

**MEDIOBANCA INTERNATIONAL (LUXEMBOURG) S.A.**

Head office: Boulevard Roosevelt 14, Luxembourg

Mediobanca Banking Group

Share capital: € 10,000,000 fully paid up

**FINANCIAL SITUATION AT 31 DECEMBER 2006**

**BOARD OF DIRECTORS' REVIEW OF OPERATIONS**

This financial statement for the period ended 31 December 2006 has been prepared in accordance with International Accounting Standards pursuant to authorization received from the CSSF on 8 January 2007. Data presented for purposes of comparison has also been compiled on a IAS-compliant basis.

A net profit of €1,375,000 was earned during the period under review, following non-recurring costs of €1,800,000 (€1,304,000, net of €1,100 in extraordinary costs incurred in connection with transfer of the company's registered offices). Net of one-off items the company would have delivered a 32% year-on-year increase in net profit.

During the period under review bonds worth a total of €18,000,000 were issued against the company's Medium Term Notes Programme, and bonds worth €1,257,000 were issued against its Short Term Programme. Customer lendings in the structured finance sector amounted to €1,794,188,000. Net fee and commission income during the period totalled €1,630,000.

Since the reporting date no significant events have occurred which might impact on the company's asset, earnings and/or financial situation.

Accounts outstanding between the company and Mediobanca and the other Mediobanca group companies are financial in nature, and may be summarized as follows:

Parent company:

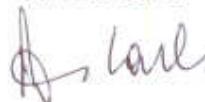
- due from Mediobanca S.p.A.	€ 1,926,574,000
- due to Mediobanca S.p.A.	€ 1,331,317,000

The company does not own, nor has it acquired or sold during the period under review, any treasury shares or shares in the parent company.

**pp. THE BOARD OF DIRECTORS**

**CHAIRMAN**

Mr M. Di Carlo



## BALANCE SHEET AS AT 31 DECEMBER 2006

Figures in € thousand, save for footnotes where figures are provided in full

Assets		31-Dec-06	30-Jun-06
10.	Cash and cash equivalents	0	0
20.	Financial assets held for trading	16.627	21.998
30.	Financial assets at fair value		
40.	Financial assets available for sale		
50.	Financial assets held to maturity		
60.	Due from banks	2.021.845	991.875
70.	Due from customers	1.233.979	433.575
80.	Hedging derivatives	942	2.174
90.	Value adjustments to financial assets subject to general hedging		
100.	Equity investements		
110.	Total reinsurers' share of technical reserves		
120.	Tangible assets	57	65
130.	Intangible assets	28	32
	<i>of wich:</i>		
	- goodwill		
140.	Tax assets		
	a) current		
	b) advance		
150.	Other non-current and group assets being sold		
160.	Other assets	454	2.222
	<b>TOTAL ASSETS</b>	<b>3.273.932</b>	<b>1.451.941</b>



Liabilities and shareholders' equity		31-Dec-06	30-Jun-06
10.	Amounts due to banks	1.344.405	433.489
20.	Amounts due to customers	0	0
30.	Debt securities in issue	1.823.849	921.938
40.	Trading liabilities	7.796	1.175
50.	Liabilities at fair value		
60.	Hedging derivatives	15.833	15.600
70.	Value adjustments to financial liabilities subject to general hedging		
80.	Tax liabilities		
	a) current	987	637
	b) advance		
90.	Liabilities linked to assets being sold		
100.	Other liabilities	1.064	480
110.	Staff severance indemnity provision		
120.	Provisions for liabilities and charges:		
	a) post-employment and similar benefits		
	b) other provisions		
130.	Technical reserves		
140.	Revaluation reserves		
150.	Redeemable shares		
160.	Equity instruments		
170.	Reserves	68.623	63.347
180.	Share premium reserve		
190.	Share capital	10.000	10.000
200.	Treasury shares		
210.	Net equity attributable to minority shareholders		
220.	Profit (loss) for the year	1.375	5.275
	<b>TOTAL LIABILITIES</b>	<b>3.273.932</b>	<b>1.451.941</b>

#### GUARANTEES AND COMMITMENTS

		31-Dec-06	2005/2006
10.	Guarantees given		
	<i>of which:</i>		
	- acceptances		
	- other guarantees	4.933	
20.	Commitments		
	<i>of which:</i>		
	- assets sold under repurchase agreements	2.562.113	2.011.433
30.	Credit derivatives	160.000	185.000

## PROFIT AND LOSS ACCOUNT

		6 mths to 31/12/06	6 mths to 31/12/05
10.	Interest and similar income	63.274	37.273
20.	Interest expense and similar charges	(63.591)	(33.339)
<b>30.</b>	<b>Net interest income</b>	<b>(317)</b>	<b>3.934</b>
40.	Fee and commission income	6.463	
50.	Fee and commission expense	(4.833)	(22)
<b>60.</b>	<b>Net fee and commission income</b>	<b>1.630</b>	<b>(22)</b>
70.	Dividends and similar income		
80.	Net trading income	(73)	(1.269)
90.	Net hedging income (expense)	1.163	
100.	Gain (loss) on disposal or repurchase of:		
	a) loans and receivables		
	b) Financial assets available for sale		
	c) Financial assets held to maturity		
	d) financial liabilities		
110.	Net income from financial operations		
<b>120.</b>	<b>Total income</b>	<b>2.403</b>	<b>2.643</b>
130.	Adjustments for impairment to:		
	a) loans and receivables		
	b) Financial assets available for sale		
	c) Financial assets held to maturity		
	d) other financial operations		
<b>140.</b>	<b>Net income from ordinary operations</b>		
150.	Net premium income		
160.	Income less expense from insurance operations		
<b>170.</b>	<b>Net income from financial and insurance operations</b>		
180.	Administrative expenses:	(666)	(976)
	a) personnel costs	(286)	(118)
	b) other administrative expenses	(380)	(858)
190.	Net transfers to provisions for liabilities and charges		(370)
200.	Net adjustments to tangible assets	(8)	
210.	Net adjustments to intangible assets	(4)	
220.	Other operating income (expenses)		7
<b>230.</b>	<b>Operating costs</b>	<b>(678)</b>	<b>(1.339)</b>
240.	Gains (losses) on equity investments		
250.	Net gain (loss) on valuing tangible/intangible assets at fair value		
260.	Net adjustments to goodwill		
270.	Net gain (loss) upon disposal of investments		
<b>280.</b>	<b>Profit (loss) on ordinary activities before tax</b>	<b>1.725</b>	<b>1.304</b>
290.	Income tax on ordinary activities	(350)	
<b>300.</b>	<b>Profit (loss) on ordinary activities after tax</b>	<b>1.375</b>	<b>1.304</b>
310.	Net gain (loss) on groups of assets being sold after tax		
<b>320.</b>	<b>Net profit (loss) for the year</b>	<b>1.375</b>	<b>1.304</b>
330.	Profit (loss) attributable to minorities		
<b>340.</b>	<b>Profit (loss) for the year attributable to Mediobanca</b>		





## **A.1 GENERAL**

### **Section 1**

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

Pursuant the authorization received by CSSF on 8 January 2007, as from the current financial year, Mediobanca International (Luxembourg) S.A.'s financial statement has been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB). These were adopted by the European Commission in accordance with the procedure laid down under Article 6 of EC regulation 1606/02 issued by the European Council and Parliament on 19 July 2002. A summary of the main accounting policies adopted by the Group is provided below.

### **Section 2**

#### **Significant accounting policies**

##### **Financial assets held for trading**

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

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

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

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



### **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 cash flow 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 any 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 below market rates, including non-interest-bearing loans. The relevant value adjustment is taken through earnings.

If the reasons which brought about the loss of value cease to apply, the original value of the loan is recovered in earnings 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 subjected to



collective tests. Loans are grouped on the basis of similar credit risk characteristics, and the related loss percentages are estimated at the test 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 different basis from the entire portfolio of loans deemed to be performing at that date.

### Hedges

There are two types of hedge:

- fair value hedges, which are intended to offset the exposure of recognized assets and liabilities to changes in the 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 the income statement together with any changes in the fair value of the hedged asset, where a difference between the two values 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 the 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.





### **Tangible assets**

These comprise 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 less or 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 usage. Extraordinary maintenance charges are reflected by increasing the asset's value, while ordinary maintenance charges are recorded in profit and loss.

Fixed assets are depreciated over the length of their useful life on a straight-line basis, with the exception of land, which is not depreciated on the grounds that it has unlimited useful life. Properties built on land owned by the company is 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 applications.

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

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

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





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

#### **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 structural bonds are stripped out from the underlying contract and recognized at fair value. Subsequent changes in fair value are recognized through profit and loss.

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

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

#### **Trading liabilities**

This item includes the negative value of trading derivatives and 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.

### **Provisions for liabilities and charges**

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

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

### **Foreign currency transactions**

Transactions in currencies other than the Euro are recorded by applying the exchange rate ruling at the date of the transaction to the amount denominated in foreign currency.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates ruling at the reference dates. Differences on cash items due to translation are recorded through profit and loss, whereas those on non-cash items are taken through earnings or to equity depending on their category.

### **Tax assets and liabilities**

Income taxes are recorded in the income statement, 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 taxable amount.

Advance tax assets are recognized in the balance sheet to the degree in which it is likely that they will be recovered.

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



## STATEMENT OF CHANGES IN EQUITY

	Balance as at 30 June 2006	Allocation of previous year's profit	Changes during the accounting period								Net equity at 31/12/2006		
			Reserves	Dividends and other applications	Changes to reserves	New shares issued	Treasury share purchases	Extraordinary dividend payouts	Changes in equities	Treasury share derivatives		Stock options	Profit (loss) for period ended 30/06/2006
Share capital:													
a) ordinary shares	10,000												10,000
b) other shares													
Share premium reserve													
Reserves:													
a) retained earnings	63,130	5,276											68,406
b) other reserves													
Revaluation reserves:													
a) AFS securities													
b) cash flow hedges													
c) special laws													
d) FTA reserves	217												217
e) others													
Equities													
Treasury shares													
Net profit (loss) for period	5,276	(5,276)									1,375	1,375	
Net equity	78,623										1,375	79,998	



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

A. CASH FLOW FROM OPERATING ACTIVITIES	Amount	
	31/12/2006	30/06/2006
<b>1. Operating activities</b>	<b>7,317</b>	<b>3,588</b>
- interest received	53,121	70,448
- interest paid	(48,680)	(70,018)
- dividends and similar income		
- net fee and commission received	3,443	3,548
- cash payments to employees	(286)	(633)
- other expenses paid	(380)	(1,736)
- other income received	399	1,979
- income taxes paid	(300)	
- net expenses/income from groups of assets being sold after tax		
<b>2. Cash generated/absorbed by financial assets</b>	<b>(1,818,759)</b>	<b>609,005</b>
- trading securities		188,929
- financial assets at fair value		
- AFS securities		
- amounts due to customers	(795,374)	(133,448)
- amounts due to banks: on demand	(899,001)	(422,431)
- amounts due to banks: other	(124,059)	977,775
- other assets	(325)	(1,820)
<b>3. Cash generated/absorbed by financial liabilities</b>	<b>1,811,442</b>	<b>(612,472)</b>
- amounts due to banks: on demand	2,600	(41,432)
- amounts due to banks: other	903,872	433,489
- amounts due to clients		(188,929)
- debt securities in issue	905,185	(820,330)
- trading liabilities		
- financial liabilities at fair value		
- other liabilities	(215)	4,730
<b>Net cash flow (outflow) from operating activities</b>	<b>0</b>	<b>(121)</b>
<b>B. INVESTMENT ACTIVITIES</b>		
<b>1. Cash generated from</b>	<b>0</b>	<b>0</b>
- disposals of shareholdings		
- dividends received in respect of shareholdings		
- disposals/redemptions of held-to-maturity investments		
- disposals of tangible assets		
- disposals of intangible assets		
- disposals of subsidiaries or business units		
<b>2. Cash absorbed by</b>	<b>0</b>	<b>(121)</b>
- acquisitions of shareholdings		
- acquisitions of held-to-maturity investments		
- acquisitions of tangible assets	0	(81)
- acquisitions of intangible assets	0	(40)
- acquisitions of subsidiaries or business units		
<b>Net cash flow (outflow) from investment activities</b>	<b>0</b>	<b>(112)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issues/purchases of treasury shares		
- issues/purchases of equity instruments		
- dividend payouts and other applications		
<b>Net cash flow (outflow) from funding activities</b>	<b>0</b>	<b>0</b>
<b>NET CASH FLOW (OUTFLOW) DURING PERIOD</b>	<b>0</b>	<b>0</b>

**RECONCILIATION**

	Amount	
	31/12/2006	30/06/2006
Cash and cash equivalents: balance at 1 July 2006	0	0
Total cash flow (outflow) during period	0	0
Cash and cash equivalents: exchange rate effect	-	-
Cash and cash equivalents: balance at 31 December 2006	0	0

## NOTES TO THE BALANCE SHEET

Figures in € thousand, save for footnotes where figures are provided in full.

### Segmental information

#### Section 2

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

##### 2.1 Financial assets held for trading

	31/12/06		30/06/06	
	Listed	Unlisted	Listed	Unlisted
<b>A. Cash assets</b>				
1. Debt securities	5,579		5,444	
2. Equities				
3. OICR units				
4. Loans and advances				
5. Impaired assets				
6. Assets sold but not derecognized				
<b>Total A</b>	<b>5,579</b>		<b>5,444</b>	
<b>B. Derivative products</b>				
1. Financial derivatives:		11,048		16,547
2. Credit derivatives				7
<b>Total B</b>		<b>11,048</b>		<b>16,554</b>
<b>Total (A+B)</b>	<b>5,579</b>	<b>11,048</b>	<b>5,444</b>	<b>16,554</b>

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

Type of derivative/underlying asset	Interest rates	Foreign currency/gold	Equities	Loans	Other	31/12/06	30/06/06
<b>A) Listed derivatives</b>							
1) Financial derivatives:							
– with exchange of principal							
– options bought							
– other derivatives							
– without exchange of principal							
– options bought							
– other derivatives							
2) Credit derivatives:							
– with exchange of principal							
– without exchange of principal							
<b>Total A</b>							
<b>B) Unlisted derivatives</b>							
a) Financial derivatives:							
– with exchange of principal							
– options bought							
– other derivatives		3,961				3,961	3,559
– without exchange of principal							
– options acquired			7,087			7,087	12,988
– other derivatives							
2) Credit derivatives:							
– with exchange of principal							7
– without exchange of principal							
<b>Total B</b>		<b>3,961</b>	<b>7,087</b>			<b>11,048</b>	<b>16,554</b>
<b>Total (A+B)</b>		<b>3,961</b>	<b>7,087</b>			<b>11,048</b>	<b>16,554</b>

## Section 6

### Heading 60: Due from banks

#### 6.1 Due from banks

	31/12/06	30/06/06
A. Due from central banks		
1. Term deposits		
2. Compulsory reserves		
3. Amounts due under repo agreements		
4. Others		
B. Due from banks		
1. Current accounts and demand deposits	31,074	24,322
2. Term deposits	1,410,349	511,618
3. Other loans and advances:		
3.1 amounts due under repo agreements		
3.2 amounts due under finance leases		
3.3 others	580,422	455,935
4. Debt securities		
5. Impaired assets		
6. Assets sold but not derecognized		
	2,021,845	991,875

The item "Due from banks" includes deposits held at and loans granted to Mediobanca in an amount of € 1,914,582,916.

## Section 7

### Heading : Due from customers

#### 7.1 Due to customers

	31/12/06	30/06/06
1. Current accounts		
2. Amounts due under repo transactions		
3. Mortgages		
4. Credit cards, personal loans and loans guaranteed by payrolls		
5. Amounts due under finance leases		
6. Factoring		
7. Other transactions	1,233,979	433,575
8. Debt securities		
9. Impaired assets		
10. Assets sold but not derecognized		
	1,233,979	433,575



## Section 8

### Hedging derivatives

#### 8.1 Asset hedge derivatives by type of product and underlying asset

Type of derivative/underlying asset	Interest rates	Foreign currency/gold	Equities	Loans	Other	Total
<b>A) Listed derivative products</b>						
1) Financial derivatives:						
– with exchange of principal						
– options bought						
– other derivatives						
– without exchange of principal						
– options bought						
– other derivatives						
b) Credit derivatives:						
– with exchange of principal						
– without exchange of principal						
Total A						
<b>B) Unlisted derivatives</b>						
1) Financial derivatives:						
– with exchange of principal						
– options bought						
– other derivatives						
– without exchange of principal						
– options bought						
– other derivatives	396					396
2) Credit derivatives						
– with exchange of principal				546		546
– without exchange of principal						
Total B	396			546		942
Total 31/12/06	396			546		942
Total 30/06/06	1,232			942		2,174

#### 8.2 Asset hedge derivatives by portfolio hedged and hedge type

	Fair value					Cash flow		
	Specific risks					General risk	Specific risks	General risk
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risks			
1. AFS securities								
2. Loans and receivables								
3. Financial assets held to maturity								
4. Collective								
Total assets								
1. Financial liabilities	396		546					
2. Collective								
Total liabilities	396		546					

## Section 12

### Heading 120: Tangible assets

#### 12.1 Tangible assets at cost

	31/12/06	30/06/06
<b>A. Core assets</b>		
1.1 owned		
a) land		
b) buildings		
c) furniture	23	27
d) electronic equipment	34	38
e) other		
1.2 acquired under finance leases		
a) land		
b) buildings		
c) furniture		
d) electronic equipment		
e) other		
Total A	57	65
<b>B. Assets held for investment purposes</b>		
2.1 owned		
a) land		
b) buildings		
2.2 acquired under finance leases		
a) land		
b) buildings		
Total B	-	-
Total (A+B)	57	65

12.2 Core tangible assets: year-on-year changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
<b>A. Gross opening balance</b>			33	48		81
A.1 Total net value reductions			(6)	(10)		(16)
<b>A.2 Net opening balance</b>			27	38		65
<b>B. Additions:</b>						
B.1 Purchases						
B.2 Capitalized improvement expenses						
B.3 Amounts recovered						
B.4 Increases in fair value taken to:						
a) net equity						
b) profit and loss						
B.5 Increases arising on exchange rates						
B.6 Transfers from properties held for investment purposes						
B.7 Other changes						
<b>C. Reductions</b>						
C.1 Disposals						
C.2 Depreciation charges			(4)	(4)		(8)
C.3 Value adjustments for impairment taken to:						
a) net equity						
b) profit and loss						
C.4 Reductions in fair value taken to:						
a) net equity						
b) profit and loss						
C.5 Reductions due to exchange rate differences						
C.6 Transfers to:						
a) tangible assets held for investment purposes						
b) assets being sold						
C.7 Other changes						
<b>D. Net closing balance</b>			23	34		57
D.1 Total net value reductions			10	14		24
<b>D.2 Gross closing balances</b>						
E. Stated at cost			33	48		81



## Section 13

### Intangible assets

#### 13.1 Intangible assets by type

	31/12/06		30/06/06	
	Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life
A.1 Goodwill				
A.1.1 attributable to Group				
A.1.2 attributable to minorities				
A.2 Other intangible assets				
A.2.1 Assets stated at cost:				
a) assets generated internally				
b) other assets	28			32
A.2.2 Assets stated at fair value:				
a) assets generated internally				
b) other assets				
Totale	28	-	-	32

#### 13.2 Intangible assets: year-on-year charges

	Goodwill	Other assets generated internally		Other intangible assets		Total
		Limited useful life	Unlimited useful life	Limited useful life	Unlimited useful life	
<b>A. Gross opening balance</b>				40	-	40
A.1 Total net value reductions				(8)		(8)
<b>A.2 Net opening balance</b>				32		32
<b>B. Additions:</b>						
B.1 Purchases						
B.2 Increases in internally generated assets						
B.3 Writebacks						
B.4 Increases in fair value taken to:						
a) net equity						
b) profit and loss						
B.5 Increases arising on exchange						
B.6 Other charges						
<b>C. Reductions</b>						
C.1 Disposals						
C.2 Value adjustments				(4)		(4)
- Amortization						
- Writedowns						
+ net equity						
+ profit and loss						
C.3 Reductions in fair value taken to:						
a) net equity						
b) profit and loss						
C.4 Transfers to non-current assets being sold						
C.5 Reductions due to exchange rate differences						
C.6 Other charges						
<b>D. Net closing balance</b>				28		28
D.1 Total net value adjustments				12		12
<b>E. Gross closing balance</b>						
F. Stated at cost				40		40

## Section 16

### Heading 160: Other assets

#### 16.1 Other assets

	31/12/06	30/06/06
<b>1. Bills for collection</b>		
<b>2. Amounts due from revenue authorities</b>		
– taxes withheld		
– advance payments		
– tax credits		
– VAT		
– taxes recoverable		
– interest on tax credit		
<b>Total amount due from revenue authorities</b>		
<b>3. Other amounts due</b>		
– securities drawn by lot, bonds and dividend coupons receivable		
– premiums, grants, indemnities and other items relating to lending transactions		1,813 (1)
– futures and other securities transactions		
– advance payments on deposit commissions		
– other items in transit		
– invoices to be collected or issued		315
<b>Total other amounts due</b>		
<b>4. Interbank accounts, deferred value dates</b>		
<b>5. Other items</b>	454	94
<b>6. Deposits paid on derivative products</b>		
<b>7. Adjustments on consolidation</b>		
<b>TOTALE</b>	<b>454</b>	<b>2,222</b>

- (1) During the period under review a total of €1,813 was expensed, equal to the share on commissions prepaid to Mediobanca outstanding as at 30 June 2006, to ensure a closer correlation between expenses and income from lending activities.



## Liabilities

### Section 1

#### Heading 10: Due to banks

##### 1.1 Due to banks

	31/12/06	30/06/06
<b>1. Due to central banks</b>		
<b>2. Due to banks</b>		
2.1 Current accounts and demand deposits		
2.2 Term deposits	2,605	
2.3 Borrowings	1,341,800	433,489
2.4 Amounts due under commitments to buy back own shares		
2.5 Liabilities in respect of assets sold but not written off		
2.6 Other amounts due to banks		
	1,344,405	433,489

Funding is provided by Mediobanca in an amount of € 1,313,796,075.

### Section 3

#### Heading 30: Debt securities in issue

##### 3.1 Debt securities in issue

	31/12/06		30/06/06	
	Book value	Fair value	Book value	Fair value
<b>A. Listed securities</b>				
1. bonds				
2. other debt securities				
<b>B. Unlisted securities</b>				
1. bonds	413,512	413,512	435,498	435,498
2. other debt securities	1,410,337	1,410,337	486,440	486,440
	1,823,849	1,823,849	921,938	921,938

## Section 4

### Heading 40: Trading liabilities

#### 4.1 Trading liabilities

	31/12/06			30/06/06		
	NV	FV		NV	FV	
		L	NL		L	NL
A. Cash liabilities						
1. Due to banks						
2. Due to customers						
3. Debt securities						
3.1 Bonds						
3.2 Other						
Total A						
B. Derivative products						
1. Financial derivatives			7,796			1,175
2. Credit derivatives						
Total B			7,796			1,175
Total (A+B)			7,796			1,175

FV = fair value  
NL = nominal or notional value  
L = listed  
NL = unlisted



4.4. *Trading liabilities: derivative products*

Type of derivative/underlying asset	Interest rates	Foreign currency /gold	Equities	Loans	Others	31/12/06	30/06/06
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							
- with exchange of principal							
- options issued		709				709	1,175
- other derivatives							
- without exchange of principal							
- options issued							
- other derivatives	7,087					7,087	
2. Credit derivatives							
- with exchange of principal							
- without exchange of principal							
Total B	7,087	709				7,796	1,175
Total (A+B)	7,087	709				7,796	1,175

## Section 6

### Heading 60: Hedging derivatives

#### 6.1 Hedging derivatives by type of product and underlying asset

Type of derivative/underlying asset	Interest rates	Foreign currency/gold	Equities	Loans	Others	Total
<b>A) Listed derivative products</b>						
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>B) Unlisted derivative products</b>						
1) Financial derivatives:						
– with exchange of principal						
– options issued						
– other derivatives						
– without exchange of principal						
– options issued						
– other derivatives	14,637					14,637
2) Credit derivatives:						
– with exchange of principal						
– without exchange of principal				1,196		1,196
Total B	14,637			1,196		15,833
Total 31/12/06	14,637			1,196		15,833
Total 30/06/06	13,821			1,779		15,600

#### 6.2 Liability hedge derivatives by portfolio hedged and hedge type

	Fair value hedges					Cash flow hedges		
	Specific risks					General risk	Specific risks	General risk
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	More than one risk			
1. AFS securities								
2. Loans and receivables								
3. Financial assets held to maturity								
4. Collective								
Total assets								
1. Financial liabilities	14,637		1,196					
2. Collective	14,637		1,196					

A

## Section 8

### Tax liabilities

#### 8.1 Current tax liabilities

	31/12/06	30/06/06
IRC – Impot sur le revenu des collectivités	745	480
ICC – Impot commercial le sur bénéfice	242	157
Other		
	987	637

## Section 10

### Other liabilities

#### 10.1 Other liabilities

	31/12/06	30/06/06
1. Bills for collection		
2. Amounts payable in respect of:		
– coupons and dividends pending collection		
– commissions payable to banks	674	
– commissions payable to participants in underwriting syndicates		
– sums available for payments to third parties		
– invoices pending settlement or issue	390	480
– premiums, grants, and other items relating to lending transactions		
3. Amounts due to revenue authorities		
4. Wages accrued, contributions and amounts withheld from staff for payment		
5. Interbank accounts, deferred value dates		
6. Deposits paid on derivative products (marked to market)		
7. Other items		
8. Adjustments on consolidation		
	1,064	480

## Section 15

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

#### 15.1 Consolidated net equity

	31/12/06	30/06/06
1. Share capital	10,000	10,000
2. Share premium reserve		
3. Reserves	68,623	63,347
4. Treasury shares		
a) Mediobanca		
b) Group companies		
5. Revaluation reserves		
6. Equity instruments		
7. Profit (loss) for the period attributable to Group	1,375	5,275
	79,998	78,622

### Other information

#### 1. Guarantees and commitments

	31/12/06	30/06/06
1. Financial guarantees given to:		
a) banks		
b) customers		
2. Commercial guarantees given to:		
a) banks		
b) customers	4,933	
3. Irrevocable commitments to lend funds to:		
a) Banks		
i) specific	4,198	
ii) stand-by basis	2,760	2,760
b) Customers		
i) specific	575,685	642,113
ii) stand-by basis	1,979,470	1,371,699
4. Commitments underlying credit derivatives: hedge sales	160,000	185,000
5. Assets pledged as collateral for third parties' obligations		
6. Other commitments		
	2,727,046	2,016,572





## NOTES TO PROFIT AND LOSS ACCOUNT

### Section 1

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

##### 1.1 *Interest and similar income*

	Performing assets		Impaired assets	Other assets	6 mths to 31/12/06	6 mths to 31/12/05
	Debt securities	Loans and advances				
1. Financial assets held for trading	157				157	1,837
2. Financial assets at fair value						
3. AFS securities						
4. Financial assets held to maturity						
5. Due from banks		11,230		21,681	32,911	26,122
6. Due from customers		22,435			22,435	
7. Hedging derivatives				7,762	7,762	9,314
8. Financial assets sold but not derecognized						
9. Other assets				9	9	
	157	33,665		29,452	63,274	37,273

##### 1.4 *Interest expense and similar charges*

	Payables	Securities	Other liabilities	6 mths to 31/12/06	6 mths to 31/12/05
1. Due to banks	(23,276)		(18)	(23,294)	(507)
2. Due to customers					(945)
3. Debt securities		(37,198)		(37,198)	(26,577)
4. Trading liabilities					
5. Liabilities at fair value					
6. Liabilities in respect of assets sold but not yet derecognized					
7. Other liabilities					
8. Hedging derivatives			(3,099)	(3,099)	(5,310)
	(23,276)	(37,198)	(3,117)	(63,591)	(33,339)

## Section 2

### Headings 40 and 50: Net fee income

#### 2.1 Fee and commission income

	6 mths to 31/12/06	6 mths to 31/12/05
a) guarantees given		
b) credit derivatives		
c) management, trading and advisory services:		
1. securities dealing		
2. currency dealing		
3. asset management		
3.1 private individuals		
3.2 groups		
4. securities under custody and non - discretionary		
5. bank deposits		
6. securities placing	549	
7. procurement of orders		
8. advisory services		
9. agency fees		
9.1 asset management		
9.1.1 private individuals		
9.1.2 groups		
9.2 insurance products		
9.3 other products		
d) collection and payment services		
e) securitization servicing		
f) factoring servicing		
g) tax collection and receipt services	5,914	
h) other services	6,463	

The heading "Other Services" includes upfront fees collected during the period in an amount of €5,155

## Section 4

### Heading 80: Net trading income

#### 4.1 Net trading income

	Gains	Dealing profits	Adjustments	Dealing losses	Net income
1. Trading assets					
1.1 Debt securities			(20)		(20)
1.2 Equities					
1.3 OICR units					
1.4 Loans and receivables					
1.5 Others					
2. Trading liabilities					
2.1 Debt securities	399	7,673			8,072
2.2 Payables					
2.3 Other					
3. Other financial assets and liabilities: exchange rate differences		837		(1,257)	(420)
4. Derivative products					
4.1 Financial derivatives:					
– on debt securities/interest rates			(7,673)		(7,673)
– on equities/share indexes					
– on foreign currency/gold		687		(720)	(33)
– others					
4.2 Credit derivatives	8		(7)		1
	407	9,197	(7,700)	(1,977)	(73)

## Section 5

### Heading 90: Net hedging income

#### 5.1 Net hedging income

	6 mths to 31/12/06
A. Income from:	
A.1 Fair value hedge derivatives	
A.2 Financial assets hedged (fair value)	
A.3 Financial liabilities hedged (fair value)	1,349
A.4 Cash flow hedge financial derivatives	31
A.5 Assets and liabilities in foreign currency	
Total hedging income (A)	1,380
B. Expenses relating to:	
B.1 Fair value hedge derivatives	
B.2 Financial assets hedged (fair value)	
B.3 Financial liabilities hedged (fair value)	(217)
B.4 Cash flow hedge financial liabilities	
B.5 Assets and liabilities in foreign currency	
Total hedging expenses (B)	(217)
C. Net hedging income (A-B)	1,163

## Section 11

### Heading 180: Administrative expenses

#### 11.1 Personnel costs

	6 mths to 31/12/06	6 mths to 31/12/05
1. Employees		
a) wages and salaries	(69)	(71)
b) social security charges	(7)	(14)
c) severance indemnities		
d) pension contributions		
e) transfers to severance indemnity provision		
f) transfers to post-employment and similar benefits:		
– defined contribution		
– defined benefit		
g) payments to outside complementary pension schemes:		
– defined contribution		
– defined benefit		
h) expenses incurred in connection with share payment schemes		
i) other staff benefits		
2. Other staff	(175)	13
3. Directors	(35)	20
	(286)	(118)



### 11.5 Other administrative expenses

	6 mths to 31/12/06	6 mths to 31/12/05
<b>OTHER ADMINISTRATIVE EXPENSES</b>		
- outside consultants' fees	(23)	(25)
- legal fees due in respect of credit recovery		(8)
- share and bond administration		
- advertising		
- insurance		
- research and publications		
- charitable donations		
- rent	(65)	(24)
- maintenance, repairs and refurbishment	(22)	(10)
- service lease instalments		
- financial information subscriptions		
- stationery and printing	(5)	
- membership subscriptions	(2)	
- postal, telephone, fax and telex charges	(7)	(5)
- newspapers, magazines and library acquisitions		
- travel and entertainment	(5)	
- other staff expenses	(2)	(14)
- utilities		
- EDP costs	(112)	
- bank charges	(7)	
- transport		
- outsourced activities	(130)	
- expensed assets		(9)
- other expenses		
<b>Total other expenses</b>	<b>(380)</b>	<b>(95)</b>
- indirect and other taxes		
- asset tax		
- substitutive and registration taxes, franking of reserves		
- substitutive tax and sundry other taxes		(763)
<b>Total indirect tax</b>		<b>(763)</b>
<b>Total other administrative expenses</b>	<b>(380)</b>	<b>(858)</b>

## Section 13

### Heading 200: Net adjustments to tangible assets

#### 13.1 Net adjustments to tangible assets

	Depreciation	Adjustments for impairment	Amounts recovered	Net amount
<b>A. Tangible assets</b>				
<b>A.1 Owned:</b>				
- Core	(8)			(8)
- Investment				
<b>A.2 Acquired under finance leases:</b>				
- Core				
- Investment				
	(8)			(8)

## Section 14

### Heading 210: Net adjustments to intangible assets

#### 14.1 *Net adjustments to intangible assets*

	Depreciation	Adjustments for impairment	Amounts recovered	Net amount
A. Intangible assets				
A.1 Owned:				
– Core	(4)			(4)
– Investment				
A.2 Acquired under finance leases:				
	(4)			(4)

## Section 15

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

#### 15.1 *Other operating income (expenses)*

	6 mths to 31/12/06	6 mths to 31/12/05
a) OTHER INCOME (EXPENSES) – OTHER		
Reminder expense reimbursements		
Sundry other expense reimbursements		
Communications expense reimbursements		
Direct debit expense reimbursements		
Sundry operating expenses debited		
Other income		7
Extraordinary income		
Extraordinary charges		
Total		
b) OTHER INCOME (EXPENSES) – AMOUNTS RECOVERED		
– Stamp duty substitutive tax		
– Amounts recovered from staff		
– Amounts recovered from clients		
– Other amounts recovered		
		7

## Section 20

### Heading 290: Income tax on ordinary activities

#### 20.1 *Income tax on ordinary activities*

	6 mths to 31/12/06	6 mths to 31/12/05
1. Current taxes	(350)	
2. Changes in current tax for previous financial years		
3. Decrease in current tax for period		
4. Charges in advance tax		
5. Charges in deferred tax		
	(350)	



## SEGMENTAL INFORMATION

### CREDIT QUALITY

A.1 *Performing loan impairment: amounts, adjustments, movements, breakdown by performance/geographical region*

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

	Non-performing	Potential problem	Restructured	Overdue	To countries at risk	Other assets	Total
1. Financial assets held for trading						16,627	16,627
2. Financial assets available for sale							
3. Financial assets held to maturity							
4. Due from banks						2,021,845	2,021,845
5. Due from customers						1,233,979	1,233,979
6. Financial assets at fair value							
7. Financial assets being sold							
8. Hedging derivatives						942	942
Total 31/12/2006						3,273,393	3,273,393
Total 30/06/2006						1,449,622	1,449,622

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

	Impaired assets				Other assets			Total net exposure
	Gross exposure	Individual adjust.	Collective adjust.	Net exposure	Gross exposure	Collective adjust.	Net exposure	
1. Financial assets held for trading					16,627		16,627	16,627
2. Financial assets available for sale								
3. Financial assets held to maturity								
4. Due from banks					2,021,845		2,021,845	2,021,845
5. Due from customers					1,233,979		1,233,979	1,233,979
6. Financial assets at fair value								
7. Financial assets being sold								
8. Hedging derivatives					942		942	942
Total 31/12/2006					3,273,393		3,273,393	3,273,393
Total 30/06/2006					1,426,450		1,426,450	1,426,450

## FINANCIAL DERIVATE PRODUCTS

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

#### A.2.1 *Hedging derivatives*

Type of derivative/underlying asset	Debt securities/interest rates		Equities/Share indexes		Exchange rates/gold		Other assets		31/12/2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement										
2. Interest rate swap		147.319								147.319
3. Domestic currency swap										
4. Currency interest rate swap						34,169				34,169
5. Basis swap										
6. Share index swaps										
7. Inflation rate swaps										
8. Futures										
9. Cap options										
- bought										
- written										
10. Floor options										
- bought										
- written										
11. Other options										
- bought										
- Plain vanilla										
- Exotic										
- Written										
- Plain vanilla										
- Exotic										
12. Repo agreements										
- bought										
- written										
- currency bought/sold for currency										
13. Other derivatives										
<b>Totale</b>		147.319				34,169				181,488

#### A.2.2 *Other derivative products*



Type of derivative/underlying asset	Debt securities/interest rates		Equites/Share indexes		Exchange rates/gold		Other assets		31/12/2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement										
2. Interest rate swap										
3. Domestic currency swap										
4. Currency interest rate swap										
5. Basis swap										
6. Share index swaps										
7. Inflation rate swaps										
8. Futures										
9. Cap options										
- bought										
- written										
10. Floor options										
- bought										
- written										
11. Other options										
- bought										
- Plain vanilla								33,449		33,449
- Exotic								59,000		59,000
- Written										
- Plain vanilla										
- Exotic										
12. Repo agreements										
- bought										
- written										
- currency bought/sold for currency										
13. Other derivatives										
Totale								92,449		92,449

## B. CREDIT DERIVATIVES

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

	Regulatory trading book		Other transactions	
	Individual assets	Basket	Individual assets	Basket
1. Hedge buys				
1.1 With exchange of principal				
1.2 Without exchange of principal				
Total at 30/06/2006				
2. Hedge sales				
2.1 With exchange of principal			110,000	
2.2 Without exchange of principal				50,000
Total at 31/12/2006			110,000	50,000