MEDIOBANCA

Quarterly Report

for the period ended 31 March 2008

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 409,815,332.50

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

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for the period ended 31 March 2008

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REVIEW OF GROUP OPERATIONS

The Mediobanca Group's results for the nine months under review show a net profit of €784.4m, up 10.4%, on the €710.4m recorded last year. This bears out the trend reflected in the figures for the first six months of the financial year, albeit slowing, against a backdrop of critical conditions on financial markets and a gradual worsening of the economic scenario.

Total income grew by 12.6%, from €1,147.7m to €1,292.6m, boosted by healthy contributions from all the main revenue sources with the exception of net trading income, which declined from €88.4m to €72.2m (31/12/07: €76.1m). As for the other main sources:

— net interest income rose by 11.4%, from €493.6m to €549.9m, driven by corporate banking, which was up 27% on the back of higher funding and lending volumes, up 23% and 33% respectively from March last year; net interest income from retail financial services posted a slight increase of 3%, reflecting the rise in the cost of funding;

— net fee and commission income grew by 15%, from €268.9m to €309.3m, due to positive contributions from corporate banking activities;

— income from equity-accounted companies rose by 17.8%, from €293.6m to €345.8m, reflecting the positive earnings performance by Assicurazioni Generali and RCS MediaGroup.

Costs rose by almost 30%, from €289.1m to €375.3m, in line with the trend seen in the first six months, due to expanding the Group's coverage within Italy and elsewhere as well as the new Micos Banca retail project.

Bad debt writeoffs increased from €116.8m to €138.4m, of which €128.1m (31/3/07: €115.2m) involved retail financial services (up 11.2%), plus €10m transferred to the collective provision for the corporate portfolio (unchanged from end-December 2007) which continues to consist of entirely performing accounts.

Gains on disposals of securities were stable at €173.8m, versus €174.4m, due chiefly to the disposal of AFS securities carried out in the first half of the year.

Improvement at the net profit level was shown by the following of the Group's main business areas: equity investment portfolio, up 28.8%, from €261.4m to €336.6m, wholesale banking, up 5.8%, from €353.1m to €373.7m, and private banking, up 8.2%, from €39.1m to €42.3m. Retail financial services declined from €63m to €36.7m, largely due to the cost of developing the retail banking project.

On the balance-sheet side, there was further growth in this quarter in loans, from €29.7bn to €30.2bn (31/3/07: €24.2bn), in funding, from €36.4bn to €40.2bn (€33.5bn), and in treasury funds, from €6.8bn to €9.8bn (€8.4bn), while AFS securities fell from €4.5bn to €4.3bn (€5.6bn) due to the reduction in stock market prices (adjustment to fair value for the three months resulted in an approx. €290m charge).

Significant events during the period under review included:

— approval of the Group's 2008-2011 three-year business plan, which despite the difficult economic and financial scenario, sets challenging growth targets to be achieved by leveraging on the Group's distinctive capabilities and strengthening its business model. The growth anticipated from these changes, which will build on the Group's leadership position on its domestic corporate market, will derive among other things from the following new initiatives:
    - completing the range of products offered and strengthening the Group's pan-European franchise in corporate and investment banking, with the objective of further diversifying sources of income by type, clientèle and geographical origin;
    - entering new asset classes in principal investing (merchant banking, private equity and special opportunities), based on a rationale of exploiting the Group's corporate capabilities and maximizing returns on capital invested;
    - establishing a new leading Italian consumer credit operator through the Compass-Linea combination and through generating the relevant synergies;

– launching a highly innovative retail banking platform through Micos Banca.

A sound capital base and careful risk appraisal will remain among the Group's main operating paradigms. The main 2011 targets in quantitative terms may be summarized as follows:

– total income: up from €2.1bn to €3.1bn (CAGR: +14%)

– net profit: up from €1bn to €1.4bn (CAGR: +13%)

– ROE: up from 14% to 18%;

— launch of the new retail project involving Micos Banca. The new venture seeks to take advantage of the strategic opportunity offered by rapid changes to the regulatory environment and to the traditional client-bank relationship. The new initiative, which should become operative in the next few days, will give the Group access to new sources of funding and allow it to further diversify and stabilize total income. The distribution model envisages parallel development of remote channels (i.e. online banking and call centres) and branches. The products to be offered, which initially will include current accounts, deposit accounts, credit cards and mortgages, will be distinguished by their high degree of standardization, transparency, price and efficiency;

— work starting on the project to integrate Compass and Linea, pending receipt of the requisite authorizations due upon completion of the transaction;

— completion of the share buyback programme initiated on 27 October 2007, with 1.98% of the share capital of Mediobanca, or 16.2 million Mediobanca shares, repurchased for a total outlay of €213.4m;

— amendment to the provisions for regulatory requirements for banks (Update no. 2 to Circular no. 263 issued on 17 March 2008), which on the one hand means that the Group's shareholding in Assicurazioni Generali no longer has to be deducted from regulatory capital, but on the other rules out the possibility of including unrealized gains on this investment. As a result of these changes, the Group's consolidated regulatory capital as at 31 December 2007 rises from €7.3bn to €7.6bn.

CONSOLIDATED FINANCIAL STATEMENTS*

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

RESTATED PROFIT AND LOSS ACCOUNT

	9 mths to 31/3/07	6 mths to 31/12/07	9 mths to 31/3/08	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	493.6	364.6	549.9	+11.4
Net trading income	88.4	76.1	72.2	–18.3
Net fee and commission income	268.9	231.3	309.3	+15.0
Dividends on AFS securities	3.2	11.7	15.4	n.m.
Share of profits earned by equity-accounted companies	293.6	262.1	345.8	+17.8
TOTAL INCOME	**1,147.7**	**945.8**	**1,292.6**	**+12.6**
Labour costs	(153.6)	(127.6)	(197.8)	+28.8
Administrative expenses	(135.5)	(118.0)	(177.5)	+31.0
OPERATING COSTS	**(289.1)**	**(245.6)**	**(375.3)**	**+29.8**
PROFIT FROM ORDINARY ACTIVITIES	**858.6**	**700.2**	**917.3**	**+6.8**
Gain (loss) on disposal of AFS securities	174.4	170.0	173.8	–0.3
Gain (loss) on disposal of other securities	—	(0.2)	(0.2)	n.m.
Bad debt writeoffs	(116.8)	(95.4)	(138.4)	+18.5
Writebacks (writedowns) to AFS securities	—	(4.2)	(4.2)	n.m.
Extraordinary provisions	(6.0)	—	—	n.m.
PROFIT BEFORE TAX	**910.2**	**770.4**	**948.3**	**+4.2**
Income tax for the period	(191.2)	(124.4)	(156.2)	–18.3
of which: one-off effect of 2008 Budget Law	—	*30.4*	*30.4*	n.m.
Minority interest	(8.6)	(5.5)	(7.7)	–10.5
NET PROFIT	**710.4**	**640.5**	**784.4**	**+10.4**

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

RESTATED BALANCE SHEET

	30/6/07	31/12/07	31/3/08
	€m	€m	€m
Assets			
Treasury funds	6,993.0	6,781.3	9,788.8
AFS securities	5,573.2	4,549.4	4,297.6
of which: fixed-income	*1,622.4*	*1,593.3*	*1,506.0*
equities	*3,335.7*	*2,499.3*	*2,360.6*
Financial assets held to maturity	622.5	585.7	582.2
Loans and advances to customers	26,811.6	29,718.2	30,205.4
Equity investments	2,632.7	2,642.9	2,705.4
Tangible and intangible assets	310.5	313.3	327.8
Other assets	588.6	527.5	634.3
of which: tax assets	*372.0*	*288.3*	*325.3*
Total assets	43,532.1	45,118.3	48,541.5
Liabilities			
Funding	34,227.7	36,414.5	40,195.4
of which: debt securities in issue	*25,702.6*	*27,488.5*	*30,859.4*
Other liabilities	1,227.9	1,117.6	1,066.7
of which: tax liabilities	*787.1*	*703.2*	*725.1*
Provisions	185.4	184.9	181.1
Net equity	6,937.9	6,760.8	6,313.9
of which: share capital	*408.8*	*409.5*	*409.5*
reserves	*6,420.9*	*6,240.0*	*5,791.4*
minority interest	*108.3*	*111.3*	*113.0*
Profit for the period	953.2	640.5	784.4
Total liabilities	43,532.1	45,118.3	48,541.5

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

31 MARCH 2008	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income (expense)	184.4	349.0	26.7	(8.5)	549.9
Dividends on AFS securities	15.4	—	—	—	15.4
Net trading income (expense)	66.7	(0.6)	10.5	—	72.2
Net fee and commission income	232.7	45.4	65.5	—	309.3
Share of profit (loss) earned (incurred) by equity-accounted companies	(10.4)	—	—	350.0	345.8
TOTAL INCOME	**488.8**	**393.8**	**102.7**	**341.5**	**1,292.6**
Labour costs	(106.0)	(63.8)	(35.8)	(4.4)	(197.8)
Administrative expenses	(60.0)	(106.7)	(20.8)	(2.0)	(177.5)
OPERATING COSTS	**(166.0)**	**(170.5)**	**(56.6)**	**(6.4)**	**(375.3)**
PROFIT FROM ORDINARY ACTIVITIES	**322.8**	**223.3**	**46.1**	**335.1**	**917.3**
Gain (loss) on disposal of AFS securities	173.2	—	0.8	—	173.8
Gain (loss) on disposal of other securities	(0.2)	—	—	—	(0.2)
Writebacks (writedowns) to AFS securities	(4.2)	—	—	—	(4.2)
Bad debt writeoffs	(10.0)	(128.1)	(0.4)	—	(138.4)
PROFIT BEFORE TAX	**481.6**	**95.2**	**46.5**	**335.1**	**948.3**
Income tax for the period	(108.0)	(50.6)	(4.2)	1.5	(156.2)
Minority interest	0.1	(7.9)	—	—	(7.7)
NET PROFIT	**373.7**	**36.7**	**42.3**	**336.6**	**784.4**
Balance-sheet data					
AFS securities	3,639.0	—	772.5	—	4,297.6
Equity investments	174.7	—	—	2,475.7	2,705.4
Loans and advances to customers	23,695.4	11,056.2	771.8	—	30,205.4
of which: to Group companies	*5,216.2*	—	—	—	—
No. of employees	534	1,366	307*	—	2,156
Cost/income ratio (%)	34.0	43.3	55.1	1.9	29.0

* Includes 97 staff (31/3/07: 89) employed by the Esperia group pro-forma not included in the Group total.

Notes to statements on pp. 10-11:

1) Divisions comprise:
   - *wholesale banking*: Mediobanca S.p.A., Mediobanca International, Mediobanca Securities USA LLC 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 portfolio*: shareholdings owned by the Group in Assicurazioni Generali and RCS MediaGroup.
2) Sum of divisional data differs from Group total due to:
   - Banca Esperia being consolidated pro-rata (48.5%) rather than equity-accounted;
   - adjustments/differences arising upon consolidation between different business areas, leading to a net negative adjustment of €1.4m at 31/3/08 and of €0.5m at 31/3/07;
   - notional expenses attributable to Mediobanca in respect of stock option schemes operated by Banca Esperia amounting to €3.7m (31/3/07: €5.7m).

31 MARCH 2007	Wholesale banking	Retail financial services	Private banking	Equity investment portfolio	Group
	€m	€m	€m	€m	€m
Profit-and-loss figures					
Net interest income (expense)	145.4	339.5	17.6	(6.5)	493.6
Dividends on AFS securities	3.2	—	—	—	3.2
Net trading income (expense)	79.6	(0.1)	9.9	—	88.4
Net fee and commission income	204.0	31.1	66.9	—	268.9
Share of profits earned by equity-accounted companies	5.6	—	—	280.0	293.6
TOTAL INCOME	**437.8**	**370.5**	**94.4**	**273.5**	**1,147.7**
Labour costs	(77.2)	(49.6)	(31.4)	(2.9)	(153.6)
Administrative expenses	(45.9)	(78.7)	(19.9)	(0.9)	(135.5)
OPERATING COSTS	**(123.1)**	**(128.3)**	**(51.3)**	**(3.8)**	**(289.1)**
PROFIT FROM ORDINARY ACTIVITIES	**314.7**	**242.2**	**43.1**	**269.7**	**858.6**
Gain (loss) on disposal of AFS securities	165.9	—	8.5	—	174.4
Gain (loss) on disposal of other securities	—	—	—	—	—
Extraordinary provisions	—	—	(6.0)	—	(6.0)
Bad debt writeoffs	(1.6)	(115.2)	(0.1)	—	(116.8)
PROFIT BEFORE TAX	**479.0**	**127.0**	**45.5**	**269.7**	**910.2**
Income tax for the period	(125.9)	(55.4)	(6.4)	(8.3)	(191.2)
Minority interest	—	(8.6)	—	—	(8.6)
NET PROFIT	**353.1**	**63.0**	**39.1**	**261.4**	**710.4**
Balance-sheet data					
AFS securities	4,768.0	—	870.2	—	5,619.3
Equity investments	192.7	—	—	2,402.7	2,638.8
Loans and advances to customers	17,909.6	9,698.1	732.6	—	24,177.1
of which: to Group companies	*4,022.7*	—	—	—	—
No. of employees	441	1,066	269*	—	1,741
Cost/income ratio (%)	28.1	34.6	54.3	1.4	25.2

REVIEW OF KEY ITEMS

BALANCE SHEET

The main balance-sheet items reflected the following trends in the third quarter, compared with the figures as at 31 December 2007:

Funding — this item grew by 10.4%, from €36,414.5m to €40,195.4m, due to an increase in bond issuance, which was up from €27,488.5m to €30,859.4m, and raised mostly on the retail market through other parties' networks. In the nine months under review the Group raised new funds worth €10.3bn, on €3bn falling due. Other items increased from €8,926.1m to €9,336m, including as a result of Compagnie Monégasque de Banque acquiring the Unicredit group's Monaco-based private banking assets.

Loans and advances to customers — these rose by 1.6%, from €29,718.2m to €30,205.4m, with growth shared equally between the retail and corporate segments. Over the nine months this item posted a 12.7% increase, three-quarters of which involved corporate finance, while mortgage loans rose by over 19%.

	31/12/07	31/3/08	Change
	€m	€m	%
Corporate	18,268.3	18,480.9	+1.2
Retail	10,765.7	11,043.8	+2.6
- *of which: consumer credit*	*3,820.0*	*3,888.1*	*+1.8*
mortgage lending	*2,454.6*	*2,547.0*	*+3.8*
leasing	*4,429.0*	*4,551.2*	*+2.8*
Others (CMB)	684.2	680.7	–0.5
TOTAL LOANS AND ADVANCES TO CUSTOMERS	29,718.2	30,205.4	+1.6

Loan book composition remained unchanged from the breakdown at end-December 2007, with 62% of the portfolio made up of corporate loans and structured finance, 21% of consumer credit, and 15% of leasing, while the other 2% is represented by finance disbursed by Compagnie Monégasque de Banque.

Equity investments — this item rose by €62.5m, from €2,642.9m to €2,705.4m, after acquisitions worth €22.2m (€10.4m of which in relation to new purchases under the terms of the RCS MediaGroup shareholders' agreement, and €11.7m to new payments to Athena Private Equity) and the contribution of the equity-accounted companies for the three months. In particular, the book value of the Group's shareholding in Assicurazioni Generali rose by €27.8m, representing the balance between pro-rata profit for the period of €80.8m and a reduction of €53m in the relevant valuation reserve; the value of the RCS MediaGroup investment increased by €15.7m, €7.7m of which was attributable to profit for the period; while Banca Esperia reported a profit of €1.1m. Conversely, the holding in Burgo Group reflects the losses incurred for the period with a charge of €3.8m. Based on share prices at 31 March 2008, the portfolio reflected a surplus of €3,434.7m (31/12/07: €4,037.7m), which falls to €3,401.8m based on current prices.

	Percentage shareholding*	Book value	Market value as at 31/3/08	Surplus
		€m		
LISTED INVESTMENTS				
Assicurazioni Generali	14.05	2,131.0	5,643.8	3,512.8
RCS MediaGroup, *ordinary*	14.36	344.7	266.6	(78.1)
		2,475.7	5,910.4	3,434.7
OTHER INVESTMENTS				
Banca Esperia	48.50	55.0		
Burgo Group	22.13	133.2		
Athena Private Equity class A ...	23.88	39.3		
Fidia	25.00	1.7		
Other minor investments		0.5		
		229.7		
		2,705.4		

* Percentage of entire share capital.

Financial assets held to maturity — these declined from €585.7m to €582.2m, following adjustments to amortized cost of €3.3m after coupons were collected. The notional loss on these assets based on prices at end-March 2008 amounted to €45.7m (31/12/07: €38.4m).

AFS securities — this portfolio is made up of debt securities worth €1,506m (€1,593.3m), equities amounting to €2,360.6m (€2,499.3m), and other securities (stock units in funds) totalling €431m (€456.8m), the latter held solely by Compagnie Monégasque de Banque. During the three months net investments were made of €104.3m in equities (€50.1m of which in Sintonia S.A.), plus €66.5m in disposals of bonds and other securities; following the general reduction in stock prices, the portfolio was measured at fair value some €290m below that recognized at 31 December 2007. The main equity investments held in this portfolio are shown below, along with an indication of the relevant adjustments to fair value for the nine months:

	Percentage shareholding*	Book value at 31/3/08	Adjustments to fair value	Aggregate AFS reserve
Fiat	1.94 – 1.66	310.9	(156.1)	173.5
Pirelli	4.61 – 4.49	134.4	(41.1)	(6.8)
Italmobiliare	9.5 – 5.47	137.2	(83.4)	102.6
Other listed securities		761.8	(297.7)	(155.9)
Telco	10.64	522.4	—	—
Other unlisted securities		493.9	(3.9)	62.4
TOTAL		2,360.6	(582.2)	175.8

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

The investment in Telco continues to be recognized at the value at which it was transferred.

Treasury funds — this item rose from €6,781.3m to €9,788.8m, and includes €328.3m in cash and cash equivalents (€367.6m), €6,826.3m (€5,922.9m) in fixed-income securities, €951.4m (€1,324.2m) in equities, €214.9m (€161.2m) in upward adjustments to the value of derivative contracts, and €1,467.9m in net short-term funding (repos, interbank deposits, etc.). Net trading income fell slightly during the three months, from €88.4m to €72.2m, reflecting the strong market volatility. The Group's liquidity remains comfortable, including as a result of the new funds raised.

Provisions — this item comprises the provision for risks and charges, which stood at €156.2m (€158.8m), and the staff severance indemnity provision, which amounted to €24.9m, as compared with €26.1m at year-end 2007.

Net equity — without considering profit for the period, the Group's share in net equity fell by €448.6m, from €6,649.5m to €6,200.9m, largely on the back of a €245.2m reduction in the valuation reserve net of the tax effects, and the outlay due to the share buyback programme completed on 29 February of this year, which amounted to €198.6m. The Group now holds a total of 16.2 million treasury shares, equal to 1.98% of the Bank's share capital, worth a total of €213.4m.

PROFIT AND LOSS ACCOUNT

Net interest income — this rose by 11.4%, from €493.6m to €549.9m, as a result of growth in lendings. The increase mostly involved corporate banking, where net interest income rose by 27%, while the 3% increase by retail financial services reflects the impact of the increased cost of raising funds from banks.

Net trading income — net trading income of €72.2m (31/3/07: €88.4m) represents the balance between income of €193.1m and downward adjustments of €120.9m upon marking the portfolio to market as at the reporting date.

	9 mths to 31/3/07	9 mths to 31/3/08
	€m	€m
Net trading income (expense)	44.3	158.5
Mark-to-market as at reporting date	42.3	(120.9)
Dividends	1.8	34.6
TOTAL	88.4	72.2

The fixed-income segment accounts for more than two-thirds of overall net trading income.

Net fee and commission income — the increase in this item, from €268.9m to €309.3m, is largely attributable to corporate and investment banking fees, which account for approximately three-quarters of the total, and were up 14.3%, from €202.5m to €231.4m, due to positive trends in all the main business areas (albeit slowing). The item also includes €42.1m in fees earned by the Compass Group (€28.5m), boosted by higher insurance revenues, which were up by approx. €10m, and €35.7m (€37.9m) by other Group companies, notably Compagnie Monégasque de Banque.

Operating costs — these rose by 29.8%, from €289.1m to €375.3m, and comprise:

— labour costs amounting to €197.8m (€153.6m); this includes €7.4m (€3.7m) in emoluments to board members, and €6.8m (€6.9m) in notional costs in respect of stock option schemes. The increase reflects growth in the Group's headcount, with the number of staff rising from 1,741 to 2,156, over half of which was attributable to expanding the retail activity of Micos Banca;

— sundry costs and expenses amounting to €177.5m (€135.5m), including €11.7m (€8.4m) in ordinary depreciation charges, €3.7m (€5.7m) in commitments entered into under the terms of stock option schemes operated by Banca Esperia, €3.9m in other charges and provisions, and administrative expenses totalling €158.2m (€121.4m), made up as follows:

	9 mths to 31/3/07	9 mths to 31/3/08
	€m	€m
Outside services and consultancy fees	15.5	30.4
EDP and financial information subscriptions	24.8	28.4
Advertising	12.5	17.3
Rent, equipment leasing and maintenance charges	12.9	16.6
Stationery, publication costs and utilities	10.9	12.7
Bank charges	11.4	11.1
Bad debts recovered and legal fees	6.4	9.2
Travel, transport and entertainment	5.0	8.2
Others	22.0	24.3
TOTAL	121.4	158.2

For these items too, the share attributable to plans for growth in the retail sector is significant, at over €17m. The rise in outside services and consultancy fees includes costs incurred to upgrade IT systems as well as expenses recovered from clients.

Bad debt writeoffs — these rose by 18.5%, from €116.8m to €138.4m, reflecting the increase in Group lendings and a deterioration in households' risk profiles.

Divisional results

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

Wholesale banking

	9 mths to 31/3/07	6 mths to 31/12/07	9 mths to 31/3/08	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	145.4	119.7	184.4	+26.8
Net trading income	79.6	68.4	66.7	–16.2
Net fee and commission income	204.0	183.3	232.7	+14.1
Dividends on AFS securities	3.2	11.7	15.4	n.m.
Share of profits (losses) earned (incurred) by equity-accounted companies	5.6	(4.3)	(10.4)	n.m.
TOTAL INCOME	**437.8**	**378.8**	**488.8**	**+11.6**
Operating costs	(123.1)	(110.9)	(166.0)	+34.8
PROFIT FROM ORDINARY ACTIVITIES	**314.7**	**267.9**	**322.8**	**+2.6**
Gains on disposal of AFS securities	165.9	169.6	173.2	+4.4
Bad debt writeoffs	(1.6)	(10.2)	(10.0)	n.m.
Other items	—	(4.2)	(4.3)	n.m.
Income tax for the period	(125.9)	(89.2)	(108.0)	–14.2
NET PROFIT	**353.1**	**333.9**	**373.7**	**+5.8**
Cost/income ratio (%)	28.1	29.3	34.0	
Bad loans/total loans (%)	=	=	=	

	30/6/07	31/12/07	31/3/08	Movement during period
	€m	€m	€m	%
Treasury funds	6,292.6	5,797.0	8,327.3	+43.6
AFS securities	4,788.1	3,911.1	3,639.0	–7.0
Financial assets held to maturity	622.5	585.8	582.4	–0.6
Equity investments	176.7	167.2	174.7	+4.5
Loans and advances to customers	20,313.9	22,981.5	23,695.4	+3.1
of which: to Group companies	*4,318.9*	*4,713.2*	*5,216.2*	*+10.7*
Funding	26,918.8	28,784.1	32,280.4	+12.1

A net profit of €373.7m was recorded for the nine months, up from the €353.1m posted one year previously despite a reduced contribution from net trading income, which fell from €79.6m to €66.7m, and transfers to the collective provision for performing loans, which was unchanged from end-December 2007 at €10m. Profit from ordinary activities shows a slight improvement, from €314.7m to €322.8m, reflecting healthy performances by the Group's lending, advisory and capital market activities which led to a 26.8% rise in net interest income, from €145.4m to €184.4m, and a 14.1% increase in net fee and commission income, from €204m to €232.7m; dividends on AFS securities totalling €15.4m more than offset the €10.4m loss by equity-accounted companies, most of which was attributable to Burgo. The 34.8% increase in costs, from €123.1m to €166m, reflects the strengthening of the headcount, with 93 more staff on the books than at this stage last year, as well as strengthening the Group's operations outside Italy. Gains on disposals of securities of €173.2m (31/3/07: €165.9m) and writedowns for impairment to unlisted securities totalling €4.2m were virtually unchanged from the first six months.

On the balance-sheet side there was growth in the three months of 1.2% in loans and advances to customers, from €18,268.3m to €18,479.2m, of 12.1% in funding, from €28,784.1m to €32,280.4m, and of over 40% in treasury accounts, from €5,797m to €8,327.3m. The AFS securities portfolio declined in value, from €3,911.1m to €3,639m, reflecting the general reduction in stock market prices.

Retail financial services

	9 mths to 31/3/07	6 mths to 31/12/07	9 mths to 31/3/08	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	339.5	233.6	349.0	+2.8
Net trading income (expense)	(0.1)	(0.3)	(0.6)	n.m.
Net fee and commission income	31.1	28.0	45.4	+46.0
TOTAL INCOME	**370.5**	**261.3**	**393.8**	**+6.3**
Operating costs	(128.3)	(106.8)	(170.5)	+32.9
PROFIT FROM ORDINARY ACTIVITIES	**242.2**	**154.5**	**223.3**	**–7.8**
Bad debt writeoffs	(115.2)	(85.2)	(128.1)	+11.2
PROFIT BEFORE TAX	**127.0**	**69.3**	**95.2**	**–25.0**
Income taxes	(55.4)	(37.2)	(50.6)	–8.7
Profit attributable to minorities	(8.6)	(5.6)	(7.9)	–8.1
NET PROFIT	**63.0**	**26.5**	**36.7**	**–41.7**
Loans and advances to customers	9,698.1	10,885.5	11,056.2	+1.6*
New loans	3,457.0	2,509.2	3,738.5	+8.1
No. of branches	150	160	163	—
Cost/income ratio (%)	34.6	41	43.3	—
Bad loans/total loans (%)	0.82	0.86	0.89	—

* Comparison with with 31/12/07.

The Compass group's consolidated highlights for the nine months reflect 6.3% growth in total income, from €370.5m to €393.8m, partly due to a rise in net fee and commission income, from €31.1m to €45.4m, including €10m earned by Compass itself from the sale of new fee-based insurance products. This mitigated the modest increase in net interest income, hit by the higher cost of raising funding from banks. Profit from ordinary activities fell year-on-year, from €242.2m to €223.3m, due to the €42.2m rise in operating costs, from €128.3m to €170.5m, half of which (over €23m) was due to plans to expand the banking operations of Micos Banca referred to above. Net profit for the nine months fell from €63m to €36.7m, due to a rise in bad debt writeoffs, from €115.2m to €128.1m, and a one-off effect equal to approximately €7m on deferred tax linked to the change in tax rates introduced by the Budget Law for 2008 (no. 244/07).

At 31 March 2008 loans and advances to customers, including securitized receivables, amounted to €11,056.2m (31/12/07: €10,885.5m; 31/3/07: €9,698.1m), with new loans for the nine months up 8.1% year-on-year, from €3,457m to €3,738.5m.

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

Retail financial services 31 March 2008	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	298.6	33.5	332.1	61.7	393.8
Operating costs	(104.8)	(41.1)	(145.9)	(24.6)	(170.5)
PROFIT FROM ORDINARY ACTIVITIES	**193.8**	**(7.6)**	**186.2**	**37.1**	**223.3**
Provisions and bad debt writeoffs	(112.9)	(6.0)	(118.9)	(9.2)	(128.1)
Profit attributable to minorities	—	—	—	(7.9)	(7.9)
Income tax for the period	(43.9)	3.9	(40.0)	(10.6)	(50.6)
NET PROFIT	**37.0**	**(9.7)**	**27.3**	**9.4**	**36.7**
New loans	1,858.5	598.3	2,456.8	1,281.7	3,738.5
Loans and advances to customers	3,945.6	2,547.3	6,492.9	4,563.3	11,056.2
No. of branches	120	29	149	14	163
No. of staff	717	418	1,135	231	1,366

Retail financial services 31 March 2007	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€m	€m	€m	€m	€m
Total income	281.1	30.0	311.1	59.4	370.5
Operating costs	(90.8)	(16.4)	(107.2)	(21.1)	(128.3)
PROFIT FROM ORDINARY ACTIVITIES	**190.3**	**13.6**	**203.9**	**38.3**	**242.2**
Provisions and bad debt writeoffs	(104.4)	(4.2)	(108.6)	(6.6)	(115.2)
Profit attributable to minorities	—	—	—	(8.6)	(8.6)
Income tax for the period	(38.7)	(4.2)	(42.9)	(12.5)	(55.4)
NET PROFIT	**47.2**	**5.2**	**52.4**	**10.6**	**63.0**
New loans	1,762.6	445.1	2,207.7	1,249.3	3,457.0
Loans and advances to customers	3,583.3	2,011.4	5,594.7	4,103.4	9,698.1
No. of branches	113	27	140	10	150
No. of staff	654	193	847	219	1,066

Private banking

	9 mths to 31/3/07	6 mths to 31/12/07	9 mths to 31/3/08	Y.o.Y. chg.
	€m	€m	€m	%
Total income	94.4	70.6	102.7	+8.8
of which: net fee and commission income	*66.9*	*44.9*	*65.5*	*–2.1*
Operating costs	(51.3)	(37.9)	(56.6)	+10.3
Profit from ordinary activities	43.1	32.7	46.1	+7.0
Other income (expenses)	2.4	0.4	0.4	n.m.
Income tax for the period	(6.4)	(3.8)	(4.2)	–34.4
Net profit attributable to the Group	39.1	29.3	42.3	+8.2

	30/6/07	31/12/07	31/3/08	Movement during period
	€m	€m	€m	%
Assets under management	13,865.6	13,948.0	13,639.5	–2.2
Securities under trust	1,217.9	1,314.7	1,302.5	–0.9

In the nine months under review net profit attributable to the Group rose by 8.2%, from €39.1m to €42.3m, reflecting 7% growth in profit from ordinary activities, from €43.1m to €46.1m. Total income increased by 8.8%, from €94.4m to €102.7m, on a healthy contribution from Compagnie Monégasque de Banque in terms of net trading income, up from €8.8m to €10.5m, and net interest income, up from €15.1m to €23.4m; conversely, net fee and commission income declined by 2.1%, from €66.9m to €65.5m, due to performance fees being missed. Assets under management on a discretionary and non-discretionary basis fell by 2.2% during the quarter, from €13.9bn to €13.6bn, €8.1bn of which was attributable to CMB, virtually stable versus end-December 2007 due to assets deriving from the acquisition of the Unicredit group's private banking activities in Monaco, and €5.5bn (pro-rata) to Banca Esperia (down 5.8%). This chiefly reflects the reduction in the value of assets linked to stock market trends.

Private banking 31 March 2008	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	66.4	31.4	4.9	102.7
of which: net fee and commission income	*32.5*	*28.3*	*4.7*	*65.5*
Operating costs	(31.1)	(21.7)	(3.8)	(56.6)
PROFIT FROM ORDINARY ACTIVITIES	**35.3**	**9.7**	**1.1**	**46.1**
Other income (expenses)	0.3	0.2	(0.1)	0.4
Income tax for the period	—	(4.0)	(0.2)	(4.2)
NET PROFIT	**35.6**	**5.9**	**0.8**	**42.3**
Assets under management	8,128.0	5,511.5	—	13,639.5

Private banking 31 March 2007	CMB	Banca Esperia 48.5%	Others	Total PB
	€m	€m	€m	€m
Total income	57.9	31.3	5.2	94.4
of which: net fee and commission income	*34.0*	*28.0*	*4.9*	*66.9*
Operating costs	(29.7)	(17.6)	(4.0)	(51.3)
PROFIT FROM ORDINARY ACTIVITIES	**28.2**	**13.7**	**1.2**	**43.1**
Other income (expenses)	2.5	(0.1)	—	2.4
Income tax for the period	—	(5.6)	(0.8)	(6.4)
NET PROFIT	**30.7**	**8.0**	**0.4**	**39.1**
Assets under management	7,913.0	5,029.0	—	12,942.0

REVIEW OF PERFORMANCE BY GROUP COMPANIES

MEDIOBANCA

RESTATED PROFIT AND LOSS ACCOUNT

	9 mths to 31/3/07	6 mths to 31/12/07	9 mths to 31/3/08	Y.o.Y. chg.
	€m	€m	€m	%
Net interest income	143.7	109.9	170.7	+18.8
Net trading income	78.6	71.1	68.0	–13.5
Net fee and commission income	199.5	176.5	224.2	+12.4
Dividends on AFS securities	3.2	11.7	15.4	n.m.
TOTAL INCOME	**425.0**	**369.2**	**478.3**	**+12.5**
Labour costs	(81.3)	(73.4)	(111.7)	+37.4
Administrative expenses	(52.5)	(46.3)	(65.7)	+25.1
OPERATING COSTS	**(133.8)**	**(119.7)**	**(177.4)**	**+32.6**
PROFIT FROM ORDINARY ACTIVITIES	**291.2**	**249.5**	**300.9**	**+3.3**
Gain (loss) on disposal of AFS securities	165.9	169.6	173.2	+4.4
Gain (loss) on disposal of other securities	(0.1)	(0.1)	(0.2)	n.m.
Bad debt writeoffs	(1.6)	(10.2)	(10.0)	n.m.
Value adjustments to AFS securities	—	(4.2)	(4.2)	n.m.
PROFIT BEFORE TAX	**455.4**	**404.6**	**459.7**	**+0.9**
Income tax for the period	(120.0)	(86.0)	(102.3)	–14.8
of which: one-off effect of 2008 Budget Law	—	*31.1*	*31.1*	*n.m.*
NET PROFIT	**335.4**	**318.6**	**357.4**	**+6.6**

RESTATED BALANCE SHEET

	30/6/07	31/12/07	31/3/08
	€m	€m	€m
Assets			
Treasury funds	6,379.4	5,813.7	8,352.0
AFS securities	4,788.0	3,911.1	3,638.8
Financial assets held to maturity	621.6	584.9	581.5
Loans and advances to customers	20,306.5	22,979.0	23,694.2
Equity investments	1,680.8	1,677.9	1,700.2
Tangible and intangible assets	121.3	121.0	120.5
Other assets	251.6	211.7	351.0
Total assets	34,149.2	35,299.3	38,438.2
Liabilities			
Funding	27,105.1	28,921.3	32,430.2
Provisions	162.4	162.5	161.4
Other liabilities	782.8	679.5	670.1
Net equity	5,537.8	5,217.4	4,819.1
Profit for the period	561.1	318.6	357.4
Total liabilities	34,149.2	35,299.3	38,438.2

In the nine months ended 31 March 2008, Mediobanca earned a net profit of €357.4m, up 6.6% year-on-year (€335.4m), on 12.5% growth in total income, from €425m to €478.3m, boosted by healthy contributions from all the main items with the exception of net trading income, which fell from €78.6m to €68m. Net interest income rose by 18.8%, from €143.7m to €170.7m, driven by higher business volumes; net fee and commission income grew by 12.4%, from €199.5m to €224.2m; and dividends on AFS securities increased from €3.2m to €15.4m. The 32.6% rise in operating costs, from €133.8m to €177.4m, reflects growth in the Bank's employee headcount, with 519 staff on the books as opposed to 431 one year previously, and Mediobanca's non-Italian initiatives; this held the increase in profit from ordinary activities to 3.3%, up from €291.2m to €300.9m. The other items were virtually unchanged from the first six months.

On the balance-sheet side there was growth in loans and advances to customers, from €22,979m to €23,694.2m, in funding, from €28,921.3m to €32,430.2m, and in treasury accounts, from €5,813.7m to €8,352m; while the AFS portfolio declined, from €3,911.1m to €3,638.8m, reflecting the widespread reduction in stock market prices.

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

— *Compass S.p.A.:* this company's accounts for the nine months ended 31 March 2008 show a net profit of €34.7m (31/3/07: €46.6m), after bad debt writeoffs of €111.4m (€100.6m) and a €5.8m increase in taxation; loans and advances to customers outstanding at the reporting date were up 1.3% compared with end-December 2007, from €3,852.9m to €3,904.5m.

— *SelmaBipiemme Leasing S.p.A.:* this company earned a net profit of €8m (€10.5m), after higher value adjustments to receivables of €2.6m; amounts on lease to clients at the reporting date were up 3.1% on the figure reported at 31 December 2007, from €2,508.8m to €2,587.3m.

— *Palladio Leasing S.p.A.:* Palladio's accounts for the period under review reflect a net profit of €7.4m (€7.1m); as at 31 March 2008, amounts on lease to clients were 3% higher than at 31 December 2007, up from €1,452m to €1,495.3m.

— *Teleleasing S.p.A.:* this company earned a net profit of €7m (€6.7m) during the period; as at 31 March 2008, amounts on lease to clients were stable compared with the figure reported at 31 December 2007, at €565.7m, as against €566.6m.

— *Micos Banca S.p.A.:* Micos's accounts for the nine months reflect a €9.7m loss, as compared with a profit of €5.1m last year, due to costs linked to plans to expand its banking operations and develop its activity in France of over €23m; at 31 March 2008, loans outstanding were up 4.6% compared with 31 December 2007, from €2,431.4m to €2,542.6m.

— *Compagnie Monégasque de Banque*, Monaco: CMB posted a net profit of €12.2m (€11.2m) during the first quarter of its new financial year, on management fees of €11.3m (€11.2m), and assets managed on a discretionary and non-discretionary basis of €8.1bn, which includes around €500m in assets deriving from the bank's acquisition of the Unicredit group's Monaco-based private banking activities (31/12/07: €8.1bn).

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A.*: this company recorded a net profit of €0.7m (€1.1m). Securities and value items under trust as at 31 March 2008 amounted to €1,413.6m, compared with €1,429.1m at 31 December 2007.

— *Mediobanca International (Luxembourg) S.A., Luxembourg*: during the period under review, this company earned a profit of €15.7m (€3.9m) after posting net interest income of €13.7m (€1.9m) and net fee and commission income linked to lending activity of €7.6m (€3.7m). Loans and advances to customers increased during the three months by 3.1%, from €3,298.4m to €3,400.1m, while funds raised through debt securities fell from €1,203m to €1,193.5m, and those through short-term funding, from €1,775m to €672.2m.

* * *

Outlook

In the fourth quarter the performances of the different areas of the Group's activities are likely to be impacted by the adverse economic and market conditions, in particular the corporate and investment banking area. This will be compounded by the costs involved in developing the Group's new ventures, in particular the retail banking initiative. The positive contribution from the equity-accounted companies, in particular Assicurazioni Generali, and private banking should continue. The Group's net profit for the full year is likely to be around the same level as that recorded at end-June 2007.

Milan, 13 May 2008

THE MANAGEMENT BOARD

ACCOUNTING POLICIES

Section 1

Statement of conformity with IAS/IFRS

The Mediobanca Group's consolidated financial statements for the period ended 31 March 2008 have, as required by Italian Legislative Decree 38/05, been drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted by the European Commission in accordance with the procedure laid down in Article 6 of regulation CE 1606/02 issued by the European Parliament and Council on 19 July 2002. Adoption of the new accounting standards with respect to financial reporting by banks was governed by Bank of Italy circular no. 262 issued on 22 December 2005; these financial statements have also been prepared in compliance with Consob resolution no. 11971/99 governing regulations for issuers.

Section 2

Area and methods of consolidation

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

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

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

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

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

Legend

1 Type of relationship:
1 = majority of voting rights in ordinary AGMs.
2 = dominant influence in ordinary AGMs.
3 = agreements with other shareholders.
4 = other forms of control.
5 = unified management as defined in Article 26, paragraph 1 of Italian Legislative Decree 87/92.
6 = unified management as defined in Article 26, paragraph 2 of Italian Legislative Decree 87/92.
7 = joint control.

2 Effective and potential voting rights in ordinary AGMs.

Section 3

Significant accounting policies

Financial assets held for trading

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

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

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

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

AFS securities

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

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

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

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

Financial assets held to maturity

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

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

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

Loans and receivables

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

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

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

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

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

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

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

Leasing

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

Hedging

There are two types of hedge:

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

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

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

Hedge derivatives are recognized at fair value as follows:

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

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

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

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

Equity investments

This heading consists of investments in:

— associates, which are accounted for using the equity method. Associates are defined as companies in which at least 20% of the voting rights are held, and those in which the size of the investment (which may not be less than 10%) is sufficient to ensure an influence in the governance of the investee company;

— jointly-controlled companies, which are also recognized using the equity method;

— other investments of negligible value, which are stated at cost.

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

Property, plant and equipment

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

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

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

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

Intangible assets

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

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

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

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

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

Derecognition of assets

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

Payables, debt securities in issue and subordinated liabilities

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

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

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

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

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

Trading liabilities

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

Staff severance indemnity provision

This is stated to reflect the actuarial value of the provision as calculated in line with regulations used for defined benefit schemes. Future obligations are estimated on the basis of historical statistical analysis (e.g. staff turnover, retirements, etc.) and demographic trends. These are then discounted to obtain their present value on the basis of market interest rates. The values thus obtained are booked under labour costs as the net amount of contributions paid, interest accrued, and actuarial gains and losses.

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

Provisions for liabilities and charges

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

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

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

Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rates ruling as at the date of the transaction to the amount in the foreign currency concerned.

Assets and liabilities denominated in currencies other than the Euro are translated into Euros using exchange rates ruling at the reference date. Differences on cash items due to translation are recorded through profit and loss account, whereas those on non-cash items are recorded according to the valuation criteria used in respect of the category they belong to (i.e. at cost, through profit and loss account or on an equity basis).

Tax assets and liabilities

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

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

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

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

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

Stock options

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

Treasury shares

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

Dividends and commissions

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

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

CONSOLIDATED BALANCE SHEET (IAS/IFRS-compliant)*

	Assets	IAS-compliant 31/3/08	IAS-compliant 31/12/07	IAS-compliant 31/3/07
10.	Cash and cash equivalents	14.4	5.5	8.1
20.	Financial assets held for trading	11,271.4	10,342.7	15,232.0
30.	Financial assets recognized at fair value	—	—	—
40.	AFS securities	4,297.6	4,549.4	5,619.3
50.	Financial assets held to maturity	582.2	585.7	626.6
60.	Due from banks	8,795.1	8,682.0	5,707.7
	of which:			
	other trading items	*6,788.3*	*6,111.9*	*4,924.7*
	other items	*7.2*	*0.8*	*12.8*
70.	Due from customers	30,495.6	29,936.0	25,415.1
	of which:			
	other trading items	*2,195.5*	*2,715.7*	*1,947.7*
	other items	*43.3*	*29.3*	—
80.	Hedge derivatives	1,075.5	927.0	823.4
	of which:			
	funding hedge derivatives	*947.0*	*854.2*	*793.0*
	lending hedge derivatives	*2.2*	*6.3*	*3.9*
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	2,705.4	2,642.9	2,638.8
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	303.2	299.5	299.5
130.	Intangible assets	24.6	13.8	12.3
	of which:			
	goodwill	—	—	*8.0*
140.	Tax assets	325.3	288.3	296.4
	a) current	*152.8*	*143.4*	*141.9*
	b) advance	*172.5*	*144.9*	*154.5*
150.	Other non-current and groups of assets being sold	—	—	—
160.	Other assets	162.0	332.8	292.1
	of which:			
	other trading items	*30.0*	*190.0*	*164.1*
	TOTAL ASSETS	**60,052.3**	**58,605.6**	**56,971.3**

* **Figures in €m**

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

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

	Liabilities and net equity	IAS-compliant 31/3/08	IAS-compliant 31/12/07	IAS-compliant 31/3/07
10.	Due to banks	11,002.1	12,248.9	14,312.8
	of which:			
	other trading items	*5,269.7*	*6,028.4*	*8,046.4*
20.	Due to customers	5,013.9	5.453.1	4,677.6
	of which:			
	other trading items	*2,018.2*	*2,740.2*	*2,454.2*
	other liabilities	*7.7*	*7.0*	*14.4*
30.	Debt securities in issue	29,867.5	26,348.0	24,371.6
40.	Trading liabilities	3,278.8	2,934.5	2,536.1
50.	Liabilities recognized at fair value	—	—	—
60.	Hedge derivatives	1,974.2	2,021.6	1,526.4
	of which:			
	funding hedge derivatives	*1,939.1*	*1,994.8*	*1,481.0*
	lending hedge derivativesi	*24.9*	*19.3*	*25.3*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	725.1	703.2	739.4
	a) current	*316.8*	*283.5*	*318.6*
	b) deferred	*408.3*	*419.7*	*420.8*
90.	Liabilities in respect of groups of assets being sold	—	—	—
100.	Other liabilities	911.3	1,310.1	1,114.5
	of which:			
	other trading items	*560.1*	*881.5*	*798.3*
110.	Staff severance indemnity provision	24.9	26.1	30.4
120.	Provisions	156.2	158.8	157.4
	a) post-retirement and similar benefits	—	—	—
	b) other provisions	*156.2*	*158.8*	*157.4*
130.	Technical reserves	—	—	—
140.	Valuation reserves	279.4	488.6	720.2
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	3,594.7	3,635.6	3,442.6
180.	Share premium reserve	2,131.1	2,131.1	2,119.3
190.	Share capital	409.5	409.5	408.8
200.	Treasury shares	(213.8)	(15.3)	(0.4)
210.	Net equity attributable to minorities	113.0	111.3	104.2
220.	Profit (loss) for the period	784.4	640.5	710.4
	TOTAL LIABILITIES AND NET EQUITY	**60,052.3**	**58,605.6**	**56,971.3**

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

		9 mths to 31/3/08	6 mths to 31/12/07	9 mths to 31/3/07
10.	Interest and similar income	1,924.3	1,282.8	1,706.2
20.	Interest and similar expense	(1,419.1)	(940.9)	(1,255.0)
30.	**Net interest income**	**505.2**	**341.9**	**451.2**
40.	Fee and commission income	309.0	230.7	274.6
50.	Fee and commission expense	(36.4)	(23.6)	(34.5)
60.	**Net fee and commission income**	**272.6**	**207.1**	**240.1**
70.	Dividends and similar income	50.0	44.6	5.1
80.	Net trading income	66.1	73.4	130.0
90.	Net hedging income (expense)	(1.2)	(8.7)	(1.8)
100.	Gain (loss) on disposal of:	191.1	171.1	175.0
	a) loans and receivables	*0.6*	*0.6*	—
	b) AFS securities	*173.8*	*170.0*	*174.4*
	c) financial assets held to maturity	*(0.2)*	*(0.1)*	—
	d) financial liabilities	*16.9*	*0.6*	*0.6*
120.	**Total income**	**1,083.8**	**829.4**	**999.6**
130.	Value adjustments for impairment to	(142.6)	(99.7)	(116.8)
	a) loans and receivables	*(139.1)*	*(95.6)*	*(117.4)*
	b) AFS securities	*(4.2)*	*(4.2)*	—
	c) financial assets held to maturity	*0.7*	*0.1*	*0.6*
	d) other financial assets	—	—	—
140.	**Net income from financial operations**	**941.2**	**729.7**	**882.8**
150.	Net premium income	—	—	—
160.	Income less expense from insurance operations	—	—	—
170.	**Net income from financial and insurance operations**	**941.2**	**729.7**	**882.8**
180.	Administrative expenses:	(379.6)	(246.4)	(294.1)
	a) labour costs	*(197.8)*	*(127.6)*	*(153.7)*
	b) other administrative expenses	*(181.8)*	*(118.8)*	*(140.4)*
190.	Net transfers to provisions for risks and liabilities	(3.5)	(3.4)	(6.0)
200.	Net adjustments to property, plant and equipment	(7.9)	(5.2)	(7.2)
210.	Net adjustments to intangible assets	(3.8)	(1.4)	(1.2)
	of which: goodwill	—	—	—
220.	Other operating income (expense)	52.8	32.3	42.3
230.	**Operating costs**	**(342.0)**	**(224.1)**	**(266.2)**
240.	Profit (loss) on equity-accounted companies	345.8	262.1	293.6
270.	Profit (loss) on disposal of investments	—	—	—
280.	**Pre-tax profit (loss) on ordinary activities**	**945.0**	**767.7**	**910.2**
290.	Income tax for the period on ordinary activities	(152.9)	(121.7)	(191.2)
300.	**Profit (loss) after tax on ordinary activities**	**792.1**	**646.0**	**719.0**
310.	Gain (loss) after tax on current assets being sold	—	—	—
320.	**Net profit (loss) for the period**	**792.1**	**646.0**	**719.0**
330.	Profit (loss) for the period attributable to minorities	(7.7)	(5.5)	(8.6)
340.	**Net profit (loss) for the period attributable to Mediobanca**	**784.4**	**640.5**	**710.4**

* **Figures in €m**

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

— *Net interest income* includes the totals reported under Heading 90, net hedging income and margins on swaps reported under Heading 80 amounting to €43.6m at 31/3/08, €28.3m at 31/12/07 and €42.2m at 31/3/07;

— *Net trading income* includes the totals reported under Heading 80 (net of margins of swaps), the share reported under Heading 70 attributable to trading (totalling €34.6m, €32.9m and €1.9m respectively), plus gains (losses) on disposal of financial liabilities reported under Heading 100;

– Amounts reported under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling €16.1m, €8.1m and €13.4m respectively which net operating costs.

Declaration by Head of Company Financial Reporting

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

Head of
Company Financial Reporting

Massimo Bertolini