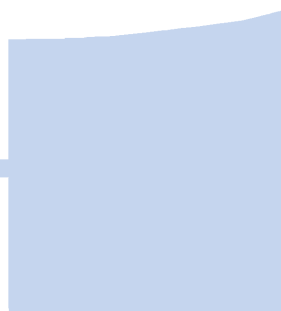
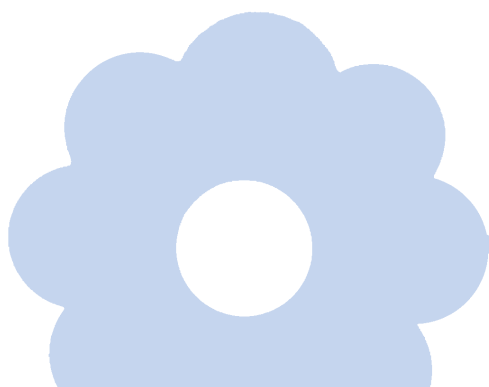


BANCA MEDIOLANUM S.P.A.

*2002
CONSOLIDATED
ANNUAL REPORT
ACCOUNTS*




Summary

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BANCA MEDIOLANUM S.P.A.

**CONSOLIDATED
FINANCIAL STATEMENTS
AT DECEMBER 31, 2002**



BANCA MEDIOLANUM S.P.A.
Head Office: Basiglio - Milano 3 - Palazzo Meucci
Share Capital 341,000,000 Euro wholly paid-up
Tax ID number and Milan Business Registry: 02124090164
VAT number: 10698820155

Officers of the Company

BOARD OF DIRECTORS	Ennio Doris	Chairman of the Board of Directors
	Edoardo Lombardi	Executive Vice-President – Chief Executive Officer
	Antonio Maria Penna	Chief Executive Officer
	Luigi Del Fabbro	Director
	Paolo Gualtieri	Director
	Giuseppe Lalli	Director
	Alfio Noto	Director
	Giovanni Pirovano	Director
	Javier Tusquets Trias de Bes Carlos	Director

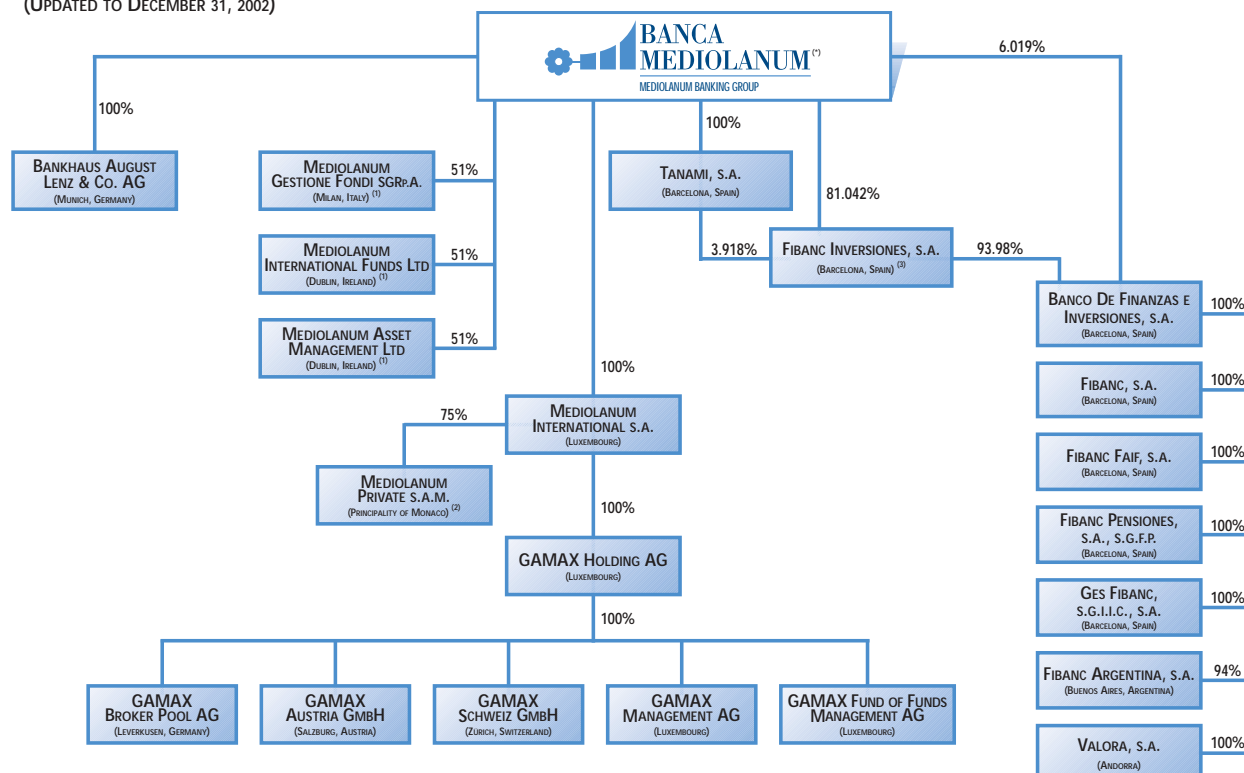
BOARD OF STATUTORY AUDITORS	Arnaldo Mauri	Chairman of the Board of Statutory Auditors
	Adriano Angeli	Statutory Auditor
	Pierfelice Benetti Genolini	Statutory Auditor
	Franco Colombo	Alternate Statutory Auditor
	Francesca Meneghel	Alternate Statutory Auditor

GENERAL DIRECTOR Giovanni Pirovano

SECRETARY OF THE BOARD Luca Maria Rovere

INDEPENDENT AUDITORS Reconta Ernst & Young S.p.A.

CORPORATE STRUCTURE (UPDATED TO DECEMBER 31, 2002)



* Held 100% by Mediolanum S.p.A.

(1) The remaining capital is held by Mediolanum S.p.A.

(2) The remaining 25% of the capital is held by Compagnie Monégasque de Banque

(3) The remaining capital is held by third parties

Dear Shareholders,

The Consolidated Financial Statements drawn up by your Company in compliance with the provisions of Italian Law No. 87 of 27 January, 1992, closed with a net Group profit of 31,893 thousand Euro after income taxes of 19,406 thousand Euro and value adjustments of 50,775 thousand Euro.

The consolidation area includes both the companies belonging to the Mediolanum Banking Group, enrolled in the Registry of Banking Groups pursuant to Article 64 of the Testo Unico Bancario (Consolidated Banking Act), and the companies controlled by Banca Mediolanum S.p.A., not yet enrolled in the registry having been only recently acquired.

In this connection, it should be noted that the company Mediolanum International Funds Ltd, based in Dublin, carries out mutual fund management activities, in line with EU guidelines.

The companies Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Funds Ltd carry out asset management activities together with Banca Mediolanum which, in accordance with the authority granted to it by those companies, promoted and placed with depositors the whole range of products of the above companies without guarantee.

Mediolanum Asset Management Ltd provides financial, treasury and management services to Mediolanum Group companies and others.

Mediolanum International S.A. is a sub-holding company based in Luxembourg and co-ordinates the activities of the companies it directly controls: Mediolanum Private S.A.M., in which it has 75% control, and the German financial group headed by Gamax Holding AG.

2002 is the first year in which Banca Mediolanum has had to draw up consolidated financial statements in its capacity as a parent company pursuant to Article 25 of Italian Law No. 87 of January 27, 1992. As a consequence, the information provided here is not compared with that of the previous year.

In 2002, international financial markets had to cope with ongoing uncertainty in all commodity sectors; at year end, the indices of the main stock markets were strongly depressed due to the continuing slowdown in the world economy. The monetary policy implemented by Central Banks failed to foster consumption and investments, in spite of repeated adjustments to interest rates which are now at unprecedented lows.

THE REFERENCE MARKETS

THE ITALIAN FINANCIAL AND BANKING MARKETS

The final balance of global GDP, though higher than in the previous year, fell short of expectations.

However, the decrease in short-term interest rates, in particular that carried out by the US Federal Reserve, as well as renewed interest by depositors, enabled debenture investments to regain ground.

During 2002, the overall economic scenario highlighted a significant rise in direct inflows in the banking system, characterised by a high propensity towards liquidity in the private sector.

Lending by banks grew proportionately less than inflows.

However, demand for home loans rose at a fairly sustained pace especially in the medium-to-long-term sector, in keeping with the related growth in property market prices.

The profitability of the Italian banking system thus mirrored negative ongoing trends, and brokerage margins suffered from a smaller spread, which had already thinned out and is unlikely to regain ground in the short-to-medium term. Decreased commission income also eroded aggregate margins as a consequence of the lesser volume of business.

THE SPANISH FINANCIAL AND BANKING MARKETS

Growth in the Spanish economy slowed during 2002, with GDP rising 2.0% as compared with 2.8% in the previous year.

Inflation was 3.5% higher than the European average.

In financial markets, the IBEX index of the Madrid Stock Exchange fell 28.11% during the year.

THE GERMAN FINANCIAL AND BANKING MARKET

In Germany, GDP rose 0.2% in 2002, compared with 0.6% in 2001, one of the lowest growth rates in the Euro zone.

Both industrial production and consumption decreased further during 2002.

The consumer prices index was 1.3%, lower than in the other countries of the European Union.

The unemployment rate increased over the previous year.

The Frankfurt Stock Exchange recorded very negative trends, with the DAX index 25.3% lower than in the previous year.

PERFORMANCE OF THE SECTORS WHERE THE GROUP OPERATES

The Banking Group assets reached 5,342,595 thousand Euro.

Securities in the portfolio amounted to 997,967 thousand Euro, and amounts due to banks were 3,493,893 thousand Euro.

Customers' direct inflows were 3,905,601 thousand Euro, and interbank inflows totalled 711,899 thousand Euro.

The income statement shows an interest margin of 28,465 thousand Euro and a service margin of 269,344 thousand Euro. Administrative costs totalled 165,716 thousand Euro.

As at December 31, 2002, the number of Group employees was 1,075.

In particular, the headquarters and the offices in charge of the acquisition of the new companies were enlarged, entailing an increase in the co-ordination and management tasks of the Mediolanum Banking Group.

The year 2002 featured substantial investments and considerable technical and organisational efforts which involved all Bank personnel, with a view to supporting the new projects in Spain and Germany.

Direct inflows reached 3,357 million Euro, a 14.8% rise over the previous year. In particular, a significant growth was registered in current account inflows, in relation to the higher propensity of depositors to turn to liquidity in current accounts, and to a satisfactory remuneration policy.

The product offer to customers using the Internet was further enhanced with the launch of new functions enabling payment of taxes online.

This difficult year also negatively influenced the network of financial consultants (at year end, there were global advisors 5,015; that is, 570 less than the 5,585 at December 31, 2001) which nonetheless expanded in quality terms thanks to a significant increase in the number of financial advisors.

Financial advisors' offices, under the name "Mediolanum Points", continued to expand. At year end, 77 "Mediolanum Points" were operating (47 at the end of 2001) throughout Italy.

During 2002, various projects were started with a view to rationalising and enhancing the information system supporting the multi-channel model.

Mediolanum Gestione Fondi SGR p.A. manages 19 funds: 16 mutual funds and 3 open-ended pension funds. Assets under administration total 1,508.2 million Euro.

Profit for the year totalled 6,658 thousand Euro.

On October 1st, 2002, the closed-end real estate investment fund "Mediolanum Property", aimed at institutional investors, was set up and fully subscribed in January 2003 for a total amount of 150 million Euro.

THE BANKING ACTIVITY - ITALY

MUTUAL FUNDS AND MANAGED ACCOUNTS

Mediolanum International Funds Ltd, based in Dublin, manages three families of funds (Defender, Top Managers and Challenge) through specialised external contractors, with 53 sections specialising in all commodity and geographic areas.

Total assets under administration at year end amounted to 6,797 million Euro. The fund products of Mediolanum International Funds are distributed in Italy, Spain, Germany, Austria and Ireland.

Profit for the year 2002 totalled 118,469 thousand Euro.

Mediolanum Asset Management Ltd activities mainly involve the monitoring of the performance of underlying funds, relevant risks and the management of the liquidity of affiliated companies. Profit for the year was 1,619 thousand Euro.

THE FIBANC GROUP

Total consolidated Shareholders' equity of the Fibanc Group was 45 million Euro, and assets under administration totalled 1,788 million Euro, from 60,553 account holders.

During 2002, the sales network was strengthened to 663 agents and commercial employees, compared to 464 in the previous year. The number of exclusive financial advisors grew (155 at December 31, 2002) in accordance with the Banca Mediolanum model.

In relation to the institutional recognition of the role of licensed financial advisors on the Spanish market, Fibanc has from the outset promoted the setting up in Spain of a branch of the European Financial Planning Association (EFPA), locally chaired by its own President.

During 2002, the multi-channel project was started up (Internet, licensed financial advisors, Teletext, Call Center and branches), integrating all sales channels, and available to customers 24 hours a day, 365 days a year.

The range of services in the insurance, social security and financial domains was also broadened to include products from the Irish company of the Group, Mediolanum International Funds Ltd.

The internal organisational structure for market and credit risk monitoring was revised and completed. A special Network Monitoring office was set up with the task of monitoring the activities of the sales network.

Finally, it is worth noting the very positive results of the Andorra-based company Valora S.A., which reached 33.8 million Euro of managed assets.

The Luxembourg-based company carrying out sub-holding activities, and 100% controlled, closed the year with a profit of 11 thousand Euro.

The company holds a direct interest in Gamax Holding AG and Mediolanum Private S.A.M..

The Gamax Group, held 100% by Mediolanum International S.A., consists of two fund management companies in Luxembourg, and two networks of independent agents in Germany (based in Leverkusen) and Austria (based in Salzburg).

The year closed with a consolidated loss of 2,057 thousand Euro.

Assets under administration totalled 427 million Euro.

The sales network consisted of independent agents, of whom 985 are in Germany and 119 in Austria.

Staff totalled 50, including 43 clerical personnel and 7 managers.

During 2002, the financial and social security products of the Mediolanum Group were made available, and foundations for a more direct and efficient management of commercial networks were laid, including consideration of collaborative activities with Bankhaus August Lenz & Co. AG that will start to be implemented in 2003.

Mediolanum Private S.A.M., based in Monte Carlo and with a share capital of 500,000 Euro, is 75% controlled, the remaining 25% being held by Compagnie Monegasque de Banque.

Corporate activity started in 2002, with managed assets totalling 7.2 million Euro at year end.

The operation has two members of staff.

The financial statements closed with a slight loss of 13 thousand Euro.

In January 2002, the direct and indirect interest held by Banca Mediolanum S.p.A. in Fibanc Inversiones S.A. was increased to 84.96%, entailing costs of 30,216 thousand Euro.

On January 17, 2002, Banca Mediolanum S.p.A. acquired the German banking company Bankhaus August Lenz & Co. AG, based in Munich (Germany), at a price of 12,651 thousand Euro.

At the beginning of March 2002, the Spanish company Andino A.V.B. S.A. was incorporated in the controlling company Banco de Finanzas e Inversiones S.A..

In September 2002, within the framework of a project reorganising the Mediolanum Group, intended to enable Banca Mediolanum S.p.A. to exert an effective strategic, management and operating control of Group companies

EVENTS IN THIS PERIOD

that provide asset management and financial services, an intercompany operation was carried out, in accordance with the resolution by the parent company Mediolanum S.p.A. of March 26, 2002. With this transaction, Mediolanum S.p.A. transferred to Banca Mediolanum S.p.A. control of the companies Mediolanum Gestione Fondi SGR p.A. (51%), Mediolanum International Funds Ltd (51%), Mediolanum Asset Management Ltd (51%) and Mediolanum International S.A. (99.8%).

SIGNIFICANT POST- PERIOD EVENTS

No significant events have occurred since December 31, 2002 that may have a significant impact on the company's financial and asset situation or the economic results of the Banking Group.

EXPECTED FUTURE TRENDS

In keeping with the severe economic and financial crisis being experienced internationally, the Mediolanum Banking Group may register an increase in credit aggregates in the current year (though at a slower pace than in 2002), as well as a stabilisation of its consolidated profitability level.

The trends observed in the companies of the Mediolanum Banking Group during the first few months of 2003 lead us to believe that the performance of the year will be positive.

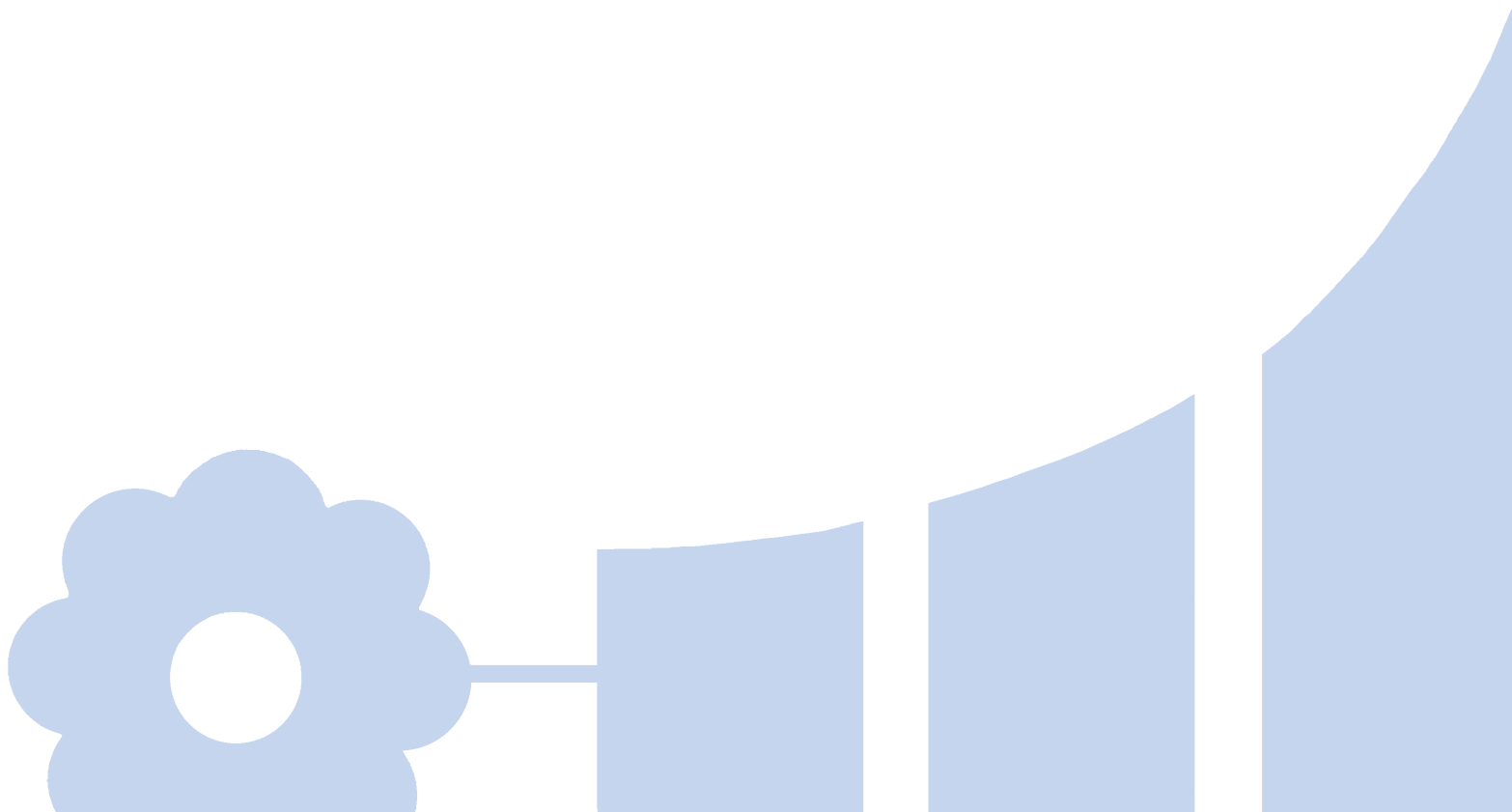
For the Board of Directors

Ennio Doris

Chairman and Chief Executive Officer

BANCA MEDIOLANUM S.P.A.

*FINANCIAL
STATEMENTS AT
DECEMBER 31, 2002*



Consolidated Balance Sheet

ASSETS

Euro in thousands

31.12.2002

10. Cash and deposits with central banks and post offices		10,837
20. Treasury bills and similar bills eligible for refinancing with central banks		197,600
30. Due from banks		3,493,893
a) repayable on demand	706,860	
b) other	2,787,033	
40. Loans to customers		409,279
50. Bonds and debt securities		794,133
a) of public issuers	276,747	
b) of banks	369,488	
<i>of which:</i>		
- <i>own securities</i>	114	
c) of financial institutions	147,898	
d) of other issuers	-	
60. Stock and shares		6,234
70. Shareholdings		104
a) valued with the equity method	-	
b) other	104	
90. Positive consolidation difference		160,311
110. Intangible fixed assets		26,179
<i>of which:</i>		
- <i>start-up costs</i>	3,244	
- <i>goodwill</i>	-	
120. Tangible fixed assets		64,156
150. Sundry assets		160,209
160. Accrued income and prepaid expenses		19,660
a) accrued income	18,338	
b) prepaid expenses	1,322	
TOTAL ASSETS		5,342,595

Euro in thousands

31.12.2002

SHAREHOLDERS' EQUITY AND LIABILITIES

10. Due to banks		711,899
a) repayable on demand	307,727	
b) time deposits or at notice	404,172	
20. Customer deposits		3,905,601
a) repayable on demand	3,389,915	
b) time deposits or at notice	515,686	
50. Sundry liabilities		189,311
60. Accrued liabilities and deferred income		13,112
a) accrued liabilities	11,183	
b) deferred income	1,929	
70. Severance indemnity fund		4,724
80. Risk and contingency fund:		40,365
a) provision for pensions and similar liabilities	1,088	
b) taxes	23,657	
c) consolidation fund for future risk and contingency	-	
d) other funds	15,620	
90. Credit risk fund		3,023
100. General banking risks fund		0
110. Subordinated liabilities		15,000
120. Negative consolidation difference		3,031
140. Minority interests		75,654
150. Share capital		335,329
170. Reserves		13,722
a) legal reserve	1,903	
d) other reserves	11,819	
190. Retained earnings		(69)
200. Net profit (loss) for the year		31,893
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,342,595

GUARANTEES AND COMMITMENTS

10. Guarantees given		27,121
<i>of which:</i>		
- <i>acceptances</i>	-	
- <i>other guarantees</i>	27,121	
20. Commitments		1,518,895

Consolidated Income Statement

Euro in thousands

31.12.2002

10. Interest income and similar revenues		159,851
<i>of which:</i>		
- loans to customers	22,469	
- debt securities	47,519	
20. Interest expense and similar outlays		(131,206)
<i>of which:</i>		
- on customer deposits	(112,935)	
- on debt securities	(708)	
30. Dividends and other proceeds		572
a) from stocks and shares	565	
b) from shareholdings	7	
40. Commission income		469,931
50. Commission expense		(200,587)
60. Profits (losses) on financial operations		15,284
70. Sundry operating income		36,193
80. Administrative costs		(165,716)
a) personnel costs	(50,809)	
<i>of which:</i>		
- wages and salaries	(39,249)	
- social security contributions	(8,703)	
- severance indemnities	(1,500)	
- other	-	
b) other administrative costs	(114,907)	
90. Depreciation and amortisation of tangible and intangible fixed assets		(48,120)
100. Provisions for risks and contingencies		(6,767)
110. Sundry operating expenses		(22,401)
120. Write-downs of loans and provisions for guarantees and commitments		(2,656)
130. Write-ups of loans and provisions for guarantees and commitments		1,522
140. Credit risk provisions		(1,987)
150. Write-downs of long-term investments		0
160. Write-ups of long-term investments		160
180. Profit (loss) from operations		104,073
190. Extraordinary incomes		11,579
200. Extraordinary expenses		(2,349)
210. Extraordinary profit (loss)		9,230
240. Income taxes for the year		(19,406)
250. Profit (loss) for the year of minority interests		62,004
260. Net income (loss) for the year		31,893

In compliance with the provisions established in Articles 24 and 25 of Italian Law 87/92 and due to enrolment in the Registry of Banking Groups pursuant to Article 64 of the *Testo Unico Bancario* (Consolidated Banking Act), the consolidated financial statements of the Mediolanum Banking Group were prepared comprising the Balance Sheet, the Income Statement and accompanying Notes.

The consolidation area includes the companies belonging to the Mediolanum Banking Group and the other companies controlled by Banca Mediolanum S.p.A., acquired following the inter-company operation whereby the controlling company Mediolanum S.p.A. transferred its interest in companies not yet belonging to the Banking Group.

Since the consolidated Financial Statements drawn up by Banca Mediolanum S.p.A. at December 31, 2001 were prepared in compliance with the provisions established in Articles 26 and 28 of Italian Law 87/92 – so that they use the same operating guidelines for their compilation – and since the consolidation area is different from that used in the drawing up of Financial Statements as at December 31, 2002, the latter are not compared with those of the previous year. As a consequence, the Notes do not include tables showing changes starting from the closing balances of the previous year, except the table showing changes in Shareholders' equity, for which opening balances are taken from Banca Mediolanum S.p.A.'s Financial Statements at December 31, 2001.

Amounts are in thousands of Euro.

CONSOLIDATION AND VALUATION CRITERIA

The consolidated financial statements are presented in accordance with the requirements of Italian Law 87/92 and with the guidelines and instructions established by the Governor of the Bank of Italy in the Provision of January 16, 1995 and subsequent amendments, and have been prepared on the basis of the preliminary balance sheets as at December 31, 2002 of Banca Mediolanum and its directly and indirectly controlled companies, approved by the respective Boards of Directors.

All the companies falling within the consolidation area were consolidated on a line-by-line basis, writing off inter-company economic and asset relations, dividends posted in individual balance sheets according to the accrual principle, and the restoring of original values of financial fixed assets posted in the individual financial statements of consolidated companies.

CONSOLIDATION CRITERIA

The net accounting value of consolidated shareholdings was written off against the corresponding Shareholders' equity, at the date on which the companies were acquired or became controlled by Banca Mediolanum S.p.A..

Any possible surplus, if not attributable to specific line items, is posted under item 90 of assets, "Positive consolidation difference" and amortised over a ten-year period, which is considered to be representative of the future profitability of the companies purchased, taking into account the life span of the investments as well as the sectors and markets in which the companies operate.

If the difference is negative, it is posted under item 120 of liabilities "Negative consolidation difference".

Since the companies that came under control during 2002 as a consequence of the above interest transfer operation already had a relationship with Banca Mediolanum S.p.A., and the inter-company operation was carried out at book value, the accounting value of those shareholdings was written off against the relevant Shareholders' equity at December 31, 2001. The income statement of the entire year 2002 was thus consolidated.

In other companies which were already controlled by Banca Mediolanum S.p.A. before December 31, 2001, the amortisation of positive consolidation differences for previous years were posted to consolidated reserves, considering a ten-year life-span, and the results obtained by the above companies from the date of acquiring control until December 31, 2001.

Shareholders' equity and profit for the period relating to minority interests are shown in a specific liability item in the Balance Sheet and Income Statement.

The consolidation area utilised for the purposes of drawing up the consolidated financial statements includes the companies listed in the following table, which specifies the share capital, percentage holding at December 31, 2002, the head office and the activity carried out by these companies.

List of companies which are consolidated on a line-by-line basis:

<i>Euro in thousands</i> Company	Shareholders' equity	% holding	Office	Activity
Fibanc Inversiones S.A.	6,852	84.96	Barcelona	Investment company
Banco de finanzas e Inversiones S.A.	12,130	85.86	Barcelona	Banking
Ges Fibanc SGIC S.A.	2,506	85.86	Barcelona	Management of mutual funds
Fibanc S.A.	301	85.86	Barcelona	Financial advisory company
Fibanc Pensiones S.G.F.P. S.A.	902	85.86	Barcelona	Management of pension funds
Fibanc Faif S.A.	60	85.86	Barcelona	Financial consulting company
Fibanc Argentina S.A.	ARS 50,000	80.70	Buenos Aires	Business representatives
Valora S.A.	421	85.86	Andorra	Asset management
Tanami S.A.	181	100.00	Barcelona	Real estate broker
Bankhaus August Lenz & Co AG	8,000	100.00	Munich	Banking
Mediolanum Gestione Fondi SGR p.A.	5,165	51.00	Basiglio	Management of mutual funds
Mediolanum International Funds Ltd	150	51.00	Dublin	Management of mutual funds
Mediolanum Asset Management Ltd	150	51.00	Dublin	Asset management and consultancy
Mediolanum International S.A.	71,500	100.00	Luxembourg	Sub-holding company
Gamax Holding AG	5,618	100.00	Luxembourg	Sub-holding company
Gamax Management AG	125	100.00	Luxembourg	Management of mutual funds
Gamax Fund of Funds Management AG	125	100.00	Luxembourg	Management of mutual funds
Gamax Schweiz GmbH	CHF 20,000	100.00	Zürich	Fund sales network
Gamax Broker Pool AG	500	100.00	Leverkusen	Fund sales network
Gamax Austria GmbH	40	100.00	Salzburg	Fund sales network
Mediolanum Private S.A.M.	500	75.00	Principality of Monaco	Asset management

PART A VALUATION CRITERIA

SECTION 1 VALUATION CRITERIA

1. Loans, guarantees and commitments

Loans are reported at their estimated realisable value.

Value adjustments and provisions relating to previous years are not maintained if the underlying reasons no longer apply.

“Repurchase agreements” are treated as deposit-taking or lending transactions, and recorded as receivables and payables for the spot amount received or advanced. Income and charges consisting of coupons matured and the transaction price differential are entered in the Income Statement under interest.

Commitments for securities to be received or delivered are included at settlement price and other values at the contractual amount specified.

Guarantees given include guarantees provided and assets transferred as a guarantee for third-party obligations. They have been entered at the value of the commitment undertaken.

2. Securities and “off-balance sheet” transactions (excluding foreign currency transactions)

2.1. Non-trading portfolio

Securities in the non-trading portfolio are valued at purchase cost, and are written down in the case of long-lasting value loss relating to the solvency profile of the issuer and the debt repayment ability of the country where the issuer resides.

The difference between the purchase cost, increased to account for the accrued portion of premiums or discounts to the par value, arising when the securities are subscribed, and the higher or lower reimbursement value, increases or decreases interest, in accordance with the accrual principle.

2.2. Trading portfolio

Bonds and other certificates of deposit which are not fixed assets are accounted for at the lesser of the purchase cost (adjusted to account for the accrued portion of premiums or discounts to the par value, arising when the securities are subscribed, accrued during the year) and the relevant market value, represented, if listed, by the arithmetic average of December prices. For unlisted securities, market price as at December 2002 for similar securities in terms of duration and rate structure was used.

“Off-balance sheet” operations concerning interest-rate derivatives were valued applying the same criteria as those used for the securities being hedged. Proceeds and charges resulting from hedging operations were regarded as interest income.

3. Shareholdings

Shareholdings in other companies, held by companies included in the consolidation area, are valued at cost, entailing however an evaluation inferior to the realisable value.

4. Assets and liabilities in foreign currency (including “off-balance sheet” transactions)

Assets and liabilities denominated in foreign currencies are expressed in Euro using end-of-year “spot exchange” rates. “Off-balance sheet” transactions are valued using “spot exchange” rates at the end of the year in case of spot

transactions not yet settled, and using end-of-year “forward” rates for maturities on the relative contracts in the case of transactions related to “forward” contracts.

5. Tangible fixed assets

Tangible assets are stated at the residual value to be depreciated, consisting of purchase cost including related charges and directly charged costs, net of accumulated depreciation. They are depreciated on a straight-line basis using rates which reflect their remaining useful life.

Rates are specified in the related asset section.

Maintenance expenditures that do not increase the value of assets are listed as incurred.

6. Intangible fixed assets

Intangible fixed assets are stated at their residual value, consisting of purchase cost including related charges, amortised on a straight-line basis to reflect their remaining useful life. Rates are specified in the related asset section.

7. Other policies

Accruals and deferrals: these reflect adjustments to match costs and revenues to the two or more accounting periods to which they relate, on an accrual basis.

Debt and payables: debt and payables are recorded at their par value.

Severance indemnity fund: this fund covers all liabilities for severance indemnities accrued for employees, in accordance with current legislation (Article 2120 of the Italian Civil Code) and labour agreements. This liability is subject to annual adjustment based on official indices.

Risk and contingency fund: this fund covers certain or probable losses, the timing and extent of which cannot be determined at the closing of the accounting period. Provisions reflect a realistic estimate of expected losses on the basis of the information available.

Revenues and expenses: these are posted in accordance with the accrual principle.

Dividends and the relevant tax credit from companies not included in the consolidation area are entered in the year they are received.

Taxes: taxes are recorded on the basis of the taxable income in accordance with current tax laws, taking into account any available exemptions, tax relief and credits.

Accounting principle no. 25 issued by the National Council of Professional Accountants and Bookkeepers in relation to income taxes establishes the use of pre-paid and deferred taxes. Both prepaid and deferred taxes were assessed using the balance sheet liability method.

Deferred taxes are calculated using the rates applicable when temporary differences apply. Pre-paid taxes are posted to the extent that they are reasonably expected to be recovered in case of future taxable income not lower than the amount of temporary deductible differences.

In compliance with the abovementioned accounting principle which indicates that deferred and pre-paid taxes must be calculated every year using the rates applicable when the temporary differences apply, necessary adjustments were introduced to the amounts accrued in previous years.

For foreign controlled companies, deferred taxes were also accrued on profits made and not yet distributed.

**SECTION 2
ADJUSTMENTS AND
PROVISIONS RECORDED
FOR FISCAL PURPOSES**

2.1. Value adjustments exclusively made in accordance with fiscal laws

None.

2.2. Provisions exclusively made in accordance with fiscal laws

None.

**PART B
CONSOLIDATED
BALANCE SHEET
INFORMATION**

Cash and deposits with central banks and post offices, amounts to 10,837 thousand Euro, consisting of the cash box balance, in both Euro and foreign currency.

CASH AND DEPOSITS WITH
CENTRAL BANKS AND POST
OFFICES

1.1. Analysis of item 30 “due from banks”

**SECTION 1
LOANS**

<i>Euro in thousands</i>	31.12.2002
a) due from central banks	9,312
b) bills eligible for refinancing with central banks	0
c) due from leasing contracts	0
d) repurchase agreements	396,984
d) securities lending contracts	0

Breakdown of item 30 “due from banks”

<i>Euro in thousands</i>	31.12.2002
a) repayable on demand:	706,860
- current accounts for services provided	23,883
- active current accounts with banks	7,206
- current accounts with banks - non-resident accounts	45,960
- demand deposit accounts - residents	579,000
- demand deposit accounts - non-residents	50,811
b) other receivables	2,787,033
- other receivables for services	17,145
- time deposit accounts – residents	1,097,766
- time deposit accounts – non-residents	1,275,138
- repurchase agreements	396,984
TOTAL	3,493,893

Repayable on demand relates to the balance of reciprocal current accounts with credit institutions and to demand deposit accounts.

With reference to bank deposits and savings with ordinary customers, the Compulsory Reserve with the Bank of Italy for the period 24.12.02 to 23.01.03, amounts to 61,007 thousand Euro.

The item “other receivables for services” relates mainly to commission income due from credit institutes for “home loans” to customers, and to “pool loans” granted to credit organisations, not accounted for in current accounts.

No value adjustments were made in the “due from banks” item.

1.2. Current bank loans situation

<i>Euro in thousands</i> Categories / values	Gross Exposure	Total Adjustments	Net Exposure
A. Doubtful loans	0	0	0
A.1. Non-performing loans			
A.2. Problem loans			
A.3. Loans being restructured			
A.4. Restructured loans			
A.5. Loans subject to Country Risk			
B. Performing loans	3,493,893	0	3,493,893

1.5. Breakdown of item 40 "loans to customers"

<i>Euro in thousands</i>	31.12.2002
a) bills eligible for refinancing with central banks	0
b) loans for leasing agreements	201,504
c) repurchase agreements	15,222
d) securities	472

1.6. Guaranteed loans to customers

<i>Euro in thousands</i>	31.12.2002
a) loans secured by mortgages	31,385
b) loans secured by:	100,583
1. cash deposits	12,817
2. securities	4,045
3. other assets	83,721
c) loans secured by guarantees from:	7,134
1. governments	0
2. other public agencies	0
3. banks	6,034
4. other parties	1,100
TOTAL	139,102

1.7. Loans to customers in cash

<i>Euro in thousands</i> Categories / values	Gross Exposure	Total Adjustments	Net Exposure
A. Doubtful loans	11,083	(7,869)	3,214
A.1. Non-performing loans	10,044	(7,375)	2,669
A.2. Problem loans	776	(296)	480
A.3. Loans being restructured	-	-	-
A.4. Restructured loans	-	-	-
A.5. Loans subject to Country Risk	263	(198)	65
B. Performing loans	406,065	0	406,065

2.1. Non-trading securities

<i>Euro in thousands</i>	Book value	Market value
1. Certificates of deposit	324,291	324,445
1.1. Government securities	254,055	254,260
- traded on regulated markets	254,055	254,260
- unlisted	-	-
1.2. Other securities	70,236	70,185
- traded on regulated markets	70,236	70,185
- unlisted	-	-
2. Stock and shares	243	243
- traded on regulated markets	233	233
- unlisted	10	10
TOTAL	324,534	324,688

2.3. Traded securities

<i>Euro in thousands</i>	Book value	Market value
1. Certificates of deposit	667,442	668,029
1.1. Government securities	137,376	137,438
- traded on regulated markets	137,376	137,438
- unlisted	-	-
1.2. Other securities	530,066	530,591
- traded on regulated markets	416,002	416,495
- unlisted	114,064	114,096
2. Shares, quotas and other forms of capital	5,991	13,444
- traded on regulated markets	2,789	2,796
- unlisted	3,202	10,648
TOTAL	673,433	681,473

For securities traded on regulated markets, the market value is calculated on the basis of the average share price for December 2002; for unlisted securities, the market quotations of similar securities in terms of duration and rates were referred to.

SECTION 3 SHAREHOLDINGS

3.1. Main shareholdings

Euro in thousands

Company	Head office	Type of relationship	Shareholders' equity	Profit	Holding relationship		Voting percentage	Consolidated balance sheet value
					Interest-holding Company	% holding		
A. Companies included in consolidation								
A.1 Line-by-line method								
1. Banca Mediolanum S.p.A.	Basiglio	Head of the Banking Group as per Article 64 Consolidated Banking Act	420,971	58,815	-	0	0	0
2. Bankhaus August Lenz & Co. AG	Munich	Control as per Article 2359 Civil Code, clause 1	14,548	(3,633)	Banca Mediolanum S.p.A.	100	100	0
3. Mediolanum Gestioni Fondi SGR p.A.	Basiglio	Control as per Article 2359 Civil Code, clause 1	17,894	6,658	Banca Mediolanum S.p.A.	51	51	0
4. Mediolanum International Funds Ltd	Dublin	Control as per Article 2359 Civil Code, clause 1	121,008	118,469	Banca Mediolanum S.p.A.	51	51	0
5. Mediolanum Asset Management Ltd	Dublin	Control as per Article 2359 Civil Code, clause 1	2,519	1,619	Banca Mediolanum S.p.A.	51	51	0
6. Fibanc Inversiones S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	11,612	(300)	Banca Mediolanum S.p.A. Tanami S.A.	66.002 3.918	66.002 3.918	0 0
7. Banco de Finanzas e Inversiones S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	40,787	669	Banca Mediolanum S.p.A. Fibanc Inversiones S.A.	6.02 93.98	6.02	0
8. Ges. Fibanc S.G.I.I.C. S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	3,129	1	Banco de Finanzas e Inversiones S.A.	100	100	0
9. Fibanc S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	669	48	Banco de Finanzas e Inversiones S.A.	100	100	0
10. Fibanc Pensiones S.G.F.P. S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	1,276	9	Banco de Finanzas e Inversiones S.A.	100	100	0
11. Fibanc Faif S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	51	(9)	Banco de Finanzas e Inversiones S.A.	100	100	0
12. Valora S.A.	Andorra	Control as per Article 2359 Civil Code, clause 1	253	(89)	Banco de Finanzas e Inversiones S.A.	100	50	0
13. Fibanc Argentina S.A.	Buenos Aires	Control as per Article 2359 Civil Code, clause 1	70	0	Banco de Finanzas e Inversiones S.A.	100	100	0
14. Tanami S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	906	(5)	Banca Mediolanum S.p.A.	100	100	0
15. Mediolanum International S.A.	Luxembourg	Control as per Article 2359 Civil Code, clause 1	71,474	12	Banca Mediolanum S.p.A.	100	100	0
16. Gamax Holding AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	6,585	3,128	Mediolanum International S.A.	100	100	0

Euro in thousands

Company	Head office	Type of relationship	Shareholders' equity	Profit	Holding relationship		Voting percentage	Consolidated balance sheet value
					Interest-holding Company	% holding		
17. Gamax Management AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	525	2,675	Gamax Holding AG	100	100	0
18. Gamax Funds OF Fund Management AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	65	19	Gamax Holding AG	100	100	0
19. Gamax Broker Pool GmbH	Leverkusen	Control as per Article 2359 Civil Code, clause 1	(2,303)	(2,358)	Gamax Holding AG	100	100	0
20. Gamax Austria GmbH	Salzburg	Control as per Article 2359 Civil Code, clause 1	15	(256)	Gamax Holding AG	100	100	0
21. Gamax Schweiz GmbH	Zürich	Control as per Article 2359 Civil Code, clause 1	(22)	(6)	Gamax Holding AG	100	100	0
22. Mediolanum Private S.A.M.	Principality of Monaco	Control as per Article 2359 Civil Code, clause 1	482	(18)	Mediolanum International S.A.	75	75	0

Analysis of item 70 "Shareholdings"

The value of shareholdings as at December 31, 2002 is as follows:

Euro in thousands

Company	Share capital	% holding	Book value as at 31.12.2002
e-MID S.p.A.	6,000	0.8330	50
M.T.S. S.p.A.	14,040	0.086	23
S.W.I.F.T. SC	10,246	0.0011	1
S.I.A. S.p.A.	18,124	0.01	9
Euros Consulting S.p.A.	10,238	0.127	14
Arts Capital Investment S.A.	10,528	0.07	7
TOTAL			104

3.4. Breakdown of item 70 "shareholdings"

Euro in thousands 31.12.2002

a) in banks	
- traded on regulated markets	0
- unlisted	0
b) in financial institutions	
- traded on regulated markets	0
- unlisted	0
c) other	
- traded on regulated markets	0
- unlisted	104

Analysis of item 90 "Positive consolidation difference"

Positive consolidation difference of 160,311 thousand Euro relates to:

- the difference between the price paid by Banca Mediolanum S.p.A. to acquire an interest in the Fibanc Group companies and the net worth of assets and liabilities at current value (99,815 thousand Euro);

- a positive consolidation difference from the purchase of an interest in the German bank Bankhaus August Lenz & Co. AG (4,343 thousand Euro) by Banca Mediolanum S.p.A. on January 17, 2002;
- a positive consolidation difference from the purchase of an interest in the financial group headed by the Luxembourg company Gamax Holding AG (52,230 thousand Euro) by Mediolanum International S.A.;
- a positive consolidation difference from the purchase of a 100% interest in the company Andino AVB S.A. by Banco de Finanzas e Inversiones S.A., subsequently merged into the second company during 2002 (3,864 thousand Euro);
- a positive consolidation difference from the purchase of the company Valora S.A by Banco de Finanzas e Inversiones S.A. (59 thousand Euro).

These positive consolidation differences are amortised over a ten-year period, which is considered to be representative of the future profitability of the companies purchased, taking into account the life span of the investments as well as the sectors and markets in which the companies operate.

Amortisation of positive consolidation differences for the year totalled 19,603 thousand Euro.

SECTION 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

Changes in tangible and intangible fixed assets are not shown since the area and methods of consolidation changed from those utilised for the financial statements drawn up as at December 31, 2001, and are therefore not consistent. Depreciation of tangible fixed assets is calculated using the following fiscal depreciation rates:

Buildings 2% - 3% - 4%

Plant and machinery 10% - 15% - 20% - 25% - 30%

Electronic equipment 20% - 25%

Furniture and fittings 10% - 12% - 15%

Other assets 12% - 20% - 25% - 40%

Criteria for the amortisation of intangible fixed assets are the following:

Start-up and expansion costs: 5 years

Concessions, licences (application software): 3 years

Trademarks: 10 years

Improvements on leased properties: 5 years

5.1. Breakdown of item 150 “sundry assets”

<i>Euro in thousands</i>	31.12.2002
Due from financial consultants	2,887
Commission income receivable	56,895
Of which:	
- Commission income from Mediolanum S.p.A.	31,477
Receivables being recovered	110
Advance payments to employees and consultants	405
Due from fiscal authorities	18,831
Due from Mediolanum Group companies	440
Due from Fininvest and Doris Group companies	314
Advances to suppliers	118
Guarantee deposits	15,266
Other receivables	64,943
Total	160,209

“Receivables being recovered” refers to the payment of compensation to customers for damage arising from illegal acts by former financial consultants of Banca Mediolanum, against whom recovery action has been taken by the company.

“Due from fiscal authorities” is summarised in the following table:

<i>Euro in thousands</i>	31.12.2002
Amounts receivable for withholding taxes	9,561
Direct tax credit	9,037
Advance on employee severance indemnities (including interest) Law 662/96	35
Corporate tax 1992 (including interest)	92
Refund of proportional tax on premium operation	9
Stock Exchange Contract Tax receivables	7
VAT receivables	62
Other	28
TOTAL	18,831

“Due from Mediolanum Group companies” and “Due from Fininvest and Doris Group companies” relate to the following companies:

<i>Euro in thousands</i>	31.12.2002
Due from Mediolanum Group companies:	440
- Mediolanum S.p.A.	92
- Mediolanum Vita S.p.A.	207
- Mediolanum State Street SGR p.A.	38
- Mediolanum Comunicazione S.r.l.	18
- Partner Time S.p.A.	41
- Mediolanum International Life Ltd	33
- Duemme SGR p.A.	11
Due from Fininvest and Doris Group companies:	314
- Vacanze Italia S.p.A.	294
- Mediolanum Assicurazioni S.p.A.	20

“Advances to suppliers” includes amounts granted upon the signing of the contracts for the supply of services.

“Guarantee deposits” of 13,582 thousand Euro mainly relate to deposits made by Banco de Finanzas e Inversiones S.A. with the company that governs the financial derivatives market and the Spanish Stock Exchange, and to a guarantee deposit of 897 thousand Euro from Banca Mediolanum S.p.A. to the *Cassa Compensazione e Garanzia* for the settlement of securities in cash and the execution of purchase and sale contracts.

“Other” mainly relates to financial operations to be settled (12,873 thousand Euro), to prepaid taxes for provisions made during the year 2002, which are to be utilised for tax relief purposes in successive years (9,813 thousand Euro), to revaluations made on “off-balance sheet items” on foreign currency (4,689 thousand Euro), to utility contracts stipulated by customers and not yet expired (5,185 thousand Euro), to commissions and expenses receivable from customers (9,258 thousand Euro), and to amounts due from former Gamax Group shareholders (14,000 thousand Euro) pursuant to the contractual clause for payment adjustment in the event of failure to achieve the growth objectives set out in the 2002/2004 three-year plan.

5.2. Breakdown of item 160 “accrued income and prepaid expenses”

<i>Euro in thousands</i>	31.12.2002
Accrued income:	
Interest income – banks	5,422
Interest on securities	7,862
Other	5,054
TOTAL	18,338

Accrued income of 1,322 thousand Euro relates to service provided and insurance costs pertaining to the following year.

5.4. Breakdown of subordinated assets

No subordinated assets are accounted for.

SECTION 6 PAYABLES

6.1. Analysis of item 10 “Due to banks”

<i>Euro in thousands</i>	31.12.2002
a) Repurchase agreements	177,578
b) Securities lending contracts	0

6.2. Analysis of item “Customer deposits”

<i>Euro in thousands</i>	31.12.2002
a) Repurchase agreements	372,743
b) Securities lending contracts	1,032

Breakdown of item 70 “severance indemnity fund”

Severance indemnities totalled 4,724 thousand Euro, with provisions of 1,451 thousand Euro made in the year.

7.1. Breakdown of item 90 “credit risk fund”

<i>Euro in thousands</i>	31.12.2002
a) Fund for general risks	2,825
b) Fund for Country Risk	198
Total	3,023

7.3. Breakdown of sub-item 80 “risk and contingency fund: other funds”**(a) Provision for pensions and similar liabilities**

At year-end, this Fund amounted to 1,088 thousand Euro, and provisions for the year were 218 thousand Euro; during the year, the Fund decreased by 246 thousand Euro following adjustments made to comply with contractual obligations to employees.

(b) Taxes:

This reserve consists of amounts allocated for taxes on net income for the period (21,337 thousand Euro), and to the IRAP tax provision (2,320 Euro).

(d) Other funds:

The following table details the composition and movements in the reserve under review:

<i>Euro in thousands</i>	31.12.2002
Allowance for agents’ retirement indemnities	1,938
Portfolio indemnities provision	3,941
Staff loyalty provision	515
“Prize contest” fund	126
Provision against agents’ illegal acts	4,993
Other	4,107
TOTAL	15,620

Provision against agents’ illegal acts relates to the potential payment of compensation by the companies for damage caused to customers as a consequence of illegal behaviour by financial advisors. Banca Mediolanum S.p.A. provisions for the current year amount to 1,500 thousand Euro.

Allowance for agents’ retirement indemnities covers leaving indemnities accrued to financial advisors who reached the age of retirement as established by the agents’ collective agreement.

Provisions made by Banca Mediolanum S.p.A. during the year were 509 thousand Euro.

Staff loyalty provision and the **Portfolio indemnities provision** relate to a contractual obligation to professionals who carry out support and back up activities for the sales network and financial advisors. This agreement establishes the allocation of a portion of their remuneration to be paid when the relationship is terminated, provided that these staff do not provide their services to competitors.

Other includes customer indemnity for electronic transactions, established to cover risks associated with customer transactions through the telephone or other electronic channels. At year-end, this reserve amounted to 912 thousand Euro; moreover, it includes provisions for the year covering commissions on the placement of “home mortgages” to be paid to the Sales Network in future years in compliance with the principle of correlating costs to revenues.

It also includes provisions for possible negative effects on the income statement relating to contracts for the placement of mortgage loans.

SECTION 8
SHARE CAPITAL, RESERVES,
RESERVE FOR GENERAL
BANKING RISKS AND
SUBORDINATED LIABILITIES

Changes in the composition of Shareholders' equity are summarised in Attachment 1.

Share capital

Share capital, fully subscribed and paid-up, amounted to 335,329 thousand Euro as at December 31, 2002.

The rise over the previous year results from Banca Mediolanum S.p.A. share capital increases totalling 94,329 thousand Euro, subscribed by the controlling company Mediolanum S.p.A..

Breakdown of item 170 “reserves”

<i>Euro in thousands</i>	31.12.2002
Legal Reserve	1,903
Other reserves:	
Shareholders' capital contribution	5,671
Other reserves	6,148
TOTAL	13,722

Other reserves includes the Shareholders' contribution of capital of 5,671 thousand Euro subscribed by Mediolanum S.p.A. on December 18, 2002, and duly paid in January 2003.

Subordinated liabilities

The amount in item 110 of the balance sheet relates to a subordinated bonded loan issued by Banca Mediolanum S.p.A. in the year 2000 with a variable three-monthly rate, indexed to the three-month Euribor rate plus a 0.125% spread.

The five-year loan was issued for a par value of 25,000 thousand Euro falling due on September 28, 2005. Repayment, started in the current year, will continue in accordance with the established annual sinking plan.

Minority interests

Minority interests amount to 75,654 thousand Euro, of which 69,297 thousand Euro pertained to Mediolanum Group companies held for 49% by the controlling company Mediolanum S.p.A., as shown in the following table:

<i>Euro in thousands</i> Company	% Minority interests	Profit	Shareholders' equity
Mediolanum International Fund Ltd	49.00	58,050	59,294
Mediolanum Asset Management Ltd	49.00	793	1,234
Mediolanum Gestione Fondi SGR p.A.	49.00	3,262	8,768
Mediolanum Private S.A.M.	25.00	(4)	121
Fibanc Inversiones S.A.	15.04	(97)	6,237
TOTAL		62,004	75,654

Negative consolidation difference

Negative consolidation difference of 3,031 thousand Euro relates to the compensation, allowed by the applicable regulations, between negative and positive differences arising from the consolidation of the following companies involved in the inter-company operation:

<i>Euro in thousands</i>	31.12.2002
Mediolanum Gestione Fondi SGR p.A.	3,120
Mediolanum International Fund Ltd	(51)
Mediolanum Asset Management Ltd	(38)
TOTAL	3,031

8.1. Consolidated total capital and capital requirements

<i>Euro in thousands</i> Categories / Values	Amount
A. Consolidated total capital	
A.1. Tier 1 capital	241,178
A.2. Tier 2 capital	13,021
A.3. Amounts to be deducted	0
A.4. Total capital	254,199
B. Consolidated capital requirements	
B.1. Credit risks	190,157
B.2. Market risks	18,184
of which:	
- trading portfolio risk	16,459
- foreign exchange risk	1,725
B.3. Third level subordinated loans	0
B.4. Other capital requirements	0
B.5 Total capital requirements	208,341
C. Consolidated risk-weighted assets and capital ratios	
C.1. Risk-weighted assets	2,604,263
C.2. Tier 1 capital / Risk-weighted assets	9.26%
C.3. Tier 1 + Tier 2 capital / risk-weighted assets	9.76%

SECTION 9 OTHER LIABILITIES

9.1. Breakdown of item 50 "sundry liabilities"

<i>Euro in thousands</i>	31.12.2002
Due to suppliers	23,365
Due to Mediolanum Group companies	4,918
Due to Fininvest and Doris Group companies	574
Due to consultants, professionals, directors and auditors	367
Due to tax authorities	9,133
Due to financial consultants	40,999
Due to social security entities	1,722
Indemnity for agency relationship termination	2,376
Due to employees	1,838
Other payables	104,019
Total	189,311

"Due to suppliers" relates to the supply of materials and services for normal activities.

Commercial payables to Mediolanum Group, Fininvest Group and Doris Group companies relate to services provided by the companies listed in Attachment 3.

Due to consultants and professionals relates to services received and to be paid at their natural expiration; this item also includes remuneration due to Directors and Auditors for the year, not yet paid, totalling 138 thousand Euro.

"Taxes payable" include, among others, 1,039 thousand Euro relating to the adjustment of virtual stamp-duty, 5,346 thousand Euro to substitute tax as per Italian Law 239/96 and sundry withholdings due to Banca Mediolanum S.p.A. and Mediolanum Gestione Fondi SGR p.A., and 2,583 thousand Euro to other Fibanc Group taxes.

Due to financial consultants refers to commission accrued as at the balance-sheet date for the in-home sale of stocks, shares, securities, products and services. These will be settled during the first months of 2003.

Due to social security entities refer to amounts due to social security entities for employees, financial advisors and insurance agents.

“Indemnity for agency relationship termination” relates to financial advisors’ accruals for this purpose. This amount will be paid to Mediolanum Vita S.p.A. on March 31, 2003, in compliance with the terms and conditions established by the industry association agreements.

“Due to employees” relate to amounts due for overtime work, expense accounts to be settled, as well as to payables for holidays and leaves of absence accrued as at December 31, 2002, but not yet utilised.

“Other payables” includes 44,427 thousand Euro relating to the short sale of securities of Banca Mediolanum S.p.A, as well as sundry items which were duly settled during the first months of 2003, totalling 50,213 thousand Euro.

9.2. Breakdown of item 60 “accrued liabilities and deferred income”

<i>Euro in thousands</i>	31.12.2002
Accrued liabilities:	
- Provision for 13 th and 14 th month salary	125
- on interest payable	1,885
- other	9,173
TOTAL	11,183

The item “deferred credits” of 1,929 thousand Euro includes deferred credits pertaining to swap and outright operations.

10.1. Breakdown of item 10 “guarantees given”

<i>Euro in thousands</i>	31.12.2002
a) Commercial guarantees	696
b) Financial guarantees	26,425
c) Assets set aside in guarantee	0

10.2. Breakdown of item 20 “commitments”

<i>Euro in thousands</i>	31.12.2002
Commitments to allocate funds (certain to be called on)	1,314,120
Commitments to allocate funds (not certain to be called on)	204,775

SECTION 10 GUARANTEES AND COMMITMENTS

10.3. Assets set aside in guarantee of own debts

Government securities for 5,000 thousand Euro are kept at the Bank of Italy against possible current account overdrafts resulting from day-to-day operations relating to the real-time gross settlement of payments (Bi-Rel).

Moreover, securities for an overall amount of 88,300 thousand Euro are kept at Clearstream Banking S.A. against currency security settlement transactions.

A sum of 8,000 thousand Euro is deposited at Unicredito Banca Mobiliare S.p.A. as a guarantee for transactions in derivative products (FIB and miniFIB) carried out by ordinary customers.

10.5. Forward transactions

<i>Euro in thousands</i> Type of transaction	Hedging	Dealing	Other
1. Trading	(6,848)	242,918	
1.1. Securities		229,465	
- purchases	137,129	354,461	
- sales	(137,129)	(124,996)	
1.2. Currency	(6,848)	13,453	
- currency against currency		382	
- purchases against Euro	10,601	24,522	
- Sales against Euro	(17,449)	(11,451)	
2. Deposits and loans		306,182	
- to be made		298,057	
- to be received		8,125	
3. Derivative contracts	(223,768)	18,500	(10,648)
3.1 With exchange of principal	(193,964)		
b) currency	(193,964)		
- currency against currency	9,536		
- purchases against Euro	40,000		
- sales against- Euro	(243,500)		
3.2 Without exchange of principal	(29,804)	18,500	(10,648)
b) other	(29,804)	18,500	(10,648)
- purchases	75,192	18,500	0
- sales	(104,996)		(10,648)

SECTION 11 CONCENTRATION AND DISTRIBUTION OF THE ASSETS AND LIABILITIES

11.1. Main risks

<i>Euro in thousands</i>	31.12.2002
a) amount	68,439
b) number	1

11.2. Distribution of loans to customers by principal debtor categories

<i>Euro in thousands</i>	31.12.2002
a) government	0
b) other public agencies	0
c) non-financial businesses	78,529
d) financial institutions	65,147
e) producer households	125,718
f) other operators	139,885
TOTAL	409,279

11.3. Distribution of loans to resident non-financial businesses and producer households

<i>Euro in thousands</i>	31.12.2002
a) other services for sale	1,746
b) commercial and hotel services	267
c) textile products, leather and shoes, clothing	500
TOTAL	2,513

11.4. Distribution of guarantees by principal counterpart categories

<i>Euro in thousands</i>	31.12.2002
a) government	0
b) other public agencies	0
c) banks	461
d) non-financial businesses	3,070
e) financial institutions	123
f) producer households	22,918
g) other operators	549
Total	27,121

11.5. Geographic breakdown of assets and liabilities

<i>Euro in thousands</i>		Other EU	Other
Line items\Countries	Italy	countries	countries
1. Assets			
1.1. Due from banks	1,939,270	1,451,059	103,564
1.2. Loans to customers	195,159	213,460	660
1.3. Securities	745,684	240,878	11,405
TOTAL	2,880,113	1,905,397	115,629
2. Liabilities			
2.1. Due to banks	612,270	75,522	24,107
2.2. Customer deposits	3,352,138	552,145	1,318
2.3. Bonded debts	0	0	0
2.4. Other accounts	22,786	3,523	0
TOTAL	3,987,194	631,190	25,425
3. Guarantees and commitments	826,082	705,188	14,746

11.6. Maturities of assets and liabilities

Euro in thousands Items/Residual duration	Established duration						Unspecified duration	
	Over 1 year up to 5 years						Over 5 years	
	On demand	Up to 3 months	Between 3 to 12 months	Fixed rate	Indexed rate	Fixed rate	Indexed rate	
1. Assets								
1.1 Treasury bills for refinancing						16,472	181,128	
1.2 Due from banks	782,243	2,710,292	(8)	942				424
1.3 Loans to customers	113,029	86,151	68,528	28,404	63,310	11,872	19,466	18,519
1.4 Bonds and other certificates of deposit	7,401	24,138	89,553	18,146	456,057	24	198,814	
1.5 "Off-balance sheet" transactions		393,045	38,001	18,513		332,896	526	
2. Liabilities								
2.1 Due to banks	307,727	357,448	46,724					
2.2 Due to customers	3,389,915	431,168	4,717	74,566		2,250		2,985
2.3 Securities issued								
Bonds								
- certificates of deposit								
- other securities								
2.4 Subordinated liabilities					15,000			
2.5 "Off-balance sheet" transactions	8,125	835,352	17,162	12	29	124,350	458	

11.7. Assets and liabilities in foreign currency

Euro in thousands	31.12.2002
a) assets	
1) due from banks	387,957
2) loans to customers	6,557
3) securities	653
4) equity holdings	0
5) other	84
b) liabilities	
1) due to banks	175,745
2) customer deposits	11,318
3) bonded debts	0
4) other	1

11.8. Securitisation transactions

Companies included in consolidation carried out no direct securitisation transactions.

As at December 31, 2002, the trading portfolio includes the following securities, resulting from securitisation transactions carried out by third parties:

<i>Euro in thousands</i>		
Security	Nominal value	Book value
Senior:		
Locat S. Vehicle - 07	1,000	997
Lombarda Mortgage Finance 1-25	1,000	1,000
ABF Finance 02-13	5,000	5,000
Quarzo Lease 02-15	3,000	3,000
Trevi Finance 3-11	1,000	982
Cremonini Sec. 02-09	3,000	2,991
S.C.I.P. 02-07	34,000	34,010
S.C.I.P. 02-06	34,300	34,310
Mezzanine:		
Leonardo Synthetic PLC 01-19	1,000	944
TOTAL	83,300	83,234

12.1. Securities transactions

<i>Euro in thousands</i>	31.12.2002
a) Purchases	
1) settled	31,844,328
b) Sales	
1) settled	(31,853,712)

12.2. Managed accounts

The market value of managed accounts at December 31, 2002 is 2,059,784 thousand Euro.

12.3. Custody and administration of securities

<i>Euro in thousands</i>	31.12.2002
a) Third-party securities held in deposit	6,789,390
b) Third-party securities deposited with third parties	6,035,465
c) Portfolio securities deposited with third parties	1,061,131

SECTION 12
MANAGEMENT AND
BROKERAGE ON BEHALF OF
THIRD PARTIES

PART C
INFORMATION ON
THE CONSOLIDATED
INCOME
STATEMENT

SECTION 1
INTERESTS

1.1. Breakdown of item 10 “interest income and similar revenues”

<i>Euro in thousands</i>	31.12.2002
a) On amounts due from banks	89,310
of which:	
- deposits with central banks	2,033
b) on loans to customers	22,469
of which:	
- loans with third party funds under administration	0
c) on certificates of deposit	47,519
d) other interest income	26
e) positive differentials on “hedging” transactions	527
TOTAL	159,851

1.2. Breakdown of item 20 “interest expense and similar outlays”

<i>Euro in thousands</i>	31.12.2002
a) On amounts due to banks	17,210
b) on customer deposits	112,935
c) On other bonded debt	708
Of which:	
- on certificates of deposit	
d) on loans with third party funds under administration	0
e) on subordinated liabilities	33
f) negative differentials on “hedging” transactions	82
g) other interest expense	238
TOTAL	131,206

1.3. Analysis of item 10 “Interest income and similar revenues”

<i>Euro in thousands</i>	31.12.2002
a) on foreign currency assets	6,813

1.4. Analysis of item 20 “Interest expense and similar outlays”

<i>Euro in thousands</i>	31.12.2002
a) on foreign currency liabilities	4,555

2.1. Breakdown of item 40 “commission income”

<i>Euro in thousands</i>	31.12.2002
a) guarantees given	259
b) Credit derivatives	24
c) Management, brokerage and consultancy services:	443,523
1. Securities trading	13,508
2. Currency trading	108
3. Managed accounts:	226,292
3.1 Individual	29,784
3.2 Group	196,508
4. Custody and administration of securities	9,957
5. Custodian bank	829
6. Placement of securities	1,393
7. Order intake	9,248
8. Consultancy services	0
9. Distribution of third-party services	182,188
9.1 Managed accounts	10,024
a) Individual	594
b) Group	9,430
9.2 Insurance products	156,986
9.3 Other products	15,178
d) collection and payment services	21,335
e) servicing of securitisation operations	0
f) rate and tax collection	0
g) other services	4,790
TOTAL	469,931

2.2. Analysis of item 40 “Commission income” :**Distribution channels for products and services**

<i>Euro in thousands</i>	31.12.2002
a) At own bank counters:	58,089
1. Managed accounts	34,498
2. Placement of securities	671
3. Third-party services and products	22,920
b) Distribution outside head office:	411,842
1. Managed accounts	232,775
2. Placement of securities	779
3. Third-party services and products	178,288

2.3. Breakdown of item 50 “commission expenses”

<i>Euro in thousands</i>	31.12.2002
a) Guarantees received	0
b) Credit derivatives	0
c) Management and brokerage services:	185,434
1. Securities trading	2,740
2. Currency trading	524
3. Managed accounts:	7,760
3.1 Own portfolio	7,579
3.2 Third-party portfolio	181
4. Custody and administration of securities	1,721
5. Placement of securities	152
6. Distribution of securities, products and services outside head office	172,537
d) Collection and payment services	1,972
e) Other services	13,181
TOTAL	200,587

SECTION 3 PROFITS AND LOSSES ON FINANCIAL OPERATIONS

3.1. Breakdown of item 60 “profits (losses) on financial operations”

<i>Euro in thousands</i>	Securities operations	Currency operations	Other operations
Line items/Operations			
A.1 Revaluations	0	0	0
A.2 Write-downs	(961)	0	(835)
B. Other profits (losses)	10,767	6,007	306
TOTAL	9,806	6,007	(529)
1. Government bonds	2,765		
2. Other certificates of deposit	2,599		
3. Shares, quotas and other forms of capital	4,341		
4. Contracts in security derivatives	101		

SECTION 4 ADMINISTRATIVE COSTS

The breakdown of item 80 “Administrative costs” is analysed as follows:

<i>Euro in thousands</i>	31.12.2002
Payroll	50,809
Purchases of sundry consumables	1,910
Management personnel	2,186
Sales network staff	11,593
Various consultancy and outsourcing	17,254
Directors' and Auditors' remuneration	2,426
Postal and telephone expenses	8,331
Taxes other than on income	10,855
Leases and rentals	6,274
Insurance	1,277
IT services	16,644
Expenses for maintenance and repairs	4,917
Membership fees	424
Other sundry services	30,816
TOTAL	165,716

4.1. Average number of employees by category

<i>Unit</i>	31.12.2002
a) managers	55
b) middle managers	86
c) other employees	934
TOTAL	1,075

Most new personnel are employed in the Call Center, where all new recruits start their training, and in the Customer Administration area.

Breakdown of item 100 "Provisions for risks and contingencies"

<i>Euro in thousands</i>	31.12.2002
Provision against agents' illegal acts	1,500
Allowance for agents' retirement indemnities	509
Allowance for portfolio indemnities	2,321
Staff loyalty provision	170
Allocation to sundry provisions	2,267
TOTAL	6,767

SECTION 5 ADJUSTMENTS, WRITE- BACKS AND PROVISIONS

5.1. Breakdown of item 120 "Write-down of loans and provisions for guarantees and commitments"

<i>Euro in thousands</i>	31.12.2002
a) Adjustments to loans	2,656
Of which:	
- Lump sum adjustments for Country Risk	
- Other lump sum adjustments	
b) Provisions for guarantees and commitments	0
Of which	
- Lump sum adjustments for Country Risk	
- Other lump sum adjustments	
TOTAL	2,656

This item includes provisions to the allowance for doubtful receivables relating to illegal acts by former financial advisors.

This also includes the write-down of "problem loans with doubtful outcome" (276 thousand Euro) and the write-down of "credits overdue" (1,312 thousand Euro).

SECTION 6
OTHER INCOME
STATEMENT ITEMS

6.1. Breakdown of item 70 “other income statement items”

<i>Euro in thousands</i>	31.12.2002
Recharge of sundry costs to customers	20,708
Recharge of costs to financial advisors	883
Recharge of costs to Mediolanum Group companies	1,074
Recharge of costs to Fininvest and Doris Group companies	106
Recharge of sundry costs to employees	125
Recovery of stamp duty/special tax on stock exchange dealings	9,684
Other sundry revenues	3,613
TOTAL	36,193

The item “Recharge of sundry costs to customers” mainly relates to the fees charged for “account holding”, to the costs charged to current accounts with an average deposit lower than the level established by the bank for relief purposes, and to the fees charged to current account holders operating through the Internet.

The item Recharge of costs to Mediolanum, Fininvest and Doris Group companies relates to the cost of seconded personnel and to the recovery of costs from the following companies:

<i>Euro in thousands</i>	31.12.2002
From Mediolanum Group companies:	1,074
- Mediolanum S.p.A.	337
- Mediolanum Vita S.p.A.	410
- Mediolanum State Street SGR p.A.	139
- Mediolanum Comunicazione S.r.l.	22
- Partner Time S.p.A.	153
- PI Distribuzione S.r.l.	2
- Duemme SGR p.A.	11
From Fininvest and Doris Group companies:	106
- Vacanze Italia S.p.A.	3
- Mediolanum Assicurazioni S.p.A.	103

6.2. Breakdown of item 110 “sundry operating expenses”

<i>Euro in thousands</i>	31.12.2002
Leasing fees	56
Advertising and market research	8,637
Convention organisation	3,220
Market research	466
Travel expenses	830
Entertainment expenses, gifts and donations	672
Professional training of financial advisors	3,772
Company canteen	1,194
Financial advisor search and selection	118
Employee training/search and selection	417
Other expenses	3,019
TOTAL	22,401

6.3. Breakdown of item 190 “extraordinary incomes”

This item includes, in particular, non-operating income resulting from indemnities to financial advisors in compliance with the “non-competition” agreement, terminated consensually during the year under review.

It also includes 2,500 thousand Euro relating to the settlement of a dispute that arose between Banca Mediolanum S.p.A. and the sellers of Fibanc S.A. shares with relation to doubtful debts of the controlled company Banco de Finanzas e Inversiones S.A..

The “Other expenses” item mainly consists of non-operating income.

6.4. Breakdown of item 200 “extraordinary expenses”

This item mainly relates to contingent liabilities, to the systemisation of accounting entries and capital loss on the transfer of corporate assets.

6.5. Breakdown of item 220 “income taxes for the year”

<i>Euro in thousands</i>	31.12.2002
1. Current taxes	21,388
2. Changes in prepaid taxes	(2,938)
3. Changes in deferred taxes	956
4. Income taxes for the year	19,406

7.1. Geographic breakdown of revenues

Italy	47.10 %
Ireland	42.43 %
Spain	9.48 %
Germany	0.99 %

SECTION 7
OTHER INCOME
STATEMENT INFORMATION

1.1. Payments

Remuneration to Directors and Auditors for the performance of their duties in other companies included in the consolidation area is as follows:

<i>Euro in thousands</i>	For services to parent company	For services to other companies
a) Directors	326	516
b) Statutory Auditors	77	0
TOTAL	403	516

PART D
OTHER
INFORMATION

SECTION 1
DIRECTORS AND
STATUTORY AUDITORS

1.2. Loans and guarantees given

As at the date of the drawing up of financial statements, an outstanding amount of 164 thousand Euro is due from Mr. Carlos Javier Tusquets Trias de Bes.

There are no other outstanding amounts due from directors and auditors, or guarantees issued to their benefit.

Attachments

The following attachments contain information additional to that contained in the Notes to the Financial Statements, of which they are an integral part:

Att. 1: Analysis of changes in Shareholders' equity for the year closing as at December 31, 2002.

Att. 2: Reconciliation between the financial statements of the parent company and the consolidated financial statements.

Att. 3: Summary of relations with affiliated companies.

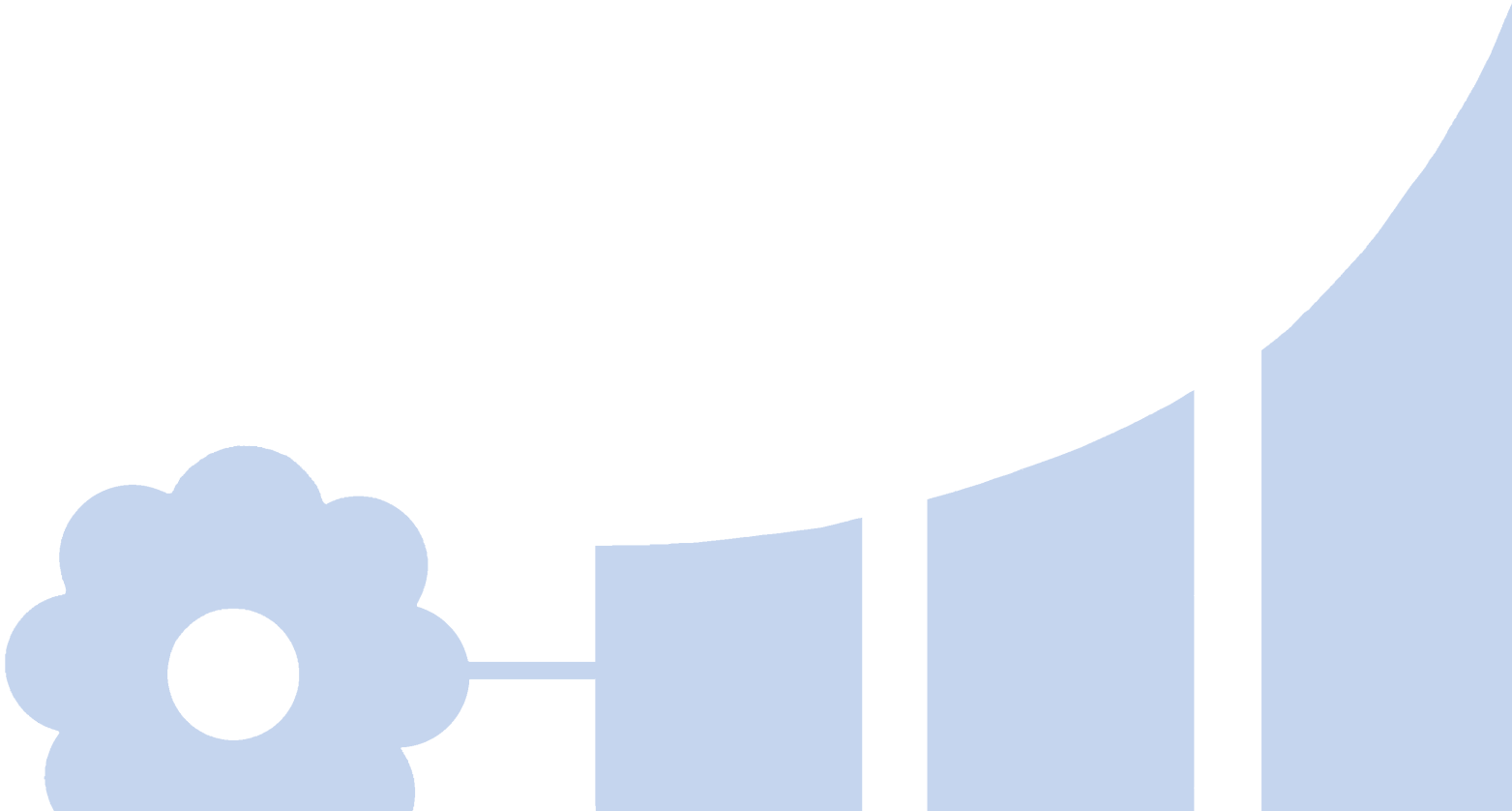
For the Board of Directors

Ennio Doris

Chairman and Chief Executive Officer

BANCA MEDIOLANUM S.P.A.

ATTACHMENTS



ATTACHMENT 1

ANALYSIS OF CHANGES IN CONSOLIDATED CAPITAL AND RESERVES

<i>Euro in thousands</i>	Share capital	Legal reserve	Other reserve
Banca Mediolanum balance at December 31, 2001	241,000	1,578	13,073
Allocation of profit for the year:			
- payment of dividends out of profits			
- reserve		325	6,181
Share capital increase	94,329		
Shareholders' contribution of capital			5,671
Consolidation of companies already valued at cost			(13,175)
Consolidation of companies acquired during the year			
Profit (loss) for the year:			
Consolidated balance at December 31, 2002	335,329	1,903	11,750

Neg. Consolidation reserve	Consolidated profit	Total shareolders' equity
0	6,506	262,157
		0
	(6,506)	0
		94,329
		5,671
		(13,175)
3,031		3,031
	31,893	31,893
3,031	31,893	383,906

ATTACHMENT 2

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS

<i>Euro in thousands</i> Company	Capital and reserves	Profit for the period	Total Shareholders' equity
Parent company financial statements	362,156	58,815	420,971
Statutory profits and reserves of companies included in consolidation	(7,202)	59,369	52,167
Elimination of dividends accounted for on an accrual basis		(64,617)	(64,617)
Elimination of intercompany dividends	11,807	(11,807)	0
Amortisation of positive consolidation difference	(14,436)	(19,603)	(34,039)
Consolidation adjustments and effect of application of homogeneous accounting principles	0	9,991	9,991
Amortisation of capital gains attributed to buildings as at the date of acquisition	(312)	(255)	(567)
Shareholders' equity and profit for the period of the Group	352,013	31,893	383,906
Minority quota	13,651	62,004	75,655
Shareholders' equity and profit for the period as posted in the consolidated financial statements	365,664	93,897	459,561

ATTACHMENT 3

RELATIONS WITH MEDIOLANUM GROUP COMPANIES

<i>Euro in thousands</i> Company	Receivables	Payables	Costs	Income
Mediolanum Group				
Mediolanum S.p.A.	31,515	6,955	2,488	156,178
Mediolanum Comunicazione S.r.l.	18	2,235	6,501	23
Mediolanum International Life Ltd	101	753	320	894
Mediolanum Vita S.p.A.	298	127,983	10,036	615
Mediolanum Fiduciaria S.p.A.	0	375	4	1
Partner Time S.p.A.	41	889	116	154
PI Distribuzione S.p.A.	0	247	3	3
Mediolanum State Street SGR p.A.	49	1,427	29	176
Banca Esperia S.p.A.	0	0	0	117
Duemme SGR p.A.	11	0	0	11
TOTAL	32,033	140,864	19,497	158,172

AUDITORS' REPORT
(Translation from the original Italian text)

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

1. We have audited the consolidated financial statements of Banca Mediolanum S.p.A. as of and for the year ended December 31, 2002. These consolidated financial statements are the responsibility of the Banca Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the consolidated financial statements are materially misstated and if such consolidated financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of certain subsidiaries and associated companies, which represent respectively 12% and 8% of consolidated total assets and consolidated net operating margin have been examined by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the data relating to these subsidiaries and associated companies, is based also on the reports of the other auditors.

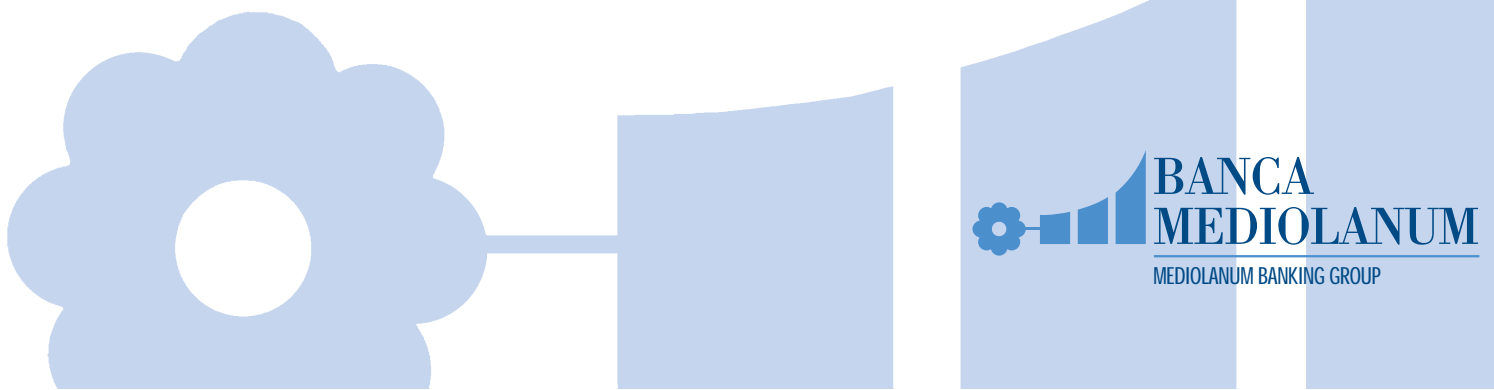
3. In our opinion, the consolidated financial statements of Banca Mediolanum S.p.A. comply with the Italian regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of Banca Mediolanum S.p.A. as of December 31, 2002, and the consolidated results of its operations for the year then ended.
4. The consolidated financial statements of the prior year are not presented for comparative purposes although required by the law since they were drawn up according to articles 26 and 28 of the Legislative Decree 87/92, while the consolidated financial statements of Banca Mediolanum S.p.A. as of and for the year ended December 31, 2002 have been drawn up according to articles 24 and 25 of the Legislative Decree 87/92, due to the Group reorganisation; moreover, the subsidiaries which were consolidated changed in respect of those consolidated in the prior year, also due to acquisitions made in 2002.

Milan, Italy
April 8, 2003

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

BANCA MEDIOLANUM S.P.A.

*2002
ANNUAL REPORT
ACCOUNTS*

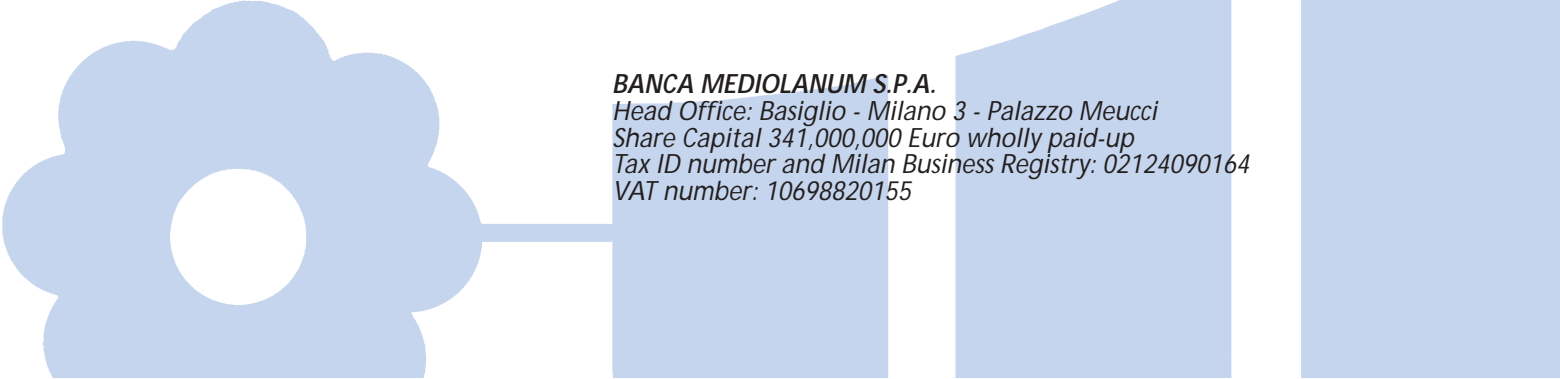


Summary

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BANCA MEDIOLANUM S.P.A.

**FINANCIAL
STATEMENTS AT
DECEMBER 31, 2002**



BANCA MEDIOLANUM S.P.A.
Head Office: Basiglio - Milano 3 - Palazzo Meucci
Share Capital 341,000,000 Euro wholly paid-up
Tax ID number and Milan Business Registry: 02124090164
VAT number: 10698820155

Officers of the Company

BOARD OF DIRECTORS

Ennio Doris
 Edoardo Lombardi
 Antonio Maria Penna
 Luigi Del Fabbro
 Paolo Gualtieri
 Giuseppe Lalli
 Alfio Noto
 Giovanni Pirovano
 Javier Tusquets Trias de Bes Carlos

Chairman of the Board of Directors
 Executive Vice-President – Chief Executive Officer
 Chief Executive Officer
 Director
 Director
 Director
 Director
 Director

BOARD OF STATUTORY AUDITORS

Arnaldo Mauri
 Adriano Angeli
 Pierfelice Benetti Genolini
 Franco Colombo
 Francesca Meneghel

Chairman of the Board of Statutory Auditors
 Statutory Auditor
 Statutory Auditor
 Alternate Statutory Auditor
 Alternate Statutory Auditor

GENERAL MANAGER

Giovanni Pirovano

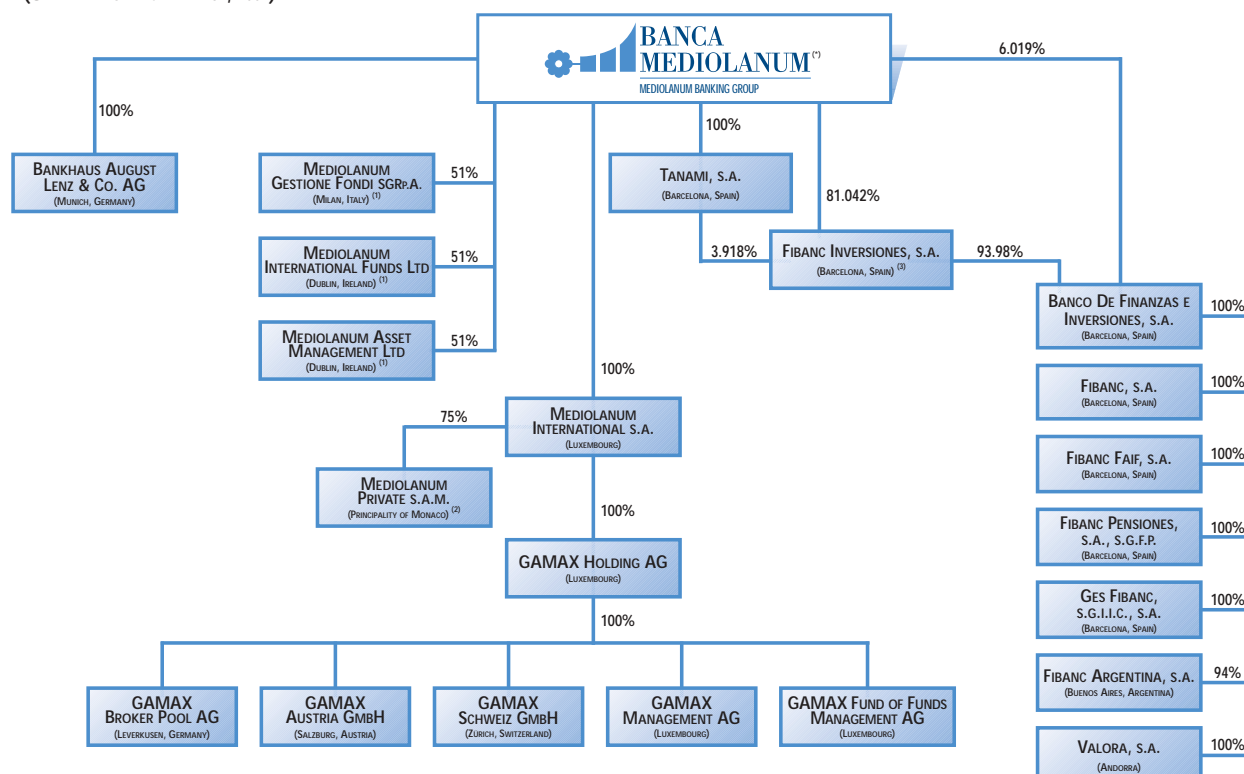
SECRETARY OF THE BOARD

Luca Maria Rovere

INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

CORPORATE STRUCTURE (UPDATED TO DECEMBER 31, 2002)



* Held 100% by Mediolanum S.p.A.

(1) The remaining capital is held by Mediolanum S.p.A.

(2) The remaining 25% of the capital is held by Compagnie Monégasque de Banque

(3) The remaining capital is held by third parties

Ordinary Shareholders' Meeting of April 28, 2003

The company's entire share capital was represented by proxy by the sole shareholder Mediolanum S.p.A. at the Ordinary Shareholders' meeting.

The Shareholders unanimously decided the following:

SUMMARY OF DELIBERATIONS

- To approve the Report of the Board of Directors on operations.
- To approve the Financial Statements at December 31, 2002.

- To allocate operating profit of 58,814,703.89 Euro as follows:
 - Distribution of 33,000,000.00 Euro to Shareholders at a rate of 0.0968 Euro for each of the 341,000,000 shares making up the share capital at a nominal value of 1 Euro;
 - 2,940,735.00 Euro to the Legal Reserve;
 - 22,873,968.89 Euro to the Extraordinary Reserve.

- To entrust the company's administration to a Board of Directors consisting of 11 members;

- To appoint as Directors for the current and the next two years, up until the approval of the Financial Statements at 31.12.2005, the following persons:*
 - Ennio Doris;
 - Luigi Del Fabbro;
 - Edoardo Lombardi;
 - Paolo Gualtieri;
 - Antonio Maria Penna;
 - Giovanni Pirovano;
 - Giuseppe Lalli;
 - Alfio Noto;
 - Angelo Renoldi;
 - Paolo Sciumè;
 - Carlos Javier Tusquets Trias de Bes.

- To appoint Mr. Ennio Doris as Chairman of the Board of Directors, acknowledging that, pursuant to the provisions contained in the By-laws, he will be the legal representative of the Company.

* The Board of Directors, in a subsequent meeting, confirmed Mr. Edoardo Lombardi as Executive Vice-President and Chief Executive Officer, Mr. Antonio Maria Penna as Chief Executive Officer, Mr. Giovanni Pirovano as General Manager and Mr. Luca Maria Rovere as Secretary of the Board.

- To determine, until further decision, an annual overall gross remuneration for the Board of Directors of 505,000.00 Euro, with the possibility of staggered payments during the year, attributing to the Board itself the power to decide how this is to be shared among its members.

- To appoint as Statutory Auditors for the current and for the next two years, up until approval of the Financial Statements at 31.12.2005, the following persons:
 - Arnaldo Mauri;
 - Adriano Angeli;
 - Pierfelice Benetti Genolini;and as Alternate Statutory Auditors:
 - Franco Colombo;
 - Francesca Meneghel.

- To appoint Mr. Arnaldo Mauri as the Chairman of the Board of Statutory Auditors.

- To define the gross annual remuneration of Auditors as follows:
 - 40,000.00 to the Chairman of the Board of Statutory Auditors;
 - 30,000.00 to each Statutory Auditor;
 - to pay each member of the Board of Statutory Auditors an fee of 165.00 Euro for each meeting of the Board attended, or any other meeting at its head office or operating units.

Dear Shareholders,

The year 2002 closed with a net profit for the period amounting to 58,814,704 Euro (2001: 6,506,036 Euro), after taxes of 1,900,457 Euro (2001: 2,414,710 Euro) and amortisation and depreciation of tangible and intangible fixed assets for 23,336,593 Euro (2001: 20,513,168 Euro).

This result is strongly influenced by the growth of the Mediolanum Banking Group and the economic effects of its acquisitions.

From September 1, 2002, your Company took over control of Italian and foreign companies involved in asset management and distribution of financial products, previously held by Mediolanum S.p.A. These companies generated significant flows of dividends entered "on an accrual basis" in 2002, which broadly account for the remarkable growth in the year's results.

2002 was a very difficult year, marked by continuing downward trends that struck all the main financial markets, by a significant further economic slowdown and, even more, by the effects of the Middle East war.

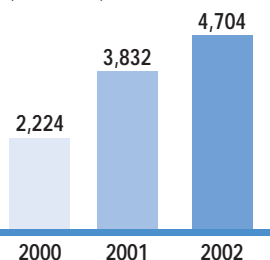
Despite a very negative international scenario, 2002 results of your Company proved very satisfactory in terms of inflows and performance, and more than positive as far as profits were concerned. As for activities abroad, the Fibanc Inversiones S.A.. Group strengthened its operations in Spain; in Germany, Bankhaus August Lenz & Co. AG, a multi-channel bank with its own network of licensed financial advisors, began operations towards the end of the year, exporting the Banca Mediolanum model to Germany.

In these first five years of activity (1998-2002), your Company further increased customer numbers, continually providing innovative products and services in the financial, pension and banking areas. The range of products and services provided through the multi-channel project (licensed financial advisors, Call enter, Internet and Teletext) is undoubtedly one of the largest in the Italian and international markets.

This difficult year also negatively influenced the network of financial consultants (at year end, there were 5,015 global advisors; that is, 570 less compared to 5,585 at December 31, 2001), which nonetheless expanded in quality terms thanks to a significant increase in the number of financial advisors.

Financial advisors' offices, under the name "Mediolanum Points", continued to expand. At year end, 77 Mediolanum Points were operating (47 at the end of 2001), throughout Italy.

ASSETS
(Euro millions)

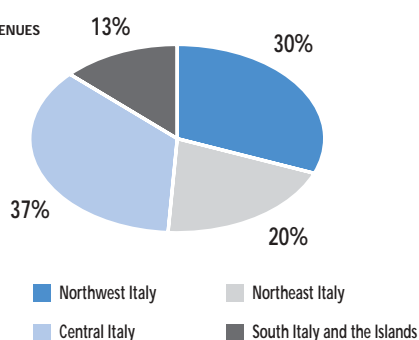


As of December 31, 2002, there were 339,993 current accounts (2001: 297,252), worth a total of 3,138.4 million Euro (2002: 2,364.3 million Euro).

Assets reached 4,703.6 million Euro (2001: 3,832.1 million Euro). Third party securities administered at market prices were 5,987.7 million Euro (2001: 4,031.4 million Euro) and customers with securities in safekeeping totalled 116,257 (2001: 109,206).

Throughout the year, the commercial policy of providing attractive rates on current accounts continued, determining a contraction in interest margins to 17.8 million Euro (2001: 21.5 million Euro).

GEOGRAPHICAL BREAKDOWN OF REVENUES



Earnings from financial operations (8.9 million Euro) remained strong (2001: 10.1 million Euro), resulting from trading on the bond portfolio.

The service margin, despite the difficulties in the markets that reduced commission receivable, rose sharply to 188.2 million Euro, a 40.9% increase over 2001 (133.6 Euro), mainly due to the posting of dividends.

During the year 2002, the number of employees of Banca Mediolanum increased, going from 630 at 31.12.2001 to 646 at 31.12.2002.

In particular, the headquarters and the offices in charge of the acquisition of new companies were enlarged, entailing an increase in the co-ordination and management tasks of the Mediolanum Banking Group.

Apart from the positive results attained, the year 2002 featured substantial investments and remarkable technical and organisational efforts which involved all the Bank personnel, with a view to supporting the new foreign projects in Spain and Germany.

Corporate assets were further strengthened in 2002 thanks to both an increase in share capital, resulting from the abovementioned capital contribution of 75.8 million Euro by the controlling company Mediolanum, which occurred in August, and subsequent capital contributions of 18.6 and 5.7 million Euro. In January 2003, following the registration of the latter contribution in the Business Registry, share capital paid-in reached 341

million Euro (in accordance with the decision of September 24, 2002 to bring it up to 371 million Euro).

As at December 31, 2002, the Mediolanum Banking Group, headed by your Company, consisted of the following companies:

- Banca Mediolanum S.p.A.: Parent company
- Fibanc Inversiones S.A., an investment company based in Barcelona (Spain);
- Banco de Finanzas e Inversiones S.A., a bank based in Barcelona (Spain);
- Ges Fibanc S.G.I.I.C. S.A., a mutual fund management company based in Barcelona (Spain);
- Fibanc Faif S.A., a financial consulting company based in Barcelona (Spain);
- Valora S.A., an asset management company for individual investors based in Andorra la Vella (Andorra);
- Tanami S.A., a real estate broker based in Barcelona (Spain);
- Fibanc Pensiones S.G.F.P. S.A., a pension fund management company based in Barcelona (Spain);
- Fibanc Argentina S.A., business representatives based in Buenos Aires (Argentina).
- Bankhaus August Lenz & Co. AG, a bank based in Munich (Germany).

Further, following the acquisition of 31.08.2002, your Bank also controls the following Companies:

- Mediolanum Gestione Fondi SGR p.A., a mutual fund management company based in Milan;
- Mediolanum International Funds Ltd, a mutual fund management company based in Dublin (Ireland);
- Mediolanum Asset Management Ltd, an asset management and consultancy company based in Dublin (Ireland);
- Mediolanum International S.A., a sub-holding company in Luxembourg (Luxembourg);
- Gamax Holding AG, a sub-holding company based in Luxembourg (Luxembourg);
- Gamax Broker Pool AG, a fund sales network based in Leverkusen (Germany);
- Gamax Austria GmbH, a fund sales network based in Salzburg (Austria);
- Gamax Schweiz GmbH, a fund sales network based in Zürich (Switzerland);
- Gamax Management AG, a mutual fund management company based in Luxembourg (Luxembourg);

**THE MEDIOLANUM
BANKING GROUP**

- Gamax Fund of Funds Management AG, a mutual fund management company based in Luxembourg (Luxembourg);
- Mediolanum Private S.A.M., an asset management company for individual investors based in Monte Carlo (Principality of Monaco).

The company Banca Mediolanum S.p.A. belongs to the Mediolanum Group, headed by Mediolanum S.p.A., a company listed in the Stock Exchange of Milan.

THE REFERENCE MARKET

2002 can be defined, for all purposes, the year of disappointed expectations. Starting with the advent of the Euro, it was greeted with optimism and the feeling of leaving behind a negative 2001, with all its troughs and, even more, with the tragic memory of the events of September 11th. A possible recovery in the economy and financial markets seemed close enough – the only moot point was when it would begin, quarter after quarter, this recovery was constantly delayed. At the end of the year, economic forecasts very much resembled the initial scenario, with the perception of an approaching, yet not immediate, recovery, expected to resuscitate a stagnating economy unable to trigger a steady, long-lasting growth, and give new strength to financial markets, shattered by 40 consecutive months of crisis. The international political was unchanged, with a war of uncertain duration looming over the horizon.

During 2002, monetary policy exploited all the tools available, with a turning on of the financing tap for the economy as much as possible, and with interest rates hitting an all-time low. In spite of all this, demand and production were not significantly propelled. Growth estimates continue to be adjusted downwards, confirming a climate marked by constantly unfulfilled expectations.

The final balance of world GDP increase was 1.7%, falling short of expectations and only slightly higher than the previous year. The most important contribution came once again from the United States of America, with Europe and Japan unable to speed up growth rates. Japan showed some signs of recovery, but only partial and intermittent. A moot point remains the effect of stock depreciation on the financial statements of banks, the risk being that the system falls under the minimum asset threshold required by the Basle Committee.

There is still excess production capacity in the USA, but the high level of consumption, financed by abundant bank lending, kept the overall level of demand high. The Federal Reserve opted for an extensive use of the monetary

lever, while implementing a fiscal policy intended to cut taxes and expand public spending. Economists are debating whether the economic conditions of 2001 can technically be defined as recession: such a debate may seem pointless, yet it expresses very clearly the stalemate that system has reached. If the low level of growth is worrisome, even more so is the deteriorating entrepreneurial climate. Corporate scandals, already apparent at the end of 2001, exploded last year. They suggest a declining impetus and a weakening of the positive driving attitude that always characterised the US production system.

All this being said, the US economy remains the engine of the world, since the promised alternation with Europe did not materialise – and Germany, once the driving force, contributed to the slowdown of the European economy. Europe seems to be going through a period of very slow growth.

The changeover of European currencies to the Euro unquestionably influenced purchasing power; however, this was an extraordinary one-off event, already ruled out of the factors that will govern inflationary trends in the future. Oil prices contributed to a rise in 2002 prices and, considering the international political scenario, should have a negative impact on the current year, too. The economic policy manoeuvre typically adopted in a similar scenario is deficit spending; yet, the attempt of some EU countries to increase spending to boost economies clashed with the restrictions of the Stability and Growth Pact. The deficit/GDP ratio exceeded the agreed threshold in Germany (3.8%) and in Portugal, and approached it in France (2.8%). Italy closed the year with a better result (2.1%), yet without managing to implement the positive process of reducing national debt started in previous years. A debate – sometimes heated – was started about the possibility of complying with the threshold fixed in Maastricht, but no agreement has been reached so far about its possible review. For the development of the Union, a decision was taken which is more important than the previous debate: the enlarging of the EU to include the ten new countries that had been on the candidate list for years. This is a significant step towards strengthening the European Union which, though it entails major difficulties in terms of integration and governance in the short term, will provide significant benefits in the long run.

In contrast with the inflation and economic growth differential, the European currency gained 19% over the US dollar during 2002. The underlying reasons are mostly not economic in nature, and are mainly related once again to the military situation. The determination with which the Federal Reserve

reduced rates (the rate on federal funds, at 1.25% from November 6, 2002, hit a 41-year low) does not explain the Euro/dollar ratio trends, especially considering that formerly, the gap between interest rates, favourable to the Euro, was not in itself enough to strengthen the Euro against the US dollar. For its part, the BCE continued to implement a cautious policy, aimed at preserving the purchasing power of the European currency, rather than fostering development. The official refinancing rate was brought from 3.25% to 2.75% on December 5, 2002.

Italy was fully in line with the economic trends observed in the rest of Europe. GDP showed modest growth (0.4%), the inflation rate fell only slightly (2.5%), though the note of caution sounded about a possible rise in prices was somewhat exaggerated.

Employment levels stagnated and, in general, consumers' trust significantly dwindled, and the outlook is not particularly optimistic: however, reality may turn out to be not as bad as is currently perceived. Nonetheless, we know very well the attitude of economic players influences, sooner or later, economic, financial or real figures.

In Germany, GDP rose even more modestly (+0.2%), while the inflation rate was at 1.3%. In Spain, the GDP growth rate (+2.0%) proved far higher than the average of EU countries, while highlighting a 3.5% inflation rate, also higher than the European average.

Against such an uncertain and stagnating background, the performance of financial markets was bound to be unsatisfactory. Considering the change of the trend in rates, investment strategies based on long-term fixed-income securities, hitting unprecedented peaks, were the only ones to succeed. The stock market itself represented a further negative element: -16.76% Dow Jones Industrials, -31.53% Nasdaq Composite, -34.52% DJ Euro Stoxx, -18.63% Nikkei 225, -49.1% Dax, -25.3% Mib 30, -28.11% IBEX.

Even though the "bubble" culminating in March 2000 has been reabsorbed, interest rates are at their lowest level for decades, and the price/earnings ratio is very low, share prices have failed to take off. On the one hand, this suggests that investors are monitoring the real trend of companies, and the forecast of scarce or nil profits; however, the stock exchange weakness and overall uncertainty mainly relate to the international social and political context – the threat of war and the risk of terrorism. During 2002, stock exchanges repeatedly tried to regain the path of growth, but each endeavour was hindered by different reasons, and each mini-rally proved ephemeral.

On financial markets, investors turned their interest towards bonds, including those with a higher risk profile, issued by emerging countries or companies. However, these transactions proved problematic, too. The risk spread widened significantly, particularly due to some cases of default or sharp downgrading by rating agencies, and there was a high degree of volatility. The investors' search for higher returns inflated a market that was very weak until yesterday, especially in Europe, in a quest for issuers that are still unable to nurture secondary markets of adequate weight. What is worse, transactions in these segments, characterised by a considerable lack of clarity, produced once again cases of an intermingling between issuers and investors, and conflict of interest between banks and depositors.

Banking systems suffered from the combined impact of these events. A moderate growth in aggregates, low interest rates, devaluation of the portfolio, fall in asset management and investment banking commissions all combined, produced a depressing mix for the accounts of banks. Withstanding all of these negative factors at the same time is objectively difficult; it becomes almost impossible when this situation continues over years. There is usually a gap of a few half-years between the banking profit cycle and that of the real economy, but the downturn of industrial and financial companies has now become concurrent. In order for financial companies to recover appreciably, industrial companies must give the first signs of rebound.

The difficult moment faced by the international economy also influenced the Italian banking sector. During 2002, a significant recovery in direct inflows was registered, with a very high rate, close on 9%, that had not been seen for some time, yet liquidity in current accounts prevailed, waiting for more remunerative investments. Lending progressed rather slowly (+6%), especially in the second half-year, with December the only exception ; corporate loan demand was negligible, while medium and long-term household demand keeps developing constantly, along with a buoyant period for the housing market. The year just ended brought a special emphasis on the quality of credit. The level of non-performing loans has not risen appreciably – and it even fell thanks to securitisation and write-off operations – but the trend is definitely towards deterioration. The renewed interest in credit quality is certainly associated with the unfavourable economic environment, but it also results from the efforts displayed by banks and mortgage companies to prepare themselves for the introduction of the new asset coefficients being developed by the Basle Committee. The profitability of

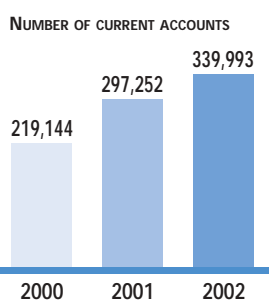
the Italian banking system also suffered from reduced brokerage margins due to a smaller spread and decreased commission income from the financial area. A slight recovery involved other income, while the dynamics of costs were also negative. These rose moderately but exceeded inflation, thus eroding a higher brokerage margin quota than in the past. There seem to be no significant opportunities for short or medium terms recovery in this area either.

In the future, banking margins will have to face up to some unknown factors which are still present: inflow costs cannot decrease, having reached the unprecedented depths of 1.30%, so any possible reduction in rates will have a direct impact on spread. When stock markets recover, competition will be harsh and will influence prices significantly; the restructuring of the system is not yet complete, and its achievement will involve major organisational costs.

INFORMATION ON OPERATIONS

2002 was marked by significant achievements for your Company, with the conclusion of the process of defining the Mediolanum Banking Group's new asset profile, and the broadening of the Group itself, with the ensuing strengthening of capital and revenues. This made it possible to devote further resources to the most ambitious goals defined, especially strengthening the Group's presence in Spain, starting up operations in Germany and enhancing the commercial and operating structure in Italy.

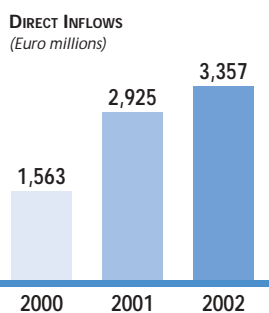
THE CUSTOMERS



There were 905,000 customers at year end, including current account holders and customers holding mutual funds or insurance policies placed by Banca Mediolanum (2001: 855,000).

There were 339,993 current accounts at year end (2001: 297,252), with 465,000 account holders. The percentage of current account holders as against the total number of customers continues to grow, confirming a higher level of customer loyalty and assets.

INFLOWS



As at December 31, 2002, direct inflows reached the level of 3,357.0 million Euro, a 14.8% increase over the previous year (2,924.6 million Euro).

In particular, a significant growth was registered in traditional current account inflows, totalling 3,138.3 million Euro (+32.7% over the previous year), which also related to the higher propensity of depositors to turn to liquidity in current accounts, and to a satisfactory remuneration policy.

Inflows from repurchase agreements decreased, totalling 218.6 million Euro (-61.0% over 2001).

Within the framework of strategies intended to broaden the range of customer services and improve the profitability of its activities, Banca Mediolanum continued to develop customer lending activities, backed as always by the assets deposited at the Bank itself.

As a consequence, total lending to customers almost doubled: over 218.2 million Euro at December 31, 2002, compared to 114.2 million Euro in the previous year (+91.1%).

Lending by the bank, in the form of loans or credit opening on current accounts, is solely for private individuals, except some pool financings granted to leasing, factoring or consumer credit companies belonging to Italian banking groups.

Granting of home loans continued successfully in collaboration with the Italian branch of Abbey National Bank plc, for a total worth of 198.2 million Euro (2001: 113.0 million Euro).

At the end of 2002, the residual home loan capital totalled 453.8 million Euro (2001: 322.1 million Euro).

The analysis of trends in indirect inflows and managed accounts products must take into account the progressive deterioration of the financial markets scenario that continued throughout the year.

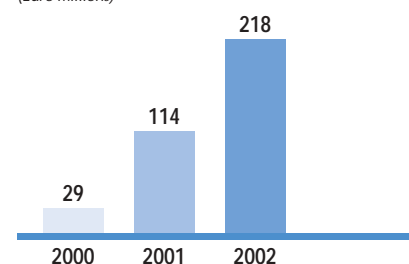
Indirect inflows (securities custody and administration, excluding managed accounts in funds units), valued at market prices at the end of the year, totalled 5,987.8 million Euro (4,031.4 million Euro at the end of 2001), with an increase of 1,956.4 million Euro.

This figure includes managed accounts of 44.9 million Euro (49.1 million Euro at the end of 2001).

Managed accounts in fund units (that utilise only OICR – savings and collective investment undertakings – of companies belonging to the Mediolanum Banking Group) totalled 1,833.1 million Euro (2001: 2,005.3 million Euro).

LENDING

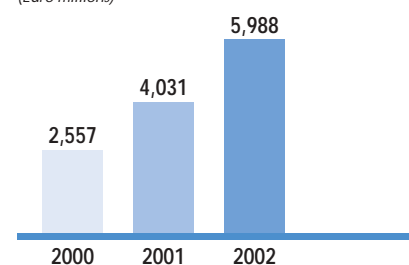
LENDING TO CUSTOMERS
(Euro millions)



HOME LOANS

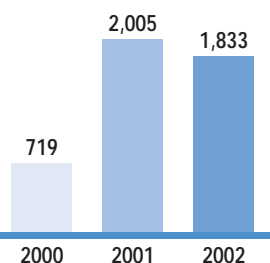
INDIRECT INFLOWS AND MANAGED ACCOUNTS/ MANAGED ACCOUNTS IN FUND UNITS

INDIRECT INFLOWS
(Euro millions)



THE PLACING OF FINANCIAL AND INSURANCE PRODUCTS

MUTUAL FUNDS AND MANAGED ACCOUNTS IN FUND UNITS
(Euro millions)



Gross inflows of mutual funds from the controlled companies Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Funds Ltd, directly purchased by customers or subscribed through managed accounts in fund units, totalled 2,246.1 million Euro (2001: 3,116.5 million Euro). Net inflows totalled 557.5 million Euro (2001: 1,024.0 million Euro).

During the year, a new service was introduced called “Big Chance”, where customers who have subscribed to a liquidity or bond fund can gradually invest on stock markets, taking advantage of low prices determined by persistent negative trends in stock exchange markets.

The capacity to penetrate the market in the pension and insurance business was yet again confirmed, with the launch of new products and services.

A new product was launched called “My Pension”, a social security product enabling customers to choose, year by year, how they make their payments to achieve the best tax benefits.

Finally, index-linked policies also regained ground.

In 2002, total Life inflows were 2,123.0 million Euro, a 32.5% increase over 2001 (1,602.2 million Euro).

New business amounted to 1,413.7 million Euro (2001: 1,022.9 million Euro). Deferred annuities and recurring premiums on new business totalled 130.5 million Euro (2001: 195.5 million Euro).

TRANSACTIONS IN SECURITIES

In general, 2002 was characterised by a shrinkage in stock markets and an increasing distrust of risk by ordinary customers, resulting in a fall in securities transactions, which was only partly countered by the higher number of customers.

In 2002, it became possible to operate on standard derivative instruments negotiated on IDEM markets (FIB30, OPTION and eventually Stock Futures).

Furthermore, the crisis hitting financial markets also negatively influenced bonds, in particular the Eurobonds segment, due to a continuous deterioration of the issuers’ creditworthiness.

Retail orders negotiated on the Italian markets totalled 1,002,750 in the year 2002 (2001: 1,169,743).

Overall transactions on the Italian stock exchange market totalled 13,061.13 million Euro (2001: 12,113.40 million Euro).

There were 14,059 retail orders in total negotiated on foreign markets, for an overall worth of 90.92 million Euro.

The primary market sector was slowed considerably by the negative market influence, that caused the postponement of a large number of initial public offerings. In this area, Banca Mediolanum participated in 7 placements on the market and in 8 guarantee consortia associated with share capital increases of listed companies.

2002 was a year of consolidation for the Internet services, in keeping with the multi-channel bank model, Customers made full and appreciative use of the services throughout the year.

Indeed, approximately 165,000 (+11% over 2001) customers consulted their own data using the Banca Mediolanum website, totalling over 4.5 million hits. As a consequence, approximately 75% of access through direct channels currently takes place online.

The range of services that can be accessed via the Internet has also been extended further.

During the first six-month period, the website area devoted to insurance products was made more powerful. It is now possible, for instance, to make additional payments on Life policies.

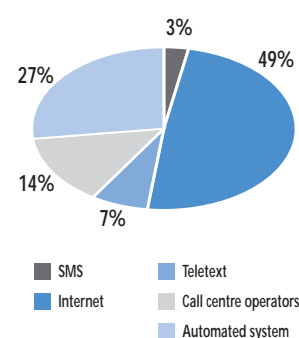
Further, since November customers can pay their taxes online (F24 form, F23 form, ICI-Property tax, Refuse collection rates, Notices and tax bills, RAI television licences) and recharge mobile phonecards issued by all carriers operating on the market.

The whole range of Internet transaction services is greatly appreciated and utilised by customers. A telling figure: 260 thousand bank transfers were made through the website, a 72% increase over 2001. Even more significant, every month approximately 25,000 customers carry out transactions online. Even the trading activity, while suffering from market trends, registered an average of over 80,000 monthly transactions during the year.

Finally we would like to emphasise a new trend that gradually gained ground during 2002.

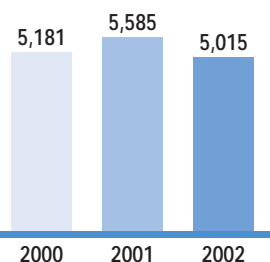
Apart from its main customer service function, the Internet has gradually taken on the role of promotional channel. The website was involved in the communication campaigns of the Bank, tackling the relevant themes using innovative language, and funnelling potential new clients towards the Sales Network. Figures are still negligible, yet they clearly show the huge potential of Banca Mediolanum's website for the purposes of acquiring new customers.

MULTI-CHANNEL APPROACH, CALL CENTER AND INTERNET



THE SALES NETWORK

NUMBER OF FINANCIAL ADVISERS



The number of financial consultants decreased due to adverse market conditions. The total number of global advisors shrank by 10.2%, going from 5,585 in 2001 to 5,015 in 2002. Of these the number of financial advisers – that is, those with high-profile professional qualifications and seniority – nonetheless went from 3,842 at the end of 2001 to 4,114 at the end of 2002, while the number of insurance agents (those with few months' experience) passed from 1,743 at the end of 2001 to 901 at the end of 2002.

MEDIOLANUM POINTS

In 2002, the opening of Mediolanum Points continued, though at a slower pace, reaching 77 (2001: 47).

Mediolanum Points are located throughout Italy, and a further are scheduled for opening in 2003.

The total number of financial advisers' offices at the end of 2002 (including Mediolanum Points) was 640 (2001: 695).

NETWORK TRAINING AND OPERATING STRUCTURE

In 2002, the multi-media training model devised for the network was further enhanced and strengthened.

The Med Campus site currently hosts all basic courses and, together with the corporate TV and the Mediolanum Channel, enables Network operators to provide all training from their own premises, often interactively.

The corporate Intranet pages devoted to training and information further developed, reaching 35,000 pages, and with 75,000 hits a month.

The traditional courses held at the two training centres of Tabiano and Pomezia were also enhanced: Classroom days totalled 24,500, a 4.47% increase.

During 2002, 1,184 Banca Mediolanum applicants participated in the three test sessions of qualifying exams for Financial Advisor; 505 of them (42.7% of applicants) passed both the oral and written tests. This percentage is well above the national average of 28.0%.

HUMAN RESOURCES

During 2002, Banca Mediolanum staff developed as follows:

Unit	31.12.2001	31.12.2002	change	average age
Managers	8	19	+ 11	44
Executive middle managers	11	29	+ 18	31
Personnel	611	598	- 13	30
TOTAL	630	646	+ 16	30,8

Most employees are channelled to the Call Center area, as well as to the Customer Administration area; the former area, in particular, registered a lower number of staff, since customers tend to favour the Internet channel, or the automatic answering system, rather than talking to operators.

The structure of Banca Mediolanum grew as a result of the entry of managers coming from the controlling company Mediolanum S.p.A..

The training plan for the year 2002 focused on the development of themes such as teamwork capabilities, communication, quality, and problem solving, going hand-in-hand with specialist and technical courses, the constant training of newly-hired staff and English courses. There were 33,824 hours of training, over approximately 4,509 classroom days.

The corporate job rotation policy was consolidated, enabling Bank staff to gain experience that develops and enhances their experience and promotes their professional growth.

Women represent 60.5% of all employees, 30% of staff are graduates and 70% are diploma holders.

The structure within the Internal Auditing and Network Monitoring functions was further strengthened, bringing the total number to 26 individuals at December 31, 2002 (23 at December 31, 2001). The strengthening of the Internal Auditing function is also justified by the abovementioned increase in the number of companies controlled by Banca Mediolanum, most of which were subject to specific inspections during 2002.

The inspections carried out by the Network Monitoring function intensified through on-site inspections and remote monitoring of unprofessional conduct by financial advisors, having regard also to the negative impact that market trends are having on customer investments. A policy covering any illegal acts by the sales network was also renewed in 2002 to enhance Bank protection.

During 2002, 1,028 written complaints were received (2001: 744), an increase of approximately 38%, but still a very limited percentage of the total number of operations processed by the Bank.

An analysis of the written complaints received did not highlight any specific organisational problem relating to specific sectors of Banca Mediolanum. Special emphasis was put on customer problems expressed through the Internet and the Call Center.

THE AUDITING AND NETWORK MONITORING ACTIVITY

ORGANISATION AND PRODUCTION PROCESSES

During 2002, various projects were started with a view to rationalising and enhancing the information system supporting the multi-channel model.

In particular, a technological restructuring project was started which involved the Internet channel – a first step in the process of reviewing the underlying service architecture, from which the multi-channel system will gradually develop.

In line with the IT risk coverage strategy and with the guidelines provided by the surveillance authorities, a Business Continuity project was started.

The automation of the processes of software development and management were also begun, particularly in relation to test and change management.

The most significant projects implemented during the year were:

- The broadening of Internet services provided to customers, including agreements with third parties for the supply of additional services such as topping up of mobile phones and the payment of taxes. Further, the website is being upgraded to allow communication with customers on line rather than on paper;
- The consolidation of electronic contract loading by the Sales Network, and the resulting automation of contract management processes at head office. At the end of 2002, the electronic loading of personal data for contracts was consolidated, as well as the loading of product subscriptions for which the electronic loading mode was activated;
- Applying the updates in IT and operational procedures required by the regulation regarding the Central Interbank Alarm Office for cheques and credit cards. This process started on schedule;
- The restructuring of monitoring processes for the proper utilisation of current accounts, entailing actions intended to improve the handling of transactions that result in overdrawn accounts, which produced lower risks and improved operating efficiency. A similar process concerned closing of current accounts;
- The management of activities resulting from application of the regulatory framework regarding the declaration of assets abroad – the so-called “Fiscal Shield”, through the definition of procedures connecting the operations of customers and Financial Advisors with the administrative head office activities;
- The outsourcing of paper archives to specialised external contractors providing certified services, with a view to enhancing efficiency;

- The creation of a database for the Marketing department (Micks project); completed in 2002, it is developing into a corporate data-warehousing environment in which the data in transaction files can be merged, reorganised and archived, so that information to support decision-making can be promptly accessed.

A series of actions aimed at improving and enhancing performance and safety were implemented in the area of investments in basic technological infrastructures. These actions focused in particular on data storage systems and level of access to the Internet site.

In the data storage area, the action taken resulted in the collection, within a highly reliable system, of all sensitive data, in order to then replicate it tically on an external site.

As regards the level of access to the Internet channel, a project was started to enable connection via a second provider, in order to guarantee constant online access to the bank website, in the event of failure in service provision by one of the two providers.

In general, the policy of streamlining the response to requests for information and transactions by customers continued to be implemented, with a view to providing, as much as possible, a real-time response. This project, called “One Shot” will continue throughout 2003, to further enhance multi-channel customer service.

During the year, in the light of forthcoming innovations in the payment systems and of the inter-bank procedures being introduced, plans were made for the bank’s compliance with the new regulation and dialogue systems (New BIREL, EXPRESS II and SWIFNET) to be defined during 2003.

With reference to foreign ventures, plans were completed for the new multi-channel EDP platform within the Spanish group Fibanc S.A., and a service agreement with external suppliers was also defined to enable Bankhaus August Lenz & Co. AG to start operations in the German market.

At 31.12.2002, the net interbanking position shows a 182.0 million Euro increase over the previous year.

In detail, bank inflows went from 716.7 million Euro at year end (2001: 440.9 million Euro), and the total due from banks at year end reached 3,143.4 million Euro, as against 2,685.6 million Euro in 2001.

Lending by the banks, as well as bank inflows, consist exclusively of deposits with a one-day to three-month duration.

THE MANAGEMENT OF ASSETS

At year end, the securities portfolio of the Bank totalled 853.8 million Euro, a 22.37% increase over 31.12.2001 (697.7 million Euro).

“Tied-up” investments totalled 302.7 million Euro, following the allocation of Government securities for an equal amount to this division. It should be noted that the allocation of Government securities to the “tied-up” division is carried out in compliance with the framework decision taken during 2002 concerning the securities portfolio.

The securities portfolio, whether or not in tied up investments, consists of fixed and variable rate Government securities (indexed to inflation) and of bonds of primary banks indexed to the Euribor rate, with a financial duration of 0.4 years.

There were virtually no substantial credit, rate, exchange rate or counterdebtor risks to Bank assets (interbank and securities).

SHAREHOLDERS' EQUITY AND SOLVENCY COEFFICIENTS

As at December 31, 2002, shareholders' equity, before retained earnings, was 362.2 million Euro, a 41.7% increase over 2001 (255.6 million Euro).

This change – 106.5 million Euro in absolute terms – relates to retained 2001 earnings of 6.5 million Euro and to share capital increases of 100.0 million Euro, mainly resulting from the acquisition of Mediolanum S.p.A companies.

Once the proposal of carryover of 2002 profit is accepted by the Shareholders' meeting, the Bank assets will reach 388.0 million Euro, a 51.8% change over 2001 financial statements.

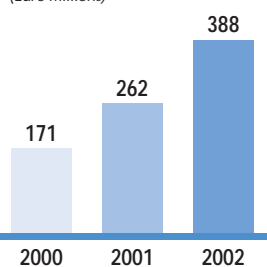
This amounts to a net accounting value per share of 1.13 Euro.

EPS (earning per share) is 0.244 Euro, against 0.027 Euro in 2001 (+803.7%).

In terms of profitability, ROE for the year is 16.2% higher than in 2001 financial statements (2.6%).

As regards capital requirements, the ratio between total capital and the total of risk-weighted assets is significantly higher (24.11%) than the level required by the applicable regulation (7%).

SHAREHOLDERS' EQUITY AT YEAR-END
(Euro millions)



RISK MANAGEMENT AND CONTROL

Financial Risks

Banca Mediolanum places a high emphasis on risk management and control, applying three main principles:

- measurement systems aligned with international 'best practices';
- clear identification of risk liabilities;
- organisational separation between business areas involved with operations and control.

Policies relating to the assumption of financial and credit risks are defined by the Board of Directors of the bank, which makes use of the advice provided by specific committees (the Finance and Treasury Committees, Credit Committee, Customer Risk Committee and Network Illegal Acts Committee).

Reports to the Board of Directors are submitted on a monthly basis.

The organisation framework

The strategic role of the management and control of financial risk is carried out by the Board of Directors, which defines the orientation and strategic guidelines for the assumption of market risk, approves the operating limits of the Bank and defines the area of competence of the Financial Area.

The abovementioned Committees have the task of examining, proposing and approving the decisions made.

The Risk Control Unit measures the risks existing in the various operating areas, and ascertains that they do not exceed the boundaries established by the Board of Directors of the Bank.

The Risk Management System gathers basic information on a single platform assessing market risk, operating limits and credit lines to institutional counterparts, both from an individual and consolidated perspective.

The financial risk measurement tools

The main financial risk measurement tools utilised are:

- Value at Risk
- Gap Analysis
- Sensitivity Analysis

Value At Risk (VAR) is the maximum value loss acceptable in the successive ten working days in 99% of cases, calculated by the Riskmetrics method, which is appropriate for the complexity and types of instruments present in the inflow and lending structure of the Bank.

VAR is measured according to Basle parameters.

Gap Analysis provides the level of matching of the exposure of the inflows and loans: during 2002, in terms of duration, inflows and lending substantially balanced.

Sensitivity Analysis quantifies the change in a financial portfolio resulting from adverse movements related to risk factors.

FINANCIAL RISK MANAGEMENT AND CONTROL

CREDIT RISK MANAGEMENT AND CONTROL

With regard to interest rates, adverse movements are defined as the parallel and uniform shift of 100 and 200 basis points in the interest rate curve.

A back testing system is being implemented to verify the prudence of the measurement systems and to ascertain asset soundness.

The organisation framework

The organisation framework entails:

- allocation of specific credit risk management responsibilities to the Credit Area
- allocation of Trading Book credit risk monitoring to the Risk Control Office
- a Claims Office, with the objective of managing claims efficiently.

Retail customer lending

The Credit Area undertakes retail customer lending, with a level of independence defined by the Board of Directors consistent with the strategies established by the Credit Management Regulation, which also defines specific responsibility levels for credit granting.

The loan granting sector supervises the proper management of risk, defining the method principles and the technical rules governing risk management, and supervises the progress and quality of loans granted, in order to prevent any abnormalities, problem loans or claims.

Institutional counterparts

With regard to credit risk in relation to financial institutions, the Risk Control Office includes a team responsible for defining maximum credit for individual counterparts, as well as for the analysis and monitoring of risks in relation to financial counterparts, which also encompasses controlled companies abroad.

An internal rating system is applied.

Country risk

As concerns the country risk, the rating is assigned according to the judgements of specialised bodies and agencies.

Operating risks

At the end of 2002 a project was started to identify operating risks within all corporate processes, with a view to ensuring effective monitoring by the management and future measuring of operating risks within the Basle II framework.

Risks associated with the sales network

These are covered by an insurance policy with one of the principle international insurance companies.

As at December 31, 2002, the Bank's shareholdings totalled 260.2 million Euro, a 84.3% rise over the previous year (141.2 million Euro).

As at the same date, shareholdings in Group companies totalled 260.1 million Euro (140.9 million Euro at 31.12.2001).

Transactions involving shareholdings were as follows:

- Purchase of 171,451 shares of Fibanc Inversiones S.A. for 30.2 million Euro, taking the holding from 69.92% to 84.96%;
- Purchase of 76,500 shares of Mediolanum Asset Management Ltd for 0.4 million Euro, that is, 51% of capital;
- Purchase of 76,500 shares of Mediolanum International Funds Ltd for 1.3 million Euro, that is, 51% of capital;
- Purchase of 2,633,946 shares of Mediolanum Gestione Fondi SGR p.A. for 2.6 million Euro, that is, 51% of capital;
- Purchase of 71,357 shares of Mediolanum International S.A. for 71.4 million Euro, taking the holding from 0.02% to 100% of capital;
- 8.0 million Euro contribution for the upgrading of Bankhaus August Lenz & Co. AG assets;
- sale of 50 shares of Cedel International S.A. for 0.112 million Euro.

81.042% of the interest in the Spanish group controlled by Fibanc Inversiones S.A., based in Barcelona, is directly held, and 3.918% is held indirectly through the controlled company Tanami S.A..

The year 2002 closed with a net profit of 328,375 Euro, of which 290,561 Euro pertained to Banca Mediolanum.

Total shareholders' equity was 45.0 million Euro.

Assets under administration totalled 1,788 million Euro, from 60,553 account holders.

OTHER RISKS MANAGEMENT AND CONTROL

SHAREHOLDINGS

FIBANC INVERSIONES S.A.

The sales network was strengthened to 529 agents and commercial employees, compared to 464 of the previous year. The number of exclusive financial advisors grew (155 at December 31, 2002) in accordance with the Banca Mediolanum model.

In relation to the institutional recognition of the role of licensed financial advisors on the Spanish market, Fibanc has from the outset promoted the setting up in Spain of a branch of the European Financial Planning Association (EFPA), locally chaired by its own President.

During 2002, the multi-channel project was started up (Internet, licensed financial advisors, Teletext, Call Center and branches), integrating all sales channels, and available to customers 24 hours a day, 365 days a year.

The range of services in the insurance, social security and financial domains was also broadened with products from the Irish companies of the Group: Mediolanum International Life Ltd and Mediolanum International Funds Ltd.

The internal organisational structure for market and credit risk monitoring was revised and completed. A special Network Monitoring office was set up with the task of monitoring the activities of the sales network.

Finally, it is worth noting the very positive results of the company Valora S.A., based in Andorra, that reached 33.8 million Euro of managed assets.

100% of this Munich-based bank, which was acquired in 2001, is held.

During 2002, the bank completed the process to become a joint-stock company (AG), confirming its registration to the Interbank Fund for Deposit Protection. Share capital totals 8 million Euro, and Shareholders' equity 14.5 million Euro. During the year, the technical and organisational infrastructure was established to begin banking services in accordance with the multi-channel model (mainly call center and Internet), and the first group of licensed financial advisors was selected and trained. In the second half of December, the bank officially started operating with the placing of the first bank, financial and insurance products of the Irish companies of the Group, Mediolanum International Life Ltd and Mediolanum International Funds Ltd. However, the significant investments entailed losses of 3.6 million Euro.

At year end, the sales network consisted of 36 financial advisors, and assets under administration were 0.6 million Euro.

Staff totalled 16, including 14 clerical staff and 2 managers.

The 100% controlled Luxembourg-based company carrying out sub-holding activities closed the year with a profit of 11,530 Euro.

The company holds a direct interest in Gamax Holding AG and Mediolanum Private S.A.M.

**MEDIOLANUM
INTERNATIONAL S.A.**

The Gamax Group, held 100% by Mediolanum International S.A., consists of two fund management companies in Luxembourg, and two networks of independent agents in Germany (based in Leverkusen) and Austria (based in Salzburg).

The year closed with a consolidated loss of 2,057,207 Euro.

Assets under administration as at 31.12.2002 totalled 427 million Euro.

The sales network consisted of independent agents, of whom at year end 985 were in Germany and 119 in Austria.

Staff totalled 50, including 43 clerical personnel and 7 managers.

During 2002, the financial and social security products of the Mediolanum Group were made available, and foundations for a more direct and efficient management of commercial networks were laid, including consideration of collaborative activities with Bankhaus August Lenz & Co. AG that started to be implemented in 2003.

**GAMAX HOLDING
AG**

Your Company controls 75% of this company, which based in Monte Carlo and has a share capital of 500,000 Euro; the remaining 25% is held by Compagnie Monegasque de Banque.

Business started in 2002, with managed assets totalling 7.3 million Euro at year end.

The operation has two members of staff.

The financial statements closed with a slight loss of 17,821 Euro.

**MEDIOLANUM
PRIVATE S.A.M.**

Banca Mediolanum S.p.A. holds the controlling interest (51%) of the company Mediolanum Gestione Fondi SGR p.A. and of the Irish companies Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd, both based in Dublin. The remaining 49% is held by Mediolanum S.p.A.. Mediolanum Gestione Fondi SGR p.A. manages 17 funds: 16 mutual funds and 1 open-ended pension fund. Assets under administration total 1,517.7 million Euro.

Profit for the year totalled 6,657,762 Euro, of which 3,395,459 Euro pertained to Banca Mediolanum.

**ASSET
MANAGEMENT
COMPANIES**

During 2002, the real estate investment fund “Mediolanum Property” was set up, and fully subscribed in January 2003 for a total amount of 150 million Euro.

Mediolanum International Funds Ltd is based in Dublin. Through specialised external contractors it manages three families of funds (Defender, Top Managers and Challenge), with 53 sections specialising in all commodity and geographic areas, and in all asset classes.

Total assets under administration at year end amounted to 6,797 million Euro. The fund products of Mediolanum International Funds are, as previously pointed out, distributed in Italy, Spain, Germany, Austria and Ireland.

Profit for the year 2002 totalled 118,469,138 Euro, of which 60,419,260 Euro pertained to Banca Mediolanum.

Mediolanum Asset Management Ltd activities are mainly intended to support asset management operations carried out by the Group companies, monitoring the performance of underlying funds and relevant risks.

Profit for the year was 1,619,352 Euro, of which 825,870 Euro pertained to Banca Mediolanum.

SIGNIFICANT POST-PERIOD EVENTS

After the end of the year under review, no significant events were registered.

The ongoing severe international crisis, and in particular the critical economic and financial situation, will mean that the Bank may record both an increase in managed assets and in credit aggregates during the current year – but at a slower pace than in the year 2002 – and a stabilising profitability level. The activities for the development of foreign projects are continuing, especially those relating to the affirmation of our presence in Germany.

OUR THANKS

In conclusion, we wish to sincerely thank all the Global Advisors and all Employees for their extensive commitment throughout the year under review. We also wish to thank the Shareholders and Customers for the trust placed in us. We would also like to thank the Supervisory Bodies, the Trade Associations and Banks for the solid support provided, as usual, to the activities of the Bank.

Dear Shareholders,

The financial statements of your Company, that we submit to you for approval, show a net profit for the period of 58,814,703.89 that we suggest be allocated as follows:

- 33,000,000.00 Euro to shareholders, at a rate of 0.0968 Euro for each of the 341,000,000 shares with a nominal value of 1 Euro making up the share capital;
- 2,940,735.00 Euro to the Legal Reserve;
- 22,873,968.89 to the Extraordinary Reserve.

This profit allocation, in compliance with the provisions introduced by Italian law 467/97, will permit the attribution to shareholders of a full tax credit of 56.25%.

Basiglio, March 20, 2003

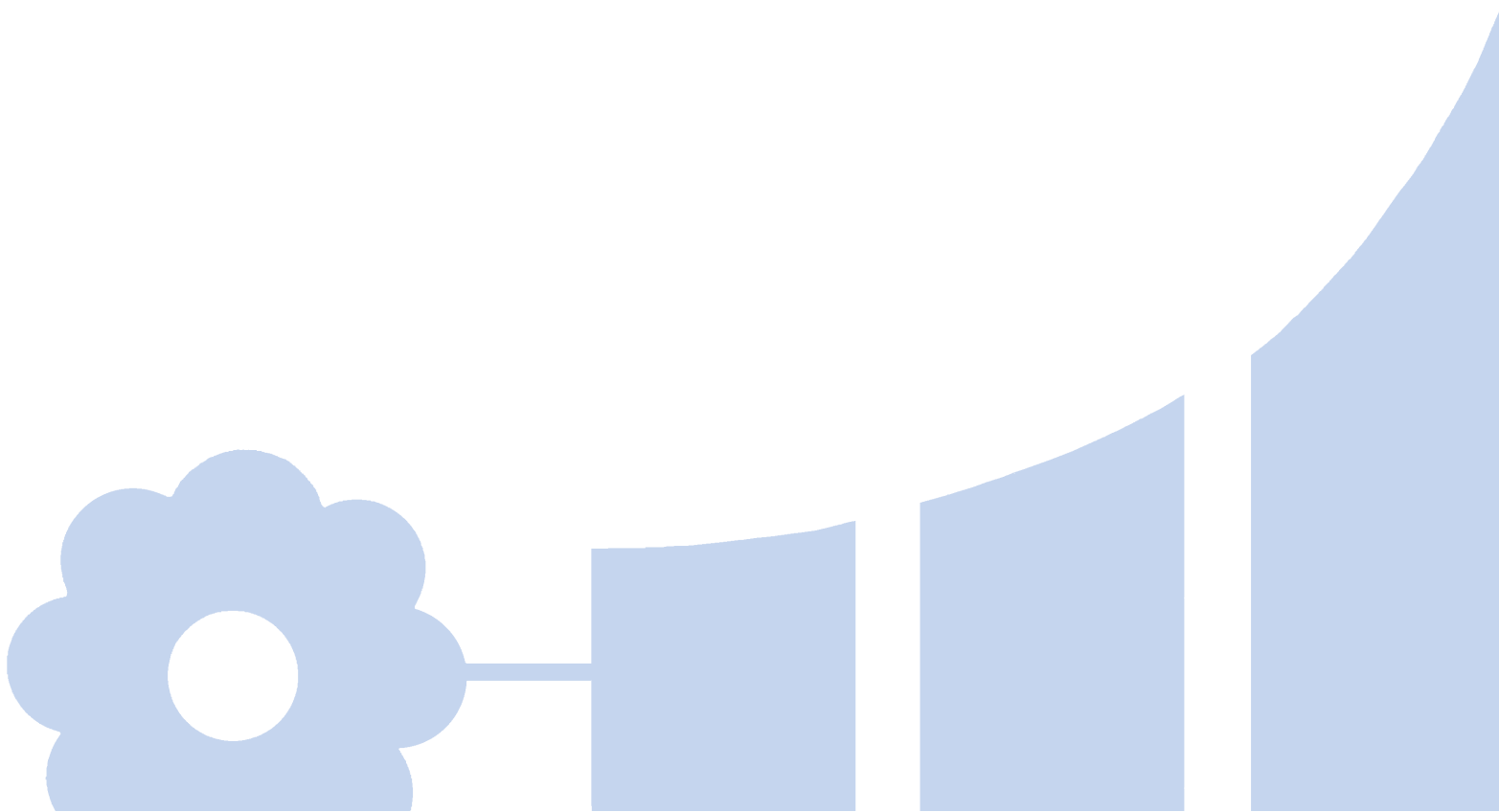
For the Board of Directors

Ennio Doris

Chairman

BANCA MEDIOLANUM S.P.A.

*FINANCIAL
STATEMENTS AT
DECEMBER 31, 2002*



Balance sheet

ASSETS	<i>Euro</i>	31.12.02	31.12.01
10. Cash and deposits with central banks and post offices		8,253,594	894,934
20. Treasury bills and similar bills eligible for refinancing with central banks		197,600,312	87,816,538
30. Due from banks		3,143,416,510	2,685,611,280
a) repayable on demand		648,595,970	13,894,185
b) other		2,494,820,540	2,671,717,095
40. Loans to customers		218,222,351	114,166,982
50. Bonds and debt securities		656,071,157	609,632,758
a) of public issuers		247,321,873	350,708,745
b) of banks		271,178,342	185,247,588
<i>of which:</i>			
- <i>own securities</i>		114,027	25,875
c) of financial institutions		137,570,942	73,676,425
60. Stock and shares		122,434	247,922
70. Shareholdings		96,936	322,736
80. Shareholdings in Group companies		260,108,700	140,878,989
90. Intangible fixed assets		18,946,085	29,680,343
<i>of which:</i>			
- <i>start-up costs</i>		24,025	43,278
- <i>goodwill</i>		0	0
100. Tangible fixed assets		25,572,188	29,703,456
130. Sundry assets		160,399,944	118,666,687
140. Accrued income and prepaid expenses		14,773,315	14,435,286
a) accrued income		13,779,993	13,145,793
b) prepaid expenses		993,322	1,289,493
TOTAL ASSETS		4,703,583,526	3,832,057,911

Euro	31.12.02	31.12.01
10. Due to banks	716,731,423	440,883,236
a) repayable on demand	312,559,145	107,174,094
b) time deposits or at notice	404,172,278	333,709,142
20. Customers deposits	3,357,038,846	2,924,606,303
a) repayable on demand	3,138,398,192	2,364,331,751
b) time deposits or at notice	218,640,654	560,274,552
50. Sundry liabilities	168,066,287	159,086,648
60. Accrued liabilities and deferred income	3,813,918	3,634,585
a) accrued liabilities	1,884,485	3,492,962
b) deferred income	1,929,433	141,623
70. Severance indemnity fund	4,191,519	2,814,323
80. Risk and contingency fund	17,737,459	13,843,446
b) taxes	3,899,397	4,132,248
c) other funds	13,838,062	9,711,198
90. Credit risk fund	33,053	33,053
110. Subordinated liabilities	15,000,000	25,000,000
120. Share capital	335,329,112	241,000,000
140. Reserves	26,827,205	14,650,281
a) legal reserve	1,903,222	1,577,920
d) other reserves	24,923,983	13,072,361
170. Net profit (loss) for the year	58,814,704	6,506,036
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,703,583,526	3,832,057,911

SHAREHOLDERS' EQUITY AND LIABILITIES

GUARANTEES AND COMMITMENTS

10. Guarantees given	695,912	962,209
of which:		
- <i>acceptances</i>	<i>0</i>	<i>0</i>
- <i>other guarantees</i>	<i>695,912</i>	<i>962,209</i>
20. Commitments	641,261,385	90,081,242

Income statement

Euro	31.12.02	31.12.01
10. Interest income and similar revenues	136,151,750	121,029,755
<i>of which:</i>		
- loans to customers	10,103,678	4,217,454
- debt securities	42,310,470	42,255,819
20. Interest expense and similar outlays	(118,355,866)	(99,506,455)
<i>of which:</i>		
- on customer deposits	(99,639,734)	(79,680,028)
- on debt securities	(707,567)	(1,135,165)
30. Dividends and other proceeds	66,514,117	1,521
a) from stocks and shares	1,095	83
b) from shareholdings	66,513,022	1,438
40. Commission income	264,813,477	295,202,116
50. Commission expense	(180,517,895)	(195,493,282)
60. Profits (losses) on financial operations	8,901,895	10,072,568
70. Sundry operating income	30,559,181	22,955,631
80. Administrative costs	(106,201,752)	(102,429,328)
a) personnel costs	(25,803,057)	(22,809,409)
<i>of which:</i>		
- wages and salaries	(19,010,493)	(17,268,440)
- social security contributions	(5,476,429)	(4,414,275)
- severance indemnities	(1,316,135)	(1,126,694)
b) other administrative costs	(80,398,695)	(79,619,919)
90. Depreciation and amortisation of tangible and intangible fixed assets	(23,336,593)	(20,513,168)
100. Provisions for risks and contingencies	(6,038,939)	(2,840,615)
110. Sundry operating expenses	(19,792,519)	(20,695,877)
120. Write-downs of loans and provisions for guarantees and commitments	(2,655,526)	(1,237,750)
130. Write-ups of loans and provisions for guarantees and commitments	1,166,140	155,934
170. Profit (loss) from operations	51,207,470	6,701,050
180. Extraordinary incomes	10,465,879	3,047,151
190. Extraordinary expenses	(958,188)	(827,455)
200. Extraordinary profit (loss)	9,507,691	2,219,696
220. Income taxes for the year	(1,900,457)	(2,414,710)
230. Net income (loss) for the year	58,814,704	6,506,036

Notes to the financial statements as at December 31, 2002

The financial statements are presented in accordance with the requirements of Italian Law No. 87/92, which specifies provisions for the drawing up of financial statements for financial and banking organisations, and with the guidelines and instructions established by the Governor of the Bank of Italy in the Provision of January 16, 1995 and subsequent amendments.

The Notes to the Financial Statements are intended to explain, analyse and in some cases supplement balance sheet data, and provide the information required by Section 5 of Italian Law No. 87/92. The Notes also provide all additional information considered necessary for the purposes of giving a true and accurate picture, even when not required by specific laws.

We declare that these financial statements are consistent with the accounting results, and that the latter cover all the operations performed by the Company.

By virtue of enrolment in the Registry of Banking Groups pursuant to Article 64 of the Testo Unico Bancario (Consolidated Banking Act) and in compliance with the provisions established in Articles 24 and 25 of Italian Law 87/92, the consolidated financial statements include the companies belonging to the Banking Group and the controlled companies not yet included in the Register of Banks, having been recently acquired.

The valuation criteria used for the preparation of the financial statements closed as at December 31, 2002, in line with the provisions established in Section 4 of Italian Law No. 87/92, were not changed from the criteria used for the preparation of the financial statements closed as at December 31, 2001.

Loans are reported at their estimated realisable value.

“Repurchase agreements” are treated as deposit-taking or lending transactions, and recorded as receivables and payables for the spot amount received or advanced. Income and charges consisting of coupons matured on securities and the transaction price differential are entered in the Income Statement under interest.

Guarantees given are entered at the value of the endorsement undertaken.

Commitments for securities to be received or delivered are included at settlement price and, for the other values, at the contractual amount specified.

FORM AND CONTENT OF FINANCIAL STATEMENTS

PART A VALUATION CRITERIA

SECTION 1 VALUATION CRITERIA

LOANS, GUARANTEES
AND COMMITMENTS

Value adjustments relating to previous years are not maintained if the underlying reasons no longer applied.

SECURITIES AND
"OFF-BALANCE SHEET"
TRANSACTIONS (EXCLUDING
FOREIGN CURRENCY
TRANSACTIONS)
NON-TRADING PORTFOLIO

Securities in the non-trading portfolio are booked at their purchase cost and are written down in the case of long-lasting value loss relating to the solvency profile of the issuer and the debt repayment ability of the country where the issuer resides.

The difference between the purchase cost, increased to account for the accrued portion of premiums or discounts to the par value, arising when the securities are subscribed, and the higher or lower repayment value, leads to an increase or decrease in interest according to the accrual principle.

TRADING PORTFOLIO

Bonds and other certificates of deposit which are not fixed assets are accounted for, if listed, at the lower of the value of the weighted average of the purchase cost, adjusted to account for the accrued portion of premiums or discounts to the par value, arising when the securities are subscribed, and the relevant market value, represented by the arithmetic average of the prices in the most relevant markets in the last month of the fiscal period. For unlisted securities, market price as at December 2002 for similar securities in terms of duration and rate structure was used.

"Off-balance sheet" operations concerning interest-rate derivatives were valued applying the same criteria as those used for the securities being hedged. Proceeds and charges resulting from hedging operations were regarded as interest income.

SHAREHOLDINGS

Shareholdings in financial fixed assets are valued at purchase cost and historic exchange rate, and written down in the event of their permanent depreciation.

Dividends of directly controlled companies – whose distribution, proposed by the Boards of the companies, is to be decided by the respective Shareholders' meetings before the date of the decision by the controlling company Banca Mediolanum – are posted on an accrual basis, and thus in the year in which the underlying profit is produced.

Assets and liabilities denominated in foreign currencies are translated into Euro using end-of-year “spot exchange” rates as assessed by the Bank of Italy. “Off-balance sheet” transactions are valued using “spot exchange” rates at the end of the year in case of spot transactions still not settled, and using end-of-year “forward” rates for maturities corresponding to those on the relative contracts in the case of transactions related to “forward” contracts.

ASSETS AND LIABILITIES
IN FOREIGN CURRENCY
(INCLUDING “OFF-BALANCE
SHEET” TRANSACTIONS)

Tangible assets are stated at purchase cost including related charges and, with the exception of those with a unit value exceeding 516.46 Euro and fully depreciated during the year of acquisition, are automatically depreciated on a straight-line basis using rates which reflect their remaining useful life. Rates are specified in the related asset section.

TANGIBLE FIXED ASSETS

Maintenance expenditure that does not increase the value of assets is listed as incurred.

Intangible fixed assets are registered upon authorisation of the Board of Auditors and are automatically amortised using rates which reflect their useful life. Criteria for the determination of the annual amortisation quotas are analysed in Section 4 of these Notes to the financial statements.

INTANGIBLE FIXED ASSETS

OTHER POLICIES

These reflect adjustments to match costs and revenues to the two or more accounting periods to which they relate, on an accrual basis.

ACCRUALS AND DEFERRALS

Debt and payables are recorded at their par value.

DEBT AND PAYABLES

This fund covers all liabilities for severance indemnities accrued for employees, in accordance with current legislation (Article 2120 of the Italian Civil Code) and labour agreements. This liability is subject to annual adjustment based on official indices.

SEVERANCE INDEMNITY FUND

This fund covers certain or probable losses, the timing and extent of which cannot be determined at the closing of the accounting period. Provisions reflect a realistic estimate of expected losses on the basis of the information available.

RISK AND CONTINGENCY FUND

REVENUES AND EXPENSES

Revenues and expenses are recorded on an accrual basis.

TAXES

Taxes are recorded on the basis of taxable income in accordance with current tax laws, taking into account any available exemptions, tax relief and credits. “Prepaid taxes”, calculated on the basis of provisions for the year under review exemption from which is deemed certain in subsequent years, were deducted from the fiscal burden for the year, with the related contra-item under “sundry assets”. “Deferred taxes” calculated on income to be taxed in future years, were added to the fiscal burden of the year, with a related contra-item under sub-item 80.b “Taxes” in the balance sheet.

SECTION 2 ADJUSTMENTS AND PROVISIONS RECORDED FOR FISCAL PURPOSES

VALUE ADJUSTMENTS
EXCLUSIVELY MADE IN
ACCORDANCE WITH FISCAL LAWS

None.

PROVISIONS EXCLUSIVELY
MADE IN ACCORDANCE
WITH FISCAL LAWS

None.

The Tables in the Notes to the financial statements are in thousands of Euro, while the figures shown in the commentary are in Euro units.

PART B BALANCE SHEET INFORMATION

ASSETS

CASH AND DEPOSITS
WITH CENTRAL BANKS
AND POST OFFICES

Cash and deposits with central banks and post offices, amounting to 8,253,594 Euro (of which 48,944 Euro is in foreign currency), consists of the cash balance, both in Euro and foreign currency at the Milano 3 branch, and the cash holdings at the ATMs located in the head office premises and in offices of Banca Mediolanum financial consultants. The balance of the post-office account in the Milan office is also included.

1.1 Analysis of item 30 “due from banks”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) due from central banks	424	681
b) bills eligible for refinancing with central banks	-	-
c) repurchase agreements	219,766	326,540
d) securities lending contracts	-	-

<i>Euro in thousands</i>	31.12.2002	31.12.2001
repayable on demand:		
Current accounts for services provided	4,243	973
Active current accounts with banks	3,578	5,159
Current accounts with banks - non-resident accounts	45,960	6,727
Demand deposit accounts - residents	579,000	-
Demand deposit accounts - non-residents	15,815	1,035
TOTAL	648,596	13,894
other loans:		
Other receivables for services	17,296	12,683
Time deposit accounts - residents	1,097,766	1,660,760
Time deposit accounts - non-residents	1,159,993	671,734
Repurchase agreements	219,766	326,540
TOTAL	2,494,821	2,671,717

Repayable on demand relates to the balance of reciprocal current accounts with credit institutions and to demand deposit accounts.

With reference to bank deposits and savings with ordinary customers, the Compulsory Reserve with the Bank of Italy for the period 24.12.02 to 23.01.03, amounts to 61,006,814 Euro.

The item “other receivables for services” relates mainly to “pool loans” granted to credit organisations, not accounted for in current accounts.

Commission income due from credit institutions for “home loans” to customers are also included.

“Repurchase agreements” were negotiated with banking counterparts of high standing.

No value adjustments were made in the Due from banks item, totally classified as performing loans.

“Non-guaranteed” loans subject to Country Risk are not included in this item.

1.5 Analysis of item 40 “loans to customers”

Loans to customers are frequently analysed by the Bank by computer. The most significant amounts are subject to specific and close analysis, taking into account the trend in the balance, the account transactions, as well as the creditworthiness of the debtor in relation to the total investment made in the Group’s financial products.

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) bills eligible for refinancing with central banks	-	-
b) repurchase agreements	15,222	-
c) securities	-	-

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Current accounts	125,261	65,982
Repurchase agreements	15,222	-
Other financings	77,493	48,167
Non-performing loans	246	18
TOTAL	218,222	114,167

The increase in “current accounts” results from ongoing implementation of a policy to develop new credit facilities for ordinary customers investing in products placed by Banca Mediolanum.

“Other financing” includes loans to financial consultants and ordinary customers. It also includes pool financing operations (48,049,372 Euro) in which the bank took part.

1.6 Guaranteed loans to customers

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) loans secured by mortgages	163	175
b) loans secured by:		
1. cash deposits	-	-
2. securities	-	-
3. other assets	-	-
c) loans secured by guarantees from:		
1. governments	-	-
2. other public agencies	-	-
3. banks	6,034	3,533
4. other parties	1,100	270
TOTAL	7,297	3,978

1.7 Loans to customers in cash

<i>Euro in thousands</i>			
Categories / values	Gross Exposure	Total adjustments	Net exposure
A. Doubtful loans			
A.1. Non-performing loans	1,423	1,177	246
A.2. Problem loans	776	296	480
A.3. Loans being restructured	-	-	-
A.4. Restructured loans	-	-	-
A.5. Loans subject to Country Risk	-	-	-
B. Performing loans	217,496	-	217,496

1.8 Dynamics of doubtful loans to customers

<i>Euro in thousands</i> Causes/categories	Non-performing loans	Problem loans	Loans under restructuring	Restructured loans	Loans subject to Country risk
A. initial gross exposure as at 31/12/2001	281	1,168			
A1. of which interest on non-performing loans	19	-			
B. Increases	1,513	1,205			
B1. inflows from performing loans	-	1,053			
B2. interest on non-performing loans	28	-			
B3. transfers from other doubtful loan categories	1,235	-			
B4. other increases	250	152			
C. Decreases	371	1,597			
C1. outflows to performing loans	-	5			
C2. cancellations	335	-			
C3. amounts collected	36	357			
C4. realised cessions	-	-			
C5. transfers to other categories	-	1,235			
C6. other decreases	-	-			
D. Final gross exposure as at 31/12/2002	1,423	776			
D1. including interest on non-performing loans	43	-			

1.9 Dynamics of total adjustments of loans to customers

<i>Euro in thousands</i> Causes/categories	Non-performing loans	Problem loans	Loans under restructuring	Restructured loans	Loans subject to Country risk	Performing loans
A. Initial total adjustments as at 31/12/2001	263	787				
A1. of which interest on non-performing loans	19	-				
B. Increases	1,312	276				
B1. adjustments	601	276				
B1.1 of which interest on non-performing loans	32	-				
B2. use of credit risk fund						
B3. transfers from other loan categories	711	-				
B4. other increases	-	-				
C. Decreases	398	767				
C1. write-backs of adjustments	41	5				
C 1.1. of which interest on non-performing loans						
C 2. recovery of value upon collection	22	51				
C 2.1. of which interest on non-performing loans	2	-				
C3. cancellations	335	-				
C4. transfers to other loan categories	-	711				
C5. total decreases						
D. Final total adjustments as at 31/12/2002	1,177	296				
D1. of which interest on non-performing loans	43	-				

Problem loans are restructured on the basis of a careful evaluation of objective elements in relation to counterdebtors, where the possibility of full recovery demands that the terms of repayment be extended.

The classifying of non-performing loans is made using prudential criteria whenever a credit is deemed ineligible, even in part.

SECTION 2 SECURITIES

2.1 Non-trading securities

This item includes securities in the portfolio which are specifically regarded as steady investments, pursuant to a specific framework decision.

<i>Euro in thousands</i>		
Items / Values	Book value	Market value
1. Certificates of deposit	302,652	302,803
1.1 Government securities	239,745	239,947
- traded on regulated markets	239,745	239,947
- unlisted	-	-
1.2 Other securities	62,907	62,856
- traded on regulated markets	62,907	62,856
- unlisted	-	-
2. Shares, quotas and other forms of capital	0	0
- traded on regulated markets	-	-
- unlisted	-	-
TOTAL	302,652	302,803

The market value is the average of prices of the last month.

2.2 Annual changes in non-trading securities

<i>Euro in thousands</i>	31.12.2002
A. Initial amount	0
B. Increases	302,711
B1. Purchases	302,711
B2. Write-backs and revaluations	-
B3. Transfers from the non-investment portfolio	-
B4. Other changes	-
C. Decreases	59
C1. Sales	-
C2. Principal repayments	-
C3. Adjustments	-
of which:	
- long-lasting write-downs	-
C4. Transfers to the non-investment portfolio	-
C5. Other changes	59
D. Year end amount	302,652

“Other changes” relates to the transaction differential accrued in the period.

2.3 Traded securities

This item includes securities in the portfolio which are not fixed assets since they are not specifically regarded as part of corporate assets as steady investments.

As at December 31, 2002, the securities portfolio is as follows:

<i>Euro in thousands</i>		
Items / Values	Book value	Market value
1. Certificates of deposit	551,020	551,589
1.1 Government securities	122,261	122,321
- traded on regulated markets	122,261	122,321
- unlisted	-	-
1.2 Other securities	428,759	429,268
- traded on regulated markets	314,694	315,172
- unlisted	114,065	114,096
2. Shares, quotas and other forms of capital	122	129
- traded on regulated markets	122	129
- unlisted	-	-
TOTAL	551,142	551,718

For securities traded on regulated markets, the market value corresponds to the exact price at period end; for unlisted securities, the market trends of similar securities were referred to.

Movements during the period are summarised in the following table:

2.4 Annual changes in traded securities

<i>Euro in thousands</i>	31.12.2002
A. Initial amount	697,697
B. Increases	16,620,629
B1. Purchases	16,615,503
- certificates of deposit	-
+ government securities	14,384,119
+ other securities	1,847,297
- Shares, quotas and other forms of capital	384,087
B2. Write-backs and revaluations	-
B3. Transfers from the investment portfolio	-
B4. Other changes	5,126
C. Decreases	16,767,184
C1. Sales and principal repayments	16,766,510
- certificates of deposit	-
+ government securities	14,727,495
+ other securities	1,685,349
- Shares, quotas and other forms of capital	353,666
C2. Adjustments	674
C3. Transfers to the non-trading portfolio	-
C5. Other changes	-
D. Year end amount	551,142

“Other changes” includes issuing premiums and revenues resulting from divestments and principal repayments.

SECTION 3
SHAREHOLDINGS

3.1 Main shareholdings

Shareholdings significantly increased in 2002. During the first half-year, 100% of the capital of the German company Bankhaus August Lenz & Co. AG was acquired. In the same period, the interest held in the Spanish company Fibanc Inversiones S.A. was increased. In the second half-year, within the framework of the operation increasing the share capital of Banca Mediolanum, the controlling company Mediolanum S.p.A. transferred to the Bank, at book value, its controlling interest in companies qualified as Financial Institutions. The equity interests transferred pertain to the Italian company Mediolanum Gestione Fondi SGR p.A. (management of mutual funds), the Irish companies Mediolanum International Funds Ltd (management of mutual funds) and Mediolanum Asset Management Ltd (asset management and consultancy) as well as the Luxembourg company Mediolanum International S.A. (sub-holding company).

Item 80 “Shareholdings in Group companies” is detailed in the following table:

<i>Euro in thousands</i> Company	Head office	Shareholders' equity	Profit (Loss)	% holding	Balance-sheet value
A. Controlled companies					
Mediolanum Gestione Fondi SGR p.A.					
	Basiglio	17,894	6,658	51.00	2,610
Fibanc Inversiones S.A.	Barcelona	11,612	(300)	81.04	151,904
Tanami S.A.	Barcelona	906	(5)	100.00	7,263
Banco de Finanzas e Inversiones S.A.					
	Barcelona	40,787	669	6.02	12,020
Mediolanum International Funds Ltd					
	Dublin	121,008	118,469	51.00	1,347
Mediolanum Asset Management Ltd					
	Dublin	2,519	1,619	51.00	459
Mediolanum International S.A.					
	Luxembourg	71,474	12	100.00	71,500
Bankhaus August Lenz & Co. AG					
	Munich	14,548	(3,633)	100.00	13,006
TOTAL					260,109

The difference between shareholders' equity and the related carrying value is due to the inclusion of goodwill and evaluation at market prices of real estate held by Fibanc Inversiones S.A..

The book value of investments includes related charges.

The full list of other shareholdings is as follows:

<i>Euro in thousands</i> Company	Head office	Shareholders' equity	Profit (Loss)	Activity
Ges Fibanc S.G.I.I.C. S.A.	Barcelona	3,129	1	Management of mutual funds
Fibanc Pensiones S.G.F.P. S.A.	Barcelona	1,276	9	Management of pension funds
Fibanc Faif S.A.	Barcelona	51	(9)	Financial consulting company
Fibanc Argentina S.A.	Buenos Aires	70	-	Business representatives
Fibanc S.A.	Barcelona	669	48	Financial advisory company
Valora S.A.	Andorra	253	(89)	Asset management
Gamax Holding AG	Luxembourg	6,579	3,128	Sub-holding company
Gamax Management AG	Luxembourg	525	2,675	Management of mutual funds
Gamax Fund of Funds				
Management S.A.	Luxembourg	101	19	Management of mutual funds
Gamax Broker Pool GmbH	Leverkusen	(2,303)	(2,358)	Fund sales network
Gamax Austria GmbH	Salzburg	15	(256)	Fund sales network
Gamax Schweiz GmbH	Zürich	(22)	(6)	Fund sales network
Mediolanum				
Private S.A.M.	Principality of Monaco	482	(18)	Asset management

3.2 Amounts due to and due from Group companies

The following table details amounts due to and due from the companies belonging to the Mediolanum Group (parent company: Mediolanum S.p.A.) and the companies belonging to the Mediolanum Banking Group (parent company: Banca Mediolanum S.p.A.).

<i>Euro in thousands</i>	31.12.2002
a) Assets	
1. Due from banks	10,176
of which:	
- subordinated	-
2. Due from financial institutions	80,762
of which:	
- subordinated	-
3. Due from other customers	31,846
of which:	
- subordinated	-
4. Bonds and other debt securities	-
of which:	
- subordinated	-
b) Liabilities	
1. Due to banks	6,496
2. Due to financial institutions	3,791
3. Due to other customers	139,077
4. Securities issued	-
5. Subordinated liabilities	-
c) Guarantees and commitments	
1. Guarantees given	133
2. Commitments	-

The following tables illustrate in further detail the assets and liabilities of Group companies:

Assets

<i>Euro in thousands</i>	Due from banks	Due from financial institutions	Due from other customers
Bankhaus August Lenz & Co. AG	10,000		
Banco de Finanzas e Inversiones S.A.	176		
Mediolanum State Street SGR .p.A		29	
Mediolanum Gestione Fondi SGRp.A		4,709	
Mediolanum International Funds Ltd		62,952	
Mediolanum Asset management Ltd		826	
Mediolanum Vita S.p.A.			282
Partner Time S.p.A.			41
Mediolanum S.p.A.			31,505
PI Distribuzione S.r.l.			
Mediolanum Comunicazione S.r.l.			18
Mediolanum International S.A.		12,246	
TOTAL AMOUNTS DUE FROM GROUP COMPANIES	10,176	80,762	31,846

Due from Group companies relates to current accounts and receivables for commission income accrued with the various “product” companies and Mediolanum S.p.A., determined for activities performed as sub-agents.

It also includes dividends receivable from controlled companies.

More detailed information about relations with Group companies is provided in Section 5.1 “sundry assets”.

Liabilities

<i>Euro in thousands</i>	Due to banks	Due to financial institutions	Due to other customers
Bankhaus August Lenz & Co. AG	61		
Banco de Finanzas e Inversiones S.A.	6,435		
Mediolanum State Street SGR p.A		1,427	
Mediolanum Gestione Fondi SGR .p.A		2,345	
Mediolanum International S.A.		19	
Mediolanum International Life Ltd			450
Mediolanum Vita S.p.A.			127,983
Partner Time S.p.A.			889
Mediolanum S.p.A.			6,900
Mediolanum Fiduciaria S.p.A.			374
PI Distribuzione S.r.l.			247
Mediolanum Comunicazione S.r.l.			2,234
TOTAL AMOUNTS DUE TO GROUP COMPANIES	6,496	3,791	139,077

Liabilities mainly relate to current accounts.

Commitments and guarantees

<i>Euro in thousands</i>	Guarantees issued	Commitments
Banca Esperia S.p.A.	22	-
Mediolanum Vita S.p.A.	111	-
TOTAL COMMITMENTS AND GUARANTEES TOWARDS GROUP COMPANIES	133	0

3.3 Amounts due to and due from controlled companies (which are not Group companies)

No significant receivables/payables to report.

3.4 Breakdown of item 70 "Shareholdings"

The value of shareholdings as at December 31, 2002 is as follows:

<i>Euro in thousands</i>			
Company	% holding	Share capital	Book value
S.W.I.F.T. s.c.	0.0011	10,246,204	1
M.T.S. S.p.A.	0.0860	14,040,000	23
e-MID S.p.A.	0.8330	6,000,000	50
Euros Consulting S.p.A.	0.1270	10,238,424	14
S.I.A. S.p.A.	0.0100	18,123,684	9
Total			97

<i>Euro in thousands</i>	31.12.2002
a) In banks	0
1. traded on regulated markets	-
2. unlisted	-
b) In financial institutions	0
1. traded on regulated markets	-
2. unlisted	-
c) Other	97
1. traded on regulated markets	-
2. unlisted	97

During the year, the interest held (equal to 82,800 Euro) in the company Cedel International S.A. was sold. This operation generated a capital gain of 29,318 Euro.

3.5 Breakdown of item 80 "shareholdings in Group companies"

The breakdown of shareholdings as at December 31, 2002 is as follows:

<i>Euro in thousands</i>			
Company	% holding	Share capital	Book value
Fibanc Inversiones S.A.	81.04	6,852	151,904
Tanami S.A.	100.00	181	7,263
Banco de Finanzas e Inversiones S.A.	6.02	12,130	12,020
Mediolanum Gestione Fondi SGR p.A.	51.00	5,165	2,610
Mediolanum International Funds Ltd	51.00	150	1,347
Mediolanum Asset Management Ltd	51.00	150	459
Bankhaus August Lenz & Co. AG	100.00	8,000	13,006
Mediolanum International S.A.	100.00	71,500	71,500

<i>Euro in thousands</i>	31.12.2002
a) In banks	25,026
1. traded on regulated markets	-
2. unlisted	25,026
b) In financial institutions	235,083
1. traded on regulated markets	-
2. unlisted	235,083
c) Other	-
1. traded on regulated markets	-
2. unlisted	-

3.6 Annual change in shareholdings

3.6.1 Shareholdings in Group companies

<i>Euro in thousands</i>	31.12.2002
A. Initial amounts	140,879
B. Increases	119,230
B1. Purchases	119,087
B2. Write-backs	-
B3. Revaluations	-
B4. Other changes	143
C. Decreases	-
C1. Sales	-
C2. Adjustments	-
of which:	
- permanent write-downs	-
C3. Other changes	-
D. End-of-year amount	260,109
E. Total revaluations	-
F. Total adjustments	-

3.6.2 Other investments

<i>Euro in thousands</i>	31.12.2002
A. Initial amount	323
B. Increases	-
B1. Purchases	-
B2. Write-backs	-
B3. Revaluations	-
B4. Other changes	-
C. Decreases	226
C1. Sales	83
C2. Adjustments	-
of which:	
- permanent write-downs	-
C3. Other changes	143
D. End-of-year amount	97
E. Total revaluations	-
F. Total adjustments	-

4.1 Annual changes in tangible fixed assets

SECTION 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

<i>Euro in thousands</i>	31.12.2002
A. Initial amount	29,703
B. Increases	1,783
B1. Purchases	1,783
B2. Write-backs	-
B3. Revaluations	-
B4. Other changes	-
C. Decreases	5,914
C1. Sales	7
C2. Adjustments	5,572
(a) depreciations	5,572
(b) permanent write-downs	-
C3. Other changes	335
D. End-of-year amount	25,572
E. Total revaluations	-
F. Total adjustments	20,242
(a) depreciations	20,242
(b) permanent write-downs	-

<i>Euro in thousands</i>	Net assets as at 31.12.2002	% Depreciation rate
Various equipment	895	15
Buildings	12,542	3
Personal computers	10,273	20
Alarms	89	30
Peripherals	674	25
Other peripherals	285	20
Office fittings	425	15
Other means of transportation	41	25
Office furniture	348	12
Tangible assets under construction	-	-

It should be noted that tangible assets with a unit value exceeding 516.46 Euro were fully depreciated during the period, totalling 52,859 Euro, and that for assets exceeding this value purchased during the period, applied rates were reduced by half to take into account their limited utilisation.

4.2 Annual changes in intangible fixed assets

<i>Euro in thousands</i>	31.12.2002
A. Initial amount	29,680
B. Increases	12,402
B1. Purchases	12,402
B2. Write-backs	-
B3. Revaluations	-
B4. Other changes	-
C. Decreases	23,136
C1. Sales	-
C2. Adjustments	17,765
(a) depreciation	17,170
(b) permanent write-downs	595
C3. Other changes	5,371
D. Amount at year end	18,946
E. Total revaluations	-
F. Total adjustments	52,075
(a) depreciation	51,030
(b) permanent write-downs	1,045

Depreciation criteria used are as follows:

Start-up and expansion costs:	5 years
Improvements on leased goods:	5 years
Other multiannual costs (software /trademarks /commissions on fund management services):	3 years

Increases for the year include 2,666,244 Euro relating to commission payable to financial consultants for the sales of the product “Chorus” (Managed Accounts in Funds), which was capitalised as it is a “no load” product.

Further details about the composition and movements in the individual tangible and intangible fixed asset categories are provided in Attachments 1 and 2 to these Notes.

SECTION 5 SUNDRY ASSETS

5.1 Breakdown of item 130 “sundry assets”

This item is detailed and compared with balances as at December 31, 2001:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Due from financial consultants	2,887	2,138
Commission income receivable	35,354	65,762
Receivables “being recovered”	110	100
Advance payments to employees and consultants	200	222
Due from fiscal authorities	9,577	7,999
Due from parent/controlled/affiliated companies	74,977	78
Due from Fininvest/Fininvest-Doris Group companies	314	318
Advances to suppliers	112	755
Guarantee deposits	1,187	13,866
Other receivables	35,682	27,429
TOTAL	160,400	118,667

“Commission income receivable” includes amounts receivable for selling the products and services of Mediolanum S.p.A., Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Funds Ltd.

This item is detailed and compared with balances as at December 31, 2001, as follows:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Mediolanum S.p.A.	31,477	62,301
Mediolanum Gestione Fondi SGR p.A.	1,272	1,665
Mediolanum International Funds Ltd	2,533	1,327
Mediolanum State Street SGR p.A	11	-
Other	61	469
TOTAL	35,354	65,762

“Receivables being recovered” refers to the payment of compensation to customers for damage arising from illegal acts by former financial consultants, against whom recovery action has been taken.

This amount, stated at its par value of 3,037,795 Euro which was adjusted by the allowance for doubtful receivables of 2,927,666 Euro, represents the presumed realisable value, taking into account the insurance coverage against such risks through a policy with a primary insurance company.

“Due from fiscal authorities” is summarised and compared with values of the previous year in the following table:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Amounts receivable for withholding taxes	7,691	5,967
Advance on direct taxes for the year (IRAP)	1,651	1,821
Direct tax credit for the previous years (IRPEG)	219	-
Advance on employee severance indemnities (including interest) Law 662/96	-	8
Corporate tax 1992 (including interest)	-	14
VAT receivables	-	71
Stock Exchange Contract Tax receivables	7	109
Refund of proportional tax on premium operation	9	9
TOTAL	9,577	7,999

Due from affiliates and “due from Fininvest, Fininvest-Doris Group companies” relates to the following companies:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Mediolanum Group:		
Mediolanum S.p.A.	27	32
Mediolanum Vita S.p.A.	190	4
Mediolanum State Street SGR p.A.	19	15
Mediolanum Comunicazione S.r.l.	18	-
PI Distribuzione S.r.l.	-	1
Partner Time S.p.A.	41	10
Mediolanum Gestione Fondi SGR p.A.	3,437	16
Mediolanum International Funds Ltd	60,419	-
Mediolanum Asset Management Ltd	826	-
Bankhaus August Lenz & Co. AG	10,000	-
TOTAL	74,977	78
Fininvest Group:		
Il Teatro Manzoni S.p.A.	-	7
TOTAL	-	7
Fininvest-Doris Groups		
Vacanze Italia S.p.A. (ex Porto Rafael S.r.l.)	294	293
Mediolanum Assicurazioni S.p.A.	20	18
TOTAL	314	311

The item “Due from the controlled companies” Mediolanum Gestione Fondi SGR p.A, Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd relates almost entirely to 2002 dividends to be paid in early 2003.

Payables to the controlled company Bankhaus August Lenz & Co. AG relates to payments made in the year under review to strengthen the assets of the subsidiary.

“Advances to suppliers” primarily includes amounts granted upon the signing of the contracts for the supply of services.

“Guarantee deposits” includes a guarantee deposit to the *Cassa Compensazione e Garanzia* (897,230 Euro) for the settlement of securities in cash and the execution of purchase and sale contracts. Guarantee deposits made in relation to the utilisation of telephone and electricity lines, as well as guarantee deposits to landlords of head office premises and suburban offices, totalled 290,365 Euro.

“Other receivables” includes 9,812,699 Euro relating to the accounting for “prepaid” taxes for provisions made during the year 2002, which are to be utilised for tax relief purposes in successive years.

Movements in “receivables for prepaid taxes” are illustrated in the table included in section 7.4.

“Other receivables” also includes contra-items of revaluations made on “off-balance sheet items” on foreign currency (4,688,987 Euro).

The remaining 21,180,013 Euro relates to sundry items, mainly relating to utility contracts entered into by customers and not yet expired (5,184,588 Euro) as well as to commissions and expenses receivable from customers (9,258,176 Euro).

5.2 Breakdown of item 140 “accrued income and prepaid expenses”

Item *Accrued income* is analysed as follows:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Interest income - banks	5,224	6,417
Income from repurchase agreement with banks	54	101
Interest on securities	7,756	6,047
Interest on customer loans	746	580
TOTAL	13,780	13,145

“Prepaid expenses” includes insurance premium quotas of 199,501 Euro, rents payable of 6,497 Euro and other deferrals of 787,323 Euro for sundry services accrued during the year 2003.

5.4 Breakdown of subordinated assets

No subordinated assets are accounted for.

1.1 Analysis of item 10 “due to banks”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) repurchase agreements	177,578	30,321
b) securities lending contracts	-	-

Due to banks “repayable on demand” of 228,800,000 Euro relates to “overnight” deposits of less than two working days and to reciprocal interbank accounts for services and free deposits for the remainder.

Due to banks “time deposits or with notice period” relates to time deposits with banks of 226,594,641 Euro and repurchase agreements of 177,577,637 Euro.

SHAREHOLDERS’ EQUITY

SECTION 6 PAYABLES

1.2 Analysis of item 20 “customer deposits”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) repurchase agreements	218,641	560,275
b) securities lending contracts	-	-

Customer deposits totalled 3,138,398,192 Euro, with an increase of 774,066,441 Euro over the previous year.

SECTION 7 ALLOWANCES

Breakdown of item 70 “severance indemnity fund”

Movements for the year are highlighted in the following table:

<i>Euro in thousands</i>	31.12.2002
Balance as at 31.12.2001	2,814
Quota accrued and included in the Income Statement	1,316
Allowance transferred from other Group companies	282
Allowance transferred to other Group companies	(6)
Other decreases (taxes on employee severance indemnity revaluation)	(9)
Indemnities paid out during the year	(121)
Advance payments made during the year	(85)
Balance as at 31.12.2002	4,191

7.1 Breakdown of sub-item 90 “credit risk fund”

This fund includes allocations made in previous years in relation to possible risks, solely for tax relief purposes.

7.2 Variation in “credit risk fund”

No changes occurred during the period under review.

Breakdown of sub-item 80 (b) “taxes”

Movements are shown relating to “taxes”. The amount allocated at the end of 2002 reflects the “best estimate” of the future tax burden, and is adequate to ensure coverage.

<i>Euro in thousands</i>	Balance as at 31.12.01	Allocations during the year	Other changes	Utilisation	Balance as at 31.12.02
IRPEG tax provision	2,427	26	2,390	2,427	2,416
IRAP tax provision	1,705	1,454	-	1,676	1,483

“Other changes” includes the allocation of “deferred taxes” calculated in 2002 on dividends accrued from controlled companies.

7.3 Breakdown of sub-item 80 (c) “risk and contingency fund – other funds”

The following table details the composition and movements in the reserve under review:

<i>Euro in thousands</i> Provision	Balance as at 31.12.01	Allocations during the year	Other changes	Utilisation	Balance as at 31.12.02
Staff loyalty provision	364	170	-	(19)	515
Portfolio indemnities provision	3,406	2,321	(1,564)	(222)	3,941
Provision against agents’ illegal acts	3,493	1,500	-	-	4,993
Allowance for agents’ retirement indemnities	1,463	509	-	(34)	1,938
“Prize contest” fund	38	126	(38)	-	126
Customer indemnity for electronic transactions	947	-	-	(35)	912
Other	-	1,413	-	-	1,413
TOTAL	9,711	6,039	(1,602)	(310)	13,838

“Staff loyalty provision” relates to a contractual obligation in relation to professionals who carry out support and back up activities for the sales network. This agreement establishes the allocation of a portion of their remuneration to be paid when the relationship is terminated, provided that such staff do not provide their services to competitors.

“Portfolio indemnities provision” relates to a commitment established by the general terms and conditions of the contract with financial advisors and the payment of an indemnity in the event of termination of the contract. The settlement of these indemnities is subject to a non-competition agreement on the part of the departing advisors.

Other changes relate to the transfer of out-of-period revenues for financial advisors’ indemnities for breach of non-competition agreement.

“Provision against agents’ illegal acts” relates to the payment of compensation by the Company for damage caused to customers as a consequence of illegal behaviour by people operating on behalf of the Company. Provisions for the current year amount to 1,500,000 Euro, fully covering any possible claims below the contractual exemption threshold.

“Allowance for agents’ retirement indemnities” covers provision for financial consultants who reached the age of retirement as established by ENASARCO (National Board for the Assistance to Commercial Agents and Representatives), in compliance with the agents’ collective agreement.

“Prize contest allowance” covers the estimated burden of prizes accrued and not yet distributed, within the framework of prize contests organised to promote the new services offered by the Bank (“Unico” current account).

“Customer indemnity for electronic transactions” was established in the previous year to cover risks associated with customer transactions through the telephone or other electronic channels.

“Other funds” includes provisions for the year covering commissions on the placement of “home mortgages” to be paid to the Sales Network in future years in compliance with the principle of correlating costs to revenues.

It also includes provisions for possible negative effects on the income statement relating to contracts for the placement of mortgage loans.

7.4 Change in the year of “Receivable from prepaid taxes”

<i>Euro in thousands</i>	31.12.2002
1. Initial amount	5,957
2. Increases	5,950
2.1 Prepaid taxes for the year	4,054
2.2 Other increases	1,896
3. Decreases	2,094
3.1 Prepaid taxes eliminated during the year	2,083
3.2 Other decreases	11
4. Final amount	9,813

“Other increases” relates to tax credit on dividends accrued during the year.

“Other decreases” relates to the adjustment of the fund for “prepaid taxes” (pertaining to allocations made in the previous year) called for considering the new direct taxation rates applicable since 2003.

7.5 Change in the year of “Payables from deferred taxes”

<i>Euro in thousands</i>	31.12.2002
1. Initial amount	-
2. Increases	2,391
2.1 Deferred taxes for the year	2,391
2.2 Other increases	-
3. Decreases	-
3.1 Deferred taxes eliminated during the year	-
3.2 Other decreases	-
4. Final amount	2,391

Increases relate to deferred taxes calculated following the posting of dividends from controlled companies according to the accrual principle.

Share capital

Share capital, fully subscribed and paid-up, amounted to 335,329,112 Euro as at December 31, 2002, and consisted of 335,329,112 ordinary shares with a par value of 1 Euro each.

Changes in the composition of shareholders' equity

During the year, the sole shareholder Mediolanum S.p.A. made a contribution of capital amounting to 18,557,000 Euro in cash, and 75,772,112 Euro by the transfer "in kind" of controlling interests in financial institutes.

In December 2002, Mediolanum S.p.A. also contributed capital amounting to 5,670,888 Euro. In January 2003, following the registration of the share capital increase deed in the Business Registry of Milan, the share capital was brought up to 341,000,000 Euro.

Changes in the composition of shareholders' equity are summarised in Attachment 3.

Subordinated liabilities

The amount in item 110 of the balance sheet relates to a subordinated bonded loan issued in the year 2000 with a variable three-monthly rate, indexed to the three-month Euribor rate plus a 0.125% spread.

The five-year loan was issued for a par value of 25,000,000 Euro which falls due on September 28, 2005. Repayment, started in the current year, will continue in accordance with the established annual sinking plan.

Total capital and capital requirements as at December 31, 2002

<i>Euro in thousands</i>		
Categories/values	31.12.2002	31.12.2001
A. Total capital		
A.1. Tier 1 capital	369,025	232,476
A.2. Tier 2 capital	10,031	14,841
A.3. Amounts to be deducted	0	0
A.4. Total capital	379,056	247,317
B. Capital requirements		
B.1. Credit risks	91,892	76,497
B.2. Market risks	18,157	16,502
- of which:		
- trading portfolio risk	16,459	10,424
- foreign exchange risk	1,698	6,078
B.3. Tier 3 subordinated loans	0	0
B.4. Other capital requirements	0	0
B.5. Total capital requirements	110,049	92,999
C. Risk-weighted assets and capital ratios		
C.1. Risk-weighted assets *	1,572,129	1,328,557
C.2. Tier 1 capital/risk-weighted assets	23.47%	17.50%
C.3. Tier 1 + tier 2 capital/risk-weighted assets	24.11%	18.62%

(*) Total capital requirements multiplied by the reciprocal quantity of the minimum compulsory coefficient for credit risk (7%).

SECTION 9 OTHER LIABILITIES

9.1 Breakdown of item 50 "sundry liabilities"

This item is analysed as follows:

<i>Euro in thousands</i>		
	31.12.2002	31.12.2001
Due to suppliers	14,813	14,470
Commercial payables to affiliated companies	4,979	3,764
Commercial payables to Fininvest/Fininvest-Doris Group companies	573	982
Due to consultants, professionals, directors and auditors	268	315
Due to tax authorities	6,290	15,381
Due to financial consultants	40,956	49,329
Due to social security entities	1,602	1,388
Indemnity for agency relationship termination	2,376	2,338
Due to employees	1,568	1,229
Other payables	94,641	69,891
TOTAL	168,066	159,087

"Due to suppliers" relates to the supply of materials and services for normal activities.

“Commercial payables to affiliated companies” and “Commercial payables to Fininvest/Fininvest-Doris group companies” relate to services provided by the following companies:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Mediolanum Group		
parent company:		
Mediolanum S.p.A.	2,624	2,455
controlled companies:		
Mediolanum Gestione Fondi SGR p.A.	42	-
Mediolanum International S.A.	19	-
Bankhaus August Lenz & Co. AG	53	-
affiliated companies:		
Mediolanum Comunicazione S.r.l.	2,195	1,294
Mediolanum Vita S.p.A.	46	14
PI Distribuzione S.r.l.	-	1
TOTAL	4,979	3,764
Fininvest Group		
Yond S.p.A.	2	2
Mediaset S.p.A.	27	27
Il Teatro Manzoni S.p.A.	-	6
Cemit Interactive Media S.p.A.	3	-
Società Europea Edizioni S.p.A.	8	4
EIS S.p.A.	-	66
Publitalia '80 S.p.A.	41	250
Video Time S.p.A.	-	2
Pagine Italia S.p.A.	50	-
Albacom S.p.A.	-	98
Edilnord Gestioni S.p.A.	-	113
TOTAL	131	568
Fininvest and Doris Groups		
Mediolanum Assicurazioni S.p.A.	442	414
TOTAL	442	414

“Due to consultants and professionals” relates to services received and paid at their natural expiration; this item also includes amounts due to Directors and Auditors for remuneration of the year, not yet paid, totalling 110,821 Euro.

“Taxes payable” is as follows:

<i>Euro in thousands</i>	31.12.2002
Adjustment of virtual stamp-duty	1,039
VAT	29
Local taxes	11
Substitute tax and sundry withholding taxes	5,211
TOTAL	6,290

“Due to financial consultants” refers to commission accrued as at the balance-sheet date for the in-home sale of stocks, shares, securities, products and services. These will be settled during the first months of 2003.

“Due to social security entities” refer to amounts due to social security entities for employees (1,157,163 Euro) as well as financial consultants and insurance agents (445,144 Euro).

“Indemnity for agency relationship termination” relates to financial consultants’ accruals for this purpose. This amount will be paid to Mediolanum Vita S.p.A. on 31/03/2003, in compliance with the terms and conditions established by the industry association agreements.

“Due to employees” relate to amounts due for overtime work, expense accounts to be settled, as well as to payables for holidays and leaves of absence accrued as at December 31, 2002, but not yet utilised.

“Other payables”, totalling 94,640,166 Euro, includes, 44,427,461 Euro relating to the short sale of securities, as well as sundry items which were regularly settled during the first months of 2003, totalling 50,212,705 Euro.

9.2 Breakdown of item 60 “accrued liabilities and deferred income”

Accrued liabilities of 437,965 Euro relate to the portion of interest receivable on deposits with other credit institutes accrued during the fiscal period under review. Accrued liabilities with banks relating to repurchase agreements as at 31/12/2002 totalled 252,719 Euro.

The item also includes 826,549 Euro of charges accrued from the year’s closing date on repurchase agreements with ordinary customers.

It also includes 367,252 Euro of charges accrued on the negative difference on Asset Swap operations.

Item “deferred credits” includes deferred credits pertaining to swap and outright operations and interest accruing on the bonded loan issued by the company.

The item “deferred credits” includes deferred credits pertaining to swap and outright operations, as well as commission receivable pertaining to future years.

**SECTION 10
GUARANTEES AND
COMMITMENTS**

10.1 Breakdown of item 10 “guarantees given”

<i>Euro in thousands</i>	31.12.2002
a) Commercial guarantees	696
b) Financial guarantees	-
c) Assets set aside in guarantee	-

10.2 Breakdown of item 20 “commitments”

<i>Euro in thousands</i>	31.12.2002
a) Commitments to allocate funds (certain to be called on)	631,629
- loans and deposits with banks	298,057
- incoming securities for transactions to be settled	333,572
b) Commitments to allocate funds (not certain to be called on)	9,632
- commitments relating to participation in the Interbank Deposit Protection Fund	9,632
TOTAL	641,261

10.3 Assets set aside in guarantee of own debts

Government securities for 5,000,000 Euro are kept at the Bank of Italy as guarantee against possible current account overdrafts resulting from day-to-day operations relating to the real-time gross settlement of payments (Bi-Rel). Securities for an overall amount of 88,300,000 Euro are also kept at Clearstream Banking S.A. to guarantee currency security settlement transactions.

A sum of 8 million Euro is deposited at Unicredito Banca Mobiliare S.p.A. as a guarantee for transactions in derivative products (FIB and miniFIB) carried out by ordinary customers.

10.5 Forward transactions

<i>Euro in thousands</i>			
Type of transaction	Hedging	Dealing	Other
1. Trading			
1.1 Securities			
- purchases		333,572	
- sales		124,996	
1.2 Currency			
- currency against currency		382	
- purchases against Euro		24,522	
- sales against Euro		11,451	
2. Deposits and loans			
- to be made		298,057	
- to be received		8,125	
3. Derivative contracts			
3.1 With exchange of principal			
a) securities			
- purchases			
- sales			
b) currency			
- currency against currency		9,536	
- currency against Euro		40,000	
- sales against Euro		243,500	
c) other			
- purchases			
- sales			
3.2 Without exchange of principal			
a) currency			
- currency against currency			
- currency against Euro			
- sales against Euro			
b) other			
- purchases	18,500		
- sales			

SECTION 11 CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.1 Main risks

<i>Euro in thousands</i>	31.12.2002
a) amount	68,439
b) number	1

11.2 Distribution of loans to customers by principal debtor categories

<i>Euro in thousands</i>	31.12.2002
a) government	-
b) other public agencies	-
c) non-financial businesses	1,675
d) financial institutions	77,393
e) producer households	703
f) other operators	138,451
TOTAL	218,222

11.3 Distribution of loans to resident non-financial and producer households

<i>Euro in thousands</i>	31.12.2002
a) other services for sale	1,611
b) textile products, leather and shoes, clothing	500
c) commercial services, recovery and repairs	267

11.4 Distribution of guarantees given by principal counterpart categories:

<i>Euro in thousands</i>	31.12.2002
a) government	-
b) other public agencies	-
c) banks	22
d) non-financial businesses	5
e) financial institutions	123
f) producer households	-
g) other operators	546

11.5 Geographic breakdown of assets and liabilities:

<i>Euro in thousands</i>		Italy	Other EU countries	Other countries
Line items/Countries				
1. Assets				
1.1 Due from banks		1,936,429	1,115,166	91,822
1.2 Loans to customers		205,976	12,246	
1.3 Securities		718,651	127,560	7,583
TOTAL		2,861,056	1,254,972	99,405
2. Liabilities				
2.1 Due to banks		612,222	81,296	23,213
2.2 Customer deposits		3,353,898	3,141	
2.3 Bonded debts				
2.4 Other accounts		15,000		
TOTAL		3,981,120	84,437	23,213
3. Guarantees and commitments		641,246	481	230

11.6 Maturities of assets and liabilities

Euro in thousands Items/Residual duration	Established duration								Unspecified duration
				Over 1 year Up to 5 years		Over 5 years			
	on demand	up to 3 months	between 3 to 12 months	fixed rate	indexed rate	fixed rate	indexed rate		
1. Assets									
1.1 Treasury bills for refinancing	-	-	-	-	-	16,472	181,128	-	-
1.2 Due from banks	717,659	2,425,333	-	-	-	-	-	-	424
1.3 Loans to customers	125,242	66,254	9,242	49	17,047	-	95	-	293
1.4 Bonds and other certificates of deposit	72	203	64,106	18,146	374,706	24	198,814	-	-
TOTAL	842,973	2,491,790	73,348	18,195	391,753	16,496	380,037	717	
1.5 "Off-balance sheet" transactions	-	393,045	38,001	18,513	-	332,896	526	-	-
2. Liabilities									
2.1 Due to banks	312,559	357,448	46,724	-	-	-	-	-	-
2.2 Due to customers	3,138,398	218,641	-	-	-	-	-	-	-
2.3 Securities issued	-	-	-	-	-	-	-	-	-
- bonds	-	-	-	-	-	-	-	-	-
- certificates of deposit	-	-	-	-	-	-	-	-	-
- other securities	-	-	-	-	-	-	-	-	-
2.4 Subordinated liabilities	-	-	-	-	15,000	-	-	-	-
TOTAL	3,450,957	576,089	46,724	0	15,000	0	0	0	
2.5 "Off-balance sheet" transactions	8,125	643,493	6,514	12	29	124,350	458	-	0

11.7 Assets and liabilities in foreign currency

Euro in thousands	31.12.2002
a) assets	
1) due from banks	379,847
2) loans to customers	8
3) securities	74
4) equity holdings	-
5) other	49
b) liabilities	
1) due to banks	175,743
2) customer deposits	3,285
3) bonded debts	-
4) other	-

11.8 Securitisation transactions

As at December 31, 2002, the trading portfolio includes the following securities, resulting from securitisation operations carried out by third parties:

<i>Euro in thousands</i> Security	Nominal value	Book value
Senior:		
Locat S. Vehicle-07	1,000	997
Lombarda Mortgage Finance 1-25	1,000	1,000
ABF Finance 02 -13	5,000	5,000
Quarzo Lease 02 - 15	3,000	3,000
Trevi Finance 3 - 11	1,000	982
Cremonini Sec 02 - 09	3,000	2,991
S.C.I.P. 02 - 07	34,000	34,010
S.C.I.P. 02 - 06	34,300	34,310
Mezzanine:		
Leonardo Synthetic PLC 01-19	1,000	944
TOTAL	83,300	83,234

Capital losses of 77,200 Euro were posted in the year in relation to the above securities.

12.1 Securities transactions

<i>Euro in thousands</i>	31.12.2002
a) purchases	
1) settled	7,562,655
b) sales	
1) settled	7,642,960

SECTION 12 MANAGEMENT AND BROKERAGE ON BEHALF OF THIRD PARTIES

12.2 Managed accounts

Total assets under management (1,875,019,480 Euro) consists of securities not issued by the Bank, of which 1,830,267,573 Euro relate to units of mutual funds managed by Group companies for the "Chorus" product (managed accounts in funds).

Securities are stated at market value.

12.3 Custody and administration of securities

<i>Euro in thousands</i>	31.12.2002
a) third-party securities held in deposit	5,892,447
1. Bonded debt by the Bank	14,724
2. Other securities	5,877,723
b) third-party securities deposited with third parties	5,689,925
c) portfolio securities deposited with third parties	943,549

**PART C
INCOME
STATEMENT
INFORMATION**

**SECTION 1
INTERESTS**

1.1 Breakdown of item 10 “interest income and similar revenues”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) on amounts due from banks	83,187	74,508
of which :		
- deposits with central banks	1,812	1,584
b) on loans to customers	10,104	4,217
of which:		
- loans with third party funds under administration	-	-
c) on certificates of deposit	42,310	42,256
d) other interest income	24	49
e) positive differentials on “hedging” transactions	527	
TOTAL	136,152	121,030

1.2 Breakdown of item 20 “interest expense and similar outlays”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) on amounts due to banks	17,437	18,670
b) on customer deposits	99,640	79,680
c) on other bonded debt	-	-
of which:		
- on certificates of deposit	-	-
d) on loans with third party funds under administration	-	-
e) on subordinated liabilities	708	1,135
f) negative differentials on “hedging” transactions	571	-
Other interest expense	-	21
TOTAL	118,356	99,506

1.3 Analysis of item 10 “interest income and similar revenues”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) on foreign currency assets	6,658	153
TOTAL	6,658	153

1.4 Analysis of item 20 “interest expense and similar outlays”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) on foreign currency liabilities	4,486	25
TOTAL	4,486	25

Item 30b “dividends and other proceeds from shareholdings” includes dividends, and the relevant tax credit, accrued in the year 2002 from controlled companies in which Banca Mediolanum has voting majority.

2.1 Breakdown of item 40 “commission income”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) Guarantees given		
b) Credit derivatives		
c) Management, brokerage and consultancy services	260,644	291,362
1. securities trading	1,641	10,798
2. currency trading	-	-
3. Managed accounts:	26,528	20,978
3.1 Individual	26,528	20,978
3.2 Group	-	-
4. Custody and administration of securities	2,444	2,089
5. Custodian bank		
6. Placement of securities	190	480
7. Order intake	9,248	1,399
8. Consultancy services	-	-
9. Distribution of third-party services	220,593	255,618
9.1 Managed accounts	12	2
9.1.1 Individual	12	2
9.1.2 Group	-	-
9.2 Insurance products	155,858	179,838
9.3 Other products	64,723	75,778
d) Collection and payment services	147	101
e) Servicing of securitisation operations	-	-
f) Rate and tax collection	-	-
g) Other services	4,022	3,739
TOTAL	264,813	295,202

2.2 Analysis of item 40 “commission income”:**Distribution channels for products and services:**

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) At own bank counters:	44,220	39,584
1. Managed accounts	26,528	20,978
2. Placement of securities	190	480
3. Third-party services and products	17,502	18,126
b) Distribution of third-party services:	220,593	255,618
1. Managed accounts	12	2
2. Placement of securities	-	-
3. Third-party services and products	220,581	255,616
TOTAL	264,813	295,202

Subscription and maintenance commissions relating to OICR quotas are contractually regulated through trade agreements with the affiliated companies Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Funds Ltd.

Within the framework of the placement activities without prior subscription or future contract purchase, nor guarantee towards the issuer, as regulated by Italian Law No. 58/98 Consolidation Act on Financial Brokerage, efforts were put in place to promote and sell insurance products and services on the basis of the mandate conferred by the parent company Mediolanum S.p.A..

Commission relating to the sale of insurance policies of the companies Mediolanum Vita S.p.A. and Mediolanum Assicurazioni S.p.A. are broken down as follows:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Life business	151,520	175,296
Non-Life business	4,299	4,513
TOTAL	155,819	179,809

2.3 Breakdown of item 50 “commission expense”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) Guarantees received	-	-
b) Credit Derivatives	-	-
c) Management and brokerage services:	167,084	183,766
1. securities trading	-	-
2. currency trading	-	-
3. Managed accounts:	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	-	18
5. Placement of securities	-	-
6. Distribution of securities, products and services outside head office	167,084	183,748
d) Collection and payment services	1,486	1,179
e) Other services	11,948	10,548
TOTAL	180,518	195,493

Commission expense is analysed and compared with previous year’s values:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Commission on the sale of stocks, shares and securities, products and services	136,263	156,763
Maintenance commissions	30,821	26,985
Other commissions	5,466	4,018
Social Security contributions	2,761	2,364
Indemnity for agency relationship termination quota for the year	2,470	2,395
Sundry allowances settled during the year	2,737	2,968
TOTAL	180,518	195,493

SECTION 3 PROFITS AND LOSSES ON FINANCIAL OPERATIONS

3.1 Breakdown of item 60 “profits (losses) on financial operations ”

<i>Euro in thousands</i>	Securities operations	Currency operations	Other operations
Line items/Operations			
A1. Revaluations	-	-	-
A2. Write-downs	(674)	-	(835)
B. Other profits (losses)	4,922	5,489	-
TOTAL	4,248	5,489	(835)
1. Government bonds	2,603		
2. Other certificates of deposit	1,908		
3. Other equity securities	(263)		
4. Contracts in security derivatives	-		

SECTION 4
ADMINISTRATIVE COSTS

The breakdown of item 80 “Administrative costs” is analysed as follows:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Payroll	25,803	22,809
Purchases of sundry consumables	1,181	1,520
Various consultancy and outsourcing	14,193	16,712
Sales network staff	11,468	15,506
Management personnel seconded from parent and affiliated companies	2,101	2,528
Postal and telephone expenses	5,457	6,177
Taxes other than on income	9,907	8,811
Leases and rentals	3,991	3,449
Insurance	1,186	1,175
IT services	13,861	6,551
Directors’ and Auditors’ remuneration	437	417
Membership fees	313	456
Expenses for maintenance and repairs	4,129	3,644
Other sundry services	12,175	12,674
TOTAL	106,202	102,429

Following is the breakdown of the main items analysed and relevant changes: “Personnel costs”: these costs are detailed in the Income Statement. The increase of 2,993,648 Euro compared to 2001 reflects the increase in corporate staff. Average staff numbers are shown below:

4.1 Average number of employees by category

<i>Unit</i>	31.12.2002	31.12.2001
(a) Managers	18	8
(b) 3 rd and 4 th level managers	29	24
(c) Other employees	595	620

“Various consultancy and outsourcing” relates to the costs incurred for consultancy and services, broken down as follows:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Legal and notary services	1,123	777
IT consultancy	5,027	10,327
Corporate TV technical and professional services	6,441	4,621
other services	1,602	987
TOTAL	14,193	16,712

“Technical and professional services” relates to services provided by the affiliated company Mediolanum Comunicazione S.r.l. for the production of TV programmes broadcast by the corporate TV circuit, aimed at providing training and information to the sales network. This item includes costs of the “Televideo” service provided to customers.

“Sales network staff” comprises the amounts of remuneration to consultants involved in the control, coordination and training of the sales network.

“Supervisory personnel seconded from Group companies” includes the charges that relate to managing personnel by the parent company Mediolanum S.p.A..

The breakdown of “non-income taxes” follows:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Stamp duty	9,812	8,740
Other taxes (property tax, local taxes, other taxes)	95	71
TOTAL	9,907	8,811

“Insurance” relates to the charges incurred for insurance premiums providing coverage against the following risks:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Accidents to financial consultants	415	353
Damage to customers due to illegal acts	712	772
Others	59	50
TOTAL	1,186	1,175

The rise in “IT services” relates to costs incurred to upgrade the IT procedures in order to maintain a high quality level.

“Other sundry services” includes the provision of sundry services, among which are “information provider” costs (3,936,153 Euro), “outsourcing” and temporary work services (2,760,448 Euro), and Stock Exchange CED services (866,378 Euro).

**SECTION 5
ADJUSTMENTS,
WRITE-BACKS AND
PROVISIONS**

Item 100 “Provisions for risks and contingencies” is analysed as follows:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Allowance for dismissed consultants' indemnities	2,321	2,050
Staff loyalty provision	170	143
Provision against agents' illegal acts	1,500	-
Allowance for agents' retirement provisions	509	598
Allocation to sundry provisions	1,539	50
TOTAL	6,039	2,841

The character of the above allowances is discussed in item 80 (c) of the Balance Sheet (see attached).

5.1 Breakdown of item 120 “Write-down of loans and provisions for guarantees and commitments”

<i>Euro in thousands</i>	31.12.2002	31.12.2001
a) write-down of loans	2,656	1,238
of which:		
- lump sum write-down for Country Risk		
- other lump sum write-downs		
b) provisions for guarantees and commitments		
of which:		
- lump sum provisions for Country Risk		
- other lump sum provisions		
TOTAL	2,656	1,238

This item includes provisions to the allowance for doubtful receivables relating to illegal acts by former financial consultants.

This also includes the write-down of “problem loans with doubtful outcome” (276,490 Euro) and the write-down of “credits overdue” (1,311,958 Euro).

6.1 Breakdown of item 70 “other income statement items”

This item is detailed as follows and compared with balances at December 31, 2001:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Recharge of costs to financial consultants	883	220
Recharge of costs to parent and affiliated companies	1,470	484
Recharge of sundry costs to employees	112	85
Recovery of stamp duty/special tax on stock exchange dealings	9,684	8,641
Recharge of sundry costs to customers	17,738	11,920
Other sundry revenues	672	1,606
TOTAL	30,559	22,956

The item “*Recharge of sundry costs to customers*” relates to the fees charged for “account holding”, to the costs charged to current accounts with an average deposit lower than the level established by the bank for relief purposes, and to the fees charged to current account holders operating through the Internet.

Recharge of costs to parent and affiliated companies, along with the other associated economic items are detailed in Attachment 4.

SECTION 6 OTHER INCOME STATEMENT ITEMS

6.2 Breakdown of item 110 “sundry operating expenses”

This item, compared with the previous year’s values, is analysed as follows:

<i>Euro in thousands</i>	31.12.2002	31.12.2001
Advertising and promotion	7,843	11,405
Convention organisation	2,764	1,924
Market research	466	730
Travel expenses	254	175
Entertainment expenses, presents and donations	556	518
Professional training of financial advisors	3,751	3,059
Financial advisor search and selection	117	178
Company canteen	1,132	1,061
Employee training, search and selection	241	275
Other expenses	2,668	1,371
TOTAL	19,792	20,696

The detail of *sundry operating expenses* charged by affiliated companies is provided in Attachment 4.

6.3 Breakdown of item 180 “extraordinary incomes”

This item includes, in particular, non-operating income resulting from indemnities to financial consultants in compliance with the “non-competition” agreement, terminated consensually during the year under review.

It also includes 2,500,000 Euro relating to the settlement of a dispute that arose between Banca Mediolanum and the sellers of Fibanc S.A. shares in relation to doubtful debts of the controlled company Banco de Finanzas e Inversiones S.A..

6.4 Breakdown of item 190 “extraordinary expenses”

This item (958,188 Euro) relates to contingent liabilities, to the systemisation of accounting entries and capital loss on the transfer of corporate assets.

6.5 Breakdown of item 220 “income taxes for the year”

This item relates to the annual tax burden on profit for the year, and the following shows a comparison with the previous year.

<i>Euro in thousands</i>	31.12.2002	31.12.2001
1 Current IRPEG tax [Corporate tax]	49	4,600
Current IRAP tax [Regional manufacturing tax]	1,454	1,705
2 Changes in prepaid IRPEG tax	(2,009)	(1,601)
Changes in prepaid IRAP tax	38	(117)
3 Changes in deferred taxes	2,391	0
4 IRPEG income tax for the year	408	827
IRAP tax on income for the year	1,492	1,588

With reference to the Corporate Income Tax (IRPEG) for the year under review, tax relief was applied pursuant to Italian Law 18/12/1997 No. 466 (DIT) which resulted in a decrease of the above tax of 23,002 Euro.

7.1 Geographic breakdown of revenues

The geographic breakdown in the sales of products and services generating commission income during the period under review is analysed as follows (the percentage data on overall sales is broken down by commercial area):

North-West Italy	31 %
North-East Italy	20 %
Central Italy	36 %
South Italy and the islands	13 %

Profit for the period

Net profit for the period totalled 58,814,703.89 Euro (2001: 6,506,036.16 Euro).

1.1 Payments

The Board of Directors and the Board of Statutory Auditors have 9 and 3 members, respectively. Remuneration for the period totalled 436,697 Euro, broken down as follows:

<i>Euro in thousands</i>	31.12.2002
(a) Directors	328
(b) Statutory Auditors	109

1.2 Loans and guarantees given

As at the date of the drawing up of financial statements, an outstanding amount of 163,501 Euro is due from Mr. Carlos Javier Tusquets Trias de Bes. There are no other outstanding amounts due from directors and auditors, or guarantees issued to the benefit thereof.

SECTION 7
OTHER INCOME
STATEMENT INFORMATION

PART D
OTHER
INFORMATION

SECTION 1
DIRECTORS AND
STATUTORY AUDITORS

Company drawing up the consolidated financial statements of the Group including this company:

2.1 Name:	Mediolanum S.p.A.
2.2 Head office:	Basiglio (MI) - Palazzo Meucci Milano 3

Consolidated financial statements pursuant to Article 24 and 25 of Italian Law 27.01.1992 No. 27

As stated above, Banca Mediolanum S.p.A. has drawn up the consolidated financial statements as at December 31, 2002 including the companies belonging to the Mediolanum Banking Group, as well as directly controlled companies.

Attachments

The following attachments contain ancillary information to those contained in the Notes to the financial statements and constitute an integral part thereof.

- Analysis of changes in intangible fixed assets
- Analysis of changes in tangible fixed assets
- Analysis of changes in shareholders' equity for the years closing as at December 31, 2002 and December 31, 2001
- Statement of profits and costs of parent and affiliated companies
- Reconciliation of cash flows for the years 2002 and 2001
- Reconciliation between theoretical tax liabilities and those accounted for.

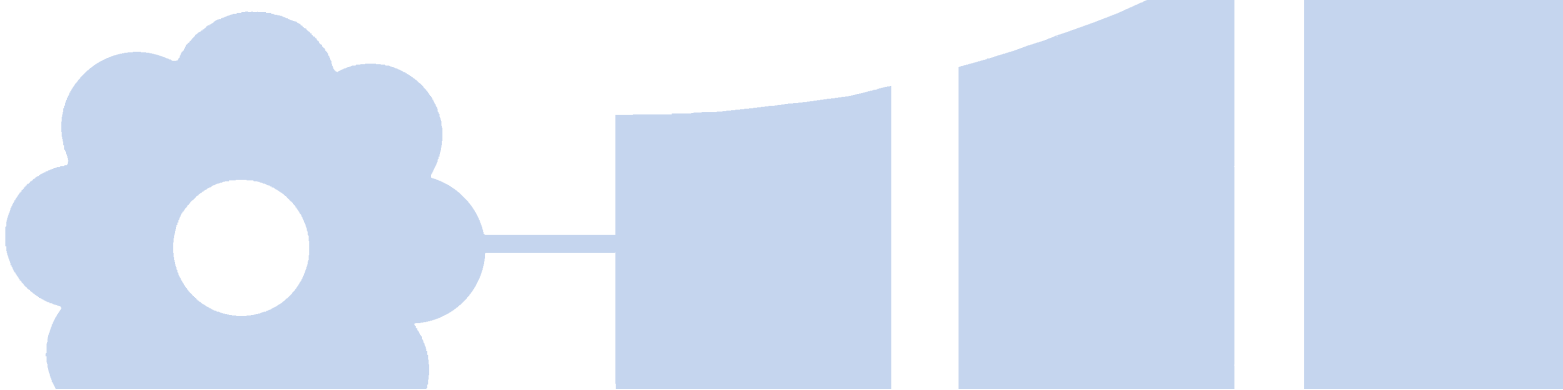
For the Board of Directors

Ennio Doris

Chairman

BANCA MEDIOLANUM S.P.A.

ATTACHMENTS



ATTACHMENT 1

ANALYSIS OF CHANGES IN INTANGIBLE FIXED ASSETS AT DECEMBER 31, 2002

Euro	Opening situation			Additions
	Historic cost	Accum. amortis.	Balance 31.12.2001	
Intangible assets				
Start-up costs	492,449	(449,171)	43,278	353
Incorporation and start-up/goodwill costs	353,218	(353,218)	0	0
Projects	48,686	(28,111)	20,575	0
Multiannual costs to be amortised				
- software	45,185,620	(28,344,051)	16,841,569	8,961,174
- trademarks	106,260	(82,148)	24,112	43,836
- commission on managed accounts	9,356,695	(4,499,877)	4,856,818	2,666,244
- other rights	29,778	(10,355)	19,423	15,002
- improvements on leased goods	1,081,663	(564,976)	516,687	33,140
Assets under construction	7,357,880	0	7,357,880	682,700
TOTAL	64,012,249	(34,331,907)	29,680,342	12,402,449

ATTACHMENT 2

ANALYSIS OF CHANGES IN TANGIBLE FIXED ASSETS AT DECEMBER 31, 2002

Euro	Opening situation			Additions
	Historic cost	Accum. amortis.	Balance 31.12.2001	
Tangible assets				
Buildings	14,835,616	(1,901,716)	12,933,900	54,530
Various equipment with a unit value lower than 516.46 Euro	1,664,905	(703,418)	961,487	163,084
Alarms with a unit value lower than 516.46 Euro	327,155	(327,155)	0	6,604
Other peripherals with a unit value lower than 516.46 Euro	177,026	(96,224)	80,802	46,250
Office furniture with a unit value lower than 516.46 Euro	301	(301)	0	0
Office fittings with a unit value lower than 516.46 Euro	2,158,159	(812,810)	1,345,349	96,823
Computers with a unit value lower than 516.46 Euro	190,844	(190,844)	0	5,954
Other means of transportation	525,115	(203,443)	321,672	66,571
Assets under construction	1,242,143	(1,242,143)	0	9,545
Other means of transportation	869,536	(371,394)	498,142	51,321
Assets under construction	40,699	(40,699)	0	1,127
Computers	21,243,886	(8,153,015)	13,090,871	1,254,354
Assets under construction	607,857	(607,857)	0	26,426
Other means of transportation	149,109	(75,467)	73,642	0
Assets under construction	397,591	0	397,591	0
TOTAL	44,429,942	(14,726,486)	29,703,456	1,782,589

Movements for the period				Closing situation		
Net disposals	Reclassif.	Depreciation	Write-downs	Historic cost	Accum. amortis.	Balance 31.12.2002
0	0	(19,606)	0	492,802	(468,777)	24,025
0	0	0	0	353,218	(353,218)	0
0	0	(7,055)	0	48,686	(35,166)	13,520
0	1,101,341	(13,444,027)	0	55,248,135	(41,788,078)	13,460,057
0	0	(32,177)	0	150,096	(114,325)	35,771
(594,517)	0	(3,393,130)	(594,517)	10,956,974	(7,421,559)	3,535,415
0	0	(8,869)	0	44,780	(19,224)	25,556
0	335,180	(265,595)	0	1,449,983	(830,571)	619,412
0	(6,808,251)	0	0	1,232,329	0	1,232,329
(594,517)	(5,371,730)	(17,170,459)	(594,517)	69,977,003	(51,030,918)	18,946,08

Movements for the period				Closing situation		
Net disposals	Reclassif.	Depreciation	Write-downs	Historic cost	Accum. amortis.	Balance 31.12.2002
0	0	(445,886)		14,890,146	(2,347,602)	12,542,544
0	5,216	(234,515)		1,833,205	(937,933)	895,272
0	2,925	(9,529)		336,684	(336,684)	0
0	6,746	(44,724)		230,022	(140,948)	89,074
0	0	0		301	(301)	0
0	14,264	(497,729)		2,269,246	(1,310,539)	958,707
0	0	(5,954)		196,798	(196,798)	0
1,946	31,428	(69,718)		614,267	(266,260)	348,007
0	224	(9,769)		1,251,912	(1,251,912)	0
50	1,554	(126,215)		920,409	(495,657)	424,752
0	54	(1,181)		41,880	(41,880)	0
2,099	0	(4,070,545)		22,469,345	(12,196,765)	10,272,580
0	0	(26,426)		634,283	(634,283)	0
2,963	0	(29,426)		125,404	(84,152)	41,252
0	(397,591)	0		0	0	0
7,058	(335,180)	(5,571,617)	0	45,813,902	(20,241,714)	25,572,188

ATTACHMENT 3

ANALYSIS OF CHANGES IN SHAREHOLDERS' EQUITY YEARS 2001 2002

<i>Euro</i>	Share capital	Legal reserve	Extraordinary reserve
Balance at 01.01.2001	154,937,070	1,289,253	5,731,303
Resolution of extraordinary meeting of 08.08.2000: Share capital increase of 15.02.2001	38,734,267		-
Resolution of ordinary meeting of 10.04.2001: Distribution of 2000 profits:	-	288,667	5,484,667
Resolution of extraordinary meeting of 10.04.2001: Share capital increase for Euro conversion	1,328,663	-	(1,328,663)
Euro conversion difference			12
Resolution of extraordinary meeting of 08.08.2000: Share capital increase of 15.11.2001	15,000,000		
Resolution of extraordinary meeting of 08.08.2000: Share capital increase of 12.12.2001	31,000,000		
Result for the fiscal year 2001	-	-	-
Balance at 31.12.2001	241,000,000	1,577,920	9,887,319
Resolution of extraordinary meeting of 08.08.2000: share capital increase of 21.03.2002	10,000,000		
Resolution of ordinary meeting of 19.04.2002: Distribution of 2001 profits:		325,302	6,180,734
Resolution of extraordinary meeting of 08.08.2000: Share capital increase of 13.06.2002	8,557,000		
Resolution of extraordinary meeting of 30.08.2002: Share capital increase in kind by granting shares	75,772,112		
Resolution of extraordinary meeting of 11.11.2002: Share capital increase of 18.12.2002			
Results for the fiscal year 2002			
Balance at 31.12.2002	335,329,112	1,903,222	16,068,053

Other reserves Capital contribution	Merger surplus	Result for the fiscal period	Total Shareholders' equity
-	3,185,042	5,773,334	170,916,002
	-	-	38,734,267
-	-	(5,773,334)	0
-	-	-	0
			12
			15,000,000
			31,000,000
-	-	6,506,036	6,506,036
0	3,185,042	6,506,036	262,156,317
			10,000,000
		(6,506,036)	0
			8,557,000
			75,772,112
5,670,888			5,670,888
		58,814,704	58,814,704
5,670,888	3,185,042	58,814,704	420,971,021

ATTACHMENT 4

STATEMENT OF PROFITS AND COSTS TOWARDS PARENT, SUBSIDIARY AND AFFILIATED COMPANIES

Euro in thousands

Company	Profits			Total
	Commission income	Interest	Other operating and extraordinary profits	
<i>Mediolanum Group</i>				
<i>Mediolanum Banking Group</i>				
Parent Company:				
Mediolanum S.p.A.	155,837	0	289	156,126
Controlled Companies:				
Mediolanum Gestione Fondi SGR p.A.	18,362		260	18,623
Banco De Finanzas e Inversiones S.A.		1	259	260
Mediolanum International Funds Ltd	35,199			35,199
Bankhaus August Lenz & Co. AG				0
Mediolanum International S.A.		33		33
Affiliated Companies:				
Mediolanum Vita S.p.A.	96	84	371	551
Partner Time S.p.A.			154	154
Mediolanum State Street SGR p.A.	12		93	105
PI Distribuzione S.r.l.			3	3
Banca Esperia S.p.A.			117	117
Mediolanum International Life Ltd				
Mediolanum Fiduciaria S.p.A.			1	1
Mediolanum Comunicazione S.r.l.			23	23
<i>Fininvest Group</i>				
Affiliated Companies:				
Società Europea Edizioni S.p.A.				0
Alba Servizi Aeroporti S.p.A.				0
Edilnord Gestioni S.p.A.				0
Mondadori Informatica S.p.A.				0
Mondadori Pubblicità S.p.A.				0
Cemit Interactive Media S.p.A.				0
Pagine Italia S.p.A.				0
Arcus Immobiliare S.p.A.				0
Albacom S.p.A.				0
Publitalia '80 S.p.A.				0
<i>Fininvest-Doris Groups</i>				
Affiliated Companies:				
Vacanze Italia S.p.A.			3	3
Mediolanum Assicurazioni S.p.A.			34	34
TOTAL	209,506	118	1,607	211,232

Costs

Administrative expenses	Other operating and extraordinary costs	Interest payable/ other financial costs	Commission income	Total
1,739	13	488	1,096	3,336
158	121			279
		471		471
	19			19
	54			54
				0
593		9,441		10,034
7		109		116
		29		29
		3		3
				0
		2		2
		4		4
5,394	1,090	15		6,499
20				20
3				3
62				62
	1			1
	11			11
39				39
	120			120
7				7
6				6
449		2,977		3,426
				0
624			3	627
9,101	1,429	13,539	1,099	25,168

ATTACHMENT 5

RECONCILIATION OF CASH FLOWS FOR THE YEARS 2002 AND 2001

<i>Euro in thousands</i>	31.12.2002	31.12.2001
SOURCES		
Cash flow from operations for the period:		
Net income for the year	58,815	6,506
Adjustments to items without effect on liquidity:		
Adjustments to tangible and intangible fixed assets	23,337	20,513
Allocations/adjustments to allowance for risks and contingency funds	9,910	6,973
Write-down (increase) of securities portfolio, net	(156,097)	(119,874)
(Increase)/write-down of equity investments	(119,004)	(18,681)
Employee severance indemnities	1,316	1,127
Decrease (increase) of due from banks (other) and loans to customers	72,841	(1,549,819)
Decrease (increase) of other assets and accrued income/prepaid expenses	(42,071)	(30,531)
Increase (decrease) of due to banks and due to customers	708,281	1,522,031
Increase (decrease) of other liabilities and accrued expenses/deferred income	9,159	(7,113)
Cash generated from operations for the period	566,487	(168,868)
Net worth of assets transferred	7	55
Increase in paid-up capital	100,000	84,734
Subordinated liabilities	-	-
Increase in employee severance indemnities for transfer of personnel	282	12
TOTAL SOURCES	666,776	(84,066)
USES OF FUNDS		
Increase in tangible and intangible assets	8,478	21,245
Employee severance indemnities paid during the year	221	246
Utilisation of allowance for risks and contingency funds	6,016	6,172
Dividends paid during the year/reimbursement of subordinated liabilities	10,000	0
TOTAL USES OF FUNDS	24,715	27,663
Increase (decrease) in cash and due from banks repayable on demand	642,061	(111,729)
Cash and due from banks repayable on demand at the beginning of the year	14,789	126,518
Cash and due from banks repayable on demand at the end of the year	656,850	14,789

Euro

31.12.2002

ATTACHMENT 6**RECONCILIATION BETWEEN
THEORETICAL TAX
LIABILITIES AND THOSE
ACCOUNTED FOR
DETERMINATION OF IRPEG
TAXABLE INCOME****DETERMINATION OF IRPEG TAXABLE INCOME**

Profit before taxes	60,715,160.89	
Theoretical fiscal liabilities 36%		21,857,457.92

Fiscal increases

Non-deductible provisions during the year	12,759,734.62	
Non-deductible taxes and costs and/or deductible cash	45,127.94	
Non-deductible amortisation/depreciation	45,664.60	
Sundry non-deductible costs and/or deductible in various years	2,100,719.37	
Extraordinary charges from recalculation of previous years' "prepaid taxes"	11,951.33	
TOTAL FISCAL INCREASES	14,963,197.86	

Fiscal decreases

Utilisation of provisions made and taxed in previous years	7,005,430.52	
Previous years' "cash" deductible taxes and costs	21,685.87	
Previous years' costs deductible in various years	94,232.51	
Other decreases	68,421,706.45	
Total fiscal decreases	(75,543,055.35)	
TAXABLE INCOME	135,303.40	

Irpeg 36%		48,709.22
D.I.T. relief for the current year 17%		(23,001.58)
Irpeg for the current year (net)		25,708.00
Prepaid taxes for the current year		(2,008,905.00)
Deferred taxes for the current year		2,390,753.00
IRPEG FOR THE CURRENT YEAR		407,556.00

Determination of irap taxable income

Value of production	18,695,775.03	
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Fiscal increases

Non-deductible provisions during the year	5,779,590.99	
Non-deductible taxes and/or deductible cash	24,886.18	
Non-deductible amortisation/depreciation	45,664.60	
Sundry non-deductible costs and/or deductible in various years	7,802,981.13	
Total increases	13,653,122.90	

Fiscal decreases

Previous years' taxes and costs deductible as "cash"	19,275.74	
Previous years' costs deductible in various years	94,232.51	
Other decreases	6,938,983.46	
Total fiscal decreases	(7,052,491.71)	
TAXABLE INCOME	25,296,406.22	
Irapi 5.75%		1,454,543.00
Prepaid taxes for the current year		38,358.00
IRAP FOR THE CURRENT YEAR		1,492,901.00

Statutory Auditors' report on the financial statements as at December 31, 2002

FINANCIAL STATEMENTS AND ATTACHMENTS

Dear Shareholders,

In compliance with the provisions of Article 153 of Italian Law February 24, 1998 No. 58, we present, in the usual annual meeting for the approval of the financial statements for the year closed at December 31, 2002, our report on the documents submitted for your examination, and on the activities carried out in accordance with the duties set out in Article 149 of the above Italian Law.

The Financial Statements closed at December 31, 2002, comprise the Balance Sheet, the Income Statement and the Notes to the Financial Statements, as well as Attachments relating to intangible and tangible fixed assets, analysis of changes in Shareholders' equity, economic relations with controlling and affiliated companies, reconciliation of cash flows, reconciliation between theoretical tax liabilities and those accounted for;

- the documents were drawn up in accordance with Italian Law No. 87 of January 27, 1992, and the provisions issued by the Bank of Italy on July 15, 1992, and subsequent amendments;
- we submitted the Financial Statements to the Board of Directors, along with the Directors' Report on the Financial Statement, in compliance with Article 2429 of the Italian Civil Code.

After carrying out all inspections and controls forming part of the Board of Statutory Auditors' commission as an alternative to the Auditing Company, in accordance with the criteria for separation established in the above Italian Law No. 58/98, we can affirm, within the scope of our authority, that the documents drawn up fully satisfy the requirements specified by the Civil Code, the EU Directive 86/635 relating to credit and financial bodies, and the guidelines of the surveillance authorities.

The Directors' Report on operations thoroughly illustrates the situation of the Bank and the companies controlled by it or belonging to the Mediolanum Banking Group, the main events that occurred during or after the closing of the year under review, and general trends in operations and in the various sectors in which the Bank operates.

The Notes to the Financial Statements, further to the information required by the law, include further information and statements that the Board deemed advisable in order to provide a correct and faithful profile of the asset, economic and financial profile of the company.

The Financial Statements were certified, and therefore any opinion relating to the drawing up and contents of the statements and the Notes, as well as to compliance with the applicable accounting principles and a correct description of operations, will be expressed by the Auditing Company, which will provide a report pursuant to Article 156 of Italian Law 58/98.

During a meeting organised for this purpose, we received from the Auditing Company management the results of the checks carried out on the financial statements and consolidated financial statements, from which no particular observations or significant facts emerged.

The Board of Statutory Auditors made extensive reference to the contents of the above documents.

The financial statements submitted to you for approval show a net profit of 58,814,704.= Euro, resulting from the following:

Balance Sheet

Euro in thousands

Total Assets	4,703,584,=
Debts, Funds and other Liabilities	4,282,613,=
Capital and Reserves	362,156,=
Profit for the year	58,815,=
Guarantees and Commitments relating to the Financial Statements	641,957,=

Income Statement

Euro in thousands

Total Revenues	518,572,=
Total Costs	459,757,=
Profit for the year	58,815,=

According to the Board of Statutory Auditors, numerous events occurred in 2002, both from an economic and corporate viewpoint.

During the year, in line with the consolidation policy of the company and the Group headed by it, share capital was increased through both the transfer of interests in the companies Mediolanum Asset Management Ltd, Mediolanum International Funds Ltd, Mediolanum Gestione Fondi SGR p.A. and Mediolanum International S.A, valued at book value for a nominal counter-value of 75,772,112 shares, and by payment in order to attain further

CORPORATE
MANAGEMENT

financial means necessary for the development of the foreign controlled companies. As at today's date, the share capital subscribed and paid-up amounts to 341,000,000,= Euro, as against the amount decided of 371,000,000,= Euro.

The Board of Directors, in the Directors' Report on operations, provides a full profile of the operations of the year under review; moreover, it pointed out that, in spite of the influence of negative trends in financial markets and a very sluggish economy, the individual financial statements show direct inflows of 3,357.0 million Euro, growing 14.8% over the previous year's results; lending almost doubled (218.2 million Euro) and indirect inflows grew over the previous year.

Considering the different configuration of the consolidation area, resulting from the acquisition of new equity interests to strengthen the Mediolanum Group, a comparison with values contained in consolidated financial statements was not possible.

THE SUPERVISORY AND MONITORING ACTIVITY

Pursuant to the provisions in Articles 149 and 153 of the abovementioned Italian Law 58/98, the Board of Statutory Auditors provides the following information:

- we took part in the meetings of the Board of Directors and, as a result, were able to ascertain that the appointed bodies never failed to provide information on operations carried out within the framework of the powers entrusted to them, and that, pursuant to Article 2391 of the Civil Code and Article 136 of Italian Law 1.9.1993, the people concerned invariably pointed out any operation potentially entailing a conflict of interest, and abstained from voting;
- we carried out, in collaboration with the sales network supervisory office, on-site inspections at "Mediolanum Points";
- we enjoyed, through periodical meetings, a fruitful mutual collaboration between the Board of Statutory Auditors and the internal control service, constantly strengthened with new personnel, needed to satisfy the needs of constant operational development ;
- we participated in video-conference meetings with the managers the of the individual areas of the Spanish group Fibanc Inversiones S.A., and verified the constant and gradual implementation of monitoring guidelines in order to synchronise the assessment methods of the parent company and make them suitable for the mutual exchange of news and information;

- throughout the year we carried out formal inspections to ascertain compliance with legislative and by-laws provisions, and we carried out the verifications established by Article 2403 of the Civil Code, in accordance with Italian Law 58/98.

Following the verifications and inspections carried out independently and within the scope of its authority, the Board of Statutory Auditors declares that:

VERIFICATIONS AND DECLARATIONS

- the activities of those managing the company were performed in compliance with the law and powers attributed to it; any decision taken urgently by the people appointed was always examined and approved by the Board;
- the Directors of the Bank informed us about the main operations implemented within the framework of Group relations, and the verifications and inspections performed on controlled companies by the competent surveillance authorities; we have nothing to point out in this respect, with particular reference to atypical or unusual operations or those entailing a potential conflict of interest;
- we have evaluated and supervised the adequacy of the internal control function and its constant strengthening to achieve full efficiency; further, all potentially irregular operations were promptly pointed out to the surveillance authorities;
- the monitoring of the sales network calls for continual investment and IT adjustments in order to prevent any lack of loyalty, or any complaints or actions by the customers.

Regarding the financial statements at December 31, 2002, being submitted for your approval, we can state that:

- the financial statement data are derived from the IT system and corporate accounting, which is carried out regularly and in line with the principles and techniques established by the regulations currently in force;
- the assessment criteria of line items are the same as those applied in the previous year and, for the first time this year, the Board decided to classify, for accounting purposes, part of the securities in the “Non-trading” portfolio section, and to adopt the accrual principle for the accounting of dividends distributed by the companies in which interests are held, in accordance with the guidelines established in Accounting Principle No. 21 of the CNDC [*National Council of Professional Accountants and Bookkeepers*] and in Article

7, point 8 of Italian Law January 27,1992, pertaining to annual and consolidated accounts of Banks and other Financial Institutions;

- provisions for taxes for the year take into account the changes in taxable income specifically fiscal in nature, both for the calculation of the tax burden for the year and the posting, in relation to a possible future usage, of prepaid and deferred taxes;
- the allocation of profit put forward by the Board of Directors complies with legislative and by-law provisions.

CONCLUSION AND
INFORMATION

The Board of Statutory Auditors would therefore like to express its favourable opinion regarding the approval of the Financial Statements, and its agreement with the Directors' proposal regarding the distribution of profits for the year.

Upon the approval of the Financial Statements at December 31, 2002, our term expires and you will therefore be called upon, at a general meeting, to appoint the Board of Statutory Auditors for the three-year period 2003 to 2005.

In conclusion, the Board of Statutory Auditors would like to sincerely thank the Board, Management, Executives, Middle Management and all the Employees for their hard work and praiseworthy commitment and skill.

Milan, April 10, 2003

The Chairman of the Board of Statutory Auditors

Arnaldo Mauri

The Statutory Auditors

Adriano Angeli

Pierfelice Benetti Genolini

AUDITORS' REPORT

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

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

1. We have audited the financial statements of Banca Mediolanum S.p.A. as of and for the year ended December 31, 2002. These financial statements are the responsibility of the Banca Mediolanum S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to the auditors' report dated March 27, 2002, issued by other auditors.

3. In our opinion, the financial statements of Banca Mediolanum S.p.A. comply with the Italian regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of Banca Mediolanum S.p.A. as of December 31, 2002, and the results of its operations for the year then ended.

Milan, Italy
April 8, 2003

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

*Progetto grafico
e consulenza editoriale*

Bridge editore srl
Milano