

MEDIOBANCA

*Annual Report and
Accounts as at 30 June 2003*

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 389,275,207.50 FULLY PAID UP - RESERVES € 3,035 million

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

Extraordinary and Ordinary General Meeting
28 October 2003

www.mediobanca.it

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BOARD OF DIRECTORS

		Term expires
* GABRIELE GALATERI di GENOLA	CHAIRMAN	2006
* CESARE GERONZI	DEPUTY CHAIRMAN	2004
* CARLO SALVATORI	DEPUTY CHAIRMAN	2005
UMBERTO AGNELLI	DIRECTOR	2006
* MATTEO ARPE	”	2006
JEAN AZEMA	”	2006
TARAK BEN AMMAR	”	2006
GILBERTO BENETTON	”	2005
ANTOINE BERNHEIM	”	2005
* VINCENT BOLLORE’	”	2006
* CARLO BUORA	”	2005
GIANCARLO CERUTTI	”	2005
ROBERTO COLANINNO	”	2004
* ENNIO DORIS	”	2006
MARIO GRECO	”	2005
BERARDINO LIBONATI	”	2004
JONELLA LIGRESTI	”	2004
* ACHILLE MARAMOTTI	”	2004
CARLO PESENTI	”	2005
ALESSANDRO PROFUMO	”	2005
AXEL FREIHERR VON RUEDORFFER	”	2005

* Member of Executive Committee

STATUTORY AUDITORS

ANGELO CASÒ	CHAIRMAN	2006
MARIO ARBUFFO	STANDING AUDITOR	2006
EUGENIO PINTO	”	2006
GUIDO CROCI	ALTERNATE AUDITOR	2006
ANTONIO IZZI	”	2006
ALESSANDRO TROTTER	”	2006

* * *

ALBERTO NAGEL	GENERAL MANAGER
RENATO PAGLIARO	CO-GENERAL MANAGER
	SECRETARY TO THE BOARD

CONSOLIDATED ACCOUNTS

REVIEW OF GROUP OPERATIONS

Mr Francesco CÌNGANO passed away on 10 May 2003, having been Chairman of Mediobanca since 1988. Mr CÌNGANO had been involved with the Bank for more than thirty years, and made a significant contribution to its growth even before joining the Board of Directors in 1973. His human touch, his in-depth knowledge of individuals and situations, and the wealth of experience he displayed over all these years will be sorely missed.

* * *

The Mediobanca Banking Group operates in three main areas. The parent company's business is wholesale banking (providing financial services to corporates) and equity investments, whereas the Compass Group, with its hundred branches, brings together the wider Group's consumer credit and leasing activities. A private banking joint venture has also recently been launched in the shape of Banca Esperia, and this area is set to be strengthened further after control of Compagnie Monégasque de Banque was acquired in July of this year.

The consolidated accounts as at 30 June 2003 reflect a profit of € 53.6m, compared with € 255.1m one year previously. This is chiefly due to a particularly good operating performance, where the € 539.2m gross margin earned was over 20% higher than the figure recorded twelve months previously, despite the tough market conditions. The improvement involved both the wholesale banking business and the Compass Group, and both principal sources of income rose appreciably: the interest margin increased by 13.5% from € 550.4m to € 624.9m, and commissions and other income rose by 30.6% from € 177.6m to € 232m. The cost/income ratio fell from 39% to 37.2%.

The downturn in equity markets took its toll on net profit, although the rally seen towards the end of the financial year appears to have been borne

out in the months subsequent to 30 June 2003. The Group's investment portfolio recorded a loss of € 51.1m on disposal of securities, € 34.9m of which was attributable to the sale of the Bank's holding in Fondiaria-SAI, for details of which see below, as against gains of € 463.7m the previous year, mostly from disposal of the Group's shareholding in Montedison. Writedowns of € 181m (30/6/02: € 497.4m) calculated on the basis of average prices in the six months to 30 June 2003 were charged to the investment portfolio after € 80.3m in advance tax, and of € 70.6m on securities and investments held in treasury (€ 58.3m), not including unrealized gains of € 224.5m accrued during the period under review in accordance with our customary conservative accounting principles.

* * *

In December 2002, the Italian Antitrust Authority and the stock market regulator CONSOB imposed sanctions on Mediobanca following its investigation into the merger between La Fondiaria and SAI. These were: i) for Mediobanca to abstain from exercising voting rights in respect of 2% of its shareholding in Assicurazioni Generali at General Meetings of that company; and ii) jointly with SAI/Premafin, to sell that part of the two groups' combined holdings in Fondiaria-SAI exceeding 30% of its share capital. Mediobanca accordingly sold 11.5m Fondiaria-SAI shares, or 8.9% of that company's share capital post-merger, to take its interest to below the 2% threshold, incurring a loss of € 34.9m. This disposal was effected by executing several equity swap agreements involving a like number of shares, the purpose of which was to keep the Bank's exposure to Fondiaria-SAI's stock market performance unchanged. As at 30 June 2003, these shares had already accrued unrealized gains of approx. € 30m. As a result of this disposal, in June this year the Antitrust Authority removed its restriction on the Bank's voting rights with regard to its holding in Assicurazioni Generali.

DEVELOPMENTS IN THE CAPITAL MARKET

New issues and placements of equities and convertible bonds in the year to 30 June 2003 totalled € 8.2bn, 10% higher than in the previous twelve months. The volume of funds raised was just over a third of the av-

average annual amount recorded in the three-year period 1997-2000. Conversely, funds returned to investors rose appreciably from € 25.4bn to € 34.6bn, consisting of € 16.9bn in dividends paid and € 17.7bn deriving from public tender offers. The balance of these movements led to a net transfer of some € 26bn in funds to investors, 47% higher than the € 18bn recorded one year previously:

	30/6/01	30/6/02	30/6/03
	(€ m)	(€ m)	(€ m)
Issues and placings of:			
Ordinary and convertible savings shares	6,574	4,902	7,036
Preference and unconvertible savings shares	1	9	18
Convertible bonds and bonds with warrants attached	1,442	2,530	1,133
Total	<u>8,017</u>	<u>7,441</u>	<u>8,187</u>
<i>of which: rights issues (*)</i>			
<i>par value</i>	1,211	1,994	4,960
<i>premium</i>	1,666	2,877	1,039
Dividends paid	<u>15,945</u>	<u>18,587</u>	<u>16,899</u>
Public tender offers	<u>3,679</u>	<u>6,773</u>	<u>17,680</u>
Balance	<u>(11,607)</u>	<u>(17,919)</u>	<u>(26,392)</u>

(*) Excluding initial and other public offers, which amounted to € 2,245m in 2000/01, € 754m in 2001/02, and € 524m in 2002/03.

Points worth noting include:

- the increase in funds raised is largely attributable to a higher number of rights issues, which this year were worth € 6bn; the share premium component fell from 58% in 2000-01 and 38% in 2001-02 to 17%, partly due to the stock market performance, and the issue of new shares without voting rights was virtually nil;
- the reduction in issues of convertible bonds and bonds with warrants attached, where volumes reached a three-year low;
- an increase of more than 150% in proceeds from takeover bids, four-fifths of which involved utilities undergoing reorganization, which in one case led to the stock being delisted;

- a 9% fall in dividends paid, although the level remains quite high both in absolute terms, lower only indeed than the figure recorded in 2001-02, and as a percentage of profits earned during the period, with the payout ratio rising from 65% to 69%. Sixty-two of the 224 listed Italian companies failed to pay dividends this year, which in terms of market capitalization represents 8% of the total, as against 7% the previous year.

Moreover, this funnelling of resources from companies to investors took place despite a general economic downturn. Net aggregate earnings by listed companies in 2002 totalled € 10.8bn, one-third lower than the figure recorded in 2001. The decline affected companies in every segment. Net aggregate earnings in the industrial sector fell from € 8.9bn to € 5.6bn, one-third of which is attributable to deterioration in operating performance and the balance to items below the current profit line. Extraordinary net charges of over € 9bn were cushioned by a € 3.9bn reduction in the tax burden and losses of € 2.3bn attributable to minorities. The return on shareholders' equity fell from 8.5% to 5.2%. Companies listed on the *Nuovo Mercato* again performed poorly, but halved their losses overall as a result of lower non-recurring items. The results delivered by companies listed in the STAR segment also declined by some 31%, with ROE falling from 11% to 6.6%. Profits earned by listed banks fell by only around 9%, mostly due to extraordinary items, where transfers of some € 800m from reserves to profit and loss stood out in particular. This, along with tax charges that were some € 1bn lower than in the previous twelve months, enabled banks to offset the worst of their operating performance, most of which was due to loan losses being some € 800m higher than the previous twelve months, with the result that ROE fell by only one percentage point, from 7.8% in 2001-02 to 6.8%. It was the accounts of insurance companies that were hit the hardest, with a slump of virtually 80% in profits, or some € 1.5bn in absolute terms, mostly the balance between a € 4.5bn improvement in underwriting profits, a massive € 5.3bn reduction in investment income, and lower extraordinary income of € 0.4bn. In terms of companies' capital structure, these results and the sizeable dividend payout mentioned earlier led to a reduction of € 13.5bn, or some 9%, in the aggregate net worth of industrials. This variation was barely more pronounced than the reduction in debt recorded, so the debt/equity ratio remained virtually unchanged at approx. 130%. Intangible assets continue to account for a hefty 60% of borrowings, and the ratio of debt to so-called "tangible assets" rose again from 313% in 2001 to 326% in 2002.

Share prices at 30 June 2003 were on average 8% lower than those recorded twelve months previously, having been down 14% at year-end 2002. The total return index, which measures dividends paid out, fell 5% during the twelve months, representing the average between a 2% decline in industrials, a 6% fall in banks, and a 10% decrease in insurers. It should also be pointed out that the price of shares not carrying voting rights fell by barely 1%, while those in the STAR segment rose by 2%. In the same period, the daily average value of stocks traded on the official list was € 2.6bn, up 7% versus 2001-02, and those on the *Nuovo Mercato* € 36m, a fall of 41%. The free float remained at around the 50% mark, while turnover rose from 15% to 20% and price volatility from 2.2% to 2.4%.

The expected return on rights issues, based on the last dividend paid, rose significantly from 0.9% to 2.7%, with the companies paying dividends exhibiting a similar trend, growing from 2.2% to 6.6%. The dividend yield on blue chips in the main Western markets as measured in April 2003 also showed notable increases, ranging from 0.6 points in the U.S. to 2 points in the Benelux countries, which are largely attributable to the fall in share prices over the past twelve months. Similar considerations hold true for the price/earnings ratio, which also rose sharply:

	% Dividend yield		% P/E	
	2002	2003	2002	2003
Benelux (**)	2.4	4.4	5.8	8.8
France (*)	1.8	3.1	5.1	6.4
Germany (*)	2.2	3.5	4.4	7.2
Italy (*)	2.5	3.6	4.3	6.3
United Kingdom (*)	2.8	3.9	4.4	6.8
United States (*)	1.4	2.0	3.5	4.6
Switzerland (**)	1.5	2.6	4.4	5.9

(*) Top 50 companies measured by market capitalization.

(**) Top 20 companies measured by market capitalization.

N.B. - Mean indicators are based on share prices as at 1 April 2003. The year-on-year changes in the twelve months then ended can be measured by the following stock market indices: Belgium down 37% (Brussels All Share), France down 42% (SBF 250), Germany down 55% (Dax 100), Italy down 30% (Mediobanca MTA), Netherlands down 49% (CBS), United Kingdom down 30% (FTSE 100), United States down 25% (S&P 500), Switzerland down 38% (Swiss Market Index).

Assets managed by Italian mutual funds remained stable during the twelve months under review, at just below the € 380bn mark. New subscriptions of € 213bn, almost nine-tenths of which relate to non-equity funds, were offset by redemptions of € 204bn and an operating shortfall of some € 6bn, representing the balance between negative returns on equity funds of 17% and gains of 2% on other funds. In terms of portfolio composition, equities fell from 28% to 20%, with non-Italian equities falling from 21% to 16% and Italian equities from 7% to 4%, whereas Italian government securities rose from 33% to 38%, and bond funds were virtually stable, non-Italian debt securities rising from 25% to 26% and Italian debt securities declining from 4% to 3%.

The aggregate market capitalization of officially listed companies fell from € 520bn to € 473bn, with the free float down from € 265bn to € 236bn, primarily as a result of the slump in share prices. The aggregate market capitalization of companies listed on the *Nuovo Mercato* fell from € 8bn to € 6bn.

* * *

Turning now to financial services, the consumer credit market grew by 6.2% in 2002, compared with 14% the previous year, reflecting modest growth in consumer demand during the year against a backdrop of ongoing economic stagnation, and a more judicious approach to credit by households. The outlook for this year points to moderate growth. Trends in the business volumes registered by companies and banks operating in this sector were as follows:

	2001		2002		2003 E	
	(€ m)	%	(€ m)	%	(€ m)	%
Vehicle credit	20,095	52.0	20,525	50.0	22,575	50.0
Personal loans	17,160	44.4	18,885	46.0	20,770	46.0
Other loans	1,390	3.6	1,640	4.0	1,805	4.0
	<u>38,645</u>	<u>100.0</u>	<u>41,050</u>	<u>100.0</u>	<u>45,150</u>	<u>100.0</u>

In a booming property market, the Italian mortgage sector has experienced strong growth in volumes, improving further on the high levels recorded one year previously. Bank of Italy figures show an increase of 24.5% in mortgage lending for the twelve months to 31 March 2003 from € 30.6bn to € 38.1bn.

The Italian leasing industry recorded a growth rate of 2.2% in the twelve months, hit by the general economic downturn on the one hand, but boosted by the positive impact coming from the property sector on the other. Growth in 2003 is expected to be slightly below 3%.

	2001		2002		2003 E	
	(€ m)	%	(€ m)	%	(€ m)	%
Finance leasing:						
– Vehicles	8,600	22.1	8,450	21.3	8,788	21.5
– Capital goods	15,700	40.4	12,800	32.2	13,056	32.0
– Property	14,600	37.5	18,500	46.5	18,981	46.5
	<u>38,900</u>	<u>100.0</u>	<u>39,750</u>	<u>100.0</u>	<u>40,825</u>	<u>100.0</u>

* * *

CONSOLIDATED ACCOUNTS

The consolidated financial highlights have been condensed and compared on a like-for-like basis with those of the previous two financial years. They are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/01	12 mths to 30/6/02	12 mths to 30/6/03
	€ m	€ m	€ m
Interest margin	530.1	550.4	624.9
Commissions received and other income	219.0	177.6	232.0
General expenses	(266.8)	(282.7) ⁽¹⁾	(317.7)
GROSS MARGIN FROM ORDINARY OPERATIONS	482.3	445.3	539.2
Writedowns in securities and derivatives held in treasury ⁽¹⁾ ⁽²⁾	(4.7)	(58.3)	(70.6)
Net gain (loss) on sale of securities held	101.7	463.7	(51.1)
Writedowns in investment securities ⁽¹⁾ ⁽²⁾ ...	(89.9)	(497.4)	(181.0)
Bad debts written off	(42.7)	(46.8)	(61.0)
Net overprovision for taxation	—	6.8	—
Gain (loss) on investments stated on equity basis	0.2	(5.1)	(4.0)
MARGIN BEFORE TAXATION AND PROVISION	446.9	308.2	171.5
Transfers to provision for liabilities and charges	(12.5)	(13.3)	(13.3)
Accelerated depreciation and amortization ..	(4.7)	(3.6)	(5.1)
Taxation for the year	(126.2)	(29.2)	(90.7)
Profit attributable to minority shareholders ..	(6.3)	(7.0)	(8.8)
NET PROFIT	297.2	255.1	53.6

⁽¹⁾ Restated.

⁽²⁾ Net of advance tax.

CONSOLIDATED BALANCE SHEET

	30/6/01	30/6/02	30/6/03
	€ m	€ m	€ m
Assets			
Treasury funds employed	4,601.7	5,614.5	10,231.4
Loans and advances	16,998.1	17,154.2	15,033.9
Investment securities.....	3,333.7	3,351.5	3,168.6
Intangible assets	1.5	1.9	1.5
Property	63.3	122.0	123.3
Furniture and fixtures	3.9	4.2	5.4
Other assets	1,648.4	2,026.5	2,205.5
Total assets	26,650.6	28,274.8	30,769.6
Liabilities			
Deposits and loans	19,170.9	20,511.3	23,247.3
Provision for liabilities and charges	375.5	338.6	301.6
Consolidated provision for future liabilities and charges	6.8	5.8	—
Other liabilities	2,460.2	2,390.3	2,255.4
Credit risks provision	13.4	13.4	13.4
Equity attributable to minority shareholders	49.0	53.6	61.5
Shareholders' equity	4,277.6	4,706.7	4,836.8
Profit for the year	297.2	255.1	53.6
Total liabilities	26,650.6	28,274.8	30,769.6

Key indices and financial ratios for the three-year period were as follows:

	30/6/01	30/6/02	30/6/03
Regulatory capital (€ m)	5,410.2	6,227.0	5,561.8
Solvency margin (%)	20.83	23.71	19.39
Earnings per share (€)	0.46	0.33	0.07
Net asset value per share (€) ⁽¹⁾	7.12	6.37	6.28
Gross gain per share on investment securities (€)	7.25	4.19	3.26
Price/earnings ratio	26.1	25.4	n.s.
Price/book value ratio	1.8	1.5	1.4
Average number of employees in the year ended			
30/6	1,214	1,232	1,308
No. of shares in issue (m)	642.2	778.5	778.5
Cost/income ratio (%)	35.6	39.0	37.2

⁽¹⁾ Includes profit for the year.

REVIEW OF KEY ITEMS

The following principles adopted in drawing up these accounts should be borne in mind when analysing them:

- the treasury portfolio, consisting of securities and derivatives, is stated at the lower of cost and market value, which means that writedowns are charged to earnings but unrealized gains are not;
- commissions on loans by the Compass Group are taken to profit and loss in the accounting period during which the underlying contracts are executed, rather than being amortized over the life of the contracts themselves, and advance tax thereon is not credited to earnings;
- value adjustments to receivables in the case of the Compass Group reflect a sizeable collective impairment provision as well as the estimated loss itself.

CONSOLIDATED BALANCE SHEET

The key asset aggregates performed as follows:

Funding – this rose by 13.3% from € 20.5bn to € 23.2bn, primarily due to the contribution of debt securities as a result of the AA- rating assigned to Mediobanca in May 2002, which has enabled the Group to pursue funding policies at favourable rates. The other items consist of € 2bn in time deposits and current accounts (30/6/02: € 2.4bn), and € 3.6bn (€ 4bn) in loans from banks, chiefly raised by the Compass Group. Mediobanca International contributed € 3.3bn, compared with € 3.1bn at 30 June 2002.

Customer loans – these fell by 12.4%, or € 2.1bn, a decrease almost entirely involving loans granted by the parent company, largely as a result of its customary cautious approach to risk, especially in view of the economic climate, and exposures to certain major clients being reduced. SelmaBipiemme Leasing carried out a securitization worth € 600.9m in the course of the year, without which the reduction in the aggregate would have been 8.8%. At 30 June 2003, 69% of the Group's loan book consisted of customer lendings and structured finance, 16% of leasing transactions and 15% of consumer credit. Exposure in the latter two areas is to around 500,000 customers, mostly households and small enterprises, which offsets the fact that the majority of Group loans are to corporate clients. In this regard, at the year-end significant exposures in terms of loan concentration according to the permitted risk weightings, i.e. in excess of 10% of consolidated regulatory capital as determined under Bank of Italy regulations, totalled € 9,907.2m, or 22.3% of the aggregate limit of € 44,494.1m. The funds concerned were lent to ten “groups of connected clients”, all of which were within the currently permitted threshold at the balance sheet date.

Investment securities – these fell by € 182.9m. Movements during the period under review involved purchases and subscriptions of € 584.4m, divestments of € 330.3m and transfers to other portfolios of € 132.1m. These movements produced a net loss of € 51.1m, € 34.9m of which resulted from the disposal of the Group's shareholding in Fondiaria-SAI mentioned earlier. Writedowns of € 261.3m were charged, which net of € 80.3m in advance tax resulted in a net impact of € 181m on earnings. These writedowns were made on the basis of average prices in the six months to 30 June 2003, resulting in a charge that was € 81.6m higher than it would have been if they had been made on the basis of prices at the period-end, the policy adopted in the Group's accounts for the year ended

30 June 2002 as an exceptional measure in the face of market prices that were consistently lower than the six-month average. After such writedowns, the portfolio reflects a surplus of market over book value of € 2,540.9m, which rises to € 2,757.3m based on current prices. As at 30 June 2003, the Mediobanca Banking Group's aggregate interest in Assicurazioni Generali stood at 13.93% of that company's share capital, 12.61% of which is owned by the parent company and 1.32% by Compass, Sade Finanziaria and Spafid. This shareholding is carried at a book value of € 1,210.1m.

Liquid assets – these rose by € 4.6bn in the period under review from € 5,614.5m to € 10,231.4m, including forward transactions. Such growth reflects the trend in funding and customer loans described above. This item comprises € 1,569m in cash and short-term lendings, including forward transactions, and € 8,662.4m in marketable securities, 86.3% of which are fixed income. Writedowns on these securities and derivatives as at 30 June 2003 totalled € 70.6m, after which the Group's treasury portfolio reflected unrealized gains of € 185.3m, plus a further € 74.1m on derivatives.

Properties – details of the Group's main properties are given in the table below:

	sq.m	Book value at which carried in consolidated accounts (€ '000)	Book value at which carried in accounts of individual companies (1) (€ '000)	Future re- demption value (€ '000)
Milan:				
– Piazzetta Enrico Cuccia, 1	6,874	8,498.7	8,498.7	—
– Via Filodrammatici, 3, 5, 7; Piazzetta Bossi, 1 (*)	11,093	59,415.7	29,753.9	626.8
– Piazza Paolo Ferrari, 6	1,967	2,148.5	2,148.5	—
– Foro Buonaparte, 10	2,932	6,147.0	3,703.5	—
– Via Siusi, 1-7	5,300	4,286.3	1,169.5	—
Rome:				
– Piazza di Spagna, 15 (*)	6,280	26,016.5	4,177.1	1,678.5
– Via Nomentana, 146	2,460	7,854.4	572.6	—
Vicenza:				
– Via Btg. Framarin, 4 (*)	4,239	5,562.7	5,472.1	56.0
– Others	3,871	3,340.2	3,014.9	
	<u>45,016</u>	<u>123,270.0</u>	<u>58,510.8</u>	

(1) Properties being acquired under a lease are marked with an asterisk. The book value corresponds to the principal outstanding on the lease. The difference between book values regards properties acquired or being acquired under intra-group leases.

Provisions for liabilities and charges – these comprise the *Provision for taxation* amounting to € 226m, the *Staff termination indemnity provision* totalling € 34.3m, and the *Provision for liabilities and charges* of € 41.3m principally connected to our consumer credit and leasing businesses. The *Consolidated provision for future liabilities and charges* made to cover exposure to Tradevco has been written back, after this company was deconsolidated when it suspended operations during the recent war in Liberia.

Shareholders' equity and regulatory capital – Group shareholders' equity rose by € 130.1m following last year's profit appropriation. Consolidated regulatory capital fell from € 6,227m to € 5,561.8m due to lower gains on the securities portfolio. The solvency margin also fell from 23.71% to 19.39%, taking account *inter alia* of the 9.2% increase in risk-weighted assets.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Interest margin

The interest margin rose by 13.5% to € 624.9m (30/6/02: € 550.4m), some two-thirds of which is attributable to the parent company. The increase is principally due to income from treasury operations, where trading revenues more than offset the decline from € 128.8m to € 118.2m, and in loan interest, which fell as a result of lower volumes.

Commissions and other items

This item showed a sizeable increase of 30.6% over the previous year from € 177.6m to € 232m, despite the tough economic conditions. This heading comprises:

- € 171.7m in fee income paid to the parent company for wholesale banking services (30/6/02: € 130.2m);
- € 52.4m earned by the Compass Group (€ 36.1m), consisting chiefly of € 16.6m in commissions received, € 14.2m in income from leasing

transactions, € 13.1m in loans recovered and € 8.5m in extraordinary items;

- € 7.9m from other Group companies (€ 11.3m), including Spafid, whose fees increased from € 3.9m to € 4.2m, and MB Finstrutture-Intersomer, whose fees fell from € 3.6m to € 1.6m.

General expenses

The key items under this heading consist of:

- labour costs of € 133.3m (30/6/02: € 109.4m), slightly more than half of which was attributable to the parent company. The increase is due to a rise in our headcount from 1,232 to 1,302 employees, and an increase in the performance-related component of staff remuneration;
- bank charges of € 64.6m (€ 55.7m), of which € 17.5m were commissions on funding instruments attributable to the parent company (€ 16.9m), and € 36.3m were commissions paid by the Compass Group (€ 28.9m);
- sundry items of € 119.8m (€ 117.6m), including € 102.9m in administrative expenses (€ 102.5m), € 8.2m in ordinary depreciation charges (€ 8.3m), and € 8.7m in sundry other charges (€ 6.8m). The key items included under administrative expenses, € 40.2m of which was attributable to the parent company, were:
 - EDP and financial information subscriptions of € 22m (€ 22.4m);
 - outside consultants' fees, including fixed fees payable to the Board of Directors, of € 17.5m (€ 17.8m);
 - legal fees incurred in connection with recovery of bad debt of € 13.7m (€ 12.5m);
 - rent, equipment leasing and maintenance charges of € 12.5m (€ 11.8m);
 - stationery, postage, telephone and fax charges of € 7.8m (€ 7.9m);
 - advertising costs of € 6.9m, and travel and entertainment expenses of € 4.6m (€ 4.4m);

Value adjustments to receivables

These involve only the Compass Group's business, chiefly consumer credit, and the increase in this item from € 46.8m to € 61m is due to higher volumes.

Taxation for the year

The increase in taxation for the year is mostly due to the fact that writedowns charged to the investment portfolio are no longer fully tax deductible following the enactment of Italian Decree Law 209/2002.

REVIEW OF GROUP COMPANIES' PERFORMANCE

The following is a review of the performance of the principal Mediobanca Banking Group companies (see the Accounts of the Bank for further details of the parent company's business).

MEDIOBANCA

In the year ended 30 June 2003, the Bank earned a gross margin from ordinary operations of € 391.2m, up more than 20% on the figure recorded twelve months previously. This translates to a net loss of € 14m, after writedowns of € 185.3m in investment securities, losses of € 37.8m on disposal of shareholdings, writedowns of € 57.9m in securities and derivatives held in treasury, and provisions, depreciation and amortization of € 55.2m, including € 45m transferred to *Credit risks provision*. In the twelve months to 30 June 2002, the Bank earned a net profit of € 117.6m, after € 460.7m in gains on disposals, writedowns of € 500.1m in investment securities and of € 41.2m in securities and derivatives held in treasury, and € 90.6m in provisions, depreciation and amortization, including € 87m transferred to *Credit risks provision*.

Net profit was hit by writedowns in the Bank's investment portfolio of € 185.3m, net of advance tax. The writedowns were charged on the basis of

average prices in the six months to 30 June 2003, which resulted in a charge that was nearly € 82m higher than if they had been based on prices as at the period-end, the policy adopted as an exceptional measure in the Group's accounts for the year ended 30 June 2002. After such writedowns, the portfolio reflects a surplus of market over book value of € 2,691m, which rises to € 2,907.5m based on current prices. The writedowns of € 57.9m on securities and derivatives held in treasury do not include gains of € 219.8m accumulated during the period, which, as has already been mentioned, are only credited to earnings as and when they are realized.

Funding as at 30 June 2003 totalled € 20,364.1m, up 13.7% exclusively as a result of debt securities. Loans and advances fell from € 14,861.8m to € 12,522m, and investment securities declined by € 265.1m after writedowns of virtually the same amount. Liquid assets rose by € 4.7bn, including forward transactions and movements in other assets and liabilities.

Key financial data for the year have been condensed and compared on a like-for-like basis with those of the previous two financial years. They are as follows:

	30/6/01	30/6/02	30/6/03
Treasury funds employed	3,885.9	5,148.1	9,807.6
Loans and advances	14,229.6	14,861.8	12,522.0
Investment securities	3,025.6	3,031.4	2,766.3
Deposits and loans	15,933.8	17,911.3	20,364.1
Shareholders' equity	4,075.2	4,458.6	4,504.0
Gross margin from ordinary operations ..	380.3	325.4	391.2
Net profit (loss)	151.3	117.6	(14.0)

* * *

As mentioned previously, Mediobanca's core business is wholesale banking (corporate finance/investment banking) and equity investments.

Corporate finance

Lendings and structured finance

The Bank's loan book reduced by 15.7% from € 14,861.8m to € 12,522m, due to our customary cautious approach to risk especially in view of the economic climate, and to exposures to certain major clients being reduced. This side of the Bank's operations has become increasingly specialized during the twelve months under review, in order to meet the individual needs of clients, especially medium-size firms, and to focus more on specific types of transaction with an increasing emphasis on structured finance in its various forms, such as acquisition and leveraged finance, project finance and export finance. In the area of syndicated loans, where Mediobanca is Italian market leader, the Bank took part in fifteen transactions worth a total of some € 25bn (30/6/02: € 21.5bn), for which it received fees totalling € 77.3m (€ 38m).

Funding and treasury accounts

The 13.7% increase in funding from € 17.9bn to € 20.4bn is due to a rise in debt securities, which were boosted by the rating assigned to the Bank during 2002. This heading comprises:

- € 1.9bn in time deposits and current accounts, down € 0.4bn, principally as a result of loans being repaid;
- € 14.7bn in debt securities, up € 3.5bn after new issues and interest accruals of € 5bn, and conversions, redemptions (including early redemptions) and exchange rate adjustments of € 1.5bn;
- € 3.8bn in loans from banks, down € 0.6bn.

Treasury accounts comprise:

- € 0.9bn in cash and bank balances (30/6/02: € 1.1bn);
- € 7.1bn (€ 3.7bn) in fixed income securities. As at 30 June 2003, 67.8% of the portfolio consisted of government securities, 6.3% of Mediobanca bonds, and the balance of sundry other securities. The latter, broken down by rating, were as follows: AAA: 32.3%; AA: 2%; A: 29.8%; BBB: 22.4%; sub investment grade: 1%; unrated: 12.5%. Including arbitrage and derivative transactions, there were trading profits

of € 51.6m, writedowns in the portfolio of € 53.2m and unrealized gains of € 173.8m;

- € 1.2bn in equities (€ 1.1bn), more than four-fifths of which are linked to closed arbitrage transactions settled during the month of July. Trading in this area resulted in profits of € 51.7m, writedowns of € 4.8m and unrealized gains of € 80m, € 28.4m of which relate to the equity swaps entered into on disposal of the Bank's shareholding in Fondiaria-SAI, and € 39.2m in securities transferred from the investment portfolio;
- € 0.6bn representing the balance between forward transactions and securities lending.

Investment banking

The performance of Mediobanca's investment banking operations during the twelve months under review was impacted by the general downturn in stock markets, which led to a significant reduction in equity volumes. Several major M&A deals were completed despite the tough conditions, and there has been a slight rally in the debt capital market since January 2003. Against this backdrop, Mediobanca's position in these various areas of business remained stable or even improved, with business volumes during the twelve months as follows:

- equity capital market: the Bank lead-managed five underwriting and placing syndicates for equities and convertible bonds worth a total of € 1,189m (30/6/02: € 5,441m);
- debt capital market: the Bank led twenty selling groups which placed € 7,583m (€ 4,141m), including twelve involving notes issued by Mediobanca International worth € 458m. The total includes three securitizations worth € 2,151m arranged by the Bank or MB Finstrutture-Intersomer;
- Mediobanca acted as advisor for M&A deals (some of which involved takeover bids) for over € 70bn (€ 60bn);
- trading for clients' accounts involved securities totalling € 10.4bn (€ 9.6bn), of which € 6.7bn (€ 9.5bn) related to equities.

In return for such activities, the Bank received fees of € 86.8m (€ 92.3m) made up as follows: € 58.7m for M&A advisory services

(€ 37.3m), € 21m for equity and debt capital market activities (€ 46.9m), and € 7.1m for trading for clients' accounts (€ 8.1m).

Investment portfolio management

The Bank's investment portfolio was down € 265.1m at € 2,766.3m. Movements during the period consisted of purchases and subscriptions of € 500.4m, divestments of € 329.7m and transfers to treasury of € 131.1m, resulting in a net loss of € 37.8m, which was almost entirely attributable to the disposal of the shareholding in Fondiaria-SAI.

At the balance sheet date the portfolio was written down by € 265.6m, as detailed below:

	€ m
Commerzbank	62.3
Mediolanum	20.7
Finmeccanica	19.3
Fiat	19.2
Capitalia	14.8
Olivetti (equities and bonds)	13.6
Pirelli & C.	11.8
Fondiaria-SAI (equities and warrants)	7.7
Gemina	5.1
Other listed securities	4.4
Other unlisted securities ⁽¹⁾	16.2
Securities transferred to treasury	70.5
Total	265.6

⁽¹⁾ Net equity.

The writedowns charged for the year entailed booking € 80.3m in advance tax, so their net impact on earnings came to € 185.3m.

The book value of the portfolio compared with average prices in the first six months of 2003 reflects a net gain of € 2,691m, which rises to € 2,907.5m based on prices and holdings at the time of writing.

The main movements in addition to disposal of the interest in Fondiaria-SAI were as follows:

Eurofind SA: we acquired 3m shares in this company for € 170.4m. This outlay, which forms part of the IFIL group's takeover bid for La Rinascente, involves the Bank having a put option and IFIL having a call option for a period of 24 months.

Pirelli & C.: we subscribed for 94.1m Pirelli & C. shares with a like number of Pirelli & C. 2003-2006 warrants attached for an outlay of € 48.9m. The warrants entitle the holder to subscribe for Pirelli & C. shares as of 2004 on the basis of one € 0.52 share for every four warrants held.

Assicurazioni Generali: we transferred 1.7m shares from treasury to our investment portfolio at a book value of € 40.4m, with effect from 1 July 2002. This was partly due to the strategic nature of our holding in this company, and partly to the length of time these shares (which were written down on the basis of prices as at 30 June 2002) had been held. As at 30 June 2003, the Bank's 160,912,892 Generali shares, carried at a book value of € 699.2m, represented 12.61% of that company's share capital.

Fondiaria-SAI 2002-08 warrants: we received a total of 5.1m bonus shares carried at a book value of € 12.6m. The warrants entitle the holder to subscribe for Fondiaria-SAI shares as of 2005 on the basis of one € 2.08 share for every four warrants held.

Cartiere Burgo: we acquired 18m shares in this company for an outlay of € 12.5m.

Athena Private Equity: the book value of our 6.1m shares was increased by € 10.4m as a result of a capital call.

In addition, the Bank's entire holdings in Allianz, AMB, Banca Intesa, BNL, Cofide, ENEL and Stefanel were taken to treasury, in pursuance of a resolution passed by the Board of Directors. The securities transferred were booked at a value of € 131.1m after permanent writedowns of € 70.5m.

The following movements have taken place since the balance sheet date:

Fiat: we acquired 7.9m shares by subscribing to a rights issue, involving a net outlay of € 39.7m.

Olivetti (now *Telecom Italia*): we received 106m Telecom Italia shares following the merger between this company and Olivetti, with the combined entity taking on the name of Telecom Italia, and acquired a further 16.5m Telecom Italia shares. Our interest in the new company fell from 2.38% to 1.19% as a result of the merger.

THE COMPASS GROUP

	30/6/01 (€ m)	30/6/02 (€ m)	30/6/03 (€ m)
Customer lendings	5,066.1	4,901.7	4,697.9
Securitized lendings	—	511.3	1,112.2
Loans disbursed	2,440.2	2,455.1	2,958.2
Interest margin	188.5	212.9	229.9
Gross margin from ordinary operations	86.2	111.6	122.7
Net profit	8.3	11.8	13.1

The Compass Group's consolidated highlights reflect an improvement of 10% in the gross margin from ordinary operations, up from € 111.6m to € 122.7m, the result of lower funding charges due to the reduction in interest rates, and growth in commissions received and other income from € 36.1m to € 52.6m. The latter includes extraordinary items of € 8.7m (30/6/02: € 0.4m), commissions received on loans to customers of € 16.6m (€ 13.7m), net leasing income of € 14.2m (€ 9.6m), and € 13.1m (€ 12.4m) in loans recovered. The increase in general expenses from € 137.4m to € 159.9m is principally due to a rise of € 7.4m in commissions paid to agents, higher staff costs of € 4.8m and one-off charges of € 2.7m relating to the securitization carried out during the twelve months by SelmaBipiemme. Net profit of € 13.1m, as against € 11.8m the previous

year, includes bad debt writeoffs and transfers to provision for liabilities and charges of € 69.2m (€ 60m), losses on listed investments of € 13.4m (€ 25.2m), and taxation of € 18.3m (€ 7.9m).

As at 30 June 2003, lendings to customers totalled € 4,697.9m (30/6/02: € 4,901.7m), 51.5% of which derives from leasing and 48.5% from consumer credit. The reduction of € 203.8m compared with last year is due to the € 600.9m securitization of loans current as to principal and interest by SelmaBipiemme during the year, which increased the Group's securitized lendings to € 1,112.2m accordingly. If this figure is included in total lendings, there was an overall increase of 7%.

A review of the individual companies' results follows:

- *Compass S.p.A.*, Milan: the company's accounts for the year ended 30 June 2003 reflect a profit of € 2.1m (30/6/02: € 1m), after losses on listed securities of € 13.4m (€ 27.4m), and value adjustments to receivables of € 51.6m (€ 37.3m), of which € 38.9m consisted of accounts sold to Cofactor (€ 28.1m).

The number of loans outstanding at 30 June 2003 was 525,840, worth a principal amount of € 1,478m, as against 478,143 totalling € 1,262m in the previous twelve months. This change reflects the sale on a non-recourse basis of loans worth € 302m (€ 511m) in April 2002.

At the balance sheet date, Compass's staff numbered 450, employed at 73 branches.

- *Cofactor S.p.A.*, Milan (100% owned): this company recorded a profit of € 58,000 (30/6/02: € 3.5m), after tax of € 56,000 (€ 0.5m) and value adjustments to receivables of € 10.9m (€ 6.8m). As at 30 June 2003, the company's outstanding loans were carried at a book value at cost of € 67m (€ 34.2m).

The company's employees numbered 39 at the balance sheet date.

- *Creditech S.p.A.*, Milan (100% owned): this company's business is collecting overdue credit instalments.

Creditech delivered a profit of € 143,000 in the twelve months to 30 June 2003, as against € 170,000 in the preceding six months, posting

revenues of € 5.1m (€ 1.8m) and tax of € 204,000 (€ 143,000). Receivables collected as at 30 June 2003 totalled € 159.6m (30/6/02: € 52.1m).

Creditech employs 33 staff.

- *Micos Banca SpA*, Milan (100% owned): *Micos Banca's* accounts for the twelve months to 30 June 2003 show a profit of € 286,000, as against a loss of € 403,000 the previous year, after tax of € 2m (€ 451,000) and adjustments/transfers to credit risk provisions of € 4.4m (€ 3.1m). During the period under review, the company completed 3,830 mortgage contracts (2,965), providing finance of € 269.8m (€ 197.2m). Mortgages outstanding as at 30 June 2003 amounted to € 734.4m (€ 522.2m).

At the balance sheet date, the company's staff numbered 119, spread across 18 branches.

- *SelmaBipiemme Leasing S.p.A.*, Milan (61.65% owned): this company earned a profit of € 3.1m during the period under review (€ 8.1m), after tax of € 3m (€ 4.7m).

During the twelve months, 8,503 leases (not including renewed leases or sub-leases) were executed covering goods worth a gross figure of € 781.4m, as against 9,363 leases worth € 657.9m the previous year. As at 30 June 2003, the net value of goods leased or pending lease was € 1,683.6m (€ 1,533.7m).

At the balance sheet date, the company employed 134 staff at its five branches.

- *Palladio Leasing S.p.A.*, Vicenza (95% owned via *SelmaBipiemme Leasing*. The remaining 5% is held by *Palladio* in the form of own shares): *Palladio Leasing* earned a profit of € 5.1m in the year under review (€ 5.7m), after tax of € 3.4m (€ 3.7m).

During the period the company executed 2,959 new leases (3,227) covering equipment worth a gross figure of € 374m (€ 325m). The net value of goods on or pending lease as at 30 June 2003 is carried at a book value of € 840.9m (€ 702.5m).

At the balance sheet date, the company employed 62 staff at its four branches.

- *Teleleasing S.p.A.*, Milan (80% owned through *SelmaBipiemme Leasing*): this company earned a profit of € 15.3m (€ 1.7m) in the period under review, after one-off gains of € 9.5m and tax of € 10.7m (€ 1.2m).

During the twelve months the company executed 5,614 (7,670) leases worth a gross figure of € 196.6m (€ 184m). The net value of goods on or pending lease as at 30 June 2003 was carried at a book value of € 313.3m (€ 690.4m). The decline is due to early repayment of several leases on property worth a total of € 348m.

The company employs 25 people.

The performance of the Mediobanca Group's other main subsidiaries is briefly reviewed below:

- *MB Finstrutture - Intersomer S.p.A.*, Milan (100% owned)

This company's accounts for the year ended 30 June 2003 reflect a profit of € 63,000 (€ 8,000), after transferring € 3.8m to credit risks provision (€ 2.6m). Lendings amounted to € 650m (€ 487m).

At the balance sheet date the company employed twelve people.

- *Mediobanca International Limited*, Grand Cayman (100% owned)

In the year to 30 June 2003, Mediobanca International earned a profit of USD 10.1m (USD 5.6m). At the balance sheet date, total funding amounted to USD 3,733m (USD 3,141m), while net assets increased from USD 63.8m to USD 74m.

The company employs two staff.

- *Prominvestment S.p.A.*, Rome (100% owned)

This company's accounts for the year ended 30 June 2003 show a loss of € 18,000, as against a profit of € 2,000 in the preceding six-month period, after € 83,000 (€ 50,000) in tax. Prominvestment acts as an agent of the Italian Ministries of Industry and Education in providing technical and administrative services involved in processing applications for government subsidies under existing legislation.

The company employs nine staff.

— *R. & S. - Ricerche e Studi S.p.A., Milan (100% owned)*

This subsidiary's accounts for the year ended 30 April 2003 show an even balance, after charging Mediobanca € 1.7m for its expenses and services.

During the twelve months, R&S published and distributed the twenty-seventh edition of its Annual Directory of leading Italian companies, the eighth edition of its review of financial aggregates for multinationals and its usual quarterly survey of the accounts of listed companies. It also launched a new report on large European banks.

At 30 April 2003 the company employed 14 people.

— *Sade Finanziaria S.p.A., Milan (100% owned)*

In the year ended 30 June 2003, Sade Finanziaria recorded a profit of € 2.6m (€ 486,000).

At the balance sheet date it employed four staff.

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A., Milan (100% owned)*

In the year ended 30 June 2003, Spafid earned a profit of € 294,000 (€ 260,000), after writing down securities for € 0.6m. The company's net worth stood at € 31.7m.

At the balance sheet date Spafid employed 24 staff.

— *Technostart S.p.A., Milan (69% owned)*

This company's accounts for the twelve months ended 30 June 2003 showed a loss of € 12,000 (€ 57,000).

Technostart has no employees.

Private banking

As already mentioned, the Mediobanca Group has a private banking arm in the shape of its holding in Banca Esperia, which is stated in the accounts on a net equity basis. Banca Esperia had € 2.1bn in assets under management at 31 December 2002, having earned management fees of € 6.8m during the year, and incurred a loss of € 7.2m, which is largely attributable to start-up expenses and the ongoing establishment of its organizational structure. In the first half of 2003 it earned fees of € 8.8m, and AuM rose to € 2.7bn.

Significant events since the balance sheet date

In addition to the movements in the Bank's investment portfolio described above, in July 2003 Mediobanca acquired a 44.35% interest in Compagnie Monégasque de Banque for an outlay of € 251m following exercise of the put-and-call options entered into with the Commerzbank group and CMB's long-standing local shareholders in May 2002. Mediobanca, which already owned 17.29% of CMB, has thus become its controlling shareholder, and CMB will accordingly become part of the Mediobanca Banking Group. CMB is the leading asset manager in Monaco, with AuM of € 6.1bn as at December 2002. It earned a profit of € 22.3m last year, in line with the previous twelve months.

Prospects

Ordinary operations should see a partial improvement in the interest margin, especially in the Compass Group's business. The contribution of fee income will depend on how the markets in which the Bank operates perform, whereas the investment portfolio may be boosted by the upturn in stock market prices based on the current trend.

Reconciliation of shareholders' equity and profit

	Shareholders' equity (€ m)	Profit for the year (€ m)
Balance as at 30/6/03 as per the accounts of the parent company	4,217,382 ⁽¹⁾	(14,027)
Net surplus over book value of consolidated companies	84,568	24,045
Exchange differences arising from translation of accounts denominated in currencies other than the Euro	(1,809)	—
Other adjustments and reclassifications on consolidation, including those made for consistency with Group accounting policies	536,666	45,995
Dividends received during the year	—	(2,394)
TOTAL	4,836,807 ⁽²⁾	53,619

⁽¹⁾ Excluding € 286,627,000 relating to credit risks provision.

⁽²⁾ Excluding € 13,428,000 relating to subsidiaries' taxed credit risks provisions.

Milan, 15 September 2003

THE BOARD OF DIRECTORS

AUDITORS' REPORT

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF DECREE
LAW 58/98**

To the shareholders of
MEDIOBANCA – BANCA DI CREDITO FINANZIARIO SPA

- 1 We have audited the consolidated financial statements of the MEDIOBANCA GROUP as at 30 June, 2003. These financial statements are the responsibility of MEDIOBANCA – BANCA DI CREDITO FINANZIARIO SPA's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of the subsidiaries and associated companies, representing 19% of the consolidated assets and 34% of the item *Net interest income and similar revenues* respectively, have been examined by other auditors who supplied us with the related audit reports. The opinion we express in our report regarding the amounts related to the above companies and included in the consolidation is also based on the audit performed by other auditors.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 27 September 2002.

- 3 In our opinion, the consolidated financial statements of the MEDIOBANCA – BANCA DI CREDITO FINANZIARIO SPA as at 30 June 2003 comply with the laws governing the criteria for their preparation. Accordingly, they give a true and fair view of the consolidated financial position and of the consolidated results of operations of the Group.

Milan, 23 September 2003

PricewaterhouseCoopers SpA

Signed by: Antonio Taverna
(Partner)

This report has been translated from the original which has been issued in accordance with Italian legislation. We have not checked the translation of the consolidated financial statements.

CONSOLIDATED ACCOUNTS

BALANCE SHEET

	Assets	30/6/03		30/6/02	
		€ '000	€ '000	€ '000	€ '000
10.	CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES		8,445		5,663
20.	GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS		4,141,265		1,159,969
30.	AMOUNTS DUE FROM BANKS:		2,990,136		2,474,577
	a) repayable on demand	1,825,796		916,455	
	b) other accounts	1,164,340		1,558,122	
40.	AMOUNTS DUE FROM CUSTOMERS		15,722,659		17,439,435
	<i>of which:</i>				
	- <i>loans using funds managed for third parties</i>	—		—	
50.	BONDS AND OTHER DEBT SECURITIES ISSUED BY:		3,410,511		3,058,894
	a) public agencies	693,533		968,298	
	b) banks	761,261		708,569	
	<i>of which:</i>				
	- <i>own bonds</i>	453,254		423,313	
	c) financial companies	1,289,342		765,083	
	<i>of which:</i>				
	- <i>own bonds</i>	—		—	
	d) other issuers	666,375		616,944	
60.	EQUITIES, PARTICIPATING INTERESTS AND OTHER CAPITAL SECURITIES		1,193,170		1,154,378
70.	EQUITY INVESTMENTS:		3,084,784		3,265,278
	a) stated on net equity basis	62,143		52,548	
	b) other equity investments	3,022,641		3,212,730	
80.	INVESTMENTS IN GROUP UNDERTAKINGS:		1,232		2,160
	a) stated on net equity basis	1,232		2,160	
	b) other investments in Group undertakings	—		—	
110.	INTANGIBLE ASSETS		1,476		1,932
	<i>of which:</i>				
	- <i>installation costs</i>	1		4	
	- <i>goodwill</i>	—		—	
120.	TANGIBLE FIXED ASSETS		128,691		126,276
140.	OWN SHARES AND PARTICIPATING INTERESTS		970		1,216
150.	OTHER ASSETS		898,442		702,331
160.	ACCRUED INCOME AND PREPAID EXPENSES:		1,307,117		1,113,053
	a) accrued income	1,006,075		956,116	
	b) prepaid expenses	301,042		156,937	
	<i>of which:</i>				
	- <i>issue discounts on bonds</i>	68,203		11,122	
			32,888,898		30,505,162

GUARANTEES AND COMMITMENTS

	Guarantees and Commitments	30/6/03		30/6/02	
		€ '000	€ '000	€ '000	€ '000
10.	GUARANTEES GIVEN		1,863,150		844,510
	<i>of which:</i>				
	- <i>acceptances</i>	—		—	
	- <i>other guarantees</i>	1,863,150		844,510	
20.	COMMITMENTS		12,669,311		8,770,715
	<i>of which:</i>				
	- <i>assets sold under repurchase agreements</i>	—		—	
30.	CREDIT DERIVATIVES		344,500		215,038

Liabilities and Shareholders' Equity		30/6/03		30/6/02	
		€ '000	€ '000	€ '000	€ '000
10.	AMOUNTS DUE TO BANKS:		4,785,785		6,685,060
	a) repayable on demand	1,146,875		1,615,067	
	b) term deposits and deposits under notice	3,638,910		5,069,993	
20.	AMOUNTS DUE TO CUSTOMERS:		1,370,284		773,997
	a) repayable on demand	647,234		357,705	
	b) term deposits and deposits under notice	723,050		416,292	
30.	DEBT SECURITIES IN ISSUE:		18,358,682		15,088,756
	a) bonds	15,267,922		12,049,171	
	b) certificates of deposit	705,916		831,066	
	c) other debt securities	2,384,844		2,208,519	
50.	OTHER LIABILITIES		2,326,825		1,715,747
60.	ACCRUED EXPENSES AND DEFERRED INCOME:		779,439		867,130
	a) accrued expenses	468,041		616,674	
	b) deferred income	311,398		250,456	
70.	PROVISION FOR STAFF TERMINATION INDEMNITIES		34,268		28,621
80.	PROVISIONS FOR LIABILITIES AND CHARGES:		267,283		315,817
	a) post-retirement and similar benefits	—		—	
	b) provision for taxation	226,004		274,270	
	c) consolidated provision for future liabilities and charges	—		5,810	
	d) other provisions	41,279		35,737	
90.	CREDIT RISKS PROVISION		13,428		13,428
100.	PROVISION FOR GENERAL BANKING RISKS		317,430		317,430
120.	SURPLUS ON CONSOLIDATION		84,568		84,568
140.	NET EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS		61,508		53,616
150.	SHARE CAPITAL		389,275		389,265
160.	SHARE PREMIUM RESERVE		1,807,114		1,806,980
170.	RESERVES:		2,225,795		2,096,018
	a) legal reserve	77,855		77,852	
	b) reserve for purchase of own shares and participating interests	970		1,216	
	c) statutory reserves	1,033,591		1,033,329	
	d) other reserves	1,113,379		983,621	
180.	REVALUATION RESERVES		13,514		13,514
190.	RETAINED EARNINGS (ACCUMULATED LOSSES)		81		99
200.	PROFIT (LOSS) FOR THE YEAR		53,619		255,116
			32,888,898		30,505,162

PROFIT AND LOSS ACCOUNT

	12 months ended 30/6/03		12 months ended 30/6/02	
	€ '000	€ '000	€ '000	€ '000
10. INTEREST RECEIVABLE AND SIMILAR INCOME		1,314,677		1,263,964
<i>of which interest on:</i>				
- loans and advances to customers	883,265		953,781	
- debt securities	267,331		156,067	
20. INTEREST PAYABLE AND SIMILAR EXPENSES		(899,979)		(883,796)
<i>of which interest on:</i>				
- customer deposits	(35,611)		(27,011)	
- debt securities	(649,756)		(625,799)	
30. DIVIDENDS ON AND OTHER INCOME FROM:		297,798		244,712
a) equities, participating interests and other capital securities	187,990		121,375	
b) equity investments	109,808		123,337	
c) investments in Group undertakings	—		—	
40. COMMISSIONS RECEIVABLE		199,932		164,211
50. COMMISSIONS PAYABLE		(64,750)		(61,906)
60. GAINS (LOSSES) ON DEALING TRANSACTIONS		(172,708)		(151,630)
70. OTHER INCOME FROM OPERATIONS		375,488		175,131
80. ADMINISTRATIVE EXPENSES:		(243,835)		(221,454)
a) personnel costs	(133,276)		(109,354)	
<i>of which:</i>				
- wages and salaries	(91,358)		(78,822)	
- social security charges	(26,190)		(22,341)	
- transfer to termination indemnity provision	(12,739)		(6,073)	
- post-retirement and similar benefits	(2,989)		(2,118)	
b) other administrative expenses	(110,559)		(112,100)	
90. ADJUSTMENTS TO INTANGIBLE AND TANGIBLE FIXED ASSETS		(13,326)		(11,288)
100. TRANSFER TO PROVISION FOR LIABILITIES AND CHARGES		(13,340)		(13,352)
110. OTHER OPERATING EXPENSES		(336,049)		(137,296)
120. ADJUSTMENTS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		(67,112)		(49,580)
130. WRITEBACKS OF LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		6,117		2,714
150. ADJUSTMENTS TO FINANCIAL FIXED ASSETS		(261,828)		(558,737)
160. WRITEBACKS OF FINANCIAL FIXED ASSETS		579		—
170. GAIN (LOSS) ON INVESTMENTS STATED ON NET EQUITY BASIS		(3,972)		(5,080)
180. PROFIT (LOSS) ON ORDINARY ACTIVITIES		117,692		(243,387)
190. EXTRAORDINARY INCOME		3,238		478,170
200. EXTRAORDINARY EXPENDITURE		(48,112)		(6,227)
210. EXTRAORDINARY PROFIT (LOSS)		(44,874)		471,943
240. INCOME TAXES FOR THE YEAR		(10,406)		33,522
250. (PROFIT) LOSS FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS		(8,793)		(6,962)
260. PROFIT (LOSS) FOR THE YEAR		53,619		255,116

NOTES TO THE ACCOUNTS OF THE BANK

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A. ACCOUNTING POLICIES

1. Methods of consolidation and accounting policies

Scope of consolidation

The consolidated accounts comprise the results of MEDIOBANCA S.p.A. (the “Bank” or “Parent Company”) and those of its subsidiaries engaged in banking or financial services or solely or principally in activities of a substantially similar nature. The Bank’s other significant equity investments have been consolidated using the net equity method. Tradevco was deconsolidated during the year under review, when it suspended operations during the recent war in Liberia.

All other equities, rights, and participating interests are stated at book value, determined on the same basis as in the Parent Company’s accounts. In the case of exceptions to these principles, the reasons therefor are discussed in the Review of Operations and its accompanying schedules.

Basis of consolidation

Group subsidiaries have been consolidated on the line-by-line basis, by combining their earnings, expenses, assets and liabilities, and by eliminating equity and intra-group accounts against the carrying value of the underlying investments.

Net differences arising as at 30 June 1994, when the accounts were first consolidated, have been taken to the items *Surplus on consolidation* or *Consolidated provision for future liabilities and charges*. No goodwill on consolidation has been attributed to any assets.

The portion of net equity and share of profits attributable to minorities has been stated as *Net equity attributable to minority shareholders*.

Currency

Amounts are expressed in thousands of Euros, unless otherwise indicated.

Accounts expressed in foreign currencies

Accounts of subsidiaries denominated in currencies other than the Euro have been translated into Euros at exchange rates ruling on 30 June. Exchange differences against net equity arising when the accounts were first consolidated have been taken to *Other reserves* or the *Consolidated provision for future liabilities and charges*.

Accounts used for consolidation

The consolidated accounts have been prepared from annual or interim financial statements as at 30 June, restated where appropriate on a basis consistent with the format adopted for the Parent Company's accounts, and also adjusted to eliminate amounts charged to profit and loss account solely to achieve tax benefits.

Leasing companies have been consolidated on the basis of their accounts prepared according to the finance lease method as prescribed by IASC No. 17.

Accounting policies

Accounting policies are the same as those used in presenting the Parent Company's accounts, with the exception of tangible and intangible fixed assets (excluding properties), which in some subsidiaries are depreciated or amortized over estimated useful lives.

Commissions paid to agents and financial consultants in the Group's consumer credit and leasing businesses are charged to profit and loss account in the accounting period during which the underlying contracts are executed.

2. Tax adjustments and provisions

2.1 Value adjustments made solely to comply with tax regulations

No such adjustments have been made.

2.2 Provisions made solely to comply with tax regulations

No such provisions have been made.

B. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Accounts receivable

1.1 Heading 30: Amounts due from banks

	30/6/03 € '000	30/6/02 € '000
a) Deposits with central banks	46,513	85,757
b) Bills eligible for refinancing at central banks	—	—
c) Forward transactions	1,868,850	670,242
d) Securities lent	67,072	354,723

1.2a Analysis of cash amounts due from banks as at 30 June 2003

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	4,567	—	4,567
<i>a.1. Non-performing lendings ^(†)</i>	127	—	127
<i>of which: to countries at risk</i>	—	—	—
<i>a.2. Potential problem lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	4,440	—	4,440
b) Loans current as to payment of principal and interest	2,985,569	—	2,985,569

(†) This is a single item covered by SACE credit insurance.

1.2b Analysis of cash amounts due from banks as at 30 June 2002

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	14,350	—	14,350
<i>a.1. Non-performing lendings ^(†)</i>	193	—	193
<i>of which: to countries at risk</i>	193	—	193
<i>a.2. Potential problem lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	13,444	—	13,444
<i>of which: countries at risk</i>	13,444	—	13,444
<i>a.5. Unsecured credits to countries at risk</i>	713	—	713
b) Loans current as to payment of principal and interest	2,460,227	—	2,460,227

(†) This is a single item covered by SACE credit insurance.

1.3a *Movements in doubtful debts due from banks in year ended 30 June 2003*

	Gross exposure	Potential problem loans	Debt in process of restructuring	Restructured debts	Unsecured credits to countries at risk	Total gross doubtful debts
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
a) Gross exposure as at 30/6/02	193	—	—	13,444	713	14,350
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
<i>Adjustments due to change in companies consolidated of which: interest in suspense</i>	—	—	—	(13,444)	—	(13,444)
<i>A. Pro-forma gross exposure as at 30/6/02</i>	193	—	—	—	713	906
<i>A.1. of which: interest in suspense</i>	—	—	—	—	—	—
b) Additions	—	—	—	—	3,727	3,727
<i>b.1. Transfers from loans current as to payment of principal and interest</i>	—	—	—	—	2,625	2,625
<i>b.2. Interest in suspense</i>	—	—	—	—	—	—
<i>b.3. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>b.4. Other additions</i>	—	—	—	—	1,102	1,102
c) Reductions	66	—	—	—	—	66
<i>c.1. Transfers to loans current as to payment of principal and interest</i>	—	—	—	—	—	—
<i>c.2. Amounts written off</i>	—	—	—	—	—	—
<i>c.3. Amounts collected</i>	66	—	—	—	—	66
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>c.6. Other reductions</i>	—	—	—	—	—	—
d) Gross exposure as at 30/6/03	127	—	—	—	4,440	4,567
<i>d.1. of which: interest in suspense</i>	—	—	—	—	—	—

1.3b *Movements in doubtful debts due from banks in year ended 30 June 2002*

	Gross exposure	Potential problem loans	Debt in process of restructuring	Restructured debts	Unsecured credits to countries at risk	Total gross doubtful debts
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
a) Gross exposure as at 30/6/01	193	—	—	15,610	298	16,101
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
b) Additions	—	—	—	174	415	589
<i>b.1. Transfers from loans current as to payment of principal and interest</i>	—	—	—	—	—	—
<i>b.2. Interest in suspense</i>	—	—	—	—	—	—
<i>b.3. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>b.4. Other additions</i>	—	—	—	174	415	589
c) Reductions	—	—	—	2,340	—	2,340
<i>c.1. Transfers to loans current as to payment of principal and interest</i>	—	—	—	—	—	—
<i>c.2. Amounts written off</i>	—	—	—	—	—	—
<i>c.3. Amounts collected</i>	—	—	—	—	—	—
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>c.6. Other reductions</i>	—	—	—	2,340	—	2,340
d) Gross exposure as at 30/6/02	193	—	—	13,444	713	14,350
<i>d.1. of which: interest in suspense</i>	—	—	—	—	—	—

1.5 Heading 40: Amounts due from customers

	30/6/03 € '000	30/6/02 € '000
a) Bills eligible for refinancing at central banks	—	—
b) Amounts due under finance leases	2,369,477	3,030,234
c) Forward transactions	671,124	355,918
d) Securities lent	109,334	4,261

1.6 Secured loans to customers

	30/6/03 € '000	30/6/02 € '000
a) Loans secured by mortgages	1,451,367	845,922
b) Loans secured by pledges on:		
1. cash deposits	18,032	8,501
2. securities	956,962	1,258,437
3. other assets	2,664	61,446
c) Loans secured by guarantees given by:		
1. Governments	387,343	516,457
2. public agencies	1,385	3,345
3. banks	1,338,367	1,720,995
4. others	3,229,837	4,285,574

1.7a Analysis of cash amounts due from customers as at 30 June 2003

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	204,447	95,439	109,008
a.1. <i>Non-performing lendings</i>	152,747	74,804	77,943 ⁽¹⁾
<i>of which: to countries at risk</i>	—	—	—
a.2. <i>Potential problem lendings</i>	37,113	20,217	16,896
<i>of which: to countries at risk</i>	—	—	—
a.3. <i>Debt in process of restructuring</i>	14,285	116	14,169
<i>of which: countries at risk</i>	—	—	—
a.4. <i>Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
a.5. <i>Unsecured credits to countries at risk</i>	302	302	—
b) Loans current as to payment of principal and interest	15,618,511	4,860	15,613,651

⁽¹⁾ Of which: € 65,036,000 owned by Cofactor.

1.7b *Analysis of amounts due from customers as at 30 June 2002*

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	172,894	94,805	78,089
<i>a.1. Non-performing lendings</i>	118,439	77,509	40,930 ⁽¹⁾
<i>of which: to countries at risk</i>	859	859	—
<i>a.2. Potential problem lendings</i>	37,868	16,950	20,918
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	16,241	—	16,241
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	346	346	—
b) Loans current as to payment of principal and interest	17,364,864	3,518	17,361,346

(1) Of which: € 32,123,000 owned by Cofactor.

1.8a *Movements in doubtful debts due from customers in year ended 30 June 2003*

	Gross exposure € '000	Potential problem loans € '000	Debt in process of restructuring € '000	Restructured debts € '000	Unsecured credits to countries at risk € '000	Total gross doubtful debts € '000
a) Gross exposure as at 30/6/02	118,439	37,868	16,241	—	346	172,894
<i>a.1. of which: interest in suspense</i>	63,474	6,177	—	—	—	69,651
Adjustments due to change in companies consolidated	(859)	—	—	—	—	(859)
<i>a.1 of which: interest in suspense</i>	—	—	—	—	—	—
Initial gross exposure after adjustments	117,580	37,868	16,241	—	346	172,035
<i>a.1. of which: interest in suspense</i>	63,474	6,177	—	—	—	69,651
b) Additions	73,494	38,537	65,256	—	302	177,589
<i>b.1. Transfers from loans current as to payment of principal and interest</i>	3,984	17,443	57,647	—	—	79,074
<i>b.2. Interest in suspense</i>	17,127	1,552	279	—	—	18,958
<i>b.3. Transfers from other classes of doubtful debt</i>	4,511	16,788	1,708	—	—	23,007
<i>b.4. Other additions</i>	47,872	2,754	5,622	—	302	56,550
c) Reductions	38,327	39,292	67,212	—	346	145,177
<i>c.1. Transfers to loans current as to payment of principal and interest</i>	227	6,360	39,315	—	—	45,902
<i>c.2. Amounts written off</i>	29,960	5,595	20	—	—	35,575
<i>c.3. Amounts collected</i>	6,707	5,371	22	—	—	12,100
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	—	6,219	16,788	—	—	23,007
<i>c.6. Other reductions</i>	1,433	15,747	11,067	—	346	28,593
d) Gross exposure as at 30/6/03	152,747	37,113	14,285	—	302	204,447
<i>d.1. of which: interest in suspense</i>	58,022	3,689	—	—	—	61,711

1.8b *Movements in doubtful debts due from customers in year ended 30 June 2002*

	Gross exposure € '000	Potential problem loans € '000	Debt in process of restructuring € '000	Restructured debts € '000	Unsecured credits to countries at risk € '000	Total gross doubtful debts € '000
a) Gross exposure as at 30/6/01	128,027	31,117	12,430	—	407	171,981
<i>a.1. of which: interest in suspense</i>	72,010	4,319	149	—	—	76,478
b) Additions	30,325	41,873	74,846	—	346	147,390
<i>b.1. Transfers from loans current as to payment of principal and interest</i>	2,324	18,020	67,303	—	—	87,647
<i>b.2. Interest in suspense</i>	14,061	2,621	711	—	—	17,393
<i>b.3. Transfers from other classes of doubtful debt</i>	3,460	17,463	1,907	—	—	22,830
<i>b.4. Other additions</i>	10,480	3,769	4,925	—	346	19,520
c) Reductions	39,913	35,122	71,035	—	407	146,477
<i>c.1. Transfers to loans current as to payment of principal and interest</i>	293	6,461	48,005	—	—	54,759
<i>c.2. Amounts written off</i>	30,000	4,643	78	—	—	34,721
<i>c.3. Amounts collected</i>	7,443	6,798	—	—	—	14,241
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	161	5,309	17,360	—	—	22,830
<i>c.6. Other reductions</i>	2,016	11,911	5,592	—	407	19,926
d) Gross exposure as at 30/6/02	118,439	37,868	16,241	—	346	172,894
<i>d.1. of which: interest in suspense</i>	63,474	6,177	—	—	—	69,651

1.9a *Movements in value adjustments to amounts due from customers in year ended 30 June 2003*

	Gross exposure € '000	Potential problem loans € '000	Debt in process of restructuring € '000	Restructured debts € '000	Unsecured credits to countries at risk € '000	Loans current as to payment of principal and interest € '000	Total adjustments € '000
a) Total adjustments at 30/6/02	77,509	16,950	—	—	346	3,518	98,323
<i>a.1. of which: interest in suspense</i>	63,472	6,177	—	—	—	—	69,649
Net increase (decrease) due to change in companies consolidated	(859)	—	—	—	—	(458)	(1,317)
<i>A.1. of which: interest in suspense</i>	—	—	—	—	—	—	—
a) Pro-forma total adjustments as at 30/6/02	76,650	16,950	—	—	346	3,060	97,006
<i>a.1. of which: pro-forma interest in suspense</i>	63,472	6,177	—	—	—	—	69,649
b) Additions	31,094	52,453	116	—	302	3,053	87,018
<i>b.1. Value adjustments</i>	30,357	52,423	116	—	302	2,130	85,328
<i>b.1.1. of which: interest in suspense</i>	17,003	1,019	—	—	—	206	18,228
<i>b.2. Transfers from credit risk provision</i>	—	—	—	—	—	922	922
<i>b.3. Transfers from other classes of doubtful debt</i>	321	—	—	—	—	—	321
<i>b.4. Other additions</i>	416	30	—	—	—	1	447
c) Reductions	32,940	49,186	—	—	346	1,253	83,725
<i>c.1. Writebacks based on estimates</i>	29	1,346	—	—	—	—	1,375
<i>c.1.1. of which: interest in suspense</i>	—	—	—	—	—	—	—
<i>c.2. Writebacks of amounts collected</i>	2,324	1,462	—	—	—	956	4,742
<i>c.2.1. of which: interest in suspense</i>	635	485	—	—	—	21	1,141
<i>c.3. Amounts written off</i>	30,274	2,809	—	—	—	286	33,369
<i>c.4. Transfers to other classes of doubtful debt</i>	—	321	—	—	—	—	321
<i>c.5. Other reductions</i>	313	43,248	—	—	346	11	43,918
d) Total adjustments at 30/6/03	74,804	20,217	116	—	302	4,860	100,299
<i>d.1. of which: interest in suspense</i>	58,053	3,689	—	—	—	—	61,742

1.9b *Movements in value adjustments to amounts due from customers in year ended 30 June 2002*

	Gross exposure € '000	Potential problem loans € '000	Debt in process of restructuring € '000	Restructured debts € '000	Unsecured credits to countries at risk € '000	Loans current as to payment of principal and interest € '000	Total adjustments € '000
a) Total adjustments at 30/6/01	85,580	15,920	—	—	407	4,649	106,556
<i>a.1. of which: interest in suspense</i>	72,007	4,319	—	—	—	2,006	78,332
b) Additions	27,585	38,542	—	—	346	3,555	70,028
<i>b.1. Value adjustments</i>	25,687	40,575	—	—	346	2,852	69,460
<i>b.1.1. of which: interest in suspense</i>	14,020	3,805	—	—	—	2,063	19,888
<i>b.2. Transfers from credit risk provision</i>	—	(9,761)	—	—	—	—	(9,761)
<i>b.3. Transfers from other classes of doubtful debt</i>	776	5,637	—	—	—	703	7,116
<i>b.4. Other additions</i>	1,122	2,091	—	—	—	—	3,213
c) Reductions	35,656	37,512	—	—	407	4,686	78,261
<i>c.1. Writebacks based on estimates</i>	866	—	—	—	407	795	2,068
<i>c.1.1. of which: interest in suspense</i>	—	—	—	—	—	795	795
<i>c.2. Writebacks of amounts collected</i>	1,459	633	—	—	—	255	2,347
<i>c.2.1. of which: interest in suspense</i>	864	70	—	—	—	255	1,189
<i>c.3. Amounts written off</i>	27,493	31,787	—	—	—	—	59,280
<i>c.4. Transfers to other classes of doubtful debt</i>	5,202	4,862	—	—	—	762	10,826
<i>c.5. Other reductions</i>	636	230	—	—	—	2,874	3,740
d) Total adjustments at 30/6/02	77,509	16,950	—	—	346	3,518	98,323
<i>d.1. of which: interest in suspense</i>	63,472	6,177	—	—	—	217	69,866

Heading 10: *Cash and deposits with central banks and post offices*

	30/6/03 € '000	30/6/02 € '000
a) Cash and value items in hand	1,489	2,919
b) Deposits with the Bank of Italy and other central banks	—	502
c) Deposits with other institutions	6,956	2,242
	8,445	5,663

2. Securities

2.1 *Investment securities*

	Book value € '000		Market value € '000	
	30/6/03	30/6/02	30/6/03	30/6/02
1. DEBT SECURITIES	79,536	81,020	99,053	97,894
1.1 Government securities:	—	—	—	—
• <i>listed</i>	—	—	—	—
• <i>unlisted</i>	—	—	—	—
1.2 Other debt securities:	79,536	81,020	99,053	97,894
• <i>listed</i>	75,232	75,495	94,749	92,369
• <i>unlisted</i>	4,304	5,525	4,304	5,525
2. CAPITAL SECURITIES	3,019	3,045	3,271	3,045
• <i>listed</i>	3,019	3,045	3,271	3,045
• <i>unlisted</i>	—	—	—	—
	82,555	84,065	102,324	100,939

Differences between redemption value on maturity and book value

	30/6/03 € '000	30/6/02 € '000
Surplus	26,819	27,311
Shortfall	—	—

2.2 *Movements in investment securities*

	30/6/03 € '000	30/6/02 € '000
A. HOLDING AT BEGINNING OF PERIOD	84,065	32,648
B. ADDITIONS	847	116,454
B1. Acquisitions	—	86,548
B2. Writebacks	579	—
B3. Transfers from holdings of non-investment securities	—	—
B4. Other movements	268	29,906
C. REDUCTIONS	2,357	65,037
C1. Disposals	577	45,643
C2. Redemptions	—	—
C3. Value adjustments	721	9,762 ^(†)
<i>of which: permanent writedowns</i>	—	—
C4. Transfers to holdings of non-investment securities	—	—
C5. Other movements	1,059	9,632
D. HOLDING AT END OF PERIOD	82,555	84,065

(†) Based on share prices as at 28 June 2002.

2.3 Non-investment securities

	Book value € '000		Market value € '000	
	30/6/03	30/6/02	30/6/03	30/6/02
1. DEBT SECURITIES	7,472,240	4,137,843	7,616,757	4,152,207
1.1 Government securities	2,612,279	1,972,492	2,621,227	1,975,437
• <i>listed</i>	2,612,279	1,972,492	2,621,227	1,975,437
• <i>unlisted</i>	—	—	—	—
1.2 Other debt securities:	4,859,961	2,165,351	4,995,530	2,176,770
• <i>listed</i>	4,136,817	1,483,054	4,263,604	1,493,962
• <i>unlisted</i>	723,144	682,297	731,926	682,808
2. CAPITAL SECURITIES	1,190,151	1,151,333	1,230,893	1,155,890
• <i>listed</i>	1,189,514	1,151,206	1,230,256	1,155,763 (*)
• <i>unlisted</i>	637	127	637	127
	8,662,391	5,289,176	8,847,650	5,308,097

(*) Restated.

2.4 Movements in non-investment securities

	30/6/03 € '000	30/6/02 € '000
A. HOLDING AT BEGINNING OF PERIOD	5,289,176	3,464,163
Net reduction due to change in companies consolidated	—	—
PRO-FORMA HOLDING AT BEGINNING OF PERIOD	5,289,176	3,464,163
B. ADDITIONS	53,958,654	37,889,749
B1. Acquisitions:	53,440,012	37,693,170
1. Debt securities:	45,281,904	30,270,653
• <i>Government securities</i>	36,864,086	25,291,124
• <i>other debt securities</i>	8,417,818	4,979,529
2. Capital securities	8,158,108	7,422,517
B2. Writebacks and revaluations	8,366	4,689
B3. Transfers from holdings of investment securities	131,141	38,071
B4. Other movements	379,135	153,819
C. REDUCTIONS	50,585,439	36,064,736
C1. Disposals and redemptions:	50,105,630	35,681,394
1. Debt securities:	42,046,025	29,449,947
• <i>Government securities</i>	34,189,762	25,174,182
• <i>other debt securities</i>	7,856,263	4,275,765
2. Capital securities	8,059,605	6,231,447
C2. Value adjustments	13,293	44,612 ⁽¹⁾
C3. Transfers to holdings of investment securities	51,295	—
C4. Other movements	415,221	338,730
D. HOLDING AT END OF PERIOD	8,662,391	5,289,176

⁽¹⁾ Based on share prices as at 28 June 2002 in the case of equities.

Securities intended for use on a continuing basis in the Bank's operations are classified as *investment securities* and consist of debt securities, most of which are convertible into equities, or have been issued with warrants.

Securities maintained for use in treasury transactions are classified as *non-investment securities*.

3. Equity investments

3.1. Significant investments

	Share capital €	Par value of shares €	S/A (¹)	Shareholders' equity € '000 (²)	Profit (loss) € '000	Group interest		% voting shares at Ord. AGMs	Consolidated book value € '000
						Held by (³)	%		
A. CONSOLIDATED COMPANIES									
A.1 Companies consolidated on line-by-line basis									
1. MADIOBANCA - Banca di Credito Finanziario S.p.A. - Milan	389,275,207.5	0.50	—	4,217,382	(14,027)	—	—	—	XXX
2. MB FINSTRUTTURE - INTERSOMER S.p.A. - Milan	6.5m	0.50	S	7,570	63	A.1.1	100.00	100.00	XXX
3. PROMINVESTMENT S.p.A. - Rome	520,000	0.52	S	1,072	(18)	A.1.1	100.00	100.00	XXX
4. PRUDENTIA FIDUCIARIA S.p.A. - Milan	100,000	5	S	433	41	A.1.1	100.00	100.00	XXX
5. SADE FINANZIARIA S.p.A. - Milan	6.5m	0.50	S	32,255	2,628	A.1.1	100.00	100.00	XXX
6. SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A. - Milan	500,000	5	S	529	1	A.1.1	100.00	100.00	XXX
7. SPAFID S.p.A. - Milan	100,000	10	S	31,371	294	A.1.1	100.00	100.00	XXX
8. TECHNOSTART S.p.A. - Milan	1m	0.50	S	695	(12)	A.1.1	69.00	69.00	XXX
9. MADIOBANCA INTERNATIONAL Ltd. - Grand Cayman	USD 10m	USD 1	S	USD 63,839	USD 10,151	A.1.1	100.00	100.00	XXX
10. COMPASS S.p.A. - Milan	87.5m	5	S	133,783	2,112	A.1.1	100.00	100.00	XXX
11. MICOS BANCA SpA - Milan	35m	0.50	S	34,099	286	A.1.10	100.00	100.00	XXX
12. COFACTOR S.p.A. - Milan	7.5m	0.50	S	11,259	58	A.1.10	100.00	100.00	XXX
13. SELMABIPIEMME LEASING S.p.A. - Milan	40.2m	0.50	S	60,864	3,148	A.1.10	61.65	61.65	XXX
14. PALLADIO LEASING S.p.A. - Vicenza	8.7m	0.50	S	39,731	5,114	A.1.13 A.1.14	95.00 5.00	100.00	XXX
15. TELELEASING S.p.A. - Milan	9.5m	1	S	16,367	15,289	A.1.13	80.00	80.00	XXX

	Share capital €	Par value of shares €	S/A (¹)	Shareholders' equity € '000 (²)	Profit (loss) € '000	Group interest		% voting shares at Ord. AGMs	Consolidated book value € '000
						Held by (³)	%		
B. COMPANIES CONSOLIDATED ON NET EQUITY BASIS									
1. BANCA ESPERIA S.p.A. - Milan (⁴)	13m	0.52	A	44,681	(7,223)	A.1.1	48.50	48.50	XXX
2. RICERCHE E STUDI S.p.A. - Milan	100,000	5	S	103	—	A.1.1	100.00	100.00	XXX
3. MB VENTURE CAPITAL S.A. - Luxembourg	40,000	10	A	219	(13)	A.1.8	35.00	35.00	XXX
4. MB VENTURE CAPITAL FUND I PARTICIPATING COMPANY A N.V. - Amsterdam	50,000	1	A	9,640	(3)	A.1.1	45.00	45.00	XXX
5. FIDIA - Fondo Interbancario d'Investimento Azionario S.p.A. - Milan	15.6m	520	A	16,115	(259)	A.1.1	25.00	25.00	XXX
6. CREDITECH S.p.A. - Milan	250,000	1	S	985	143	A.1.11	100.00	100.00	XXX
7. ATHENA PRIVATE EQUITY S.A. - Luxembourg	50m	2	A	105,978	(4,248)	A.1.1	24.46	24.46	XXX
C. OTHER SIGNIFICANT INVESTMENTS									
1. CARTIERE BURGO S.p.A. - Verzuolo (CN)	156.3m	0.52	A	170,917	230	A.1.1	29.07	29.07	XXX
2. IRAN AND ITALY INDUSTRIAL PROMOTION COMPANY - Tehran (⁵)	Rials 400m	Rials 100,000	A	Rials 312,270	Rials (13,656)	A.1.1	50.00	50.00	XXX
3. SCANTOFIN S.A. - Luxembourg	2.6m	516.5	A	2,967	104	A.1.5	20.00	20.00	XXX
4. ZAMBIA TANZANIA ROAD SERVICES Ltd (in liquidation) - Lusaka	Kwacha 4m	Kwacha 200	A	Kwacha —	Kwacha —	A.1.2	23.33	23.33	XXX
5. TRADEVCO Ltd. - Monrovia	LRD 80m	LRD 16,000	S	LRD —	LRD —	A.1.1 C.5	60.00 40.00	100.00	XXX

(¹) S = subsidiary as defined in Article 25/1 a) of Italian Decree Law 87/92. A = associated company.

(²) Determined without taking account of profit (loss) for period.

(³) See number in extreme left-hand column for holder of Group interest.

(⁴) Parent company of the Banca Esperia group.

(⁵) This company has not been consolidated pursuant to Article 36/4 of Decree Law 87/92.

Changes in companies consolidated on line-by-line basis in year ended 30 June 2003

Company name and principal place of business	Reason for change
In ATHENA PRIVATE EQUITY S.A. - Luxembourg	Transferred from significant investments
Out PROMINVESTMENT S.p.A. - Rome	Included in scope of consolidation

Changes in consolidated companies in year ended 30 June 2003

Company name and principal place of business	Reason for change
In PROMINVESTMENT S.p.A. - Rome	Included in scope of consolidation
Out TRADEVCO Ltd - Monrovia	Ceased operations during war in Liberia

3.2 Amounts due from and to Group undertakings

	30/6/03 € '000	30/6/02 € '000
a) AMOUNTS DUE FROM GROUP UNDERTAKINGS	3,133	513
1. Amounts due from banks <i>of which: subordinated</i>	2,625 —	— —
2. Amounts due from financial companies <i>of which: subordinated</i>	—	—
3. Amounts due from other companies <i>of which: subordinated</i>	508 —	513 —
4. Bonds and other debt securities <i>of which: subordinated</i>	—	—
b) AMOUNTS DUE TO GROUP UNDERTAKINGS	17	719
1. Amounts due to banks	—	—
2. Amounts due to financial companies	—	—
3. Amounts due to other companies	17	719
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	2,109	3
1. Guarantees given	—	—
2. Commitments	2,109	3

All financial accounts with Group undertakings are maintained on an arm's length basis and have been entered into in the interests of the individual companies making up the Mediobanca Banking Group.

3.3 Amounts due from and to associated undertakings

	30/6/03 € '000	30/6/02 € '000
a) AMOUNTS DUE FROM ASSOCIATED UNDERTAKINGS	2,456,994	3,447,023
1. Amounts due from banks	—	26,652
<i>of which: subordinated</i>	—	—
2. Amounts due from financial companies	420,000	1,362,729
<i>of which: subordinated</i>	—	—
3. Amounts due from other companies	1,750,264	1,822,763
<i>of which: subordinated</i>	400,000	—
4. Bonds and other debt securities	286,730	234,879
<i>of which: subordinated</i>	23,039	41,390
b) AMOUNTS DUE TO ASSOCIATED UNDERTAKINGS	85,390	437,446
1. Amounts due to banks	59,606	428,072
2. Amounts due to financial companies	24,745	7,990
3. Amounts due to other companies	1,039	1,384
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	1,320,699	827,508
1. Guarantees given	262,443	33,049
2. Commitments	1,058,256	794,459

3.4 Heading 70: Equity investments

	30/6/03 € '000	30/6/02 € '000
a) INVESTMENTS IN BANKS	145,743	514,414
1. <i>listed</i>	104,201	469,986
2. <i>unlisted</i>	41,542	44,428
b) INVESTMENTS IN FINANCIAL COMPANIES	234,952	175,200
1. <i>listed</i>	179,105	93,457
2. <i>unlisted</i>	55,847	81,743
c) OTHER EQUITY INVESTMENTS	2,704,089	2,575,664
1. <i>listed</i>	1,919,288	2,007,623
2. <i>unlisted</i>	784,801	568,041

3.5 Heading 80: Investments in Group undertakings

	30/6/03 € '000	30/6/02 € '000
a) INVESTMENTS IN BANKS	—	—
1. <i>listed</i>	—	—
2. <i>unlisted</i>	—	—
b) INVESTMENTS IN FINANCIAL COMPANIES	—	1,072
1. <i>listed</i>	—	—
2. <i>unlisted</i>	—	1,072
c) INVESTMENTS IN OTHER GROUP UNDERTAKINGS	1,232	1,088
1. <i>listed</i>	—	—
2. <i>unlisted</i>	1,232	1,088

3.6 Movements in investments

3.6.1 Movements in investments in Group undertakings

	30/6/03 € '000	30/6/02 € '000
A. HOLDING AT BEGINNING OF PERIOD	2,160	103
B. ADDITIONS	183	3,153
B1. Acquisitions	—	2,331
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	183	822
C. REDUCTIONS	1,111	1,096
C1. Disposals	—	—
C2. Value adjustments	39	—
<i>of which: permanent writedowns</i>	39	—
C3. Other movements	1,072	1,096
D. HOLDING AT END OF PERIOD	1,232	2,160
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS	1,221	1,189

3.6.2 Movements in other investments

	30/6/03			30/6/02		
	Stated at cost € '000	Stated at net equity € '000	Total € '000	Stated at cost € '000	Stated at net equity € '000	Total € '000
A. HOLDING AT BEGINNING OF PERIOD	3,212,731	52,548	3,265,279	3,114,272	186,641	3,300,913
B. ADDITIONS	751,955	14,278	766,233	1,547,856	22,224	1,570,080
B1. Acquisitions	529,789	14,155	543,944	879,458	13,659	893,117
B2. Writebacks	—	—	—	—	—	—
B3. Revaluations	—	—	—	—	—	—
B4. Other movements	222,166 ⁽¹⁾	123	222,289	668,398	8,565	676,963
C. REDUCTIONS	942,045	4,683	946,728	1,449,397	156,317	1,605,714
C1. Disposals	329,671	—	329,671	872,069	147,694	1,019,763
C2. Value adjustments	261,068	—	261,068	548,975	—	548,975 ⁽²⁾
<i>of which: permanent writedowns</i>	187	—	187	519	—	519
C3. Other movements	351,306 ⁽³⁾	4,683	355,989	28,353	8,623	36,976
D. HOLDING AT END OF PERIOD	3,022,641	62,143	3,084,784	3,212,731	52,548	3,265,279
E. TOTAL REVALUATIONS	—	—	—	—	—	—
F. TOTAL ADJUSTMENTS	837,774	—	837,774	705,059	—	705,059

⁽¹⁾ Of which € 51,295,000 transferred from Non-investment securities.

⁽²⁾ Based on share prices as at 28 June 2002.

⁽³⁾ Of which € 131,141,000 transferred to Non-investment securities.

4. Tangible and intangible fixed assets

4.1 Movements in tangible fixed assets

	30/6/03			30/6/02		
	Properties ⁽¹⁾	Furniture and equipment	Total	Properties	Furniture and equipment	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
A. HOLDING AT BEGINNING OF PERIOD	122,042	4,234	126,276	63,315	3,928	67,243
Net addition due to change in companies consolidated	(144)	(105)	(249)	—	—	—
PRO-FORMA ASSETS AT BEGINNING OF PERIOD	121,898	4,129	126,027	63,315	3,928	67,243
B. ADDITIONS	6,263	7,736	13,999	65,313	8,568	73,881
B1. Acquisitions	—	6,491	6,491	64,621	5,182	69,803
B2. Writebacks	—	—	—	—	—	—
B3. Revaluations	—	—	—	—	—	—
B4. Other movements	6,263	1,245	7,508	692	3,386	4,078
C. REDUCTIONS	4,891	6,444	11,335	6,586	8,262	14,848
C1. Disposals and retirements from service	389	1,291	1,680	2,609	3,522	6,131
C2. Value adjustments:	4,502	5,153	9,655	3,949	4,710	8,659
a) <i>depreciation</i>	4,502	5,153	9,655	3,949	4,710	8,659
b) <i>permanent writedowns</i>	—	—	—	—	—	—
C3. Other movements	—	—	—	28	30	58
D. HOLDING AT END OF PERIOD	123,270	5,421	128,691	122,042	4,234	126,276
E. TOTAL REVALUATIONS	—	—	—	—	—	—
F. TOTAL ADJUSTMENTS:	31,326	32,919	64,245	27,589	28,975	56,564
a) <i>depreciation</i>	31,326	32,919	64,245	27,589	28,975	56,564
b) <i>permanent writedowns</i>	—	—	—	—	—	—

(1) Comprises the following properties:	sq.m	sq.m	
MILAN - Piazzetta Enrico Cuccia, 1	6,874	CATANIA - Piazza Castelnuovo, 26	300
MILAN - Via Filodrammatici / Piazzetta Bossi	11,093	FLORENCE - Via Lorenzo il Magnifico, 10	460
MILAN - Piazza Paolo Ferrari, 6	1,967	GENOA - Via XX Settembre, 36	251
MILAN - Foro Buonaparte, 6	2,932	NOVARA - Piazza Martiri della Libertà, 4	214
MILAN - Via Siusi, 1-7	5,300	PARMA - Via Garibaldi, 1	120
MILAN - Via Murat, 84	1,367	PALERMO - Piazza Castelnuovo, 26	149
ROME - Piazza di Spagna, 15	6,280	VICENZA - Viale Europa	250
ROME - Via Nomentana, 146	2,460	VICENZA - Via Btg. Framarin, 14	620
NAPLES - Via Fiorentini, 21	140	VICENZA - Via Btg. Framarin, 4	4,239

4.2 *Movements in intangible assets*

	30/6/03 € '000	30/6/02 € '000
A. ASSETS AT BEGINNING OF PERIOD	1,932	1,485
Net addition due to change in companies consolidated	3	—
PRO-FORMA ASSETS AT BEGINNING OF PERIOD	1,935	1,485
B. ADDITIONS	3,213	3,528
B1. Acquisitions	3,213	740
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	—	2,788
C. REDUCTIONS	3,672	3,081
C1. Disposals and retirements from service	—	164
C2. Value adjustments:	3,671	2,629
a) <i>amortization</i>	3,671	2,629
b) <i>permanent writedowns</i>	—	—
C3. Other movements	1	288
D. ASSETS AT END OF PERIOD	1,476	1,932
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS:	18,741	15,070
a) <i>amortization</i>	18,741	15,070
b) <i>permanent writedowns</i>	—	—

5. Other asset headings

5.1 Heading 150: *Other assets*

	30/6/03 € '000		30/6/02 € '000	
AMOUNTS DUE FROM REVENUE AUTHORITIES:				
• taxes withheld	10,794		14,377	
• advance tax paid, tax credits, taxes recoverable and interest thereon	315,903		284,835	
• advance tax prepaid	148,991	475,688	93,057	392,269
OTHER AMOUNTS DUE:				
• premiums, grants, indemnities and other items relating to lending transactions	4,190		6,465	
• futures and other securities transactions	78		3,728	
• advances on deposit commissions	491		801	
• invoices receivable and to be issued	6,613		40,268	
• other items in transit	41,130		16,639	
• exchange rate adjustments	101		449	
• funds deposited with clearing organizations	—	52,603	—	68,350
INTERBANK ACCOUNTS, DEFERRED VALUE DATES		15,042		82
PREMIUMS PAID FOR OPTIONS PURCHASED		265,190		90,293
VALUATION OF DERIVATIVES CONTRACTS		34,513		58,391
DEPOSITS PAID ON DERIVATIVES CONTRACTS		28,679		87,365
OTHER ITEMS		26,727		5,580
		898,442		702,330

5.2 Heading 160: *Accrued income and prepaid expenses*

	30/6/03 € '000		30/6/02 € '000	
ACCRUED INCOME				
Interest accrued on amounts due from banks	3,388		5,074	
Interest accrued on amounts due from customers	116,472		129,556	
Interest accrued on derivatives contracts	790,318		779,091	
Interest accrued on securities held	95,897	1,006,075	42,395	956,116
PREPAID EXPENSES				
Commissions prepaid	203,979		111,508	
Advances on forward transactions	15,479		27,686	
Discounts and expenses on bonds issued	68,203		11,122	
Other prepaid expenses	13,381	301,042	6,621	156,937
		1,307,117		1,113,053

5.4 Subordinated assets

	30/6/03 € '000	30/6/02 € '000
a) Amounts due from banks	—	—
b) Amounts due from customers	400,000	—
c) Bonds and other debt securities	93,857	78,665
	493,857	78,665

6. Accounts payable

6.1 Heading 10: Amounts due to banks

	30/6/03 € '000	30/6/02 € '000
a) Forward transactions	447,155	1,204,573
b) Securities lent	18,568	56,477

6.2 Heading 20: Amounts due to customers

	30/6/03 € '000	30/6/02 € '000
a) Forward transactions	555,141	191,635
b) Securities lent	44,965	136,670

Heading 30: Debt securities in issue

	30/6/03		30/6/02	
	No. (1)	€ '000	No. (1)	€ '000
Bonds		15,267,922		12,049,171
• convertible	4,172,575	1,008,102	20,213,145	964,116
• with warrants	3,814	5,010	8,750	10,083
• other bonds		14,254,810		11,074,972
Certificates of deposit		705,916		831,066
Other securities		2,384,844		2,208,519
of which:				
• convertible	30,261	312,570	30,325	313,231
		18,358,682		15,088,756

(1) Actual number. Bonds in issue have varying nominal values.

7. Provisions (Headings 70, 80 and 90)

Provision for staff termination indemnities

	30/6/03 € '000	30/6/02 € '000
PROVISION AT BEGINNING OF PERIOD	28,621	28,573
Net addition due to Euro conversion and change in companies consolidated	78	(1)
PRO-FORMA PROVISION AT BEGINNING OF PERIOD	28,699	28,572
<i>deduct:</i>		
• indemnities paid out and advances made under Law 297/82 during the year	7,170	6,024
<i>add:</i>		
• transfers to provision for year	12,739	6,073
PROVISION AT END OF PERIOD	34,268	28,621

7.1 Heading 90: *Credit risks provisions*

	30/6/03 € '000	30/6/02 € '000
Credit risks provisions	13,428	13,428

7.2 *Movements in credit risks provisions*

	30/6/03 € '000	30/6/02 € '000
A. PROVISIONS AT BEGINNING OF PERIOD	13,428	13,428
B. ADDITIONS	—	—
B1. Transfers to provisions	—	—
B2. Other movements	—	—
C. REDUCTIONS	—	—
C1. Transfers from provisions	—	—
C2. Other movements	—	—
D. PROVISIONS AT END OF PERIOD	13,428	13,428

Provision for taxation as at 30 June 2003

	Corporate income tax and regional production tax € '000	Municipal property tax € '000	“Substitutive” tax on gain in equity investments € '000	Other taxes € '000	Total € '000
PROVISION AT BEGINNING OF PERIOD	191,853	—	81,429	988	274,270
Net addition due to change in companies consolidated	3	—	—	—	3
PRO-FORMA PROVISION AT BEGINNING OF PERIOD	191,856	—	81,429	988	274,273
<i>deduct:</i>					
• transfers from provision during year	13,387	23	81,429	988	95,827
• writebacks to profit and loss account	—	—	—	—	—
• reductions	70,494	—	—	—	70,494
<i>add:</i>					
• transfers to provision during year	113,235	23	—	4,794	118,052
• additions	—	—	—	—	—
PROVISION AT END OF PERIOD	221,210	—	—	4,794	226,004

Provision for taxation as at 30 June 2002

	Corporate income tax and regional production tax € '000	Municipal property tax € '000	“Substitutive” tax on gain in equity investments € '000	Other taxes € '000	Total € '000
PROVISION AT BEGINNING OF PERIOD	314,965	12	—	1,836	316,813
Net addition due to Euro conversion	—	(1)	—	—	(1)
PRO-FORMA PROVISION AT BEGINNING OF PERIOD	314,965	11	—	1,836	316,812
<i>deduct:</i>					
• transfers from provision during year	72,027	34	—	1,396	73,457
• writebacks to profit and loss account	9,738	—	—	—	9,738
• reductions	59,824	—	—	440	60,264
<i>add:</i>					
• transfers to provision during year	18,477	23	81,429	988	100,917
• additions	—	—	—	—	—
PROVISION AT END OF PERIOD	191,853	—	81,429	988	274,270

Consolidated provision for future liabilities and charges

	30/6/03 € '000	30/6/02 € '000
Surplus on consolidation relating to TRADEVCO in respect of country risk	—	6,797
Charged to earnings at 30/6/02	—	46
Exchange difference arising on translation	—	(1,033)
	—	5,810

7.3a Sub-Heading 80d) Provisions for liabilities and charges: other provisions at 30 June 2003

	Legal costs € '000	Promotion expenses € '000	Specific and probable risks and commitments € '000	Total € '000
PROVISIONS AT BEGINNING OF PERIOD	2,065	263	33,409	35,737
Net addition due to change in companies consolidated	—	—	420	420
PRO-FORMA PROVISION AT BEGINNING OF PERIOD	2,065	263	33,829	36,157
<i>less:</i>				
• transfers from provisions during period	724	374	7,120	8,218
• amounts credited back to earnings	—	—	—	—
<i>add:</i>				
• transfers to provisions for period	723	356	12,261 ⁽¹⁾	13,340
PROVISIONS AT END OF PERIOD	2,064	245	38,970 ⁽¹⁾	41,279

⁽¹⁾ Of which € 5,090,000 to cover the possibility of charges arising in connection with Group subsidiary Tradevco having to suspend operations.

7.3b Sub-Heading 80d) Provisions for liabilities and charges: other provisions at 30 June 2002

	Legal costs € '000	Promotion expenses € '000	Specific and probable risks and commitments € '000	Total € '000
PROVISIONS AT BEGINNING OF PERIOD	2,054	162	27,855	30,071
PRO-FORMA PROVISION AT BEGINNING OF PERIOD	2,054	162	27,855	30,071
<i>less:</i>				
• transfers from provisions during period	468	234	6,984	7,686
• amounts credited back to earnings	—	—	—	—
<i>add:</i>				
• transfers to provisions for period	479	335	12,538	13,352
PROVISIONS AT END OF PERIOD	2,065	263	33,409	35,737

7.4a Advance tax assets as at 30 June 2003

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	93,057	90,086	2,971	—
2. Additions	86,082	82,128	3,954	—
2.1 advance tax arising in period	85,731	82,000	3,731	—
2.2 other additions	351	128	223	—
3. Reductions	30,148	29,037	1,111	—
3.1 advance tax eliminated in period	27,804	26,693	1,111	—
3.2 other reductions	2,344	2,344	—	—
4. BALANCE AT END OF PERIOD	148,991	143,177	5,814	—

Eligible offsets as at 30 June 2003

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	148,991	143,177	5,814	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 150)	148,991	143,177	5,814	—

7.4b Advance tax assets as at 30 June 2002

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	13,910	12,192	1,718	—
Net addition due to change in companies consolidated	1	(1)	2	—
PRO-FORMA BALANCE AT BEGINNING OF PERIOD	13,911	12,191	1,720	—
2. Additions	84,825	82,783	2,042	—
2.1 advance tax arising in period	84,747	82,783	1,964	—
2.2 other additions	78	—	78	—
3. Reductions	5,679	4,888	791	—
3.1 advance tax eliminated in period	5,430	4,671	759	—
3.2 other reductions	249	217	32	—
4. BALANCE AT END OF PERIOD	93,057	90,086	2,971	—

Eligible offsets as at 30 June 2002

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	93,057	90,086	2,971	—
5. Transfers	—	—	—	—
5.1 to advance taxation	—	—	—	—
5.2 from advance taxation	—	—	—	—
6. CHARGE TO PROVISION FOR TAXATION (HEADING 150)	93,057	90,086	2,971	—

7.5a Deferred tax liabilities as at 30 June 2003

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	171,591	166,165	5,426	—
2. Additions	6,675	5,812	863	—
2.1 advance tax arising in period	6,675	5,812	863	—
2.2 other additions	—	—	—	—
3. Reductions	70,514	69,608	906	—
3.1 advance tax eliminated in period	49,695	48,789	906	—
3.2 other reductions	20,819	20,819	—	—
4. BALANCE AT END OF PERIOD	107,752	102,369	5,383	—

Eligible offsets as at 30 June 2003

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	107,752	102,369	5,383	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 80b)	107,752	102,369	5,383	—

7.5b Deferred tax liabilities as at 30 June 2002

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	220,579	216,144	4,435	—
Net addition due to Euro conversion	(1)	(1)	—	—
PRO-FORMA BALANCE AT BEGINNING OF PERIOD	220,578	216,143	4,435	—
2. Additions	5,295	4,217	1,078	—
2.1 advance tax arising in period	2,952	2,151	801	—
2.2 other additions	2,343	2,066	277	—
3. Reductions	54,282	54,195	87	—
3.1 advance tax eliminated in period	54,282	54,195	87	—
3.2 other reductions	—	—	—	—
4. BALANCE AT END OF PERIOD	171,591	166,165	5,426	—

Eligible offsets as at 30 June 2002

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	171,591	166,165	5,426	—
5. Transfers	—	—	—	—
5.1 to advance taxation	—	—	—	—
5.2 from advance taxation	—	—	—	—
6. CHARGE TO PROVISION FOR TAXATION (HEADING 80b)	171,591	166,165	5,426	—

As noted previously, advance tax has been recognized in the accounts since the year ended 30 June 2000, along with current and deferred tax.

In addition to those discussed in the Notes to the Accounts of the Bank, *Deductible temporary differences* include the surplus of doubtful debt writedowns as reflected in the accounts over those that are deductible for tax purposes. This surplus is credited to *Other Assets* where there is reasonable certainty that the items concerned will be recovered, which is assessed having regard to the expected ability of individual consolidated companies to generate taxable income in the future.

8. Share capital, reserves, provision for general banking risks and subordinated liabilities

Heading 100: *Provision for general banking risks*

	30/6/03 € '000	30/6/02 € '000
• Credit risks provisions originally raised on provisionally tax-exempt basis under Article 71/1 of Presidential Decree 917/86, plus general portion of prior year credit risk provisions	317,029	317,029
• Subsequent allocations	401	401
PROVISION AT END OF PERIOD	317,430	317,430

Heading 120: *Surplus on consolidation*

	30/6/03 € '000	30/6/02 € '000
Surplus on consolidation	87,567	87,567
<i>deduct: shortfall on consolidation</i>	(2,999)	(2,999)
	84,568	84,568

Heading 140: *Net equity attributable to minority shareholders*

	30/6/03 € '000	30/6/02 € '000
Net equity attributable to minority shareholders	54,318	49,734
<i>deduct: share of shortfall on consolidation attributable to minority shareholders</i>	(702)	(702)
Other changes	(901)	(2,378)
Profit (loss) for year attributable to minority shareholders	8,793	6,962
	61,508	53,616

Heading 150: *Share capital at 30 June 2003*

	30/6/03 € '000
SHARE CAPITAL AT BEGINNING OF PERIOD	389,265
• 778,529,415 € 0.50 par value ordinary shares	
Capital increase under EGM Resolution of 28/3/98:	
• Restricted rights issue of 20,000 shares subscribed by employees under stock option scheme	10
SHARE CAPITAL AT END OF PERIOD	389,275

Heading 150: *Share capital at 30 June 2002*

	30/6/02 € '000
SHARE CAPITAL AT BEGINNING OF PERIOD	331,650
• 642,163,615 Lit. 1,000 par value ordinary shares	
Conversion of share capital to Euros at par value € 0.50 per share	(10,570)
Increase of 136,188,800 shares following merger by amalgamation of Euralux S.p.A.	68,094
Capital increase under EGM Resolution of 28/3/98:	
• Restricted rights issue of 177,000 shares subscribed by for employees under stock option scheme	91
SHARE CAPITAL AT END OF PERIOD	389,265

Heading 160: *Share premium reserve*

	30/6/03 € '000	30/6/02 € '000
SHARE PREMIUMS AT BEGINNING OF PERIOD	1,806,980	1,805,791
Increases:		
• stock options and conversion of warrants	134	1,189
SHARE PREMIUMS AT END OF PERIOD	1,807,114	1,806,980

Heading 170: *Reserves*

	30/6/03 € '000	30/6/02 € '000
Legal reserve ⁽¹⁾	77,855	77,852
Reserve for own shares and participating interests ⁽²⁾	970 ⁽²⁾	1,216
Statutory reserve ⁽¹⁾	1,033,591	1,033,329
Other reserves ⁽³⁾	1,113,379	983,621
	2,225,795	2,096,018

⁽¹⁾ Parent company's reserve.

⁽²⁾ The *Reserve for own shares* covers such shares held by PALLADIO LEASING

⁽³⁾ Includes € 1,809,000 (30/6/02: € 6,324,000) representing exchange gain on translation of MEDIOBANCA INTERNATIONAL's accounts.

Heading 180: *Revaluation reserves*

	30/6/03 € '000	30/6/02 € '000
Revaluation reserve under Law 576/75	22	22
Revaluation reserve under Law 72/83	6,240	6,240
Revaluation reserve under Law 413/91	6,437	6,437
Revaluation reserve under Law 342/00	815	815
	13,514	13,514

8.1 *Regulatory capital and capital adequacy requirements*

	30/6/03 € '000	30/6/02 € '000
a) Regulatory capital		
a.1. Tier 1 capital	4,795,091	4,881,968
a.2. Tier 2 capital	907,450	1,485,561
a.3. Supervisory deductions	(140,776)	(140,534)
a.4. Regulatory capital	5,561,765	6,226,995
b) Capital adequacy requirements		
b.1. Credit risk	1,974,209	1,842,179
b.2. Market risk	295,349	230,413
• on non-investment securities	262,587	183,823
• on exchange rates	—	—
• on loan concentration	32,762	46,590
b.2.1 Tier 3 subordinated loans	—	—
b.3. Other capital adequacy requirements	24,970	28,695
b.4. Total capital adequacy requirements	2,294,528	2,101,287
c) Risk assets and capital adequacy ratios		
c.1. Weighted risk assets	28,681,600	26,266,088
c.2. Tier 1 capital as % of weighted risk assets	16.72%	18.59%
c.3. Regulatory capital as % of weighted risk assets	19.39%	23.71%

9. Other liability headings

9.1 Heading 50: *Other liabilities*

	30/6/03 € '000		30/6/02 € '000	
BILLS FOR COLLECTION	30		60	
AMOUNTS DUE TO REVENUE AUTHORITIES	28,421		37,270	
AMOUNTS DUE IN RESPECT OF:				
• interest coupons and dividends awaiting collection and debt securities in the process of conversion	2,044		21,683	
• commissions payable to banks	76		643	
• commissions payable to placing and underwriting syndicates	661		—	
• invoices pending settlement and receipt	136,353		104,066	
• premiums, contributions and other amounts due to third parties in respect of financing transactions	122,719	261,853	53,185	179,577
FEES PAYABLE, AND SOCIAL SECURITY CONTRIBUTIONS AND AMOUNTS WITHHELD FROM STAFF AND PROVIDERS OF SERVICES DUE TO REVENUE AUTHORITIES	13,110		11,423	
INTERBANK ACCOUNTS, DEFERRED VALUE DATES	19,043		21	
VALUATIONS OF DERIVATIVES CONTRACTS	168,739		107,646	
AMOUNT OUTSTANDING ON SECURITIES LENT	851,069		639,710	
PREMIUMS RECEIVED ON OPTIONS SOLD	261,957		69,750	
DEPOSITS RECEIVED ON DERIVATIVES	718,149		667,092	
OTHER ITEMS	4,454		3,198	
	2,326,825		1,715,747	

9.2 Heading 60: *Accrued expenses and deferred income*

	30/6/03 € '000		30/6/02 € '000	
ACCRUED EXPENSES				
Interest accrued on deposits and loans from banks	48,302		35,656	
Interest and commissions accrued on Mediobanca certificates of deposit and debt securities, and on guarantees and treasury transactions	240,238		286,283	
Interest accrued on derivatives	171,765		287,819	
Amounts accrued on refinancings and subsidies	7,736	468,041	6,916	616,674
DEFERRED INCOME				
Prepaid interest, premiums and commissions	156,442		68,424	
Actualization of derivatives contracts	38,111		49,862	
Leasing charges	19,937		26,405	
Commissions on bonds issued	30,329		36,545	
Advances on forward transactions	59,284		61,233	
Other items	7,295	311,398	7,987	250,456
	779,439		867,130	

10. Guarantees and commitments

10.1 Heading 10: *Guarantees given*

	30/6/03			30/6/02		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Bills backed or endorsed	—	—	—	—	—	—
b) Letters of guarantee	1,850,046	13,104	1,863,150	830,006	14,504	844,510
c) Assets pledged as collateral	—	—	—	—	—	—
	1,850,046	13,104	1,863,150	830,006	14,504	844,510

10.2 Heading 20: *Commitments*

	30/6/03			30/6/02		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Commitments to lend specific funds:						
• securities to be received	632,678	450,085	1,082,763	1,903,091	968,740	2,871,831
• amounts undrawn under existing loan agreements	3,374,370	2,993,726	6,368,096	1,107,220	1,312,121	2,419,341
• other commitments and exposures	21,436	75,046	96,482	18,232	—	18,232
	4,028,484	3,518,857	7,547,341	3,028,543	2,280,861	5,309,404
b) Commitments to provide funds on a stand-by basis:						
• loans agreed on a conditional basis	2,533,825	978,887	3,512,712	775,849	1,414,092	2,189,941
• participations in underwriting syndicates	253,736	—	253,736	591,433	17,441	608,874
• other commitments and exposures	128,852	1,226,670	1,355,522	172,759	489,737	662,496
	2,916,413	2,205,557	5,121,970	1,540,041	1,921,270	3,461,311
	6,944,897	5,724,414	12,669,311	4,568,584	4,202,131	8,770,715

10.3 Assets posted as collateral for amounts due by the Bank

	30/6/03 € '000	30/6/02 € '000
Securities held posted as collateral for forward funding transactions	658,737	960,869
Amounts due to customers posted as collateral for EIB loans	283,297	369,799

Credit derivatives (Heading 30 of Guarantees and Commitments)

	30/6/03			30/6/02		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Banking book hedge sales						
• with exchange of principal	—	205,000	205,000	—	145,000	145,000
• without exchange of principal	—	—	—	—	—	—
	—	205,000	205,000	—	145,000	145,000
b) Trading book hedge sales						
• with exchange of principal	—	139,500	139,500	—	70,038	70,038
• without exchange of principal	—	—	—	—	—	—
	—	139,500	139,500	—	70,038	70,038
	—	344,500	344,500	—	215,038	215,038

10.5 Forward transactions

Type of transaction	30/6/03			30/6/02		
	Hedging € '000	Trading € '000	Other € '000	Hedging € '000	Trading € '000	Other € '000
1. DEALING	148,200	3,661,997	491,206	—	5,465,409	364,432
1.1 Securities:	148,200	3,661,997	491,206	—	5,465,409	364,432
• <i>bought</i>	148,200	934,563	—	—	2,912,378	—
• <i>sold</i>	—	2,727,434	491,206	—	2,553,031	364,432
1.2 Foreign currency:	—	—	—	—	—	—
• <i>currency bought/sold for currency</i>	—	—	—	—	—	—
• <i>currency bought for Euros</i>	—	—	—	—	—	—
• <i>currency sold for Euros</i>	—	—	—	—	—	—
2. DEPOSITS AND LOANS	—	4,969,658	15,366	—	—	—
• <i>pending disbursement</i>	—	3,861,121	—	—	—	—
• <i>pending receipt</i>	—	1,108,537	15,366	—	—	—
3. DERIVATIVES CONTRACTS	21,067,078	18,383,600	16,509,238	18,375,064	8,037,279	12,139,996
3.1 With exchange of principal:	2,721,609	6,272,145	4,268,896	3,779,318	2,254,682	3,584,133
a) Securities ⁽²⁾ :	1,587,665	5,752,167	4,268,896	2,591,219	2,132,377	3,584,133
• <i>bought</i>	1,212,570	1,687,004	1,519,119	2,310,452	748,389	495,727
• <i>sold</i>	375,095	4,065,163	2,749,777	280,767	1,383,988	3,088,406
b) Foreign currency:	1,133,944	519,978	—	1,188,099	122,305	—
• <i>currency bought/sold for currency</i>	—	—	—	—	—	—
• <i>currency bought for Euros</i>	544,006	32,801	—	565,179	76,190	—
• <i>currency sold for Euros</i>	589,938	487,177	—	622,920	46,115	—
c) Other value items:	—	—	—	—	—	—
• <i>bought</i>	—	—	—	—	—	—
• <i>sold</i>	—	—	—	—	—	—
3.2 Without exchange of principal:	18,345,469	12,111,455	12,240,342	14,595,746	5,782,597	8,555,863
a) Foreign currency:	—	—	—	—	—	—
• <i>currency bought/sold for currency</i>	—	—	—	—	—	—
• <i>currency bought for Euros</i>	—	—	—	—	—	—
• <i>currency sold for Euros</i>	—	—	—	—	—	—
b) Other value items ⁽¹⁾ ⁽²⁾ :	18,345,469	12,111,455	12,240,342	14,595,746	5,782,597	8,555,863
• <i>bought</i>	13,148,093	5,943,018	4,336,576	9,539,942	2,512,921	3,644,925
• <i>sold</i>	5,197,376	6,168,437	7,903,766	5,055,804	3,269,676	4,910,938

⁽¹⁾ Amounts bought and sold include basis swaps in a principal amount of € 3,301,196,000 (30/6/02: € 1,325,589,000).

⁽²⁾ Amounts bought and sold include derivatives incorporated in financial instruments in a total amount of € 10,664,952,000 (€ 9,147,370,000).

10.6 Credit derivatives

Type of transaction	30/6/03		30/6/02	
	Hedging € '000	Trading € '000	Hedging € '000	Trading € '000
1. HEDGE BUYS	115,000	183,500	100,000	—
1.1 With exchange of principal	115,000	183,500	100,000	—
– <i>credit default</i>	<i>115,000</i>	<i>183,500</i>	<i>100,000</i>	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
– <i>credit default</i>	—	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2. HEDGE SALES	205,000	139,500	145,000	70,038
2.1 With exchange of principal	205,000	139,500	145,000	70,038
– <i>credit default</i>	<i>205,000</i>	<i>139,500</i>	<i>145,000</i>	<i>70,038</i>
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2.2 Without exchange of principal	—	—	—	—
– <i>credit default</i>	—	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—

11. Segmental information

11.1 Significant exposures

	30/6/03	30/6/02
a) Total risk-weighted amount (€ '000)	9,907,232	10,374,370
b) Exposures (No.)	10	8

11.2 Loans and advances to customers by category of borrower

	30/6/03 € '000	30/6/02 € '000
a) Governments	256,612	286,521
b) Other public agencies	90,066	88,529
c) Non-financial undertakings	7,003,399	7,425,528
d) Financial companies	4,642,249	6,298,928
e) Family firms	295,709	261,152
f) Other industries	3,434,624	3,078,777
	15,722,659	17,439,435

11.3 Loans and advances to domestic non-financial undertakings and family firms by industry

	30/6/03 € '000	30/6/02 € '000
a) Sales services	2,387,278	1,814,870
b) Energy	1,087,724	959,402
c) Food	523,504	802,630
d) Paper and publishing	440,889	541,426
e) Telecoms	422,153	467,534
f) Other industries	1,978,856	2,036,547
	6,840,404	6,622,409

11.4 Guarantees given by category of counterparty

	30/6/03 € '000	30/6/02 € '000
a) Governments	—	—
b) Other public agencies	2,727	—
c) Banks	49	111,087
d) Non-financial undertakings	142,965	152,696
e) Financial companies	488,196	580,700
f) Family firms	—	—
g) Other counterparties	1,229,213	27
	1,863,150	844,510

Credit derivatives by type of counterparty

	30/6/03 € '000	30/6/02 € '000
Hedge buys	298,500	100,000
Banking book	115,000	100,000
<i>Banks</i>	70,000	80,000
<i>Financial companies</i>	45,000	20,000
Trading book	183,500	—
<i>Banks</i>	106,000	—
<i>Financial companies</i>	77,500	—
Hedge sales	344,500	215,038
Banking book	205,000	145,000
<i>Banks</i>	180,000	135,000
<i>Financial companies</i>	25,000	10,000
Trading book	139,500	70,038
<i>Banks</i>	45,000	15,038
<i>Financial companies</i>	94,500	55,000

11.5 Assets and liabilities by geographical area

11.5a Assets and liabilities by geographical area as at 30 June 2003

	Domestic € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
1. ASSETS	21,165,051	5,219,960	1,072,730	27,457,741
1.1 Amounts due from banks	2,007,759	885,833	96,544	2,990,136
1.2 Amounts due from customers	14,069,852	1,227,699	425,108	15,722,659
1.3 Securities	5,087,440	3,106,428	551,078	8,744,946
2. LIABILITIES	19,263,606	2,073,080	3,178,065	24,514,751
2.1 Amounts due to banks	3,378,163	1,380,792	26,830	4,785,785
2.2 Amounts due to customers	621,555	692,288	56,441	1,370,284
2.3 Debt securities	15,263,888	—	3,094,794	18,358,682
2.4 Subordinated liabilities	—	—	—	—
2.5 Other accounts	—	—	—	—
3. GUARANTEES AND COMMITMENTS	8,781,771	4,175,735	1,919,455	14,876,961

11.5b Assets and liabilities by geographical area as at 30 June 2002

	Domestic € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
1. ASSETS	21,445,310	2,968,482	873,461	25,287,253
1.1 Amounts due from banks	1,647,110	737,769	89,698	2,474,577
1.2 Amounts due from customers	15,572,895	1,376,104	490,436	17,439,435
1.3 Securities	4,225,305	854,609	293,327	5,373,241
2. LIABILITIES	17,219,723	2,267,767	3,060,323	22,547,813
2.1 Amounts due to banks	4,793,088	1,849,707	42,265	6,685,060
2.2 Amounts due to customers	277,659	418,060	78,278	773,997
2.3 Debt securities	12,148,976	—	2,939,780	15,088,756
2.4 Subordinated liabilities	—	—	—	—
2.5 Other accounts	—	—	—	—
3. GUARANTEES AND COMMITMENTS	5,384,372	2,446,307	1,999,584	9,830,263

11.6 Assets and liabilities by maturity

11.6a Assets and liabilities by maturity as at 30 June 2003

	Repayable									Perpetual € '000	Total € '000
	on demand € '000	not more than 3 months € '000	over 3 months but not more than one year € '000	over 1 year but not more than 18 months		over 18 months but not more than 5 years		over 5 years			
				fixed rate € '000	floating rate € '000	fixed rate € '000	floating rate € '000	fixed rate € '000	floating rate € '000		
1. ASSETS	2,513,448	16,255,827	18,477,961	1,703,021	1,238,259	6,331,918	3,167,826	6,424,148	4,605,742	249,130	60,967,280
1.1 Government securities eligible for refinancing	—	125,358	577,316	73,844	5,605	1,156,803	20,094	1,570,888	611,357	—	4,141,265
1.2 Amounts due from banks	1,825,796	928,436	71,890	4,339	42,634	25,551	20,731	11,873	12,246	46,640	2,990,136
1.3 Loans and advances to customers	687,652	2,460,243	3,672,124	462,836	1,001,175	2,071,946	2,888,758	503,404	1,772,031	202,490	15,722,659
1.4 Debt securities and other fixed- income securities	—	41,754	287,427	307,008	47,448	712,927	183,518	778,287	1,052,142	—	3,410,511
1.5 Off-balance sheet instruments ⁽¹⁾	—	12,700,036	13,869,204	854,994	141,397	2,364,691	54,725	3,559,696	1,157,966	—	34,702,709
2. LIABILITIES	1,820,014	17,267,369	17,803,041	1,224,263	2,010,405	3,471,167	8,625,055	4,144,413	2,851,719	14	59,217,460
2.1 Deposits and loans from banks	1,146,875	1,112,919	589,323	20,735	770,743	9,287	619,549	—	516,354	—	4,785,785
2.2 Customer deposits	647,234	440,535	274,810	670	—	1,905	—	116	5,000	14	1,370,284
2.3 Debt securities in issue:	25,905	230,004	2,867,046	1,146,695	729,658	2,719,862	7,218,631	1,548,650	1,872,231	—	18,358,682
• bonds	208	43,955	1,185,797	959,337	728,815	2,432,953	6,985,586	1,152,540	1,778,731	—	15,267,922
• certificates of deposit	25,697	102,085	272,273	187,358	843	116,712	948	—	—	—	705,916
• other debt securities	—	83,964	1,408,976	—	—	170,197	232,097	396,110	93,500	—	2,384,844
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
2.5 Off-balance sheet instruments ⁽¹⁾	—	15,483,911	14,071,862	56,163	510,004	740,113	786,875	2,595,647	458,134	—	34,702,709

⁽¹⁾ Mainly involved in treasury transactions relating to securities and foreign currency dealing, and derivative contracts involving securities, interest rates and exchange rates.

11.6b Assets and liabilities by maturity as at 30 June 2002

	Repayable									Perpetual € '000	Total € '000
	on demand € '000	not more than 3 months € '000	over 3 months but not more than one year € '000	over 1 year but not more than 18 months		over 18 months but not more than 5 years		over 5 years			
				fixed rate € '000	floating rate € '000	fixed rate € '000	floating rate € '000	fixed rate € '000	floating rate € '000		
1. ASSETS	2,359,104	11,289,211	12,759,820	948,732	1,362,678	6,038,238	5,557,753	4,400,965	2,079,375	226,707	47,022,583
1.1 Government securities eligible for refinancing	—	82,620	79,201	19,310	455	559,738	197,312	160,549	60,784	—	1,159,969
1.2 Amounts due from banks	916,455	1,349,903	20,667	2,955	5,701	19,757	77,963	25,181	4,022	51,973	2,474,577
1.3 Loans and advances to customers	369,504	3,026,898	4,064,450	828,630	920,597	1,952,819	3,779,380	817,231	1,505,192	174,734	17,439,435
1.4 Debt securities and other fixed- income securities	3,245	131,207	322,659	48,681	25,875	1,052,177	225,066	916,985	332,999	—	3,058,894
1.5 Off-balance sheet instruments ⁽¹⁾	1,069,900	6,698,583	8,272,843	49,156	410,050	2,453,747	1,278,032	2,481,019	176,378	—	22,889,708
2. LIABILITIES	3,740,512	11,300,049	11,536,670	1,986,365	391,462	9,217,867	2,490,310	3,231,118	1,543,132	36	45,437,521
2.1 Deposits and loans from banks	1,615,067	2,987,495	835,679	6,698	261,977	41,373	610,697	983	325,091	—	6,685,060
2.2 Customer deposits	357,705	295,261	114,837	614	—	2,170	—	188	3,200	22	773,997
2.3 Debt securities in issue:	178,741	276,048	1,461,481	1,511,934	104,316	7,565,419	1,559,614	1,923,740	507,449	14	15,088,756
• bonds	140,182	7,583	1,038,521	46,640	103,291	7,007,654	1,497,216	1,759,856	448,228	—	12,049,171
• certificates of deposit	38,559	109,854	302,795	187,333	1,025	189,700	1,800	—	—	—	831,066
• other debt securities	—	158,611	120,165	1,277,961	—	368,065	60,598	163,884	59,221	14	2,208,519
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
2.5 Off-balance sheet instruments ⁽¹⁾	1,588,999	7,741,245	9,124,673	467,119	25,169	1,608,905	319,999	1,306,207	707,392	—	22,889,708

⁽¹⁾ Mainly involved in treasury transactions relating to securities and foreign currency dealing, and derivative contracts involving securities, interest rates and exchange rates.

11.7 Assets and liabilities denominated in currencies other than the Euro

	30/6/03 € '000	30/6/02 € '000
a) ASSETS		
1. Amounts due from banks	113,031	99,100
2. Amounts due from customers	550,566	792,657
3. Securities	149,611	31,614
4. Equity investments	893	1,465
5. Other accounts	14	1,979
	814,115	926,815
b) LIABILITIES		
1. Amounts due to banks	23,932	429,989
2. Amounts due to customers	617	64,900
3. Debt securities in issue	173,484	240,560
4. Other accounts	—	—
	198,033	735,449

11.8.1 Securitizations: Securities held under the terms of securitizations by Group undertakings

11.8.1a As at 30 June 2003

Underlying asset	Credit quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Lease	Current as to payment of principal and interest	—	—	8,410	8,410
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due	Current as to payment of principal and interest	—	5,990	7,310	13,300
		—	5,990	15,720	21,710
NON-INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Retail/industrial/farming mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	144,591	—	—	144,591
Other amounts due	Current as to payment of principal and interest	50,440	—	—	50,440
Social security contributions		—	—	—	—
		195,031	—	—	195,031
		195,031	5,990	15,720	216,741

11.8.1b As at 30 June 2002

Underlying asset	Credit quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Retail/industrial/farming mortgage loans		—	—	—	—
Lease instalments		—	—	—	—
Other amounts due	Current as to payment of principal and interest	50,070	5,990	7,310	63,370
Social security contributions		—	—	—	—
		50,070	5,990	7,310	63,370
		50,070	5,990	7,310	63,370

Compass S.p.A.

During the twelve months under review, Compass sold a further € 301,977,000 in performing loans to cover last year's securitization on the same terms as the original issue, i.e. quarterly revolving until October 2005. In its capacity as servicer to Quarzo S.r.l. it also collected a total of € 376,138,462, earning fees of € 412,666. A total of € 813.3m in loans had been transferred to Quarzo at the balance sheet date.

SelmaBipiemme Leasing S.p.A.

During the year, SelmaBipiemme securitized a portfolio of performing loans deriving from leasing contracts worth a nominal amount of € 600,870,000. These were sold on a non-recourse basis to Quarzo Lease S.r.l., a vehicle company in which SelmaBipiemme has a 10% stake.

To cover this acquisition, Quarzo Lease issued three tranches of asset-backed notes as follows:

Tranche	% of credit	Moody's rating	S&P's rating	Amount €
A	94.0	Aaa	AAA	564,820
B	4.6	A2	A	27,640
C	1.4	Unrated	Unrated	8,410
	100.0			600,870

Tranches A and B were placed on the market, whereas SelmaBipiemme subscribed for all the notes in Tranche C. This quarterly-revolving issue matures in April 2005. Receivables worth € 721.9m had been transferred to Quarzo Lease by the balance sheet date. SelmaBipiemme acted as servicer on behalf of Quarzo Lease for this transaction, which Group subsidiary MB – Finstrutture-Intersomer arranged.

Mediobanca S.p.A.

During the year under review, Mediobanca and Barclays Capital arranged the refinancing of a € 1,725m loan granted to Aeroporti di Roma S.p.A. in August 2001. Under the terms of this deal, Mediobanca sold € 65,083,000 of its share in the financing granted to the airport operator to vehicle company Romulus S.r.l. In conjunction with other banks who took part in the original syndicate, a total of € 1,265,019,000 was sold to Romulus, who accordingly issued five classes of asset-backed notes in a like amount as follows:

Tranche	% of credit	Moody's rating	S&P's rating	Amount €
A1	39.5	Aaa	AAA	500,000
A2	15.8	Aaa	AAA	200,000
A3	13.8	Aaa	AAA	175,000
A4	25.7	Aaa	AAA	325,019
B	5.2	Baa3	BBB+	65,000
	100.0			1,265,019

The A1, A2, A3 and A4 notes are all backed by a guaranteed from AMBAC Assurance UK Ltd.

11.8.2 *Securitization: Securities held under the terms of securitizations by third parties*

11.8.2a As at 30 June 2003

Underlying asset	Credit quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans		4,998	—	—	4,998
Retail/industrial/farming mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	134,746	11,692	—	146,438
Other amounts due	Non-performing	32,170	—	—	32,170
	Other	32,691	—	—	32,691
Social security contributions		—	—	—	—
		204,605	11,692	—	216,297
		204,605	11,692	—	216,297

11.8.2b *Securitization: Securities held under the terms of securitizations by third parties*

Underlying asset	Credit quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Retail/industrial/farming mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	25,208	11,385	—	36,593
Other amounts due		—	—	—	—
	Non-performing	34,970	57,283	—	92,253
Social security contributions		—	—	—	—
		60,178	68,668	—	128,846
		60,178	68,668	—	128,846

12. Securities managed and traded for third parties

12.1 Securities traded

	30/6/03 € '000	30/6/02 € '000
a) PURCHASES:	6,164,275	4,955,062
1. settled	5,243,480	4,685,631
2. pending settlement	920,795	269,431
b) SALES:	6,112,573	5,307,450
1. settled	5,191,778	5,038,019
2. pending settlement	920,795	269,431

12.2 Securities managed

	30/6/03 € '000	30/6/02 € '000
Securities managed on behalf of clients	— ⁽¹⁾	— ⁽¹⁾

⁽¹⁾ The Banca Esperia group has securities worth € 2,675,409 under management (30/6/02: € 1,826,000).

12.3 Securities held for safekeeping and as collateral

	30/6/03 € '000	30/6/02 € '000
a) THIRD PARTIES' SECURITIES HELD:	4,666,148	5,778,571
a/1) <i>for safekeeping</i>	1,599,873	1,725,718
a/2) <i>as trustees</i>	1,215,283	1,223,377
a/3) <i>as collateral</i>	1,850,992	2,829,476
b) THIRD PARTIES' SECURITIES HELD BY THIRD PARTIES	4,005,469	4,292,379
c) OWN SECURITIES HELD BY THIRD PARTIES	9,219,484	4,310,068

C. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

1. Interest

1.1 Heading 10: *Interest receivable and similar income*

	2002/03 € '000	2001/02 € '000
a) Interest on amounts due from banks <i>of which: amounts due from central banks</i>	105,425 1,453	88,491 1,085
b) Interest on amounts due from customers <i>of which: on loans and advances made with third parties' funds under management</i>	883,265 —	953,781 —
c) Interest on debt securities	267,331	156,067
d) Other interest receivable	4,187	3,552
e) Surplus on hedging margins	54,469	62,073
	1,314,677	1,263,964

1.2 Heading 20: *Interest payable and similar expenses*

	2002/03 € '000	2001/02 € '000
a) Interest on amounts due to banks	213,502	227,905
b) Interest on amounts due to customers	35,611	27,011
c) Interest on debt securities in issue <i>of which: certificates of deposit</i>	649,756 ⁽¹⁾ 27,449 ⁽¹⁾	625,799 ⁽¹⁾ 35,157 ⁽¹⁾
d) Interest on funds under management	—	—
e) Interest on subordinated liabilities	—	—
f) Shortfall on hedging margins	—	—
g) Other interest payable	1,110	3,081
	899,979	883,796

⁽¹⁾ Includes commission on deposits.

1.3 *Non-Euro interest and similar income receivable* under Heading 10

	2002/03 € '000	2001/02 € '000
a) Interest receivable and similar income on assets denominated in currencies other than the Euro	27,428	40,072

1.4 *Non-Euro interest and similar expenses payable* under Heading 20

	2002/03 € '000	2001/02 € '000
a) Interest payable and similar expenses on liabilities denominated in currencies other than the Euro	11,369	33,426

2. Commissions

2.1 Heading 40: *Commissions receivable*

	2002/03 € '000	2001/02 € '000
a) Guarantees given	1,423	1,503
b) Credit derivatives	3,935	457
c) Management, trading and consulting services:	37,200	76,762
1. securities dealing	5,850	7,104
2. currency dealing	—	—
3. asset management	— ⁽¹⁾	— ⁽¹⁾
3.1 private individuals	—	—
3.2 groups	—	—
4. securities safekeeping and administration	935	767
5. bank deposits	—	—
6. securities placing	30,021	67,409
7. procurement of orders	—	10
8. advisory services	394	1,472
9. agency fees	—	—
9.1 asset management	—	—
9.1.1 private individuals	—	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other	—	—
d) Collection services	54	240
e) Securitization servicing	413	—
f) Tax collection services	—	—
g) Other services:	156,907	85,249
• commissions on loans to customers	95,001	38,634
• advisory fees from clients	55,964	42,831
• other commissions	5,942	3,784
	199,932	164,211

⁽¹⁾ The Banca Esperia group generated fees of € 13,509,000 (30/6/02: € 4,190,000).

2.2 Heading 40: *Fees receivable for distributing products and services*

	2002/03 € '000	2001/02 € '000
a) On the Bank's own premises	30,021	67,409
1. Asset management	—	—
2. Securities placing	30,021 ⁽¹⁾	67,409 ⁽¹⁾
3. Services and products provided by third parties	—	—
b) Elsewhere	—	—
1. Asset management	—	—
2. Securities placing	—	—
3. Services and products provided by third parties	—	—
	30,021	67,409

⁽¹⁾ The Banca Esperia group generated fees of € 13,509,000 (30/6/02: € 4,190,000).

2.3. Heading 50: *Commissions payable*

	2002/03 € '000	2001/02 € '000
a) Guarantees received	116	1,291
b) Credit derivatives	3,297	793
c) Management and trading services:	2,253	17,849
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	2	2
3.1 own portfolio	2	2
3.2 third parties' portfolios	—	—
4. securities safekeeping and administration	495	492
5. securities placing	1,756	17,355
6. door-to-door sales of securities, products and services	—	—
d) Collection and payment services	165	134
e) Other services:	58,919	41,839
• commissions on transactions with banks, the Bank of Italy and Ufficio Italiano Cambi	9,752	6,997
• commissions payable to brokers for securities and derivatives trading	2,358	1,849
• commissions payable on facilities	10,476	4,047
• commissions paid to agents, etc.	36,333 ⁽¹⁾	28,946 ⁽¹⁾
	64,750	61,906

⁽¹⁾ Mainly related to leasing and consumer credit operations.

3. Gains and losses on dealing transactions

3.1. Heading 60: *Gains (losses) on dealing transactions*

3.1a Gains (losses) on dealing transactions in the year ended 30 June 2003

	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000
A.1 Revaluations	14,266 ⁽¹⁾	—	15,598	29,864
A.2 Writedowns	(10,909) ⁽²⁾	—	(74,496)	(85,405)
B. Other gains (losses)	(88,301) ⁽³⁾ ⁽⁴⁾	8,805	(37,671)	(117,167)
	(84,944)	8,805	(96,569)	(172,708)
<i>of which:</i>				
1. Government securities	1,275			
2. Other debt securities	102,768			
3. Capital securities	(154,633)			
4. Securities derivatives	(34,354)			

⁽¹⁾ Includes € 7,487,000 relating to fixed-income securities and € 879,000 relating to capital securities.

⁽²⁾ Includes € 2,919,000 relating to fixed-income securities and € 10,374,000 relating to capital securities.

⁽³⁾ Comprises net gains of € 99,475,000 on fixed-income securities dealing, net losses of € 145,513,000 on capital securities, net negative margins of € 72,616,000 on futures contracts, and net gains of € 30,353,000 on options.

⁽⁴⁾ Covered by dividends of € 179,601,000 collected from arbitrage transactions.

3.1b Gains (losses) on dealing transactions in the year ended 30 June 2002

	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000
A.1 Revaluations	5,043 ⁽¹⁾	—	500	5,543
A.2 Writedowns	(82,483) ⁽²⁾	—	(11,729)	(94,212)
B. Other gains (losses)	(53,604) ⁽³⁾	(10,154)	797	(62,961)
	(131,044)	(10,154)	(10,432)	(151,630) ⁽⁴⁾
<i>of which:</i>				
1. Government securities	(7,877)			
2. Other debt securities	35,584			
3. Capital securities	(252,543)			
4. Securities derivatives	93,792			

⁽¹⁾ Includes € 4,689,000 relating to fixed-income securities

⁽²⁾ Includes € 44,612,000 relating to fixed-income securities.

⁽³⁾ Comprises net gains of € 184,913,000 on fixed-income securities dealing, net losses of € 116,345,000 on capital securities, net negative margins of € 14,964,000 on futures contracts, and net gains of € 14,964,000 on options.

⁽⁴⁾ Partially covered by dividends of € 115,931,000 collected from arbitrage transactions.

4. Administrative expenses

4.1. Average number of employees by category

	2002/03 € '000	2001/02 (*) € '000
a) Senior executives	73	64
b) Grade 3 and 4 managers	234	222
c) Other staff	995	946
	1,302	1,232

(*) Restated.

4.2 Heading 80: Administrative expenses

	2002/03 € '000	2001/02 € '000
a) PERSONNEL COSTS:		
• wages and salaries	91,358	78,822
• social security charges	26,190	22,341
• severance indemnities	12,739	6,073
• post-retirement benefits	2,989	2,118
	133,276	109,354
b) OTHER ADMINISTRATIVE EXPENSES:		
• outside consultants' fees	31,257	30,402
• equity and bond administration	2,038	2,916
• insurances	733	695
• advertising	6,850	6,034
• research and publications	2,358	2,488
• donations to charities	441	300
• rent	4,699	4,388
• maintenance, repairs and refurbishment	7,821	7,639
• service lease instalments	737	498
• stationery	1,956	2,570
• membership subscriptions	615	878
• postal, telephone, fax and telex charges	4,753	4,738
• newspapers, magazines and library acquisitions	539	449
• travel and entertainment	4,553	4,418
• EDP services	14,775	16,610
• financial information subscriptions	7,239	5,776
• sundry administrative expenses	7,395	10,001
	98,759	100,800
• indirect taxation:		
• registration tax on rights issue, "substitutive" and other taxes	11,800	11,300
Total other administrative expenses	110,559	112,100
	243,835	221,454

5. Adjustments, writebacks and transfers to provisions

Heading 90: *Adjustments to tangible and intangible assets*

	2002/03 € '000	2001/02 € '000
a) Intangible assets	3,671	2,629
b) Tangible assets:	9,655	8,659
• premises	4,502	3,949
• equipment	387	—
• furniture	4,766	4,710
	13,326	11,288

Heading 100: *Transfers to provision for liabilities and charges*

	2002/03 € '000	2001/02 € '000
Transfers to cover:		
• Legal costs	723	479
• Promotion expenses	356	335
• Specific and probable risks and commitments	12,261 ⁽¹⁾	12,538
	13,340 ⁽¹⁾	13,352

⁽¹⁾ Of which € 5,090,000 to cover charges possibly arising in connection with Tradevco ceasing operations.

5.1 Heading 120: *Adjustments to loans and provisions for guarantees and commitments*

	2002/03 € '000	2001/02 € '000
a) Value adjustments to loans	67,112	49,580
of which:		
• lump-sum writedowns for country risk	—	—
• other lump-sum writedowns	2,387	500
b) Provisions for guarantees and commitments	—	—
of which:		
• lump-sum provisions for country risk	—	—
• other lump-sum provisions	—	—
	67,112	49,580

Heading 130: *Writebacks of loans and provisions for guarantees and commitments*

	2002/03 € '000	2001/02 € '000
Writebacks of receivables written down in prior years	6,117	2,714

Heading 150: *Adjustments to financial fixed assets*

	2002/03 € '000	2001/02 € '000
a) Losses on investment securities	721	9,762
b) Losses on equity investments	261,068	548,975
c) Losses on investments in Group undertakings	39	—
	261,828	558,737

Heading 160: *Writebacks of financial fixed assets*

	2002/03 € '000	2001/02 € '000
Writebacks of:		
a) Investment securities	579	—
b) Equity investments	—	—
c) Investments in Group undertakings	—	—
	579	—

6. Other profit and loss headings

6.1 Heading 70: *Other operating income*

	2002/03 € '000	2001/02 € '000
Rent received	2,651	2,562
Options exercised to cover index-linked bonds	269,676	95,572
Tax recovered from clients	8,036	5,032
Income from finance leasing and factoring	59,959	55,472
Expenses recovered	6,733	7,399
Premiums collected on options issued	23,730	619
Other income	4,703	8,475
	375,488	175,131

6.2 Heading 110: *Other operating expenses*

	2002/03 € '000	2001/02 € '000
Premiums on index-linked bonds	270,328	95,322
Expenses incurred on goods on finance leases	25,925	34,240
Premiums paid on options issued	22,433	—
Sundry operating expenses	17,363	7,734
	336,049	137,296

6.3 Heading 190: *Extraordinary income*

	2002/03 € '000	2001/02 € '000
Gain on sale of financial fixed assets	317	466,204
Gain on sale of tangible fixed assets	454	44
Adjustments on consolidation	—	—
Writebacks of taxation provisions not utilized	3	9,738
Other extraordinary income	2,464	2,184
	3,238	478,170

6.4 Heading 200: *Extraordinary expenditure*

	2002/03 € '000	2001/02 € '000
Loss on disposal of equity investments and financial assets	39,378	3,106
Loss on disposal of tangible fixed assets	36	126
Adjustments on consolidation	4,114	1,273
Other extraordinary expenditure	4,584	1,722
	48,112	6,227

6.5 Heading 220: *Income taxes*

6.5a Year ended 30 June 2003

	Corporate income tax € '000	Local production tax € '000	Other taxes € '000	Total € '000
Current taxes	(97,794)	(8,766)	(2,800)	(109,360)
Increase (decrease) in advance taxes	53,090	2,844	—	55,934
Increase (decrease) in deferred taxes	42,977	43	—	43,020
Income taxes for the year	(1,727)	(5,879)	(2,800)	(10,406)

6.5a Year ended 30 June 2002

	Corporate income tax € '000	Local production tax € '000	Other taxes € '000	Total € '000
Current taxes	(9,859)	(5,666)	(81,429)	(96,954)
Increase (decrease) in advance taxes	77,895	1,251	—	79,146
Increase (decrease) in deferred taxes	52,044	(714)	—	51,330
Income taxes for the year	120,080	(5,129)	(81,429)	33,522

7. Segmental information

7.1 *Income by geographical area*

7.1a Year ended 30 June 2003

	Italy € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
Interest receivable and similar income	1,072,376	203,644	38,657	1,314,677
Dividends and other income	277,307	16,628	3,863	297,798
Commissions receivable	174,312	23,008	2,612	199,932
Gain (loss) on dealing transactions	(209,830)	(62,120)	99,242	(172,708)
Other operating income	107,766	267,206	516	375,488
	1,421,931	448,366	144,890	2,015,187

7.1b Year ended 30 June 2002

	Italy € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
Interest receivable and similar income	1,060,571	162,901	40,492	1,263,964
Dividends and other income	227,879	12,963	3,870	244,712
Commissions receivable	141,367	20,236	2,608	164,211
Gain (loss) on dealing transactions	(133,165)	(7,665)	(10,800)	(151,630)
Other operating income	74,929	96,144	4,058	175,131
	1,371,581	284,579	40,228	1,696,388

D. OTHER INFORMATION

1. Directors and Statutory Auditors

	2002/03 € '000	2001/02 € '000
1.1 Emoluments:		
a) Directors	4,956	2,783
b) Statutory Auditors	83	83
1.2 Loans granted and guarantees given:		
a) Directors ⁽¹⁾	—	—
b) Statutory Auditors	—	—

⁽¹⁾ Amounts include transactions with companies in which Directors of the Bank have a beneficial interest within the meaning of legal regulations.

**EXTRAORDINARY AND ORDINARY
GENERAL MEETING
28 OCTOBER 2003**

BUSINESS TO BE TRANSACTED

Extraordinary Business

1. Proposal to amend Articles 15, 16, 17, 21, 22, 26 and 29 of the Bank's Articles of Association.

Ordinary Business

1. Adoption of the accounts for the year ended 30 June 2003, the Directors' and Statutory Auditors' Reports, and resolutions thereon.
2. Election of Directors, after determining their number.
3. Election of the Statutory Audit Committee and Chairman of the Committee, and fixing of the Committee's annual fees.
4. Appointment of Auditors to audit the Bank's annual and consolidated accounts and its interim financial statements and to perform other duties prescribed under Article 155 of Italian Decree Law 58/98.

EXTRAORDINARY BUSINESS

DIRECTORS' REPORT

As Extraordinary Business, you are asked to approve certain amendments to the Bank's Articles of Association aimed at streamlining the operations of its Board of Directors and Executive Committee. In particular, it is proposed to amend Article 16 so as to vest the Board with sole responsibility for all decisions relating to the acquisition, increase or reduction of equity investments deemed to be strategic or permanent involving amounts in excess of € 500m, as well as for proposals to increase the Company's share capital, issue convertible bonds, or which involve break-ups or non-intra-group mergers or spin-offs. On such matters, the Board shall retain its existing quorum whereby two-thirds of the Directors in office must vote in favour if a resolution is to be adopted, whereas on all other matters a simple majority will be sufficient (Article 17). Similarly, you are asked to approve the extension of this quorum to resolutions of the Bank's Executive Committee, where a simple rather than two-thirds majority will henceforth be required (Article 21).

The Executive Committee's powers will also be amended in particular with regard to the delegation of decisions to the Bank's management to buy or sell securities where such purchases or sales do not constitute treasury transactions (Article 21).

We would also draw your attention to other minor amendments, such as that to Article 15 regarding the methods of calling and holding Board Meetings, which provides *inter alia* for the possibility of holding such meetings by means of video- or teleconference facilities. The proposed amendments to Articles 22, 26 and 29 are intended to bring them into line or comply with existing legislation, for example the annual remuneration of the Statutory Audit Committee being fixed solely by the Company's shareholders in Ordinary General Meeting.

As you are aware, Decree Law 6/2003, commonly referred to as the "Vietti Law", will be enacted in January 2004. This will result in several major changes, some of which involve the possibility of new organizational models for limited companies. Given that regulations on such matters may yet be further amended or supplemented, and given also that the precise ways in which the new regulations will be reconciled with existing legisla-

tion in this regard have still to be determined, the Board has resolved to postpone any action to be taken in compliance with these requirements, and any changes to the organizational structure of the Bank, until next year.

You are accordingly invited to adopt the following resolution:

“Having received the Directors’ Report, the Extraordinary General Meeting of Mediobanca

hereby resolves

1. to amend Articles 15, 16, 17, 21, 22, 26 and 29 of the Bank’s Articles of Association as follows:

EXISTING TEXT	AMENDED TEXT
SECTION IV	SECTION IV
Board of Directors	Board of Directors
Article 15	Article 15
Meetings of the Board of Directors shall be called at the Head Office of the Company or elsewhere by the Chairman or the Acting Chairman on his own initiative or when requisitioned by at least three members of the Board. In the normal course of events, Board Meetings shall be held at least five times each year.	unchanged
Board Meetings may also be called by the Statutory Audit Committee or requisitioned by not less than two Statutory Auditors, subject to their giving due notice to the Chairman.	unchanged
Board Meetings shall be called by a notice in writing given by electronic mail, facsimile transmission, letter or telegram despatched at least six clear days before	Board Meetings shall be called by a notice in writing given by electronic mail, facsimile transmission, letter or telegram despatched at least six clear days before

the day appointed for the meeting. In cases of urgency this period may be reduced to two days. The notice in writing shall contain the place, day and time of the meeting together with an agenda briefly setting out the business to be transacted thereat.

the day appointed for the meeting. In cases of urgency this period may be reduced to two days. The notice in writing shall contain the place, day and time of the meeting together with an agenda briefly setting out the business to be transacted thereat.

Board Meetings may be held by video- or tele-conference, provided that the persons entitled to attend may be properly identified, speak in real time on items on the agenda, and receive or transmit documents, and further provided that the Chairman, the Managing Director referred to in Article 24 and the Secretary are in attendance at the place where the Meeting is being held.

(omissis)

(omissis)

Article 16

Article 16

The Board shall be vested with the widest powers to manage the Company's day-to-day and special business with the exception of acts which the law or these Articles of Association specifically require the Shareholders to perform.

unchanged

To the extent it deems advisable, the Board may delegate its rights and powers to the Executive Committee referred to in Article 20, and to the Chairman, General Manager and Managing Director referred to in Article 24, without prejudice to the restrictions set forth in the law, these Articles and Bank of Italy regulations.

unchanged

Provided that the Board shall be solely responsible for all decisions relating to: approval of the Bank's strategic guidelines and its risk management policies; the acquisition or disposal of equity inter-

Provided that the Board shall be solely responsible for all decisions relating to:
1) approval of the Bank's strategic guidelines and its risk management policies;

ests in other companies which have the effect of altering the structure of the Mediobanca Banking Group; determining the principles for supervising and coordinating Group companies; identifying equity investments deemed to be strategic or permanent; authorising such equity investments to be disposed of; fixing limits for trading, if any, in shares held as strategic or permanent investments or otherwise; appointing and removing the General Manager and determining his powers; appointing Managers on proposals made by the General Manager and determining their powers; and determining the principles to be used in carrying out instructions from the Bank of Italy.

- 2) the acquisition or disposal of equity interests in other companies which would have the effect of altering the structure of the Mediobanca Banking Group as well as determining the principles for supervising and coordinating Group companies;
- 3) identifying equity investments deemed to be strategic or permanent; **acquiring equity investments deemed to be strategic or permanent which involve an aggregate outlay in excess of € 500m**; authorising such equity investments to be **increased or reduced**; ~~fixing limits for trading, if any, in shares held as strategic or permanent investments or~~;
- 4) appoint and removing the General Manager and determining his powers;
- 5) appointing Managers on proposals made by the General Manager and determining their powers;
- 6) ~~determining the principles~~ **action to be taken in response to instructions** statements from the Bank of Italy **laying down principles and/or giving specific instructions of primary and not secondary importance that raise problems with regard to the method of their execution**;
- 7) **proposals to increase the Company's share capital, issue convertible bonds, or involving break-ups, non-intra-group mergers and spin-offs**;
- 8) **approval of or amendments to internal codes of conduct.**

The Board may appoint Committees or Commissions from amongst its members and entrust them with special duties within specified limits, or empower them to act in an advisory capacity or for purposes of co-ordination.

unchanged

Article 17

Resolutions taken by the Board shall be valid only when at least two-thirds of the Directors in office are present and cast their votes in favour thereof.

(omissis)

SECTION V

Executive Committee

Article 21

The Executive Committee shall:

- a) lay down rules for the organization and supervision of the Company's business. Where necessary, it shall draw up appropriate internal regulations for this purpose which shall be submitted to the Board for approval;
- b) examine the General Manager's business proposals and shall thereby keep the Company's affairs under review and take decisions on the basis of such proposals within the limits laid down by the Board;

Article 17

Resolutions taken by the Board shall be valid only when ~~at least two-thirds~~ a majority of the Directors in office is present and votes in favour thereof. **Resolutions in respect of the matters listed under points 3) and 7) of the preceding Article 16 shall be valid if at least two-thirds of the Directors are present and vote in favour thereof.**

(omissis)

SECTION V

Executive Committee

Article 21

The Executive Committee shall:

unchanged

- b) examine the General Manager's business proposals and shall thereby keep the Company's affairs under review and take decisions ~~on the basis of such proposals within the limits laid down by the Board~~ on the granting of loans or any other aspects of Company business on the basis of such proposals, within the limits laid down by the Board, if any, and without prejudice to those decisions for which the Board is solely responsible and its right to delegate pursuant to Article 16;

- | | |
|---|---|
| <p>c) resolve to buy or sell shares, where such purchases or sales do not constitute treasury transactions;</p> <p>d) carry out all other tasks assigned to it by the Board relating to the Company's affairs, within the limits set by the Bank of Italy's supervisory instructions.</p> | <p>c) resolve to buy or sell shares, where such purchases or sales do not constitute treasury transactions;</p> <p>⇨c) carry out all other tasks assigned to it by the Board relating to the Company's affairs, within the limits set by the Bank of Italy's supervisory instructions.</p> |
|---|---|

In cases of urgency the Executive Committee may take resolutions upon any matter or transaction, and report to the Board to such effect at the next successive Board Meeting.

unchanged

Resolutions of the Executive Committee shall be valid only when at least two-thirds of its members are present and cast their votes in favour thereof, unless the Chairman or Deputy Chairman presiding over the meeting elects to resubmit the matter dealt with to a resolution by the Board of Directors.

Resolutions of the Executive Committee shall be valid only when ~~at least two-thirds~~ **a majority** of its members is present and votes in favour thereof, unless the Chairman or Deputy Chairman presiding over the meeting elects to resubmit the matter dealt with to a resolution by the Board of Directors.

(omissis)

(omissis)

Article 22

Article 22

Meetings of the Executive Committee shall be called upon the initiative of the Chairman or the Managing Director as and when business so requires and in the normal course of events shall be held once a month. Meetings of the Executive Committee may also be requisitioned by the Statutory Audit Committee or by not less than two Statutory Auditors subject to their giving due notice to the Chairman.

unchanged

Executive Committee meetings shall in the normal course of events be called upon not less than six days' prior notice, or, in cases of urgency, not less than one day's prior notice.

unchanged

The procedures for calling Executive Committee meetings shall be the same as those provided under Article 15 hereof for calling Board Meetings. Executive Committee meetings may be held by video- or tele-conference, provided that the persons entitled to attend can be properly identified, can speak in real time on all the items on the agenda, and can receive or transmit documents, and further provided that the Chairman, the Managing Director and the Secretary are in attendance at the place where the meeting is being held.

(omissis)

SECTION VIII

Statutory Audit Committee

Article 26

The Ordinary General Meeting shall elect three Standing Auditors and three Alternate Auditors. The powers of the Statutory Auditors shall be governed by the provisions of the law, as shall the fixing of their remuneration and their term of office.

(omissis)

SECTION IX

Financial Year and Balance Sheet

Article 29

The Board of Directors shall draw up the Balance Sheet for the year and shall sub-

The procedures for calling Executive Committee meetings **and directing the proceedings thereat** shall be the same as those provided under Article 15 hereof for calling Board Meetings. ~~Executive Committee meetings may be held by video- or tele-conference, provided that the persons entitled to attend can be properly identified, can speak in real time on all the items on the agenda, and can receive or transmit documents, and further provided that the Chairman, the Managing Director and the Secretary are in attendance at the place where the meeting is being held.~~

(omissis)

SECTION VIII

Statutory Audit Committee

Article 26

The Ordinary General Meeting shall elect three Standing Auditors and three Alternate Auditors, **and shall fix the annual remuneration due to them for the entire term of their office.** The powers of the Statutory Auditors shall be governed by the provisions of the law, as shall the fixing of ~~their remuneration~~ and their term of office.

(omissis)

SECTION IX

Financial Year and Balance Sheet

Article 29

The Board of Directors shall draw up the Balance Sheet for the year and shall sub-

mit it together with the Statement of Earnings for examination by the Statutory Auditors and then to the Shareholders for approval at the Annual General Meeting.

~~mit it , together with the Statement of Earnings for examination by the Statutory Auditors and then to the Shareholders for approval at the Annual General Meeting.~~

2. to delegate to the Chairman and General Manager either jointly and severally, the widest powers to incorporate into this resolution any amendment, change or addendum that may be required to register the resolution or otherwise be required by the competent authorities.”

Milan, 15 September 2003

THE BOARD OF DIRECTORS

ORDINARY BUSINESS

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

HIGHLIGHTS

In the year ended 30 June 2003, the Bank earned a gross margin from ordinary operations of € 391.2m, up more than 20% on the figure recorded twelve months previously. This translates to a net loss of € 14m, after write-downs of € 185.3m in investment securities based on average values recorded in the six months to 30 June 2003, losses of € 37.8m on disposal of shareholdings, writedowns of € 57.9m in securities and derivatives held in treasury, and provisions, depreciation and amortization of € 55.2m, including € 45m transferred to *Credit risks provision*. In the twelve months to 30 June 2002, the Bank earned a net profit of € 117.6m, after € 460.7m in gains on disposals, writedowns of € 500.1m in investment securities and € 41.2m in treasury securities and derivatives, and € 90.6m in provisions, depreciation and amortization, including € 87m transferred to *Credit risks provision*.

Ordinary operations benefited from a 23.9% increase in fee income despite the tough market conditions, and a 14% rise in the interest margin, where the improvement was due to trading involving the Bank's treasury portfolio and higher spreads on loans. The cost/income ratio fell from 31.1% to 29.1%.

At the balance sheet date, funding amounted to € 20,364.1m, up 13.7% on the previous year, entirely due to the contribution of debt securities. Loans and advances fell from € 14,861.8m to € 12,522m, and investment securities declined by € 265.1m. Taking into account forward transactions and movements in other assets and liabilities, the excess of funding over funds employed generated liquid assets of € 4.7bn.

* * *

Trading for clients' accounts during the twelve months included transactions involving 30m Mediobanca shares worth a total of € 226.6m.

FINANCIAL HIGHLIGHTS

The Bank's financial highlights have been condensed and compared on a like-for-like basis with those of the previous two financial years. They are as follows:

Profit and Loss Account

	12 mths to 30/6/01	12 mths to 30/6/02	12 mths to 30/6/03
	€ m	€ m	€ m
Interest margin	340.1	336.0	383.1
Commissions received and other income... ..	173.2	136.2	168.8
General expenses and sundry operating costs ..	(133.0)	(146.8)	(160.7)
GROSS MARGIN FROM ORDINARY OPERATIONS ...	380.3	325.4	391.2
Writedowns in treasury securities and derivatives (1)	(12.5)	(41.2)	(57.9)
Net gain (loss) on sale of securities held	31.8	460.7	(37.8)
Writedowns in investment securities (1)	(71.5)	(500.1)	(185.3)
Net overprovision for taxation	—	6.8	—
Initial leasing instalment	—	(26.1)	—
MARGIN BEFORE TAXATION AND PROVISIONS	328.1	225.5	110.2
Provision for liabilities and charges	—	—	(5.1)
Transfers to credit risks provision	(82.6)	(87.0)	(45.0)
Accelerated depreciation and amortization	(4.7)	(3.6)	(5.1)
Taxation for the year	(89.5)	(17.3)	(69.0)
NET PROFIT (LOSS)	151.3	117.6	(14.0)

(1) Net of advance tax.

Balance Sheet

	30/6/01	30/6/02	30/6/03
	€ m	€ m	€ m
Assets			
Treasury funds employed	3,885.9	5,148.1	9,807.6
Loans and advances	14,229.6	14,861.8	12,522.0
Investment securities	3,025.6	3,031.4	2,766.3
Fixed assets, net	12.1	11.4	10.6
Other assets	1,491.4	1,881.1	1,993.4
Total Assets	<u>22,644.6</u>	<u>24,933.8</u>	<u>27,099.9</u>
Liabilities			
Deposits and loans	15,933.8	17,911.3	20,364.1
Provisions	272.1	232.5	183.3
Other liabilities	2,212.2	2,213.8	2,062.5
Shareholders' equity	4,075.2	4,458.6	4,504.0
Profit (loss) for the year	151.3	117.6	(14.0)
Total Liabilities	<u>22,644.6</u>	<u>24,933.8</u>	<u>27,099.9</u>
Memorandum accounts	<u>46,827.9</u>	<u>50,916.7</u>	<u>79,162.0</u>

Key indices and financial ratios for the period are as follows:

	30/6/01	30/6/02	30/6/03
Regulatory capital (€ m)	4,795.8	5,579.8	5,144.4
Solvency margin (%)	20.96	21.92	21.31
Earnings per share (€)	0.24	0.15	n.s.
Earnings per share, incl. transfer to credit risks provision (€)	0.36	0.26	0.04
Net asset value per share (€) ⁽¹⁾	6.58	5.88	5.77
Gross gain per share on investment securities listed on 30/6 (€)	7.22	4.35	3.46
Price/earnings ratio	51.2	55.1	n.s.
Price/book value ratio	1.9	1.6	1.5
Market capitalization (€ m)	8,032.2	7,105.6	6,834.1
No. of shares in issue (m)	642.2	778.5	778.5
Average number of employees in year ended 30/6	332	358	379
Cost/income ratio (%)	25.9	31.1	29.1

⁽¹⁾ Includes profit for the year.

REVIEW OF KEY ITEMS

Loans and advances

These comprise:

	30/6/01	30/6/02	30/6/03
	€ m	€ m	€ m
Loans	14,143.6	14,690.8	11,800.4
Advances	86.0	171.0	721.6
	<u>14,229.6</u>	<u>14,861.8</u>	<u>12,522.0</u>

Movements over the past three years have been as follows:

	2000-01		2001-02		2002-03	
	(€ m)	%	(€ m)	%	(€ m)	%
Balance of disbursed loans at beginning of year	14,765	100.0	14,230	100.0	14,862	100.0
Movements during the year:						
– disbursements	8,901	60.3	9,334	65.6	10,350	69.6
– repayments	9,436	63.9	8,702	61.2	12,690	85.4
– net disbursements	(535)	(3.6)	632	4.4	(2,340)	(15.8)
Balance of disbursed loans at year-end	14,230	96.4	14,862	104.4	12,522	84.2

The fall in loans disbursed is due to the Bank's customary cautious approach to risk in view of the economic climate, which has deteriorated still further during the twelve months under review, and to exposures to certain major clients being reduced.

Total outstandings at 30 June 2003 include:

- a single non-performing item covered by SACE credit insurance, whom we are suing for the indemnity due; € 66,000 was collected during the year, reducing the exposure from € 193,000 to € 127,000;
- overdue instalments amounting to € 57,000, all of which have been collected since the balance sheet date (30/6/02: € 97,000, also collected in full);

- loans and advances to subsidiaries totalling € 2,756.2m, broken down as follows:

	€ m
<i>MB Finstrutture - Intersomer</i>	661.5
<i>Palladio Leasing</i>	519.7
<i>SelmaBipiemme Leasing</i>	384.4
<i>Teleleasing</i>	351.3
<i>Compass</i>	334.4
<i>Micos Banca</i>	285.0
<i>Sade Finanziaria</i>	217.8
<i>Seteci</i>	1.6
<i>R. & S.</i>	0.5
	2,756.2

As at 30 June 2003, there were eleven significant exposures in terms of loan concentration, i.e. in excess of 10% of the Bank's regulatory capital. According to the permitted risk weightings, these amounted to € 10,297.2m, or 25% of the aggregate limit.

The average rate of interest paid over the twelve-month period by borrowers of Euro facilities not linked to back-to-back funding was 4.13%, as against 4.56% the previous year.

Funding

The 13.7% increase in the aggregate is due to a rise in debt securities, which were boosted by the rating assigned to the Bank during 2002.

This item comprises:

	30/6/01	30/6/02	30/6/03
	€ m	€ m	€ m
Time deposits and current accounts	1,625.8	2,279.1	1,876.4
Debt securities.....	10,890.9	11,202.1	14,653.6
Loans from banks	3,417.1	4,430.1	3,834.1
	15,933.8	17,911.3	20,364.1

The € 402.7m fall in *Time deposits* and *current accounts* was attributable to certificates of deposit as to € 125.1m and for the balance to current accounts, after several loans were repaid. The average rate of interest paid over the twelve months was 3.01%, as against 3.31% the previous year.

The € 3,451.5m increase in *Debt securities* represents the difference between € 4,961.8m in new issues and interest accruals, and € 1,510.3m in conversions, redemptions (including early redemptions) and exchange rate adjustments. Around three-quarters of the new issues involve securities linked to real and financial indicators, such as interest rates, share prices and stock indices, investment funds and inflation, or to credit events and foreign currencies. The balance is made up of plain vanilla products, such as zero coupon, one coupon and fixed- or floating-rate notes. The average interest rate paid on the Bank's bonds over the twelve-month period, excluding those issued in respect of back-to-back loans, was 3.17%, as against 3.74% the previous year. A list of the Bank's debt securities in issue as at 30 June 2003 is given in Table A below.

Loans from banks fell by € 596m. This item comprises interbank facilities of € 3,191.6m (of which € 3,024.7m was raised by Mediobanca International) and EIB funds of € 642.5m. Loan accounts in currencies other than the Euro have been translated into Euros at exchange rates ruling at the balance sheet date.

Treasury

This heading covers:

	30/6/01	30/6/02	30/6/03
	€ m	€ m	€ m
Cash and bank balances	1,209.1	1,110.0	873.2
Fixed income securities	3,016.0	3,734.6	7,098.2
Equities	169.3	1,147.4	1,179.6
Forward transactions less securities lent	(508.5)	(843.9)	656.6
	3,885.9	5,148.1	9,807.6
	3,885.9	5,148.1	9,807.6

Movements in the treasury securities portfolio are given in Table B. The overall result, including derivative and arbitrage transactions, was a gain of € 103.3m, writedowns of € 58m and exchange rate adjustments of € 16.3m. Unrealized gains as at 30 June 2003 stood at € 253.8m. The total yield on treasury transactions (net of writedowns, but not taking into account gains accumulated during the period) including derivative transactions was 3.78%, compared with 3.42% the previous year.

Trading in *Repos and lent securities* involved lendings of € 2,535m and borrowings of € 1,027.3m. Our counterparties in these transactions were banks as to € 1,866.7m with regard to lendings and as to € 456.7m with regard to borrowings. This item also includes € 851.1m in technical short-falls.

Investment securities

These consist of:

	30/6/01	30/6/02	30/6/03
	€ m	€ m	€ m
Debt securities	24.1	77.4	77.3
Other investments	2,899.0	2,835.2	2,570.3
Investments in Group undertakings .	102.5	118.8	118.7
Total investment securities	3,025.6	3,031.4	2,766.3

The composition of the Bank's investment portfolio, the movements therein during the period under review and the relative writedowns charged at 30 June 2003 are set out in Table C. This shows a surplus of market price over book value based on average prices in the six months to 30 June 2003 of € 2,691m (€ 2,907.5m based on prices and holdings at the time of writing).

Movements involved purchases and subscriptions of € 500.4m and divestments of € 460.8m. These produced a net loss of € 37.8m, almost entirely attributable to disposal of the Bank's holding in Fondiaria-SAI. At the balance sheet date, the portfolio was written down by € 265.6m, which net of the relative advance tax translates to a charge of € 185.3m to profit and loss.

In addition to the movements set out in the Review of Group Operations, the Bank's holding in Tradevco has been written down to a token value of € 1 following the recent war in Liberia, which has resulted in the company having to suspend operations. A total of € 5.1m has been transferred to the *Provision for liabilities and charges* to cover any charges arising from this interruption to Tradevco's business, which may become permanent in view of the state of crisis in Liberia, which looks to be endemic. An equivalent sum was transferred to the *Consolidated provision for liabilities and charges* last year to cover exposure to that country.

The performance of the Mediobanca Group's main subsidiaries, whose accounts are set out in Table E, is described in the Review of Group Operations on pp. 29-33.

Net fixed assets

These consist of:

- *Property*, carried at a book value of € 23.8m, which has been depreciated as to € 13.2m. Two of the properties, the building in Via Filodrammatici opposite the Bank's headquarters and the premises in Piazza di Spagna in Rome, have been acquired under leases via Group subsidiary SelmaBipiemme. The Via Filodrammatici lease expires in 72 months and the outstanding principal amount on it is € 29.8m, whereas the lease on the Piazza di Spagna property expires in six months and its outstanding principal is € 4.2m;
- *Furniture, equipment and intangible assets*, consisting of furniture, office machines, computer equipment and software owned by the Bank. As usual, the cost of these items is written off in the year in which it is incurred, resulting in a charge of € 5.1m to profit and loss.

Provisions for liabilities and charges

These consist of:

- the *Provision for taxation*, amounting to € 163.3m;
- the *Staff termination indemnity provision*, amounting to € 14.9m. This provision covers all indemnities due to our staff as at 30 June 2003;

- the *Provision for liabilities and charges*, which consists of € 5.1m to cover exposure to Group subsidiary Tradevco.

Shareholders' equity, regulatory capital and solvency margin

The Bank's net worth of € 4,504m (30/6/02: € 4,458.6m), comprises:

- *Share capital* amounting to € 389.3m, up € 10,000 after the issue of 20,000 new shares upon exercise of a like number of stock options;
- *Reserves and retained earnings* amounting to € 3,189.2m, up € 0.4m. These consist of:
 - the *Legal reserve*, amounting to € 77.9m, and the *Statutory Reserve* now standing at € 1,033.6m. These increased by € 2,450.01 and € 262,000 respectively as a result of the profit appropriations approved at the General Meeting held on 28 October 2002;
 - the *Share premium reserve*, which totals € 1,807.1m, up € 134,000 following the exercise of stock options;
 - a *Surplus arising on merger* of € 262.9m and *Revaluation reserves* of € 7.6m pursuant to Italian Laws 72/83 and 413/91, both unchanged;
 - *Retained earnings* of € 81,000;
- *General banking provisions* of € 638.9m;
- *Credit risks provisions* of € 286.6m, after allocating € 45m for the year.

The Bank's regulatory capital, after taking into account proposals made in General Meeting, stands at € 5,144.4m, down € 435.4m due to lower gains on the equity investment portfolio. The solvency margin thus falls from 21.92% to 21.31%.

* * *

Assets which are subject to monetary revaluations that have been included in the accounts being submitted to your approval are listed in Table G.

* * *

Interest margin

	30/6/01	30/6/02	30/6/03
	€ m	€ m	€ m
Loan interest	717.7	588.9	493.9
Interest and other income from treasury transactions	143.5	200.6	370.0
Dividends and tax credits (*)	146.8	121.9	110.8 (*)
Total income from funds employed	1,008.0	911.4	974.7
Less cost of funding	(667.9)	(575.4)	(591.6)
Interest margin	<u>340.1</u>	<u>336.0</u>	<u>383.1</u>

(*) Excludes € 177.6m relating to arbitrage transactions, which have been taken to *Interest and other income from treasury transactions* net of € 129.4m in related charges.

The interest margin was at its highest level as a percentage of total income for five years. This is chiefly due to the contribution of treasury transactions, which more than offset the reduction in dividends collected and loan interest, which fell as a result of lower business volumes despite recording higher margins:

	1998-99	1999-00	2000-01	2001-02	2002-03
Interest margin as % of total income ...	32.58	34.95	33.74	36.87	39.30

With market rates falling sharply, the margin on rates was boosted by a decline in the cost of interest-bearing funds that outweighed the return on funds employed, which as previously stated, benefited from gains on treas-

ury transactions. The slight increase in the gross margin is the result of growth in business volumes and lower non-interest bearing funds.

	2000-01		2001-02		2002-03	
	Average balance (€ m)	Rate ⁽¹⁾ %	Average balance (€ m)	Rate ⁽¹⁾ %	Average balance (€ m)	Rate ⁽¹⁾ %
<i>Interest-earning assets</i>	<u>19,770.4</u>	<i>5.09</i>	<u>21,092.9</u>	<i>4.31</i>	<u>23,725.4</u>	<i>4.10</i>
Interest-bearing liabilities	15,831.6	4.32	16,349.1	3.59	19,097.4	3.17
Non-interest-bearing funds	<u>3,938.8</u>	—	<u>4,743.8</u>	—	<u>4,628.0</u>	—
<i>Total sources of funding</i>	<u>19,770.4</u>	<i>3.46</i>	<u>21,092.9</u>	<i>2.78</i>	<u>23,725.4</u>	<i>2.55</i>
Margin on rates		<i>0.77</i>		<i>0.72</i>		<i>0.94</i>
Gross effective margin on interest-earning assets		<i>1.63</i>		<i>1.53</i>		<i>1.55</i>

⁽¹⁾ Excludes gains on securities dealing and commissions on CDs.

Commissions and other items

The main items under this heading were fees of € 164.1m generated by corporate and investment banking activities (30/6/02: € 130.3m). This heading also includes € 2.7m in rent received and € 1.9m in expenses recovered from clients.

General expenses

The main items under this heading are:

- bank charges of € 20.9m (30/6/02: € 20m), consisting almost entirely of commissions on funding instruments;
- labour costs of € 74.5m (€ 58.6m), reflecting the increase of 21 in our headcount and a rise in the performance-related component of staff remuneration;
- sundry expenses of € 65.3m (€ 68.2m), the principal items in which were: EDP and financial information subscriptions of € 12.9m; outside

consultants' fees of € 12m (including the fixed fees payable to the Board of Directors); ordinary leasing and additional charges of € 11.1m on the Bank's offices in Piazza di Spagna in Roma and Via Filodrammatici in Milan; rent, equipment leasing and maintenance charges of € 6.3m; share and bond administration expenses of € 5.5m; contingent and sundry liabilities of € 4.6m; research and publication costs of € 2.3m; travel and entertainment expenses of € 2m; stationery, postage, telephone and fax charges of € 1.8m; sundry taxes of € 1.6m (net of amounts received); interest of € 1.2m paid on instalments of our substitutive tax liability arising from the franking of the *Credit risks provision*; and ordinary depreciation charges of € 0.7m.

RISK MANAGEMENT

Credit risk

The Bank's internal control system for identifying, evaluating and controlling credit risk reflects its traditional policy based on a prudent and highly selective approach. Lending decisions originate from extensive knowledge of the borrower's business, assets and management, as well as the macroeconomic background of its operations and, in the case of countries at risk, facilities are backed by fees received to cover the portion of the loan not covered by credit insurance provided by State agencies. In addition to suitable guarantees, covenants are incorporated into documentation (having regard *inter alia* to the maturity and size of the loan concerned) to provide protection against any deterioration in creditworthiness. Applications for finance are processed through a set of tried and tested procedures requiring them to be scrutinized and validated in successive steps, while all loans outstanding are monitored on an ongoing basis. To gauge the effectiveness of these measures, the customary table covering Mediobanca's lending operations has been updated as follows:

	€ m
Loans outstanding as at 30 June 1991	6,772
Loans disbursed between 30 June 1991 and 30 June 2003	73,893
Total loans granted during the period (a)	80,665
Bad debts written off during the period (b)	2.6 (*)
% (b):(a)	<u>0.003</u>

(*) A single item arising from an action to revoke repayments taken more than four years after the loan was repaid by the borrower's special administrator operating under Italian Law 95/79.

It should be pointed out that all default interest is credited to the relevant provision, which since June 1991 has generated a net surplus of over € 8m.

Market risk

Mediobanca uses a risk management system that monitors market risk on a daily basis. In operation since 1 January 2002, this system calculates value at risk (VaR) ⁽¹⁾ on the Bank's entire trading and structural portfolio. VaR is based on expected volatility and the correlation between the risk factors concerned, to determine potential negative movements that can be expected within a 95% confidence level as a result of market movements in a single trading day. It is also calculated on the same assumptions, using the Monte Carlo simulation ⁽²⁾ and historical simulation ⁽³⁾ models.

At the balance sheet date, VaR on market risk was equivalent to € 5.8m, and the expected shortfall ⁽⁴⁾ was € 9.4m, as detailed below.

Value at risk and expected shortfall

Risk factor	30/6/03 (€ '000)	30/6/02 (€ '000)
Interest rates	3,207	846
Equities	5,603	3,274
Exchange rates	382	373
<i>Diversification effect</i> (*)	(3,382)	(1,624)
TOTAL	5,810	2,869
<i>Expected shortfall</i>	9,369	5,478

(*) Resulting from mismatch between risk factors.

⁽¹⁾ VaR: maximum potential loss over a specified time horizon and given confidence levels.

⁽²⁾ Determines portfolio value based on random variations in risk factors.

⁽³⁾ Determines portfolio value based on historic variations in risk factors.

⁽⁴⁾ Expected shortfall: average potential loss over and above VaR, calculated by historical simulation.

Overall, risk remains highest in equities, which at € 5.6m reflects the transfer of equity investments with a market value of € 175m as at 30 June 2003 to treasury. The increase in risk associated with interest rates from € 0.8m to € 3.2m is linked to the Bank's increased exposure to debt capital markets, where the market value of our securities and derivatives portfolio has more than doubled since 30 June 2002, as well as to a general increase in relative volatility. For the same reasons, the diversification effect is also higher at almost € 3.4m.

The Bank's increased business levels and higher volatility during the year contributed to greater variation in the levels of VaR. Its high during the period was € 7.3m, compared with € 4.6m in the second half of the Bank's last financial year, and its low € 1m (€ 1.9m). The average trend in VaR during the year was € 4m, as against € 2.9m during the first six months of 2002.

Table F as usual shows all our open positions at the balance sheet date, together with information on their credit quality as required by Bank of Italy regulations. This reflects a potential risk for our counterparties which has increased from € 262.4m to € 442.3m due to a major increase in future exposure from € 659.7m to € 1,214.5m, the result in changes to the method of calculation which is now based on a direct correlation to the increase in volumes, which rose by 57.6%, and the life of the transactions. By contrast, the Bank's current exposure, which takes account of further payment agreements entered into with the relevant counterparties, who are highly rated banks and financial companies, fell by almost 8% from € 254.7m to € 234.9m despite the very high volatility levels.

Counterparty risk

This is measured in terms of expected potential market value, thereby doing away with the need to set arbitrary weightings for each type of fund employed while arriving at a maximum potential exposure to the Bank's various counterparties based on a given confidence level and over a specified time horizon.

Asset and liabilities management

The sensitivity of the Bank's portfolio of assets and liabilities to interest rate movements is calculated on a daily basis, as is liquidity risk, based on the prospective timing of future cash flows. Both these instruments are used in treasury management, and enable strategic decisions on the Bank's operations to be taken at quarterly intervals by providing information on profit trends and the potential impact of market movements on any mismatches that could arise.

OTHER INFORMATION

Staff and stock option schemes

Your Bank's staff, who deployed their skills with their customary diligence and professionalism during the period under review, totalled 386 people at the balance sheet date, as against 372 on 30 June 2002. These now comprise 48 senior executives, 126 Grade 3 and 4 managers, and 212 clerical staff.

Details of the current stock option plan are given below:

	No. of options	Avg strike price
		€
Options at beginning of financial year	14,224,000	10.35
Options allotted	9,855,000	7.84
Options expiring	30,000	7.84
Options exercised	20,000	7.23
Options at end of financial year	24,029,000	8.00
<i>Of which: exercisable</i>	<i>345,000</i>	<i>7.54</i>

In the aim of securing the loyalty of key members of staff, *inter alia* in the light of changes to the Bank's senior management, a total of 13,779,000 options were allotted during the year at a strike price of € 8.11 per share, as against a like number of options relating to previous years being cancelled. The vesting period was also rescheduled from its original expiry date. The scheme provides for options to be exercised over a period of ten

years, vesting between twelve and twenty-four months. A further 14,630,000 options have been allotted since 30 June 2003 at a strike price of € 8.71.

Credit rating

Standard & Poor's rate Mediobanca as AA- for mid-long term debt (A-1+ for short-term debt) with a negative outlook.

Research

On the research side, work has continued as in the past on company and capital market surveys.

Financial accounts with "related parties"

Financial accounts with such parties outstanding as at 30 June and movements therein during the period under review are summarized below:

	Group undertakings	Other "related parties"
	(€ m)	(€ m)
Assets	2,911.4	2,597.8
Liabilities	3,045.5	91.2
Guarantees and commitments	6,214.0	2,029.4
Interest received	106.7	124.9
Interest paid	(130.3)	(23.5)
Fee income	(5.7)	29.2
Other income (expenses)	(6.5)	1.6

Details of accounts maintained with consolidated companies are given in Table 3.2 of Part B of the Notes to the Accounts. All such accounts fall within the Bank's ordinary operations, are maintained on an arm's length

basis and are entered into in the interests of the Bank itself *inter alia* in its capacity as parent company of the Mediobanca Banking Group. In this regard, certain services provided by Group subsidiaries, such as EDP, share and bond administration expenses, and research, are paid for at cost. No “atypical” or “unusual” transactions have been entered into with these counterparties. There are no shareholders in your Bank in a “controlling position”.

Significant developments since 30 June 2003

At a Board meeting held on 15 July 2003, the Directors of Mediobanca approved changes to the composition of the Bank’s core/long-term equity investment portfolio, which now comprises holdings in Assicurazioni Generali, RCS MediaGroup, Italmobiliare, Pirelli, Olivetti (now Telecom-Italia), Fiat and Gemina, plus Banca Esperia and Compagnie Monégasque de Banque which form part of our banking business. In the same month, Mediobanca acquired a 44.35% interest in the share capital of Compagnie Monégasque de Banque for an outlay of € 251m following exercise of the put-and-call options entered into with the Commerzbank group and CMB’s long-standing local shareholders in May 2002. Mediobanca, which already held 17.29% of CMB, has therefore become its controlling shareholder, and as a result CMB will become part of the Mediobanca Banking Group.

PROSPECTS

The interest margin is likely to show a similar trend in the current financial year to that seen in the twelve months ended 30 June 2003. The contribution of fee income remains linked to the performance of the financial markets on which Mediobanca operates. The Bank’s investment portfolio may benefit from the upturn in equity markets if the trend recorded in the first two months of the new financial year is borne out.

PROPOSALS TO SHAREHOLDERS

A net loss of € 14,027,395.27 was incurred during the year, after € 90.3m in current tax and transfers of € 45m to *Credit risks provision*.

We propose:

- a) to cover the loss by drawing on *Retained earnings for prior years* in their full amount of € 80,734.51, and on the *Surplus arising on merger* as to the outstanding € 13,946,660.76;
- b) to declare a dividend of € 0.18 per share, an increase of 20% over last year in line with the improvement in operations, following the withdrawal of € 140,139,074.70 from the *Statutory reserve*.

If these proposals are adopted, the Bank's net worth will amount to € 4,349.8m, not including unrealized gains on the securities and property portfolios.

You are accordingly invited to approve the following appropriation of profits:

	€
Net loss for the year	(14,027,395.27)
Retained earnings from prior years	80,734.51
	(13,946,660.76)
Surplus arising on merger	13,946,660.76
Retained earnings	0.00
From <i>Statutory reserve</i>	140,139,074.70
Dividend of € 0.18 per share on 778,550,415 shares	140,139,074.70

The Board of Directors will be paid a fixed fee of € 1.5m, as provided for under Article 19 of the Bank's Articles of Association.

The dividend of € 0.18 per share, which entitles shareholders to a "full" tax credit of 51.51% thereon, will be payable as of 27 November 2003.

On 13 April 2003, Mr Francesco CÌNGANO tendered his resignation from the post of Chairman of Mediobanca and Mr Vincenzo MARANGHI resigned as the Bank's Managing Director.

On 24 June 2003, Mr Giorgio BRAMBILLA passed away. We are grateful to him for his useful contribution to the Board's deliberations.

Mr Fabrizio PALENZONA and Mr Vittorio RIPA di MEANA have also resigned as Directors of the Bank. We thank them for the dedication they have shown to Mediobanca.

The terms of office of your Directors Mr Ennio DORIS, Mr Paolo FRESCO, Mr Matteo ARPE, M. Jean AZEMA, Mr Tarak BEN AMMAR, M. Vincent BOLLORE' and Mr Gabriele GALATERI di GENOLA have expired, after they were co-opted to the Board in the course of the financial year.

You are therefore invited to elect Directors accordingly.

The Statutory Audit Committee's three-year term of office has also expired. You are invited to renew their term of office and set their remuneration accordingly.

* * *

Under a Resolution adopted at the Annual General Meeting of the Bank held on 28 October 2000, PricewaterhouseCoopers S.p.A. were appointed Auditors to Mediobanca and the Mediobanca Banking Group in respect of their interim and annual accounts and to perform other duties provided for under Article 155 of Italian Decree Law 58/98 for the three-year period ended 30 June 2003. This period has now expired.

Moreover, following its audit of the Bank's accounts for the year ended 30 June 2003, PricewaterhouseCoopers S.p.A. cannot, under Article 159 of Italian Decree Law 58/98, be reappointed to such office, having now performed three successive such terms. You are accordingly invited to appoint a new Auditor, pursuant to Article 159 of Italian Decree Law 58/98. At a Board meeting held on 15 September 2003, the Directors considered applications for this office tendered by three registered auditors, and having given due regard to the fees quoted therein, recommend that Reconta Ernst

& Young S.p.A. be appointed as Auditor to Mediobanca for the next three financial years.

You are accordingly asked to adopt the following resolution:

“Having received and considered the Directors’ Report and the favourable opinion of the Statutory Audit Committee, the Ordinary General Meeting of Mediobanca hereby resolves:

- 1) to appoint, pursuant to Italian Decree Law 58/98, Reconta Ernst & Young S.p.A., Milan, to audit Mediobanca’s statutory annual accounts and its Banking Group’s consolidated accounts and perform other duties provided for in Article 155 of the said Decree Law for the years ending 30 June 2004, 2005 and 2006, for annual fees of € 80,000 based on an estimated time of 1,000 manhours for the Bank’s accounts, and € 10,000 based on an estimated time of 100 manhours for the consolidated accounts;
- 2) to appoint, pursuant to CONSOB directives and in accordance with Bank of Italy regulations, Reconta Ernst & Young S.p.A., Milan, to audit Mediobanca’s interim accounts for the six-month periods ending 31 December 2003, 2004 and 2005, for annual fees of € 50,000 based on an estimated time of 600 manhours, having taken due note that such fees shall be adjusted each year from 1 July 2004 on the basis of (i) the change in the ISTAT cost-of-living index, base date 30 June 2003, and (ii) any exceptional or unforeseen circumstances, including significant changes in the structure of the Group and its operations, which may require extra manhours, and do not include direct expenses, general administrative expenses or VAT.”

Milan, 15 September 2003

THE BOARD OF DIRECTORS

STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REPORT

As required by Article 153 of Italian Decree Law 58/98

The following is a review of the Statutory Audit Committees' activities during the year ended 30 June 2003, in accordance with Article 153 of Italian Decree Law 58/98.

The auditing of Mediobanca's accounts and financial statements pursuant to Decree Law 58/98 is the responsibility of Pricewaterhouse Coopers S.p.A., and we refer you to their report for further information in this regard.

The independent auditors' report raises no issues of any significance, and contains a statement for information purposes concerning which we have no comment to make.

During the year, we have carried out our supervisory duties as prescribed by law, in accordance with Bank of Italy and Consob regulations and our own profession's guidance as laid down by the Italian association of chartered and ordinary accountants.

On the basis *inter alia* of instructions contained in a statement issued by Consob on 6 April 2001 as amended, we inform you that we have:

- met on thirteen occasions
- taken part in ten Board meetings and twelve Executive Committee Meetings
- received from the Directors at these meetings the information contemplated under Article 27 of the Bank's Articles of Association regarding the business and most significant transactions carried by the company and its subsidiaries
- ascertained that transactions involving potential conflicts of interest have all been approved in accordance with legal and statutory requirements
- noted that no "atypical" or "unusual" transactions have taken place

- noted that no ordinary intra-group transactions or transactions involving “related parties” have been entered into which are counter to, or otherwise not in accordance with, the interests of the company. The effects of such transactions in terms of profit or loss are discussed by the Directors in their review of the Bank’s operations and its accompanying schedules, to which we refer
- noted that the instructions required by Article 114 of Decree Law 58/98 have duly been transmitted to all Group subsidiaries
- appraised the company’s internal control and administrative and accounting systems, which in our opinion are adequate to ensure the smooth running of its business and accurately reflect the state of its operations, on the basis of information received from managerial staff, regular reports prepared by the Bank’s internal audit department, and regular meetings with the independent auditors involving a two-way exchange of facts and information
- monitored the implementation of organizational measures linked to developments in the company’s business
- noted that the independent auditors have issued no opinions within the terms laid down by law
- noted that, following a request from the Bank itself, the independent auditor conducted a review of the information contained in a prospectus for the issue of Mediobanca debt securities worth € 25,822.84
- noted that no further mandates have been granted to the independent auditors, or to other parties linked to them on an ongoing basis.

During the twelve months under review, the Italian regulatory authorities took certain measures in connection with Mediobanca’s involvement in the Ferrari and SAI/Fondiarria/Generali cases. The Statutory Audit Committee monitored the development of these situations closely, asked the Bank for documents and explanations, expressed its opinion regarding interpretation of the Bank’s Articles of Association, called for amendments to be made to the Board’s resolution on delegated powers (which amendments were duly made), and urged the Bank to comply with the Committee’s own instructions and directions and with those of the regulatory authorities, as well as subsequently ascertaining that such compliance had duly been effected.

We have received no complaints or other similar statements of the kind contemplated under Article 2408 of the Italian Civil Code.

With regard to the question of corporate governance, we would point out that since 2001, Mediobanca has sought to comply with the guidance given in the Code of Conduct for Listed Companies on the terms set out in the Directors' report on this subject, which has recently been updated and made available.

As required by Article 153 of Italian Decree Law 58/98, we recommend that the accounts for the year and the proposed dividend payout be adopted.

* * *

Finally, the terms of office of your Directors Mr Ennio DORIS and Mr Paolo FRESCO have expired, as have those of Mr Matteo ARPE, M. Jean AZEMA, Mr Tarak BEN AMMAR, M. Vincent BOLLORE' and Mr Gabriele GALATERI di GENOLA, who have been co-opted to the Board since the last Annual General Meeting. You are therefore invited to elect Directors accordingly. The Statutory Audit Committee's three-year term of office also expires with this Annual General Meeting; you are accordingly invited to appoint new statutory auditors and fix their remuneration.

Milan, 24 September 2003

STATUTORY AUDIT COMMITTEE

AUDITORS' REPORT

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF DECREE
LAW 58/98**

To the shareholders of
MEDIOBANCA – BANCA DI CREDITO FINANZIARIO SPA

- 1 We have audited the financial statements of MEDIOBANCA – BANCA DI CREDITO FINANZIARIO SPA as at 30 June, 2003. These financial statements are the responsibility of MEDIOBANCA – BANCA DI CREDITO FINANZIARIO SPA's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

- 2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The opinion we express in this report as to the amounts of the item *Investments in Group companies* representing 0,4% of total assets is also based on the audit performed by other auditors.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 27 September 2002.

- 3 In our opinion, the financial statements of MEDIOBANCA – BANCA DI CREDITO FINANZIARIO SPA as at 30 June 2003 comply with the laws governing the criteria for their preparation. Accordingly, they give a true and fair view of the financial position and of the results of operations of the Company.

Sede legale: Milano 20124 Via Vittor Pisani 20 Tel. 0267831 Fax 0266981433 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta all'Albo Consob – Altri uffici: Ancona 60123 Via Corridoni 2 Tel. 07136881 – Bari 70125 Viale della Repubblica 110 Tel. 0805429863 – Bologna 40122 Via delle Lame 111 Tel. 051526611 – Brescia 25124 Via Cefalonia 70 Tel. 0302219811 – Firenze 50129 Viale Milton 65 Tel. 0554627100 – Genova 16121 Piazza Dante 7 Tel. 01029041 – Milano 20122 Corso Europa 2 Tel. 0277851 – Napoli 80121 Piazza dei Martiri 30 Tel. 0817644441 – Padova 35137 Largo Europa 16 Tel. 0498762677 – Palermo 90141 Via Marchese Ugo 60 Tel. 091349737 – Parma 43100 V.le Tanara 20/A Tel. 0521242848 – Roma 00154 Largo Fochetti 29 Tel. 06570251 – Torino 10129 Corso Montevecchio 37 Tel. 011556771 – Trento 38100 Via Manzoni 16 Tel. 0461237004 – Treviso 31100 Piazza Crispi 8 Tel. 0422542726 – Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 – Udine 33100 Via Marinoni 12 Tel. 043225789 – Verona 37122 Corso Porta Nuova 125 Tel. 0458002561

- 4 Without qualifying our opinion, we would like to draw your attention to the Provision for doubtful debts, as described in the notes to the financial statements, is calculated in accordance with tax regulations.

Milan, 23 September 2003

PricewaterhouseCoopers SpA

Signed by: Antonio Taverna
(Partner)

This report has been translated from the original which has been issued in accordance with Italian legislation. We have not checked the translation of the consolidated financial statements.

Accompanying Schedules

TABLE A

MEDIOBANCA DEBT SECURITIES IN ISSUE

	Outstanding at 30/6/02	Outstanding at 30/6/03
	€ '000	€ '000
OUTSTANDING		
1994-2004 floating rate	413,165	413,165
6% 1995-2002 Special Series convertible into SAI savings shares.....	71,167	— ⁽¹⁾
1996-2003 floating rate (formerly 7% convertible)	103,291	103,291
1996-2006 9.9% zero coupon	1,061,969	1,167,064 ^(a)
1996-2006 5.91% zero coupon.....	134,274	142,209 ^(b)
1996-2011 7.3% zero coupon.....	612,770	657,470 ^(c)
1997-2002 linked to world telecoms	516,456	— ⁽¹⁾
6.55% 1997-2003	20,658	— ⁽¹⁾
1997-2004 floating rate	258,228	258,228
1997-2004 floating rate <i>Issue II</i>	51,646	51,646
6.7% 1997-2004	20,658	20,658
6.8% 1997-2005	20,658	20,658
6.95% 1997-2006	20,658	20,658
1997-2007 floating rate	382,177	382,177
7.05% 1997-2007	10,329	10,329
7.25% 1997-2007 (*)	18,031	— ^(c)
2% 1998-2002 with warrants to purchase <i>Antinori Brunello di Montalcino</i> wine.....	2,582	— ⁽¹⁾
4.69% 1998-2003	129,114	— ⁽¹⁾
2% 1998-2004 with warrants to purchase <i>Castel Giocondo Frescobaldi Brunello di Montalcino</i> wine ..	7,500	5,000 ^(c)
3.15% 1998-2005 with redemption premium linked to European insurance companies.....	568,102	568,102
3.05% 1998-2005 with redemption premium linked to international blue chips.....	387,342	381,924 ^(c)
4% 1998-2005	51,646	51,646
2% 1998-2005 with redemption premium linked to export-oriented Japanese equities.....	36,152	36,152
1998-2006 callable linked to DJ Euro Stoxx 50 index ..	90,380	69,001 ^(c)
1998-2008 convertible rate	671,393	650,593 ^(c)
6.4% 1998-2008 Russia issue with guaranteed principal amount	387,342	387,342
1998-2008 4.1% one coupon with options	168,151	111,372 ^(d)
1998-2018 callable reverse floater	258,228	258,228
1999-2003 USD callable linked to Dow Jones index....	50,125	— ⁽¹⁾
1999-2004 callable linked to MIB 30 index.....	175,000	175,000
1999-2004 callable linked to Nikkei 225	110,000	110,000
1999-2004 USD linked to Nikkei 225 index	100,251	87,512 ^(c)
1999-2004 Euro Best of Basket	75,000	75,000

TABLE A (cont.)

	Outstanding at 30/6/02	Outstanding at 30/6/03
	€ '000	€ '000
1999-2004 capped floating rate	75,000	75,000
1999-2004 linked to basket of banks and insurance companies with inflation protected principal	30,000	30,000
3% 1999-2004	25,000	25,000
3.25% 1999-2004 <i>Issue I</i>	20,000	20,000
5.02% 1999-2004 Special Series convertible into <i>Banca di Legnano</i> shares	5,000	5,000
1.75% 1999-2006 with redemption premium linked to World Telecoms	130,000	114,000 ⁽²⁾
2.15% 1999-2007 linked to European equity basket <i>Banca Popolare dell'Etruria e del Lazio</i> Special Series	20,000	20,000
1999-2008 callable stepdown <i>Issue I</i>	20,000	11,325 ⁽²⁾
1999-2009 floating rate	70,000	70,000
1999-2014 stepdown linked to Euro 10-year swap rate <i>Issue I</i>	25,000	25,000
1999-2019 stepdown linked to 30-year Euro swap rate.	75,000	44,566 ⁽²⁾
2000-2002 linked to Euro/dollar exchange rate <i>Issue II</i>	30,000	— ⁽¹⁾
2000-2003 floating rate	171,000	— ⁽¹⁾
4.75% 2000-2003	50,000	— ⁽¹⁾
5.5% 2000-2003 <i>Tirrenia</i> Special Series	41,454	41,454
5% 2000-2004	50,000	50,000
2000-2004 Euro Best in Sector	50,000	25,650 ⁽²⁾
2000-2005 hi-tech basket with crash protection	575,000	398,206 ⁽²⁾
2000-2005 Media & Internet bond	75,000	75,000
4.9% 2000-2005	50,000	50,000
2000-2005 Telecoms reverse cliquet	25,000	25,000
2000-2005 index-linked	25,000	714 ⁽²⁾
2001-2004 Geographic linked to Pioneer Funds	276,000	252,462 ⁽²⁾
2001-2004 Geographic linked to Plurifond Funds	70,000	70,000
0.50% 2001-2004 linked to Nikkei 225 index	50,000	50,000
4.25% 2001-2004	50,000	50,000
4.75% 2001-2004	50,000	50,000
2001-2004 Geographic linked to Pioneer Funds <i>Issue II</i>	22,000	22,000
2001-2005 linked to Nikkei 225 index	100,000	100,000
2001-2006 triple option	726,800	726,800
2% 2001-2006 convertible into <i>ENI</i> ordinary shares ..	115,000	115,000
5.12% 2001-2006 credit linked notes	60,000	60,000
2001-2006 floating rate	60,000	60,000
5% 2001-2006	50,000	50,000

TABLE A (cont.)

	Outstanding at 30/6/02	Outstanding at 30/6/03
	€ '000	€ '000
1.75% 2001-2006 Downside Protected Basket	50,000	32,500 ⁽²⁾
5.42% 2001-2008 credit linked notes	30,000	30,000
6.15% 2001-2011	3,025	3,025
2002-2005 linked to Euro inflation rate.....	258,000	258,000
2002-2005 range coupon basket	147,000	147,000
5% 2002-2006 linked to European inflation rate	10,000	10,000
2002-2007 Pure value 2 linked to DJ Euro Stoxx 50 index with European inflation protected principal ..	398,100	398,100
2.45% 2002-2007 linked to European inflation rate ...	25,000	25,000
5.25% 2002-2010	2,100	1,838 ⁽³⁾
5.25% 2002-2010 <i>Issue II</i>	570	499 ⁽³⁾
5.25% 2002-2010 <i>Issue III</i>	5,390	4,716 ⁽³⁾
5.25% 2002-2010 <i>Issue IV</i>	5,700	4,988 ⁽³⁾
6.20% 2002-2010 Nikkei 225 notes.....	7,500	7,500
2002-2010 Nikkei Notes <i>Issue II</i>	8,000	8,000
Dynamic Index 1 2005	—	80,897
2002-2010 Nikkei Notes <i>Issue II</i>	—	65,000
2002-2005 indexed to Dow Jones Euro Stoxx 50 Napoleon Cliquet Series 8	—	45,900
2002-2005 Dual centre July 2002 3 years	—	54,930
2002-2005 Dual centre August 2002 3 years.....	—	35,627
2002-2005 Dual centre September 2002 3 years	—	35,000
2002-2005 indexed to Dow Jones Euro Stoxx 50 Napoleon Cliquet Series 4	—	25,000
2002-2005 indexed to Dow Jones Euro Stoxx 50 Napoleon Cliquet Series 3	—	25,000
12.45% 2002-2005 World Napoleon Series 12	—	25,000
11.45% 2002-2005 World Napoleon Series 13	—	22,200
2002-2005 Dual centre November 2002 3 years.....	—	15,961
2002-2005 Dual centre October 2002 3 years.....	—	13,000
2002-2005 World Indices Euro Cliquet Notes Series 46	—	12,000
2002-2005 World Napoleon Series 32	—	8,000
2002-2005 World Napoleon Series 31	—	5,000
2002-2005 World Indices Euro Cliquet Notes Series 39 bond protection 2002-2005	—	3,000
2002-2005 indexed to Dow Jones Euro Stoxx 50 Napoleon Cliquet Series 7.....	—	800
2002-2006 dual call back	—	79,100
2002-2006 call back coupon.....	—	73,000
2002-2006 world basket coupon	—	66,500
2002-2006 linked to World Funds index performance	—	20,000

TABLE A (cont.)

	Outstanding at 30/6/02	Outstanding at 30/6/03
	€ '000	€ '000
2.15% 2002-2006 linked to European inflation rate ...	—	10,000
2002-2006 zero coupon Series 43	—	3,000
2002-2007 floating rate Series 6	—	500,000
2002-2007 step-up dual range coupon basket	—	350,000
Discount dynamic index 2 2007	—	250,000
2002-2007 step-up 3	—	180,000
2002-2007 dual performance linked to a basket of 15 international equities	—	116,500
2% 2002-2007 funds linked notes Series 27	—	75,000
2002-2007 funds linked notes Series 10	—	70,000
2002-2007 dual centre August 2002 5 years	—	20,320
2002-2007 floored global index basket 15 Series 42 ...	—	20,000
2002-2007 dual centre September 2002 5 years	—	12,640
2002-2007 dual centre July 2002 5 years	—	11,900
2002-2007 dual centre November 2002 5 years	—	9,580
2002-2007 World Indices Euro Cliquet Notes Series 36	—	5,000
2002-2007 World Napoleon Series 30	—	4,500
2002-2007 dual centre October 2002 5 years	—	3,710
2002-2007 indexed to Euro Stoxx 50 Napoleon Cliquet Series 37	—	1,000
2002-2007 indexed to Euro Stoxx 50 Napoleon Cliquet Series 45	—	1,000
2002-2008 step-up	—	200,000
2002-2008 conditional 9% fixed rate notes Series 38 ..	—	50,000
2002-2008 Altipiano global basket Series 9	—	30,000
2002-2008 step-up 2	—	30,000
2002-2008 best indices performance Series 29	—	25,000
2002-2008 World Napoleon Series 22	—	16,500
2002-2008 linked to a selection of 6 funds Series 47 ..	—	15,500
13.10% 2002-2008 World Napoleon Series 14	—	13,000
2002-2008 World Indices weighted basket Series 17 ..	—	12,000
2002-2008 World Napoleon Series 21	—	10,500
2.50% 2002-2008 linked to Dow Jones Euro Stoxx 50 Series 28	—	9,000
2002-2008 World Indices weighted basket Series 16 ..	—	8,000
2002-2008 World Indices Euro Cliquet Notes Series 44	—	8,000
12.10% 2002-2008 World Napoleon Series 15	—	7,000
Coupon dynamic index 3 2009	—	144,937
5.60% 2002-2010 Nikkei notes Series 40	—	16,000

TABLE A (cont.)

	Outstanding at 30/6/02	Outstanding at 30/6/03
	€ '000	€ '000
5.65% 2002-2010 reverse convertible Nasdaq 100 Series 48	—	13,000
6.25% 2002-2010 Nikkei 225 notes Series 5	—	10,000
5.95% 2002-2010 Nikkei 225 notes Series 19	—	10,000
6.20% 2002-2010 Nikkei 225 notes Series 20	—	10,000
6.12% 2002-2010 Nikkei 225 notes Series 24	—	10,000
2002-2010 reverse convertible Nasdaq 100 Series 25..	—	10,000
2002-2010 reverse convertible Nasdaq 100 Series 26..	—	10,000
5.76% 2002-2010 Nikkei 225 notes Series 35	—	10,000
6.10% 2002-2010 reverse convertible Nasdaq 100 Series 11 in USD.....	—	8,751 ^(f)
5.99% 2002-2010 Nikkei 225 notes Series 34	—	5,000
6.01% 2002-2010 Nikkei 225 notes Series 41	—	5,000
2002-2011 floating rate linked to CMS spread notes Series 19	—	15,000
5.80% 2002-2012 linked to European inflation rate Series 18	—	10,000
2002-2012 zero coupon Series 23	—	5,940
2003-2005 index-linked to performance of MIB30.....	—	5,000
2003-2006 dual centre December 2002 3 years	—	8,400
2003-2006 strong dollar	—	10,000
2003-2008 dual centre December 2002 5 years	—	2,045
Discount dynamic index 2008.....	—	207,684
2003-2008 maxima	—	57,400
2003-2008 notes with a variable amount of interest due 7 March 2008 linked to a selection of 20 companies' shares	—	14,000
2003-2008 linked to performance of High Yield Fund index.....	—	10,000
2003-2008 notes linked to a basket of funds Series 53 ..	—	10,000
2003-2008 duplica.....	—	35,000
2003-2008 notes with variable coupon amounts linked to an inflation index and a selection of 16 equity indexes Series 59	—	10,000
2003-2008 zero coupon Series 58	—	40,326
Discount dynamic index 9 2008.....	—	250,000
Discount dynamic index 10 2008	—	125,000
2003-2008 zero coupon notes Series 62.....	—	86,170

TABLE A (cont.)

	Outstanding at 30/6/02	Outstanding at 30/6/03
	€ '000	€ '000
2003-2009 step-up 4.....	—	115,000
2003-2008 zero coupon notes Series 49.....	—	3,922
2003-2008 zero coupon notes Series 56.....	—	3,953
2003-2008 zero coupon notes Series 57.....	—	3,945
2003-2010 one coupon Series 55.....	—	13,250
2003-2010 Formula7 index-linked Series 54.....	—	581,000
2003-2013 floating rate Series 50.....	—	100,000
2003-2013 10-year first to default credit linked notes Series 49.....	—	15,000
2003-2018 fixed rate linked to CMS spread notes Series 51.....	—	5,500
	<u>11,202,082</u>	<u>14,653,556</u>

(*) Under Article 10 of Law 64/86.

(1) Following redemption.

(2) Due to cancellation.

(3) Due to redemption.

(a) Increase due to capitalization of accrued interest. Principal amount at maturity € 1,548.2m.

(b) Increase due to capitalization of accrued interest. Principal amount at maturity € 178.7m.

(c) Increase due to capitalization of accrued interest. Principal amount at maturity € 1,238.2m.

(d) Due to cancellation and capitalization of accrued interest.

(e) Euro equivalent of USD 100,000,000 at exchange rate ruling on 30/6/03.

(f) Euro equivalent of USD 50,000,000 at exchange rate ruling on 30/6/03.

TABLE A (cont.)

MATURED OR DRAWN BY LOT	Outstanding at 30/6/02	Outstanding at 30/6/03
	€	€
6% 1970-1980	15.49	15.49
7% 1972-1987 <i>Fingest</i> Special Series	6,982.50	6,982.50
7% 1973-1988 <i>Sip</i> Special Series	18,075.99	18,075.99
7% 1973-1988 <i>Snia Viscosa</i> Special Series	4,330.49	4,330.49
7% 1973-1988 <i>Montefibre</i> Special Series	29,089.95	29,089.95
7% 1973-1988 <i>Banco di Santo Spirito</i> Special Series ..	11,207.11	11,207.11
7% 1973-1988 <i>Carlo Erba</i> Special Series	27,248.27	27,248.27
9.75% 1977-1987	516.46	516.46
12% 1979-1989 <i>Olivetti</i> Special Series	300.06	300.06
13% 1980-1990 <i>Snia Viscosa</i> Special Series	334.15	334.15
13% 1981-1991 <i>Beni Immobili Italia</i> Special Series ..	294.38	294.38
13% 1981-1991 <i>La Metalli Industriale</i> Special Series ..	1,032.91	1,032.91
13% 1981-1991 <i>Fidis</i> Special Series	18,024.35	18,024.35
14% 1982-1992 <i>Selm</i> Special Series	516.46	516.46
14% 1982-1988	2,148.46	2,148.46
8% 1985-1995 Special Series convertible into <i>Cir</i> (formerly <i>Buitoni</i>) ordinary shares	48.03	48.03
10% 1985-1995 Special Series convertible into <i>Cir</i> (formerly <i>Buitoni</i>) savings shares	40.28	40.28
7% 1985-1995 <i>Italcementi</i> Special Series	1,446.08	1,446.08
7% 1986-1993 <i>Linificio</i> Special Series	1,505.47	1,505.47
7% 1986-1993 <i>Marzotto</i> Special Series	446.22	446.22
7% 1986-1993 <i>Snia Tecnopolimeri</i> Special Series	1,291.14	1,291.14
6% 1986-1995 <i>Snia Fibre</i> Special Series	6,584.83	6,584.83
6% 1986-1995 <i>Italgas</i> Special Series	692.69	692.69
7% 1986-1995 <i>Italmobiliare</i> Special Series	413.17	413.17
6.5% 1986-1996 <i>Pirelli & C.</i> Special Series	601.67	601.67
7% 1986-1996 <i>Cir</i> Special Series	116.20	116.20
7% 1986-1996 <i>Cir</i> (formerly <i>Sabaudia</i>) Special Series	243.64	243.64
7% 1986-1996 <i>Unicem</i> Special Series	4,815.44	4,815.44
7% 1986-1997 <i>Franco Tosi</i> Special Series	13,944.34	13,944.34
5% 1987-1995 <i>Cementerie Siciliane</i> Special Series ex- warrants	5.68	5.68
8.5% 1989-1994 Special Series ex-warrants convertible into <i>Cofide</i> shares	629.04	629.04
13.5% 1989-1999	14,235.58	14,235.58
10% 1990-1996 ex-warrants convertible into <i>Italgas</i> shares	596.51	596.51

TABLE A (cont.)

	Outstanding at 30/6/02	Outstanding at 30/6/03
	€	€
7% 1990-1996 ex-warrants convertible into <i>La Fondiaria Assicurazioni</i> shares	400.25	400.25
9% 1991-1996 ex-warrants convertible into <i>Banca di Roma</i> shares	4,338.24	4,338.24
10.75% 1991-1996 ex-warrants convertible into <i>BBC</i> and <i>ASEA</i> shares	1,652.66	1,652.66
8% 1992-1998 ex-warrants convertible into <i>Italcementi</i> savings shares	1,807.60	1,807.60
6% 1993-1999 Special Series convertible into <i>Italmobiliare</i> savings shares	9.30	9.30
4% 1993-1999 <i>Alleanza Assicurazioni</i> ordinary Special Series	701.81	701.81
4.5% 1994-2000 Special Series convertible into <i>Buzzi Unicem</i> (formerly <i>Unicem</i>) ordinary shares	7.23	7.23
4.5% 1994-2000 with warrants convertible into <i>La Rinascente</i> ordinary and savings shares	603.22	603.22
6% 1995-2002 Special Series convertible into <i>SAI</i> savings shares.....	—	79.02
1997-2002 linked to world telecoms	—	25,822.80
1996-1998 6% and 7.50% in tranches with annual coupons and one coupon	4,482.84	4,482.84
1999-2002 corridor floating rate	100,000,000.00	—
1999-2002 floating rate	40,000,000.00	—
	140,181,776.19	207,678.01
	140,181,776.19	207,678.01

TABLE B

MOVEMENTS IN TREASURY SECURITIES

	Holding at 30/6/02 € '000	Amounts bought and subscribed € '000	Sales and redemptions € '000	Gain/Loss € '000	Exchange adjustments € '000	Writedowns € '000	Holding at 30/6/03 € '000	Value based on share prices at 30/6/03 € '000	Gain € '000
Government securities denominated in currencies other than the Euro (1).....	—	223,062	93,646	2,338	(7,653)	(129)	123,972	125,707	1,735
Euro-denominated government securities (1).....	2,119,238	36,639,243	34,095,413	26,438	—	(573)	4,688,933	4,754,670	65,737
Bonds denominated in Euros and other Eurozone currencies	1,610,352	7,986,614	7,400,188	79,687	—	4,413	2,280,878	2,351,697	70,819
Bonds denominated in non-Eurozone currencies ...	5,013	41,738	36,098	151	(6,428)	—	4,376	5,147	771
	<u>3,734,603</u>	<u>44,890,657</u>	<u>41,625,345</u>	<u>108,614</u>	<u>(14,081)</u>	<u>3,711</u>	<u>7,098,159</u>	<u>7,237,221</u>	<u>139,062</u>
Arbitrage/derivative transactions and technical shortfalls				(57,040)					34,775
TOTAL (A)				<u>51,574</u>		<u>(53,170)</u>			<u>173,837</u>
Non-investment securities	<u>1,147,381</u>	<u>8,244,925</u>	<u>8,060,722</u>	<u>(140,788)</u>	<u>(2,188)</u>	<u>(8,987)</u>	<u>1,179,621</u>	<u>1,220,304</u>	<u>40,683</u>
Arbitrage/derivative transactions and technical shortfalls				192,516		4,163			39,344
TOTAL (B).....				<u>51,728</u>		<u>(4,824)</u>			<u>80,027</u>
GRAND TOTAL (A+B)				<u>103,302</u>		<u>(57,994)</u>			<u>253,864</u>

(1) Issued by sovereign states.

TABLE C

MOVEMENTS IN INVESTMENT SECURITIES IN YEAR ENDED 30 JUNE 2003

	Opening Balance		Purchased and subscribed		Sold		Other movements (\$)		Gain (Loss) € '000	(Writedowns) Writebacks € '000	Closing Balance			Avg price in six months to 30/06/03(€) € '000	Gain € '000	
	Number	% (*)	Amount € '000	Number	Amount € '000	Number	Amount € '000	Number			Amount € '000	Number	% (*)			Amount € '000
BONDS (1) AND OTHER SECURITIES																
Olivetti 1.5% 2001-2004 convertibles	13,188	—	13,069	—	—	—	—	—	—	579	—	13,188	—	13,648	—	
Olivetti 1.5% 2001-2010 convertibles with redemption premium	53,487	—	61,264	—	—	—	—	—	—	(695)	—	53,487	—	60,569	—	
DueMme SICAV, Luxembourg	—	—	3,045	—	—	—	—	—	—	(26)	—	—	—	3,019	252	
			77,378							(142)				77,488	252	
EQUITY INTERESTS																
SHARES LISTED IN ITALY																
Assicurazioni Generali	159,212,892	12.48	662,744	10,787,110 (1)	231,310	9,087,110	190,371	—	(4,486)	—	—	160,912,892	12.61	699,197	3,264,923	2,565,726
Banca Intesa, ordinary	53,011,780	0.90 + 0.77	160,679	—	—	—	—	(53,011,780)	(110,053) (1)	(50,626)	—	—	—	—	—	—
Banca Nazionale del Lavoro, ordinary	506,000	0.02 + 0.02	885	—	—	—	—	(506,000)	(579) (1)	(306)	—	—	—	—	—	—
Capitalia	26,616,250	1.21	50,065	—	—	—	—	—	—	(14,772)	—	26,616,250	1.21	35,293	—	—
Cofide, ordinary	14,426,771	2.01	7,079	—	—	—	—	(14,426,771)	(5,055) (1)	(2,024)	—	—	—	—	—	—
ENEL	650,000	0.01	3,703	—	—	—	—	(650,000)	(3,348) (1)	(355)	—	—	—	—	—	—
Fiat, ordinary	13,220,368	3.05 + 2.14	112,304	—	—	—	—	—	—	(19,180)	—	13,220,368	3.05 + 2.14	93,124	—	—
Fimeccanica	82,380,000	0.98	61,999	—	—	—	—	—	—	(19,343)	—	82,380,000	0.98	42,656	—	—
Gemina, ordinary	46,132,781	12.66 + 12.53	38,738	—	—	—	—	—	—	(5,135)	—	46,132,781	12.66 + 12.53	33,603	—	—
GIM, ordinary	4,154,832	2.79 + 2.56	4,100	—	—	—	—	—	—	(977)	—	4,154,832	2.79 + 2.56	3,123	—	—
Italmobiliare, ordinary	2,106,888	9.50 + 5.47	34,593	—	—	—	—	—	—	—	—	2,106,888	9.50 + 5.47	34,593	—	—
La Fondiaria Assicurazioni, ordinary	51,156,000	13.29 + 12.84	180,037	—	—	—	—	(51,156,000)	(180,037) (1)	—	—	—	—	—	—	—
Fondiaria-SAI, ordinary (formerly SAM)	1,325,000	2.16 + 1.36	19,995	—	—	11,539,500	118,350	12,789,000	167,435 (1)	(34,891)	—	2,574,500	1.99 + 1.51	28,691	—	—
Fondiaria-SAI 2002-2008, warrants	—	—	—	—	—	—	—	5,115,600	12,602 (1)	(2,243)	—	5,115,600	—	10,359	—	—
Mediolanum	14,300,000	1.97	85,628	—	—	—	—	—	—	(20,706)	—	14,300,000	1.97	64,922	—	—
Olivetti	210,723,954	2.40	222,524	—	—	—	—	—	—	(13,486)	—	210,723,954	2.38	209,038	—	—
Olivetti 2001-2002, warrants	23,010	—	1	—	—	23,010	—	—	(1)	—	—	—	—	—	—	—
Pininfarina, ordinary	317,625	3.43 + 3.41	2,985	—	—	—	—	—	—	—	—	317,625	3.43 + 3.41	2,985	6,099	3,114
Pirelli & C., ordinary	31,378,375	5.08 + 4.81	47,640	94,135,125	46,013	—	—	—	(1,315) (1)	(11,759)	—	125,513,500	6.08 + 6.02	80,579	80,579	—
Pirelli & C., 2003-2006, warrants	—	—	—	94,135,125	2,937	—	—	—	1,315 (1)	—	—	94,135,125	—	4,252	4,252	—
Ratti	2,860,000	9.17	1,944	—	—	—	—	—	—	(722)	—	2,860,000	9.17	1,222	1,222	—
RCS Mediagroup, ordinary (formerly HdP) ..	75,478,851	10.32 + 9.92	126,463	9,890,632	20,634	9,890,632	20,950	—	317	(787)	—	75,478,851	10.32 + 9.92	126,464	152,845	26,381
Stefanel, ordinary	1,229,000	2.27 + 2.27	2,097	—	—	—	—	(1,229,000)	(1,310) (1)	—	—	—	—	—	—	—
			1,826,203		300,894		329,671		(120,345)	(89,061)				1,470,101	4,099,834	2,629,733
SHARES LISTED OUTSIDE ITALY																
Allianz AG, Munich	119,888	0.05	17,686	—	—	—	—	(119,888)	(7,433) (1)	(10,253)	—	—	—	—	—	—
AMB Generali Holding, Aachen	96,100	0.18	9,476	—	—	—	—	(96,100)	(3,364) (1)	(6,112)	—	—	—	—	—	—
Ciments Français, Paris	4,374,215	11.50	147,314	—	—	—	—	—	—	(62,308)	—	4,374,215	11.48	147,314	208,300	60,986
Commerzbank, Frankfurt	8,548,274	1.58	131,216	—	—	—	—	—	—	(2,660)	—	8,548,274	1.58	68,908	68,908	—
Koenig & Bauer Albert, Würzburg, ordinary	760,000	4.75	12,312	—	—	—	—	—	(10,797)	(81,333)	—	760,000	4.70	9,652	9,652	—
			318,004						(10,797)	(81,333)				225,874	286,860	60,986

TABLE C. (cont.)

	Opening Balance		Purchased and subscribed		Sold		Other movements (8)		Closing Balance		
	Number	% (*)	Amount € '000	Number	Amount € '000	Number	Amount € '000	Number	Amount € '000	% (*)	Amount € '000
UNLISTED SHARES AND STOCK UNITS (1)											
Banca Esperia	12,125,000	48.50	21,670	—	—	—	—	—	(3,503)	48.50	18,167
Cartiere Burgo	69,230,769	23.04	42,012	18,144,236	12,575	—	—	—	—	29.07	54,587
Ferrari	2,150	21.50	490,200	—	—	—	1,717,850 (5)	—	—	21.50	490,200
Fidia	7,500	25.00	3,873	—	—	—	—	—	—	25.00	3,873
Istituto Europeo di Oncologia	12,235	14.83	11,139	1,367	1,367	—	—	—	(1,841)	14.87	10,665
Lucchini	500,000	6.17	25,823	—	—	—	—	—	(7,440)	6.17	18,383
Nomisma	100,000	0.69	29	—	—	—	—	—	—	0.69	29
Tirrenia di Navigazione	3,150,000	15.00	34,380	—	—	—	—	—	—	15.00	34,380
Zetesis	70,000	10.00	57	—	—	—	(30,200) (6)	—	(17)	10.00	40
Alice Lab Netherlands B.V., Amsterdam	10,550	8.19	1,511	—	—	—	—	—	(621)	8.19	890
Athena Private Equity class A, Luxembourg	6,114,460	24.46	21,028	—	10,355 (7)	—	—	—	(1,042)	24.46	30,341
Compagnie Monégasque de Banque, Monte Carlo	96,053	17.29	26,438	—	—	—	—	—	—	17.29	26,438
Eurofund S.A. (class D), Luxembourg	—	—	—	3,029,651	170,357	—	—	—	—	9.53	170,357
EuroQube SA, Bruxelles	18,758	4.94	1,839	—	1,081 (8)	—	—	(1,138)	—	4.94	1,782
Iran & Italy Industrial Promotion Co., Teheran	2,000	50.00	3	—	—	—	—	—	—	50.00	3
MBCA Holdings Limited, Harare	785,717	2.25	31	—	—	—	—	—	—	2.25	31
MB Venture Capital Fund I Participating Company ANY class B, Amsterdam	22,500	45.00	9,518	—	3,800 (9)	—	—	—	(2)	45.00	13,316
Fondo Saturn Venture, New York in USD	1,454,598	5.35	1,431	—	—	—	—	—	(572)	5.35	859
Satf, Monte Carlo	1,850	3.70	3	—	—	—	—	—	—	3.70	3
S.W.I.F.T., La Hulpe	1	—	2	—	—	—	—	—	—	—	2
			690,987		199,535				(16,176)		874,346
INVESTMENTS IN GROUP UNDERTAKINGS											
Technostart, Milan	1,380,000	69.00	480	—	—	—	—	—	(9)	69.00	471
Tradevco, Monrovia	3,000	60.00 (11)	39	—	—	—	—	—	(39)	60.00 (11)	—
Others (see Table D)	—	—	118,260	—	—	—	—	—	(48)	—	118,260
			118,779		—						118,731
			3,031,351		500,429		(131,142)		(39,061)		2,766,288
GRAND TOTAL					329,671				(265,618)		2,766,288
							Other net income		1,297		
							Total net gain on sale of investment securities		(37,764)		

(8) Includes portfolio movements not generating cash flow.

(9) Where more than one class of share is in issue, the first percentage relates to proportion of the class concerned, while the second gives proportion of the entire share capital. The percentages include swaps.

(10) Shares in Duemine SICAV are stated at their market price and at the exchange rate prevailing on 30 June 2003.

(11) Nominal value in € '000.

(12) Purchases include 1,700,000 transferred from Treasury portfolio on 1 July 2002.

(13) Transferred to Treasury portfolio.

(14) Ex-rights following bonus issue of La Fondiaria (now Fondiaria-SAI) warrants and merger by amalgamation of La Fondiaria into SAI.

(15) Ex-rights to subscribe for warrants under terms of rights issue.

(16) Bonus capital increase involving 10,000 par value € 51.65 shares in issue being cancelled and 8m par value € 2.5 new shares being issued.

(17) Subject to buy-back rights by third parties. The Bank owns voting rights over 15% of the stock.

(18) Share capital reduced after losses incurred.

(19) Capital call on shares held.

(20) Without voting rights.

(21) The outstanding shares are held by Tradevco itself in the form of treasury shares.

TABLE D

INVESTMENTS IN GROUP UNDERTAKINGS

(figures in Euros unless otherwise stated)

	Share Capital	Par Value per Share	No. of Shares held	Equity Interest %	Par Value € '000 USD/LRD'000	Book Value € '000
(*) COMPASS S.p.A., Milan	87,500,000	5	17,500,000	100	87,500	77,985
(*) MB FINSTRUTTURA - INTERSOMER S.p.A., Milan	6,500,000	0.50	13,000,000	100	6,500	6,968
(*) MEDIOBANCA INTERNATIONAL LTD, Grand Cayman	\$ 10,000,000	\$ 1	10,000,000	100	10,000	6,002
(*) PROMINVESTMENT S.p.A., Rome	520,000	0.52	1,000,000	100	520	819
(*) PRUDENTIA FIDUCIARIA S.p.A., Milan	100,000	5	20,000	100	100	103
RICERCHE E STUDI S.p.A., Milan	100,000	5	20,000	100	100	103
(*) SADE FINANZIARIA S.p.A., Milan	6,500,000	0.50	13,000,000	100	6,500	25,732
(*) SETECI - Società per l'Elaborazione, Trasmissione Dati, Engineering e Consulenza Informatica S.p.A., Milan	500,000	5	100,000	100	500	522
(*) SPAEID S.p.A., Milan	100,000	10	10,000	100	100	26
(*) TECHNOSTART S.p.A., Milan	1,000,000	0.50	1,380,000	69	690	471
(*) TRADEYCO LTD, Monrovia	LRD 80,000,000	LRD 16,000	3,000 (1)	60	48,000 (2)
						118,731

(*) Member of the Mediobanca Banking Group.

(1) The remaining shares are held by the company itself.

(2) Written down to a token value of € 1.

INDIRECT INVESTMENTS HELD THROUGH SUBSIDIARIES

	Share Capital	Par Value per Share	No. of Shares held	Equity Interest %	Par Value € '000
(*) COFACTOR S.p.A., Milan	7,500,000	0.50	15,000,000	100	7,500
CREDITTECH S.p.A., Milan	250,000	1	250,000	100	250
(*) MICOS BANCA SpA, Milan	35,000,000	0.50	70,000,000	100	35,000
(*) PALLADIO LEASING S.p.A., Vicenza	8,700,000	0.50	16,482,500	95 (1)	8,241
(*) SELMABIPPIEMME LEASING S.p.A., Milan	40,200,000	0.50	49,564,777	61.65	24,782
(*) TELELEASING S.p.A., Milan	9,500,000	1	7,600,000	80	7,600

(*) Member of the Mediobanca Banking Group.

(1) The remaining shares are held by the company itself.

TABLE E

GROUP BANKING AND FINANCIAL UNDERTAKINGS: BALANCE SHEETS

	COMPASS (€ '000)	MEDIOBANCA INTERNATIONAL (\$ '000)	MICOS BANCA (€ '000)	SADE FINANZIARIA (€ '000)	COFACTOR (€ '000)	PALLADIO LEASING (€ '000)	SELMARPIEMME LEASING (€ '000)	TELELEASING (€ '000)	MB FINSTRUTTURE - INTERSOMER (€ '000)	TECHNOSTART (€ '000)	PROMINVESTMENT (€ '000)
ASSETS											
10. Cash in hand	7,475	2,722	155	2	22	4	17	1	3	—	1
20. Amounts due from banks	14,695	3,456,367	2,489	284	—	1,724	4,004	257	43,975	17	705
30. Amounts due from financial companies	53,935	—	—	3,099	2	—	6,111	165,214	459,377	—	—
40. Trade accounts receivable	1,478,052	—	734,427	—	66,997	17,237	17,655	47,731	168,311	—	3,567
50. Debt securities and other fixed-income securities	13,300	340,679	—	152,102	1,015	—	8,410	—	4,304	669	—
60. Equities, participating interests and other floating rate securities	—	668	—	9,927	19	—	—	—	—	—	—
70. Equity investments	259,749	—	—	86,879	—	—	1	—	6,063	14	—
80. Investments in Group undertakings ..	85,149	—	—	—	—	—	51,040	—	—	—	—
90. Intangible fixed assets	1,475	—	—	22	—	—	86	224	—	—	141
100. Tangible fixed assets	7,211	—	528	3	45	840,929	1,684,469	313,275	—	—	54
120. Own shares	—	—	—	—	—	970	—	—	—	—	—
130. Other assets	17,304	18,794	1,849	5,451	434	57,480	99,919	5,152	1,443	—	86
140. Accrued income and prepaid expenses	9,846	80,628	4,870	1,029	21	1,786	14,410	7,102	2,812	12	4
	1,948,191	3,899,858	744,318	258,798	68,555	920,130	1,886,122	538,956	686,288	712	4,558
LIABILITIES											
10. Amounts due to banks	1,724,164	—	667,820	222,995	95	775,144	1,006,874	431,353	661,497	13	—
20. Amounts due to financial companies ...	31,417	30,612	—	—	53,935	—	693,734	1	—	—	—
30. Trade accounts payable	—	166,045	25,000	—	—	5,951	15,326	102	—	—	—
40. Debt securities in issue	—	3,536,422	—	—	—	7,500	—	—	—	—	—
50. Other liabilities	16,842	—	4,435	671	929	45,365	56,541	33,437	477	16	2,410
60. Accrued expenses and deferred income	11,639	92,789	2,003	178	19	20,180	25,739	13,268	2,762	—	476
70. Provision for staff termination indemnities	9,146	—	847	60	994	918	2,989	154	32	—	83
80. Provisions for liabilities and charges .	5,660	—	2,298	11	1,266	14,227	10,578	28,985	921	—	535
90. Credit risks provision	13,428	—	7,530	—	—	6,000	10,329	—	12,966	—	—
100. General financial risks provision	4,648	—	—	—	—	—	—	—	—	—	—
110. Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
120. Share capital	87,500	10,000	35,000	6,500	7,500	8,675	40,200	9,500	6,500	1,000	520
130. Share premium reserve	—	—	—	—	—	—	6,254	—	—	—	—
140. Reserves	38,925	53,800	548	25,755	423	30,170	14,410	4,432	1,070	—	552
150. Revaluation reserves	2,677	—	—	—	—	816	—	2,435	—	—	—
160. Retained earnings (accumulated loss) ..	33	39	(1,449)	—	3,336	70	—	—	—	(305)	—
170. Profit (loss) for the year	2,112	10,151	286	2,628	58	5,114	3,148	15,289	63	(12)	(18)
	1,948,191	3,899,858	744,318	258,798	68,555	920,130	1,886,122	538,956	686,288	712	4,558
GUARANTEES AND COMMITMENTS											
10. Guarantees given	148,181	—	—	—	—	—	—	—	—	—	2,727
20. Commitments	80,631	2,358,607	62,443	12,088	—	78,244	13,172	—	332,701	—	—
	228,812	2,358,607	62,443	12,088	—	78,244	13,172	—	332,701	—	2,727
SHAREHOLDERS' EQUITY											
(LIABILITY HEADINGS 100, 120, 130, 140, 150, 160 and 170)	135,895	73,990	34,385	34,883	11,317	44,845	64,012	31,656	7,633	683	1,054

TABLE E (cont.)

**GROUP BANKING AND FINANCIAL UNDERTAKINGS:
PROFIT AND LOSS ACCOUNTS**

	MICOS BANCA
	€ '000
10. Interest receivable and similar income	37,417
20. Interest payable and similar expenses	(20,902)
40. Commissions receivable	2,743
50. Commissions payable.....	(2,811)
70. Other operating income	1,480
80. Administrative expenses	(10,963)
90. Adjustments to intangible and tangible fixed assets	(216)
100. Provision for credit risks and contingencies	(545)
110. Other operating expenses	(426)
120. Value adjustments on receivables and provisions for guarantees and commitments	(2,589)
130. Writebacks of receivables and provisions for guarantees and commitments	163
140. Transfers to credit risk provisions	(1,829)
170. Profit (loss) on ordinary activities	1,522
180. Extraordinary income	747
190. Extraordinary expenditure	(24)
200. Extraordinary profit (loss)	723
220. Income taxes for the year	(1,959)
230. Profit (loss) for the year	286

TABLE E (cont.)

GROUP UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	COMPASS (€ '000)	MEDIOBANCA INTERNATIONAL (\$ '000)	SADE FINANZIARIA (€ '000)	COFACTOR (€ '000)	PALLADIO LEASING (€ '000)	SELMABPIEMME LEASING (€ '000)	TELELEASING (€ '000)	MB FINSTRUCTURE - INTERSOMER (€ '000)	TECHNOSTART (€ '000)	PROMINVESTMENT (€ '000)
EXPENSES										
10. Interest payable and similar expenses	(67,870)	(150,872)	(6,258)	(800)	(25,495)	(51,952)	(20,284)	(21,323)	—	(1)
20. Commissions payable	(31,053)	(99)	(29)	(22)	(1,703)	(7,159)	(835)	(434)	(2)	(5)
30. Loss on dealing transactions	(13,259)	—	(646)	(134)	—	(106)	(98)	(172)	—	—
40. Administrative expenses	(52,365)	(535)	(557)	(3,955)	(5,426)	(24,030)	(4,761)	(3,125)	(38)	(2,409)
50. Adjustments to intangible and tangible fixed assets	(1,833)	—	(19)	(31)	(220,093)	(575,097)	(154,176)	(29)	(3)	(25)
60. Other operating expenses	(17,058)	—	—	—	(1,631)	(34,409)	(29,046)	—	—	—
70. Transfer to provisions for liabilities and charges	(400)	—	—	(133)	(1,947)	(5,681)	—	—	—	(30)
80. Transfer to credit risks provision	—	—	—	—	(2,385)	—	—	(3,766)	—	—
90. Adjustments to accounts receivable and provisions for guarantees and commitments	(51,577)	—	—	(10,869)	(340)	(1,094)	(140)	—	—	(18)
100. Adjustments to financial fixed assets	—	—	—	—	—	—	—	(1,684)	—	—
110. Extraordinary expenses	(181)	—	—	(14)	(1)	(131)	(89)	(14)	—	(114)
120. Increase in provision for general financial risks	—	—	—	—	—	—	—	—	—	—
130. Income tax for the year	(5,841)	—	—	(56)	(3,439)	(2,970)	(10,652)	(482)	—	(83)
140. Profit for the year	2,112	10,151	2,628	58	5,114	3,148	15,289	63	—	—
INCOME										
10. Interest receivable and similar income	214,766	155,631	2,623	1,380	690	16,306	2,263	22,441	27	7
20. Dividends and other income	8,216	—	3,399	—	—	1,545	—	—	—	—
30. Commissions receivable	4,874	—	—	7	—	—	—	8,553	—	2,617
40. Gain on dealing transactions	—	5,438	—	—	310	—	—	—	4	—
50. Writebacks on accounts receivable and provisions for guarantees and commitments	2,805	—	—	1,160	1,487	872	21	—	—	—
60. Writebacks on financial fixed assets	344	—	—	—	—	—	—	—	—	—
70. Other operating income	11,867	—	94	13,139	265,063	686,662	232,879	42	—	4
80. Extraordinary income	677	588	4,021	386	24	392	207	56	—	38
100. Loss for the year	—	—	—	—	—	—	—	—	(12)	18

TABLE E (cont.)

OTHER GROUP UNDERTAKINGS: BALANCE SHEETS

	PRUDENTIA FIDUCIARIA	RICERCHE E STUDI ⁽¹⁾	SETECI	SPAFID	CREDITECH
	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)
ASSETS					
B) Fixed assets:					
I) Intangible assets	—	13	117	446	—
II) Tangible assets	—	23	2,446	118	49
III) Financial fixed assets	25	2	21	22,287	4
	<u>25</u>	<u>38</u>	<u>2,584</u>	<u>22,851</u>	<u>53</u>
C) Current assets:					
I) Inventories	—	410	—	—	—
II) Accounts receivable	34	945	784	4,138	2,803
III) Financial assets other than fixed assets	1,000	—	—	6,607	—
IV) Cash	341	146	158	4,025	305
	<u>1,375</u>	<u>1,501</u>	<u>942</u>	<u>14,770</u>	<u>3,108</u>
D) Accrued income and prepaid expenses	10	31	304	60	12
	<u>1,410</u>	<u>1,570</u>	<u>3,830</u>	<u>37,681</u>	<u>3,173</u>
LIABILITIES					
A) Shareholders' equity:					
I) Share capital	100	100	500	100	250
III) Revaluation reserves	—	—	—	—	—
IV) Legal reserve	24	3	18	778	44
VI) Statutory reserve	—	—	—	—	—
VII) Other reserves	309	—	11	30,490	—
VIII) Retained earnings (accumulated loss)	—	—	—	3	691
IX) Profit (loss) for the year	41	—	1	294	143
	<u>474</u>	<u>103</u>	<u>530</u>	<u>31,665</u>	<u>1,128</u>
B) Provisions for liabilities and charges	—	17	38	1,500	76
C) Provision for staff termination indemnities	526	495	399	1,737	350
D) Accounts payable:					
3) Amounts due to banks	—	—	—	—	—
4) Amounts due to other lenders	—	—	—	—	—
5) Advances from customers	—	—	—	—	—
6) Trade accounts payable	41	14	475	53	1,241
8) Amounts due to subsidiaries	—	—	—	—	—
9) Amounts due to associated companies	—	—	—	—	—
10) Amounts due to parent companies	—	600	1,614	289	—
11) Taxes payable	30	110	86	153	167
12) Amounts due to social security institutions	106	95	71	227	74
13) Other accounts payable	233	126	125	2,057	71
	<u>410</u>	<u>945</u>	<u>2,371</u>	<u>2,779</u>	<u>1,553</u>
E) Accrued expenses and deferred income	—	10	492	—	66
	<u>1,410</u>	<u>1,570</u>	<u>3,830</u>	<u>37,681</u>	<u>3,173</u>
MEMORANDUM ACCOUNTS					
Assets held by third parties	—	—	—	—	—
Commitments	—	—	—	—	55
Value items pledged as collateral or held for safekeeping	280,063	—	500	193,905	—
Depositors for value items	340,717	—	—	1,352,921	—
Other accounts	—	—	—	107,989	—
	<u>620,780</u>	<u>—</u>	<u>500</u>	<u>1,654,815</u>	<u>55</u>
Securities and value items held on trustee basis	59,659	—	—	1,155,624	—

(1) 12 months ended 30/4/03.

TABLE E (cont.)

OTHER GROUP UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	PRUDENTIA FIDUCIARIA	RICERCHE E STUDI ⁽¹⁾	SETECI	SPAFID	CREDITECH
	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)
A) Value of production	2,205	1,587	7,381	5,764	5,115
B) Costs of production:					
6) Raw materials, consumables, semi-finished and finished goods	(1)	(37)	(139)	(74)	(65)
7) Services	(320)	(264)	(2,425)	(435)	(2,981)
8) Use of third parties' assets	—	(121)	(794)	(389)	(134)
9) Personnel	(1,759)	(1,039)	(1,944)	(2,490)	(1,373)
10) Depreciation, amortization and writedowns ...	—	(24)	(1,087)	(371)	(96)
12) Credit risks provision	—	—	—	—	(76)
13) Other provisions	—	—	—	(1,500)	—
14) Sundry operating expenses	(11)	(13)	(844)	(118)	(17)
	(2,091)	(1,498)	(7,233)	(5,377)	(4,742)
Value of production less costs of production ..	114	89	148	387	373
C) Interest income (charges)	40	(10)	(38)	731	(4)
D) Value adjustments to financial fixed assets	(1)	—	—	(642)	—
E) Extraordinary income (expenses)	24	(45)	40	22	(22)
Profit (loss) before tax	177	34	150	498	347
Income taxes for the year	(136)	(34)	(149)	(204)	(204)
Profit (loss) for the year	41	—	1	294	143

⁽¹⁾ 12 months ended 30/4/03.

TABLE F

OPEN POSITIONS IN DERIVATIVES
AS AT 30 JUNE 2003

A. NOTIONAL PRINCIPAL AMOUNTS BY UNDERLYING EXPOSURE

	Interest rate contracts € '000	Foreign exchange contracts € '000	Index-linked contracts € '000	Total € '000
Over-the-counter (OTC) traded contracts				
<i>Forwards</i>	—	—	—	—
<i>Swaps</i>	20,429,446	1,653,921	—	22,083,367
<i>Options purchased</i>	20,000	10,700	12,585,235	12,615,935
<i>Options written</i>	189,594	18,751	12,388,867	12,597,212
Exchange traded contracts				
<i>Futures (long positions)</i>	1,496,962	—	136,022	1,632,984
<i>Futures (short positions)</i>	237,871	—	3,027,356	3,265,227
<i>Options purchased</i>	—	—	30,688	30,688
<i>Options written</i>	—	—	259,224	259,224
Total derivatives	22,373,873	1,683,372	28,427,392	52,484,637
<i>of which:</i>				
– <i>trading</i>	12,387,137	528,729	8,030,928	20,946,794

N.B. - Notional principal amounts are amounts corresponding to the assets and liabilities underlying contracts held for trading and hedging purposes. These amounts are given solely for reference purposes, since the Bank's effective exposure is limited to the net margins on individual transactions.

B. INFORMATION ON CREDIT QUALITY OF OTC CONTRACTS

Counterparty type	Gross positive market value ⁽¹⁾ € '000	Current credit exposure ⁽²⁾ € '000	Potential credit exposure ⁽²⁾ € '000	Credit equivalent amount ⁽⁴⁾ € '000
Banks	288,120	70,274	871,114	188,278
Other intermediaries	229,952	164,615	343,345	253,980
Total	518,072	234,889	1,214,459	442,258
<i>of which:</i>				
– <i>interest rate contracts</i>	264,829	157,747	75,788	92,661
– <i>exchange rate contracts</i>	36,990	26,433	62,116	31,426
– <i>equity and equity index- linked contracts</i>	216,253	50,709	1,076,555	318,171

⁽¹⁾ Represents the cost of replacing the contract in the event of a counterparty default.

⁽²⁾ Gross positive market value less reduction in credit exposure under netting arrangements.

⁽³⁾ Approximate valuation of the "add-on" risk inherent in market volatility.

⁽⁴⁾ Current credit exposure plus potential credit exposure, risk-weighted by counterparty category under Bank of Italy regulations.

TABLE G

ASSET REVALUATION STATEMENT AS REQUIRED BY
ARTICLE 10 OF LAW No. 72 OF 19 MARCH 1983

Revaluations effected under Law 576/75:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
Property in Piazzetta Enrico Cuccia 1 (formerly in Via Filodrammatici 6, 8 and 10), Milan	2,609,651.24	—	2,609,651.24
Property in Piazza Paolo Ferrari 6, Milan	815,743.67	—	815,743.67
			<u>3,425,394.91</u>

Revaluations effected under Law 72/83:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
6,375,000 shares of <i>Assicurazioni Generali S.p.A.</i> , Trieste	21,174,732.86	—	21,174,732.86
2,574,500 (*) shares of <i>La Fondiaria Assicurazioni S.p.A.</i> (formerly <i>Fondiaria</i>), Florence	11,000,531.95	9,234,460.31	1,766,071.64
Property in Piazzetta Enrico Cuccia 1 (formerly in Via Filodrammatici 6, 8 and 10), Milan	11,620,280.23	—	11,620,280.23
Property in Piazza Paolo Ferrari 6, Milan	4,389,883.64	—	4,389,883.64
			<u>38,950,968.37</u>

(*) After this company was merged by amalgamation into SAI and changed its name to Fondiaria-SAI (originally 1,142,432 La Fondiaria shares).

Revaluation effected under Law 413/91:

	Original revaluation	Decrease due to disposal or writedown	Current revaluation
	€	€	€
Property in Piazzetta Enrico Cuccia 1 (formerly in Via Filodrammatici 6, 8 and 10), Milan	4,174,707.04	—	4,174,707.04

ASSOCIATED INSURANCE UNDERTAKINGS

TABLE H

BALANCE SHEETS

	ASSICURAZIONI GENERALI 31.12.2002 (€ '000)	ASSICURAZIONI GENERALI 31.12.2002 (€ '000)
ASSETS		
B) Total intangible assets	44,800	
C) Investments		
I) Land and buildings (total)	354,630	1,275,704
II) Investments in Group and other undertakings (total)	14,516,898	6,312,574
III) Other financial investments		206,234
1) Shares and stock units	643,907	7,794,512
2) Mutual fund units	84,212	750,000
3) Bonds and other fixed-income securities	2,945,854	
4) Loans	45,045	
6) Deposits with banks	56,827	7,201,057
7) Other financial investments	1,375	10,966,642
Total other financial investments	3,777,220	18,167,699
IV) Deposits with reinsurers	10,527,996	
Total investments (C)	29,176,744	260,088
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	285,004	73,573
Db) Reinsurers' share of technical reserves		93,751
I) General Business (total)	1,096,454	63,931
II) Life Business (total)	135,086	176,268
Total reinsurers' share of technical reserves (Db)	1,231,540	2,500,000
E) Accounts receivable		58,530
I) Amounts due in respect of primary insurances (total)	760,445	4
II) Amount due in respect of reinsurances (total)	405,519	1,890,283
III) Other accounts receivable	533,298	20,651
Total accounts receivable (E)	1,699,262	401,569
F) Other assets		1,098,382
I) Tangible assets and inventories (total)	3,357	6,209,618
II) Cash (total)	541,716	158,012
III) Own shares or stock units	8,021	
IV) Other assets (total)	431,264	
Total other assets (F)	984,358	33,507,253
G) Accruals and prepayments (total)	85,545	
TOTAL ASSETS (B+C+D+Db+E+F+G)	33,507,253	11,081,634
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
I) Share capital or equivalent fund		1,275,704
II-VII) Reserves (total)		6,312,574
IX) Profit (loss) for year		206,234
Total shareholders' equity (A)		7,794,512
B) Subordinated liabilities		750,000
C) Technical reserves		
I) General Business (total)		7,201,057
II) Life Business (total)		10,966,642
Total technical reserves (C)		18,167,699
D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)		260,088
E) Provision for risks and charges (total)		73,573
F) Deposits received from reinsurers		93,751
G) Accounts payable and other liabilities		
I) Amounts payable in respect of primary insurances		63,931
II) Amounts payable in respect of reinsurances		176,268
III) Bond issues		2,500,000
IV) Amounts payable to banks and financial institutions		58,530
V) Secured debt		4
VI) Loans and other debt		1,890,283
VII) Staff termination indemnity provision		20,651
VIII) Other accounts payable		401,569
IX) Other liabilities		1,098,382
Total accounts payable and other liabilities (G)		6,209,618
H) Accruals and deferrals (total)		158,012
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)		33,507,253
GUARANTEES, COMMITMENTS AND OTHER CONTRA ACCOUNTS (TOTAL)		11,081,634

TABLE H (cont.)

STATEMENT OF EARNINGS (NON-TECHNICAL ACCOUNTS)

	ASSICURAZIONI GENERALI 2002
	(€ '000)
1) Underwriting profit (loss) from General Business	(27,326)
2) Underwriting profit (loss) from Life Business	249,317
3) Investment income in General Business	
a) Dividends	663,381
b) Other investment income (total)	217,990
c) Writebacks in book value of investments	120,422
d) Gain on disposal of investments	54,891
Total investment income in General Business	1,056,684
4) Portion of investment income transferred from technical accounts of Life Business	357,693
5) Operating and financial expenses in General Business	
a) Investment management expenses and interest paid	(63,283)
b) Writedowns in investments	(492,672)
c) Loss on disposal of investments	(80,501)
Total operating and financial expenses in General Business	(636,456)
6) Portion of investment income transferred from technical account of General Business	(295,450)
7) Other income	251,569
8) Other outgo	(754,835)
9) Profit (loss) from ordinary operations	201,196
10) Extraordinary income	89,000
11) Extraordinary outgo	(109,213)
12) Net extraordinary income (outgo) (10-11)	(20,213)
13) Earnings before tax	180,983
14) Taxation for the year	25,251
15) Profit (loss) for the year (13-14)	206,234

TABLE H (cont.)

ASSOCIATED FINANCIAL UNDERTAKINGS: BALANCE SHEETS

	FIDIA S.p.A. 31.12.2002	MB VENTURE CAPITAL FUND I PARTICIPATING COMPANY A N.V. 31.12.2002	BANCA ESPERIA S.p.A. 31.12.2002	ATHENA PRIVATE EQUITY FUND S.A. 30.09.2002
ASSETS	(€ '000)	(€ '000)	(€ '000)	(€ '000)
10. Cash in hand	—	23	6	44,635
20. Amounts due from banks	772	—	—	—
30. Amounts due from financial companies	—	—	123,939	—
40. Trade accounts receivable	—	—	40,637	—
50. Debt securities and other fixed-income securities	2,817	—	750	—
60. Equities, participating interests and other floating rate securities	13,186	—	24,961	—
70. Equity investments	—	9,614	—	67,033
80. Investments in Group undertakings	—	—	13,484	—
90. Intangible fixed assets	4	—	1,035	—
100. Tangible fixed assets	9	—	876	—
110. Unpaid call on capital	—	—	—	—
130. Other assets	256	—	15,519	2,528
140. Accrued income and prepaid expenses	38	—	157	—
	<u>17,082</u>	<u>9,637</u>	<u>221,364</u>	<u>114,196</u>
LIABILITIES				
10. Amounts due to banks	—	—	7,017	—
20. Amounts due to financial companies ...	—	—	—	—
30. Trade accounts payable	—	—	169,660	—
50. Other liabilities	914	—	6,625	12,466
60. Accrued expenses and deferred income	16	—	40	—
70. Provision for staff termination indemnities	191	—	391	—
80. Provisions for liabilities and charges ...	105	—	173	—
90. Credit risks provision	—	—	—	—
120. Share capital	15,600	50	13,000	50,000
130. Share premium reserve	—	9,595	38,646	—
140. Reserves	515	—	—	60,799
160. Retained earnings (accumulated loss) ...	—	(5)	(6,965)	(4,821)
170. Profit (loss) for the year	(259)	(3)	(7,223)	(4,248)
	<u>17,082</u>	<u>9,637</u>	<u>221,364</u>	<u>114,196</u>
GUARANTEES AND COMMITMENTS				
10. Guarantees given	—	—	1,033	—
20. Commitments	—	—	1,455	—

TABLE H (cont.)

ASSOCIATED FINANCIAL UNDERTAKINGS:
PROFIT AND LOSS ACCOUNTS

	FIDIA S.p.A. 31.12.2002	MB VENTURE CAPITAL FUND I PARTICIPATING COMPANY A N.V. 31.12.2002	BANCA ESPERIA S.p.A. 31.12.2002	ATHENA PRIVATE EQUITY FUND S.A. 30.09.2002
	€ '000	€' 000	€' 000	€' 000
EXPENSES				
10. Interest payable and similar expenses	—	—	2,304	111
20. Commissions payable	808	—	513	—
30. Losses on financial transactions	3	—	—	—
40. Administrative expenses	3,055	3	13,855	—
50. Adjustments to intangible and tangible fixed assets	31	—	937	—
60. Other operating expenses	39	—	84	4,737
70. Provision for risks and charges	—	—	—	—
80. Provision for credit risks	—	—	—	—
90. Value adjustments to receivables and provisions for guarantees and commitments	—	—	—	—
100. Value adjustments to financial assets ..	—	—	—	—
110. Extraordinary expenditure	27	—	968	—
130. Income taxes for the year	105	—	173	357
140. Profit for the year	—	—	—	—
	<u>4,068</u>	<u>3</u>	<u>18,834</u>	<u>5,205</u>
INCOME				
10. Interest receivable and similar income	142	—	3,166	740
20. Dividends and other income	—	—	—	—
30. Commissions receivable	3,621	—	6,794	—
40. Gains on dealing transactions	—	—	573	—
70. Other operating income	—	—	565	214
80. Extraordinary income	46	—	513	3
100. Loss for the year	259	3	7,223	4,248
	<u>4,068</u>	<u>3</u>	<u>18,834</u>	<u>5,205</u>

TABLE H (cont.)

OTHER ASSOCIATED UNDERTAKINGS: BALANCE SHEETS

	RCS MEDIA GROUP Sp.A. 31.12.2002	CARTIERE BURGO Sp.A. 31.12.2002	IRAN & ITALY IND. PROM. CO. 20.3.2003	CIMENTI FRANÇAIS S.A. 31.12.2002	GEMINA Sp.A. 31.12.2002
ASSETS	€ '000	€ '000	Rials '000	€ m	€ '000
B) Fixed assets:					
I) Intangible assets	100	21,278	16,500	—	2,330
II) Tangible assets	818	883,261	119,925	2	77
III) Financial fixed assets	732,847	663,055	35,847	3,705	864,918
Total (B)	733,765	1,567,594	172,272	3,707	867,325
C) Current assets:					
I) Inventories	—	200,303	—	—	—
II) Accounts receivable	180	434,216	—	27	—
1) Trade	8,420	14,582	—	—	5,205
2) Amounts due from subsidiaries	22	3,650	—	—	150
3) Amounts due from associated companies	74,832	122,192	4,402	125	16,557
5) Other accounts	—	—	—	—	—
6) Deferred tax credits	—	—	—	—	—
III) Financial assets other than fixed assets	83,454	574,640	4,402	152	21,912
IV) Cash	231,485	16,851	—	—	15,143
	12,376	—	193,019	—	738
Total (C)	327,315	791,795	197,421	152	37,793
D) Accrued income and prepaid expenses	2,661	1,990	23,174	—	3,137
TOTAL ASSETS (B+C+D)	1,063,741	2,361,379	392,867	3,859	908,255
LIABILITIES					
A) Shareholders' equity:					
I) Share capital	760,560	156,279	400,000	152	368,240
II-VII) Reserves	388,272	13,865	1,610	1,013	143,058
VIII) Retained earnings (accumulated loss)	—	773	(89,340)	829	24,264
IX) Profit (loss) for the year	(194,409)	230	(13,656)	(36)	(5,432)
Total (A)	954,423	171,147	298,614	1,958	530,130
B) Provisions for liabilities and charges	96,983	16,382	—	76	3,635
C) Provision for staff termination indemnities	2,989	87,754	38,631	—	195
D) Accounts payable:					
1) Bonds	—	200,000	—	188	—
3) Amounts due to banks	—	1,388,241	—	968	353,471
4) Amounts due to other lenders	—	—	—	639	—
5) Advances and deposits	—	—	—	—	—
6) Trade accounts payable	5,294	333,826	—	—	522
8) Amounts due to subsidiaries	1,392	84,521	—	—	—
9) Amounts due to associated companies	—	8,661	—	—	105
11) Taxes payable	1,269	6,880	—	—	2,017
12) Amounts due to social security institutions	194	6,695	—	—	71
13) Other debt	1,197	26,213	55,622	30	14,581
Total (D)	9,346	2,055,037	55,622	1,825	370,767
E) Accrued expenses and deferred income	—	31,059	—	—	3,528
TOTAL LIABILITIES (A+B+C+D+E)	1,063,741	2,361,379	392,867	3,859	908,255
MEMORANDUM ACCOUNTS					
Personal guarantees given	115,511	29,469	—	—	257,531
Collateral given	—	—	—	—	—
Commitments, contingencies and other memorandum accounts	1,086,545	420,993	—	—	6,615
	1,202,056	450,462	—	—	264,146

TABLE H (cont.)

OTHER ASSOCIATED UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	RCS MEDIA GROUP Sp.A. 31.12.2002 € '000	CARTIERE BURGO Sp.A. 31.12.2002 € '000	IRAN & ITALY IND. PROM. CO. 20.3.2003 Rials '000	CIMENTS FRANÇAIS S.A. 31.12.2002 € m	GEMINA S.p.A. 31.12.2002 € '000
A) Value of production:					
1) Revenue from sales and services	3,096	1,532,500	42,500	6	160
2) Increase (decrease) in work-in-progress, semi-finished and finished products	—	13,110	—	—	—
4) Internal additions to fixed assets	—	465	—	—	—
5) Other income	7,022	40,216	292,599	54	476
Total (A)	10,118	1,586,291	335,099	60	636
B) Costs of production:					
6) Raw materials, consumables, semi-finished and finished goods	(116)	(847,177)	—	—	—
7) Services	(14,919)	(383,006)	(55,159)	(44)	(2,539)
8) Assets leased or rented	(7,694)	(2,307)	(60,000)	—	(164)
9) Personnel	(7,545)	(174,784)	(161,221)	(19)	(1,353)
10) Depreciation, amortization and writedowns	(782)	(207,576)	(25,865)	(1)	(988)
11) Increase (decrease) in raw materials, consumables, semi-finished and finished goods	—	8,062	—	—	—
12) Risks provisions	—	(1,071)	—	—	—
13) Other provisions	(501)	(466)	—	—	(20)
14) Sundry operating expenses	(1,698)	(10,463)	(32,854)	(6)	(285)
Total (B)	(33,255)	(1,618,788)	(335,099)	(70)	(5,349)
Value of production less cost of production	(23,137)	(32,497)	—	(10)	(4,713)
C) Financial income (charges):					
15) Dividends from investments	8,703	70,665	—	140	2,109
16) Other financial income	20,079	16,746	—	—	12,059
17) Interest and other financial charges	(2,076)	(103,382)	—	(67)	(17,038)
Total (C)	26,706	(15,971)	—	73	(2,870)
D) Value adjustments to financial fixed assets:					
18) Revaluations	173	158	—	—	—
19) Writedowns	(195,789)	—	—	(103)	(27,505)
Total (D)	(195,616)	158	—	(103)	(27,505)
E) Extraordinary income (expenses):					
20) Extraordinary income	25,396	5,208	—	—	35,924
21) Extraordinary expenses	(26,438)	(2,900)	(13,656)	(23)	(358)
Total (E)	(1,062)	2,308	(13,656)	(23)	35,566
Profit (loss) before tax (A-B+C+D+E)	(193,109)	(46,002)	(13,656)	(63)	478
22) Income taxes for the year	(1,300)	46,232	—	27	(5,910)
26) Profit (loss) for the year	(194,409)	230	(13,656)	(36)	(5,432)

TABLE I

**BENEFICIAL INTERESTS OF DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS IN
THE SHARE CAPITAL OF THE BANK**

Disclosure required under Article 79 of CONSOB Resolution 11971/99

Name	Company in which interest held	No. of shares held at end of previous financial year	No. of shares acquired during year	No. of shares sold during year	No. of shares held at end of financial year
Antoine BERNHEIM	MEDIOBANCA	60,000	—	—	60,000
Vincent BOLLORE'	MEDIOBANCA	38,925,230	—	—	38,925,230
Giancarlo CERUTTI	MEDIOBANCA	5,500	—	—	5,500
Jonella LIGRESTI	MEDIOBANCA	6,750	10,700	10,700	6,750
Alberto PECCI	MEDIOBANCA	6,118,876	—	43,000	6,075,876
Vittorio RIPA di MEANA	MEDIOBANCA	—	3,000	—	3,000
Antonio IZZI	MEDIOBANCA	1,000	—	—	1,000
Alberto NAGEL	MEDIOBANCA	1,000	—	—	1,000

N.B. Holdings of Directors and Statutory Auditors who were appointed or who resigned during the course of the financial year are stated as at the date on which the person concerned took up or relinquished his position.

TABLE L

**SIGNIFICANT EQUITY INVESTMENTS AS DEFINED IN ARTICLE 120/3 OF
DECREE LAW 58/98 AND ARTICLE 126 OF CONSOB REGULATION 11971/99**

	Share Capital € '000	Par Value per Share €	No. of Shares held directly	Direct Interest %	No. of Shares held indirectly	Indirect Interest %	Shares held by
COMPASS S.p.A., Milan	87,500	5	17,500,000	100.00	—	—	—
MB FINSTRUTTURE - INTERSOMER S.p.A., Milan	6,500	0.50	13,000,000	100.00	—	—	—
MEDIOBANCA INTERNATIONAL LTD., Grand Cayman	\$ 10m	\$ 1	10,000,000	100.00	—	—	—
PROMINVESTMENT S.p.A., Rome	520	0.52	1,000,000	100.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan	100	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan	100	5	20,000	100.00	—	—	—
SADE FINANZIARIA S.p.A., Milan	6,500	0.50	13,000,000	100.00	—	—	—
SETECI - Società per l'Elaborazione, Trasmissione Dati, Engineering e Consulenza Informatica S.p.A., Milan	500	5	100,000	100.00	—	—	—
SPAFID S.p.A., Milan	100	10	10,000	100.00	—	—	—
TECHNOSTART S.p.A., Milan	1,000	0.50	1,380,000	69.00	—	—	—
TRADEVCO LTD., Monrovia	LRD 80m	LRD 16,000	3,000	60.00	2,000	40.00	Tradevco
INDIRECTLY CONTROLLED SUBSIDIARIES							
COFACTOR S.p.A., Milan	7,500	0.50	—	—	15,000,000	100.00	Compass
CREDITECH S.p.A., Milan	250	1	—	—	250,000	100.00	Compass
MICOS BANCA SpA, Milan	35,000	0.50	—	—	70,000,000	100.00	Compass
PALLADIO LEASING S.p.A., Vicenza	8,700	0.50	—	—	16,482,500 867,500	95.00 5.00	SelmaBipiemme Palladio Leasing
SELMABIPIEMME LEASING S.p.A., Milan	40,200	0.50	—	—	49,564,777	61.65	Compass
TELELEASING S.p.A., Milan	9,500	1	—	—	7,600,000	80.00	SelmaBipiemme

TABLE L (cont.)

	Share Capital € '000	Par Value per Share €	No. of Shares held directly	Direct Interest %	No. of Shares held indirectly	Indirect Interest %	Shares held by
OTHER SIGNIFICANT EQUITY INVESTMENTS							
ATHENA PRIVATE EQUITY S.A., Luxembourg	50,000	2	6,114,460	24.46	—	—	—
CIMENTS FRANÇAIS S.A., Paris	152,400	4	4,374,215	11.48	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE, Monte Carlo	111.100	200	96,053	17.29	—	—	—
CARTIERE BURGO S.p.A., (formerly Dieci), Verzuolo	156,300	0.52	87,375,005	29.07	—	—	—
BANCA ESPERIA S.p.A., Milan	13,000	0.52	12,125,000	48.50	—	—	—
FERRARI S.p.A., Modena	20,000	2.50	1,720,000	21.50 ⁽¹⁾	—	—	—
FIDIA - Fondo Interbancario d'Inve- stimento Azionario S.p.A., Milan	15,600	520	7,500	25.00	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan	91,500	—	1	14.87	—	—	—
IRAN AND ITALY INDUSTRIAL PROMOTION CO., Tehran	Rials 400,000,000	Rials 100,000	2,000	50.00	—	—	—
MB VENTURE CAPITAL FUND I PARTICIPATING CO. A N.V., Amsterdam	50	1	22,500	45.00	—	—	—
TIRRENIA DI NAVIGAZIONE S.p.A., Rome	108,400	5.16	3,150,000	15.00	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg	40	10	—	—	1,400	35.00	Technostart
SINTERAMA S.p.A., Sandigliano	72,800	0.51	—	—	15,000,000	10.51	MB Finstrutture - Intersomer
SCONTOFIN S.A., Luxembourg	2,600	516.5	—	—	1,000	20.00	Sade Finanziaria
ZAMBIA TANZANIA ROAD SERVICES Ltd., Lusaka (in liquidation)	Kwacha 4,000	Kwacha 200.00	—	—	4,667	23.33	MB Finstrutture - Intersomer

⁽¹⁾ The Bank owns voting rights over 15% of this company.

ACCOUNTS OF THE BANK

BALANCE SHEET

	Assets	30/6/03	30/6/02
10.	CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES	73,710	74,836
20.	GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS	4,138,585,681	1,158,368,199
30.	AMOUNTS DUE FROM BANKS:	3,232,663,751	2,549,328,138
	a) repayable on demand	1,795,442,542	878,592,849
	b) other accounts	1,437,221,209	1,670,735,289
40.	AMOUNTS DUE FROM CUSTOMERS	12,937,378,519	15,018,639,275
	<i>of which:</i>		
	- loans using funds managed for third parties	—	—
50.	BONDS AND OTHER DEBT SECURITIES ISSUED BY:	3,033,789,673	2,650,567,525
	a) public agencies	692,517,802	967,136,073
	b) banks	738,192,168	582,740,703
	<i>of which:</i>		
	- own bonds	435,685,558	405,184,053
	c) financial companies	1,175,035,167	544,979,450
	<i>of which:</i>		
	- own bonds	—	—
	d) other issuers	428,044,536	555,711,299
60.	EQUITIES, PARTICIPATING INTERESTS AND OTHER CAPITAL SECURITIES	1,182,641,312	1,150,425,852
70.	EQUITY INVESTMENTS	2,570,320,041	2,835,193,920
80.	INVESTMENTS IN GROUP UNDERTAKINGS	118,731,237	118,778,590
100.	TANGIBLE FIXED ASSETS	10,647,200	11,361,202
130.	OTHER ASSETS	722,145,527	572,415,006
140.	ACCRUED INCOME AND PREPAID EXPENSES:	1,271,224,735	1,097,612,028
	a) accrued income	987,311,416	953,867,920
	b) prepaid expenses	283,913,319	143,744,108
	<i>of which:</i>		
	- issue discounts on bonds	51,756,224	—
		29,218,201,386	27,162,764,571

GUARANTEES AND COMMITMENTS

	Guarantees and Commitments	30/6/03	30/6/02
10.	GUARANTEES GIVEN	5,768,157,628	4,917,312,258
	<i>of which:</i>		
	- acceptances	—	—
	- other guarantees	5,768,157,628	4,917,312,258
20.	COMMITMENTS	14,493,152,176	10,595,097,404
	<i>of which:</i>		
	- assets sold under repurchase agreements	—	—
30.	CREDIT DERIVATIVES	344,500,000	215,037,594

	Liabilities and Shareholders' Equity	30/6/03	30/6/02
10.	AMOUNTS DUE TO BANKS:	5,049,270,226	7,132,130,793
	a) repayable on demand	910,494,149	1,321,040,532
	b) term deposits and deposits under notice	4,138,776,077	5,811,090,261
20.	AMOUNTS DUE TO CUSTOMERS:	1,222,647,659	642,326,615
	a) repayable on demand	662,118,239	414,655,314
	b) term deposits and deposits under notice	560,529,420	227,671,301
30.	DEBT SECURITIES IN ISSUE:	15,359,678,961	12,173,330,155
	a) bonds	14,505,512,211	11,326,763,764
	b) certificates of deposit	705,915,547	831,066,391
	c) other debt securities	148,251,203	15,500,000
50.	OTHER LIABILITIES	2,174,339,873	1,589,105,604
60.	ACCRUED EXPENSES AND DEFERRED INCOME:	738,996,534	817,070,178
	a) accrued expenses	454,569,428	599,368,731
	b) deferred income	284,427,106	217,701,447
70.	PROVISION FOR STAFF TERMINATION INDEMNITIES	14,884,802	12,291,801
80.	PROVISIONS FOR LIABILITIES AND CHARGES:	168,401,334	220,244,592
	a) post-retirement and similar benefits	—	—
	b) provision for taxation	163,311,334	220,244,592
	c) other provisions	5,090,000	—
90.	CREDIT RISKS PROVISION	286,627,196	241,627,196
100.	PROVISION FOR GENERAL BANKING RISKS	638,934,653	638,934,653
120.	SHARE CAPITAL	389,274,707	389,264,708
130.	SHARE PREMIUM RESERVE	1,807,114,356	1,806,979,756
140.	RESERVES:	1,374,390,982	1,374,126,372
	a) legal reserve	77,854,942	77,852,491
	b) reserve for purchase of own shares and participating interests	—	—
	c) statutory reserves	1,033,591,188	1,033,329,029
	d) other reserves	262,944,852	262,944,852
150.	REVALUATION RESERVES	7,586,763	7,586,763
160.	RETAINED EARNINGS (ACCUMULATED LOSSES)	80,735	99,298
170.	PROFIT (LOSS) FOR THE YEAR	(14,027,395)	117,646,087
		29,218,201,386	27,162,764,571

PROFIT AND LOSS ACCOUNT

		12 months ended 30/6/03	12 months ended 30/6/02
10.	INTEREST RECEIVABLE AND SIMILAR INCOME	1,015,669,995	938,312,655
	<i>of which interest on:</i>		
	- loans and advances to customers	590,072,798	624,342,080
	- debt securities	218,418,410	140,107,554
20.	INTEREST PAYABLE AND SIMILAR EXPENSES	(826,858,160)	(770,193,240)
	<i>of which interest on:</i>		
	- customer deposits	(28,078,730)	(17,270,013)
	- debt securities	(566,368,997)	(557,999,255)
30.	DIVIDENDS ON AND OTHER INCOME FROM:	288,442,521	228,180,036
	a) equities, participating interests and other capital securities	185,991,530	110,072,410
	b) equity investments	102,450,991	118,107,626
	c) investments in Group undertakings	—	—
40.	COMMISSIONS RECEIVABLE	189,044,907	155,825,347
50.	COMMISSIONS PAYABLE	(30,543,716)	(32,014,258)
60.	GAINS (LOSSES) ON DEALING TRANSACTIONS	(168,508,903)	(121,538,689)
70.	OTHER INCOME FROM OPERATIONS	302,411,819	107,690,409
80.	ADMINISTRATIVE EXPENSES:	(125,745,511)	(115,642,244)
	a) personnel costs	(74,506,489)	(58,590,825)
	<i>of which:</i>		
	- wages and salaries	(50,811,091)	(42,152,274)
	- social security charges	(14,138,320)	(11,443,767)
	- transfer to termination indemnity provision	(6,736,155)	(2,933,261)
	- post-retirement and similar benefits	(2,820,923)	(2,061,523)
	b) other administrative expenses	(51,239,022)	(57,051,419)
90.	ADJUSTMENTS TO INTANGIBLE AND TANGIBLE FIXED ASSETS	(5,811,305)	(4,300,712)
100.	TRANSFER TO PROVISION FOR LIABILITIES AND CHARGES	(5,090,000)	—
110.	OTHER OPERATING EXPENSES	(304,881,148)	(135,615,635)
140.	TRANSFER TO CREDIT RISKS PROVISIONS	(45,000,000)	(87,000,000)
150.	ADJUSTMENTS TO FINANCIAL FIXED ASSETS	(266,197,171)	(561,451,504)
160.	WRITEBACKS OF FINANCIAL FIXED ASSETS	578,939	—
170.	PROFIT (LOSS) ON ORDINARY ACTIVITIES	17,512,267	(397,747,835)
180.	EXTRAORDINARY INCOME	591,241	470,713,791
190.	EXTRAORDINARY EXPENDITURE	(43,413,206)	(720,728)
200.	EXTRAORDINARY PROFIT (LOSS)	(42,821,965)	469,993,063
220.	INCOME TAXES FOR THE YEAR	11,282,303	45,400,859
230.	PROFIT (LOSS) FOR THE YEAR	(14,027,395)	117,646,087

NOTES TO THE ACCOUNTS OF THE BANK

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A. ACCOUNTING POLICIES

1. Description of accounting policies

Loans and advances

Loans and advances are stated at their estimated realizable value, which in this financial year coincides with face value. Where there is a reasonable probability of a loss being incurred, the item concerned is written down accordingly and charged to profit and loss account under *value adjustments*. If the loss does not eventually crystallize, the amount concerned is credited back to profit and loss account in a subsequent accounting period under *writebacks*.

All default interest accrued during the period under review is suspended in the relevant provision, and is credited to profit and loss account only when actually collected.

Fixed income securities

These are broken down as between:

- a) *non-investment securities*, held for use in treasury operations, and
- b) *investment securities*, which consist chiefly of convertible bonds and are accordingly held by the Bank on a long-term basis, being of the same nature as equity investments.

Listed securities and commitments to buy and sell such securities are stated at the lower of cost and market value, based on the average price in June in the case of non-investment securities, and on the average price in the last six months of the financial year in the case of investment securities.

Unlisted securities are stated at the lower of cost and estimated realization value based on specific criteria such as discounting future cash flows on the basis of expected returns, the issuer's degree of solvency, and market prices of similar listed shares.

Pursuant to Decree Law 250/95, an accrued "margin" is added to the cost of securities issued at below par value.

Exceptions to these principles are described in detail in the review of the Bank's operations and its accompanying schedules.

Writebacks in whole or in part of amounts written down in prior years are made only where the circumstances that gave rise to the original writedown no longer subsist.

On disposal, the proceeds of securities sold are credited to earnings using the weighted average cost method.

Non-investment equities

These are shares held for dealing purposes, which are stated at the lower of cost and market value on the basis of average prices in the month of June where this reflects their current market value. Any other methods of calculating market value are reported in the review of the Bank's operations and its accompanying schedules.

On disposal, the proceeds of securities sold are credited to earnings using the weighted average cost method.

Holdings in SICAVs

These are investment units included under the item *Equities, Participating Interests and Other Capital Securities*. They are stated at the lower of cost and net asset value at the balance sheet date, consistent with this particular type of investment.

Equity investments

These comprise all equities, rights and participating interests the Bank has acquired over the years as long-term investments to safeguard its asset base in real terms and with the intention of contributing to a stable ownership structure in investee companies.

Equity investments are stated at cost ⁽¹⁾, adjusted, where appropriate, to reflect statutory monetary revaluations and writedowns (in the case of listed securities) to market value at the balance sheet date and (in the case of unlisted securities) to the net equity of the business concerned at that date. In the Bank's accounts for years up to and including that ended 30 June 1993, the market value taken for purposes of determining such writedowns was average middle market

⁽¹⁾ Additions are made to the cost of the investments in venture capital funds as and when payments are made.

price in the fourth quarter of the period. Starting from the year ended 30 June 1994, market value has been based on average market price in the second half of the financial year where this reflects the value of the investment. Any other methods of calculating market value are reported in the review of the Bank's operations and its accompanying schedules. Writebacks in whole or in part of amounts written down in prior years are made only where the circumstances that gave rise to the original writedown no longer subsist.

Exceptions to these principles are described in detail in the review of the Bank's operations and its accompanying schedules.

On disposal, the proceeds of equity investments sold are credited to earnings using the LIFO method.

Tangible and intangible assets

These are stated at cost.

Property values include statutory monetary revaluations and annual depreciation charges. The net book value of properties does not exceed their market value.

The capital cost of furniture, equipment and intangible assets is written off in the year of acquisition, since once acquired, their market value becomes insignificant.

Debt

This is stated at face value, except in the case of zero coupon and single coupon bonds, the stated total value of which corresponds to the amount due at the balance sheet date.

Provisions for liabilities and charges

Allocations covering current and deferred income taxes are made to the *Provisions for taxation* under current tax regulations. Following the official introduction into Italian accounting practice of the principle of deferring advance tax, as sanctioned by the Bank of Italy on 3 August 1999, advance tax has been recognised in your Bank's accounts as a deferred tax asset as from the year ended 30 June 2000, provided there is reasonable certainty of it being recovered. On a prudential basis, such tax is so recognized where, according to budget projec-

tions, taxable income will be such as to enable the temporary differences that led to the advance payment to be fully reversed. Details of the items and amounts concerned can be found in Part B of the Notes to the Accounts.

Other provisions cover specific or likely risks, commitments and liabilities which could not be quantified when the accounts were made up.

Guarantees and commitments

Guarantees and commitments involving credit risk are stated at the value of the underlying transactions, on the basis of the same principles used to state accounts receivable.

Foreign currency translation

Assets and liabilities in currencies other than the Euro are expressed in Euros at rates of exchange ruling at the balance sheet date, with the exception of:

- a) equity investments and holdings in SICAVs held for investment purposes, which are stated at historic exchange rates, unless they have been written down since acquisition;
- b) the portion of term loans formally denominated in currencies other than the Euro granted under intergovernmental agreements and special legislation is stated at its Euro equivalent ruling on the date of disbursement, since all exchange risks are covered by Italian State credit insurance policies or contractual guarantees.

Off-balance sheet transactions in currencies other than the Euro, including derivatives, are stated as follows:

- at the price ruling at the balance sheet date, in the case of spot transactions pending settlement;
- at the price ruling at the balance sheet date for maturities corresponding to those in the contract, in the case of forward transactions;
- on a basis consistent with on- and off-balance sheet assets and liabilities, in the case of hedges or transactions related thereto.

Off-balance sheet transactions

Off-balance sheet transactions to cover off- and on-balance sheet assets and liabilities are stated on a basis consistent with the positions hedged.

Other off-balance sheet transactions involving derivatives are stated at the lower of contract price and market value, with the proviso that estimated gains over market value in linked derivatives are netted off against losses actually incurred.

Market value is defined as the present value of expected future cash flow, or replacement cost at the market rate ruling at the balance sheet date for maturities corresponding to those in the contract as recorded on international information circuits.

Margins on swaps are accrued on a pro-rata basis.

Securities to be received or delivered under agreements entered into but still pending settlement at the balance sheet date are stated on the same basis as *Fixed income securities*, *Non-investment securities*, *Holdings in SICAVs*, and *Equity investments*, as the case may be.

2. Tax adjustments and provisions

2.1 *Value adjustments made solely to comply with tax regulations*

No such adjustments have been made.

2.2 *Provisions made solely to comply with tax regulations*

The transfer of € 45m which has been made to the *Credit risks provision* to cover general risks constitutes such a provision. In the event of a distribution of assets, which is not anticipated at the time of writing, the entire provision of € 286.6m would form part of the Bank's taxable income.

B. NOTES TO THE BALANCE SHEET OF THE BANK

1. Accounts receivable

1.1 Heading 30: Amounts due from banks

	30/6/03 € '000	30/6/02 € '000
a) Deposits with central banks	46,513	49,946
b) Bills eligible for refinancing at central banks	—	—
c) Forward transactions	1,868,850	670,230
d) Securities lent	67,072	354,723

1.2a Analysis of cash amounts due from banks as at 30 June 2003

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	4,567	—	4,567
<i>a.1. Non-performing lendings ⁽¹⁾</i>	127	—	127
<i>of which: to countries at risk</i>	—	—	—
<i>a.2. Potential problem lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	4,440	—	4,440
b) Loans current as to payment of principal and interest	3,228,097	—	3,228,097

⁽¹⁾ This is a single item covered by a SACE credit insurance policy.

1.2a Analysis of cash amounts due from banks as at 30 June 2002

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	906	—	906
<i>a.1. Non-performing lendings ⁽¹⁾</i>	193	—	193
<i>of which: to countries at risk</i>	193	—	193
<i>a.2. Potential problem lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	713	—	713
b) Loans current as to payment of principal and interest	2,548,422	—	2,548,422

⁽¹⁾ This is a single item covered by a SACE credit insurance policy.

1.3 Movements in doubtful debts due from banks in year ended 30 June 2003

	Gross exposure	Potential problem loans	Debts in process of restructuring	Restructured debts	Unsecured credits to countries at risk	Total gross doubtful debt
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
a) Gross exposure as at 30/6/02	193	—	—	—	713	906
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
b) Additions	—	—	—	—	3,727	3,727
<i>b.1. Transfers from loans current as to payment of principal and interest</i>	—	—	—	—	2,625	2,625
<i>b.2. Interest in suspense</i>	—	—	—	—	—	—
<i>b.3. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>b.4. Other additions</i>	—	—	—	—	1,102	1,102
c) Reductions	66	—	—	—	—	66
<i>c.1. Transfers to loans current as to payment of principal and interest</i>	—	—	—	—	—	—
<i>c.2. Amounts written off</i>	—	—	—	—	—	—
<i>c.3. Amounts collected</i>	66	—	—	—	—	66
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>c.6. Other reductions</i>	—	—	—	—	—	—
d) Gross exposure as at 30/6/03	127	—	—	—	4,440	4,567
<i>d.1. of which: interest in suspense</i>	—	—	—	—	—	—

1.5 Heading 40: Amounts due from customers

	30/6/03 € '000	30/6/02 € '000
a) Bills eligible for refinancing at central banks	—	—
b) Forward transactions	671,124	355,918
c) Securities lent	109,334	4,261

1.6 Secured loans to customers

	30/6/03 € '000	30/6/02 € '000
a) Loans secured by mortgages	716,634	323,732
b) Loans secured by pledges on:		
1. cash deposits	18,032	8,131
2. securities	926,663	1,257,554
3. other assets	—	—
c) Loans secured by guarantees given by:		
1. Governments	387,343	516,457
2. public agencies	1,385	3,345
3. banks	551,676	914,852
4. others	2,131,833	3,172,148

1.7a *Analysis of cash amounts due from customers as at 30 June 2003*

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	—	—	—
<i>a.1. Non-performing lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.2. Potential problem lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	—	—	—
b) Loans current as to payment of principal and interest	12,937,379	—	12,937,379

1.7a *Analysis of cash amounts due from customers as at 30 June 2002*

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	—	—	—
<i>a.1. Non-performing lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.2. Potential problem lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	—	—	—
b) Loans current as to payment of principal and interest	15,018,639	—	15,018,639

Heading 10: *Cash and deposits with central banks and post offices*

	30/6/03 € '000	30/6/02 € '000
Cash and value items in hand	74	75
	74	75

2. Securities

2.1 Investment securities

	Book value € '000		Market value € '000	
	30/6/03	30/6/02	30/6/03	30/6/02
1. DEBT SECURITIES	74,217	74,333	74,217	74,333
1.1 Government securities:	—	—	—	—
• listed	—	—	—	—
• unlisted	—	—	—	—
1.2 Other debt securities:	74,217	74,333	74,217	74,333
• listed	74,217	74,333	74,217	74,333
• unlisted	—	—	—	—
2. CAPITAL SECURITIES	3,019	3,045	3,271	3,045
• listed	3,019	3,045	3,271	3,045
• unlisted	—	—	—	—
	77,236	77,378	77,488	77,378

Differences between redemption value on maturity and book value

	30/6/03 € '000	30/6/02 € '000
Surplus	2,958	2,841
Shortfall	—	—

2.2 Movements in investment securities

	30/6/03 € '000	30/6/02 € '000
A. HOLDING AT BEGINNING OF PERIOD	77,378	24,119
B. ADDITIONS	579	116,062
B1. Acquisitions	—	86,548
B2. Writebacks	579	—
B3. Transfers from holdings of non-investment securities	—	—
B4. Other movements	—	29,514
C. REDUCTIONS	721	62,803
C1. Disposals	—	45,009
C2. Redemptions	—	—
C3. Value adjustments	721	9,762 ⁽¹⁾
of which: permanent writedowns	—	—
C4. Transfers to holdings of non-investment securities	—	—
C5. Other movements	—	8,032
D. HOLDING AT END OF PERIOD	77,236	77,378

⁽¹⁾ Based on prices as at 28 June 2002.

2.3 Non-investment securities

	Book value € '000		Market value € '000	
	30/6/03	30/6/02	30/6/03	30/6/02
1. DEBT SECURITIES	7,098,159	3,734,603	7,237,221	3,749,173
1.1 Government securities:	2,609,600	1,970,891	2,618,538	1,974,527
• listed	2,609,600	1,970,891	2,618,538	1,974,527
• unlisted	—	—	—	—
1.2 Other debt securities:	4,488,559	1,763,712	4,618,683	1,774,646
• listed	3,819,687	1,357,452	3,941,029	1,367,575
• unlisted	668,872	406,260	677,654	407,071
2. CAPITAL SECURITIES	1,179,621	1,147,381	1,220,304	1,151,938
• listed	1,179,621	1,147,310	1,220,304	1,151,867
• unlisted	—	71	—	71
	8,277,780	4,881,984	8,457,525	4,901,111

2.4 Movements in non-investment securities

	30/6/03 € '000	30/6/02 € '000
A. HOLDING AT BEGINNING OF PERIOD	4,881,984	3,185,291
B. ADDITIONS	53,506,960	37,210,028
B1. Acquisitions:	53,004,440	37,069,969
1. Debt securities:	44,890,656	29,940,014
• Government securities	36,862,305	25,290,416
• other debt securities	8,028,351	4,649,598
2. Capital securities	8,113,784	7,129,955
B2. Writebacks and revaluations	7,273	3,514
B3. Transfers from holdings of investment securities	131,141	—
B4. Other movements	364,106	136,545
C. REDUCTIONS	50,111,164	35,513,335
C1. Disposals and redemptions:	49,645,569	35,166,913
1. Debt securities:	41,625,344	29,231,849
• Government securities	34,189,058	25,169,408
• other debt securities	7,436,286	4,062,441
2. Capital securities	8,020,225	5,935,064
C2. Value adjustments	12,549	42,154 ⁽¹⁾
C3. Transfers to holdings of investment securities	40,497	—
C4. Other movements	412,549	304,268
D. HOLDING AT END OF PERIOD	8,277,780	4,881,984

⁽¹⁾ Equities based on prices at 28 June 2002.

Securities intended for use on a continuing basis in the Bank's operations are classified as *investment securities* and consist of debt securities, most of which are convertible into equities, or have been issued with warrants. Also included are stock units of *DueMme SICAV*.

Securities maintained for use in treasury transactions are classified as *non-investment securities*.

3. Equity investments

3.1 Significant investments

	Share capital € '000 (*)	Par value of shares € (*)	Shareholders' equity € '000 (*)	Profit (loss) (1) € '000 (*)	Equity interest %	Book value € '000
A. SUBSIDIARIES (Heading 80)						
<i>Italy</i>						
1. COMPASS S.p.A. - Milan	87,500	5	135,895	2,112	100	77,985
2. MB FINSTRUTTURE - INTERSOMER S.p.A. - Milan	6,500	0.50	7,633	63	100	6,968
3. PROMINVESTMENT S.p.A. - Milan	520	0.52	1,054	(18)	100	819
4. PRUDENTIA FIDUCIARIA S.p.A. - Milan	100	5	474	41	100	103
5. RICERCHE E STUDI S.p.A. - Milan	100	5	103	—	100	103
6. SADE FINANZIARIA S.p.A. - Milan	6,500	0.50	34,883	2,628	100	25,732
7. SETECI - Società per l'Elaborazione, Trasmissione Dati, Engineering e Consulenza Informatica S.p.A. - Milan	500	5	530	1	100	522
8. SPAFID S.p.A. - Milan	100	10	31,665	294	100	26
9. TECHNOSTART S.p.A. - Milan	1,000	0.50	683	(12)	69	471
<i>Outside Italy</i>						
10. MEDIOBANCA INTERNATIONAL Ltd Grand Cayman	\$ 10m	\$ 1	\$ 73,990	\$ 10,151	100	6,002
11. TRADEVCO Ltd. - Monrovia, Liberia	LRD 80m	LRD 16,000	LRD —	LRD —	60 (2)	... (3)
						118,731
B. COMPANIES SUBJECT TO CONSIDERABLE INFLUENCE						
1. ATHENA PRIVATE EQUITY S.A. - Luxembourg	50,000	2	101,730	(4,248)	24.46	30,341
2. BANCA ESPERIA S.p.A. - Milan	13,000	0.52	37,458	(7,223)	48.50	18,167
3. CARTIERE BURGO S.p.A. - Milan	156,300	0.52	171,147	230	29.07	54,587
4. FIDIA - Fondo Interbancario d'Investimento Azionario S.p.A. - Milan	15,600	520	15,856	(259)	25.00	3,873
5. IRAN AND ITALY INDUSTRIAL PROMOTION COMPANY - Tehran	Rials 400m	Rials 100,000	Rials 298,614	Rials (13,656)	50.00	3
6. MB VENTURE CAPITAL FUND I PARTICIPATING COMPANY A N.V. Amsterdam	50	1	9,637	(3)	45.00	13,316
						120,287
						239,018

(*) Unless otherwise stated.

(1) Profit (loss) is included in shareholders' equity.

(2) The remaining shares are held by TRADEVCO as treasury shares.

(3) Carried at at token book value of € 1.

3.2 Amounts due from and to Group undertakings

	30/6/03 € '000	30/6/02 € '000
a) AMOUNTS DUE FROM GROUP UNDERTAKINGS	2,911,410	3,063,986
1. Amounts due from banks <i>of which: subordinated</i>	287,611 —	138,015 —
2. Amounts due from financial companies <i>of which: subordinated</i>	2,469,100 —	2,876,571 —
3. Amounts due from other companies <i>of which: subordinated</i>	2,108 —	2,155 —
4. Bonds and other debt securities <i>of which: subordinated</i>	152,591 —	47,245 —
b) AMOUNTS DUE TO GROUP UNDERTAKINGS	3,045,460	3,178,595
1. Amounts due to banks	3,025,593	3,100,114
2. Amounts due to financial companies	19,850	77,762
3. Amounts due to other companies	17	719
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	6,213,952	6,668,285
1. Guarantees given	3,944,878	4,221,705
2. Commitments	2,269,074	2,446,580

3.3 Amounts due from and to associated undertakings

	30/6/03 € '000	30/6/02 € '000
a) AMOUNTS DUE FROM ASSOCIATED UNDERTAKINGS	2,435,284	3,421,552
1. Amounts due from banks <i>of which: subordinated</i>	— —	26,652 —
2. Amounts due from financial companies <i>of which: subordinated</i>	420,000 —	1,350,558 —
3. Amounts due from other companies <i>of which: subordinated</i>	1,750,264 400,000	1,822,763 —
4. Bonds and other debt securities <i>of which: subordinated</i>	265,020 23,039	221,579 41,390
b) AMOUNTS DUE TO ASSOCIATED UNDERTAKINGS	84,304	429,456
1. Amounts due to banks	59,606	428,072
2. Amounts due to financial companies	23,659	—
3. Amounts due to other companies	1,039	1,384
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	1,287,699	794,508
1. Guarantees given	229,443	49
2. Commitments	1,058,256	794,459

3.4 Heading 70: *Equity investments*

	30/6/03 € '000	30/6/02 € '000
a) INVESTMENTS IN BANKS	148,837	476,613
1. <i>listed</i>	104,201	428,474
2. <i>unlisted</i>	44,636	48,139
b) INVESTMENTS IN FINANCIAL COMPANIES	234,420	174,670
1. <i>listed</i>	179,105	93,457
2. <i>unlisted</i>	55,315	81,213
c) OTHER EQUITY INVESTMENTS	2,187,064	2,183,911
1. <i>listed</i>	1,408,417	1,622,276
2. <i>unlisted</i>	778,647	561,635

3.5 Heading 80: *Investments in Group undertakings*

	30/6/03 € '000	30/6/02 € '000
a) INVESTMENTS IN BANKS	6,002	6,042
1. <i>listed</i>	—	—
2. <i>unlisted</i>	6,002	6,042
b) INVESTMENTS IN FINANCIAL COMPANIES	112,104	112,112
1. <i>listed</i>	—	—
2. <i>unlisted</i>	112,104	112,112
c) INVESTMENTS IN OTHER GROUP UNDERTAKINGS	625	625
1. <i>listed</i>	—	—
2. <i>unlisted</i>	625	625

3.6 *Movements in investments*

3.6.1 Movements in investments in Group undertakings

	30/6/03 € '000	30/6/02 € '000
A. HOLDING AT BEGINNING OF PERIOD	118,779	102,506
B. ADDITIONS	—	16,312
B1. Acquisitions	—	15,744
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	—	568
C. REDUCTIONS	48	39
C1. Disposals	—	—
C2. Value adjustments	48	39
<i>of which: permanent writedowns</i>	48	39
C3. Other movements	—	—
D. HOLDING AT END OF PERIOD	118,731	118,779
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS	3,802	3,755

3.6.2 Movements in other investments

	30/6/03 € '000	30/6/02 € '000
A. HOLDING AT BEGINNING OF PERIOD	2,835,194	2,898,911
B. ADDITIONS	682,097	1,527,111
B1. Acquisitions	459,931	830,257
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	222,166 ⁽¹⁾	696,854
C. REDUCTIONS	946,970	1,590,828
C1. Disposals	329,671	1,010,606
C2. Value adjustments <i>of which: permanent writedowns</i>	265,428	551,651 ⁽²⁾
C3. Other movements	351,871 ⁽³⁾	28,571
D. HOLDING AT END OF PERIOD	2,570,321	2,835,194
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS	837,774	707,735

⁽¹⁾ Of which € 40,497,000 transferred from non-investment securities.

⁽²⁾ Based on prices as at 28 June 2002.

⁽³⁾ Of which € 131,141,000 transferred to non-investment securities.

4. Tangible and intangible fixed assets

4.1 Movements in tangible fixed assets

	30/6/03			30/6/02		
	Properties € '000	Furniture and equipment € '000	Total € '000	Properties € '000	Furniture and equipment € '000	Total € '000
A. HOLDING AT BEGINNING OF PERIOD	11,361	—	11,361	12,075	—	12,075
B. ADDITIONS	—	2,636	2,636	—	2,195	2,195
B1. Acquisitions	—	2,242	2,242	—	1,821	1,821
B2. Writebacks	—	—	—	—	—	—
B3. Revaluations	—	—	—	—	—	—
B4. Other movements	—	394 ⁽¹⁾	394	—	374 ⁽¹⁾	374
C. REDUCTIONS	714	2,636	3,350	714	2,195	2,909
C1. Disposals and retirements from service	—	394	394	—	374	374
C2. Value adjustments:	714	2,242	2,956	714	1,821	2,535
a) <i>depreciation</i>	714	2,242 ⁽²⁾	2,956	714	1,821 ⁽²⁾	2,535
b) <i>permanent writedowns</i>	—	—	—	—	—	—
C3. Other movements	—	—	—	—	—	—
D. HOLDING AT END OF PERIOD	10,647	—	10,647	11,361	—	11,361
E. TOTAL REVALUATIONS	23,610	—	23,610	23,610	—	23,610
F. TOTAL ADJUSTMENTS:	13,153	13,809	26,962	12,439	11,961	24,400
a) <i>depreciation</i>	13,153	13,809	26,962	12,439	11,961	24,400
b) <i>permanent writedowns</i>	—	—	—	—	—	—

⁽¹⁾ Released from accumulated depreciation following disposals and retirements from service.

⁽²⁾ Cost of all assets acquired during the financial year written off.

4.2 Movements in intangible assets

	30/6/03 € '000	30/6/02 € '000
A. ASSETS AT BEGINNING OF PERIOD	— ⁽¹⁾	— ⁽¹⁾
B. ADDITIONS	2,855	1,766
B1. Acquisitions	2,855	1,766
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	—	—
C. REDUCTIONS	2,855	1,766
C1. Disposals and retirements from service	—	—
C2. Value adjustments:	2,855	1,766
a) <i>amortization</i>	2,855	1,766
b) <i>permanent writedowns</i>	—	—
C3. Other movements	—	—
D. ASSETS AT END OF PERIOD	— ⁽¹⁾	— ⁽¹⁾
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS:	12,018	9,163
a) <i>amortization</i>	12,018	9,163
b) <i>permanent writedowns</i>	—	—

⁽¹⁾ Cost fully written off.

5. Other asset headings

5.1 Heading 130: *Other assets*

	30/6/03 € '000		30/6/02 € '000	
AMOUNTS DUE FROM REVENUE AUTHORITIES:				
• taxes withheld	10,418		12,508	
• advance tax paid, tax credits, taxes recoverable and interest thereon	192,074		188,024	
• prepaid tax	143,165	345,657	85,482	286,014
OTHER AMOUNTS DUE:				
• premiums, grants, indemnities and other items relating to lending transactions	3,089		5,229	
• futures and other securities transactions	78		3,728	
• advances on deposit commissions	491		801	
• invoices receivable and to be issued	4,490		36,714	
• other items in transit	1,218	9,366	1,786	48,258
INTERBANK ACCOUNTS, DEFERRED VALUE DATES		15,042		82
PREMIUMS PAID FOR OPTIONS PURCHASED		265,210		90,403
VALUATION OF DERIVATIVES CONTRACTS		34,513		58,391
DEPOSITS PAID ON DERIVATIVES CONTRACTS		28,679		87,365
OTHER ITEMS		23,678		1,902
		722,145		572,415

5.2 Heading 140: *Accrued income and prepaid expenses*

	30/6/03 € '000		30/6/02 € '000	
ACCRUED INCOME				
Interest accrued on amounts due from banks	4,341		5,519	
Interest accrued on amounts due from customers	107,847		133,250	
Interest accrued on derivatives contracts	794,634		778,833	
Interest accrued on securities held	80,489	987,311	36,266	953,868
PREPAID EXPENSES				
Commissions prepaid	200,500		111,130	
Advances on forward transactions	15,490		20,390	
Discounts and expenses on bonds issued	51,756		—	
Other prepaid expenses	16,167	283,913	12,224	143,744
		1,271,224		1,097,612

5.4 *Subordinated assets*

	30/6/03 € '000	30/6/02 € '000
a) Amounts due from banks	—	—
b) Amounts due from customers	400,000	—
c) Bonds and other debt securities	93,857	78,665
	493,857	78,665

6. Accounts payable

6.1 Heading 10: *Amounts due to banks*

	30/6/03 € '000	30/6/02 € '000
a) Forward transactions	447,155	1,204,573
b) Securities lent	18,568	56,477

6.2 Heading 20: *Amounts due to customers*

	30/6/03 € '000	30/6/02 € '000
a) Forward transactions	555,141	191,635
b) Securities lent	44,965	136,670

Heading 30: *Debt securities*

	30/6/03		30/6/02	
	No. (†)	€ '000	No. (†)	€ '000
Bonds	—	14,505,512	—	11,326,764
• <i>convertible</i>	3,321,080	156,607	19,361,650	112,621
• <i>with warrants</i>	3,814	5,010	8,750	10,083
• <i>other bonds</i>	—	14,343,895	—	11,204,060
Certificates of deposit	—	705,916	—	831,066
Others	—	148,251	—	15,500
		15,359,679		12,173,330

(†) Actual number. Bonds in issue have varying nominal values.

7. Provisions (Headings 70, 80 and 90)

Provision for staff termination indemnities

	30/6/03 € '000	30/6/02 € '000
PROVISION AT BEGINNING OF PERIOD	12,292	12,555
<i>deduct:</i>		
• indemnities paid out and advances made under Law 297/82 during the year	2,337	1,826
• transfer to pension fund	1,767	1,330
• tax on revaluation of indemnities	39	40
<i>add:</i>		
• transfer to provision for year	6,736	2,933
PROVISION AT END OF PERIOD	14,885	12,292

7.1 Heading 90: *Credit risks provisions*

	30/6/03 € '000	30/6/02 € '000
SPECIFIC AND GENERAL CREDIT RISKS	286,627	241,627
CREDIT RISKS PROVISION FOR DEFAULT INTEREST	—	—
	286,627	241,627

7.2 *Movements in credit risks provisions*

	30/6/03 € '000	30/6/02 € '000
A. PROVISIONS AT BEGINNING OF PERIOD	241,627	154,627
B. ADDITIONS	45,000	87,000
B1. Transfers to provisions	45,000	87,000
B2. Other movements	—	—
C. REDUCTIONS	—	—
C1. Transfers from provisions	—	—
C2. Other movements	—	—
D. PROVISIONS AT END OF PERIOD	286,627	241,627

Provision for taxation as at 30 June 2003

	Corporate income tax and regional production tax € '000	“Substitutive” CGT € '000	“Substitutive” tax on franking credit risks provision € '000	“Substitutive” tax on lendings € '000	Others € '000	Total € '000
PROVISION AT BEGINNING OF PERIOD	96,191	81,429	41,638	988	—	220,246
<i>deduct:</i>						
• transfers from provision during year	45,993	81,429	20,819	988	—	149,229
• writeback to profit and loss account	—	—	—	—	—	—
• other decreases	—	—	—	—	—	—
<i>add:</i>						
• transfers to provision during year	87,500	—	—	1,994	2,800 ⁽¹⁾	92,294
• other increases	—	—	—	—	—	—
PROVISION AT END OF PERIOD	137,698	—	20,819	1,994	2,800	163,311

(1) “Substitutive” tax on non-Italian subsidiaries.

Provision for taxation as at 30 June 2002

	Corporate income tax and regional production tax € '000	“Substitutive” CGT € '000	“Substitutive” tax on franking credit risks provision € '000	“Substitutive” tax on lendings € '000	Others € '000	Total € '000
PROVISION AT BEGINNING OF PERIOD	195,826	—	62,458	1,205	—	259,489
<i>deduct:</i>						
• transfers from provision during year	85,474	—	20,820	1,205	—	107,499
• writeback to profit and loss account	—	—	—	—	—	—
• other decreases	17,365	—	—	—	—	17,365
<i>add:</i>						
• transfers to provision during year	3,204	81,429	—	988	—	85,621
• other increases	—	—	—	—	—	—
PROVISION AT END OF PERIOD	96,191	81,429	41,638	988	—	220,246

7.3 Heading 80)c: Provisions for liabilities and charges: other provisions

	30/6/03 € '000	30/6/02 € '000
Transfer to cover charges arising due to Tradevco ceasing operations	5,090	—
	5,090	—

7.4a Changes in advance tax assets over the twelve months to 30 June 2003

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	85,482	83,207	2,275	—
2. Additions	82,758	78,891	3,867	—
2.1 Advance tax arising in period	82,536	78,891	3,645	—
2.2 Other additions	222	—	222	—
3. Reductions	25,075	24,266	809	—
3.1 Advance tax eliminated in period	22,731	21,922	809	—
3.2 Other reductions	2,344	2,344	—	—
4. BALANCE AT END OF PERIOD	143,165	137,832	5,333	—

Eligible offsets as at 30 June 2003

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	143,165	137,832	5,333	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 150)	143,165	137,832	5,333	—

7.4b Changes in advance tax assets over the twelve months to 30 June 2002

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	8,642	7,619	1,023	—
2. Additions	80,146	78,440 ⁽¹⁾	1,706	—
2.1 Advance tax arising in period	80,068	78,440	1,628	—
2.2 Other additions	78	—	78	—
3. Reductions	3,306	2,852	454	—
3.1 Advance tax eliminated in period	3,297	2,843	454	—
3.2 Other reductions	9	9	—	—
4. BALANCE AT END OF PERIOD	85,482	83,207 ⁽¹⁾	2,275	—

⁽¹⁾ Of which € 5,049,000 in tax losses.

Eligible offsets as at 30 June 2002

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	85,482	83,207	2,275	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 150)	85,482	83,207	2,275	—

7.5a Changes in deferred tax liabilities over the twelve months to 30 June 2003

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	88,358	88,358	—	—
2. Additions	—	—	—	—
2.1 Advance tax arising in period	—	—	—	—
2.2 Other additions	—	—	—	—
3. Reductions	43,899	43,899	—	—
3.1 Advance tax eliminated in period	41,374	41,374	—	—
3.2 Other reductions	2,525	2,525	—	—
4. BALANCE AT END OF PERIOD	44,459	44,459	—	—

Eligible offsets as at 30 June 2003

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	44,459	44,459	—	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 80b)	44,459	44,459	—	—

7.5b Changes in deferred tax liabilities over the twelve months to 30 June 2002

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	140,448	140,448	—	—
2. Additions	1,104	1,104	—	—
2.1 Advance tax arising in period	1,104	1,104	—	—
2.2 Other additions	—	—	—	—
3. Reductions	53,194	53,194	—	—
3.1 Advance tax eliminated in period	53,194	53,194	—	—
3.2 Other reductions	—	—	—	—
4. BALANCE AT END OF PERIOD	88,358	88,358	—	—

Eligible offsets as at 30 June 2002

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	88,358	88,358	—	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 80b)	88,358	88,358	—	—

As noted earlier, advance tax has been recognized in the accounts as from the year ended 30 June 2000 in addition to current and deferred tax.

This tax is provided on the liability method, whereby deferred tax liabilities are charged to the accounts even though there is little chance they will actually be incurred.

Deductible temporary differences on the basis of which advance tax is calculated mainly involve:

- depreciation on furniture and fixtures and amortization of intangible assets which is written off when incurred;
- entertainment expenses;
- maintenance expenses in excess of 5%;
- unrealized losses on equities held and investments, which where the provisions of Decree Law 209/02 Article 1 Clause 2 b) apply, are deductible on the straight-line basis in the year in which they are incurred and the following four years;
- the substantial initial instalment on Via Filodrammatici lease;
- transfers to cover liabilities and charges.

Taxable temporary differences on the basis of which advance tax is calculated relate to capital gains on which (in applicable cases under Article 54/4 of Presidential Decree 917/86) deferred tax may be written off on the straight-line basis over up to four years from the accounting period in which it was incurred.

Where advance or deferred tax has been provided in the accounts, it has been determined separately in respect of corporate income tax which is charged at the nominal rate of 34%, and regional production tax, charged at the rate applicable at the balance sheet date.

8. Share capital, reserves, provision for general banking risks and subordinated liabilities

Heading 100: *Provision for general banking risks*

	30/6/03 € '000	30/6/02 € '000
Credit risk provision originally raised on provisionally tax-exempt basis under Article 71/1 of Presidential Decree 917/86	310,210	310,210
Addition resulting from the franking of the credit risk provision under Article 22 of Law 342/00	328,725	328,725
	638,935	638,935

Heading 120: *Share capital at 30 June 2003*

	30/6/03 € '000
SHARE CAPITAL AT BEGINNING OF PERIOD	
• 778,529,415 € 0.50 par value ordinary shares	389,265
Capital increase under EGM Resolution of 28/3/98:	
• Restricted rights issue of 20,000 shares subscribed by employees under stock option scheme	10
SHARE CAPITAL AT END OF PERIOD	389,275

Heading 120: *Share capital at 30 June 2002*

	30/6/02 € '000
SHARE CAPITAL AT BEGINNING OF PERIOD	
• 642,163,615 Lit. 1,000 par value ordinary shares	331,650
Conversion of share capital to Euros at par value € 0.50 per share	(10,570)
Increase of 136,188,800 shares following merger by amalgamation of Euralux S.p.A.	68,094
Capital increase under EGM Resolution of 28/3/98:	
• Restricted rights issue of 177,000 shares subscribed by employees under stock option scheme	91
SHARE CAPITAL AT END OF PERIOD	389,265

Heading 130: *Share premium reserve*

	30/6/03 € '000	30/6/02 € '000
SHARE PREMIUMS AT BEGINNING OF PERIOD	1,806,980	1,805,791
Increases:		
• stock options	134	1,189
SHARE PREMIUMS AT END OF PERIOD	1,807,114	1,806,980

Heading 140: *Reserves*

	30/6/03 € '000	30/6/02 € '000
RESERVES AT BEGINNING OF PERIOD:		
Legal reserve	77,852	61,784
Statutory reserve	1,033,329	988,914
Other reserves	262,945	85,827
Allocations under profit appropriation approved at Annual General Meeting:		
• to Legal Reserve	3	5,498
• to Statutory Reserve	262	44,415
Surplus on merger of Euralux S.p.A.	—	177,118
Surplus on conversion of share capital to Euros	—	10,570
RESERVES AT END OF PERIOD:		
Legal reserve	77,855	77,852
Statutory reserve	1,033,591	1,033,329
Other reserves	262,945	262,945

Heading 150: *Revaluation reserves*

	30/6/03 € '000	30/6/02 € '000
Revaluation reserve under Law 72/83 ⁽¹⁾	4,080	4,080
Revaluation reserve under Law 413/91	3,507	3,507
	7,587	7,587

(1) Net of € 17,560,000 taken to capital pursuant to Extraordinary Resolution adopted at AGM on 28/10/93.

8.1 *Regulatory capital and capital adequacy requirements*

	30/6/03 € '000	30/6/02 € '000
a) Regulatory capital		
a.1. Tier 1 capital	4,055,629	4,209,651
a.2. Tier 2 capital	1,231,440	1,511,966
a.3. Supervisory deductions	(142,631)	(141,857)
a.4. Regulatory capital	5,144,438	5,579,760
b) Capital adequacy requirements		
b.1. Credit risk	1,478,176	1,592,748
b.2. Market risk	208,087	173,714
• on non-investment securities	208,087	149,339
• on exchange rates	—	—
• on loan concentration	—	24,375
b.2.1. Tier 3 subordinated loans	—	—
b.3. Other capital adequacy requirements	3,260	15,395
b.4. Total capital adequacy requirements	1,689,523	1,781,857
c) Risk assets and capital adequacy ratios		
c.1. Weighted risk assets	24,136,043	25,455,100
c.2. Tier 1 capital as % of weighted risk assets	16.80%	16.54%
c.3. Regulatory capital as % of weighted risk assets	21.31%	21.92%

9. Other liability headings

9.1 Heading 50: *Other liabilities*

	30/6/03 € '000		30/6/02 € '000	
DUE TO REVENUE AUTHORITIES	26,212		25,963	
AMOUNTS DUE IN RESPECT OF:				
• interest coupons and dividends awaiting collection and debt securities in the process of conversion	2,044		21,683	
• commissions payable to banks	76		643	
• commissions payable to placing and underwriting syndicates	661		—	
• invoices pending settlement and receipt	8,049		8,097	
• premiums, contributions and other amounts due to third parties in respect of financing transactions	106,566	117,396	40,942	71,365
FEES PAYABLE, AND SOCIAL SECURITY CONTRIBUTIONS AND AMOUNTS WITHHELD FROM STAFF AND PROVIDERS OF SERVICES DUE TO REVENUE AUTHORITIES	8,202		6,997	
INTERBANK ACCOUNTS, DEFERRED VALUE DATES	19,043		21	
PREMIUMS RECEIVED ON OPTIONS SOLD	266,031		69,750	
VALUATION OF DERIVATIVES CONTRACTS	168,238		108,206	
AMOUNT OUTSTANDING ON SECURITIES LENT	851,069		639,710	
DEPOSITS RECEIVED ON DERIVATIVES CONTRACTS	718,149		667,092	
OTHER ITEMS	—		—	
	2,174,340		1,589,104	

9.2 Heading 60: *Accrued expenses and deferred income*

	30/6/03 € '000		30/6/02 € '000	
ACCRUED EXPENSES				
Interest accrued on deposits and loans from banks	79,257		53,894	
Interest and commissions accrued on Mediobanca certificates of deposit and debt securities, and on guarantees and treasury transactions	183,649		250,815	
Interest accrued on derivatives	189,193		292,373	
Amounts accrued on refinancings and subsidies	2,470	454,569	2,287	599,369
DEFERRED INCOME				
Actualization of derivatives contracts	38,111		49,862	
Commissions on bond issues	25,640		31,856	
Advances on forward transactions	59,677		62,020	
Prepaid interest and commissions	160,999	284,427	73,963	217,701
	738,996		817,070	

10. Guarantees and commitments

10.1 Heading 10: *Guarantees given*

	30/6/03			30/6/02		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Bills backed or endorsed	23,500	—	23,500	—	—	—
b) Letters of guarantee	2,694,201	3,050,457	5,744,658	1,988,377	2,928,935	4,917,312
c) Assets pledged as collateral	—	—	—	—	—	—
	2,717,701	3,050,457	5,768,158	1,988,377	2,928,935	4,917,312

10.2 Heading 20: *Commitments*

	30/6/03			30/6/02		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Commitments to lend specific funds:						
• securities to be received	632,678	450,085	1,082,763	1,943,638	968,740	2,912,378
• amounts undrawn under existing loan agreements	4,961,172	2,825,077	7,786,249	2,725,050	1,020,880	3,745,930
• other commitments and exposures	37,628	75,046	112,674	48,048	—	48,048
	5,631,478	3,350,208	8,981,686	4,716,736	1,989,620	6,706,356
b) Commitments to provide funds on a stand-by basis:						
• loans agreed on a conditional basis	2,478,269	978,425	3,456,694	734,049	1,413,317	2,147,366
• participations in underwriting syndicates	253,736	—	253,736	591,433	17,441	608,874
• other commitments and exposures	522,899	1,278,137	1,801,036	586,014	546,487	1,132,501
	3,254,904	2,256,562	5,511,466	1,911,496	1,977,245	3,888,741
	8,886,382	5,606,770	14,493,152	6,628,232	3,966,865	10,595,097

10.3 *Assets posted as collateral for amounts due by the Bank*

	30/6/03 € '000	30/6/02 € '000
Securities held posted as collateral for forward funding transactions	658,737	960,869
Amounts due to customers posted as collateral for EIB loans	283,297	369,799

Credit derivatives (Heading 30 of Guarantees and Commitments)

	30/6/03			30/6/02		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Banking book hedge sales						
• with exchange of principal	—	205,000	205,000	—	145,000	145,000
• without exchange of principal	—	—	—	—	—	—
	—	205,000	205,000	—	145,000	145,000
b) Trading book hedge sales						
• with exchange of principal	—	139,500	139,500	—	70,038	70,038
• without exchange of principal	—	—	—	—	—	—
	—	139,500	139,500	—	70,038	70,038
	—	344,500	344,500	—	215,038	215,038

10.5 Forward transactions

Type of transaction	30/6/03			30/6/02		
	Hedging € '000	Trading € '000	Other € '000	Hedging € '000	Trading € '000	Other € '000
1. DEALING	148,200	3,661,997	491,206	—	5,465,432	364,432
1.1 Securities:	148,200	3,661,997	491,206	—	5,465,432	364,432
• bought	148,200	934,563	—	—	2,912,378	—
• sold	—	2,727,434	491,206	—	2,553,054	364,432
1.2 Foreign currency:	—	—	—	—	—	—
• currency bought/sold for currency	—	—	—	—	—	—
• currency bought for Euros	—	—	—	—	—	—
• currency sold for Euros	—	—	—	—	—	—
2. DEPOSITS AND LOANS	—	4,969,658	15,366	—	—	—
• pending disbursement	—	3,861,121	—	—	—	—
• pending receipt	—	1,108,537	15,366	—	—	—
3. DERIVATIVES CONTRACTS	17,562,618	19,523,111	15,398,908	13,486,683	7,996,785	10,034,614
3.1 With exchange of principal:	1,509,039	6,300,896	3,158,566	1,715,253	2,214,188	1,520,068
a) Securities ⁽²⁾ :	375,095	5,772,167	3,158,566	527,154	2,091,883	1,520,068
• bought	—	1,707,004	1,563,513	246,387	740,642	495,727
• sold	375,095	4,065,163	1,595,053	280,767	1,351,241	1,024,341
b) Foreign currency:	1,133,944	528,729	—	1,188,099	122,305	—
• currency bought/sold for currency	—	—	—	—	—	—
• currency bought for Euros	544,006	32,801	—	565,179	76,190	—
• currency sold for Euros	589,938	495,928	—	622,920	46,115	—
c) Other value items:	—	—	—	—	—	—
• bought	—	—	—	—	—	—
• sold	—	—	—	—	—	—
3.2 Without exchange of principal:	16,053,579	13,222,215	12,240,342	11,771,430	5,782,597	8,514,546
a) Foreign currency:	—	—	—	—	—	—
• currency bought/sold for currency	—	—	—	—	—	—
• currency bought for Euros	—	—	—	—	—	—
• currency sold for Euros	—	—	—	—	—	—
b) Other value items ⁽¹⁾ ⁽²⁾ :	16,053,579	13,222,215	12,240,342	11,771,430	5,782,597	8,514,546
• bought	12,762,156	6,472,781	4,538,015	8,968,621	2,512,921	3,644,925
• sold	3,291,423	6,749,434	7,702,327	2,802,809	3,269,676	4,869,621

⁽¹⁾ Amounts bought and sold include basis swaps in a principal amount of € 3,301,196,000 (€ 1,305,589,000 as at 30 June 2002).

⁽²⁾ Amounts bought and sold include derivatives incorporated in financial instruments in a total amount of € 9,510,227,000 (€ 7,041,988,000 as at 30 June 2002).

10.6 Credit derivatives

Type of transaction	30/6/03 € '000		30/6/02 € '000	
	Hedging	Trading	Hedging	Trading
1. HEDGE BUYS	275,000	183,500	365,000	—
1.1 With exchange of principal	275,000	183,500	365,000	—
– <i>credit default</i>	275,000	183,500	365,000	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
– <i>credit default</i>	—	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2. HEDGE SALES	205,000	139,500	145,000	70,038
2.1 With exchange of principal	205,000	139,500	145,000	70,038
– <i>credit default</i>	205,000	139,500	145,000	70,038
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2.2 Without exchange of principal	—	—	—	—
– <i>credit default</i>	—	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—

11. Segmental information

11.1 Significant exposures

	30/6/03	30/6/02
a) Total risk-weighted amount (€ '000)	10,297,201	10,589,881
b) Exposures (No.)	11	9

11.2 Loans and advances to customers by category of borrower

	30/6/03 € '000	30/6/02 € '000
a) Governments	254,897	285,109
b) Other public agencies	—	—
c) Non-financial undertakings	5,567,333	5,154,548
d) Financial companies	6,648,010	8,919,159
e) Family firms	—	—
f) Other borrowers	467,139	659,823
	12,937,379	15,018,639

11.3 Loans and advances to domestic non-financial undertakings and family firms by industry

	30/6/03 € '000	30/6/02 € '000
a) Sales services	1,888,304	1,294,944
b) Energy	1,087,724	959,402
c) Food	490,598	56,555
d) Telecoms	360,515	403,862
e) Paper and publishing	316,822	310,414
f) Other industries	973,651	1,086,899
	5,117,614	4,112,076

11.4 Guarantees given by category of counterparty

	30/6/03 € '000	30/6/02 € '000
a) Governments	—	—
b) Other public agencies	—	—
c) Banks	3,037,402 ⁽¹⁾	2,914,507 ⁽¹⁾
d) Non-financial undertakings	138,822	147,858
e) Financial companies	1,362,721	1,854,947
f) Family firms	—	—
g) Other counterparties	1,229,213	—
	5,768,158	4,917,312

⁽¹⁾ Includes € 3,037,353,000 relating to funding transactions by MEDIOBANCA INTERNATIONAL (€ 2,914,458,000 as at 30 June 2002).

Credit derivatives by type of counterparty

	30/6/03 € '000	30/6/02 € '000
Hedge buys	458,500	365,000
Banking book	275,000	365,000
<i>Banks</i>	230,000	345,000
<i>Financial companies</i>	45,000	20,000
Trading book	183,500	—
<i>Banks</i>	106,000	—
<i>Financial companies</i>	77,500	—
Hedge sales	344,500	215,038
Banking book	205,000	145,000
<i>Banks</i>	180,000	135,000
<i>Financial companies</i>	25,000	10,000
Trading book	139,500	70,038
<i>Banks</i>	45,000	15,038
<i>Financial companies</i>	94,500	55,000

11.5 *Assets and liabilities by geographical area*

11.5a *Assets and liabilities by geographical area as at 30 June 2003*

	Domestic € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
1. ASSETS	18,598,525	4,894,803	1,031,731	24,525,059
1.1 Amounts due from banks	2,251,025	885,728	95,911	3,232,664
1.2 Amounts due from customers	11,341,205	1,200,709	395,465	12,937,379
1.3 Securities	5,006,295	2,808,366	540,355	8,355,016
2. LIABILITIES	16,626,475	1,970,953	3,034,168	21,631,596
2.1 Amounts due to banks	662,844	1,360,792	3,025,634	5,049,270
2.2 Amounts due to customers	603,952	610,161	8,534	1,222,647
2.3 Debt securities	15,359,679	—	—	15,359,679
2.4 Other accounts	—	—	—	—
3. GUARANTEES AND COMMITMENTS	11,604,083	4,011,134	4,990,593	20,605,810

11.5a *Assets and liabilities by geographical area as at 30 June 2002*

	Domestic € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
1. ASSETS	19,014,021	2,841,368	671,940	22,527,329
1.1 Amounts due from banks	1,735,724	737,431	76,173	2,549,328
1.2 Amounts due from customers	13,240,384	1,363,721	414,534	15,018,639
1.3 Securities	4,037,913	740,216	181,233	4,959,362
2. LIABILITIES	14,685,422	2,135,209	3,127,157	19,947,788
2.1 Amounts due to banks	2,193,072	1,836,907	3,102,152	7,132,131
2.2 Amounts due to customers	319,020	298,302	25,005	642,327
2.3 Debt securities	12,173,330	—	—	12,173,330
2.4 Other accounts	—	—	—	—
3. GUARANTEES AND COMMITMENTS	8,616,609	2,255,335	4,855,503	15,727,447

11.6 Assets and liabilities by maturity

11.6a Assets and liabilities by maturity as at 30 June 2003

	Repayable									Perpetual	Total
	on demand	not more than 3 months	over 3 months but not more than one year	over 1 year but not more than 18 months		over 18 months but not more than 5 years		over 5 years			
				fixed rate	floating rate	fixed rate	floating rate	fixed rate	floating rate		
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
1. ASSETS	2,645,843	16,008,316	18,284,643	847,396	1,609,778	4,801,480	2,464,537	6,316,228	3,489,881	46,640	56,514,742
1.1 Government securities eligible for refinancing	—	125,358	576,714	73,759	5,520	1,156,518	18,979	1,570,886	610,852	—	4,138,586
1.2 Amounts due from banks	1,795,443	926,370	65,830	3,747	42,626	24,966	20,723	9,182	297,137	46,640	3,232,664
1.3 Loans and advances to customers	850,400	2,058,894	3,545,557	118,682	1,372,787	1,251,134	2,201,585	456,939	1,081,401	—	12,937,379
1.4 Debt securities and other fixed-income securities	—	24,148	251,230	306,214	47,448	664,171	168,525	719,525	852,529	—	3,033,790
1.5 Off-balance sheet instruments ⁽¹⁾	—	12,873,546	13,845,312	344,994	141,397	1,704,691	54,725	3,559,696	647,962	—	33,172,323
2. LIABILITIES	1,598,517	16,733,070	16,984,527	372,100	765,332	4,282,814	7,620,904	3,643,937	2,802,718	—	54,803,919
2.1 Deposits and loans from banks	910,494	516,895	1,330,708	20,735	35,670	1,007,208	507,495	197,712	522,353	—	5,049,270
2.2 Customer deposits	662,118	402,673	157,820	2	—	34	—	—	—	—	1,222,647
2.3 Debt securities in issue:	25,905	146,040	1,458,070	295,200	729,658	2,535,459	6,986,534	1,360,582	1,822,231	—	15,359,679
• bonds	208	43,955	1,185,797	107,842	728,815	2,418,747	6,985,586	1,255,831	1,778,731	—	14,505,512
• certificates of deposit	25,697	102,085	272,273	187,358	843	116,712	948	—	—	—	705,916
• other debt securities	—	—	—	—	—	—	—	104,751	43,500	—	148,251
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
2.5 Off-balance sheet instruments ⁽¹⁾	—	15,667,462	14,037,929	56,163	4	740,113	126,875	2,085,643	458,134	—	33,172,323

⁽¹⁾ Mainly involved in treasury transactions relating to securities and foreign currency dealing, and derivative contracts involving securities, interest rates and exchange rates.

11.6a Assets and liabilities by maturity as at 30 June 2002

	Repayable									Perpetual	Total
	on demand	not more than 3 months	over 3 months but not more than one year	over 1 year but not more than 18 months		over 18 months but not more than 5 years		over 5 years			
				fixed rate	floating rate	fixed rate	floating rate	fixed rate	floating rate		
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
1. ASSETS	2,401,819	10,308,004	12,843,160	625,570	990,290	5,144,336	4,442,884	3,676,141	1,570,261	50,140	42,052,605
1.1 Government securities eligible for refinancing	—	82,541	78,847	19,310	—	559,333	197,004	160,549	60,784	—	1,158,368
1.2 Amounts due from banks	878,593	1,349,153	17,349	2,955	4,077	19,757	76,588	11,737	138,979	50,140	2,549,328
1.3 Loans and advances to customers	460,556	2,732,879	4,116,050	525,525	965,298	1,129,368	3,466,194	802,195	820,574	—	15,018,639
1.4 Debt securities and other fixed-income securities	3,099	130,759	221,380	28,624	20,865	957,131	225,066	730,645	332,999	—	2,650,568
1.5 Off-balance sheet instruments ⁽¹⁾	1,059,571	6,012,672	8,409,534	49,156	50	2,478,747	478,032	1,971,015	216,925	—	20,675,702
2. LIABILITIES	3,503,436	10,282,232	10,405,940	631,258	1,075,173	8,377,085	2,142,048	3,446,070	760,248	—	40,623,490
2.1 Deposits and loans from banks	1,321,041	2,349,825	204,524	375,164	945,688	1,222,258	307,533	250,919	155,179	—	7,132,131
2.2 Customer deposits	414,655	227,621	9	2	—	40	—	—	—	—	642,327
2.3 Debt securities in issue:	178,741	117,437	1,341,316	233,973	104,316	6,345,859	1,514,516	1,888,944	448,228	—	12,173,330
• bonds	140,182	7,583	1,038,521	46,640	103,291	6,156,159	1,497,216	1,888,944	448,228	—	11,326,764
• certificates of deposit	38,559	109,854	302,795	187,333	1,025	189,700	1,800	—	—	—	831,066
• other debt securities	—	—	—	—	—	—	15,500	—	—	—	15,500
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
2.5 Off-balance sheet instruments ⁽¹⁾	1,588,999	7,587,349	8,860,091	22,119	25,169	808,928	319,999	1,306,207	156,841	—	20,675,702

⁽¹⁾ Mainly involved in treasury transactions relating to securities and foreign currency dealing, and derivative contracts involving securities, interest rates and exchange rates.

11.7 Assets and liabilities denominated in currencies other than the Euro

	30/6/03 € '000	30/6/02 € '000
a) ASSETS		
1. Amounts due from banks	111,688	84,919
2. Amounts due from customers	554,497	794,954
3. Securities	143,693	23,220
4. Equity investments	6,895	7,506
5. Other accounts	14	8
	816,787	910,607
b) LIABILITIES		
1. Amounts due to banks	141,731	550,802
2. Amounts due to customers	864	57,953
3. Debt securities in issue	97,020	151,714
4. Other accounts	—	—
	239,615	760,469

11.8 Securitizations: Securities held under the terms of securitizations by third parties

11.8a As at 30 June 2003

Underlying asset	Credit quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans		4,998	—	—	4,998
Retail/industrial/farming mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	279,337	11,692	—	291,029
Other amounts due	Current as to payment of principal and interest	83,131	—	—	83,131
	Non-performing	32,170	—	—	32,170
Social security contributions		—	—	—	—
		399,636	11,692	—	411,328
		399,636	11,692	—	411,328

11.8b As at 30 June 2002

Underlying asset	Credit quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Retail/industrial/farming mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	25,208	11,385	—	36,593
Other amounts due	Current as to payment of principal and interest	50,070	—	—	50,070
	Non-performing	34,970	57,283	—	92,253
Social security contributions		—	—	—	—
		110,248	68,668	—	178,916
		110,248	68,668	—	178,916

Loan securitization

During the year under review, Mediobanca and Barclays Capital arranged the refinancing of a € 1,725m loan granted to Aeroporti di Roma S.p.A. in August 2001. Under the terms of this deal, Mediobanca sold € 65,083,000 of its share in the financing granted to the airport operator to vehicle company Romulus S.r.l. In conjunction with other banks who took part in the original syndicate, a total of € 1,265,019,000 was sold to Romulus, who accordingly issued five classes of asset-backed notes in a like amount as follows:

Tranche	Percentage	Moody's rating	S&P rating	Amount
A1	39.5%	Aaa	AAA	500,000
A2	15.8%	Aaa	AAA	200,000
A3	13.8%	Aaa	AAA	175,000
A4	25.7%	Aaa	AAA	325,019
B	5.2%	Baa3	BBB+	65,000
	100.0%			1,265,019

The A1, A2, A3 and A4 notes are all backed by a guaranteed from AMBAC Assurance UK Ltd.

12. Securities managed and traded for third parties

12.1 Securities traded

	30/6/03 € '000	30/6/02 € '000
a) PURCHASES	6,164,275	4,955,062
1. settled	5,243,480	4,685,631
2. pending settlement	920,795	269,431
b) SALES	6,112,573	5,307,450
1. settled	5,191,778	5,038,019
2. pending settlement	920,795	269,431

12.3 Securities held for safekeeping and as collateral

	30/6/03 € '000	30/6/02 € '000
a) THIRD PARTIES' SECURITIES HELD:	2,970,397	3,733,290
1. Securities issued by MEDIOBANCA	428,211	233,068
a/1) <i>for safekeeping</i>	428,211	226,660
a/2) <i>as collateral</i>	—	6,408
2. Other securities	2,542,186	3,500,222
a/1) <i>for safekeeping</i>	691,194	677,154
a/2) <i>as collateral</i>	1,850,992	2,823,068
b) THIRD PARTIES' SECURITIES HELD BY THIRD PARTIES	2,316,218	2,253,599
c) OWN SECURITIES HELD BY THIRD PARTIES	9,207,350	4,297,912

C. NOTES TO THE PROFIT AND LOSS ACCOUNT OF THE BANK

1. Interest

1.1 Heading 10: *Interest receivable and similar income*

	2002/03 € '000	2001/02 € '000
a) Interest on amounts due from banks <i>of which: amounts due from central banks</i>	112,100 1,453	92,798 1,085
b) Interest on amounts due from customers <i>of which: on loans and advances made with third parties' funds under management</i>	590,072 —	624,342 —
c) Interest on debt securities	218,419	140,107
d) Other interest receivable	—	—
e) Surplus on hedging margins	95,079	81,066
	1,015,670	938,313

1.2 Heading 20: *Interest payable and similar expenses*

	2002/03 € '000	2001/02 € '000
a) Interest on amounts due to banks	232,410	194,925
b) Interest on amounts due to customers	28,078	17,269
c) Interest on debt securities in issue <i>of which: certificates of deposit</i>	566,370 ⁽¹⁾ 27,449 ⁽¹⁾	557,999 ⁽¹⁾ 35,157 ⁽¹⁾
d) Interest on funds under management	—	—
e) Interest on subordinated liabilities	—	—
f) Shortfall on hedging margins	—	—
	826,858	770,193

⁽¹⁾ Includes commission on deposits.

1.3 *Non-Euro interest and similar income receivable under Heading 10*

	2002/03 € '000	2001/02 € '000
a) Interest receivable and similar income on assets denominated in currencies other than the Euro	26,035	37,480

1.4 *Non-Euro interest and similar expenses payable under Heading 20*

	2002/03 € '000	2001/02 € '000
a) Interest payable and similar expenses on liabilities denominated in currencies other than the Euro	13,069	34,979

2. Commissions

2.1 Heading 40: *Commissions receivable*

	2002/03 € '000	2001/02 € '000
a) Guarantees given	1,666	1,676
b) Credit derivatives	6,019	657
c) Management, trading and consulting services:	37,111	78,430
1. securities dealing	5,874	7,122
2. currency dealing	—	—
3. asset management	—	—
3.1 private individuals	—	—
3.2 groups	—	—
4. securities safekeeping and administration	—	—
5. bank deposits	—	—
6. securities placing	31,237	71,298
7. procurement of orders	—	10
8. advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.1.1 private individuals	—	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other	—	—
d) Collection and payment services	54	—
e) Securitization servicing	—	—
f) Tax collection services	—	—
g) Other services:	144,195	75,062
• commissions on loans to customers	87,148	33,081
• advisory fees from clients	56,904	41,910
• other commissions	143	71
	189,045	155,825

2.2 Heading 40: *Fees receivable for distributing products and services*

	2002/03 € '000	2001/02 € '000
a) On the Bank's own premises	31,237	71,298
1. Asset management	—	—
2. Securities placing ⁽¹⁾	31,237	71,298
3. Services and products provided by third parties	—	—
b) Elsewhere	—	—
1. Asset management	—	—
2. Securities placing	—	—
3. Services and products provided by third parties	—	—
	31,237	71,298

⁽¹⁾ Mainly fees received for acting as global co-ordinator and from sales to institutional investors.

2.3 Heading 50: *Commissions payable*

	2002/03 € '000	2001/02 € '000
a) Guarantees received	111	1,312
b) Credit derivatives	7,492	1,304
c) Management and trading services:	2,233	21,437
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
3.1 own portfolio	—	—
3.2 third parties' portfolios	—	—
4. securities safekeeping and administration	477	484
5. securities placing	1,756	20,953
6. door-to-door sales of securities, products and services	—	—
d) Collection and payment services	—	—
e) Other services:	20,708	7,961
• commissions on transactions with banks, the Bank of Italy and Ufficio Italiano Cambi	1,373	4,101
• commissions payable to brokers for securities and derivatives trading	2,358	1,849
• commissions on loans	16,977	1,709
• other commissions	—	302
	30,544	32,014

3. Gains and losses on dealing transactions

3.1 Heading 60: *Gains (losses) on dealing transactions*

3.1a Gains (losses) on dealing transactions in the year ended 30 June 2003

	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000
A.1 Revaluations	14,670 ⁽¹⁾	—	14,683	29,353
A.2 Writedowns	(10,165) ⁽²⁾	—	(73,995)	(84,160)
B. Other gains (losses)	(92,617) ^{(3) (4)}	16,246	(37,331)	(113,702)
	(88,112)	16,246	(96,643)	(168,509)
<i>of which:</i>				
1. <i>Government securities</i>	1,274			
2. <i>Other debt securities</i>	96,969			
3. <i>Capital securities</i>	(156,735)			
4. <i>Securities derivatives</i>	(29,620)			

⁽¹⁾ Includes € 6,394,000 relating to fixed-income securities and € 879,000 to capital securities.

⁽²⁾ Includes € 2,683,000 relating to fixed-income securities and € 9,866,000 to capital securities.

⁽³⁾ Comprises net gains of € 94,532,000 on fixed-income securities dealing, net losses of € 147,748,000 on capital securities, net negative margins of € 69,621,000 on futures contracts, and premiums of € 30,220,000 received on options.

⁽⁴⁾ Covered by dividends of € 177,626,000 collected from arbitrage transactions.

3.1b Gains (losses) on dealing transactions in the year ended 30 June 2002

	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000
A.1 Revaluations	3,868 ⁽¹⁾	—	678	4,546
A.2 Writedowns	(81,522) ⁽²⁾	—	(9,757)	(91,279)
B. Other gains (losses)	(39,436) ⁽³⁾	4,892	(261)	(34,805)
	(117,090)	4,892	(9,340)	(121,538) ⁽⁴⁾
<i>of which:</i>				
1. <i>Government securities</i>	(7,909)			
2. <i>Other debt securities</i>	18,374			
3. <i>Capital securities</i>	(216,830)			
4. <i>Securities derivatives</i>	89,275			

⁽¹⁾ Includes € 3,493,000 relating to fixed-income securities and € 21,000 to capital securities.

⁽²⁾ Includes € 7,502,000 relating to fixed-income securities and € 34,652,000 to capital securities.

⁽³⁾ Comprises net gains of € 14,474,000 on fixed-income securities dealing, net losses of € 182,199,000 on capital securities, net negative margins of € 117,551,000 on futures contracts, and premiums of € 10,738,000 received on options.

⁽⁴⁾ Partially covered by dividends of € 106,322,000 collected from arbitrage transactions.

4. Administrative expenses

4.1. Average number of employees by category

	2002/03 € '000	2001/02 € '000
a) Senior executives	43	36
b) Grade 3 and 4 managers	124	110
c) Other staff	212	212
	379	358

Heading 80: Administrative expenses

	2002/03 € '000	2001/02 € '000
a) PERSONNEL COSTS:		
• wages and salaries	50,811	42,152
• social security charges	14,139	11,444
• severance indemnities	6,736	2,933
• post-retirement benefits	2,821	2,062
	74,507	58,591
b) OTHER ADMINISTRATIVE EXPENSES:		
• outside consultants' fees	12,024	13,724
• equity and bond administration	5,523	5,109
• insurance	173	182
• research and publications	2,331	2,432
• donations to charities	441	300
• rent	1,293	1,280
• maintenance, repairs and refurbishment	4,621	3,920
• service lease instalments	362	251
• financial information subscriptions	4,767	4,135
• stationery	647	1,038
• membership subscriptions	518	756
• postal, telephone, fax and telex charges	658	1,093
• utilities	509	398
• newspapers, magazines and library acquisitions	422	348
• travel and entertainment	2,046	2,249
• EDP services	8,105	10,052
• reimbursements in respect of employees seconded to the Bank	430	384
• sundry administrative expenses	1,414	3,972
	46,284	51,623
• indirect taxation:		
• "substitutive" and other taxes	4,955	5,428
	4,955	5,428
Total other administrative expenses	51,239	57,051
	125,746	115,642

5. Adjustments, writebacks and transfers to provisions

Heading 90: *Adjustments to tangible and intangible assets*

	2002/03 € '000	2001/02 € '000
a) Intangible assets	2,855	1,766
b) Tangible assets	2,956	2,535
• premises	714	714
• plant	387	252
• furniture	1,855	1,569
	5,811	4,301

(f) Depreciation on premises has been charged at the rates prescribed in the Ministerial Decree dated 31/12/88. As in the past, the cost of plant and furniture acquired during the period has been fully written off.

Heading 100: *Provision for liabilities and charges*

	2002/03 € '000	2001/02 € '000
Transfer to cover charges arising due to Tradevco ceasing operations	5,090	—
	5,090	—

Heading 140: *Transfers to credit risks provisions*

	2002/03 € '000	2001/02 € '000
Transfer under Article 71/1 of Presidential Decree 917/86	45,000	87,000
Transfer under Article 71/5 of Presidential Decree 917/86	—	—
	45,000	87,000

Heading 150: *Adjustments to financial fixed assets*

	2002/03 € '000	2001/02 € '000
a) Losses on investment securities	721	9,762
b) Losses on equity investments	265,428	551,651
c) Losses on investments in Group undertakings	48	39
	266,197	561,452

Heading 160: *Writebacks of financial fixed assets*

	2002/03 € '000	2001/02 € '000
Writebacks of:		
a) Investment securities	579	—
b) Equity investments	—	—
c) Investments in Group undertakings	—	—
	579	—

6. Other profit and loss headings

6.1 Heading 70: *Other operating income*

	2002/03 € '000	2001/02 € '000
Options exercised to hedge index-linked bonds	269,676	95,572
Tax recovered from clients	3,311	1,139
Expenses recovered	141	5,191
Directors' fees	228	202
Rent received	2,718	2,717
Premiums received on options issued	23,730	619
Other operating income	2,608	2,250
	302,412	107,690

6.2 Heading 110: *Other operating expenses*

	2002/03 € '000	2001/02 € '000
Additional charges on index-linked bonds	270,328	95,322
Leasing instalments paid on properties and additional charges	11,137	35,802
Premiums paid on options acquired	22,433	—
Other expenses	983	4,492
	304,881	135,616

6.3 Heading 180: *Extraordinary income*

	2002/03 € '000	2001/02 € '000
Gain on sale of financial fixed assets	317	460,480
Gain on sale of tangible fixed assets	21	4
Default interest received	—	9,738
Other extraordinary income	253	492
	591	470,714

6.4 Heading 190: *Extraordinary expenditure*

	2002/03 € '000	2001/02 € '000
Loss on disposal of financial fixed assets	39,378	411
Other extraordinary expenditure	4,035	310
	43,413	721

6.5a Heading 220: *Income taxes as at 30 June 2003*

	Corporate income tax € '000	Local production tax € '000	Other taxes € '000	Total € '000
Current taxes	(83,500)	(4,000)	(2,800)	(90,300)
Increase (decrease) in advance taxes	54,624	3,059	—	57,683
Increase (decrease) in deferred taxes	43,899	—	—	43,899
Income taxes for the year	15,023	(941)	(2,800)	11,282

6.5b Heading 220: *Income taxes as at 30 June 2002*

	Corporate income tax € '000	Local production tax € '000	Other taxes € '000	Total € '000
Current taxes	—	(2,100)	(81,429)	(83,529)
Increase (decrease) in advance taxes	75,587	1,253	—	76,840
Increase (decrease) in deferred taxes	52,090	—	—	52,090
Income taxes for the year	127,677	(847)	(81,429)	45,401

7. Segmental information

7.1 *Income by geographical area*

7.1a Income by geographical area in the year ended 30 June 2003

	Italy € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
Interest receivable and similar income	758,235	225,288	32,147	1,015,670
Dividends and other income	267,952	16,628	3,863	288,443
Commissions receivable	161,992	22,393	4,660	189,045
Gain (loss) on dealing transactions	(199,830)	(74,426)	105,747	(168,509)
Other operating income	35,204	267,206	2	302,412
	1,023,553	457,089	146,419	1,627,061

7.1b Income by geographical area in the year ended 30 June 2002

	Italy € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
Interest receivable and similar income	747,071	158,538	32,704	938,313
Dividends and other income	211,347	12,963	3,870	228,180
Commissions receivable	134,485	19,997	1,343	155,825
Gain (loss) on dealing transactions	(101,559)	(24,074)	4,095	(121,538)
Other operating income	7,054	96,144	4,492	107,690
	998,398	263,568	46,504	1,308,470

D. OTHER INFORMATION

1. Directors and Statutory Auditors

	2002/03 € '000	2001/02 € '000
1.1 Emoluments:		
a) Directors	4,956	2,783
b) Statutory Auditors	83	83
1.2 Loans granted and guarantees given:		
a) Directors ⁽¹⁾	—	—
b) Statutory Auditors	—	—

⁽¹⁾ Amounts include transactions with companies in which Directors of the Bank have a beneficial interest within the meaning of legal regulations.

Remuneration paid to Directors, Statutory Auditors and General Manager

Disclosure required under Article 78 of CONSOB Resolution 11971/99

Name	Position	Period during which position held	Term expires	Fee € '000 (¹)	Fringe benefits	Bonuses and other incentives	Other compensa- tion € '000
Francesco CINGANO.....	Chairman (*)	01/07/02 - 13/04/03	13/04/2003	560	1		2,500 (²)
Gabriele GALATERI di GENOLA	Chairman (*)	14/04/03 - 30/06/03	28/10/2003	390 (³)			
Cesare GERONZI	Deputy Chairman (*)	01/07/02 - 30/06/03	30/06/2004	79			
Carlo SALVATORI	Deputy Chairman (*)	01/07/02 - 30/06/03	30/06/2005	81			
Vincenzo MARANGHI.....	Managing Director (*)	01/07/02 - 13/04/03	13/04/2003	51			
	General Manager	01/07/02 - 13/04/03	13/04/2003	=			2,854 (⁴)
Gilberto BENETTON	Director	28/10/02 - 30/06/03	30/06/2005	48			
Antoine BERNHEIM	Director (*)	01/07/02 - 30/06/03	30/06/2005	95			
Vincent BOLLORE'	Director	14/04/03 - 30/06/03	28/10/2003	32			
Giorgio BRAMBILLA	Director (*)	01/07/02 - 24/06/03	24/06/2003	76			
Carlo BUORA	Director	01/07/02 - 30/06/03	30/06/2005	65 (¹)			
Giancarlo CERUTTI	Director	28/10/02 - 30/06/03	30/06/2005	51			
Roberto COLANINNO	Director	01/07/02 - 30/06/03	30/06/2004	74			
Ennio DORIS	Director (*)	01/07/02 - 30/06/03	30/06/2003	78			
Pietro FERRERO	Director	01/07/02 - 28/10/02	28/10/2002	25			
Paolo FRESCO.....	Director	01/07/02 - 30/06/03	30/06/2003	71			
Mario GRECO	Director	01/07/02 - 30/06/03	30/06/2005	65 (¹)			
Gianfranco GUTTY.....	Director	01/07/02 - 27/09/02	27/09/2002	16			
Berardino LIBONATI	Director	01/07/02 - 30/06/03	30/06/2004	73			
Jonella LIGRESTI	Director	01/07/02 - 30/06/03	30/06/2004	65			
Achille MARAMOTTI	Director	01/07/02 - 30/06/03	30/06/2004	72			
Fabrizio PALENZONA.....	Director	01/07/02 - 30/06/03	30/06/2004	73			
Alberto PECCI	Director	01/07/02 - 28/10/02	28/10/2002	25			
Carlo PESENTI	Director	01/07/02 - 30/06/03	30/06/2005	71 (¹)			
Alessandro PROFUMO	Director	01/07/02 - 30/06/03	30/06/2005	65 (¹)			
Vittorio RIPA di MEANA	Director	28/10/02 - 30/06/03	30/06/2005	50			
Axel von RUEDORFFER	Director (*)	01/07/02 - 30/06/03	30/06/2005	95			
Alberto NAGEL	General Manager	14/04/03 - 30/06/03	=		4	600	221 (⁵)
Mario Andrea ARBUFFO	Chairman of the Statutory Audit Committee	01/07/02 - 30/06/03	30/06/2003	31			
Angelo CASÓ	Standing Statutory Auditor	01/07/02 - 30/06/03	30/06/2003	26			
Eugenio PINTO	Standing Statutory Auditor	01/07/02 - 30/06/03	30/06/2003	26			

(*) Member of Executive Committee.

(¹) The fees of Mr Carlo BUORA, Mr Mario GRECO, Mr Carlo PESENTI and Mr Alessandro PROFUMO will be paid direct to their companies.

(²) Retirement benefit.

(³) Fees payable for holding the office of General Manager including € 1,625,000 for holiday leave not taken since 1985.

(⁴) Pro-rata compensation for the period from 13 April 2003 to 30 June 2003.

DIRECTORS' AND GENERAL MANAGER'S STOCK OPTION SCHEME

Name	Position	Options at beginning of financial year			Options allotted			Options exercised			Options expiring			Options at end of financial year		
		No. of options	Avg strike price	Avg expiry	No. of options	Avg strike price	Avg expiry	No. of options	Avg strike price	Avg expiry	No. of options	Avg strike price	Avg expiry	No. of options	Avg strike price	Avg expiry
Alberto NAGEL	General Manager	2,345,000	10.416	Over 5 years	775,000	7.842	Over 5 years	=	=	=	=	=	3,120,000	8.034	Over 5 years	

2. Parent company or parent bank in European Union

The requirement to give particulars of any such parent does not apply to MEDIOBANCA since it is a parent company in its own right and prepares Group consolidated accounts.

**ANNUAL STATEMENT ON CORPORATE GOVERNANCE
IN COMPLIANCE WITH THE CODE OF CONDUCT
FOR LISTED COMPANIES**

**ANNUAL STATEMENT ON CORPORATE GOVERNANCE
IN COMPLIANCE WITH THE CODE OF CONDUCT
FOR LISTED COMPANIES (the “Code”)**

The Bank conducts its business in accordance with the provisions of its Articles of Association, to which the reader is referred. It is run by a Board of Directors consisting of twenty-one members, and normally meets at least five times a year. It is organized and functions in such a way as to ensure that its duties are carried out effectively. The Board met on a total of ten occasions during the year under review, and at least another seven meetings are planned for 2003-2004.

The Articles in force until 28 October 2003 provide for the Board to have sole responsibility for the following matters: approval of the Bank’s strategic guidelines and risk management policies; identifying equity investments deemed to be strategic or permanent; authorizing such equity investments to be disposed of; fixing limits for trading, if any, in shares held as strategic or permanent investments or otherwise; the acquisition or disposal of equity interests in other companies which would alter the structure of the Mediobanca Banking Group; determining the principles for supervising and co-ordinating Group companies; and determining the principles to be used in carrying out instructions from the Bank of Italy.

The Board appoints an Executive Committee, which consists of between six and nine members, including the Chairman and two Deputy Chairmen who are members ex-officio. It normally meets once a month, with twelve meetings having been held during the year under review, and determines the Bank’s rules of organization, keeps track of its performance, passes resolutions on business matters submitted to it by the General Manager, including deciding on the purchase or sale of shares not involving treasury transactions, and performs all the duties assigned to it by the Board, subject to the limits laid down in the supervisory instructions from the Bank of Italy. In cases of urgency, the Committee may pass resolutions on any business transaction and report back to the Directors at the next Board Meeting. In such cases, where it is not possible for the Executive Committee to take the appropriate action, the Chairman may, upon a proposal by the General Manager and with the consent of two members of the Executive Committee without restriction of any kind, take urgent resolutions, save on matters involving the purchase (including via exercise of options) or sale of securities held as financial fixed assets, or, without prejudice to the foregoing, such purchases or sales not constituting treasury transactions, or on matters for which the Board has sole responsibility. Decisions so taken must be reported to the Board of Directors or Executive Committee, as the case may be, at its next successive

meeting (Article 5 of the Code). The Board of Directors, Executive Committee and other internal committees also have autonomous powers in respect of decisions regarding ordinary business, with varying limits in terms of the type of risk or transaction involved.

The Statutory Audit Committee attends all meetings of the Board and Executive Committee, and is accordingly kept informed of the Bank's activities and its largest transactions on a continuing basis, especially of deals where there may be a conflict of interest. The Statutory Audit Committee is also kept abreast of developments between Board and Executive Committee meetings by communications in writing addressed to the Committee Chairman.

All Board members exercise their judgement independently, in full knowledge of the facts and awareness of the responsibilities their role entails, and aiming at all times to ensure that the Bank delivers value to its shareholders. A list of positions held by Board members in other listed companies operating on regulated markets in or outside Italy, or in financial services companies, banks, insurers or other large companies, is given in the table annexed hereto (Articles 1 and 5 of the Code).

With the exception of the Chairman, the Board is made up exclusively of non-executive directors, who have no operational responsibilities or management function in the running of the Bank, so as to ensure that their opinion carries due weight in the decision-making process. The Director's independence is assessed by the Board, *inter alia* on the basis of information provided by the Directors themselves. The following Directors qualify as "independent" as defined in Articles 2 and 3 of the Code: Mr Roberto COLANINNO, Mr Paolo FRESCO, Mr Bernardino LIBONATI, Mr Achille MARAMOTTI and Mr Tarak BEN AMMAR, as well as the Chairman Mr Gabriele GALATERI di GENOLA, despite his having certain executive powers. The independence of each Director is assessed annually when the Bank's accounts for the year are approved, on the basis of information provided by the Directors themselves. Moreover, each Director must on appointment make a declaration as to his/her eligibility to qualify as independent (see Articles 2 and 3 of the Code).

In dealing with information regarding the Company, it is the Bank's practice to submit press releases containing such information to the Board or the Executive Committee for approval on the Chairman's proposal. Mediobanca has also established an internal code of conduct for its employees, setting out specific restrictions on how they are to deal with confidential information, handle relationships with clients, and effect personal transactions involving financial instruments (see Article 6 of the Code). There is also another code of conduct governing internal dealing, i.e. reporting requirements for trading by relevant persons involving the Bank's financial instruments with capital content. Individuals defined

as “relevant persons” must notify Mediobanca by the second calendar day following each ten-day period of all transactions involving such instruments, which within the said ten-day period individually or collectively amount to or exceed the sum of € 5,000. The said relevant persons must also notify the Bank in a timely manner of any such transactions carried out but not previously reported within the ten-day period which individually or collectively exceed the amount of € 25,000 (“large transactions”). Mediobanca duly notifies the market of all information it receives, in accordance with the times and methods laid down by the regulations governing markets organized and operated by Borsa Italiana S.p.A. and the instructions contained therein. Relevant persons may not effect such transactions in the thirty days prior to the Board’s approval of the Bank’s provisional annual and/or interim accounts being released, nor in the fifteen days prior to its approval of the Bank’s quarterly accounts being published. Notification is not required for transactions involving exercise of stock options and/or option rights, but it is required in the event of sales of the securities deriving from such exercise.

In accordance with the provisions of Article 7 of the Code, and despite the fact that no such provision is made under the Bank’s Articles of Association, proposals for appointments to the position of Director, accompanied by detailed information on the character and professional qualifications of the candidates, including, where appropriate, an indication of their eligibility to qualify as independent Directors, shall, insofar as this is possible, be lodged at the Bank’s headquarters at least ten days before the date set for the General Meeting to be held.

As provided for by the Bank’s Articles of Association, the Board has appointed two Committees with special duties:

- an Appointments Committee, consisting of the Chairman and two Deputy Chairmen. The General Manager and Co-General Manager take part in meetings of this Committee in an advisory capacity. The Committee nominates Directors and Statutory Auditors for election at General Meetings of companies in which the Bank has permanent equity investments, based on proposals made by the Chairman and the General Manager;
- a Remuneration Committee, consisting of the Chairman, the two Deputy Chairmen, and one independent non-executive Director, Professor Berardino LIBONATI. The General Manager and Co-General Manager take part in meetings of this Committee in an advisory capacity and put forward proposals. The Remuneration Committee’s purpose is to:
 - a) determine remuneration packages for the Chairman, the General Manager and the Co-General Manager;
 - b) determine the remuneration of senior managers of the Bank, including stock options, on the basis of proposals made by the General Manager in agreement with the Chairman.

The duties which would be performed by an internal control committee are currently carried out by members of the Bank's Executive Committee, in view of the specific skills, experience, and authority of its members. The Committee reports to the Board on internal control matters, having regard to the fact that the Board is in any case responsible for approving the reports which the Internal Audit function is required to make at periodic intervals in compliance with Bank of Italy instructions. However, the possibility of setting up such a committee is currently being looked into (see Article 10 of the Code).

As required by Bank of Italy regulations, Mediobanca maintains an Internal Audit function which is directly accountable to the Chairman. This function is organized so as to ensure that the Bank's internal control system is fully effective at all times, and that major risk areas are monitored on an ongoing basis. The function also monitors all the Banking Group subsidiaries, and co-ordinates the respective Internal Audit functions of the individual companies concerned, thus ensuring that the same high standards of control extend throughout the Group. The outcome of reviews and any corrective action taken is reported periodically to the Board and the Statutory Audit Committee. Strategic and operational control over Group subsidiaries is ensured by officers of Mediobanca holding Directorships on the Boards of its subsidiaries (see Article 9 of the Code).

With regard to financial accounts with "related parties", the Board of Directors has decided that such accounts, maintained on an arm's length basis and entered into in the interests of the Bank itself, *inter alia* with group undertakings, should also ordinarily be approved by the appropriate body pursuant to:

- Articles 16 and 21 of the Bank's Articles of Association, which lay down the respective powers of the Board of Directors and the Executive Committee;
- the resolution approved on 14 April 2003 in respect of delegation of powers;
- the provisions of Article 136 of Italian Decree Law 385/93 (Consolidated Law on Banking) regarding undertakings entered into directly or indirectly by representatives of banks.

Such transactions, if not approved by the Board itself, must be reported to the Board. Each Director is bound to inform the Bank in a timely manner of any transactions entered into between the Bank and such "related parties" through his or her agency, and in the event of his/her being present at the meeting where the said transaction is due to be approved, he/she shall leave the meeting immediately while the matter is discussed (see Article 11 of the Code).

Mediobanca is fully aware of the importance of maintaining good relations with its shareholders and institutional investors. Shareholders are encouraged to attend General Meetings, and those who have a recent record of attendance receive annual reports and other relevant information at home. Material of this kind

can also be found on the Bank's website at www.mediobanca.it, in English as well as Italian (see Article 12 of the Code).

The Bank does not consider it necessary to adopt a specific set of regulations for holding General Meetings. This is because its Articles of Association ensure that proceedings are conducted in an orderly manner, since they provide for the Chairman of the Board to be responsible for ascertaining that proxies and rights to attend are in order and for presiding over the proceedings, a task that includes determining the order in which items on the agenda are to be put to the vote. In all cases votes are taken by a show of hands (see Article 13 of the Code).

The Statutory Audit Committee comprises three Standing Auditors and three Alternate Auditors, who are elected from lists which must be lodged at least fifteen days prior to the date set for the General Meeting in the first instance, accompanied by a *curriculum vitae* for each of the candidates together with a declaration by the candidates accepting their nomination and attesting under their own responsibility that they are qualified to stand for election under the law and the Bank's Articles of Association. The Articles provide for minority shareholders holding not less than 3% of its share capital to elect one Standing and one Alternate Statutory Auditor (see Article 14 of the Code).

* * *

Certain amendments to the Bank's Articles of Association will be submitted to the approval of shareholders at an Extraordinary General Meeting to be held on 28 October 2003. These include the Board of Directors being vested with sole responsibility for all decisions relating to the acquisition, increase or reduction of equity investments deemed to be strategic or permanent worth more than € 500m, proposals to increase the Company's share capital or issue convertible bonds, proposals involving break-ups or non-intra-group mergers or spin-offs, and amendments to the Executive Committee's powers in particular regarding the delegation of decisions to the Bank's management to buy and sell securities where such purchases and sales do not constitute treasury transactions.

Milan, 15 September 2003

Posts held in other companies by Directors of Mediobanca

Name	Position in Mediobanca	Other posts held
Gabriele GALATERI di GENOLA	Chairman and member of EC	Deputy Chairman Assicurazioni Generali Director IFI Director Pirelli & C. Director Banca Esperia Director Banca Cassa di Risparmio di Savigliano Member of Supervisory Board Accor
Cesare GERONZI	Deputy Chairman and member of EC	Chairman Capitalia
Carlo SALVATORI	Deputy Chairman and member of EC	Chairman UniCredito Italiano Chairman CreditRas Assicurazioni Chairman CreditRas Vita Director Riunione Adriatica di Sicurtà - RAS
Matteo ARPE	Director and member of EC	Managing Director Capitalia Managing Director MCC Director Banca di Roma Director FinecoGroup
Jean AZEMA	Director	Chairman Groupama Director Bolloré Investissement Member of Supervisory Board Gimar Finance & Compagnie Director Véolia Environnement
Gilberto BENETTON	Director	Chairman Edizione Holding Director Autostrade Director Benetton Group Chairman Autogrill Director Pirelli & C. Deputy Chairman Olimpia Deputy Chairman Telecom Italia Director Banca Antoniana Popolare Veneta Director Lloyd Adriatico Director Beni Stabili
Antoine BERNHEIM	Director	Chairman Assicurazioni Generali Director AMB Aachener und Munchener Beteiligungs Director Banca Intesa Director Compagnie Monégasque de Banque Deputy Chairman Bolloré Director Ciments Français Deputy Chairman LVMH Director Christian Dior Member of Supervisory Board Eurazeo Director Rue Impériale de Lyon

Name	Position in Mediobanca	Other posts held
Vincent BOLLORE'	Director and member of EC	Chairman Bolloré Investissment Chairman Bolloré Chairman Bolloré Participations Chairman Financière de l'Odet Director Financière Moncey
Carlo BUORA	Director and member of EC	Managing Director Pirelli & C. Director Pirelli & C. Real Estate Director Olimpia Managing Director Telecom Italia Chairman TIM Director RCS Mediagroup Director Riunione Adriatica di Sicurtà - RAS
Giancarlo CERUTTI	Director	Managing Director Officine Meccaniche Giovanni Cerutti Director Toro Assicurazioni Director Fondazione Cassa di Risparmio di Alessandria Director Il Sole 24 Ore Director Hachette Rusconi Editore Director Juventus FC
Roberto COLANINNO	Director	Chairman Immsi Director Eftibanca Chairman Omniaholding
Ennio DORIS	Director and member of EC	Managing Director Mediolanum Chairman Banca Mediolanum Managing Director Mediolanum Assicurazioni Managing Director Mediolanum Fiduciaria Director Banca Esperia
Mario GRECO	Director	Managing Director Riunione Adriatica di Sicurtà - RAS Deputy Chairman Allianz Subalpina Deputy Chairman Rasbank Director e.biscom Director GIM - Generale Industrie Metallurgiche Director IFIL Director Pirelli & C. Director UniCredito Italiano
Berardino LIBONATI	Director	Chairman Banca di Roma Director SMI - Società Metallurgica Italiana Director Europa Metalli Director Acotel Chairman Swiss Re Italia

Name	Position in Mediobanca	Other posts held
Jonella LIGRESTI	Director	Chairman Fondiaria-SAI Director Milano Assicurazioni Chairman Nuova Maa Assicurazioni Chairman SAI Holding Italia Deputy Chairman Premafin Finanziaria Deputy Chairman Atahotels
Achille MARAMOTTI	Director	Chairman Max Mara Fashion Group Deputy Chairman Credito Emiliano Holding Deputy Chairman Credito Emiliano Director UniCredito Italiano Director UniCredit Banca Director Azuritalia Vita Director Azuritalia Assicurazioni
Carlo PESENTI	Director	Director Italmobiliare Director Italcementi Director Ciments Français Director BPU Banca Director UniCredito Italiano Director RCS Mediagroup
Alessandro PROFUMO	Director and member of EC	Managing Director UniCredito Italiano Chairman UniCredit Banca Mobiliare Director UniCredit Banca Director UniCredit Banca d'Impresa Deputy Chairman UniCredit Xelion Banca Director UniCredit Private Banking Deputy Chairman Clarima Banca Chairman Supervisory Board Bank Pekao Director Olimpia Director R.C.S. Quotidiani Director Barilla G. e R. F.lli Director Koc Holding
Axel Von RUEDORFFER	Director and member of EC	Chairman Supervisory Board Hypothekenbank in Essen AG

**RESOLUTIONS PASSED BY SHAREHOLDERS
AT THE EXTRAORDINARY AND ORDINARY
GENERAL MEETINGS HELD ON 28 OCTOBER 2003**

A General Meeting of Mediobanca was held at its Head Office on 28 October 2003. It was resolved:

as Extraordinary Business:

1. to amend Articles 15, 16, 17, 21, 22, 26 and 29 of the Bank's Articles of Association;

as Ordinary Business:

1. to adopt the Directors' Report and Accounts for the year ended 30 June 2003, and to cover the loss incurred therein by drawing on *Retained earnings from prior years* in their full amount of € 80,734.51, and on the *Surplus arising on merger* as to the outstanding € 13,946,660.76;
2. to pay a dividend of € 0.18 per share on each of the 778,550,415 shares in issue by withdrawing € 140,139,074.70 from the *Statutory Reserve*;
3. to elect Umberto AGNELLI, Matteo ARPE, Jean AZEMA, Tarak BEN AMMAR, Vincent BOLLORE', Ennio DORIS and Gabriele GALATERI di GENOLA as Directors until the Annual General Meeting to be held to adopt the Group's accounts for the year ended 30 June 2006;
4. to elect the following Statutory Auditors for the three-year period ending with the Annual General Meeting to adopt the Group's accounts for the year to 30 June 2006: Angelo CASÒ, as Chairman of the Statutory Audit Committee, Mario ARBUFFO and Eugenio PINTO as Standing Auditors, and Guido CROCI, Antonio IZZI and Alessandro TROTTER as Alternate Auditors; and to fix the annual remuneration due to them at € 120,000, € 50,000 of which shall be payable to the Chairman and € 35,000 to the two Standing Auditors;
5. to appoint Reconta Ernst & Young S.p.A. to audit the Bank's annual statutory and consolidated accounts, its interim statutory and consolidated accounts, and to perform other duties prescribed under Article 155 of Italian Decree Law 58/98 until the Annual General Meeting to adopt the Group's accounts for the year ended 30 June 2006.

**BALANCE SHEET
AND
FUND ALLOCATION ANALYSES**

BALANCE SHEET ANALYSIS

ASSETS

As at 30th June	Liquid assets	Bills discounted advances, repurchase and forward transactions, and loans	Investment securities (excluding investments in Group undertakings)	Investments in Group undertakings	Investments in consortium companies	Property	Furniture, equipment and intangible assets	Other assets	Total assets	Contra accounts	GRAND TOTAL
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
1947	1,536	398	—	—	—	—	6	33	1,973	387	2,360
1948	1,344	1,900	—	—	—	—	6	33	3,283	465	3,748
1949	2,830	3,569	—	1	—	24	—	32	6,456	264	6,720
1950	3,532	5,315	889	3	—	—	—	35	9,774	853	10,627
1951	3,751	6,760	546	25	—	—	—	31	11,113	315	11,428
1952	3,706	9,779	464	38	—	—	—	31	14,018	176	14,194
1953	5,395	12,654	263	—	—	—	—	35	18,347	8,841	27,188
1954	7,804	15,909	763	1	—	—	—	137	24,614	553	25,167
1955	10,294	18,690	971	58	—	—	—	85	30,098	1,644	31,742
1956	14,713	23,573	1,283	5	—	—	—	484	40,058	12,272	52,330
1957	17,670	28,648	1,540	—	—	—	—	245	48,103	10,394	58,497
1958	18,727	31,577	1,798	—	—	—	—	439	52,541	4,799	57,340
1959	31,724	40,713	4,131	—	—	—	—	1,391	77,959	16,828	94,787
1960	45,099	49,813	4,286	—	—	—	—	227	99,425	7,622	107,047
1961	48,464	66,669	6,412	110	—	—	—	244	121,899	7,974	129,873
1962	29,895	100,913	9,027	39	—	—	—	435	140,309	32,419	172,728
1963	39,529	124,090	9,282	142	—	—	—	626	173,669	28,175	201,844
1964	49,714	153,282	9,337	90	—	—	—	1,332	213,755	23,277	237,032
1965	67,815	157,552	13,417	5	—	—	—	1,273	240,062	37,932	277,994
1966	100,651	191,935	15,115	—	—	—	—	2,385	310,086	100,762	410,848
1967	107,097	245,565	17,396	5	—	—	—	3,342	373,405	112,502	485,907
1968	121,745	305,666	17,317	—	—	—	—	4,569	449,297	122,695	571,992
1969	104,636	374,711	19,877	—	—	—	—	6,028	505,252	179,385	684,637
1970	108,075	513,117	19,759	5	—	—	—	5,512	646,468	148,926	795,394
1971	296,325	533,281	19,833	21	—	—	—	4,804	854,264	220,019	1,074,283
1972	211,681	644,004	22,501	541	—	26	—	6,373	885,126	248,839	1,133,965
1973	219,061	768,777	23,083	671	—	26	79	7,999	1,019,696	317,492	1,337,188
1974	725,455	1,091,712	29,243	755	—	190	102	16,095	1,863,552	283,551	2,147,103
1975	898,375	1,243,559	32,603	755	—	190	108	24,963	2,200,533	270,792	2,471,345
1976	842,638	1,394,824	27,159	1,573	—	190	133	27,826	2,294,343	260,533	2,554,876
1977	930,863	1,526,989	32,255	4,042	—	3,615	190	31,666	2,529,620	266,527	2,796,147
1978	931,722	1,719,338	34,759	4,137	—	3,615	198	72,125	2,765,894	414,045	3,179,939
1979	506,795	1,703,992	78,140	4,173	—	3,615	228	74,652	2,371,595	312,152	2,683,747
1980	520,954	1,834,527	55,983	4,174	—	3,615	251	75,576	2,502,310	385,483	2,887,793
1981	446,588	2,215,915	73,762	4,008	7,230	3,615	423	174,332	2,933,620	618,841	3,552,461
1982	638,435	2,540,960	165,104	4,008	14,998	3,615	438	174,142	3,541,695	714,778	4,256,473
1983	839,289	2,773,956	170,991	4,008	16,217	3,615	481	231,585	4,040,142	575,962	4,616,104
1984	859,764	3,002,978	225,314	8,088	16,217	19,625	511	224,145	4,356,642	650,010	5,006,652
1985	1,257,350	3,138,244	284,891	8,088	8,986	19,625	700	292,367	5,010,251	685,879	5,696,130
1986	1,697,370	3,388,523	379,210	8,088	1,239	19,625	666	227,820	5,722,541	1,575,268	7,297,809
1987	1,578,922	4,271,623	416,752	8,088	—	19,625	1,153	242,919	6,539,082	1,031,762	7,570,844
1988	1,569,877	4,540,865	565,933	4,213	—	19,625	1,803	208,692	6,911,008	1,827,254	8,738,262
1989	1,403,579	5,465,846	640,118	12,606	—	19,625	2,050	244,208	7,788,032	1,532,042	9,320,074
1990	1,860,248	6,841,257	709,335	9,495	—	19,625	2,353	348,524	9,790,837	2,458,501	12,249,338
1991	2,471,961	6,772,063	926,197	15,652	—	19,625	2,815	407,693	10,616,006	1,914,503	12,530,509
1992	2,245,473	7,356,291	1,149,728	17,897	—	23,800	3,539	516,359	11,313,087	4,974,896	16,287,983
1993	3,104,631	7,933,550	1,187,565	51,589	—	23,800	4,410	532,248	12,837,793	5,464,451	18,302,244
1994	3,347,387	8,961,303	1,389,176	49,085	—	23,800	4,690	522,005	14,297,446	3,851,623	18,149,069
1995	3,150,896	9,609,949	1,618,928	47,725	—	23,800	4,571	478,176	14,934,045	3,103,192	18,037,237
1996	2,571,335	10,717,159	1,793,785	46,491	—	23,800	4,739	484,943	15,642,252	4,114,659	19,756,911
1997	4,337,359	12,058,402	1,820,638	51,422	—	23,800	5,046	582,619	18,879,286	9,531,224	28,410,510
1998	4,789,102	14,115,689	2,106,078	58,298	—	23,800	6,013	856,681	21,955,661	24,883,375	46,839,036
1999	5,201,164	13,175,891	2,602,245	129,792	—	23,800	7,477	1,120,409	22,260,778	33,863,092	56,123,870
2000	4,578,652	14,764,593	2,740,839	60,875	—	23,800	9,286	1,344,067	23,522,112	43,236,774	66,758,886
2001	5,645,521	14,229,607	2,923,030	102,505	—	23,800	10,515	1,491,431	24,426,409	46,827,877	71,254,286
2002	7,377,119	14,861,758	2,912,572	118,779	—	23,800	11,961	1,881,176	27,187,165	50,916,657	78,103,822
2003	11,925,901	12,521,995	2,647,557	118,731	—	23,800	13,810	1,993,370	29,245,164	79,162,015	108,407,179

**BALANCE SHEET ANALYSIS
LIABILITIES**

As at 30th June	Shareholders' equity										GRAND TOTAL						
	Share capital	Reserves, provi- sions qualifying as reserves (*) and retained earnings	TOTAL	Specific credit risks provision	Provision for discounts and expenses on bonds issued	Securities fluctuation allowance	Provision for write-downs in investments	Time deposits and current accounts	Debt securities	Due to banks and EIB funds		Accumulated depreciation on furniture and equipment	Accumulated depreciation on property	Other liabilities and provisions	Profit for the year	Total liabilities	Contra accounts
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	
1947	516	—	516	—	—	—	1,448	—	—	—	—	—	24	(15)	1,973	387	2,360
1948	516	—	516	—	—	—	2,729	—	—	—	—	—	30	8	3,283	465	3,748
1949	516	2	518	—	—	—	5,746	—	—	—	—	—	143	49	6,456	264	6,720
1950	1,033	26	1,059	—	—	—	8,325	—	—	—	—	—	303	87	9,774	853	10,627
1951	1,549	54	1,603	—	—	—	8,985	—	—	—	—	—	335	190	11,113	315	11,428
1952	1,549	109	1,658	—	—	—	11,745	—	—	—	—	—	405	210	14,018	176	14,194
1953	1,549	169	1,718	—	—	—	15,623	—	—	—	—	—	791	215	18,347	884	19,231
1954	1,549	273	1,822	—	—	—	21,681	—	—	—	—	—	898	213	24,614	553	25,167
1955	1,549	322	1,871	—	—	—	26,945	—	—	—	—	—	1,045	237	30,098	1,644	31,742
1956	2,066	365	2,431	—	—	—	35,586	—	—	—	—	—	1,764	277	40,058	1,272	41,330
1957	3,099	446	3,545	—	—	—	41,798	—	—	—	—	—	2,437	323	48,103	10,394	58,497
1958	3,099	522	3,621	—	—	—	45,287	—	—	—	—	—	3,245	388	52,541	4,799	57,340
1959	3,099	607	3,706	—	—	—	68,934	—	—	—	—	—	4,923	396	77,959	16,828	94,787
1960	5,165	747	5,912	—	—	—	87,472	—	—	—	—	—	5,323	718	99,425	7,622	107,047
1961	5,165	1,127	6,292	—	—	—	107,712	—	—	—	—	—	6,929	966	121,899	7,974	129,873
1962	5,165	1,562	6,727	—	—	—	125,489	—	—	—	—	—	7,089	1,004	140,309	32,419	172,728
1963	6,197	2,285	8,482	—	—	—	155,196	—	—	—	—	—	9,276	715	173,669	28,175	201,844
1964	6,197	2,901	9,098	—	—	—	189,266	—	—	—	—	—	14,618	773	213,755	23,277	237,032
1965	7,230	3,607	10,837	—	—	—	211,506	—	—	—	—	—	16,943	776	240,062	37,932	277,994
1966	7,230	4,484	11,714	—	—	—	274,589	—	—	—	—	—	22,862	921	310,086	100,762	410,848
1967	7,230	5,933	13,163	—	—	—	336,544	—	—	—	—	—	22,742	956	373,405	112,502	485,907
1968	8,263	7,307	15,570	—	—	—	402,293	—	—	—	—	—	30,377	1,057	449,297	122,695	571,992
1969	8,263	8,994	17,257	—	—	—	449,103	—	—	—	—	—	37,439	1,453	505,252	179,385	684,637
1970	8,263	13,500	21,763	—	—	—	534,360	—	—	—	—	—	50,034	1,168	646,468	148,926	795,394
1971	8,263	16,462	24,725	—	—	—	726,356	—	—	—	—	—	63,113	1,715	854,264	220,019	1,074,283
1972	11,569	19,698	31,267	—	—	—	745,717	—	—	—	—	—	71,605	1,195	885,126	248,839	1,133,965
1973	11,569	24,879	36,448	—	—	—	839,113	—	—	—	—	—	106,559	1,852	1,019,696	317,492	1,337,188
1974	16,527	33,840	50,367	—	—	—	832,133	—	—	—	—	—	153,960	2,211	1,063,552	283,551	1,347,103
1975	16,527	38,840	55,367	—	—	—	1,171,033	—	—	—	—	—	179,651	2,978	1,390,684	270,792	1,661,476
1976	20,658	58,793	79,451	—	—	—	1,073,975	—	—	—	—	—	166,756	10,105	1,240,781	266,527	1,507,308
1977	26,856	67,217	94,073	—	—	—	1,254,227	—	—	—	—	—	208,464	14,673	1,462,691	266,527	1,729,218
1978	43,382	83,667	127,049	—	—	—	1,449,198	—	—	—	—	—	200,652	15,738	1,649,850	414,045	2,063,895
1979	43,382	107,496	150,878	—	—	—	1,531,093	—	—	—	—	—	200,944	16,435	1,731,528	312,152	2,043,680
1980	43,382	139,245	192,627	—	—	—	1,622,873	—	—	—	—	—	207,623	18,234	1,830,107	385,483	2,215,590
1981	52,679	139,245	191,924	—	—	—	1,842,966	—	—	—	—	—	221,450	44,699	2,064,466	618,841	2,683,307
1982	70,238	167,753	237,991	—	—	—	2,390,742	—	—	—	—	—	187,644	19,297	2,578,436	714,778	3,293,214
1983	70,238	186,693	256,931	—	—	—	2,753,902	—	—	—	—	—	208,464	38,792	2,962,366	650,010	3,612,382
1984	87,798	269,265	357,063	—	—	—	2,987,681	—	—	—	—	—	241,537	44,441	3,229,118	575,962	3,805,080
1985	87,798	321,361	409,159	—	—	—	3,445,663	—	—	—	—	—	285,170	67,008	3,730,841	685,879	4,416,720
1986	87,798	416,625	504,423	—	—	—	3,559,090	—	—	—	—	—	284,740	89,265	3,843,830	1,375,268	5,219,098
1987	87,798	533,608	621,406	—	—	—	3,556,058	—	—	—	—	—	343,651	58,360	3,900,009	1,031,762	4,931,771
1988	105,357	609,693	715,050	—	—	—	3,799,239	—	—	—	—	—	221,321	62,256	4,020,490	1,827,254	5,847,744
1989	105,357	684,026	789,383	—	—	—	4,160,423	—	—	—	—	—	264,500	83,860	4,424,923	1,532,042	5,956,965
1990	175,595	1,037,632	1,213,227	—	—	—	4,679,784	—	—	—	—	—	241,537	44,441	5,121,215	2,458,501	7,579,716
1991	175,595	1,142,463	1,318,058	—	—	—	5,029,104	—	—	—	—	—	455,885	113,829	5,485,033	1,914,503	7,399,536
1992	175,595	1,252,575	1,428,170	—	—	—	5,489,100	—	—	—	—	—	536,812	135,361	6,025,912	4,974,896	10,999,808
1993	175,595	1,418,593	1,594,188	—	—	—	6,393,007	—	—	—	—	—	564,478	103,359	7,057,485	5,464,451	12,521,936
1994	245,833	1,983,409	2,229,242	—	—	—	5,366,489	—	—	—	—	—	502,025	111,528	6,068,514	3,851,623	9,920,137
1995	245,833	2,070,559	2,316,392	—	—	—	6,097,985	—	—	—	—	—	480,929	80,100	6,578,914	3,103,192	9,682,106
1996	245,833	2,152,495	2,398,328	—	—	—	6,432,396	—	—	—	—	—	476,621	62,142	7,009,017	4,114,659	11,123,676
1997	295,059	2,522,872	2,817,931	—	—	—	5,773,044	—	—	—	—	—	686,944	71,821	6,460,018	9,531,224	15,991,242
1998	295,059	2,972,222	3,267,281	—	—	—	4,082,396	—	—	—	—	—	815,901	129,561	5,098,277	24,883,375	30,981,652
1999	295,366	3,100,762	3,396,128	—	—	—	3,452,177	—	—	—	—	—	1,711,361	113,478	5,165,548	24,883,375	29,048,923
2000	307,780	3,317,037	3,624,817	—	—	—	2,918,920	—	—	—	—	—	2,686,566	126,413	6,315,486	33,863,092	39,178,582
2001	331,650	4,075,156	4,406,806	—	—	—	3,385,422	—	—	—	—	—	2,484,247	151,261	6,870,069	46,827,877	53,707,947
2002	389,265	4,069,354	4,458,619	—	—	—	4,508,208	—	—	—	—	—	2,446,155	117,646	6,954,363	50,916,657	57,871,024
2003	389,275	4,114,735	4,504,010	—	—	—	3,994,831	—	—	—	—	—	2,245,761	(14,027)	6,738,562	79,162,015	75,900,577

(*) Provision for general banking risks, general credit risks provision and securities fluctuation allowance (between 1967 and 1984, when this allowance was taken to Reserve).

(†) Taken to Reserve.

(‡) Of which € 3.6m taken to Reserve.

(§) Of which € 12.5m taken to Reserve and the balance to write down the book value of securities.

FUND ALLOCATION ANALYSIS
APPROPRIATION OF NET PROFIT

For years ended 30th June	Gross profit for year	Allocation to credit risks provision	Net profit	Amount taken to Reserve	Amount taken to Special Reserve (1)	Writedowns in securities and investments, depreciation on furniture and equipment, and amortization of discounts on bonds issued	Total dividend paid	Percent dividend paid	Directors' remuneration (2)	Increase (decrease) in retained earnings
1947	(15)	—	(15)	—	—	—	—	—	—	—
1948	23	—	23	2	—	21 (3)	—	—	—	—
1949	49	—	49	24	—	24	—	—	1	—
1950	87	—	87	26	—	3	54	7	2	2
1951	190	—	190	52	—	25	108	7	2	3
1952	210	—	210	52	—	38	108	7	3	9
1953	215	—	215	103	—	—	108	7	3	1
1954	213	—	213	52	—	52	108	7	3	(2)
1955	237	—	237	52	—	84	108	7	3	(10)
1956	277	—	277	77	—	57	135	7.50	3	5
1957	323	—	323	77	—	52	194	7.50	3	(3)
1958	388	—	388	77	—	52	248	8	3	8
1959	396	—	396	129	—	—	248	8	8	11
1960	718	—	718	387	—	—	331	8	8	(8)
1961	966	—	966	439	—	—	413	8	8	(3)
1962	1,004	—	1,004	413	—	109	465	9	9	1
1963	1,025	310	715	103	—	116	465	9	9	(4)
1964	1,289	516	773	103	—	142	465	9	9	(4)
1965	1,370	594	776	155	—	90	558	9	12	10
1966	1,644	723	921	181	—	5	604	9	12	—
1967	1,911	955	956	207	—	—	723	10	14	3
1968	2,219	1,162	1,057	258	—	5	723	10	14	6
1969	2,873	1,420	1,453	516	—	—	775	10	16	8
1970	2,976	1,808	1,168	258	—	—	909	11	19	9
1971	3,652	1,937	1,715	258	—	5	909	11	18	(22)
1972	3,390	2,195	1,195	258	—	537	909	11	19	(8)
1973	4,822	2,970	1,852	387	—	—	909	11	9	—
1974	6,988	4,777	2,211	511	—	155	1,273	11	26	11
1975	11,112	8,134	2,978	775	—	395	1,273	11	26	6
1976	17,077	6,972	10,105	1,808	4,132	2,109	1,983	12	41	24
1977	22,549	7,876	14,673	5,165	178	6,059	3,223	12	32	32
1978	25,034	9,296	15,738	6,197	6,197	98	3,223	12	66	(18)
1979	29,346	12,911	16,435	7,747	—	2,489	6,074	14	65	(42)
1980	33,728	15,494	18,234	7,747	3,099	2,489	6,074	14	124	(23)
1981	67,940	23,241	44,699	17,043	17,560	2,571	7,375	14	150	—
1982	29,720	10,423	19,297	7,747	—	1,498	9,833	14	201	18
1983	52,450	13,658	38,792	10,329	17,560	878	9,833	14	200	(8)
1984	60,560	16,119	44,441	27,372	—	3,476	13,170	15	272	151
1985	87,848	20,840	67,008	51,646	—	—	14,926	17	307	129
1986	124,380	35,115	89,265	67,139	—	4,080	17,560	20	361	125
1987	89,906	31,546	58,360	40,800	—	—	17,560	20	351	(351)
1988	84,324	22,068	62,256	40,800	—	—	21,071	20	429	(44)
1989	110,642	26,782	83,860	38,734	—	16,649	28,095	20	311	71
1990	153,577	33,709	119,868	83,912	—	339	35,119	20	454	44
1991	147,192	33,363	113,829	59,450	—	18,666	35,119	20	456	138
1992	171,152	35,791	135,361	99,852	—	—	38,631	20	452	(62)
1993	141,654	38,295	103,359	64,041	—	—	38,631	20	528	159
1994	154,910	43,382	111,528	61,975	—	—	49,167	20	733	(347)
1995	126,220	46,120	80,100	30,213	—	—	49,167	20	740	(20)
1996	110,692	48,550	62,142	12,137	—	—	49,167	20	742	97
1997	128,026	56,205	71,821	21,949	—	—	49,167	20	739	(34)
1998	191,858	62,297	129,561	62,090	—	—	66,401	22.50	1,091	(20)
1999	175,711	62,233	113,478	45,914	—	—	66,401	22.50	1,093	11
2000	198,407	71,994	126,413	47,898	—	—	77,230	25	1,312	(27)
2001	233,894	82,633	151,261	49,913	—	—	99,522	30	1,769	57
2002	204,646	87,000	117,646	265	—	—	116,782	30	618	(19)
2003	30,973	45,000	(14,027)	(154,166) (4)	—	—	140,139	36	—	(81)

(1) Allocations to Special Reserve were used to fund bonus issues of € 4.1m in October 1976, € 6.2m (together with € 6,019,000 from the Revaluation Reserve) in October 1977, € 6.2m in October 1978, € 3.1m in October 1980, € 17.6m in October 1981 and € 17.6m in October 1983.

(2) Plus fixed fee of € 258,000 as from 30/6/89 and € 1.5m as of 30/6/02.

(3) Of which € 15,000 to absorb prior year loss.

(4) Of which € 14,027,000 to cover loss for the year, and € 140,139,000 for payment of dividend.

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