

PROSPECTUS

Dated: 9 October 2006

MEDIOBANCA - Banca di Credito Finanziario S.p.A.

(incorporated with limited liability in the Republic of Italy)

**GBP 200,000,000 Lower Tier II Subordinated Fixed/Floating Rate Notes due 2018
Issued under the Euro 11,500,000,000 Euro Medium Term Note Programme of
Mediobanca - Banca di Credito Finanziario S.p.A. and Mediobanca International
(Luxembourg) S.A.**



The issue price of the GBP 200,000,000 Lower Tier II Subordinated Fixed/Floating Rate Notes due 2018 issued under the Euro 11,500,000,000 Euro Medium Term Note Programme of Mediobanca - Banca di Credito Finanziario S.p.A. (the "Issuer") (the "Notes") is 99.653 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 11 October 2018 (the "Maturity Date"). The Notes are subject to redemption in whole at their principal amount at the option of the Issuer at any time in the event of certain changes affecting taxation in the Republic of Italy, subject to the prior approval of the Bank of Italy. In addition, subject to the prior approval of the Bank of Italy, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the holders of Notes (which notice shall be irrevocable), redeem all and not some of the Notes in the principal amount on the Interest Payment Date (as defined below) falling in October 2013 or on any Interest Payment Date thereafter. Any such redemption of Notes shall be at their principal amount together with interest accrued to the date fixed for redemption.

The Notes will bear interest (i) from and including 11 October 2006 to and excluding the Interest Payment Date falling in October 2013 at the rate of 5.375 per cent. per annum payable annually in arrear commencing on the Interest Payment Date falling in October 2007; and (ii) from and including the Interest Payment Date falling in October 2013 to and excluding the Maturity Date at the rate of 0.97 per cent. per annum above the London interbank offered rate for three month sterling deposits payable quarterly in arrear commencing on the Interest Payment Date falling in January 2014.

Payments on the Notes will be made in sterling without deduction for or on account of taxes imposed or levied by the Republic of Italy to the extent described under "Terms and Conditions of the Notes — Taxation".

An investment in the Notes involves certain risks. For a discussion of these risks see "Risk Factors".

Application has been made to the Commission de Surveillance du Secteur Financier (the "CSSF") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities to approve this document as a prospectus for the Issuer. Application has also been made for Notes issued under this Prospectus to be listed and admitted to trading on the regulated market of the Luxembourg Stock Exchange. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such notes have been admitted to trading on the regulated market of the Luxembourg Stock Exchange (Bourse de Luxembourg) and have been listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market (the "Regulated Market") is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive").

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act") and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Joint Lead Managers (as defined below) in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and the specified denomination of the Notes will be GBP 50,000 and higher integral multiples of GBP 1,000 up to and including GBP 99,000. Notes will not be issued in definitive form with a denomination above GBP 99,000. The Notes will initially be in the form of a temporary global note (the "Temporary Global Note"), without interest coupons, which will be deposited on or around 11 October 2006 (the "Closing Date") with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg"). The Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note (the "Permanent Global Note"), without interest coupons, not earlier than 40 days after the Closing Date upon certification as to

non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of GBP 50,000 and higher integral multiples of GBP 1,000 up to and including GBP 99,000 each and with interest coupons attached. See "Summary of Provisions Relating to the Notes in Global Form".

Joint Lead Managers

MEDIOBANCA International (Luxembourg) S.A.

The Royal Bank of Scotland

UBS Investment Bank

IMPORTANT NOTICES

*This document comprises a prospectus (the "**Prospectus**") for the purposes of Article 3 of the Prospectus Directive. This Prospectus is to be read in conjunction with the all documents which are deemed incorporated by reference herein (see "Documents Incorporated by Reference").*

The Issuer accepts responsibility for the information contained in this document and, to the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

*The Issuer, having made all reasonable enquiries confirms that (i) this Prospectus (together with the information incorporated herein by reference) contains all information with respect to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the "**Group**" or the "**Mediobanca Group**") and the Notes which is material in the context of the issue and offering of Notes, (ii) the statements contained in this Prospectus relating to the Issuer and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Prospectus with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iii) there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue and offering of Notes, make any statement in this Prospectus misleading in any material respect and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.*

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this document has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this document has been most recently amended or supplemented or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or any of the Joint Lead Managers to subscribe for, or purchase, any Notes.

The distribution of this Prospectus and the offering or sale of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and each of the Joint Lead Managers to inform themselves about and to observe any such restriction. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus and other offering material relating to Notes, see "Plan of Distribution" in the base prospectus dated 30 December 2005 incorporated by reference

herein (the "Base Prospectus"). In particular, the Notes have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which would permit a public offering of any Notes outside Luxembourg or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly including to the public, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom and the Republic of Italy) (see "Plan of Distribution" in the Base Prospectus).

The Joint Lead Managers have not separately verified the information contained or incorporated by reference in this Prospectus. None of the Joint Lead Managers makes any representation express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any of the Joint Lead Managers that any recipient of this Prospectus or any other financial statements should purchase any Notes.

Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers.

The Notes have been assigned a rating of "A+" by Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. ("S&P"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

STABILISATION

In connection with the issue of the Notes, UBS Limited (the "Stabilising Manager(s)") (or persons acting on behalf of the Stabilising Manager(s)) may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "Euro" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended and references to "GBP" and "sterling" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

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SUMMARY OF THE NOTES

This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Persons in any such Member State in respect of this Summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Words and expressions defined in the Base Prospectus or elsewhere in this Prospectus including "*Terms and Conditions of the Notes*" shall have the same meanings in this summary.

Issuer: Mediobanca – Banca di Credito Finanziario S.p.A. ("Mediobanca").

Mediobanca was established in 1946 as a medium-term credit granting institution in the Republic of Italy. In 1956 Mediobanca's shares were admitted to the Italian Stock Exchange and since then its business has expanded both nationally and internationally.

Mediobanca is registered at the Companies' Registry of the Chamber of Commerce of Milan, Italy under registration number 00714490158. Mediobanca's registered office is at Piazzetta E. Cuccia 1, Milan, Italy, telephone number (+39) 0288291.

Mediobanca holds a banking licence from the Bank of Italy authorising it to carry on all permitted types of banking activities in the Republic of Italy.

Mediobanca is a bank organised and existing under the laws of the Republic of Italy, carrying out a wide range of banking, financial and related activities throughout the Republic of Italy.

At the date hereof, Mediobanca's issued share capital totals Euro 407,760,832.50, represented by 815,521,665 Euro 0.50 par value registered shares. As of 15 September 2006 Mediobanca's reserves total Euro 3,518,262,033.26.

The Board of Directors of Mediobanca is responsible for the

	ordinary and extraordinary management of Mediobanca.
Objects:	The objects of the Issuer, as set out in Article 3 of its bylaws, are as follows: "The purpose of the Company shall be to raise funds and provide credit in any of the forms permitted, with special regard to medium and long-term financing of corporates. Within the limits laid down by current regulations, the Company may execute all banking, financial and intermediation-related transactions and/or services and carry out any transaction deemed to be instrumental to or otherwise connected with achievement of the Company's purpose. As part of its supervisory and coordinating activities in its capacity as parent company of the Mediobanca Banking Group within the meaning of Article 61/4 of Legislative Decree No. 385 dated 1 September 1993, the Company shall issue directives to member companies of the Group to comply with instructions given by the Bank of Italy in the interests of maintaining the Group's stability."
Joint Lead Managers:	Mediobanca International (Luxembourg) S.A. The Royal Bank of Scotland plc UBS Limited
Fiscal Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Date of Subscription Agreement	9 October 2006
Notes:	GBP 200,000,000 Lower Tier II Subordinated Fixed/Floating Rate Notes due 2018 issued under the Euro 11,500,000,000 Euro Medium Term Note Programme of Mediobanca - Banca di Credito Finanziario S.p.A. and Mediobanca International (Luxembourg) S.A. (the " Programme ").
Stabilising Manager:	UBS Limited
Issue Price:	99.653 per cent. of the principal amount of the Notes.
Issue Date:	11 October 2006.
Interest:	The Notes will bear interest (i) from and including 11 October 2006 to and excluding the Interest Payment Date falling in October 2013 at the rate of 5.375 per cent. per annum payable annually in arrear commencing on the Interest Payment Date falling in October 2007; and (ii) from and including the

Interest Payment Date falling in October 2013 at the rate of 0.97 per cent. per annum above the London interbank offered rate for three month sterling deposits payable quarterly in arrear commencing on the Interest Payment Date falling in January 2014.

Historic Interest Rates:

Details of historic LIBOR rates can be obtained from Reuters on page Libor 01.

Status:

The Notes, which constitute Lower Tier II Subordinated Notes (*Passività Subordinate*) as defined under Title IV, Chapter 1 of the Bank of Italy's regulations (*Istruzioni di Vigilanza della Banca d'Italia*) in force as of the date hereof and Coupons and Talons relating to them constitute unsecured obligations of the Issuer and, rank *pari passu* and without any preference among themselves. In the event of the bankruptcy, dissolution or winding-up of the Issuer, including, *inter alia*, "*liquidazione coatta amministrativa*" as defined under Italian Legislative Decree No. 385 of 1 September 1993 ("*Liquidazione Coatta Amministrativa*") the payment obligations of the Issuer under the Notes and Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer but *pari passu* with all of the present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Notes, and in priority to the claims of shareholders of the Issuer. See "Terms and Conditions - Status".

Form and Denomination:

The Notes will be in bearer form and the specified denomination of the Notes will be GBP 50,000 and higher integral multiples of GBP 1,000 up to and including GBP 99,000. No definitive Notes will be issued with a denomination above GBP 99,000. The Notes will initially be in the form of a Temporary Global Note, without interest coupons, which will be deposited on or around the Closing Date with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable, in whole or in part, for interests in the Permanent Global Note, without interest coupons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the

denomination of GBP 50,000 and higher integral multiples of GBP 1,000 up to and including GBP 99,000 and with interest coupons attached. See "Summary of Provisions Relating to the Notes in Global Form".

Final Redemption: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling in October 2018, subject as provided in the Terms and Conditions.

Optional Redemption: Subject to the prior approval of the Bank of Italy, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the holders of Notes (which notice shall be irrevocable), redeem all and not some of the Notes in the principal amount on the Interest Payment Date falling in October 2013 or on any Interest Payment Date thereafter. Any such redemption of Notes shall be at their principal amount together with interest accrued to the date fixed for redemption.

Tax Redemption: The Notes may be redeemed at the option of the Issuer, subject to the prior approval of the Bank of Italy, in whole, but not in part, on any Interest Payment Date or, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of Notes (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision thereof or any agency or authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Ratings: The Notes have been rated A+ by S&P.

Withholding Tax: All amounts payable by the Issuer, under the Notes, the Agency Agreement, the Deed of Covenant, the Dealership Agreement or any Relevant Agreement will be made without withholding or deduction for, or on account of, any present or

future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Italy or any political subdivision thereof or any agency or authority therein or thereof having power to tax without prejudice to the option of the Issuer to redeem the Notes pursuant to, and subject to the conditions of, Condition 4(b) (*Redemption, Purchase and Options - Redemption for taxation reasons*) see "Terms and Conditions of the Notes - Taxation".

Governing Law:	The Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.
Listing and Trading:	Application has been made for the Notes to be admitted to listing on the official list and admitted to trading on the Luxembourg Stock Exchange's regulated market.
Clearing Systems:	Euroclear and Clearstream, Luxembourg.
Selling Restrictions:	As specified in the section headed "Plan of Distribution" on pages 71 to 73 of the Base Prospectus.
Isin Code:	XS0270002669
Common Code:	027000266
Risk Factors:	Investing in the Notes involves risks. See "Risk Factors" in the Base Prospectus and this Prospectus.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meaning in this section. Prospective investors should read the entire Prospectus.

Risks relating to the Issuer and the Group

The risk factors set out under the heading "Risks relating to each Issuer and the Mediobanca Group", on pages 12 to 14 of the Base Prospectus are incorporated herein by reference.

Risk relating to the Notes

The risk factors set out under the heading "Risks relating to the Notes", on pages 14 to 17 of the Base Prospectus are incorporated herein by reference. In addition, prospective investors should consider the risk factors set out below.

The Notes may be redeemed prior to maturity

Subject to the prior approval of the Bank of Italy, the Issuer may redeem all and not some of the Notes in the principal amount on the Interest Payment Date falling in October 2013 or on any Interest Payment Date thereafter. Any such redemption of Notes shall be at their principal amount together with interest accrued to the date fixed for redemption.

During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally may not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may, subject to the prior approval of the Bank of Italy, redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

No limitation on issuing debt

There is no restriction on the amount of liabilities which the Issuer may issue or guarantee which rank senior to the Notes and subject to the limits set forth in the Bank of Italy's regulations (*Istruzioni di Vigilanza della Banca d'Italia*), there is no restriction on the amount of liabilities which the Issuer may issue or guarantee which rank *pari passu* with the Notes. The occurrence of such issue or guarantee may reduce the amount recoverable by Noteholders on a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against, the Issuer.

Denominations

It is possible that the Notes may be traded in amounts in excess of GBP 50,000 that are not integral multiples of GBP 50,000. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than GBP 50,000 may not receive a definitive Note (should definitive notes be printed) and may need to purchase a principal amount of Notes such that, its holding is in the denomination of GBP 50,000 and higher integral multiples of GBP 1,000 up to and including GBP 99,000.

If Definitive Notes are issued, Noteholders should be aware that Definitive Notes which have a denomination that is not GBP 50,000 may be illiquid and difficult to trade.

Subordination

The Notes will be unsecured, subordinated obligations of the Issuer. Upon the occurrence of any winding-up proceedings of the Issuer, payments on the Notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Issuer, except those liabilities which rank *pari passu* with, or junior to, the Notes. In liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of, or against, the Issuer, the Noteholders may recover proportionally less than the holders of unsubordinated liabilities of the Issuer.

Credit ratings may not reflect all risks

The Notes have been assigned a rating of "A+" by Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. ("**S&P**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and form part of, this Prospectus:

- the base prospectus of the Issuer and Mediobanca International (Luxembourg) S.A. approved by the CSSF and dated 30 December 2005 (the "**Base Prospectus**") other than the sections entitled "Documents Incorporated by Reference", "Supplement to the Base Prospectus", "Use of Proceeds", "Information on Mediobanca International (Luxembourg) S.A.", "Summary Financial Information of Mediobanca International (Luxembourg) S.A.", "Terms and Conditions of the Notes", "Form of Final Terms" and part (B) of the section entitled "Taxation";
- the supplement to the base prospectus approved by the CSSF dated 6 April 2006;
- the audited consolidated annual financial statements of the Issuer as at and for the years ended 30 June 2004 and 2005;
- the audited consolidated interim financial statements of the Issuer as at and for the six months ended 31 December 2004 and 2005; and
- the unaudited consolidated financial statements of the Issuer as at and for the nine months ended 31 March 2005 and 2006,

in each case together with (in the case of the financial statements) the accompanying notes and (where applicable) auditor's reports, save that any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement to the Prospectus prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

The Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein unless such documents have been modified or superseded as specified above, in which case the modified or superseded version of such document will be provided. Request for such documents should be directed to the Issuer at their offices set out at the end of this Prospectus. In addition, such documents will be available, without charge, at the principal office of the Paying Agents in Luxembourg and on the Luxembourg Stock Exchange's website (www.bourse.lu).

CROSS-REFERENCE LIST

The following table shows where the information required under Annex XI of Commission Regulation (EC) No. 809/2004 can be found in the above-mentioned documents incorporated by reference.

Mediobanca - Base Prospectus

<i>Commission Regulation (EC) No. 809/2004, Annex XI,</i>	2005
Summary of the Programme	Pages 6-11
Risk Factors	Pages 12-17
Information on Mediobanca - Banca di Credito Finanziario S.p.A.	Pages 42-57
Summary Financial Information of Mediobanca - Banca di Credito Finanziario S.p.A	Pages 58-63
Plan of Distribution	Pages 71-73
Taxation (Tax Regime for Mediobanca Issues).	Pages 86-92

Mediobanca - Consolidated annual financial statements

<i>Commission Regulation (EC) No. 809/2004, Annex XI,</i>	2005	2004
<i>Paragraph 11.1</i>		
Balance sheet	Pages 44-45	Page 44
Statement of income.....	Page 46	Page 46
Accounting policies and explanatory notes.....	Pages 47-103	Pages 51-103
Auditors' review/reports	Page 37	Page 37

Mediobanca - Consolidated interim financial statements

<i>Commission Regulation (EC) No. 809/2004, Annex XI,</i>	2005	2004
<i>Paragraph 11.5</i>		
Balance sheet	Pages 36-37	Pages 40-41
Statement of income.....	Page 38	Page 42
Accounting policies and explanatory notes.....	Pages 39-103	Pages 43-75
Auditors' review/reports	Page 107	Page 83

Mediobanca - Consolidated nine-monthly financial statements

<i>Commission Regulation (EC) No. 809/2004, Annex XI,</i>	2006	2005
<i>Paragraph 11.5</i>		
Balance sheet	Page 6	Page 5
Statement of income.....	Page 7	Page 4
Accounting policies and explanatory notes.....	Pages 18-29	Pages 15-16

Any information not listed in the cross-reference table but included in the documents incorporated by reference is given for information purposes only. The supplement to the base prospectus approved by the CSSF dated 6 April 2006 is incorporated by reference for information purposes only.

TERMS AND CONDITIONS OF THE NOTES

The GBP 200,000,000 Lower Tier II Subordinated Fixed/Floating Rate Notes due 2018 (the "Notes", which expression includes any further notes issued pursuant to Condition 11 (*Further issues*) and forming a single series therewith) of Mediobanca - Banca di Credito Finanziario S.p.A. (the "Issuer") are the subject of a fiscal agency agreement dated 30 December 2005 (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the "Fiscal Agent", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the Paying Agents named therein (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional Paying Agents appointed from time to time in connection with the Notes). Certain provisions of these Conditions are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "Noteholders") and the holders of the related interest coupons (the "Couponholders" and the "Coupons", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the relevant Specified Office (as defined in the Agency Agreement) of each of the Paying Agents.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and the specified denomination of the Notes is GBP 50,000 and higher integral multiples of GBP 1,000 up to and including GBP 99,000, with Coupons and talons (each, a "Talon") for further Coupons attached at the time of issue. Notes will not be issued in definitive form with a denomination above GBP 99,000. Title to the Notes, the Coupons and the Talons will pass by delivery. The holder of any Note, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

2. STATUS

- (a) The Notes, which constitute Lower Tier II Subordinated Notes (*Passività Subordinate*) as defined under Title IV, Chapter 1 of the Bank of Italy's regulations (*Istruzioni di Vigilanza della Banca d'Italia*) in force as of the date hereof and Coupons and Talons relating to them constitute unsecured obligations of the Issuer and, rank *pari passu* and without any preference among themselves. In the event of the bankruptcy, dissolution or winding-up of the Issuer, including, *inter alia*, "*liquidazione coatta amministrativa*" as defined under Italian Legislative Decree No. 385 of 1 September 1993 ("*Liquidazione Coatta Amministrativa*") the payment obligations of the Issuer under the Notes and Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer but *pari passu* with all of the present and future subordinated obligations of the Issuer that are not

expressed by their terms to rank junior to or senior to the Notes, and in priority to the claims of shareholders of the Issuer.

- (b) The *fondo interbancario di tutela dei depositi* (i.e. depositor insurance fund) does not apply to subordinated debt.
- (c) Each holder of a Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of each Note.

3. INTEREST AND OTHER CALCULATIONS

- (a) *Fixed Rate*: The Notes bear interest from and including 11 October 2006 (the "**Issue Date**") to but excluding the Interest Payment Date falling in October 2013 at the rate of 5.375 per cent. per annum (the "**Fixed Rate of Interest**"), payable on 11 October each year (the "**Fixed Rate Interest Payment Date**") commencing on the Interest Payment Date falling in October 2007, subject as provided in Condition 5 (*Payments*); *provided, however, that*, if any Fixed Rate Interest Payment Date would otherwise fall on a date which is not a Business Day (as defined below), it will be postponed to the next Business Day.

The amount of interest payable on each Fixed Rate Interest Payment Date shall be GBP 2,687.50 in respect of each Note of nominal amount GBP 50,000. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest pence (half a pence being rounded upwards), where:

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

"**Regular Period**" means each period from (and including) the Issue Date or any Fixed Rate Interest Payment Date to (but excluding) the next Fixed Rate Interest Payment Date.

- (b) *Floating Rate*:
 - (i) If the Issuer does not redeem the Notes in accordance with Condition 4(d) (*Redemption, Purchase and Options - Redemption at the Option of the Issuer*), the Notes will bear interest from and including the Interest Payment Date falling in October 2013, payable on each 11 January, 11 April, 11 July and 11 October in each year (each, a "**Floating Rate Interest Payment Date**" and together with each Fixed Rate Interest Payment Date, an "**Interest Payment Date**"), subject as provided in Condition 5 (*Payments*); *provided, however, that*, if any Floating Rate Interest Payment Date would otherwise fall on a date which is not a Business Day, it will be postponed to the next Business Day

unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day. Each period beginning on (and including) the Interest Payment Date falling in October 2013 or any Floating Rate Interest Payment Date and ending on (but excluding) the next Floating Rate Interest Payment Date is herein called a "**Floating Rate Interest Period**".

- (ii) The rate of interest applicable to the Notes (the "**Floating Rate of Interest**") for each Floating Rate Interest Period will be determined by the Fiscal Agent on the following basis:
 - (a) the Fiscal Agent will determine the rate for deposits in sterling for a period equal to the relevant Floating Rate Interest Period which appears on the display page designated LIBOR 01 on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as of 11:00 a.m., (London time), on the second Business Day before the first day of the relevant Floating Rate Interest Period (the "**Floating Rate Interest Determination Date**");
 - (b) if such rate does not appear on that page, the Fiscal Agent will:
 - (1) request the principal London office of each of four major banks in the London interbank market to provide a quotation of the rate at which deposits in sterling are offered by it at approximately 11.00 a.m. (London time) on the Floating Rate Interest Determination Date to prime banks in the London interbank market for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time; and
 - (2) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
 - (c) if fewer than two such quotations are provided as requested, the Fiscal Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in London, selected by the Fiscal Agent, at approximately 11.00 a.m. (London time) on the first day of the relevant Floating Rate Interest Period for loans in sterling to leading banks in London for a period equal to the relevant Floating Rate Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Rate of Interest for such Floating Rate Interest Period shall be the sum of 0.97 per cent. per annum and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Fiscal Agent is unable to determine a rate or

(as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Floating Rate Interest Period, the Floating Rate of Interest applicable to the Notes during such Floating Rate Interest Period will be the sum of 0.97 per cent. per annum and the rate or (as the case may be) arithmetic mean last determined in relation to the Notes in respect of a preceding Floating Rate Interest Period.

- (c) *Accrual of interest:* Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (d) *Reset Date:* If the Issuer does not redeem the Notes in accordance with Condition 4(d) (*Redemption, Purchase and Options - Redemption at the option of the Issuer*) on the Interest Payment Date falling in October 2013, the Notes will bear interest at the Floating Rate of Interest.
- (e) *Calculation of Interest Amount:* The Fiscal Agent will, as soon as practicable after the Floating Rate Interest Determination Date in relation to each Floating Rate Interest Period, calculate the amount of interest (the "**Floating Rate Interest Amount**") payable in respect of each Note for such Floating Rate Interest Period. The Floating Rate Interest Amount will be calculated by applying the Floating Rate of Interest for such Floating Rate Interest Period to the principal amount of such Note, multiplying the product by the actual number of days in such Floating Rate Interest Period divided by 365 and rounding the resulting figure to the nearest pence (half a pence being rounded upwards).
- (f) *Publication:* The Fiscal Agent will cause each Floating Rate of Interest and Floating Rate Interest Amount determined by it, together with the relevant Floating Rate Interest Payment Date, to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Fiscal Agent will be entitled to recalculate any Floating Rate Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Floating Rate Interest Period.
- (g) *Notifications, etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Fiscal Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such person will attach to the Fiscal Agent in connection

with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

- (h) *Interpretation:* In this Condition:

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London.

4. **REDEMPTION, PURCHASE AND OPTIONS**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Interest Payment Date falling in October 2018, subject as provided below.

- (b) *Redemption for taxation reasons*

The Notes may be redeemed at the option of the Issuer, subject to the prior approval of the Bank of Italy, in whole, but not in part, on any Interest Payment Date, on giving not less than 30 nor more than 60 days' notice to the holders of Notes (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision thereof or any agency or authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligations cannot be avoided by the Issuer taking reasonable measures available to it, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by a two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

- (c) *Purchases*

The Issuer and any of the Issuer's subsidiaries may at any time purchase Notes totalling a maximum of GBP 20,000,000 (representing 10 per cent. of the total principal amount of the Notes) unless otherwise approved by the Bank of Italy (*provided that* all unmaturing Coupons and unexchanged Talons

appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price.

(d) *Redemption at the option of the Issuer*

Subject to the prior approval of the Bank of Italy, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the holders of Notes (which notice shall be irrevocable), redeem all and not some of the Notes in the principal amount on the Interest Payment Date falling in October 2013 or each Interest Payment Date thereafter. Any such redemption of Notes shall be at their principal amount together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

(e) *Cancellation*

Subject to the prior approval of the Bank of Italy, Notes purchased by or on behalf of the Issuer or any of the Issuer's subsidiaries may be surrendered for cancellation, by surrendering each such Note together with all unmatured Coupons and unexchanged Talons to the Fiscal Agent and, if so surrendered, will, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

5. **PAYMENTS AND TALONS**

(a) *Payments*

Payments of principal and interest in respect of Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of payments of principal) or Coupons or Talons (in the case of interest), as the case may be, at the Specified Office of any Paying Agent outside the United States by a sterling cheque, or, at the option of the holder, by transfer to a sterling account with, a bank in London.

(b) *Payments subject to Law, etc.*

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 6 (*Taxation*). No commission or expenses shall be charged to the holders of Notes, Coupons or Talons in respect of such payments.

(c) *Appointment of Agents*

The Fiscal Agent and the Paying Agents initially appointed by the Issuer and their respective Specified Offices are listed below. The Fiscal Agent and the Paying Agents act solely as agents of the Issuer and do not assume any

obligation or relationship of agency or trust for or with the holder of any Notes, Coupons or Talons. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any other Paying Agent and to appoint additional or other agents *provided* that the Issuer will at all times maintain (i) a Fiscal Agent, (ii) a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax, pursuant to European Council Directive 2003/48/EU and any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26 -27 November 2000, (iii) Paying Agents having a Specified Office in at least two major European cities (including Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange), and (iv) such other agents as may be required by the rules of any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office will promptly be given to the holders of Notes in accordance with Condition 12 (*Notices*).

(d) *Unmatured Coupons*

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

(e) *Exchange of Talons*

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 7 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

6. TAXATION

(a) *Gross Up*

All payments of principal and interest in respect of the Notes and the Coupons by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of Italy or any political subdivision thereof or any agency or authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of

principal and interest which would have been received in respect of the Notes or (as the case may be) Coupons, in the absence of such withholding or deduction except that no additional amounts shall be payable with respect to any payment in respect of any Note or Coupon:

- (i) (A) to, or to a third party on behalf of, a holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection (otherwise than merely by holding the relevant Note or Coupon) with the Republic of Italy; (B) with respect to any Note or Coupon presented for payment in the Republic of Italy; (C) for or on account of *imposta sostitutiva* pursuant to Legislative Decree No. 239 of 1 April 1996, Legislative Decree No. 461 of 21 November 1997 or related implementing regulations; (D) in all circumstances in which the requirements and procedures of such Legislative Decree No. 239 have not been met or complied with (except where due to the actions or omissions of the Issuer or its agents); or (E) to, or to a third party on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making a declaration of non-residence or other similar claim for exemption to the relevant taxing authority but has failed to do so;
- (ii) to a holder who is a non-Italian resident individual or legal entity which is resident in a tax haven country (as defined and listed in the Ministry of Finance Decree of 23 January 2002) or in a country which does not allow for an adequate exchange of information with the Italian tax authorities;
- (iii) for any Note or Coupon presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on the thirtieth such day;
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another paying agent in a Member State of the European Union,

without prejudice to the option of the Issuer to redeem the Notes pursuant to, and subject to the conditions of, Condition 4(b) (*Redemption, Purchase and Options - Redemption for taxation reasons*).

(b) *Taxing Jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to Italy shall be construed as references to such other jurisdiction.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the holders of Notes in accordance with Condition 12 (*Notices*) that, upon further presentation of the Note or Coupon being made in accordance with these Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation. Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 6.

7. **PRESCRIPTION**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

8. **EVENTS OF DEFAULT**

If any of the following events (each, an "**Event of Default**") occurs and is continuing, the holder of a Note may give written notice to the Fiscal Agent at its Specified Office that such Note is immediately repayable, whereupon the Note together with accrued interest to the date of payment shall become immediately due and payable:

- (i) *Default in payment of principal or interest*: default is made for a period of five Business Days or more in the payment of any principal due on any of the Notes or for a period of fifteen Business Days or more in the payment of any interest due on any of the Notes; or
- (ii) *Winding-up*: the Issuer is wound-up or dissolved, except for the purposes of, and pursuant to, or in connection with, a reconstruction, amalgamation, reorganisation, merger, de-merger, consolidation, deconsolidation or disposal of assets,

whereupon any holder of a Note may at its discretion and without further notice institute proceedings to determine the insolvency or bankruptcy of the Issuer or prove in any winding-up or bankruptcy of the Issuer. No remedy against the Issuer other than as specifically provided by this Condition 8 shall be available to holders of the Notes or Coupons for the recovery of amounts owing in respect of the Notes or Coupons.

9. **MEETINGS OF HOLDERS OF NOTES AND MODIFICATIONS**

(a) *Meetings of holders of Notes*

The Agency Agreement contains provisions for convening meetings of holders of Notes to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes (including these Conditions insofar as the same may apply to such Notes). An Extraordinary Resolution duly passed at any such meeting shall be binding on all holders of Notes, whether present or not and on all relevant holders of Coupons, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest thereon, (ii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating the Floating Rate Interest Amount in respect thereof, (iii) to change any method of calculating the amount of any payment in respect of the Notes, (iv) to change the currency or currencies of payment or denomination of the Notes, (v) to take any steps which as specified in the Agency Agreement may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (vi) to modify the provisions concerning the quorum required at any meeting of holders of Notes or the majority required to pass an Extraordinary Resolution, will only be binding if passed at a meeting of the holders of Notes (or at any adjournment thereof) at which a special quorum (as provided for in the Agency Agreement) is present.

(b) *Modification of Agency Agreement*

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the holders of Notes.

10. **REPLACEMENT OF NOTES, COUPONS AND TALONS**

If a Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange regulations, at the Specified Office of the Fiscal Agent or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to holders in accordance with Condition 12 (*Notices*), in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes or Coupons and otherwise as the Issuer may require). Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the holders of Notes or Coupons create and issue further notes having the same terms and conditions as the Notes and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

12. NOTICES

Notices to the holders of Notes will be valid if published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *d'Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu). If any such publication is not practicable, notice will be validly given if published in another leading daily English language newspaper having general circulation in Europe.

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Holders of Coupons shall be deemed for all purposes to have notice of the contents of any notice to the holders of Notes in accordance with this Condition.

13. LAW AND JURISDICTION

- (i) *Governing Law*: The Notes and all matters arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law.
- (ii) *English courts*: Subject to Condition 13(iv) (*Rights of the Noteholders to take proceedings outside England*), the courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with the Notes.
- (iii) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (iv) *Rights of the Noteholders to take proceeding outside England*: Condition 13(ii) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 13 prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (v) *Process agent*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of

the Companies Act 1985. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

**SUMMARY OF PROVISIONS RELATING TO THE NOTES
WHILE IN GLOBAL FORM**

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of GBP 50,000 and higher integral multiples of GBP 1,000 up to and including GBP 99,000 at the request of the bearer of the Permanent Global Note if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Events of Default*) occurs. No Definitive Notes will be issued with a denomination above GBP 99,000.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (Milan time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (Milan time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (Milan time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant dated 30 December 2005 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream,

Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

Notices: Notwithstanding Condition 12 (*Notices*), while all the Notes are represented by the Permanent Global Note (or by the Permanent Global Note and/or the Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 12 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

RECENT DEVELOPMENTS

On 15 September 2006, the Issuer issued a press release announcing details of its consolidated IAS compliant financial results as at and for the year ended 30 June 2006. As at the date of this Prospectus these financial results have been audited by Reconta Ernst & Young S.p.A. but have not been approved by the shareholders' meeting of the Issuer. Management does not anticipate significant changes in its financial results prior to approval by the shareholder's meeting and expects its financial results to be approved by the shareholders' meeting on or about 28 October 2006. The following is a translation of such press release pursuant to CONSOB Regulation No. 11971 of 14 May 1999, as amended.

"Board of Directors' meeting

Milan, 15 September 2006

Financial statements for year ended 30 June 2006 adopted¹

- ahead of schedule on 2008 targets: 31% growth in income to C 1,512m, 40% growth in profit from ordinary activities to C 1,118m, and 36% growth in net profit to €858m, way in advance of targeted CAGR for the three years (13%, 15% and 10% respectively)
- net profit of €858m (30/6/05: €632m) already at level targeted for year 3 of the business plan (€840m)
- clear improvement in main profitability indicators: ROE up from 12% to 15%, cost/income ratio down from 31% to 26%
- asset quality unaltered
- proposed dividend: 00.58 per share, up 21% from 00.48 last year, representing 72% of net consolidated cashed profit
- increase in consolidated profit was concentrated in banking activities, which recorded 61% growth, from €365.3m to €588.9m, accounting for 69% of the total, boosted by gains of €114m (€4lm) on disposals of securities, chiefly Ciments Français:
 - Wholesale banking
 - corporate lendings up 17% to €12.3bn²
 - total income up 52%, to €682m, of which: net interest income up 24% to €181m, net fee and commission income up 31% to €215m, net trading income of €205m
 - net profit up 77% to €467m, ROAC 21% (up from 13%)

¹ Percentage changes calculated as follows: vs figures at 30/6/05 for flows, vs figures at 1/7/05 for stock.

² Excluding loans and advances to other Group companies.

- **Equity investment portfolio (Assicurazioni Generali/RCS MediaGroup)**
 - **NAV: €5.5bn (30/6/06: €5.2bn)**
 - **total income up 11%, to €311m**
 - **net profit: up 1% at €269m; ROAC 14% (vs 15%)**
- **Retail financial services**
 - **new loans up 21% to €4.6bn**
 - **total income up 23% to €441m**
 - **net profit up 19% to €79m; ROAC 17% (up from 15%)**
- **Private banking³**
 - **total income up 14% to €116m**
 - **net profit up 26% to €44m; ROAC 40% (up from 32%)**
 - **AUM up 4% to €11.2bn.**

At a Board meeting of held today with Gabriele GALATERI di GENOLA in the chair, the Directors of Mediobanca approved the Group's consolidated financial statements drawn up on a IAS/IFRS-compliant basis, and the parent company's draft statutory accounts for the twelve months to 30 June 2006, as illustrated by General manager Alberto NAGEL and Co-general manager Renato PAGLIARO.

Consolidated results

The Mediobanca Group's results for the twelve months show a net profit of €858.4m, up 36% from the €632.4m recorded one year previously.

This was achieved on the back of a significant, 40% increase in profit from ordinary activities, from €799.6m to €1,118.3m, and gains of €87.8m (30/6/05: €40.7m) on disposal of securities (chiefly the Group's holding in Ciments Français).

There was strong growth in total income during the twelve months under review, which climbed 31%, from €1,156.6m to €1,511.7m, the chief items in which performed as follows:

- net interest income rose 23%, from €480.2m to €593m, driven by sustained growth in corporate lendings, which climbed 17%, from €10.5bn to €12.3bn, and retail financial services, where new loans were up 21% to €4.6bn;
- net fee and commission income rose 26%, from €241.1m to €302.7m, helped by a healthy performance from corporate and investment banking, which contributed some two-thirds of the total;

- net trading income virtually doubled, from €110.1m to €215.7m, and includes, in addition to dividends received on trading securities amounting to €22.2m, €40.8m in proceeds from the early redemption of the bond issue convertible into Ciments Français shares;
- income from companies accounted for on an equity basis rose by 18%, from €285m to €335.3m, reflecting the healthy earnings performance posted by Assicurazioni Generali;
- dividends on AFS securities were up 62%, from €40.2m to €65m.

Such growth in income, against a modest rise in operating costs of just 10% from €357m to €393.4m, which was chiefly attributable to development of the retail side's operations and expansion of its coverage in geographical terms, drove a further improvement in the Group's cost/income ratio, which reduced from 31% to 26%.

Bad debt writeoffs, which rose 30%, from €92.1m to €119.4m, are still largely linked to the retail area, and reflect growth in consumer credit new loans, up 23% to €2.3bn, an area which is increasingly geared towards higher-profit, higher-risk products such as personal loans and credit cards, in line with market trends.

Tax of €221.5m net of income exempt from and/or subject to reduced taxation (i.e. share of equity-accounted companies' profits attributable to Group, dividends and gains realized upon disposals) reflects a tax rate of approx. 39%.

Developments in the main balance-sheet items for the year under review include a sharp increase in loans and advances to customers, up 18% from €18.2bn to €21.4bn, well-balanced between the corporate side, which was up 17% to €12.3bn, and the Group's retail financial services operations, up 21% to €8.8bn. Growth in funding, from €24.5bn to €29.1bn, and the reduction in the AFS securities portfolio, from €7bn to €5.5bn, drove an expansion in net applications of treasury funds, which rose from €3.4bn to €6.3bn.

Net equity stood at €5,886.8m, up from €5,440m, not including profit for the period. ROE rose from 11.6% to 15.2%.

Divisional results

Wholesale banking: contributes 45% of consolidated income and 54% of net profit. This division recorded a net profit for the twelve months of €467.2m, up 77% from the €264.4m recorded one year, previously owing to a significant, 72% increase in profit from ordinary activities, up from €294.5m to €505.8m, and gains on disposals of securities amounting to €88.1m (30/6/05: €38.5m) chiefly in connection with the Ciments Français disposal referred to above. Top-line growth of 52%, from €449.8m to €681.8m, was achieved on the back of healthy contributions from all the main income sources:

³ Includes Compagnie Monégasque de banque plus the Group's 48.5% pro-forma share in the profits of Banca Esperia.

- net interest income was up 24%, from €145.5m to €180.6m, reflecting strong growth in lendings, which were up 19%, from €13.3bn to €15.9bn;
- net trading activity improved from €99.6m to €205.3m, and includes €40.8m in connection with early redemption of the bond issue convertible into Ciments Français shares;
- net fee and commission income rose 31%, from €164.1m to €215.2m, driven by advisory business which was up 82%, from €37m to €67.2m, and lending, up 58%, from €43.2m to €68.1m; there was also a sizeable contribution from capital markets of €79.9m, compared with €83.9m;
- dividends received on AFS securities rose by 62%, from €40.2m to €65m;
- income from companies accounted for on an equity basis totalled €15.7bn, reflecting the contribution of Burgo was boosted in part by non-recurring items.

An increase of 13% in operating costs, from €155.3m to €176m, drove a reduction in the cost/income ratio from 34% to 26%.

ROAC rose from 13% to 21%,⁴ despite the major increase in risk-weighted assets which, in line with the Group's strategic objectives, grew by 23% to €30.2bn, mostly because of the increase in loans to corporates, which were up 17%, from €10.5bn to €12.3bn. Such growth in volumes, however, has been achieved without prejudice to asset quality. Overall the lending business contributed roughly one-third of the wholesale banking division's volumes.

Profit for the year attributable to the Group's **Equity investment portfolio**, which comprises the shareholdings in Assicurazioni Generali (14.11%) and RCS MediaGroup (13.66%), rose by 11%, from €278.6m to €310.5m,⁵ €287.6m of which is attributable to Generali (30/6/05: €253.5m), and €22.9m (€25.1m) to RCS. Profit rose by just 1%, to €268.8m, and this stability reflects a €32.7m increase in taxation, €18.6m of which was due to booking the higher tax burden on the portfolio in advance, ahead of the increase in the PEX rate to 5.28% as from 1 January 2007.

Reflecting the valuation referred to above, the book value of the two holdings increased from €1,979.9m as at 30 June 2005 to €2,173.4m, €1,888.5m of which is attributable to the Generali holding and €284.9m to the RCS stake. At current values the portfolio reflects a surplus of market over book value amounting to €3,522.6m (30/6/06: €3,352.4m).

Retail financial services: this area contributes 29% of the Group's income and 9% of its profit. In the year ended 30 June 2006 this division posted 37% growth in profit before tax from ordinary activities, from €115.8m to €159.2m. Top-line growth of 23%, from €357.7m to €440.8m reflects the healthy market conditions generally, with new loans up 21%, and the consumer credit segment in particular. The rise in costs, from €149.8m to €166.4m, is due to

⁴ Excluding gains on disposal of AFS securities ROAC was 17% (30/6/05: 12%)

⁵ Refers to period ended 31 March 2006

the increased levels of operation and expansion of the distribution network, which now comprises a total of 135 branches after 11 new branches were added during the year, 10 of which in consumer credit and one in mortgage lending. Net profit was up 19%, to €78.6m, despite 25% growth in bad debt writeoffs, from €92.1m to €115.2m, reflecting changes to the risk profile of the Compass group's loan book, which in line with market trends is increasingly geared towards personal loans (these now account from some 40% of new loans); credit quality however remained unchanged, with the bad loans/total loans ratio at 0.9%. The 69% rise in tax, to €69.8m, is chiefly due to loan losses no longer being tax-deductible with respect to IRAP (Italian regional production tax).

ROAC rose from 15% to 17%.

With regard to the individual segments:

- **consumer credit** (accounts for one-third of lendings and two-thirds of profits): new lendings worth €2.3bn were recorded, up 23%, and profits were up 18% to €57.1m
- **mortgage lending** posted new loans worth €0.5bn, up 20%, and net profits up 26%, to €7.8m
- **leasing** performed better than expected as a result of the ongoing contribution from the Banca Popolare di Milano network. New business grew by 19%, to €1.7bn, and profits were up 16%, from €11.8m to €13.7m.

Private banking. The aggregate figures include Compagnie Monégasque de Banque plus the Group's 48.5% share in the profits of Banca Esperia. A net profit of €44m was recorded (5.1% of the Group total), up 26% compared with the €34.8m recorded one year previously, on the back of higher management fees, up 17% from €70.5m to €82.8m, deriving in part from a healthy performance by the groups' client book as well as higher AUM. There was also a significant improvement in the cost/income ratio, which reduced by 5 percentage points to 60%. Assets under management on a discretionary and non-discretionary basis rose by 4%, from €10.8bn to €11.2bn, shared as to €7.1bn for CMB (up 1%), and €4.1bn (pro-rata) for Banca Esperia (up 10%).

ROAC for this division rose to 40%, compared with 32% last year.

Mediobanca S.p.A.⁶

In the twelve months ended 30 June 2006, Mediobanca earned a net profit of €494.3m (30/6/05: €440.1m), after net writebacks to investment securities based on average prices in the previous six-month period amounting to €34.4m (€60.7m), gains on disposals of holdings totalling €106.6m (€38.5m), and writedowns to treasury securities and derivatives totalling €186m (€28.5m); this latter item is offset as usual by the increase in unrealized gains on the treasury portfolio. Profit from ordinary operations rose by more than 30%, from €453.8m to €590.2m, helped by a 23.6% rise in interest income, from €146m to €180.4m, and a 27.8% or €45.3m increase in fees, while treasury income fell from €160.9m to €150m.

⁶ Figures compiled in accordance with Italian Legislative Decree 87/92.

With regard to the main balance-sheet items, loans and advances to customers rose from €14bn to €15.8bn, despite transactions with matched funding being largely wiped out, from €1,598.1m to €83.8m. Conversely, funding rose from €19.4bn to €23bn, with issuance during the twelve months of €8.5bn. Investment securities rose by €94.2m, after writebacks amounting to €34.4m, while net applications of treasury funds after the movements described above rose by €2,251.6m, taking this item back to previous years' levels.

Proposed dividend

The Board approved a resolution to propose payment of a €0.58 per share dividend to shareholders at the Annual General Meeting scheduled to be held on 28 October 2006 in the first instance, or on 30 October thereafter if adjourned. This represents an increase of 21% on the €0.48 dividend paid last year. The dividend will be payable as from 23 November 2006 and the shares will go ex-rights on 20 November 2006.

* * *

The Board also:

- duly noted the resignation of Carlo SALVATORI, and co-opted Dieter RAMPL in his stead as a non-independent, non-executive Director who was also appointed as Deputy Chairman and member of the Executive, Appointments and Remuneration Committees;
- approved the issue of a subordinated bond in an amount of up to €1-1.2bn;
- assessed whether the following are in possession of the requisites to stand as independent directors of the Bank stipulated under the Code of conduct in respect of listed companies: Tarak BEN AMMAR, Roberto COLANINNO, Gabriele GALATERI di GENOLA, Berardino LIBONATI and Fabrizio PALENZONA;
- approved the annual statement on corporate governance and compliance with the code of conduct in respect of listed companies, to be included in the Group's annual report as usual.

15 September 2006

Consolidated profit and loss account

	12 mths to 30/6/05 (Italian GAAP)	12 mths to 30/6/05 pro-forma *	30/6/06	Change 2005/2006
	€m	€m	€m	%
Net interest income	509.6	480.2	593.0	+23
Net trading income	169.6	110.1	215.7	+96
Net fee and commission income	207.8	241.1	302.7	+26
Dividends on AFS securities	127.4	40.2	65.0	+62
Share of profits earned by equity-accounted companies	6.3	285.0	335.3	+18
TOTAL INCOME	1,020.7	1,156.6	1,511.7	+31
Operating costs	(348.2)	(357.0)	(393.4)	+10
PROFIT FROM ORDINARY ACTIVITIES	672.5	799.6	1,118.3	+40
Gain (loss) on disposal of AFS securities	39.0	40.7	87.8	n.m.
Gain (loss) on disposal of other securities	4.2		2.6	n.m.
Bad debt writeoffs	(99.2)	(92.1)	(119.4)	+30
Net writebacks to investment securities	56.1			
PRE-TAX PROFITS	672.6	748.2	1,089.3	+46
Income tax for the period	(122.7)	(107.4)	(221.5)	n.m.
Minority interest	(9.6)	(8.4)	(9.4)	+12
NET PROFIT	540.3	632.4	858.4	+36
<i>of which: banking</i>		365.3	588.9	+61
<i>equity investment portfolio</i>		267.1	268.8	+1

* Includes estimated impact of adopting IAS 39.

Consolidated balance sheet

	1/7/05	30/6/06
Assets		
	€m	€m
Treasury funds	3,359.8	6,320.6
AFS securities	7,037.2	5,502.7
<i>of which: fixed-income</i>	4,445.0	2,833.9
<i>equities</i>	2,426.2	2,423.0
Financial assets held to maturity	239.0	626.5
Loans and advances to customers	18,171.7	21,388.1
Equity investments	2,137.6	2,354.9
Tangible and intangible assets	310.6	305.7
Other assets	524.5	510.2
<i>of which: tax assets</i>	133.3	321.5
Total assets	31,780.4	37,008.7
Liabilities		
Funding.....	24,502.5	29,067.7
<i>of which: debt securities in issue</i>	15,173.6	21,118.0
Other liabilities	854.9	915.3
<i>of which: tax liabilities</i>	468.8	645.6
Provisions	189.7	191.3
Net equity	5,519.3	5,976.0
<i>of which: share capital</i>	397.5	406.0
<i>reserves</i>	5,042.5	5,480.8
<i>minority interest</i>	79.3	89.2
Profit for the year	714.0 ⁷	858.4
Total liabilities	31,780.4	37,008.7
<i>Tier 1 capital</i>	5,135.4	5,743.7
<i>Regulatory capital</i>	6,335.4	6,954.2
<i>Tier 1 capital risk-weighted assets</i>	15.85%	14.24%
<i>Regulatory capital risk-weighted assets</i>	19.56%	17.24%
<i>No. of shares in issue (millions)</i>	795	812

⁷Difference from profit including estimated impact of adopting IAS 39 (i.e. €632.4m) accounted for in net equity reserves.

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

30/6/06	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income	180.6	398.3	22.1	(6.8)	593.0
Dividends on AFS securities	65.0		-		65.0
Net trading income	205.3	1.4	10.7		215.7
Net fee and commission income	215.2	41.1	82.8		302.7
Share of profits earned by equity accounted companies	15.7			310.5	335.3
TOTAL INCOME	681.8	440.8	115.6	303.7	1,511.7
Labour costs	(105.4)	(66.2)	(41.8)	(3.1)	(208.7)
Administrative expenses	(70.6)	(100.2)	(27.6)	(2.3)	(184.7)
OPERATING COSTS	(176.0)	(166.4)	(69.4)	(5.4)	(393.4)
PROFIT FROM ORDINARY ACTIVITIES	505.8	274.4	46.2	298.3	1,118.3
Gain (loss) on disposal of AFS securities	85.9		1.9		87.8
Gain (loss) on disposal of other securities	2.2				2.2
Gain (loss) on disposal of other assets	(0.2)		0.6		0.4
Bad debt writeoffs	(4.5)	(115.2)	0.2		(119.4)
PRE-TAX PROFIT	589.2	159.2	48.9	298.3	1,089.3
Income tax for the year	(122.5)	(69.8)	(4.9)	(29.5)	(221.5)
Minority interest	0.5	(10.8)	-	-	(9.4)
NET PROFIT	467.2	78.6	44.0	268.8	858.4
Balance-sheet data					
AFS securities	4,065.8		1,456.7		5,502.7
Equity investments	146.8			2,173.4	2,354.9
Loans and advances to customers	15,855.9	8,799.4	452.5		21,388.1
<i>of which: to Group companies</i>	<i>3,608.4</i>				
Risk-weighted assets	30,218.5	7,305.8	831.1	1,973.9	40,329.3
No. of employees	418	1,026	274*	-	1,684
Cost/income ratio (%)	26	38	60	2	26

* Includes 83 staff employed by Banca Esperia not included in the total.

Notes:

1) Divisions comprise:

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

2) Data included in the table have been compiled on a IAS/IFRS-compliant basis.

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

- Banca Esperia being consolidated pro-rata (48.5%) rather than equity-accounted;

- adjustments/differences arising on consolidation between different business areas.

30/6/05	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
	€m	€m	€m	€m	€m
Profit-and-loss (pro-forma)					
Net interest income	145.5	326.3	18.8	(8.8)	480.2
Dividends on AFS securities	40.2		-		40.2
Net trading income	99.6		11.0		110.1
Net fee and commission income	164.1	31.4	70.5		241.1
Share of profits earned by equity accounted companies	0.4		0.8	278.6	285.0
TOTAL INCOME	449.8	357.7	101.1	269.8	1,156.6
Labour costs	(100.5)	(61.4)	(42.0)	(3.0)	(200.7)
Administrative expenses	(54.8)	(88.4)	(23.6)	(2.9)	(156.3)
OPERATING COSTS	(155.3)	(149.8)	(65.6)	(5.9)	(357.0)
PROFIT FROM ORDINARY ACTIVITIES	294.5	207.9	35.5	263.9	799.6
Gain (loss) on disposal of AFS securities	38.5		2.2		40.7
Gain (loss) on disposal of other securities					
Bad debt writeoffs		(92.1)			(92.1)
PRE-TAX PROFIT	333.0	115.8	37.7	263.9	748.2
Income tax for the year	(68.6)	(41.3)	(2.9)	3.2	(107.4)
Minority interest		(8.3)			(8.4)
NET PROFIT	264.4	66.2	34.8	267.1	632.4
Balance-sheet data					
AFS securities	5,831.3		1,306.6	-	7,037.2
Equity investments	133.1	-	-	1,979.9	2,137.6
Loans and advances to customers	13,288.0	7,287.8	528.7		18,171.7
<i>of which: to Group companies</i>	<i>2,813.2</i>				
Risk-weighted assets	24,535.3	6,158.2	814.5	1,835.1	33,343.1
No. of employees	409	989	262*		1,636
Cost/income ratio (%)	34	42	65	2	31

* Includes 70 staff employed by Banca Esperia not included in the total.

Retail financial services

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

Retail financial services 30/6/05	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	258.4	27.3	285.7	72.0	357.7
Operating costs	(104.7)	(15.4)	(120.1)	(29.7)	(149.8)
PROFIT FROM ORDINARY ACTIVITIES	153.7	11.9	165.6	42.3	207.9
Provisions and loan losses	(79.3)	(3.7)	(83.0)	(9.1)	(92.1)
Profit attributable to minorities				(8.3)	(8.3)
Taxation for the period	(26.2)	(2.0)	(28.2)	(13.1)	(41.3)
NET PROFIT	48.2	6.2	54.4	11.8	66.2
New loans	1,895.2	432.2	2,327.4	1,455.5	3,782.9
Loans and advances to customers	2,648.3	1,311.1	3,959.4	3,326.7	7,286.1
No. of branches	93	21	114	10	124
No. of employees	615	154	769	220	989

Private banking

Private banking 30/6/06	CMB	Banca Esperia 48.5% *	Others	Total PB
	€m	€m	€m	€m
Total income	75.0	34.2	6.4	115.6
<i>of which: net free and commission income</i>	45.6	31.0	6.2	82.8
Operating costs	(40.5)	(22.8)	(6.1)	(69.4)
PROFIT FROM ORDINARY ACTIVITIES ...	34.5	11.4	0.3	46.2
Other income (costs)	3.2	(0.1)	(0.4)	2.7
Income tax for the period		(4.6)	(0.3)	(4.9)
NET PROFIT	37.7	6.7	(0.4)	44.0
AUM	7,140.0	4,076.9		11,216.9

* Includes €3.3m in costs incurred in connection with the stock option scheme attributable to Mediobanca.

Private banking 30/6/05	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	69.7	24.7	6.7	101.1
<i>of which: net free and commission income</i>	41.4	22.6	6.5	70.5
Operating costs	(42.0)	(17.1)	(6.5)	(65.6)
PROFIT FROM ORDINARY ACTIVITIES ...	27.7	7.6	0.2	35.5
Other income (costs)	2.3		(0.1)	2.2
Income tax for the period	(0.2)	(2.1)	(0.6)	(2.9)
NET PROFIT	29.8	5.5	(0.5)	34.8
AUM	7,071.0	3,710.7		10,781.7

Mediobanca S.p.A.: profit and boss account

	12 mths to 30/6/04 *	12 mths to 30/6/05	12 mths to 30/6/06
	€m	€m	€m
Interest income	477.6	444.6	562.2
Commissions received and other income.....	148.4	163.0	208.3
General costs and expenses	(150.2)	(153.8)	(180.3)
GROSS MARGIN FROM ORDINARY OPERATIONS...	475.8	453.8	590.2
Net writedowns to treasury securities and derivatives	(7.3)	(28.5)	(186.0)
Net gain (boss) on disposal of investment securities	39.1	38.5	106.6
Net writebacks (writedowns) to investment securities	134.3	60.7	34.4
margin before taxation and provisions	641.9	524.5	545.2
Provisions for liabilities, charges and loan boss.....	(33.0)	-	-¹
Taxation for the year.....	(181.3)	(84.4)	(50.9)
NET PROFIT (LOSS).....	427.6	440.1	494.3

* Tax credit on dividends has been included in the item taxation for the year, and accelerated depreciation and amortization charges have been taken to general costs and expenses.

¹ Balance between provision for liabilities and charges and extraordinary income

Mediobanca S.p.A.: balance sheet

	30/6/04	30/6/05	30/6/06
Assets	€m	€m	€m
Treasury funds.....	8,427.8	6,538.5	8,790.1
Loans and advances to customers	13,324.4	13,995.6	15,823.8
Investment securities	2,987.7	3,209.2	3,303.4
Property	11.6	11.6	11.7
Other assets	2,188.4	2,032.6	1,835.3
Total assets	26,939.9	25,787.5	29,764.3
Liabilities			
Funding	20,561.2	19,374.6	23,016.3
Provisions for liabilities and charges.....	244.4	242.6	234.2
Other liabilities	1,323.6	1,202.2	1,267.1
Shareholders' equity	4,383.1	4,528.0	4,752.4
Profit (loss) for the year	427.6	440.1	494.3
Total liabilities	26,939.9	25,787.5	29,764.3
Memorandum accounts	84,319.5	81,192.6	107,987.3

"

SUBSCRIPTION AND SALE

Mediobanca International (Luxembourg) S.A., The Royal Bank of Scotland plc and UBS Limited (the "**Joint Lead Managers**") have, in a subscription agreement dated on or about the date hereof (the "**Subscription Agreement**") and made between the Issuer and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

The selling restrictions set out under the headings "General", "United States of America", "United Kingdom", "Republic of Italy" and "Japan" on pages 71 to 73 of the Base Prospectus are incorporated herein by reference.

GENERAL INFORMATION

Approval, Listing and Admission

Application has been made to the CSSF to approve this Prospectus as a prospectus, pursuant to the Prospectus Directive and The Luxembourg Law on Prospectuses for Securities of 10 July 2005. Application has also been made for Notes issued under the Prospectus to be listed and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in the Republic of Italy in connection with the establishment of the Programme and the issue and performance of the Notes hereunder and pursuant to the Programme. The establishment of the Programme and the issue of the Notes was authorised under the terms of resolutions of the Board of Directors of the Issuer passed on 29 October 2001, 18 March 2002, 14 May 2003, 28 October 2003, 13 May 2004 and 15 September 2006 and by a resolution adopted by the Executive Committee of the Issuer passed on 27 March 1998, 29 October 2001 and 13 May 2005.

Legal and Arbitration Proceedings

Save as disclosed in the Base Prospectus incorporated by reference herein none of the Issuer and its consolidated subsidiaries is or has been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability and, so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

Material Contracts

Save as disclosed in the Base Prospectus incorporated by reference herein, neither the Issuer nor any of its subsidiaries has entered into any contracts in the last two years outside the ordinary course of business that have been or may reasonably be expected to be material to the Issuer's ability to meet its obligations to Noteholders.

Trend Information

Save as disclosed in this Prospectus and in the Base Prospectus incorporated by reference herein, since 31 December 2005, there has been no material adverse change in the prospects of the Issuer or the Group.

Significant Change

Save as disclosed in this Prospectus and in the Base Prospectus incorporated by reference herein, since 30 June 2006, there has been no significant change in the financial position of the Issuer or the Group.

Interests of natural and legal persons involved in the Issue

Save for any fees payable to the Joint Lead Managers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

Use of Proceeds

The net proceeds of the Notes will be used for the general corporate purposes of the Issuer.

Estimated Net Expenses

The total expenses that can be determined as of the Issue Date are Euro 9,020, such expenses excluding certain out-of pocket expenses incurred or to be incurred by or on behalf of the Issuer in connection with the admission to trading of the Notes.

ISIN and Common Code

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The Common Code for the Notes is 027000266 and the International Securities Identification Number (ISIN) for the Notes is XS0270002669.

Documents on Display

For so long as the Notes remain outstanding, the following documents will be available during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent and each of the Paying Agents.

- (i) the Fiscal Agency Agreement dated 30 December 2005;
- (ii) the Subscription Agreement dated on or about the date hereof;
- (iii) the Deed of Covenant dated 30 December 2005 executed by the Issuer;
- (iv) the By-laws (*Statuto*) of the Issuer;
- (v) (a) the audited consolidated financial statements of the Issuer for the two years ended 30 June 2004 and 2005; (b) the audited consolidated interim financial statements of the Issuer as at and for the six months ended 31 December 2004 and 2005; and (c) the unaudited consolidated quarterly financial statements of Mediobanca for the nine months ended 31 March 2005 and 2006;
- (vi) a copy of this Prospectus together with the Base Prospectus dated 30 December 2005 and the supplement to the base prospectus dated 6 April 2006.

Auditors

The consolidated financial statements of the Issuer as at and for the years ended 30 June 2004, 2005 and 2006 and the six months ended 31 December 2004 and 2005 have been audited without qualification by Reconta Ernst & Young S.p.A. of Via della Chiusa, 2 20123 Milan

Italy who are registered on the role of chartered accountants held by the Italian Ministry of Justice and in the register of Auditing Firms held by CONSOB.

REGISTERED OFFICE

MEDIOBANCA - Banca di Credito

Finanziario S.p.A.

Piazzetta E. Cuccia, 1

20121 Milan

Italy

JOINT LEAD MANAGERS

Mediobanca International

(Luxembourg) S.A.

14 Boulevard Roosevelt

L-2450 Luxembourg

Grand Duchy of Luxembourg

The Royal Bank of Scotland plc

135 Bishopsgate

London

EC2M 3UR

United Kingdom

UBS Investment Bank

100 Liverpool Street

London

EC2M 2RH

United Kingdom

LEGAL ADVISERS TO THE ISSUER

As to Italian law

d'Urso Munari Gatti

Studio Legale

Piazza Borromeo, 8

20123 Milan

Italy

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to English and Italian law

Clifford Chance Studio Legale Associato

Piazzetta M. Bossi, 3

20121 Milan

Italy

AUDITORS TO MEDIOBANCA - BANCA DI CREDITO FINANZIARIO S.p.A.

Reconta Ernst & Young S.p.A.

Via della Chiusa, 2

20123 Milan

Italy

FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT

BNP Paribas Securities Services,

Luxembourg Branch

23 Avenue de la Porte Neuve

L-2085 Luxembourg

PAYING AGENT

Citibank, N.A.

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United Kingdom

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