MEDIOBANCA

Quarterly Report

for the three months to 30 September 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

Quarterly Report

for the three months to 30 September 2007 www.mediobanca.it

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REVIEW OF OPERATIONS

The Mediobanca Group's results for the first three months of the new financial year reflect a net profit of €390.1m, up 6.4% on the €366.5m reported at the same time last year, despite lower gains on disposals of available-for-sale securities, at €104.3m, compared with €154.9m one year previously, owing to disposal of the shareholding in Ferrari.

Profit from ordinary activity improved by 28.5%, from €333.9m to €429.1m, reflecting a healthy performance in total income, which was up 26.2%, from €424.8m to €535.9m. In particular:

— net interest income rose by 16.5%, from €158.1m to €184.2m, due to the effect of growing volumes in corporate banking;

— net trading income reported gains of €71.8m (30/6/06: €26.1m), more than 70% of which was attributable to equities (€51.6m) and the balance to fixed-income trading (€20.2m);

— net fee and commission income fell by 13.7%, from €115m to €99.3m, reflecting the slowdown in acquisition finance business for the quarter;

— income from equity-accounted companies grew by 36.2%, from €125.6m to €171.1m, reflecting the healthy earnings performance by Assicurazioni Generali and RCS MediaGroup in the second quarter.

Costs grew by 17.5%, from €90.9m to €106.8m, linked to expansion of the Group's operating presence in Italy and elsewhere, with a rise in the employee headcount of 163 compared to the same time last year.

Bad debt writeoffs, entirely attributable to retail financial services, rose by €33.6m to €43.9m, in relation to the increase in lendings of 15%, from €9.1bn to €10.4bn, and the deterioration in risk profile.

All the Group's main business areas reflect improvement at the operating profit level: wholesale banking grew by 37.1%, from €123.6m to €169.5m; equity investment portfolio by 39.4%, from €117.8m to €164.2m; private banking by 8.8%, from €13.7m to €14.9m; and retail financial services by 2.4%, from €79.7m to €81.6m. Conversely, wholesale banking and private banking both showed reductions on the bottom line, of 3.6% (from €204.3m to €197m) for the former, and 15.8% (from €16.4m to €13.8m) for the latter, due to the aforementioned lower gains on disposals of securities, whereas the result posted by retail financial services was hit by the increase in development costs and bad debt writeoffs, and shows a reduction of 19.9% in net profit to €19.3m.

On the balance-sheet side, there was growth of 7.1% in loans and advances to customers, from €26.8bn to €28.7bn, and of 2.1% in funding, from €34.2bn to €35bn, whereas treasury funds reduced, from €7bn to €6.4bn, and AFS securities also declined, from €5.6bn to €5bn.

* * *

Significant events during the three months under review have included:

— trimming the AFS portfolio, with net divestments of over €400m generating gains on disposal of €105.5m;

— start-up of operations at the branch office in Frankfurt, and authorization to open an office in Madrid;

— effective launch of the dualistic system of governance, with the Supervisory Board and Management Board established starting from 2 July 2007.

CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	3 mths to 30/9/06	12 mths to 30/6/07	3 mths to 30/9/07	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	158.1	666.8	184.2	+16.5
Net trading income	26.1	82.8	71.8	n.m.
Net fee and commission income	115.0	371.3	99.3	–13.7
AFS securities	—	71.7	9.5	n.m.
Share in profits earned by equity-accounted companies	125.6	418.9	171.1	+36.2
TOTAL INCOME	**424.8**	**1,611.5**	**535.9**	**+26.2**
Labour costs	(51.8)	(236.4)	(61.9)	+19.5
Other administrative expenses	(39.1)	(194.0)	(44.9)	+14.8
OPERATING COSTS	**(90.9)**	**(430.4)**	**(106.8)**	**+17.5**
PROFIT FROM ORDINARY ACTIVITIES	**333.9**	**1,181.1**	**429.1**	**+28.5**
Gain (loss) on disposal of AFS securities	154.9	175.4	104.3	–32.7
Gain (loss) on disposal of other assets	—	(0.1)	—	n.m.
Bad debt writeoffs	(33.6)	(165.0)	(43.9)	+30.7
Writedowns to AFS securities	—	(4.2)	—	n.m.
Extraordinary provisions	(4.5)	(6.0)	—	n.m.
PROFIT BEFORE TAX	**450.7**	**1,181.2**	**489.5**	**+8.6**
Income tax for the period	(81.6)	(215.2)	(96.6)	+18.4
Minority interest	(2.6)	(12.8)	(2.8)	+7.7
NET PROFIT	**366.5**	**953.2**	**390.1**	**+6.4**
of which: from banking activity	*224.5*	*590.2*	*230.1*	*–5.9*

RESTATED BALANCE SHEET

	30/9/06	30/6/07	30/9/07
	€m	€m	€m
Assets			
Treasury funds	8,172.8	6,993.0	6,427.0
AFS securities	4,884.5	5,573.2	4,963.0
of which: fixed-income	*2,380.1*	*1,622.4*	*1,649.3*
equities	*2,106.0*	*3,335.7*	*2,759.9*
Financial assets held to maturity	630.6	622.5	626.6
Loans and advances to customers	21,768.4	26,811.6	28,703.6
Equity investmetns	2,300.8	2,632.7	2,746.2
Tangible and intangible assets	303.0	310.5	310.8
Other assets	466.3	588.6	562.1
of which: tax assets	*325.3*	*372.0*	*381.7*
Total assets	38,526.4	43,532.1	44,339.3
Liabilities			
Funding	30,156.6	34,227.7	34,958.9
of which: debt securities in issue	*22,297.2*	*25,702.6*	*26,098.2*
Other liabilities	1,502.3	1,227.9	1,720.3
of which: tax liabilities	*734.9*	*787.1*	*850.3*
Provisions	192.8	185.4	181.5
Net equity	6,308.2	6,937.9	7,088.5
of which: share capital	*407.8*	*408.8*	*409.5*
reserves	*5,810.2*	*6,420.8*	*6,570.5*
minority interest	*90.2*	*108.3*	*108.5*
Profit for the period	366.5	953.2	390.1
Total liabilities	38,526.4	43,532.1	44,339.3

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

30/9/07	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income (expense)	64.1	116.4	7.3	(2.8)	184.2
Dividends	9.5	—	—	—	9.5
Net trading income (expense)	68.1	(0.1)	3.9	—	71.8
Net fee and commission income	77.0	11.7	21.4	—	99.3
Share of profits earned by equity-accounted companies	0.1	—	—	169.1	171.1
TOTAL INCOME	**218.8**	**128.0**	**32.6**	**166.3**	**535.9**
Labour costs	(33.9)	(18.9)	(11.1)	(1.4)	(61.9)
Administrative expenses	(15.4)	(27.5)	(6.6)	(0.7)	(44.9)
OPERATING COSTS	**(49.3)**	**(46.4)**	**(17.7)**	**(2.1)**	**(106.8)**
PROFIT FROM ORDINARY ACTIVITIES	**169.5**	**81.6**	**14.9**	**164.2**	**429.1**
Gains (loss) on disposal of AFS securities	104.2	—	0.2	—	104.3
Bad debt writeoffs	—	(43.9)	—	—	(43.9)
PROFIT BEFORE TAX	**273.7**	**37.7**	**15.1**	**164.2**	**489.5**
Income tax for the period	(76.7)	(15.5)	(1.3)	(4.2)	(96.6)
Minority interest	—	(2.9)	—	—	(2.8)
NET PROFIT	**197.0**	**19.3**	**13.8**	**160.0**	**390.1**
Balance-sheet data					
AFS securities	4,018.9	—	967.0	—	4,963.0
Equity investments	175.5	—	—	2,520.0	2,746.2
Loans and advances to customers	21,941.7	10,437.3	712.2	—	28,703.6
of which: to Group companies	*4,219.6*	—	—	—	—
No. of staff	487	1,130	291*	—	1,860

* Includes 95 Esperia group staff pro-forma not included in Group total.

Notes:

1) Business divisions include:
   - *wholesale banking*: Mediobanca, Mediobanca International, MB Securities USA, Consortium and Prominvestment;
   - *retail financial services*: Compass, Micos Banca, Cofactor and Creditech (consumer finance), SelmaBipiemme Leasing, Palladio Leasing and Teleleasing (leasing);
   - *private banking*: Compagnie Monégasque de Banque, Spafid and Prudentia Fiduciaria, plus 48.5% of Banca Esperia pro-forma;
   - *equity investment portfolio*: Group shareholdings in Assicurazioni Generali and RCS MediaGroup.
2) Data prepared in conformity with IAS/IFRS.
3) Sum of data for business divisions differs from Group totals due to:
   - Banca Esperia being consolidated pro-rata (48.5%) rather than equity-accounted;
   - adjustments/differences arising on consolidation of different business areas.

30/9/06	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income (expense)	45.4	109.2	6.1	(2.0)	158.1
Dividends	—	—	—	—	—
Net trading income (expense)	22.3	(0.1)	3.9	—	26.1
Net fee and commission income	94.1	9.0	19.9	—	115.0
Share of profits earned by equity-accounted companies	3.2	—	—	121.2	125.6
TOTAL INCOME	**165.0**	**118.1**	**29.9**	**119.2**	**424.8**
Labour costs	(27.4)	(16.1)	(9.8)	(0.8)	(51.8)
Administrative expenses	(14.0)	(22.3)	(6.4)	(0.6)	(39.1)
OPERATING COSTS	**(41.4)**	**(38.4)**	**(16.2)**	**(1.4)**	**(90.9)**
PROFIT FROM ORDINARY ACTIVITIES	**123.6**	**79.7**	**13.7**	**117.8**	**333.9**
Gains (loss) on disposal of AFS securities	146.8	—	8.1	—	154.9
Extraordinary provisions	—	—	(4.5)	—	(4.5)
Bad debt writeoffs	—	(33.6)	—	—	(33.6)
PROFIT BEFORE TAX	**270.4**	**46.1**	**17.3**	**117.8**	**450.7**
Income tax for the period	(66.1)	(19.4)	(0.9)	4.2	(81.6)
Minority interest	—	(2.6)	—	—	(2.6)
NET PROFIT	**204.3**	**24.1**	**16.4**	**122.0**	**366.5**
Balance-sheet data					
AFS securities	3,506.4	—	1,397.9	—	4,884.5
Equity investments	146.4	—	—	2,118.1	2,300.8
Loans and advances to customers	15,978.4	9,051.5	509.9	—	21,768.4
of which: to Group companies	*3,649.0*	—	—	—	—
No. of staff	422	1,032	277*	—	1,697

* Includes 87 Esperia group staff pro-forma not included in Group total.

BALANCE SHEET

The main balance-sheet items reflected the following trends in the three months:

Funding — this item rose from €34,227.7m to €34,958.9m, due to the increase in bond issues, up from €23,489.8m to €24,286.1m following the issue of an approx. €1bn fixed-rate bond in September. There were modest reductions in short term funding (Euro CDs and commercial paper) from €10,737.9m to €10,672.8m, and in other forms of funding (including current accounts).

Loans and advances to customers — these rose by €1,892m, from €26,811.6m to €28,703.6m, chiefly on the back of the corporate segment, which, in a scenario reflecting a sharp slowdown, was largely boosted by transactions originated during the previous quarter.

	30/6/07	30/9/07	Change
	€m	€m	%
Corporate	15,995.0	17,722.2	+10.8
Retail	10,101.4	10,422.1	+3.2
– *of which: consumer credit*	*3,659.1*	*3,753.0*	*+2.6*
mortgage lending	*2,131.6*	*2,248.0*	*+5.5*
leasing	*4,247.9*	*4,362.0*	*+2.7*
Other (CMB)	715.2	559.3	–21.8
TOTAL LOANS AND ADVANCES TO CUSTOMERS	26,811.6	28,703.6	+7.1

In terms of composition, 62% of the loan book is made up of corporate loans and structured finance (30/6/07: 59%), 21% of consumer credit (23%), 15% of leasing (16%), and the other 2% of finance disbursed by Compagnie Monégasque de Banque (2%).

Equity investments — this item rose by €113.5m, from €2,632.7m to €2,746.2m, reflecting healthy contributions from Assicurazioni Generali (€103.2m), RCS MediaGroup (€9.4m) and Banca Esperia (€2.1m). Other shareholdings were virtually stable, net of a partial redemption by Athena (€1.8m). Based on share prices as at 30 September 2007, the portfolio reflected a surplus of €4,013.3m (30/6/07: €3,928.9m), which falls to €3,896.2m based on current prices.

	Percentage shareholding*	Book value	Market value based on prices at 30/9/07	Surplus
	€m	€m	€m	€m
LISTED INVESTMENTS				
Assicurazioni Generali	14.09	2,202.9	6,105.6	3,902.7
RCS MediaGroup, *ordinary* ...	13.94	317.1	427.7	110.6
		2,520.0	6,533.3	4,013.3
OTHER INVESTMENTS				
Banca Esperia	48.50	50.7		
Cartiere Burgo	22.13	143.5		
Athena Private Equity class A	23.88	29.4		
Fidia	25.00	2.2		
Other minor investments		0.4		
		226.2		
		2,746.2		

* Percentage of entire share capital.

Financial assets held to maturity — these increased by €4.1m, from €622.5m to €626.6m, solely due to adjustments to amortized cost. The unrealized loss on these assets based on current prices amounts to €23.2m (30/6/07: €20.6m).

AFS securities — these reflect a reduction of €610.2m, from €5,573.2m to €4,963m, and comprise €1,649.3m (€1,622.4m) in debt securities, €2,759.9m (€3,335.7m) in equities, and €553.8m (€615.1m) in stock units held by Compagnie Monégasque de Banque. Movements on the equity side include investments worth €140.9m, disposals of €545.5m (with gains including the valuation reserve amounting to €105.5m), and downward adjustments to fair value at the reporting date of €134.1m, taken directly to net equity. The share of the net equity reserve attributable to equities amounts to €589.3m (€866.7m), after €143.3m was released in respect of disposals carried during the period.

	Percentage shareholding*	Book value at 30/9/07	Adjustment to fair value	Aggregate AFS reserve
Fiat	1.94 – 1.66	447.6	(19.5)	310.1
Telecom Italia	1.54 – 1.06	440.0	20.9	(82.4)
Pirelli	4.45 – 4.34	196.9	(9.1)	25.2
Italmobiliare	9.5 – 5.47	184.3	(36.3)	149.7
Other listed securities		1,067.7	(90.1)	120.4
Other unlisted securities		423.4	—	66.3
TOTAL		2,759.9	(134.1)	589.3

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

Treasury funds — this item fell from €6,993m to €6,427m, and includes €271.5m (€347m) in cash and cash equivalents, €6,682.3m (€8,029.2m) in fixed-income securities, €1,209.2m (€843.5m) in equities, and €252.4m (€177.2m) in upward adjustments to derivative contracts, net of short-term funding (repos, time deposits, etc.) amounting to €1,988.4m (€2,403.9m). Movements during the quarter and valuation of the portfolio (including derivatives) as at 30 September 2007 generated gains of €71.8m.

Tangible and intangible assets — these remained stable at €310.8m (€310.5m), following net investments of €3.4m and depreciation and amortization for the period totalling €3.1m.

Provisions — this consists of the provision for risks and charges, which was virtually unchanged at €155.6m, and the staff severance indemnity provision, down from €29.4m to €25.9m due to staff turnover during the period.

Net equity — net equity rose by €150.4m, from €6,829.6m to €6,980m, after allocation of retained earnings for the previous financial year amounting to €414.6m, issue of shares in respect of stock option schemes worth €14.8m, calculation of differences arising on consolidation linked to adoption of the equity method, which led to a €56.1m reduction, and a decrease in valuation reserves, from €837.1m to €614.2m.

PROFIT AND LOSS ACCOUNT

Net interest income — this rose by 16.5%, from €158.1m to €184.2m, which includes the effect of volatile items in connection with bond issue hedge measurement, net of which the increase would have been 11%.

Growth in this item is due to higher lendings in corporate banking and by the Compass group.

Net trading income — net trading income of €71.8m (€26.1m) was boosted by upward adjustments to prices and exchange rates at the reporting date, which added €67.4m, and reflects the high levels of activity and the quality of both the equity and fixed-income portfolios, despite the market turbulence.

	3 mths to 30/9/06	3 mths to 30/9/07
	€m	€m
Net trading income	43.8	2.4
Mark-to-market as at reporting date	(18.1)	67.4
Dividends	0.4	2.0
TOTAL	26.1	71.8

Net fee and commission income — the reduction in this item, from €115m to €99.3m, is largely attributable to corporate and investment banking fees, which declined from €93.9m to €76.7m, due to a slowdown in the structured finance and advisory markets. The item also includes €10.8m (€8.4m) attributable to the Compass group, and €11.8m (€12.7m) in fees earned by other Group companies, notably Compagnie Monégasque de Banque.

Operating costs — these rose by 17.5%, from €90.9m to €106.8m, and are made up of:

— labour costs amounting to €61.9m (€51.8m); this includes €3m (€1m) in respect of the Supervisory Board, and €2.2m (€2.5m) in costs due to stock options;

— sundry costs and expenses amounting to €44.9m (€39.1m), including €3.1m (€4m) in ordinary depreciation charges, and €41.3m (€35.1m) in administrative charges, made up as follows:

	3 mths to 30/9/06	3 mths to 30/9/07
	€m	€m
EDP and financial information subscriptions	8.8	9.7
Outside services and consultancy fees	3.5	5.1
Advertising	3.8	5.0
Rent, equipment leasing and maintenance charges	4.1	4.8
Stationery, publication costs and utilities	2.9	3.8
Bank charges	2.4	2.9
Bad debt and legal fees recovered	1.9	2.2
Travel, transport and entertainment	0.9	1.0
Others	6.8	6.8
TOTAL	35.1	41.3

Bad debt writeoffs — the rise in this item, from €33.6m to €43.9m, reflects the growth in riskier lendings by the Compass group (almost the same as the amount recorded for the fourth quarter last year).

Divisional results

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

Wholesale banking

	3 mths to 30/9/06	12 mths to 30/6/07	9 mths to 30/9/07	Y.o.Y. change
	€m	€m	€m	%
Net interest income	45.4	200.5	64.1	+41.2
Dividends on AFS securities	—	71.7	9.5	n.m.
Net trading income	22.3	69.6	68.1	n.m.
Net fee and commission income	94.1	281.9	77.0	–18.2
Share in profits earned by equity-accounted companies	3.2	18.0	0.1	n.m.
TOTAL INCOME	165.0	641.7	218.8	+32.6
Operating costs	(41.4)	(203.2)	(49.3)	+19.1
PROFIT FROM ORDINARY ACTIVITIES	**123.6**	**438.5**	**169.5**	**+37.1**
Gain (loss) on disposal of AFS securities	146.8	166.7	104.2	–29.0
Other items	—	(9.5)	—	n.m.
Tax for the period	(66.1)	(136.1)	(76.7)	+16.0
NET PROFIT	**204.3**	**459.6**	**197.0**	**–3.6**
Cost/income ratio (%)	25	26	22	
Bad loans/total loans (%)	=	=	=	

	30/9/06	30/6/07	30/9/07	Chg. in 3 mths to 30/9/07
	€m	€m	€m	%
Treasury funds	7,993.7	6,292.6	5,710.8	–9.2
AFS securities	3,506.4	4,788.1	4,018.9	–16.1
Financial assets held to maturity	630.7	622.5	626.6	+0.7
Equity investments	146.4	176.7	175.5	–0.7
Loans and advances to customers	15,978.4	20,313.9	21,941.7	+8.0
of which: to Group companies	*3,649.0*	*4,318.9*	*4,219.6*	*–2.3*
Funding	(23,487.6)	(26,918.8)	(27,271.8)	+1.3

Growth in profit from ordinary activity, which was up 37.1%, from €123.6m to €169.5m, is due to trading activity, which generated income of €68.1m, compared with €22.3m last year, and to the healthy trend in net interest income, up from €45.4m to €64.1m, which offset the 19.1% rise in operating costs, from €41.4m to €49.3m. Net fee and commission income, down 18.2%, from €94.1m to €77m, reflects the slowdown in activities due to the well-documented turbulence on financial markets. The division reported a net profit of €197m (€204.3m) for the three months, due to lower gains on disposal of AFS securities of €104.2m, as against €146.8m, and to higher taxation, up from €66.1m to €76.7m.

Balance-sheet aggregates in the three months reflect growth of 10.8% in loans and advances to customers, from €15,995m to €17,722.1m, and a rise in funding, from €26,918.8m to €27,271.8m, while treasury funds declined from €6,292.6m to €5,710.8m, and the AFS securities portfolio fell in value from €4,788.1m to €4,018.9m.

Equity investment portfolio

The share in earnings attributable to Mediobanca for the period rose by 39.5%, from €121.2m to €169.1m, €151.3m of which was attributable to Assicurazioni Generali and €17.8m to RCS MediaGroup.

Retail financial services

	3 mths to 30/9/06	12 mths to 30/6/07	3 mths to 30/9/07	Y.o.Y. change
	€m	€m	€m	%
Net interest income	109.2	455.2	116.4	+6.6
Net trading income (expense)	(0.1)	—	(0.1)	—
Net fee and commission income	9.0	45.6	11.7	+30.0
TOTAL INCOME	**118.1**	**500.8**	**128.0**	**+8.4**
Operating costs	(38.4)	(177.6)	(46.4)	+20.8
PROFIT FROM ORDINARY ACTIVITIES	**79.7**	**323.2**	**81.6**	**+2.4**
Bad debt writeoffs	(33.6)	(159.8)	(43.9)	+30.7
Income tax for the period	(19.4)	(70.2)	(15.5)	–20.1
Minority interest	(2.6)	(12.9)	(2.9)	+11.5
NET PROFIT	**24.1**	**80.3**	**19.3**	**–19.9**
Loans and advances to customers	9,051.5	10,122.9	10,437.3	+3.1*
New loans	1,048.0	4,778.6	1,155.3	+10.2
No. of branches	135	157	159	—
Cost/income ratio (%)	33	36	36	—
Bad loans/total loans (%)	0.95	0.81	0.86	—

* Compared with figure at 30/6/07.

The Compass group's consolidated highlights for the three months reflect a slight increase in profit before tax from ordinary activities, up from €79.7m to €81.6m, with total income up 8.4%, from €118.1m to €128m, partly due to higher fees and commissions, up from €9m to €11.7m, and despite the 20.8% increase in costs, from €38.4m to €46.4m, linked to geographical expansion. Higher bad debt writeoffs, which grew from €33.6m to €43.9m, virtually all of which were attributable to consumer credit activity, impacted on the bottom line for the period, which fell 19.9%, from €24.1m to €19.3m.

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

Retail financial services 30/9/07	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	96.5	11.0	107.5	20.5	128.0
Operating costs	(31.4)	(7.9)	(39.3)	(7.1)	(46.4)
PROFIT FROM ORDINARY ACTIVITIES	**65.1**	**3.1**	**68.2**	**13.4**	**81.6**
Bad debt writeoffs	(39.5)	(2.1)	(41.6)	(2.3)	(43.9)
Minority interests	—	—	—	(2.9)	(2.9)
Income tax for the period	(10.6)	(0.4)	(11.0)	(4.5)	(15.5)
NET PROFIT	**15.0**	**0.6**	**15.6**	**3.7**	**19.3**
New loans	613.8	161.9	775.7	379.6	1,155.3
Loans and advances to customers	3,812.2	2,248.1	6,060.3	4,377.0	10,437.3
No. of branches	118	29	147	12	159
No. of employees	689	224	913	217	1,130

Retail financial services 30/9/06	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	89.7	9.6	99.3	18.8	118.1
Operating costs	(27.0)	(5.2)	(32.2)	(6.2)	(38.4)
PROFIT FROM ORDINARY ACTIVITIES	**62.7**	**4.4**	**67.1**	**12.6**	**79.7**
Bad debt writeoffs	(30.2)	(1.6)	(31.8)	(1.8)	(33.6)
Minority interests	—	—	—	(2.6)	(2.6)
Income tax for the period	(13.7)	(1.2)	(14.9)	(4.5)	(19.4)
NET PROFIT	**18.8**	**1.6**	**20.4**	**3.7**	**24.1**
New loans	586.4	125.7	712.1	335.9	1,048.0
Loans and advances to customers	3,413.0	1,770.2	5,183.2	3,868.3	9,051.5
No. of branches	103	22	125	10	135
No. of employees	656	169	825	207	1,032

Private banking

	3 mths to 30/9/06	12 mths to 30/6/07	3 mths to 30/9/07	Y.o.Y. chg.
	€m	€m	€m	%
Total income	29.9	130.1	32.6	+9.0
of which: net fee and commission income	*19.9*	*91.9*	*21.4*	*+7.5*
Operating costs	(16.2)	(67.9)	(17.7)	+9.2
PROFIT FROM ORDINARY ACTIVITIES	**13.7**	**62.2**	**14.9**	**+8.8**
Other income (expenses)	3.6	2.6	0.2	n.m.
Income tax for the period	(0.9)	(10.1)	(1.3)	n.m.
NET PROFIT	**16.4**	**54.7**	**13.8**	**–15.8**

	30/9/06	30/6/07	30/9/07	Chg. in 3 mths to 30/9/07
	€m	€m	€m	%
Assets under management	11,434.8	13,865.6	13,852.4	—
Securities under trust	1,048.2	1,217.9	1,318.8	+8.3

Profit from ordinary activities rose by 8.8%, from €13.7m to €14.9m, on 9% growth in total income, from €29.9m to €32.6m, boosted by higher fees from Banca Esperia, up from €6.5m to €9m, and higher interest income from Compagnie Monégasque de Banque, up from €5.4m to €6.5m, against a modest increase in costs, which totalled €17.7m, compared with €16.2m one year previously. Net profit fell from €16.4m to €13.8m, due to the lack of non-recurring income which last year totalled €3.6m. Assets under management on a discretionary and non-discretionary basis remained stable over the quarter at €13.8bn, €8bn of which by CMB and €5.8bn (pro-rata) by Banca Esperia.

Private Banking 30/9/07	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	21.3	9.7	1.6	32.6
of which: net fee and commission income	*10.9*	*9.0*	*1.5*	*21.4*
Operating costs	(9.6)	(6.8)	(1.3)	(17.7)
PROFIT FROM ORDINARY ACTIVITIES	**11.7**	**2.9**	**0.3**	**14.9**
Other income (charges)	0.2	—	—	0.2
Income tax for the period	0.1	(1.2)	(0.2)	(1.3)
NET PROFIT	**12.0**	**1.7**	**0.1**	**13.8**
AUM	8,014.0	5,838.4	—	13,852.4

Private Banking 30/9/06	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	21.3	7.0	1.6	29.9
of which: net fee and commission income	*11.9*	*6.5*	*1.5*	*19.9*
Operating costs	(9.6)	(5.2)	(1.4)	(16.2)
PROFIT FROM ORDINARY ACTIVITIES	**11.7**	**1.8**	**0.2**	**13.7**
Other income (charges)	3.6	—	—	3.6
Income tax for the period	—	(0.7)	(0.2)	(0.9)
NET PROFIT	**15.3**	**1.1**	—	**16.4**
AUM	7,197.6	4,237.2	—	11,434.8

* * *

Outlook

The difficult market conditions and costs linked to expansion of banking activities could lead to results being lower than those achieved last year, but still ahead of the targets set under the Mediobanca Group business plan. Wholesale banking should post improvements in net interest and net trading income. Trends in retail financial services should continue to be impacted by an ongoing worsening in the risk profile of customers and the effect of higher funding costs on net interest income; without prejudice to the prudential policy of provisioning adopted to preserve asset quality. In private banking, growth in AUM and profitability should be borne out. The equity investment portfolio should be boosted by improved results from the equity-accounted companies.

Milan, 27 October 2007

THE MANAGEMENT BOARD

ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The balance sheet and profit and loss account as at 30 September 2007 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Council and Commission on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005. This financial statement has also been drawn up in conformity with Consob resolution 11971/99 enacting regulations for issuers.

Section 2

Area and methods of consolidation

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

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

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

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

		Registered office	Type of relation ship[1]	Shareholding		% voting rights[2]
				Investor company	% interest	
A.	COMPANIES INCLUDED IN AREA OF CONSOLIDATION					
A.1	*Line-by-line*					
1.	MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	1	—	—	—
2.	PROMINVESTMENT S.p.A.	Rome	1	A.1.1	70.00	70.00
3.	PRUDENTIA FIDUCIARIA S.p.A	Milan	1	A.1.1	100.00	100.00
4.	SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A.	Milan	1	A.1.1	100.00	100.00
5.	SPAFID S.p.A.	Milan	1	A.1.1	100.00	100.00
6.	TECHNOSTART S.p.A.	Milan	1	A.1.1	69.00	69.00
7.	COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A.	Monte Carlo	1	A.1.1	100.00	100.00
8.	C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI	Monte Carlo	1	A.1.7	99.94	99.94
9.	C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M.	Monte Carlo	1	A.1.7	99.70	99.70
10.	SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M.	Monte Carlo	1	A.1.7	99.92	99.92
11.	MONOECI SOCIETE CIVILE IMMOBILIERE	Monte Carlo	1	A.1.7	99.00	99.00
12.	MOULINS 700 S.A.M.	Monte Carlo	1	A.1.8	99.80	99.80
13.	MEDIOBANCA INTERNATIONAL (Luxembourg) S.A.	Luxembourg	1	A.1.1	99.00	99.00
			1	A.1.14	1.00	1.00
14.	COMPASS S.p.A.	Milan	1	A.1.1	100.00	100.00
15.	MICOS BANCA S.p.A.	Milan	1	A.1.14	100.00	100.00
16.	COFACTOR S.p.A.	Milan	1	A.1.14	100.00	100.00
17.	SELMABIPIEMME LEASING S.p.A.	Milan	1	A.1.14	60.00	60.00
18.	PALLADIO LEASING S.p.A.	Vicenza	1	A.1.17	95.00	100.00
				A.1.18	5.00	
19.	TELELEASING S.p.A.	Milan	1	A.1.17	80.00	80.00
20.	SADE FINANZIARIA - INTERSOMER S.r.l.	Milan	1	A.1.1	100.00	100.00
21.	RICERCHE E STUDI S.p.A.	Milan	1	A.1.1	100.00	100.00
22.	CREDITECH S.p.A.	Milan	1	A.1.14	100.00	100.00
23.	MEDIOBANCA SECURITIES USA LLC	New York	1	A.1.1	100.00	100.00
24.	CONSORTIUM S.p.A.	Milan	1	A.1.1	100.00	100.00
25.	QUARZO S.r.l.	Milan	4	A.1.14	7.00	7.00
26.	QUARZO LEASE S.r.l.	Milan	4	A.1.17	10.00	10.00

Legend

[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 3

Significant accounting policies

Financial assets held for trading

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

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

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

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

AFS securities

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

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

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

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

Financial assets held to maturity

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

Such assets are initially recognized at fair value, which is calculated as at the settlement date and includes any transaction costs or income directly attributable to them. Following their initial recognition they are measured at amortized cost using the effective interest method. Differences between the initial recognition value and the amount receivable at maturity are booked to profit and loss account pro-rata.

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

Loans and receivables

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

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

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

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

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

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

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

Leasing

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

Hedges

There are two types of hedge:

– fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in their fair value;

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

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

Hedge derivatives are recognized at fair value as follows:

– changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;

– the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity, while the gain or loss deriving from the ineffective portion is recognized through profit and loss only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

Equity investments

This heading consists of investments in:

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

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

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

Trading liabilities

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

Staff severance indemnity provision

This is stated to reflect the actuarial value of the provision as calculated in line with regulations used for defined benefit schemes. Future obligations are estimated on the basis of historical statistical analysis (e.g. staff turnover, retirements, etc.) and demographic trends. These are then discounted to obtain their present value on the basis of market interest rates. The values thus obtain are booked under labour costs as the net amount of contributions paid, prior years' contributions not yet capitalized, interest accrued, and actuarial gains and losses.

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

Provisions for liabilities and charges

This heading comprises amounts set aside to cover risks not necessarily associated with defaults on loans or advances that could lead to future expenses. If the time effect is material, provisions are discounted using current market rates. Provisions are recognized in profit and loss 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 made from provisions only in respect of those charges for which such provision was 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 dates of the transactions.

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

Tax assets and liabilities

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

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

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

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

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

Stock options

The stock option scheme operated on behalf of Group staff members and others is treated as a component of labour costs. The fair value of the options is measured and recognized in equity at the grant date using an option pricing method adjusted to reflect historical series for previous financial years. The value thus determined is taken to profit and loss pro-rata to the vesting period for the individual awards.

Treasury shares

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

Dividends and commissions

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

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

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)*

	Assets	IAS-compliant 30/9/06	IAS-compliant 30/6/07	IAS-compliant 30/9/07
10.	Cash and cash equivalents	8.8	4.5	5.8
20.	Financial assets held for trading	9,708.8	12,734.8	12,597.5
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	4,884.5	5,573.2	4,963.0
50.	Financial assets held to maturity	630.6	622.5	626.6
60.	Due from banks	7,374.3	6,305.7	7,575.6
	of which:			
	other trading items	*6,662.3*	*5,372.7*	*6,207.4*
	other items	*10.1*	*20.8*	*16.3*
70.	Due from customers	22,810.3	28,132.6	30,498.4
	of which:			
	other trading items	*1,698.0*	*2,168.0*	*3,072.1*
	other items	*26.5*	*23.0*	*37.0*
80.	Hedging derivatives	824.7	848.2	892.0
	of which:			
	funding hedge derivatives	*790.0*	*786.0*	*846.4*
	lending hedge derivatives	*3.0*	*7.6*	*2.2*
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	2,300.8	2,632.7	2,746.2
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	299.0	298.5	298.5
130.	Intangible assets	4.0	12.0	12.3
	of which:			
	goodwill	—	—	—
140.	Tax assets	325.3	372.0	381.7
	a) current	*169.5*	*228.7*	*227.7*
	b) advance	*155.8*	*143.3*	*154.0*
150.	Other non-current and Group assets being sold	—	—	—
160.	Other assets	167.7	303.0	324.2
	of which:			
	other trading items	*84.2*	*184.9*	*240.4*
	TOTAL ASSETS	**49,338.8**	**57,839.7**	**60,921.8**

*** Figures in €'000.**

The balance sheet provided on p. 8 reflects the following restatements:

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

	Liabilities and net equity	IAS-compliant 30/9/06	IAS-compliant 30/6/07	IAS-compliant 30/9/07
10.	Due to banks	10,735.9	13,487.1	13,856.6
	of which:			
	other trading items	*5,010.1*	*7,138.8*	*7,567.0*
20.	Due to customers	3,009.6	4,027.0	5,349.4
	of which:			
	other trading items	*867.4*	*1,820.3*	*2,754.3*
	other liabilities	*8.5*	*14.5*	*24.0*
30.	Debt securities	21,854.9	24,702.5	25,167.2
40.	Trading liabilities	3,433.0	3,684.8	4,453.0
50.	Liabilities recognized at fair value	—	—	—
60.	Hedging derivatives	1,303.3	1,868.3	1,823.0
	of which:			
	funding hedge derivatives	*1,251.0*	*1,786.2*	*1,777.6*
	lending hedge derivatives	*33.1*	*30.4*	*18.0*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	734.9	787.1	850.3
	a) current	*325.1*	*246.3*	*338.8*
	b) deferred	*409.8*	*540.8*	*511.5*
90.	Liabilities in respect of Group assets being sold	—	—	—
100.	Other liabilities	1,399.7	1,206.4	1,762.3
	of which:			
	other trading items	*678.8*	*821.5*	*918.1*
110.	Staff severance indemnity provision	36.1	29.4	25.9
120.	Provisions	156.6	156.0	155.6
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*156.6*	*156.0*	*155.6*
130.	Technical reserves	—	—	—
140.	Valuation reserves	444.8	837.1	614.2
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	3,264.7	3,464.8	3,825.5
180.	Share premium reserve	2,101.2	2,119.3	2,131.1
190.	Share capital	407.8	408.8	409.5
200.	Treasury shares	(0.4)	(0.4)	(0.4)
210.	Net equity attributable to minorities	90.2	108.3	108.5
220.	Profit (loss) for the year	366.5	953.2	390.1
	TOTAL LIABILITIES AND NET EQUITY	**49,338.8**	**57,839.7**	**60,921.8**

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

		3 mths to 30/9/06	12 mths to 30/6/07	3 mths to 30/9/07
10.	Interest and similar income	826.7	2,409.3	620.1
20.	Interest expense and similar charges	(666.1)	(1,817.5)	(453.9)
30.	**Net interest income**	**160.6**	**591.8**	**166.2**
40.	Fee and commission income	114.3	376.9	97.7
50.	Fee and commission expense	(7.3)	(47.5)	(7.0)
60.	**Net fee and commission income**	**107.0**	**329.4**	**90.7**
70.	Dividends and similar income	0.4	112.0	40.9
80.	Net trading income	26.8	117.6	54.3
90.	Net hedging income (expense)	(3.6)	(0.8)	3.7
100.	Gain (loss) on disposal of:	155.1	176.0	104.7
	a) loans and receivables	—	—	—
	b) AFS securities	*154.9*	*175.4*	*104.4*
	c) financial assets held to maturity	—	*(0.1)*	*(0.1)*
	d) other financial assets	*0.2*	*0.7*	*0.4*
120.	**Total income**	**446.3**	**1,326.0**	**460.5**
130.	Adjustments for impairment to:	(33.6)	(169.1)	(43.9)
	a) loans and receivables	*(34.1)*	*(165.2)*	*(44.4)*
	b) AFS securities	—	*(4.2)*	—
	c) financial assets held to maturity	*0.5*	*0.3*	*0.5*
	d) other financial liabilities	—	—	—
140.	**Net income from financial operations**	**412.7**	**1,156.9**	**416.6**
150.	Net premium income	—	—	—
160.	Income less expense from insurance operations	—	—	—
170.	**Net income from financial and insurance operations**	**412.7**	**1,156.9**	**416.6**
180.	Administrative expenses:	(91.4)	(436.7)	(109.5)
	a) personnel costs	*(51.8)*	*(236.4)*	*(61.9)*
	b) other administrative expenses	*(39.6)*	*(200.3)*	*(47.6)*
190.	Net transfers to provisions for liabilities and charges	(4.7)	(6.4)	(0.1)
200.	Net adjustments to property, plant and equipment	(3.6)	(10.6)	(2.6)
210.	Net adjustments to intangible assets	(0.4)	(2.7)	(0.8)
	of which: goodwill	—	—	—
220.	Other operating income (expenses)	12.6	60.8	14.8
230.	**Operating costs**	**(87.5)**	**(395.6)**	**(98.2)**
240.	Profit (loss) from equity-accounted companies	125.5	418.9	171.1
270.	Gain (loss) on disposal of investments	—	(0.1)	—
280.	**Profit (loss) before tax on ordinary activities**	**450.7**	**1,180.1**	**489.5**
290.	Income tax on ordinary activities for the year	(81.6)	(214.1)	(96.6)
300.	**Profit (loss) after tax on ordinary activities**	**369.1**	**966.0**	**392.9**
310.	Net gain (loss) on non-current assets being sold	—	—	—
320.	Profit (loss) for the period	369.1	966.0	392.9
330.	Profit (loss) for the period attributable to minorities	(2.6)	(12.8)	(2.8)
340.	**Net profit (loss) for the year attributable to Mediobanca**	**366.5**	**953.2**	**390.1**

*** Figures in €'000.**

The profit and loss account provided on p. 7 reflects the following restatements:

- *Net interest income* includes the total reported under Heading 90, gains (losses) on financial liabilities as reported under Heading 100, plus margins on swaps reported under Heading 80 amounting to €0.9m, €73.2m and €12.9m respectively;
- amounts reported under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €4.6m, €12.9m and €6.1m which net operating expenses; net transfers to provisions for liabilities and charges include €4.5m at 30 September 2006 and €6m at 30 June 2007 respectively.

Declaration by Head of Company Financial Reporting

As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the accounting information contained in this report conforms to the documents, account ledgers and book entries of the company.

Head of
Company Financial Reporting

Massimo Bertolini