MEDIOLANUM S.p.A.

First Quarter Report at March 31 2006

MEDIOLANUM
MEDIOLANUM GROUP

Contents

The financial statements and the consolidated financial statements have been translated from those issued in Italy, from the Italian into English language solely for the convenience of international readers.

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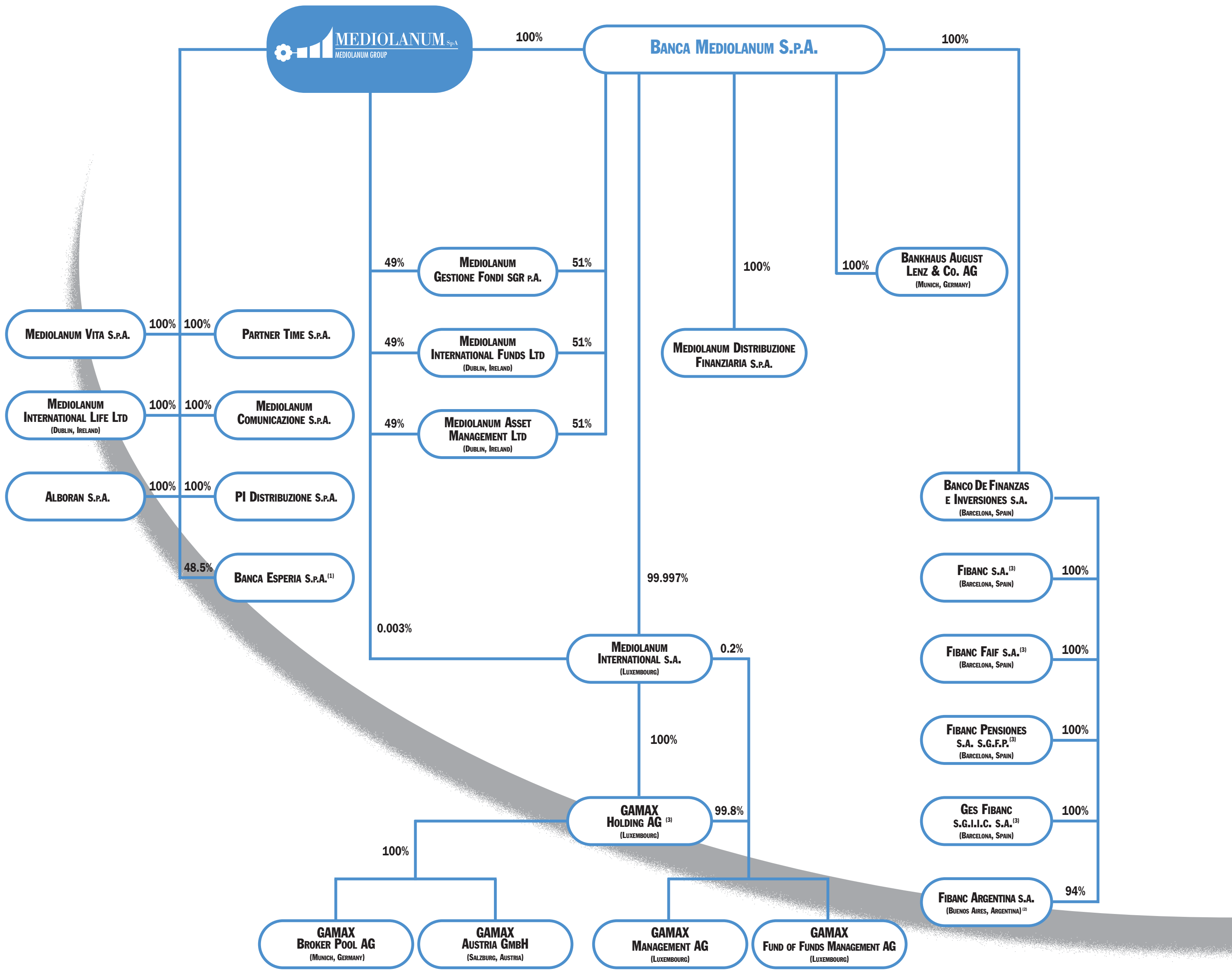
First Quarter Report at March 31 2006

Group Structure

AS OF MARCH 31, 2006



(1) The remaining capital is held by third parties.
(2) In liquidation.
(3) Pursuant to regulations directors have a symbolic shareholding.

Corporate Governance Officers

BOARD OF DIRECTORS

Ruozi Roberto	Chairman of the Board
Messina Alfredo	Deputy Chairman of the Board
Lombardi Edoardo	Executive Deputy Chairman
Doris Ennio	Chief Executive Officer
Berlusconi Marina Elvira	Director
Cannatelli Pasquale	Director
Doris Massimo Antonio	Director
Ermolli Bruno	Director
Molteni Mario	Director
Renoldi Angelo	Director
Sciumè Paolo	Director
Zunino Antonio	Director

BOARD OF STATUTORY AUDITORS

Mauri Arnaldo	Chairman
Frattini Achille	Standing Auditor
Giampaolo Francesco Antonio	Standing Auditor
Gatti Ferdinando	Alternate Auditor
Vittadini Francesco	Alternate Auditor

BOARD SECRETARY

Luca Maria Rovere

INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

MEDIOLANUM S.p.A.

Directors' Report

Directors' Report

For the quarter ended March 31, 2006 the Mediolanum Group reported net profit of €58,967 thousand up 17.4% over the same quarter of the prior year (€50,214 thousand).
The improvement was again in connection with increased assets under management, and in particular the 32% growth of inflows to €1,973.5 million compared to the prior year's figure of €1,493.7 million.
At March 31, 2006 total assets under management and administration amounted to €31,466 million up 17.8% from €26,672 million in the same period of 2005, and up 3.5% from €30,399 million at December 31, 2005.

The macroeconomic environment

In the first months of 2006 the global economy continued to display robust growth, driven by the strong performance of Asian and North American economies and spurred on by the recovery in Europe and Japan.
In the first quarter of 2006, in spite of the tight monetary policy adopted by the Fed, which brought Fed funds rates to 4.75%, US GDP grew 4.8% versus 1.7% in the fourth quarter of 2005. Growth was recorded across all industries and its positive effects propagated also to the labour market, as in the first three months of the year 600,000 new jobs were created and at the end of March the unemployment rate fell to 4.7%.
Private consumption – the backbone of the economy – was still buoyant, as it grew 5.5%. Demand for durable goods, up about 20%, as well as corporate investments, up about 10%, were also strongly upbeat.
In spite of rising demand, inflationary pressures remained contained as the CPI annualised rate fell from 3.6% in February to 3.4% in March. Further spikes in oil prices, now hovering above the $70 per barrel mark, and the expected increase in labour costs may, however, rekindle inflation in the future.
In Asia, China continued to grow at a tremendous pace and is now becoming one of the world's leading economies. Other Asian countries, which are more dependent on their exports to the United States, continued to travel at full speed along their growth path.
In the first months of the year, the Japanese economy began to show signs of recovery both in exports and domestic demand. The same applies to Europe as shown by the improvement in all consumer and business confidence indicators and the outlook upgrade for German growth on the full year.
Our domestic economy also began to show tangible signs of recovery, especially in the industrial sector. In fact, after declining in late 2005, production picked up again and output growth for the first quarter is projected at 1.4%. Although so far disappointing, household spending is expected to stir up in the first half of 2006 in connection with positive developments in employment and disposable income.
To keep any inflationary pressures at bay, at its February meeting, the European Central Bank (ECB) raised interest rates by 25 basis points, bringing short-term rates to 2.5%, and sending signals to the markets that further tightening may be on the cards in the coming months.

In the first quarter of 2006 almost all equity markets were on the upside: emerging markets continued to climb, European stock markets were close to double-digit growth, while other international markets were more subdued.
Turning to sector analysis, the best performers were raw materials, boosted by rising commodities prices, and the financial sector, in particular real estate, banking and asset management. Also the technology sector, which benefited from significantly greater investments in IT infrastructure, as well as the manufacturing industry, especially automotives, recorded significant growth after months of disappointing performance. Defensive stocks were more subdued.
The tightening monetary cycle depressed bond yields on both the US and the European markets.
The ECB statements and the Fed Chairman Bernanke's almost simultaneous statements on an imminent pause in the US tightening cycle weakened the US dollar against the euro and the euro/US dollar exchange rate increased from 1.18 in early January to 1.21 at the end of March 2006.

Mediolanum Group's Performance

For a better understanding of the Group's performance, the review of operations is divided into domestic market and foreign markets.

Domestic Market

The beginning of March 2006 marked the first anniversary of the launch of "4 Freedoms", the initiative geared to increase the number of new bank accounts also by leveraging those customers who invest with us but do to bank with us.
Since March of last year 99,200 new bank accounts were opened, of which about 72,000 from March to December 2005 (excluding the month of August, the monthly average was about 7,500 new accounts) and the remaining 27,200 in the first quarter of 2006 (the monthly average for the first quarter was 9,100 new accounts). A spike was recorded in March 2006 when 11,962 new bank accounts were opened.
At March 31, 2006 active bank accounts totalled 408,692 versus 349,190 at March 30, 2005 (392,400 at December 31, 2005), while primary account holders increased from 784,900 at March 31, 2005 to 806,700 at the end of the quarter under review (798,100 at December 31, 2005).
51,600 new 'Riflexcard' credit cards were issued since March 2005, with a peak last December of 7,424 new credit cards issued. Please note that 82% of those cards were issued to new clients and first-time credit card holders.

At March 31, 2006 the sales force consisted of 6,073 people (vs. 5,836 people at December 31, 2005) of whom 3,947 licensed financial advisors (vs. 3,978 at December 31, 2005). The sales force increase largely relates to non-licensed financial advisors (+274 people), who after training and passing the CONSOB exam will become licensed financial advisors.

In the first quarter of 2006 the new closed-end Mediolanum Real Estate fund commenced operation. Gross inflows into that fund amounted to €220 million and the fund's net assets totalled €214.1 million.

On March 7, 2006 the Bank of Italy approved the Rules of the new closed-end real estate fund named "Mediolanum Real Estate 2" established by the Board of Directors on October 19, 2005 and due to open to subscriptions in the second half of the current year.

Let's now turn to the presentation of results by business line.

Life Insurance

Premiums written in the first quarter amounted to €646.4 million down 7% compared to €695.1 million in the same period of the past year.
New business amounted to €392.2 million versus €485.7 million at March 31, 2005. The decrease largely relates to sales of Index Linked products which at March 31, 2006 amounted to €196.4 million versus €362.6 million in the first quarter of the prior year.
Premiums on portfolio contracts increased 21% from €209.4 million in the same period of the past year to €254.2 million at March 31, 2006.
Recurring premiums grew 47% from €42,8 million to €62.9 million at March 31, 2006.
At March 31, 2006 life assets were up 20% to €12,640.2 million from €10,571.9 million at March 31, 2005.
Mediolanum International Life Ltd policies are distributed in Italy by Banca Mediolanum, in Spain by Fibanc and in Germany through the networks of Bankhaus August Lenz and the Gamax Group. Premiums written in the first quarter of 2006 in foreign markets (Spain and Germany) increased from €22.9 million at March 31, 2005 to €39 million at the end of the quarter under review.

Net profit (loss) of life insurance subsidiaries consolidated on a line-by-line basis:

€/'000	March 31, 2006	March 31, 2005
Mediolanum Vita S.p.A.	3,729	19,049
Partner Time S.p.A.	(104)	(359)
Mediolanum International Life Ltd	6,615	(508)

Banking

For the quarter ended March 31, 2006 Banca Mediolanum S.p.A. reported net profit of €40,574 thousand versus net profit of €59,141 thousand in the same period of the prior year.
The decline in net profit is in connection with the effect of lower dividends relating to the first quarter of the year and amounting to €26,137 thousand, following the payment of the 2005 interim dividend by the subsidiary Mediolanum International Funds Ltd in December of the past year (€68,850 thousand). Excluding the effect of dividends, result of operations show significant progress.
At the end of March 2006 the Bank's total assets amounted to €6,109 million increasing by €575 million over December 31, 2005. That was largely due to the corresponding increase in financial liabilities held for trading, recognised in relation to possible losses on financial assets held for trading, which could arise on interest rate increases.

At March 31, 2006 customer deposits amounted to €3,521 million down 4.2% over December 31, 2005 when customer deposits stood at €3,668 million, but growing 18.3% over €2,977 million, which is figure reported for the same quarter of the past year. The decline over December 31, 2005 is in connection with lower cash balances on customers' bank accounts following the February 2006 calls for payment in relation to the Mediolanum Real Estate fund units they had subscribed.
At March 31, 2006 the Bank's total assets under administration (customer deposits and securities in custody) amounted to €4,653.2 million versus €4,759.6 million at December 31, 2005.
At March 31, 2006 customer loans totalled €766 million up 6.09% from €722 million at December 31, 2005. Direct mortgage lending contributed to that growth.
At March 31, 2006 net interest income amounted to €16,970 thousand up 38.8% from €12,230 thousand at March 31, 2005.
Net income from trading amounted to €560 thousand versus €2,795 thousand at March 31, 2005.
Net interest income plus net income from trading grew 16.7% to €17,530 thousand from €15,025 thousand at March 31, 2005.
At March 31, 2006 commission income amounted to €36,261 thousand versus €26,178 thousand in the prior year. The 38.5% increase mostly relates to the sales of asset management products and services which benefited from the positive performance of global financial markets.

Net profit (loss) of banking subsidiaries consolidated on a line-by-line basis:

€/'000	March 31, 2006	March 31, 2005
Banca Mediolanum S.p.A.	40,574	59,141
Mediolanum Distribuzione Finanziaria S.p.A.	(77)	n/a

Asset Management

In the first quarter of 2006 the new closed-end Mediolanum Real Estate fund commenced operation. Gross inflows into that fund amounted to €220 million and the fund's net assets totalled €214.1 million.
In the first quarter of the year, gross inflows into managed accounts and mutual funds increased 183% to €989.2 million compared to €349.2 million at March 31, 2005. Net inflows amounted to €180.8 million versus a negative balance of €20.9 million in the same period of the past year.
At March 31, 2006 total assets under management amounted to €14,853.4 million up 31% over March 31, 2005 (€11,371.3 million) and up 5.5% over December 31, 2005.

Net profit (loss) of asset management subsidiaries consolidated on a line-by-line basis:

€/'000	March 31, 2006	March 31, 2005
Mediolanum International Funds Ltd	37,998	32,340
Mediolanum Gestione Fondi SGR p.A.	3,236	1,440
Mediolanum Asset Management Ltd	2,596	841

Other Businesses

Other businesses include the 48.5%-owned private banking associate Banca Esperia S.p.A., which heads a group made up of the fund manager Duemme SGR p.A., the hedge fund manager Duemme Hedge SGR p.A. and the investment trust Duemme Servizi Fiduciari S.p.A.

For the first quarter of 2006 the Banca Esperia Group reported gross inflows of €635 million versus €532 million at March 31, 2005 (+19%). Net inflows amounted to €363 million, more than doubling over the same period of the prior year (€153 million at March 31, 2005).

Total assets under management increased 20% from €5,023 million at March 31, 2005 to €6,033 million at the end of the quarter under review.

At March 31, 2006 the Group employed 55 private bankers versus 54 at December 31, 2005.

For the first quarter of the year the Banca Esperia Group reported net profit of €3,254 thousand – which includes the estimated impact of IAS application – versus €2,100 thousand in the same period of the prior year (+57%).

Mediolanum S.p.A.

For the quarter ended March 31, 2006 the Parent Company Mediolanum S.p.A. reported net profit of €42,781 thousand versus €60,820 thousand for the same quarter in the prior year.

The decrease in net profit is in connection with the effect of lower dividends from subsidiaries relating to the first quarter of the year and amounting to €18,815 thousand, following the payment of the 2005 interim dividend by Mediolanum International Funds Ltd in December of the past year (€66,150 thousand).

Commission income amounted to €43,447 thousand (vs. €48,745 thousand at March 31, 2005), of which €42,502 thousand (€47,801 thousand at March 31, 2005) earned as insurance agent of the subsidiary Mediolanum Vita S.p.A..

Commission expense primarily relates to commissions paid to the subsidiary Banca Mediolanum S.p.A. which amounted to €42,363 thousand (€42,903 thousand at March 31, 2005).

○ Foreign Markets

Spain

Mediolanum conducts business in Spain through the Spanish Group Fibanc (a wholly-owned subsidiary of Banca Mediolanum).

For the first quarter of 2006 the Spanish Group Fibanc reported net profit of €396 thousand versus €273 thousand for the same period of the prior year.

At the end of the quarter under review, the sales network consisted of 631 people (vs. 596 at March 31, 2005) of whom 437 tied financial advisors (vs. 411 at March 31, 2005).

In the first quarter of 2006 gross inflows remained substantially in line with the figure reported for the same period in the prior year and amounted to €152 million. Net inflows amounted to €54 million (of which €45.5 million into managed accounts) versus €20.2 million (of which €31.6 million into managed accounts) at March 31, 2005.

Inflows into Mediolanum International Life products in Spain totalled €35.7 million versus €20.8 million at March 31, 2005.
At March 31, 2006 total assets under management and administration amounted to €2,377.6 million up 14% over March 31, 2005 (€2,092.9 million) and up 9.7% over December 31, 2005 (€2,167.8 million).

Net profit (loss) of Spanish subsidiaries consolidated on a line-by-line basis:

€/'000	March 31, 2006	March 31, 2005
Gruppo Banco de Finanzas e Inversiones S.A. - Fibanc	397	273

Germany

Mediolanum conducts business in Germany through Bankhaus August Lenz &Co AG and the Gamax Holding AG Group. Bankhaus August Lenz &Co AG is a Banca Mediolanum's wholly-owned bank, while the Gamax Holding AG Group is 99.997% owned by Mediolanum International S.A. and is made up of a holding company with shareholdings in two Luxembourg-based fund management companies and in two distribution companies operating in Germany and Austria.

For the first quarter of 2006 **Bankhaus August Lenz** reported net inflows of €3 million (of which €3.4 million into managed accounts) versus a negative balance of €5.1 million in the prior year (of which +€1.7 million into managed accounts).
At the end of the first quarter 2006, total assets under management and administration were up 23% to €59.9 million from €48.5 million at March 31, 2005.
For the quarter under review the bank reported net loss of €1,684 thousand, which marks an improvement from the €2,077 thousand net loss reported at March 31, 2005.
At the end of the quarter under review the sales network consisted of 44 people versus 95 people at March 31, 2005.

For the first quarter of 2006 the **Gamax Group** reported net profit of €361 thousand versus €723 thousand at March 31, 2005. Gross inflows (Gamax funds and third-party funds) totalled €23.4 million versus €21 million in the past year. Net inflows into Gamax funds continued to be on the downside with a negative balance of €15.7 million (vs. €15.4 million at March 31, 2005).

Net profit (loss) of German subsidiaries consolidated on a line-by-line basis:

€/'000	March 31, 2006	March 31, 2005
Gruppo Gamax Holding AG	361	723
Bankhaus August Lenz & Co. AG	(1,684)	(2,077)

Summary key financials

The sales networks

Number	March 31, 2006	March 31, 2005	Dec. 31, 2005
Banca Mediolanum licensed financial advisors	3,947	4,015	3,978
Banca Mediolanum non-licensed financial advisors	1,455	730	1,183
Credit executive	63	51	59
Partner Time network (*)	608	802	616
Total "Domestic Market"	6,073	5,598	5,836
Fibanc Group network	631	596	615
Gamax Group network (**)	176	143	192
Bankhaus August Lenz & Co. network	44	95	55
Total "Foreign Markets"	851	834	862
Total	6,924	6,432	6,698

(*) The Partner Time Network sales force figures relate to advisors and soliciting agents who worked for the network in the last three months.

(**) The Gamax Group network sales force figures relate to the monthly average number of soliciting agents who worked for the network in the period.

Inflows

€/million	March 31, 2006	March 31, 2005	Change %
DOMESTIC MARKET			
ASSET MANAGEMENT			
- Life insurance products			
Life premiums written	646.4	695.1	-7
Of which:			
New business	392.2	485.7	-19
Portfolio	254.2	209.4	+21
- Mutual funds and managed accounts			
Consolidated net inflows	180.8	(20.9)	n/a
Out of:			
Consolidated gross inflows	989.2	349.2	+183
- Banca Esperia Group (*)			
Consolidated net inflows	176.1	74.2	+137
Out of:			
Consolidated gross inflows	308.0	258.0	+19
ASSET ADMINISTRATION			
- Bank accounts and securities in custody			
Consolidated net inflows	(155.0)	14.1	n/a
FOREIGN MARKETS			
ASSET MANAGEMENT			
- Life insurance products			
Life premiums written	41.8	24.2	+73
- Mutual funds and managed accounts			
Consolidated net inflows	2.2	(1.1)	n/a
Out of:			
Consolidated gross inflows	126.5	152.7	-17
ASSET ADMINISTRATION			
- Bank accounts and securities in custody			
Consolidated net inflows	8.0	(18.2)	n/a

(*) The figures relating to Banca Esperia are stated on a pro-rata basis according to the stake held in that entity (48.5%).

Consolidated assets under management and under administration

€/million	March 31, 2006	March 31, 2005	Change %
Life products	12,640.2	10,571.9	+20
Mutual funds and managed accounts	14,853.4	11,371.3	+31
Banking	4,653.2	4,422.8	+5
Banca Esperia Group (*)	2,926.0	2,436.2	+20
Consolidation adjustments	(6,688.6)	(4,837.6)	-38
Total "Domestic Market"	28,384.1	23,964.6	+18
Life products	352.0	242.9	+45
Mutual funds and managed accounts	1,169.1	1,101.9	+6
Banking	1,579.7	1,361.9	+16
Other products	249.6	260.9	-4
Consolidation adjustments	(268.4)	(259.7)	-3
Total "Foreign Markets"	3,082.0	2,707.9	+14
Total Group	31,466.1	26,672.5	+18

(*) The figures relating to Banca Esperia are stated on a pro-rata basis according to the stake held in that entity (48.5%).

SEGMENT REPORTING

This section presents consolidated financial results reported by business segment (primary format), i.e. Life Insurance, Banking, Asset Management and Other, and then by geographical segment (secondary segment) by reference to the Group markets, i.e. Domestic and Foreign markets.

In compliance with IAS 14, segment reporting reflects the management reporting system of the 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.

Segment reporting by business sector

€/'000	LIFE INSURANCE 2006	LIFE INSURANCE 2005	LIFE INSURANCE delta	BANKING 2006	BANKING 2005	BANKING delta
Net premiums written	678,826	690,275	(11,449)	-	-	-
Entry fees	-	-	-	-	-	-
Management fees	34,122	24,944	9,178	-	-	-
Performance fees	10,815	6,594	4,221	-	-	-
Banking service fees	-	-	-	19,078	17,368	1,711
Other fees	5,205	3,851	1,354	21	22	(1)
Total commission income	50,142	35,389	14,753	19,099	17,390	1,709
Interest income and similar income	4,309	2,228	2,081	37,194	30,599	6,596
Interest expense and similar charges	(988)	(1,128)	140	(18,052)	(16,378)	(1,674)
Net income on investments at fair value	(5,174)	935	(6,109)	698	2,910	(2,212)
Net financial income	(1,853)	2,035	(3,888)	19,840	17,131	2,709
Net income on other investments	(169)	8,218	(8,387)	104	431	(327)
Other revenues	4,299	4,860	(561)	1,137	1,182	(45)
TOTAL REVENUES	731,245	740,777	(9,531)	40,180	36,133	4,046
Amounts paid and change in technical reserves	(629,678)	(632,782)	3,104	-	-	-
Acquisition costs & other commission expense	(40,821)	(36,920)	(3,901)	(11,380)	(9,424)	(1,955)
Net impairment of financial investments	-	-	-	(304)	(708)	404
G&A expenses	(20,476)	(20,735)	259	(22,685)	(23,301)	616
Amortisation and depreciation	(1,326)	(1,318)	(8)	(2,635)	(2,714)	79
Provision for risks and charges	(1,655)	(1,040)	(615)	(527)	(154)	(373)
PROFIT BEFORE TAX	37,290	47,982	(10,692)	2,649	(168)	2,817
Income tax						
NET PROFIT						

ASSET MANAGEMENT			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	678,826	690,275	(11,449)
23,172	8,555	14,617	-	-	-	-	-	-	23,172	8,555	14,617
43,742	35,695	8,047	-	-	-		(55)	55	77,864	60,584	17,280
13,967	9,085	4,882	-	-	-	-	-	-	24,782	15,679	9,103
88	141	(53)	-	-	-	(360)	(252)	(108)	18,806	17,257	1,549
5,156	2,873	2,283	958	1,012	(54)	-	(268)	268	11,339	7,490	3,850
86,124	56,349	29,775	958	1,012	(54)	(360)	(575)	215	155,963	109,565	46,398
671	784	(114)	230	316	(86)	(2,758)	(2,296)	(462)	39,646	31,631	8,015
(106)	(124)	18	(2,247)	(2,215)	(32)	2,757	2,295	462	(18,636)	(17,549)	(1,086)
54	(6)	60	-	-	-	-	-	-	(4,422)	3,839	(8,261)
619	655	(36)	(2,017)	(1,899)	(118)	(1)	(1)	-	16,588	17,922	(1,334)
71	70	1	5,130	1,004	4,126	-	-	-	5,136	9,723	(4,587)
87	82	5	961	1,111	(150)	(387)	(252)	(135)	6,097	6,983	(886)
86,901	57,156	29,745	5,032	1,228	3,804	(748)	(828)	80	862,610	834,469	28,141
-	-	-	-	-	-	-	-	-	(629,678)	(632,782)	3,104
(33,705)	(17,473)	(16,232)	(762)	(1,031)	269	(2)	268	(270)	(86,669)	(64,581)	(22,089)
-	(2)	2	-	-	-	-	-	-	(304)	(710)	406
(18,979)	(18,038)	(941)	(599)	(767)	168	750	560	190	(61,989)	(62,281)	292
(1,113)	(1,166)	53	(37)	(46)	9	-	-	-	(5,110)	(5,244)	134
(1,226)	(431)	(795)	(20)	(32)	12	-	-	-	(3,428)	(1,657)	(1,771)
31,878	20,045	11,833	3,614	(648)	4,262	-	-	-	75,432	67,214	8,218
									(16,464)	(17,000)	535
									58,967	50,214	8,753

Segment reporting by business sector / domestic market

	LIFE INSURANCE			BANKING		
€/'000	2006	2005	delta	2006	2005	delta
Net premiums written	641,674	688,954	(47,280)	-	-	-
Entry fees	-	-	-	-	-	-
Management fees	34,122	24,944	9,178	-	-	-
Performance fees	10,815	6,594	4,221	-	-	-
Banking service fees	-	-	-	10,757	9,601	1,156
Other fees	3,873	3,519	354	9	21	(12)
Total commission income	48,810	35,057	13,753	10,766	9,622	1,144
Interest income and similar income	4,287	1,666	2,621	34,577	27,880	6,697
Interest expense and similar charges	(988)	(1,128)	140	(17,601)	(15,830)	(1,771)
Net income on investments at fair value	(5,174)	935	(6,109)	559	2,975	(2,416)
Net financial income	(1,875)	1,473	(3,348)	17,535	15,025	2,510
Net income on other investments	(169)	8,218	(8,387)	-	-	-
Other revenues	4,299	4,860	(561)	827	835	(8)
TOTAL REVENUES	692,739	738,562	(45,823)	29,128	25,482	3,646
Amounts paid and change in technical reserves	(596,819)	(630,994)	34,175	-	-	-
Acquisition costs & other commission expense	(38,076)	(36,725)	(1,350)	(5,374)	(4,409)	(965)
Net impairment of financial investments	-	-	-	(110)	(646)	536
G&A expenses	(18,206)	(20,405)	2,199	(17,002)	(16,337)	(665)
Amortisation and depreciation	(1,156)	(1,131)	(25)	(2,141)	(2,040)	(101)
Provision for risks and charges	(1,655)	(1,040)	(615)	(489)	(122)	(367)
PROFIT BEFORE TAX	36,827	48,267	(11,439)	4,013	1,928	2,084
Income tax						
NET PROFIT						

ASSET MANAGEMENT			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	641,674	688,954	(47,280)
20,738	7,412	13,326	-	-	-	-	-	-	20,738	7,412	13,326
39,219	31,211	8,008	-	-	-	-	-	-	73,341	56,155	17,186
13,348	8,585	4,763	-	-	-	-	-	-	24,163	15,179	8,984
-	-	-	-	-	-	(360)	(252)	(108)	10,397	9,349	1,048
5,281	2,941	2,340	958	1,012	(54)	-	-	-	10,121	7,493	2,628
78,586	50,150	28,436	958	1,012	(54)	(360)	(252)	(108)	138,760	95,589	43,172
591	738	(148)	230	316	(86)	(2,685)	(2,183)	(502)	37,000	28,418	8,582
(29)	(30)	1	(2,247)	(2,215)	(32)	2,684	2,182	502	(18,181)	(17,021)	(1,160)
-	(2)	2	-	-	-	-	-	-	(4,615)	3,908	(8,523)
562	707	(145)	(2,017)	(1,899)	(118)	(1)	(1)	-	14,204	15,305	(1,101)
71	70	1	5,130	1,004	4,126	-	-	-	5,032	9,292	(4,260)
71	65	6	961	1,111	(150)	-	-	-	6,158	6,871	(713)
79,290	50,992	28,299	5,032	1,228	3,804	(361)	(253)	(108)	805,828	816,011	(10,183)
-	-	-	-	-	-	-	-	-	(596,819)	(630,994)	34,175
(30,211)	(15,296)	(14,915)	(762)	(1,031)	269	-	-	-	(74,422)	(57,461)	(16,962)
-	(2)	2	-	-	-	-	-	-	(110)	(648)	538
(16,352)	(15,243)	(1,109)	(599)	(767)	168	361	253	108	(51,798)	(52,499)	701
(1,024)	(992)	(32)	(37)	(46)	9	-	-	-	(4,358)	(4,209)	(149)
(1,186)	(431)	(755)	(20)	(32)	12	-	-	-	(3,350)	(1,625)	(1,725)
30,517	19,028	11,490	3,614	(648)	4,262	-	-	-	74,971	68,575	6,396
									(16,022)	(16,808)	786
									58,949	51,767	7,183

Segment reporting by business sector / foreign market

€/'000	LIFE INSURANCE 2006	LIFE INSURANCE 2005	LIFE INSURANCE delta	BANKING 2006	BANKING 2005	BANKING delta
Net premiums written	37,152	1,321	35,831	-	-	-
Entry fees	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Performance fees	-	-	-	-	-	-
Banking service fees	-	-	-	8,321	7,767	554
Other fees	1,332	332	1,000	12	1	11
Total commission income	1,332	332	1,000	8,333	7,768	565
Interest income and similar income	22	562	(540)	4,175	4,085	91
Interest expense and similar charges	-	-	-	(2,009)	(1,914)	(95)
Net income on investments at fair value	-	-	-	184	(65)	249
Net financial income	22	562	(540)	2,350	2,106	244
Net income on other investments	-	-	-	104	431	(327)
Other revenues	-	-	-	326	347	(21)
TOTAL REVENUES	38,506	2,215	36,290	11,113	10,652	461
Amounts paid and change in technical reserves	(32,859)	(1,788)	(31,071)	-	-	-
Acquisition costs & other commission expense	(2,745)	(195)	(2,550)	(6,006)	(5,016)	(990)
Net impairment of financial investments	-	-	-	(239)	(62)	(177)
G&A expenses	(2,270)	(329)	(1,941)	(5,699)	(6,963)	1,264
Amortisation and depreciation	(170)	(187)	17	(494)	(674)	180
Provision for risks and charges	-	-	-	(38)	(32)	(6)
PROFIT BEFORE TAX	462	(284)	746	(1,363)	(2,095)	732
Income tax						
NET PROFIT						

ASSET MANAGEMENT			OTHER			CONSOLIDATION ADJUSTMENTS			TOTAL		
2006	2005	delta	2006	2005	delta	2006	2005	delta	2006	2005	delta
-	-	-	-	-	-	-	-	-	37,152	1,321	35,831
2,434	1,143	1,291	-	-	-	-	-	-	2,434	1,143	1,291
4,523	4,484	40	-	-	-	-	-	-	4,523	4,484	40
619	500	119	-	-	-	-	-	-	619	500	119
88	141	(53)	-	-	-	-	-	-	8,409	7,908	501
18	73	(55)	-	-	-	-	-	-	1,362	406	956
7,682	6,340	1,341	-	-	-	-	-	-	17,347	14,440	2,907
80	46	34	-	-	-	-	-	-	4,277	4,693	(415)
(77)	(94)	17	-	-	-	-	-	-	(2,086)	(2,008)	(78)
54	(4)	58	-	-	-	-	-	-	238	(69)	307
57	(52)	109	-	-	-	-	-	-	2,429	2,616	(187)
		-	-	-	-	-	-	-	104	431	(327)
16	17	(1)	-	-	-	(95)	(64)	(31)	247	300	(53)
7,755	6,305	1,449	-	-	-	(95)	(64)	(31)	57,280	19,108	38,172
-	-	-	-	-	-	-	-	-	(32,859)	(1,788)	(31,071)
(3,638)	(2,318)	(1,320)	-	-	-	-	-	-	(12,389)	(7,529)	(4,860)
-	-	-	-	-	-	-	-	-	(239)	(62)	(177)
(2,627)	(2,794)	167	-	-	-	95	64	31	(10,501)	(10,022)	(479)
(89)	(174)	85	-	-	-	-	-	-	(752)	(1,035)	283
(40)		(40)	-	-	-	-	-	-	(78)	(32)	(46)
1,361	1,019	342	-	-	-	-	-	-	463	(1,360)	1,823
									(442)	(191)	(251)
									19	(1,552)	1,571

MEDIOLANUM S,p.A.

Consolidated accounts at March 31 2006

Balance sheet

Assets

€/'000	March 31, 2006	Dec. 31, 2005
1. Intangible assets		
1.1 Goodwill	162,414	162,414
1.2 Other intangible assets	24,619	25,516
Total intangible assets	187,033	187,930
2. Tangible assets		
2.1 Property	59,282	59,831
2.2 Other tangible assets	16,187	17,235
Total tangible assets	75,469	77,066
3. Reinsurers' share of technical reserves	104,898	105,737
4. Investments		
4.1 Investment property	22,213	22,276
4.2 Investments in subsidiaries, associates and jvs	30,719	29,354
4.3 Held to maturity investments	585,053	733,680
4.4 Loans and receivables	2,743,112	3,342,392
4.5 Available for sale financial assets	887,947	845,166
4.6 Financial assets at fair value through profit and loss	14,529,699	12,643,332
Total investments	18,798,743	17,616,200
5. Receivables		
5.1 Arising out of direct insurance business	13,434	11,543
5.2 Arising out of reinsurance business	540	-
5.3 Other receivables	2,388	1,966
Total receivables	16,362	13,509
6. Other assets		
6.1 Non current assets or assets of disposal groups, held for sale	372	372
6.2 Deferred acquisition costs	-	-
6.3 Deferred tax assets	40,952	39,847
6.4 Current tax assets	126,489	121,098
6.5 Other assets	242,094	207,334
Total other assets	409,906	368,651
7. Cash and cash equivalents	428,327	522,869
TOTAL ASSETS	20,020,738	18,891,962

Shareholders' equity and liabilities

€/'000	March 31, 2006	Dec. 31, 2005
1. Shareholders' equity		
1.1 Group shareholders' equity		
1.1.1 Share capital	72,760	72,738
1.1.2 Other equity instruments	-	-
1.1.3 Capital reserves	50,544	50,358
1.1.4 Retained earnings and other equity reserves	583,403	349,518
1.1.5 (Treasury shares)	(2,045)	(2,045)
1.1.6 Exchange difference reserves	-	-
1.1.7 Gains or losses on available for sale financial assets	127,520	104,105
1.1.8 Other gains or losses recognised directly in equity	-	-
1.1.9 Net profit (loss) for the year attributable to the Group	58,967	233,312
Total capital and reserves attributable to the Group	891,149	807,986
1.2 Attributable to minority interests		
1.2.1 Capital and reserves attributable to minority interests	-	-
1.2.2 Gains (losses) recognised directly in equity	-	-
1.2.3 Net profit (loss) for the year attributable to minority interests	-	-
Total capital & reserves attributable to minority interests	-	-
Total shareholders' equity	891,149	807,986
2. Provisions	60,875	57,422
3. Technical reserves	11,665,582	11,201,382
4. Financial liabilities		
4.1 Financial liabilities at fair value through profit and loss	2,019,631	1,399,692
4.2 Other financial liabilities	4,961,901	4,971,315
Total financial liabilities	6,981,532	6,371,007
5. Payables		
5.1 Arising out of direct insurance business	2,015	8,357
5.2 Arising out of reinsurance business	39	900
5.3 Other payables	175,084	208,346
Total payables	177,138	217,603
6. Other liabilities		
6.1 Liabilities of disposal groups held for sale	-	-
6.2 Deferred tax liabilities	17,470	17,441
6.3 Current tax liabilities	62,225	43,910
6.4 Other liabilities	164,767	175,211
Total other liabilities	244,462	236,562
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	20,020,738	18,891,962

Income statement

€/'000	March 31, 2006	March 31, 2005
1. Revenues		
1.1 Net premiums written		
1.1.1 Gross premiums written	680,459	691,595
1.1.2 Reinsurance premiums	(1,633)	(1,320)
Net premiums written	678,826	690,275
1.2 Commission income	155,963	109,566
1.3 Net income on financial instruments at fair value through profit and loss	209,208	169,094
1.4 Income on investments in sudsidiaries, associates and jvs	5,160	1,029
1.5 Income on other financial instruments and investment property		
1.5.1 Interest income	34,222	28,729
1.5.2 Other income	111	331
1.5.3 Realised gains	99	8,764
1.5.4 Unrealised gains	1,473	2,451
Total income on other financial instruments and investment property	35,905	40,275
1.6 Other revenues	6,095	6,660
Unrealised gains	1,091,157	1,016,899
2. Costs		
2.1 Net claims and benefits		
2.1.1 Amounts paid and change in technical reserves	(840,261)	(797,132)
2.1.2 Reinsurers' share/recoveries from reinsurers	1,988	1,453
Net claims and benefits	(838,273)	(795,679)
2.2 Commission expense	(54,752)	(39,584)
2.3 Loss on other investments in subsidiaries, associats and jvs	-	-
2.4 Loss on other financial instruments and investment property		
2.4.1 Interest expense	(18,589)	(17,271)
2.4.2 Other expenses	(177)	(293)
2.4.3 Realised losses	(17)	(2,330)
2.4.4 Unrealised losses	(1,818)	(930)
Loss on other financial instruments and investment property	(20,601)	(20,824)
2.5 Operating expenses		
2.5.1 Agents' commissions and other acquisition costs	(32,911)	(26,238)
2.5.2 Investment management costs/expenses	(187)	(87)
2.5.3 Other administrative expense	(56,526)	(53,625)
Total operating expenses	(89,624)	(79,950)
2.6 Other costs	(12,474)	(13,648)
Total costs	(1,015,724)	(949,685)
Profit (loss) before tax for the period	75,432	67,214
3. Income tax	(16,465)	(17,000)
Profit(loss) for the period	58,967	50,214
4. Profit (loss) from discountinued operations	-	-
Group net profit (loss) for the period	58,967	50,214

Statement of changes in shareholders' equity

€/'000	Balance at Dec. 31, 2004	Adjustment to closing balance	Amount credited	Transferred to the Income Statement	Other movements	Balance at Dec. 31, 2005
Shareholders' equity pertaining to the Group						
Share capital	72,567	-	171	-	-	72,738
Other equity instruments	-	-	-	-	-	-
Capital reserves	47,807	-	2,551	-	-	50,358
Retained earnings and other equity reserves	364,365	(14,633)	61,580	-	(61,794)	349,518
(Treasury shares)	-	(2,045)	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	-	35,178	73,237	(4,310)	-	104,105
Other gains (losses) recognized directly in equity						
Gains (losses) on cash flow hedges	-	-	-	-	-	-
Gains (losses) on hedges of a net investment in a foreign operation	-	-	-	-	-	-
Reserve relating to changes in the equity of investees	-	-	-	-	-	-
Intangible assets revaluation reserve	-	-	-	-	-	-
Tangible assets revaluation reserve	-	-	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Net profit (loss) for the period	159,055	-	175,797	-	(101,540)	233,312
Total shareholders' equity pertaining to the Group	643,794	18,500	313,336	(4,310)	(163,334)	807,986
Shareholders' equity pertaining to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognized directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity pertaining to minority interests	-	-	-	-	-	-
TOTAL	643,794	18,500	313,336	(4,310)	(163,334)	807,986

€/'000	Balance at Dec. 31, 2005	Adjustment to closing balance	Amount credited	Transferred to the Income Statement	Other movements	Balance at March 31, 2006
Shareholders' equity pertaining to the Group						
Share capital	72,738	-	22	-	-	72,760
Other equity instruments	-	-		-	-	-
Capital reserves	50,358	-	186	-	-	50,544
Retained earnings and other equity reserves	349,518	-	233,885	-	-	583,403
(Treasury shares)	(2,045)	-	-	-	-	(2,045)
Exchange difference reserve	-	-	-	-	-	-
Gains (losses) on available-for-sale financial assets	104,105	-	23,415	-	-	127,520
Other gains (losses) recognized directly in equity						
Gains (losses) on cash flow hedges	-	-	-	-	-	-
Gains (losses) on hedges of a net investment in a foreign operation	-	-	-	-	-	-
Reserve relating to changes in the equity of investees	-	-	-	-	-	-
Intangible assets revaluation reserve	-	-	-	-	-	-
Tangible assets revaluation reserve	-	-	-	-	-	-
Gains (losses) on non-current assets or disposal groups held for sale	-	-	-	-	-	-
Other reserves	-	-	-	-	-	-
Net profit (loss) for the period	233,312	-	(174,345)	-	-	58,967
Total shareholders' equity pertaining to the Group	807,986	-	83,163	-	-	891,149
Shareholders' equity pertaining to minority interest						
Share capital and reserves	-	-	-	-	-	-
Gains (losses) recognized directly in equity	-	-	-	-	-	-
Net profit (loss) for the period	-	-	-	-	-	-
Total shareholders' equity pertaining to minority interests	-	-	-	-	-	-
TOTAL	807,986	-	83,163	-	-	891,149

Cash flow statement

Indirect method

€/'000	March 31, 2006
Pre-tax profit (loss) for the year	75,432
Changes in non-monetary items	617,092
Change in unearned premiums reserve (general business)	-
Change in outstanding claims reserve and other technical reserves (general business)	-
Change in mathematical reserves and other technical reserves (Life business)	465,039
Change in deferred acquisition costs	-
Change in provisions	3,453
Non-monetary income (losses) on financial instruments, investment property and equity investments	148,600
Other changes	-
Changes in receivables and payables arising out of operating activities	(93,141)
Changes in receivables and payables arising out of direct insurance and reinsurance operations	(9,634)
Changes in other receivables and payables	(83,507)
Income taxes paid	-
Net cash from monetary items relating to investment and financial activities	1,207,367
Liabilities on financial contracts issued by insurance companies	619,939
Amounts due to banks and banking customers	(9,414)
Loans to and receivables from banks and banking customers	610,301
Other financial instruments at fair value through profit or loss	(13,459)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,806,750
Net cash from investment property	63
Net cash from subsidiaries, associates and *joint ventures*	(1,365)
Net cash from loans and receivables	(11,021)
Net cash from held-to-maturity investments	148,627
Net cash from available-for-sale financial assets	(37,781)
Net cash from tangible and intangible assets	2,494
Other cash flows from investment activities	(2,026,505)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(1,925,488)
Net cash from equity instruments pertaining to the Group	24,196
Net cash from treasury shares	-
Distribution of dividends pertaining to the Group	-
Net cash from capital and reserves pertaining to minority interests	-
Net cash from subordinated liabilities and quasi-equity instruments	-
Net cash from miscellaneous financial liabilities	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	24,196
Effect of exchange rate changes on cash and cash equivalents	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	522,869
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(94,542)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	428,327

Reconciliations at March 31, 2005

Reconciliation of Group's shareholders' equity as reported under Legislative Decree 173/97 to Group's shareholders' equity under IFRS

€/'000	March 31, 2005
Equity as reported under Legislative Decree 173/97	666,426
Reserves	
Fair value measurement of trading securities and derivatives	5,136
Collective assessment of performing loans	(1,550)
Individual assessment of loans	(387)
Deferral of commissions on investment contracts (IFRS4)	(20,599)
Reversal of amortization of goodwill	27,070
Adjustment for reversal of land depreciation	(903)
Assets that no longer qualify as intangible assets	(2,236)
Valuation adjustment relating to provisions for risks and charges	2,785
Actuarial valuation of employee completion-of-service entitlements	(779)
Other effects	(2,005)
Valuation reserves	
Available-for-sale financial assets	
- Fair value measurement of equity instruments	46,335
- Fair value measurement of debt securities	1,171
Tax effect	2,181
Total effects of FTA of IFRS	56,219
Equity under IFRS	722,645

Reconciliation of Group's net profit as reported under Legislative Decree 173/97 to Group's net profit under IFRS

€/'000	March 31, 2005
Net profit under Legislative Decree173/97	42,481
Premiums	(25,598)
Insurance technical charges	59,330
Net commissions	4,132
Net interest income	(7,443)
Utili attività al fair value	(25,646)
Gains on sale of other investments	441
Impairment losses	333
Amortization of goodwill (positive consolidation differences)	5,857
Depreciation and amortization of tangible and intangible assets	383
Staff costs	(519)
Other administrative expenses	(252)
Provisions for risks and charges	(665)
Taxes	(2,620)
Net profit under IAS/IFRS	50,214

Parent Company

Reconciliation of the Parent Company's shareholders' equity as reported under Legislative Decree 127/91 to the Parent Company's shareholders' equity under IFRS at March 31, 2005

€/'000	March 31, 2005
Equity as reported under Legislative Decree 127/91	470,200
Reserves	
Actuarial valuation of employee completion-of-service entitlements	(110)
Other effects	(2,045)
Valuation reserves	
Available-for-sale financial assets	
- Fair value measurement of equity instruments	46,212
Tax effect	(2,404)
Total effects of FTA of IFRS	41,653
Equity under IFRS	511,853

Reconciliation of the Parent Company's net profit as reported under Legislative Decree 127/91 to the Parent Company's net profit under IFRS at March 31, 2005

€/'000	March 31, 2005
Net profit under Legislative Decree127/91	244
Dividends	61,782
Staff costs	(152)
Other administrative expenses	(28)
Taxes	(1,026)
Net profit under IAS/IFRS	60,820

MEDIOLANUM S.p.A.

Notes to the consolidated financial statements at March 31 2006

Notes to the consolidated financial statements at March 31,2006

ACCOUNTING BASIS AND SCOPE OF CONSOLIDATION

The first quarter report was 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 report for the quarter ended March 31, 2006 was prepared applying the international accounting standards as set out in article 82 of Consob Regulation No. 11971 of May 14, 1999, as subsequently amended by Consob Regulation No. 14990 of April 14, 2005, and in accordance with the requirements set out in Annex 3D of said Regulation.
In the preparation of the first quarter report the Group applied the international accounting and reporting standards IAS/IFRS (including SIC and IFRIC interpretations) in effect at March 31, 2006, as adopted by the European Commission. A complete list of the IAS/IFRS adopted by the European Commission is attached hereto
The accounting policies applied in the preparation of the first quarter report are presented in the relevant section below.

Accounting Basis

The first quarter report consists 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 report for the quarter ended March 31, 2006 was prepared using the formats indicated in the "Instructions for the preparation of IFRS consolidated accounts" issued by ISVAP under Regulation No. 2404 of December 22, 2005, exercising its authority pursuant to art. 9 of Legislative Decree No. 38/2005.
The accounts and the notes include comparative information at March 31, 2005.
In accordance with the requirements of IFRS 1 and the choices made by the Mediolanum Group, prior period's financial information was restated and the differences resulting from the application of IAS/IFRS are set out in the reconciliations presented herein.

Due to the marked differences between Italian GAAP and IAS/IFRS the 2005 comparative information presented in the accounts and in the notes was reclassified in accordance with ISVAP Regulation No. 2404/2005.
Restated prior period's balance sheet and income statement data also reflect the changes in the scope of consolidation following the adoption of IAS/IFRS.
In accordance with art. 5 of Legislative Decree No. 38 of February 28, 2005 the report was prepared using the euro as reporting currency.
Except where otherwise stated the amounts set out in this report are presented in thousands of euro.
In applying IAS/IFRS no departure was made from requirements therein.

Scope of consolidation

The consolidated accounts include the accounts of 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:

€/'000 Company	Share capital	% holding	Registered office	Business
Mediolanum Vita S.p.A.	87,720	100.00	Basiglio	Life Insurance
Partner Time S.p.A.	520	100.00	Basiglio	Life Insurance distribution
Mediolanum Comunicazione S.p.A.	775	100.00	Basiglio	Audio/film/TV production
PI Distribuzione S.p.A.	517	100.00	Basiglio	Real estate brokerage
Alboran S.p.A.	1,500	100.00	Cologno M.	Audio/film/TV production
Mediolanum International Life Ltd	1,395	100.00	Dublin	Life Insurance
Banca Mediolanum S.p.A.	341,000	100.00	Basiglio	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	100.00	Basiglio	Fund management
Mediolanum Distribuz. Finanz. S.p.A.	1,000	100.00	Basiglio	Financial Brokerage
Mediolanum International Funds Ltd	150	100.00	Dublin	Fund management
Mediolanum Asset Management Ltd	150	100.00	Dublin	Asset management and advice
Banco de Finanzas e Inversiones S.A.	14,032	100.00	Barcelona	Banking
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
Mediolanum International S.A.	71,500	99.997	Luxembourg	Sub-holding company
Gamax Holding AG	5,618	100.00	Luxembourg	Sub-holding company
Gamax Management AG	125	100.00	Luxembourg	Fund management
Gamax Fund of Funds 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
Bankhaus August Lenz & Co. AG	20,000	100.00	Munich	Banking

Group companies that are indirectly owned by Mediolanum S.p.A. through Banca Mediolanum S.p.A. and accounted for at cost:

Company	Share capital	% holding	Registered office	Business
Fibanc Argentina S.A.	ARS 50,000	94.00	Buenos Aires	Representative office

Mediolanum S.p.A. associates accounted for using the equity method:

€/'000 Company	Share capital	% holding	Registered office	Business
Banca Esperia S.p.A.	13,000	48.50	Milan	Banking

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 investments in associates the last approved interim financial statements of associates were used.

Use of estimates

The preparation of interim financial statements generally requires a greater use of estimation methods than annual financial statements in relation to certain items of assets and liabilities as well as certain effects on income of measurement processes. That does not affect the reliability of the financial statements.

ACCOUNTING POLICIES

This section presents the accounting policies applied in the preparation of the interim financial statements which are the same as those applied in the preparation of the 2005 annual financial statements.

Financial assets at fair value through profit or loss

This category includes:
- investment contracts to the benefit of life policyholders who bear the risk thereof and in connection with pension fund management;
- financial assets held for trading.

Financial assets at fair value through profit or loss consist of debt securities, equities and trading derivatives with positive fair value .
Financial assets at fair value through profit or loss 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 at fair value through profit or loss 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 at fair value through profit or loss 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 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.

[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.

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 the loan or receivable 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 realizable 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 associates that are accounted for using the equity method.

An associate is an entity in which the investor holds 20% or more of the voting rights or an entity over which the investor has significant influence under legal arrangements e.g. a shareholders' agreement.

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 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.

Investment property and other 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, expenditure on the renovation of leasehold property and the costs of software used over more than one year.
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.
Expenditure on the renovation of leasehold property is capitalized since during the lease term the lessee controls the assets and obtains future economic benefits from them.
Other intangible assets are recognised if they are identifiable as such and arise from contractual or other legal rights.
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. Expenditure on an intangible item is recognised under intangible assets 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. Expenditure on the renovation of leasehold property is amortised over a period which does not exceed the lease term.
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.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include:

- deposit accounts relating to financial contracts (under which the investment risk is borne by the policyholder) and to the management of pension funds;
- trading derivatives with negative fair value;
- short positions on securities trading.

Deposit accounts relating to financial contracts under which the investment risk is borne by the policyholder reflect with the best possible approximation the value of holdings in investment funds or benchmark stock indices. These liabilities are backed by assets carried at fair value.

The same applies to the liabilities relating to the Previgest Mediolanum non-occupational pension fund.
Financial liabilities are initially recognised at the time the policy is issued or amounts are received.
They are initially measured at the fair value of the assets under the contract (policy), i.e. generally the issue price of the underlying assets.
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 reinsurance deposit accounts, 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.

Life technical reserves

Life technical reserves represent the reserves for liabilities under insurance contracts and investment contracts with Discretionary Participation Features (DPF).
Life technical reserves include mathematical reserves, calculated on each individual contract according to the payment commitments undertaken and on the basis of the actuarial assumptions adopted for the computation of related premiums. Mathematical reserves include all revaluations applied in accordance with contract terms, as well as provisions for demographic risk. Mathematical reserves are not lower than surrender value.
Life technical reserves also include provisions for premiums due in the six months after the reporting date and provisions for future expenses relating to the contract, e.g. handling costs and additional health premiums.
At each reporting date the adequacy of insurance reserves is assessed by calculating the present value of estimated future cash-flows from underlying contracts. When the value of reserves is lower than estimated future cash-flows, the Company increases reserves and the difference over estimated future cash-flows is recognised in the income statement.

Technical reserves for contracts with DPF represent the reserves for liabilities arising on unrealised gains on assets under segregated fund management contracts.
Those reserves are recognised in equity when unrealised gains or losses on the related contract assets are recognised in equity, otherwise are recognised in the income statement.

Liabilities associated with disposal groups held for sale

This account relates to non-current assets/liabilities and disposal groups held for sale. They are measured at the lower of their carrying amount and fair value less cost to sell.
Related income and expenses (after tax) are separately 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 method 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 Group recognises 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 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 – 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 materialise 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.

Treasury shares

Treasury shares are deducted from equity. Their original cost, any gains or losses on their sale are recognised directly in equity.

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 model 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:

- insurance premiums are recognised in the income statement on an accrual basis at the time the insurance contract is signed;
- commissions on investment contracts are measured on the basis of the stage of completion of the services rendered:
  – other 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.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

TECHNICAL ACCOUNT - LIFE INSURANCE

Analysis of the account at March 31, 2006

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	680,459	(1,633)	678,826
Total premiums written	680,459	(1,633)	678,826
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(324,555)	2,828	(321,727)
- Change in reserve for outstanding claims	(16,251)	-	(16,251)
- Change in mathematical reserves	(11,858)	(840)	(12,698)
- Change in other technical reserves	2,866	-	2,866
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(490,463)	-	(490,463)
Total amounts paid and change in technical reserves	(840,261)	1,988	(838,273)
Life Insurance net income (expense)	(159,802)	355	(159,447)

Analysis of the account at March 31, 2005

€/'000	Gross	Reinsurance	Net
Gross premiums written less reinsurance premiums			
- Premiums written	691,595	(1,320)	690,275
Total premiums written	691,595	(1,320)	690,275
Gross amounts paid less recoveries from reinsurers			
- Amounts paid	(364,643)	3,124	(361,519)
- Change in reserve for outstanding claims	(1,730)	(184)	(1,914)
- Change in mathematical reserves	18,563	(1,487)	17,076
- Change in other technical reserves	(1,108)	-	(1,108)
- Change in technical reserves for contracts under which the investment risk is borne by the policyholder and reserves relating to pension fund management	(448,214)	-	(448,214)
Total amounts paid and change in technical reserves	(797,132)	1,453	(795,679)
Life Insurance net income (expense)	(105,537)	133	(105,404)

COMMISSION INCOME

€/'000	March 31, 2006	March 31, 2005
Management, brokerage and consulting services	135,753	92,841
- Asset management	87,340	59,936
- Services to third parties	41,342	26,971
- Currency and financial instruments brokerage	3,381	1,728
- Order taking	2,300	1,834
- Securities in custody and under administration	1,317	1,772
- Other products	73	600
Collection and payment services	8,796	7,354
Investment contracts	3,873	3,305
Other services	7,541	6,066
Total	155,963	109,566

COMMISSION EXPENSE

€/'000	March 31, 2006	March 31, 2005
Management, brokerage and consulting services	39,389	30,109
- Off-premises sales of securities,products and services	31,513	22,620
- Asset management	6,883	6,225
- Other	993	1,264
Collection and payment services	6,424	5,241
Investment contracts	762	695
Other services	8,177	3,539
Total	54,752	39,584

NET INCOME FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

€/'000	March 31, 2006	March 31, 2005
Financial assets		
Interest income and other investment income:		
- from financial assets held for trading	13,504	11,173
- from financial assets at fair value through profit or loss	56,370	41,145
Net income from financial assets held for trading	(4,278)	3,661
Net income from financial assets at fair value through profit or loss	135,141	149,928
Financial liabilities		
Interest expense and similar charges:		
- on financial liabilities at fair value through profit or loss	(9,612)	(7,877)
Net loss on financial liabilities at fair value through profit or loss	18,083	(28,936)
Total	209,208	169,094

Analysis of net income from financial assets held for trading

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Financial assets held for trading					
Debt securities	1,144	2,113	(13,053)	(10,573)	(20,369)
Equities	8	232	(27)	(35)	178
Holdings in UCITS	-	-	(159)	-	(159)
Financial liabilities held for trading					
Debt securities	12,072	2,984	(18)	(222)	14,816
Other financial assets and liabilities					
Exchange differences	-	-	-	-	(141)
Derivatives					
Financial derivatives:					
- debt securities and interest rates	1,948	18,166	(851)	(17,971)	1,292
- other		1,099	-	(1,035)	105
Total	15,172	24,594	(14,108)	(29,836)	(4,278)

Analysis of net income from financial assets through profit or loss

€/'000	Unrealised gains (A)	Realised trading profits (B)	Unrealised losses (C)	Realised losses (D)	Net income [(A+B)-(C+D)]
Financial assets at fair value	289,896	3,018	(141,296)	(16,477)	135,141

INVESTMENT INCOME AND EXPENSE

€/'000	March 31, 2006	March 31, 2005
Interest income and other income	34,333	29,060
Realised gains	99	8,764
Unrealised gains	1,473	2,451
Total income	35,905	40,275
Interest expense and other charges	(18,766)	(17,564)
Realised losses	(17)	(2,330)
Unrealised losses	(1,818)	(930)
Total expense	(20,601)	(20,824)
Total net investment income	15,304	19,451
Net investment income from:		
Investment property	(168)	2,458
Available-for-sale financial assets	4,637	10,657
Held-to-maturity investments	4,979	5,485
Loans and receivables	5,856	851
Total net investment income	15,304	19,451

Investment property

€/'000	March 31, 2006	March 31, 2005
Realised gains	-	2,593
Realised losses	-	(14)
Other income	42	225
Other expenses	(148)	(264)
Unrealised losses	(62)	(82)
Total	(168)	2,458

Available-for-sale financial assets

€/'000	March 31, 2006	March 31, 2005
Interest income and other income	4,555	4,530
Realised gains	99	6,171
Realised losses	(17)	(44)
Total	4,637	10,657

Held-to-maturity investments

€/'000	March 31, 2006	March 31, 2005
Interest income and other income	4,979	5,485
Total	4,979	5,485

Loans and receivables

€/'000	March 31, 2006	March 31, 2005
Interest income and other income	24,757	18,824
Unrealised gains	1,473	2,451
Unrealised losses	(1,756)	(3,120)
Interest expense and other charges	(18,618)	(17,304)
Total	5,856	851

Interest income and other income

€/'000	March 31, 2006	March 31, 2005
Loans to banks	14,431	11,751
Loans to customers	9,908	6,806
Other financial assets	418	267
Total	24,757	18,824

Interest expense and other charges

€/'000	March 31, 2006	March 31, 2005
Due to banks	(6,864)	(7,430)
Due to customers	(9,301)	(7,161)
Other liabilities	(2,453)	(2,713)
Total	(18,618)	(17,304)

OTHER REVENUES

€/'000	March 31, 2006	March 31, 2005
Fixed duties on insurance products	4,216	4,363
Other	1,879	2,297
Total	6,095	6,660

OPERATING EXPENSES

€/'000	March 31, 2006	March 31, 2005
Commissions and other expenses relating to the acquisition of insurance contracts	32,911	26,238
Investment management expenses	187	87
Other administrative expenses		
Employees	27,621	26,274
Advertising and promotions	3,292	3,842
Advisory services and collaborations	5,312	4,366
IT systems	6,881	6,548
Miscellaneous communications services	3,537	3,646
Other general expenses	9,883	8,949
Total other administrative expenses	56,526	53,625
Total operating expenses	89,624	79,950

OTHER EXPENSES

€/'000	March 31, 2006	March 31, 2005
Employees	891	654
Amortisation of intangible assets	2,916	2,737
Amortisation of tangible assets	2,132	2,425
Provisions for risks and charges	3,428	1,657
Other miscellaneous expenses	3,107	6,175
Total	12,474	13,648

INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

INTANGIBLE ASSETS

€/'000	March 31, 2006	Dec. 31, 2005
Goodwill	162,414	162,414
Other intangible assets	24,619	25,516
Total	187,033	187,930

Analysis of intangible assets

€/'000	March 31, 2006 Finite life	March 31, 2006 Indefinite life	Dec. 31, 2005 Finite life	Dec. 31, 2005 Indefinite life
Goodwill				
- Group	-	162,414	-	162,414
Other intangible assets				
Measured at cost:				
- other intangible assets	24,619	-	25,516	-
Total	24,619	162,414	25,516	162,414

TANGIBLE ASSETS

Property

€/'000	March 31, 2006	Dec. 31, 2005
Land	21,020	21,020
Buildings	38,262	38,811
Total	59,282	59,831

Other tangible assets

€/'000	March 31, 2006	Dec. 31, 2005
Furnishings	2,335	2,372
Electronic equipment	10,398	10,981
Other	3,454	3,882
Total	16,187	17,235

INVESTMENTS

Investment property

€/'000	March 31, 2006	Dec. 31, 2005
Land	16,737	16,737
Buildings	5,476	5,539
Total	22,213	22,276

Investments in subsidiaries, associates and joint ventures

Investments in associates amounted to €30,719 thousand and relate to the 48.5% shareholding in Banca Esperia S.p.A., which is accounted for under the equity method.

Held-to-maturity investments

€/'000	March 31, 2006	Dec. 31, 2005
Debt securities	585,053	733,680
Book value	585,053	733,680
Fair value	591,386	744,066

Loans and receivables

€/'000	March 31, 2006	Dec. 31, 2005
Banks	1,771,209	2,374,028
Banking customers	959,602	955,449
Other	12,301	12,915
Total	2,743,112	3,342,392

Loans and receivables: banks

€/'000	March 31, 2006	Dec. 31, 2005
Deposits with Central Banks		
- for reserve requirements	9,156	7,283
Loans to banks		
- time deposits	1,152,564	2,211,011
- other loans	609,489	155,734
Total	1,771,209	2,374,028

Loans and receivables: banking customers

€/'000	March 31, 2006	Dec. 31, 2005
Current accounts	150,243	166,204
Repurchase agreements	139,017	43,565
Mortgage loans	220,920	186,651
Other	449,422	559,029
Total	959,602	955,449

Available-for-sale financial assets

€/'000	March 31, 2006	Dec. 31, 2005
Debt securities	526,469	545,194
Equities	319,084	292,358
Holdings in UCITS	42,394	7,614
Total	887,947	845,166

Financial assets at fair value through profit or loss

€/'000	March 31, 2006	Dec. 31, 2005
Financial assets held for trading		
Debt securities	2,890,303	1,435,292
Equities	832	9
Holdings in UCITS	53,696	58,737
Trading derivatives	30,849	10,606
Total	2,975,680	1,504,644
Financial assets at fair value		
Debt securities	5,097,178	5,056,353
Holdings in UCITS	6,456,841	6,082,335
Total	11,554,019	11,138,688
Total financial assets at fair value through profit or loss	14,529,699	12,643,332

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Other assets

€/'000	March 31, 2006	Dec. 31, 2005
Items in transit relating to lending	93,594	81,836
Due from tax authorities	26,859	35,165
Investment contracts Deferred Acquisition Costs (DAC)	16,555	18,053
Security deposits	16,744	16,665
Anticipi e crediti diversi	77,536	32,910
Other	10,806	22,705
Total	242,094	207,334

SHAREHOLDERS' EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

€/'000	March 31, 2006	Dec. 31, 2005
Share capital	72,760	72,738
Capital reserves	50,544	50,358
Retained earnings and other equity reserves	583,403	349,518
Treasury shares	(2,045)	(2,045)
Gains (losses) on available-for-sale financial assets	127,520	104,105
Group's profit (loss) for the year	58,967	233,312
Group's capital and reserves	891,149	807,986

Gains (losses) on available-for-sale financial assets

	March 31, 2006		Dec. 31, 2005	
€/'000	Gains	Losses	Gains	Losses
Debt securities	582	(1,143)	1,637	(585)
Equities	128,081	-	103,053	-
Total	128,663	(1,143)	104,690	(585)

PROVISIONS

€/'000	March 31, 2006	Dec. 31, 2005
Provision for tax claims	2,085	2,028
Other provisions		
Provision for other completion-of-service entitlements and similar obligations	1,787	1,754
Provision for sales network benefits	32,139	28,909
Provision for risks related to sales network's illegal actions	14,939	14,693
Other provisions for risks and charges	9,925	10,038
Total other provisions	58,790	55,394
Total	60,875	57,422

TECHNICAL RESERVES

€/'000	March 31, 2006	Dec. 31, 2005
Mathematical reserves	1,182,051	1,181,661
Reserve for outstanding claims	70,973	56,419
Technical reserves for contracts under which the investment risk is borne by the policyholder and in connection with pension fund management	10,380,510	8,917,893
Other reserves	32,048	45,409
- of which for deferred liabilities to policyholders	372	10,607
Total	11,665,582	11,201,382

FINANCIAL LIABILITIES

Financial liabilities at fair value through profit or loss

€/'000	March 31, 2006	Dec. 31, 2005
Financial liabilities held for trading		
Trading derivatives	59,131	42,939
Short positions	682,706	55,610
Other financial liabilities	930	821
Total financial liabilities held for trading	742,767	99,370
Financial liabilities at fair value through profit or loss		
Liabilities arising on financial contracts issued by insurance companies:		
- under which the investment risk is borne by the policyholder	1,268,116	1,292,367
- in connection with pension fund management	8,748	7,955
Total financial liabilities at fair value through profit or loss	1,276,864	1,300,322
Total financial liabilities at fair value through profit or loss	2,019,631	1,399,692

Other financial liabilities

€/'000	March 31, 2006	Dec. 31, 2005
Banks	1,113,906	1,148,403
Banking customers	3,743,645	3,718,562
Other	104,350	104,350
Total	4,961,901	4,971,315

Financial liabilities: Banks

€/'000	March 31, 2006	Dec. 31, 2005
Central Banks	620,108	511,080
Other banks		
- Current accounts and demand deposits	156,287	47,722
- Time deposits	112,422	204,895
- Loans	225,089	384,706
Total	1,113,906	1,148,403

Financial liabilities: Banking customers

€/'000	March 31, 2006	Dec. 31, 2005
Current accounts	3,334,914	3,381,651
Liabilities for assets that were sold but not derecognised (Repurchase agreements)	316,040	270,627
Other liabilities	92,691	66,284
Total	3,743,645	3,718,562

Financial liabilities: Other

€/'000	March 31, 2006	Dec. 31, 2005
Reinsurers' deposits	104,350	104,350
Total	104,350	104,350

PAYABLES

Other payables

€/'000	March 31, 2006	Dec. 31, 2005
Employee completion-of-service entitlements	13,894	13,410
Payables to suppliers	93,841	107,559
Due to tax authorities	42,965	45,700
Other payables	24,384	41,677
Total	175,084	208,346

OTHER LIABILITIES

Other liabilities

€/'000	March 31, 2006	Dec. 31, 2005
Items in transit relating to lending	105,800	74,330
Deferred liabilities relating to investment contracts (DIR)	39,592	44,489
Other	19,375	56,392
Total	164,767	175,211

Other information

OTHER INFORMATION

Post-Balance Sheet Date Events

There were no other post-balance sheet date events which could have a material impact on the Group's financial position or result of operation.

Outlook

In the light of results recorded in the first six months of 2006, the outlook for the current year is positive.

For the Board of Directors
The Chairman
Roberto Ruozi