BANCA MEDIOLANUM S.p.A.

2006 Annual Report

BANCA MEDIOLANUM
MEDIOLANUM BANKING GROUP

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The English version of the Annual Report is a translation of the Italian text provided for the convenience of international readers

BANCA MEDIOLANUM S.p.A.

2006 Annual Report

BANCA MEDIOLANUM S.p.A.
Registered Office: Palazzo Meucci, Via F. Sforza - Milano 3 -Basiglio (MI)
Sole-Shareholder Company
Share Capital: €371,000,000.00 fully paid up
Tax Registration and Milan Register of Companies No.: 02124090164
VAT Registration No.: 10698820155

Banca Mediolanum S.p.A.
Corporate Governance Officers

Board of Directors

Ennio Doris	Chairman of the Board of Directors
Edoardo Lombardi	Deputy Chairman and Chief Executive Officer
Antonio Maria Penna	Chief Executive Officer
Luigi Del Fabbro	Director
Paolo Gualtieri	Director
Giuseppe Lalli	Director
Alfio Noto	Director
Giovanni Pirovano	Director
Angelo Renoldi	Director
Paolo Sciumè	Director
Javier Tusquets Trias de Bes Carlos	Director

Board of Statutory Auditors

Arnaldo Mauri	Chairman of the Board of Statutory Auditors
Adriano Angeli	Standing Auditor
Franco Colombo	Standing Auditor
Francesca Meneghel	Alternate Auditor

General Manager

Giovanni Pirovano

Board Secretary

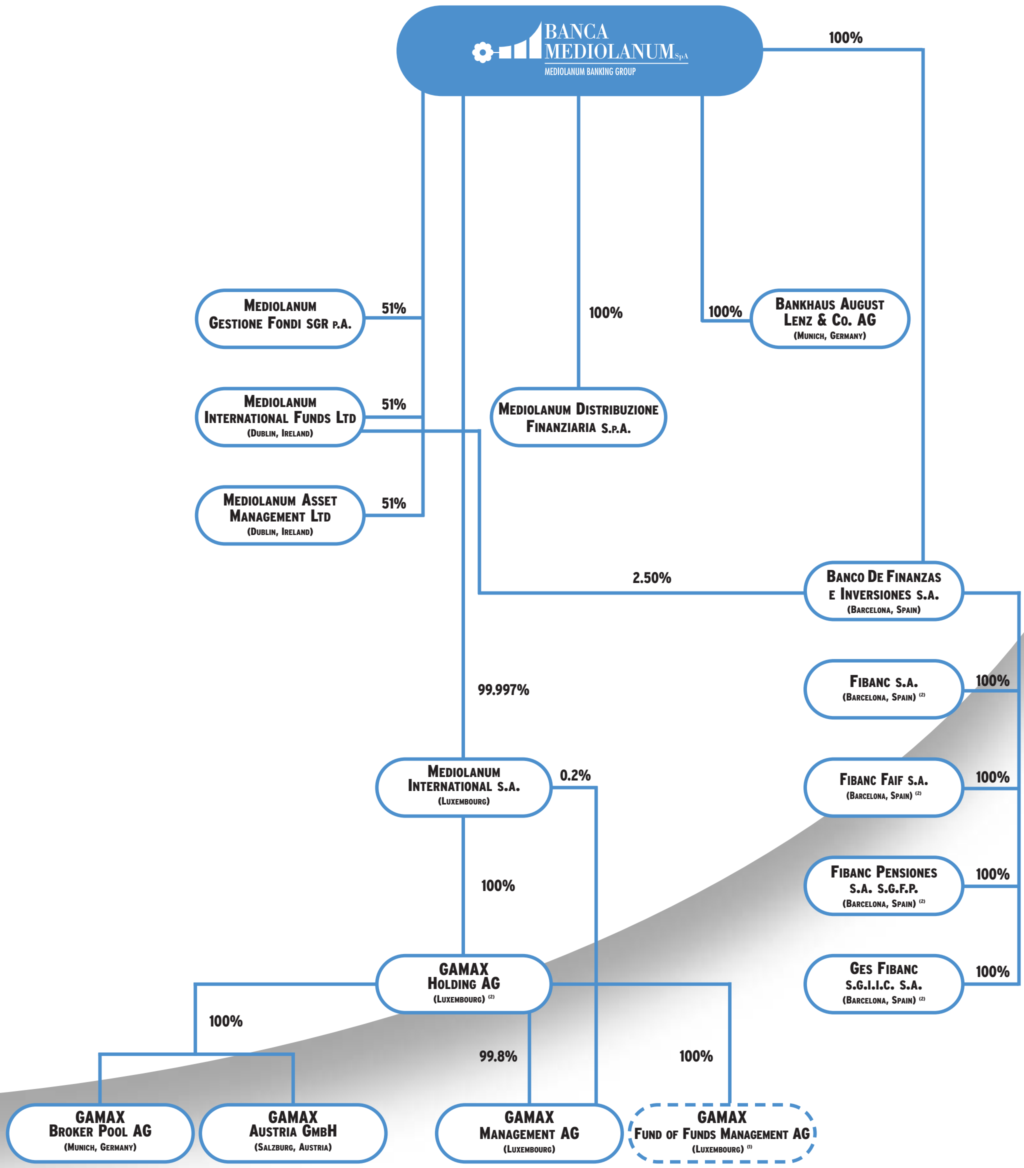
Luca Maria Rovere

Indipendent Auditors

Reconta Ernst & Young S.p.A.

Group structure

as of December 31, 2006



(1) Cancelled from the Register of Businesses on January 15, 2007 with effectiveness from October 24, 2006.
(2) Pursuant to regulations directors have a symbolic shareholding.

BANCA MEDIOLANUM S.p.A.

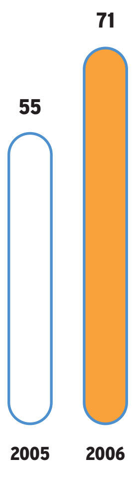
Separate Annual Financial Statements 2006

Directors' Report

Dear Shareholder,

For the year ended December 31, 2006 Your Bank reported net profit of €69,627,999 (after €1,202,501 tax expense) versus €81,178,736 at December 31, 2005 (after €3,719,634 tax income).
The decline in net profit for the year was largely due to lower dividends from subsidiaries (down €42,392 thousand), partly offset by lower impairment losses on shareholdings (down €21,717 thousand). In analysing the decline in the year's dividends, you should bear in mind that the 2005 dividends had included the interim dividend distributed by the subsidiary Mediolanum International Funds Ltd.
Excluding dividends, results of operations improved over the prior year.
In the year 2006, the global economy continued to power ahead and stock markets recorded further growth. Central banks raised interest rates, which in prior years had hit all-time lows. The euro slightly appreciated against other major currencies, primarily the US dollar, moving in line with recovering Euro-zone economies. The positive performance of financial markets coupled with greater disposable income, above the average of the past decade, encouraged Italian households to further step up their financial investments.
Against this backdrop, Your Bank grew at an even faster pace than in prior years in terms of inflows into asset management products and expansion of banking services.
Specifically, in 2006, gross inflows into insurance products amounted to €3,226 million versus €2,470 million in 2005, while inflows into mutual funds and managed accounts totalled €2,569 million versus €1,927 million in 2005.
The net increase in bank accounts equalled 73,697 accounts.
Total assets amounted to €6,224 million versus €5,534 million in the prior year (+12.47%).
Inflows into bank accounts climbed from €3,670 at year end 2005 to €4,145 million at year end 2006. Also loans to customers markedly increased from €722 million at year end 2005 to €1,090 million at year end 2006.
Net interest income rose 29.8% to €71 million from €54.7 million in 2005, thanks to the profitable management of the bank's interest-earning assets, almost entirely euro-denominated inter-bank loans and treasuries. Net interest income benefited also from the lending growth. In spite of the low volatility on the money and bond markets and the repeated interest rate hikes, profits on financial transactions jumped from €3.5 million in 2005 to €9.1 million.
In the year under review, the company's dividends amounted to €95.2 million versus €137.6 million in the prior year.
Due to the reduced dividends received in the year, total income was down 7% from €310.8 million in FY 2005 to €289.5 million. In spite of the greater volumes, operating expenses increased only 4% from €200.5 million in 2005 to €208.4 million in 2006.
The Bank headcount increased from 1,057 employees at December 31, 2005 to 1,181 employees at December 31, 2006.

Net interest income
€/m



MEDIOLANUM BANKING GROUP

At December 31, 2006, the composition of the Mediolanum Banking Group, of which your Bank is the Parent Company, remained substantially unchanged over the prior year, except for the following changes which took place during the year: a) voluntary liquidation of Gamax Funds of Funds S.A., b) Banco de Finanzas e Inversiones's acquisition of a 2.5% shareholding in Mediolanum International Funds Ltd, the Irish investment management company 51%-owned by Banca Mediolanum.

The macroeconomic environment

In 2006, the global economy powered ahead. The International Monetary Fund reported global GDP growth of 5.1% versus 4.3% in 2005.
European economies accelerated. Though continuing to grow at a sustained pace on an annual basis, the North American and Japanese economies slowed down during the year.
During 2006, the GDP growth of emerging economies was also significant.
In 2006, per-barrel oil prices averaged $66.2 versus $55.1 in the prior year, posting an average annual growth of 20.1%.
In 2006, GDP grew 3.4% in the United States, 2.2% in Japan and 2.8% in OECD countries. In Asia, the Chinese economy continued to be vibrant and displayed tremendous real growth rates, reaching 11.4% on an annual basis. Also Eurozone economies did well in 2006 with GDP growing 2.7%.
In the United States, CPI decelerated and inflation went down from 3.4% in 2005 to 3.2% in 2006. In the Eurozone, CPI inflation averaged 2.2% (same as in 2005), a figure not far from the ECB target rate.
Turning to currencies, in 2006, the Euro strengthened against the US dollar and the Yen. Specifically, on an annual basis the euro/US dollar exchange rate averaged 1.256 versus 1.244 in 2005, progressively appreciating from 1.211 in January to 1.321 in December. The euro/yen exchange rate averaged 146.1 versus 136.8 in 2005.

As to the monetary policy of major world economies, in 2006, there was further tightening in both the US and in the Eurozone. Specifically, in 2006, in the US, the Federal Reserve raised Fed Funds rates by a quarter point 4 times from 4.25% at year end 2005 to 5.25% at the end of June 2006.
Due to emerging inflationary pressures, the European Central Bank (ECB) took a more hawkish approach raising the minimum bid rate from 2.25% at year end 2005 to 3.50% at year end 2006.
So, between year end 2005 and year end 2006 the interest rate spread between the Eurozone and the US moved from -200 to -175 basis points.

In the first three quarters of 2006, Italy's economy resumed growth at a sustained pace. Also OECD data confirmed this recovery, that put an end to four years and a half of near-stagnation. According to the OECD analysis, growth was largely driven by stronger exports, better lending terms, a higher employment rate and improved business confidence.

The official data released by Italy's National Institute of Statistics (ISTAT) on industrial output and other cycle indicators show that in 2006 our domestic economy was unequivocally out of the doldrums. The growth of Italy's industrial output averaged 2.1% on an annual basis versus -0.9% in 2005. In the first three quarters of 2006, domestic demand reflected the sustained growth of private consumption and gross capital expenditure. In 2006, export growth averaged 4.8% and imports increased 4.7%.
Turning to the analysis of the labour market, ISTAT data show that in 2006 employment moved in sync with GDP. The unemployment rate declined to 6.8% from 7.7% in 2005, remaining below the prevalent eurozone rate.
On the other hand, retail prices slightly accelerated. Italy's non-harmonised General Consumer Price Index measured by ISTAT rose from 2% in 2005 to 2.1% in 2006, while the Consumer Price Index relative to households of blue and white collars increased from 1.8% in 2005 to 2% in 2006.
Given the improved macroeconomic environment and the greater taxable income, tax revenues increased. That, however, only slightly mitigated the overall deterioration of public finances. In fact, preliminary data show that the deficit/GDP ratio is estimated at 4.1 percent for budget year 2006. It should be noted, however, that said ratio returned to decline, in line with the commitments made by the Italian Government before European authorities and set out in Italy's Economic and Financial Plan for 2007-2011, which shows a projected ratio below 3% at the end of 2008 and of nil in 2011. Excluding one-off measures, the improvement was entirely the result of the greater primary surplus, considering that interest expense grew in amount but remained steady in terms of percentage of GDP.
In 2006, the public debt/GDP ratio continued to grow reaching about 107.6% from 106.6% in 2005.

In 2006, the world's equity markets performed well. Specifically, the NYSE S&P 500 was up 12.2%, the Nikkei 225 up 7.2% and the Dow Jones Euro Stoxx Large Cap up 14.6%.
In Italy, the Mibtel index rose 18.3% (vs. 15.1% in 2005) and the S&P/Mib, which is constructed using an international method based on free float in lieu of market capitalisation, also displayed a good performance (16.1% versus 15.8% in 2005).
At year end 2006, the Italian Stock Exchange capitalisation amounted to €778.5 billion increasing by over €100 billion over the same period of 2005. The Milan Stock Exchange capitalisation to GDP ratio increased from 47.7% in 2005 to 52.8%, still far from the all-time high of 70.2% reached in 2000.
In 2006, daily trading volumes on the Milan Stock Exchange averaged €4.5 billion versus €3.7 billion in 2005.
In 2006 the number of companies listed on Italy's main exchange hit the all-time high of 311.

As of December 2006, in Italy there were 807 monetary and financial institutions in operation (up 15 banks over year end 2005), which accounted for 13.1% of total monetary and financial institutions in the Eurozone. The figure reflects Italy's weight in terms of assets and liabilities of domestic monetary and financial institutions. If you add non-EU bank branches, Italy's share is 11.6%, the same as France and second only to Germany that stands at about 22%.
In 2006, Italy's private-sector financial business further grew about 3.8% to €2,682 billion. Bank deposits (+4.5%), bank bonds (+8.3%) and retirement savings products (insurance products up 1693% and pension funds up 4.3%) beat the market.
Reverse repurchase agreements with customers rose 14.7%.

In October 2006, bank deposits accounted for 25.3% of total private-sector financial business versus 25.1% in the same month of the prior year. At the end of December 2006, total customer securities (managed accounts and securities held directly by customers) amounted to €1,718 billion, up 5.3% over the prior year. Discretionary accounts managed by banks accounted for 9.2% of total assets under management and administration (vs. 9.7% in the prior year), and amounted to about €158 billion, marginally down on the previous year's figure (-0.82%).

At year end 2006, the NAV of Italian and foreign mutual funds and open-end investment vehicles (sicavs) was equal to €609.2 billion versus €584.6 billion in the prior year (up 4.2%). The asset allocation analysis shows that in 2006 equity funds increased their share from 24.2% to 25.9%, flexible funds from 3.6% to 8.5%, and hedge funds from 3.4% to 4.6%. Conversely, the share of balanced funds declined from 7.9% to 6.9%, bond funds from 45.8% to 40.4% and cash funds from 15.1% to 13.7%.

At year end 2006, Italian banks reported further growth in euro-denominated funding, i.e. savings accounts, current accounts, certificates of deposit and bonds. Specifically, at year end 2006 funding amounted to €1,197 billion, up 8.1% versus 8.6% at year end 2005. In the year under review the stock of funding grew by about €90 billion.

The analysis of inflows shows, on the one hand, a slight deceleration in the growth of customer deposits, up 6% versus 7.5% at year end 2005, and on the other hand, a slight acceleration of bank bonds, up 11.4% at year end 2006 versus 10.3% at year end 2005.

In 2006, bank loans also increased and this is evidence of the vigorous support provided by banks to businesses and households also in an economic cycle marked by sluggish production. At year end 2006, total loans extended by banks in Italy amounted to €1,322.1 billion, up 11.2% versus 8.6% at year end 2005.

In 2006, new loans extended by Italian banks grew by about €130 billion, almost exclusively for the contribution of longer-dated loans. In fact, at year end 2006, medium and long term loans increased by 11.6% (vs. 13% at year end 2005), while short-term loans by 10.5% (vs. 2% at year end 2005).

The analysis of bank loans by business segment reveals that at year end 2006 the growth in loans extended to non-financial companies markedly accelerated reaching 12.4% (the highest rate in the past six years). This translates into an increased weight of this business segment, which at 62.6% is significantly higher than the average weight of the segment in the Euro-zone (45.9%). After about 5 years in which loans to households exceeded those to businesses, in the last two months of 2006, loans to businesses returned to be greater.

At year end 2006, total loans to households and non-financial companies (i.e. non-financial companies, households, one-man companies) grew about 11.5%, well above the current nominal growth rate of Italy's GDP and investments.

Consumer credit continued to display strong growth rates. At year end 2006, in Italy, this segment grew 12.2% (vs. 16.3% at year end 2005) versus 6.2% in the Eurozone.

In the past five years, Italy's share in the UE-12 in this segment climbed from 3.3% at year end 1998 to 8.5% at year end 2006. That figure, however, appears modest if you consider that total loans extended by Italian banks account for about 13% of the European lending market.

Like in the past five years, in 2006, the home loans segment was buoyant, growing 12.5% and above the average Euro-zone growth of 10.1%. It should be noted, however, that in the last five months growth in this segment slowed down from about 20% in March to 12% in December.

Main credit ratios show that credit quality further improved: the net non-performing loans/total loans ratio stood at 1.35% versus 1.63% in November 2005, while the net non-performing loans/regulatory capital ratio was 7.44% in November 2006 versus 9.28% in November 2005.
According to data released by the Italian Bankers' Association, in December 2006 the securities portfolio of banks amounted to €183 billion versus €169.3 billion at year end 2005. The year-on-year growth was 8.1%, i.e. €13.7 billion.
At year end the euro-denominated total securities to total loans ratio was 14% slightly below the 2005 year end figure of 14.4%.
In 2006, the Eurozone short-term rates increased driving the 3-month EURIBOR rate from 2.47% at December 2005 up to 3.68% at December 2006.
Long-term rates (benchmark rates) in the EU-12 increased too. Specifically, at December 2006 they averaged 3.90%, 49 basis points above the December 2005 figure. US benchmark rates were up 11 basis points from 4.46% at December 2005 to 4.57% at December 2006. In Japan the benchmark rates also slightly increased from 1.54% to 1.64%. In the past year, the negative yield curve became steeper especially in the United States, confirming the market expectations of a slowdown of the US economy in the short/medium-term.

The analysis of harmonised statistics relating to interest rates on loans extended to non-financial companies and households by financial institutions reveals that in 2006 there was a general increase in interest rates applied by banks in line with the indications of the European Central Bank.
In 2006, in Italy's financial and lending markets interest rates increased in line with the ECB monetary policy. In particular, in relation to short-term T-bills, in 2006 average gross yields on Italian Treasury Bills increased from 2.57% in December 2005 to 3.73% at year end 2006.
Also interest rates on new issues of CCT (Italian medium/long-term treasury bonds) moderately increased, specifically from 2.34% in December 2005 to 3.73% in December 2006. Yields on BTP (Italian long-term treasury bonds) were more varied, reflecting the different maturities of the issues made in the year.
Interest rates increased also on the Italian fixed-income market. Rendistato, the average monthly yield calculated on a sample of Italian treasury bonds with residual maturity of more than one year traded on the Italian M.O.T. market was 3.97% at year end 2006 versus 3.32% at year end 2005.
In 2006, the interest rate earned by households and non-financial companies on euro-denominated bank deposits was raised from 0.95% at year end 2005 to 1.45% at year end 2006, in line with the ECB monetary policy.
The average rate paid by banks on customer funding (euro-denominated deposits, bonds and repurchase agreements of households and non-financial companies) was 2.23% at December 2006 versus 1.72% at December 2005.
The average weighted interest rate on loans extended to households and non-financial companies, set by the Italian Bankers'Association in line with ECB monetary policy decisions, increased from 4.65% at December 2005 to 5.38% at December 2006, up only 73 bps against a 125 bps increase in policy rates.
In the past year, the interest rate applied to euro-denominated current accounts held by households and non-financial companies also increased from 5.82% at December 2005 to 6.34% at December 2006. The interest rate applied to newly issued euro-denominated loans was 4.68% at year end 2006 versus 3.56% at December 2005 for loans extended to non-financial companies and 4.87% at December 2006 versus 3.73% at December 2005 for residential mortgage loans extended to households.

REVIEW OF OPERATIONS

The recently ended year was a year of significant growth for your Bank especially in the field of banking services. An analysis of key organisational and operational developments is set out below.

Customers

At year end 2006, there were 995,300 customers – either bank account holders or investors in financial/insurance products sold by Banca Mediolanum – versus 941,000 at year end 2005. 840,000 of these customers were primary account holders.
At year end 2006, the number of bank accounts increased to 466,006 from 392,309 at year end 2005. They were held by 650,000 customers. The percentage of bank account holders grew to 65% of total customers, confirming the increasing loyalty of those customers, who actively use banking services to their fullest extent.
Average asset value per customer rose to €31.4 thousand from €30.2 thousand in 2005. Customer growth was fostered by the extensive and diversified advertising campaigns focused on the Conto Riflex bank account, Riflex Card, the revolving credit/debit card, which can also be used for secure online transactions and permits cardholders to pay in instalments, and Riflexcash, the new prepaid credit card.
Again in 2006 your Bank sponsored the Giro d'Italia Green Jersey. This sponsorship enhanced your Bank's visibility and yielded new prospects.

Inflows

Inflows of customer assets into banking products grew significantly (+13.2%) over the previous year from €3,670,5 million at year end 2005 to €4,145.4 million at December 31, 2006.
The increase was largely in connection with the considerable boost given by the Riflex bank account and the subsequent greater penetration of banking products and services among customers. You are reminded that the only forms of direct funding are bank accounts held by resident clients and, to a limited extent, repurchase agreements. There are no medium/long-term funding transactions outstanding.

Lending

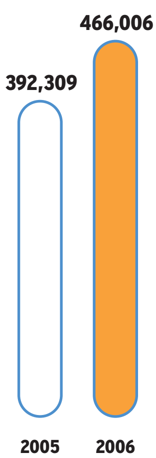
At December 31, 2006 loans to customers – private individuals and financial institutions other than banks – grew 51.1% to €1,090.2 million from €€721.6 million at December 31, 2005.
During the year, your Bank recorded retail lending growth, in terms of both number of loans and loaned amounts. This reflected the overall expansion of the retail lending segment in Italy.
The composition of your Bank's loan portfolio confirmed the customer preference for overdrafts over other forms of borrowing.

The growth in the number of new customers entailed a significant increase also in related lending volumes. Your Bank, however, did not change its approach to risk and continued to give priority to those customers with assets invested in Mediolanum Group products.
Specifically, personal loans stood at about €43.2 million versus €40.7 million in the prior year (+23.4%).
Although the total balance on customer bank accounts grew from €197.9 million in the prior year to €204.8 million, the number of clients borrowing on bank accounts increased significantly (+20.1%) from 16,379 in 2005 to 19,665 in 2006.
At year end 2006, repurchase agreements with institutional investors amounted to €100.5 million versus €43.6 million in the prior year. The significant increase recorded in 2006 is in connection with the growing demand for these money market instruments under the current economic cycle.
In addition, your Bank participated in lending syndicates and granted loans for a total of €78.9 million to financial companies that are part of leading banking and insurance groups. It also extended loans in the form of "hot money" to institutional customers for a total amount of €333 million.
At December 31, 2006, residential mortgage loans amounted to €289.4 million versus €125.4 million at December 31, 2005.
In 2006, the range of Banca Mediolanum residential mortgage loans was expanded with the addition of "Mutuo Riflex", a mortgage loan product that can be tailored to the needs of individual customers.
"Mutuo Riflex" features:

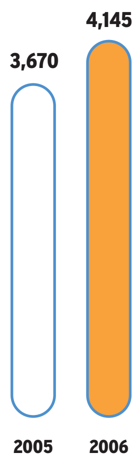
– initial product customisation, i.e. choice of product features;
– ability to modify a number of contract terms over time.

This innovative, sophisticated product gives customers the flexibility they necessitate to satisfy their individual needs and also facilitates selling by the sales network.
The development of the Mortgage Lending Service unit will further raise the standard of customer service as business grows.
In 2006, the agreement for the distribution of mortgage loans made with FONSPA, a company that is active in this sector, continued to operate. Under this agreement, 913 mortgage loans, amounting to €98.4 million, were sold.
Total mortgage loans extended to customers amounted to €271.8 million versus €305.6 million in 2005.

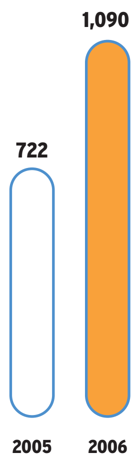
Number of current accounts



Direct funding
€/m



Lending to customers
€/m



Banking services

During 2006, Conto Riflex (Riflex Account) continued to sell well. Conto Riflex includes also a credit card (Riflexcard).
During the year, the bank account range was expanded by adding a new account dedicated to one-man companies and other self-employed individuals (Riflex Professional) allowing the use of the related credit card as an ATM card.
Designed to "reflect" what customers expect of their bank, Conto Riflex is characterised by the completeness of the services offered, good value and transparency. It is a bank account that gives the holder the greatest freedom in banking as it allows for an unlimited number of transactions and enables free-of-charge access through the channel preferred by the individual customer.
Also the credit card range was expanded by introducing a revolving feature and Riflexcash, a prepaid credit card.
At year end, total credit and debit cards issued amounted to 138,337 and 304,561, respectively.
The launch of the new products was backed by a broad and diversified advertising campaign, whereby the bank was advertised almost uninterruptedly on all main media. In particular, the different creative concepts were conveyed through print, radio and television advertising. In addition to the traditional media, the campaign also included billboards posted across Italy and significant advertising over the Internet.
The product innovations and the new advertising campaigns helped the sales network to acquire new customers and enhance customer loyalty.

Sale of financial and insurance products

Gross inflows into the mutual funds of the subsidiaries Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Fund Ltd, including managed accounts, were equal to €2,569.0 million versus €1,927.4 million in 2005. The range of funds offered was significantly expanded, in particular, by adding the Mediolanum Portfolio fund of funds and launching the Mediolanum Real Estate funds and the new Challenge Total Return funds.
In the pension and insurance sector, the capacity of offering innovative pension products and services (Europension and My Pension) was again confirmed, also by giving clients more latitude in increasing the amount of premiums paid under their schemes.
Sales of index-linked policies with capital protection continued to be high. During the year, a new unit-linked coupon-bearing life policy (Mediolanum Trio) and a new index-linked policy (Double Premium) were added to the product range.
Total life premiums written in 2006 increased 30.8% to €3,211.3 million from €2,454.5 million in 2005.

You are advised that following the entry into effect of ISVAP Regulation No. 5 of October 16, 2006, which implemented the provisions of Title IX, section 183, of Legislative Decree 209/2005 (Private Insurers' Code) governing insurance and reinsurance businesses, beginning from January 1, 2007 banks can no longer operate as insurance agent or sub-agent.
As you know, up until December 31, 2006, Banca Mediolanum S.p.A. acted as sub-agent of Mediolanum S.p.A. for the fulfilment of the agency mandates in force between Mediolanum S.p.A. and Mediolanum Vita S.p.A. and between Mediolanum S.p.A. and Mediolanum Assicurazioni S.p.A.
Following the regulatory change referred to above, last December the insurance agency/sub-agency agreements in force between Mediolanum S.p.A. and Mediolanum Vita S.p.A., between Mediolanum S.p.A. and Mediolanum

Assicurazioni S.p.A and between Mediolanum S.p.A. and Banca Mediolanum S.p.A. were amicably terminated, effective on January 1, 2007. At the same time the companies above entered into distribution agreements directly with Banca Mediolanum S.p.A. The new distribution agreements stipulate terms and conditions that are substantially in line with those set forth in the terminated agency agreements.

Managed Accounts

Assets invested in managed accounts declined during 2006. That was mainly due to customers switching to other Group's asset management products.
At December 31, 2006 managed accounts amounted to €1,218 million down about 25% on the prior year's figure.
Specifically, managed accounts investing in securities declined 13% from €14.8 million at year end 2005 to €13.1 million at December 31, 2006.
Managed accounts investing in mutual funds (exclusively UCITS owned by Mediolanum Banking Group companies) declined about 25% from €1,621 million at year end 2005 to €1,212 million.
Finally, you are advised that Banca Mediolanum renewed the asset management mandate (securities and mutual fund managed accounts) conferred on the subsidiary Mediolanum Gestioni Fondi SGR.

Securities brokerage

In 2006, in Italy, retail customer demand for corporate bonds almost halved compared to 2005. Accordingly, corporate bonds sold by your Bank to retail customers also declined, specifically they were down about 30% compared to 2005.
Customer care activities included those connected with the ICSDIC arbitration proceedings started by the Task Force Argentina of the Italian Bankers' Association. 74% of retail customers holding Argentina bonds joined the arbitration as claimants.
In 2006, total trading orders executed for retail clients on the Italian regulated stock markets increased 4.9% from 477,873 in 2005 to 501,268.
The total value of securities brokered on the Italian stock markets grew 20% from €9,483 million to €11,417 million in 2006.
Total orders executed for retail clients on foreign stock markets fell 20% from 26,896 to 21,415 in 2006. 80% of orders were executed on US stock markets, 13% on the German XETRA market and the remaining 7% on the Euronext market.
The total value of securities brokered on foreign stock markets declined 12.7% from €201.9 million in 2005 to €176.3 million in 2006.
At year end 2006, the total value of securities held by retail customers in their securities account amounted to €1,603 million versus €1,605 million at year end 2005. Specifically, they held €914 million in equities (of which €82 million foreign equities) and €689 million in bonds.

Multi-channel approach, the Banking Services Center and the Internet

In 2006, the number of bank account holders who used the direct channels to access banking services continued to grow. Specifically, in 2006, nearly 86% of them used the telephone or the Internet to access the Bank.
This result is mainly connected to the positive effects of the advertising campaign backing the acquisition of new account holders during 2006.
Moreover, during the year, new options were added to the banking services already provided through the direct channels, the Internet and the Banking Services Center. This generated a further increase in the number of customer accesses and orders placed through the bank's multiple channels.
In November 2006, a new channel became available: the digital terrestrial television channel on the Canale 5 platform. Customers can now view on their TV screens the status of their bank account and securities account, their credit card and ATM card movements, their investments in funds and insurance products. Via the television channel, customers can also top up their mobile phones and request chequebooks.
On a year-on-year basis, customer accesses through the direct channels grew 93% to over 27 million.
Text messages accounted for 39% of total accesses, increasing ten-fold over the prior year, also thanks to new text messaging services (ATM withdrawals, website log-ins, bank account balance inquiries, wire transfers, etc.).
Excluding text messaging alerts, there were 16.6 million accesses through the direct channels, up 27% over the prior year.
In 2006, Internet accesses were 64% of total accesses (excluding text messaging), up 31% over the prior year.
Also telephone accesses grew by a remarkable 19% over the prior year.
Customers increasingly use the direct channels on their own.
85% of accesses were made through the Bank's automatic systems: the Internet and the automatic VRU answering system.
In 2005, excluding text messaging, accesses through these channels had been 82% of total accesses.
The increase in contacts through direct channels entailed a significant increase in orders.
In 2006, orders made by customers through the direct channels were up about 40%, thanks to the substantial contribution of banking orders (+48%), and also to the increase in trading (+12%) and investment orders (+31%).
Banking services continue to have the lion's share. In 2006, bank account transactions accounted for 78% of total orders, while trading orders accounted for 13% and investments in mutual funds and policies for the remainder 8%.
The increase in the number of banking orders largely related to wire transfers (up 43%) and mobile phone top-ups (up 47%) but also tax payments and 'postal slips' payments.
During the year, many new options were added to the direct channels in relation to both customer orders and information.

Specifically, the new options added to the Internet-based services include the ability to view ATM card and credit card movements and statements and the ability to reload prepaid credit cards online. In addition, beginning in 2006, customers can view bond ratings and update their personal data online.
Customers can also view the status and the repayment schedule of mortgage loans, payments and movements in their life or general insurance policies, mutual funds and real estate funds.
Over the Internet customers can also request cashier's checks, that are sent to their home free-of-charge, and pay the municipal property tax anywhere in Italy using post office slips.
The "memos & notes" option was also introduced for an even more personalised use of online services. This option enables customers to write notes in their personal daily calendar, in wire transfers orders and securities buy/sell orders.
As to the telephone channel, phone calls were up 24% over the prior year. New options were also added to services via the telephone to further expand the offering. Now, customers can also make bill payments and 'postal slips' payments including municipal property tax payments over the phone with the help of a representative. In addition, customers can check their credit card and ATM card movements and status as well as reload their prepaid credit cards.
For German-speaking customers an automatic answering system re-routes calls to specialised German-speaking representatives.
The range of services was expanded and the increasingly challenging requests of customers were satisfied without affecting the superior standard of service that has always distinguished the Banking Services Center. In 2006, phone calls were answered on average in less than 5 seconds.
In addition to their primary duty of managing incoming calls, our representatives perform numerous complementary activities, including calling prospects.
A further example of the Bank's attention to customers is the web page created for the Bank's best customers, where they can find real-time news and information on services, special deals and initiatives dedicated to them.
During the year, further steps were taken to strengthen security.
A virtual keyboard was introduced. When logging onto the website, customers are requested to enter their identification number on this keyboard, in a sequence that is always different. When placing orders, customers are requested to enter a second identification number. This procedure was changed to bring it line with the procedure for transactions made over the phone.
To prevent online scams, customers were alerted to be always cautious when using Internet-based functions.

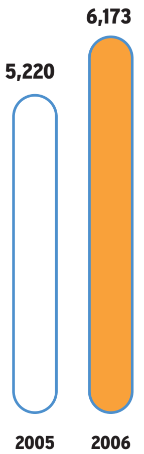
Sales Network

After some years in which it had remained stable, the number of financial advisors grew again, also thanks to ICONA, a new recruitment programme. The total number of financial advisors (renamed Family Bankers, during the year) increased from 5,220 in 2005 to 6,173 in 2006. Specifically, the number of licensed financial advisors (i.e. advisors with greater seniority and professional experience who passed the state exam to become licensed) stood at 4,011 versus 3,978 at year end 2005, while the number of non-licensed advisors (i.e. advisors with only a few months' experience) increased from 1,183 at year end 2005 to 2,162 at year end 2006. The sales force includes also 73 home loan specialists named credit executives.
The geographic analysis shows that 55% of advisors cover Northern Italy, 25% Central Italy and the remaining 20% Southern Italy and the Islands.
In 2006, a Private Banking Division was set up as part of the sales network. At year end, this division counted 83 Private Bankers whose customer portfolio mainly included high net-worth individuals.

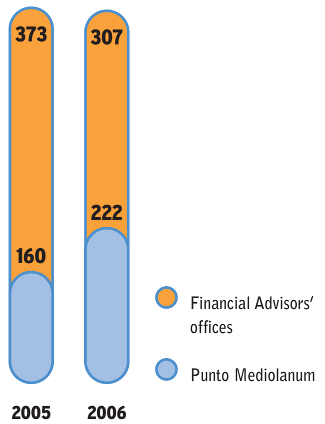
FA Offices and Punto Mediolanum

At year end 2006, the number of FA offices, including Punto Mediolanum, totalled 529 versus 533 at year end 2005. The slight decline (although the number of sales network members increased) is due to the steady rationalisation of local offices, which entailed the closure of certain offices not meeting the qualitative and quantitative requirements of the company.
Banca Mediolanum continued to expand its presence throughout Italy by opening new Punto Mediolanum. At December 31, 2006, there were 222 Punto Mediolanum versus 160 at year end 2005.
The opening of new Punto Mediolanum will accelerate in 2007 in accordance with the multi-year development plan. Punto Mediolanum is the ideal place where customers can find out more about Banca Mediolanum and where they can use the direct channels to make transactions on their own, using the Internet and the tele-text, or through Banking Services Center representatives.
Punto Mediolanum are evenly spread across all Italian regions.
The regions with the highest presence of Punto Mediolanum are: Lombardy (48), Veneto (31), Tuscany (18), Latium (18), Emilia Romagna (19), Sicily (25) and the Marches (12).

Number of financial advisors



Punto Mediolanum and Financial Advisors' offices



Sales Network Training

The Family Bankers deal directly with customers and receive personalised, varied, and continuous education.
Special attention is given to the training of new hires, who have to attend various courses and pass related tests under the company's "compulsory education scheme", which includes:

- the Mediolanum Master's course in Banking, that provides the fundamental theoretical knowledge necessary to fully understand banking, finance and insurance;
- the course on Anti-money laundering (Act 197/91);
- the course on Personal data protection (Act 675/96) and Legislative Decree 231/2001;
- rules of conduct of the Family Banker, i.e. all the rules of conduct and obligations of Family Bankers in the sale of insurance, banking and financial products in order to ensure their ethical professional conduct with both customers and colleagues;
- insurance course, that teaches insurance basics along with aspects of law and taxation, as well as management techniques for the distribution of insurance products. Offered also in prior years at the end of 2006 this course was significantly expanded to include training on new insurance regulations (ISVAP Regulation 5/2006).

After passing the examination and becoming licensed Financial Advisors, they attend a course on 'Global Consulting and Customer Development'.
Family Bankers are trained using a variety of techniques and innovative technology, in a way that produces a wide-ranging competency that is shared, yet personalised, thanks to the one-on-one approach. Their training spans the range from finance and banking to insurance and retirement planning, from basics to courses focused on a single topic (e.g. mortgage loans, banking technique, PattiChiari), including a number of online courses. In addition to the acquisition of these skills, sales and communication techniques, Family Bankers also learn listening and empathetic skills to offer the right service level to meet the needs of the customer.
Alongside the theoretical training, Family Bankers also receive practical training, working in the field with their coach.
This integrated approach contributes to reducing the gap between theory and practice, between the virtual company in the classroom and the real operational organisation, creating versatile professionals.
In 2006, 160,280 hours/man of training were given, almost doubling over the prior year. The number of participants grew by 58.2%, from 5,693 to 9,007 people. Training increased significantly compared to the previous year mainly due to the following courses:

- Mutuo Riflex: a course dedicated to the new Riflex mortgage loan product;
- Mediolanum Master's course in Banking: a compulsory course for all new hires;
- Training for the exam to become Licensed Financial Advisors: a course dedicated to non-licensed financial advisors to train them for the Consob exam;
- Insurance and Retirement Planning: a course for new members who joined the sales network in 2006. Attendance of this course is compulsory to be enrolled in the Register of Insurance Intermediaries established under the Private Insurers' Code (209/2005) and regulated by ISVAP (Reg.05/06).

Both the initial training for new hires and the continuous education of the entire Sales Network can be received on a personal computer through MedCampus, which is an ad-hoc application that, among other things, keeps track of the courses followed and the tests passed by individual participants. In 2006, MedCampus had 131,281 accesses, with training sessions that on average lasted 30 minutes and a total of 65,641 hours of training. Two other major information/training tools for both new hires and all sales network members are the intranet site and "Corporate TV". The intranet site contains information on education and training as well as on products. The corporate TV broadcasts many training and updating programmes on products and commercial initiatives. In the 2005-2006 two-year period, the total number of individual programmes produced by the corporate television increased by almost 50% compared to 2004. Up until 2006 users could easily access the TV archives to view or download past programmes. Beginning from 2006 the corporate TV can be viewed through the Internet: every Family Banker can view the programmes, at any time, from his/her laptop through ADSL or using a normal modem.

Employees

The analysis of the changes in Banca Mediolanum's employees in 2006 is set out below:

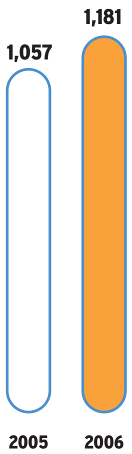
Category	Dec. 31, 2005	Dec. 31, 2006	change	%	average age
Senior management	52	59	+7	5.0	46
Middle management	123	137	+14	11.6	39
Non-management	882	985	+103	83.4	32
Total	1,057	1,181	+124	100.0	33.7

As business grew, new staff was hired especially for front office and back office positions in customer care related areas.

In connection with the greater number of financial advisors in the sales network, the Bank's staff in the sales, compliance, operational risk monitoring, planning and control areas also increased.

Among new hires there was a greater number of managers with high professional skills employed on a fixed-term contract for specific sales projects.

Employees



The new hires for Customer Care positions were mainly young university or high-school graduates with high potential for development.

The Bank's internal career development programmes entail job rotation, internal career growth and the development of cross-functional skills.

Training of new hires entails an induction programme focused on corporate culture and values. In general, the Bank holds many seminars on service quality, teamwork, communications techniques and HR management.

Training in the sales area was significantly reinforced, related processes were re-engineered and new wide-ranging programmes were designed.

Management training and refresher courses were delivered by high-qualified staff, either in-house or at external facilities, as well as via e-learning programmes.

Master's courses and partnerships with prestigious universities were also reinforced, promoting internships and research projects in the banking, financial markets, marketing and service quality areas.

A major project was kicked off in the service quality area. Under an agreement made with Bocconi University, Milan, the Banca Mediolanum "Service & Customer Science Chair" was established.
The employees largely participated in the numerous leisure time activities organised by the Bank.
Services geared to improve the work-life balance, were also strengthened.
There is a prevalence of female personnel (55%) and the average age of the employees is 33.7.

Internal Audit and Network Inspection

At December 31, 2006, the Internal Audit department and the Network Inspection had a total of 36 resources versus 34 resources at December 31, 2005.
During the year the Internal Audit staff continued their audit work on the Bank activities, focusing on investment services as well as the assessment of the effectiveness and efficiency of the internal control system as implemented by the various departments. Under a service agreement, the Internal Audit department of the parent company Banca Mediolanum also performed audit work for the subsidiaries Mediolanum Distribuzione Finanziaria S.p.A. and Mediolanum Gestione Fondi SGR, that do not have an internal audit department. In addition, in compliance with its duties of guidance and supervision, the Internal Audit department of the Parent Company carried out on site inspections and held videoconferences with the officers of those subsidiaries that have their own internal audit department (Fibanc Group, Bankhaus August Lenz, Gamax Group, Mediolanum International Funds and Mediolanum Asset Management). According to the outcome of said audit work, the Bank's management committed to promptly remedy any anomalies.
During the year the Network Inspection staff continued to carry out second level controls and checks on the sales network members to make sure their off-premises activities were in full compliance with the regulations in force. Upon completion of said work, actions were planned to remedy any irregularities found and, where necessary, sanctions were applied to the financial advisors involved or their mandate was revoked.
As further protection, in 2006 the Bank renewed the policy taken out to cover any illegal actions committed by the sales force to the detriment of customers.
In 2006, the Bank received 3,955 written complaints from customers (vs. 2,976 in 2005), of which 1,923 relating to investment services (vs. 1,413 in 2005). The year-on-year increase in the number of complaints is partly in connection with the media campaign launched to raise awareness of the risk that claims relating to certain "well-known" defaulted bonds may become time-barred.
All complaints are dealt with in accordance with the term required by CONSOB, the Bank of Italy and ISVAP.
Following the overall review of the complaints received in the year, no material procedural or organisational deficiency or misconduct was found, which required reporting to the Board of Directors and the Board of Statutory Auditors.

Organisation and processes

The breadth and depth of services offered to customers through electronic channels was expanded and the related technology infrastructure upgraded and enhanced.

The T-banking project was completed and a new channel became available to customers, i.e. the digital terrestrial television channel on the Mediaset platform. Customers can now view the status of their bank account and securities account, their credit card and ATM card movements, and their investments on their TV screen. Using the interactive features of digital terrestrial television, customers can also top up their mobile phones.

A project was launched to implement similar services on the M-Banking channel that is accessible via wireless connection using latest generation mobile phones.

The Computer Telephony Integration (CTI) platform used by the call center was replaced with the Genesys Customer Interaction Management Platform. Genesys is the market leader in its segment and its customer portfolio includes major Italian Banking Groups. The new platform enables the implementation of more sophisticated access management strategies and new ways of interacting with customers.

To prevent online scams, e.g. "phishing", "pharming" and "keylogging", alerts are sent to customers anytime they make certain transactions, while an internal system monitors their transactions, typically outgoing wire transfers. Thanks to these measures there were only a few cases of fraud. In addition, a pilot project was launched to test more secure ways of identifying customers using "disposable" codes given to customers via tokens or text-messaging.

By consolidating the management of notices and other information to be sent to customers into the Cedacri platform, significant improvements were attained in this area. Cedacri also started developing a new document management system, which entails the migration of electronic files to the new Filenet platform, electronic mailing of notices, the creation of a mailbox where notices are grouped by maximum storage date, as well as the monitoring of data processes until documents are delivered to the Postal Service.

As to IT tools available to the sales network, software was re-engineered to create a single operating environment which re-aligns FA Desktop functions and the Network Portal. This will optimise the work of the Family Banker who will use the same functions offline and online.

In the mortgage lending area, the application management process was upgraded. Upgrades related to the optical filing of documents, contacts with customers and the Family Banker through the integration with the Banca Mediolanum Network Center, the management of individual applications by the related mortgage officer, text messaging to customers and Family Bankers as well as the new welcome kit.

The first step in the Marketing Campaign Management project was completed. The new platform integrated with the MICKS database enables campaign design, target customer analysis, and, through its front-end application, operational management of the campaign by the Family Banker. In the bank account area, the IT system was upgraded to accommodate the innovative commercial offering to one-man companies and self-employed professionals. The upgrade largely involved customer master files, bank accounts, credit cards, POS and access through the Bank's multiple channels.

The technology infrastructure was strengthened to support greater transaction volumes. That entailed reinforcing servers, network systems and storage sub-systems. Workstations, especially those of the Banking Services Center, were renewed and operating systems gradually migrated to Microsoft Windows XP/Office 2003 to attain a common environment that facilitates document sharing, optimises productivity, improves integration with corporate IT systems and overall system security.
In the voice area, the transition to Voice Over IP was completed. This enables cost savings and integration of software applications with IT and telephony.
Major steps were fulfilled in the implementation of the Disaster Recovery plan. The remote DR site was completed with the installation of infrastructure dedicated to critical applications and the coverage of backup services between the Basiglio sites connected via Campus architecture was expanded.
As to the Business Continuity plan, the analysis of critical processes continued and operational procedures for serious logistics and IT infrastructure disruption were defined, in accordance with the Bank of Italy's requirements. The first real emergency drill was successfully completed at the DR remote site.

Treasury management

At December 31, 2006 the net treasury balance amounted to €3,061 million versus €3.280 million at December 31, 2005.
Specifically, at year end 2006 funding from banks amounted to €1,131 million versus €1,133 million at year end 2005, and repurchase agreements amounted to €608 million, largely as part of a marginal refinancing transaction with the European Central Bank, amounting to a total of €560 million (vs. 600 million at year end 2005).
Loans to banks declined from €2,686 million at year end 2005 to €2,105 million.
Loans to banks, as well as funding from banks, consist exclusively of 1-day to 3-months deposits.
The securities portfolio amounted to €2,398 million versus €1,596 million at year end 2005. Specifically held-to-maturity investments amounted to €333 million, available-for-sale securities to €166 million and securities held for trading to €1,899 million.
The greater weight of the securities portfolio vis-à-vis inter-bank positions was due to the possible slow down in the ECB tightening cycle, and expectations of rate corrections in 2007.
"Held-to-maturity investments" declined from €499 million at year end 2005. The decline was in connection with positions that matured in the year. This portfolio consists exclusively of euro-denominated securities issued by governments and supranational agencies. These holdings were classified as "held-to-maturity investments" upon IAS/IFRS First Time Adoption in accordance with the requirements of the new international accounting and financial reporting standards and the framework resolution on securities portfolios passed in January 2005.
Pursuant to the framework resolution passed in February 2006, the "available-for-sale financial assets" portfolio was formed. It includes holdings in funds of hedge funds and real estate funds.
Exposure to interest rate risk is immaterial. Exposure to credit and currency risk is not significant since activities are focused on operational trading.
Trading was almost exclusively in bonds and currencies. In 2006 profits from trading amounted to €9.1 million versus €3.5 million in 2005.

Equity and capital ratios

At December 31, 2006 shareholders' equity, excluding net profit, amounted to €418.8 million up 21% from €344.9 million at December 31, 2005. The €73.9 million increase is the result of the appropriation of net profit for the year 2005 amounting to €40.3 million, the €30 million share capital increase, the movements in equity reserves in connection with stock options and the fair value measurement of available-for-sale financial assets (€1.8 million). If the General Meeting approves the appropriation of net profit for the year 2006 as proposed by the Board of Directors, equity will further increase by €19.6 million to €438.4 million.
This corresponds to a net book value of €1.18 (vs. €1.13 in 2005) for each €1 share.
EPS (earnings per share) amount to €0.188 versus €0.238 in 2005.
Total capital ratio is 16.40%, well above the minimum requirement of 7%.

Corporate liability (LD 231/2001) Code of Ethics, Code of Conduct

In 2006 the Supervisory Board reviewed and updated the "Organisation, Management and Control Models" to reflect statutory changes (Market Abuse Act 62/2005, Investors Protection Act 262/2005, Act 146/2006 against organised crime) and the development of new processes (mortgage lending management, risk control and compliance processes). Working in collaboration with Internal Audit staff, the Supervisory Board also assessed the adequacy of the Models and the effectiveness of the control system put in place to prevent any misconduct pursuant to Legislative Decree 231/2001.

Personal Data Protection

Pursuant to Act 675/1996 as amended by Legislative Decree 196/2003 entered into effect on January 1, 2004, your Bank fulfilled the requirements of the Personal Data Protection Code.
In 2006 the Data Controller performed his duties under the "Personal Data Protection Code". Specifically, these duties include: regularly updating the list of data processors and other individuals in charge of processing personal data (employees/agents), preparing disclosure and consent forms for customers, agents and employees, training data processors and other individuals in charge of personal data processing, reviewing requirements and preparing the Security Policy Document.

Health and Safety in the workplace

In 2006, your Bank complied with the requirements of Law 626/94 in particular in relation to health, sanitization of the workplace and specific equipment, replacement of air filters, disinfection, routine and preventive pest control.
Installed to improve safety in the workplace, the new external emergency stairs of the Meucci-Galvani building are now in place.

The external emergency stairs of the Fermi-Galeno are under construction.
The Bank regularly checks that the values of electromagnetic field emissions, in the workplace and adjoining premises, are within statutory limits; in 2005 it also checked the values of Radon gas emissions from the ground, which were also within statutory limits.
Your bank is a smoke-free company as smoking is prohibited in the offices. Again in autumn 2006 your Bank voluntarily carried out an anti-influenza vaccination campaign, which bears testimony to its attention and sensitivity to the safety and health of its employees. The replacement of all cathode tube monitors with LCD monitors will be completed in 2007.

Equity investments

At December 31, 2006, the Bank's equity investments in Group companies increased to €348.6 million from €282.5 million in the prior financial year.
During the year, funds were used to cover the losses of Mediolanum Distribuzione Finanziaria in the amount of €0.3 million and of Bankhaus August Lenz in the amount of €1.8 million. During the year, the Bank contributed €20 million to Bankhaus August Lenz to cover losses and future capital increases.
The bank reported impairment losses of €8 million. Specifically, the amount relates to the funds used to cover the losses of Mediolanum Distribuzione Finanziaria S.p.A. to bring the value of Bankhaus August Lenz & Co. AG in line with its carrying amount.
Finally, we inform you that, during the year, Banca Mediolanum subscribed to the capital increase of its subsidiary Banco De Finanzas e Inversiones S.A. in the amount of €52 million.

Banco de Finanzas e Inversiones S.A. (FIBANC)

For financial year 2006 the Fibanc Group reported net profit of €1.1 million, up 43% over the prior year, when net profit amounted to €0.8 million.
Gross inflows grew 5% to €446 million from €424 million in 2005. Growth was particularly notable in life products and mutual funds which climbed 21% over the prior year to €478 million.
Net inflows amounted to €35 million versus €94 million in 2005. Specifically, net inflows into life products and mutual funds amounted to €75 million, while net inflows into assets under administration showed a negative balance of €40 million as a result of a €98 million decline in securities in custody.
Therefore, also thanks to the positive market performance, at year end, assets under management and administration grew 15% to €2,493 million from €2,167 million at December 31, 2005.
The sales network consisted of 691 people. Specifically, the number of tied advisors, relying on the same business model as Banca Mediolanum financial advisors, jumped to 524 from 419 people at year end 2005. Fibanc also availed itself of 52 full-time Agents (62 in 2005) and 115 part-time Agents (134 in 2005).
The Fibanc Group's presence throughout the country was strengthened with the opening of 6 banking branches and 18 Punto Fibanc, that are similar to Italy's Punto Mediolanum.
During the year, Banco de Finanzas e Inversiones increased its share capital by €52 million. The capital increase was entirely subscribed and paid up by the parent company Banca Mediolanum.
In December, Banco de Finanzas e Inversiones acquired a 2.5% interest in the Irish company "Mediolanum International Funds Ltd" from Mediolanum S.p.A. for a consideration of €25 million.

Bankhaus August Lenz & CO.

For financial year 2006, the bank reported a net loss of €7.5 million, which marks an improvement from the prior year's loss of €8.8 million.

At year end 2006, total assets under management and administration amounted to €55 million (vs. €57 million at December 31, 2005), of which €40 million in managed accounts.

The sales network consisted of 42 people versus 55 at December 31, 2005.

The year's net inflows into asset management products amounted to €10.3 million, while net inflows into assets under administration displayed a negative balance of €12.2 million.

During the year, the bank further enhanced its ATM network, and now has about 600 ATMs across the country.

Mediolanum International S.A.

Based in Luxembourg, Mediolanum International is the ultimate holding company of the Gamax financial group. The Gamax Group is headed by Gamax Holding, which is also based in Luxembourg.

The company reported a net loss for the year of €0.2 million versus a loss of €14.8 million in the prior year, which had been principally due to the recognition of impairment losses on its shareholdings in the Gamax Group in the amount of €14 million.

Gamax Holding AG

The Gamax Group, headed by the Luxembourg-based Gamax Holding, is made up of the Luxembourg-based fund management company Gamax Management SA and two distribution companies Gamax Broker Pool, in Germany and Gamax Austria.

For financial year 2006 the Gamax Group reported net profit of €1.8 million versus €4.9 million in the prior year.

The decline in net profit was essentially due to the lower performance fees earned in 2006, that amounted to €1.4 million versus €5.4 million in 2005.

At year end, assets invested in Gamax funds amounted to €349 million down 12% over the prior year.

Assets invested in third-party funds grew 8% over the prior year to €241 million.

The average number of active advisors was 175 people versus 156 people in 2005.

It should be noted that the Luxembourg-based asset management company "Gamax Fund of Funds" was liquidated effective from October 24, 2006.

Mediolanum Gestione Fondi SGR p.A.

Mediolanum Gestione Fondi SGR p.A. manages 23 funds, including 1 non-occupational pension fund and 2 closed-end real estate funds.

At December 31, 2006, total assets under management invested in open-end mutual funds, including the non-occupational pension fund, amounted to €2,183 million versus €2,313 million at December 31, 2005 (down 5.9%), while total assets under management invested in the 2 real estate funds (Property and Real Estate) grew significantly from €87.5 million at December 31, 2005 to €313.5 million at year end 2006.

Assets managed on mandates from fellow subsidiaries amounted to €13,514 million (vs. €13,419 million at December 31, 2005), while assets managed by fellow subsidiaries on behalf of Mediolanum Gestione Fondi SGR p.A amounted to €167 million (vs. €133 million at December 31, 2005).
For financial year 2006 the company reported net inflows of €99.9 million (vs. 171,6 million at December 31, 2005), of which €220 million relating to the Mediolanum Real Estate closed-end fund.
For financial year 2006 the company reported net profit of €10.4 million (vs. €9.2 million at December 31, 2005 of which €5.3 million attributable to Banca Mediolanum.

Mediolanum International Funds Ltd

Through third-party specialist companies, Mediolanum International Funds Ltd manages three fund families (Top Managers, Challenge and Portfolio) for a total of 58 specialist funds in all sectors, markets and asset classes.
At year end, total assets amounted to €13,337 million versus €11,740 million at December 31, 2005.
Mediolanum International Funds products are distributed in Italy, Spain, Germany and Austria.
In 2006, net inflows amounted to €716.2 million versus €779.5 million at December 31, 2005.
For financial year 2006 the company reported net profit of €147.8 million (vs. €204.9 million at December 31, 2005), of which €75.4 million attributable to Banca Mediolanum.
The decline in net profit was in connection with the lower performance fees earned in the year (down €66.1 million).
On October 26, 2006, the company resolved to distribute a 2006 interim dividend for a total amount of €100 million, of which €51 million to Banca Mediolanum.

Mediolanum Asset Management Ltd

Mediolanum Asset Management Ltd supports the Group's asset management operations by managing assets directly and by providing ancillary services, such as monitoring fund performance and underlying risks.
For financial year 2006, the company reported net profit of €10.2 million (vs. €4.9 million at December 31, 2005), of which €5.2 million attributable to Banca Mediolanum.
On October 26, 2006, the company resolved to distribute a 2006 interim dividend for a total amount of €7 million, of which €3,570 thousand to Banca Mediolanum.

Mediolanum Distribuzione Finanziaria S.p.A.

For financial year 2006, its first full year of operation, Mediolanum Distribuzione Finanziaria S.p.A. (MDF) reported a net loss of €0.2 million versus a loss of €0.1 million in 2005 when it operated only for five months. The company's business is centred on the promotion and sale – under a specific agreement – of Banca Mediolanum bank accounts, mortgage loans and credit cards to retail customers through its network of "Financial Agents", registered with Ufficio Italiano Cambi (Italian Foreign Exchange Office), who work on a mandate from that company.
At year end 2006, the MDF sales network consisted of 1,511 "Financial Agents" versus 420 at year end 2005.

During the year 342 agents resigned and another 214 agents joined the parent company Banca Mediolanum, after passing the examination and becoming licensed financial advisors.
During the year the company sold 32,725 bank accounts, 8,755 credit cards, 32 mortgage loans for a total loaned amount of €3,416,500.
During 2006, the company successfully completed a project to reduce the time needed to register its agents with Ufficio Italiano Cambi (Italian Foreign Exchange Office).

Post balance sheet date events

On March 9, 2007, Banca Mediolanum's indirect subsidiary Gamax Holding sold its whole shareholding in Gamax Broker Pool AG, Munich, to Consal Makler Service GmbH, a company of the Consal Beteiligungsgesellschaft AG Group, for a consideration of €1.4 million.
The agreements in force between Gamax Broker Pool and Gamax Asset Management SA, Luxembourg, for the sale of mutual funds of the latter were confirmed and will continue to operate in the future. Gamax Asset Management SA, Luxembourg will continue to be part of the Mediolanum Group
Following this transaction, the Independent Financial Advisors (IFA) who sell Gamax funds under an agreement with Gamax Broker Pool will have the opportunity to continue to sell Gamax funds, and at the same time enter into an agreement which will allow them to work with a prestigious insurance group like Consal Beteiligungsgesellschaft AG.

Outlook

In the light of results recorded in the first months of 2007, the outlook for the current year is positive.

Acknowledgements

Dear Shareholder,

at the end of this Report, we again express our great appreciation for the efforts in the past year by the Global Consultants and the Employees and we sincerely thank the Shareholder and Customers for the consideration shown to the Bank. Lastly, we thank the Supervisory and Regulatory Authorities, in particular the Bank of Italy through the Director of the Milan Branch, Mr. Salvatore Messina, the trade associations and the correspondent Banks for the constructive support given, as usual, to the work of the Bank.

Appropriation of net profit

Your company's financial statements, which we submit to you for approval together with the directors' report, show net profit of €69,627,998.80.

We propose to appropriate net profit as follows:

- €50,000,000.00 as dividend, i.e. €0.13478 per share;
- €3,481,400.00 to the Legal Reserve;
- €16,146,598.80 to the Extraordinary Reserve.

Basiglio, March 27, 2007

For the Board of Directors
The Chairman
Ennio Doris

BANCA MEDIOLANUM S.p.A.

Accounts 2006

Balance Sheet

Assets

€			Dec. 31, 2006		Dec. 31, 2005
10.	Cash and cash equivalents		1,642,611		1,731,488
20.	Financial assets held for trading		1,898,869,934		1,095,567,768
30.	Financial assets at fair value		-		-
40.	Available-for-sale financial assets		165,774,750		526,545
50.	Held-to-maturity investments		332,912,304		498,989,187
60.	Loans to banks		2,104,605,480		2,685,659,727
70.	Loans to customers		1,090,235,659		721,599,962
80.	Hedging derivatives		-		-
90.	Changes in value of macro-hedged financial assets (+/-)		-		-
100.	Equity investments		348,646,838		282,537,049
110.	Tangible assets		23,460,661		22,879,342
120.	Intangible assets		11,031,976		14,317,059
	of which:				
	- goodwill		-		-
130.	Tax assets		49,570,285		40,788,786
	a) current	15,418,343		13,622,845	
	b) deferred	34,151,942		27,165,941	
140.	Non-current assets and disposal groups		-		-
150.	Other assets		196,927,016		169,713,085
Total assets			6,223,677,514		5,534,309,998

Liabilities and Shareholders' Equity

€			Dec. 31, 2006		Dec. 31, 2005
10.	Due to banks		1,130,671,314		1,132,655,944
20.	Due to customers		4,145,368,867		3,670,518,912
30.	Securities issued		-		-
40.	Financial liabilities held for trading		121,624,071		61,840,477
50.	Financial liabilities at fair value		-		-
60.	Hedging derivatives		-		-
70.	Changes in value of macro-hedged financial liabilities (+/-)		-		-
80.	Tax liabilities		9,440,267		4,918,621
	a) current	6,896,665		4,918,621	
	b) deferred	2,543,602		-	
90.	Liabilities associated with disposal groups		-		-
100.	Other liabilities		255,287,541		177,959,458
110.	Employee completion-of-service entitlements		10,722,159		9,440,693
120.	Provisions for risks and charges:		62,156,009		50,918,042
	a) severance benefits and similar obligations	-		-	
	b) other provisions	62,156,009		50,918,042	
130.	Valuation reserves		1,816,554		(620)
140.	Redeemable shares		-		-
150.	Equity instruments		-		-
160.	Reserves		45,962,733		3,879,735
170.	Share premium account		-		-
180.	Share capital		371,000,000		341,000,000
190.	Treasury shares (-)		-		-
200.	Net profit (loss) for the year (+/-)		69,627,999		81,178,736
Total liabilities and shareholders' equity			6,223,677,514		5,534,309,998

Income Statement

€			Dec. 31, 2006		Dec. 31, 2005
10.	Interest income and similar income		163,730,410		122,275,026
20.	Interest expense and similar charges		(92,770,107)		(67,608,522)
30.	Net interest income		70,960,303		54,666,504
40.	Commission income		395,505,977		332,492,565
50.	Commission expense		(281,296,845)		(216,929,682)
60.	Net commission income		114,209,132		115,562,883
70.	Dividends and similar income		95,275,876		137,638,477
80.	Net income from trading		9,075,568		3,520,518
90.	Net income from hedging		-		-
100.	Gains (losses) on sale or buyback of:		(41,360)		-
	a) loans and receivables	-		-	
	b) available-for-sale financial assets	(41,360)		-	
	c) held-to-maturity investments	-		-	
	d) financial liabilities	-		-	
110.	Net income from financial assets and financial liabilities at fair value		-		-
120.	Total income		289,479,519		311,388,382
130.	Net impairment of:		(2,293,914)		(3,786,457)
	a) loans	(2,293,914)		(3,786,457)	
	b) available-for-sale financial assets	-		-	
	c) held-to-maturity investments	-		-	
	d) other financial instruments	-		-	
140.	Net income from financial operations		287,185,605		307,601,925
150.	Administrative expenses		(192,312,860)		(172,790,059)
	a) staff costs	(64,711,052)		(58,568,606)	
	b) other administrative expenses	(127,601,808)		(114,221,453)	
160.	Provisions for risks and charges		(15,089,230)		(26,765,016)
170.	Depreciation and net impairment of tangible assets		(4,761,286)		(4,366,508)
180.	Amortisation and net impairment of intangible assets		(10,438,911)		(11,468,987)
190.	Other operating income		14,227,579		14,921,503
200.	Operating expenses		(208,374,708)		(200,469,067)
210.	Profit (loss) on equity investments		(7,983,564)		(29,701,000)
220.	Gains (losses) on fair value measurement of tangible and intangible assets		-		-
230.	Impairment of goodwill		-		-
240.	Profit (loss) on disposal of investments		3,168		27,244
250.	Profit (loss) before tax on continuing operations		70,830,501		77,459,102
260.	Income tax expense on continuing operations		(1,202,502)		3,719,634
270.	Profit (loss) after tax on continuing operations		69,627,999		81,178,736
280.	Profit (loss) after tax of disposal groups		-		-
290.	Net profit (loss) for the year	69,627,999			81,178,736

Cash flow statement

Indirect method

€	Dec. 31, 2006	Dec. 31, 2005
A. OPERATING ACTIVITIES		
1. Operating activities	116,863,834	146,588,588
- net profit (loss) for the year	69,627,999	81,178,736
- gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	563,474	2,507,388
- gains/losses on hedges (+/-)	-	-
- impairment/reversal of impairment (+/-)	2,293,914	3,786,457
- depreciation, amortisation and net impairment/reversal of impairment of tangible and intangible assets (+/-)	15,200,197	15,823,245
- provisions for risks and charges and other costs/revenues (+/-)	18,137,133	27,111,394
- unpaid taxes (+)	1,202,502	(3,719,634)
- net impairment/reversal of impairment of disposal groups after tax (+/-)	-	-
- other adjustments (+/-)	9,838,615	19,901,002
2. Cash generated/used by financial assets	(889,645,841)	(1,372,651,483)
- financial assets held for trading	(803,302,166)	640,221,477
- financial assets at fair value	-	-
- available-for-sale financial assets	(163,994,506)	(325,989)
- loans to banks: on demand	85,562,667	(213,009,173)
- loans to banks: other loans	495,491,580	(1,254,511,612)
- loans to customers	(370,929,611)	(351,925,202)
- other assets	(132,473,805)	(193,100,984)
3. Cash generated/used by financial liabilities	608,880,947	1,142,954,654
- due to banks: on demand	-	-
- due to banks: other amounts due	(1,984,630)	513,145,006
- due to customers	474,849,955	515,925,810
- securities issued	-	(4,994,030)
- inancial liabilities held for trading	59,783,594	58,641,339
- financial liabilities at fair value	-	-
- other liabilities	76,232,028	60,236,529
Net cash generated by/used in operating activities	(163,901,060)	(83,108,241)
B. INVESTING ACTIVITIES		
1. Cash from (+)	261,356,699	138,557,758
- sale of equity investments	-	-
- dividends received from equity investments	95,275,876	137,638,477
- sale of held-to-maturity investments	166,076,883	552,676
- sale of tangible assets	3,940	74,498
- sale of intangible assets	-	292,107
- sale of business lines	-	-
2. Cash used for	(86,624,516)	(19,062,972)
- purchase of equity investments (including contributions to cover losses)	(74,093,353)	(1,000,000)
- purchase of held-to-maturity investments	-	-
- purchase of tangible assets	(5,377,334)	(6,445,522)
- purchase of intangible assets	(7,153,829)	(11,617,450)
- purchase of business lines	-	-
Net cash generated by/used in investing activities	174,732,183	119,494,786
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	30,000,000	-
- issue/purchase of equity instruments	-	-
- dividend distribution and other	(40,920,000)	(35,805,000)
Net cash generated by/used in financing activities	(10,920,000)	(35,805,000)
NET CASH GENERATED BY/USED IN FINANCING ACTIVITIES	(88,877)	581,545

RECONCILIATION

€	Dec. 31, 2006	Dec. 31, 2005
Item		
Cash and cash equivalents at beginning of the year	1,731,488	1,149,943
Total net cash generated /used in the year	(88,877)	581,545
Cash and cash equivalents: effect of movements in exchange rates	-	-
Cash and cash equivalents at end of the year	1,642,611	1,731,488

Statement of changes in Shareholders' Equity

at December, 31 2005

€	Balance at Dec. 31, 2004	Adjustment to opening balances	Balance at Jan 1, 2005	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:					
a) ordinary shares	341,000,000	-	341,000,000	-	-
b) other shares	-	-	-	-	-
Share premium account	-	-	-	-	-
Reserves:					
a) retained earnings	54,354,744	(57,951,104)	(3,596,360)	2,110,590	-
b) others	3,185,042	-	3,185,042	-	-
Valuation reserves					
a) AFS financial assets	-	(1,830)	(1,830)	-	-
b) cash flow hedges	-	-	-	-	-
c) others	-	-	-	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	45,488,925	(7,573,335)	37,915,590	(2,110,590)	(35,805,000)
Shareholders' equity	444,028,711	-	378,502,442	-	(35,805,000)

at December, 31 2006

€	Balance at Jan 1, 2006	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	341,000,000	-	-
b) other shares	-	-	-
Share premium account	-	-	-
Reserves:			
a) retained earnings	(1,485,770)	40,258,736	-
b) others	5,365,505	-	-
Valuation reserves			
a) AFS financial assets	(620)	-	-
b) cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	81,178,736	(40,258,736)	(40,920,000)
Shareholders' equity	426,057,851	-	(40,920,000)

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec. 31, 2005	Shareholders' equity at Dec. 31, 2005
-	-	-	-	-	-	-	-	341,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-		-	(1,485,770)
-	-	-	-	-	-	2,180,463	-	5,365,505
1,210	-	-	-	-	-	-	-	(620)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-		-	-	-
-	-	-	-	-	-	-	81,178,736	81,178,736
1,210	-	-	-	-	-	2,180,463	81,178,736	426,057,851

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec. 31, 2006	Shareholders' equity at Dec. 31, 2006
-	30,000,000	-	-	-	-	-	-	371,000,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	38,772,966
-	-	-	-	-	-	1,824,262	-	7,189,767
1,817,174	-	-	-	-	-	-	-	1,816,554
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(40,258,736)	-	-	-	-	-	-	69,627,999	69,627,999
(38,441,562)	30,000,000	-	-	-	-	1,824,262	69,627,999	488,407,286

BANCA MEDIOLANUM S.p.A.

Notes to the Separate Annual Financial Statements 2006

Notes to the Separate Annual Financial Statements at December 31, 2006

These notes are structured as follows:

Part A - Accounting policies
Part B - Information on the balance sheet
Part C - Information on the income statement
Part D - Segment reporting
Part E - Information on risks and risk management
Part F - Information on equity
Part G - Business combinations
Part H - Related Party Transactions
Part I - Equity-settled share-based payment transactions

PART A - ACCOUNTING POLICIES

A.1 - GENERAL

Section 1 - Compliance with the international accounting and financial reporting standards

Pursuant to Legislative Decree No. 38 of February 28, 2005 the separate financial statements for the year ended December 31, 2006 were prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.
The financial statements for the year ended December 31, 2006 were prepared following the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular Letter No. 262 of December 22, 2005 in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.
In the preparation of the financial statements the bank applied the international accounting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2006, as adopted by the European Commission and set out in the schedule attached hereto.

Section 2 - Accounting basis

These separate financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.
In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the financial statements were prepared using the euro as reporting currency.

The amounts set out in the Accounts are presented in units of euro, while the amounts set out in the Notes and the Directors' Report are presented in thousands of euro except where otherwise stated.
These financial statements were prepared in compliance with the general requirements of IAS 1 and the specific accounting standards adopted by the European Commission, as presented in Section A.2 ("Significant Accounting Policies") herein, as well as in compliance with the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS no departure was made from requirements therein.

The accounts and the notes also include comparative information for the year ended December 31, 2005.
To provide clearer and more accurate financial information, following the clarifications received in the current year on the application of IAS/IFRS, certain items of comparative information at December 31, 2005 were reclassified. The reclassified amounts and the related effects are commented in the notes to the individual items to which they refer. Specifically these items are:
In the Balance Sheet, item 20 *Due to customers* and item 100 *Other liabilities*;
In the Income Statement, item 10 *Interest income and similar income*; item 20 *Interest expense and similar charges*; item 50 *Commission expense*; item 150b *Other administrative expenses*, item 160 *Provisions for risks and charges*.

Accounts

Balance Sheet and Income Statement

The Balance Sheet and Income Statement set out items, sub-items and further details ("of which" under the various items and sub-items) in accordance with the Bank of Italy's requirements. Items with a nil balance for both the year under review and the prior year are not indicated. In the income statement, revenues are indicated with no sign, while costs are preceded by a minus.

Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity shows the composition of shareholders' equity as well as the movements in the various equity accounts (i.e. share capital, capital reserves, retained earnings, assets and liabilities revaluation reserves and net profit for the year) in the year under review and the prior year. The Bank did not issue any equity instruments other than ordinary shares.

Statement of Cash Flows

The cash flow statement provides information on cash flows for the period under review and the prior period. It is prepared using the indirect method whereby in reporting cash flows from operating activities profit or loss is adjusted for the effects of non-cash transactions.
The cash flows are classified by operating, investing and financing activities.
The cash flows generated in the period are indicated with no sign, while the cash flows used in the period are shown within parentheses.

Content of the Notes

The Notes set out the information required under the Bank of Italy's Circular Letter 262/2005 and the international accounting and reporting standards
No explanatory note is provided for items with a nil balance for both the year under review and the prior year.

Section 3 - Post Balance Sheet Date Events

In the period between the end of financial year 2006 and the date on which these financial statements were approved no event took place which could materially affect the Bank's results of operation or business.

Section 4 - Other information

Information on the business and the results of operation for the year 2006 of the main subsidiaries is set out in the Directors' Report.
The financial statements of Banca Mediolanum S.p.A. were audited by Reconta Ernst & Young S.p.A., as per the resolution passed at the General Meeting of April 21, 2005 whereby Reconta Ernst & Young S.p.A. were appointed as independent auditors for the three-year period 2005- 2007.

Tax consolidation regime

Beginning in 2004 the Parent Company Mediolanum S.p.A. and all Italian companies within the Group have opted for the so-called "tax consolidation regime" introduced by Legislative Decree 344/2003 and regulated under sections 117 to 129 of the Consolidated Income Tax Act. Under said regime the taxable profits or tax losses, including any withholding taxes, tax deductions and tax credits, of all participating Group companies are consolidated into the Parent Company. The Parent Company, as reporting entity, calculates the consolidated taxable profit by adding the taxable profits/tax losses of all participating Group companies to its own taxable profit/tax loss. By choosing the "tax consolidation" option, participating Group companies calculate their own tax expense, while their taxable profit is consolidated into the Parent Company. In case of tax losses of one or more Group companies against which consolidated taxable profit for the current year is available or against which there is a high probability that future taxable profits will be available, those tax losses are also consolidated into the Parent Company.

A.2 - SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING POLICIES

Financial assets held for trading

Financial assets held for trading consist of debt securities, equities and trading derivatives with positive fair value.
Financial assets held for trading are initially recognised on the settlement date if they are debt securities and equities, and on the subscription date if they are derivatives.
On initial recognition *Financial assets held for trading* are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income.
After initial recognition *Financial assets held for trading* are measured at their fair value.
The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation (bid/ask or average price). If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as Loans and Receivables, Financial Assets Held for Trading or Held-to-Maturity Investments.
In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.
Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on the date they are extended if they are loans or receivables.
On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income. When reclassified out of the Held-to-Maturity Investments category, available-for-sale financial assets are re-measured at their fair value on such reclassification.
After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.
Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the Group assesses whether there is objective evidence of any impairment loss.

[1] A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity instrument. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Held-to-Maturity Investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Group intends or has the ability to hold to maturity.

Held-to-maturity investments are initially recognised on settlement date.

Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income. When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.

After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses of held-to-maturity investments are recognised in the income statement when the financial assets is derecognised or impaired, and through the amortisation process.

At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss.

If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.

If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

Held-to-maturity investments are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and receivables

This category includes loans to customers and to banks with fixed or determinable payments, that are not quoted in an active market and that, upon initial recognition, were not classified as available-for-sale.

Loans and receivables also include trade receivables, repurchase agreements and securities purchased under a public offering or private placement, with fixed or determinable payments, that are not quoted in an active market.

A loan or receivable is initially recognised at fair value on the date it is extended or, in the case of a debt instrument, on the settlement date. The fair value of a loan or receivable is the loaned amount, or the transaction price, including any directly attributable costs or income determinable on the date it is extended, even if settled at a later date, except for those costs that are reimbursed by the borrower/debtor or are internal administrative costs.

Carryovers and repurchase agreements which entail the obligation for a future resale/repurchase are recognised as funding or lending transactions. Specifically, the amount received for the sale of an asset under an agreement to repurchase it at a future date is recognised in the balance sheet as a debt, while the amount paid for the purchase of an asset under an agreement to resell it at a future date is recognised as a loan.

After initial recognition, loans and receivables are measured at amortised cost. Amortised cost is the amount at which the financial asset is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, plus or minus any directly attributable costs/income and minus/plus any reduction/reversal for impairment. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the net carrying amount of the asset, i.e. the carrying amount plus/minus any directly attributable costs/income, through the expected life of the asset.

Amortised cost is not applied to short-terms loans and receivables for which the effect of discounting is immaterial. Those loans and receivables are measured at historical cost and the related costs/income are recognised in the income statement over the expected life of the asset. The same measurement method is applied to loans and receivables with no fixed maturity or on demand.

At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment the loan is classified as "non-performing", "watch-list" or "restructured" in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements.

Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at amortised cost) at the time of assessment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Future cash flows are estimated taking into account the expected time of recovery, the realisable value of any collaterals as well as any costs of recovery. Future cash flows of loans which are expected to be recovered in the short term are not discounted.

The asset's original effective interest rate remains unchanged over time also in the event of a restructuring as a result of which the interest rate changes or the loan or receivable actually carries no interest.

The amount of the impairment loss is recognised in the income statement.

If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

If no objective evidence of impairment exists for individually assessed loans – i.e. generally, performing loans – those loans are collectively assessed for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics and the related loss probability is estimated using historical loss rates based on observable data at the time of assessment that can reliably estimate the loss probability of each loan group.

Any collectively assessed impairment loss is recognised in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

Equity investments

This account relates to investments in subsidiaries and associates which are measured at cost.
If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the subsidiary or associate, including the proceeds on the ultimate disposal of the investment.
If the recoverable amount is lower than the carrying amount, the resultant difference is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Equity investments are derecognised when the contractual rights to the cash flows from the investment expire or the investment and substantially all the risks and rewards of ownership thereof are transferred.

Tangible assets

Tangible assets include land, Group-occupied property, investment property, furnishings, fixtures, fittings, plant and equipment.
These are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one period.
This account also includes assets held under finance leases even when the lessor retains title thereof.
Tangible assets are initially recognised at cost, which comprises the purchase price of the asset and all costs directly attributable to the asset's acquisition and operation.
The costs of major repairs which increase the future economic benefits associated with the asset are recognised in the carrying amount of the asset, while the costs of day-to-day servicing are recognised in the income statement.
Tangible assets, including investment property, are carried at cost less any accumulated depreciation and impairment losses.
Tangible assets are systematically depreciated on a straight-line basis over their useful lives except for land, be it acquired separately or together with buildings, which has an indefinite useful life. Under the international accounting standards land and buildings are separable assets and are to be accounted for separately. When the value of land is embedded in the value of the building, only for land on which a building stands, their respective value is determined by independent valuers.
At each interim and annual reporting date if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is recognised as impairment loss in the income statement.
If the value of a previously impaired asset increases, the impairment loss is reversed. The reversal shall not result in a carrying amount of the asset that exceeds what the carrying amount less accumulated depreciation would have been had the impairment loss not been recognised at the date the impairment is reversed.
A tangible asset is derecognised from the balance sheet on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets primarily relate to software applications.
Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.
Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably, otherwise it is recognised as an expense in the income statement in the year in which it was incurred.
Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.
At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. The impairment loss is recognised in profit or loss.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Other assets

Other assets include expenditure on the renovation of leasehold property.
Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.
Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

Financial liabilities held for trading

Financial liabilities held for trading include:

- trading derivatives with negative fair value;
- short positions on securities trading.

Financial liabilities are initially recognised at the time the policy is issued or amounts are received.
On initial recognition they are measured at the fair value of the financial instruments which originated the liabilities.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at fair value.
A financial liability is derecognised when it expires or is extinguished.

Other financial liabilities

Other financial liabilities include the various forms of funding from banks and customers as well as bonds issued net of any buybacks.
Those financial liabilities are initially recognised when amounts are received or bonds are issued.
They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional costs/ income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.
A financial liability is derecognised when it expires or is extinguished. A financial liability is derecognised also when it is bought back. The difference between the carrying amount of the liability and amount paid to buy it back is recognised in the income statement.

Provisions for risks and charges

Provisions for risks and charges relate to amounts set aside for present obligations resulting from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.
When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. Provisions for risk and charges are recognised in the income statement.

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques.
To determine the present value of benefit obligations the Projected Unit Credit Method is used. That method calculates the present value of benefit obligations using actuarial assumptions based on historical data including demographics and a discount rate which is determined on the basis of market yields. The methods considers each year of service as giving rise to an additional unit of benefit entitlements. Each unit is individually measured in arriving at the final obligation. The discount rate is determined on the basis of market yields and reflects the estimated timing of benefit payments.
Service costs are recognised under staff costs as the net total of current service costs, past service costs, interest and expected return on any plan assets and actuarial gains or losses.

Employee pension plan

For the defined contribution pension plan under which the company's obligation is limited to the amount it agrees to contribute to the fund, the amount of the contribution payable for the year is recognised in the income statement.

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are initially recognised in the functional currency, applying to the foreign currency amount the exchange rate in effect at the date of the transaction.
At each interim or annual reporting date, assets and liabilities denominated in foreign currencies are measured as follows:

- monetary items are translated using the closing rate;
- non-monetary items measured at historical cost are translated applying the exchange rate in effect at the date of the transaction;
- non-monetary items measured at fair value are translated applying the exchange rate in effect at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the income statement in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, the exchange difference component of that gain or loss is also recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, the exchange difference component of that gain or loss is also recognised in the income statement.

Tax assets and liabilities

Income taxes are recognised in the income statement except for items which are credited/charged directly to equity.
Provisions for income taxes are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company – under Italy's tax consolidation regime – is expected to continue to generate sufficient taxable income against which temporary differences can be utilised.
Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.
The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Share-based payments

Stock options are share-based payments. Their fair value, and the corresponding increase in equity, is determined by reference to the fair value of the stock option at the grant date.
The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The pricing model separately measures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.

Income Statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.
Specifically:

- commissions are measured on an accrual basis;
- dividends are recognised in the income statement when their distribution to shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognised in the income statement only when actually received.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Analysis of cash and cash equivalents

€/'000	Dec. 31, 2006	Dec. 31, 2005
a) Cash	1,643	1,731
b) Demand deposits with Central Banks	-	-
Total	1,643	1,731

Cash and cash equivalents amount to €1,643 thousand, of which € 128 thousand in foreign currencies. Cash and cash equivalents consist of cash balances in euro and foreign currencies held at the Milano 3 branch as well as banknotes at ATMs located at the Head Office and at the offices of Banca Mediolanum financial advisors.

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2006		Dec. 31, 2005	
€/'000	Listed	Unlisted	Listed	Unlisted
A. Non-derivatives				
1. Debt securities	703,420	359,482	446,527	67,202
1.1 structured notes	-	-	-	-
1.2 other debt securities	703,420	359,482	446,527	67,202
2. Equities	412	9	-	9
3. Holdings in UCITS	-	-	-	-
4. Loans	-	-	-	-
4.1 repurchase agreements	-	-	-	-
4.2 others	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	631,386	199,661	576,609	-
Total A	1,335,218	559,152	1,023,136	67,211
B. Derivatives				
1. Financial derivatives:	-	4,500	-	5,221
1.1 held for trading	-	4,500	-	5,221
1.2 measured at fair value	-	-	-	-
1.3 others	-	-	-	-
2. Credit derivatives:	-	-	-	-
2.1 held for trading	-	-	-	-
2.2 measured at fair value	-	-	-	-
2.3 others	-	-	-	-
Total B	-	4,500	-	5,221
Total (A+B)	1,335,218	563,652	1,023,136	72,432

2.2 Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Non-derivatives		
1. Debt securities	1,062,901	513,729
a) Governments and Central Banks	408,749	115,715
b) Government agencies	4	-
c) Banks	380,556	198,325
d) Other issuers	273,592	199,689
2. Equities	421	9
a) Banks	-	-
b) Other issuers:	421	9
- insurance companies	-	-
- financial companies	-	-
- non financial companies	421	9
- others	-	
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold but not derecognised	831,048	576,609
a) Governments and Central Banks	811,165	576,609
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	19,883	-
Total A	1,894,370	1,090,347
B. Derivatives		
a) Banks	4,133	4,842
b) Customers	367	379
Total B	4,500	5,221
Total (A+B)	1,898,870	1,095,568

2.3 Analysis of financial assets held for trading: derivatives

€/'000	Interest rates	Currencies and gold	Equities	Loans	Other	Dec. 31, 2006	Dec. 31, 2005
A. Listed derivatives							
1. Financial derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
• Without exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-
B. Unlisted derivatives							
1. Financial derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	2,450	-	-	-	2,450	2,919
• Without exchange of principal							
- Options purchased	535	-	-	-	-	535	-
- Other derivatives	1,515	-	-	-	-	1,515	2,302
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total B	2,050	2,450	-	-	-	4,500	5,221
Total (A+B)	2,050	2,450	-	-	-	4,500	5,221

2.4 Year's movements in financial assets held for trading other than those sold and not derecognised and other than impaired assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	1,090,337	9	-	-	1,090,346
B. Increases	11,226,279	66,977	17	-	11,293,273
B1. Additions	10,972,349	66,312	17	-	11,038,678
B2. Increases in fair value	1,664	37	-	-	1,701
B3. Reversal of impairment	-	-	-	-	-
- through profit or loss					
- in equity					
B4. Reclassified from other portfolios	-	-	-	-	-
B5. Other	252,266	628	-	-	252,894
C. Decreases	11,253,715	66,565	17	-	11,320,297
C1. Disposals	9,601,882	66,413	17	-	9,668,312
C2. Redemptions	673,600	-	-	-	673,600
C3. Decreases in fair value	3,815	1	-	-	3,816
C4. Impairment	-	-	-	-	-
- through profit or loss					
- in equity					
C5. Reclassified to other portfolios	-	-	-	-	-
C6. Other	974,418	151	-	-	974,569
D. Closing balance	1,062,901	421	-	-	1,063,322

Section 4 - Available-for-sale financial assets - Caption 40

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2006		Dec. 31, 2005	
€/000	Listed	Unlisted	Listed	Unlisted
1. Debt securities	-	-	-	-
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	-	-	-
2. Equities	9	9,192	10	517
2.1 Measured at fair value	9	-	10	-
2.2 Measured at cost	-	9,192	-	517
3. Holdings in UCITS	4,059	152,515	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	-	-	-	-
Total	4,068	161,707	10	517

4.2 Analysis of available-for-sale financial assets by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Debt securities	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equities	9,201	527
a) Banks	-	-
b) Other issuers:	9,201	527
- insurance companies	-	-
- financial companies	1,455	493
- non financial companies	7,746	34
- others	-	-
3. Holdings in UCITS	156,574	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold but not derecognised	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	165,775	527

4.5 Year's movements in available-for-sale financial assets other than those sold and not derecognised and other than impaired assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	-	527	-	-	527
B. Increases	-	8,716	181,836	-	190,552
B1. Increases	-	8,716	178,807	-	187,523
B2. Increases in fair value	-	-	2,983	-	2,983
B3. Reversal of impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
B4. Reclassified from other portfolios	-	-	-	-	-
B5. Other	-	-	46	-	46
C. Decreases	-	42	25,262	-	25,304
C1. Disposals	-	41	25,222	-	25,263
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	-	1	40	-	41
C4. Impairment	-	-	-	-	-
- through profit or loss	-	-	-	-	-
- in equity	-	-	-	-	-
C5. Reclassified to other portfolios	-	-	-	-	-
C6. Other	-	-	-	-	-
D. Closing balance	-	9,201	156,574	-	165,775

Section 5 - Held-to-maturity investments - Caption 50

5.1 Analysis of held-to-maturity investments

€/'000	Dec. 31, 2006 Book Value	Dec. 31, 2006 Fair value	Dec. 31, 2005 Book Value	Dec. 31, 2005 Fair value
1. Debt securities	133,116	132,298	158,550	158,695
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	133,116	132,298	158,550	158,695
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not derecognised	199,796	199,965	340,439	340,439
Total	332,912	332,263	498,989	499,134

5.2 Analysis of held-to-maturity investments by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Debt securities	133,116	158,550
a) Governments and Central Banks	122,852	148,294
b) Government agencies	-	-
c) Banks	10,264	10,256
d) Other issuers	-	-
2. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
3. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
4. Assets sold but not derecognised	199,796	340,439
a) Governments and Central Banks	199,796	340,439
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	332,912	498,989

5.4 Year's movements in held-to-maturity investments other than those sold but not derecognised and other than impaired investments

€/'000	Debt securities	Loans	Total
A. Opening balance	158,550	-	158,550
B. Increases	151,425	-	151,425
B1. Additions	-	-	-
B2 Reversal of impairment	-	-	-
B3. Reclassified from other portfolios	-	-	-
B4. Other	151,425	-	151,425
C. Decreases	176,859	-	176,859
C1. Disposals	-	-	-
C2. Redemptions	165,000	-	165,000
C3. Impairment	-	-	-
C4. Reclassified to other portfolios	-	-	-
C5. Other	11,859	-	11,859
D. Closing balance	133,116	-	133,116

Section 6 - Loans to banks - Caption 60

6.1 Analysis of loans to banks

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Central Banks	18,808	1,917
1. Time deposits	-	-
2. Reserve requirements	18,808	1,917
3. Repurchase agreements	-	-
4. Other	-	-
B. Banks	2,085,797	2,683,743
1. Bank accounts and demand deposits	265,433	350,996
2. Time deposits	1,716,639	2,202,438
3. Others:	103,725	130,309
3.1 repurchase agreements	74,072	124,800
3.2 finance leases	-	-
3.3 other	29,653	5,509
4. Debt securities	-	-
4.1 structured notes	-	-
4.2 other debt securities	-	-
5. Impaired assets	-	-
6. Assets sold but not derecognised	-	-
Total (book value)	2,104,605	2,685,660
Total (fair value)	2,104,570	2,685,660

Section 7 - Loans to customers - Caption 70

7.1 Analysis of loans to customers

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Bank accounts	204,869	197,974
2. Repurchase agreements	100,538	43,565
3. Mortgage loans	289,363	125,367
4. Credit cards, personal loans and salary-guaranteed loans	43,191	40,687
5. Finance leases	-	-
6. Factoring	-	-
7. Other	443,917	303,133
8. Debt securities	-	-
8.1 structured notes	-	-
8.2 other debt securities	-	-
9. Impaired assets	8,358	10,874
10. Assets sold but not derecognised	-	-
Total (book value)	1,090,236	721,600
Total (fair value)	1,119,973	739,005

7.2 Analysis of customer loans by borrower category

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Debt securities:	-	-
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
2. Loans:	1,081,878	710,726
a) Governments	-	-
b) Government agencies	-	-
c) Others	1,081,878	710,726
- non financial companies	30,443	15,033
- financial companies	504,063	357,739
- insurance companies	6,342	1
- others	541,030	337,953
3. Impaired assets:	8,358	10,874
a) Governments	-	-
b) Government agencies	-	-
c) Others	8,358	10,874
- non financial companies	1	327
- financial companies	-	-
- insurance companies	-	-
- others	8,357	10,547
4. Assets sold but not derecognised:	-	-
a) Governments	-	-
b) Government agencies	-	-
c) Others	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
Total	1,090,236	721,600

At December 31, 2006 "Impaired Assets" amounted to €8,358 thousand, of which €5,984 thousand related to debtors that were past due more than 180 days. Positions that are past due more than 180 days began to be classified as impaired in financial year 2005 following the entry into effect of Bank of Italy's new requirements and the adoption of international accounting and financial reporting standards.

At December 31, 2006 non-performing loans accounted for 0.03% of total exposure versus 0.04% at December 31, 2005.

Section 10 - Equity investments - Caption 100

10.1 Subsidiaries, joint ventures and companies over which significant influence is exercised

€/'000	Registered Office	% holding	% voting rights
A. Subsidiaries			
Banco de Finanzas e Inversiones S.A. (Fibanc)	Barcelona	100.00	100.00
Bankhaus August Lenz & Co. AG	Munich	100.00	100.00
Mediolanum Distribuzione Finanziaria S.p.A.	Basiglio	100.00	100.00
Mediolanum International S.A.	Luxembourg	99.997	99.997
Mediolanum Asset Management Ltd	Dublin	51.00	51.00
Mediolanum Gestione Fondi SGR p.A.	Dublin	51.00	51.00
Mediolanum International Funds Ltd	Dublin	51.00	51.00
B. Joint ventures		-	-
C. Companies under significant influence		-	-

10.2 Subsidiaries, joint ventures and companies over which significant influence is exercised: key financial information

€/'000	Total assets	Total revenues	Net profit (loss)	Shareholders' equity	Book value	Fair value
A. Subsidiaries						
Mediolanum International S.A.	47,248	556	(194)	46,406	46,620	x
Bankhaus August Lenz & Co. AG	62,470	22,190	(7,539)	40,289	43,995	x
Banco de Finanzas e Inversiones S.A. (Fibanc)	679,716	66,511	1,101	113,352	252,617	x
Mediolanum Gestione Fondi SGR p.A.	40,031	73,713	10,402	26,567	2,610	x
Mediolanum International Funds Ltd	71,497	324,823	147,837	50,376	1,346	x
Mediolanum Asset Management Ltd	5,199	30,755	10,170	4,070	459	x
Mediolanum Distribuzione Finanziaria S.p.A.	1,684	2,569	(169)	1,013	1,000	x
Total subsidiaries	-	-	-	-	348,647	
B. Joint ventures	-	-	-	-	-	
C. Companies under significant influence	-	-	-	-	-	

10.3 Year's movements in equity investments

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Opening balance	282,537	301,438
B. Increases	74,093	10,800
B1. Acquisitions	72,000	1.000
B2. Reversal of impairment	-	-
B3. Revaluations	-	-
B4. Other increases	2,093	9,800
C. Decreases	(7,983)	(29,701)
C1. Sales	-	-
C2. Impairment	(7,983)	(29,701)
C4. Other decreases	-	-
D. Closing balance	348,647	282.537
E. Total revaluations	-	-
F. Total adjustments	105,284	97,301

Section 11 - Tangible assets - Caption 110

11.1 Analysis of tangible assets carried at cost:

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Occupied/used		
1.1 Owned	23,461	22,879
a) land	5,440	5,440
b) buildings	5,992	6,084
c) furnishings	1,417	681
d) electronic equipment	9,753	9,684
e) other	859	990
1.2 Under finance leases	-	-
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total A	23,461	22,879
B. Held for investment purposes		
2.1 Owned	-	-
a) land	-	-
b) buildings	-	-
2.2 Under finance leases	-	-
a) land	-	-
b) buildings	-	-
Total B	-	-
Total (A+B)	23,461	22,879

11.3 Year's movements in occupied/used tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	5,440	8,072	3,242	30,423	3,211	50,388
A.1 Total depreciation and net impairment	-	(1,988)	(2,561)	(20,739)	(2,221)	(27,509)
A.2 Net opening balance	5,440	6,084	681	9,684	990	22,879
B. Increases:	-	152	1,602	3,301	442	5,497
B.1 Additions	-	152	1,602	3,166	442	5,362
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-	135	-	135
C. Decreases:	-	(244)	(865)	(3,232)	(574)	(4,915)
C.1 Disposals (net value)	-	-	-	-	-	-
C.2 Depreciation	-	(244)	(862)	(3,232)	(423)	(4,761)
C.3 Impairment						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Decreases in fair value						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:						
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	(3)	-	(1)	(4)
C.7 Other decreases	-	-	-	-	(150)	(150)
D. Net closing balance	5,440	5,992	1,418	9,753	858	23,461
D.1 Total depreciation and net impairment	-	(2,232)	(3,208)	(23,002)	(2,528)	(30,970)
D.2 Gross closing balance	5,440	8,224	4,626	32,755	3,386	54,431
E. Measured at cost	-	-	-	-	-	-

Tangible assets with unit value lower than €516.46 were fully depreciated in the year and amounted to €929 thousand. For higher value assets acquired during the financial year, the depreciation rate was reduced by 50% to reflect partial use during the year.

Section 12 - Intangible assets - Caption 120

12.1 Analysis of intangible assets

€/'000	Dec. 31, 2006 Finite life	Dec. 31, 2006 Indefinite life	Dec. 31, 2005 Finite life	Dec. 31, 2005 Indefinite life
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	11,032	-	14,317	-
A.2.1 Measured at cost:	11,032	-	14,317	-
a) internally generated assets	-	-	-	-
b) other assets	11,032	-	14,317	-
A.2.2 Measured at fair value:	-	-	-	-
a) internally generated assets	-	-	-	-
b) other assets	-	-	-	-
Total	11,032	-	14,317	-

12.2 Year's movements in intangible assets

€/'000	Goodwill	Other intangible assets: internally generated – Finite	Other intangible assets: internally generated – Indefinite	Other intangible assets: other – Finite	Other intangible assets: other – Indefinite	Total
A. Opening balance	-	-	-	97,930	-	97,930
A.1 Total amortisation and net impairment	-	-	-	(83,613)	-	(83,613)
A.2 Net opening balance	-	-	-	14,317	-	14,317
B. Increases	-	-	-	7,220	-	7,220
B.1 Additions	-	-	-	7,220	-	7,220
B.2 Increases in internal assets	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases:	-	-	-	(10,505)	-	(10,505)
C.1 Disposals	-	-	-	-	-	-
C.2 Amortisation and impairment	-	-	-	(10,439)	-	(10,439)
- Amortisation	-	-	-	(10,379)	-	(10,379)
- Impairment	-	-	-	(60)	-	(60)
+ in equity	-	-	-	-	-	-
+ through profit or loss	-	-	-	(60)	-	(60)
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
C.4 Reclassified to non-current assets						-
held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(66)	-	(66)
D. Net closing balance	-	-	-	11,032	-	11,032
D.1 Total amortisation and net impairment	-	-	-	(92,751)	-	(92,751)
E. Gross closing balance	-	-	-	103,783	-	103,783
F. Measured at cost	-	-	-	-	-	-

Section 13 - Tax assets and liabilities - Caption 130 (assets) and Caption 80 (liabilities)

"Current tax assets" include tax advances amounting to €3,728 thousand and withholding taxes of €9,895 thousand paid during 2005. Since the Bank opted for the tax consolidation regime, IRES corporate income tax debits/credits will be consolidated into the parent company Mediolanum S.p.A. for the purpose of consolidated tax reporting.

13.1 Analysis of deferred tax assets

13.2 Analysis of deferred tax liabilities

€/'000	FY 2006 Temporary differences	FY 2006 Tax rate %	FY 2005 Temporary differences	FY 2005 Tax rate %
Deferred tax assets				
Impairment of intangible assets	7,760	33.00%	15,521	33.00%
Provisions for risks and charges	65,032	33.00%	53,589	33.00%
Expenses deductible in future years	915	33.00%	940	33.00%
Expenses deductible in future years	25,694	38.25%	10,587	38.25%
Total	99,401		80,637	
Deferred tax liabilities				
Valuation reserve relating to AFS securities	2,942	38.25%	-	38.25%
Future expenses deductible in the year	3,432	38.25%	-	33.00%
Commission income taxable in future years	276	38.25%	-	38.25%
Total	6,650		-	
Net deferred tax liabilities (assets)		31,608		27,166
Deferred tax assets arisen on tax losses for the year	-		-	
Deferred tax assets arisen on tax losses for the prior year	-		-	
Temporary differences excluded from the calculation of deferred tax liabilities (assets):	-		-	
Tax losses to carry forward:	-		-	
Net amount	-		-	

€/'000	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets		
charge to the income statement	34,152	27,166
charge to equity	-	-
Total deferred tax assets	34,152	27,166
Deferred tax liabilities		
charge to the income statement	1,419	-
charge to equity	1,125	-
Total deferred tax liabilities	2,544	-

13.3 Year's movements in deferred tax assets (charge to the income statement)

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Opening balance	27,166	20,777
2. Increases	14,871	14,778
2.1 Deferred tax assets arisen in the year	14,871	14,778
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) write-backs	14,871	14,778
d) other	-	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	(7,885)	(8,389)
3.1 Deferred tax assets cancelled in the year	(7,885)	(8,389)
a) reversals	(7,885)	(8,389)
b) write-offs of non-recoverable amounts	-	-
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	34,152	27,166

13.4 Year's movements in deferred tax liabilities (charge to the income statement)

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Opening balance	-	2,131
2. Increases	1,419	-
2.1 Deferred tax liabilities arisen in the year	1,419	-
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	1,419	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	(2,131)
3.1 Deferred tax liabilities cancelled in the year	-	(2,131)
a) reversals	-	(2,131)
b) changes in the accounting policies	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	1,419	-

13.5 Year's movements in deferred tax assets (charge to the income statement):

There were no movements in deferred tax assets with charge to the income statement

13.6 Year's movements in deferred tax assets (charge to equity):

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Opening balance	-	-
2. Increases	1,125	-
2.1 Deferred tax liabilities arisen in the year	1,125	-
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	1,125	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
3. Decreases	-	-
3.1 Deferred tax liabilities cancelled in the year	-	-
a) reversals	-	-
b) changes in the accounting policies	-	-
c) other	-	-
3.2 Reduced tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	1,125	-

Section 15 - Other assets - Caption 150

15.1 Analysis of other assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
Items in transit	90,501	81,387
Commissions outstanding	65,594	49,214
Receivables from the parent company, subsidiaries and associates	9,444	4,829
Receivables from tax authorities	7,407	7,799
Receivables from financial advisors	6,994	8,508
Commissions and expenses to be recovered from customers	6,016	8,385
Prepayments	2,342	1,758
Other receivables from former financial advisors	1,965	1,990
Advances to suppliers	1,841	1,600
Receivables from companies of the Fininvest & the Doris Groups	149	195
Other	4,674	4,048
Total	196,927	169,713

"*Items in transit*" primarily relate to utilities payments not yet due to be debited to customers (€44,652 thousand), checks debited to customers in the first days of 2006 (€35,085 thousand), mortgage loans extended in the first days of 2006 (€2,120 thousand) and miscellaneous items settled in January 2006 (€8,644 thousand).

"*Commissions outstanding*" essentially relate to commissions receivable for the distribution of products and services on behalf of the companies below:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Mediolanum S.p.A.	45,723	39,502
Mediolanum International Life Ltd	12,804	3,122
Mediolanum International Funds Ltd	5,740	4,812
Mediolanum Gestione Fondi SGR p.A.	1,276	1,742
Duemme SGR p.A.	51	36
Total	65,594	49,214

"*Receivables from the parent company, subsidiaries and associates*" and "*Receivables from companies of the Fininvest Group and the Doris Group*" relate to the following companies:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Mediolanum Group companies:	9,444	4,829
parent company:		
- Mediolanum S.p.A.	624	414
subsidiaries:		
- Mediolanum International Funds Ltd	139	81
- Mediolanum Gestione Fondi SGR p.A.	2,307	1,092
- Banco de finanzas e inversione s (Fibanc) SA	194	-
- Mediolanum Distribuzione Finanziara	196	120
associates:		
- Mediolanum Vita S.p.A.	4,140	2,090
- Partner Time S.p.A.	401	533
- Mediolanum Comunicazione S.p.A.	1,029	383
- Mediolanum International Life Ltd	411	85
- PI Distribuzione S.p.A.	3	31
Fininvest Group and Doris Group:	149	195
- Mediolanum Assicurazioni S.p.A.	149	183
- Publitalia '80 S.p.A.	-	12

An analysis of "*Receivables from tax authorities*", including prior year's comparative information, is set out in the table below:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Prepaid stamp duties	7,398	7,763
Miscellaneous taxes/ other receivables	9	36
Total	7,407	7,799

"*Prepaid stamp duties*" essentially consist of stamp duties paid in November 2006 and relating to the year 2007.
"*Receivables from financial advisors*" primarily relate to commission advances for a total of €9,302 thousand which were written-down by €2,332 thousand.

"*Prepayments*" relate to the portion of payments made for miscellaneous services attributable to future years.

"*Receivables from former financial advisors*" relate to the expenses borne to compensate customers who were damaged as a result of the misconduct of former financial advisors against whom legal actions are underway. The amount receivable carried at the nominal value of €6,623 thousand written down by €4,298 thousand represents the estimated realisable value calculated taking into account the insurance coverage for those risks.

"*Advances to suppliers*" essentially consists of advances paid at the time the related service agreements were entered into.

"*Other receivables*" include outstanding fees (€2,267 thousand), expenses relating to different years for improvements to leasehold assets (€638 thousand), advances to employees and contract workers (€163 thousand), security deposits (€306 thousand) and receivables from Directors (€163 thousand).

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Central banks	560,172	600,002
2. Banks	570,499	532,654
2.1 Bank accounts and demand deposits	367,993	167,323
2.2 Time deposits	154,308	205,508
2.3 Loans	-	-
2.3.1 finance leases	-	-
2.3.2 other	-	-
2.4 Commitments to buy back own equity instruments	-	-
2.5 Liabilities in connection with assets sold but not derecognised	48,198	159,823
2.5.1 repurchase agreements	48,198	159,823
2.5.2 other	-	-
2.6 Other amounts due	-	-
Total	1,130,671	1,132,656
Fair value	1,130,671	1,132,656

Section 2 - Amounts due to customers - Caption 20

2.1 Analysis of amounts due to customers

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Bank accounts and demand deposits	3,720,750	3,503,863
2. Time deposits	-	-
3. Third party assets under administration	-	-
4. Loans	-	-
4.1 finance leases	-	-
4.2 other	-	-
5. Commitments to buy back own equity instruments	-	-
6. Liabilities in connection with assets sold but not derecognised	417,497	161,757
6.1 repurchase agreements	417,497	161,757
6.2 other	-	-
7. Other amounts due	7,122	4,899
Total	4,145,369	3,670,519
Fair value	4,145,369	3,670,519

The 2005 balance of the account "*Other amounts due*" includes €2,731 thousand reclassified from items previously recognised under item 50 "Other liabilities".

Section 4 - Financial liabilities held for trading - Caption 40

4.1 Analysis of financial liabilities held for trading

€/'000	Dec. 31, 2006 NV	Dec. 31, 2006 FV L	Dec. 31, 2006 FV U	Dec. 31, 2006 FV*	Dec. 31, 2005 NV	Dec. 31, 2005 FV L	Dec. 31, 2005 FV U	Dec. 31, 2005 FV*
A. Non-derivatives								
1. Due to banks	-	-	-	-	12	9	-	-
2. Due to customers	113,365	72,362	47,916	-	49,791	55,601	-	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 structured notes	-	-	-	-	-	-	-	-
3.1.2 others	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 structured notes	-	-	-	-	-	-	-	-
3.2.2 others	-	-	-	-	-	-	-	-
Total A	113,365	72,362	47,916	-	49,803	55,610	-	-
B. Derivatives								
1. Financial derivatives	-	-	1,346	-	-	-	6,230	-
1.1 held for trading	-	-	1,346	-	-	-	6,230	-
1.2 measured at fair value	-	-	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-	-	-
2.2 measured at fair value	-	-	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-	-	-
Total B	-	-	1,346	-	-	-	6,230	-
Total (A+B)	113,365	72,362	49,262	-	49,803	55,610	6,230	-

Legend
FV = Fair Value
*FV** = Fair value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue.
NV = Nominal value or notional amount
L = Listed
U = Unlisted

"A2 Due to customers" include short positions in "repurchase agreements".

4.4 Analysis of financial liabilities held for trading: derivatives

€/'000	Interest rate	Currencies and gold	Equities	Loans	Other	Dec. 31, 2006	Dec. 31, 2005
A) Listed derivatives							
1. Financial derivatives:							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:						-	
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-
B) Unlisted derivatives							
1. Financial derivatives:							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	798	-	-	-	798	3,336
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	548	-	-	-	-	548	2,894
2. Credit derivatives:							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total B	548	798	-	-	-	1,346	6,230
Total (A+B)	548	798	-	-	-	1,346	6,230

4.5 Year's movements in financial liabilities (ex. "short positions") held for trading

Financial liabilities consist entirely of short positions. Therefore no information is provided under this heading.

Section 8 - Tax liabilities - Caption 80

"*Current tax liabilities*" relate to taxes for the year. The amount set aside represents the "best estimate" of future tax expenses.

€/'000	Dec. 31, 2005	Amounts set aside in the year	Other changes	Funds used	Dec. 31,2006
Corporate Income Tax (IRES)	1,469	2,871	-	(1,469)	2,871
Regional Business Tax (IRAP)	3,450	4,026	-	(3,450)	4,026
Total	4,919	6,897	-	(4,919)	6,897

For information on "*Deferred tax liabilities*" readers are referred to Section 13 - Balance Sheet Assets - of these notes.

Section 10 - Other liabilities - Caption 100

10.1 Analysis of other liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
Payables to financial advisors	78,982	56,613
Items in transit	78,146	71,599
Payables to Mediolanum Group companies	42,686	5,026
Payables to suppliers, consultants and other professionals	31,512	26,339
Payables to tax authorities	6,960	6,012
Payables to social security agencies	3,957	2,791
Payables to employees	3,297	3,049
Agents' severance benefits	3,058	2,637
Payables to companies of the Fininvest Group and Doris Group	2,204	1,981
Other sundry liabilities	4,485	1,912
Total	255,287	177,959

"*Payables to financial advisors*" relate to commissions accrued at the balance sheet date and payable to financial advisors in 2007.

"*Items in transit*" include customer transfer orders settled through the Interbank Network in the first days of 2007 (€14,966 thousand), pre-authorised payments (RID) (€28,913 thousand), ATM transactions (€5,184 thousand) and other items settled in the first days of 2007 (€29,083 thousand).

"*Payables to Mediolanum Group companies*" and "*Payables to companies of the Fininvest Group and the Doris Group*" largely relate to services rendered by the following companies:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Mediolanum Group companies:		
parent company:		
- Mediolanum S.p.A.	577	454
subsidiaries:		
- Mediolanum Gestione Fondi SGR p.A.	273	300
- Mediolanum Distribuzione Finanziaria S.p.A.	627	47
- Banco de Finanzas e Inversiones S.A. (Fibanc)	92	64
associates:		
- Mediolanum Comunicazione S.p.A. (previously Alboran S.p.A.)	1,448	3,979
- Mediolanum Vita S.p.A.	22,948	164
- Mediolanum International Life Ltd	16,679	-
- Partner Time S.p.A.	42	14
- PI Distribuzione S.p.A.	-	4
Total	42,686	5,026
Fininvest Group/Doris Group companies:		
- Publitalia '80 S.p.A.	1,224	897
- Mediolanum Assicurazioni S.p.A.	740	836
- Pagine Italia S.p.A.	155	155
- Mediaset S.p.A.	-	27
- Il Teatro Manzoni S.p.A.	2	1
- AC Milan S.p.A.	-	1
- Servizi Milan S.p.A.	36	-
- Mondadori Pubblicità S.p.A.	46	60
- Vacanze Italia S.p.A.	-	4
- Alba Servizi Aerotrasporti S.p.A.	1	-
Total	2,204	1,981

"*Payables to suppliers, consultants and professionals*" relate to fees paid in 2007. The account also includes €157 thousand due to Directors and Statutory Auditors for their service which was not paid within the balance sheet date.

"Payables to tax authorities" relate to the following accounts:

€/'000	Dec. 31, 2006	Dec. 31, 2005
Substitute and withholding taxes	6,892	5,984
Other	68	28
Total	6,960	6,012

"*Payables to social security agencies*" relate to social security contributions of employees (€2,486 thousand) and financial advisors (€1,471thousand).

"*Payables to employees*" relate to overtime payments, reimbursement of expenses, statutory leaves and vacations unused at December 31, 2006.

"*Agents' severance benefits*" represent the severance entitlements of financial advisors as accrued at the balance sheet date. That amount will be paid into the related Mediolanum Vita S.p.A. policy account within March 31, 2007 in accordance with the terms of the collective agreement.

Section 11 - Employee completion-of-service entitlements - Caption 110

11.1 Year's movements in employee completion-of-service entitlements

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Opening balance	9,441	8,112
B. Increases	3,056	2,887
B.1 Amounts set aside in the year	3,048	2,813
B.2 Other increases	8	74
C. Decreases	(1,775)	(1,558)
C.1 Funds used in the year	(784)	(648)
C.2 Other decreases	(991)	(910)
D. Closing balance	10,722	9,441
Total	10,722	9,441

Section 12 - Provisions for risks and charges - Caption 120

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Severance entitlements	-	-
2. Other provisions for risks and charges	62,156	50,918
2.1 legal proceedings	-	-
2.2 staff costs	900	-
2.3 other	61,256	50,918
Total	62,156	50,918

12.2 Year's movements in provisions for risks and charges

€/'000	Severance entitlements	Other	Total
A. Opening balance	-	50,918	50,918
B. Increases	-	15,339	15,339
B.1 Amounts set aside in the year	-	15,339	15,339
B.2 Time-related increases	-	-	-
B.3 Increased discount rate	-	-	-
B.4 Other increases	-	-	-
C. Decreases	-	(4,101)	(4,101)
C.1 Funds used in the year	-	(3,851)	(3,851)
C.2 Decreased discount rate	-	-	-
C.3 Other decreases	-	(250)	(250)
D. Closing balance	-	62,156	62,156

12.4 Provisions for risks and charges -"other"

The analysis of provisions for risks and charges "other" is set out in the table below.

€/'000 Provision	Balance at Dec. 31, 2005	Amount set aside in the year	Other changes	Funds used	Balance at Dec. 31, 2006
Personnel	-	900	-	-	900
Benefits to Top Managers	13,843	4,852	-	(38)	18,657
Risks related to FA illegal actions	14,693	1,681	-	-	16,374
FA customer base entitlements	7,705	3,584	-	(300)	10,989
FA portfolio entitlements	6,857	4,261	(12)	(2,786)	8,320
Product distribution	7,316	-	(237)	(727)	6,352
Staff loyalty rewards	504	60	-	-	564
Total	50,918	15,338	(249)	(3,851)	62,156

"*Personnel*" relates to the amount set aside for the year 2006 to cover payments to the employees following the renewal of the collective labour agreement for the lending industry, which had expired on December 31, 2005.

"*Benefits to Top Managers*" relate to the provision raised to cover benefits payable to the Sales Network's Top Managers when they leave the company. The payment of these benefits is conditional upon compliance with their contractual non-competition obligations.

The provision for "risks related to FA illegal actions" covers the Bank's risk of future liabilities for claims below the deductible threshold of the insurance policy taken out to cover damage suffered by customers as a result of the misconduct of the Bank's financial advisors. On the basis of historical data and the claims received by the Bank at the balance sheet date, the amount of the provision adequately covers those risks.
The provision also includes amounts set aside to cover the risk of liabilities arising from legal claims made by customers against the Bank in relation to default securities.

The provision for "customer base entitlements" covers supplementary benefits payable to financial advisors. The provision was calculated on the basis of the number of financial advisors who will reach retirement age in the next five years and future liabilities estimated on the basis of the Bank's historical data in accordance with the requirements of IAS 37.

The provision for "Portfolio entitlements" covers the contractual obligation to pay benefits to financial advisors when they leave the sales network. The payment of those benefits is conditional upon compliance with their non-competition obligations in the two years following the date they leave the network. The provision was calculated on the basis of historical data and considering the number of financial advisors who had resigned at the balance sheet data, in accordance with the requirements of IAS 37.

The balances reported in the column "*other changes*" relate to the write-off of amounts no longer payable to financial advisors who were in breach of contract .

The provision for "*product distribution*" relates to amounts set aside to cover expected future liabilities in connection with commissions payable to the sales force on sales of "home loans" in the years following the first year, and possible commission reversals due to early redemption.

The provision for "*Staff loyalty rewards*" relates to the contractual obligation to pay benefits to staff providing support and assistance to the sales network when they leave the company. The payment of those benefits is conditional upon compliance with their non-competition obligation.

Section 14 Shareholders' equity

14.1 Analysis of shareholders' equity

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Share capital	371,000	341,000
2. Share premium account	-	-
3. Reserves	45,963	3,880
- retained earnings	38,773	(1,485)
- other reserves	7,190	5,365
4. (Treasury shares)	-	-
5. Valuation reserves	1,816	(1)
6. Equity intruments	-	-
77.Net profit (loss) for the year	69,628	81,179
Total	488,407	426,058

14.2 Analysis of "Share Capital" and "Treasury Shares"

At December 31, 2006 share capital amounted to €371,000 thousand, divided into 371,000,000 ordinary shares, fully subscribed and paid up. During the year share capital was increased through the issue of 30 million new shares with par value of €1 each. The share issue was fully subscribed by the shareholder Mediolanum S.p.A.

14.3 Year's movements in share capital - number of shares

€/'000	Ordinary shares	Other shares
A. Opening balance	341,000	-
- fully paid up	341,000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	
A.2 Shares outstanding: opening balance	341,000	-
B. Increases	30,000	-
B.1 New issues	30,000	-
- for a consideration:	30,000	-
- business combinations	-	-
- conversion of bonds	-	-
- warrants exercised	-	-
- other	-	-
- bonus issues:		
- employees	-	-
- directors	-	-
- others	-	-
B.2 Sale of treasury shares	-	-
B.3 Other increases	-	-
C. Decreases	-	-
C.1 Cancellations	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of businesses	-	-
C.4 Other decreases	-	-
D. Shares outstanding: closing balance	371,000	-
D.1 Treasury shares (+)	-	-
D.2 Shares at year end	371,000	-
- fully paid up	371,000	-
- not fully paid up	-	-

14.4 Share capital: other information

The company does not hold any treasury shares.

14.5 Retained earnings: other information

For further details on Retained Earnings, readers are referred to Part F (information on equity) section 1 (company's equity).

14.7 Analysis of valuation reserves

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Available-for-sale financial assets	1,816	(1)
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
Total	1,816	(1)

14.8 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation statutes
A. Opening balance	(1)	-	-	-	-	-	-	-
B. Increases	2,983	-	-	-	-	-	-	-
B1. Increases in fair value	2,983	-	-	-	-	-	-	-
B2. Other increases	-	-	-	-	-	-	-	-
C. Decreases	(1,166)	-	-	-	-	-	-	-
C1. Decreases in fair value	(41)	-	-	-	-	-	-	-
C2. Other decreases	(1,125)	-	-	-	-	-	-	-
D. Closing balance	1,816	-	-	-	-	-	-	-

14.9 Analysis of revaluation reserves relating to available-for-sale financial assets

€/'000	Dec. 31, 2006		Dec. 31, 2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equities	-	(1)	-	(1)
3. Holdings in UCITS	1,841	(24)	-	-
4. Loans	-	-	-	-
Total	1,841	(25)	-	(1)

14.10 Year's movements in revaluation reserves relating to available-for-sale financial assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans
1 Opening balance	-	(1)	-	-
2. Increases	-	-	2,983	-
2.1 Increases in fair value	-	-	2,983	-
2.2 Reversal of negative reserves through profit or loss	-	-	-	-
- impairment losses	-	-	-	-
- disposals	-	-	-	-
2.3 Other increases	-	-	-	-
3. Decreases	-	-	(1,166)	-
3.1 Decreases in fair value	-	(1)	(41)	-
3.2 Reversal of positive reserves through profit or loss	-	-	-	-
3.3 Other increases	-	1	(1,125)	-
4. Closing balance	-	(1)	1,817	-

OTHER INFORMATION

1. Guarantees issued and commitments

€/'000	Dec. 31, 2006	Dec. 31, 2005
1) Financial guarantees		
a) Banks	4,500	19,650
b) Customers	-	-
2) Commercial guarantees		
a) Banks	10,673	19
b) Customers	6,326	2,772
3) Commitments to disburse funds		
a) Banks		
i) with certain drawdown	14,274	75,034
iii) with possible drawdown	15,748	-
b) Customers		
i) with certain drawdown	736	10,410
ii) with possible drawdown	52,168	41,715
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	-	-
Total	104,425	149,600

2. Assets pledged to secure own liabilities and commitments

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Financial assets held for trading	831,048	576,609
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	-	-
4. Held-to-maturity investments	199,796	340,439
5. Loans to banks	-	-
6. Loans to customers	-	-
7. Tangible assets	-	-

4. Brokerage and asset management on behalf of customers

€/'000	31.12.2006
1. Securities brokerage	
a) Purchases	13,316,586
1. settled	13,316,586
2. not settled	-
b) Sales	11,304,819
1. settled	11,304,819
2. not settled	-
2. Asset management	
a) individual portfolio management	1,186,570
b) collective portfolio management	-
3. Securities in custody and under administration	
a) custodian bank services (other than managed assets)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) custodian bank services (other than managed assets)	3,540,551
1. securities issued by the reporting entity	-
2. other securities	3,540,551
c) third-party securities held by other custodians	3,304,838
d) own securities held by other custodians	2,536,018
4. Other services	-

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/'000	Performing financial assets: Debt securities	Performing financial assets: Loans	Impaired financial assets	Other assets	Dec. 31, 2006	Dec. 31, 2005
1. Financial assets held for trading	43,818	-	-	-	43,818	32,383
2. Available-for-sale financial assets	-	-	-	-	-	-
3. Held-to-maturity investments	14,634	-	-	-	14,634	12,297
4. Loans to banks	-	54,612	-	-	54,612	46,762
5. Loans to customers	-	35,022		-	35,022	22,028
6. Financial assets at fair value	-	-	-	-	-	-
7. Derivative hedging instruments	-	-	-	-	-	-
8. Financial assets sold but not derecognised	15,483	-	-	-	15,483	8,771
9. Other assets	-	-	-	161	161	34
Total	73,935	89,634	-	161	163,730	122,275

Interest on short positions in securities (€1,757 thousand), that in the prior year had been recognised under "interest income and similar income", was reclassified to "interest expense and similar charges". This is reflected in the 2005 comparative balance which differs by that same amount from the balance reported in the prior year's accounts.

1.3 Interest income and similar income: other information

1.3.1 Interest income on financial assets denominated in foreign currencies

At December 31, 2006 interest income on financial assets denominated in foreign currencies amounted to €6,291 thousand.

1.4 Analysis of interest expense and similar charges

€/'000	Amounts due	Securities	Other liabilities	Dec. 31, 2006	Dec. 31, 2005
1. Due to banks	21,343	-		21,343	15,147
2. Due to customers	37,750	-	-	37,750	29,536
3. Securities issued	-	-	-	-	85
4. Financial liabilities held for trading	-	3,205	-	3,205	1,757
5. Financial liabilities in connection with assets sold but not derecognised	-	30,465	-	30,465	21,047
7. Other liabilities	-	-	7	7	36
8. Derivative hedging instruments	-	-	-	-	-
Total	59,093	33,670	7	92,770	67,608

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currencies

For the year under review interest expense on liabilities denominated in foreign currencies amounted to €16,496 thousand.

Section 2 - Commissions - Captions 40 and 50

2.1 Analysis of commission income

€/'000	Dec. 31, 2006	Dec. 31, 2005
a) Garantees issued	-	-
b) Credit derivatives	-	-
c) Management, brokerage and consulting services:	373,356	312,407
1. Brokerage of financial instruments	1,009	886
2. Currency brokerage	-	-
3. Asset management	14,612	17,326
3.1. individual portfolio management	14,612	17,326
3.2. collective portfolio management	-	-
4. Securities in custody and under administration	3,310	3,623
5. Custodian bank	-	-
6. Sale of securities	172	334
7. Order taking	7,448	7,025
8. Consultancy	-	-
9. Services to third parties	346,805	283,213
9.1. asset management	115,777	88,907
9.1.1. individual portfolio management	-	-
9.1.2. collective portfolio management	115,777	88,907
9.2. insurance products	223,915	185,692
9.3. other products	7,113	8,614
d) Payments and collections	7,814	6,896
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Other services	14,336	13,189
Total	395,506	332,492

2.2 Commission income: distribution channels of products and services

€/'000	Dec. 31, 2006	Dec. 31, 2005
a) Through the company's own branches:	172	334
1. Asset management	-	-
2. Sale of securities	172	334
3. Services and products of third parties	-	-
b) Off-premises sales:	361,417	300,539
1. Asset management	14,612	17,326
2. Sale of securities	-	-
3. Services and products of third parties	346,805	283,213
c) Other distribution channels:	-	-
1. Asset management	-	-
2. Sale of securities	-	-
3. Services and products of third parties	-	-

2.3 Analysis of commission expense

€/'000	Dec. 31, 2006	Dec. 31, 2005
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	264,956	204,606
1. Brokerage of financial instruments	21	8
2. Currency brokerage	-	-
3. Asset management:	8,739	10,413
3.1. own portfolio	-	-
3.2. third-party portfolios	8,739	10,413
4. Securities in custody and under administration	552	511
5. Sale of financial instruments	-	-
6. Off-premises sale of financial instruments, products & services	255,644	193,674
d) Payments and collections	8,299	6,104
e) Other services	8,042	6,220
Total	281,297	216,930

The 2005 comparative balance shows a €2,542 thousand decline over the balance reported in the past year. This is due to the reclassification of 2005 expenses which had been previously recognised under item 150 "*Other administrative expenses*" (+€75 thousand) and item 160 "*Provisions for risks and charges*" (-€2,467 thousand).

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

€/'000	Dec. 31, 2006 Dividends	Dec. 31, 2006 Income from holdings in UCITS	Dec. 31, 2005 Dividends	Dec. 31, 2005 Income from holdings in UCITS
A. Financial assets held for trading	25	-	31	-
B. Available-for-sale financial assets	15	131	110	-
C. Financial assets at fair value	-	-	-	-
D. Equity investments	95,105	-	137,497	-
Total	95,145	131	137,638	-

This account almost entirely relates to dividends received from the subsidiaries Mediolanum International Funds Ltd, Mediolanum Asset Management Ltd and Mediolanum Gestione Fondi SGR p.A. Dividends include the 2005 dividends amounting to €40,535 thousand, for which the distribution to shareholders was resolved and took place in 2006, as well as the 2006 interim dividends amounting to €54,570 thousand paid out by the subsidiaries Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd in October 2006.

Section 4 - Net income from trading - Caption 80

4.1 Analysis of net income from trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income (A+B)-(C+D)
1. Financial assets held for trading	664	31,323	(3,623)	(27,776)	588
1.1 Debt securities	627	30,657	(3,623)	(27,629)	32
1.2 Equities	37	620	-	(147)	510
1.3 Holdings in UCITS	-	46	-	-	46
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	1,037	4,244	(206)	(2,269)	2,806
2.1 Debt securities	1,037	4,244	(205)	(2,269)	2,807
2.2 Other	-	-	(1)	-	(1)
3. Other financial assets and liabilities: exchange differences	-	-	-	-	(190)
4. Derivatives	1,632	65,073	(235)	(65,346)	5,872
4.1 Financial derivatives:	1,632	65,073	(235)	(65,346)	1,124
- debt securities					-
and interest rates	1,632	65,009	(235)	(65,346)	1,060
- equities					
and stock indices	-	64	-	-	64
- currencies and gold	-	-	-	-	4,748
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	3,333	100,640	(4,064)	(95,391)	9,076

Section 6 - Gains (losses) on sale / buyback - caption 100

6.1 Analysis of gains (losses) on sale /buyback

	Dec. 31, 2006			Dec. 31, 2005		
€/'000	Gains	Losses	Net gains (losses)	Gains	Losses	Net gains (losses)
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale financial assets:	-	(41)	(41)	-	-	-
3.1 Debt securities	-	-	-	-	-	-
3.2 Equities	-	(41)	(41)	-	-	-
3.3 Holdings in UCITS	-	-	-	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	-	(41)	(41)	-	-	-
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Section 8 - Net impairment - Caption 130

8.1 Analysis of net impairment of loans

	Impairment (1)			Reversal (2)					
	Individual			Individual		Collective			
€/'000	Cancellations	Others	Collective	A (interest)	B (others)	A (interest)	B (others)	Dec. 31, 2006	Dec. 31, 2005
A. Loans to banks	-	-	-	-	-	-	-	-	-
B. Loans to customers	(335)	(2,417)	(1,351)	-	808	-	1,001	(2,294)	(3,786)
C. Total	(335)	(2,417)	(1,351)	-	808	-	1,001	(2,294)	(3,786)

Section 9 - Administrative expenses - Caption 150

9.1 Analysis of staff costs

€/'000	Dec. 31, 2006	Dec. 31, 2005
1) Employees		
a) wages and salaries	42,802	38,975
b) social security contributions	12,724	11,778
c) employee completion of service entitlements	-	-
d) social security contributions	-	-
e) provision for completion of service entitlements	3,048	2,813
f) provision for severance benefits and similar obligations:		
- defined contribution plan	-	-
- defined benefit plan	-	-
g) external supplementary pension funds:		
- defined contribution plan	91	85
- defined benefit plan	-	-
h) expenses in connection with equity-settled share-based payment transactions	-	-
i) other employee benefits	1,082	790
2) Other personnel	4,147	3,537
3) Directors	817	591
Total	64,711	58,569

9.2 Average number of personnel by category:

Category	Dec. 31, 2006	Dec. 31, 2005
Employees		
a) Senior management	58	51
b) total managers	134	121
of whom:		
middle management	73	72
c) other employees	902	836
Other personnel		
project-based staff	15	12
temporary staff	38	57

9.5 Analysis of other administrative expenses

€/'000	Dec. 31, 2006	Dec. 31, 2005
IT services	31,244	24,422
Advertising and promotions	18,591	19,867
Consultancy, education and training of the sales force	13,735	12,493
Television and Internet communication services	11,380	11,585
Rentals	7,394	6,512
Business Conventions	3,704	5,634
Postal and telephone	6,327	5,216
Other advisory services	6,459	4,398
Infoprovider services	3,642	3,091
Insurance	2,639	2,485
Financial services fees and other expenses	3,177	2,418
Consumables	2,629	1,909
Canteen	1,924	1,737
Contributions to "Punto Mediolanum" offices	1,384	1,202
Travel expenses	1,334	1,121
Repairs and maintenance	971	572
Utilities	914	888
Business expenses, gifts and donations	834	860
Market research	818	822
Personnel recruitment	777	767
Other miscellanueous services	6,191	3,913
Other administrative expenses	1,534	2,309
Total	127,602	114,221

This year, "*repair and maintenance*" expenses are separately indicated in the analysis of other administrative expenses.

The 2005 comparative balance of the account "*Consultancy, education and training of the sales force*" shows a €75 thousand increase due to the reclassification of expenses previously recognised under item 50 "*commission expense*".

Section 10 - Provisions for risks and charges- Caption 160

10.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2006	Dec. 31, 2005
Provision for risks and charges - other	-	-
Personnel	900	-
Benefits to Top Managers	4,852	13,843
Risks related to FA illegal actions	1,681	7,248
FA customer base entitlements	3,584	2,050
FA portfolio entitlements	4,249	2,345
Product distribution	(237)	1,213
Customer reward programs	-	(11)
Staff loyalty rewards	60	77
Total	15,089	26,765

The 2005 comparative balance "*provisions for risks and charges*" shows a €2,467 decline following the reclassification of utilised provisions to item 50 "*commission expense*".

Section 11 - Depreciation and net impairment of tangible assets - Caption 170

11.1 Depreciation and net impairment of tangible assets

€/'000	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Depreciation and net impairment (A+B-C)
A. Tangible assets				
A.1 owned	4,761	-	-	4,761
- held for use	4,761	-	-	4,761
- held for investment purposes	-	-	-	-
A.2 under finance leases	-	-	-	-
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	4,761	-	-	4,761

Section 12 - Amortisation and net impairment of intangible assets- Caption 180

12.1 Amortisation and net impairment of intangible assets

€/'000	Amortisation (A)	Impairment (B)	Reversal of impairment (C)	Amortisation and net impairment (A+B-C)
A. Intangible assets				
A.1 owned	10,379	60	-	10,439
- internally generated	-	-	-	-
- others	10,379	60	-	10,439
A.2 under finance leases	-	-	-	-
Total	10,379	60	-	10,439

Section 13 - Other operating income - Caption 190

13.1 / 13.2 Analysis of other operating expenses and income

€/'000	Dec. 31, 2006	Dec. 31, 2005
Other operating expenses:		
Compensations and Settlements	(1,163)	(461)
Loan losses	(270)	(222)
Amortisation of expenses for improvements of leasehold assets	(251)	(146)
Other expenses	(287)	(387)
Total other operating expenses	(1,971)	(1,216)
Other operating income:		
Recoveries of expenses for services rendered to Mediolanum Group companies	12,610	10,447
Recoveries of expenses from employees	234	209
Recoveries of expenses from customers	1,655	900
Rentals on property	158	150
Recoveries of expenses from financial advisors	287	462
Other income	1,255	3,970
Total other operating income	16,199	16,138
Total other operating income (net)	14,228	14,922

Section 14 - Profit (Loss) on equity investments - Caption 210

14.1 Analysis of profit (loss) on equity investments

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Gains		
1. Revaluations	-	-
2. Gains on sale	-	-
3. Reversal of impairment	-	-
4. Other	-	-
B. Losses	(7,983)	(29,701)
1. Decrease in value	(5,890)	(19,901)
2. Impairment	-	-
3. Losses on sale	-	-
4. Other	(2,093)	(9,800)
Profit (loss)	(7,983)	(29,701)

In 2006 the Bank contributed funds in the amount of €1,800 thousand to cover the year's losses of the subsidiary Bankhaus August Lenz & Co. AG. In the previous year the funds contributed by the Bank to cover the losses of that subsidiary had amounted to €9,800 thousand.
At year end the value of the investment in that subsidiary was written down by €5,890 thousand (€5,121 thousand in 2005). The write-down was made to align the carrying amount of that investment with the amount at which it is recognised in the consolidated financial statements. That carrying amount is considered to reflect the fair value of the German subsidiary.
During the year under review, the Bank also contributed €293 thousand to cover the losses of the subsidiary Mediolanum Distribuzione Finanziaria S.p.A., of which €111 thousand to cover the losses reported by that subsidiary for the year ended December 31, 2005.

Section 17 - Profit (Loss) on disposal of investments - Caption 240

17.1 Analysis of profit (loss) on disposal of investments

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Property	-	-
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets	3	27
- Gains on sale	7	53
- Losses on sale	(4)	(26)
Profit (loss)	3	27

Section 18 - Income tax expense on continuing operations - Caption 260

18.1 Analysis of income tax expense on continuing operations

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Current tax (-)	(6,858)	(4,919)
2. Change in the current tax for prior years (+/-)	88	119
3. Change in current tax for the year (+)	-	-
4. Change in deferred tax assets (+/-)	6,986	7,341
5. Change in deferred tax liabilities (+/-)	(1,419)	1,179
6. Income tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(1,203)	3,720

18.2 Reconciliation between the theoretical tax expense and the effective tax expense

The reconciliation between the theoretical tax expense and the effective tax expense is set out in the table below.

€/'000	Rate %	Taxable amout	Tax expense
Calculation of taxable income (IRES)			
Pre-tax profit	-	70,831	-
Theoretical tax	33.00%	-	23,374
Temporary differences taxable in future years	-	(3,708)	-
Temporary differences deductible in future years	-	40,960	-
Prior years' temporary differences	-	(22,379)	-
Permanent differences	-	(77,005)	-
Total taxable income	-	8,699	-
Current tax expense for the year	-	-	2,871
Adjustments due to application of tax consolidation regime	-	-	(39)
Net IRES income tax expense	-	-	2,832
Average rate on pre-tax profit	4.00%	-	-
Calculation of taxable income (IRAP)			
Value of production less production costs	-	65,800	-
Costs which are not significant for the purpose of IRAP calculation	-	(5,407)	-
Theoretical value added		60,393	-
Theoretical tax expense (tax rate: 5.25%)	5.25%	-	3,171
Temporary differences taxable in future years	-	3,708	-
Temporary differences deductible in future years	-	25,636	-
Prior years' temporary differences	-	(9,570)	-
Permanent differences	-	3,938	-
Total added value for taxation purposes	-	76,689	-
Net IRAP tax expense	-	-	4,026
Average rage on pre-tax-profit	6.67%	-	-

PART D - SEGMENT REPORTING

As parent company of the Mediolanum Banking Group, Banca Mediolanum S.p.A. prepared the consolidated financial statements for the year ended December 31, 2006. Segmental information is provided in the relevant section of the notes to the consolidated financial statements.

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

The internal control system of Banca Mediolanum entails defence at different levels in accordance with the Group's organisational structure.
Specifically, for financial risk and credit risk, line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. Risk controls (second level) are controls performed by units other than operating units. They contribute to the definition of risk measurement methods, control of operating limits of officers to whom authorities are delegated, and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of responsibility.
The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for identifying, measuring, assessing and managing the financial risk and credit risk associated with all assets and liabilities managed by Banca Mediolanum.

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General information

Lending, be it the provision of home loans or consumer credit, or in other forms to meet other financing needs, is part of the business of Banca Mediolanum. Consistently with the Group mission, lending complements the Group primary business i.e. the distribution of banking, asset management and insurance and retirement savings products. Banca Mediolanum applies prudent lending policies, which are geared to develop and strengthen the relationship with customers who invest in products managed by the companies within the Group.

2. Credit risk management

2.1 Organisational Aspects

As part of its responsibilities for organising and directing the Group's affairs, Banca Mediolanum issued specific Lending Guidelines. The guidelines set out general principles and instructions on lending and on monitoring of the loan portfolio quality. The Parent Company is responsible for assessing overall exposure to credit risk and defining risk measurement policies for the whole Group.
Within its areas of responsibility, Banca Mediolanum also assesses credit risk exposure at the level of individual companies, by measuring and monitoring the risk associated with the various categories of financial instruments. Capital adequacy and, in particular, compliance with capital requirements and exposure limits for credit risk as set by local supervisory authorities are periodically monitored by the competent offices of Banca Mediolanum.
Banca Mediolanum has its own "Lending Policy", which was approved by its Board of Directors and sets out, inter alia, the authorities delegated to the various functions involved in the lending process, the type of collateral that can be accepted and the frequency of reports to Senior Management and the Board of Directors.

2.2 Risk measurement and management

The Banca Mediolanum's credit risk management system consists of the set of models and measurement tools as well as controls geared to ensure optimal management of the credit risk associated with the loan portfolio.

The credit risk management system ensures Banca Mediolanum is always current with its risk exposure in relation to each customer or group of customers, and takes prompt corrective actions, when needed, in accordance with related policies.

The credit risk management system pursues the following objectives:

- develop adequate processes for identifying, measuring and monitoring credit risk in relation to each counterparty and portfolio;
- ensure a steady flow of timely information to effectively monitor the composition and quality of the loan portfolio and promptly adjust loss estimates and capital charges;
- ensure compliance with the prudential requirements of domestic and international supervisory authorities;
- promote the adoption of policies and procedures for credit risk prudent management;
- support operational decisions of lending officers by providing the information needed to properly assess the borrower creditworthiness and type of financing;
- provide an adequate flow of information on credit risk exposures and mitigation techniques to senior management.

The credit risk management system reflects the specific characteristics of the banking lending business and any changes thereof in addition to any regulatory or statutory changes.

Credit quality is monitored by regularly assessing whether there is evidence of risk, in each stage of the lending process, through the application of specific operating procedures.

In the lending process, it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, as part of its loan application analysis, Banca Mediolanum gathers all information needed to assess the consistency of the loan amount with the type and purpose of financing. In that examination, Banca Mediolanum uses performance and financial analysis tools as well as intelligence obtained from private and public Credit Bureaus. Special attention is paid to the assessment of any security taken.

All loans are subject to regular review by the competent units within the Company. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the Board of Directors

2.3 Credit risk mitigation techniques

Loans extended by Banca Mediolanum are secured by collaterals received from borrowers. Collaterals primarily consist of mortgage over property and pledge over financial instruments, plus conditional sale, and other forms of security, e.g. surety bonds and endorsements. Given the importance of the collateral received from the obligor in the assessment of credit risk, appropriate prudential adjustments are applied to the collateral whose value is subject to regular review.

2.4 Impaired financial assets

Banca Mediolanum has its own tools for prompt detection of any problem loans.
The new rules set forth by the Basel Committee introduced significant changes in the general definitions of problem loans and the discretionary guidance of national supervisory authorities. The most significant change relates to the definition of default.
A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- the bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held);
- the obligor is past due more than 180 days under Italian law.

Banca Mediolanum has dedicated problem loan management units that apply operating procedures and take action according to the severity of the problem.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Performing and impaired assets: balance, impairment, developments, business and geographical distribution

A.1.1 Analysis of financial assets by category and credit quality (book value)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	1,898,870	1,898,870
2. Available-for sale financial assets	-	-	-	-	-	165,775	165,775
3. Held-to-maturity investments	-	-	-	-	-	332,912	332,912
4. Loans to banks	-	-	-	-	-	2,104,605	2,104,605
5. Loans to customers	374	2,000	-	5,984	-	1,081,878	1,090,236
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total at Dec. 31, 2006	374	2,000	-	5,984	-	5,584,040	5,592,398
Total at Dec. 31, 2005	299	806	-	9,769	-	4,991,470	5,002,344

A.1.2 Development of financial assets by category and credit quality (gross and net exposures)

	Impaired assets				Other assets			
€/'000	gross exposure	individual impairment	collective impairment	net exposure	gross exposure	collective impairment	net exposure	Total net exposure
1. Financial assets held for trading	-	-	-	-	1,898,870	-	1,898,870	1,898,870
2. Available-for-sale financial assets	-	-	-	-	165,775	-	165,775	165,775
3. Held-to-maturity investments	-	-	-	-	332,912	-	332,912	332,912
4. Loans to banks	-	-	-	-	2,104,605	-	2,104,605	2,104,605
5. Loans to customers	12,238	(3,880)	-	8,358	1,082,699	(821)	1,081,878	1,090,236
6. Financial assets at fair value	-	-	-	-	-	-	-	-
7. Financial assets being disposed of	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total at Dec. 31, 2006	12,238	(3,880)	-	8,358	5,584,861	(821)	5,584,040	5,592,398
Total at Dec. 31, 2005	13,304	(2,430)	-	10,874	4,992,045	(575)	4,991,470	5,002,344

A.1.3 Loans to banks: on and off-balance sheet exposures (gross and net exposures)

€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet				
a) Non performing	-	-	-	-
b) Watch list	-	-	-	-
c) Restructured	-	-	-	-
d) Past due	-	-	-	-
e) Country risk	-	-	-	-
f) Other	2,495,449	-	-	2,495,449
Total A	2,495,449	-	-	2,495,449
B. Off balance sheet				
a) Impaired	-	-	-	-
b) Other	49,327	-	-	49,327
Total B	49,327	-	-	49,327

A.1.4 Loans to banks: development of impaired loans and loans exposed to country risk (on- balance sheet gross exposures)

At the balance sheet date there were no impaired bank loans or bank loans exposed to country risk.

A.1.5 Loans to banks: analysis of impairment (on-balance sheet positions)

At the balance sheet date there was no impairment of bank loans.

A.1.6 Loans to customers: on and off-balance sheet exposures (gross and net exposures)

€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet				
a) Non performing	2,133	(1,759)	-	374
b) Watch list	3,999	(1,999)	-	2,000
c) Restructured	-	-	-	-
d) Past due	6,106	(122)	-	5,984
e) Country risk	-	-	-	-
f) Other	3,084,913	-	(821)	3,084,092
Total A	3,097,151	(3,880)	(821)	3,092,450
B. Off balance sheet				
a) Impaired	-	-	-	-
b) Other	59,603	-	(5)	59,598
Total B	59,603	-	(5)	59,598

On-balance sheet exposures include all on-balance sheet financial assets regardless of the category into which they are classified, i.e. financial assets held-for-trading, available-for-sale financial assets, held-to-maturity investments, loans and receivables.

A.1.7 Loans to customers: development of impaired loans and loans exposed to country risk (on- balance sheet gross exposures)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Opening gross balance	1,724	1,612	-	9,968	-
- of which: loans sold but not derecognised	-	-	-	-	-
B. Increases	938	3,553	-	4,609	-
B.1 Reclassified from performing loans	16	1,325	-	2,701	-
B.2 Reclassified from other impaired loan categories	865	1,118	-	-	-
B.3 Other increases	57	1,110	-	1,908	-
C. Decreases	(529)	(1,166)	-	(8,471)	-
C.1 Reclassified to performing loans	-	(13)	-	(2,788)	-
C.2 Cancellations	(335)	-	-	-	-
C.3 Receipts	(186)	(288)	-	(4,565)	-
C.4 Proceeds from sale	-	-	-	-	-
C.5 Reclassified to other impaired loan categories	-	(865)	-	(1,118)	-
C.6 Other decreases	(8)	-	-	-	-
D. Closing gross balance	2,133	3,999	-	6,106	-
- of which: loans sold but not derecognised	-	-	-	-	-

On-balance sheet exposures include all on-balance sheet financial assets regardless of the category into which they are classified, i.e. financial assets held-for-trading, available-for-sale financial assets, held-to-maturity investments, loans and receivables.

A.1.8 Loans to customers: analysis of net impairment (on-balance sheet positions)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Net impairment at beginning of the year	1,425	806	-	199	
- of which: loans sold but not derecognised	-	-	-	-	-
B. Increases	820	1,777	-	93	-
B.1 Impairment	444	1,750	-	93	-
B.2 Reclassified from other impaired loan categories	376	27	-	-	-
B.3 Other increases	-	-	-	-	-
C. Decreases	(486)	(584)	-	(170)	-
C.1 Revaluations	(64)	(208)	-	(141)	-
C.2 Repayments	(76)	(2)	-	-	-
C.3 Cancellations	(335)	-	-	-	-
C.4 Reclassified to other impaired loan categories	-	(374)	-	(29)	-
C.5 Other decreases	(11)	-	-	-	-
D. Net impairment at end of the year	1,759	1,999	-	122	-
- of which: loans sold but not derecognised	-	-	-	-	-

A.2 Analysis of exposures by internal and external rating

A.2.1 Analysis of on and off-balance sheet exposures by external rating

€/'000	External rating AAA AA-	A+ A-	BBB+ BBB-	BB+ BB-	B+ B-	worse than B-	Unrated	Total
A. On balance sheet exposures	348,921	1,460,371	186,599	24,656	-	-	3,567,351	5,587,898
B. Derivatives	2,076	2,353	-	-	-	-	71	4,500
B.1 Financial derivatives	2,076	2,353	-	-	-	-	71	4,500
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	21,499	21,499
D. Commitments to disburse funds	14,243	245	-	-	-	-	68,438	82,926
Total	365,240	1,462,969	186,599	24,656	-	-	3,657,359	5,696,823

A.2.2 Analysis of on and off-balance sheet exposures by internal rating

At the balance sheet date this information was not available.

A.3 Analysis of secured loans by type of collateral

A.3.1 Secured loans to banks and to customers (on balance sheet positions)

		Real guarantees (1)			Personal guarantees (2)								
					Credit derivatives				Endorsements				
€/'000	Exposure	Property	Securities	Other assets	Governments	Govern. agencies	Banks	Others	Governments	Govern. agencies	Banks	Others	Total (1)+(2)
1. Secured loans to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	355,119	286,624	2,320	634	-	-	-	-	-	-	-	65,564	355,142
2.1 entirely secured	294,324	286,272	2,320	634	-	-	-	-	-	-	-	5,379	294,605
2.2 partly secured	60,795	352	-	-	-	-	-	-	-	-	-	60,185	60,537

A.3.2 Analysis of off-balance sheet secured exposures to banks and customers

€/'000	Exposure	Real guarantees (1)			Personal guarantees (2)								Total (1)+(2)
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Govern. agencies	Banks	Others	Governments	Govern. agencies	Banks	Others	
1. Secured loans to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	100	-	-	-	-	-	-	-	-	-	-	100	100
2.1 entirely secured	100	-	-	-	-	-	-	-	-	-	-	100	100
2.2 partly secured	-		-	-	-	-	-	-	-	-	-	-	-

A.3.3 Analysis of on-balance sheet secured impaired exposures to banks and customers

€/'000	Endorsements	Secured amount	Guarantees (fair value)																	Total	Guarantee fair value excess
			Real guarantees			Personal guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others		
1. Exposures to banks secured:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Exposures to customers secured:	246	481	454	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28	481	473
2.1 over 150%	238	472	454	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19	472	472
2.2 100% to 150%	8	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9	1
2.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
2.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

B.1 Analysis of customer loans by borrower category (on and off-balance sheet positions)

	Governments & Central Banks				Government agencies				Financial companies			
€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet												
A.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Others	1,542,539	-	-	1,542,539	4	-	-	4	934,849	-	(51)	934,798
Total	1,542,539	-	-	1,542,539	4	-	-	4	934,849	-	(51)	934,798
B. Off balance sheet												
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Others	-	-	-	-	-	-	-	-	4,107	-	-	4,107
Total	-	-	-	-	-	-	-	-	4,107	-	-	4,107
Total at Dec. 31, 2006	1,542,539	-	-	1,542,539	4	-	-	4	938,956	-	(51)	938,905
Total at Dec. 31, 2005	-	-	-	-	-	-	-	-	359,238			359,238

Insurance companies				Non financial companies				Others			
Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure
-	-	-	-	-	-	-	-	2,133	(1,759)	-	374
-	-	-	-	-	-	-	-	3,999	(1,999)	-	2,000
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1	-	-	1	6,106	(122)	-	5,984
11,626	-	-	11,626	55,905	-	(17)	55,888	539,990	-	(753)	539,237
11,626	-	-	11,626	55,906	-	(17)	55,889	552,228	(3,880)	(753)	547,595
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
6	-	-	6	17,704	-	(1)	17,703	37,787	-	(5)	37,782
6	-	-	6	17,704	-	(1)	17,703	37,787	-	(5)	37,782
11,632	-	-	11,632	73,610	-	(18)	73,592	590,015	(3,880)	(758)	585,377
-	-	-	-	16,034	(9)		16,025	404,610	(2,422)	(575)	401,613

B.2 Analysis of loans to non-financial companies registered in Italy

a) Other wholesale and retails services:	6,762
b) Construction and public works:	1,908
c) Transportation:	273
d) Other manufacturers:	132
e) Others:	205

B.3 Geographical distribution of on-balance sheet and off-balance sheet customer loans (book value)

€/'000	Italy gross expos.	Italy net expos.	Other European countries gross expos.	Other European countries net expos.	America gross expos.	America net expos.	Asia gross expos.	Asia net expos.	Rest of the world gross expos.	Rest of the world net expos.
A. On balance sheet										
A.1 Non performing	2,131	374	2	-	-	-	-	-	-	-
A.2 Watch list	3,999	2,000	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	6,106	5,984	-	-	-	-	-	-	-	-
A.5 Others	2,391,612	2,390,792	677,957	677,955	15,344	15,344	-	-	-	-
Total	2,403,848	2,399,150	677,959	677,955	15,344	15,344	-	-	-	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	59,082	59,076	521	521	-	-	-	-	-	-
Total	59,082	59,076	521	521	-	-	-	-	-	-
Total at Dec. 31, 2006	2,462,930	2,458,226	678,480	678,476	15,344	15,344	-	-	-	-
Total at Dec. 31, 2005	693,296	690,292	86,586	86,584	-	-	-	-	-	-

B.4 Geographical distribution of on-balance sheet and off-balance sheet bank loans (book value)

€/'000	Italy gross expos.	Italy net expos.	Other European countries gross expos.	Other European countries net expos.	America gross expos.	America net expos.	Asia gross expos.	Asia net expos.	Rest of the world gross expos.	Rest of the world net expos.
A. On balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Others	1,622,197	1,622,197	862,117	862,117	11,088	11,088	47	47	-	-
Total	1,622,197	1,622,197	862,117	862,117	11,088	11,088	47	47	-	-
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	31,233	31,233	17,825	17,825	270	270	-	-	-	-
Total	31,233	31,233	17,825	17,825	270	270	-	-	-	-
Total at Dec. 31, 2006	1,653,430	1,653,430	879,942	879,942	11,358	11,358	47	47	-	-
Total at Dec. 31, 2005	1,891,402	1,891,402	859,007	859,007	-	-	-	-	34,795	34,795

B.5 Large exposures

a) amount:	€300,914 thousand
b) number:	6

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

Qualitative information

During the year Banca Mediolanum traded exclusively in securitised notes.

Quantitative information

C.1.1 Analysis of exposures in connection with securitisation transactions by quality of underlying assets

	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/rever-sal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment
A. Own underlying assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B Third party underlying assets	198,892	201,052	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	198,892	201,052	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3. Analysis of exposures arising from major third-party securitisations by type of securitised asset and by type of exposure

	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment
A.1 SCCI/TV 20190730 S10 SEN - Receivables from National Social Security & Pension Agency	20.332	36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 SCCI/TV 20160730 CL 7A SEN - Receivables from National Social Security & Pension Agency	25.372	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 SCCI/TV 20160731 S8 - Receivables from National Social Security & Pension Agency	5.071	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 SCCI/TV 20180730 S9 SEN - Receivables from National Social Security & Pension Agency	20.321	26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 ATLANTIDE/TV 20160825 CL A1 - Receivables from Latium hospitals	20.295	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 ATLANTIDE/TV 20160825 CL A2 - Receivables from Latium hospitals	20.295	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 CPG/TV 20240125 2003- 6 CL A2 - Receivables from gov. agencies	7.643	(18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.8 ITALEASE FIN/TV 20200914 S1 A2 - Receivables under car, equipment, machinery and property leases	8.005	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.9 F-E MORTGAGES/TV 20431030 CL A - Receivables under mortgage loans	6.414	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.10 CORDUSIO RMBS/TV 20330630 CL A2 - Receivables under mortgage loans	15.008	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.11 BPM SEC 2/TV 20430715 CL A2 - Receivables under mortgage loans	14.109	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.12 VELA HOME/TV 20400730 CL A S3 - Receivables under mortgage loans	11.070	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.13 TRICOLORE FUND/TV 20200715 CL A - Receivables under equipment, machinery and property leases	5.048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.14 LOCAT SV3/TV 20261212 CL A2 - Receivables under leases	15.041	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.15 SUNRISE/TV 20300827 CL A SEN - Receivables, consumer credit	7.028	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Analysis of exposures arising from securitisations by financial asset category and by type

€/'000	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Dec. 31, 2006	Dec. 31, 2005
1. On-balance sheet exposures							
-"Senior"	201,052	-	-	-	-	201,052	157,013
-"Mezzanine"	-	-	-	-	-	-	-
-"Junior"	-	-	-	-	-	-	-
2. Off-balance sheet exposures	-	-	-	-	-	-	-
-"Senior"	-	-	-	-	-	-	-
-"Mezzanine"	-	-	-	-	-	-	-
-"Junior"	-	-	-	-	-	-	-

C.2 SALE OF ASSETS

C.2.1 Analysis of financial assets sold but not derecognised

	Financial assets held for trading			Financial assets at fair value through profit or loss			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			Total	
E/'000	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 06	Dec. 31, 05
A. On-balance sheet assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,030,843	917,048
1. Debt securities	831,047	-	-	-	-	-	-	-	-	199,796	-	-	-	-	-	-	-		1,030,843	917,048
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total at Dec. 31, 2006	831,047	-	-	-	-	-	-	-	-	199,796	-	-	-	-	-	-	-	-	1,030,843	917,048
Total at Dec. 31, 2005	576,609	-	-	-	-	-	-	-	-	340,439	-	-	-	-	-	-	-	-	-	917,048

Legend:
A: Financial assets sold, fully recognised on the balance sheet (book value).
B: Financial assets sold, partly recognised on the balance sheet (book value).
C: Financial assets sold, partly recognised on the balance sheet (full value).

C.2.2 Analysis of financial liabilities against financial assets that are sold but not derecognised

€/'000	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Total
1. Due to customers	261,465	-	-	156,032	-	-	417,497
a) against assets fully recognised on the balance sheet	261,465	-	-	156,032	-	-	417,497
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
2. Due to banks	48,198	-	-	-	-	-	8,198
a) against assets fully recognised on the balance sheet	48,198	-	-	-	-	-	48,198
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
Total at Dec. 31, 2006	309,663	-	-	156,032	-	-	465,695
Total at Dec. 31, 2005	321,580	-	-	-	-	-	321,580

SECTION 2 - MARKET RISK

2.1 Interest rate and pricing risk - trading book

Qualitative information

A. General

The trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.

Specifically, the trading book consists of positions held by those Banca Mediolanum functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Board of Directors. The trading book primarily consists of positions in bonds, equities, derivatives and money market instruments.

B. Interest Rate Risk and Pricing Risk - Measurement and Management

The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for measuring and monitoring exposure to market risk, counterparty and credit risks, and for continuously monitoring capital adequacy vis-à-vis the Bank's activities in particular solvency and market risk associated with positions held directly by Banca Mediolanum.

Exposure to interest rate risk and pricing risk is measured using:

– Daily Var
– Portfolio analysis in terms of:
  - Exposure limits
  - Characteristics of the instrument
  - Characteristics of the issuer
  - Capital at Risk calculated under the rating-based Standardized Approach
  - Gap Analysis;
  - Sensitivity Analysis.

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the price of traded financial instruments as a result of adverse market movements.

VaR corresponds to the maximum loss on a portfolio in the next business day (one-day holding period) at a 99% confidence level. Var is calculated using Riskmetrics for the following risks: interest rate, stock prices and indices, volatility.

The Gap Analysis measures the impact of pre-set shocks in the interest rate curve based on how closely the lending and funding exposure matches interest rates.

The Sensitivity Analysis quantifies the sensitivity of the financial portfolio to adverse interest rate movements.

These analyses are performed assuming as adverse movement a parallel uniform shift by 50, 100 and 200 bps in the interest rate curve.

Quantitative information

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	20,439	826,771	127,733	314,986	352,656	121,027	130,338	-
1.1 Debt securities	20,439	826,771	127,733	314,986	352,656	121,027	130,338	-
- With early redemption option	-	-	220	-	-	25,532	56,771	-
- Others	20,439	826,771	127,513	314,986	352,656	95,495	73,567	-
USD	-	-	-	-	732	4	-	-
GBP	-	-	-	-	3	-	-	-
EUR	20,439	826,771	127,513	314,986	351,920	95,491	73,567	-
OTHER CURRENCIES	-	-	-	-	1	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	1,024,714	1,153	-	35,149	46,050	12,780	26,299
2.1 Repurchase agreements (EUR)	-	1,024,714	1,153	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	35,149	46,050	12,780	26,299
EUR	-	-	-	-	35,149	46,050	12,778	26,299
USD	-	-	-	-	-	-	2	-
3. Financial derivatives	914,874	720,191	201,663	416,249	102,633	2,509	5,573	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	914,874	720,191	201,663	416,249	102,633	2,509	5,573	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others	914,874	720,191	201,663	416,249	102,633	2,509	5,573	-
+ Long positions	314,718	409,895	200,759	207,593	50,000	-	-	-
EUR	314,201	311,766	200,000	200,000	50,000	-	-	-
USD	254	96,064	759	7,593	-	-	-	-
GBP	162	1,405	-	-	-	-	-	-
CHF	-	17	-	-	-	-	-	-
OTHER CURRENCIES	101	643	-	-	-	-	-	-
+ Short positions	600,156	310,296	904	208,656	52,633	2,509	5,573	-
EUR	600,100	152,183	902	208,652	52,220	2,476	5,554	-
USD	56	3,421	-	-	167	29	14	-
GBP	-	309	-	-	160	-	-	-
CHF	-	153,714	-	-	-	-	-	-
YEN	-	1	-	-	-	-	-	-
OTHER CURRENCIES	-	668	2	4	86	4	5	-

2.2 Interest Rate Risk - banking book

Qualitative information

A. Interest Rate Risk - General information, Measurement and Management

Banca Mediolanum's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, held-to-maturity investments and available-for-sale financial instruments.
The Bank measures the interest rate risk exposure of the banking book using a simplified static ALM model.
That exercise entails, inter alia, controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors.

B. Fair Value Hedges

There are no fair value hedges as defined under IAS.

C. Cash Flow Hedges

There are no cash flow hedges as defined under IAS.

Quantitative information

1 Banking Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	1,309,617	2,023,612	106,369	23,280	32,942	3,482	9,269	19,183
1.1 Debt securities	40,827	177,884	83,609	-	30,593	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	40,827	177,884	83,609	-	30,593	-	-	-
1.2 Loans to banks	295,087	1,745,066	22,630	23,015	-	-	-	18,808
EUR	292,731	1,589,958	-	-	-	-	-	18,808
USD	1,221	848	22,630	23,015	-	-	-	-
GBP	310	-	-	-	-	-	-	-
YEN	72	-	-	-	-	-	-	-
CAD	83	-	-	-	-	-	-	-
CHF	63	154,260	-	-	-	-	-	-
OTHER CURRENCIES	607	-	-	-	-	-	-	-
1.3 Loans to customers	973,703	100,662	130	265	2,349	3,482	9,269	375
- current accounts	204,868	-	-	-	-	-	-	-
EUR	204,853	-	-	-	-	-	-	-
USD	15	-	-	-	-	-	-	-
- other loans	768,835	100,662	130	265	2,349	3,482	9,269	375
- with early redemption option	-	-	-	-	-	-	-	-
- others	768,835	100,662	130	265	2,349	3,482	9,269	375
EUR	768,830	100,662	130	265	2,349	3,482	9,269	375
USD	5	-	-	-	-	-	-	-
2. Non-derivative liabilities	3,890,846	734,371	5,242	23,066	-	-	-	-
2.1 Due to customers	3,720,749		-		-	-	-	-
- current accounts	3,720,749	-	-	-	-	-	-	-
EUR	3,705,253	-	-	-	-	-	-	-
USD	15,489	-	-	-	-	-	-	-
GBP	7	-	-	-	-	-	-	-
- other payables	-	416,344	1,153	-	-	-	-	7,122
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	-	416,344	1,153	-	-	-	-	7,122
2.2 Due to banks	170,097	734,371	5,242	23,066	-	-	-	-
- current accounts	63	-	-	-	-	-	-	-
EUR	197,894	-	-	-	-	-	-	-
USD	6	-	-	-	-	-	-	-
GBP	34	-	-	-	-	-	-	-
CHF	20	-	-	-	-	-	-	-
OTHER CURRENCIES	3	-	-	-	-	-	-	-
- others	170,034	734,371	5,242	23,066	-	-	-	-
EUR	170,034	627,388	-	-	-	-	-	-
USD	-	106,237	4,586	23,066	-	-	-	-
GBP	-	746	656	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-					-	
3. Financial derivatives	-	-	-	-	-	-	-	-

2. Banking book: internal models and other sensitivity analysis methods

2.3 Pricing risk - trading book

Qualitative information

A. General

Banca Mediolanum's Trading Book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.
Specifically, the trading book consists of positions held by the Bank's functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Boards of Directors.
The trading book primarily consists of positions in equities and mutual funds.

B. Pricing risk - measurement and management

The **Financial Risk and Credit Risk Management** unit, within the Risk Management and Compliance function, is responsible for measuring and monitoring exposure to market risk, counterparty and credit risks, and for continuously monitoring capital adequacy vis-à-vis the Bank's activities in particular solvency and market risk associated with the positions directly held by Banca Mediolanum.
Exposure to pricing risk is measured using:
- Daily Var
- Portfolio analysis in terms of:
  - Characteristics of the instrument;
  - Sensitivity Analysis.

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the price of traded financial instruments as a result of adverse market movements.

Quantitative information

1.Trading Book: on balance sheet exposures in equity instruments and holdings in UCITS

€/'000	Book value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	412	9
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	-	-
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	-	-
- reserved funds	-	-
- hedge funds	-	-
B.2 Registered in other EU countries		
- harmonised funds	-	-
- non harmonised open-end funds	-	-
- non harmonised closed-end funds	-	-
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	412	9

2.Trading Book: analysis of exposures in equity instruments and stock indices by major market

€/'000	Listed			Unlisted
	Italy	USA	Other countries	
A. Equity instruments				
- long positions	-	-	412	9
- short positions		-	8	-
B. Not yet settled purchases and sales of equity instruments				
- long positions		-	146	-
- short positions	-	-	146	-
C. Other equity instrument derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-

2.4 Pricing Risk - banking book

Qualitative information

A. Pricing Risk - General information, Measurement and Management

The pricing risk exposure of the banking book is measured by applying the same methods used for interest rate risk.

B. Pricing Risk - Hedges

There are no hedges as defined under IAS.

Quantitative information

1. Trading book: on balance sheet equity instruments and holdings in UCITS

	Book value	
€/'000	Listed	Unlisted
A. Equity instruments	-	357,848
A.1 Shares	-	357,848
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	4,058	39,757
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	4,058	35,892
- reserved funds	-	-
- hedge funds	-	3,865
B.2 Registered in other EU countries	-	112,758
- harmonised funds	-	-
- non harmonised open-end funds	-	-
- non harmonised closed-end funds	-	112,758
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	4,058	510,363

2.5 Currency Risk

Qualitative information

A. Currency Risk - General information, Measurement and Management

The Group is exposed to currency risk on all its foreign-currency denominated assets and liabilities (both on and off-balance sheet) including euro-denominated positions linked to the performance of foreign exchange rates. Currency exposure limits were set by reference to the net value of positions in the main operating currencies.

B. Currency Risk - Hedges

There are no hedges as defined under IAS.

Quantitative information

1. Analysis of assets, liabilities and derivatives by currency denomination

	Currency					
€/'000	US dollar	Sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets						
A.1 Debt securities	736	3	-	-	-	1
A.2 Equities	-	-	-	-	-	391
A.3 Loans to banks	47,714	310	72	83	154,322	607
A.4 Loans to customers	20	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	135	35	1	-	33	-
C. Financial liabilities						
C.1 Due to banks	(133,895)	(1,436)	-	-	(20)	(3)
C.2 Due to customers	(15,491)	(7)	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Others						
+ Long positions	104,151	1,245	-	-	17	541
+ Short positions	(3,167)	(147)	(1)	-	(153,714)	(566)
Total assets	152,756	1,593	73	83	154,372	1,540
Total liabilities	(152,553)	(1,590)	(1)	-	(153,734)	(569)
Net position (+/-)	203	3	72	83	638	971

2. Internal models and other sensitivity analysis methods

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the exchange rate of traded financial instruments as a result of adverse market movements.

2.6 Derivative financial instruments

A. Financial derivatives

A.1 Trading book: year-end notional amounts

€/'000	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec 31, 2006		Total at Dec 31, 2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	909,753	-	-	-	-	-	-	-	909,753	-	4,483
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	256,822	-	-	-	256,822	-	-
5. Basis swaps	-	-	-	-	-	-	-	-	-	-	-	-
6. Equity swaps	-	-	-	-	-	-	-	-	-	-	-	-
7. Commodity swaps	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-	-	-
9. Caps	-	22,715	-	-	-	-	-	-	-	22,715	-	12,001
- Purchased	-	22,715	-	-	-	-	-	-	-	22,715	-	12,001
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
10. Floors	-	1,000	-	-	-	-	-	-	-	1,000	-	1,000
- Purchased	-	1,000	-	-	-	-	-	-	-	1,000	-	1,000
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	6,572	375	292	-	-	9,338	-	-	6,864	9,713	243,184	-
- Purchases	4,633	187	146	-	-	5,378	-	-	4,779	5,565	61,106	-
- Sales	1,939	188	146	-	-	3,960	-	-	2,085	4,148	170,561	-
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-	11,517	-
13. Other derivative contracts	-		-	-	-		-	-	-	-	87,787	1,850,000
Total	6,572	933,843	292	-	-	266,160	-	-	6,864	1,200,003	330,971	1,867,484
Average values												

A.3 Financial derivatives: purchase and sale of underlying

€/'000	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2006	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Trading book	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	6,572	375	292	-	-	261,662	-	-	6,864	262,037
- purchases	4,633	187	146	-	-	103,604	-	-	4,779	103,791
- sales	1,939	188	146	-	-	158,058	-	-	2,085	158,246
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
2. Without exchange of principal	-	933,468	-	-	-	-	-	-	-	933,468
- purchases	-	301,000	-	-	-	-	-	-	-	301,000
- sales	-	632,468	-	-	-	-	-	-	-	632,468
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
B. Banking book	-	-	-	-	-	-	-	-	-	-
B1. Hedges	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
2. With exchange of principal	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
B2. Other derivatives	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
2. With exchange of principal	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-

A.4 Over- the-counter financial derivatives: positive fair value - counterparty risk

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure	Not settled gross amount	Settled gross amount	Future exposure
A. Trading book															
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	2,050	-	654	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A (Dec. 31, 2006)	2,050	-	654	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book															
B.1 Governments & Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.5 Over- the-counter financial derivatives: negative fair value - counterparty risk

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure
A. Trading book															
A.1 Governments & Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	283	-	188	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Financial companies	265	-	125	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A (Dec. 31, 2006)	548	-	313	-	-	-	-	-	-	-	-	-	-	-	-
B. Banking book															
B.1 Governments & Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.6 Time-to-maturity of Over-the-Counter financial derivatives: notional amount

€/'000	Less than 1 year	1 to 5 years	Over 5 years	Total
A. Trading Book				
A.1 Debt securities and interest rates	807,298	103,057	30,060	940,415
A.2 Equities and stock indices	292	-	-	292
A.3 Exchange rates and gold	266,160	-	-	266,160
A.4 Other	-	-	-	-
B. Banking Book				
B.1 Debt securities and interest rates	-	-	-	-
B.2 Equities and stock indices	-	-	-	-
B.3 Exchange rates and gold	-	-	-	-
B.4 Other	-	-	-	-
Total B (Dec. 31, 2006)	1,073,750	103,057	30,060	1,206,867

B. Credit derivatives

During the year the Bank did not trade in credit derivatives and at December 31, 2006 it did not hold any positions in those instruments.

3. LIQUIDITY RISK

Qualitative information

A. Liquidity Risk - General information, Measurement and Management

Given the types of assets held, their duration as well as the type of funding, Banca Mediolanum is not materially exposed to liquidity risk.
Liquidity risk is monitored using liquidity gap analysis under a simplified static ALM model.

Quantitative information

1. Time-to-maturity of financial assets and liabilities (part 1)

€/'000	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	over 5 years
A. On balance sheet assets									
A.1 Government securities	-	-	235,073	39,894	17,417	49,343	198,502	527,037	40,974
- EUR	-	-	235,073	39,894	17,417	49,343	198,502	527,037	40,974
A.2 Listed debt securities	-	-	-	-	-	1	50,944	233,268	275,266
- USD	-	-	-	-	-		-	2	4
- EUR	-	-	-	-	-	1	50,944	233,262	275,262
- GBP	-	-	-	-	-	-	-	3	-
- Other currencies	-	-	-	-	-	-	-	1	-
A.3 Other debt securities	-	-	29,944	49,930	11,641	-	54,230	224,131	189,266
- USD	-	-	-	-	-	-	-	730	-
- EUR	-	-	29,944	49,930	11,641	-	54,230	223,401	189,266
A.4 Holdings in UCITS (EUR)	-	-	-	-	-	-	-	-	156,574
A.5 Loans to	523,917	446,611	394,281	959,111	476,531	28,755	53,757	62,909	248,970
- Banks	284,241	295,531	344,230	712,787	422,173	22,630	23,015	-	-
- EUR	281,885	288,030	344,230	590,992	396,361	-	-	-	-
- USD	1,221	-	-	-	848	22,630	23,015	-	-
- GBP	310	-	-	-	-	-	-	-	-
- YEN	72	-	-	-	-	-	-	-	-
- CAD	83	-	-	-	-	-	-	-	-
- CHF	63	7,501	-	121,795	24,964	-	-	-	-
- Other currencies	607	-	-	-	-	-	-	-	-
- Customers	239,676	151,080	50,051	246,324	54,358	6,125	30,742	62,909	248,970
- EUR	239,656	151,080	50,051	246,324	54,358	6,125	30,742	62,909	248,970
- USD	20	-	-	-	-	-	-	-	-

1. Time-to-maturity of financial assets and liabilities (part 2)

€/'000	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	over 5 years
B. On balance sheet liabilities									
B.1 Deposits	375,113	663,656	25,070	290,998	170,989	6,395	23,066	35,149	85,129
- Banks	170,034	53,250	-	1,984	70,765	5,242	23,066	-	-
- EUR	170,034	19,017	-	-	-	-	-	-	-
- USD	-	33,487	-	1,984	70,765	4,586	23,066	-	-
- GBP	-	746				656			
- Customers	3,720,749	-	-	-	-	-	-	-	-
- EUR	3,705,253	-	-	-	-	-	-	-	-
- USD	15,489	-	-	-	-	-	-	-	-
- GBP	7	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	205,079	610,406	25,070	289,014	100,224	1,153	-	35,149	85,129
- EUR	205,016	610,406	25,070	289,014	100,224	1,153		35,149	85,127
- USD	6	-	-	-	-	-	-	-	2
- GBP	34	-	-	-	-	-	-	-	-
- CHF	20	-	-	-	-	-	-	-	-
- Other currencies	3	-	-	-	-	-	-	-	-
Off balance sheet items									
C.1 Financial derivatives with exchange of capital									
- Long positions (USD)	-	-	-	1,898	93,178	759	7,593	-	-
- Short positions	-	7,468	-	121,352	26,822	-	-	-	-
- USD	-	-	-	-	1,929	-	-	-	-
- CHF	-	7,468	-	121,352	24,893	-	-	-	-
C.2 Deposits and financing to be received									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Firm commitments to disburse funds									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-

2. Analysis of financial liabilities by counterparty

€/'000	Governments & Central Banks	Government agencies	Financial companies	Insurance companies	Non Financial companies	Others
1. Due to customers	2,169	156,592	301,660	377,795	36,895	3,270,258
2. Securities issued	-	-	-	-	-	-
3. Financial liabilities held for trading	72,615	2	47,392	-	534	-
4. Financial liabilities at fair value	-	-	-	-	-	-
Total at Dec 31, 2006	74,784	156,594	349,052	377,795	37,429	3,270,258
Total at Dec 31, 2005	624,457	53,640	448,938	369,586	36,528	2,956,304

3. Geographical analysis of financial liabilities

€/'000	Italy	Other European countries	America	Asia	Rest of the world
1. Due to customers	4,123,310	22,046	13	-	-
2. Due to banks	808,470	322,201		-	-
3. Securities issued	-	-	-	-	-
4. Financial liabilities held for trading	20,449	74,870	26,304	2	-
5. Financial liabilities at fair value	-	-	-	-	-
Total at Dec 31, 2006	4,952,229	419,117	26,317	2	-
Total at Dec 31, 2005	4,422,578	409,996	29,710	-	-

4. OPERATIONAL RISK

Qualitative information

A. Operational Risk - General information, Measurement and Management

Regulations and statutes place increasing emphasis on the identification and management of financial, credit and operational risks. In particular, the new Basel Capital Accord (International Convergence of Capital Measurements and Capital Standards) and the EU Capital Requirement Directive (CRD) placed greater importance on operational risk classifying it as a separate risk category which requires a specific capital charge as well as the adoption of specific risk measurement and mitigation techniques.
Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.
Banca Mediolanum defines operational risk as "the risk of economic loss or damage to assets resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events."

The internal control system of Banca Mediolanum S.p.A. entails defense at different levels in accordance with the Group organisational structure.
Specifically, for operational risk line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit

or function. Risk controls (second level) are controls performed by units other than operating units; they contribute to the definition of operating limits and risk measurement methods and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of remit.

The Operational Risk Management Unit, within the Risk Management and Compliance function, is responsible for identifying, measuring and assessing operational risk. The unit's staff work together with the Finance and Accounting Department to verify capital adequacy vis-à-vis operational risk capital requirements.
The Operational Risk Control Unit is separate and independent of operations and its officers report directly to the Parent Company's Senior Management.

In consideration of the characteristics and the type of business conducted by Banca Mediolanum, special attention is given to risks arising in connection with the operation of the Sales Network and the multiple channels, i.e. also those channels which enable access and transaction from a remote location. These risks are managed, inter alia, through local controls and procedures for risk assessment, management, prevention and mitigation.
The operational risk management framework entails a central control unit, i.e. Banca Mediolanum's operational risk unit, and local control units, especially for those operations that are more exposed to operational risk, i.e. the direct channels, the sales network inspectors, Group Information Systems and Organisation, also to facilitate coordination in relation to Business Continuity & Disaster Recovery Plans.
Close coordination with the Compliance function is also envisaged.

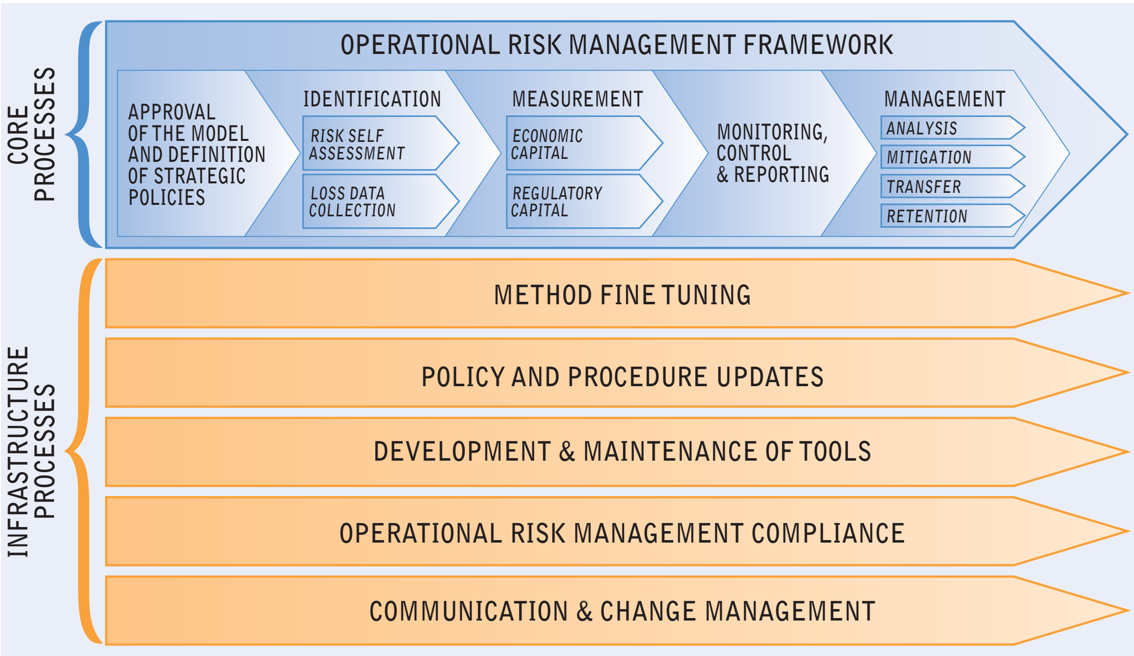
The identification, monitoring and management of operational risk entail the analysis of the processes and activities carried out by the Company.
The approach used to analyse risks entails the classification of processes into "core processes" and "infrastructure processes". Core processes include operating activities that are connected to the value chain, while infrastructure processes relate to activities supporting operations and to the company's administrative activities.

The analysis of operational risk exposures conducted in prior years was supplemented with a new method to assess the risk exposure arising from processes. This entailed, inter alia, the introduction of a new qualitative measurement of exposure to operation risk of each organisational unit within the Company, i.e. an internal rating system.
The qualitative metrics differentiate between exposure to risk that is inherent in business management and exposure to risk that is anomalous or at critical levels.
The system uses four ratings, which identify a different level of risk and related response, i.e.:

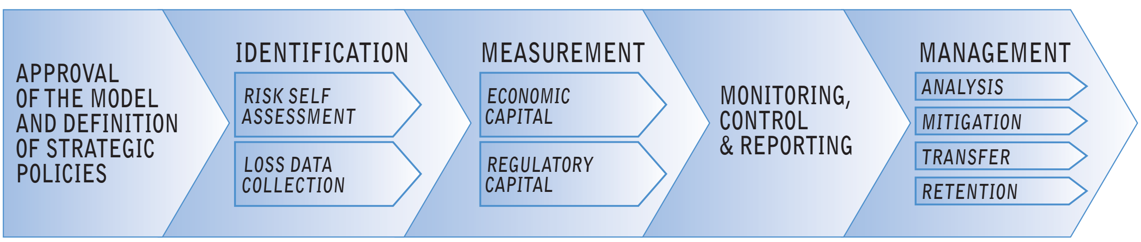
- **A, negligible risk**: ideal condition, minimum risk of operating loss;
- **B, moderate risk**: the risk of loss is not negligible; first red flag;
- **C, significant risk**: it indicates a critical condition; more in-depth analysis is recommended to assess the opportunity of mitigating actions;
- **D, untenable risk**: the situation is severe and mitigating actions need to be taken immediately.

In 2006, Banca Mediolanum completed the project for improving operational risk management. After being approved by the Board of Directors in December 2006, the project was rolled out.

Operational Risk Management is focused on both the assessment of the adequacy of risk management and monitoring procedures applied by the individual entities within the Group, in accordance with statutory and regulatory requirements and deadlines, as well as on the assessment of the specific operational risk to which the Parent Company may be exposed.
These activities are conducted under the operational risk management framework set out in the diagram below:



Each main element in the diagram above indicates a macro-process which is divided into one or more sub-processes. In turn, these sub-processes consist of a series of steps and actions. For the sake of completeness readers are referred to the specific separate documents for full details on said steps and actions.



"Identification" consists of the following:

- "Risk Self Assessment": ex-ante assessment of exposure to operational risk of an organisational unit or process based on subjective estimates and self-assessment models applied by the risk officer. One of the main outcomes of the Risk Self Assessment exercise is rating, which is the concise indication of the level of operational risk the organisational unit/process is exposed to;

- "Loss Data Collection": ex-post collection of internal data on actual losses including any information that is relevant to risk measurement and management (including insurance and direct recoveries). This exercise is conducted applying both an "account driven" approach and an "event driven" approach.

"Measurement" relates to the calculation of risk capital, specifically:
- Economic capital: internal risk measurement through a rating system that enables to steer and calibrate risk management and mitigation according to the potential economic impact and the current risk management framework. This exercise is based on the outcome of risk identification analyses and applies an actuarial statistical model;
- Regulatory capital: calculated in accordance with capital requirements indicated by supervisory authorities (Bank of Italy's Circular Letter 263 of December 27, 2006 on new capital requirements for Banks).

As to the measurement of the operational risk capital charge, as allowed under European regulations, Banca Mediolanum availed itself of the option of continuing to apply the rules currently in force until the end of 2007. In 2007 in view of adopting the new measurement method for the operational risk capital charge, as required by supervisory authorities under the EU Directive, any needed amendments to or upgrades of the current model will be submitted to the Board of Directors for approval.

Beginning from January 1, 2008 Banca Mediolanum intends to apply the Standardized Approach to its operational risk capital measurements. This will be subject to the final verification that both internal control processes and the operational risk management system meet the minimum qualitative and quantitative requirements for the use of said approach.

"Monitoring, Control and Reporting" consists of the following:
- "Monitoring and Control": analysis of actual exposure vs. estimated exposure to operational risk; identification of mitigating actions; fine tuning of risk assessment models;
- "Reporting": preparation of regular reports to Organisational Units, Senior Management, Control Committees and the Board of Directors

"Management" is composed of the following:
- "Management analysis"
- "Risk mitigation"
- "Management of risk transfer techniques"
- "Risk retention management".

The Operational Risk Management framework is complemented by the following processes that cut across business lines:
- "Policies & procedures"
- "Fine-tuning of methods"
- "Development and maintenance of tools and applications"
- "Operational Risk Management Compliance"
- "Internal Communications/Change Management"

LEGAL RISK

The risk of non-compliance with statutory/regulatory requirements, i.e. the risk of legal penalties or fines, significant financial losses or reputational damage resulting from failed compliance with statutes, regulations, self-discipline or internal rules.

Legal risk cuts across the entire organisation and its effective management requires close collaboration with the Operational Risk Management unit, especially in relation to activities geared to improve corporate processes and mitigate the risk arising from procedures/processes that are not compliant with law provisions. The operational risk management framework includes the analysis of possible legal risk and the adoption of related mitigating actions.

The responsibility for managing legal risk rests with the Compliance unit, within the Risk Management and Compliance function. Aided by a specialist advisory firm, the Group launched a project for measuring and assessing the Group's risk of non-compliance. Said project will provide the groundwork for future initiatives geared to finalise an adequate legal risk management framework.

REPUTATIONAL RISK

The Basel Committee expressly excluded reputational risk from the scope of Operational Risk. Reputational risk is considered to be a "secondary" risk compared to Operational Risk and Legal Risk, since it arises from an event connected to these risks. In order to keep reputational risk in check, the events that are classified as a potential source of this risk are included in the Risk Management and Compliance model, which is being finalised.

PART F - INFORMATION ON CAPITAL

SECTION 1 - CAPITAL

A. Qualitative information

B. Quantitative information

€/'000	Amount	Possible utilisation (A, B, C)	Usable amount	Utilisation in the prior three years: loss coverage	Utilisation in the prior three years: other
Share capital:	371,000	-	-	-	-
Capital reserves of which:	-	-	-	-	-
Retained earnings of which to:					
- legal reserve	13,428	B	13,428	-	-
- extraordinary reserve	90,870	A B C	90,870	-	1,329
- FTA reserve	(65,524)	A B	-	-	-
Other reserves of which:					
- stock options	4,005	-	-	-	-
- merger reserve	3,185	A B C	3,185	-	-
Valuation reserve	1,816		-		-
Total	418,780		107,483	-	1,329
Of which undistributable	-		214,966	-	-
Of which distributable	-		-	-	-

Legend:
A: capital increase
B: loss coverage
C: distribution to shareholders

SECTION 2 - CAPITAL AND CAPITAL REQUIREMENTS

2.1 Legal framework

In its Circular Letter No. 263 of December 27, 2006 titled "New Regulatory Requirements for Banks", the Bank of Italy (BoI) set forth the new capital measurement requirements. The BoI Circular Letter incorporates the international capital requirements that were introduced following the adoption of the international accounting and reporting standards (IAS/IFRS).

To safeguard the quality of regulatory capital and reduce the potential volatility arising from the adoption of the international accounting and financial reporting standards, certain "prudential filters" are applied to financial data.

A. Qualitative Information

The capital base is the sum of core capital (Tier 1 capital), included in the calculation without restrictions, and supplementary capital (Tier 2), which cannot exceed the amount of Tier 1 capital, less any shareholdings, innovative or hybrid capital and subordinated assets held in other banks, financial and insurance companies.
At December 31, 2006 Tier 1 capital included paid up capital, equity reserves, net profit for the period (after dividend) less any intangible assets and goodwill. Tier 2 capital included valuation reserves after any doubtful loans for loans exposed to country risk.
There were no subordinated instruments included in the calculation of regulatory capital.
Tier 2 prudential filters are equal to 50% of the positive valuation reserve (after tax) relating to equities and holding in UCITS classified as "available-for-sale financial assets".
At December 31, 2006 Banca Mediolanum's capital did not include any instruments falling within Tier 3 capital.

B. Quantitative information

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Tier 1 capital before the application of prudential filters	425,559	370,822
Tier 1 prudential filters		
- Positive adjustments	-	-
- Negative adjustments	-	-
B. Tier 1 capital after the application of prudential filters	425,559	370,822
C. Tier 2 capital before the application of prudential filters	317	(2)
Tier 2 prudential filters		
- Positive adjustments	-	-
- Negative adjustments	(908)	-
D. Tier 2 capital after the application of prudential filters	(591)	(2)
E. Total capital (Tier 1 and Tier 2) after the application of prudential filters	424,968	370,820
Deductions from total capital (Tier 1 and Tier 2)	-	-
F. Regulatory capital	424,968	370,820

2.2 Capital adequacy

A. Qualitative Information

At December 31, 2006 Banca Mediolanum's Tier 1 capital ratio was 16.42% and Total capital ratio was 16.40%, above the minimum requirement of 7%.

B. Quantitative information

	Not weighted		Weighted/ requirement	
€/'000	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
A. Risk assets				
A.1 Credit risk	4,286,231	4,467,586	2,089,685	1,692,066
Standardized method				
On balance sheet assets	4,232,419	4,305,590	2,056,187	1,623,842
1. Exposures (other than equities and other subordinated assets) to (or guaranteed by):	3,555,378	3,802,555	1,525,595	1,187,293
1.1 governments and central banks	412,191	569,864	-	-
1.2 government agencies	10,264	9,944	2,053	1,989
1.3 Banks	2,011,726	2,546,804	402,345	509,361
1.4 others	1,121,197	675,943	1,121,197	675,943
2. Residential mortgage loans	289,297	124,407	144,649	62,204
3. Non-residential mortgage loans	-	-	-	-
4. Shares, equity investments and subordinated assets	357,848	302,965	357,848	302,965
5. Other assets	29,896	75,663	28,095	71,380
Off balance sheet assets	53,812	161,996	33,498	68,224
1. Guarantees and commitments to (or guaranteed by):	53,812	161,996	33,498	68,224
1.1 governments and central banks	10,045	21,645	-	-
1.2 government agencies	-	-	-	-
1.3 Banks	12,836	90,160	2,567	18,032
1.4 others	30,931	50,191	30,931	50,192
Derivative contracts with (or guaranteed by):	-	-	-	-
2.1 governments and central banks	-	-	-	-
2.2 government agencies	-	-	-	-
2.3 Banks	-	-	-	-
2.4 others	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk			146,278	118,445
B.2 Market risk			35,123	29,295
1. *Standardized method*			35,123	29,295
of which:				
+ risk of positions in debt securities			34,713	25,077
+ risk of positions in equities			410	164
+ currency risk			-	4,054
+ other risks			-	-
2. *Internal models*			-	-
of which:				
+ risk of positions in debt securities			-	-
+ risk of positions in equities			-	-
+ currency risk			-	-
B.3 Other prudential requirements			-	-
B.4 Total prudential requirements (B1+B2+B3)			181,401	147,740
C. Risk assets and capital ratios				
C.1 Risk-weighted assets *			2,591,443	2,110,571
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			16.42%	17.57%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			16.40%	17.57%

(*) Total prudential requirements multiplied by the reciprocal of the mandatory minimum coefficient for credit risk (7%).

PART G - BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CONCLUDED DURING THE YEAR

In 2006 there were no transactions requiring disclosure under IFRS 3.

SECTION 2 - POST-BALANCE SHEET DATE TRANSACTIONS

No transaction was concluded after the end of the financial year under review.

PART H - RELATED PARTY TRANSACTIONS

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/ General Managers	Other key managers
Emoluments & social security contributions	2,961	1,514
Other pension benefits and insurance	-	43
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	13	248

2. Information on related party transactions

Related party transactions primarily refer to transactions with companies that are part of the Mediolanum Group and specifically:

- the parent company Mediolanum S.p.A. in connection with the sub-agency agreement for the distribution of insurance products of Mediolanum Vita S.p.A and Mediolanum Assicurazioni S.p.A.;
- the subsidiaries Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Funds Ltd for the sale of Mutual Funds;
- the associate Mediolanum Life Ltd for the distribution of index linked insurance contracts;
- the associate Duemme Hedge SGR p.A. for the sale of holdings in hedge funds managed by the company that is part of the Banca Esperia Banking Group;
- Mediolanum Group companies for the provision of IT, administrative and logistics services;
- the parent company Mediolanum S.p.A in connection with central Group management of tax and corporate affairs.

In addition personnel was seconded to and from other companies within the Mediolanum Group.

All transactions are made on an arm's length basis at market conditions, except for personnel seconded from Banca Mediolanum to other Group companies and vice versa, that is charged on the basis of actual costs incurred.

An analysis of related party balances at December 31, 2006 by related party category is set out in the table below.

€/'000	AFS financial assets	HTM investments	Loans to customers	Loans to banks	Due to customers	Due to banks	Guarantees issued
(a) Parent company	-	-	5	-	27,599	-	-
(b) Entities exercising significant influence over the company	-	-	-	-	-	-	-
(c) Subsidiaries	-	-	791	-	13,676	245,281	5,000
(d) Associates	-	-	-	-	-	-	-
(e) Joint ventures	-	-	-	-	-	-	-
(f) Key managers	-	-	311	-	208	-	36
(g) Other related parties	-	-	18,619	70,000	392,816	484	4,993
Total	-	-	19,726	70,000	434,299	245,765	10,029

Details on related party transactions in excess of €10 thousand made in the year are set out in the table below.

€/'000	Income
Interest income and similar income	
Banca Esperia S.p.A.	770
Duemme Hedge S.p.A.	361
Mediolanum International S.A.	311
Mediolanum International Life Ltd	54
Mediolanum Comunicazione S.p.A.	26
Commission income on the sale of insurance products:	
Mediolanum S.p.A.	181,366
Mediolanum International Life Ltd	42,549
Commission income on the sale of mutual funds:	
Mediolanum International Funds Ltd	73,569
Mediolanum Gestione Fondi SGR p.A.	42,104
Duemme Hedge S.p.A.	96
Commission income on the sale of pension funds:	
Mediolanum S.p.A.	50
Commission income on collection, payment and other services:	
Mediolanum Vita S.p.A.	1,346
Mediolanum Assicurazioni S.p.A.	29
Dividends from Group companies:	
Mediolanum International Funds Ltd	86,640
Mediolanum Asset Management	6,094
Mediolanum Gestione Fondi SGR p.A.	2,371
Income on key personnel:	
Mediolanum Vita S.p.A.	1,286
Banco de Finanzas e Inversiones (Fibanc) SA	635
Mediolanum International Funds Ltd	603
Mediolanum Comunicazione S.p.A.	567
Mediolanum Gestione Fondi SGR p.A.	491
Mediolanum Assicurazioni S.p.A.	407
Mediolanum S.p.A.	247
Mediolanum International Life Ltd	143
Partner Time S.p.A.	108
Recoveries of expenses from Group companies for centrally provided services:	
Mediolanum Vita S.p.A.	5,278
Mediolanum Gestione Fondi SGR p.A.	4,125
Mediolanum Comunicazione S.p.A.	914
Mediolanum S.p.A.	794
Partner Time S.p.A.	559
Mediolanum International Life Ltd	408
Mediolanum Distribuzione Finanziaria S.p.A.	393
Mediolanum Assicurazioni S.p.A.	102
PI Distribuzione S.p.A.	35
Other income from rentals and miscellaneous recoveries:	
Mediolanum Assicurazioni S.p.A.	170
Mediolanum Vita S.p.A.	36

€/'000	Expenses
Interest expense and similar charges	
Mediolanum Vita S.p.A.	7,906
Banco de Finanzas e Inversiones (Fibanc) SA	6,557
Mediolanum S.p.A.	1,081
Mediolanum International Life Ltd	929
Bankhaus August Lenz AG	820
Mediolanum Assicurazioni S.p.A.	354
Mediolanum Gestione Fondi SGR p.A.	300
Gamax Management AG	247
PI Distribuzione S.p.A.	19
Mediolanum Comunicazione S.p.A.	13
Mediolanum Distribuzione Finanziaria S.p.A.	11
Commissions payable for third-party asset management:	
Mediolanum Gestione Fondi SGR p.A.	704
Commissions payable on off-premises sale of financial instruments:	
Mediolanum Distribuzione Finanziaria S.p.A.	2,541
Other staff costs:	
Mediolanum Comunicazione S.p.A.	257
Net expense for key personnel	
Mediolanum S.p.A.	1,633
Mediolanum Vita S.p.A.	964
Mediolanum Assicurazioni S.p.A.	710
Mediolanum Gestione Fondi SGR p.A.	418
Mediolanum Comunicazione S.p.A.	271
Partner Tima S.p.A.	87
Banco de Finanzas e Inversiones (Fibanc) SA	85
Television and internet communications - expenses for technical services:	
Mediolanum Comunicazione S.p.A.	8,755
Publitalia S.p.A.	509
Rentals:	
Mediolanum Vita S.p.A.	836
Mediolanum Gestione Fondi SGR p.A.	116
Miscellaneous insurance expenses:	
Mediolanum Assicurazioni S.p.A.	776
Audiovisual advertising and promotions:	
Publitalia S.p.A.	3,806
Mondadori Pubblicità S.p.A.	287
Milan A.C. S.p.A	180
Pagine Italia S.p.A.	155
Mediolanum Comunicazione S.p.A.	154
Organisation of exhibitions and conventions:	
Mediolanum Comunicazione S.p.A.	3,072
Sales force training:	
Mediolanum Comunicazione S.p.A.	1,351
Business expenses gifts and other services:	
Mediolanum S.p.A.	260
Mediolanum Comunicazione S.p.A.	223
Banco de Finanzas e Inversiones (Fibanc) SA	18

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

1. Description of equity-settled share-based payment transactions

Equity-settled share-based payment transactions relate to the share capital increases for a consideration resolved by the parent company Mediolanum S.p.A. under a stock option plan, which can be implemented on multiple occasions and in different years. The stock option plan and the related capital increases are reserved to the employees, directors and contract workers of Mediolanum S.p.A. and its subsidiaries.

For details on the stock option plan readers are referred to the relevant section of the consolidated financial statements.

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In the year 2005 857,911 stock options granted in 2003 and 2004 were exercised for a total of 1,251,205 Mediolanum S.p.A. shares.
The table below shows movements in option holdings in the year as per Bank of Italy's Circular Letter 262/2005.

	Options held at the beginning of the year			Options granted in the year			Options exercised in the year				Options held at year end		
Number of options and exercise price	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average market price	Options lapsed in the year	Number of options	Average exercise price	Average exercise price
Employees	1,478,000	5.663	2007-2012	438,000	6.374	2008-2013	(196,000)	3.533	6.007		1,720,000	6.087	2007-2013
Directors	90,000	0.831	2007-2012	150,000	1.210	2008-2013					240,000	1.176	2007-2013
Contract workers	929,456	0.723	2007-2012	553,500	1.210	2009-2014	(661,911)	0.586	5.537	(2,129)	818,916	1.163	2007-2014
Total	2,497,456	3.650		1,141,500	3.191		(857,911)	1.259	5.772	(2,129)	2,778,916	4.212	

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €1,824 thousand and entailed a corresponding increase in the Company's equity reserves.

Basiglio, March 27, 2006

For the Board of Directors
The Chairman
Ennio Doris

BANCA MEDIOLANUM S.p.A.

Report of the Board of Statutory Auditors

2006

Report of the Board of Statutory Auditors

Dear Shareholder,

In accordance with article 153 of Legislative Decree No. 58 of February 24, 1998 and article 2429, paragraph 3 of the Italian Civil Code, at the meeting convened to approve the financial statements for the year ended December 31, 2006, we report to you on our supervisory activities pursuant to article 149 of the Legislative Decree above.

Preliminary information

Prior to reporting on our supervisory activities, we advise you that in the year 2006 the Bank met the growth targets it had set itself.
The financial statements for financial year 2006 show:

- a further marked increase in inflows of customer assets, which rose to €4,145 million from €3,670 million in the prior year;
- a similar growth in customer loans, which increased to €1,090 million from €722 million in the prior year;
- lower dividends. You should bear in mind, however, that in the prior year dividends had included the 2005 interim dividend paid out by the subsidiary Mediolanum International Funds Ltd. The decline in dividends is reflected in the 7% decrease in total net income;
- the increase in the Bank's headcount.

The Directors'Report included in the separate financial statements provide details on the performance of the company and its subsidiaries, and also on events, transactions and projects, which involved the Parent Company and the Group. These included the voluntary liquidation of Gamax Funds of Funds S.A. and Banco de Finanzas e Inversiones'acquisition of a 2.5% interest in Mediolanum International Funds Ltd, a 51%-owned direct subsidiary of Banca Mediolanum.

Supervision and control

During the year we performed our supervisory duties in accordance with the law and the instructions issued by the Supervisory Authorities.
We participated in Board of Directors meetings, and held meetings with Senior Management, internal audit officers, network inspectors, the independent auditors and the heads of the various functions. During those meetings we obtained the information needed for our supervisory and control activities, in particular information on the organisational structure, the internal control system, the accounting and reporting systems to assess their adequacy to the Bank's needs and to satisfy ourselves that they reliably and accurately reflect the Bank's affairs.
As Statutory Auditors of the Parent Company we participated in videoconferences held by the Head of Internal Audit with the heads of functions and the officers of Group companies for the mutual exchange of information on issues of common interest.

We were regularly advised by the heads of the various functions of any resolutions taken by the respective committees with regard to actions taken to remedy any irregularities found in the conduct of the company's affairs.
We continued to work in collaboration with internal auditors, the network inspectors and the supervisory board, so that we became aware of any new organisational and operational processes and procedures relating to the controls and inspections of the Bank and the sales network.
The various functions responsible for coordinating the Bank's and the Group's internal control systems – which are independent of operating units – regularly reported on the activities carried out:

- by the Supervisory Board, established pursuant to Legislative Decree 231/2001, in relation to the review and update of the "Organisation, Management and Control Models" to reflect new legislation (Market Abuse Act 62/2005, Investors Protection Act 262/2005 and Act 146/2006 to combat organised crime) as well as the development of new mortgage lending, risk management and compliance processes;
- by the internal audit department, in relation to the audit work carried out in the year and planned for the following year for Banking Group companies;
- in relation to compliance with anti-money laundering legislation and training of personnel in that respect;
- in relation to the update of the Security Policy Document;
- in relation to the update of the "Safety Health & Environment Policy Document" to improve safety and health in the workplace;
- in relation to the upgrade of the procedures for the prevention of operational risks, the controls of the sales network and sales force behaviour, and the updates required under the Personal Data Protection Code to prevent any misconduct which may taint the Bank's image.

Following our examination of those reports, we did not become aware of any irregularities and we have no observation to make.
We continued the mutual exchange of information on our respective supervisory and control activities with the independent auditors Reconta Ernst & Young S.p.A., that are responsible for auditing the accounting records and the financial statements in accordance with art. 155 et seq. of Legislative Decree No. 58 of February 24, 1998.
The independent auditors reported to us on their audit work in accordance with art. 155, paragraph 1, letter a) of Legislative Decree 58/1998 and advised us that they did not become aware of any irregularities or events which required reporting to the control functions or to the supervisory authorities.

Information on the outcome of our work

Following the performance of our supervisory duties, also on the basis of the information we obtained, we can reasonably assure that:

- Directors acted in compliance with the law, the articles of incorporation and the bylaws, in the best interests of the company;
- we did not become aware of any transactions which could represent a conflict of interest, were in contrast with the resolutions passed by corporate bodies or were manifestly imprudent or risky and/or put the company's equity at risk;
- the company did not engage in any atypical or unusual transactions including transactions with other Group companies or related parties;
- inter-company transactions related to financial and business relationships and services rendered by staff, which leveraged Group synergies. Those transactions were on an arm's length, in the pursuit of mutual benefits and at market prices.

The financial statements and their approval

In relation to the separate financial statements for the year ended December 31, 2006, and the schedules attached thereto, which are presented to you for approval, we advise you that:

- we oversaw the preparation of the financial statements, their compliance with the law, in terms of both form and structure; in that respect we assure you that the financial statements for the year ended December 31, 2006 were prepared in accordance with the international accounting and financial reporting standards (IAS/IFRS);
- the accounts and the notes are compliant with requirements set out in the Bank of Italy's Circular 262 of December 22, 2005. The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report. They also include comparative information for the prior year;
- the independent auditors completed their audit of the financial statements and they will issue their report with no remark.

In consideration of the foregoing, we express our favourable opinion on the approval of the financial statements for the year ended December 31, 2006, which show net profit of €69,627,998.80 and the appropriation of net profit for the year as proposed by the Board of Directors.

In concluding our report, we would like to take a moment to mourn the loss of a dear colleague Pierfelice Benedetti Genolini, who prematurely passed away, and express our gratitude for his hard work and commitment even at times of great suffering.
Finally, we would like to express our sincere appreciation to the directors, the general management, senior and middle management, all employees and other staff of the Bank and of Group companies and thank them for the commitment, collaboration and professionalism they showed to us in the performance of our duties.

Milan, April 2, 2007

THE BOARD OF STATUTORY AUDITORS
Arnaldo Mauri, Chairman
Adriano Angeli, Standing Auditor
Franco Colombo, Standing Auditor

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT
pursuant to articles 156 and 165 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholder of
Banca Mediolanum S.p.A.

1. We have audited the financial statements of Banca Mediolanum S.p.A. as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of Banca Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements include the comparative information for the prior year. As described in the explanatoty notes, management has modified the comparative information related to the prior year's audited financial statements, on which we issued our auditors' report on date April 5, 2006. We have examined the methods adopted to retrospectively adjust the comparative financial information for the prior period and the information presented in the explanatory notes in this respect for the purpose of expressing our opinion on the financial statements as of December 31, 2006.

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Banca Mediolanum S.p.A. as of December 31, 2006, and for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Milan, April 2, 2007

Reconta Ernst & Young S.p.A.
Signed by: Natale Freddi, Partner

Reconta Ernst & Young S.p.A.
Sede Legale: 00196 Roma - Via G.D. Romagnosi, 18/A
Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)

BANCA MEDIOLANUM S.p.A.

Ordinary General Meeting of April 18, 2007

RESOLUTIONS
ABSTRACT

Ordinary General Meeting of April 18, 2007

RESOLUTIONS ABSTRACT

Attended by the proxy holder of the sole shareholder Mediolanum S.p.A., that owns the entire share capital, by unanimous voting the Ordinary General Meeting resolved:

- to approve the Directors'Report included in the separate financial statements for the year ended December 31, 2006;
- to approve the separate financial statements for the year ended December 31, 2006;
- to appropriate the net profit for the year amounting to €69,627,998.80 as follows:
  - distribution of a dividend of €0.13478 for each of the 371,000,000 shares to shareholders, for a total amount of €50,000,000.00;
  - 5% of net profit, i.e. €3,481,400.00, to the legal reserve;
  - €16,146,598.80 to the Extraordinary Reserve;
- to confirm the appointment of the independent auditors Reconta Ernst & Young S.p.A responsible for auditing the accounts, including the consolidated and separate financial statements, and for carrying out the limited audit of the interim consolidated and separate financial statements, for financial years 2008, 2009 and 2010, pursuant to art. 8, paragraph 7 of Legislative Decree 303/2006, for a total annual fee of €132,000.00, as proposed by the Board of Statutory Auditors.

- to elect Marco Giuliani as Standing Auditor coterminous with the other members of the Board of Statutory Auditors, whose term expires on the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2008;
- to elect Marco Reggiori as Alternate Auditor coterminous with the other members of the Board of Statutory Auditors, whose term expires on the date of the General Meeting convened to approve the financial statements for the year ending December 31, 2008;

- to authorise Director Alfio Noto to serve as member of the Board of Directors of Banca Generali S.p.A. pursuant to and to the effects of article 2390 of the Italian Civil Code.

MEDIOLANUM BANKING GROUP

Consolidated Annual Financial Statements 2006

Directors' Report

Dear Shareholder,

The consolidated financial statements for the year ended December 31, 2006 of the Mediolanum Banking Group show net profit before minority interests of €145,844 thousand versus €173,821 thousand in the prior year.
The year-on-year decline in net profit is in connection with the lower level of performance fees earned in the period, which stood at €83,128 thousand versus €152,575 thousand in 2005.
Excluding the impact of this revenue item, the Group recorded significant growth, largely thanks to the growth in assets under management.
At December 31, 2006, net profit attributable to the Banking Group amounted to €63,922 thousand versus €66,264 thousand in the prior year.
The consolidated financial statements for the year ended December 31, 2006 include the accounts of all subsidiaries directly or indirectly controlled by Banca Mediolanum, that are registered banks in accordance with art. 64 of the Consolidated Banking Act.
The methods and scope of consolidation are detailed in the notes to the consolidated financial statements.
The financial statements for the year ended December 31, 2006 were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular 262 of December 22, 2005 in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.

THE MARKET ENVIRONMENT

For information on the international environment in which the Mediolanum Banking Group operated in the year under review, readers are referred to the Directors' Report contained in the 2006 separate financial statements prepared by the Parent Company.

REVIEW OF OPERATIONS

For the year ended December 31, 2006 the Banking Group reported profit before tax of €177,938 thousand versus €201,329 thousand in the prior year.

As already mentioned in the introduction, net profit for financial year 2006 was impacted by the decline in performance fees earned in the period. Excluding the impact of this revenue item, profit before tax on continuing operations increased to €94,810 thousand from €48,754 thousand in the prior year.
At December 31, 2006, total consolidated assets amounted to €6,647 million versus €5,992 million at December 31, 2005.

At year end 2006, securities held in portfolio amounted to €2,442 million versus €1,644 million at December 31, 2005, while loans to banks were equal to €2,319 million versus €2,785 million in the prior year.
Inflows of customer assets into banking products increased by a notable 13.6% from €4,106 million at December 31, 2005 to €4,663 million at year end 2006. This item largely relates to the parent company Banca Mediolanum.
Consolidated net interest income climbed 28.3% to €83,928 thousand from €65,391 thousand in 2005.
At December 31, 2006, administrative expenses amounted to €246,684 thousand versus €222,990 thousand in the prior year. The account was impacted by the increase in staff costs (up €7,030 thousand) and in other administrative expenses (up €16,664 thousand), especially for expenses related to the development and upgrade of IT systems.
The tax expense increased to €32,136 thousand from €27,508 thousand in the prior year.

Business volumes

An analysis of business volumes in the main segments is set out below.

Inflows

€/m		Dec. 31, 2006	Dec. 31, 2005	Change %
Italy				
- Life insurance products	gross premiums written	3,227	2,470	31
- Mutual funds and managed accounts	gross inflows	2,569	1,927	33
	net inflows	(170)	137	n/a
- Bank accounts and securities in custody	net inflows	571	445	28
Spain				
- Life insurance products	gross premiums written	156.1	114.3	37
- Mutual funds and managed accounts	gross inflows	322.5	280.1	15
	net inflows	4.0	2.1	90
- Bank accounts and securities in custody	net inflows	(40.4)	15.5	n/a.
Germany				
- Life insurance products	gross premiums written	11.6	6.0	84
- Mutual funds and managed accounts	gross inflows	124.9	102.3	22
	net inflows	(40.6)	(60.3)	(33)
- Bank accounts and securities in custody	net inflows	(12.2)	(6.5)	88

Consolidated assets under management and under administration

€/m	Dec. 31, 2006	Dec. 31, 2005	Change %
Italy - (Banca Mediolanum)	34,571	31,090	11.2
Spain - (Fibanc)	2,493	2,168	15.0
Germany - (Gamax* + Lenz)	645	676	(4.6)
Consolidation adjustments	(7,611)	(6,272)	21.3
Total	30,098	27,662	8.8

* The figures include the administration of assets on mandates from third-parties.

The sales networks

Full Time

Number		Dec. 31, 2006	Dec. 31, 2005
Italy	Banca Mediolanum S.p.A.;		
	- Licensed financial advisors	4,011	3,978
	- Non-licensed advisors	2,089	1,183
	- Credit executives	73	59
Spain	Fibanc	576	481
Germany	Bankhaus August Lenz	42	55
Total		6,791	5,756

Part-time

Number		Dec. 31, 2006	Dec. 31, 2005
Spain	Fibanc	115	134
Germany	Gamax	175	156
Total		290	290

Performance of Group companies

For information on the performance of Mediolanum Banking Group companies in the year under review, readers are referred to the section "Equity Investments" in the Directors' Report contained in the 2006 separate financial statements prepared by the Parent Company

Post balance sheet date events

On March 9, 2007, Banca Mediolanum's indirect subsidiary Gamax Holding sold its whole shareholding in Gamax Broker Pool AG, Munich, to Consal Makler Service GmbH, a company of the Consal Beteiligungsgesellschaft AG Group, for a consideration of €1.4 million.
The agreements in force between Gamax Broker Pool and Gamax Asset Management SA, Luxembourg, for the sale of mutual funds of the latter were confirmed and will continue to operate in the future. Gamax Asset Management SA, Luxembourg will continue to be part of the Mediolanum Group
Following this transaction, the Independent Financial Advisors (IFA) who sell Gamax funds under an agreement with Gamax Broker Pool will have the opportunity to continue to sell Gamax funds, and at the same time enter into an agreement which will allow them to work with a prestigious insurance group like Consal Beteiligungsgesellschaft AG.
There were no other significant post balance-sheet date events.

Outlook

In the light of the results recorded in the first months of 2007 by companies within the Mediolanum Banking Group, the outlook for the current year is positive.

Basiglio, March 27, 2007

For the Board of Directors
The Chairman
Ennio Doris

MEDIOLANUM BANKING GROUP

Consolidated Accounts 2006

Balance Sheet

Assets

€/'000		Dec. 31, 2006	Dec. 31, 2005
10.	Cash and cash equivalents	36,853	33,147
20.	Financial assets held for trading	1,901,544	1,097.637
30.	Financial assets at fair value	1,153	-
40.	Available-for-sale financial assets	205,968	47,201
50.	Held-to-maturity investments	332,912	498,989
60.	Loans to banks	2,319,290	2,785,332
70.	Loans to customers	1,324,956	980,214
80.	Hedging derivatives	-	-
90.	Change in value of macro-hedged financial assets (+/-)	-	-
100.	Equity investments	-	-
110.	Reinsurers' share of technical reserves	-	-
120.	Tangible assets	53,076	53,337
130.	Intangible assets	195,640	175,700
	of which:		
	- goodwill	182,509	158,320
140.	Tax assets		
	a) current	19,798	17,150
	b) deferred	38,810	32,672
150.	Non-current assets and disposal groups	414	372
160.	Other assets	216,994	200,560
Total assets		6,647,408	5,922,311

Liabilities and Shareholders' Equity

€/'000		Dec. 31, 2006	Dec. 31, 2005
10.	Due to banks	886,102	923,389
20.	Due to customers	4,662,781	4,106,253
30.	Securities issued	-	-
40.	Financial liabilities held for trading	123,508	63,196
50.	Financial liabilities at fair value	1,153	-
60.	Hedging derivatives	-	-
70.	Change in value of macro-hedged financial liabilities (+/-)	-	-
80.	Tax liabilities		
	a) current	17,054	19,780
	b) deferred	9,286	6,675
90.	Liabilities associated with disposal groups	-	-
100.	Other liabilities	308,063	221,264
110.	Employee completion-of-service entitlements	11,438	10,036
120.	Provisions for risks and charges:		
	a) severance benefits and similar obligations	1,695	1,754
	b) other provisions	65,116	54,906
130.	Technical reserves	-	-
140.	Valuation reserves	1,251	(477)
150.	Redeemable shares	-	-
160.	Equity instruments	-	-
170.	Reserves	86,603	59,592
180.	Share premium account	-	-
190.	Share capital	371,000	341,000
200.	Treasury shares (-)		
210.	Minority interests (+/-)	38,436	48,679
220.	Net profit (loss) for the year (+/-)	63,922	66,264
Total liabilities and shareholders' equity		6,647,408	5,922,311

Income Statement

€/'000		Dec. 31, 2006	Dec. 31, 2005
10.	Interest income and similar income	178,575	135,529
20.	Interest expense and similar charges	(94,647)	(70,138)
30.	**Net interest income**	83,928	65,391
40.	Commission income	756,886	717,952
50.	Commission expense	(398,747)	(310,428)
60.	**Net commission income**	358,139	407,524
70.	Dividends and similar income	200	259
80.	Net income from trading	9,290	3,412
90.	Net income from hedging	-	-
100.	Gains (losses) on sale or buyback of:		
	a) loans and receivables	-	-
	b) available-for-sale financial assets	(6)	948
	d) financial liabilities	-	-
110.	Net income from financial assets and liabilities at fair value	-	77
120.	**Total income**	451,551	477,611
130.	**Net impairment of**		
	a) loans and receivables	(3,338)	(3,614)
	b) available-for-sale financial assets	-	(39)
	c) held-to-maturity investments	-	-
	d) other financial instruments	-	65
140.	**Net income from financial operations**	448,213	474,023
150.	Net premiums written	-	-
160.	Other income from insurance operations	-	-
170.	**Net income from financial and insurance operations**	448,213	474,023
180.	Administrative expenses		
	a) staff costs	(91,864)	(84,834)
	b) other administrative expenses	(154,819)	(138,156)
190.	Provisions for risks and charges	(16,567)	(27,503)
200.	Depreciation and net impairment of tangible assets	(6,632)	(6,472)
210.	Amortisation and net impairment of intangible assets	(11,663)	(13,487)
220.	Other operating income	11,270	12,198
230.	**Operating expenses**	(270,275)	(258,254)
240.	Profit (loss) on equity investments	-	-
250.	Gains (losses) on fair value measurement of tangible and intangible assets	-	-
260.	Impairment of goodwill	-	(14,780)
270.	Profit (loss) on disposal of investments	-	340
280.	**Profit (loss) before tax on continuing operations**	177,938	201,329
290.	Income tax expense on continuing operations	(32,136)	(27,508)
300.	**Profit (loss) after tax on continuing operations**	145,802	173,821
310.	Profit (loss) after tax of non current assets pending disposal	42	-
320.	**Net profit (loss) for the year**	145,844	173,821
330.	Net profit (loss) for the year attributable to minority interests	(81,922)	(107,557)
340.	**Net profit (loss) for the year attributable to the parent company**	63,922	66,264

Consolidated cash flow statement

Indirect Method

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. OPERATING ACTIVITIES		
1. Operating activities	94,300	118,096
- Net profit (loss) for the year	63,922	66,264
- gains/losses on financial assets held for trading and financial assets and liabilites	1,079	(3,444)
- gains/losses on hedges (+/-)	-	-
- impairment/reversal of impairment (+/-)	3,338	3,588
- depreciation, amortisation and net impairment/reversal of impairment of tangible and intangible assets (+/-)	18,295	34,739
- provisions for risks and charges and other costs/revenues (+/-)	16,567	25,036
- unpaid taxes (+)	(8,901)	(8,087)
- net impairment/reversal of impairment of disposal groups after tax (+/-)	-	-
- other adjustments (+/-)	-	-
2. Cash generated/used by financial assets	(863,697)	(1,160,953)
- financial assets held for trading	(803,907)	638,785
- financial assets at fair value	(1,153)	-
- available-for-sale financial assets	(158,767)	12,409
- loans to banks: on demand	466,042	(1,372,312)
- loans to banks: other loans	-	-
- loans to customers	(348,080)	(400,762)
- other assets	(17,832)	(39,073)
3. Cash generated/used by financial liabilities	662,491	1,099,115
- due to banks: other amounts due	(37,287)	555,672
- due to customers	556,528	437,329
- securities issued	-	(4,994)
- financial liabilities held for trading	60,312	57,178
- financial liabilities at fair value	1,153	-
- other liabilities	81,785	53,930
Net cash generated by/used in operating activities	(106,906)	56,258
B. INVESTING ACTIVITIES		
1. Cash from	166,653	853
- sale of equity investments	-	-
- dividends received from equity investments	-	-
- sale of held-to-maturity investments	166,077	712
- sale of tangible assets	576	82
- sale of intangible assets	-	59
- sale of business lines	-	-
2. Cash used for	(38,292)	(19,973)
- purchase of equity investments (including contributions to cover losses)	-	-
- purchase of held-to-maturity investments	-	-
- purchase of tangible assets	(6,397)	(7,150)
- purchase of intangible assets	(31,895)	(12,823)
- purchase of business lines	-	-
Net cash generated by/used in investing activities	128,361	(19,120)
C. FINANCING ACTIVITIES		
- issue/purchase of treasury shares (formation of share capital)	-	-
- issue/purchase of equity instruments	23,171	-
- dividend distribution and other	(40,920)	(35,805)
Net cash generated by/used in financing activities	(17,749)	(35,805)
NET CASH GENERATED BY/USED IN FINANCING ACTIVITIES	3,706	1,333

RECONCILIATION

€/'000	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents at beginning of the year	33,147	31,814
Total net cash generated /used in the year	3,706	1,333
Total net cash generated /used in the year	-	-
Cash and cash equivalents at end of the year	36,853	33,147

Statement of changes in Shareholders' Equity

at December, 31 2005

€/'000	Balance at Dec. 31, 2004	Adjustment to opening balances	Balance at Jan 1, 2005	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:					
a) ordinary shares	341,000	-	341,000	-	-
b) other shares	-	-	-	-	-
Share premium account	-	-	-	-	-
Reserves:					
a) retained earnings	28,159	3,325	31,484	21,909	-
b) others	3,185	-	3,185	-	-
Valuation reserves					
a) AFS financial assets	-	(126)	(126)	-	-
b) cash flow hedges	-	-	-	-	-
c) others	-	(28)	(28)	-	-
Equity instruments	-	-	-	-	-
Treasury shares	-	-	-	-	-
Net profit (loss) for the year	40,886	16,828	57,714	(21,909)	(35,805)
Shareholders' equity	413,230	-	433,229	-	(35,805)

at December, 31 2006

€/'000	Balance at Jan 1, 2006	Appropriation of prior year's profit: Reserves	Appropriation of prior year's profit: Dividends and other
Share capital:			
a) ordinary shares	341,000	-	-
b) other shares	-	-	-
Share premium account	177	-	-
Reserves:			
a) retained earnings	56,230	25,344	-
b) others	3,185	-	-
Valuation reserves			
a) AFS financial assets	(477)	-	-
b) cash flow hedges	-	-	-
c) others	-	-	-
Equity instruments	-	-	-
Treasury shares	-	-	-
Net profit (loss) for the year	66,264	(25,344)	(40,920)
Shareholders' equity	466,379	-	(40,920)

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec. 31, 2005	Shareholders' equity at Dec. 31, 2005
-	-	-	-	-	-	-	-	341,000
-	-	-	-	-	-	-	-	-
177	-	-	-	-	-	-	-	177
476	-	-	-	-	-	2,361	-	56,230
-	-	-	-	-	-	-	-	3,185
(351)	-	-	-	-	-	-	-	(477)
-	-	-	-	-	-	-	-	-
28	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
330	-	-	-	-	-	2,361	66,264	466,379

Movements in the year								
	Equity							
Change in reserves	Share issues	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Treasury shares derivatives	Stock options	Net profit (loss) at Dec. 31, 2006	Shareholders' equity at Dec. 31, 2006
-	30,000	-	-	-	-	-	-	371,000
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	177
-	-	-	-	-	-	1,964	-	83,538
(297)	-	-	-	-	-	-	-	2,888
1,728	-	-	-	-	-	-	-	1,251
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	63,922	63,922
1,431	30,000	-	-	-	-	1,964	63,922	522,776

MEDIOLANUM BANKING GROUP

Notes to the Consolidated Annual Financial Statements 2006

Notes to the Consolidated Annual Financial Statements for the year ended December 31, 2006

These notes are structured as follows:

Part A - Accounting policies
Part B - Information on the balance sheet
Part C - Information on the income statement
Part D - Segment reporting
Part E - Information on risks and risk management
Part F- Information on equity
Part G - Business combinations
Part H - Related Party Transactions
Part I - Equity-settled share-based payment transactions

PART A - ACCOUNTING POLICIES

A.1 - General

Section 1 - Compliance with the international accounting and financial reporting standards

Pursuant to Legislative Decree No. 38 of February 28, 2005 the consolidated financial statements for the year ended December 31, 2006 were prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission pursuant to the European Parliament and Council Regulation (EC) 1606 of July 19, 2002.

The financial statements for the year ended December 31, 2006 were prepared following the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular Letter No. 262 of December 22, 2005 in the exercise of its powers pursuant to art. 9 of Legislative Decree 38/2005.

Section 2 - Accounting basis

In the preparation of the financial statements the Banking Group applied the international accounting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at December 31, 2006, as adopted by the European Commission and set out in the schedule attached hereto.

These consolidated financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.
In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the financial statements were prepared using the euro as reporting currency.
The amounts set out in the Accounts are presented in units of euro, while the amounts set out in the Notes and the Directors' Report are presented in thousands of euro except where otherwise stated.
These financial statements were prepared in compliance with the general requirements of IAS 1 and the specific accounting standards adopted by the European Commission, as presented in Section A.2 ("Significant Accounting Policies") herein, as well as in compliance with the underlying assumptions set out in the IASB Framework for the Preparation and Presentation of Financial Statements.
In applying IAS/IFRS no departure was made from requirements therein.
The accounts and the notes also include comparative information for the year ended December 31, 2005.

To provide clearer and more accurate financial information, following the clarifications received in the current year on the application of IAS/IFRS, certain items of comparative information at December 31, 2005 were reclassified. The reclassified amounts and the related effects are commented in the notes to the individual items to which they refer. Specifically these items are:
In the Balance Sheet, item 20 *Due to customers* and item 100 *Other liabilities*;
In the Income Statement, item 10 *Interest income and similar income*; item 20 *Interest expense and similar charges*; item 50 *Commission expense*; item 180b *Other administrative expenses*, item 190 *Provisions for risks and charges*.

Accounts

Balance Sheet and Income Statement

The Balance Sheet and Income Statement set out items, sub-items and further details ("of which" under the various items and sub-items) in accordance with the Bank of Italy's requirements. Items with a nil balance for both the year under review and the prior year are not indicated. In the income statement, revenues are indicated with no sign, while costs are preceded by a minus.

Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity shows the composition of shareholders' equity as well as the movements in the various equity accounts (i.e. share capital: ordinary and savings shares, capital reserves, retained earnings, assets and liabilities revaluation reserves and net profit for the year) in the year under review and the prior year. The format of the Statement of Changes in Shareholders' Equity is in compliance with the Bank of Italy's Circular Letter 262/2005, except for rows and columns, which are reversed for better readability. Treasury shares are deducted from equity. The Banking Group did not issue any equity instruments other than ordinary and savings shares.

Statement of Cash Flows

The cash flow statement provides information on cash flows for the period under review and the prior period. It is prepared using the indirect method whereby in reporting cash flows from operating activities profit or loss is adjusted for the effects of non-cash transactions.
The year's cash flows are classified by operating, investing and financing activities.
The cash flows generated in the period are indicated with no sign, while the cash flows used in the period are shown within parentheses.

Content of the Notes

The Notes set out the information required under the Bank of Italy's Circular Letter 262/2005 and the international accounting and reporting standards.
No explanatory note is provided for items with a nil balance for both the year under review and the prior year.
In the income statement, revenues are indicated with no sign, while costs are preceded by a minus.

Section 3 - Scope and methods of consolidation

The consolidated financial statements include the accounts of Banca Mediolanum S.p.A. and those of its directly or indirectly controlled subsidiaries, including subsidiaries whose business activities are dissimilar from those of the Parent Company, as expressly required by the international accounting standards.
The subsidiaries which are consolidated on a line-by-line basis in accordance with the international accounting standards are set out in the table below.

Subsidiaries consolidated on a line-by-line basis:

Group companies that are directly owned by Banca Mediolanum S.p.A. and consolidated on a line-by-line basis:

€/'000 Company	Share capital	% holding	Registered office	Business
Mediolanum Distribuz.Finanz. S p.A.	1,000	100.00	Basiglio	Financial Brokerage
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00	Basiglio	Fund management
Mediolanum International Funds Ltd	150	51.00	Dublin	Fund management
Mediolanum Asset Management Ltd	150	51.00	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	66,032	100.00	Barcelona	Banking
Mediolanum International S.A.	71,500	99.997	Luxembourg	Sub-holding company
Bankhaus August Lenz & Co. AG	20,000	100.00	Munich	Banking

Group companies that are indirectly owned by Banca Mediolanum S.p.A. through Banco de Finanzas e Inversiones S.A. and consolidated on a line-by-line basis:

€/'000 Company	Share capital	% holding	Registered office	Business
Ges Fibanc SGIIC S.A.	2,506	100.00	Barcelona	Fund management
Fibanc S.A.	301	100.00	Barcelona	Financial advice
Fibanc Pensiones S.G.F.P. S.A.	902	100.00	Barcelona	Pension fund management
Fibanc Faif S.A.	60	100.00	Barcelona	Financial advice

Group companies that are indirectly owned by Banca Mediolanum S.p.A. through Mediolanum International S.A. and consolidated on a line-by-line basis:

€/'000 Company	Share capital	% holding	Registered office	Business
Gamax Holding AG	5,618	100.00	Luxembourg	Sub-holding company

Group companies that are indirectly owned by Banca Mediolanum S.p.A. through Gamax Holding A.G. and consolidated on a line-by-line basis:

€/'000 Company	Share capital	% holding	Registered office	Business
Gamax Management AG	125	100,00	Luxembourg	Fund management
Gamax Broker Pool AG	500	100,00	Munich	Fund distribution
Gamax Austria GmbH	40	100,00	Salzburg	Fund distribution

Methods of consolidation

Subsidiaries are consolidated on a line-by-line basis, while associates are accounted for using the equity method.

Consolidation on a line-by-line basis

Consolidation is the combination of the accounts of the parent company and those of its subsidiary line by line by adding together like items of the balance sheet and the income statement. After minority interests in the net assets and minority interests in the profit or loss of subsidiaries are separately identified, the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated.

Any resulting difference, if positive, after recognition of the assets or liabilities of the subsidiary, is recognised as goodwill under "Intangible Assets" on first-time consolidation, and under "Other Reserves" thereafter. Negative differences are recognised in the income statement.

Intercompany assets, liabilities, income and expenses are eliminated in full.

The income and expenses of a subsidiary acquired during the reporting period are included in the consolidated financial statements from the date of acquisition. Accordingly, the income and expenses of a subsidiary disposed of in the reporting period are included in the consolidated financial statements until the date on which the parent ceases to control the subsidiary. Any difference between the consideration for the disposal of the subsidiary and its carrying amount as of the date of disposal is recognised in the income statement.

The financial statements of the Parent Company and those of its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

When a company within the Group uses different accounting policies, in preparing the consolidated financial statements adjustments are made to make them uniform with the accounting policies adopted by the Group.

Equity method

Under the equity method an investment in an associate is initially recognised at cost and its carrying amount is increased or decreased to reflect the value of the investor's share of the investee's equity thereafter.

Any differences between the carrying amount and the equity of the investee are treated like differences arising on line-by-line consolidation.

The investor's share of the profit or loss of the investee is recognised under the relevant item in the consolidated income statement.

If there is evidence that an investment may be impaired, its recoverable amount is calculated by estimating the present value of future cash flows expected to be generated by the associate, including the proceeds on the ultimate disposal of the investment.

If the recoverable amount is lower than the carrying amount, the resulting difference is recognised in the income statement.

In applying the equity method to the accounts of associates, their approved annual financial statements were used. For those associates that have not adopted the international accounting standards yet, the equity method was applied to the financial statements prepared under the national GAAP, after ascertaining that the estimated differences between national accounting standards and IAS/IFRS were immaterial.

Section 4 - Post Balance Sheet Date Events

In the period between the end of financial year 2006 and the date on which these financial statements were approved no event took place which could materially affect the Banking Group's results of operation or business, other than those disclosed in the relevant section of the Directors' Report to which readers are referred.

Section 5 - Other information

Information on the business and the results of operations for the year 2006 of the main subsidiaries is set out in the Directors' Report.
The consolidated financial statements of the Mediolanum Banking Group were audited by Reconta Ernst & Young S.p.A.

Tax consolidation regime

Beginning in 2004 the Parent Company Mediolanum S.p.A. and all Italian companies within the Group have opted for the so-called "tax consolidation regime" introduced by Legislative Decree 344/2003 and regulated under sections 117 to 129 of the Consolidated Income Tax Act. Under said regime the taxable profits or tax losses, including any withholding taxes, tax deductions and tax credits, of all participating Group companies are consolidated into the Parent Company. The Parent Company, as reporting entity, calculates the consolidated taxable profit by adding the taxable profits/tax losses of all participating Group companies to its own taxable profit/tax loss.
By choosing the "tax consolidation" option, participating Group companies calculate their own tax expense, while their taxable profit is consolidated into the Parent Company. In case of tax losses of one or more Group companies against which consolidated taxable profit for the current year is available or against which there is a high probability that future taxable profits will be available, those tax losses are also consolidated into the Parent Company.

A.2 - Significant accounting policies

Accounting Policies

Financial assets held for trading

Financial assets held for trading consist of debt securities, equities and trading derivatives with positive fair value.
Financial assets held for trading are initially recognised on the settlement date if they are debt securities and equities, and on the subscription date if they are derivatives.
On initial recognition *Financial assets held for trading* are measured at cost, i.e. the fair value of the instrument, without adding directly attributable transaction costs or income.
After initial recognition *Financial assets held for trading* are measured at their fair value.
The fair value of a financial instrument quoted in an active market[1] is determined using its market quotation. If the market for a financial instrument is not active, fair value is determined using estimation and valuation techniques which measure all instrument-related risks and use market data, e.g. the quoted price of instruments with similar characteristics, discounted cash flow analysis, option pricing models, recent comparable transactions.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

[1] A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are not classified as Loans and Receivables, Financial Assets Held for Trading or Held-to-Maturity Investments.
In particular, shareholdings that are not held for trading and those that do not qualify as investments in subsidiaries, associates or joint ventures are also classified under this category.
Available-for-sale financial assets are initially recognised on the settlement date if they are debt or equity instruments and on the date they are extended if they are loans or receivables.
On initial recognition available-for-sale financial assets are measured at cost, i.e. the fair value of the instrument, plus any directly attributable transaction costs or income. When reclassified out of the Held-to-Maturity Investments category, available-for-sale financial assets are re-measured at their fair value on such reclassification.
After initial recognition available-for-sale financial assets continue to be measured at fair value, and are amortised through profit or loss, while gains or losses arising from a change in their fair value are recognised in a specific equity reserve until the financial asset is derecognised or impaired. At the time of their dismissal or impairment, the cumulative gain or loss previously recognised in equity is recognised in the income statement.
Equity instruments whose fair value cannot be reliably measured as set out above are measured at cost.
At each interim and annual balance sheet date the Group assesses whether there is objective evidence of any impairment loss.
If the fair value of a previously impaired asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement if the asset is a loan or receivable or a debt instrument, and in equity if the asset is an equity instrument. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Held-to-Maturity Investments

Held-to-maturity investments consist of debt securities with fixed or determinable payments and fixed maturity which the Group intends or has the ability to hold to maturity. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as available-for-sale.
Held-to-maturity investments are initially recognised on settlement date.
Held-to-maturity investments are initially measured at cost, including any directly attributable costs or income. When reclassified out of the available-for-sale financial assets category, the fair value on such reclassification is the value of the amortised cost at which held-to-maturity investments are carried.
After initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses of held-to-maturity investments are recognised in the income statement when the financial assets is derecognised or impaired, and through the amortisation process.
At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss.
If any such evidence exists, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.
If the value of a previously impaired investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.
Held-to-maturity investments are derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset and substantially all the risks and rewards of ownership thereof are transferred.

Loans and receivables

This category includes loans to customers and to banks with fixed or determinable payments, that are not quoted in an active market and that, upon initial recognition, were not classified as available-for-sale.
Loans and receivables also include trade receivables, repurchase agreements and securities purchased under a public offering or private placement, with fixed or determinable payments, that are not quoted in an active market.
A loan or receivable is initially recognised at fair value on the date it is extended or, in the case of a debt instrument, on the settlement date. The fair value of a loan or receivable is the loaned amount, or the transaction price, including any directly attributable costs or income determinable on the date it is extended, even if settled at a later date, except for those costs that are reimbursed by the borrower/debtor or are internal administrative costs.
Carryovers and repurchase agreements which entail the obligation for a future resale/repurchase are recognised as funding or lending transactions. Specifically, the amount received for the sale of an asset under an agreement to repurchase it at a future date is recognised in the balance sheet as a debt, while the amount paid for the purchase of an asset under an agreement to resell it at a future date is recognised as a loan.
After initial recognition, loans and receivables are measured at amortised cost. Amortised cost is the amount at which the financial asset is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, plus or minus any directly attributable costs/income and minus/plus any reduction/reversal for impairment. The effective interest rate is the rate that exactly discounts estimated future cash flows (principal and interest) to the net carrying amount of the asset, i.e. the carrying amount plus/minus any directly attributable costs/income, through the expected life of the asset.
Amortised cost is not applied to short-terms loans and receivables for which the effect of discounting is immaterial. Those loans and receivables are measured at historical cost and the related costs/income are recognised in the income statement over the expected life of the asset. The same measurement method is applied to loans and receivables with no fixed maturity or on demand.

At each interim and annual reporting date the Group assesses whether there is objective evidence of any impairment loss as a result of one or more events that occurred after initial recognition. If there is objective evidence of impairment the loan is classified as "non-performing", "watch-list" or "restructured" in accordance with the instructions issued by the Bank of Italy, which are in line with IAS requirements.

Impaired loans are individually assessed and the amount of the impairment loss is measured as the difference between the asset's carrying amount (measured at amortised cost) at the time of assessment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Future cash flows are estimated taking into account the expected time of recovery, the realisable value of any collaterals as well as any costs of recovery. Future cash flows of loans which are expected to be recovered in the short term are not discounted.

The asset's original effective interest rate remains unchanged over time also in the event of a restructuring as a result of which the interest rate changes or the loan or receivable actually carries no interest.

The amount of the impairment loss is recognised in the income statement.

If the value of a previously impaired loan or receivable increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the income statement.

The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment loss not been recognised at the date the impairment is reversed.

If no objective evidence of impairment exists for individually assessed loans – i.e. generally, performing loans – those loans are collectively assessed for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics and the related loss probability is estimated using historical loss rates based on observable data at the time of assessment that can reliably estimate the loss probability of each loan group.

Any collectively assessed impairment loss is recognised in the income statement. At each interim and annual reporting date any additional impairment loss or reversal thereof is calculated in relation to the entire portfolio of performing loans on that same date.

Tangible assets

Tangible assets include land, Group-occupied property, investment property, furnishings, fixtures, fittings, plant and equipment.

These are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one period.

This account also includes assets held under finance leases even when the lessor retains title thereof.

Tangible assets are initially recognised at cost, which comprises the purchase price of the asset and all costs directly attributable to the asset's acquisition and operation.

The costs of major repairs which increase the future economic benefits associated with the asset are recognised in the carrying amount of the asset, while the costs of day-to-day servicing are recognised in the income statement.

Tangible assets, including investment property, are carried at cost less any accumulated depreciation and impairment losses.

Tangible assets are systematically depreciated on a straight-line basis over their useful lives except for land, be it acquired separately or together with buildings, which has an indefinite useful life. Under the international accounting standards land and buildings are separable assets and are to be accounted for separately. When the value of land is embedded in the value of the building, only for land on which a building stands, their respective value is determined by independent valuers.

At each interim and annual reporting date if there is an indication that an asset may be impaired the carrying amount of the asset is compared to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any reduction is recognised as impairment loss in the income statement.

If the value of a previously impaired asset increases, the impairment loss is reversed. The reversal shall not result in a carrying amount of the asset that exceeds what the carrying amount less accumulated depreciation would have been had the impairment loss not been recognised at the date the impairment is reversed.

A tangible asset is derecognised from the balance sheet on disposal or when no future economic benefits are expected from its use or disposal.

Intangible assets

Intangible assets include goodwill and the costs of software used over more than one year.

Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.

Goodwill is the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired.

An intangible assets can be recognised as goodwill when the excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired (including any accumulated impairment losses) is representative of the future earnings capabilities of the investee.

Any negative goodwill (badwill) is directly recognised in the income statement.

Goodwill is tested for impairment annually (or any time there is evidence of impairment). To that end goodwill is allocated to a cash-generating unit (CGU). If the recoverable amount of the unit is less than its carrying amount an impairment loss is recognised and the carrying amount of goodwill allocated to the cash-generating unit is reduced. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use. The impairment loss is recognised in the income statement..

Other intangible assets are carried at cost less any accumulated amortisation and impairment losses only if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of the asset can be measured reliably, otherwise it is recognised as an expense in the income statement in the year in which it was incurred.

Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised, but periodically tested for impairment by comparing their recoverable amount with their carrying amount.

At each reporting date, if there is evidence of impairment, the recoverable amount of the asset is estimated. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. The impairment loss is recognised in profit or loss.
An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Other assets

Other assets include expenditure on the renovation of leasehold property.
Expenditure on the renovation of leasehold property is capitalised since during the lease term the lessee controls the assets and obtains future economic benefits from them.
Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.

Financial liabilities held for trading

Financial liabilities held for trading include:

- trading derivatives with negative fair value;
- short positions on securities trading.

Financial liabilities are initially recognised at the time amounts are received or the financial instruments underlying the transaction are settled.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at fair value.
A financial liability is derecognised when it expires or is extinguished.

Other financial liabilities

Other financial liabilities include the various forms of funding from banks and customers as well as bonds issued net of any buybacks .
Those financial liabilities are initially recognised when amounts are received or bonds are issued.
They are initially measured at fair value, i.e. generally the amount received or the issue price, plus any additional costs/ income directly attributable to the individual funding transaction or bond issue and not reimbursed by the creditor. Internal administrative costs are not added.
The fair value of any financial liabilities issued below market value is subject to assessment and the difference over market value is directly recognised in the income statement.
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method except for short-term liabilities for which the time value of money is immaterial that are measured on the basis of the contractual cash flows and related costs are recognised in the income statement over the contractual term of the liability.

A financial liability is derecognised when it expires or is extinguished. A financial liability is derecognised also when it is bought back. The difference between the carrying amount of the liability and amount paid to buy it back is recognised in the income statement.

Provisions for risks and charges

Provisions for risks and charges relate to amounts set aside for present obligations resulting from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the obligation.
When the effect of the time value of money is material, the amount of the provision is discounted at current market rates. Provisions for risk and charges are recognised in the income statement.

Employee completion-of-service entitlements

Completion-of-service entitlements are recognised at the present value of the benefit obligations calculated using actuarial techniques.
To determine the present value of benefit obligations the Projected Unit Credit Method is used. That method calculates the present value of benefit obligations using actuarial assumptions based on historical data including demographics and a discount rate which is determined on the basis of market yields. The methods considers each year of service as giving rise to an additional unit of benefit entitlements. Each unit is individually measured in arriving at the final obligation. The discount rate is determined on the basis of market yields and reflects the estimated timing of benefit payments.
Service costs are recognised under staff costs as the net total of current service costs, past service costs, interest and expected return on any plan assets and actuarial gains or losses.

Employee pension plan

For the defined contribution pension plan under which the company's obligation is limited to the amount it agrees to contribute to the fund, the amount of the contribution payable for the year is recognised in the income statement.

Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies are initially recognised in the functional currency, applying to the foreign currency amount the exchange rate in effect at the date of the transaction.
At each interim or annual reporting date, assets and liabilities denominated in foreign currencies are measured as follows:

- monetary items are translated using the closing rate;
- non- monetary items measured at historical cost are translated applying the exchange rate in effect at the date of the transaction;
- non- monetary items measured at fair value are translated applying the exchange rate in effect at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the income statement in the period in which they arise.
When a gain or loss on a non-monetary item is recognised directly in equity, the exchange difference component of that gain or loss is also recognised in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, the exchange difference component of that gain or loss is also recognised in the income statement.

Tax assets and liabilities

The Banking Group recognizes current and deferred taxes applying the tax rates in effect in the countries where consolidated subsidiaries are incorporated.
Income taxes are recognised in the income statement except for items which are credited/charged directly to equity.
Provisions for income tax are calculated on the basis of conservative estimates of the current and deferred tax expense. Deferred taxes are computed in respect of the temporary differences, with no time limit, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets are recorded to the extent that there is reasonable certainty they will be recovered, i.e. to the extent that the company – or the Parent Company under Italy's tax consolidation regime – is expected to continue to generate sufficient taxable income against which temporary differences can be utilised.
Deferred tax assets and deferred tax liabilities are not netted, and are separately recognised in the Balance Sheet under "Tax assets" and "Tax liabilities" respectively.
Deferred tax liabilities arising on consolidation are recognised to the extent that it is probable that a related tax expense will materialize in the future for one of the consolidated companies.
Those deferred tax liabilities are essentially connected to the deferred tax assets recognised for positive differences arisen on consolidation of subsidiaries.
Deferred tax assets and deferred tax liabilities are systematically re-measured to reflect any changes either in tax rules or tax rates as well as any possible changes in the company's tax position.
The provision for tax claims relates to tax payments which may become due as a result of pending tax audits or disputes with tax authorities.

Share-based payments

Stock options are share-based payments. Their fair value, and the corresponding increase in equity, is determined by reference to the fair value of the stock option at the grant date.

The fair value of the stock option is determined using a valuation technique that takes into account the specific terms and conditions of the stock option plan in place, in addition to information such as the exercise price and the life of the option, the current price of underlying shares, the expected volatility of the share price, dividends expected on the shares and the risk-free interest rate for the life of the option. The pricing model separately measures the stock option and the probability that the market conditions upon which vesting is conditioned be satisfied. The combination of the two values is the fair value of the stock option.

Income Statement

Revenue is recognised when received or when it is probable that future economic benefits will flow to the entity and the amount of those benefits can be measured reliably.

Specifically:

- commissions are measured on an accrual basis;
- dividends are recognised in the income statement when their distribution to shareholders is established;
- any default interests, in accordance with the terms of the relevant agreement, are recognised in the income statement only when actually received.

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Analysis of cash and cash equivalents

€/'000	Dec. 31, 2006	Dec. 31, 2005
a) Cash	34,723	30,863
b) Demand deposits with Central Banks	2,130	2,284
Total	36,853	33,147

Section 2 - Financial assets held for trading - Caption 20

2.1 Analysis of financial assets held for trading

	Dec. 31, 2006		Dec. 31, 2005	
€/'000	Listed	Unlisted	Listed	Unlisted
A. Non-derivatives				
1. Debt securities	-	-	-	-
1.1 structured notes	-	-	-	-
1.2 other debt securities	703,831	359,481	447,332	67,201
2. Equities	412	9	-	9
3. Holdings in UCITS	935	-	491	-
4. Loans	-	-	-	-
4.1 repurchase agreements	-	-	-	-
4.2 others	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	631,387	199,661	576,609	-
Total (A)	1,336,565	559,151	1,024,432	67,210
B. Derivatives				
1. Financial derivatives	-	-	-	-
1.1 held for trading	-	5,828	-	5,995
1.2 measured at fair value	-	-	-	-
1.3 others	-	-	-	-
2. Credit derivatives	-	-	-	-
2.1 held for trading	-	-	-	-
2.2 measured at fair value	-	-	-	-
2.3 others	-	-	-	-
Total (B)	-	5,828	-	5,995
Total (A+B)	1,336,565	564,979	1,024,432	73,205

2.2 Analysis of financial assets held for trading by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Non-derivatives		
1. Debt securities		
a) Governments and Central Banks	409,160	116,519
b) Government agencies	4	-
c) Banks	380,556	198,325
d) Other issuers	273,592	199,689
2. Equities		
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non financial companies	-	9
- others	421	-
3. Holdings in UCITS	935	491
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold but not derecognised		
a) Governments and Central Banks	811,165	576,609
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	19,883	-
Total (A)	1,895,716	1,091,642
B. Derivatives		
a) Banks	5,461	5,616
b) Customers	367	379
Total (B)	5,828	5,995
Total (A+B)	1,901,544	1,097,637

2.3 Analysis of financial assets held for trading: derivatives

€/'000	Interest rates	Currencies and gold	Equities	Loans	Other	Dec. 31, 2006	Dec. 31, 2005
A. Listed derivatives							
1. Financial derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
• Without exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total (A)	-	-	-	-	-	-	-
B. Unlisted derivatives							
1. Financial derivatives:							
• With exchange of principal							
- Options purchased	-	-	-	-	-	-	-
- Other derivatives	-	2,450	-	-	363	2,813	2,926
• Without exchange of principal							
- Options purchased	535	-	-	-	965	1,500	766
- Other derivatives	1,515	-	-	-	-	1,515	2,303
2. Credit derivatives:							
• With exchange of principal	-	-	-	-	-	-	-
• Without exchange of principal	-	-	-	-	-	-	-
Total (B)	2,050	2,450	-	-	1,328	5,828	5,995
Total (A+B)	2,050	2,450	-	-	1,328	5,828	5,995

2.4 Year's movements in financial assets held for trading other than those sold and not derecognised and other than impaired assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance					
B. Increases	1,091,142	9	491	-	1,091,642
B1. Additions	10,972,349	66,312	461	-	11,039,122
B2. Increases in fair value	1,664	37	-	-	1,701
B3. Other	252,277	628	42	-	252,947
C. Decreases					
C1. Disposals	(9,602,284)	(66,413)	(17)	-	(9,668,714)
C2. Redemptions	(673,600)	(1)	-	-	(673,601)
C3. Decreases in fair value	(3,815)	-	(42)	-	(3,857)
C4. Other	(974,421)	(151)	-	-	(974,572)
D. Closing balance	1,063,312	421	935	-	1,064,668

Section 3 - Financial assets at fair value - Caption 30

3.1 Analysis of financial assets at fair value through profit or loss

	Dec. 31, 2006		Dec. 31, 2005	
€/000	Listed	Unlisted	Listed	Unlisted
1. Debt securities	-	-	-	-
1.1 Structured notes	-	-	-	-
1.2 Other	-	1,153	-	-
2. Equities	-	-	-	-
3. Holdings in UCITS	-	-	-	-
4. Loans	-	-	-	-
4.1 Structured	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	-	-	-	-
Total	-	1,153	-	-

3.2 Analysis of financial assets at fair value through profit or loss by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Debt securities	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	1,153	-
d) Other issuers	-	-
2. Equities		
a) Banks	-	-
b) Other issuers:		
- insurance companies	-	-
- financial companies	-	-
- non financial companies	-	-
- others	-	-
3. Holdings in UCITS	-	-
4. Loans	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold but not derecognised	-	-
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	1,153	-

3.3 Year's movements in financial assets at fair value through profit or loss other than those sold and not derecognised and other than impaired assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	-	-	-	-	-
B. Increases					
B1. Additions	1,121	-	-	-	1,121
B2. Increases in fair value	32	-	-	-	32
B3. Other increases	-	-	-	-	-
C. Decreases					
C1. Disposals	-	-	-	-	-
C2. Redemptions	-	-	-	-	-
C3. Decreases in fair value	-	-	-	-	-
C4. Other decreases	-	-	-	-	-
D. Closing balance	1,153	-	-	-	1,153

Section 4 - Available-for-sale financial assets - Caption 40

4.1 Analysis of available-for-sale financial assets

	Dec. 31, 2006		Dec. 31, 2005	
€/'000	Listed	Unlisted	Listed	Unlisted
1 Debt securities				
1.1 Structured notes	20,226	-	18,450	-
1.2 Other debt securities	5,878	965	16,887	766
2. Equities				
2.1 measured at fair value	254	-	2,977	-
2.2 measured at cost	-	9,192	-	517
3. Holdings in UCITS	4,059	165,394	7,614	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold but not derecognised	-	-	-	-
Total	30,417	175,551	45,928	1,283

4.2 Analysis of available-for-sale financial assets by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Debt securities		
a) Governments and Central Banks	3	-
b) Government agencies	-	-
c) Banks	5,014	5,504
d) Other issuers	22,052	30,589
2. Equities		
a) Banks	-	-
b) Other issuers	9,446	3,494
- insurance companies	-	-
- imprese di assicurazione	1,455	493
- non financial companies	7,746	34
- others	245	2,967
3. Holdings in UCITS	169,453	7,614
4. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold but not derecognised		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	205,968	47,201

4.5 Year's movements in available-for-sale financial assets other than those sold and not derecognised and other than impaired assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans	Total
A. Opening balance	36,093	3,494	7,614	-	47,201
B. Increases					
B1. Additions	454,371	22,832	183,889	-	661,092
B2. Increases in fair value	-	77	3,166	-	3,243
B3. Reversal of impairment	-	-	-	-	-
- through profit or loss					
- in equity					
B4. Reclassified from other portfolios	-	-	-	-	-
B5. Other	967	-	46	-	1,013
C. Decreases					
C1. Disposals	(463,663)	(16,956)	(25,222)	-	(505,841)
C2. Redemptions	(500)	-	-	-	(500)
C3. Decreases in fair value	(199)	(1)	(40)	-	(240)
C4. Impairment	-	-	-	-	-
- through profit or loss					
- in equity					
C5. Reclassified to other portfolios	-	-	-	-	-
C6. Other	-	-	-	-	-
D. Closing balance	27,069	9,446	169,453	-	205,968

Section 5 - Held-to-maturity investments - Caption 50

5.1 Analysis of held-to-maturity investments

	Dec. 31, 2006		Dec. 31, 2005	
€/'000	Book Value	Fair value	Book Value	Fair value
1. Debt securities				
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	133,116	132,298	158,550	158,695
2. Loans	-	-	-	-
3. Impaired assets	-	-	-	-
4. Assets sold but not derecognised	199,796	199,965	340,439	340,439
Total (A)	332,912	332,263	498,989	499,134

5.2 Analysis of held-to-maturity investments by debtor/issuer

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Debt securities		
a) Governments and Central Banks	122,852	148,294
b) Government agencies	-	-
c) Banks	10,264	10,256
d) Other issuers	-	-
2. Loans		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
3. Impaired assets		
a) Governments and Central Banks	-	-
b) Government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
4 Assets sold but not derecognised		
a) Governments and Central Banks	199,796	340,439
b) Government agencies	199,796	340,439
c) Banks	-	-
d) Other issuers	-	-
Total	332,912	498,989

5.4 Year's movements in held-to-maturity investments other than those sold but not derecognised and other than impaired investments

€/'000	Debt securities	Loans	Total
A. Opening balance	158,550	-	158,550
B. Increases			
B1. Additions	-	-	-
B2. Reversal of impairment	-	-	-
B3. Reclassified from other portfolios	-	-	-
B4. Other	151,425	-	151,425
C. Decreases			
C1. Disposals	-	-	-
C2. Redemptions	(165,000)	-	(165,000)
C3. Impairment	-	-	-
C4. Reclassified to other portfolios	-	-	-
C5. Other	(11,859)	-	(11,859)
D. Closing balance	133,116	-	133,116

Section 6 - Loans to banks - Caption 60

6.1 Analysis of loans to banks

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Central Banks		
1. Time deposits	-	-
2. Reserve requirements	25,548	7,282
3. Repurchase agreements	-	-
4. Other	-	-
B. Banks		
1. Bank accounts and demand deposits	342,787	411,359
2. Time deposits	1,726,331	2,211,010
3. Others:		
3.1 repurchase agreements	190,360	147,626
3.2 finance leases	-	-
3.3 other	34,264	8,055
4. Debt securities	-	-
4.1 structured notes	-	-
4.2 other debt securities	-	-
5. Impaired assets	-	-
6. Assets sold but not derecognised	-	-
Total (book value)	2,319,290	2,785,332
Total (fair value)	2,319,255	2,785,332

Section 7 - Loans to customers - Caption 70

7.1 Analysis of loans to customers

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Bank accounts	207,175	190,397
2. Repurchase agreements	100,538	43,565
3. Mortgage loans	351,739	186,651
4. Credit cards, personal loans and salary-guaranteed loans	84,165	73,844
5. Finance leases	1,504	2,244
6. Factoring	-	-
7. Other	560,112	458,442
8. Debt securities	-	-
8.1 structured notes	-	-
8.2 other debt securities	-	-
9. Impaired assets	19,723	25,071
10. Assets sold but not derecognised	-	-
Total (book value)	1,324,956	980,214
Total (fair value)	1,354,693	1,007,022

7.2 Analysis of customer loans by borrower category

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Debt securities:	-	-
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
2. Loans:		
a) Governments	-	-
b) Government agencies	-	-
c) Others		
- non financial companies	83,508	15,033
- financial companies	546,726	433,037
- insurance companies	7,025	580
- others	667,974	506,493
3. Impaired assets:		
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers	-	-
- non financial companies	8,224	327
- financial companies	-	-
- insurance companies	-	-
- others	11,499	24,744
4. Assets sold but not derecognised:		
a) Governments	-	-
b) Government agencies	-	-
c) Other issuers	-	-
- non financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- others	-	-
Total	1,324,956	980,214

Section 12 - Tangible assets - Caption 120

12.1 Analysis of tangible assets carried at cost

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Occupied/used		
1.1 owned		
a) land	9,290	9,290
b) buildings	28,141	28,754
c) furnishings	2,654	2,146
d) electronic equipment	10,579	10,632
e) other	2,412	2,515
1.2 under finance leases		
a) land	-	-
b) buildings	-	-
c) furnishings	-	-
d) electronic equipment	-	-
e) other	-	-
Total (A)	53,076	53,337
B. Held for investment purposes		
2.1 owned		
a) land	-	-
b) buildings	-	-
2.2 under finance leases		
a) land	-	-
b) buildings	-	-
Total (B)	-	-
Total (A+B)	53,076	53,337

12.3 Year's movements in Group-occupied property and other tangible assets

€/'000	Land	Buildings	Furnishings	Electronic equipment	Other	Total
A. Gross opening balance	9,290	33,324	6,490	37,694	8,011	94,809
A.1 Total depreciation and net impairment	-	(4,570)	(4,344)	(27,062)	(5,496)	(41,472)
A.2 Net opening balance	9,290	28,754	2,146	10,632	2,515	53,337
B. Increases:	-	159	1,696	4,142	1,107	7,104
B.1 Additions	-	159	1,691	3,538	1,009	6,397
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value:	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Reclassified from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	5	604	98	707
C. Decreases:	-	(771)	(1,188)	(4,197)	(1,209)	(7,365)
C.1 Disposals	-	-	(9)	(469)	(98)	(576)
C.2 Depreciation	-	(771)	(1,176)	(3,728)	(961)	(6,636)
C.3 Impairment:						
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.4 Decreases in fair value:				-		
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Reclassified to:						-
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale	-	-	(3)	-	(1)	(4)
C.7 Other changes	-	-	-	-	(149)	(149)
D. Closing balance	9,290	28,142	2,654	10,577	2,413	53,076
D.1 Total depreciation and net impairment	-	5,123	5,283	29,329	6,231	45,966
D.2 Gross closing balance	9,290	23,019	(2,629)	(18,752)	(3,818)	7,110
E. Measured at cost	-	-	-	-	-	-

Section 13 - Intangible assets - Caption 130

13.1 Analysis of intangible assets

	Dec. 31, 2006		Dec. 31, 2005	
€/'000	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill				
A.1.1 Group	-	182,509	-	158,320
A.1.2 minorities	-	-	-	-
A.2 Other intangible assets				
A.2.1 measured at cost:	-	-	-	-
a) internally generated	-	-	-	-
b) other	13,131	-	17,380	-
A.2.2 measured at fair value:				
a) internally generated	-	-	-	-
b) other	-	-	-	-
Total	13,131	182,509	17,380	158,320

13.2 Year's movements in intangible assets

		Other intangible assets: internally generated		Other intangible assets: other		
€/'000	Goodwill	Finite	Indefinite	Finite	Indefinite	Total
A. Opening balance	158,320	-	-	106,613	-	264,933
A.1 Total amortisation and net impairment	-	-	-	(89,233)	-	(89,233)
A.2 Net opening balance	158,320	-	-	17,380	-	175,700
B. Increases						
B.1 Additions	24,339	-	-	7,556	-	31,895
B.2 Increases in internal assets	-	-	-	-	-	-
B.3 Reversal of impairment	-	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	-	-	-	-	-
C. Decreases:						
C.1 Disposals	-	-	-	-	-	-
C.2 Amortisation and impairment						
- Amortisation	-	-	-	(11,602)	-	(11,602)
- Impairment	-	-	-	-	-	-
+ in equity	-	-	-	-	-	-
+ through profit or loss	-	-	-	(60)	-	(60)
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	-	-	-	-	-	-
- through profit or loss	-	-	-	-	-	-
C.4 Reclassified to non-current assets						-
held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	(150)	-	-	(143)	-	(293)
D. Net closing balance	182,509	-	-	13,131	-	195,640
D.1 Total amortisation and net impairment	-	-	-	99,576	-	99,576
E. Gross closing balance	182,509	-	-	112,707	-	295,216
F. Measured at cost	-	-	-	-	-	-

Section 14 - Tax asset and liabilities - Caption 140 (assets) and Caption 80 (liabilities)

14.1/14.2 Analysis of tax assets and tax liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets		
charge to the income statement	38,444	32,347
charge to equity	366	325
Total deferred tax assets	38,810	32,672
Deferred tax liabilities		
charge to the income statement	(8,044)	(6,543)
charge to equity	(1,242)	(132)
Total deferred tax liabilities	(9,286)	(6,675)

As to 2005 comparative figures, it should be noted that €325 thousand previously recognised as Deferred Tax Assets charged to the Income statement were reclassified to Deferred Tax Assets charged to equity and €132 thousand previously recognised as Deferred Tax Liabilities charged to the Income statement were reclassified to Deferred Tax Liabilities charged to equity.

14.3 Year's movements in deferred tax assets (charge to the income statement)

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Opening balance	32,347	24,559
2. Increases		
2.1 Deferred tax assets arisen in the year		
a) relating to prior years	112	1,029
b) due to changes in the accounting policies	-	(951)
c) reversal of impairment	14,871	14,777
d) other	669	4
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	2,043
3. Decreases		
3.1 Deferred tax assets cancelled in the year		
a) reversals	(1,370)	(6,144)
b) write-off of non recoverable amounts	-	(1,288)
c) changes in the accounting policies	-	-
3.2 Reduced tax rates	(299)	-
3.3 Other decreases	(7,886)	(1,682)
4. Closing balance	38,444	32,347

14.4 Year's movements in deferred tax liabilities (charge to the income statement)

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Opening balance	(6,543)	(4,656)
2. Increases		
2.1 Deferred tax assets arisen in the year	-	-
a) relating to prior years	-	(3,629)
b) due to changes in the accounting policies	-	-
c) other	(1,481)	(684)
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	(818)	(302)
3. Decreases		
3.1 Deferred tax assets cancelled in the year		
a) reversals	-	1,179
b) due to changes in the accounting policies	-	1,114
c) other	794	274
3.2 Reduced tax rates	4	-
3.3 Other decreases	-	161
4. Closing balance	(8,044)	(6,543)

14.5 Year's movements in deferred tax assets (charge to equity):

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Opening balance	325	-
2. Increases	-	-
2.1 Deferred tax assets arisen in the year	-	-
a) relating to prior years	-	-
b) due to changes in the accounting policies	-	-
c) other	69	325
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	-	-
a) input exchange differences	-	-
b) calculated exchange differences	-	-
c) other	-	-
3. Decreases	-	-
3.1 Deferred tax assets cancelled in the year	-	-
a) reversals	-	-
b) write-off of non recoverable amounts	-	-
c) due to changes in the accounting policies	-	-
3.2 Reduced tax rates	(28)	-
3.3 Other decreases	-	-
a) input exchange differences	-	-
b) calculated exchange differences	-	-
c) other	(1)	-
4. Closing balance	366	325

14.6 Year's movements in deferred tax liabilities (charge to equity):

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Opening balance	(132)	(14)
2. Increases		
2.1 Deferred tax assets arisen in the year	-	-
a) relating to prior years	-	(8)
b) due to changes in the accounting policies	-	-
c) other	(70)	-
2.2 New taxes or increased tax rates	-	-
2.3 Other increases	(1,125)	(273)
3. Decreases		
3.1 Deferred tax liabilities cancelled in the year	-	-
a) reversals	81	-
b) due to changes in the accounting policies	-	163
c) other	-	-
3.2 Reduced tax rates	4	-
3.3 Other decreases	-	-
4. Closing balance	(1,242)	(132)

Section 15 - Non-current assets and disposal groups and associated liabilities - Caption 150 (assets) and Caption 90 (liabilities)

15.1 Analysis of non-current assets and disposal groups

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Individual assets		
A.1 Equity investments	-	-
A.2 Tangible assets	414	372
A.3 Intangible assets	-	-
A.4 Other non-current assets	-	-
Total A	414	372
B. Disposal groups		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Available-for-sale financial assets	-	-
B.4 Held-to-maturity investments	-	-
B.5 Loans to banks	-	-
B.6 Loans to customers	-	-
B.7 Equity investments	-	-
B.8 Tangible assets	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	-	-
C. Commissions associated with non-current assets held for sale		
C.1 Amounts due	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
D. Liabilities associated with disposal groups held for sale		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	-	-

Section 16 - Other assets - Caption 160

16.1 Analysis of other assets

€/'000	Dec. 31, 2006	Dec. 31, 2005
Commissions outstanding	58,578	42,660
Receivables from tax authorities	7,512	7,899
Receivables from financial advisors	8,936	6,932
Advances to suppliers and professionals	2,019	1,672
Security deposits	18,134	16,638
Receivables from companies within the Fininvest Group and the Doris Group	149	195
Receivables from subsidiaries and associates	6,660	3,543
Receivables from employees	164	207
Items in transit	92,114	81,836
Accrued income	47	229
Prepayments	2,456	5,438
Other	20,225	33,311
Total	216,994	200,560

LIABILITIES

Section 1 - Amounts due to banks - Caption 10

1.1 Analysis of amounts due to banks

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Central banks	560,172	511,080
2. Banks	-	-
2.1 Bank accounts and demand deposits	173,795	47,624
2.2 Time deposits	152,135	204,895
2.3 Loans	-	-
2.3.1 Finance leases	-	-
2.3.2 Other	-	159,706
2.4 Commitments to buy back own equity instruments	-	-
2.5 Liabilities in connection with assets sold but not derecognised	-	-
2.5.1 Repurchase agreements	-	-
2.5.2 Other	-	-
2.6 Other amounts due	-	84
Total	886,102	923,389
Fair value	886,102	923,389

Section 2 - Amounts due to customers - Caption 20

2.1 Analysis of amounts due to customers

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Bank accounts and demand deposits	4,017,785	3,769,342
2. Time deposits	-	-
3. Third party assets under administration	-	-
4. Loans	-	-
4.1 Finance leases	-	-
4.2 Other	-	-
5. Commitments to buy back own equity instruments	-	-
6. Liabilities in connection with assets sold but not derecognised	-	-
6.1 Repurchase agreements	575,113	270,627
6.2 Other	-	-
7. Other amounts due	69,883	66,284
Total	4,662,781	4,106,253
Fair value	4,662,781	4,106,253

As to 2005 comparative figures, it should be noted that €2,730 thousand previously recognised as Other Liabilities were reclassified to Amounts due to customers

Section 4 - Financial liabilities held for trading - Caption 40

4.1 Analysis of financial liabilities held for trading

€/'000	Dec. 31, 2006 NV	Dec. 31, 2006 FV L	Dec. 31, 2006 FV U	Dec. 31, 2006 FV*	Dec. 31, 2005 NV	Dec. 31, 2005 FV L	Dec. 31, 2005 FV U	Dec. 31, 2005 FV*
A. Non-derivatives	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	12	9	-	-
2. Due to customers	114,514	72,362	49,065	-	50,612	55,601	821	-
3. Debt securities	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-
3.1.1 structured notes	-	-	-	-	-	-	-	-
3.1.2 others	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-
3.2.1 structured notes	-	-	-	-	-	-	-	-
3.2.2 others	-	-	-	-	-	-	-	-
Total (A)	114,514	72,362	49,065	-	50,624	55,610	821	-
B. Derivatives								
1. Financial derivatives	-	-	-	-	-	-	-	-
1.1 held for trading	-	-	2,081	-	-	-	6,765	-
1.2 measured at fair value	-	-	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-	-	-
2.2 measured at fair value	-	-	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-	-	-
Total (B)	-	-	2,081	-	-	-	6,765	-
Total (A+B)	114,514	72,362	51,146	-	50,624	55,610	7,586	-

Legend
FV*= Fair value calculated excluding any changes in value due to changes in the credit standing of the issuer over the date of issue
NV = Nominal value or notional amount
L = Listed
U = Unlisted

4.4 Analysis of financial liabilities held for trading: derivatives

€/'000	Interest rate	Currencies and gold	Equities	Loans	Other	Dec. 31, 2006	Dec. 31, 2005
A) Listed derivatives							
1. Financial derivatives:							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
Without exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:						-	
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total A -	-	-	-	-	-	-	
B) Unlisted derivatives							
1. Financial derivatives:							
With exchange of principal							
- Options issued	-	-	-	-	-	-	-
- Other derivatives	-	798	-	-	-	798	3,336
Without exchange of principal							
- Options issued	-	-	735	-	-	735	524
- Other derivatives	548	-				548	2,905
2. Credit derivatives:							
With exchange of principal	-	-	-	-	-	-	-
Without exchange of principal	-	-	-	-	-	-	-
Total B	548	798	735	-	-	2,081	6,765
Total (A+B)	548	798	735	-	-	2,081	6,765

Section 5 - Financial liabilities at fair value through profit or loss - Caption 50

5.1 Analysis of financial liabilities at fair value through profit or loss

€/'000	Dec. 31, 2006				Dec. 31, 2005			
	NV	FV L	FV U	FV*	NV	FV L	FV U	FV*
1. Due to banks								
1.1 structured	-	-	-			-	-	-
1.2 other	-	-	-			-	-	-
2. Due to customers								
2.1 structured	-	-	-			-	-	-
2.2 other	-	-	-			-	-	-
3. Securities issued								
3.1 structured	-	-	-		-	-	-	-
3.2 other	1,153	-	1,153		-	-	-	-
Total	1,153	-	1,153		-	-	-	-

5.3 Year's movements in financial liabilities at fair value through profit or loss other than those sold and not derecognised and other than impaired assets

€/'000	Due to banks	Due to customers	Securities issued	Total
A. Opening balance	-	-	-	-
B. Increases				
B1. Issues	-	-	1,121	1,121
B2 . Disposals	-	-	-	-
B3. Increases in fair value	-	-	32	32
B4. Other increases	-	-	-	-
C. Decreases				
C1. Additions	-	-	-	-
C2. Redemptions	-	-	-	-
C3. Decreases in fair value	-	-	-	-
C4. Other decreases	-	-	-	-
D. Closing balance	-	-	1,153	1,153

Section 10 - Other liabilities - Caption 100

10.1 Analysis of other liabilities

€/'000	Dec. 31, 2006	Dec. 31, 2005
Payables to suppliers	78,982	56,613
Mediolanum Group associates	41,694	4,615
Payables to tax authorities	6,960	6,012
Payables to companies of the Fininvest Group and Doris Group	2,204	1,981
Agents' severance benefits	3,109	2,637
Security deposits	3,844	4,559
Provision for staff costs (vacation pay, additional months, etc.)	3,883	3,587
Items in transit	78,146	74,330
Defferred income	2,186	1,060
Other sundry liabilities	87,055	65,870
Total	308,063	221,264

As to 2005 comparative figures, it should be noted that €2,730 thousand previously recognised as Other Liabilities were reclassified to Amounts due to customers.

Section 11 - Employee completion-of-service entitlements - Caption 110

11.1 Year's movements in employee completion-of-service entitlements

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Opening balance	10,036	8,708
B. Increases		
B.1 Amounts set aside in the year	3,272	2,995
B.2 Other increases	44	108
C. Decreases		
C.1 Funds used in the year	(849)	(683)
C.2 Other decreases	(1,065)	(1,092)
D. Closing balance	11,438	10,036

Section 12 - Provisions for risks and charges - Caption 120

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Severance entitlements	1,695	1,754
2. Other provisions for risks and charges	65,116	54,906
Total	66,811	56,660

12.2 Year's movements in provisions for risks and charges

€/'000	Severance entitlements	Other	Total
A. Opening balance	1,754	54,906	56,660
B. Increases			
B.1 Amounts set aside in the year	26	16,557	16,583
B.2 Time-related increases	-	-	-
B.3 Increased discount rate	-	-	-
B.4 Other increases	106	-	106
C. Decreases			
C.1 Funds used in the year	(191)	(3,938)	(4,129)
C.2 Decreased discount rate	-		-
C.3 Other decreases	-	(2,409)	(2,409)
D. Closing balance	1,695	65,116	66,811

12.4 Provisions for risks and charges - "other"

The analysis of provisions for risks and charges "other" is set out in the table below.

€/'000	Balance at Dec. 31, 2005	Amount set aside in the year	Other changes	Funds used	Balance at Dec. 31, 2006
Personnel	-	900	-	-	900
Benefits to Top Managers	13,843	4,852	-	(38)	18,657
Risks related to FA illegal actions	14,693	1,681	-	-	16,374
FA customer base entitlements	7,705	3,584	-	(300)	10,989
FA portfolio entitlements	6,857	4,261	(12)	(2,786)	8,320
Product distribution	7,316	-	(237)	(727)	6,352
Staff loyalty rewards	504	60	-	-	564
Other	3,988	1,218	(2,159)	(87)	2,960
Total	54,906	16,556	(2,408)	(3,938)	65,116

Section 15 - Shareholders' equity attributable to the Group - captions 140,160,170,180,190,200 and 220

Reconciliation of the parent company's shareholders' equity to consolidated shareholders' equity

€/'000	Capital and reserves	Net profit	Shareholders' Equity
FY 2006 - Parent company accounts	418,780	69,628	488,408
Successive changes in carrying amount and equity of companies consolidated on a line-by-line basis	(54,637)	89,730	35,093
Differences on investments accounted for by the equity method	95,105	(95,105)	-
Elimination of intercompany transactions effects	78	-	78
Amortisation of greater value attributed to property on the date of acquisition of investments consolidated on a line-by-line basis	(417)	(143)	(560)
Other	(55)	(188)	(243)
FY 2006 - Consolidated accounts	458,854	63,922	522,776

15.1 Analysis of shareholders' equity attributable to the Group

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Share capital	371,000	341,000
2. Share premium account	-	-
3. Reserves	86,599	59,592
4. (Treasury shares)		
a) parent company	-	-
b) subsidiaries	-	-
5. Valuation reserves	1,255	(477)
6. Equity instruments	-	-
7. Group's profit (loss) for the year	63,922	66,264
Total	522,776	466,379

15.2 Analysis of "Share Capital" and "Treasury Shares":

	Share Capital		Treasury Shares	
€/'000	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Ordinary shares	371,000	341,000	-	-
Other shares	-	-	-	-
Total	371,000	341,000	-	-

15.3 Year's movements in share capital - number of shares

€/'000	Ordinary shares	Other shares
A. Opening balance	341,000	-
- fully paid up	341,000	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares outstanding: opening balances	341,000	-
B. Increases		
B.1 New issues		
- for a consideration		
- business combinations	-	-
- conversion of bonds	-	-
- warrant exercised	-	-
- other	30,000	-
- bonus issues:		
- employees	-	-
- directors	-	-
- others	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases		
C.1 Cancellations	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of businesses	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	371,000	-
D.1 Treasury shares (+)	-	-
D.2 Shares at year end	371,000	-
- fully paid up	371,000	-
- not fully paid up	-	-

15.6 Analysis of valuation reserves

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Available-for-sale financial assets	1,255	(477)
2. Tangible assets	-	-
3 Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
9. Other	-	-
Total	1,255	(477)

15.7 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible assets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non current assets held for sale	Special revaluation statutes
A. Opening balance	(477)	-	-	-	-	-	-	-
B. Increases	3,056	-	-	-	-	-	-	-
B1. Increases in fair value	3,046	-	-	-	-	-	-	-
B2. Other	10	-	-	-	-	-	-	-
C. Decreases	(1,324)	-	-	-	-	-	-	-
C1. Decreases in fair value	(41)	-	-	-	-	-	-	-
C2. Other	(1,283)	-	-	-	-	-	-	-
D. Closing balance	1,255	-	-	-	-	-	-	-

15.8 Analysis of revaluation reserves relating to available-for-sale financial assets

	Dec. 31, 2006		Dec. 31, 2005	
€/'000	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	(701)	-	(585)
2. Equities	77	(1)	108	-
3. Holdings in UCITS	1,905	(25)	-	-
4. Loans	-	-	-	-
Total	1,982	(727)	108	(585)

15.9 Year's movements in revaluation reserves relating to available-for-sale financial assets

€/'000	Debt securities	Equities	Holdings in UCITS	Loans
1 Opening balance	(580)	103	-	-
2. Increases	-	-	3,046	-
2.1 Increases in fair value	-	-	3,046	-
2.2 Reversal of negative reserves through profit or loss	-	-	-	-
- impairment	-	-	-	-
- disposals	-	-	-	-
2.3 Other	10	1	-	-
3. Decreases	-	-	(1,166)	-
3.1 Decreases in fair value	-	(1)	(40)	-
3.2 Reversal of positive reserves through profit or loss (disposals)	-	-	-	-
3.3 Other	(131)	(27)	(1,126)	-
4. Closing balance	(701)	76	1.880	-

Section 16 - Minority interests - Caption 210

16.1 Analysis of shareholders' equity attributable to minority interests

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Share capital	2,677	2,681
2. Share premium account	-	-
3. Reserves	(46,218)	(61,559)
4. (Treasury shares)	-	-
5. Valuation reserves	55	-
6. Equity instruments	-	-
7. Profit (loss) for the year attributable to minority interests	81,922	107,557
Total	38,436	48,679

16.2 Analysis of valuation reserves

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Avaialble-for-sale financial assets	55	-
2. Tangible assets	-	-
3. Intangible assets	-	-
4. Hedges of investments in foreign operations	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets held for sale	-	-
8. Special revaluation statutes	-	-
Total	55	-

16.4 Analysis of revaluation reserves relating to available-for-sale financial assets

€/'000	Positive reserve	Negative reserve
1. Debt securities	-	-
2. Equities	-	-
3. Holdings in UCITS	55	-
4. Loans	-	-
Total	55	-

16.5 Year's movements in valuation reserves

€/'000	Available-for-sale financial assets	Tangible assets	Intangible iassets	Hedges of investments in foreign operations	Cash flow hedges	Exchange differences	Non current assets held for sale	Special revaluation statutes
A. Opening balance	-	-	-	-	-	-	-	-
B. Increases	55	-	-	-	-	-	-	-
B1. Increases in fair value	55	-	-	-	-	-	-	-
B2. Other increases	-	-	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-	-	-
C1. Decreases in fair value	-	-	-	-	-	-	-	-
C2. Other decreases	-	-	-	-	-	-	-	-
D. Closing balance	55	-	-	-	-	-	-	-

OTHER INFORMATION

1. Guarantees issued and commitments

€/'000	Dec. 31, 2006	Dec. 31, 2005
1) Financial guarantees		
a) Banks	4,500	14,650
b) Customers	31,225	21,534
2) Commercial guarantees		
a) Banks	5,673	19
b) Customers	6,331	7,772
3) Commitments to disburse funds		
a) Banks		
i) with certain drawdown	14,274	75,034
ii) with possible drawdown	76,882	47,634
b) Customers		
i) with certain drawdown	736	10,410
ii) with possible drawdown	52,168	41,715
4) Commitments under credit derivatives: protection sales	-	-
5) Assets pledged to secure third-party obligations	-	-
6) Other commitments	201,224	368,763
Total	393,013	587,531

2. Assets pledged to secure own liabilities and commitments

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Financial assets held for trading	831,048	576,609
2. Financial assets at fair value	-	-
3. Available-for-sale financial assets	-	-
4. Held-to-maturity investments	199,796	340,439
5. Loans to banks	-	-
6. Loans to customers	-	-
7. Tangible assets	-	-
Total	1,030,844	917,048

5. Brokerage and asset management on behalf of customers

€/'000	Dec. 31, 2006
1. Securities brokerage	
a) Purchases	
1. settled	-
2. not settled	52,239
b) Sales	
1. settled	-
2. not settled	52,234
2. Asset management	
a) individual portfolio management	1,501,486
b) collective portfolio management	819,985
3. Securities in custody and under administration	
a) custodian bank services	1,116
(other than managed assets)	
1. securities issued by the reporting entity	-
2. other securities	1,116
b) custodian bank services	
(other than managed assets)	
1. securities issued by the reporting entity	-
2. other securities	3,540,551
c) third-party securities held by other custodians	3,305,500
d) own securities held by other custodians	2,536,202
4. Other services	-

PART C - INFORMATION ON THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Analysis of interest income and similar income

€/'000	Performing financial assets Debt securities	Performing financial assets Loans	Impaired financial assets	Other assets	Dec. 31, 2006	Dec. 31, 2005
1. Financial assets held for trading	43,832	-	-	-	43,832	32,387
2. Financial assets at fair value	1,128	-	-	7	1,135	1,437
3. Available-for sale financial assets	153	-	-	-	153	123
4. Held-to-maturity investments	14,634	-	-	-	14,634	12,297
5. Loans to banks	-	54,627	-	5,667	60,294	50,357
6. Loans to customers	-	35,059	-	7,789	42,848	29,548
7. Derivative hedging instruments	-	-	-	-	-	-
8. Financial assets sold but not derecognised	15,483	-	-	-	15,483	8,772
9. Other assets	-	-	-	196	196	608
Total	75,230	89,686	-	13,659	178,575	135,529

Interest on short positions in securities (€1,757 thousand), that in the prior year had been recognised under "*interest income and similar income*", was reclassified to "*interest expense and similar charges*". This is reflected in the 2005 comparative balance which differs by that same amount from the balance reported in the prior year's accounts

1.3 Interest income and similar income: other information

€/'000	Dec. 31, 2006	Dec. 31, 2005
Interest income and similar income on:		
a) financial assets denominated in foreign currencies	6,626	11,178
b) finance leases	74	-
c) third party assets under administration	-	-

1.4 Analysis of interest expense and similar charges

€/'000	Amounts due	Securities	Other liabilities	Dec. 31, 2006	Dec. 31, 2005
1. Due to banks	13,967	-	-	13,967	10,034
2. Due to customers	46,796	-	-	46,796	37,055
3. Securities issued	-	-	-	-	-
4. Financial liabilities held for trading	-	3,205	-	3,205	1,757
5. Financial liabilities at fair value	-	-	-	-	-
6. Financial liabilities in connection with assets sold but not derecognised	-	30,465	-	30,465	21,047
7. Other liabilities	-	-	214	214	245
8. Derivative hedging instruments	-	-	-	-	-
Total	60,763	33,670	214	94,647	70,138

1.6 Interest expense and similar charges: other information

€/'000	Dec. 31, 2006	Dec. 31, 2005
Interest expense and similar charges on:		
a) financial liabilities denominated in foreign currencies	16,595	13,685
b) finance leases	-	-
c) third party assets under administration	-	549

Section 2 - Commissions - Captions 40 and 50

2.1 Analysis of commission income

€/'000	Dec. 31, 2006	Dec. 31, 2005
a) Guarantees issued	319	230
b) Credit derivatives	96	99
c) Management, brokerage and consulting services:	714,208	670,565
1. Brokerage of financial instruments	12,150	12,092
2. Currency brokerage	3	53
3. Asset management	440,357	438,842
3.1 individual portfolio management	16,014	18,576
3.2 collective portfolio management	424,343	420,266
4. Securities in custody and under administration	5,848	9,954
5. Custodian bank	852	857
6. Sale of securities	399	979
7. Order taking	7,446	7,025
8. Consultancy	-	-
9. Services to third parties	247,153	200,763
9.1 Asset management	504	3.922
9.1.1 individual portfolio management	83	-
9.1.2 collective portfolio management	421	3,922
9.2 Insurance products	239,145	196,388
9.3 Other products	7,504	453
d) Payments and collections	27,556	25,106
e) Servicing for securitisation transactions	-	-
f) Factoring services	-	-
g) Tax collection services	-	-
h) Other services	14,707	21,952
Total	756,886	717,952

For a more accurate indication of year-end balances, 2005 comparative figures relating to the items recognised under Commission income underwent reclassification.

2.2 Commission income: distribution channels of products and services

€/'000	Dec. 31, 2006	Dec. 31, 2005
a) Through the company's own branches:		
1. Asset management	-	-
2. Sale of securities	-	-
3. Services and products of third parties	-	-
b) Off-premises sales:		
1. Asset management	412,453	415,062
2. Sale of securities	-	645
3. Services and products of third parties	16,042	14,876
c) Other distribution channels:		
1. Asset management	27,904	6,454
2. Sale of securities	399	334
3. Services and products of third parties	231,111	203,213

2.3 Analysis of commission expense

€/'000	Dec. 31, 2006	Dec. 31, 2005
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services	344,605	275,393
1. Brokerage of financial instruments	6,089	2,861
2. Currency brokerage	-	224
3. Asset management:	120,573	76,664
3.1 own portfolio	112,237	65,428
3.2 third-party portfolios	8,336	11,236
4. Securities in custody and under administration	965	947
5. Sale of financial instruments	-	360
6. Off-premises sales of financial instruments, products and services	216,978	194,337
d) Payments and collections	24,846	21,911
e) Other services	29,296	13,124
Total	398,747	310,428

The 2005 comparative balance show a €2,542 thousand decline over the balance reported in the past year. This is due to the reclassification of 2005 expenses which had been previously recognised under item 150 "*Other administrative expenses*" (+€75 thousand) and item 160 "*Provisions for risks and charges*" (-€2,467 thousand).

Section 3 - Dividends and similar income - Caption 70

3.1 Analysis of dividends and similar income

€/'000	Dec. 31, 2006 Dividends	Dec. 31, 2006 Income from holdings in UCITS	Dec. 31, 2005 Dividends	Dec. 31, 2005 Income from holdings in UCITS
A. Financial assets held for trading	-	-	-	83
B. Available-for sale financial assets	200	-	142	-
C. Financial assets at fair value	-	-	-	-
D. Equity investments	-	-	34	-
Total	200	-	176	83

Section 4 - Net income from trading - Caption 80

4.1 Analysis of net income from trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income (A+B)-(C+D)
1. Financial assets held for trading					
1.1 Debt securities	627	30,659	(3,624)	(27,629)	33
1.2 Equities	37	620	-	(147)	510
1.3 Holdings in UCITS	-	90	(42)	-	48
1.4 Loans	-	-	-	-	-
1.5 Other	-	252	-	(353)	(101)
2. Financial liabilities held for trading					
2.1 Debt securities	1,037	4,244	(205)	(2,270)	2,806
2.2 Amounts due	-	-	(1)	-	(1)
3. Other financial assets and financial liabilities: exchange differences	203	-	-	-	203
4. Derivatives					
4.1 Financial derivatives					
- debt securities and interest rates	1,632	65,009	(236)	(65,346)	1,059
- equities and stock indices	-	-	-	-	-
- currencies and gold	-	-	-	-	-
- other	2,450	5,841	(799)	(2,759)	4,733
4.2 Credit derivatives	-	-	-	-	-
Total	5,986	106,715	(4,907)	(98,504)	9,290

Section 6 - Gains (losses) on sale / buyback - caption 100

6.1 Analysis of gains (losses) on sale /buyback

	Dec. 31, 2006			Dec. 31, 2005		
€/'000	Gains	Losses	Net income	Gains	Losses	Net income
Financial assets						
1. Loans to banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	-
3.1 debt securities	218	(773)	(555)	31	-	31
3.2 equities	664	(115)	549	1,165	(248)	917
3.3 holdings in UCITS	-	-	-	-	-	-
3.4 loans	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	882	(888)	(6)	1,196	(248)	948
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-

Section 8 - Net impairment - Caption 130

8.1 Analysis of net impairment of loans

	Impairment (1)			Reversal of impairment (2)					
	Individual			Individual		Collective			
				A	B	A	B	Dec. 31, 2006	Dec. 31, 20045
€/'000	Cancellations	Others	Collective	(Interest)	(Others)	(Interest)	(Others)	(3) = (1) - (2)	(3) = (1) - (2)
A. Loans to banks	-	-	-	-	-	-	-	-	-
B. Loans to customers	(336)	(5,005)	(3,628)	-	3,894	-	1,737	(3,338)	(3,614)
C. Total	(336)	(5,005)	(3,628)	-	3,894	-	1,737	(3,338)	(3,614)

8.2 Analysis of net impairment of available for sale financial assets

	Impairment (1)		Reversal of impairment (2)			
	Individual		Individual		Dec. 31, 2006	Dec. 31, 2005
€/'000	Cancellations	Others	Interest	Others	(3) = (1) - (2)	(3) = (1) - (2)
A. Debt securities	-	-	-	-	-	(3)
B. Equities	-	-	-	-	-	(36)
C. Holdings in UCITS	-	-	-	-	-	-
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	-	-	-	-	(39)

8.4 Analysis of net impairment of other financial items

	Impairment			Reversal of impairment					
	Individual			Individual		Collective			
€/'000	Cancellations	Others	Collective	Interest	Others	Interest	Others	Dec. 31, 2006	Dec. 31, 2005
A. Guarantees issued	-	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Others	-	-	-	-	-	-	-	-	65
E. Total	-	-	-	-	-	-	-	-	65

Section 11 - Administrative expenses - Caption 150

9.1 Analysis of staff costs

€/'000	Dec. 31, 2006	Dec. 31, 2005
1) Employees		
a) Wages and salaries	61,140	56,213
b) Social security contribution	16,332	15,022
c) Employee completion-of-service entitlements	-	535
d) Social security contributions	189	517
e) Provision for completion-of service entitlements	3,349	2,885
f) Provision for severance entitlements and similar obligations:		
- defined contribution plan	227	280
- defined benefit plan	-	-
g) External supplementary pension funds:		
- defined contribution plan	-	-
- defined benefit plan	187	102
h) Expenses in connection with equity-settled share-based payment transactions	-	-
i) Other employee benefits	2,587	2,242
2) Other personnel	3,845	5,630
3) Directors	3,695	3,193
Total	91,864	84,834

11.2 Average number of personnel by category

Category	Dec. 31, 2006	Dec. 31, 2005
Employees		
a) Senior management	93	83
b) Middle management	196	194
c) Other employees	1,106	1,007
Total employees	1,395	1,284
Other personnel	120	140
Total	1,515	1,424

11.5 Analysis of other administrative expenses

€/'000	Dec. 31, 2006	Dec. 31, 2005
IT services	34,021	27,100
Infoprovider services	4,912	3,787
Other miscellaneous services	9,756	7,860
Taxes and duties	872	756
Television and Internet communication services	11,804	11,953
Consultancy and network advisory services	10,442	7,994
Rentals	9,905	8,736
Maintenance and repairs	1,459	1,320
Postal and telephone	8,337	7,667
Miscellaneous advisory services	9,606	7,766
Key personnel seconded from subsidiaries	39	58
Consumables	3,550	3,072
Insurance	2,895	2,751
Directors and Statutory Auditors compensation	398	380
Membership fees	725	519
Advertising and promotions	19,647	20,988
Conventions	4,474	5,940
Training of financial advisors	7,681	6,131
Canteen	2,012	1,809
Business expenses, gifts and donations	998	1,067
Market research	1,662	1,155
Recruitment/Training of personnel	866	995
Travel expenses	1,909	1,900
Recruitment and training of financial advisors	75	211
Other administrative expenses	6,774	6,241
Total	154,819	138,156

The 2005 comparative balance of the account "*Consultancy, education and training of the sales force*" shows a €75 thousand increase due to the reclassification of expenses previously recognised under item 50 "*commission expense*".

Section 12 - Provisions for risks and charges- Caption 190

12.1 Analysis of provisions for risks and charges

€/'000	Dec. 31, 2006	Dec. 31, 2005
Provision for risks and charges - other	-	-
Personnel	900	-
Benefits to Top Managers	4,852	13,843
Risks related to FA illegal actions	1,681	7,248
FA customer base entitlements	3,584	2,050
FA portfolio entitlements	4,261	2,345
Staff loyalty rewards	61	77
Other	1,228	1,940
Total	15,667	27,503

The 2005 comparative balance "provisions for risks and charges" shows a €2,467 decline following the reclassification of utilised provisions to item 50 "commission expense".

Section 13 - Depreciation and net impairment - Caption 200

13.1 Depreciation and net impairment

€/'000	Depreciation (A)	Impairment (B)	Reversal of impairment (C)	Depreciation and net impairment (A+B-C)
A. Tangible assets				
A.1 Owned				
- held for use	(6,632)	-	-	(6,632)
- held for investment purposes	-	-	-	-
A.2 Under finance leases				
- held for use	-	-	-	-
- held for investment purposes	-	-	-	-
Total	(6,632)	-	-	(6,632)

Section 14 - Amortisation and net impairment - Caption 210

14.1 Amortisation and net impairment

€/'000	Amortisation (A)	Impairment (B)	Reversal of impairment (C)	Amortisation and net impairment (A+B-C)
A. Intangible assets				
A.1 Owned				
- internally generated	-	-	-	
- others	(11,603)	(60)	-	(11,603)
A.2 Under finance leases	-	-	-	-
Total	(11,603)	(60)	-	(11,603)

Section 15 - Other operating income - Caption 220

15.1 / 15.2 Analysis of other operating expenses and income

€/'000	Dec. 31, 2006	Dec. 31, 2005
Assets under finance lease		
Lease installments	-	-
Losses on sale	-	10
Insurance	-	183
Transfer of title	-	-
Other		
Compensations and Settlements	1,163	461
Loan losses	270	222
Amortisation of expenses for improvements of leasehold assets	251	146
Other expenses	1,215	1,487
Total other operating expenses	2,899	2,509
Recoveries of Indirect taxes	23	180
Cost recoveries relating to seconded personnel	-	1
Recoveries of expenses on contracts and services rendered	10,549	8,605
Miscellaneous income	3,597	5,921
Rentals on owned property	334	150
Recoveries of expenses from customers	1,655	900
Recoveries of expenses from financial advisors	287	462
Other	1,321	4,409
Total other operating income	14,169	14,707
Total other operating expenses and income	11,270	12,198

Section 16 - Profit (Loss) on equity investments - Caption 240

16.1 Analysis of profit (loss) on equity investments

€/'000	Dec. 31, 2006	Dec. 31, 2005
1) Joint-ventures		
A. Gains		
- Revaluations	-	-
- Gains on sale	-	-
- Reversal of impairment	-	-
- Other	-	-
B. Losses		
- Decrease in value	-	(14,780)
- Impairment	-	-
- Losses on sale	-	-
- Other	-	-
Profit (loss)	-	(14,780)
2) Companies under significant influence		
A. Gains		
- Revaluations	-	-
- Gains on sale	-	-
- Reversal of impairment	-	-
- Other	-	-
B. Losses		
- Decrease in value	-	-
- Impairment	-	-
- Losses on sale	-	-
- Other	-	-
Profit (loss)	-	-
Total	-	(14,780)

Section 19 - Profit (Loss) on disposal of investments - Caption 270

19.1 Analysis of profit (loss) on disposal of investments

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Property		
- Gains on sale	-	-
- Losses on sale	-	-
B. Other assets		
- Gains on sale	-	340
- Losses on sale	-	-
Net profit (loss)	-	340

Section 20 - Income tax expense on continuing operations - Caption 270

20.1 Analysis of income tax expense on continuing operations

€/'000	Dec. 31, 2006	Dec. 31, 2005
1. Current tax (-)	(36,819)	(36,473)
2. Change in current tax for prior years (+/-)	87	29
3. Change in current tax for the year (+)	-	-
4. Change in deferred tax assets (+/-)	6,098	6,853
5. Change in deferred tax liabilities (+/-)	(1,502)	2,083
6. Income tax expense for the year (-) (-1+/-2+3+/-4+/-5)	(32,136)	(27,508)

PART D - SEGMENT REPORTING

This section presents consolidated financial data reported by segment.
Segment reporting entailed the reclassification of certain income and expense items with respect to the Consolidated Income Statement included in the Consolidated Accounts at December 31, 2006.
In compliance with IAS 14, segment reporting reflects the management reporting system of the Banca Mediolanum Group, and is consistent with the information disclosed to the market and to the various stakeholders. In certain instances that exercise entailed item reclassifications.
For the purpose of segment reporting of balance sheet information the various companies were allocated to their respective business segment. That entailed, on the one hand, the elimination of inter-company balances within the same segment and, on the other hand, the inclusion of inter-segment transaction balances.
Consolidated financial results are reported by business segment (primary format), i.e. Banking and Asset Management, and then by geographic segment (secondary segment) by reference to the Group markets, i.e. Domestic and Foreign markets.

BALANCE SHEET AS AT DECEMBER 31, 2006

Financial information by Geographical Segment Banca Mediolanum S.p.A.

	ITALY			ABROAD		
€/'000	2006	2005	delta	2006	2005	delta
ASSETS						
Intangible assets	(11,641)	(15,249)	3,608	(184,778)	(160,451)	(24,327)
Property	(19,357)	(19,621)	264	(18,061)	(18,423)	362
Securities and derivatives	(2,403,144)	(1,595,889)	(807,255)	(38,425)	(47,938)	9,513
Financial assets - Banks	(2,093,901)	(2,709,346)	615,445	(238,120)	(153,578)	(84,542)
Financial assets - Customers	(1,135,894)	(797,948)	(337,946)	(190,127)	(193,348)	3,221
Other assets	(303,682)	(227,085)	(76,597)	(263,169)	(207,896)	(55,273)
TOTAL ASSETS	(5,967,619)	(5,365,138)	(602,481)	(932,680)	(781,634)	(151,046)
LIABILITIES AND EQUITY						
Financial liabilities - Banks	1,130,696	1,132,656	(1,960)	1,503	10,789	(9,286)
Financial liabilities - Customers	4,131,748	3,655,295	476,453	537,566	452,529	85,037
Other financial liabilities	121,624	61,840	59,784	3,037	1,356	1,681
Provisions for risks and charges	62,156	50,918	11,238	4,655	5,742	(1,087)
Other liabilities	301,806	222,609	79,197	44,296	37,980	6,316
Minority interests	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-
Net profit (loss) for the year	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	5,748,030	5,123,318	624,712	591,057	508,396	82,661

Consolidation adjustments			GRANDTOTAL		
2006	2005	delta	2006	2005	delta
-	-	-	(196,419)	(175,700)	(20,719)
-	-	-	(37,418)	(38,044)	626
-	-	-	(2,441,569)	(1,643,827)	(797,742)
198,370	124,306	74,064	(2,133,651)	(2,738,618)	604,967
1,661	11,082	(9,421)	(1,324,360)	(980,214)	(344,146)
52,860	89,073	(36,213)	(513,991)	(345,908)	(168,083)
252,891	224,461	28,430	(6,647,408)	(5,922,311)	(725,097)
(246,072)	(220,056)	(26,016)	886,127	923,389	(37,262)
(6,533)	(4,301)	(2,232)	4,662,781	4,103,523	559,258
-	-	-	124,661	63,196	61,465
-	-	-	66,811	56,660	10,151
(286)	(104)	(182)	345,816	260,485	85,331
-	-	-	38,436	48,679	(10,243)
-	-	-	458,854	400,115	58,739
-	-	-	63,922	66,263	(2,342)
(252,891)	(224,461)	(28,430)	6,647,408	5,922,311	725,097

INCOME STATEMENT AS AT DECEMBER 31, 2006

Financial information by Geographical Segment Banca Mediolanum S.p.A. - Consolidated accounts

	ITALY			ABROAD		
€/'000	2006	2005	delta	2006	2005	delta
Net premiums written	-	-	-	-	-	-
Entry fees	48,779	37,695	11,084	8,535	5,991	2,544
Management fees	260,134	219,307	40,827	18,647	17,785	862
Performance fees	80,465	146,106	(65,641)	2,663	6,469	(3,806)
Fees and other income from banking services	41,053	40,439	614	33,890	32,345	1,545
Other fees	248,462	201,695	46,767	14,782	10,681	4,101
Total commission income	678,893	645,242	33,651	78,517	73,271	5,246
Interest income and similar income	165,867	122,724	43,143	20,648	16,605	4,043
Interest expense and similar charges	(92,641)	(65,696)	(26,945)	(9,942)	(8,242)	(1,700)
Income / Loss on investments at fair value	9,080	3,515	5,565	210	(25)	235
Net financial income	82,306	60,543	21,763	10,916	8,338	2,578
Income from other investments	304	312	(8)	106	2,865	2,759
Other revenues	12,124	13,436	(1,312)	1,976	1,641	(335)
TOTAL REVENUES	773,627	719,533	54,094	91,515	86,115	5,400
Claims paid and change in technical reserves	-	-	-	-	-	-
Commission expense and acquisition costs	(352,416)	(270,950)	(81,466)	(46,851)	(40,834)	(6,017)
Net impairment	(2,356)	(3,866)	1,510	(1,042)	(14,571)	13,529
General and administrative expenses	(207,795)	(184,878)	(22,917)	(41,900)	(42,706)	806
Depreciation and amortisation	(15,699)	(16,421)	722	(2,536)	(3,310)	774
Provisions for risks and charges	(15,089)	(26,045)	10,956	(1,478)	(738)	(740)
PROFIT BEFORE TAX	180,273	217,373	(37,100)	(2,292)	(16,044)	13,752
Income tax	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
NET PROFIT / LOSS	180,273	217,373	(37,100)	(2,292)	(16,044)	13,752

Consolidation adjustments			GRANDTOTAL		
2006	2005	delta	2006	2005	delta
-	-	-	-	-	-
-	-	-	57,314	43,686	13,628
-	-	-	278,781	237,092	41,689
-	-	-	83,128	152,575	(69,447)
(6)	(3)	(3)	74,937	72,781	2,156
(518)	(558)	40	262,726	211,818	50,908
(524)	(561)	37	756,886	717,952	38,934
(7,940)	(5,557)	(2,383)	178,575	133,772	44,803
7,936	5,557	2,379	(94,647)	(68,381)	(26,266)
-	(1)	1	9,290	3,489	5,801
(4)	(1)	(3)	93,218	68,880	24,338
-	(14,780)	14,780	410	(11,603)	12,013
(103)	(201)	98	13,997	14,876	(879)
(631)	(15,543)	14,912	864,511	790,105	74,406
-	-	-	-	-	-
520	562	(42)	(398,747)	(311,222)	(87,525)
-	14,780	(14,780)	(3,398)	(3,657)	259
111	200	(89)	(249,584)	(227,384)	(22,200)
-	-	-	(18,235)	(19,731)	1,496
-	-	-	(16,567)	(26,783)	10,216
-	(1)	1	177,981	201,328	(23,347)
-	-	-	(32,137)	(27,508)	(4,629)
-	-	-	(81,922)	(107,557)	25,635
-	(1)	1	63,922	66,263	(2,341)

BALANCE SHEET AS AT DECEMBER 31, 2006

Financial information by Business Segment Banca Mediolanum S.p.A. - Consolidated accounts

	BANKING			ASSET MANAGEMENT		
€/'000	2006	2005	delta	2006	2005	delta
ASSETS						
Intangible assets	(164,122)	(142,953)	(21,169)	(32,297)	(32,747)	450
Property	(29,597)	(30,064)	467	(7,821)	(7,980)	159
Securities and derivatives	(2,427,756)	(1,635,723)	(792,033)	(13,813)	(8,104)	(5,709)
Financial assets - Banks	(2,084,186)	(2,696,514)	612,328	(69,285)	(58,505)	(10,780)
Financial assets - Customers	(1,278,612)	(912,196)	(366,416)	(47,306)	(79,100)	31,794
Other assets	(512,352)	(334,588)	(177,764)	(4,908)	(14,398)	9,490
TOTAL ASSETS	(6,496,625)	(5,752,038)	(744,587)	(175,430)	(200,834)	25,404
LIABILITIES AND EQUITY						
Financial liabilities - Banks	886,102	923,373	(37,271)	791	10,705	(9,914)
Financial liabilities - Customers	4,682,301	4,119,717	562,584	469	509	(40)
Other financial liabilities	124,661	63,196	61,465	-	-	-
Provisions for risks and charges	65,765	53,818	11,947	1,046	2,842	(1,796)
Other liabilities	311,043	227,422	83,621	38,665	36,232	2,433
Minority interests	-	-	-	-	-	-
Shareholders' equity	-	-	-	-	-	-
Net profit (loss) for the year	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY	6,069,872	5,387,526	682,346	40,971	50,288	(9,317)

Consolidation adjustments			GRANDTOTAL		
2006	2005	delta	2006	2005	delta
-	-	-	(196,419)	(175,700)	(20,719)
-	-	-	(37,418)	(38,044)	626
-	-	-	(2,441,569)	(1,643,827)	(797,742)
19,820	16,401	3,419	(2,133,651)	(2,738,618)	604,967
962	11,082	(10,120)	(1,324,956)	(980,214)	(344,742)
3,865	3,078	787	(513,395)	(345,908)	(167,487)
24,647	30,561	(5,914)	(6,647,408)	(5,922,311)	(725,097)
(791)	(10,689)	9,898	886,102	923,389	(37,287)
(19,989)	(16,703)	(3,286)	4,662,781	4,103,523	559,258
-	-	-	124,661	63,196	61,465
-	-	-	66,811	56,660	10,151
(3,867)	(3,169)	(698)	345,841	260,485	85,356
-	-	-	38,436	48,679	(10,243)
-	-	-	458,854	400,115	58,739
-	-	-	63,922	66,264	(2,342)
(24,647)	(30,561)	5,914	6,647,408	5,922,311	725,097

INCOME STATEMENT AS AT DECEMBER 31, 2006

Financial information by Business Segment Banca Mediolanum S.p.A. - Consolidated accounts

	BANKING			ASSET MANAGEMENT		
€/'000	2006	2005	delta	2006	2005	delta
Net premiums written	-	-	-	-	-	-
Entry fees	-	-	-	57,314	43,686	13,628
Management fees	-	-	-	278,781	237,093	41,688
Performance fees	-	-	-	83,128	152,575	(69,447)
Fees and other income from banking services	73,053	71,487	1,566	1,890	1,297	593
Other fees	1,111	790	321	262,133	211,585	50,548
Total commission income	74,164	72,278	1,886	683,245	646,236	37,010
Interest income and similar income	183,928	136,892	47,037	2,587	2,437	150
Interest expense and similar charges	(102,390)	(73,768)	(28,622)	(193)	(171)	(22)
Income / Loss on investments at fair value	9,238	3,419	5,819	52	71	(19)
Net financial income	90,776	66,542	24,234	2,446	2,337	109
Income from other investments	236	1,121	(885)	174	2,056	(1,882)
Other revenues	5,530	9,174	(3,644)	8,570	5,902	2,667
TOTAL REVENUES	170,707	149,115	21,591	694,435	656,532	37,904
Claims paid and change in technical reserves	-	-	-	-	-	-
Commission expense and acquisition costs	(47,767)	(43,490)	(4,277)	(351,499)	(268,295)	(83,204)
Net impairment	(2,993)	(1,503)	(1,490)	(405)	(16,934)	16,529
DIRECT general and administrative expenses	(87,269)	(78,629)	(8,640)	(60,423)	(49,426)	(10,997)
INCOME BEFORE INDIRECT COSTS	32,678	25,493	7,184	282,108	321,877	(39,769)
INDIRECT general and administrative expenses/Depreciation, Amortisation and Provisions	-	-	-	-	-	-
PROFIT BEFORE TAX	-	-	-	-	-	-
Income tax	-	-	-	-	-	-
Minority interests	-	-	-	-	-	-
NET PROFIT / LOSS	32,678	25,493	7,184	282,108	321,877	(39,769)

Consolidation adjustments			GRANDTOTAL		
2006	2005	delta	2006	2005	delta
-	-	-	-	-	-
-	-	-	57,314	43,686	13,628
-	-	-	278,781	237,093	41,688
-	-	-	83,128	152,575	(69,447)
(6)	(3)	(3)	74,937	72,781	2,156
(518)	(558)	40	262,726	211,817	50,909
(524)	(561)	37	756,886	717,952	38,933
(7,940)	(5,557)	(2,383)	178,575	133,772	44,804
7,936	5,557	2,379	(94,647)	(68,382)	(26,265)
-	(1)	1	9,290	3,489	5,801
(4)	(1)	(3)	93,218	68,879	24,339
-	(14,780)	14,780	410	(11,603)	12,013
(103)	(201)	98	13,997	14,876	(879)
(631)	(15,543)	14,912	864,511	790,104	74,407
-	-	-	-	-	-
520	562	(42)	(398,746)	(311,222)	(87,524)
-	14,780	(14,780)	(3,398)	(3,657)	259
111	200	(89)	(147,581	(127,855)	(19,726)
-	-	-	314,786	347,371	(32,585)
-	-	-	(136,805)	(146,043)	9,238
-	-	-	177,981	201,328	(23,347)
-	-	-	(32,137)	(27,508)	(4,629)
-	-	-	(81,922)	(107,557)	25,635
-	-	-	63,922	66,263	(2,341)

INCOME STATEMENT AS AT DECEMBER 31, 2006

Financial information by Business Segment/Italy Banca Mediolanum S.p.A. - Consolidated accounts

	BANKING		
€/'000	2006	2005*	delta
Net premiums written	-	-	-
Entry fees	-	-	-
Management fees	-	-	-
Performance fees	-	-	-
Fees and other income from banking services	41,056	40,441	615
Other fees	6	7	(1)
Total commission income	41,062	40,448	614
Interest income and similar income	163,730	120,518	43,212
Interest expense and similar charges	(92,770)	(65,851)	(26,919)
Income / Loss on investments at fair value	9,076	3,521	5,555
Net financial income	80,036	58,188	21,848
Income from other investments	130	141	(11)
Other revenues	3,642	7,394	(3,751)
TOTAL REVENUES	124,870	106,170	18,700
Claims paid and change in technical reserves	-	-	-
Commission expense and acquisition costs	(23,364)	(19,331)	(4,033)
Net impairment	(1,951)	(1,712)	(239)
DIRECT general and administrative expenses	(64,869)	(57,418)	(7,451)
INCOME BEFORE INDIRECT COSTS	34,686	27,709	6,977
INDIRECT general and administrative expenses/Depreciation, Amortisation and Provisions	-	-	-
PROFIT BEFORE TAX	-	-	-
Income tax	-	-	-
Minority Interests	-	-	-
NET PROFIT / LOSS	34,686	27,709	6,977

(*) Including the estimated effects of the application of IAS 39

ASSET MANAGEMENT			GRANDTOTAL		
2006	2005	delta	2006	2005	delta
-	-	-	-	-	-
48,779	37,695	11,084	48,779	37,695	11,084
260,134	219,307	40,827	260,134	219,307	40,827
80,465	146,106	(65,641)	80,465	146,106	(65,641)
(3)	(2)	(1)	41,053	40,439	614
248,456	201,688	46,768	248,462	201,695	46,767
637,831	604,794	33,037	678,893	645,242	33,651
2,137	2,206	(69)	165,867	122,724	43,143
129	155	(26)	(92,641)	(65,696)	(26,945)
4	(6)	10	9,080	3,515	5,565
2,270	2,355	(85)	82,306	60,543	21,763
174	171	3	304	312	(8)
8,482	6,042	2,439	12,124	13,436	(1,312)
648,757	613,363	35,394	773,627	719,533	54,094
-	-	-	-	-	-
(329,051)	(251,619)	(77,432)	(352,416)	(270,950)	(81,466)
(405)	(2,154)	1,749	(2,356)	(3,866)	1,510
(46,784)	(36,525)	(10,259)	(111,653)	(93,943)	(17,710)
272,517	323,065	(50,548)	307,203	350,774	(43,571)
-	-	-	(126,930)	(133,402)	6,473
-	-	-	180,273	217,372	(37,099)
-	-	-	(30,733)	(25,358)	(5,375)
-	-	-	-	-	-
272,517	323,065	(50,548)	149,540	192,014	(42,474)

INCOME STATEMENT AS AT DECEMBER 31, 2006

Financial information by Business Segment/Abroad Banca Mediolanum S.p.A. - Consolidated accounts

	BANKING		
€/'000	2006	2005*	delta
Net premiums written	-	-	-
Entry fees	-	-	-
Management fees	-	-	-
Performance fees	-	-	-
Fees and other income from banking services	31,997	31,046	951
Other fees	1,105	783	322
Total commission income	33,102	31,829	1,273
Interest income and similar income	20,198	16,374	3,825
Interest expense and similar charges	(9,620)	(7,917)	(1,703)
Income / Loss on investments at fair value	162	(102)	264
Net financial income	10,740	8,355	2,385
Income from other investments	106	980	(874)
Other revenues	1,888	1,781	107
TOTAL REVENUES	45,837	42,945	2,891
Claims paid and change in technical reserves	-	-	-
Commission expense and acquisition costs	(24,403)	(24,158)	(244)
Net impairment	(1,042)	209	(1,251)
DIRECT general and administrative expenses	(22,400)	(21,211)	(1,189)
INCOME BEFORE INDIRECT COSTS	(2,008)	(2,215)	207
INDIRECT general and administrative expenses/Depreciation, Amortisation and Provisions	-	-	-
PROFIT BEFORE TAX	-	-	-
Income tax	-	-	-
Minority Interests	-	-	-
NET PROFIT / LOSS	(2,008)	(2,215)	207

(*) Including the estimated effects of the application of IAS 39

	ASSET MANAGEMENT			GRANDTOTAL		
	2006	2005*	delta	2006	2005*	delta
	-	-	-	-	-	-
	8,535	5,991	2,544	8,535	5,991	2,544
	18,647	17,786	861	18,647	17,786	861
	2,663	6,469	(3,806)	2,663	6,469	(3,806)
	1,893	1,299	594	33,890	32,345	1,545
	13,677	9,897	3,780	14,782	10,680	4,102
	45,415	41,442	3,973	78,517	73,271	5,245
	450	231	219	20,648	16,605	4,044
	(322)	(326)	4	(9,942)	(8,243)	(1,699)
	48	77	(29)	210	(25)	235
	176	(18)	194	10,916	8,337	2,579
	-	1,885	(1,885)	106	2,865	(2,759)
	88	(140)	228	1,976	1,641	335
	45,679	43,169	2,510	91,515	86,114	5,401
	-	-	-	-	-	-
	(22,448)	(16,676)	(5,772)	(46,851)	(40,834)	(6,016)
	-	(14,780)	14,780	(1,042)	(14,571)	13,529
	(13,639)	(12,901)	(738)	(36,039)	(34,112)	(1,927)
	9,592	(1,188)	10,780	7,584	(3,403)	10,987
	-	-	-	(9,876)	(12,641)	2,765
	-	-	-	(2,292)	(16,044)	13,752
	-	-	-	(1,404)	(2,150)	747
	-	-	-	-	(458)	458
	9,592	(1,188)	10,780	(3,696)	(18,652)	14,957

PART E - INFORMATION ON RISKS AND RISK MANAGEMENT

The internal control system of the Mediolanum Banking Group entails defence at different levels in accordance with the Group organisational structure.
Specifically, for financial risk and credit risk, line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. Risk controls (second level) are controls performed by units other than operating units. They contribute to the definition of risk measurement methods, control of operating limits of officers to whom authorities are delegated, and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of responsibility.
The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for identifying, measuring, assessing and managing the financial risk and credit risk associated with all assets and liabilities managed by the Banking Group.

SECTION 1 - CREDIT RISK

QUALITATIVE INFORMATION

1. General information

Lending, be it the provision of home loans or consumer credit, or in other forms to meet other financing needs, is part of the business of Mediolanum Banking Group. Consistently with the Group mission, lending complements the Group primary business i.e. the distribution of banking, asset management and insurance and retirement savings products. The Group applies prudent lending policies, which are geared to develop and strengthen the relationship with customers who invest in products managed by the companies within the Group.

2. Credit Risk management

2.1 Organisational Aspects

As part of its responsibilities for organising and directing the Group's affairs, the Parent Company Banca Mediolanum issued specific Lending Guidelines for all subsidiaries within the Banking Group. The guidelines set out general principles and instructions on lending and loan portfolio quality monitoring. The Parent Company is responsible for assessing overall exposure to credit risk and defining risk measurement policies for the whole Group.
Credit risk exposure is also assessed at the level of individual companies in their respective areas of remit, by measuring and monitoring the risk associated with the various categories of financial instruments. Capital adequacy and, in particular, compliance with solvency ratios and exposure limits for credit risk as set by local supervisory authorities are periodically monitored by the competent offices of the respective companies.
Each lender within the Banking Group has its own "Lending Policy", which is approved by its Board of Directors and sets out, *inter alia*, the authorities delegated to the various functions involved in the lending process, the type of collateral that can be accepted and the frequency of reports to Senior Management and the Board of Directors.

2.2 Risk measurement and management

The Mediolanum Banking Group's credit risk management system consists of the set of models and measurement tools as well as controls geared to ensure optimal management of the credit risk associated with the loan portfolio.

The credit risk management system ensures the Group is always current with its risk exposure in relation to each customer or group of customers. When needed, it takes prompt corrective actions in accordance with related policies.

The credit risk management system pursues the following objectives:

- develop adequate processes for identifying, measuring and monitoring credit risk in relation to each counterparty and portfolio;
- ensure a steady flow of timely information to effectively monitor the composition and quality of the loan portfolio and promptly adjust loss estimates and capital charges;
- ensure compliance with the prudential requirements of domestic and international supervisory authorities;
- promote the adoption of policies and procedures for credit risk prudent management;
- support operational decisions of lending officers by providing the information needed to properly assess the borrower creditworthiness and type of financing;
- provide an adequate flow of information on credit risk exposures and mitigation techniques to senior management.

The credit risk management system reflects the specific characteristics of the banking lending business and any changes thereof in addition to any regulatory or statutory changes.

Credit quality is monitored by regularly assessing whether there is evidence of risk, in each stage of the lending process, through the application of specific operating procedures by each company within the Banking Group.

In the lending process it is fundamental to have a comprehensive understanding of the financial condition of the borrower and the type of financing which best meets his needs, the loan purpose, the borrower creditworthiness and earnings capacity. To that end, as part of its loan application analysis, each company within the Banking Group gathers all information needed to assess the consistency of the loan amount with the type and purpose of financing. In that examination, each company with the Banking Group uses performance and financial analysis tools as well as intelligence obtained from private and public Credit Bureaus. Special attention is paid to the assessment of any security taken.

All loans are subject to regular review by the competent units of each company within the Group. Outstanding loans are continuously monitored focusing especially on riskier positions. Regular reports on credit protection actions taken are submitted to the Board of Directors of the respective companies.

2.3 Credit risk mitigation techniques

Loans extended by Group entities are secured by collaterals received from borrowers. Collaterals primarily consist of mortgage over property and pledge over financial instruments, plus conditional sale, and other forms of security, e.g. surety bonds and endorsements. Given the importance of the collateral received from the obligor in the assessment of credit risk, appropriate prudential adjustments are applied to the collateral whose value is subject to regular review.

2.4 Impaired financial assets

Each Group entity, within its sphere of independence, has its own effective tools for prompt detection of any problem loans.

The new rules set forth by the Basel Committee introduced significant changes in the general definitions of problem loans and the discretionary guidance of national supervisory authorities. The most significant change relates to the definition of default.

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held);
- The obligor is past due more than 180 days under Italian law and more than 90 days in other jurisdictions on any material credit obligation to the banking group.

In accordance with the discretionary guidance of national supervisory authorities, each entity within the Group classifies troubled positions according to their level of risk.

Each entity has dedicated problem loan management units that apply operating procedures and take action according to the severity of the problem.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 Performing and impaired assets: balance, impairment, developments, business and geographical distribution

A.1.1 Analysis of financial assets by category and credit quality (book value)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk	Other assets	Total
1. Financial assets held for trading	167	-	-	-	-	1,901,377	1,901,544
2. Available-for sale financial assets	-	-	-	-	-	205,968	205,968
3. Held-to-maturity investments	-	-	-	-	-	332,912	332,912
4. Loans to banks	723					2,318,567	2,319,290
5. Loans to customers	1,037	13,364	-	5,984	-	1,304,570	1,324,955
6. Financial assets at fair value	-	-	-	-	-	1,153	1,153
7. Financial assets being disposed of	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total at Dec. 31, 2006	1,927	13,364	-	5,984	-	6,064,547	6,085,822
Total at Dec. 31, 2005	406	15,003	-	9,769	-	5,384,197	5,409,375

A.1.2 Development of financial assets by category and credit quality (gross and net exposures)

	Impaired assets				Other assets			
€/'000	gross exposure	individual impairment	collective impairment	net exposure	gross exposure	collective impairment	net exposure	Total net exposure
1. Financial assets held for trading	167	-	-	167	1,901,377	-	1,901,377	1,901,544
2. Available-for-sale financial assets	-	-	-	-	205,968	-	205,968	205,968
3. Held-to-maturity investments	-	-	-	-	332,912	-	332,912	332,912
4. Loans to banks	723	-	-	723	2,318,566	-	2,318,566	2,319,289
5. Loans to customers	31,155	(10,770)	-	20,385	1,308,349	(3,778)	1,304,571	1,324,956
6. Financial assets at fair value	-	-	-	-	1,153	-	1,153	1,153
7. Financial assets being disposed of	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total at Dec. 31, 2006	32,045	(10,770)	-	21,275	6,068,325	(3,778)	6,064,547	6,085,822
Total at Dec. 31, 2005	36,256	(9,658)	(1,420)	25,178	5,384,772	(575)	5,384,197	5,409,375

A.1.3 Loans to banks: on and off-balance sheet exposures (gross and net exposures)

€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet				
a) Non performing	-	-	-	-
b) Watch list	-	-	-	-
c) Restructured	-	-	-	-
d) Past due	-	-	-	-
e) Country risk	-	-	-	-
f) Other	2,736,065	-	-	2,736,065
Total A	2,736,065	-	-	2,736,065
B. Off balance sheet				
a) Impaired	-	-	-	-
b) Other	49,327	-	-	49,327
Total B	49,327	-	-	49,327

A.1.4 Loans to banks: development of impaired loans and loans exposed to country risk (on- balance sheet gross exposures)

At the balance sheet date there were no impaired bank loans or bank loans exposed to country risk.

A.1.5 Loans to banks: analysis of impairment (on-balance sheet positions)

At the balance sheet date there was no impairment of bank loans.

A.1.6 Loans to customers: on and off-balance sheet exposures (gross and net exposures)

€/'000	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet				
a) Non performing	5,605	(4,755)	-	850
b) Watch list	18,781	(5,892)	-	12,889
c) Restructured	-	-	-	-
d) Past due	6,106	(122)	-	5,984
e) Country risk	-	-	-	-
f) Other	3,327,986	-	(3,778)	3,324,208
Total A	3,358,478	(10,769)	(3,778)	3,343,931
B. Off balance sheet				
a) Impaired	536	(115)	-	421
b) Other	90,404	-	(167)	90,237
Total B	90,940	(115)	(167)	90,658

A.1.7 Loans to customers: development of impaired loans and loans exposed to country risk (on- balance sheet gross exposures)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Opening gross balance	4,433	21,854	-	9,968	-
- of which: loans sold but not derecognised	-	(6,046)	-	-	-
B. Increases	1,807	3,554	-	4,609	-
B.1 Reclassified from performing loans	885	1,325	-	2,701	-
B.2 Reclassified from other impaired loan categories	865	1,118	-	-	-
B.3 Other increases	57	1,111	-	1,908	-
C. Decreases	(635)	(6,627)	-	(8,471)	-
C.1 Reclassified to performing loans	-	(5,227)	-	(2,788)	-
C.2 Cancellations	(409)	(247)	-	-	-
C.3 Receipts	(186)	(288)	-	(4,565)	-
C.4 Proceeds from sale	-	-	-	-	-
C.5 Reclassified to other impaired loan categories	-	(865)	-	(1,118)	-
C.6 Other decreases	(40)	-	-	-	-
D. Closing gross balance	5,605	18,781	-	6,106	-
- of which: loans sold but not derecognised	-	-	-	-	-

A.1.8 Loans to customers: analysis of net impairment (on-balance sheet positions)

€/'000	Non performing	Watch list	Restructured	Past due	Country risk
A. Net impairment at beginning of the year	4,027	6,852	-	199	-
- of which: loans sold but not derecognised	-	6,046	-	-	-
B. Increases	1,367	4,363	-	93	-
B.1 Impairment	991	4,336	-	93	-
B.2 Reclassified from other impaired loan categories	376	27	-	-	-
B.3 Other increases	-	-	-	-	-
C. Decreases	(639)	(5,323)	-	(170)	-
C.1 Revaluations	(144)	(3,295)	-	(141)	-
C.2 Repayments	(76)	(1)	-	-	-
C.3 Cancellations	(409)	(239)	-	-	-
C.4 Reclassified to other impaired loan categories	-	(374)	-	(29)	-
C.5 Other decreases	(10)	(1,414)	-	-	-
D. Net impairment at end of the year	4,755	5,892	-	122	-
- of which: loans sold but not derecognised	-	-	-	-	-

A.2 Analysis of exposures by internal and external rating

A.2.1 Analysis of on and off-balance sheet exposures by external rating

€/'000	External rating AAA AA-	A+ A-	BBB+ BBB-	BB+ BB-	B+ B-	worse than B-	Unrated	Total
A. On balance sheet exposures	383,609	1,460,371	186,599	24,656	-	-	3,620,726	5,675,961
B. Derivatives	2,076	2,353	-	-	-	-	72	4,501
B.1 Financial derivatives	2,076	2,353	-	-	-	-	72	4,501
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	-	-
D. Commitments to disburse funds	14,243	245	-	-	-	-	89,937	104,425
Total	399,928	1,462,969	186,599	24,656	-	-	3,710,735	5,784,887

A.2.2 Analysis of on and off-balance sheet exposures by internal rating

At the balance sheet date this information was not available.

A.3 Analysis of secured loans by type of collateral

A.3.1 Secured loans to banks and to customers (on balance sheet positions)

		Real guarantees (1)			Personal guarantees (2)								
					Credit derivatives				Endorsements				
€/'000	Exposure	Property	Securities	Other assets	Governments	Govern. agencies	Banks	Others	Governments	Govern. agencies	Banks	Others	Total (1)+(2)
1. Secured loans to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	487,595	350,066	66,204	3,162	-	-	-	-	-	-	2,622	65,564	487,618
2.1 entirely secured	426,800	349,714	66,204	3,162	-	-	-	-	-	-	2,622	5,379	427,081
2.2 partly secured	60,795	352	-	-	-	-	-	-	-	-	-	60,185	60,537

A.3.2 Analysis of off-balance sheet secured exposures to banks and customers

€/'000	Exposure	Real guarantees (1)			Personal guarantees (2)								Total (1)+(2)
					Credit derivatives				Endorsements				
		Property	Securities	Other assets	Governments	Govern. agencies	Banks	Others	Governments	Govern. agencies	Banks	Others	
1. Secured loans to banks:	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 entirely secured	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	100	-	-	-	-	-	-	-	-	-	-	100	100
2.1 entirely secured	100	-	-	-	-	-	-	-	-	-	-	100	100
2.2 partly secured	-		-	-	-	-	-	-	-	-	-	-	-

A.3.3 Analysis of on-balance sheet secured impaired exposures to banks and customers

€/'000	Endorsements	Secured amount	Guarantees (fair value)																	Total	Guarantee fair value excess
			Real guarantees			Personal guarantees															
						Credit derivatives							Endorsements								
			Property	Securities	Other assets	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others	Governments and Central Banks	Government agencies	Banks	Financial companies	Insurance companies	Non financial companies	Others		
1. Exposures to banks secured:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 over 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 100% to 150%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Exposures to customers secured:	246	481	454	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28	481	473
2.1 over 150%	238	472	454	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19	472	472
2.2 100% to 150%	8	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9	9	1
2.3 50% to 100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
2.4 less than 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. DISTRIBUTION AND CONCENTRATION OF EXPOSURES

B.1 Analysis of customer loans by borrower category (on and off-balance sheet positions)

€/'000	Governments & Central Banks				Government agencies				Financial companies				Insurance companies				Non financial companies				Others			
	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure	Gross exposure	Individual impairment	Collective impairment	Net exposure
A. On balance sheet																								
A.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,605	(4,755)	-	850
A.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,946	(1,722)	-	8,224	8,835	(4,171)	-	4,664
A.3 Restructured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	6,105	(122)	-	5,983
A.5 Other	1,542,538	-	-	1,542,538	4	-	-	4	993,846	-	(51)	993,795	11,555	-	-	11,555	193,948	-	(1,486)	192,462	586,095	-	(2,241)	583,854
Total	1,542,538	-	-	1,542,538	4	-	-	4	993,846	-	(51)	993,795	11,555	-	-	11,555	203,895	(1,722)	(1,486)	200,687	606,640	(9,048)	(2,241)	595,351
B. Off balance sheet																								
B.1 Non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	128	(115)	-	13	408	-	-	408
B.4 Other	-	-	-	-	-	-	-	-	4,107	-	-	4,107	6	-	-	6	33,104	-	(57)	33,047	53,187	-	(110)	53,077
Total	-	-	-	-	-	-	-	-	4,107	-	-	4,107	6	-	-	6	33,232	115	(57)	33,060	53,595	-	(110)	53,485
Total at Dec. 31, 2006	1,542,538	-	-	1,542,538	4	-	-	4	997,953	-	(51)	997,902	11,561	-	-	11,561	237,127	(1,837)	(1,543)	233,747	660,235	(9,048)	(2,351)	648,836
Total at Dec. 31, 2005	-	-	-	-	-	-	-	-	434,256	-	-	434,256	-	-	-	-	73,161	(9)	-	73,152	978,236	(9,649)	(1,950)	966,637

B.2 Analysis of loans to resident non-financial companies

a) other wholesale and retails services	47,297
b) construction and public works	1,908
c) transportation	273
d) other manufacturers	132
e) others	19

B.3 Geographical distribution of on-balance sheet and off-balance sheet customer loans (book value)

€/'000	Italy gross expos.	Italy net expos.	Other European countries gross expos.	Other European countries net expos.	America gross expos.	America net expos.	Asia gross expos.	Asia net expos.	Rest of the world gross expos.	Rest of the world net expos.
A. On balance sheet										
A.1 Non performing	2,131	374	3,474	476	-	-	-	-	-	-
A.2 Watch list	4,034	2,004	14,743	10,883	-	-	-	-	4	1
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	6,106	5,984	-	-	-	-	-	-	-	-
A.5 Others	2,402,109	2,401,290	870,999	868,040	15,344	15,344	-	-	39,534	39,534
Total	2,414,380	2,409,652	889,216	879,399	15,344	15,344	-	-	39,538	39,535
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	536	421	-	-	-	-	-	-
B.4 Others	59,082	59,077	31,322	31,160	-	-	-	-	-	-
Total	59,082	59,077	31,858	31,581	-	-	-	-	-	-
Total at Dec. 31, 2006	2,473,462	2,468,729	921,074	910,980	15,344	15,344	-	-	39,538	39,535
Total at Dec. 31, 2005	1,063,169	1,060,164	422,533	413,883	-	-	-	-	-	-

B.4 Geographical distribution of on-balance sheet and off-balance sheet bank loans (book value)

€/'000	Italy gross expos.	Italy net expos.	Other European countries gross expos.	Other European countries net expos.	America gross expos.	America net expos.	Asia gross expos.	Asia net expos.	Rest of the world gross expos.	Rest of the world net expos.
A. On balance sheet										
A.1 Non performing	-	-	-	-	-	-	-	-	-	-
A.2 Watch list	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Others	1,625,637	1,625,637	1,067,402	1,067,402	11,088	11,088	47	47	31,892	31,892
Total	1,625,637	1,625,637	1,067,402	1,067,402	11,088	11,088	47	47	31,892	31,892
B. Off balance sheet										
B.1 Non performing	-	-	-	-	-	-	-	-	-	-
B.2 Watch list	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Others	31,232	31,232	17,825	17,825	270	270	-	-	-	-
Total	31,232	31,232	17,825	17,825	270	270	-	-	-	-
Total at Dec. 31, 2006	1,656,869	1,656,869	1,085,227	1,085,227	11,358	11,358	47	47	31,892	31,892
Total at Dec. 31, 2005	1,894,459	1,894,459	955,625	955,625	-	-	-	-	34,795	34,795

B.5 Large exposures

a) amount:	€395,949 thousand
b) number:	9

C. SECURITISATION TRANSACTIONS AND SALE OF ASSETS

C.1 Securitisation transactions

Qualitative information

During the year Banca Mediolanum traded exclusively in securitised notes.

Quantitative information

C.1.1 Analysis of exposures in connection with securitisation transactions by quality of underlying assets

	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment
A. Own underlying assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B Third party underlying assets	198,892	201,052	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) others	198,892	201,052	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.3. Analysis of exposures arising from major third-party securitisations by type of securitised asset and by type of exposure

		On-balance sheet exposures						Guarantees issued						Credit lines					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
€/'000		Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment	Book value	Impairment/reversal of impairment
A.1	SCCI/TV 20190730 S10 SEN - Receivables from National Social Security & Pension Agency	20,332	36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2	SCCI/TV 20160730 CL 7A SEN - Receivables from National Social Security & Pension Agency	25,372	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3	SCCI/TV 20160731 S8 - Receivables from National Social Security & Pension Agency	5,071	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4	SCCI/TV 20180730 S9 SEN - Receivables from National Social Security & Pension Agency	20,321	26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5	ATLANTIDE/TV 20160825 CL A1 - Receivables from Latium hospitals	20,295	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6	ATLANTIDE/TV 20160825 CL A2 - Receivables from Latium hospitals	20,295	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7	CPG/TV 20240125 2003- 6 CL A2 - Receivables from gov. agencies	7,643	(18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.8	ITALEASE FIN/TV 20200914 S1 A2 - Receivables under car, equipment, machinery and property leases	8,005	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.9	F-E MORTGAGES/TV 20431030 CL A - Receivables under mortgage loans	6,414	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.10	CORDUSIO RMBS/TV 20330630 CL A2 - Receivables under mortgage loans	15,008	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.11	BPM SEC 2/TV 20430715 CL A2 - Receivables under mortgage loans	14,109	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.12	VELA HOME/TV 20400730 CL A S3 - Receivables under mortgage loans	11,070	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.13	TRICOLORE FUND/TV 20200715 CL A - Receivables under equipment, machinery and property leases	5,048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.14	LOCAT SV3/TV 20261212 CL A2 - Receivables under leases	15,041	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.15	SUNRISE/TV 20300827 CL A SEN - Receivables, consumer credit	7,028	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C.1.4 Analysis of exposures arising from securitisations by financial asset category and by type

€/'000	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Dec. 31, 2006	Dec. 31, 2005
1. On-balance sheet exposures							
-"Senior"	201,052	-	-	-	-	201,052	157,013
-"Mezzanine"	-	-	-	-	-	-	-
-"Junior"	-	-	-	-	-	-	-
2. Off-balance sheet exposures	-	-	-	-	-	-	-
-"Senior"	-	-	-	-	-	-	-
-"Mezzanine"	-	-	-	-	-	-	-
-"Junior"	-	-	-	-	-	-	-

C.2 SALE OF ASSETS

C.2.1 Analysis of financial assets sold but not derecognised

	Financial assets held for trading			Financial assets at fair value through profit or loss			Available-for-sale financial assets			Held-to-maturity investments			Loans to banks			Loans to customers			Total	
€/'000	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	Dec. 31, 06	Dec. 31, 05
A. On-balance sheet assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,030,843	917,048
1. Debt securities	831,047	-	-	-	-	-	-	-	-	199,796	-	-	-	-	-	-	-		1,030,843	917,048
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Holdings in UCITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total at Dec. 31, 2006	831,047	-	-	-	-	-	-	-	-	199,796	-	-	-	-	-	-	-	-	1,030,843	917,048
Total at Dec. 31, 2005	576,609	-	-	-	-	-	-	-	-	340,439	-	-	-	-	-	-	-	-	-	917,048

Legend:
A: Financial assets sold, fully recognised on the balance sheet (book value).
B: Financial assets sold, partly recognised on the balance sheet (book value).
C: Financial assets sold, partly recognised on the balance sheet (full value).

C.2.2 Analysis of financial liabilities against financial assets that are sold but not derecognised

€/'000	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Loans to banks	Loans to customers	Total
1. Due to customers	261,465	-	-	156,032	194	159,853	577,544
a) against assets fully recognised on the balance sheet	261,465	-	-	156,032	-	-	417,497
b) against assets partly recognised on the balance sheet	-	-	-	-	194	159,853	160,047
2. Due to banks	48,198	-	-	-	-	-	48,198
a) against assets fully recognised on the balance sheet	48,198	-	-	-	-	-	48,198
b) against assets partly recognised on the balance sheet	-	-	-	-	-	-	-
Total at Dec. 31, 2006	309,663	-	-	156,032	194	159,853	625,742
Total at Dec. 31, 2005	321,580	-	-	-	-	-	321,580

SECTION 2 - MARKET RISK

2.1 Interest Rate and Pricing Risk - Trading book

Qualitative information

A. General

The Banking Group's trading book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.

Specifically, the trading book consists of positions held by those Group functions authorised to take market risk exposures within the limits and the authorities delegated to them by their respective Boards of Directors, in accordance with the Parent Company guidelines.

The trading book primarily consists of positions in bonds, equities, derivatives and cash instruments.

B. Interest Rate Risk and Pricing Risk - Measurement and management

The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for measuring and monitoring exposure to market, counterparty and credit risks, and for continuously monitoring capital adequacy vis-à-vis the Group's activities, and in particular solvency and market risk associated with directly held positions at Banking Group level.

Each company within the Group is directly responsible for controls over risks it assumes in accordance with the policies approved by the respective Boards of Directors.

Exposure to interest rate risk and pricing risk is measured using

– Daily Var
– Portfolio analysis in terms of:
  - Exposure limits
  - Characteristics of the instrument
  - Characteristics of the issuer
  - Capital at Risk calculated under the rating-based Standardized Approach
  - Gap Analysis;
  - Sensitivity Analysis.

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the price of traded financial instruments as a result of adverse market movements.

VaR corresponds to the maximum loss on a portfolio in the next business day (one-day holding period) at a 99% confidence level. Var is calculated using Riskmetrics for the following risks: interest rate, stock prices and indices, volatility.

The Gap Analysis measures the impact of pre-set shocks in the interest rate curve based on how closely the lending and funding exposure matches interest rates.

The Sensitivity Analysis quantifies the sensitivity of the financial portfolio to adverse interest rate movements.

These analyses are performed assuming as adverse movement a parallel uniform shift by 50, 100 and 200 bps in the interest rate curve.

Quantitative information

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Non-derivative assets	21,374	826,771	127,733	314,984	352,656	121,027	130,338	-
1.1 Debt securities	20,439	826,771	127,733	314,984	352,656	121,027	130,338	-
- With early redemption option	-	-	220	-	-	25,532	56,771	-
- Others	20,439	826,771	127,733	314,984	352,656	121,027	130,338	-
USD	-	-	-	-	732	4	-	-
GBP	-	-	-	-	3	-	-	-
EUR	20,439	826,771	127,733	314,984	351,920	121,023	130,338	-
OTHER CURRENCIES	-	-	-	-	1	-	-	-
1.2 Other assets	935	-	-	-	-	-	-	-
2. Non-derivative liabilities	-	1,024,714	1,153	-	35,149	46,050	12,780	26,299
2.1 Repurchase agreements (EUR)	-	1,024,714	1,153	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	35,149	46,050	12,780	26,299
EUR	-	-	-	-	35,149	46,050	12,778	26,299
USD	-	-	-	-	-	-	2	-
3. Financial derivatives	916,202	720,191	201,664	416,249	102,633	2,509	5,573	-
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	916,202	720,191	201,664	416,249	102,633	2,509	5,573	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others	916,202	720,191	201,664	416,249	102,633	2,509	5,573	-
+ Long positions	314,718	409,895	200,759	207,593	50,000	-	-	-
EUR	314,201	311,766	200,000	200,000	50,000	-	-	-
USD	254	96,064	759	7,593	-	-	-	-
GBP	162	1,405	-	-	-	-	-	-
CHF	-	17	-	-	-	-	-	-
OTHER CURRENCIES	101	643	-	-	-	-	-	-
+ Short positions	601,484	310,296	905	208,656	52,633	2,509	5,573	-
EUR	601,428	152,183	902	208,652	52,220	2,476	5,554	-
USD	56	3,421	-	-	167	29	14	-
GBP	-	309	-	-	160	-	-	-
CHF	-	153,714	-	-	-	-	-	-
YEN	-	1	-	-	-	-	-	-
OTHER CURRENCIES	-	668	3	4	86	4	5	-

2.2 Interest Rate and Pricing Risk - Banking book

Qualitative information

A. Interest Rate Risk - General information, measurement and management

The Group's Banking Book is made up of those financial instruments that are not part of the trading book, in particular inter-bank loans, held-to-maturity investments and available for sale financial instruments.
The Parent Company's central management of foreign subsidiaries' investments in liquid assets, as approved by the respective Boards of Directors and authorised by the competent national supervisory authorities, substantially reduced the overall exposure to risk of foreign subsidiaries.
The Parent Company measures interest rate risk exposure of the banking book using a simplified static ALM model. This entails controls for credit risk inherent in transactions with institutional counterparties according to the operating procedures and limits approved by the Board of Directors of each entity within the Group in compliance with the Parent Company's guidelines.

B. Fair Value Hedges

There are no fair value hedges as defined under IAS.

Quantitative information

1. Trading Book: Time-to-maturity (repricing date) of non-derivative financial assets and liabilities and of financial derivatives

€/'000	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Indefinite maturity
1. Assets	1,698,957	2,074,749	106,569	23,280	32,954	3,482	9,269	25,519
1.1 Debt securities	47,514	182,890	83,609	-	30,593	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others (EUR)	47,514	182,890	83,609	-	30,593	-	-	-
1.2 Loans to banks	298,633	1,745,066	22,734	23,015	-	-	-	19,961
EUR	296,194	1,589,958	104	-	-	-	-	19,961
USD	1,221	848	22,630	23,015	-	-	-	-
GBP	310	-	-	-	-	-	-	-
YEN	72	-	-	-	-	-	-	-
CAD	83	-	-	-	-	-	-	-
CHF	63	154,260	-	-	-	-	-	-
Other currencies	690	-	-	-	-	-	-	-
1.3 Loans to customers	1,352,810	146,793	226	265	2,361	3,482	9,269	5,558
- c/c	580,842	-	96	-	12	-	-	-
EUR	580,827	-	96	-	12	-	-	-
USD	15	-	-	-	-	-	-	-
- other	771,968	146,793	130	265	2,349	3,482	9,269	5,558
- with early redemption option	-	-	-	-	-	-	-	-
- other	771,968	146,793	130	265	2,349	3,482	9,269	5,558
EUR	771,963	146,793	130	265	2,349	3,482	9,269	5,558
USD	5	-	-	-	-	-	-	-
2. Liabilities	4,456,634	734,371	5,242	23,066	-	-	-	1,153
2.1 Due to customers	4,238,106		-		-	-	-	-
- c/c	4,080,543	-	-	-	-	-	-	-
EUR	4,065,047	-	-	-	-	-	-	-
USD	15,489	-	-	-	-	-	-	-
GBP	7	-	-	-	-	-	-	-
- other	157,563	416,344	1,153	55	-	-	-	7,122
- with early redemption option	-	-	-	-	-	-	-	-
- other (EUR)	157,563	416,344	1,153	55	-	-	-	7,122
2.2 Due to banks	218,296	734,371	5,242	23,066	-	-	-	-
- c/c	64	-	-	-	-	-	-	-
EUR	1,291	-	-	-	-	-	-	-
USD	7	-	-	-	-	-	-	-
GBP	34	-	-	-	-	-	-	-
CHF	20	-	-	-	-	-	-	-
Other currencies	3	-	-	-	-	-	-	-
- other	218,232	734,371	5,242	23,066	-	-	-	-
EUR	218,232	627,388	-	-	-	-	-	-
USD	-	106,237	4,586	23,066	-	-	-	-
GBP	-	746	656	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	232	-	-	-	-	-	-	1,153
- with early redemption option	-	-	-	-	-	-	-	-
- other (EUR)	232	-	-	-	-	-	-	1,153

2.3 Pricing Risk - trading book

Qualitative information

A. General

The Mediolanum Banking Group's Trading Book, as defined by supervisory authorities, consists of financial instruments subject to capital requirements for market risk.

Specifically, the trading book consists of positions held by the Group's functions authorised to take market risk exposures within the limits and the authorities delegated to them by the Boards of Directors, in accordance with the policies agreed upon with the Parent Company.

The trading book primarily consists of positions in equities and mutual funds.

B. Pricing Risk - Measurement and management

The Financial Risk and Credit Risk Management unit, within the Risk Management and Compliance function, is responsible for measuring and monitoring exposure to market, counterparty and credit risks, continuously monitoring capital adequacy vis-à-vis the Group's activities and in particular solvency and market risk associated with directly held positions at Banking Group level.

Each company within the Group is directly responsible for controls over risks it assumes in accordance with the policies approved by the respective Boards of Directors.

Exposure to pricing risk is measured using:

- Daily Var
- Portfolio analysis in terms of:
  - Characteristics of the instrument;
  - Sensitivity Analysis.

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the price of traded financial instruments as a result of adverse market movements.

Quantitative information

1. Trading Book: on balance sheet exposures in equity instruments and holdings in UCITS

€/'000	Book value	
	Listed	Unlisted
A. Equity instruments		
A.1 Shares	412	9
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	-	-
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	-	-
- reserved funds	-	-
- hedge funds	-	-
B.2 Registered in other EU countries		
- harmonised funds	-	-
- non harmonised open-end funds	-	-
- non harmonised closed-end funds	-	-
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	412	9

2. Trading Book: analysis of exposures in equity instruments and stock indices by major market

€/'000	Listed			Unlisted
	Italy	USA	Other countries	
A. Equity instruments				
- long positions	-	-	412	9
- short positions		-	8	-
B. Not yet settled purchases and sales of equity instruments				
- long positions		-	146	-
- short positions	-	-	146	-
C. Other equity instrument derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-
D. Stock index derivatives				
- long positions	-	-	-	-
- short positions	-	-	-	-

2.4 PRICING RISK - BANKING BOOK

Qualitative information

A. Pricing Risk - General information, measurement and management

The Group measures the pricing risk exposure of the banking book applying the same methods used to measure interest rate risk.

B. Pricing Risk - Hedges

There are no hedges as defined under IAS.

Quantitative information

1. Trading book: on balance sheet equity instruments and holdings in UCITS

	Book value	
€/'000	Listed	Unlisted
A. Equity instruments	-	357,848
A.1 Shares	-	357,848
A.2 Innovative equity instruments	-	-
A.3 Other equity instruments	-	-
B. Holdings in UCITS		
B.1 Registered in Italy	4,058	39,757
- harmonised open-end funds	-	-
- non harmonised open-end funds	-	-
- closed-end funds	4,058	35,892
- reserved funds	-	-
- hedge funds	-	3,865
B.2 Registered in other EU countries	-	112,758
- harmonised funds	-	-
- non harmonised open-end funds	-	-
- non harmonised closed-end funds	-	112,758
B.3 Registered in non EU countries	-	-
- open-end funds	-	-
- closed-end funds	-	-
Total	4,058	510,363

2.5 Currency Risk

Qualitative information

A. Currency Risk - General information, measurement and management

The Group is exposed to currency risk on all its foreign-currency denominated assets and liabilities (both on and off-balance sheet) including euro-denominated positions linked to the performance of foreign exchange rates. Currency exposure limits were set by reference to the net value of positions in the main operating currencies.

B. Currency Risk - Hedges

There are no hedges as defined under IAS.

Quantitative information

1. Analysis of assets, liabilities and derivatives by currency denomination

	Currency					
€/'000	US dollar	Sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets						
A.1 Debt securities	736	3	-	-	-	1
A.2 Equities	-	-	-	-	-	391
A.3 Loans to banks	49,233	965	72	83	154,322	607
A.4 Loans to customers	2,399	901	218	-	-	39,930
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	136	35	1	-	33	40
C. Financial liabilities						
C.1 Due to banks	(133,897)	(1,436)	-	-	(20)	(3)
C.2 Due to customers	(16,400)	(545)	-	-	-	(2,415)
C.3 Debt securities	-	-	-	-	-	-
D. Other liabilities	(11)	-	-	-	-	(8,693)
E. Financial derivatives						
- Options						
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Others						
+ Long positions	104,151	1,245	-	-	17	541
+ Short positions	(3,167)	(147)	(1)	-	(153,714)	(566)
Total assets	156,655	3,149	291	83	154,372	41,510
Total liabilities	(153,475)	(2,128)	(1)	-	(153,734)	(11,677)
Net position (+/-)	3,180	1,021	290	83	638	29,833

2. Internal models and other sensitivity analysis methods

Var (Value at Risk) estimates the risk of loss resulting from adverse movements in the exchange rate of traded financial instruments as a result of adverse market movements.

2.6 Derivative financial instruments

A. Financial derivatives

A.1 Trading book: year-end notional amounts

	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2006	
€/'000	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreements	-	-	-	-	-	-	-	-	-	-
2. Interest rate swaps	-	909,753	-	-	-	-	-	-	-	909,753
3. Domestic currency swaps	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swaps	-	-	-	-	-	256,822	-	-	-	256,822
5. Basis swaps	-	-	-	-	-	-	-	-	-	-
6. Equity swaps	-	-	-	-	-	-	-	-	-	-
7. Commodity swaps	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	-	-	-	-	-	-	-	-
9. Caps	-	22,715	-	-	-	-	-	22,212	-	44,927
- Purchased	-	22,715	-	-	-	-	-	11,106	-	33,821
- Issued	-	-	-	-	-	-	-	11,106	-	11,106
10. Floors	-	1,000	-	-	-	-	-	-	-	1,000
- Purchased	-	1,000	-	-	-	-	-	-	-	1,000
- Issued	-	-	-	-	-	-	-	-	-	-
11. Other options	-	-	-	-	-	-	-	-	-	-
- Purchased	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
- Issued	-	-	-	-	-	-	-	-	-	-
- Plain vanilla	-	-	-	-	-	-	-	-	-	-
- Exotic	-	-	-	-	-	-	-	-	-	-
12. Forward contracts	6,572	375	292	-	-	9,338	-	13,244	6,864	22,957
- Purchases	4,633	187	146	-	-	5,378	-	6,620	4,779	12,185
- Sales	1,939	188	146	-	-	3,960	-	6,624	2,085	10,772
- Cross-currency contracts	-	-	-	-	-	-	-	-	-	-
13. Other derivative contracts	-		-	-			787	-	787	-
Total	6,572	933,843	292	-	-	266,160	787	35,456	7,651	1,235,459
Average values	-	-	-	-	-	-	-	-	-	-

A.3 Financial derivatives: purchase and sale of underlying

€/'000	Debt securities and interest rates		Equities and stock indices		Forex and gold		Others		Total at Dec. 31, 2006	
	Llisted	Unlisted	Llisted	Unlisted	Llisted	Unlisted	Llisted	Unlisted	Llisted	Unlisted
A. Trading book	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	6,572	375	1,079	22,212	-	261,662	-	13,244	7,651	297,493
- purchases	4,633	187	146	11,106		103,604	-	6,620	4,779	121,517
- sales	1,939	188	933	11,106		158,058	-	6,624	2,872	175,976
- cross-currency contracts	-	-	-	-		-	-	-	-	-
2. Without exchange of principal	-	933,468	-	-	-	-	-	-	-	933,468
- purchases	-	301,000	-	-	-	-	-	-	-	301,000
- sales	-	632,468	-	-	-	-	-	-	-	632,468
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
B. Banking book	-	-	-	-	-	-	-	-	-	-
B1. Hedges	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	-	-	-	-	-	-	-	-	-	-
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
2. Without exchange of principal	-	-	-	-	-	-	-	-	-	
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
B2. Other derivatives	-	-	-	-	-	-	-	-	-	-
1. With exchange of principal	-	-	-	-	-	-	-	-	-	
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-
2. Without exchange of principal	-	-	-	-	-	-	-	-	-	
- purchases	-	-	-	-	-	-	-	-	-	-
- sales	-	-	-	-	-	-	-	-	-	-
- cross-currency contracts	-	-	-	-	-	-	-	-	-	-

A.4 Over- the-counter financial derivatives: positive fair value - counterparty risk

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure
A. Trading book															
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	2,050	-	654	-	1,328	-	-	-	-	-	1,328	777	-	-	-
A.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total A (Dec. 31, 2006)	2,050	-	654	-	1,328	-	-	-	-	-	1,328	-	-	-	-
B. Banking book															
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.5 Over- the-counter financial derivatives: negative fair value - counterparty risk

€/'000	Debt securities and interest rates			Equities and stock indices			Forex and gold			Others			Different underlyings		
	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure	Not netted gross amount	Netted gross amount	Future exposure
A. Trading book															
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	283	-	328	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Financial companies	265	-	125	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	-	-	-	-	735	799	-	-	-	-	735	414	-	-	-
Total A (Dec. 31, 2006)	548	-	313	-	735	799	-	-	-	-	735	414	-	-	-
B. Banking book															
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Government agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total B (Dec. 31, 2006)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.6 Time-to-maturity of Over-the-Counter financial derivatives: notional amount

€/'000	Less than 1 year	1 to 5 years	Over 5 years	Total
A. Trading Book				
A.1 Debt securities and interest rates	807,298	103,057	30,060	940,415
A.2 Equities and stock indices	292	-	-	292
A.3 Exchange rates and gold	266,160	-	-	266,160
A.4 Other	-	-	-	-
B. Banking Book				
B.1 Debt securities and interest rates	-	-	-	-
B.2 Equities and stock indices	-	-	-	-
B.3 Exchange rates and gold	-	-	-	-
B.4 Other	-	-	-	-
Total B (Dec. 31, 2006)	1,073,750	103,057	30,060	1,206,867
Total B (Dec. 31, 2005)	-	-	-	-

B. Credit derivatives

During the year the Banking Group did not trade in credit derivatives and at December 31, 2006 it did not hold any positions in those instruments.

Section 3 - Liquidity Risk

Qualitative information

A. Liquidity Risk - General information, measurement and management

Given the types of assets held, their duration and the type of funding the Banking Group is not materially exposed to liquidity risk.
Liquidity risk is monitored by the Parent Company using liquidity gap analysis under a simplified static ALM model.

Quantitative information

1. Time-to-maturity of financial assets and liabilities

€/'000	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	over 5 years	Indefinite maturity
On balance sheet assets										
A.1 Government securities	-	-	235,073	39,894	17,417	49,343	198,502	527,037	40,974	-
- EUR	-		235,073	39,894	17,417	49,343	198,502	527,037	40,974	-
A.2 Listed debt securities	-	-	-	-	5,006	1	50,944	233,268	275,266	-
- USD	-	-	-	-	-		-	2	4	-
- EUR	-	-	-		5,006	1	50,944	233,262	275,262	-
- GBP	-	-	-	-	-	-	-	3	-	-
- Other currencies		-	-	-	-	-	-	1	-	-
A.3 Other debt securities	-	-	29,944	49,930	11,641	-	54,230	224,131	189,266	-
- USD	-	-	-		-	-	-	730	-	-
- EUR	-	-	29,944	49,930	11,641		54,230	223,401	189,266	-
A.4 Holdings in UCITS (EUR)		-	-	-	-	-	-	-	156,574	-
A.5 Loans										
- Banks	290,184	295,531	344,230	712,787	422,173	22,734	23,015	-	-	-
- EUR	287,745	288,030	344,230	590,992	396,361	104		-	-	254,153
- USD	1,221	-	-	-	848	22,630	23,015	-	-	-
- GBP	310	-	-	-	-	-	-	-	-	-
- YEN	72	-	-	-	-	-	-	-	-	-
- CAD	83	-	-	-	-	-	-	-	-	-
- CHF	63	7,501	-	121,795	24,964	-	-	-	-	-
- Other currencies	690	-	-	-	-	-	-	-	-	-
- Customers (EUR)	242,764	151,080	50,051	246,324	59,488	6,221	30,742	62,921	254,153	-
- EUR	242,744	151,080	50,051	246,324	59,488	6,221	30,742	62,921	254,153	-
- USD	20									
On balance sheet liabilities										
B.1 Deposits										
- Banks	170,514	53,250	-	1,984	70,765	5,242	23,066	-	-	-
- EUR	170,514	19,017								-
- USD	-	33,487	-	1,984	70,765	4,586	23,066	-	-	-
- GBP	-	746	-	-	-	656	-	-	-	-
- Customers	3,736,417	-	-	-	-	-	-	-	-	-
- EUR	3,720,921	-	-	-	-	-	-	-	-	-
- USD	15,489	-	-	-	-	-	-	-	-	-
- GBP	7	-	-	-	-	-	-	-	-	-
B.2 Debt securities										1,153
B.3 Other liabilities	205,079	610,406	25,070	289,014	100,224	1,153	-	35,149	85,129	-
- EUR	205,016	610,406	25,070	289,014	100,224	1,153	-	35,149	85,127	-
- USD	6	-	-	-	-	-	-	-	2	-
- GBP	34	-	-	-	-	-	-	-	-	-
- CHF	20	-	-	-	-	-	-	-	-	-
- Other currencies	3	-	-	-	-	-	-	-	-	-
Off balance sheet items										
C.1 Financial derivatives with exchange of capital										
- Long positions (USD)	-	-	-	1,898	93,178	759	7,593	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
- USD	-	-	-	-	1,929	-	-	-	-	-
- CHF	-	7,468		121,352	24,893	-	-	-	-	-
C.2 Deposits and financing to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Firm commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

2. Analysis of financial liabilities by counterparty

€/'000	Governments & Central Banks	Government agencies	Financial companies	Insurance companies	Non Financial companies	Others
1. Due to customers	2,169	156,592	303,317	378,926	36,895	3,270,258
2. Securities issued	-	-	-	-	-	-
3. Financial liabilities held for trading	72,615	2	47,392	-	534	-
4. Financial liabilities at fair value	-	-	-	-	-	-
Total at Dec. 31, 2006	74,784	156,594	350,709	378,926	37,429	3,270,258
Total at Dec. 31, 2005	624,457	53,640	448,938	369,586	36,528	2,956,304

3. Geographical analysis of financial liabilities

€/'000	Italiy	Other European countries	America	Asia	Rest of the world
1. Due to customers	4,650,970	38,664	13	-	-
2. Due to banks	808,470	323,704	-	-	-
3. Securities issued	-	-	-	-	-
4. Financial liabilities held for trading	21,236	73,524	26,304	2	-
5. Financial liabilities at fair value	-	1,153	-	-	-
Total at Dec. 31, 2006	5,480,676	437,045	26,317	2	-
Total at Dec. 31, 2005	4,422,578	409,996	29,710	-	-

Section 4 - Operational Risk

Qualitative information

A. Operational Risk - General information, measurement and management

Regulations and statutes place increasing emphasis on the identification and management of financial, credit and operational risks. In particular, the new Basel Capital Accord (International Convergence of Capital Measurements and Capital Standards) and the EU Capital Requirement Directive (CRD) placed greater importance on operational risk classifying it as a separate risk category which requires a specific capital charge as well as the adoption of specific risk measurement and mitigation techniques.
Operational risk is pervasive across the organisation and is closely correlated to legal risk and regulatory risk.
The Mediolanum Banking Group defines operational risk as "*the risk of economic loss or damage to assets resulting from any misconduct or inappropriate behaviour of its personnel, inadequate or failed systems or internal processes, or external events.*"

The internal control system of the Mediolanum Banking Group entails defense at different levels in accordance with the Group organisational structure.
Specifically, for operational risk line controls and risk controls are in place. Line controls are controls made by the individuals who carry out a certain activity and by their supervisors, generally within the same organisational unit or function. Risk controls (second level) are controls performed by units other than operating units; they contribute

to the definition of operating limits and risk measurement methods and verify compliance of transactions with the risk/return targets set by corporate bodies in their respective areas of remit.

The Operational Risk Management Unit, within the Risk Management and Compliance function, is responsible for identifying, measuring and assessing operational risk. The unit's staff work together with the Finance and Accounting Department to verify capital adequacy vis-à-vis operational risk capital requirements.
The Operational Risk Control Unit is separate and independent of operations and its officers report directly to the Parent Company's Senior Management.

In consideration of the characteristics and business of the Mediolanum Banking Group special attention is being paid to risks arising from Sales Network's activities and distribution through multiple remote channels. Those risks will be managed by putting in place, among other things, local controls and procedures for risk assessment, management, prevention and mitigation.
The operational risk management framework entails a central control unit (the Group operational risk unit) and local control units especially for those operations that are more exposed to operational risk: foreign banks or other organisational units (direct channels, sales network inspectors, Group Information Systems and Organisation), also to facilitate coordination in relation to Business Continuity & Disaster Recovery Plans.
Close coordination with the Compliance function is also envisaged.

The identification, monitoring and management of operational risk entail the analysis of the processes and activities carried out by the entity.
The approach used to analyse risks entails the classification of processes into "core processes" and "infrastructure processes". Core processes include operating activities that are connected to the value chain, while infrastructure processes relate to activities supporting operations and to the entity's administrative activities.
In 2003, aided by a primary advisory firm and with the support of Internal Audit department, the Mediolanum Group carried out a first mapping exercise to identify operational risk connected with its business processes.
This exercise, referred to as "Risk Assessment", was conducted for Italian companies within the Banking Group and was a valuable starting point for mapping the risk for all Group companies in terms of both potential losses and actual loss data.
In 2006, the Risk Self Assessment exercise conducted in prior years was supplemented with a new method to assess the risk exposure arising from processes. This entailed, *inter alia*, the introduction of a new qualitative measurement of exposure to operational risk of each organisational unit within the Group, i.e. an internal rating system.
The qualitative metrics differentiate between exposure to risk that is inherent in business management and exposure to risk that is anomalous or at critical levels.
The system uses four ratings, which identify a different level of risk and related response, i.e.:

- **A, negligible risk**: ideal condition, minimum risk of operating loss;
- **B, moderate risk**: the risk of loss is not negligible; first red flag;
- **C, significant risk**: it indicates a critical condition; more in-depth analysis is recommended to assess the opportunity of mitigating actions;
- **D, untenable risk**: the situation is severe and mitigating actions need to be taken immediately.

In 2006, the Parent Company Banca Mediolanum completed the operational risk management upgrade project. After being approved by the Board of Directors in December 2006, the project was rolled out.
The operational risk management system will be gradually implemented in Italian and international operations. Its local applications will reflect the specific characteristics of the local business including its size and internal organisation. The Parent Company will provide guidance on said system and coordinate its implementation within subsidiaries. It will also provide the support needed to ensure regulatory and statutory compliance.
As part of its guidance and coordination of subsidiaries, through its Operational Risk management staff, the Parent Company verifies the adequacy of the risk management and monitoring procedures that are being developed by individual Group companies and makes sure they comply with specific statutory and regulatory deadlines.
As to the measurement of the operational risk capital charge, as allowed under European regulations, the Mediolanum Banking Group availed itself of the option of continuing to apply the rules currently in force until the end of 2007. In 2007, in view of adopting the new measurement method for the operational risk capital charge, as required by supervisory authorities under the EU Directive, any needed amendments to or upgrades of the current model will be submitted to the Board of Directors for approval.

LEGAL RISK

The risk of non-compliance with statutory/regulatory requirements, i.e. the risk of legal penalties or fines, significant financial losses or reputational damage resulting from failed compliance with statutes, regulations, self-discipline or internal rules.
Legal risk cuts across the entire organisation and its effective management requires close collaboration with the Operational Risk Management unit, especially in relation to activities geared to improve corporate processes and mitigate the risk arising from procedures/processes that are not compliant with law provisions. The operational risk management framework includes the analysis of possible legal risk and the adoption of related mitigating actions.
The responsibility for managing legal risk rests with the Compliance unit, within the Risk Management and Compliance function. Working with a specialist advisory firm, the Group launched a project for measuring and assessing the Group's risk of non-compliance. Said project will provide the groundwork for future initiatives geared to finalise an adequate legal risk management framework.

REPUTATIONAL RISK

The Basel Committee expressly excluded reputational risk from the scope of Operational Risk. Reputational risk is considered to be a "secondary" risk compared to Operational Risk and Legal Risk, since it arises from an event connected to these risks. In order to keep reputational risk in check, the events that are classified as a potential source of this risk are included in the Risk Management and Compliance model, which is being finalised.

PART F - INFORMATION ON CAPITAL

SECTION 1 - CAPITAL

B. Quantitative information

€/' 000	Dec. 31, 2006
Share capital:	371,000
Capital reserves of which:	
Retained earnings of which to:	
- legal reserve	13,428
- extraordinary reserve	90,870
- FTA reserve	(65,524)
- consolidation reserve	40,639
Other reserves of which:	
- stock options	4,005
- merger reserve	3,185
Valuation reserve	1,251
Net profit for the year	63,922
Total	522,776

SECTION 2 - CAPITAL AND CAPITAL REQUIREMENTS FOR BANKS

2.1 Legal framework

In its Circular Letter No. 263 of December 27, 2006 titled "New Regulatory Requirements for Banks", the Bank of Italy (BoI) set forth the new capital measurement requirements. The BoI Circular Letter incorporates the international capital requirements that were introduced following the adoption of the international accounting and reporting standards (IAS/IFRS).

To safeguard the quality of regulatory capital and reduce the potential volatility arising from the adoption of the international accounting and financial reporting standards, certain "prudential filters" are applied to financial data.

Consolidated regulatory capital is made up of the regulatory capital of individual Group companies plus related items resulting from consolidation, specifically, core capital and supplementary capital include the share of the Group and the share of minority interests.

2.2 The regulatory capital of banks

A. Qualitative information

The capital base is the sum of core capital (Tier 1 capital), included in the calculation without restrictions, and supplementary capital (Tier 2), which cannot exceed the amount of Tier 1 capital, less any shareholdings, innovative or hybrid capital and subordinated assets held in other banks, financial and insurance companies.

1. Tier 1 capital

Tier 1 capital includes paid up capital, reserves, net profit for the period after dividend distributed to companies that are not part of the Banking Group, and minority interests. Any intangible assets and goodwill are deducted from the items above.
Tier 1 prudential filters are the negative valuation reserves relating to debt securities classified as "available-for-sale financial assets".

2. Tier 2 capital

Tier 2 capital includes positive valuation reserves after any doubtful loans for loans exposed to country risk.
The Banca Mediolanum Banking Group does not have any subordinated instruments included in the calculation of regulatory capital.
Tier 2 prudential filters are equal to 50% of the positive valuation reserve (after tax) relating to equities and holdings in UCITS classified as "available-for-sale financial assets".

3. Tier 3 capital

At December 31, 2006 the Banca Mediolanum Banking Group's capital did not include any instruments falling within Tier 3 capital.

B. Quantitative information

€/'000	Dec. 31, 2006	Dec. 31, 2005
A. Tier 1 capital before the application of prudential filters	233,330	259,970
Tier 1 prudential filters	(624)	(585)
- Positive adjustments	-	-
- Negative adjustments	624	585
B. Tier 1 capital after the application of prudential filters	232,706	259,385
C. Tier 2 capital before the application of prudential filters	332	(1.141)
Tier 2 prudential filters	(938)	(36)
- Positive adjustments	-	-
- Negative adjustments	938	36
D. Tier 2 capital after the application of prudential filters	(606)	(1,177)
E. Total capital (Tier 1 and Tier 2) after the application of prudential filters	232,100	258,208
Deductions from total capital (Tier 1 and Tier 2)	-	-
F. Regulatory capital	232,100	258,208

2.3 Capital adequacy

A. Qualitative information

At December 31, 2006 Tier 1 capital ratio was 9%, and Total capital ratio was 9.0%, above the minimum requirement of 8%.

B. Quantitative information

€/'000	Not weighted Dec. 31, 2006	Not weighted Dec. 31, 2005	Weighted/ requirement Dec. 31, 2006	Weighted/ requirement Dec. 31, 2005
A. Risk asset				
A.1 Credit risk	4,595,730	4,693,458	2,145,530	1,774,349
Standardized method				
On balance sheet assets	4,446,630	4,459,534	2,016,744	1,634,197
1. Exposures (other than equities and other subordinated Assets) to (or guaranteed by):	3,926,997	4,044,282	1,709,957	1,340,424
1.1 Governments and central banks	418,934	600,393	-	-
1.2 Government agencies	10,264	10,609	2,053	2,122
1.3 Banks	2,237,369	2,618,723	447,474	523,745
1.4 Others	1,260,430	814,557	1,260,430	814,557
2. Residential mortgage loans	351,673	163,561	175,837	81,781
3. Non-residential mortgage loans	-	-	-	-
4. Shares, equity investments and subordinated assets	-	-	-	-
5. Other assets	167,960	251,691	130,951	211,993
Off balance sheet assets				
1. Guarantees and commitments to (or guaranteed by):	149,100	233,925	128,786	140,152
1.1 Governments and central banks	10,044	21,645	-	-
1.2 Government agencies	-	-	-	-
1.3 Banks	12,837	90,160	2,567	18,032
1.4 Others	126,219	122,120	126,219	122,120
2. Derivative contracts with (or guaranteed by):	-	-	-	-
2.1 Governments and central banks	-	-	-	-
2.2 Government agencies	-	-	-	-
2.3 Banks	-	-	-	-
2.4 Others	-	-	-	-
B. Regulatory capital requirements				
B.1 Credit risk			171,642	141,948
B.2 Market risk			38,140	33,678
1. Standardized method				
of which:				
+ risk of positions in debt securities			37,598	28,777
+ risk of positions in equities			542	820
+ currency risk			-	4,081
+ other risks			-	-
2. Internal models			-	-
of which:			-	-
+ risk of positions in debt securities			-	-
+ risk of positions in equities			-	-
+ currency risk			-	-
B.3 Other prudential requirements			-	-
B.4 Total prudential requirements (a1+a2+a3)			209,782	175,626
C. Risk assets and capital ratios				
C.1 Risk-weighted assets *			2,622,280	2,195,325
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			8.87%	11.80%
C.3 Regulatory capital/Risk-weighted assets (Total capital ratio)			8.85%	11.80%

(*) Total prudential requirements multiplied by the reciprocal of the mandatory minimum coefficient for credit risk (8%).

PART G - BUSINESS COMBINATIONS

Section 1 - Transactions concluded during the year

In 2006 there were no transactions requiring disclosure under IFRS 3.

Section 2 - Post-balance sheet date transactions

No transaction was concluded after the end of the financial year under review.

PART H - RELATED PARTY TRANSACTIONS

1. Key management compensation

€/'000	Directors, Statutory Auditors, Deputy/ General Managers	Other key managers
Emoluments & social security contributions	2,961	1,514
Other pension benefits and insurance	-	43
Non-cash benefits	-	-
Other post-employment benefits	-	-
Share-based awards (stock options)	13	248

2. Information on related party transactions

Balance Sheet

€/'000	Parent Company	Other related parties
Loans to customers	5	18,929
Other assets	16,630	71,807
Other liabilities	(9,511)	(5,528)
Due to customers	(27,599)	(391,669)

Income Statement

€/'000	Parent Company	Other related parties
Recoveries of expenses for centrally provided services	794	7,296
Interest income	-	1,211
Key personnel	(1,386)	259
Other income	-	325
Commission income/expense	181,416	9,344
Services provided/received	(260)	(6,016)
Interest expense	(1,081)	(9,221)
Goods acquired/sold	-	(12,676)
Office rentals	-	(396)
Other staff/sales network costs	-	(1,351)

PART I - EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

A. QUALITATIVE INFORMATION

1. Description of equity-settled share-based payment transactions

At the Extraordinary General Meeting held on April 12, 2001, the shareholders of Mediolanum S.p.A. resolved to increase share capital for a consideration in one or more occasions over five years by issuing up to 7,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which can be implemented on multiple occasions and in different years.

The exercise price of the stock options granted to employees shall be the arithmetic mean of the MEDIOLANUM S.p.A. share prices in the 30 days preceding the date on which the Board of Directors resolves to implement the stock option plan.

The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees are allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares shall be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.

The stock options granted to directors and contract workers shall be exercisable upon the condition that the closing price of Mediolanum ordinary shares on the Exercise Date is not lower than the closing price of Mediolanum S.p.A. on the Grant Date. If that condition is met, the exercise price shall be equal to the MEDIOLANUM S.p.A. equity value per share as reported in the last financial statements approved prior to the Grant Date.

The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers are allowed only upon the expiration of two years from the Grant Date (vesting period). The exercise of the Options and the subsequent subscription for Shares shall be made in full on a single occasion in the first five business days of each of the thirty six calendar months after the Vesting Date.

At the Extraordinary General Meeting held on April 26, 2005, the shareholders of Mediolanum resolved to increase share capital for a consideration in one or more occasions over five years by issuing up to 9,500,000 Mediolanum S.p.A. shares to be allotted to the employees, directors and contract workers of the company and its subsidiaries under a stock option plan, which can be implemented on multiple occasions and in different years.

The stock options granted to employees shall be exercisable upon the expiration of a two-year vesting period at a share price equal to the fair market value – as defined by tax rules – of the Mediolanum stock on the date of the Board of Directors' resolutions relating to the respective capital increases.

The exercise of the Options granted to employees is subject to the satisfaction of the Vesting Conditions which will be established annually by the company that employs them.

The exercise of the Options – subject to the satisfaction of the Vesting Conditions – and the subsequent subscription for Shares by Employees are allowed only upon the expiration of two years from the Grant Date (vesting period).

The exercise of the Options and the subsequent subscription for Shares shall be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.

The stock options granted to directors and contract workers shall be exercisable upon the expiration of a vesting period of two years for Directors and of three years for Contract Workers, at a share price equal to the weighted average of (i) the company's equity value per share as reported in the last financial statements approved prior to the allotment of the Options and (ii) and the average stock market price of Mediolanum S.p.A. shares in the six-months preceding the Grant Date, applying a weight equal to ninety percent of the equity value and a weight equal to ten percent of the average stock market price in the last six-month period. The exercise of the Options granted to Directors and Contract Workers is subject to the satisfaction of at least one of the following conditions:
(i) that on the Vesting Date the closing price of Mediolanum S.p.A. ordinary shares be not lower than the official price of Mediolanum S.p.A. ordinary shares on the Grant date; or
(ii) that the change in the closing price of Mediolanum S.p.A. ordinary shares in the period between the Grant Date and the Vesting Date (the "Vesting Period") be not lower than the arithmetic mean of the changes recorded in the Vesting Period in the S&P/Mib, Comit Assicurativi and Comit Bancari indices (the "Indices"), properly adjusted applying the criteria commonly adopted in financial market practice to take into account the correlation coefficient (known as the beta coefficient) between the Mediolanum S.p.A. ordinary shares and said Indices in the Vesting Period; the adjusted mean change in the Indices will be calculated by an independent third party appointed for that purpose by the Board of Directors of the Company; or
(iii) that the Embedded Value of the Mediolanum Group, as calculated by an independent third-party appointed for that purpose by the Board of Directors of the Company and reported in the last financial statements approved prior to the Vesting Date, be at least equal to the Embedded Value of the Mediolanum Group as calculated based on the last financial statements approved prior to the Grant Date.
The exercise of the Options – subject to the satisfaction of Vesting Conditions – and the subsequent subscription for Shares by Directors and Contract Workers are allowed only upon the expiration of two years for Directors and of three years for Contract Workers from the Grant Date (Vesting Period). The exercise of the Options and the subsequent subscription for Shares shall be made in full on a single occasion in the first five business days of each of the thirty six calendar months subsequent to the Vesting Date.

Exercising the authority delegated to it by the shareholders at the Extraordinary General Meeting of April 26, 2005, at its Meeting held on May 10, 2006 the Board of Directors resolved:

- to increase share capital for a consideration by a maximum amount of €71,400.00 through the issue of up to 714,000 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to the employees of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph eight of the Italian Civil Code and article 134, paragraph three, of Legislative Decree 58/98. Those shares will be offered for subscription at a share price, including share premium, equal to the arithmetic mean of the MEDIOLANUM S.p.A. share prices on the electronic trading system of Borsa Italiana S.p.A. (Italian Stock Exchange) in the period from the tenth day of the preceding calendar month to May 10, 2006;
- to increase share capital for a consideration by a maximum amount of €58,750.00 through the issue of up to 587,500 dividend-bearing ordinary shares, par value of €0.10 each, to be allotted to contract workers of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1), of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to art. 2441, paragraph five of the Italian Civil Code. Those shares will be offered for subscription at a share price of 1.210 including a share premium of €1.110 per share (price determined in accordance with the EGM resolution);

- to increase share capital for a consideration by a maximum amount of €60,900.00 through the issue of up to 609,000 dividend-bearing ordinary shares, par value of €0.1 each, to be allotted to the Directors of the Company and/or its subsidiaries pursuant to article 2359, paragraph 1, No. 1 of the Italian Civil Code, waiving any shareholders' pre-emptive rights pursuant to article 2441 paragraph five, of the Italian Civil Code. Those shares will be offered for subscription at a share price of €1.210 including a share premium of €1.110 per share (price determined in accordance with the EGM resolution);
- that the subscription to that share capital increase is to be made on a single occasion in the first five business days of each of the thirty-six calendar months subsequent to the expiration of the two-year term, except for any exceptional circumstances as set out in the regulations. The final term for exercising the Options with respect to the share capital increases above, is the fifth business day in the thirty-sixth month subsequent to the expiration of the two-year term. In the event that the capital increases are not fully subscribed within the prescribed term, share capital will be increased by the amount of the subscriptions received as of that date.

2. Fair value measurement of stock option

Stock options granted to employees

Since these stock options are exercisable in the months after the expiration of the vesting period they are treated like American-style Options and priced using the Cox-Rubinstein & Ross model (CRR).
Under that model a two-step approach is used. In the first step a binomial tree is built. The tree represents all the possible paths that the share price could take. At the end of the tree (i.e. at expiration of the option) all the option prices for each of the final possible share prices are known. Then, working back from expiration, the option prices are calculated at each node of the tree to assess the option value in case of early exercise.
In the case under review, the stock option is an American-style Option only for the period between the vesting date and the expiration date, therefore the probability of early exercise was estimated only over that period. In the vesting period the option price was weighted and discounted at the risk-free rate.

Stock options granted to directors and contract workers

These stock options are exercisable after the expiration of the vesting period and subject to the satisfaction of the vesting conditions.
These options were priced by building a tree that represents all the possible paths that the share price could take from the grant date to the expiration date of the option. The value of the derivative at expiration is calculated regardless of whether the vesting condition are met or not. Next the option prices are calculated at each node of the tree to assess the option value in case of early exercise and vesting conditions. In the period between the grant date and the vesting date (vesting period) the option was priced treating it like an European-style Option.

B. QUANTITATIVE INFORMATION

1. Changes occurred in the year

In the year 2006 921,911 stock options granted in 2003 and 2004 were exercised for a total of 921,911 Mediolanum S.p.A. shares.
The table below shows movements in option holdings in the year as per Bank of Italy's Circular Letter 262/2005.

	Options at the beginning of the year			Options granted in the year			Options exercised in the year				Options held at year end		
Number of options and exercise price	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration	Number of options	Average exercise price	Average expiration	Options lapsed in the year	Number of options	Average exercise price	Average expiration
Employees	1,863,000	5.663	2007-2009	602,000	6.374	2008-2013	(260,000)	3.533	6.007	-	2,205,000	6.048	2007-2013
Directors	90,0000	0.831	2007-2012	150,000	1.210	2008-2013	-	-	-	-	240,000	1.176	2007-2013
Contract workers	929,456	0.723	2007-2012	553,500	1.210	2008-2014	(661,911)	0.586	5.537	(2,129)	818,916	1.163	2007-2014
Total	2,882,456	3.919	-	1,305,500	3.591	-	(921,911)	1.417	5.772	(2,129)	3,263,916	4.464	-

2. Other information

The year's cost of stock options, which corresponds to the year's share of the fair value of financial instruments over the vesting period, amounted to €1,994 thousand and entailed a corresponding increase in the Group's equity reserves.

Basiglio, March 27, 2007

For the Board of Directors
The Chairman
Ennio Doris

MEDIOLANUM BANKING GROUP

Report of the Board of Statutory Auditors

2006

Report of the Board of Statutory Auditors on the Consolidated Annual Financial Statements

Dear Shareholder,

In addition to the separate financial statements for the year ended December 31, 2006, also the consolidated financial statements of the Mediolanum Banking Group for the year ended December 31, 2006 are presented to you for approval.
The consolidated financial statements include the accounts of all subsidiaries directly or indirectly controlled by Banca Mediolanum, that are registered banks in accordance with art. 64 of the Consolidated Banking Act.

Basis of preparation

The financial statements were prepared in accordance with the "Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies that are parent companies of banking groups" issued by the Bank of Italy through Circular Letter No. 262 of December 22, 2005 pursuant to Legislative Decree No. 38 of February 28, 2005.
The financial statements consist of the Balance Sheet, the Income Statement, the Statement of Changes in Shareholders' Equity, the Statement of Cash Flows and Explanatory Notes in addition to the Directors' Report.
The consolidated financial statements for the year ended December 31, 2006 show net profit attributable to the Banking Group of €63,922 thousand and minority interests of €38,436 thousand.

Scope and methods of consolidation

The consolidated financial statements include the accounts of the parent company Banca Mediolanum and those of its directly or indirectly controlled subsidiaries, including subsidiaries whose business activities are dissimilar from those of the parent company.
Subsidiaries are consolidated on a line-by-line basis, while associates are accounted for using the equity method.

Audit of the accounts, the notes and the Directors' Report

Reconta Ernst & Young S.p.A are the independent auditors responsible for auditing the Banca Mediolanum S.p.A consolidated financial statements for the year ended December 31, 2006. Upon completion of their audit work, the independent auditors will provide their report. On the basis of the information obtained during meetings and talks with the independent auditors, we have reasons to believe the auditors' report will not contain any remarks.
On the basis of the results of our work and in consideration of the foregoing, we express our favourable opinion on the approval of the financial statements and schedules attached thereto.

Milan, April 2, 2007

THE BOARD OF STATUTORY AUDITORS
Arnaldo Mauri, Chairman
Adriano Angeli, Standing Auditor
Franco Colombo, Standing Auditor

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT
pursuant to articles 156 and 165 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholder of
Banca Mediolanum S.p.A.

1. We have audited the consolidated financial statements of Banca Mediolanum S.p.A. and its subsidiaries ("Banca Mediolanum Group") as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These consolidated financial statements are the responsibility of Banca Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements include the comparative information for the prior year. As described in the explanatoty notes, management has modified the comparative information related to the prior year's audited consolidated financial statements, on which we issued our auditors' report on date April 5, 2006. We have examined the methods adopted to retrospectively adjust the comparative financial information for the prior period and the information presented in the explanatory notes in this respect for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2006.

3. In our opinion, the consolidated financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Banca Mediolanum Group as of December 31, 2006, and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Milan, April 2, 2007

Reconta Ernst & Young S.p.A.
Signed by: Natale Freddi, Partner

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Capitale Sociale € 1.259.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CC.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584
P.I. 00891231003
(vecchio numero R.I. 6697/89 - numero R.E.A. 250904)