

MEDIOBANCA

Interim Report

for the six months ended 31 December 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

Interim Report

for the six months ended 31 December 2007

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

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C O N T E N T S

	page
REVIEW OF GROUP OPERATIONS	5
INTERIM CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated balance sheet	36
Consolidated profit and loss account	38
Statement of changes to consolidated net equity	39
Consolidated cash flow statement	42
NOTES TO THE ACCOUNTS	45
Part A - Accounting policies	47
Part B - Notes to the consolidated balance sheet	60
Part C - Notes to the consolidated profit and loss account	94
Part E - Information on risks and related hedging policies	107
Part F - Information on consolidated capital	127
Part H - Related party disclosure	129
Part I - Share-based payment schemes	130
INDEPENDENT AUDITORS' REPORT	133
<i>Annexes:</i>	
– Consolidated financial statements (IAS/IFRS-compliant)	139
– Mediobanca S.p.A. financial statements (IAS/IFRS-compliant)	142
– Table of significant investments as defined in Article 120 paragraph 3 of Italian Legislative Decree 58/98 and Article 126 of Consob Regulation 11971/99	145

REVIEW OF GROUP OPERATIONS

The Mediobanca Group's results for the six months ended 31 December 2007 show a net profit of €640.5m. Year-on-year growth of 21.8%, from €526m, reflects further improvement in profit from ordinary activities, up 22% from €574m to €700.2m, on the back of good performances by all the Group's main revenue sources and despite the sharp downturn on financial markets. The main revenue items performed as follows:

- net interest income rose almost 10%, from €332m to €364.6m, on higher volumes managed;
- net trading income showed gains of €76.1m (31/12/06: €29.9m), in strongly challenging market conditions;
- net fee and commission income rose by 22%, from €189.6m to €231.3m, on healthy contributions from all corporate and investment banking activities;
- income from equity-accounted companies rose by 22.6%, from €213.8m to €262.1m, reflecting positive earnings performances by Assicurazioni Generali and RCS MediaGroup.

Costs grew by 26.3%, from €194.5m to €245.6m, due to expansion in the Group's operating profile within and outside Italy, which involved 16 new retail branches being opened during the period, including 5 in France, plus two new Mediobanca branch offices in Frankfurt and Madrid, with an extra 255 staff employed at Group level compared to December 2006. The figure includes costs of more than €9m linked to plans to expand the banking activity of Micos Banca, approximately half of which was due to new staff, with 115 more personnel on the books.

Bad debt writeoffs were up 22%, from €78.2m to €95.4m, €85.2m of which was in retail financial services (up 12%), reflecting a deterioration in households' risk profiles. The other €10.2m represents an adjustment

made to the collective provision for the corporate portfolio which contains performing loans only, up from €53.4m to €63.6m.

Gains on disposals of securities totalled €170m (€169.3m), arising on disposals of AFS securities carried out during the period.

Tax reflects the benefit of a one-off, €30.4m adjustment of deferred taxes to the new IRES and IRAP tax rates introduced by the Budget Law for 2008 (244/07) approved in December last year.

Improvement at the net profit level was shown by the following of the Group's main business areas: wholesale banking, which grew by 20.7%, from €276.7m to €333.9m; equity investment portfolio, which returned growth of 32.9%, from €190.9m to €253.8m; and private banking, up 21.6%, from €24.1m to €29.3m. Retail financial services declined from €40.2m to €26.5m, reflecting the cost of developing new product ventures referred to above and the increase in bad debt writeoffs, from €76.1m to €85.2m.

On the balance-sheet side there was growth of 10.8% in loans, from €26.8bn to €29.7bn, and of 6.4% in funding, from €34.2bn to €36.4bn, while treasury funds decreased slightly from €7bn to €6.8bn, and AFS securities declined from €5.6bn to €4.5bn, partly due to the fall in stock market prices, as adjustments to the fair value of investments as at the period-end resulted in a charge of €275.5m being taken.

Significant events during the six months under review include:

- growth in the consumer credit segment through the acquisition of Linea for a consideration that could rise to €405m; this deal, which will allow Compass to become the third-largest player in this market in Italy, will be completed in the coming months, once the requisite clearances have been obtained;
- trimming of the AFS portfolio, with disposals of over €1bn;
- taking stakes in Telco (10.6%, through the transfer of the shares already owned in Telecom Italia), Générale de Santé (9.99%, for an outlay of €80.6m), and Sintonia (1%, for an outlay of €50.1m), plus subscription to a rights issue by Gemina for €156.5m;
- start-up of operations at the branch office in Frankfurt, and authorization to start operations in Madrid;

The following developments should also be noted:

- effective implementation of the dualistic system of governance adopted by shareholders of Mediobanca in general meeting on 27 June 2007, through establishment of the Supervisory and Management Boards;
- launch of the share buyback programme approved by shareholders in general meeting on 27 October 2007, with the acquisition of 1,035,000 Mediobanca shares for an outlay of €14.6m; as at end-February 2008, the number of shares repurchased had risen to 16.2 million, equal to 1.98% of the Bank's share capital, for a total of €213.4m;
- upgrade of the existing Compliance unit to conform with new supervisory provisions, and amendment of the Group's internal control system pursuant to Italian Legislative Decree 231/01 following adoption of the dualistic governance model;
- preparation of administrative and accounting procedures for compiling regular individual and consolidated statements by the Head of company financial reporting (as required under Italian Law 262/05).

CONSOLIDATED FINANCIAL STATEMENTS*

The consolidated profit and loss account and balance sheet have been restated – including by business area – 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 as an annex, along with further details on how the various items have been restated.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	6 mths to 31/12/06	12 mths to 30/6/07	6 mths to 31/12/07	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	332.0	666.8	364.6	+9.8
Net trading income	29.9	82.8	76.1	n.m.
Net fee and commission income	189.6	371.3	231.3	+22.0
Dividends on AFS securities	3.2	71.7	11.7	n.m.
Share of profits earned by equity-accounted companies	213.8	418.9	262.1	+22.6
TOTAL INCOME	768.5	1,611.5	945.8	+23.1
Labour costs	(103.1)	(236.4)	(127.6)	+23.8
Administrative expenses	(91.4)	(194.0)	(118.0)	+29.1
OPERATING COSTS	(194.5)	(430.4)	(245.6)	+26.3
PROFIT FROM ORDINARY ACTIVITIES	574.0	1,181.1	700.2	+22.0
Gain (loss) on disposal of AFS securities	169.3	175.4	170.0	+0.4
Gain (loss) on disposal of other securities	—	(0.1)	(0.2)	n.m.
Bad debt writeoffs	(78.2)	(165.0)	(95.4)	+22.0
Writebacks (writedowns) to AFS securities	—	(4.2)	(4.2)	n.m.
Extraordinary provisions	(6.0)	(6.0)	—	n.m.
PROFIT BEFORE TAX	659.1	1,181.2	770.4	+16.9
Income tax for the period	(127.7)	(215.2)	(124.4)	-2.6
<i>of which: one-off effect of 2008 Budget Law</i>	—	—	30.4	n.m.
Minority interest	(5.4)	(12.8)	(5.5)	+1.9
NET PROFIT	526.0	953.2	640.5	+21.8

* For methods by which data has been restated, see also section entitled “Significant accounting policies”.

RESTATED BALANCE SHEET

	31/12/06	30/6/07	31/12/07
Assets	€m	€m	€m
Treasury funds	7,628.8	6,993.0	6,781.3
AFS securities	5,183.3	5,573.2	4,549.4
<i>of which: fixed-income</i>	2,485.1	1,622.4	1,593.3
<i>equities</i>	2,285.9	3,335.7	2,499.3
Financial assets held to maturity	629.9	622.5	585.7
Loans and advances to customers	23,130.3	26,811.6	29,718.2
Equity investments	2,484.7	2,632.7	2,642.9
Tangible and intangible assets	314.0	310.5	313.3
Other assets	448.4	588.6	527.5
<i>of which: tax assets</i>	284.4	372.0	288.3
Total assets	39,819.4	43,532.1	45,118.3
Liabilities			
Funding	31,477.4	34,227.7	36,414.5
<i>of which debt securities in issue</i>	23,090.3	25,702.6	27,488.5
Other liabilities	1,001.8	1,227.9	1,117.6
<i>of which tax liabilities</i>	697.7	787.1	703.2
Provisions	197.9	185.4	184.9
Net equity	6,616.3	6,937.9	6,760.8
<i>of which: share capital</i>	408.8	408.8	409.5
<i>reserves</i>	6,106.6	6,420.9	6,240.0
<i>minority interest</i>	100.9	108.3	111.3
Profit for the period	526.0	953.2	640.5
Total liabilities	39,819.4	43,532.1	45,118.3
<i>Tier 1 capital</i>	6,013.4	6,202.2	6,466.6
<i>Regulatory capital</i>	7,731.1	8,106.1	7,257.5
<i>Tier 1 capital/risk-weighted assets</i>	14.02%	12.28%	14.05%
<i>Regulatory capital/risk-weighted assets</i>	18.24%	16.18%	15.75%
<i>No. of shares in issue (millions)</i>	817.6	817.6	819.1

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

31 DECEMBER 2007	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income (expense)	119.7	233.6	17.7	(5.7)	364.6
Net trading income (expense)	68.4	(0.3)	8.0	—	76.1
Net fee and commission income	183.3	28.0	44.9	—	231.3
Dividends on AFS securities	11.7	—	—	—	11.7
Share of profits earned by equity-accounted companies	(4.3)	—	—	261.4	262.1
TOTAL INCOME	378.8	261.3	70.6	255.7	945.8
Labour costs	(69.6)	(40.1)	(21.4)	(2.9)	(127.6)
Administrative expenses	(41.3)	(66.7)	(16.5)	(1.3)	(118.0)
OPERATING COSTS	(110.9)	(106.8)	(37.9)	(4.2)	(245.6)
PROFIT FROM ORDINARY ACTIVITIES	267.9	154.5	32.7	251.5	700.2
Gain (loss) on disposal of AFS securities	169.6	—	0.4	—	170.0
Gain (loss) on disposal of equity investments ..	—	—	—	—	—
Gain (loss) on disposal of other securities	(0.1)	—	—	—	(0.2)
Extraordinary provisions	—	—	—	—	—
Bad debt writeoffs	(10.2)	(85.2)	—	—	(95.4)
Writebacks (writedowns) to AFS securities	(4.2)	—	—	—	(4.2)
PROFIT BEFORE TAX	423.0	69.3	33.1	251.5	770.4
Income tax for the period	(89.2)	(37.2)	(3.8)	2.3	(124.4)
Minority interest	0.1	(5.6)	—	—	(5.5)
NET PROFIT	333.9	26.5	29.3	253.8	640.5
Balance-sheet data					
AFS securities	3,911.2	—	735.1	—	4,549.4
Equity investments	167.2	—	—	2,421.8	2,642.9
Loans and advances to customers	22,981.5	10,885.5	837.1	—	29,718.2
<i>of which: to Group companies</i>	<i>4,713.2</i>	—	—	—	—
Risk-weighted assets	35,179.0	8,655.6	977.5	1,225.4	46,039.7
No. of employees	510	1,222	291 *	—	1,974
Cost/income ratio	29.3	40.9	53.7	1.6	26.0

* Includes 96 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 Prominvestmet;
- *retail financial services*: Compass, Micos Banca, Cofactor and Creditech (consumer credit), SelmaBipiemme Leasing, Palladio Leasing and Teleleasing (leasing);
- *private banking*: Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 48.5% of Banca Esperia pro-forma;
- *equity investment portfolio*: shareholdings owned by the Group in Assicurazioni Generali and RCS MediaGroup.

2) Sum of divisional data differs from Group total due to:

- Banca Esperia being consolidated pro-rata (48.5%) rather than equity-accounted;
- adjustments/differences arising upon consolidation between different business areas;
- notional expenses attributable to Mediobanca in respect of stock option schemes operated by Banca Esperia amounting to €3.7m (31/12/06: € 5.5m).

31 DECEMBER 2006

	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income (expense)	104.2	223.7	10.2	(4.6)	332.0
Net trading income	23.4	—	7.5	—	29.9
Net fee and commission income	147.1	20.6	41.8	—	189.6
Dividends on AFS securities.....	3.2	—	—	—	3.2
Share of profits earned by equity-accounted companies	7.5	—	—	201.8	213.8
TOTAL INCOME	285.4	244.3	59.5	197.2	768.5
Labour costs	(52.9)	(32.5)	(20.1)	(1.9)	(103.1)
Administrative expenses	(29.3)	(52.8)	(13.8)	(0.6)	(91.4)
OPERATING COSTS	(82.2)	(85.3)	(33.9)	(2.5)	(194.5)
PROFIT FROM ORDINARY ACTIVITIES	203.2	159.0	25.6	194.7	574.0
Gain (loss) on disposal of AFS securities	160.9	—	8.3	—	169.3
Gain (loss) on disposal of equity investments	—	—	—	—	—
Extraordinary provisions	—	—	(6.0)	—	(6.0)
Bad debt writeoffs	(2.1)	(76.1)	(0.1)	—	(78.2)
PROFIT BEFORE TAX	362.0	82.9	27.8	194.7	659.1
Income tax for the period	(85.3)	(37.3)	(3.7)	(3.8)	(127.7)
Minority interest	—	(5.4)	—	—	(5.4)
NET PROFIT	276.7	40.2	24.1	190.9	526.0
Balance-sheet data					
AFS securities	4,103.3	—	1,100.1	—	5,183.3
Equity investments	152.8	—	—	2,147.7	2,484.7
Loans and advances to customers	17,135.9	9,389.5	608.5	—	23,130.3
<i>of which to Group companies</i>	<i>3,882.3</i>	—	—	—	—
Risk-weighted assets.....	32,228.4	7,617.0	900.4	1,647.8	42,393.6
No. of employees	424	1,055	277 *	—	1,719
Cost/income ratio (%).....	28.8	34.9	58.2	1.3	25.3

* Includes 92 staff employed by the Esperia group pro-forma not included in the Group total.

REVIEW OF KEY ITEMS

BALANCE SHEET

The main balance-sheet items, to which Mediobanca contributes more than three-quarters of the total, reflected the following trends during the six months under review (figures for comparison are as at 30 June 2007):

Funding — this item rose from €34,227.7m to €36,414.5m, up 6.4%, due to the increase in debt securities, from €25,702.6m to €27,488.5m, which reflects new issuance worth €3,716.2m, redemptions and market repurchases of €2,068.2m, and other adjustments (exchange rates, amortized cost and hedges) amounting to €366.7m; the heading also includes €1,983.9m in short-term funding, i.e. Euro CDs and commercial paper, down €228.8m from end-June last year. The other items, i.e. current accounts, borrowings and deposits, rose 4.7%, from €8,525.1m to €8,926m, due to more funds being raised by the Compass group from other banks.

Loans and advances to customers — these rose by 10.8%, from €26,811.6m to €29,718.2m, chiefly on the back of the corporate segment, which was up over 14%, from €16bn to nearly €18.3bn. Mortgage finance arm Micos Banca's loan book grew by 15.2%, to over €2.4bn. The other retail segments grew too, despite the unfavourable market conditions.

	30/6/07	31/12/07	Change
	€m	€m	%
Corporate	15,995.0	18,268.3	+14.2
Retail	10,101.4	10,765.7	+6.6
- of which: consumer credit	3,659.1	3,820.0	+4.4
mortgage lending	2,131.6	2,454.6	+15.2
leasing	4,247.9	4,429.0	+4.3
Others (CMB)	715.2	684.2	-4.5
TOTAL LOANS AND ADVANCES TO CUSTOMERS	26,811.6	29,718.2	+10.8

As a result of these trends, 62% of the portfolio is made up of corporate loans and structured finance, compared with 59% at end-June, 21% (23%) of consumer credit, and 15% (16%) of leasing, while the other 2% (2%) is represented by finance disbursed by Compagnie Monégasque de Banque.

At the reporting date there was a total of ten significant exposures to groups of customers (including market risk and equity investments), i.e. above 10% of regulatory capital, four fewer than at end-June 2007. These, when weighted, amount to €10,263m (€15,504.1m).

Equity investments — this item remained virtually stable at €2,642.9m (30/6/07: €2,632.7m). Accounting for the investments on an equity basis led to gains of €262.1m being recorded in the profit and loss account, against a €248m reduction in the balance sheet recognized in the net equity reserve, plus repayments amounting to €3.9m (Athena Private Equity). As for the investments themselves, the value of the Group's holding in Assicurazioni Generali rose by €3.5m, representing the difference between pro-rata profit of €240.7m and a reduction of €237.2m in the relevant valuation reserve, that in RCS MediaGroup by €10.9m (on pro-rata profit of €20.7m), and that in Banca Esperia by €5.3m. Based on share prices at 31 December 2007, the portfolio reflected a surplus of €4,037.7m (€3,928.9m), which falls to €3,460.2m based on current prices.

	Percentage shareholding*	Book value	Market value as at 31/12/07	Surplus
		€m	€m	€m
LISTED INVESTMENTS				
Assicurazioni Generali	14.06	2,103.2	6,143.2	4,040.0
RCS MediaGroup, <i>ordinary</i>	13.94	318.6	316.3	(2.3)
		<u>2,421.8</u>	<u>6,459.5</u>	<u>4,037.7</u>
OTHER INVESTMENTS				
Banca Esperia	48.50	53.9		
Burgo Group	22.13	137.0		
Athena Private Equity class A	23.88	27.9		
Fidia	25.00	1.9		
Other minor investments		0.4		
		<u>221.1</u>		
		<u>2,642.9</u>		

* Percentage of entire share capital.

Under the terms of the shareholder agreement in respect of RCS MediaGroup, Mediobanca acquired a further 3.2 million shares in this company on 18 January 2008, for an outlay of €10.4m.

Financial assets held to maturity — these declined from €622.5m to €585.7m, following redemptions of €40.3m and upward adjustments to amortized cost of €3.5m. The loss on these assets not recognized in the accounts came to €38.4m based on prices at 31 December 2007 (€20.6m).

AFS securities — this portfolio is made up of debt securities worth €1,593.3m (€1,622.4m), equities amounting to €2,499.3m (€3,335.7m), and other securities (stock units in funds) totalling €456.8m (€615.1m), the latter held solely by Compagnie Monégasque de Banque. Debt securities reduced by €29.1m, following purchases worth €210.5m, disposals of €221.3m, and downward adjustments to amortized cost and fair value as at the reporting date amounting to €18.9m. Movements in equities include investments worth €458.3m (primarily through subscribing to a rights issue by Gemina for an amount of €156.5m, taking a stake in French healthcare group Santé S.A. for €80.6m, and acquiring Pirelli shares worth €6.7m under the terms of that company's shareholder agreement), disposals worth €1,008.2m, at a gain, including amounts drawn from valuation reserves, of €171.2m. The share of the net equity reserve attributable to equities stood at €414.8m (€866.7m), after gains on disposals worth €108.5m were released to the profit and loss account, and reductions for adjustments to exchange rates in an amount of €0.6m were charged. The Group's 1.54% shareholding in Telecom Italia was transferred to newly-established company Telco.

	Percentage shareholding*	Book value at 31/12/07	Adjustment to fair value	Aggregate AFS reserve
Fiat	1.94 – 1.66	374.3	(92.8)	236.8
Pirelli	4.61 – 4.49	181.6	(31.1)	3.2
Italmobiliare	9.5 – 5.47	132.6	(88.0)	98.0
Other listed securities		852.8	(127.5)	14.5
Telco	10.64	522.4	—	—
Other unlisted securities		435.6	(3.4)	62.9
TOTAL		2,499.3	(342.8)	415.4

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

Since the reporting date a 1% stake has been acquired in the share capital of Sintonia S.A. of the Benetton group for a total of €50.1m. This shareholding is subject to a shareholders' agreement.

Treasury funds — these fell slightly, from €6,993m to €6,781.3m, and include €367.6m (€347m) in cash and cash equivalents, €5,922.9m (€8,029.2m) in fixed-income securities, €1,324.2m (€843.5m) in equities, plus €161.2m (€177.2m) in upward adjustments to the value of derivative contracts, net of short-term funding (repos, interbank deposits, etc.) worth €994.6m (€2,403.9m). Movements during the six months and marking the portfolio (including derivatives) to market as at 31 December 2007 generated gains of €76.1m. The recent market tensions have had no impact on the Group's liquidity situation; the Group confirms it has no exposure, direct or indirect, to the US sub-prime segment.

Provisions — this heading comprises the provision for risks and charges, which stood at €158.8m (€156m), and the staff severance indemnity provision, which fell from €29.4m as at end-June to €26.1m as a result of staff turnover during the period.

Net equity — net equity fell by €180.1m, from €6,829.6m to €6,649.5m, largely on the back of a €348.6m decrease in the valuation reserve and a €248.5m reduction following application of the equity method, as described earlier. Conversely, during the period under review there were increases due to retained earnings from the previous year, of €414.6m, and issuance of new shares as a result of stock options being exercised, in an amount of €17.2m. The share buyback programme was launched in December 2007 with the purchase of 1,035,000 shares, for an outlay of €14.8m deducted from net equity. The AFS securities valuation reserve fell from €818.5m to €436m, following €107m in withdrawals (due to disposals), and downward adjustments to fair value at the reporting date totalling €275.5m net of the relevant tax effects; the cash flow hedge reserve stood at €39m (€5.2m).

PROFIT AND LOSS ACCOUNT

Net interest income — this rose by 9.8%, from €332m at year-end 2006 to €364.6m, driven by higher volumes in corporate banking in particular, which accounts for some 70% of the increase. The result also includes €10m in downward adjustments to hedges of bonds issued by Mediobanca to reflect the marked volatility in short-term interest rates, largely offset by unrealized gains on assets recognized at amortized cost.

Net trading income — net trading income of €76.1m (31/12/06: €29.9m) was buoyed by dealing profits of €133.7m, minus downward adjustments to the portfolio of €57.6m linked to the sharp downturn on stock markets.

	6 mths to 31/12/06	6 mths to 31/12/07
	€m	€m
Net trading income (expense)	(27.5)	100.8
Mark-to-market as at reporting date ..	55.6	(57.6)
Dividends	1.8	32.9
TOTAL.....	29.9	76.1

Against a backdrop of strong turbulence on financial markets, both portfolios still contributed positively to the result, with equities in particular accounting for more than two-thirds of net trading income.

Net fee and commission income — the rise in this item, from €189.6m to €231.3m, is largely attributable to corporate and investment banking fees, which accounted for some 80% of the total, and were up 25%, from €146m to €182.9m, on the back of positive trends by all business areas. The item also includes €25.8m in fees earned by the Compass group (€19.1m), and €22.6m (€24.5m) in commissions earned by other Group companies, chiefly Compagnie Monégasque de Banque.

Operating costs — these rose by 26.3%, from €194.5m to €245.6m, due to growth in the Group's activities which led, *inter alia*, to a total of 16 Compass group branches being opened during the period, along with two further, non-Italian Mediobanca offices in Frankfurt and Madrid, plus IT upgrades and strengthening of the headcount, which rose from 1,719 to 1,974 staff. The amounts shown also reflect the cost of expanding Micos Banca's banking operations. Of the main items comprised under this heading:

- labour costs amounted to €127.6m (€103.1m), reflecting the rise in Group headcount referred to above, plus €5.3m (€2.3m) in emoluments payable to Board members and €4.6m (€4.7m) in notional expenses due to stock option schemes;

- sundry costs and expenses amounting to €118m (€91.4m), including €6.6m (€5.6m) in ordinary depreciation charges, €3.7m (€5.5m) in connection with commitments entered into under the terms of stock option schemes operated by Banca Esperia, other expenses amounting to €4.5m, plus administrative expenses totalling €103.2m (€80.2m), made up as follows:

	<u>6 mths to 31/12/06</u>	<u>6 mths to 31/12/07</u>
	€m	€m
Outside services and consultancy fees	10.6	19.2
EDP and financial information subscriptions	16.2	17.9
Advertising	8.6	11.7
Rent, equipment leasing and maintenance charges ..	8.6	9.3
Bank charges	7.8	8.5
Stationery, publication costs and utilities	6.2	8.1
Bad debts and legal fees recovered	3.8	5.6
Travel, transport and entertainment	3.3	5.6
Others	15.1	17.3
TOTAL	<u>80.2</u>	<u>103.2</u>

The rise in outside services and consultancy fees chiefly reflects the cost of expanding retail operations, plus implementation of new IT systems (i.e. upgrades to systems for trading and new systems implemented in connection with the Basel II project).

Bad debt writeoffs — these are attributable as to €85.2m (€76.1m) to the Compass group, and as to €10.2m (€2.1m) to a rise in the collective provision for the corporate portfolio of performing loans.

Divisional results

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

Wholesale banking

	6 mths to 31/12/06	12 mths to 30/6/07	6 mths to 31/12/07	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	104.2	200.5	119.7	+14.9
Net trading income	23.4	69.6	68.4	n.m.
Net fee and commission income.....	147.1	281.9	183.3	+24.6
Dividends on AFS securities	3.2	71.7	11.7	n.m.
Share of profits (losses) earned (incurred) by equity-accounted companies	7.5	18.0	(4.3)	n.m.
TOTAL INCOME	285.4	641.7	378.8	+32.7
Operating costs	(82.2)	(203.2)	(110.9)	+34.9
PROFIT FROM ORDINARY ACTIVITIES	203.2	438.5	267.9	+31.8
Gains on disposal of AFS securities	160.9	166.7	169.6	+5.4
Bad debt writeoffs	(2.1)	(5.2)	(10.2)	n.m.
Other items	—	(4.3)	(4.2)	n.m.
Income tax for the period	(85.3)	(136.1)	(89.2)	+4.6
NET PROFIT	276.7	459.6	333.9	+20.7
Cost/income ratio (%)	28.8	31.6	29.3	
Bad loans/total loans (%)	=	=	=	
	31/12/06	30/6/07	31/12/07	Change during period
	€m	€m	€m	%
Treasury funds	7,046.0	6,292.6	5,797.0	-7.9
AFS securities	4,103.3	4,788.1	3,911.1	-18.3
Financial assets held to maturity	630.0	622.5	585.8	-5.9
Equity investments	152.8	176.7	167.2	-5.4
Loans and advances to customers	17,135.9	20,313.9	22,981.5	+13.1
<i>of which to Group companies</i>	3,882.3	4,318.9	4,713.2	+9.1
Funding	24,427.1	26,918.8	28,784.1	+6.9

A net profit of €333.9m was recorded, up from €276.7m at the same stage last year, on the back of strong contributions from all the main revenue sources:

- net interest income was up 14.9%, from €104.2m to €119.7m, due to growth in lending to corporates, despite including €10.2m in downward adjustments to bond issue hedges, as referred to above;
- net fee and commission income grew by 24.6%, from €147.1m to €183.3m, on the strength of significant activity in corporate and investment banking;
- net trading income rose from €23.4m to €68.4m, despite difficult market trends.

The 34.9% rise in operating costs, from €82.2m to €110.9m, is entirely due to strengthening the employee headcount, with a total of 86 more staff on the books than at this stage last year, and related overheads. During the period gains of €169.6m (31/12/06: €160.9m) on disposals of AFS securities were recorded, plus the €10.2m (€2.1m) provision to cover performing loans already referred to.

Lending and structured finance — growth in lending to corporates continued during the period under review, up 14.2%, from €15,995m to €18,268.3m, excluding loans to Group companies. During the six months the trend towards increased geographical diversification of the loan book continued, due to increasing activity by Mediobanca's non-Italian branches, with the share accounted for by countries other than Italy rising from 33% to 39%, in particular France (7.1% of total lendings), Belgium (6.9%), Spain (6.6%) and Germany (5.5%). In loan syndication, where Mediobanca arranges club deals or acts as bookrunner, deals worth a total of €6.9bn (€5bn) were arranged during the period, in line with market trends.

Such growth in volumes also led to an increase in the collective loan provision, from €53.4m to €63.6m, but in respect of assets containing no potential problem or non-performing items. Overall, the lending area contributed just over one-third of the wholesale banking division's total income.

Funding and treasury accounts — funding rose from €26,918.8m to €28,784.1m, and comprises: €27,570.9m (€25,701.8m) in debt securities, €1bn of which in the form of subordinated notes, and €2bn in short-term funding (CDs and commercial paper); €248.8m (€253m) in deposits and current accounts, and €964.4m (€964m) in other funds. Treasury accounts consist of €187.1m (€200.4m) in cash and cash equivalents, €5,298.8m (€7,612.2m) in debt securities, €1,249.5m (€843.2m) in equities, and €160.3m (€176.4m) in upward adjustments to the value of derivative contracts, net of €1,098.8m (€2,539.6m) in net short-term funding. This area generated over 30% of the wholesale banking division's total income.

Equity investments and AFS securities — this portfolio brings together all the Group's holdings in AFS securities plus its investments in associate companies which are equity-accounted (i.e. Burgo Group, Athena, Fidia and Ape Sgr). At 31 December 2007 it stood at €2,645.7m (31/12/06: €3,492.6m), after adjustments to fair value at the reporting date amounting to €343.4m, writedowns to unlisted investments for impairment totalling €4.2m, and downward pro-rata adjustments to net equity of €5.6m. During the period purchases worth €453.9m were made, and disposals of €1,008.2m recorded yielding gains of €170.8m (including €108.6m in reserves accumulated in previous years, plus other income of €1.6m).

Investment banking — the Bank continues to occupy a leading position in this sector: the 26% increase in fee flows reflects a healthy performance in advisory services, with deals worth over €30.3bn recorded, and considerable capital market activity, with five IPOs and five rights issues completed; with respect to client trading activity, securities worth €11.1bn (€10.3bn) were traded, €8.8bn of which were equities (€9.6bn). This area generated over 30% of the wholesale banking division's total income.

Equity investment portfolio

The share in profits attributable to Mediobanca for the period rose by 29.5%, from €201.8m to €261.4m, €240.7m of which was due to Assicurazioni Generali, up 21.3%, and €20.7m to RCS MediaGroup, up 40%.

Retail financial services

	6 mths to 31/12/06	12 mths to 30/6/07	6 mths to 31/12/07	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	223.7	455.2	233.6	+4.4
Net trading income (expense)	—	—	(0.3)	n.m.
Net fee and commission income	20.6	45.6	28.0	+35.9
TOTAL INCOME	244.3	500.8	261.3	+7.0
Operating costs	(85.3)	(177.6)	(106.8)	+25.2
PROFIT FROM ORDINARY ACTIVITIES	159.0	323.2	154.5	-2.8
Bad debt writeoffs	(76.1)	(159.8)	(85.2)	+12.0
Income taxes	(37.3)	(70.2)	(37.2)	-0.3
Profit attributable to minorities	(5.4)	(12.9)	(5.6)	+3.7
NET PROFIT	40.2	80.3	26.5	-34.1
Loans and advances to customers	9,389.5	10,122.9	10,885.5	+7.5*
New loans	2,264.0	4,778.6	2,509.2	+10.8
No. of branches	144	157	160	—
Cost/income ratio (%)	35	36	41	—
Bad loans/total loans (%)	0.89	0.81	0.86	—

* Compared with figure at 30/6/07.

The Compass group's consolidated highlights for the six months ended 31 December 2007 reflect total income up 7%, from €244.3m to €261.3m, despite an increase in the cost of funding. However, profit from ordinary activities declined slightly, from €159m to €154.5m, given the growth in operating costs, up from €85.3m to €106.8m, due largely to the Group's ongoing geographical expansion (with 16 new branches being added) and costs involved in the plans to expand the activity of Micos Banca. After bad debt writeoffs, which were up from €76.1m to €85.2m, almost entirely attributable to consumer credit activity, net profit for the six months fell from €40.2m to €26.5m.

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

Retail financial services 31/12/07	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	199.2	21.8	221.0	40.3	261.3
Operating costs	(69.7)	(21.1)	(90.8)	(16.0)	(106.8)
PROFIT FROM ORDINARY ACTIVITIES	129.5	0.7	130.2	24.3	154.5
Provisions and bad debt writeoffs	(76.4)	(3.9)	(80.3)	(4.9)	(85.2)
Profit attributable to minorities	—	—	—	(5.6)	(5.6)
Income tax for the period	(30.9)	0.9	(30.0)	(7.2)	(37.2)
<i>of which: one-off effect of 2008 Budget Law</i>	<i>(3.1)</i>	<i>0.6</i>	<i>(2.5)</i>	<i>1.5</i>	<i>(1.0)</i>
NET PROFIT	22.2	(2.3)	19.9	6.6	26.5
New loans	1,225.4	397.2	1,622.6	886.6	2,509.2
Loans and advances to customers	3,882.1	2,454.7	6,336.8	4,548.7	10,885.5
No. of branches	119	29	148	12	160
No. of staff	708	290	998	224	1,222

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

As for the individual segments, in consumer credit the increase in profit from ordinary activities, from €125.5m to €129.5m, was completely swallowed up by the rise in bad debt writeoffs, from €68m to €76.4m, and higher taxes, up from €26.8m to €30.9m, largely due to adjusting provisions for deferred tax receivable to the new IRES tax rates.

In mortgage lending Micos recorded a 13.5% increase in total income, from €19.2m to €21.8m, but still incurred a €2.3m net loss for the period, compared with a €3m net profit at the same time last year, due to costs linked to expansion of its activities.

Leasing performed in line with the result posted last year, delivering a €6.6m profit, despite a €2.2m rise in costs linked to expansion and strengthening of the network, with two branches added.

* * *

In late December 2007 Compass signed a contract to acquire 96% of Linea from Banca Popolare di Vicenza and Banco Popolare, for a consideration of €388.5m, corresponding to a valuation of 100% of the company's economic capital of €405m, with an option to buy out the other 4% from minority shareholders. This acquisition, which will enable Compass to become the third consumer credit operator on the Italian market, is attractive for the various areas in which the two companies can complement each other in terms of products and channels, and also the cost and revenue synergies it can offer. Linea's business is consumer credit, which it carries on itself, including on the basis of commercial agreements with banks, and via subsidiaries Equilon and Futuro (the latter of which specializes in salary-backed finance). At group level the company disbursed a total of €2,649m in new loans during 2007, against €1,816m in 2006, while at 30 June 2007 it had net loans of €3,547m outstanding on its books.

Private banking

	6 mths to 31/12/06	12 mths to 30/6/07	6 mths to 31/12/07	Y.o.Y. chg.
	€m	€m	€m	%
Total income	59.5	130.1	70.6	+18.7
<i>of which: net fee and commission income</i>	41.8	91.9	44.9	+7.4
Operating costs	(33.9)	(67.9)	(37.9)	+11.8
PROFIT FROM ORDINARY ACTIVITIES	25.6	62.2	32.7	+27.7
Other income (expenses)	2.2	2.6	0.4	n.m.
Income tax for the period	(3.7)	(10.1)	(3.8)	+2.7
NET PROFIT ATTRIBUTABLE TO THE GROUP	24.1	54.7	29.3	+21.6
	31/12/06	30/6/07	31/12/07	Change during period
	€m	€m	€m	%
Assets under management	12,358.1	13,865.6	13,948.0	+0.6
Securities under trust	1,120.8	1,217.9	1,314.7	+7.9

During the six months under review net profit attributable to the Group climbed 21.6%, from €24.1m to €29.3m, reflecting growth of 27.7% in profit from ordinary activities, up from €25.6m to €32.7m. Total income rose by 18.7%, from €59.5m to €70.6m, on higher net fee and commission income, up from €41.8m to €44.9m, earned chiefly by Banca Esperia (up 29.6%), and on higher net interest income, up from €10.2m to €17.7m, due mostly to the business of Compagnie Monégasque de Banque. Assets managed on a discretionary and non-discretionary basis remained stable at €13.9bn, €8.1bn of which by CMB and €5.8bn by Banca Esperia.

On 7 February 2008 CMB acquired the Unicredit group's Monaco-based private banking activities. The deal, which will enable the company to acquire €500m in AUM and over 1,600 customers, represents a new step in the process of consolidating the Group's presence in the Principality.

Private banking 31/12/07	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	44.8	22.5	3.3	70.6
<i>of which: net fee and commission income</i>	20.8	21.0	3.1	44.9
Operating costs	(21.4)	(14.2)	(2.3)	(37.9)
PROFIT FROM ORDINARY ACTIVITIES	23.4	8.3	1.0	32.7
Other income (expenses)	0.4	—	—	0.4
Income tax for the period	0.1	(3.6)	(0.3)	(3.8)
NET PROFIT	23.9	4.7	0.7	29.3
Assets under management	8,094.0	5,854.0	—	13,948.0

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

REVIEW OF PERFORMANCES BY GROUP COMPANIES

The financial statements for the six months ended 31 December 2007 have been drawn up in accordance with the International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) and adopted at EU level under 1606/2002. This was transposed into Italian law under Legislative Decree 38/05 which came into effect on 22 March 2005. Adoption of the new accounting standards with respect to financial reporting by banks and other financial intermediaries was governed respectively by Bank of Italy circular no. 262 issued on 22 December 2005 and the Governor's decree issued on 14 February 2006.

MEDIOBANCA

In the six months ended 31 December 2007 Mediobanca recorded a 22.9% increase in net profit, from €259.2m to €318.6m, driven by an increased contribution from net trading income, which grew from €23.1m to €71.1m, and gains on disposals of AFS securities, which rose from €160.9m to €169.6m. The increase in profit from ordinary activities, which was up 36%, from €183.4m to €249.5m, reflects a healthy contribution from net interest income, up 9.5%, from €100.4m to €109.9m, on higher lending volumes. Net fee and commission income, up 19.3%, from €147.9m to €176.5m, bore out the positive trend recorded in corporate and investment banking. Dividends on AFS securities worth €11.7m were collected during the period, compared with €3.2m last year. Operating costs rose by 31.3%, from €91.2m to €119.7m, chiefly due to the rise in employee headcount, with staff numbers climbing from 414 to 497, and to expansion of the Bank's domestic and international businesses.

Below the operating line, in addition to gains on disposals of over €1bn worth of equities held in the AFS portfolio, a collective adjustment to performing loans of €10.2m was booked, chiefly in connection with the increase in volumes, plus tax for the period of €86m (31/12/06: €83m), which benefited from the one-off effect on deferred tax following the reduction in the IRES tax rate from 33% to 27.5%.

With regard to the main balance-sheet items:

- funding increased by €1,816.2m, from €27,105.1m to €28,921.3m, €1,634.1m of which is attributable to debt securities in issue, and €182.1m to other forms of funding; current accounts increased from €268.4m to €271.7m, while CDs declined from €285.8m to €257.3m;
- loans and advances to customers rose by 13.2%, from €20,306.5m to €22,979m; loans to Group companies were stable at €8,015.3m, €41.6m of which were subordinate;
- equity investments, recognized at cost, were virtually unchanged at €1,677.9m, versus €1,680.8m, and reflect a partial refund by Athena Private Equity worth €3.9m. Market prices as at 31 December 2007 reflect a surplus of fair value over book value amounting to €4,897m, or €4,358.9m based on current prices;
- financial assets held to maturity reduced from €621.6m to €584.9m, following redemptions worth in excess of €40m; uncharged writedowns to prices at the reporting date total €56.1m (€39.5m);
- AFS securities reduced from €4,788m to €3,911.1m, and comprise €1,432.7m (€1,472.2m) in debt securities and €2,478.4m (€3,315.8m) in equities. In addition to downward value adjustments for the period of €342.8m, movements in equities reflect purchases of €457.7m (€156.5m in connection with a rights issue implemented by Gemina and €80.6m for the investment in Générale de Santé), and disposals (at revenue) of €1,008.2m yielding gains of €170.8m (including €108.5m in reserves accrued during previous years, plus other income amounting to €1.6m) and writedowns for impairment to unlisted assets totalling €4.2m;
- treasury funds totalled €5,813.7m (€6,379.4m), and include €143.7m (€160.8m) in cash and bank deposits, €6,611.5m (€8,589.5m) in securities, €157.4m (€149.1m) in value adjustments on derivatives contracts, and €1,098.9m (€2,520m) in short-term funding;
- tangible and intangible assets declined slightly from €121.3m to €121m, and comprise property worth €114.5m – including land with a value of €81.2m – plus other tangible assets worth €4.3m and intangible assets amounting to €2.2m;
- provisions include the staff severance indemnity provision, which stood at €11.5m, and the provision for risks and liabilities, totalling €151m (both unchanged);

- net equity of €5,217.4m (30/6/07: €5,537.8m) includes: share capital amounting to €409.5m, valuation reserves of €463.3m, and other reserves and retained earnings totalling €4,344.6m. The decrease is explained by a reduction in the valuation reserve (€345.2m), the share buyback programme (€14.8m), profit allocation for the last financial year (€22.4m), and exercise of stock options (€17.2m).

* * *

With reference to the claims made against Mediobanca jointly with the other parties involved in what was alleged to be their failure to launch a full takeover bid for La Fondiaria in 2002, a total of twelve such claims are currently outstanding for damages amounting to €153m. The situation is presently as follows:

- the court of appeals in Milan has ruled in favour of Mediobanca on two claims, one of which has now gone to the court of cassation for appeal;
- four claims have been appealed by the Bank after they were upheld by the court of Milan;
- the court of Florence has ruled in favour of Mediobanca on one claim;
- five claims are still pending first-degree rulings at the court of Milan.

* * *

RESTATEd PROFIT AND LOSS ACCOUNT*

	6 mths to 31/12/06	12 mths to 30/6/07	6 mths to 31/12/07	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	100.4	192.9	109.9	+9.5
Net trading income	23.1	65.7	71.1	n.m.
Net fee and commission income	147.9	275.6	176.5	+19.3
Dividends on AFS securities	3.2	213.5	11.7	n.m.
TOTAL INCOME	274.6	747.7	369.2	+34.5
Labour costs	(55.6)	(134.4)	(73.4)	+32.0
Administrative expenses	(35.6)	(82.2)	(46.3)	+30.1
OPERATING COSTS	(91.2)	(216.6)	(119.7)	+31.3
PROFIT FROM ORDINARY ACTIVITIES	183.4	531.1	249.5	+36.0
Gain (loss) on disposal of AFS securities	160.9	166.7	169.6	+5.4
Gain (loss) on disposal of other securities	—	(0.1)	(0.1)	n.m.
Bad debt writeoffs	(2.1)	(5.2)	(10.2)	n.m.
Value adjustments to AFS securities	—	(4.2)	(4.2)	n.m.
PROFIT BEFORE TAX	342.2	688.3	404.6	+18.2
Income tax for the period	(83.0)	(127.2)	(86.0)	+3.6
<i>of which: one-off effect of 2008 Budget Law</i>	—	—	31.1	n.m.
NET PROFIT	259.2	561.1	318.6	+22.9

* The financial statements are also reported in accordance with the recommendations made by the Bank of Italy in the annex hereto, along with further details on how the various items have been restated.

RESTATED BALANCE SHEET*

	31/12/06	30/6/07	31/12/07
	€m	€m	€m
Assets			
Treasury funds	5,607.5	6,379.4	5,813.7
AFS securities	4,103.2	4,788.0	3,911.1
Financial assets held to maturity	629.0	621.6	584.9
Loans and advances to customers	17,127.7	20,306.5	22,979.0
Equity investments	1,670.0	1,680.8	1,677.9
Tangible and intangible assets	122.5	121.3	121.0
Other assets	174.9	251.6	211.6
Total assets	<u>29,434.8</u>	<u>34,149.2</u>	<u>35,299.2</u>
Liabilities			
Funding	23,070.0	27,105.1	28,921.3
Provisions	166.9	162.4	162.5
Other liabilities	615.7	782.8	679.4
Net equity	5,323.0	5,537.8	5,217.4
Profit for the period	<u>259.2</u>	<u>561.1</u>	<u>318.6</u>
Total liabilities	<u>29,434.8</u>	<u>34,149.2</u>	<u>35,299.2</u>

* The financial statements are also reported in accordance with the recommendations made by the Bank of Italy in the annex hereto, along with further details on how the various items have been restated.

* * *

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

- *Compass S.p.A.*: this company's accounts for the six months ended 31 December 2007 reflect net profit of €21.3m (31/12/06: €31m), the reduction being due to the increase in operating costs, from €56.4m to €65.1m, and bad debt writeoffs, up from €65.6m to €75.4m; loans and advances to customers were up 3.8% compared with 30 June 2007, from €3,710.1m to €3,852.9m.
- *SelmaBipiemme Leasing S.p.A.*: this company earned a net profit of €6.5m (€8.2m) during the half-year, reflecting higher costs as a result of opening two new branches; as at 31 December 2007 amounts leased to clients had risen by 4.9% since the balance-sheet date, from €2,392.3m to €2,508.8m.
- *Palladio Leasing S.p.A.*: Palladio Leasing's accounts for the six months under review reflect net profit of €6.2m (€4.2m); as at 31 December 2007 amounts leased had risen by 5.4% since the balance-sheet date, from €1,377.1m to €1,452m.
- *Teleleasing S.p.A.*: this company earned a net profit of €4.6m (€4.3m) during the period, and at €565.7m amounts leased to clients were up 5.3% on the €537.4m recorded at 30 June 2007.
- *Micos Banca SpA*: Micos's accounts for the six months reflect a loss of €2.3m, compared with a €2.9m net profit this time last year, after extraordinary costs of over €9m in connection with plans to expand the bank's operations and launch activities in France. At 31 December 2007 loans outstanding were up 14.4%, from €2,125.3m to €2,431.4m.
- *Cofactor S.p.A.*: Cofactor recorded a net profit of €8,000 (€24,000); accounts outstanding as at year-end 2007 were booked at €62.1m (€62.8m).
- *Creditech S.p.A.*: this company reported a net profit of €997,000 (€184,000). Receivables under management at 31 December 2007 totalled €386m (€279m).

- *Compagnie Monégasque de Banque*, Monaco: the draft consolidated accounts as at 31 December 2007 reflect a profit of €47.2m (€40.6m), after net fee and commission income of €43m (€44.3m). Lendings totalled €680m (€501.9m), and funding €1,723.6m (€1,590.8m). Assets managed on a discretionary and non-discretionary basis amounted to €8.1bn (€7.7bn), up 4.4% on last year.

- *Banca Esperia S.p.A. (48.5%-owned)*: draft consolidated accounts as at 31 December 2007 reflect a profit of €29.9m (€16.6m), after management fees of €93.3m (€67.5m). The increase is due to growth in assets under management, which rose from €9.5bn to €12.4bn in the twelve months.

- *Spafid - Società per Amministrazioni Fiduciarie S.p.A.*: this company recorded a net profit of €0.6m (€1.1m), after net fee and commission income amounting to €2.2m (€2.4m). Spafid's net worth at 31 December 2007 stood at €37m. Securities under trust totalled €1,429.1m (€1,338.6m).

- *Mediobanca International (Luxembourg) S.A.*, Luxembourg: during the six months under review the company recorded a profit of €12.4m (€1.4m), after €9.8m (€0.8m) in net interest income and €6.5m (€1.6m) in net fee and commission income. Customer lendings reduced from €3,681.5m to €3,298.4m, while debt securities rose from €881.5m to €1,203m, and short-term funding in the form of Euro CDs and commercial paper stood at €1,775m (€1,927m). The company's net worth totalled €87.6m (€78.6m).

- *R. & S. - Ricerche e Studi S.p.A.*: this company recorded an even balance for the first six months of the financial year, after charging Mediobanca €0.7m (31/12/06: €0.7m) for services and expenses.

R&S produced the thirty-second edition of its Annual Directory, which includes analysis of leading Italian listed companies, and updated the reports available in digital format on the company's website. It also published the twelfth edition of its survey of leading industrial and service-sector multinationals, and the fifth edition of its survey of the world's largest banks. Its co-operation with Italian daily newspaper *Il Sole 24 Ore* continued in the form of publication of the quarterly survey of blue chip companies' results, as did its partnership with the Research Department of Unioncamere based

primarily on use of a scoring model and compilation of analyses for local areas (a first general study is currently being prepared for Unioncamere and a second for the Rome Chamber of Commerce).

* * *

Outlook

Results for the second half of the financial year could be impacted by the crisis on financial markets which commenced in the second half of 2007, with total income lower than for the first six months. This, coupled with rising costs in connection with the development of new wholesale banking and retail financial services ventures, plus one-off charges linked to the integration of Linea, mean that net profit for the year should be similar to the result posted in June.

Reconciliation of shareholders' equity and net profit

	Shareholders' equity (€'000)	Net profit (€'000)
Balance at 31/12/07 as per Mediobanca S.p.A. accounts	5,217,354	318,622
Net surplus over book value for consolidated companies	14,853	67,150
Other adjustments and restatements on consolidation, including the effects of accounting for companies on an equity basis	1,417,300	259,960
Dividends received during the period	—	(5,203)
TOTAL	6,649,507	640,529

Milan, 7 March 2008

THE MANAGEMENT BOARD

**CONSOLIDATED
FINANCIAL STATEMENTS**

CONSOLIDATED BALANCE SHEET

		31/12/07	30/6/07
		(€'000)	(€'000)
10.	Cash and cash equivalents	5,458	4,487
20.	Financial assets held for trading	10,342,719	12,734,759
40.	AFS securities	4,549,399	5,573,221
50.	Financial assets held to maturity	585,695	622,490
60.	Due from banks	8,682,032	6,305,704
70.	Due from customers	29,935,981	28,132,580
80.	Hedge derivatives	926,956	848,190
100.	Equity investments	2,642,893	2,632,738
120.	Property, plant and equipment	299,526	298,459
130.	Intangible assets	13,763	12,022
	<i>of which:</i>		
	– <i>goodwill</i>	—	—
140.	Tax assets:	288,319	372,017
	<i>a) current</i>	143,457	228,675
	<i>b) advance</i>	144,862	143,342
160.	Other assets	332,827	303,035
	TOTAL ASSETS	58,605,568	57,839,702

		31/12/07	30/6/07
		(€'000)	(€'000)
10.	Due to banks	12,248,891	13,487,140
20.	Due to customers	5,453,108	4,027,012
30.	Debt securities in issue	26,348,028	24,702,529
40.	Trading liabilities	2,934,426	3,684,766
60.	Hedge derivatives	2,021,609	1,868,254
80.	Tax liabilities:	703,187	787,097
	<i>a) current</i>	<i>283,480</i>	<i>246,343</i>
	<i>b) deferred</i>	<i>419,707</i>	<i>540,754</i>
100.	Other liabilities	1,310,044	1,206,375
110.	Staff severance indemnity provision	26,091	29,353
120.	Provisions:	158,845	156,028
	<i>a) post-retirement and similar benefits</i>	<i>—</i>	<i>—</i>
	<i>b) other provisions</i>	<i>158,845</i>	<i>156,028</i>
140.	Valuation reserves	488,552	837,130
170.	Reserves	3,635,552	3,464,838
180.	Share premium reserve	2,131,134	2,119,328
190.	Share capital	409,549	408,781
200.	Treasury shares	(15,280)	(434)
210.	Net equity attributable to minority shareholders	111,303	108,257
220.	Profit (loss) for the period	640,529	953,248
	TOTAL LIABILITIES AND NET EQUITY	58,605,568	57,839,702

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		6 mths to 31/12/07	12 mths to 30/6/07	6 mths to 31/12/06
		(€'000)	(€'000)	(€'000)
10.	Interest and similar income	1,282,828	2,409,286	1,201,799
20.	Interest and similar expense	(940,960)	(1,817,528)	(892,415)
30.	Net interest income	341,868	591,758	309,384
40.	Fee and commission income	230,682	376,921	184,733
50.	Fee and commission expense	(23,553)	(47,508)	(13,983)
60.	Net fee and commission income	207,129	329,413	170,750
70.	Dividends and similar income	44,621	111,986	4,996
80.	Net trading income	73,377	117,648	50,558
90.	Net hedging income (expense)	(8,686)	(863)	(142)
100.	Gain (loss) on disposal/repurchase of:	171,046	176,051	169,578
	<i>a) loans and advances</i>	555	—	—
	<i>b) AFS securities</i>	169,984	175,393	169,273
	<i>c) financial assets held to maturity</i>	(98)	(72)	52
	<i>d) financial liabilities</i>	605	730	253
110.	Net income from financial assets/liabilities recognized at fair value	—	—	—
120.	Total income	829,355	1,325,993	705,124
130.	Adjustments for impairment to:	(99,621)	(169,111)	(78,214)
	<i>a) loans and advances</i>	(95,632)	(165,243)	(78,405)
	<i>b) AFS securities</i>	(4,211)	(4,169)	—
	<i>c) financial assets held to maturity</i>	222	301	191
	<i>d) financial liabilities</i>	—	—	—
140.	Net income from financial operations	729,734	1,156,882	626,910
180.	Administrative expenses:	(246,435)	(436,655)	(195,483)
	<i>a) labour costs</i>	(127,613)	(236,358)	(102,987)
	<i>b) other administrative expenses</i>	(118,822)	(200,297)	(92,496)
190.	Net transfers to provisions	(3,420)	(6,438)	(6,017)
200.	Net adjustments to tangible assets	(5,202)	(10,570)	(4,840)
210.	Net adjustments to intangible assets	(1,366)	(2,703)	(774)
220.	Other operating income (expense)	32,330	60,816	25,513
230.	Operating costs	(224,093)	(395,550)	(181,601)
240.	Gain (loss) on equity investments	262,072	418,886	213,847
270.	Gain (loss) on disposal of investments:	(10)	(75)	(4)
	<i>a) property</i>	1	—	—
	<i>b) other assets</i>	(11)	(75)	(4)
280.	Pre-tax profit (loss) on ordinary activities	767,703	1,180,143	659,152
290.	Income tax on ordinary activities for the period	(121,680)	(214,052)	(127,696)
300.	Profit (loss) on ordinary activities after tax	646,023	966,091	531,456
320.	Net profit (loss) for the period	646,023	966,091	531,456
330.	Profit (loss) attributable to minorities	(5,494)	(12,843)	(5,421)
340.	Profit (loss) for the period attributable to Mediobanca	640,529	953,248	526,035

STATEMENT OF CHANGES TO CONSOLIDATED NET EQUITY

a) Group

	Previously-reported balance at 30/6/07	Allocation of profit for previous period		Changes during accounting period								Balance at 31/12/07
				Reserves	Dividends and other applications of funds	Changes to reserves	Transactions involving net equity					
		New shares issued	Treasury shares acquired				Extra-ordinary dividends paid out	Changes to equity instruments	Treasury share derivatives	Stock options		
Share capital:	408,781	—	—	—	768	—	—	—	—	—	—	409,549
a) ordinary shares	408,781	—	—	—	768	—	—	—	—	—	—	409,549
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,119,328	—	—	—	11,806	—	—	—	—	—	—	2,131,134
Reserves:	3,464,838	414,562	—	(248,481)	—	—	—	—	—	4,633	—	3,635,552
a) retained earnings	3,464,838	414,562	—	(248,481)	—	—	—	—	—	4,633	—	3,635,552
b) other reserves	—	—	—	—	—	—	—	—	—	—	—	—
Revaluation reserves:	837,130	—	—	(348,578)	—	—	—	—	—	—	—	488,552
a) AFS securities	818,509	—	—	(382,469)	—	—	—	—	—	—	—	436,040
b) cash flow hedges	5,151	—	—	33,891	—	—	—	—	—	—	—	39,042
c) special laws	13,470	—	—	—	—	—	—	—	—	—	—	13,470
d) others	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(434)	—	—	—	—	(14,846)	—	—	—	—	—	(15,280)
Profit (loss) for the period	953,248	(414,562)	(538,686)	—	—	—	—	—	—	—	640,529	640,529
Net equity	7,782,891	—	(538,686)	(597,059)	12,574	(14,846)	—	—	—	4,633	640,529	7,290,036

b) Minorities

	Previously- reported balance at 30/6/07	Allocation of profit for previous period	Changes during accounting period			Balance at 31/12/07
			Reserves	Changes to reserves	Transactions involving net equity	
		New shares issued				
Share capital:	24,300	—	—	—	—	24,300
a) ordinary shares	24,300	—	—	—	—	24,300
b) other shares	—	—	—	—	—	—
Share premium reserve	7,355	—	—	—	—	7,355
Reserves:	60,429	8,424	532	—	—	69,385
a) retained earnings	60,429	8,424	532	—	—	69,385
b) others	—	—	—	—	—	—
Valuation reserves:	3,330	—	(477)	—	—	2,853
a) AFS securities	—	—	—	—	—	—
b) cash flow hedges	1,738	—	(477)	—	—	1,261
c) special laws	1,592	—	—	—	—	1,592
d) others	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—
Treasury shares	—	—	—	—	—	—
Profit (loss) for the period	12,843	(12,843)	—	—	7,410	7,410
Net equity attributable to minorities	108,257	(4,419)	55	—	7,410	111,303

**STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY
FOR SIX MONTHS ENDED 31/12/06**

	Previously-reported balance at 30/6/06	Allocation of profit for previous period		Changes during accounting period							Balance at 31/12/06	
		Reserves	Dividends and other applications of funds	Changes to reserves	Transactions involving net equity					Profit (loss) for the period		
					New shares issued	Treasury shares acquired	Extra-ordinary dividends paid out	Changes to equity instruments	Treasury share derivatives			Stock options
Share capital:	405,999	—	—	—	2,782	—	—	—	—	—	—	408,781
a) ordinary shares	405,999	—	—	—	2,782	—	—	—	—	—	—	408,781
b) other shares	—	—	—	—	—	—	—	—	—	—	—	—
Share premium reserve	2,071,364	—	—	—	47,964	—	—	—	—	—	—	2,119,328
Reserves:	3,058,670	313,156	—	(10,592)	—	—	—	—	—	4,742	—	3,365,976
a) retained earnings	3,058,670	313,156	—	(10,592)	—	—	—	—	—	4,742	—	3,365,976
b) other reserves	—	—	—	—	—	—	—	—	—	—	—	—
Revaluation reserves:	351,197	—	—	270,648	—	—	—	—	—	—	—	621,845
a) AFS securities	311,914	—	—	292,350	—	—	—	—	—	—	—	604,264
b) cash flow hedges	25,769	—	—	(21,658)	—	—	—	—	—	—	—	4,141
c) special laws	13,514	—	—	(44)	—	—	—	—	—	—	—	13,470
d) others	—	—	—	—	—	—	—	—	—	—	—	—
Equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Treasury shares	(434)	—	—	—	—	—	—	—	—	—	—	(434)
Profit (loss) for the period	858,403	(313,156)	(545,247)	—	—	—	—	—	—	—	526,035	526,035
Net equity	6,745,199	—	(545,247)	260,056	50,746	—	—	—	—	4,742	526,035	7,041,531
Net equity attributable to minorities	89,211	(2,460)	79	8,650	—	—	—	—	—	—	5,421	100,901

CONSOLIDATED CASH FLOW STATEMENT
Direct method

	Amount	
	31/12/07	31/12/06
A CASH FLOW FROM OPERATING ACTIVITIES		
1. Operating activities	836,716	229,471
– interest received	1,958,295	1,533,354
– interest paid	(1,323,682)	(1,190,923)
– dividends and similar income	44,614	4,990
– net fees and commission income	186,746	142,749
– cash payments to employees	(106,795)	(83,795)
– net premium income	—	(1,183)
– other income from insurance activities	636	935
– other expenses paid	(646,331)	(328,854)
– other income received	786,188	229,591
– income taxes paid	(62,955)	(77,359)
– net expense/income from groups of assets being sold	—	(34)
2. Cash generated/absorbed by financial assets	(1,596,272)	(3,957,869)
– financial assets held for trading	2,368,669	(2,633,251)
– financial assets recognized at fair value	—	—
– AFS securities	(458,507)	(89,321)
– due from customers	(1,077,496)	(1,889,088)
– due from banks: on demand	78,395	(353,232)
– due from banks: other	(2,497,638)	1,059,857
– other assets	(9,695)	(52,834)
3. Cash generated/absorbed by financial liabilities	1,243,784	4,143,074
– due to banks: on demand	(438,065)	60,808
– due to banks: other	(899,981)	2,431,093
– due to customers	1,019,473	2,165
– debt securities in issue	1,469,265	1,845,475
– trading liabilities	118,712	(278,130)
– financial liabilities recognized at fair value	—	—
– other liabilities	(25,620)	81,663
Net cash flow (outflow) from operating activities	484,228	414,676
B. INVESTMENT ACTIVITIES		
1. Cash generated from	60,334	4,265
– disposals of shareholdings	3,867	3,800
– dividends received in respect of equity investments	—	—
– disposals/redemptions of financial assets held to maturity	56,252	303
– disposals of tangible assets	215	163
– disposals of intangible assets	—	(1)
– disposals of subsidiaries or business units	—	—
2. Cash absorbed by	(6,402)	(5,234)
– acquisitions of shareholdings	(8)	(440)
– acquisitions of held-to-maturity investments	—	—
– acquisitions of tangible assets	(2,796)	(4,615)
– acquisitions of intangible assets	(3,598)	(179)
– acquisitions of subsidiaries or business units	—	—
Net cash flow (outflow) from investment/servicing of finance	(53,932)	(969)
C. FUNDING ACTIVITIES		
– issuance/acquisition of treasury shares	(2,272)	50,747
– issuance/acquisition of equity instruments	—	12,891
– dividend payouts and other applications of funds	(534,917)	(475,364)
Net cash flow (outflow) from funding activities	(537,189)	(411,726)
NET CASH FLOW (OUTFLOW) DURING PERIOD	971	1,981

RECONCILIATION

	Amount	
	31/12/07	31/12/06
Cash and cash equivalents: balance at start of period	4,487	5,389
Total cash flow (outflow) during period	971	1,981
Cash and cash equivalents: exchange rate effect	—	—
Cash and cash equivalents: balance at end of period	5,458	7,370

NOTES TO THE ACCOUNTS

	Page no.
Part A - Accounting policies	47
Section 1 - Statement of conformity with IAS/IFRS	47
Section 2 - Significant accounting policies	47
Section 3 - Area and method of consolidation	48
Section 4 - Main balance-sheet items (accounting principles)	50
Part B - Notes to the consolidated balance sheet	60
Assets	60
Section 1 - Heading 10: Cash and cash equivalents	60
Section 2 - Heading 20: Financial assets held for trading	60
Section 4 - Heading 40: Available for sale (AFS) securities	63
Section 5 - Heading 50: Financial assets held to maturity	65
Section 6 - Heading 60: Due from banks	66
Section 7 - Heading 70: Due from customers	67
Section 8 - Heading 80: Hedging derivatives	68
Section 10 - Heading 100: Equity investments	70
Section 12 - Heading 120: Property, plant and equipment	71
Section 13 - Heading 130: Intangible assets	74
Section 14 - Asset heading 140 and liability heading 80: Tax assets and liabilities	76
Section 16 - Heading 160: Other assets	79
Liabilities	80
Section 1 - Heading 10: Due to banks	80
Section 2 - Heading 20: Due to customers	81
Section 3 - Heading 30: Debt securities in issue	82
Section 4 - Heading 40: Trading liabilities	83
Section 6 - Heading 60: Hedging derivatives	85
Section 10 - Heading 100: Other liabilities	87
Section 11 - Heading 110: Staff severance indemnity provision	88
Section 12 - Heading 120: Provisions	88
Section 15 - Headings 140, 160, 170, 180, 190, 200 and 220: Consolidated net equity	89
Section 16 - Heading 210: Net equity attributable to minority shareholders	92
Other information	92

	Page no.
Part C - Notes to the consolidated profit and loss account	94
Section 1 - Headings 10 and 20: Net interest income	94
Section 2 - Headings 40 and 50: Net fee and commission income	95
Section 3 - Heading 70: Dividends and similar income	97
Section 4 - Heading 80: Net trading income	97
Section 5 - Heading 90: Net hedging income	98
Section 6 - Heading 100: Net gains (losses) on disposals/repurchases	99
Section 8 - Heading 130: Adjustments for impairment	99
Section 11 - Heading 180: Administrative expenses	101
Section 12 - Heading 190: Provisions	102
Section 13 - Heading 200: Net adjustments to tangible assets	103
Section 14 - Heading 210: Net adjustments to intangible assets	103
Section 15 - Heading 220: Other operating income	104
Section 16 - Heading 240: Gains (losses) on equity investments	104
Section 19 - Heading 270: Net gain (loss) on disposal of investments	105
Section 20 - Heading 290: Income tax on ordinary activities	105
Section 24 - Earnings per share	106
Part E - Information on risks and related hedging policies	107
Section 1 - Banking Group risks	107
Part F - Information on consolidated capital	127
Section 1 - Regulatory and supervisory capital requirements for banks	127
Part H - Related party disclosure	129
Part I - Share-based payment schemes	130

PART A - ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 31 December 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 Parliament and Council 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. This interim financial statement has been drawn up in conformity with Article 81 of Consob resolution 11971/99 as amended.

Section 2

General principles

These consolidated financial statements comprise:

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

All the statements have been drawn up in conformity with the general principles provided for under IAS and the accounting policies illustrated in section 4, and show data for the period under review compared with that for the previous financial year in the case of balance-sheet figures or the corresponding period of the previous financial year in the case of profit-and-loss account 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 is eliminated against its share of the subsidiary's equity after minorities, against the addition of that company's assets and liabilities, income and expenses to the parent company's totals. Any surplus arising following allocation of asset and liability items to the subsidiary is recorded as goodwill. Intra-group balances, transactions, income and expenses are eliminated upon consolidation.

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

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

	Registered office	Type of relationship ¹	Shareholding		% voting rights ²
			Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION				
A.1	<i>Line-by-line</i>				
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—
2.	PROMINVESTMENT S.p.A.	Rome	1	A.1.1	70.00
3.	PRUDENTIA FIDUCIARIA S.p.A.	Milan	1	A.1.1	100.00
4.	SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A.	Milan	1	A.1.1	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00
6.	TECHNOSTART S.p.A.	Milan	1	A.1.1	69.00
7.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.	Monte Carlo	1	A.1.1	100.00
8.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.7	99.94
9.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.7	99.70
10.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.7	99.92
11.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.7	99.00
12.	CMB ASSET MANAGEMENT	Monte Carlo	1	A.1.7	99.50
13.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.8	99.80
14.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00
			1	A.1.15	1.00
15.	COMPASS S.p.A.	Milan	1	A.1.1	100.00
16.	MICOS BANCA S.p.A.	Milan	1	A.1.15	100.00
17.	COFACTOR S.p.A.	Milan	1	A.1.15	100.00
18.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.15	60.00
19.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.18	95.00
				A.1.19	5.00
20.	TELELEASING S.p.A.	Milan	1	A.1.18	80.00
21.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00
22.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00
23.	CREDITECH S.p.A.	Milan	1	A.1.15	100.00
24.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00
25.	CONSORTIUM S.r.l.	Milan	1	A.1.1	100.00
26.	QUARZO S.r.l.	Milan	4	A.1.15	7.00
27.	QUARZO LEASE S.r.l.	Milan	1	A.1.18	90.00

Legend

¹ Type of relationship:

1 = majority of voting rights in ordinary AGMs.

2 = dominant influence in ordinary AGMs.

3 = agreements with other shareholders.

4 = other forms of control.

5 = unified management as defined in Article 26, paragraph 1 of Italian Legislative Decree 87/92.

6 = unified management as defined in Article 26, paragraph 2 of Italian Legislative Decree 87/92.

7 = joint control.

² Effective and potential voting rights in ordinary AGMs.

Section 4

Significant accounting policies

Financial assets held for trading

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

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

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 account. If the reasons which gave rise to the loss in value cease to apply, the adjustment is written back on 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 account 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 account.

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 obtained are booked under labour costs as the net amount of contributions paid, 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 account.

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 account in part or in full.

Withdrawals are only made from provisions to cover the expenses for which the provision was originally intended.

Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates ruling 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 reference date.

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 prudential estimates 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 account pro-rata to the vesting period for the individual awards.

Treasury shares

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

	31/12/07		30/6/07	
	Banking Group	Other companies	Banking Group	Other companies
a) Cash	5,455	3	4,483	4
b) Demand deposits held at central banks	—	—	—	—
Total	5,455	3	4,483	4

Section 2

Heading 20: Financial assets held for trading

2.1 Financial assets held for trading: composition

	31/12/07		30/6/07	
	Listed	Unlisted	Listed	Unlisted
A. Cash assets				
1. Debt securities	5,843,639	272,594	5,511,690	349,644
1.1 Structured	55,644	15,841	7,489	15,452
1.2 Other debt securities	5,787,995	256,753	5,504,201	334,192
2. Equities	1,395,415	131,833	1,507,485	—
3. OICR units	74,316	—	21,197	—
4. Loans and advances	—	—	—	—
4.1 Repos	—	—	—	—
4.2 Others	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized ¹	680,060	—	3,130,072	—
Total A	7,993,430	404,427	10,170,444	349,644
B. Derivative products				
1. Financial derivatives	5,215	1,848,544	4,581	2,162,925
1.1 trading	5,215	865,472	4,581	841,846
1.2 linked to fair value options	—	—	—	—
1.3 others	—	983,072	—	1,321,079
2. Credit derivatives	—	91,103	—	47,165
2.1 trading	—	91,103	—	47,165
2.2 linked to fair value options	—	—	—	—
2.3 others	—	—	—	—
Total B	5,215	1,939,647	4,581	2,210,090
Total (A+B)	7,998,645	2,344,074	10,175,025	2,559,734

¹ Securities sold under repo agreements.

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

2.3 Financial assets held for trading: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Other assets	31/12/07	30/6/07
A) Listed derivative products							
1) Financial derivatives:	4,246	—	969	—	—	5,215	4,581
– with exchange of principal	2,716	—	181	—	—	2,897	3,478
– options bought	—	—	—	—	—	—	66
– other derivatives	2,716	—	181	—	—	2,897	3,412
– without exchange of principal	1,530	—	788	—	—	2,318	1,103
– options bought	100	—	—	—	—	100	7
– other derivatives	1,430	—	788	—	—	2,218	1,096
2) Credit derivatives:	—	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—	—
Total A	4,246	—	969	—	—	5,215	4,581
B) Unlisted derivative products							
1) Financial derivatives:	673,001	94,256	1,024,547	—	56,740	1,848,544	2,162,925
– with exchange of principal	166	84,221	28,579	—	—	112,966	71,100
– options bought	—	—	27,029	—	—	27,029	15,857
– other derivatives	166	84,221	1,550	—	—	85,937	55,243
– without exchange of principal	672,835	10,035	995,968	—	56,740	1,735,578	2,091,825
– options bought	—	10,035	981,979	—	—	992,014	1,364,881
– other derivatives	672,835	—	13,989	—	56,740	743,564	726,944
2) Credit derivatives:	—	—	—	91,103	—	91,103	47,165
– with exchange of principal	—	—	—	91,068	—	91,068	47,165
– without exchange of principal	—	—	—	35	—	35	—
Total B	673,001	94,256	1,024,547	91,103	56,740	1,939,647	2,210,090
Total (A+B)	677,247	94,256	1,025,516	91,103	56,740	1,944,862	2,214,671

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	5,861,334	1,507,485	21,197	—	7,390,016
B. Additions	23,706,470	4,053,810	498,079	—	28,258,356
B.1 Acquisitions	19,630,114	3,661,752	497,409	—	23,789,275
B.2 Increases in fair value	31,631	25,379	—	—	57,033
B.3 Other additions	4,044,702	366,679	670	—	4,412,051
C. Reductions	23,451,571	4,034,047	444,960	—	27,930,578
C.1 Disposals	20,824,878	2,906,578	444,916	—	24,176,372
C.2 Redemptions	938,894	—	—	—	938,894
C.3 Reductions in fair value	35,383	116,442	—	—	151,825
C.4 Other reductions	1,652,416	1,011,027	44	—	2,663,487
D. Balance at end of period	6,116,233	1,527,248	74,316	—	7,717,797

Section 4

Heading 40: Available for sale (AFS) securities

4.1 AFS securities: composition

	31/12/07		30/6/07	
	Listed	Unlisted	Listed	Unlisted
1. Debt securities	964,819	617,671	1,069,622	491,765
1.1 Structured	250,770	35,686	239,819	36,575
1.2 Other debt securities	714,049	581,985	829,803	455,190
2. Equities	1,555,707	943,581	3,023,993	311,707
2.1 Recognized at fair value	1,555,707	943,581	3,023,993	311,707
2.2 Recognized at cost	—	—	—	—
3. OICR units	456,777	—	615,166	—
4. Loans and advances	—	—	—	—
5. Impaired assets	—	—	—	—
6. Assets sold but not derecognized ¹	10,844	—	60,968	—
Total	2,988,147	1,561,252	4,769,749	803,472

¹ Securities sold under repo agreements.

4.3 AFS securities: hedged assets

	Hedging activity			
	31/12/07		30/6/07	
	Fair value	Cash flow	Fair value	Cash flow
1. Debt securities	—	—	—	—
2. Equities	175,865	350,917	134,155	355,560
3. OICR units	—	—	—	—
4. Loans and advances	—	—	—	—
5. Portfolio	—	—	—	—
Total	175,865	350,917	134,155	355,560

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	1,561,387	3,335,700	615,166	—	5,512,253
B. Additions	654,106	595,635	1,081,008	—	2,330,749
B.1 Acquisitions	582,660	463,463	1,081,008	—	2,127,131
B.2 Increases in fair value	7,383	5,947	—	—	13,330
B.3 Writebacks	—	—	—	—	—
- taken to profit and loss account	—	—	—	—	—
- taken to net equity	—	—	—	—	—
B.4 Transfers from other asset classes	—	—	—	—	—
B.5 Other additions	64,063	126,255	—	—	190,288
C. Reductions	633,003	1,432,047	1,239,397	—	3,304,447
C.1 Disposals	313,274	1,013,386	1,239,256	—	2,565,916
C.2 Redemptions	208,644	—	—	—	208,644
C.3 Reductions in fair value	17,932	348,797	—	—	366,729
C.4 Writedowns due to impairment	—	4,211	—	—	4,211
- taken to profit and loss account	—	4,211	—	—	4,211
- taken to net equity	—	—	—	—	—
C.5 Transfers to other asset classes	—	—	—	—	—
C.6 Other reductions	93,153	65,653	141	—	158,947
D. Balance at end of period	1,582,490	2,499,288	456,777	—	4,538,555

Section 5

Heading 50: Financial assets held to maturity

5.1 Financial assets held to maturity

	31/12/07		30/6/07	
	Book value	Fair value	Book value	Fair value
1. Debt securities	537,036	502,839	417,843	413,857
1.1 Structured	—	—	—	—
1.2 Other debt securities	537,036	502,839	417,843	413,857
2. Loans and advances	—	—	—	—
3. Impaired assets	—	—	—	—
4. Assets sold but not derecognized	48,659	44,407	204,647	188,039
Total	585,695	547,246	622,490	601,896

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	417,843	—	417,843
B. Additions	209,056	—	209,056
B.1 Acquisitions	—	—	—
B.2 Writebacks	529	—	529
B.3 Transfers from other asset classes	—	—	—
B.4 Other additions ¹	208,527	—	208,527
C. Reductions	89,863	—	89,863
C.1 Disposal	—	—	—
C.2 Redemptions	40,486	—	40,486
C.3 Value adjustments	307	—	307
C.4 Transfers to other asset classes	—	—	—
C.5 Other reductions ¹	49,070	—	49,070
D. Balance at end of period	537,036	—	537,036

¹ Includes €48,659,000 in repos.

Section 6

Heading 60 - Due from banks

6.1 Due from banks

	31/12/07	30/6/07
A. Due from central banks	357,274	128,989
1. Term deposits	—	—
2. Compulsory reserves	157,274	128,989
3. Amounts due under repo agreements	—	—
4. Other amounts due	200,000	—
B. Due from banks	8,320,488	6,172,471
1. Current accounts and demand deposits	1,043,760	1,276,225
2. Term deposits	1,658,459	934,633
3. Other receivables:	3,675,777	3,201,422
3.1 amounts due under repo agreements	1,105,824	1,991,462
3.2 amounts due under finance leases	2,939	3,318
3.3 other amounts due	2,567,014	1,206,642
4. Debt securities:	—	—
4.1 structured	—	—
4.2 other debt securities	—	—
5. Impaired assets	127	127
6. Assets sold but not derecognized ¹	1,942,365	760,064
Total, Banking Group	8,677,762	6,301,460
Total, other companies	4,270	4,244
Total book value	8,682,032	6,305,704
Total fair value ²	8,683,691	6,305,806

¹ Relates to securities lending transactions.

² Reflects changes in interest and exchange rates.

Section 7

Heading 70: Due from customers

7.1 Due from customers: composition

	31/12/07	30/6/07
1. Current accounts	18,303	18,287
2. Amounts due under repo agreements	1,596,407	668,879
3. Mortgages	18,164,337	17,237,086
4. Credit cards, personal loans and salary-guaranteed finance	3,773,548	3,578,898
5. Amounts due under finance leasing	3,844,408	3,982,430
6. Factoring	—	—
7. Other transactions	1,348,495	1,947,474
8. Debt securities	—	—
8.1 structured	—	—
8.2 other debt securities	—	—
9. Impaired assets	126,066	111,159
10. Assets sold but not derecognized ¹	1,062,928	586,985
Total, Banking Group	29,934,492	28,131,198
Total, other companies	1,489	1,382
Total book value	29,935,981	28,132,580
Total fair value ²	30,325,443	28,510,030

¹ Relates to securities lending transactions and securitized assets.

² Reflects changes in interest and exchange rates.

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:	—	—	25,994	—	—	25,994
– with exchange of principal	—	—	25,994	—	—	25,994
– options bought	—	—	—	—	—	—
– other derivative products	—	—	25,994	—	—	25,994
– without exchange of principal	—	—	—	—	—	—
– options bought	—	—	—	—	—	—
– other derivative products	—	—	—	—	—	—
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total A	—	—	25,994	—	—	25,994
B) Unlisted derivative products						
1) Financial derivatives:	885,262	182	15,518	—	—	900,962
– with exchange of principal	—	182	15,518	—	—	15,700
– options bought	—	—	15,518	—	—	15,518
– other derivative products	—	182	—	—	—	182
– without exchange of principal	885,262	—	—	—	—	885,262
– options bought	—	—	—	—	—	—
– other derivative products	885,262	—	—	—	—	885,262
2) Credit derivatives:	—	—	—	—	—	—
– with exchange of principal	—	—	—	—	—	—
– without exchange of principal	—	—	—	—	—	—
Total B	885,262	182	15,518	—	—	900,962
Total at 31/12/07	885,262	182	41,512	—	—	926,956
Total at 30/6/07	830,706	407	17,077	—	—	848,190

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	—	—	—	15,518	—	—	25,994	—
2. Loans and advances	6,301	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	6,301	—	—	15,518	—	—	25,994	—
1. Financial liabilities	852,140	—	—	—	—	—	27,003	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	852,140	—	—	—	—	—	27,003	—

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 ¹	Percentage voting rights ²
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	45.81
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	14.60	14.06
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 €1m, in par value €1 shares	Milan	40.00	—

¹ Calculated on basis of entire share capital including treasury shares owned and buyback agreements.

² Specified only if different from percentage shareholding.

Section 12

Heading 120: Property, plant and equipment

12.1 Tangible assets stated at cost

	31/12/07		30/6/07	
	Banking Group	Other companies	Banking Group	Other companies
A. Core assets				
1.1 owned by the Group	270,105	112	268,892	126
a) land	83,636	—	83,636	—
b) buildings	166,033	—	167,705	—
c) furniture	9,103	75	8,081	87
d) electronic equipment	7,610	1	5,447	1
e) other assets	3,723	36	4,023	38
1.2 acquired under finance leases	74	—	—	—
a) land	—	—	—	—
b) buildings	—	—	—	—
c) furniture	—	—	—	—
d) electronic equipment	—	—	—	—
e) other assets	74	—	—	—
Total A	270,179	112	268,892	126
B. Assets held for investment purposes				
2.1 owned by the Group:	29,235	—	29,441	—
a) land	20,350	—	20,350	—
b) buildings	8,885	—	9,091	—
2.2 acquired under finance leases	—	—	—	—
a) land	—	—	—	—
b) buildings	—	—	—	—
Total B	29,235	—	29,441	—
Total (A+B)	299,414	112	298,333	126

12.3 Core tangible assets: movements during the period

	Land	Buildings	Furniture	Electronic equipment	Other assets	Total
A. Gross opening balance	83,636	188,688	19,442	25,049	15,322	332,137
A.1 Total net value reductions	—	(20,983)	(11,274)	(19,601)	(11,261)	(63,119)
A.2 Net opening balance	83,636	167,705	8,168	5,448	4,061	269,018
B. Additions:	—	228	2,124	3,594	825	6,771
B.1 Purchases	—	—	2,124	3,593	825	6,542 ¹
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	—	228	—	1	—	229
C. Reductions:	—	1,900	1,114	1,431	1,053	5,498
C.1 Disposals	—	78	23	31	149	281
C.2 Depreciation charges	—	1,822	1,091	1,400	904	5,217 ²
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	83,636	166,033	9,178	7,611	3,833	270,291
D.1 Total net value reductions	—	(19,939)	(11,888)	(19,741)	(11,103)	(62,671)
D.2 Gross closing balance	83,636	185,972	21,066	27,352	14,936	332,962
E. Stated at cost	—	—	—	—	—	—

¹ Of which €11,000 relating to other companies.

² Of which €25,000 relating to other companies.

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

	Total	
	Land	Buildings
A. Gross opening balance	20,350	9,091
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	—	206
C.1 Disposals	—	—
C.2 Depreciation charges	—	206
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	8,885
E. Stated at fair value	87,325	37,794

Section 13

Heading 130: Intangible assets

13.1 Intangible assets

	31/12/07		30/6/07	
	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	13,763	—	12,022	—
A.2.1 Recognized at cost:	13,763	—	12,022	—
a) intangible assets generated internally	—	—	—	—
b) other assets ¹	13,763	—	12,022	—
A.2.2 Recognized at fair value:	—	—	—	—
a) intangible assets generated internally	—	—	—	—
b) other assets	—	—	—	—
Total	13,763	—	12,022	—

¹ Of which €11,000 relating to other companies not part of the Banking Group (30/6/07: €14,000).

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	—	—	—	17,062	—	17,062
A.1 Total net value reductions	—	—	—	(5,040)	—	(5,040)
A.2 Net opening balance	—	—	—	12,022	—	12,022
B. Additions	—	—	—	3,590	—	3,590
B.1 Purchases	—	—	—	3,590	—	3,590
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	—	—	—	1,849	—	1,849
C.1 Disposals	—	—	—	82	—	82
C.2 Value adjustments	—	—	—	1,767	—	1,767
– amortization	—	—	—	1,767	—	1,767 ¹
– 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. Balance at end of period	—	—	—	13,763	—	13,763
D.1 Total net value adjustments	—	—	—	(6,697)	—	(6,697)
E. Gross closing balance	—	—	—	20,460	—	20,460
F. Stated at cost	—	—	—	—	—	—

¹ Of which €3,000 relating to other companies.

Section 14

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

14.1 Advance tax assets

	31/12/07	30/6/07
Corporate income tax (IRES)	140,810	136,988
Regional production tax (IRAP)	4,041	6,341
Total, Banking Group	144,851	143,329
Total, other companies	11	13
Total	144,862	143,342

14.2 Deferred tax liabilities

	31/12/07	30/6/07
Corporate income tax (IRES)	361,054	496,493
Regional production tax (IRAP)	58,629	44,226
Total, Banking Group	419,683	540,719
Total, other companies	24	35
Total	419,707	540,754

14.3 Changes in advance tax during the period

	31/12/07	30/6/07
1. Balance at start of period	143,342	145,796
2. Additions	52,281	50,604
2.1 Advance tax originating during the period	52,075	48,458
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) amounts written back	—	—
d) other additions	52,075	48,458
2.2 New taxes or increases in tax rates	175	—
2.3 Other additions	31	2,146
3. Reductions	61,179	53,058
3.1 Advance tax reversed during the period	43,962	50,432
a) reclassifications	43,962	50,432
b) amounts written off as unrecoverable	—	—
c) due to changes in accounting policies	—	—
3.2 Reductions in tax rates	17,139	—
3.3 Other reductions	78	2,626
4. Balance at end of period	134,444	143,342

14.4 Changes in deferred tax during the period

	31/12/07	30/6/07
1. Balance at start of period	443,665	319,931
2. Additions	39,373	173,616
2.1 Deferred tax originating during period	38,719	70,419
a) relating to previous years	—	66,537
b) due to changes in accounting policies	—	—
c) others	38,719	3,882
2.2 New taxes or increases in tax rates	5	9
2.3 Other additions	649	103,188
3. Reductions	119,161	49,882
3.1 Deferred tax reversed during period	70,920	49,205
a) reclassifications	70,123	40,558
b) due to changes in accounting policies	—	—
c) others	797	8,647
3.2 Reductions in tax rates	47,552	—
3.3 Other reductions	689	677
4. Balance at end of period	363,877	443,665

14.5 *Changes in advance tax during the period*¹

	31/12/07	30/6/07
1. Balance at start of period	—	124
2. Additions	10,418	—
2.1 Advance tax originating during period	10,387	—
a) for previous years	—	—
b) due to changes in accounting policies	—	—
c) others	10,387	—
2.2 New taxes or increases in tax rates	27	—
2.3 Other additions	4	—
3. Reductions	—	124
3.1 Advance tax reversed during period	—	—
a) reclassifications	—	—
b) due to changes in accounting policies	—	—
c) others	—	—
3.2 Reductions in tax rates	—	—
3.3 Other reductions	—	124
4. Balance at end of period	10,418	—

¹ Tax in respect of cash flow hedges and disposals of AFS securities.

14.6 *Changes in deferred tax during the period*¹

	31/12/07	30/6/07
1. Balance at start of period	97,089	58,372
2. Additions	58,058	51,258
2.1 Deferred tax originating during period	58,058	1,685
a) for previous years	—	626
b) due to changes in accounting policies	6	—
c) others	58,052	1,059
2.2 New taxes or increases in tax rates	—	—
2.3 Other additions	—	49,573
3. Reductions	99,317	12,541
3.1 Advance tax reversed during the period	97,671	8,044
a) reclassifications	8,334	—
b) due to changes in accounting policies	5	—
c) others	89,332	8,044
3.2 Reductions in tax rates	558	—
3.3 Other reductions	1,088	4,497
4. Balance at end of period	55,830	97,089

¹ Tax in respect of cash flow hedges and disposals of AFS securities.

Section 16

Heading 160: Other assets

16.1 Other assets

	31/12/07	30/6/07
1. Bills for collection	2,044	—
2. Amounts due from customers in respect of	102,790	82,407
– premiums, grants, indemnities and other items in respect of lending transactions	1,823	1,506
– futures and other securities transactions	3,698	6,659
– advance payments on deposit commissions	7,259	4,867
– other items in transit	89,364	68,849
– sundry items ¹	646	526
3. Accrued income	280	1,800
4. Other items ²	37,819	34,250
5. Sums paid by way of collateral on derivative products	189,894	184,569
6. Adjustments upon consolidation	—	9
Total	332,827	303,035

² Of which €5,000 in respect of other companies not part of the Banking Group.

² Of which €177,000 in respect of other companies not part of the Banking Group (€114,000 at 30 June 2007).

Liabilities

Section 1

Heading 10: Due to banks

1.1 Due to banks: composition

	31/12/07	30/6/07
1. Due to central banks	400,548	837,930
2. Due to banks	11,848,343	12,649,210
2.1 Current accounts and demand deposits	2,252,825	1,433,134
2.2 Term deposits	1,236,061	1,839,497
2.3 Borrowings	5,612,680	5,532,603
2.4 Amounts due under commitments to buy back own shares	—	—
2.5 Liabilities in respect of assets sold but not derecognized	2,318,776	3,041,464
2.5.1 Amounts due under reverse repo agreements	2,318,776	3,041,464
2.5.2 Others	—	—
2.6 Other amounts due	428,001	802,512
Total book value	12,248,891	13,487,140
Total fair value	12,248,889	13,485,783

Section 2

Heading 20: Due to customers

2.1 Due to customers: composition

	31/12/07	30/6/07
1. Current accounts and demand deposits	1,122,216	995,920
2. Term deposits	1,939,255	1,370,030
3. Customers' funds managed on a non-discretionary basis	—	—
4. Borrowings	34,939	37,535
5. Amounts due under commitments to buy back own shares	—	—
6. Liabilities in respect of assets sold but not derecognized	1,843,506	1,243,624
6.1 Amounts due under reverse repo agreements	1,168,829	865,310
6.2 Others	674,677	378,314
7. Other amounts due	513,192	379,903
Total book value	5,453,108	4,027,012
Total fair value	5,453,116	4,030,816

Section 3

Heading 30: Debt securities in issue

3.1 Debt securities in issue: composition

	31/12/07		30/6/07	
	Book value	Fair value	Book value	Fair value
A. Listed securities	17,607,382	17,666,048	16,397,215	16,525,189
1. bonds	17,607,382	17,666,048	16,397,215	16,525,189
1.1 structured	5,205,195	5,205,055	4,989,991	4,990,197
1.2 others	12,402,187	12,460,993	11,407,224	11,534,992
2. other securities	—	—	—	—
2.1 structured	—	—	—	—
2.2 others	—	—	—	—
B. Unlisted securities	8,740,646	8,780,542	8,305,314	8,305,403
1. bonds	8,483,181	8,523,077	8,019,374	8,019,463
1.1 structured	3,253,615	3,253,600	2,746,041	2,745,920
1.2 others	5,229,566	5,269,477	5,273,333	5,273,543
2. other securities	257,465	257,465	285,940	285,940
2.1 structured	—	—	—	—
2.2 others	257,465	257,465	285,940	285,940
Total	26,348,028	26,446,590	24,702,529	24,830,592

Subordinated liabilities included under the heading *Debt securities in issue* total €960,153,000.

Section 4

Heading 40: Trading liabilities

4.1 Trading liabilities: composition

	31/12/07			30/6/07		
	Nominal value	Fair value		Nominal value	Fair value	
		Listed	Unlisted		Listed	Unlisted
A. Cash liabilities						
1. Due to banks	276,898	270,038	—	956,845	929,694	—
2. Due to customers	881,933	880,692	—	717,979	621,983	95,585
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	—	—	—	—	—	—
Total A	1,158,831	1,150,730	—	1,674,824	1,551,677	95,585
B. Derivative products						
1. Financial derivatives	X	11,133	1,705,380	X	14,622	1,973,943
1.1 Trading	X	11,133	722,294	X	14,622	679,963
1.2 Linked to fair value options	X	—	—	X	—	—
1.3 Other	X	—	983,086	X	—	1,293,980
2. Credit derivatives	X	—	67,183	X	—	48,939
2.1 Trading	X	—	67,183	X	—	48,939
2.2 Linked to fair value options	X	—	—	X	—	—
2.3 Other	X	—	—	X	—	—
Total B	—	11,133	1,772,563	—	14,622	2,022,882
Total (A+B)	1,158,831	1,161,863	1,772,563	1,674,824	1,566,299	2,118,467

4.4 Trading liabilities: derivative products

	Interest rates	Foreign currency/gold	Equities	Loans and advances	Others	Total at 31/12/07	Total at 30/6/07
A) Listed derivative products							
1. Financial derivatives:	3,294	—	7,839	—	—	11,133	14,622
– With exchange of principal	2,828	—	1,721	—	—	4,549	8,218
– options issued	—	—	—	—	—	—	—
– other derivatives	2,828	—	1,721	—	—	4,549	8,218
– Without exchange of principal	466	—	6,118	—	—	6,584	6,404
– options issued	425	—	19	—	—	444	807
– other derivatives	41	—	6,099	—	—	6,140	5,597
2. Credit derivatives:	—	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—	—
Total A	3,294	—	7,839	—	—	11,133	14,622
B) Unlisted derivative products							
1. Financial derivatives:	602,572	60,753	1,037,307	—	4,748	1,705,380	1,973,943
– With exchange of principal	259	50,820	39,045	—	—	90,124	40,749
– options issued	—	—	37,440	—	—	37,440	18,215
– other derivatives	259	50,820	1,605	—	—	52,684	22,534
– Without exchange of principal	602,313	9,933	998,262	—	4,748	1,615,256	1,933,194
– options issued	983	9,933	976,304	—	—	987,220	1,308,220
– other derivatives	601,330	—	21,958	—	4,748	628,036	624,974
2. Credit derivatives:	—	—	—	67,183	—	67,183	48,939
– With exchange of principal	—	—	—	65,998	—	65,998	47,701
– Without exchange of principal	—	—	—	1,185	—	1,185	1,238
Total B	602,572	60,753	1,037,307	67,183	4,748	1,772,563	2,022,882
Total (A+B)	605,866	60,753	1,045,146	67,183	4,748	1,783,696	2,037,504

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:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
– options issued	—	—	—	—	—	—
– other derivatives	—	—	—	—	—	—
2. Credit derivatives:	—	—	—	—	—	—
– With exchange of principal	—	—	—	—	—	—
– Without exchange of principal	—	—	—	—	—	—
Total A	—	—	—	—	—	—
B) Unlisted derivative products						
1. Financial derivatives:	1,998,266	20,382	2,158	—	—	2,020,806
– With exchange of principal	—	20,382	2,158	—	—	22,540
– options issued	—	—	2,158	—	—	2,158
– other derivatives	—	20,382	—	—	—	20,382
– Without exchange of principal	1,998,266	—	—	—	—	1,998,266
– options issued	—	—	—	—	—	—
– other derivatives	1,998,266	—	—	—	—	1,998,266
2. Credit derivatives:	—	—	—	803	—	803
– With exchange of principal	—	—	—	803	—	803
– Without exchange of principal	—	—	—	—	—	—
Total B	1,998,266	20,382	2,158	803	—	2,021,609
Total 31/12/07	1,998,266	20,382	2,158	803	—	2,021,609
Total 30/6/07	1,798,707	15,592	50,997	2,958	—	1,868,254

6.2 Hedging derivatives: by portfolio hedged/hedge type

	Fair value hedges						Cash flow hedges	
	Specific risks					General risks	Specific risks	General risks
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities	—	—	—	2,158	—	—	—	—
2. Loans and advances	19,301	—	—	—	—	—	—	—
3. Financial assets held to maturity	—	—	—	—	—	—	—	—
4. Portfolio	—	—	—	—	—	—	—	—
Total assets	19,301	—	—	2,158	—	—	—	—
1. Financial liabilities	1,994,624	—	—	—	—	—	5,526	—
2. Portfolio	—	—	—	—	—	—	—	—
Total liabilities	1,994,624	—	—	—	—	—	5,526	—

Section 10

Heading 100: Other liabilities

10.1 Other liabilities

	31/12/07	30/6/07
1. Bills for collection	2	10
2. Amounts payable in respect of:		
– coupons and dividends pending collection	2,141	2,068
– commissions payable to participants in underwriting syndicates	35,876	55,522
– sums available for payments to customers	80,185	43,950
– invoices pending settlement or receipt	174,518	153,128
– premiums, grants, and other items relating to lending transactions	3,251	1,587
3. Wages accrued, contributions and amounts payable withheld from staff and customers	66,903	52,685
4. Impaired endorsements	29,213	25,744
5. Sums received by way of collateral on exposures to derivative products	874,129	820,946
6. Financial guarantees on CDS products (as required under IAS 37)	—	1,113
7. Other items	41,695	47,246
8. Adjustments on consolidation	—	—
Total Banking Group	1,307,976	1,203,999
Total other companies	2,068	2,376
Total	1,310,044	1,206,375

Section 11

Heading 110: Staff severance indemnity provision

11.1 Staff severance indemnity provision: changes during the period

	31/12/07		30/6/07	
	Banking Group	Other companies	Banking Group	Other companies
A. Balance at start of period	28,488	865	33,848	866
B. Additions	3,623	78	9,134	184
B.1 Transfers during period	3,357	76	9,134	184
B.2 Other additions	266	2	—	—
C. Reductions	6,608	355	14,494	185
C.1 Indemnities paid out	3,711	355	5,142	114
C.2 Other reductions ¹	2,897	—	9,352	71
D. Balance at end of period	25,503	588	28,488	865

¹ Includes €1,388,000 in transfers to external, defined contribution pension schemes.

Section 12

Heading 120: Provisions

12.1 Provisions: composition

	31/12/07	30/6/07
1. Company post-employment benefit provision	—	—
2. Other provisions	158,845	156,028
2.1 litigation	13	13
2.2 staff-related	—	—
2.3 other ¹	158,832	156,015
Total	158,845	156,028

¹ 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	—	13	156,015	156,028
B. Additions	—	—	3,420	3,420
B.1 Transfers during period	—	—	3,420	3,420
B.2 Changes due to passing of time	—	—	—	—
B.3 Additions due to changes in discount rate	—	—	—	—
B.4 Other additions	—	—	—	—
C. Reductions	—	—	603	603
C.1 Transfers during period	—	—	603	603
C.2 Reductions due to changes in discount rate	—	—	—	—
C.3 Other reductions	—	—	—	—
D. Balance at end of period	—	13	158,832	158,845

Section 15

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

15.1 Net equity

	31/12/07	30/6/07
1. Share capital	409,549	408,781
2. Share premium reserve	2,131,134	2,119,328
3. Reserves	3,635,552	3,464,838
4. Treasury shares	(15,280)	(434)
a. Mediobanca ¹	(14,846)	—
b. other Group companies ²	(434)	(434)
5. Valuation reserves	488,552	837,130
6. Equity instruments	—	—
7. Profit (loss) for the period	640,529	953,248
Total	7,290,036	7,782,891

¹ I.e. 1,035,000 Mediobanca S.p.A. shares.

² I.e. 867,500 shares in Group company Palladio Leasing S.p.A.

15.6 Valuation reserves: composition

	31/12/07	30/6/07
1. AFS securities	436,040	818,509
2. Property, plant and equipment	—	—
3. Intangible assets	—	—
4. Foreign investment hedges	—	—
5. Cash flow hedges	39,042	5,151
6. Exchange rate differences	—	—
7. Non-current assets being sold	—	—
8. Special revaluation laws	13,470	13,470
Total	488,552	837,130

15.7 Valuation reserves: movements during the period

	AFS securities	Cash flow hedges	Special law
A. Balance at start of period	818,509	5,151	13,470
B. Additions	150,714	40,233	—
B.1 Increases in fair value	37,809	26,212	—
B.2 Other additions	112,905	14,021	—
C. Reductions	533,183	6,342	—
C.1 Reductions in fair value	312,575	5,940	—
C.2 Other reductions	220,608	402	—
D. Balance at end of period	436,040	39,042	13,470

15.8 AFS securities valuation reserve: composition

	31/12/07		30/6/07	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	47,930	34,547	52,802	27,633
2. Equities	473,347	59,583	991,150	207,331
3. OICR units	8,893	—	9,521	—
4. Loans and advances	—	—	—	—
Total	530,170	94,130	1,053,473	234,964

15.9 AFS valuation reserve: movements during the period

	Debt securities	Equities	OICR units	Total
1. Opening balance	25,169	783,819	9,521	818,509
2. Additions	6,225	144,489	—	150,714
2.1 Increases in fair value	4,681	33,128	—	37,809
2.2 Negative reserves charged back to profit and loss as a result of	1,554	111,361	—	112,905
– impairment	—	—	—	—
– disposals	1,554	111,361	—	112,905
2.3 Other additions	—	—	—	—
3. Reductions	18,011	514,544	628	533,183
3.1 Reductions in fair value	17,932	294,643	—	312,575
3.2 Adjustments for impairment	—	—	—	—
3.3 Positive reserves credited back to profit and loss as a result of: disposals	79	219,901	—	219,980
3.4 Other reductions	—	—	628	628
4. Balance at end of period	13,383	413,764	8,893	436,040

Section 16

Heading 210: Net equity attributable to minorities

16.1 Net equity attributable to minorities: composition

	31/12/07	30/6/07
1. Share capital	24,300	24,300
2. Share premium reserve	7,355	7,355
3. Reserves	69,385	60,429
4. Treasury shares	—	—
5. Valuation reserves ¹	2,853	3,330
6. Equity instruments	—	—
7. Profit (loss) for the period attributable to minorities	7,410	12,843
Total	111,303	108,257

¹ Relates to cash flow hedges.

Other information

1. Guarantees and commitments

	31/12/07	30/6/07
1. Financial guarantees given to:	683,626	2,901,118
a) Banks	100,049	1,148,636
b) Customers	583,577	1,752,482
2. Commercial guarantees given to:	43,784	42,112
a) Banks	—	—
b) Customers	43,784	42,112
3. Irrevocable commitments to lend funds to:	22,036,189	30,351,788
a) Banks	2,763,599	10,112,078
i) specific	1,108,651	8,350,322
ii) standby basis	1,654,948	1,761,756
b) Customers	19,272,590	20,239,710
i) specific	9,405,347	10,842,851
ii) standby basis	9,867,243	9,396,859
4. Commitments underlying credit derivatives: hedge sales ¹	4,546,908	2,366,393
5. Assets pledged as collateral for customer obligations	42,682	42,111
6. Other commitments	354,102	617,894
Total	27,707,291	36,321,416

¹ Covered by hedge buys on the same assets in an amount of €1,900,379,000 and €609,809,000 respectively.

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

	31/12/07	30/6/07
1. Financial assets held for trading	680,060	3,130,072
2. Financial assets recognized at fair value	—	—
3. AFS securities	10,844	60,968
4. Financial assets held to maturity	48,659	204,647
5. Due from banks	—	—
6. Due from customers	733,568	619,275
7. Property, plant and equipment	—	—

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

	31/12/07	30/6/07
1. Securities traded on behalf of customers	19,202,168	34,388,814
a) Purchases	10,775,016	20,378,078
1. settled	10,363,227	19,891,288
2. pending settlement	411,789	486,790
b) Disposals	8,427,152	14,010,736
1. settled	8,015,366	13,523,946
2. pending settlement	411,786	486,790
2. Asset management ¹	4,997,000	4,902,000
a) individuals	1,233,000	1,346,000
b) groups	3,764,000	3,556,000
3. Securities under custody/managed on a non-discretionary basis	20,279,337	22,147,183
a) customers' securities held on deposit: in connection with the Bank's activity as deposit bank (not including asset management ²)	4,404,888	4,698,362
1. securities issued by bank drawing up consolidated financial statements	372,926	339,607
2. other securities	4,031,962	4,358,755
b) other customers' securities held on deposit (not including asset management): others	1,513,717	1,416,900
1. securities issued by bank drawing up consolidated financial statements	47,155	26,426
2. other securities	1,466,562	1,390,474
c) customers' securities held on deposit with customers	3,794,426	5,707,615
d) own securities held on deposit with customers	10,566,306	10,324,306
4. Other transactions	—	—

¹ The Esperia group has assets under management totalling €9,966,000 (30/6/07: € 10,106,000).

² The Esperia group manages assets on a non-discretionary basis worth €1,724,000 (30/6/07: €1,541,000).

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	6 mths to 31/12/07	6 mths to 31/12/06
	Debt securities	Loans and advances				
1. Financial assets held for trading	138,685	—	—	—	138,685	101,489
2. AFS securities	—	—	—	—	—	—
3. Financial assets held to maturity	59,241	—	—	—	59,241	47,242
4. Due from banks	13,984	—	—	—	13,984	13,448
5. Due from customers	—	52,197	—	75,820 ¹	128,017	81,160
6. Financial assets recognized at fair value	—	886,511	3,019	38,652	928,182	641,855
7. Hedge derivatives	—	—	—	—	—	301,091
8. Financial assets sold but not derecognized	240	13,466	—	67	13,773	14,549
9. Other assets	—	—	—	946	946	965
Total	212,150	952,174	3,019	115,485	1,282,828	1,201,799

¹ Of which €13,000 in respect of companies not forming part of the Banking Group.

1.4 Interest expense and similar charges: composition

	Accounts payable	Securities	Other liabilities	6 mths to 31/12/07	6 mths to 31/12/06
1. Due to banks	(149,799)	—	(71,312)	(221,111)	(130,514)
2. Due to customers	(35,453)	—	(21,681)	(57,134)	(31,867)
3. Debt securities in issue	—	(594,567)	—	(594,567)	(690,542)
4. Trading liabilities	—	—	—	—	—
5. Financial liabilities recognized at fair value	—	—	—	—	—
6. Financial liabilities in respect of assets sold but not derecognized	(11,819)	(1,109)	(51,435)	(64,363)	(38,235)
7. Other liabilities	—	—	(206)	(206)	(1,257)
8. Hedging derivatives	—	—	(3,579)	(3,579)	—
Total	(197,071)	(595,676)	(148,213)	(940,960)	(892,415)

Section 2

Headings 40 and 50: Net fee and commission income

2.1 Net fee and commission income: composition

	6 mths to 31/12/07	6 mths to 31/12/06
a) guarantees given	2,817	1,891
b) credit derivatives	263	777
c) management, trading and advisory services:	208,168	169,549
1. securities trading	13,935	18,056
2. foreign currency trading	51	42
3. asset management ¹	5,443	3,779
3.1 individuals	5,443	3,779
3.2 groups	—	—
4. securities under custody and non-discretionary management	2,086	1,981
5. deposit bank services	—	—
6. securities placement	72,993	49,888
7. procurement of orders	1,829	1,543
8. advisory services	103,886	87,043
9. agency fees	7,945	7,217
9.1 asset management	7,945	7,217
9.1.1 individuals	7,945	7,217
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other products	—	—
d) collection and payment services	253	263
e) securitization services	208	279
f) factoring services	—	—
g) tax collection and receipt services	—	—
h) other services	18,973 ²	11,974
Total	230,682	184,733

¹ Banca Esperia recorded net fee and commission income of €43,804,000 (31/12/06: €33,508,000).

² Of which €1,580,000 in respect of other companies not part of the Banking Group.

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

	6 mths to 31/12/07	6 mths to 31/12/06
a) on the Bank's own premises:	86,381	60,884
1. asset management ¹	5,443	3,779
2. securities placement	72,993	49,888
3. agency fees	7,945	7,217
b) elsewhere:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fees	—	—
c) other distribution channels:	—	—
1. asset management	—	—
2. securities placement	—	—
3. agency fee	—	—
Total	86,381	60,884

¹ Banca Esperia recorded net fee and commission income of €43,804,000 (31/12/06: €33,508,000).

2.3 Fee and commission expense

	6 mths to 31/12/07	6 mths to 31/12/06
a) guarantees received	—	—
b) credit derivatives	(426)	—
c) management and trading services:	(11,206)	(3,995)
1. securities trading	(2,802)	(1,343)
2. foreign currency trading	—	—
3. asset management:	(1)	(1)
3.1 proprietary	—	—
3.2 on behalf of customers	(1)	(1)
4. securities under custody/held on a non-discretionary basis	(1,177)	(1,069)
5. securities placement	(7,226)	(1,582)
6. door-to-door sales of securities, products and services	—	—
d) collection and payment services	(4,531)	(4,435)
e) other services	(7,390) ¹	(5,553)
Total	(23,553)	(13,983)

¹ 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

	6 mths to 31/12/07		6 mths to 31/12/06	
	Dividends	Income from OICR units	Dividends	Income from OICR units
A. Financial assets held for trading	32,947	—	1,791	—
B. AFS securities	11,674	—	3,205	—
C. Financial assets recognized at fair value	—	—	—	—
D. Equity investments	—	—	—	—
Total	44,621	—	4,996	—

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	75,239	132,871	(161,926)	(141,205)	(95,021)
1.1 Debt securities	33,581	43,287	(44,168)	(48,939)	(16,239)
1.2 Equities	41,658	89,584	(117,758)	(92,266)	(78,782)
1.3 OICR units	—	—	—	—	—
1.4 Loans and advances	—	—	—	—	—
1.5 Others	—	—	—	—	—
2. Trading liabilities	—	—	—	—	—
2.1 Debt securities	—	—	—	—	—
2.2 Debts	—	—	—	—	—
2.3 Others	—	—	—	—	—
3. Other assets and liabilities: differences arising on exchange rates	278,584	—	(220,778)	—	57,806
4. Derivative products	1,125,459	459,727	(1,089,528)	(385,066)	110,592
4.1 Financial derivatives:	1,034,710	391,983	(1,027,923)	(321,943)	76,827
– debt securities and interest rates ¹	125,560	204,737	(150,614)	(166,785)	12,898
– equities and stock market indexes	839,773	187,246	(811,502)	(117,464)	98,053
– foreign currency and gold	69,377	—	(65,807)	(37,694)	(34,124)
– others	—	—	—	—	—
4.2 Credit derivatives	90,749	67,744	(61,605)	(63,123)	33,765
Total	1,479,282	592,598	(1,472,232)	(536,939)	73,377
Total at 31/12/06	326,159	429,395	(241,793)	(463,203)	50,558

¹ Of which €28,738,000 in margins on interest rate derivatives.

Section 5

Heading 90: Net hedging income (expense)

5.1 Net hedging income (expense): composition

	6 mths to 31/12/07	6 mths to 31/12/06
A. Income from:		
A.1 Fair value hedge derivatives	311,795	113,796
A.2 Financial assets hedged (fair value)	3,384	8,373
A.3 Financial liabilities hedged (fair value)	129,759	23,071
A.4 Cash flow hedge derivatives	6	—
A.5 Assets and liabilities in foreign currencies	—	—
Total hedging income (A)	444,944	145,240
B. Expense related to:		
B.1 Fair value hedge derivatives	(119,074)	(83,175)
B.2 Financial assets hedged (fair value)	(7,558)	(2,736)
B.3 Financial liabilities hedged (fair value)	(326,998)	(59,471)
B.4 Cash flow hedge derivatives	—	—
B.5 Assets and liabilities in foreign currencies	—	—
Total hedging expense (B)	(453,630)	(145,382)
C. Net hedging income (A–B)	(8,686)	(142)

Section 6

Heading 100: Gains (losses) on disposals/repurchases

6.1 Gains (losses) on disposals/repurchases: composition

	6 mths to 31/12/07			6 mths to 31/12/06		
	Gains	Losses	Net profit (loss)	Gains	Losses	Net profit (loss)
Financial assets						
1. Due from banks	—	—	—	—	—	—
2. Due from customers	555	—	555	—	—	—
3. AFS securities	348,145	(178,161)	169,984	180,059	(10,786)	169,273
3.1 Debt securities	1,133	(1,638)	(505)	2,308	(532)	1,776
3.2 Equities	347,012	(176,523)	170,489	177,751	(10,254)	167,497
3.3 OICR units	—	—	—	—	—	—
3.4 Loans and advances	—	—	—	—	—	—
4. Financial assets held to maturity	21	(119)	(98)	123	(71)	52
Total assets	348,721	(178,280)	170,441	180,182	(10,857)	169,325
Financial liabilities						
1. Due to banks	—	—	—	—	—	—
2. Due to customers	—	—	—	—	—	—
3. Debt securities in issue	606	(1)	605	2,872	(2,619)	253
Total liabilities	606	(1)	605	2,872	(2,619)	253

Section 8

Heading 130: Adjustments for impairment

8.1 Net adjustments for impairment to loans and advances: composition

	Value adjustments			Amounts recovered				6 mths to 31/12/07	6 mths to 31/12/06
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Due from banks	—	—	—	—	—	—	1,027	1,027	1,094
B. Due from customers	(70,669)	(10,776)	(19,101)	425	3,462	—	—	(96,659)	(79,499)
C. Total	(70,669)	(10,776)	(19,101)	425	3,462	—	1,027	(95,632)	(78,405)

Legend

A = interest

B = other amounts recovered

8.2 *Net adjustments for impairment to AFS securities: composition*

	Value adjustments			Amounts recovered				6 mths to 31/12/07	6 mths to 31/12/06
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	—	—	—	—	—	—	—	
B. Equities	—	(4,211)	—	—	—	—	—	(4,211)	
C. OICR units	—	—	—	—	—	—	—	—	
D. Loans and advances to banks	—	—	—	—	—	—	—	—	
E. Loans and advances to customers	—	—	—	—	—	—	—	—	
F. Total	—	(4,211)	—	—	—	—	—	(4,211)	

Legend

A = interest

B = other amounts recovered

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

	Value adjustments			Amounts recovered				6 mths to 31/12/07	6 mths to 31/12/06
	Specific		Portfolio	Specific		Portfolio			
	Writeoffs	Others		A	B	A	B		
A. Debt securities	—	(307)	—	341	188	—	—	222	191
B. Loans and advances to banks	—	—	—	—	—	—	—	—	—
C. Loans and advances to customers	—	—	—	—	—	—	—	—	—
D. Total	—	(307)	—	341	188	—	—	222	191

Legend

A = interest

B = other amounts recovered

Section 11

Heading 180: Administrative expenses

11.1 Personnel costs: composition

	6 mths to 31/12/07		6 mths to 31/12/06	
	Banking Group	Other companies	Banking Group	Other companies
1. Employees	(118,988)	(1,455)	(98,004)	(1,382)
a) wages and salaries	(81,938)	(1,054)	(66,703)	(1,010)
b) social security contributions	(20,572)	(313)	(17,330)	(335)
c) severance indemnities	—	—	—	—
d) pension contributions	—	—	(372)	—
e) transfers to severance indemnity provisions	(5,025)	(55)	(4,231)	(37)
f) transfers to post-employment and similar benefits provisions:	—	—	—	—
– defined contribution	—	—	—	—
– defined benefit	—	—	—	—
g) amounts paid to external complementary pension schemes:	—	—	—	—
– defined contribution	(4,752)	(13)	(4,068)	—
– defined benefit	(4,752)	(13)	(4,068)	—
– defined benefit	—	—	—	—
h) expenses incurred in connection with share payment schemes	(4,570)	(20)	(4,742)	—
i) other staff benefits	(2,131)	—	(558)	—
2. Other staff	(1,612)	(240)	(1,167)	(143)
3. Board members ¹	(5,314)	(4)	(2,282)	(9)
Total	(125,914)	(1,699)	(101,453)	(1,534)

¹ As from this year, Board members' remuneration is no longer linked to results for the period.

11.2 Average number of staff by category

	6 mths to 31/12/07		6 mths to 31/12/06	
	Banking Group	Other companies	Banking Group	Other companies
Employees:				
a) Senior executives	129	2	110	2
b) Executives	743	11	659	11
<i>of which grade 3 and 4</i>	380	7	341	5
c) Other employees	960	33	886	33
Other staff	113	16	84	11
Total	1,945	62	1,739	57

11.5 Other administrative expenses: composition

	6 mths to 31/12/07		6 mths to 31/12/06	
	Banking Group	Other companies	Banking Group	Other companies
OTHER ADMINISTRATIVE EXPENSES				
– outside consultants' fees	(19,173)	(52)	(10,529)	(31)
– legal fees due in respect of credit recovery	(11,577)	—	(8,615)	—
– share and bond servicing	(1,164)	—	(1,240)	—
– sundry insurances	(754)	(7)	(879)	(7)
– advertising	(11,705)	(17)	(8,591)	(10)
– rent and maintenance	(9,213)	(91)	(8,465)	(166)
– EDP costs and financial information subscriptions	(17,886)	(3)	(16,117)	(59)
– publications, stationery and utilities	(7,831)	(234)	(6,118)	(118)
– travel and entertainment	(5,597)	(51)	(3,287)	(46)
– other staff-related expenses	(4,799)	(73)	(3,625)	(70)
– bank charges	(8,500)	(2)	(7,760)	(2)
– transport costs	(1,167)	(9)	(944)	(9)
– outsourced activities	(3,319)	(5)	(3,024)	(75)
– assets expensed	(59)	—	(179)	—
– substitutive and registration taxes and franking of reserves	(56)	—	—	—
– substitutive and various other taxes	(11,761)	(4)	(9,960)	(1)
– other expenses	(3,559)	(154)	(2,394)	(175)
Total, other administrative expenses	(118,120)	(702)	(91,727)	(769)

Section 12

Heading 190: Net transfers to provisions

12.1 Net transfers to provisions: composition

	6 mths to 31/12/07	6 mths to 31/12/06
TRANSFERS MADE TO COVER:		
– litigation	—	—
– advertising expenses	—	—
– certain or probable exposures or commitments	(3,420)	(6,017)
Total net transfers to provisions	(3,420)	(6,017)

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	(5,193)	(9)	—	(5,202)
– core	(4,987) ¹	(9)	—	(4,996)
– for investment purposes	(206)	—	—	(206)
A.2 Acquired under finance leases	—	—	—	—
– core	—	—	—	—
– for investment purposes	—	—	—	—
Total	(5,193)	(9)	—	(5,202)

¹ Of which €25,000 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 adjustment
A. Intangible assets				
A.1 Owned	(1,366)	—	—	(1,366)
– software	(966) ¹	—	—	(966)
– other	(400)	—	—	(400)
A.2 Goodwill	—	—	—	—
Total	(1,366)	—	—	(1,366)

¹ Of which €2,000 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

	6 mths to 31/12/07	6 mths to 31/12/06
a) Leasing activity	2,968	2,096
b) Amounts recovered from customers	12,941 ¹	12,281
c) Other income	21,237 ²	16,718
d) Sundry costs and expenses	(4,816) ³	(5,582)
Total	32,330	25,513

¹ Of which €6,000 in respect of other companies not part of the Banking Group.

² Of which €60,000 in respect of other companies not part of the Banking Group.

³ Includes costs of €3,704,000 (31/12/06: €5,503,000) 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

	6 mths to 31/12/07	6 mths to 31/12/06
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	266,994	214,131
1. Revaluations	—	—
2. Gains on disposals	—	—
3. Amounts recovered	—	—
4. Other increases	266,994	214,131
B. Expense	(4,922)	(284)
1. Writedowns	—	—
2. Adjustments for impairment	—	—
3. Losses from disposals	—	—
4. Other reductions	(4,992)	(284)
Net income	262,072	213,847
Total	262,072	213,847

Section 19

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

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

	6 mths to 31/12/07	6 mths to 31/12/06
A. Properties	1	—
– Gains on disposals	1	—
– Losses on disposals	—	—
B. Other assets	(11)	(4)
– Gains on disposals	1	5
– Losses on disposals	(12)	(9)
Net gain (loss)	(10)	(4)

Section 20

Heading 290: Income tax on ordinary activities

20.1 Income tax on ordinary activities: composition

	6 mths to 31/12/07		6 mths to 31/12/06	
	Banking Group	Other companies	Banking Group	Other companies
1. Current taxes	(210,288)	(720)	(133,115)	(247)
2. Changes in current taxes for previous financial years	—	—	—	—
3. Reductions in current tax for the period	—	—	—	—
4. Changes in advance tax	(8,176)	(2)	2,418	—
5. Changes in deferred tax	97,495	11	3,246	2
Income tax for the year ¹	(120,969)	(711)	(127,451)	(245)

¹ Variation includes positive effect due to Budget Law 344/07 in an amount of €30,412,000.

Section 24

Earnings per share

24.1 Average number of ordinary shares on a diluted basis

	31/12/07	31/12/06
Net profit	640,529	526,035
Avg. no. of shares in issue	818,713,313	815,476,617
Avg. no. of potentially diluted shares	15,242,102	16,993,798
Avg. no. of diluted shares	833,955,415	832,470,415
Earnings per share	0.78	0.65
Earnings per share, diluted	0.77	0.63

PART E - INFORMATION ON RISKS AND RELATED HEDGING POLICIES

Section 1

Banking Group risks

1.1 Credit risk

QUALITATIVE INFORMATION

Corporate banking (Mediobanca)

The Bank's internal system for managing, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions are based on individual analysis, which builds on adequate and often extensive knowledge of the borrower's business, assets and management, as well as the macro-economic framework in which it operates. Where possible, covenants are incorporated into the terms and conditions of loans (having regard *inter alia* to the maturity and average size of the facilities concerned) in order to provide for protection against impairment. Applications for finance are processed through the different operating levels, and if successful, are submitted for approval to the relevant bodies, i.e. the Risks Committee or Management Board, 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 collateral 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 generally 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	—	—	—	—	—	10,342,719	10,342,719
2. AFS securities	—	—	—	—	—	4,549,399	4,549,399
3. Financial assets held to maturity	—	—	—	—	—	585,695	585,695
4. Due from banks	127	—	—	—	12,112	8,669,793	8,682,032
5. Due from customers	89,029	28,666	3,108	9,524	—	29,805,654	29,935,981
6. Financial assets recognized at fair value	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	—	926,956	926,956
Total, 31/12/07	89,156	28,666	3,108	9,524	12,112	54,880,216	55,022,782
Total, 30/6/07	80,951	22,491	4,428	7,978	16,816	54,078,654	54,211,318

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	10,342,719	10,342,719
2. AFS securities	—	—	—	—	4,549,399	—	4,549,399	4,549,399
3. Financial assets held to maturity	—	—	—	—	590,720	(5,025)	585,695	585,695
4. Due from banks	127	—	—	127	8,685,039	(3,134)	8,681,905	8,682,032
5. Due from customers	295,562	(69,361)	(95,874)	130,327	29,883,464	(77,810)	29,805,654	29,935,981
6. Financial assets recognized at fair value	—	—	—	—	—	—	—	—
7. Financial assets being sold	—	—	—	—	—	—	—	—
8. Hedging derivatives	—	—	—	—	X	X	926,956	926,956
Total, 31/12/07	295,689	(69,361)	(95,874)	130,454	43,708,622	(85,969)	54,892,328	55,022,782
Total, 31/12/06	266,113	(66,164)	(84,101)	115,848	40,627,345	(114,824)	54,095,470	54,211,318

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

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	127	—	—	127
b) Potential problem	—	—	—	—
c) Restructured	—	—	—	—
d) Overdue	—	—	—	—
e) Country risk	14,878	—	(2,766)	12,112
f) Other assets	12,154,235	—	(4,936)	12,149,299
Total A	12,169,240	—	(7,702)	12,161,538
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	—	—
b) Other assets	10,825,045	—	—	10,825,045
Total B	10,825,045	—	—	10,825,045

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 —	— —	— —	— —	2,992 —
B. Additions	—	—	—	—	12,112
B.1 transfers from performing loans	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions ¹	—	—	—	—	12,112
C. Reductions	—	—	—	—	(226)
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	—	—	—	—	(226)
D. Gross exposure at end of period <i>of which: accounts sold but not derecognized</i>	127 —	— —	— —	— —	14,878 —

¹ Ruessia has been included as a "country at risk" as from the present half-year.

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>	— —	— —	— —	— —	(2,992) —
B. Additions	—	—	—	—	—
B.1 value adjustments	—	—	—	—	—
B.2 transfers from other categories of impaired assets	—	—	—	—	—
B.3 other additions	—	—	—	—	—
C. Reductions	—	—	—	—	226
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	—	—	—	—	226
D. Gross exposure at end of period <i>of which: accounts sold but not derecognized</i>	— —	— —	— —	— —	(2,766) —

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

	Gross exposure	Specific value adjustments	Portfolio value adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing	174,943	(56,854)	(29,060)	89,029
b) Potential problem	86,848	(5,954)	(52,228)	28,666
c) Restructured	4,921	(1,732)	(81)	3,108
d) Overdue	28,850	(4,821)	(14,505)	9,524
e) Country risk	—	—	—	—
f) Other assets	39,898,874	—	(114,092)	39,784,782
TOTAL A	40,194,436	(69,361)	(209,966)	39,915,109
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	—	—	—	—
b) Other assets	21,243,833	—	—	21,243,833
TOTAL B	21,243,833	—	—	21,243,833

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
A. Gross exposure at start of period	163,687	69,915	5,362	27,022	17,021
<i>of which: accounts sold but not derecognized</i>	26,273	2,854	54	1,420	—
B. Additions	35,405	72,655	2,470	32,112	—
B.1 transfers from performing loans	7,834	61,760	938	26,080	—
B.2 transfers from other categories of impaired assets	14,277	6,705	130	641	—
B.3 other additions	13,294	4,190	1,402	5,391	—
C. Reductions	(24,149)	(55,722)	(2,911)	(30,284)	(17,021)
C.1 transfers to performing loans	(349)	(2,380)	(141)	(5,462)	—
C.2 amounts written off	(5,347)	(28,204)	(64)	(15,453)	—
C.3 amounts collected	(12,470)	(3,632)	(209)	(112)	(17,021)
C.4 gains realized on disposals	(1,835)	(3,776)	—	(1,938)	—
C.5 transfers to other categories of impaired assets	(283)	(14,049)	(2,018)	(4,957)	—
C.6 other reductions	(3,865)	(3,681)	(479)	(2,362)	—
D. Gross exposure at end of period	174,943	86,848	4,921	28,850	—
<i>of which: accounts sold but not derecognized</i>	27,016	1,843	30	1,871	—

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	(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>	—
B. Additions	(12,528)	(41,131)	(1,219)	(17,540)	—
B.1 value adjustments	(11,702)	(40,735)	(1,105)	(16,872)	—
B.2 transfers from other categories of impaired assets	(487)	(365)	(24)	(495)	—
B.3 other additions	(339)	(31)	(90)	(173)	—
C. Reductions	9,477	30,373	340	17,258	(205)
C.1 writebacks based on valuations	534	66	111	131	—
C.2 writebacks due to amounts collected	2,844	663	18	343	—
C.3 amounts written off	5,280	28,249	18	15,491	—
C.4 transfers to other categories of impaired assets	3	919	120	325	—
C.5 other reductions	816	476	73	968	(205)
D. Adjustments at end of period	(85,914)	(58,182)	(1,813)	(19,326)	—
<i>of which: accounts sold but not derecognized</i>	<i>(24,348)</i>	<i>(1,685)</i>	<i>(6)</i>	<i>(460)</i>	—

B. Loan distribution and concentration

B.5a Credit risk indicators

	31/12/07	30/6/07
a) Gross NPLs/total loans	0.59%	0.61%
b) Irregular items/total loans	0.99%	0.99%
c) Net NPLs/regulatory capital	1.23%	1.00%

B.5b Large risks

	31/12/07	30/6/07
a) Total weighted amount	10,263,012	15,504,092
b) No. of exposures	10	14
c) Large risks/regulatory capital	1.4	1.9

1.2 MARKET RISK

QUALITATIVE INFORMATION

Mediobanca uses a risk management system that monitors market risk on a daily basis. The system calculates value at risk (VaR)¹ for the Bank's entire asset structure (i.e. both trading and banking books). Such global measurement derives from all financial risks (movements in share prices, interest and exchange rates), including risks linked to both lending and funding activities being centred on the Bank's finance division. With reference to interest rates in particular, measures for managing risks on the Bank's trading portfolio take into account both movements in market curves and movements attributable to the change in the creditworthiness of individual names.

VaR is based on expected volatility and the correlation between the risk factors concerned, and determines possible negative movements that can be expected as a result of market movements within a single trading day based on a 99% confidence level. VaR is calculated using the Monte Carlo and historical simulations as well as the parametric method.²

Value at risk and expected shortfall

Risk factors (€'000)	6 mths to end-2007				30/6/07
	31 Dec.	Min.	Max.	Avg.	Avg.
Interest rates	3,391	2,617	10,822	5,520	4,242
- of which: specific risks	1,165	855	4,816	2,481	844
Equities	14,288	13,296	51,038	27,655	18,198
Exchange rates	2,374	383	3,036	1,501	1,076
Diversification effect*	(6,767)	(3,951)	(14,804)	(8,123)	(5,421)
Total VaR	13,286	13,286	49,523	26,552	18,095
- of which: trading	5,954	4,422	12,803	7,067	5,751
Expected shortfall	41,246	12,365	45,345	26,001	15,408

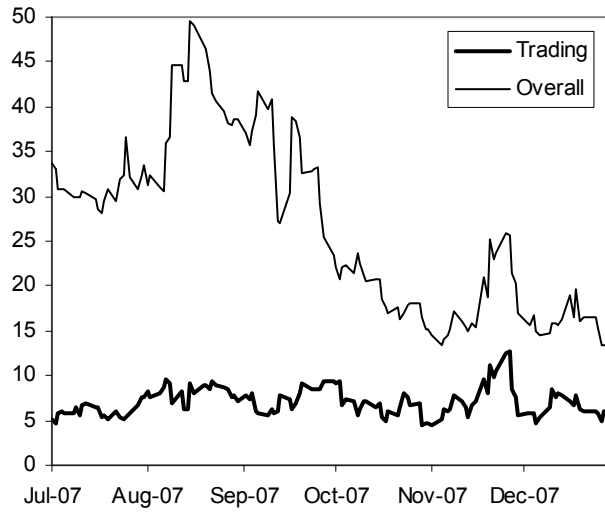
* Due to mismatches between risk factors.

Average value at risk on the trading book for the six months was just over €7m, up on the €5.7m recorded for the 2006-2007 full year. Unlike last year, when a similar increase was caused by growth in market activity, during the period under review the higher risk indicators were due to the rise in volatility on all financial markets. The highest contribution once again was from interest rates, with average values of €6.1m for the period, compared with €4.3m last year, while the contribution from equities reached €4.7m.

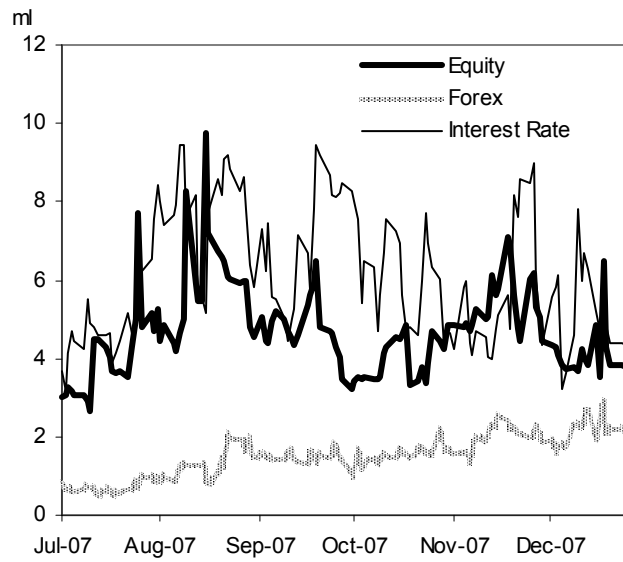
¹ VaR: maximum potential loss over a specified time horizon and given confidence level.

² Determines portfolio values based on random variations in risk factors or historical variations in risk factors respectively.

Trends in VaR



Trends in VaR constituents



The volatility effect had an even more significant impact on VaR when applied to the Bank's entire asset structure. While the figure of €13.3m as at 31 December 2007 shows a clear reduction versus the €34.7m recorded at end-June 2007, the average value for two periods shows an increase from €18.1m to €26.5m. The significant number of equity positions held as part of the AFS portfolio led to an increase in this risk factor from €18.2m to €27.7m, but interest and exchange rates also increased, from €4.2m to €5.5m and from €1.1m to €1.5m respectively, precisely because of the increased instability on financial markets.

As a result of a change in Compagnie Monégasque de Banque's operations, the durations of the portfolio managed by this company were extended, hence its average VaR for the six months (calculated using the same methods used for that of Mediobanca) increased considerably, despite remaining at just €331,000.

Back-testing too reflected the higher volatility, with the VaR threshold for the Bank's entire asset base registering two breaches of 1.4%, using both a series of simulated profits and losses¹ and based on the operating data.

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. Such analysis is supplemented by estimates of expected future cash flows from lending and funding, prepared weekly, with particular attention to items with pre-established flows.

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.

As for the impact of a 100 basis point change in the interest rate curve on the Bank's net interest income, Mediobanca S.p.A.'s exposure as at 31 December 2007 was largely symmetrical as well as limited, at €2.8m in the event of a rise and a €1.9m reduction in the event of a fall.

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

Compass's exposure was more sizeable and reflected the opposite tendency, with a 100 basis point rise in interest rates generating a €7.1m rise and a similar reduction resulting in a fall of the same amount.

Counterparty risk

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

Hedging

Fair value hedges

Fair value hedges are used to neutralize exposure to interest rate or price 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 transaction and to mitigate price risk on equity investments held as available for sale.

Cash flow hedges

These are used chiefly as part of the Compass group's operations. The numerous, generally fixed-rate and relatively small transactions are hedged by floating-rate deposits made for large amounts. The hedge is intended to transform the latter into fixed-rate positions by correlating the relevant cash flows. Mediobanca S.p.A. implemented some cash flow hedges of future transaction flows during the period under review (AFS securities disposals hedged through forward contracts).

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 31/12/07		Total 30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	1,689,667	—	—	—	—	—	—	—	1,689,667	—	139,667
2. Interest rate swaps	—	24,925,887	—	—	—	—	—	—	—	24,925,887	—	18,062,295
3. Domestic currency swaps	—	—	—	—	—	3,551,363	—	—	—	3,551,363	—	3,598,778
4. Currency interest rate swaps	—	—	—	—	—	527,626	—	—	—	527,626	—	556,037
5. Basis swaps	—	2,914,408	—	—	—	—	—	—	—	2,914,408	—	2,416,626
6. Share index swaps	—	—	—	159,881	—	—	—	699,355	—	859,236	—	675,513
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	9,088,773	—	440,781	—	—	—	—	—	9,529,554	—	17,003,618	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
- bought	—	—	—	—	—	—	—	—	—	—	—	—
- written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	5,002,239	—	3,397	6,441,088	—	10,700	—	—	5,005,636	6,451,788	4,234,415	7,393,648
- bought	516,713	—	—	3,264,007	—	10,700	—	—	516,713	3,274,707	2,129,527	3,518,378
- plain vanilla	516,713	—	—	3,164,007	—	10,700	—	—	516,713	3,174,707	2,129,527	3,418,378
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	100,000
- written	4,485,526	—	3,397	3,177,081	—	—	—	—	4,488,923	3,177,081	2,104,888	3,875,270
- plain vanilla	4,485,526	—	3,397	3,077,081	—	—	—	—	4,488,923	3,077,081	2,104,888	3,775,270
- exotic	—	—	—	100,000	—	—	—	—	—	100,000	—	100,000
12. Repo agreements	1,062,774	2,349,129	35,955	125,575	—	90,417	—	—	1,098,729	2,565,121	1,525,292	9,019,854
- bought	402,924	995,359	19,326	42,257	—	2,906	—	—	422,250	1,040,522	923,811	6,605,989
- sold	659,850	1,353,770	16,629	83,318	—	77,904	—	—	676,479	1,514,992	601,481	2,207,820
- currency bought/sold for currency	—	—	—	—	—	9,607	—	—	—	9,607	—	206,045
13. Other derivative products	—	113,203	—	—	—	—	—	—	—	113,203	—	63,203
Total	15,153,786	31,992,294	480,133	6,726,544	—	4,180,106	—	699,355	15,633,919	43,598,299	22,763,325	41,925,621
Average values	15,790,974	27,350,266	535,024	7,542,179	—	5,334,237	—	844,918	16,325,998	41,071,600	18,577,085	36,184,487

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 31/12/07		Total 30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	20,834,195	—	—	—	—	—	—	—	20,834,195	—	18,156,301
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swaps	—	—	—	—	—	58,673	—	—	—	58,673	—	52,983
5. Basis swaps	—	805,342	—	—	—	—	—	—	—	805,342	—	547,083
6. Share index swaps	—	—	—	—	—	—	—	—	—	—	—	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	—	395,500
– bought	—	—	—	133,000	—	—	—	—	—	133,000	—	133,000
– plain vanilla	—	—	—	133,000	—	—	—	—	—	133,000	—	133,000
– exotic	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	262,500	—	—	—	—	—	262,500	—	262,500
– plain vanilla	—	—	—	262,500	—	—	—	—	—	262,500	—	262,500
– exotic	—	—	—	—	—	—	—	—	—	—	—	—
12. Repo agreements	—	—	58,610	205,549	—	—	—	—	58,610	205,549	—	293,147
– bought	—	—	50,753	—	—	—	—	—	50,753	—	—	—
– sold	—	—	7,857	205,549	—	—	—	—	7,857	205,549	—	293,147
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	21,639,537	58,610	601,049	—	58,673	—	—	58,610	22,299,259	—	19,448,014
Average values	—	20,666,340	909	660,250	—	52,146	—	—	909	21,378,736	—	19,283,384

A.2.2 Other derivatives

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 31/12/07		Total 30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	—	—	—	—	—	—	—	—	—	—	—	—
2. Interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
3. Domestic currency swaps	—	—	—	—	—	—	—	—	—	—	—	—
4. Currency interest rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
5. Basis swaps	—	—	—	—	—	—	—	—	—	—	—	—
6. Share index swaps	—	—	—	—	—	—	—	—	—	—	—	—
7. Inflation rate swaps	—	—	—	—	—	—	—	—	—	—	—	—
8. Futures	—	—	—	—	—	—	—	—	—	—	—	—
9. Cap options	—	—	—	—	—	—	—	—	—	—	—	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	—	—	—	—	—	—	—	—	—
10. Floor options	—	—	—	—	—	—	—	—	—	—	—	—
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– written	—	—	—	—	—	—	—	—	—	—	—	—
11. Other options	—	—	—	17,018,697	—	257,355	—	—	—	17,276,052	—	16,395,044
– bought	—	—	—	8,444,236	—	123,611	—	—	—	8,567,847	—	8,182,685
– plain vanilla	—	—	—	247,842	—	—	—	—	—	247,842	—	1,970,834
– exotic	—	—	—	8,196,394	—	123,611	—	—	—	8,320,005	—	6,211,851
– written	—	—	—	8,574,461	—	133,744	—	—	—	8,708,205	—	8,212,359
– plain vanilla	—	—	—	237,418	—	7,000	—	—	—	244,418	—	1,916,722
– exotic	—	—	—	8,337,043	—	126,744	—	—	—	8,463,787	—	6,295,637
12. Repo agreements	—	—	—	4,439	—	—	—	—	—	4,439	—	526,850
– bought	—	—	—	—	—	—	—	—	—	—	—	—
– sold	—	—	—	4,439	—	—	—	—	—	4,439	—	526,850
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
13. Other derivative products	—	—	—	—	—	—	—	—	—	—	—	—
Total	—	—	—	17,023,136	—	257,355	—	—	—	17,280,491	—	16,921,894
Average values	—	—	—	16,748,101	—	232,299	—	—	—	16,980,400	—	15,968,504

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

	Debt securities/ interest rates		Equities/ share indexes		Exchange rates/ gold		Other assets		Total 31/12/07		Total 30/6/07	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading book:	15,153,786	29,077,886	480,133	6,566,663	—	4,180,106	—	699,355	15,633,919	40,524,010	22,763,324	39,031,502
1. With exchange of principal	3,268,048	2,349,128	35,955	887,916	—	4,169,406	—	—	3,304,003	7,406,450	5,360,386	14,439,836
– bought	1,408,974	995,359	19,326	441,552	—	2,140,617	—	—	1,428,300	3,577,528	3,258,200	8,727,179
– sold	1,859,074	1,353,769	16,629	446,364	—	1,732,909	—	—	1,875,703	3,533,042	2,102,186	5,202,603
– currency bought/sold for currency	—	—	—	—	—	295,880	—	—	—	295,880	—	510,054
2. Without exchange of principal	11,885,738	26,728,758	444,178	5,678,747	—	10,700	—	699,355	12,329,916	33,117,560	17,402,938	24,591,666
– bought	8,256,759	13,092,653	63,690	3,010,115	—	9,450	—	37,164	8,320,449	16,149,382	16,814,058	11,544,819
– sold	3,628,979	13,636,105	380,488	2,668,632	—	1,250	—	662,191	4,009,467	16,968,178	588,880	13,046,847
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B. Banking book	—	20,834,195	58,610	17,624,185	—	316,028	—	—	58,610	38,774,408	—	35,819,827
B.1 Hedges	—	20,834,195	58,610	601,049	—	58,673	—	—	58,610	21,493,917	—	18,897,932
1. With exchange of principal	—	—	58,610	601,049	—	58,673	—	—	58,610	659,722	—	741,630
– bought	—	—	50,753	—	—	58,673	—	—	50,753	58,673	—	52,983
– sold	—	—	7,857	601,049	—	—	—	—	7,857	601,049	—	688,647
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	20,834,195	—	—	—	—	—	—	—	20,834,195	—	18,156,302
– bought	—	17,622,197	—	—	—	—	—	—	—	17,622,197	—	15,266,304
– sold	—	3,211,998	—	—	—	—	—	—	—	3,211,998	—	2,889,998
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other derivatives	—	—	—	17,023,136	—	257,355	—	—	—	17,280,491	—	16,921,895
1. With exchange of principal	—	—	—	4,549	—	—	—	—	—	4,549	—	526,961
– bought	—	—	—	31	—	—	—	—	—	31	—	31
– sold	—	—	—	4,518	—	—	—	—	—	4,518	—	526,930
– currency bought/sold for currency	—	—	—	—	—	—	—	—	—	—	—	—
2. Without exchange of principal	—	—	—	17,018,587	—	257,355	—	—	—	17,275,942	—	16,394,934
– bought	—	—	—	8,404,081	—	125,044	—	—	—	8,529,125	—	8,142,530
– sold	—	—	—	8,614,506	—	132,311	—	—	—	8,746,817	—	8,252,404
– 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 ¹	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	64,710	177,511	20,039	32,830	433,555	53,607	19,510	3,660	15,874	—	—	—	34,737	82,552
A.4 Financial companies	9,846	24,447	2,299	54,685	19,836	65,801	376	12,031	692	—	—	—	—	—
A.5 Insurances	—	—	—	7,299	—	11,554	—	—	—	—	—	—	—	—
A.6 Non-financial undertakings	6,855	—	7,374	1,245	—	1,140	43,306	—	1,698	—	—	—	—	—
A.7 Other counterparties	—	—	—	1,237	—	326	—	—	—	—	—	—	—	—
Total, 31/12/07	81,411	201,958	29,712	97,296	453,391	132,428	63,192	15,691	18,264	—	—	—	34,737	82,552
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
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	39,158	586,170	9,696	186,191	665,410	6	—	71	—	—	—	—	26,707	97,531
B.4 Financial companies	973	11,453	75	12,353	117,929	—	—	—	—	—	—	—	—	—
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	2	—	—	—	—	—	—	—	—
Total, 31/12/07	40,131	597,623	9,771	198,544	783,339	8	—	71	—	—	—	—	26,707	97,531
Total, 30/6/07	28,165	595,777	6,885	934	1,324,221	8	—	23	—	—	—	—	48,701	112,687

¹ 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 ¹	Future exposure
A. Regulatory trading book														
A.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
A.3 Banks	(37,445)	(85,154)	22,059	(23,449)	(336,369)	26,411	(24,287)	(20,165)	11,751	—	—	—	(70,154)	273,747
A.4 Financial companies	(6,269)	(18,710)	3,851	(28,815)	(1,347)	22,340	(215)	(677)	340	—	—	—	(31,327)	14,821
A.5 Insurances	(6,679)	—	3,350	(14,169)	—	10,993	—	—	—	—	—	—	—	—
A.6 Non-financial undertakings	(50,992)	—	20,207	(365)	—	637	—	—	—	—	—	—	—	—
A.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total, 31/12/07	(101,385)	(103,864)	49,467	(66,798)	(337,716)	60,381	(24,502)	(20,842)	12,091	—	—	—	(101,481)	288,568
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
B. Banking book														
B.1 Governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.2 Other public agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.3 Banks	(434,601)	(1,005,974)	28,097	(3,499)	(8,796)	—	(2,948)	(19,083)	864	—	—	—	(96,122)	103,796
B.4 Financial companies	(76,963)	(223,423)	5,310	(4,692)	(2,206)	—	—	—	—	—	—	—	(60,094)	65,860
B.5 Insurances	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.6 Non-financial undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—
B.7 Other counterparties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total, 31/12/07	(511,564)	(1,229,397)	33,407	(8,191)	(11,002)	—	(2,948)	(19,083)	864	—	—	—	(156,216)	169,656
Total, 30/6/07	(40,582)	(1,531,139)	9,906	—	(27,464)	—	—	(16,090)	—	—	—	—	(365,016)	119,997

¹ Includes offset agreement with main counterparties.

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	2,877,975	3,135,477	—	—
– credit default	2,877,975	3,135,477	—	—
– 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, 31/12/07	2,877,975	3,135,477	—	—
Total, 30/6/07	2,473,454	1,572,749	140,000	—
Average values	2,974,324	2,438,098	70,000	—
2. Hedge sales				
2.1 With exchange of principal	1,634,120	2,897,788	—	—
– credit default	1,634,120	2,897,788	—	—
– 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, 31/12/07	1,649,120	2,897,788	—	—
Total, 30/6/07	1,551,056	815,337	—	—
Average values	1,837,320	1,956,374	—	—

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

	Notional value	Positive fair value	Future exposure
A. REGULATORY TRADING BOOK	10,560,360	71,259	105,373
A.1 Hedge buys with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	4,698,144	46,791	46,089
4. Financial companies	1,300,308	11,632	15,160
5. Insurances	15,000	662	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
A.2 Hedge sales with counterparties			
1. Governments and central banks	—	—	—
2. Other public agencies	—	—	—
3. Banks	3,347,533	10,648	30,814
4. Financial companies	1,199,375	1,526	13,310
5. Insurances	—	—	—
6. Non-financial undertakings	—	—	—
7. Other counterparties	—	—	—
B. BANKING BOOK	—	—	—
B.1 Hedge buys 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	—	—	—
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, 31/12/07	10,560,360	71,259	105,373
Total, 30/6/07	6,552,596	26,175	83,498

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	4,698,144	(10,899)
1.4 Financial companies	1,300,308	(4,276)
1.5 Insurances	15,000	—
1.6 Non-financial undertakings	—	—
1.7 Other counterparties	—	—
Total, 31/12/07	6,013,452	(15,175)
Total, 30/6/07	4,046,203	(38,286)

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

	31/12/07	30/6/07
A. Tier 1 capital prior to application of prudential filters	6,512,455	6,202,152
B. Tier 1 prudential filters:	—	—
B.1 IAS/IFRS positive filters	—	—
B.2 IAS/IFRS negative filters	—	—
C. Tier 1 capital gross of items to be deducted	—	—
D. Items for deduction from Tier 1 capital	(45,885)	(46,186)
E. Total Tier 1 capital	6,466,570	6,155,966
F. Tier 2 capital prior to application of prudential filters	2,103,869	2,992,470
G. Tier 2 prudential filters:	(215,430)	(471,192)
G.1 IAS/IFRS positive filters	—	—
G.2 IAS/IFRS negative filters	(215,430)	(471,192)
H. Tier 2 capital gross of items to be deducted	—	—
I. Items for deduction from Tier 2 capital	(45,886)	(46,186)
L. Total Tier 2 capital	1,842,554	2,475,092
M. Items for deduction from Total Tier 1 and Tier 2 capital	(1,051,584)	(524,917)
N. Regulatory capital	7,257,539	8,106,142
O. Total Tier 3 capital	—	—
P. Total regulatory capital including Tier 3	7,257,539	8,106,142

1.2 Capital adequacy: quantitative information

	Unweighted amounts	Weighted amounts/ requirements	Unweighted amounts	Weighted amounts/ requirements
	31/12/07	31/12/07	30/6/07	30/6/07
A. RISK ASSETS				
A.1 Credit risk				
Standard methodology				
Cash assets	44,629,395	32,077,542	41,278,734	32,296,214
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	34,169,053	24,053,562	30,053,094	23,285,376
1.1 Governments and central banks	1,717,793	2,135	1,428,903	8,044
1.2 Other public agencies	168,598	33,719	136,389	27,278
1.3 Banks	5,783,548	1,164,366	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)	26,499,114	22,853,342	24,380,743	22,420,703
2. Amounts receivable under mortgages due on properties used for residential purposes	2,273,762	1,136,881	4,035,271	2,025,781
3. Amounts receivable under mortgages due on properties used for non-residential purposes	2,115,944	1,057,972	—	—
4. Equities, participating interests and subordinated assets	5,274,021	5,277,213	6,475,687	6,479,612
5. Other cash assets	796,615	551,914	714,682	505,445
Off-balance-sheet assets	17,398,297	7,377,780	24,867,542	9,818,915
1. Guarantees and commitments to (or guaranteed by):	17,155,610	7,317,539	24,631,372	9,760,035
1.1 Governments and central banks	1,685,276	—	—	—
1.2 Other public agencies	355	36	1,816,536	14
1.3 Banks	613,777	214,713	3,412,951	582,270
1.4 Other entities	14,856,202	7,102,790	19,401,885	9,177,751
2. Derivative agreements with (or guaranteed by):	242,687	60,241	236,170	58,880
2.1 Governments and central banks	—	—	—	—
2.2 Other public agencies	—	—	—	—
2.3 Banks	203,677	40,736	197,353	39,471
2.4 Other entities	39,010	19,505	38,817	19,409
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk	X	3,156,426	X	3,369,210
B.2 Market risk	X	522,391	X	612,494
1. Standard methodology				
<i>of which:</i>				
+ risk position on debt securities	X	323,403	X	365,276
+ risk position on equities	X	174,911	X	222,594
+ exchange rate risk	X	24,077	X	24,624
+ other risks	X	—	X	—
B.3 Other prudential requirements	X	4,359	X	27,379
B.4 Total prudential requirements (B1+B2+B3)	X	3,683,176	X	4,009,083
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets	X	46,039,697	X	50,113,542
C.2 Tier 1 capital/risk-weighted assets (Tier 1 capital ratio)	X	14.05%	X	12.28%
C.3 Regulatory capital/risk-weighted assets (total capital ratio)	X	15.76%	X	16.18%

PART H - RELATED PARTY DISCLOSURE

2.1 Related party disclosure

Accounts with related parties, the impact of which on the Group's asset and earnings aggregates is limited (8.5% of total assets and approx. 11% 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 Board members and the companies controlled by them, and strategic management, data in respect of whose remuneration is shown below.

Situation at 31 December 2007

	Board members and strategic management	Associates	Other related parties	Total
	€m	€m	€m	€m
Assets	612.8	646.6	3,706.2	4,965.7
<i>of which: loans and advances</i>	549.6	615.8	2,928.6	4,094.2
Liabilities	8.4	166.6	442.2	617.2
Guarantees and commitments	468.4	419.0	1,214.4	2,101.8
Interest income	32.3	26.9	145.4	204.6
Interest expense	(11.6)	(9.7)	(78.8)	(100.1)
Net fee income	1.1	7.3	19.0	27.4
Other income (costs)	1.4 ¹	(6.6)	(23.4)	(28.6)

¹ Of which: short-term benefits amounting to €10m and stock options worth €0.6m.

Situation at 30 June 2007

	Board members 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>	621.2	584.4	2,474.1	3,679.7
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 (expense)	(27.3) ¹	(25.9)	242.7	189.5

¹ 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, paras 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 <i>of which to Board members¹</i>	15,000,000 <i>4,000,000</i>	28 October 2009 <i>28 October 2009</i>	1 July 2020 <i>1 July 2020</i>	3,585,000 <i>2,000,000²</i>
27 June 2007	40,000,000	27 June 2012	1 July 2022	—
TOTAL	108,130,000			56,349,000

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 31 December 2007, recognizing these commitments at fair value resulted in a charge of €3.7m being expensed.

¹ At a general meeting held on 27 June 2007, shareholders approved a proposal to grant stock options to Management Board members.

² Granted to one former director.

B. QUANTITATIVE INFORMATION

1. Changes during the period

	31/12/07			30/6/07		
	No. of options	Avg. price	Avg. expiry	No. of options	Avg. price	Avg. expiry
A. Balance at start of period	15,022,500	13.52	November 2013	20,593,250	12.30	December 2013
B. Additions						
B.1 New issues	1,370,000	15.90	September 2015	215,000	17.68	March 2015
B.2 Other additions	—	—	—	—	—	—
C. Reductions						
C.1 Options cancelled	—	—	—	220,000	15.26	—
C.2 Options exercised	1,535,250	8.19	—	5,565,750	9.12	—
C.3 Options expired	—	—	—	—	—	—
C.4 Other reductions	—	—	—	—	—	—
D. Balance at end of period	14,857,230	14.29	April 2014	15,022,500	13.52	December 2013
E. Options exercisable as at reporting date	2,192,250	9.86	March 2011	3,477,500	9.21	September 2011

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2007 PREPARED PURSUANT TO ARTICLE 81 OF THE CONSOB REGULATION ADOPTED BY THE RESOLUTION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS
(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have reviewed the interim consolidated financial statements, consisting of the balance sheet, the statement of income, the statement of changes in shareholders' equity and the statement of cash flows (the "Statements") and related explanatory notes included in the Interim Report of Mediobanca S.p.A for the six months ended 31 December 2007. The Interim Report is the responsibility of Mediobanca S.p.A.'s Management Board. Our responsibility is to issue this report based on our review. We have also examined that part of the financial information presented by the directors with respect to their discussions and analyses of the operations, solely for the purpose of evaluating its consistency with the remaining part of the Interim Report.
2. Our review was conducted in accordance with auditing standards governing the review of interim financial statements recommended by Consob (the Italian Stock Exchange Regulatory Commission) in its Resolution No. 10867 of 31 July 1997. The review consisted mainly of obtaining information with respect to the accounts included in the financial statements and the consistency of the accounting principles applied through discussions with appropriate members of management, and analytical procedures applied to the financial data presented in such Statements. The review did not include performing auditing procedures such as tests of compliance of internal controls and substantive procedures on assets and liabilities. Consequently, the scope of the review was significantly less than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the Interim Report of Mediobanca S.p.A. as we do in connection with the audit of the annual consolidated financial statements.
3. With respect to the comparative figures as of and for the six months ended 31 December 2006 and for the year ended 30 June 2007, reference should be made to our audit reports issued respectively on 16 March 2007 and 25 September 2007.
4. Based on our review, nothing has come to our attention that causes us to believe that the Statements and related explanatory notes identified in the first paragraph of this report, are not prepared, in all material respects, in accordance with IAS 34 and Article 81 of the Consob Regulation adopted by Resolution No. 11971 of 14 May 1999 and subsequent modifications.

Milan, 17 March 2008

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

Annexes

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)*

Assets	IAS-compliant 31/12/07	IAS-compliant 30/6/07	IAS-compliant 31/12/06
10. Cash and cash equivalents	5.5	4.5	7.4
20. Financial assets held for trading.....	10,342.7	12,734.8	11,962.1
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	4,549.4	5,573.2	5,183.3
50. Financial assets held to maturity	585.7	622.5	629.9
60. Due from banks.....	8,682.0	6,305.7	4,503.4
<i>of which:</i>			
<i>other trading items</i>	6,111.9	5,372.7	3,664.1
<i>other items</i>	0.8	20.8	3.4
70. Due from customers	29,936.0	28,132.6	26,307.1
<i>of which:</i>			
<i>other trading items</i>	2,715.7	2,168.0	3,964.9
<i>other items</i>	29.3	23.0	14.5
80. Hedge derivatives	927.0	848.2	797.9
<i>of which:</i>			
<i>funding hedge derivatives</i>	854.2	786.0	769.7
<i>lending hedge derivatives</i>	6.3	7.6	5.0
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments.....	2,642.9	2,632.7	2,484.7
110. Total reinsurers' share of technical reserves	—	—	—
120. Property, plant and equipment	299.5	298.5	301.8
130. Intangible assets	13.8	12.0	12.2
<i>of which:</i>			
<i>goodwill</i>	—	—	8.0
140. Tax assets	288.3	372.0	284.4
<i>a) current</i>	143.4	228.7	130.2
<i>b) advance</i>	144.9	143.3	154.2
150. Other non-current and groups of assets being sold	—	—	—
160. Other assets	332.8	303.0	237.3
<i>of which:</i>			
<i>other trading items</i>	190.0	184.9	114.4
TOTAL ASSETS	58,605.6	57,839.7	52,711.5

*** Figures in €m.**

The balance sheet provided on page 9 reflects the following restatements:

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

Liabilities and net equity	IAS-compliant 31/12/07	IAS-compliant 30/6/07	IAS-compliant 31/12/06
10. Due to banks	12,248.9	13,487.1	9,978.2
<i>of which:</i>			
<i>other trading items</i>	6,028.4	7,138.8	4,119.5
20. Due to customers	5,453.1	4,027.0	5,966.7
<i>of which:</i>			
<i>other trading items</i>	2,740.2	1,820.3	3,415.1
<i>other liabilities</i>	7.0	14.5	22.9
30. Debt securities in issue	26,348.0	24,702.5	22,510.7
40. Trading liabilities	2,934.5	3,684.8	3,850.7
50. Liabilities recognized at fair value	—	—	—
60. Hedge derivatives	2,021.6	1,868.3	1,408.0
<i>of which:</i>			
<i>funding hedge derivatives</i>	1,994.8	1,786.2	1,349.5
<i>lending hedge derivatives</i>	19.3	30.4	38.2
70. Value adjustments to financial liabilities subject to general hedging	—	—	—
80. Tax liabilities	703.2	787.1	697.7
<i>a) current</i>	283.5	246.3	274.8
<i>b) deferred</i>	419.7	540.8	422.9
90. Liabilities in respect of groups of assets being sold	—	—	—
100. Other liabilities	1,310.1	1,206.4	959.2
<i>of which:</i>			
<i>other trading items</i>	881.5	821.5	698.8
110. Staff severance indemnity provision	26.1	29.4	34.1
120. Provisions	158.8	156.0	163.8
<i>a) post-retirement and similar benefits</i>	—	—	—
<i>b) other provisions</i>	158.8	156.0	163.8
130. Technical reserves	—	—	—
140. Valuation reserves	488.6	837.1	621.8
150. Shares with right of withdrawal	—	—	—
160. Equity instruments	—	—	—
170. Reserves	3,635.6	3,464.8	3,366.0
180. Share premium reserve	2,131.1	2,119.3	2,119.3
190. Share capital	409.5	408.8	408.8
200. Treasury shares	(15.3)	(0.4)	(0.4)
210. Net equity attributable to minorities	111.3	108.3	100.9
220. Profit (loss) for the period	640.5	953.2	526.0
TOTAL LIABILITIES AND NET EQUITY	58,605.6	57,839.7	52,711.5

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

	6 mths to 31/12/07	12 mths to 30/6/07	6 mths to 31/12/06
10. Interest and similar income	1,282.8	2,409.3	1,201.8
20. Interest and similar expense	(940.9)	(1,817.5)	(892.4)
30. Net interest income	341.9	591.8	309.4
40. Fee and commission income	230.7	376.9	184.7
50. Fee and commission expense	(23.6)	(47.5)	(14.0)
60. Net fee and commission income	207.1	329.4	170.7
70. Dividends and similar income	44.6	112.0	5.0
80. Net trading income	73.4	117.6	50.6
90. Net hedging income (expense)	(8.7)	(0.8)	(0.1)
100. Gain (loss) on disposal of:	171.1	176.0	169.5
<i>a) loans and receivables</i>	<i>0.6</i>	<i>—</i>	<i>—</i>
<i>b) AFS securities</i>	<i>170.0</i>	<i>175.4</i>	<i>169.3</i>
<i>c) financial assets held to maturity</i>	<i>(0.1)</i>	<i>(0.1)</i>	<i>—</i>
<i>d) financial liabilities</i>	<i>0.6</i>	<i>0.7</i>	<i>0.2</i>
120. Total income	829.4	1,326.0	705.1
130. Value adjustments for impairment to:	(99.7)	(169.1)	(78.2)
<i>a) loans and receivables</i>	<i>(95.6)</i>	<i>(165.2)</i>	<i>(78.4)</i>
<i>b) AFS securities</i>	<i>(4.2)</i>	<i>(4.2)</i>	<i>—</i>
<i>c) financial assets held to maturity</i>	<i>0.1</i>	<i>0.3</i>	<i>0.2</i>
<i>d) other financial assets</i>	<i>—</i>	<i>—</i>	<i>—</i>
140. Net income from financial operations	729.7	1,156.9	626.9
150. Net premium income	—	—	—
160. Income less expense from insurance operations	—	—	—
170. Net income from financial and insurance operations	729.7	1,156.9	626.9
180. Administrative expenses:	(246.4)	(436.7)	(195.5)
<i>a) labour costs</i>	<i>(127.6)</i>	<i>(236.4)</i>	<i>(103.0)</i>
<i>b) other administrative expenses</i>	<i>(118.8)</i>	<i>(200.3)</i>	<i>(92.5)</i>
190. Net transfers to provisions for risks and liabilities	(3.4)	(6.4)	(6.0)
200. Net adjustments to property, plant and equipment	(5.2)	(10.6)	(4.8)
210. Net adjustments to intangible assets	(1.4)	(2.7)	(0.8)
<i>of which: goodwill</i>	<i>—</i>	<i>—</i>	<i>—</i>
220. Other operating income (expense)	32.3	60.8	25.5
230. Operating costs	(224.1)	(395.6)	(181.6)
240. Profit (loss) on equity-accounted companies	262.1	418.9	213.8
270. Profit (loss) on disposal of investments	—	(0.1)	—
280. Pre-tax profit (loss) on ordinary activities	767.7	1,180.1	659.1
290. Income tax for the period on ordinary activities	(121.7)	(214.1)	(127.7)
300. Profit (loss) after tax on ordinary activities	646.0	966.0	531.4
310. Gain (loss) after tax on current assets being sold	—	—	—
320. Net profit (loss) for the period	646.0	966.0	531.4
330. Profit (loss) for the period attributable to minorities	(5.5)	(12.8)	(5.4)
340. Net profit (loss) for the period attributable to Mediobanca ..	640.5	953.2	526.0

*** Figures in €m.**

The profit and loss account shown on page 8 reflects the following restatements:

- *Net interest income* includes the totals reported under Heading 90, net hedging income (€8.7m at 31/12/07, €0.9m at 31/12/06); gains (losses) on financial liabilities as reported under Heading 100 (€1.2m at 31/12/07, €0.3m at 31/12/06); plus margins on swaps reported under Heading 80 amounting to €28.3m at 31/12/07 (€21.6m at 31/12/06);
- Amounts reported under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €8.5m and €6.7m respectively which net operating costs.

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

Assets	IAS-compliant 31/12/07	IAS-compliant 30/6/07	IAS-compliant 31/12/06
10. Cash and cash equivalents	0.1	0.1	0.1
20. Financial assets held for trading.....	9,710.3	12,453.7	11,786.8
30. Financial assets recognized at fair value	—	—	—
40. AFS securities	3,911.1	4,788.0	4,103.2
50. Financial assets held to maturity	584.9	621.6	629.0
60. Due from banks	13,062.5	10,894.7	6,772.4
<i>of which:</i>			
<i>other trading items</i>	5,890.8	5,138.5	3,430.9
<i>other items</i>	3.8	20.5	3.5
70. Due from customers	18,483.5	16,717.7	17,680.7
<i>of which:</i>			
<i>other trading items</i>	2,614.1	2,078.2	3,846.2
<i>other items</i>	16.2	20.1	12.2
80. Hedge derivatives	937.9	853.7	791.8
<i>of which:</i>			
<i>funding hedge derivatives</i>	881.4	817.5	783.2
<i>lending hedge derivatives</i>	6.4	7.6	6.2
90. Value adjustments to financial assets subject to general hedging	—	—	—
100. Equity investments.....	1,677.9	1,680.8	1,670.0
110. Total reinsurers' share of technical reserves	—	—	—
120. Property, plant and equipment	118.8	119.5	120.8
130. Intangible assets	2.2	1.8	1.7
<i>of which:</i>			
<i>goodwill</i>	—	—	—
140. Tax assets	126.8	158.6	130.5
<i>a) current</i>	21.5	48.6	27.0
<i>b) advance</i>	105.3	110.0	103.5
150. Other non-current and groups of assets being sold	—	—	—
160. Other assets	204.8	208.6	144.0
<i>of which:</i>			
<i>other trading items</i>	190.0	184.8	117.8
TOTAL ASSETS	48,820.8	48,498.8	43,831.0

*** Figures in €m.**

The balance sheet provided on page 30 reflects the following restatements:

- *Treasury funds* comprises asset headings 10 and 20 and liability heading 40, plus the “other trading items” shown under asset headings 60, 70 and 150 and liability headings 10, 20 and 100, which chiefly consist of repos, interbank accounts and margins on derivatives;
- *Funding* comprises the balances shown under liability headings 10 and 20 (net of trading items in respect of repos and interbank accounts), plus the relevant amounts in respect of hedge derivatives;
- *Loans and advances to customers* comprise asset headings 60 and 70 (excluding amounts restated as *Treasury funds*) and the relevant amounts of asset heading 80 and liability heading 60 (hedge derivatives).

Liabilities and net equity	IAS-compliant 31/12/07	IAS-compliant 30/6/07	IAS-compliant 31/12/06
10. Due to banks	10,032.7	10,973.6	7,025.4
<i>of which:</i>			
<i>other trading items</i>	6,028.4	7,138.8	5,594.6
<i>other liabilities</i>	0.3	15.5	0.3
20. Due to customers	3,003.0	2,093.1	3,813.7
<i>of which:</i>			
<i>other trading items</i>	2,740.2	1,820.3	3,412.3
<i>other liabilities</i>	7.0	14.5	22.9
30. Debt securities in issue	23,544.3	22,055.5	20,694.7
40. Trading liabilities	2,941.4	3,695.4	3,857.7
50. Liabilities recognized at fair value	—	—	—
60. Hedge derivatives	2,025.8	1,871.5	1,408.4
<i>of which:</i>			
<i>funding hedge derivatives</i>	1,999.0	1,789.5	1,349.6
<i>lending hedge derivatives</i>	19.3	30.4	38.8
70. Value adjustments to financial liabilities subject to general hedging	—	—	—
80. Tax liabilities	531.3	560.9	493.9
<i>a) current</i>	185.1	107.2	195.7
<i>b) deferred</i>	346.2	453.7	298.2
90. Liabilities in respect of groups of assets being sold	—	—	—
100. Other liabilities	1,043.9	987.5	788.0
<i>of which:</i>			
<i>other trading items</i>	881.5	821.4	709.6
110. Staff severance indemnity provision	11.7	11.6	15.9
120. Provisions	150.8	150.8	151.0
<i>a) post-retirement and similar benefits</i>	—	—	—
<i>b) other provisions</i>	150.8	150.8	151.0
130. Technical reserves	—	—	—
140. Valuation reserves	463.3	808.5	598.2
150. Shares with right of withdrawal	—	—	—
160. Equity instruments	—	—	—
170. Reserves	2,228.3	2,201.2	2,196.8
180. Share premium reserve	2,131.1	2,119.3	2,119.3
190. Share capital	409.5	408.8	408.8
200. Treasury shares	(14.8)	—	—
210. Net equity attributable to minorities	—	—	—
220. Profit (loss) for the period	318.6	561.1	259.2
TOTAL LIABILITIES AND NET EQUITY	48,820.8	48,498.8	43,831.0

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

	6 mths to 31/12/07	12 mths to 30/6/07	6 mths to 31/12/06
10. Interest and similar income	874.0	1,682.2	852.0
20. Interest and similar expense	(783.2)	(1,561.4)	(773.2)
30. Net interest income	90.8	120.8	78.8
40. Fee and commission income	182.3	291.7	149.8
50. Fee and commission expense	(11.8)	(24.8)	(5.6)
60. Net fee and commission income	170.5	266.9	144.2
70. Dividends and similar income	44.6	253.8	5.0
80. Net trading income	67.1	100.3	43.9
90. Net hedging income (expense)	(10.4)	(3.6)	(1.3)
100. Gain (loss) on disposal of:	170.0	167.4	161.2
<i>a) loans and receivables</i>	—	—	—
<i>b) AFS securities</i>	169.6	166.7	160.9
<i>c) financial assets held to maturity</i>	(0.1)	(0.1)	(0.1)
<i>d) financial liabilities</i>	0.5	0.8	0.3
120. Total income	532.6	905.6	431.7
130. Value adjustments for impairment to:	(14.4)	(9.4)	(2.0)
<i>a) loans and receivables</i>	(10.2)	(5.2)	(2.0)
<i>b) AFS securities</i>	(4.2)	(4.2)	—
<i>c) financial assets held to maturity</i>	—	—	—
<i>d) other financial assets</i>	—	—	—
140. Net income from financial operations	518.2	896.2	429.7
150. Administrative expenses:	(116.1)	(207.8)	(84.8)
<i>a) labour costs</i>	(73.4)	(134.4)	(55.6)
<i>b) other administrative expenses</i>	(42.7)	(73.4)	(29.2)
160. Net transfers to provisions for risks and liabilities	—	(0.2)	—
170. Net adjustments to property, plant and equipment	(1.5)	(2.9)	(1.2)
180. Net adjustments to intangible assets	(0.4)	(0.4)	(0.2)
<i>of which: goodwill</i>	—	—	—
190. Other operating income (expense)	1.6	1.8	(1.3)
200. Operating costs	(116.4)	(209.1)	(87.5)
210. Profit (loss) on equity-accounted companies	—	—	—
240. Profit (loss) on disposal of investments	—	—	—
250. Pre-tax profit (loss) on ordinary activities	401.8	687.1	342.2
260. Income tax for the period on ordinary activities	(83.2)	(126.0)	(83.0)
270. Profit (loss) after tax on ordinary activities	318.6	561.1	259.2
290. Net profit (loss) for the period	318.6	561.1	259.2

*** Figures in €m.**

The profit and loss account shown on page 29 reflects the following restatements:

- *Net interest income* includes the totals reported under Heading 90, net hedging income, gains (losses) on financial liabilities as reported under Heading 100, and margins on swaps reported under Heading 80, amounting to €10.4m, €0.5m and €27.5m respectively, whereas interest income of €0.4m and interest expense of €1.9m have been accounted for under the heading *Net trading income*.
- Amounts reported under Heading 190 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €4.4m which net operating costs.

TABLE

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

	Shareholding				Shares held by:
	Shares held directly*		Shares held indirectly*		
	No. of shares/units	%	No. of shares/units	%	
<i>Directly-controlled subsidiaries</i>					
COMPASS S.p.A. – Milan Share capital: €87.5m, par value per share €5	17,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A. - Monte Carlo Share capital: €111.1m, par value per share €200	555,535	100.00	—	—	—
CONSORTIUM S.R.L. - MILAN Share capital: €8.6m	1	100.00	—	—	—
MEDIOBANCA INTERNATIONAL (Luxembourg) S.A. - Luxembourg Share capital: €10m, par value per share €10	990,000	99.00	10,000	1.00	Compass
MEDIOBANCA SECURITIES USA LLC. - NEW YORK Share capital \$250,000	1	100.00	—	—	—
PROMINVESTMENT S.p.A. – Rome Share capital: €743,000, par value per share €0.52	1,000,000	70.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A. - Milan Share capital: €100,000, par value per share €5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A. – Milan Share capital: €100,000, par value per share €5	20,000	100.00	—	—	—
SADE FINANZIARIA - INTERSOMER S.r.l. - Milan Capital: €25,000	1	100.00	—	—	—
SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A. - Milan Share capital: €500,000, par value per share €5	100,000	100.00	—	—	—
SPAFID S.p.A. - Milan Share capital: €100,000, par value per share €10	10,000	100.00	—	—	—
TECHNOSTART S.p.A. - Milan Share capital: €600,000, par value per share €0.50	828,000	69.00	—	—	—
<i>Indirectly-controlled subsidiaries</i>					
COFACTOR S.p.A. - Milan Share capital: €32.5m, par value per share €0.50	—	—	65,000,000	100.00	Compass
CREDITECH S.p.A - Milan Share capital: €250,000, par value per share €1	—	—	250,000	100.00	Compass
MICOS BANCA S.p.A. - Milan Share capital: €70m, par value per share €0.50	—	—	140,000,000	100.00	Compass

* Securities owned.

cont. TABLE

	Shareholding				Shares held by:
	Shares held directly*		Shares held indirectly*		
	No. of shares/units	%	No. of shares/units	%	
PALLADIO LEASING S.p.A. – Vicenza Share capital: €8.7m, par value per share €0.50	—	—	16,482,500 867,500	95.00 5.00	SelmaBipiemme Palladio Leasing
SELMABIPIEMME LEASING S.p.A. - Milan Share capital: €41.3m, par value per share €0.50	—	—	49,564,777	60.00	Compass
TELELEASING S.p.A. - Milan Share capital: €9.5m, par value per share €1	—	—	7,600,000	80.00	SelmaBipiemme
QUARZO LEASE S.r.l. - Milan Capital: €10,000	—	—	1	90.00	SelmaBipiemme
C.M.I. Compagnie Monégasque Immobilière - SCI Monte Carlo Share capital: €2.4m, par value per share €1,525	—	—	1,599	99.94	CMB S.A.
C.M.G. Compagnie Monégasque de Gestion S.A.M. - Monte Carlo Share capital: €160,000, par value per share €160	—	—	997	99.70	CMB S.A.
SMEF Soc. Monégasque des Etudes Financière S.A.M. - Monte Carlo Share capital: €775,000, par value per share €155	—	—	4,996	99.92	CMB S.A.
MONOECI Soc. Civile Immobilière - Monte Carlo Share capital €1,600, par value per share €15.5	—	—	99	99.00	CMB S.A.
CMB ASSET MANAGEMENT - Monte Carlo Share capital €150,000, par value per share €150	—	—	995	99.50	CMB S.A.
MOULINS 700 S.A. - Monte Carlo Share capital €160,000, par value per share €160	—	—	998	99.80	C.M.I. SCI

* Securities owned.

cont. TABLE

	Shareholding				
	Shares held directly*		Shares held indirectly*		Shares held by:
	No. of shares/units	%	No. of shares/units	%	
<i>Other significant shareholdings</i>					
APE SGR - Milan Share capital: €1.1m, par value per share €1	440,000	40.00	—	—	—
ATHENA PRIVATE EQUITY S.A. - Luxembourg Share capital: €51.2m, par value per share € 2	6,114,460	23.88	—	—	—
BANCA ESPERIA S.p.A. - Milan Share capital: €13m, par value per share €0.52	11,452,800	45.81	—	—	—
BURGO GROUP S.p.A. - Altavilla Vicentina Share capital: €205.4m, par value per share €0.52	87,442,365	22.13	—	—	—
TELCO S.p.A. - Milan Share capital: €4,849m, par value per share €2.5	206,464,495	10.64	—	—	—
FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A. - Milan Share capital: €11.4m, par value per share €520	5,500	25.00	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l. - Milan Share capital: €79.1m	1	15.06	—	—	—
MB VENTURE CAPITAL FUND I PART. CO. A N.V. - Amsterdam Share capital: €50,000, par value per share €1	22,500	45.00	—	—	—
SINTERAMA S.p.A. - Sandigliano Share capital: €45m, par value per share €0.51	9,324,456	10.51	—	—	—
SPEED S.p.A. - Milan Share capital: €200,000, par value per share €1	38,376	19.19	—	—	—
GB Holding S.r.l. – Montecchio Maggiore, Vicenza Capital: €97,000	48,394	49.90	—	—	—
ZAMBIA TANZANIA ROAD SERVICES Ltd - Lusaka (in liquidation) Share capital: 4 million Kwacha, par value per share 200 Kwacha	4,667	23.33	—	—	—
MB VENTURE CAPITAL S.A. - Luxembourg Share capital: €40,000, par value per share €10	—	—	1,400	35.00	Technostart

* Securities owned.

***Declaration in respect of interim financial statements
as required by Article 81-ter of Consob resolution no. 11971
issued on 14 May 1999 as amended***

1. The undersigned Alberto Nagel and Massimo Bertolini, in their respective capacities as Chief Executive Officer and Head of Financial Reporting of Mediobanca, hereby declare, and in view *inter alia* of the provisions contained in Article 154-bis, paras. 3 and 4, of Italian Legislative Decree 58/98, that:
 - the company's characteristics are adequate; and that
 - the administrative and accounting procedures required for the financial statements to be drawn up were effectively applied during the six months ended 31 December 2007.
2. Assessment of the adequacy of said administrative and accounting procedures for the financial statements for the six months ended 31 December 2007 was based on a model defined by Mediobanca in accordance with benchmark standards for internal control systems generally accepted at international level (i.e. the COSO and COBIT frameworks).
3. It is further hereby declared that the interim financial statements:
 - correspond to the data recorded in the company's books and accounts ledgers;
 - have been drawn up in accordance with the International Financial Reporting Standards adopted by the European Union and with the implementation measures contained in Article 9 of Italian Legislative Decree 38/05, we are aware provide a truthful and accurate representation of the capital, earnings and financial situation of the issuer and the group of companies included within its area of consolidation.

Milan, 7 March 2008

Chief Executive Officer
Alberto Nagel

Head of Financial Reporting
Massimo Bertolini