MEDIOBANCA

Quarterly Report

for the period ended 31 March 2006

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 400,044,207.50 FULLY PAID UP - RESERVES € 3,392.8m

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

Quarterly Report

for the period ended 31 March 2006

www.mediobanca.it

C O N T E N T S

REVIEW OF GROUP OPERATIONS

The Mediobanca Group's results for the nine months show a net profit of € 670.7m (31/3/05: € 360.2m), reflecting a significant increase in profit from ordinary operations, up from € 506.3m to € 814.6m, plus a gain amounting to € 109.6m (€ 34.6m) on disposals of available for sale (AFS) assets, chiefly due to the Ciments Français transaction completed during the first half of the financial year. Growth in all the Group's main income sources was confirmed by results for the third quarter. The main items performed as follows over the nine months:

— net interest income rose by 19.5%, from € 354.5m to € 423.6m, largely due to a 22% increase in customer lendings, reflecting 28% growth in corporate finance and a 23% rise in new retail loans;

— net trading income of € 175.7m (€ 59.7m) includes € 40.8m from the early redemption of the bond issue convertible into Ciments Français shares, and reflects the healthy market conditions;

— net fee and commission income grew by more than 15%, from € 187.4m to € 216m, linked to growth in the corporate and investment banking businesses;

— income from equity-accounted companies totalled € 245.4m, compared with € 159.7m at the same stage last year, reflecting the positive earnings performances by Assicurazioni Generali and RCS MediaGroup.

The consolidated results reflect robust performances by all the Group's main areas of operation. In wholesale banking, significant growth in all the main revenue sources was confirmed: net interest income rose 10.8%, fees were up 16%, and net trading income grew from € 54.9m to € 168m. The Compass group recorded growth of around 25% in both profit from ordinary activities, from € 151.3m to € 204m, and net profit, from € 48.6m to € 60.5m, on the back of the increase in new loans mentioned earlier. Private banking also delivered growth in pre-tax operating profit, from € 26.4m to € 34.5m.

CONSOLIDATED FINANCIAL STATEMENTS (*)

The consolidated profit and loss account and balance sheet have been restated to provide an accurate reflection of the Group's operations. The results are also shown in the format recommended by the Bank of Italy as an annex, along with further details on how the various items have been restated, plus a series of tables showing a divisional split of the data.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	9 mths to 31/3/05 (excl. IAS 39)	9 mths to 31/3/05 pro-forma (**)	6 mths to 31/12/05	9 mths to 31/3/06
	€ m	€ m	€ m	€ m
Net interest income	370.2	354.5	276.8	423.6
Dividends and similar income	3.1	3.1	17.6	17.7
Net trading income	115.7	59.7	102.0	175.7
Net fee and commission income	164.1	187.4	164.3	216.0
Share of profits earned by equity-accounted companies	159.7	159.7	180.7	245.4
TOTAL INCOME	**812.8**	**764.4**	**741.4**	**1,078.4**
Operating costs	(258.0)	(258.1)	(178.7)	(263.8)
PROFIT FROM ORDINARY ACTIVITIES	**554.8**	**506.3**	**562.7**	**814.6**
Gain (loss) on disposal of AFS securities	32.4	34.6	117.7	109.6
Gain (loss) on disposal of other assets	—	—	0.5	0.5
Bad debt writeoffs	(64.4)	(59.7)	(51.5)	(84.6)
Net writebacks to investment securities	45.7	—	—	—
PROFIT BEFORE TAX	**568.5**	**481.2**	**629.4**	**840.1**
Income tax for the period	(131.9)	(114.8)	(110.5)	(162.8)
Minority interest	(6.0)	(6.2)	(3.5)	(6.6)
NET PROFIT	**430.6**	**360.2**	**515.4**	**670.7**

(*) For further details regarding the methods according to which the data has been restated, please refer to the section entitled "Significant accounting policies".

(**) Includes estimated effects of adopting IAS 39.

RESTATED BALANCE SHEET

	1/7/05	31/12/05	31/3/06
	€ m	€ m	€ m
Assets			
Treasury funds	3,359.8	758.7	2,074.7
AFS securities	7,037.2	4,882.6	5,562.1
of which: fixed income	*4,445.0*	*2,456.5*	*2,937.3*
equities	*2,383.2*	*2,426.1*	*2,624.8*
Financial assets held to maturity	239.0	594.1	609.5
Loans and advances to customers	18,171.7	21,146.6	22,172,5
Equity investments	2,137.6	2,318.5	2,405.3
Tangible and intangible assets	310.6	305.3	304.8
Other assets	524.5	464.9	417.4
of which: tax assets	*133.3*	*141.9*	*143.8*
Total assets	31,780.4	30,470.7	33,546.3
Liabilities			
Funding	24,502.5	23,059.8	25,693.2
of which: debt securities in issue	*15,173.6*	*14,964.6*	*17,553.6*
Other liabilities	854.9	929.5	999.7
of which: tax liabilities	*468.8*	*521.8*	*587.7*
Provisions	189.7	187.6	188.4
Net equity	5,519.3	5,778.4	5,994.3
of which: share capital	*397.5*	*398.3*	*399.0*
reserves	*5,042.5*	*5,297.9*	*5,509.2*
minority interest	*79.3*	*82.2*	*86.1*
Profit for the period	714.0	515.4	670.7
Total liabilities	31,780.4	30,470.7	33,546.3

REVIEW OF KEY ITEMS

CONSOLIDATED BALANCE SHEET

The most important development in the main asset items was a major increase in loans and advances to customers, up 22%, only part of which was funded by deposits; treasury and AFS debt security portfolio positions reduced accordingly. The main balance-sheet headings reflected the following trends in the third quarter (i.e. comparative data as at 31 December 2005):

Funding — this item rose from € 23,059.8m to € 25,693.2m during the three months, chiefly due to new bond issues, which rose from € 14,964.6m to € 17,553.6m.

Loans and advances to customers — these rose by approx. € 1bn, from € 21,146.6m to € 22,172.5m, continuing the trend recorded during the first six months. Some eighty percent of the increase was attributable to Mediobanca's corporate banking activities, and the remainder to lendings by the Compass group. At the reporting date, 60% of the Group's loan book consisted of corporate and structured finance (59%), 21% of consumer credit (21%), 17% of leasing (17%), and the other 2% of finance disbursed by Compagnie Monégasque de Banque (3%).

Equity investments — accounting for investments in associates by the equity method, which involves reporting the Group's share in profits earned by associates plus any changes to equity occurring during the period concerned, led to a rise of € 86.8m in this item, from € 2,318.5m to € 2,405.3m, € 75.6m of which is attributable to Assicurazioni Generali, € 1.8m to RCS MediaGroup, € 7.6m to Cartiere Burgo, and € 1.6m to Banca Esperia. At 31 March 2006 the portfolio reflected a gain of € 3,833.6m (€ 3,586.5m). Based on current prices the surplus amounts to € 3,767.8m. Portfolio composition as at 31 March 2006 was as follows:

Equity-accounted companies

	Percentage shareholding	Book value	Market value based on prices at 31/3/06	Gain
LISTED INVESTMENTS				
Assicurazioni Generali	14.12	1,933.7	5,599.1	3,665.4
RCS MediaGroup, *ordinary*.....	13.66	289.9	458.1	168.2
		2,223.6	6,057.2	3,833.6
OTHER INVESTMENTS				
Banca Esperia	48.50	31.5		
Cartiere Burgo	22.13	101.3		
Athena Private Equity Class A..	24.46	33.5		
MB Venture Capital Fund I Partecipating Company ANV Class B	45.00	11.2		
Fidia	25.00	2.3		
Scontofin	20.00	1.9		
		181.7		
		2,405.3		

Financial assets held to maturity — this item grew slightly during the three months, from € 594.1m to € 609.5m.

AFS assets — these rose from € 4,882.6m to € 5,562.1m in the third quarter, chiefly due to acquisition of debt securities, which grew from € 2,456.5m to € 2,937.3m, and an increase in equities, from € 2,426.1m to € 2,624.8m. Significant movements in equities during the period included subscription to a rights issue by Perseo, in which the Group holds a 9.9% stake, involving an outlay of € 12.1m.

A net upward adjustment to the portfolio based on prices at 31 March 2006 led to a net increase of € 290.4m in the equity reserve (31/12/05: € 95.2m), € 293.1m in relation to equity holdings:

	€ m
Fiat	90.4
Gemina	55.8
Commerzbank	51.9
Italmobiliare	38.9
Intesa	31.8
Fondiaria - SAI	27.6
Mediolanum	19.9
Finmeccanica	13.1
Koenig & Bauer	5.3
IFI Priv.	4.4
Telecom Italia (ordinary and savings)	(32.8)
Pirelli	(18.2)
Others	5.0

Treasury funds — these increased from € 758.7m to € 2,074.7m. The heading comprises € 297.5m in cash and cash equivalents, plus securities worth € 4,076.7m net of € 2,299.5m in short-term deposits (repos, etc.). Gains of € 112.6m were realized during the nine months, € 40.8m of which in relation to the Ciments Français convertible bond, plus € 63.1m in net upward adjustments to reflect fair value and € 14.5m in dividends.

Provisions — this heading comprises the provision for liabilities and charges, unchanged at € 153m, and the staff severance indemnity provision, which rose from € 34.8m to € 35.5m as a result of transfers during the period.

Net equity — not including profits accruing, the share of net equity attributable to the Group rose by € 212m, from € 5,696.2m to € 5,908.2m, following growth in reserves linked to valuation of the Group's AFS portfolio during the period, from € 238.2m to € 420m (net of € 1.5m in withdrawals for the three months and € 14.9m in tax), reflecting the healthy performance by equity markets generally.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Net interest income

This rose by 19.5% compared with this time last year, from € 354.5m to € 423.6m, reflecting higher lending volumes originated by the Compass group and Mediobanca's corporate banking operations, plus investment in held-to-maturity securities more than short-term applications, which generated enhanced returns on the portfolio.

Net trading income

A profit of € 175.7m was recorded, compared with € 59.7m at the same stage last year, which includes, in addition to the € 112.6m in income mentioned earlier, partly attributable to the early redemption of the Ciments Français convertible bond (yielding € 40.8m in proceeds), a further € 63.1m due to marking the trading book to prices and exchange rates as at the reporting date.

Net fee and commission income

The increase in this item, from € 187.4m to € 216m, is largely attributable to corporate and investment banking fees earned by Mediobanca, which rose from € 126.7m to € 148.8m. The heading also includes € 28.4m in commissions earned by the Compass group (31/3/05: € 25.2m), and € 38.8m in fee income generated by other Group companies, chiefly Compagnie Monégasque de Banque.

Operating costs

These rose from € 258.1m to € 263.8m, chiefly due to expansion in the Compass group's operations and coverage, with six new branches opened during the nine months. The item comprises:

— labour costs of € 141.3m (€ 144.8m), the reduction being due to the lower percentage for accounted for by stock option costs;

— sundry costs and expenses amounting to € 122.5m (€ 113.3m), of which € 104.2m (€ 100m) in administrative expenses, € 9.3m (€ 10.1m) in depreciation and amortization, and € 9m (€ 3.2m) in sundry other charges, over two-thirds of which are non-recurring. The chief items in administrative expenses, less than one-third of which are attributable to Mediobanca, include:

- EDP and financial information subscriptions amounting to € 23.8m (€ 21m);
- stationery, publication costs and utilities of € 10.5m (€ 8.7m);
- bank charges of € 9.7m (€ 8.8m);
- rent, equipment leasing and maintenance costs totalling € 9.6m (€ 10.5m);
- advertising costs of € 9.5m (€ 11.1m), and travel, transport and entertainment expenses amounting to € 4m (€ 4.6m);
- outside service and consultancy fees amounting to € 9.1m (€ 9.9m);
- expenses incurred in respect of loan recoveries and related legal charges for a total of € 7.6m (€ 8.5m).

Bad debt writeoffs

This again involved the Compass group almost exclusively. The increase, from € 59.7m to € 84.6m, is chiefly the result of higher business volumes in the consumer credit especially.

REVIEW OF GROUP BUSINESSES

A review of the Group's performance in its main areas of operation is provided below, in the customary format. It should be noted that as from 1 July 2005, the equity investment portfolio includes only the Group's holdings in Assicurazioni Generali and RCS MediaGroup, as all other investments have been reallocated to wholesale banking.

Wholesale banking

	1/7/05	31/12/05	31/3/06
	€ m	€ m	€ m
Treasury funds	2,920.2	219.7	1,474.7
AFS assets	5,831.3	3,910.4	4,344.6
of which: equities	*2,405.7*	*2,278.7*	*2,490.6*
Financial assets held to maturity	239.0	594.1	609.5
Loans and advances to customers	13,288.0	15,616.5	16,826.1
Funding	18,247.4	16,535.3	19,058.5

	9 mths to 31/3/05 pro-forma	6 mths to 31/12/05	9 mths to 31/3/06
	€ m	€ m	€ m
Net interest income	110.5	80.6	122.4
Net trading income	54.9	99.2	168.0
Net fee and commission income	129.1	121.8	150.3
Other income	4.5	24.9	34.3
Operating costs	(112.4)	(74.1)	(107.2)
Profit from ordinary activities	186.6	252.4	367.8
Profit before tax	218.5	366.4	474.9
Net profit	136.9	300.5	372.6

Profit before tax from ordinary activities for the nine months totalled € 367.8m, compared with € 186.6m one year previously. This reflects good performances by all the main revenue sources during the period. Net interest income rose from € 110.5m to € 122.4m, an increase of 10.8%, and net trading income from € 54.9m to € 168m, including gains of € 40.8m relating to the Ciments Français transaction. Fee and commission income also recorded a significant increase, from € 129.1m to € 150.3m, on the strength of a robust performance from both corporate and investment banking. A net profit of € 372.6m was earned in the nine months (€ 136.9m), reflecting € 107.1m in gains on disposal of AFS assets, € 103m of which in relation to Ciments Français.

The balance sheet aggregates show rises in loans and advances to customers, from € 15,616.5m as at 31 December 2005 to € 16,826.1m, and funding, from € 16,535.3m to € 19,058.5m, the latter due to new issuance during the period. Treasury funds also rose during the three months, from € 219.7m to € 1,474.7m, and the AFS securities portfolio grew from € 3,910.4m to € 4,344.6m, after the reduction recorded during the first six months of the financial year.

Retail financial services

	9 mths to 31/3/05 pro-forma	6 mths to 31/12/05	9 mths to 31/3/06
	€ m	€ m	€ m
New loans	2,712.1	2,244.6	3,345.6
Net interest income	237.0	189.2	292.1
Total income	262.1	209.3	322.0
Operating costs	(110.8)	(78.3)	(118.0)
Profit from ordinary activities	151.3	131.0	204.0
Net profit	48.6	39.9	60.5

The Compass group's consolidated highlights as at 31 March 2006 reflect an increase in profit from ordinary activities of over 30%, from € 151.3m to € 204m. This was boosted by higher net interest income, which rose from € 237m to € 292.1m on the back of higher average volumes, in consumer credit especially, and disciplined management of costs, which grew from € 110.8m to € 118m. Net profit of € 60.5m (€ 48.6m) reflects tax, which rose from € 36.8m to € 50.5m, plus bad debt writeoffs of € 84.9m (€ 59.6m), mostly the result of higher consumer credit volumes.

At 31 March 2005 lendings to customers, which includes securitized loans, amounted to € 8,384.9m (31/12/05: € 8,058.1m), shared virtually equally between leasing and consumer credit activities.

Private banking

	9 mths to 31/3/05 pro-forma	6 mths to 31/12/05	9 mths 31/3/06
	€ m	€ m	€ m
Assets under discretionary/non-discretionary management	10,414.5	11,045.3	11,101.4
Securities under trust	1,025.4	1,070.2	974.7
Net fee and commission income	53.3	40.7	63.8
Total income	73.3	54.7	86.6
Profit from ordinary activities	26.4	20.1	34.5
Share of profit attributable to Group	27.0	22.7	33.7

The aggregate figures include Compagnie Monégasque de Banque and the Group's 48.5% share in the profits of Banca Esperia pro-forma. A net profit of € 33.7m was recorded, up 24.8% compared with the € 27m posted this time last year, due to higher management fees, which rose from € 53.3m to € 63.8m, and gains on disposal of securities amounting to € 2.5m (€ 2.8m). Assets managed on a discretionary and non-discretionary basis remained stable at € 11.1bn.

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REVIEW OF GROUP COMPANIES [1]

Mediobanca

	31/3/05	30/6/05	31/12/05	31/3/06
	€ m	€ m	€ m	€ m
Treasury funds	8,896.8	6,538.5	3,358.4	4,889.2
Loans and advances to customers	12,822.2	13,995.6	15,551.1	16,748.2
Investment securities	3,233.8	3,209.2	3,278.9	3,298.2
Funding	20,777.8	19,374.6	18,012.0	20,594.2
Net equity	4,574.1	4,528.0	4,621.5	4,634.1
Total income	358.6	607.6	293.4	411.6
Operating costs	(105.3)	(153.8)	(72.9)	(107.6)
Profit before tax from ordinary activities	253.3	453.8	220.5	304.0
Net profit	223.7	440.1	253.6	272.4

The Bank earned a net profit of € 272.4m during the nine months under review (31/3/05: € 223.7m). This reflects improvement in ordinary activities, where profit rose 20%, from € 253.3m to € 304m, and above all in the investment securities portfolio, where gains on disposal amounted to € 103.1m (31/3/05: € 31.9m), and writebacks calculated on the basis of average prices during the six-month period totalled € 38.5m (€ 46.3m). The 11.9% increase in net interest income, from € 232.4m to € 260.1m, is chiefly due to higher customer lendings. Net trading income including dividends increased from € 120.8m to € 127.3m. Fees reflect the robust performance in investment and corporate banking described previously, rising by 20%, from € 126.2m to € 151.5m. The cost/income ratio fell from 29.4% to 26.1%. Below the operating line and apart from the gains on investment securities referred to above, securities and derivatives held in treasury were written down as to € 118.4m (€ 10.2m), offset by unrealized gains of € 338.4m, up € 133.4m from the figure recorded at 30 June 2005.

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(1) Figures refer to quarterly accounts for companies drawn up in compliance with Italian GAAP.

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

Compass

This company's accounts for the nine months ended 31 March 2006 reflect profit before tax of € 68.8m (€ 51.8m); loans and advances to customers were up 10.9% compared with 31 December 2005 at € 2,673.3m, a 25.4% increase over the nine months.

Micos Banca

Micos's accounts for the nine months reflect pre-tax profit of € 7.2m (€ 2.8m), after adjustments and transfers to risk provision amounting to € 4.7m (€ 5.4m); mortgages outstanding at 31 March 2006 were 5% higher compared with 31 December 2005, at € 1,561.2m, a 19.9% increase over the nine months.

SelmaBipiemme Leasing

This company earned a pre-tax profit in the nine months of € 13.4m (€ 10.7m); as at 31 March 2006 the net value of goods on or pending lease had risen slightly by 0.9% compared with three months previously at € 2,022.8m.

Palladio Leasing

Palladio Leasing's accounts for the nine months reflect pre-tax profit of € 10.1m (€ 6.9m); the net value of goods on or pending lease had risen by 3.9% compared with 31 December 2005, standing at € 1,200.4m.

Teleleasing

This company earned a pre-tax profit of € 12.9m during the nine months (€ 14.2m); as at 31 March 2006 the net value of goods on or pending lease was up 4.2% on the figure recorded three months previously at € 419.1m.

Mediobanca International

Profit for the nine months totalled € 2.7m (€ 2.6m). Total deposits amounted to € 1,148.5m (31/12/05: € 1,200m).

Compagnie Monégasque de Banque

In the first quarter of its new financial year this company earned a net profit of € 10.2m (€ 7.8m), reflecting management fees of € 9.5m (€ 7.4m) and assets managed on a discretionary/non-discretionary basis amounting to € 7.1bn (€ 7.2bn).

Spafid

This company recorded a pre-tax profit for the nine months amounting to € 0.4m (€ 1.3m). Securities and value items under trust totalled € 927m (31/12/05: € 1,155m).

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Outlook

Earnings results tend to be more erratic under the new standards, as they are more firmly anchored to the vagaries of the market and the performance of equity-accounted companies. However, growth in net interest income should continue in the fourth quarter, driven by high corporate banking and consumer credit volumes. Fee income could be slightly less buoyant, however, while trading activity will obviously continue to depend on how financial markets perform.

Milan, 11 May 2006

THE BOARD OF DIRECTORS

SIGNIFICANT ACCOUNTING POLICIES

As from the current financial year (i.e. beginning with the quarterly accounts and report for the three months ended 30 September 2005), the Mediobanca Group's consolidated financial statements have been drawn up in accordance with the recognition and measurement policies established by the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), which were adopted at EU level under EC regulation 1606/02, and enacted in Italy under Legislative Decree 38/05 and Bank of Italy circular 262/05 governing application of the new standards to banks' financial reporting. The present report for the three months to 31 March 2006 has also been compiled in accordance with the regulations enacting such legislation provided for under Legislative Decree 58/98 governing the activities of issuers.

The consolidated balance sheet, profit and loss account and accompanying schedules for the period ended 31 March 2005 have been restated in compliance with all the new standards, with the exception of IAS 39 regarding the recognition and measurement of financial instruments. IAS-compliant balance-sheet figures as at 1 July 2005 and pro-forma profit and loss figures reflecting the impact of adopting IAS 39 have also been included in the review for ease of comparison.

In conformity with the new standards, securitization vehicle companies Quarzo and Quarzo Lease have been fully consolidated for the first time, as have subsidiaries Ricerche & Studi, Creditech and Sade Finanziaria-Intersomer which previously were accounted for using the equity method. Conversely, investments in associates Assicurazioni Generali, RCS MediaGroup, Cartiere Burgo and other minor companies have been equity-accounted, as required by IAS 28, and the Group's share in the profits of these companies has been reflected accordingly.

For information on the effects of first-time adoption of IAS/IFRS, reference is made to the annex contained in the quarterly accounts for the three months to 30 September 2005, which includes all reconciliations required in an FTA scenario, along with explanatory notes regarding the main changes to net equity at 1 July 2005 and the profit and loss account for the twelve months to 30 June 2005. These reconciliations have been certified by the Group's external auditors.

Accounting policies

Financial assets held for trading

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

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

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

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

AFS assets

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

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

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

Assets are subjected to impairment tests at annual and interim reporting dates. If there is evidence of a long-term reduction in the value of the asset concerned, this is recognized in earnings 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 cease to apply, the impairment is recovered in profit and loss for debt securities and in 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 earnings 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 earnings 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 cease to apply, writebacks are credited to profit and loss up to the value of amortized cost.

Loans and receivables

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

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

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

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

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

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

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

Leasing

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

Hedges

There are two types of hedge:

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

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

Hedge derivatives are recognized at fair value as follows:

- changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit and loss together with any changes in the fair value of the hedged asset, where a difference between the two emerges as a result of the partial ineffectiveness of the hedge;
- the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity, while the gain or loss deriving from the ineffective portion is recognized through profit and loss only as and when, with reference to the hedged item, the change in cash flow to be offset crystallizes.

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

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

Equity investments

This heading comprises:

- 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.

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.

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 bank are recorded separately, on the basis of valuations carried out by independent experts.

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

Intangible assets

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

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

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

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

At annual and interim reporting dates, where there is evidence of impairment the realizable value of the asset is estimated, and the impairment is recognized in profit and loss 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.

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

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

Trading liabilities

This item includes the negative value of trading derivatives and 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 deferred benefit obligation, which is calculated using the projected unit credit method. 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. Such values are accounted for among staff costs as the net amount of contributions paid, prior year contributions not yet capitalized, interest accrued, and actuarial gains and losses.

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.

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

Foreign currency transactions

Transactions in foreign currencies are recorded by applying the exchange rate ruling at the date of the transaction to the amounts 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, whereas those on non-cash items are taken through earnings or to equity depending on their category.

Tax assets and liabilities

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

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

Deferred tax liabilities are recognized in the balance sheet with the exception of tax-suspended reserves, if the size of the reserves available 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

Stock options are treated as expenses. 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 earnings pro-rata to the vesting period for the individual awards.

Treasury shares

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

Area and method of consolidation

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

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

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

CONSOLIDATED BALANCE SHEET (IAS/IFRS compliant)

	Assets	IAS-compliant at as at 1/7/05	IAS-compliant at as at 31/12/05	IAS-compliant at as at 31/3/06
10.	Cash and cash equivalents	6.7	6.3	8.4
20.	Financial assets held for trading	7,084.1	7,858.2	8,024.8
30.	Financial assets at fair value	—	—	—
40.	AFS securities	7,037.2	4,882.6	5,562.1
50.	Financial assets held to maturity	239.0	594.1	609.5
60.	Amounts due to banks	2,946.2	5,210.0	4,409.7
	of which:			
	other trading items	*2,484.0*	*4,420.4*	*3,612.7*
70.	Due from customers	18,836.6	21,765.7	22,271.0
	of which:			
	other trading items	*1,102.2*	*1,387.2*	*880.9*
80.	Hedging derivatives	1,427.8	1,336.2	1,351.8
	of which:			
	funding hedge derivatives	*1,010.5*	*1,276.1*	*1,297.3*
	lending hedge derivatives	*351.1*	*4.4*	*3.5*
90.	Value adjustments to financial assets subject to general hedging	—	—	—
100.	Equity investments	2,137.6	2,318.5	2,405.3
110.	Total reinsurers' share of technical reserves	—	—	—
120.	Property, plant and equipment	305.0	300.9	300.6
130.	Intangible assets	5.6	4.4	4.2
	of which:			
	goodwill	—	—	—
140.	Tax assets	133.3	141.9	143.8
	a) current	—	—	—
	b) advance	*133.3*	*141.9*	*143.8*
150.	Other non-current and group assets being sold	—	—	—
160.	Other assets	347.4	285.6	237.0
	of which:			
	other trading items	*22.4*	*18.3*	*14.4*
	Total assets	**40,506.5**	**44,704.4**	**45,328.2**

The balance sheet provided on page 7 reflects the following restatements:

– *Treasury funds* comprises asset headings 10 and 20 and liability heading 40, plus the "other trading items" amounts shown under asset headings 60, 70 and 160 and liability headings 10, 20 and 100, which chiefly consist of repos and margins on derivatives;

– *Funding* comprises the balances shown under liability headings 10, 20 (excluding amounts in respect of repos and interbank funds which have been restated as *Treasury funds*) and 30, plus the relevant amounts in respect of hedging derivatives;

– *Loans and advances to customers* comprises asset headings 60 and 70 (excluding amounts restated as *Treasury funds*) and the relevant amounts in respect of hedging derivatives.

	Liabilities and net equity	IAS-compliant at as at 1/7/05	IAS-compliant at as at 31/12/05	IAS-compliant at as at 31/3/06
10.	Due to banks	7,921.3	13,099.8	10,403.0
	of which:			
	other trading items	*2,680.8*	*7,556.6*	*4,701.0*
20.	Due to customers	4,767.5	3,729.7	3,447.6
	of which:			
	other trading items	*679.1*	*1,177.5*	*1,010.0*
30.	Debt securities in issue	16,124.1	15,629.8	17,996.0
40.	Trading liabilities	3,106.0	3,320.8	3,899.0
50.	Liabilities at fair value	—	—	—
60.	Hedging derivatives	454.8	638.2	877.2
	of which:			
	funding hedge derivatives	*60.0*	*610.9*	*855.0*
	lending hedge derivative s	*376.0*	*25.9*	*18.1*
70.	Value adjustments to financial liabilities subject to general hedging	—	—	—
80.	Tax liabilities	468.8	521.8	587.7
	a) current	*102.9*	*110.4*	*155.7*
	b) deferred	*365.9*	*411.4*	*432.0*
90.	Liabilities linked to group assets being sold	—	—	—
100.	Other liabilities	1,241.0	1,282.9	1,264.2
	of which:			
	other trading items	*873.7*	*876.8*	*856.5*
110.	Staff severance indemnity provision	36.3	34.8	35.5
120.	Provisions	153.4	152.8	152.9
	a) post-employment and similar benefits	—	—	—
	b) other provisions	*153.4*	*152.8*	*152.9*
130.	Technical reserves	—	—	—
140.	Revaluation reserves	377.3	287.0	462.2
150.	Shares with right of withdrawal	—	—	—
160.	Equity instruments	—	—	—
170.	Reserves	2,732.3	3,063.3	3,087.5
180.	Share premium reserve	1,933.3	1,948.0	1,960.0
190.	Share capital	397.5	398.3	399.0
200.	Treasury shares	(0.4)	(0.4)	(0.4)
210.	Net equity attributable to minorities	79.3	82.2	86.1
220.	Profit (loss) for the year	714.0	515.4	670.7
	Total liabilities and net equity	**40,506.5**	**44,704.4**	**45,328.2**

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

		9 mths to 31/3/06	6 mths to 31/12/05	9 mths to 31/3/05 (excl. IAS 39)
10.	Interest and similar income	1,428.9	932.7	1,138.3
20.	Interest expense and similar charges	(1,124.5)	(732.7)	(759.4)
30.	**Net interest income**	**304.4**	**200.0**	**378.9**
40.	Fee and commission income	205.5	157.1	178.9
50.	Fee and commission expense	(18.5)	(11.9)	(48.1)
60.	**Net fee and commission income**	**187.0**	**145.2**	**130.8**
70.	Dividends and similar income	17.7	17.6	3.1
80.	Net trading income	175.6	100.8	107.0
90.	Net hedging income	114.4	71.7	—
100.	Gain (loss) on disposal of:	114.5	123.9	32.4
	a) loans and receivables	—	—	—
	b) AFS securities	*109.6*	*117.7*	*32.4*
	c) financial assets held to maturity	—	—	—
	d) financial liabilities	*4.9*	*6.2*	—
120.	**Total income**	**913.6**	**659.2**	**652.2**
130.	Adjustments for impairment to:	(84.6)	(51.5)	(18.7)
	a) loans and receivables	*(84.6)*	*(51.5)*	*(64.4)*
	b) AFS securities	—	—	—
	c) financial assets held to maturity	—	—	—
	d) other financial liabilities	—	—	*45.7*
140.	**Net income from financial operations**	**829.0**	**607.7**	**633.5**
150.	Net premium income	—	—	—
160.	Income less expense from insurance operations	—	—	—
170.	**Net income from financial and insurance operations**	**829.0**	**607.7**	**633.5**
180.	Administrative expenses:	(259.1)	(173.2)	(253.2)
	a) personnel costs	*(141.3)*	*(95.0)*	*(144.8)*
	b) other administrative expenses	*(117.8)*	*(78.2)*	*(108.4)*
190.	Net transfers to provisions for liabilities and charges	(0.7)	(0.5)	(1.6)
200.	Net adjustments to property, plant and equipment	(7.2)	(5.0)	(7.9)
210.	Net adjustments to intangible assets	(2.1)	(1.7)	(2.2)
	of which: goodwill	—	—	—
220.	Other operating income (expenses)	34.3	20.9	40.2
230.	**Operating costs**	**(234.8)**	**(159.5)**	**(224.7)**
240.	Gains (losses) on investments	245.4	180.7	159.7
270.	Net gain (loss) upon disposal of investments	0.5	0.5	—
280.	**Profit (loss) before tax on ordinary activities**	**840.1**	**629.4**	**568.5**
290.	Income tax on ordinary activities for the period	(162.8)	(110.5)	(131.9)
300.	**Profit (loss) after tax on ordinary activities**	**677.3**	**518.9**	**436.6**
310.	Net gain (loss) on non-current assets being sold	—	—	—
330.	Gain (loss) for the period attributable to minorities	(6.6)	(3.5)	(6.0)
340.	**Profit (loss) for the period**	**670.7**	**515.4**	**430.6**

The profit and loss account reported on page 6 reflects the following restatements:

– *Net interest income* includes the totals reported under Headings 30 and 90, plus gains (losses) on disposals of financial liabilities under Heading 100 and negative margins on swaps included under Heading 80, amounting to € 0.1m, € 1.2m and € 8.7m respectively;

– amounts under Heading 220 have been treated as *Net fee and commission income*, save for redemptions/amounts recovered totalling € 5.3m, € 1.8m and € 6.9m respectively which net operating expenses.

DIVISIONAL RESULTS

31 MARCH 2006	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
Earnings data	€ m	€ m	€ m	€ m	€ m
Net interest income	122.4	292.1	14.7	(4.9)	423.6
Dividends and similar income	17.7	—	—	—	17.7
Net trading income	168.0	1.4	8.1	—	175.7
Net fee and commission income	150.3	28.5	63.8	—	216.0
Share of profits earned by equity-accounted companies	16.6	—	—	221.6	245.4
TOTAL INCOME	**475.0**	**322.0**	**86.6**	**216.7**	**1,078.4**
Personnel costs	(66.0)	(47.4)	(32.1)	(2.4)	(141.3)
Administrative expenses	(41.2)	(70.6)	(20.0)	(1.7)	(122.5)
OPERATING COSTS	**(107.2)**	**(118.0)**	**(52.1)**	**(4.1)**	**(263.8)**
PROFIT FROM ORDINARY ACTIVITIES	**367.8**	**204.0**	**34.5**	**212.6**	**814.6**
Gain (loss) on disposal of AFS securities	107.1	—	2.5	—	109.6
Gain (loss) on disposal of other securities	—	—	0.5	—	0.5
Bad debt writeoffs	—	(84.9)	0.2	—	(84.6)
PROFIT BEFORE TAX	**474.9**	**119.1**	**37.7**	**212.6**	**840.1**
Income tax	(102.3)	(50.5)	(4.0)	(10.1)	(162.8)
Minority interest	—	(8.1)	—	—	(6.6)
NET PROFIT	**372.6**	**60.5**	**33.7**	**202.5**	**670.7**
Balance-sheet data					
AFS securities	4,344.6	—	1,237.3	—	5,562.1
of which: equities	*2,490.6*	—	*151.0*	—	*2,624.8*
Financial assets held to maturity	609.5	—	—	—	609.5
Equity investments	150.2	—	—	2,223.6	2,405.3
Loans and advances to customers	16,826.1	8,384.9	532.6	—	22,172.5
of which: bad loans	—	*108.2*	*0.8*	—	*109.1*
to Group companies	*3,461.2*	—	—	—	—
New loans	—	3,345.6	—	—	—
AUM	—	—	11,101.4	—	—

Retail financial services	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€ m	€ m	€ m	€ m	€ m
Total income	234.5	27.1	261.6	60.4	322.0
Operating costs	(82.6)	(13.3)	(95.9)	(22.1)	(118.0)
PROFIT FROM ORDINARY ACTIVITIES	**151.9**	**13.8**	**165.7**	**38.3**	**204.0**
Provisions and writeoffs	(74.4)	(4.1)	(78.5)	(6.4)	(84.9)
PROFIT BEFORE TAX	**77.5**	**9.7**	**87.2**	**31.9**	**119.1**
Minority interest	—	—	—	(8.1)	(8.1)
Income tax	(32.5)	(4.1)	(36.6)	(13.9)	(50.5)
NET PROFIT	**45.0**	**5.6**	**50.6**	**9.9**	**60.5**
New loans	1,695.6	367.0	2,062.6	1,283.0	3,345.6
Loans and advances to customers	3,103.2	1,573.6	4,676.8	3,708.1	8,384.9
No. of branches	99	21	120	10	130

31 MARCH 2005

Earnings data (pro-forma)	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
	€ m	€ m	€ m	€ m	€ m
Net interest income	110.5	237.0	15.6	(7.6)	354.5
Dividends and similar income	3.1	—	—	—	3.1
Net trading income	54.9	—	4.4	—	59.7
Net fee and commission income	129.1	25.1	53.3	—	187.4
Share of profits earned by equity-accounted companies	1.4	—	—	154.7	159.7
TOTAL INCOME	**299.0**	**262.1**	**73.3**	**147.1**	**764.4**
Personnel costs	(72.8)	(44.7)	(31.0)	(2.1)	(144.8)
Administrative expenses	(39.6)	(66.1)	(15.9)	(1.6)	(113.3)
OPERATING COSTS	**(112.4)**	**(110.8)**	**(46.9)**	**(3.7)**	**(258.1)**
PROFIT FROM ORDINARY ACTIVITIES	**186.6**	**151.3**	**26.4**	**143.4**	**506.3**
Gain (loss) on disposal of AFS securities	31.9	—	2.7	—	34.6
Gain (loss) on disposal of other securities	—	—	—	—	—
Bad debt writeoffs	—	(59.6)	—	—	(59.7)
PROFIT BEFORE TAX	**218.5**	**91.7**	**29.1**	**143.4**	**481.2**
Income tax	(81.6)	(36.8)	(2.1)	4.3	(114.8)
Minority interest	—	(6.3)	—	—	(6.2)
NET PROFIT	**136.9**	**48.6**	**27.0**	**147.7**	**360.2**

Balance-sheet data (excl. IAS 39)

	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
AFS securities	1,693.3	—	814.5	—	2,507.8
of which: equities	*1,693.3*	—	*95.8*	—	*1,789.1*
Financial assets held to maturity	0.9	—	—	—	0.9
Equity investments	70.5	—	—	1,566.8	1,660.8
Loans and advances to customers	12,722.5	5,946.2	544.1	—	16,485.8
of which: bad loans	—	*86.2*	*2.4*	—	*88.6*
to Group companies	*2,618.7*	—	—	—	—
New loans	—	2,712.1	—	—	—
AUM	—	—	10,414.5	—	—

Retail financial services	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€ m	€ m	€ m	€ m	€ m
Total income	187.4	20.3	207.7	54.4	262.1
Operating costs	(76.9)	(11.6)	(88.5)	(22.3)	(110.8)
PROFIT FROM ORDINARY ACTIVITIES	**110.5**	**8.7**	**119.2**	**32.1**	**151.3**
Provisions and writeoffs	(50.2)	(2.8)	(53.0)	(6.6)	(59.6)
PROFIT BEFORE TAX	**60.3**	**5.9**	**66.2**	**25.5**	**91.7**
Minority interest	—	—	—	(6.3)	(6.3)
Income tax	(24.3)	(2.3)	(26.6)	(10.2)	(36.8)
NET PROFIT	**36.0**	**3.6**	**39.6**	**9.0**	**48.6**
New loans	1,349.4	303.6	1,653.0	1,059.1	2,712.1
Loans and advances to customers	2,037.9	1,205.5	3,243.4	2,702.8	5,946.2
No. of branches	86	18	104	10	114

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Earnings data

	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
	€ m	€ m	€ m	€ m	€ m
Net interest income	80.6	189.2	10.3	(3.3)	276.8
Dividends and similar income	17.6	—	—	—	17.6
Net trading income	99.2	1.1	3.7	—	102.0
Net fee and commission income	121.8	19.0	40.7	—	164.3
Share of profits earned by equity-accounted companies	7.3	—	—	167.9	180.7
TOTAL INCOME	**326.5**	**209.3**	**54.7**	**164.6**	**741.4**
Personnel costs	(44.8)	(30.9)	(21.6)	(1.6)	(95.0)
Administrative expenses	(29.3)	(47.4)	(13.0)	(1.1)	(83.7)
OPERATING COSTS	**(74.1)**	**(78.3)**	**(34.6)**	**(2.7)**	**(178.7)**
PROFIT FROM ORDINARY ACTIVITIES	**252.4**	**131.0**	**20.1**	**161.9**	**562.7**
Gain (loss) on disposal of AFS securities	113.6	—	4.0	—	117.7
Gain (loss) on disposal of other securities	—	—	0.5	—	0.5
Bad debt writeoffs	0.4	(52.3)	0.2	—	(51.5)
PROFIT BEFORE TAX	**366.4**	**78.7**	**24.8**	**161.9**	**629.4**
Income tax	(65.9)	(33.9)	(2.1)	(9.6)	(110.5)
Minority interest	—	(4.9)	—	—	(3.5)
NET PROFIT	**300.5**	**39.9**	**22.7**	**152.3**	**515.4**

Balance-sheet data

	Wholesale banking	Retail financial services	Private banking	Equity investment	Group
AFS securities	3,910.4	—	1,065.4	—	4,882.6
of which: equities	*2,278.7*	—	*164.1*	—	*2,426.1*
Financial assets held to maturity	594.1	—	—	—	594.1
Equity investments	142.4	—	—	2,146.2	2,318.5
Loans and advances to customers	15,616.5	8,058.1	647.5	—	21,146.6
of which: bad loans	—	*102.3*	*2.0*	—	*104.3*
to Group companies	*3,066.0*	—	—	—	—
New loans	—	2,244.6	—	—	—
AUM	—	—	11,045.3	—	—
Risk-weighted assets	27,594	6,539	1,367	2,146	37,646
No. of staff	449	1,053	190	—	1,692

Retail financial services

	Consumer credit	Mortgage lending	Total consumer finance	Leasing	Total RFS
	€ m	€ m	€ m	€ m	€ m
Total income	153.1	17.8	170.9	38.4	209.3
Operating costs	(55.4)	(8.7)	(64.1)	(14.2)	(78.3)
PROFIT FROM ORDINARY ACTIVITIES	**97.7**	**9.1**	**106.8**	**24.2**	**131.0**
Provisions and writeoffs	(45.8)	(2.4)	(48.2)	(4.1)	(52.3)
PROFIT BEFORE TAX	**51.9**	**6.7**	**58.6**	**20.1**	**78.7**
Minority interest	—	—	—	(4.9)	(4.9)
Income tax	(21.9)	(2.8)	(24.7)	(9.2)	(33.9)
NET PROFIT	**30.0**	**3.9**	**33.9**	**6.0**	**39.9**
New loans	1,078.3	251.4	1,329.7	914.9	2,244.6
Loans and advances to customers	2,930.7	1,498.2	4,428.9	3,629.2	8,058.1
No. of branches	98	21	119	10	129

Notes to tables:

1) The business areas comprise:
   - *wholesale banking:* Mediobanca S.p.A., Mediobanca International and Prominvestment;
   - *retail financial services*: Compass, Micos Banca, Cofactor and Creditech (consumer finance), SelmaBipiemme Leasing, Palladio Leasing and Teleleasing (leasing);
   - *private banking:* Compagnie Monégasque de Banque, Spafid, Prudentia Fiduciaria, 48.5% of Banca Esperia pro-forma;
   - *equity investment portfolio:* Group investments in Assicurazioni Generali and RCS MediaGroup.

2) All corporate centre costs have been allocated between wholesale banking, retail financial services and the equity investment portfolio.

3) Figures in the tables have been compiled on a IAS/IFRS-compliant basis.

4) Sum of data between business areas differs from group total due to:
   - pro-rata consolidation of Banca Esperia (48.5%) upon its being equity-accounted;
   - adjustments/differences arising on consolidation between the business areas.