic or permanent; acquiring equity investments deemed to be strategic or permanent involving aggregate outlay in excess of €500m; authorizing the increase or reduction of such holdings;

- acquisition or disposal of equity interests which would alter the composition of the Banking Group; determining principles in respect of the co-ordination and management of the Banking Group, and decisions to be adopted in carrying out instructions from the Bank of Italy;
- appointment and removal of the General Manager and, at the recommendation of the General Manager, of other members of the Bank’s managerial staff, determining their powers;
- proposals to increase the Company’s share capital, or issue convertible bonds or otherwise involving break-ups, or approval of non-intra-group mergers and spin-offs;
- approval of amendments to internal codes of conduct.

The Articles also provide for the Board to pass resolutions concerning mergers in the cases provided for under Articles 2505 and 2505-bis of the Italian Civil Code; the institution or removal of branch offices; reductions to the Company’s share capital as a result of shareholders exercising their right of withdrawal; amendments to the Articles themselves in compliance with regulatory requirements; and transfer of the Company’s headquarters within Italian territory.

The Board of Directors in office as at 30 June 2007 was as follows:

Name	Office	Date appointed*	Term expires**
Gabriele GALATERI di GENOLA	Chairman	28/10/06	2/7/07
Cesare GERONZI	Deputy Chairman	29/10/04	2/7/07
Dieter RAMPL	Deputy Chairman	28/10/06	2/7/07
Jean AZEMA	Director	28/10/06	2/7/07
Tarak BEN AMMAR	Director	28/10/06	2/7/07
Gilberto BENETTON	Director	28/10/05	2/7/07
Antoine BERNHEIM	Director	28/10/05	2/7/07
Vincent BOLLORE’	Director	28/10/06	2/7/07
Giancarlo CERUTTI	Director	28/10/05	2/7/07
Roberto COLANINNO	Director	28/10/04	2/7/07
Ennio DORIS	Director	28/10/06	2/7/07
Gianluigi GABETTI	Director	28/10/04	2/7/07
Berardino LIBONATI	Director	28/10/04	2/7/07
Jonella LIGRESTI	Director	28/10/04	2/7/07
Fabrizio PALENZONA	Director	28/10/05	2/7/07
Carlo PESENTI	Director	28/10/05	2/7/07
Alessandro PROFUMO	Director	28/10/05	2/7/07
Eric STRUTZ	Director	28/10/05	2/7/07
Marco TRONCHETTI PROVERA***	Director	23/5/07	2/7/07

\* Refers to current term in progress as at 30 June 2007.

\*\* Term expired upon registration of new Articles of Association with Companies’ Register, introducing the new governance system.

\*\*\* Replaces Carlo Buora, who resigned with effect from 12 May 2007.

Alberto NAGEL, General Manager, and Renato PAGLIARO, Co-General Manager and Secretary to the Board of Directors and Executive Committee, also take part in Board meetings.

With the partial exception of the Chairman, the Board is made up of non-executive Directors, in the sense that they have no executive powers or management functions in respect of the Bank's operations. The Directors' independence is assessed annually by the Board on the occasion of approval of the Bank's annual draft accounts, based on information provided by the Directors themselves, and on appointment each Director makes a statement regarding his/her eligibility to serve as an independent director. Of the Directors in office at 30 June 2007, the following qualify as independent: Tarak BEN AMMAR, Roberto COLANINNO, Berardino LIBONATI and Fabrizio PALENZONA, plus the Chairman Gabriele GALATERI di GENOLA, despite his being vested with certain executive powers.

The Chairman is responsible for convening meetings of the Board of Directors and Executive Committee, for setting the agenda, and for ensuring that all Board and Committee members are supplied in advance with illustrative material regarding items on the agenda, insofar as this is possible in respect of matters of urgency and/or obligations of confidentiality.

In accordance with the principles laid down by the Code, proposals for appointment to the position of Director, along with information regarding the candidates' personal and professional qualifications, including their ability to qualify as independent Directors where appropriate, are, insofar as is possible, lodged at the Company's headquarters at least ten days prior to the date on which the Annual General Meeting is due to be held. Directors in situations of conflict of interest with the Bank pursuant to Article 2390 of the Italian Civil Code are authorized to carry out their duties as Board members by shareholders of Mediobanca gathered in general meeting upon the occasion of their election.

A list of Directorships or posts on Statutory Audit Committees held by members of Mediobanca's Board of Directors in other companies listed on regulated markets in Italy or elsewhere, in financial service companies, banks or insurance companies, or in other large corporates, is attached as an annex hereto.

#### **EXECUTIVE COMMITTEE: COMPOSITION AND ROLE**

The Board appointed an Executive Committee, which consists of eight members including the Chairman and Deputy Chairmen, who are members *ex-officio*. The Committee:

- lays down guidelines for the organization and supervision of the Company's business, where necessary drawing up suitable internal regulations to this end, which it submits to the Board for approval;

- examines the General Manager's business proposals with a view to monitoring the Company's performance and taking decisions on the granting of loans or any other aspect of Company operations on the basis of such proposals within the limits laid down by the Board, and without prejudice to those decisions for which the Board has sole responsibility and its right to delegate pursuant to Article 15 of the Company's Articles of Association. In urgent cases, the Executive Committee may take resolutions upon any matter or transaction, save those in respect of strategic or permanent equity investments, and report to the Board thereon at its next successive meeting.

As laid down in the Company's Articles of Association, the Executive Committee reports to the Board of Directors every three months on the general operating performance and expected future trends, as well as the most significant transactions carried out by the Company and/or any of its subsidiaries in terms of amount or importance.

Executive Committee meetings in the normal course of events are held once a month, with eight meetings having been held during the past financial year.

Members of the Executive Committee in office at 30 June 2007 are: Gabriele GALATERI di GENOLA, Cesare GERONZI, Dieter RAMPL, Vincent BOLLORE', Fabrizio PALENZONA, Eric STRUTZ and Marco TRONCHETTI PROVERA.

Alberto NAGEL, General Manager, and Renato PAGLIARO, Co-General Manager, also take part in Executive Committee meetings.

## **COMMITTEES**

Under the powers vested in it by the Company's Articles of Association, the Board set up three further committees with particular duties and responsibilities:

- *Internal control committee*: at 30 June 2007 this was made up of Giancarlo CERUTTI (Chairman), Vincent BOLLORE', Berardino LIBONATI and Fabrizio PALENZONA. Internal control committee meetings are also attended by the Chairman of the Board, the Chairman of the Statutory Audit Committee (or another Statutory Auditor delegated by the Chairman), the General Manager and Co-General Manager, and, at the committee's invitation, the head of the Bank's internal audit unit and other members of the Bank's senior management.

The committee:

- a) assists the Board of Directors in setting strategic guidelines for the Bank's internal control system and regular review of its adequacy and the effectiveness of its performance, identifying corporate risks facing the Bank and deciding how best to manage them;

- b) assesses the annual working plan and reviews the regular reports drawn up by the unit responsible for internal control;
- c) is kept informed by the Bank's heads of administrative staff and by the external auditors of any changes to the accounting policies adopted by the Bank, and assesses their suitability and compatibility in view of the drawing up of the consolidated accounts;
- d) reviews applications submitted by auditing companies to obtain mandates to act as the Bank's external auditors, working plans drawn up in respect of the auditing process, and the results thereof, as contained in the external auditors' report and accompanying letter of suggestions, if any;
- e) carries out any further duties assigned to it by the Board of Directors, including with regard to the Bank's relations with the external auditors.

The committee reports to the Board every six months, on the occasion of review of the annual and interim accounts, on the activities it has carried out in the period concerned, the adequacy of the Bank's internal control system, and relations with the Bank's external auditors.

The committee met on a total of four occasions last year.

- *Remunerations committee*: at 30 June 2007 this was made up of the Chairman, the two Deputy Chairmen, and Directors Tarak BEN AMMAR, Bernardino LIBONATI and Fabrizio PALENZONA, all of whom qualify as independent. The General Manager and Co-General Manager also take part in committee meetings in an advisory capacity and put forward proposals.

The Remunerations committee:

- a) determines remuneration packages for the Chairman, in agreement with the Statutory Audit Committee, the General Manager and the Co-General Manager;
- b) determines the criteria for remuneration of senior Bank management, including in respect of granting stock options, if any, based on proposals made by the General Manager in agreement with the Chairman.

Although not expressly required to do so, the committee takes decisions in respect of the foregoing areas with the persons concerned absent. The Remuneration committee met three times last year.

- *Appointments committee*: at 30 June 2007 this was made up of the Chairman and two Deputy Chairmen. The General Manager and Co-General Manager also take part in meetings in an advisory capacity.

The committee adopts decisions to be taken at general meetings of companies in which the Bank has permanent or strategic equity interests in respect of appointments to governing bodies, based on proposals made by the Chairman, the General Manager and the Co-General Manager. Decisions are taken with a

view to maintaining the operational independence of the investee companies, giving priority to the professional qualifications of the candidates; and maximizing creation of shareholder value. Decisions are taken on a simple majority basis.

The Committee met on a total of three occasions during the past year.

The Board has not assigned duties to the Appointments committee in respect of proposals for candidates to appointment as Directors of Mediobanca. Such tasks fall within the jurisdiction of the Bank's shareholders, who have always put forward candidates in possession of the requisite characteristics to act as representatives of the Bank in terms of their professional and personal attributes. Effective possession of such requisites by the candidate is subsequently reviewed by the Board at its first meeting following his or her appointment and, without prejudice to the foregoing, within the term set by law.

#### **STATUTORY AUDIT COMMITTEE AND EXTERNAL AUDITORS**

The Statutory Audit Committee comprises three Standing Auditors and three Alternate Auditors, who are elected from lists that must be lodged at least fifteen days prior to the date set for the General Meeting in the first instance, accompanied by a *curriculum vitae* for each of the candidates, together with a declaration by the candidates themselves stating acceptance of their nomination and attesting under their own responsibility that they are qualified to stand for election under the law and the Bank's Articles of Association. The Articles in particular stipulate that candidates already serving as Standing Auditors in five other companies listed on regulated markets in Italy, or as Directors, senior executives or managers of companies or entities or in any way involved in the management of enterprises directly or indirectly or through controlled companies engaged in business in the same sectors as Mediobanca may not be elected as Standing Auditors. The Articles also provide that lists may be submitted by shareholders holding in the aggregate not less than 3% of the Company's share capital, provided they have been registered in the Company's books as holding such aggregate percentage of the Company's shares for at least six months prior to the date on which the General Meeting to which the list is to be submitted has been convened.

The Statutory Audit Committee in office at 30 June 2007 is made up as follows:

Angelo CASÒ	Chairman
Eugenio PINTO	Standing Auditor
Alessandro Ludovico TROTTER	Standing Auditor
Roberto BIANCO	Alternate Auditor
Guido CROCI	Alternate Auditor
Antonio IZZI	Alternate Auditor

The Statutory Audit Committee monitors compliance with the law and the Bank's memorandum of incorporation, respect of sound management principles, and in particular the adequacy of the organizational, administrative and accounting systems operated by the Bank and their functioning. The Statutory Audit Committee is kept informed of the business and most significant transactions in terms of earnings, finances and capital carried out by the Company and its subsidiaries, with particular reference to transactions where the Directors or related third parties have an interest, by attending all meetings of the Board of Directors and Executive Committee. Information given to the Statutory Audit Committee outside meetings of the Board of Directors and Executive Committee is conveyed to the Chairman of the Committee in writing.

During the financial year ended 30 June 2007, the Statutory Audit Committee met on a total of eight occasions, and several times met with representatives of the Bank's external auditors who are responsible for inspection of the Company's accounts pursuant to Article 155 of the Italian Consolidated Law on Finance.

Reconta Ernst & Young act as external auditor to the Bank and Banking Group in respect of its annual and interim accounts, and perform other duties provided for under Article 155 of the Italian Consolidated Law on Finance.

#### **INTERNAL CONTROL SYSTEM PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/01: CONFIDENTIAL INFORMATION**

The Bank releases information on its and the Banking Group's performance, and information otherwise required by regulatory authorities to be disclosed to the market, in ways that enable it to have the widest possible circulation in the briefest possible period of time, without prejudice to obligations of confidentiality. Price-sensitive information is released only upon approval being received from the Board of Directors or General Management, save where otherwise provided by regulatory requirement or by law.

The Board of Mediobanca has also approved an internal control system, which sets out principles and restrictions for Directors, Statutory Auditors, employees, advisors, outside staff and suppliers on how confidential information should be treated with a view to avoiding its being used in personal transactions and/or transactions carried out on behalf of others. Reflecting recent changes to regulations in respect of market abuse, the system provides for lists to be set up detailing the individuals in possession of privileged information regarding Mediobanca and its customers.



## **RELATIONS WITH SHAREHOLDERS AND INVESTORS**

Mediobanca is fully aware of the importance of maintaining good relations with its shareholders, encouraging them to attend General Meetings, and sending shareholders with a recent record of attendance copies of annual reports and other relevant information at home. Material of this kind is also made available on the Bank's institutional website at [www.mediobanca.it](http://www.mediobanca.it) in English and Italian.

Relations with institutional investors, financial analysts and journalists are handled by the relevant units, i.e. the Investor relations and Media relations offices.

The Bank has not adopted a specific set of regulations for holding General Meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman to be responsible for ascertaining that proxies and rights to attend are in order and for presiding over the proceedings, a task that includes determining the order in which items on the agenda are to be put to the vote. In all cases, votes are taken by a show of hands.

## **INTERNAL AUDIT AND CONTROL**

As required by Bank of Italy regulations, Mediobanca maintains an internal audit unit which reports directly to the Chairman. This unit is organized so as to ensure that the Bank's internal control system functions effectively and efficiently on an ongoing basis. Control is extended to the other companies in the Banking Group both by the unit itself and via its co-ordination of the corresponding subsidiaries' units. The unit also provides control over the activity of securities brokerage, as required by Consob regulations, has access to all useful information and has adequate means to conduct all its own duties. The head of internal audit also monitors internal control as provided by the system adopted by Mediobanca pursuant to Italian Legislative Decree 231/01 under a Board resolution approved on 11 May 2006. The internal audit function has regular meetings with the Statutory Audit Committee to keep it informed of the activities carried out, and provides the Statutory Auditors with support for their own supervisory activities. The internal audit function reports to the Internal control committee and the Board on a six-monthly basis, submitting a report on the status and adequacy of the Bank's internal control system, while the supervisory body instituted pursuant to a Board resolution adopted on 15 September 2006 submits a report on the workings of and compliance with the system implemented pursuant to Italian Legislative Decree 231/01. The Internal audit unit also reports to the Internal control committee and Statutory Auditors' Committee on risk management methods and monitoring plans adopted by the Bank. The Internal audit unit also prepares an annual report on securities brokerage activity as required by Consob regulations. The head of internal audit also takes part in meetings of the Internal control committee.

**Table 1: BOARD OF DIRECTORS/COMMITTEES - COMPOSITION AS AT 30 JUNE 2007**

Board of Directors							Executive Committee		Internal Control Committee		Remunerations Committee		Appointments Committee	
Post	Name <sup>1</sup>	Executive	Non executive	Independent	*** §	No. other posts held *	**	*** §	**	*** §	**	*** §	**	*** §
Chairman	Gabriele Galateri di Genola	X		YES	100%	9	X	100%			X	75%	X	100%
Deputy Chairman	Cesare Geronzi		X	NO	87.5%	1	X	—			X	100%	X	100%
Deputy Chairman	Dieter Rampl		X	NO	100%	5	X	100%			X	75%	X	100%
Director	Jean Azema		X	NO	12.5%	4								
Director	Tarak Ben Ammar		X	YES	100%	4					X	100%		
Director	Gilberto Benetton		X	NO	75%	9								
Director	Antonie Bernheim		X	NO	62.5%	8								
Director	Vincent Bolloré		X	NO	100%	11	X	87.5%	X	100%				
Director	Giancarlo Cerutti		X	NO	87.5%	4			X	--				
Director	Roberto Colaninno		X	YES	62.5%	5								
Director	Ennio Doris		X	NO	75%	3								
Director	Gianluigi Gabetti		X	NO	87.5%	2								
Director	Berardino Libonati		X	YES	62.5%	3			X	100%	X	100%		
Director	Jonella Ligresti		X	NO	75%	4								
Director	Fabrizio Palenzona		X	NO	100%	2	X	100%	X	100%	X	100%		
Director	Carlo Pesenti		X	NO	87.5%	5								
Director	Alessandro Profumo		X	NO	75%	8								
Director	Eric Strutz		X	NO	87.5%	4	X	87.5%						
Director	Marco Tronchetti Provera		X	NO	100%	2	X	100%						

**NO. OF MEETINGS HELD DURING THE YEAR**

Board of Directors:	8	Executive Committee:	8	Internal Control Committee:	4	Remunerations Committee:	3	Appointments Committee:	3
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NOTES

\* Indicates number of positions as Director or Statutory Auditor held by the person concerned in companies listed on regulated markets in Italy and elsewhere, in financial service companies, banks and insurances, or large corporates. Details are provided in full in the statement on corporate governance.

\*\* "X" indicates that a Director is also a member of the Executive Committee.

\*\*\* Percentage indicates Directors' attendance record at BoD and Executive Committee meetings.

§ Refers to percentage of term already served.

<sup>1</sup> Dieter Rampl was in office from 15 September 2006 until 30 June 2007.  
Marco Tronchetti Provera has been in office since 23 May 2007.

**Table 2: STATUTORY AUDIT COMMITTEE**

Post	Name	Percentage attendance record	No. of other posts held*
Chairman	Angelo CASO'	100%	4
Standing auditor	Eugenio PINTO	86%	2
Standing auditor	Alessandro Ludovico TROTTER	100%	3
Alternate auditor	Roberto BIANCO	—	
Alternate auditor	Guido CROCI	—	
Alternate auditor	Antonio IZZI	—	

<b>No. of meetings held during the year:</b>	<b>8</b>
<b>Quorum required for minority shareholders to submit lists of candidates for election as Standing or Alternate Auditors:</b>	aggregate holding of not less than 3% of the Bank's share capital

\* Indicates number of positions as Director or Statutory Auditor held by the person concerned in companies listed on regulated markets in Italy.

**Table 3: OTHER REQUIREMENTS UNDER CODE OF CONDUCT FOR LISTED COMPANIES**

	YES	NO	Reasons for any departures from Code provisions/ Other information
<b>Power to represent Bank and related party disclosure</b>			
Has the Board authorized parties to represent the Bank and laid down:			
a) limits	X		
b) methods for exercise of such power	X		
c) reporting requirements?	X		
Has the Board reserved for itself the right to inspect and approve all major financial transactions including those with related parties?	X		
Has the Board set guidelines and established criteria for identifying “significant” transactions?	X		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	X		
Has the Board implemented procedures for reviewing and approving transactions with related parties?	X		
If so, have such procedures been set out in the statement on corporate governance?	X		
<b>Procedures for most recent appointment of Directors and Statutory Auditors</b>			
Were candidates’ applications for the post of Director lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
Were they also accompanied by statements regarding the candidates’ eligibility to stand as independent Directors?	X		
Were candidates’ applications for the post of Statutory Auditor lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
<b>General meetings</b>			
Has the Bank adopted specific regulations in respect of the holding of general meetings?		X	Orderly proceedings are ensured by the powers vested in the Chairman under law and the Company’s Articles of Association
If so, are such regulations attached as an annex hereto, or is indication provided in the annual report of where they may be obtained or downloaded?		X	
<b>Internal control</b>			
Has the company designated staff to take charge of internal control?	X		
If so, are such staff independent in operational terms from the various heads of the individual operating units?	X		
Organizational unit responsible for internal control pursuant to Article 9.3 of the Code	X		Internal Audit
<b>Investor relations</b>			
Has the company appointed a head of investor relations?	X		
If so, what are the head of the IR unit’s contact details?	Jessica Spina Tel. no.: (0039) 02-8829.860 Fax no.: (0039) 02-8829.819 e-mail investor.relations@mediobanca.it		

*Annex - Posts held in other companies by Directors of Mediobanca*

Name	Position held in Mediobanca	Positions held in other companies
Gabriele GALATERI di GENOLA	Chairman and member of Executive Committee	Deputy Chairman Assicurazioni Generali Deputy Chairman RCS MediaGroup Director Pirelli & C. Director Italmobiliare Director Banca Cassa di Risparmio di Savigliano Member of Supervisory Board Accor Director San Faustin Director Banca Esperia Director Fiera di Genova
Cesare GERONZI	Deputy Chairman and member of Executive Committee	Chairman Capitalia
Dieter RAMPL*	Deputy Chairman and member of Executive Committee	Chairman UniCredito Italiano Chairman of Supervisory Board Koenig & Bauer Chairman of Supervisory Board Bayerische Börse Member of Supervisory Board FC Bayern München Non-executive Director Babcock and Brown
Jean AZEMA	Director	General Manager Groupama Director Société Générale Director Bolloré Director Véolia Environnement Chairman Groupama International
Tarak BEN AMMAR	Director	Chairman and General Manager Quinta Communications Executive Director Europa TV Executive Director Prima TV Managing Director Carthago Film
Gilberto BENETTON	Director	Chairman Edizione Holding Chairman Autogrill Chairman Sintonia Deputy Chairman Telecom Italia Director Autostrade Director Benetton Group Director Pirelli & C. Deputy Chairman Olimpia Director Lloyd Adriatico
Antoine BERNHEIM	Director	Chairman Assicurazioni Generali Deputy Chairman Alleanza Assicurazioni Deputy Chairman LVMH Director AMB Generali Holding Director Ciments Français Director Christian Dior Member of Supervisory Board Eurazeo Deputy Chairman Bolloré

\* Replaced Carlo Salvatori, who resigned as a Director with effect from 14 September 2006.

Name	Position held in Mediobanca	Positions held in other companies
Vincent BOLLORÉ	Director and member of Executive Committee	Chairman Bolloré Chairman and General Manager Bolloré Participations Chairman Bolloré Media Chairman Financière de l'Odéon Chairman Havas Chairman Matin Plus Chairman Direct Soir Director Natexis Banques Populaires Chairman and Managing Director Nord Sumatra Investissements Director Chemins de Fer et Tramways du Var et Du Gard Director Industrielle et Financière De l'Artois
Giancarlo CERUTTI	Director	Managing Director Officine Meccaniche Giovanni Cerutti Director Toro Assicurazioni Director Il Sole 24 Ore Director Fondazione Cassa di Risparmio di Alessandria
Roberto COLANINNO	Director	Chairman Omniaholding Chairman Immsi Chairman Piaggio & C. Chairman RCN Finanziaria Director Capitalia
Ennio DORIS	Director	Managing Director Mediolanum Chairman Banca Mediolanum Director Banca Esperia
Gianluigi GABETTI	Director	Chairman IFI Chairman IFIL Investments
Berardino LIBONATI	Director	Chairman Banca di Roma Chairman Alitalia Director Pirelli & C. Director RCS
Jonella LIGRESTI	Director	Chairman Fondiaria - Sai Director Milano Assicurazioni Deputy Chairman Premafin Finanziaria Director RCS MediaGroup
Fabrizio PALENZONA	Director and member of Executive Committee	Deputy Chairman UniCredito Italiano Director Fondazione Cassa di Risparmio di Alessandria

Name	Position held in Mediobanca	Positions held in other companies
Carlo PESENTI	Director	Director and General Manager Italmobiliare Managing Director Italcementi Director Ciments Français Director RCS MediaGroup Director UniCredito Italiano
Alessandro PROFUMO	Director	Managing Director UniCredito Italiano Chairman UniCredit Banca Mobiliare Director UniCredit Banca Director UniCredit Banca d'Impresa Director UniCredit Private Banking Member of Supervisory Board Deutsche Borse Chairman of Supervisory Board HVB Chairman of Supervisory Board BA-CA
Eric STRUTZ	Director and member of Executive Committee	Member of Board of Managing Directors Commerzbank Member of Supervisory Board Commerzbank International Member of Supervisory Board Comdirect Bank Member of Supervisory Board ABB
Marco TRONCHETTI PROVERA*	Director and member of Executive Committee	Chairman Pirelli & C. Chairman Camfin S.p.A.

\* Replaced Carlo Buora, who resigned as a Director with effect from 12 May 2007.

**ANNUAL GENERAL MEETING**  
**27 OCTOBER 2007**



## **AGENDA**

1. Proposed profit allocation for year ended 30 June 2007 and dividend payment.
2. Extension of mandate granted to Reconta Ernst & Young S.p.A. to audit the Bank's and Group's full-year and interim financial statements, to perform other activities provided for under Article 155 of Italian Legislative Decree, and to sign off "Unico" and "770" tax declarations for the financial years ending 30 June 2010, 2011 and 2012.
3. Stock option scheme for Group staff members.
4. Authorization to purchase and dispose of treasury shares.

**REPORTS TO SHAREHOLDERS IN GENERAL MEETING**

## **REPORT BY SUPERVISORY BOARD TO SHAREHOLDERS IN GENERAL MEETING**

*(as required by Article 153 of Italian Consolidated Finance Act and Article 14  
letter d) of Articles of Association)*

Dear Shareholders,

At an Ordinary and Extraordinary General Meeting of the company held on 27 June 2007, shareholders of Mediobanca approved a resolution to adopt a so-called dualistic system of governance and control.

Pursuant to Articles 2409-octies ff. of the Italian Civil Code and Articles 147-ter ff. of the Italian Consolidated Finance Act, such a system requires the Supervisory Board among other things to exercise duties of control and strategic direction for the Bank, and the Management Board to exercise management functions.

At its first meeting held on 2 July 2007, the Supervisory Board appointed the existing members of the Management Board and its Chairman, and provided indications regarding the appointment of a Managing Director. The three committees contemplated under the Bank's Articles of Association, i.e. the Appointments, Remunerations and Internal Control Committees, were also established at that meeting.

It should be noted that for the year ended 30 June 2007, the supervisory activities now the responsibility of the Supervisory Board were carried out by the governing bodies instituted under the previous, "traditional" model of governance, in particular the Statutory Audit Committee.

The Supervisory Board will accordingly report on the activity carried out by the previous governing bodies based on the documents made available to it, and duly notes that:

- 1) the supervisory duties were carried out during the financial year under review as required by law, in accordance with Bank of Italy and Consob regulations and in line with the guidance for Statutory Audit Committee members drawn up by the Italian association of chartered and ordinary accountants.

During the year the Statutory Audit Committee:

- met on eight occasions;
- took part in eight Board meetings, nine Executive Committee meetings, three ordinary general meetings and one extraordinary general meeting held on 27 June 2007;

- received from the Directors during the course of the above meetings information concerning the business and most significant financial transactions carried out by the company and its subsidiaries;
- met regularly with the external auditors, the head of internal control and the various heads of division;
- ascertained that transactions involving potential conflicts of interest were all approved in accordance with legal and statutory requirements;
- duly noted that no atypical or unusual transactions have taken place;
- noted that no ordinary intra-group transactions or transactions involving related parties have been entered into which are counter to, or otherwise not in accordance with, the interests of the company (such transactions are illustrated by the Directors in their review of operations and the notes to the accounts);
- noted that the instructions provided for under Article 114, paragraph 2 of Italian Legislative Decree 58/98 have duly been transmitted to all Group companies;
- appraised the company's internal control, administrative and accounting systems, and found them to be adequate to ensure the smooth running of its business on the basis of information received from management staff, regular reports prepared by the head of internal control, regular meetings with the Bank's external auditors involving a two-way exchange of data and information, and participation in Internal Control Committee meetings;
- noted, through contact with the corresponding governing bodies, that no major issues have arisen at other Group companies;
- monitored the implementation of organizational measures linked to developments in the company's business;
- appraised the independence of the external auditors;
- noted that the external auditors have not expressed any opinions as permitted under law;
- noted that, with respect to the adoption of IFRS/IAS, the external auditors have duly audited the requisite reconciliations and received further advisory mandates in respect of preparing information relating to the accounts, for a total consideration of €49,600;
- noted the existence of additional mandates granted to the external auditors in respect of the provision of professional services in connection with the issue of comfort letters (Euro MTN Programme in GBP), professional services relating to the management and accounting reconciliation process for securities and derivatives, and assistance in preparing administration and control procedures for the company's Head of Financial Reporting, for a total consideration of €231,500;

- noted that no other professional mandates have been granted to parties linked to the external auditors on an ongoing basis;
  - monitored compliance by the company with the provision of the law, the company's Articles of Association and memorandum of incorporation.
- 2) No complaints have been received pursuant to Article 2408 of the Italian Civil Code.
- 3) Inspection of Mediobanca's accounts and statutory and consolidated financial statements under Italian Legislative Decree 58/98 is the responsibility of Reconta Ernst & Young S.p.A. Reference is made to their reports contained herein for further information in this regard.
- 4) The annual statement on the Bank's corporate governance prepared in accordance with the instructions and regulations for markets operated and run by Borsa Italiana S.p.A. provides an illustration of both the new dualistic system of administration and control and that adopted by the Bank until 30 June 2007.
- 5) With reference to its specific areas of competence under law and the Articles of Association concerning approval of both individual (statutory) and consolidated financial statements, the Supervisory Board:
- gives notice that the Management Board approved the draft individual and consolidated financial statements on 24 September 2007;
  - received the aforementioned draft financial statements on said date, along with the reviews of operations for the year ended 30 June 2007 which accompany the financial statements and illustrate the earnings, capital and financial situation of Mediobanca and the Mediobanca Banking Group clearly and in depth;
  - launched the supervisory activities required of it by law, including via the Internal control committee, with effect from 2 July 2007;
  - received the reports of the external auditors Reconta Ernst & Young S.p.A. on 25 September 2007 which were issued in respect of the individual and consolidated financial statements as at that date, and which contain no complaints or requests for further information;
  - approved the individual and consolidated financial statements at its meeting held on 10 October 2007 and is in agreement with the profit allocation and dividend distribution proposed by the Management Board and submitted to your approval.

Milan, 10 October 2007

THE SUPERVISORY BOARD

**ITEM NO. 1 ON THE AGENDA**

**REPORT BY MANAGEMENT BOARD**

**Proposed profit allocation for year ended 30 June 2007 and dividend payment**

Dear Shareholders,

A net profit of €561,110,402.07 was recorded for the year. We propose to allocate this profit as follows:

- € 357,650.00 to the legal reserve, which accordingly would increase to €81.9m, or 20% of the Bank's share capital;
- € 55,753,390.21 to the statutory reserve;
- € 6,272,751.82 payable to the Board of Directors in office until 2 July 2007 pursuant to the Articles of Association in force until 30 June 2007, in addition to the fixed fee of €1.5m.

and to pay a dividend of €0.65 per share on each of the 819,098,165 shares in issue as at 24 September 2007 for a total amount of €532,413,807.25, by withdrawing €33,687,197.21 from the statutory reserve, as follows:

Net profit for the year .....	€	561,110,402.07
To the legal reserve .....	€	357,650.00
To the statutory reserve .....	€	55,753,390.21
To the Board of Directors .....	€	<u>6,272,751.82</u>
Remaining profit .....	€	498,726,610.04
Withdrawal from statutory reserve .....	€	<u>33,687,197.21</u>
Dividend of €0.65 per share on 819,098,165 shares in issue .....	€	<u>532,413,807.25</u>

The shares will go ex-rights on 19 November 2007, and the €0.65 per share dividend will be payable as from 22 November 2007.

Milan, 24 September 2007

THE MANAGEMENT BOARD

**ITEM NO. 2 ON THE AGENDA**

**REPORT BY SUPERVISORY BOARD**

**Extension of mandate granted to Reconta Ernst & Young S.p.A. to audit the Bank's and Group's full-year and interim financial statements, to perform other activities provided for under Article 155 of Italian Legislative Decree, and to sign off "Unico" and "770" tax declarations for the financial years ending 30 June 2010, 2011 and 2012**

Dear Shareholders,

The legislative decree introduced to amend the law on protection of savings, i.e. Legislative Decree no. 303 issued on 29 December 2006, made amendments in the area of external auditing to provide in particular for changes to the duration of the mandate granted to audit firms, by increasing the latter, pursuant to the new paragraph 4 of Article 159 of the Italian Consolidated Finance Act, to a total of nine years, and included a temporary provision introducing the possibility for mandates in progress as at the date on which the new regulations came into force to be extended to an overall total of nine years.

Under the new paragraph 1 of Article 159 of the Italian Consolidated Finance Act, the supervisory governing body of the company is responsible for formulating a reasoned proposal to shareholders in general meeting concerning the mandate to be granted for auditing of the company's accounts.

With the intention of availing itself of this faculty under law, the Supervisory Board has received from the Management Board of your company the proposal submitted by external auditors Reconta Ernst & Young S.p.A. dated 29 June 2007 in respect of the possibility of extending their mandate by a further three years.

This proposal regards the extension of the mandate granted to the external auditors to audit the statutory and consolidated financial statements of Mediobanca for the financial years ended 30 June 2010, 2011 and 2012, on the terms and conditions originally agreed by shareholders in general meetings held on 28 October 2003 and extended on 28 October 2006 to cover the 2007-09 period.

The mandate will include the following activities:

- audit of the Bank’s statutory and consolidated financial statements for the full year, pursuant to Article 155, para. 1 letter b) of the Italian Consolidated Finance Act;
- check the company’s books have been kept properly and that operating data has been entered in the accounts correctly, pursuant to Article 155, para. 1 letter a) of the Italian Consolidated Finance Act;
- limited audit of the company’s interim statements;
- signing off of “Unico” and “770” tax declarations (simplified and ordinary).

The Supervisory Board, with the consent of the Internal control committee, and whereas:

- Reconta Ernst & Young has audited the company’s financial statements for the 2004, 2005, 2006 and 2007 financial years and the interim accounts for the periods ended 31 December 2003, 2004, 2005 and 2006, as well as carrying out the duties provided for under Article 155 of Italian Legislative Decree 58/98;
- Reconta Ernst & Young is the chief auditor of the Mediobanca Group;
- Reconta Ernst & Young accordingly would appear to meet the criteria for independence stipulated under law, and as things stand there do not appear to be any grounds for incompatibility;
- Reconta Ernst & Young is registered as an auditor with Consob, and possesses an organizational structure which is adequate to cope with the size and complexity of the mandate being required of it;
- the proposal submitted makes provision for a total commitment in terms of man hours that is consistent with the requirements of the appointment;
- the financial terms of the offer are unchanged from those approved by shareholders in general meeting last year, hence are in line with market indicators and would appear to be consistent with the commitment being entered into;

is thus in favour of extending the audit mandate granted to Reconta Ernst & Young S.p.A.

Accordingly you are invited to adopt the following resolution:

“The shareholders of Mediobanca gathered in ordinary general meeting, in view of the Supervisory Board’s report,

*hereby resolve to:*

- to extend, pursuant to legislation currently in force, the mandate granted to Reconta Ernst & Young S.p.A. to include the financial years ending 30 June 2010, 2011 and 2012;



- to audit the statutory and consolidated financial statements of Mediobanca and the Mediobanca Group pursuant to Article 155 paragraph 1 letter b) of the Italian Consolidated Finance Act; and to check that the company’s books have been kept properly and that operating data has been entered in the accounts correctly pursuant to Article 155, paragraph 1, letter a) of the Italian Consolidated Financial Act, for annual fees of €134,000 for Mediobanca’s financial statements based on an estimated 1,100 man hours, and of €26,000 for consolidated reporting based on an estimated 200 man hours;
- for limited audit activity in respect of the interim statements for an annual fee of €60,000 based on an estimated 500 man hours;
- to carry out controls aimed at signing off the “Unico” and “770” tax declarations (simplified and ordinary) for an annual fee of €15,000,

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

Milan, 10 October 2007

THE SUPERVISORY BOARD

## **ITEM NO. 3 ON THE AGENDA**

### **REPORT BY MANAGEMENT BOARD**

#### **Stock option scheme for Group staff members**

Dear Shareholders,

At a general meeting held on 27 June 2007, a resolution was adopted pursuant to Article 2441, paragraph 8 of the Italian Civil Code, to increase the company's share capital by an amount of up to €20m via the issuance of 40 million new shares to be reserved for subscription by Mediobanca Group staff members by and no later than 1 July 2022. A medium-/long-term loyalty retention scheme is now being submitted to your approval, which involves stock options being awarded to select beneficiaries who are Mediobanca Group employees against the aforementioned capital increase.

#### **1. Beneficiaries**

The beneficiaries of the 2007 stock option scheme (the "Scheme") are Mediobanca Group employees who perform roles that are strategic to achievement of the Group's objectives:

- members of the Mediobanca Management Board, who are chosen from among the Bank's managerial staff;
- certain directors of Mediobanca Group companies;
- senior figures in the management of Mediobanca and Mediobanca Group companies, in Italy and elsewhere;
- highly-specialized staff in particular business areas;
- certain key operations and support staff.

Of the individuals listed under Article 152 sexies, comma 1, letter c)- c.2 of the Regulations for Issuers (i.e. persons having regular access to privileged information who are authorized to adopt management decisions which can impact on the issuer's stock price trends and future prospects), in addition to the Management Board members who are also Mediobanca Group employees, the only person included in this definition is the company's Head of Financial Reporting.

The terms of the Scheme are identical for all beneficiaries.

## **2. Rationale for adopting the Scheme**

The rationale for the Scheme may be summarized as follows:

- to promote loyalty retention among management, by encouraging key staff members to remain with the company;
- to equip the Group with an effective instrument with a view to recruiting the professional capabilities required to grow the business both domestically and internationally;
- to improve and retain the company's competitiveness in terms of executive remuneration over the medium and long term;
- to help make the remuneration package offered more varied and flexible, by reducing the percentage of direct costs, which are relatively high for the cash payment alone, in favour of instruments that are also more advantageous in tax terms and make it possible to spread the cost over several years;
- linking executive pay, or a part thereof, to the creation of value for shareholders.

In terms of the criteria used for deciding on the size of awards based on financial instruments, the Scheme establishes the criteria to be followed by the company's governing bodies in proceeding to decide both the actual number of beneficiaries from among the categories referred to above and the number of stock options to be assigned to them.

As already mentioned, participants in the Scheme are Mediobanca Group staff members with prominent roles, such as Management Board members, directors of Group companies, members of senior management, specialized staff with responsibilities for particular business areas, plus certain key operations and support staff, who are identified by the relevant governing bodies from time to time. The choice of beneficiaries and the quantity of options awarded are decided globally, in view of the results delivered by the Group during the period concerned, but also individually, based on the grade of the person in question in organizational terms, how strategic his/her role is, and the value of his/her individual performance based on objectives set and results expected.

No provision is made under the Scheme for financial instruments not issued by Mediobanca to be awarded.

The tax effects linked to benefits deriving from the scheme are borne by the beneficiaries in line with the tax regime in force at the time. It should also be noted that the scheme make make provision for special clauses governing treatment of individuals resident outside Italy and in line with regulations in force in the country in which each individual is resident for tax purposes.

It is not anticipated that the Scheme should require the support of a special provision to incentivize employee company ownership as permitted under Article 4, paragraph 112 of Italian Law 350/03.

### **3. Procedure for approval and timescale for awards**

Without prejudice to the jurisdiction of the Supervisory Board and the Remunerations Committee in respect of awards made to Management Board members, the Scheme is operated and managed by the Managing Director with the support of the Human Resources Department. The Management Board is responsible for approving and updating the guidelines of the Scheme on the Managing Director's proposal, including deciding overall quantities for each award cycle. The Managing Director is responsible for deciding on awards to be made to individual beneficiaries against these limits. The Managing Director is also authorized to individual awards over and above the limits established for each award cycle upon the occasion of the recruitment of new key staff.

The procedure for approving this proposal was launched on 24 September 2007 when the guidelines of the new Scheme were approved by the Management Board, and the Management Board itself formally adopted the Scheme on 10 October 2007. The Supervisory Board expressed its consent on the same date, at the Remuneration Committee's recommendation.

The official market price of Mediobanca shares as at the aforementioned dates was €15.41 at 24 September 2007 and €15.78 at 10 October 2007.

Awards made under the terms of the Scheme will be disclosed to the market in accordance with supervisory and regulatory provisions currently in force.

### **4. Characteristics of shares awarded**

The Scheme is based solely on the award of stock options, which entitle the awardee to subscribe for ordinary Mediobanca shares traded on markets operated by Borsa Italiana.

The competent governing bodies will award quantities of stock options on a regular basis against the maximum amount approved by shareholders in general meeting on 27 June 2007. The options may be exercised starting from the third year subsequent to the date on which they were awarded, and are exercisable for a period of five years once the vesting period has expired.

The Scheme may be implemented subsequent to the mandate being granted by shareholders in general meeting, and will expire in the eighth year following the last award cycle, and without prejudice to the foregoing, by and no later than 1 July 2022.

A maximum number of 40,000,000 stock options may be awarded in execution of the mandate to be granted by shareholders, which shall entitle the assignees to subscribe for a like number of ordinary Mediobanca shares. It is the responsibility of the competent governing bodies to decide the exact maximum number of stock options that may be awarded in each financial year covered by the Scheme, and such decision shall be taken on the basis of the criteria described in section 2 above, to decide on the number of stock options to be awarded and to identify beneficiaries from the categories listed in section 1, again on the basis of same criteria. The stock options are exercisable within the terms described above.

Options are made personally to the assignee, save for inheritance rights where appropriate. Following acquisition of shares as a result of exercising the options, said shares may be traded immediately within the limits established by legal and regulatory provisions, e.g. on market abuse and internal dealing, as reflected in internal regulations.

In the event of an employment relationship terminating for whatever reason (save for retirement), no option rights as yet unexercised, whether vested or not, shall be recognized unless otherwise decided by the Managing Director.

The Scheme makes no provision for its own cancellation or for redemption by Mediobanca.

The Scheme makes provision for exercise of stock options to be assisted by temporary loans granted by Mediobanca pursuant to Article 2358 of the Italian Civil Code at the beneficiary's request. Any terms and conditions applicable to such loans shall be established by means of a specific resolution to be adopted by the governing bodies.

The cost of the stock options is calculated as from the award date by using valuation models based on market indicators, and is shared pro-rata over the entire vesting period. It is not possible to calculate the exact current amount of the anticipated expense for each year of the scheme, as the decision regarding the number of stock options and the individual cycles of awards to be made is the responsibility of the governing bodies. In line with the costs actually incurred in previous years in respect of similar schemes adopted by the Group, it should be noted that the sustainability of such cost is always appraised in the light of the company's results and the possible impact on cost/income and compensation/income indicators at the time when the awards are made.

Shares for use in connection with the long-term Scheme together represent 4.5% of the company's fully diluted share capital. The impact on the value of the stock market price and possible dilution of the company's share capital are negligible, given that: the awards will be made in several cycles spread over a considerable period of time; the vesting period has a duration of 36 months; the exercise period too is considerable (five years from when the vesting period finishes, for a total of eight years from the date on which the award is made); and

tax regulations currently in force provide for incentives not to sell part of the shares for a minimum period of five years following exercise.

No provision is made under the scheme for exercise of voting or asset rights in respect of ordinary Mediobanca shares deriving from exercise of stock options.

The strike price for options awarded is the normal stock market price (see Article 9, paragraph 4 letter a) of Italian Presidential Decree 917/86) calculated on the basis of the arithmetical average of prices recorded on the Milan stock market in the month prior to the award being made.

In the event of extraordinary transactions involving the company's shares, i.e. in the event of a change in control of the Bank's shares, the options will become exercisable immediately, even if they refer to expiry dates yet to occur, without prejudice to the final term for their exercise.

It shall also be the responsibility of the Management Board, at the proposal of the Managing Director, to establish:

- restrictions on the exercise of the stock options in the periods immediately prior to the company's main reporting dates and other institutional occasions, e.g. approval of full-year and interim results, annual general meetings, shares going ex-rights, etc.;
- the obligation incumbent upon certain beneficiaries of the Scheme with particularly prominent roles to reinvest at least fifty percent of any capital gains earned on Mediobanca shares and to hold said shares for at least 18 months, irrespective of tax issues.

We therefore invite you to adopt the following resolution:

“The shareholders of Mediobanca in general meeting, having heard the Management Board's proposal in this respect,

*hereby resolve to:*

- adopt a long-term loyalty retention scheme involving the award of stock options to select beneficiaries who shall be employees of the Mediobanca Banking Group on the terms and according to the methods set forth herein;
- to vest the Management Board and Managing Director with the broadest powers to carry out all deeds, measures and formalities required in order to implement this resolution.

Milan, 10 October 2007

THE MANAGEMENT BOARD

## ITEM NO. 4 ON THE AGENDA

### REPORT BY MANAGEMENT BOARD

#### **Authorization to purchase and dispose of treasury shares**

Dear Shareholders,

You have been called together in ordinary general meeting with a view to adopting a resolution in connection with the proposed authorization pursuant to Articles 2357 and 2357-ter of the Italian Civil Code and Article 132 of Italian Legislative Decree 58/98, to acquire and execute deeds of disposal in respect of treasury shares in the company.

#### **1. Reasons why authorization to buy/sell treasury shares is being requested**

The proposal forms part of a programme aimed at managing the size, composition and cost of the Bank's capital more effectively, while maintaining the overall stability of the capital of both the Bank and the Group unchanged in compliance with supervisory regulations.

Such authorization is being sought *inter alia* in order to equip Mediobanca with a valuable instrument in terms of strategic and operational flexibility, in view of potential acquisitions and/or alliances. It should also be noted that as things stand, no purchases aimed at reducing the company's share capital are envisaged.

#### **2. Maximum number, category and nominal value of treasury shares to which proposed authorization refers**

The acquisition could involve a maximum of up to 16,381,963 ordinary par value €0.50 Mediobanca shares, currently representing 2% of the company's share capital, and hence still within the 10% limit established by the provisions of Article 2357, paragraph 3 of the Italian Civil Code, including any shares owned by Group companies. The shares may be acquired in one or more tranches.

The acquisitions will be made within the limits of distributable earnings and available reserves, as stated in the most recent approved financial statements.

The company shall then, as established under Article 2357-ter, para. 3, of the Italian Civil Code, set up a non-distributable reserve in an amount equal to the value of the treasury shares acquired, by withdrawing a like amount from the available reserves, and more generally shall proceed to make all the relevant book entries required of it by law. The reserve thus established shall be maintained until such time as the treasury shares acquired are transferred. In the event of the treasury shares thus acquired subsequently being disposed of, the funds held in the reserve shall be returned to the reserves they originally came from.

### **3. Duration**

Authorization to acquire ordinary treasury shares is being sought for a period of eighteen months, starting from the date on which the resolution is approved in general meeting, whereas the authorization to dispose of said shares is being requested for an unlimited period.

### **4. Minimum and maximum consideration payable**

The minimum purchase price for the ordinary shares may not be lower than the stock's nominal value, i.e. €0.50, while the maximum purchase price may not be more than 5% higher than the reference price recorded for the shares in the stock market session prior to completion of each individual purchase.

### **5. Methods via which purchases may be made**

The treasury share buybacks shall be carried out pursuant to Article 132 of Italian Legislative Decree 58/98 and Article 144-bis, para. 1, letter b) and c) of the Regulations for Issuers released by Consob under resolution no. 11971/99 as amended, in accordance with the operating methods established under the terms and conditions for the markets themselves, in order to ensure parity of treatment among shareholders.

Accordingly, such purchases shall be made solely and possibly in more than one tranche for each method:

- on regulated markets operated and run by Borsa Italiana S.p.A., in accordance with the operating methods established by the latter which will not allow for trading buy proposals to be matched directly with predetermined sale trades,
- or
- via purchases and sale of derivative instruments traded on the relevant market operated and run by Borsa Italiana S.p.A., the regulations of which provide for methods to be used which conform to the requirements of the aforementioned Article 144-bis, para. 1, letters b) and c) of the Regulations for Issuers.



## 6. Other methods of trading treasury shares

Subsequent purchases and disposals of ordinary treasury shares may be made within the limits referred to under the foregoing points.

We therefore propose that the following resolution be adopted:

“The shareholders of Mediobanca S.p.A. in general meeting:

- in view in particular of Articles 2357 and 2357-ter of the Italian Civil Code; and
- in view of the Management Board’s report;

*hereby resolve*

- 1) to authorize, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code and Article 132 of Italian Legislative Decree 58/98, the acquisition of ordinary par value €0.50 shares issued by the company and execution of deeds of disposal in respect thereof on the following terms:
  - a) the minimum purchase price of the ordinary shares shall not be lower than their par value, i.e. €0.50 per share;
  - b) the maximum share price shall not be more than 5% higher than the reference price recorded on the shares in the stock market session prior to completion of each individual purchase;
  - c) authorization to proceed with the acquisition is sought for a period of eighteen months with effect from the date of this resolution, whereas authorization to dispose of treasury shares is sought for an unlimited period of time;
  - d) the acquisitions will be made within the limits of distributable earnings and available reserves, as stated in the most recent approved financial statements;
  - e) the treasury share buybacks shall be carried out pursuant to Article 132 of Italian Legislative Decree 58/98 and Article 144-bis, para. 1, letter b) and c) of the Regulations for Issuers released by Consob under resolution no. 11971/99 as amended, in accordance with the operating methods established under the terms and conditions for the markets themselves, in order to ensure parity of treatment among shareholders. Accordingly, such purchases shall be made solely and possibly in more than one tranche for each method,
    - on regulated markets operated and run by Borsa Italiana S.p.A., in accordance with the operating methods established by the latter which will not allow for trading buy proposals to be matched directly with predetermined sale trades,

or

- via purchases and sale of derivative instruments traded on the relevant market operated and run by Borsa Italiana S.p.A., the regulations of which provide for methods to be used which conform to the requirements of the aforementioned Article 144-bis, para. 1, letters b) and c) of the Regulations for Issuers;
  - f) the disposals may be carried out in one or more tranches, even before all the acquisitions have been exhausted, through sales on the stock market, block market or as consideration in the acquisition of shareholdings, and possibly for awards to be made to shareholders, and shall be booked in accordance with the provisions of the law and applicable accounting standards;
- 2) to grant the Management Board and on its behalf the Chairman and Managing Director, including severally, powers to:
- identify the reserve provisions to be used to acquire and establish the non-distributable reserve contemplated under Article 2357-ter of the Italian Civil Code, in compliance with the provisions of the law, *inter alia* for purposes of ensuring that existing reserves remain fully available;
  - establish the methods, times, and all the executive and accessory terms and conditions for the acquisitions and deeds of sale of the treasury shares;
  - perform all deeds, measures and formalities required in connection with the implementation of this resolution.”

Milan, 10 October 2007

THE MANAGEMENT BOARD

OttavioCapriolo  
Caleppio di Settala (Milano)