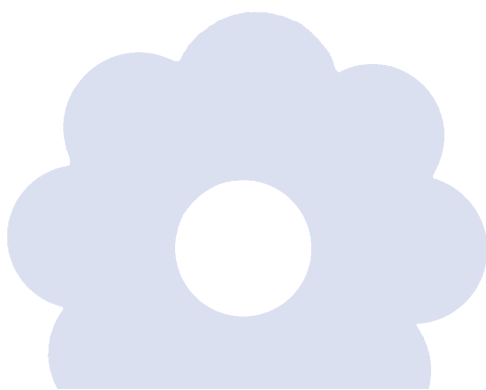


BANCA MEDIOLANUM S.P.A.

***2003
ANNUAL REPORT
AND CONSOLIDATED
ACCOUNTS***



Summary

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The Annual Report and consolidated accounts have been translated from those issued in Italy, from the Italian to English language solely for the convenience of international readers.

BANCA MEDIOLANUM S.P.A.

***FINANCIAL STATEMENTS
AS AT DECEMBER 31,
2003***



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	<p>Ennio Doris Edoardo Lombardi Antonio Maria Penna Luigi Del Fabbro Paolo Gualtieri Giuseppe Lalli Alfio Noto Giovanni Pirovano Angelo Renoldi Paolo Sciumè Javier Tusquets Trias de Bes Carlos</p>	<p>Chairman of the Board of Directors Executive Vice President Deputy Chairman Director Director Director Director Director Director</p>
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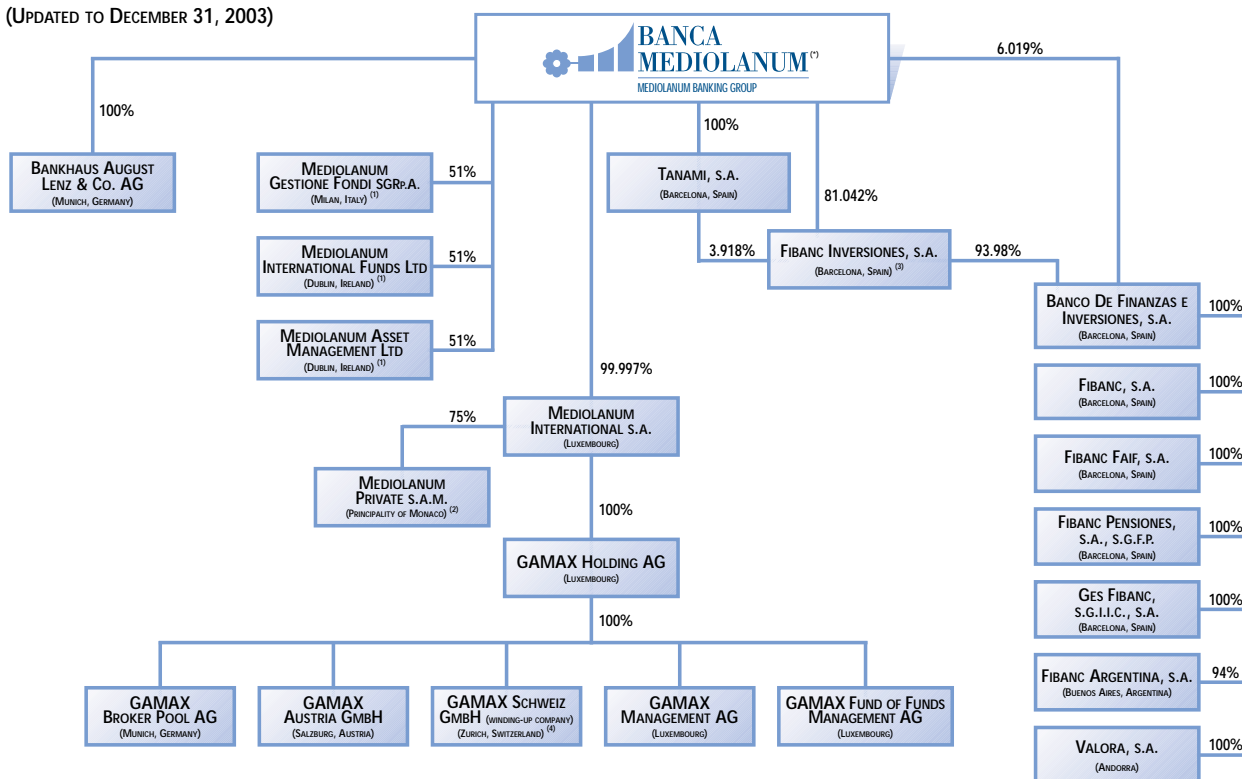
BOARD OF STATUTORY AUDITORS	<p>Arnaldo Mauri Adriano Angeli Pierfelice Benetti Genolini Franco Colombo Francesca Meneghel</p>	<p>Chairman of the Board of Statutory Auditors Statutory Auditor Statutory Auditor Alternate Statutory Auditor Alternate Statutory Auditor</p>
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GENERAL MANAGER Giovanni Pirovano

SECRETARY OF THE BOARD Luca Maria Rovere

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

CORPORATE STRUCTURE (UPDATED TO DECEMBER 31, 2003)



* 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.

(4) Voluntary winding-up has been completed on January 9, 2004.

100% of the company's share capital was represented as proxy by the single shareholder Mediolanum S.p.A., and decided as following:

- Approval of the Report of the Board of Directors on Operations on the financial statements as at December 31, 2003;
- Approval of the financial statements as at December 31, 2003;
- Allocation of operating profit of 45,009,765.22 Euro as follow:
 - 34,441,000.00 Euro as distribution of dividends;
 - 2,250,488.26 Euro, equal to 5%, to the legal reserve;
 - 8,318,276.96 Euro to the extraordinary reserve.

**SUMMARY
OF DECISION**

Directors' report on financial statements at December 31, 2003

Dear Shareholders,

The year 2003 closed for your Bank with a profit of 45,009,765 Euro (58,814,704 Euro in 2002), after adjustments to the value of financial assets for 40,485,547 Euro.

2003 was characterised by a contrasting economic context, where general growth in Stock Exchange prices and a slow decline in interest rates – hitting their lowest point in over 50 years – were counterbalanced by European economies far from registering a strong recovery, and particularly by the significant loss of value suffered by the dollar vis-à-vis other currencies – first of all, the Euro – that generated further difficulties for the countries of this area. Financial markets were particularly hit by this two-faceted situation, which also reduced Italians' propensity to save since their incomes lost purchasing power.

In spite of this scenario, your Bank managed to maintain its pace of growth, both in terms of net inflows from the products placed, and in terms of revenues. In particular, interest margins increased by 158.4%, reaching a total of 46.0 million Euro (2002: 17.8 million Euro), thanks to measures intended to align current rates to the best competitors' offer, as well as to a fruitful management of profit-bearing banking activities, mainly consisting of lending on the interbank market and a Government securities portfolio. The high level of profit margin relating to financial transactions was unchanged (8.9 million Euro, equal to the 2002 value), generated from trading operations on the proprietary bond portfolio. Commission income grew 7.7%, reaching 285.2 million Euro (2002: 264.8 million Euro), whereas commissions paid, mainly due to remuneration of the sales network, fell by 1.3%, reaching 178.1 million Euro (2002: 180.5 million Euro). Brokerage margin reached 227.9 million Euro, a 28.4% rise over 2002 (177.5 million Euro).

During 2003, the number of Bank employees increased, passing from 646 at 31.12.2002 to 839 at 31.12.2003. This resulted from ongoing efforts to strengthen the headquarters' organisation and offices, partly related to the activities of co-ordination and management of the Mediolanum Banking Group, previously carried out by other companies, in particular by the parent company Mediolanum S.p.A., entailing higher personnel costs, bringing total

expenditure to 36.6 million Euro (2002: 25.8 million Euro). Other administrative expenses fell to 78.3 million Euro (2002: 80.4 million Euro), testifying to the continuous actions undertaken to reduce expenditure and obtain production savings.

During 2003, considerable resources were destined to the development of projects undertaken by the two foreign banks Banco de Finanzas e Inversiones S.A. in Spain, and Bankhaus August Lenz & Co. AG. in Germany. The Spanish bank closed the year with a profit, managing customers' assets for 1,942.0 million Euro (1,788.0 million Euro at 31.12.2002), whereas the German bank, still in the start-up phase, registered inflows from customers for 73.8 million Euro at year end (0.6 million Euro at 31.12.2002).

As at December 31, 2003, the Mediolanum Banking Group, headed by your Company, was unchanged in its structure.

**THE MEDIOLANUM
BANKING GROUP**

The macroeconomic and financial scenario of 2003 featured sharp contrasts: the Iraq war, the outbreak of SARS, the crash of important companies, and international terrorism. Nonetheless, there are symptoms inspiring optimism and hopes for a better 2004 (the economic recovery in the United States, reduced international tensions, the monetary stability at a systemic level). Stock Exchanges, forerunners of economic cycles by their very nature, highlighted this outlook with significant bullish trends that differed depending on the markets.

**THE REFERENCE
MARKET**

From a real perspective, the signs suggesting a recovery in growth in the United States are numerous, univocal and consistent. Especially during the second half-year, indicators were once again positive, registering increases in the value of both products and productivity which were unseen for a long time. The trend in employment is the only one to suffer, lagging behind economic recovery. This is an item to be looked at attentively, not only for its social consequences, but also because failure to redistribute the higher incomes throughout the working class will result in there being no adequate recovery of consumption. Therefore, the trend in demand still depends on the public support provided, strongly impacted last year by the war.

The role of Federal expenditure relates to a crucial question strongly influencing the outlook of a healthy and long-lasting recovery in the United

States: the so-called “twin deficits”. The public deficit and that of the balance of payments are in danger of generating a critical scenario for the U.S. economy, that is already apparent in the weakness of the dollar (which lost over 20% of its value against the Euro during 2003). Far from being a source of anxiety, for the time being, the currency depreciation is considered desirable by U.S. authorities, considering the competitive advantage that its goods can exploit both on internal and external markets. Yet, experience suggests that such benefits may generate undesired secondary effects, such as triggering an inflationary process. The trends in prices would nonetheless seem totally under control, in spite of the monetary lever being tilted towards expansion. On the other hand, since Presidential elections will take place at the end of 2004, a restrictive currency and monetary policy stance is not expected, at least until the appointment of the new President, or the confirmation of the current one.

It is not clear yet if the rest of the world – and Europe, in particular – is benefiting from the United States’ development. Japan went through a year of significant and encouraging recovery (a GDP increase of +2.6%), which is undoubtedly characterised by the strong production dynamics of the whole Asiatic region which, in its turn, is connected to the American monetary policy, the Chinese currency being pegged to the dollar. Also in the case of Japan, the Stock Exchange underlined the upturn in the economic trend (with the Nikkei 225 index registering +24.45%), and this significantly benefited the bank system which, thanks to a revaluation of equity investments, finally went through a period of serenity and recovery after the dramatic years of constant, widespread crises. Merit is due to the Tokyo authorities for being able to sustain the financial system throughout the longest series of recessions of the modern age, limiting the damage as much as possible.

Going back to Europe, the contrast between the role of driving force that the U.S. economy could play and the curbing effect of the high rate of exchange with the dollar is quite evident – an unusual and undesired effect at the same time. We have seen a curious phenomenon taking place, with the European Central Bank and the U.S. one inverting their role in terms of rates: in the past it was Frankfurt to imitate Washington, whereas in the second half-year 2003, the position switched. This singular downward rush brought U.S. interest rates to their lowest level in more than 40 years and, judging from their yield curve, an increase would not seem likely in the near future.

Europe is facing two main economic questions: sluggish recovery and the public deficit of some countries. As would be expected, these phenomena are related and explained by the incapability of the “Old Continent” – a particularly appropriate expression in this case! – to introduce the structural reforms that would make it possible to spur development and to limit public expenditure, especially with reference to the welfare component. The Stability and Growth Pact would seem to be tacitly suppressed or suspended, in the light of the failure to sanction France and Germany for exceeding the budget deficit limits. Those who complained about the absence of a political dimension in the management of the process of monetary unification will see that, in the latest periods, its weight was not negligible. In any case, the macroeconomic scenario is rather difficult, considering the lack of a recovery impulse and of the driving force of the American “locomotive”, at least as long as the dollar is exchanged with the Euro at such low rates.

In Italy, the macroeconomic context is also influenced by the real trend of inflation. This problem is highlighted in particular by consumers, complaining that officially registered data do not correspond to the real trends in the cost of living and, even more so, that a decline in their purchasing power, even if slight, has a significant impact on low-level fixed incomes, such as the salaries of unqualified workers and pensions. This theme, at this point, goes well beyond the merely technical level to become a social and political one, producing significant consequences on the economic manoeuvres of the Government.

The best news for 2003 came from financial markets. The rise in Stock Exchange prices was remarkable, especially in those countries where recovery is under way, like the United States, (+50.01% of the Nasdaq Composite index), or in the countries such as Germany, where the penalisation of rates had been more marked (+37.08% of the Dax 30 index). Bond markets produced significant returns, but solely for the capital gain component, having benefited from the declining interest rates, whereas the dividend yield was reduced to minimum levels. Savers gradually went back to considering financial investments, thus reducing once again – though to a modest extent – their reserves in liquidity, and providing new blood to both the stock and bond markets.

During the first nine months of 2003 – the period of reference of the latest data issued by Banca d'Italia on the financial accounts of Italians – financial household savings grew compared to the same period in the previous year. The volume of household assets increased by 65 billion Euro, equal to 4.7% of GDP – a good result, compared to 3.5% registered in 2002. The volume of financial liabilities, on the contrary, notably rose due to the ongoing expansion of investments in housing relying on home loans.

In the first-year, due to constantly declining yields, Italian households partly reallocated their financial savings, privileging mutual funds to the detriment of government securities, both short and long-term. Medium and long-term government securities - accounting for 26 billion new assets of Italian households in the first half-year 2002 – registered a negative trend in the same period of 2003, with 11.1 billion Euro. This decrease - along with the fall in liquid assets, deposits and short-term securities - contributed to the stream of 16.5 billion Euro channelled towards mutual funds, and to that of 19.6 billion Euro allocated to managed savings instruments (mainly insurance policies and pension funds). The fact that also the stream of stock investments regained ground (3.3 billion Euro) seems to suggest that Italian households are now willing to re-balance their financial portfolio, after having fled for three years towards fixed-income securities.

The reallocation of Italian households' savings revitalised the asset management sector, which was penalised in 2002 by the ongoing decline in stock markets. During 2003, net inflows from mutual funds managed by Italian brokers registered positive results, for a total amount of 25.1 billion Euro. Net inflows were driven during the first half-year by subscription of O.I.C.R. quotas (savings and collective investment undertakings) in bonds and liquidity, while the second half-year saw a major contribution from equity funds, thanks to a regained appeal of stock markets.

The banking system suffered from its difficult operating conditions. The growth of both inflows and lending was physiological, with an increase in customer's deposits of 6.25%, very similar to the lending figure (+6.10%). Investors' tendency to liquidity registered a slight decline, even though it does

not account yet for the consequences of a probable dwindling interest of savers for financial instruments following on the Parmalat crisis. As far as lending is concerned, the most dynamic element was, once again, loans to the house building sector, since the demand of funds to support corporate investments was moderate, as was that related to current needs.

Profit and loss accounts managed to preserve their interest margin thanks to an increase in volumes, compensating a further decrease in spread, but even more so, thanks to revenues from services, benefiting from price manoeuvres generally implemented by the banks. The increase in bank charges and transaction services made consumers react, especially considering the very low returns on deposits. This prevented the full utilisation of this lever, whose beneficial effects on the financial statements shall anyway be felt. In general, the focus constantly placed on the dynamics of costs and the initiatives intended to consolidate the banking system, made it possible to reduce the portion of the result allocated to paying for productive resources, particularly staff. All this, along with the physiological dynamics of outstanding credits, would have enabled the system to close the year with better results over the previous one, nonetheless, it is necessary to verify to what extent the adjustment for the Parmalat effect will influence the final results. The Governor of the Bank of Italy rightly pointed out that this financial crash, though with high impact, will not jeopardise the stability of the banking system; however, it will have an influence on the economic results of banks, obviously to different extents.

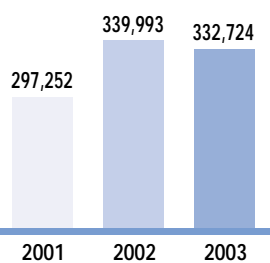
Will a 2003 of contrasts be followed by a serene 2004? The elements that raise hope seem to prevail over the looming clouds. An economic recovery without inflation, the exchange rate stabilisation, the clearing up of international tensions, would all finally suggest a fully positive period. Nonetheless, recent experience is teaching us that crisis factors are often unforeseeable, and can appear suddenly. The task of entrepreneurs – and among them, bankers – is that of not being intimidated by difficulties, both known and unknown, and lead their companies with resolve, pursuing the interest of shareholders, customers and collective well-being.

INFORMATION ON OPERATIONS

2003 was a year of consolidation for your company, with reference to both its presence on the Italian market and to the development in foreign ones, with the penetration of the Spanish and German markets. The main operating and organisational aspects are illustrated hereinafter.

THE CUSTOMERS

NUMBER OF CURRENT ACCOUNTS

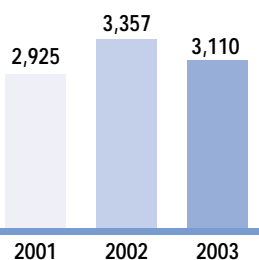


There were 917,700 customers at year end, including current account holders and customers holding mutual funds or insurance policies placed by Banca Mediolanum (2002: 905,000).

As at December 31, 2003, as a consequence of careful monitoring of scarcely utilised accounts, current accounts fell to 332,724 (2002: 339,993) corresponding to 457,300 account holders. The percentage of current account holders as against the total number of customers is almost 50%, confirming a higher level of customer loyalty and assets, and the extensive and complete utilisation of banking services by customers. The increased number of customers also relates to numerous, differentiated advertising campaigns, in newspapers and magazines, radio and TV. The Bank sponsored the *Maglia Verde* ("green shirt") in the *Giro d'Italia 2003* cycle race, obtaining a significant return in terms of image and contracts with new customers.

INFLOWS

DIRECT INFLOWS
(Euro millions)



Inflows from customers were down compared to the previous year: 3,109.6 million Euro at 31.12.2003 against 3,357.0 million Euro at 31.12.2002 (-7.4%).

This decrease relates to two factors: the redefinition of remuneration parameters at conditions less favourable than the promotional policies of the previous years – but still in line with the best market conditions – and, even more so, the significant impulse to the sale of managed savings products with a high yield and a limited duration, which better satisfy the liquidity and profitability requirements. The only form of direct bank inflows was the liquidity in current accounts with residential customers or, to a lesser extent, repurchase agreements operations.

The bank continued to support its customers investing their assets in Group products also lendingwise, by liquidity or signing facilities and personal loans up to 5 years. These loans are always guaranteed by the personal assets of customer deposited at the bank.

Apart from lending to private individuals, the Bank participated in pool loans granted to financial companies belonging to primary banking and insurance groups for a total of 121.3 million Euro (31.12.2002: 83.8 million Euro).

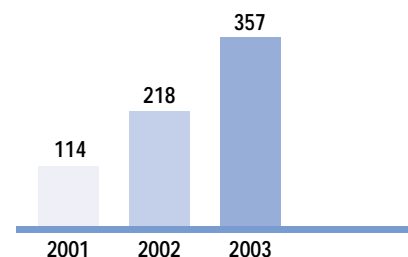
Lending to customers, private individuals and financial institutions totalled 356.4 million Euro at 31.12.2003, a 63.3% increase over the previous year (31.12.2002: 218.2 million Euro).

In 2003, Banca Mediolanum placed more interest and devoted more resources, in the context of global consultancy to households, to the home loans sector. The number of financial advisors was increased thanks to specific intervention on the network and, even more so, the processes for an effective management of these practices were enhanced, still within the framework of the distribution agreement with the Italian branch of Abbey National Bank Plc.. As a consequence, the total amount of home loans placed in 2003 leapt to 304.9 million Euro (31.12.2002: 198.9 million Euro). The average amount of home loans is in the region of 100,000 Euro, with an average duration of 23 years.

Since the beginning of the relationship with Abbey National Bank, dating back to 1998, home loans were placed for an overall value of 933.4 million Euro. At the end of 2003, the residual capital of home loans placed by your bank amounted to 736.4 Euro (453.8 million Euro at 31.12.2002). During 2003, a project was created for directly issuing home loans by Banca Mediolanum, to be started in the second four-month period 2004.

LENDING

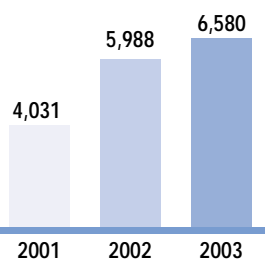
LENDING TO CUSTOMERS
(Euro millions)



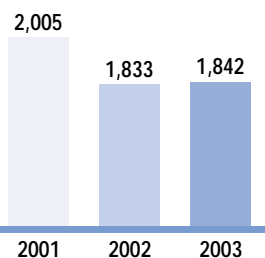
HOME LOANS

INDIRECT INFLOWS AND MANAGED ACCOUNTS/MANAGED ACCOUNTS IN FUND UNITS

INDIRECT INFLOWS
(Euro millions)



MANAGED ACCOUNTS IN FUNDS UNITS
(Euro millions)



THE PLACING OF FINANCIAL AND INSURANCE PRODUCTS

The analysis of trends in indirect inflows and managed accounts products must take into account the trends in the financial markets scenario, as well as the strategies of the bank.

Indirect inflows (securities custody and administration, excluding managed accounts in funds units), valued at market prices at the end of the year, rose to 6,580.4 million Euro (2002: 5,987.8 million Euro), with an increase of 10.1%. This figure includes 1,836.1 million Euro relating to retail customers (2002: 1,900.6 Euro).

This figure includes managed accounts of 37.5 million Euro (44.9 million Euro at the end of 2002).

Managed accounts in fund units (that utilise only OICR – savings and collective investment undertakings – of companies belonging to the Mediolanum Banking Group) totalled 1,841.5 million Euro (1,833.1 million Euro at the end of 2002).

As of October 20, 2003, Banca Mediolanum, within the framework of a plan rationalising asset management activities within the banking group, delegated operations to the controlled company Mediolanum Gestione Fondi SGR with reference to the asset management contracts (managed accounts/managed accounts in fund units) of customers with the bank itself.

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 1,619.8 million Euro (2,246.1 million Euro in 2002). Net inflows totalled 444.7 million Euro (557.5 million Euro in 2002).

During the year, a new service was introduced: “Sistema Mediolanum Elite”, a fund of funds of the main international management companies.

The capacity to penetrate the market in the pension and insurance business was yet again confirmed, with the launch of renewed products and services (Europension e My Pension).

The sales volumes of index-linked policies with guaranteed capital remained high.

In 2003, total Life inflows were 2,062.3 million Euro (2002: 2,123.0 million Euro).

New business amounted to 1,282.2 million Euro (1,413.7 million Euro in 2002). Deferred annuities and recurring premiums totalled 107.4 million Euro (2002: 130.5 million Euro).

The trends in financial markets during 2003 were two-faceted. During the first part of the year – the period of the Iraq war – they were characterised by a strong volatility and a decline in stock prices, in line with the downward trend of the last three years. As a consequence, in this period, global bond markets would hit their highest point, also due to substantial capital movements aiming at safer asset allocations.

Stock prices started to rise in May, driven by the American markets in which the expectations of corporate profit growth, also thanks to the significant devaluation of the dollar, adjusted analysts' estimates upwards.

The sectors that benefited most from these expectations were those of cyclical goods, along with the financial and the banking sectors, which had strongly suffered from the impact of the bankruptcy of important groups, and that of technology which, after years of plummeting and draconian corporate restructurings, revived its expectations linked to the primary cycle of industrial investments.

The European bond market was positively influenced by the strong rate of exchange, with no particular expectations of shifts in interest rates in the short period. The Eurobonds market continued to grow, especially in the first part of the year, pushing the spreads of return against the free risk curve towards excessive contraction.

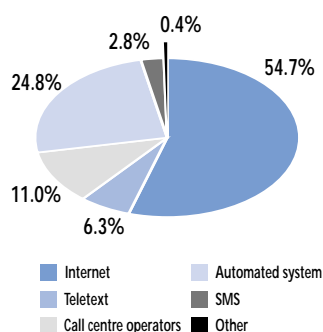
In this context, retail orders negotiated on the Italian markets totalled 707,014 in 2003 (2002: 1,002,750), thus a 29% decrease.

Overall transactions on the Italian stock exchange market totalled 14,199 million Euro (2002: 13,061 million Euro), a 9% increase.

Retail orders negotiated on foreign markets noticeably increased, reaching 16,000 (2002: 14,059), for an overall worth of 129.0 million Euro (2002: 90.9 million Euro).

The primary market sector was slowed considerably by the negative market influence, that discouraged new placements. In this area, Banca Mediolanum participated in 4 placements on the market, 4 guarantee consortia associated to share capital increases of listed companies, and 2 consortia for the placement of debenture loans.

MULTICHANNEL APPROACH, CALL CENTER AND THE INTERNET



2003 was a year of consolidation of the Internet services and the Call Centre, fully utilised and appreciated by the customers as Direct Channels, in synergy with the multi-channel bank model.

As a matter of fact, customers who viewed their own data and operate through direct channels increased in 2003, while those using the Call Centre decreased, to the advantage of the Internet function. In 2003, customers made over 10 million contacts (+8% over 2002), with access to the Banca Mediolanum site increasing by over 16%. Data clearly indicate that, at the present date, over 80% of Direct Channel contacts take place through automated systems (the Internet and the VRU automatic answering system).

Also the transactions (excluding Trading operations) registered in 2003 (+22% over 2002) follow the same trend of customers and contacts, highlighting a growth in transactions through the Internet of almost 45% compared to the previous year. This trend is due to the considerable expansion of the range of the online services launched at the end of 2002, and to the constant growth in the number of bank transfers/giro transactions that can be made through the two channels.

In particular, 12% of online transactions concerns the recharge mobile phones (a service which is also available through the Call Centre) and the payment of taxes on line (F24 form, F23 form, ICI-Property tax, Refuse collection rates, Notices and tax bills, RAI television licences).

Moreover, during 2003, further customer services were introduced, such as: the payment of Mav and Rav notes, and additional payments to managed accounts and managed accounts in fund units products.

In line with this trend, the number of customers who have carried out at least one transaction relating to banking services through the website rose steadily throughout 2003. Also the data regarding the Call Centre activity confirm customers' preference for automatic services for the most frequent standard operations; the Call Centre being utilized for specific requests, more complex and of high added value.

As for information services provided to customers, starting from April 2003 it is possible to view online, on the Bank website, the main communication regarding the banking products subscribed. This new service was utilised by approximately 24,500 customers during the year.

Starting from November 2003, a new package of information services via text messages was started (salary payment notice, money transfer confirmation and confirmation of bank transfer threshold limit). Further to the primary function carried out by Direct Channels for customers' access, also the website and the Call Centre played the role of promotional channels in 2003.

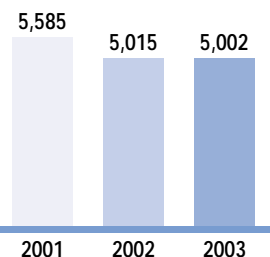
The website promoted the bank communication campaigns through links, references and images on its Home Page, it stimulated the use of new online services through targeted communications and channelled new prospects towards the Sales Network by means of innovative initiatives (The *Giro d'Italia* Contest, a Campaign for the recruitment of Global Advisors, the project "find the recipe for investing").

The Call Centre, further to contributing to these initiatives by providing commercial information relating to media advertising, was also engaged in an outbound promotional activity related to specific products (e.g., PAC policies, My Pension).

2003 was characterised by intense renewal efforts, involving in particular the website. During the year, the website restyling project was started, which resulted in the presentation, in March 2004, of the new version of the Banca Mediolanum Website. The main innovations, apart from the new graphic layout, concern the re-organisation of information and transaction contents into five macro-areas, the navigation with three-level menus, the introduction of new "educational" areas and of a search engine.

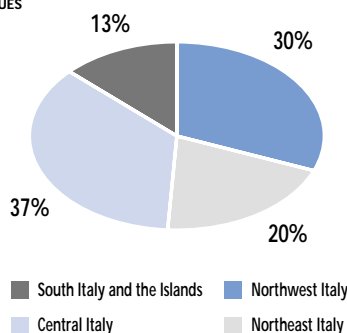
THE SALES NETWORK

NUMBER OF FINANCIAL ADVISORS



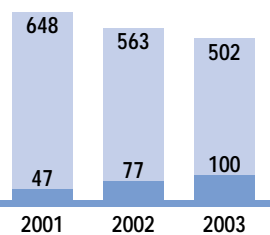
The number of financial consultants remained stable in spite of the difficult market context, which was characterised by a series of reorganisations and transfers of ownership in competitors' structures. The overall number of global advisors totalled 5,002 (5,015 in 2002), with a lower turnover than in the previous year, confirming the significant loyalty of Banca Mediolanum's sales network. Of these, the number of financial advisors – that is, those with high-profile professional qualifications and seniority – passed from 4,114 at the end of 2002 to 4,052 at the end of 2003, while the number of insurance agents (those with few months of experience) slightly increased: from 901 at the end of 2002 to 950 at the end of 2003, partly thanks to a targeted recruitment campaign among young graduates and holders of a diploma with a keen potential to embrace the profession of financial advisors.

GEOGRAPHICAL BREAKDOWN OF REVENUES



MEDIOLANUM POINTS

MEDIOLANUM POINTS AND FINANCIAL ADVISORS' OFFICES



Financial advisors' offices
Mediolanum Points

The Bank continued to strengthen its presence through the opening of Mediolanum Points which brought the total to 100 at December 31, 2003 (they were 77 at the end of 2002). The opening of new Mediolanum Points will continue during 2004, in line with the multiyear plan established. These offices, all on the ground floor, in city-centre buildings in the main cities, have a standardised layout and are evenly spread throughout all Italian regions. The total number of licensed financial advisors at the end of 2003 (including the aforementioned Punto Mediolanum) was 602 (640 at the end of 2002). The slight decrease results from the rationalisation of the office presence over the Italian territory.

NETWORK TRAINING AND OPERATING STRUCTURE

In 2003, an IT platform was introduced for training purposes, going under the name of MED CAMPUS, with a view to filing and monitoring the network members since their entry into the structure, following their training path, and registering their results, both in terms of remote training activities and traditional courses. Thanks to this instrument, it was possible to connect the career paths to the actual training activities and to the passing of examinations at the end of each learning cycle.

The synergy with satellite TV channels continued and developed – both the encrypt channel utilised for information purposes and for the training of the sales network, and the traditional channel available to the whole Mediolanum community, with the strengthening of the training contents disseminated through this instrument. Thanks to technology, it is now possible to connect the Corporate TV – thanks to a satellite modem and a dedicated software – directly to the laptop computers of financial advisors, who can thus view it whenever and wherever they are.

The corporate Intranet website was further enriched, and registered 1,690,505 “hits” on the pages provided with a meter, and 25,876 accesses during the year.

The traditional courses held at the two training centres of Tabiano (Parma) and Pomezia (Rome) were also enhanced: classroom days totalled 31,200, with a 27% increase over 2002.

During 2003, 719 Banca Mediolanum applicants participated in the three test sessions of qualifying exams for Financial advisor; 44.08% of applicants passed both the oral and written tests. Considering that the national average is 27.32%, this confirms the validity of the training approach of the Bank.

During 2003, Banca Mediolanum staff developed as follows:

<i>Units</i>	31.12.2002	31.12.2003	change	% on total	average age
Managers	19	43	+24	5.1	45
Executive middle managers	29	88	+59	10.5	38
Personnel	598	708	+110	84.4	31
TOTAL	646	839	+193	100.0	32.5

HUMAN RESOURCES

The increase of 193 people over last year results from this year’s introduction into the Bank, following the expansion of the Mediolanum Banking Group that occurred in the last four-month period of 2002, of human resources –

carrying out co-ordination and management, as well as administrative tasks, who were previously allocated to the different companies of the group headed by Mediolanum S.p.A.. Constant training was provided both internally and externally, with reference to technical and financial subjects, but also communication with the customers, team building capabilities, team problem solving; the learning of foreign languages was also emphasised (English, German and Spanish) in order to ensure a better interaction with the staff of foreign controlled companies.

The corporate job rotation policy was consolidated, both within the parent company and between the latter and its controlled companies, including foreign ones, which enables the staff of the Bank to gain experience that completes and enhances their profile and promote their professional growth. Women account for 59% of total employees. Graduates are 30% of staff, holders of a diploma 70%.

THE AUDITING AND NETWORK MONITORING ACTIVITY

The structure within the Internal Auditing and Network Monitoring functions was further strengthened in 2003, bringing the total number to 29 individuals at December 31, 2003 (26 at December 31, 2002).

The Internal Auditing function carried out, during the year, a careful and in-depth auditing on the Bank, both in quantitative and qualitative terms, with particular emphasis on investment services. Also controlled companies, that do not have an independent internal monitoring function (Mediolanum Gestione Fondi SGR, Mediolanum Private S.A.M.), but that rely upon the Internal Auditing support provided by Banca Mediolanum, were subject to an audit of compliance with internal rules and regulations currently in force. Moreover, regarding the guidance and supervisory tasks entrusted to Banca Mediolanum's Internal Auditing Office in relation to controlled companies, which have an internal control function of their own (Fibanc Group, Bankhaus August Lenz, Gamax Group, Mediolanum International Funds and Mediolanum Asset Management), controls were carried out targeting specific areas of activities, also through inspections on site and videoconferences.

The inspection activity carried out by the Network Monitoring function was intensified through on-site inspections and remote monitoring based on

abnormality indexes and specific signalling of unprofessional conduct by financial advisors. After due inspections, abnormalities were removed and, if necessary, the operators involved were subject to sanctions or removed from office. A policy covering any illegal acts by the sales network was also renewed in 2003 to enhance Bank protection. The Network Monitoring Office coordinated similar control functions on the Spanish and German sales networks. An insurance policy covering any illegal acts by the sales network was also stipulated in relation to the two foreign controlled banks.

During 2003, 1,043 written complaints were received (2002: 1,028), a figure basically in line with that of last year. The analysis of the kind of written complaints received did not highlight any specific problems in terms of organisation, procedure and behaviour liable to be communicated to the Board of Directors or the Board of Statutory Auditors. Special emphasis was put on solving the problems of customers expressed through the Internet channel and the Call Centre. These complaints - though limited in number considering the functionality and overall number of customers of the Bank - led the Bank to introduce more stringent controls over the adequacy of operations and their consistency with the investment objectives declared by the customer.

As regards the cases of defaulting on loans by certain Italian companies during 2003, we wish to point out that your Bank has never held any credit with these companies, nor did it participate in the placing of any of their bonds.

The Bank relies on a particularly articulated and accurate organisation regarding the management and prevention of money laundering, which involves various subjects and players: the Board of Directors and the Board of Statutory Auditors, the Anti-Money Laundering Committee, the Anti-Money Laundering Control Sector, the Internal Control function and other functions providing organisational, technical and IT support. Special emphasis was also put on the training provided in this respect to the headquarters' staff and the sales network.

ORGANISATION AND PRODUCTION PROCESSES

During 2003, new services were developed and existing ones were enhanced, to the benefit of both customers and the sales network; furthermore, new products intended to improve internal efficiency and optimise head office processes were also designed.

The most significant projects are illustrated hereinafter.

The multi-channel technological and application platform, representing the most significant strategic element of the Banca Mediolanum Information System, was the object of further investments aimed at completing the technological reengineering of the Internet channel, restyling the site – to improve the communication, completeness and usability aspects - and starting up the project of technological and functional reengineering of the Call Centre Channel.

The project “One Shot”, introduced in 2002 to enhance the level of service to customers and operating efficiency, was subject to the redesigning of some processes, entailing the transfer to the front office of some procedural steps previously performed by the back office. Moreover, the workflow systems governing the management, monitoring and fulfilment of requests by customers and financial advisors were also enhanced.

Within the framework of IT activities intended for the Sales Network, the “Network Portal” was set up – a common environment with extranet access and with the functions of a single sign-on for the services made available to financial advisors, with a clear indication of the network hierarchical levels. In particular, starting from 2004, all financial advisors can find reports and the “electronic commission”, whereas the minority of agents without a laptop will have available their own portfolio data online, the contracts uploaded and the mail, replacing the previous agency desktop system.

The Corporate TV addressing Global Advisors underwent a radical technological renewal, passing from traditional encrypt satellite broadcasting through an external provider, to digital broadcasting accessible through satellite modem directly on one’s laptop computer – a development that was implemented utilising existing infrastructures. In the governance systems area, a new integrated Planning and Control system was introduced which, consolidating the data coming from commercial systems and the product

systems, will be able to provide the company with timely, consistent and certified information supporting the decision-making processes. The project, named “Mistral”, will be completed during 2004.

The organisational activity regarding the development, consolidation and optimisation of corporate processes mainly concerned the following aspects: the continuation of the activity of tuning and consolidation of the Securities Area operations, ensuing from the adoption of a new CAD procedure introduced in 2002 at the outsourcer Cedacri; in this area, during the first half-year, procedures were completed for the enrolment of the Bank as a “Direct member of the Clearing House”.

The completion of activities associated to the introduction of innovations in the payment and transaction systems scenario, as well as the relevant interbank procedures, such as Swiftnet, EXPRESS II and BIREL - the latter function to be enabled in April 2004.

The completion, within the framework of the Payment and Collection Services, of the project concerning the introduction of “RID receivables”, at the same time as the internalisation process, at the Bank, of the presentation of collection orders of controlled and affiliated companies.

The completing of the project for online control of the current account balance available, for all the operations carried out in Italy using Debit Cards issued by the bank, usable on the Bancomat and Pagobancomat circuits (OliBancomat ed OliPagobancomat), with a reduction of the risk connected to the use of these instruments.

The completion of the project of “dematerialisation” of the main documents sent to customers, with the introduction of the option of receiving them in an electronic format, and on a hard support through the Banca Mediolanum website; at the same time, the project regarding the optical historic registration of documents was also completed.

The start-up of operations in the Credit area to automate the investigation, evaluation and allocation of loans, with a view to enabling financial advisors to know in advance the acceptability of the credit requests. The actions undertaken also include a redesigning of the distribution structure and of the relevant processes, as well as the realisation of an information Portal specially intended for home loans.

With reference to the deliberation of CICR of March 4, 2003 pertaining to the “Discipline of transparency of contractual conditions of banking and financial operations and services”, as well as to the following provision issued by the Governor of the Bank of Italy, Banca Mediolanum carried out all the necessary activities to guarantee compliance with the above provisions, in accordance with the terms and deadlines set forth therein.

The projects undertaken in the area of technological infrastructures fall within the general goal of increasing service levels, both in terms of ordinary operations, and in cases of exceptional events. In this respect, it should be noted that, during the power cut hitting the whole of Italy on September 28, 2003, the technologies and procedures in place – both at the premises of the outsourcer Cedacri and at the EDP centre in Basiglio – made it possible to overcome the emergency without detriment to the service provided.

As for projects implemented, the technological adjustment of corporate data saving systems continued with the introduction of new, enhanced-capacity and faster devices. Work continued for consolidating data bases on centralised storage systems and pooling of corporate, application and infrastructural servers, exploiting technologies that make it possible to utilise resources better (partitioning). An analysis was started which is intended to separate the infrastructures of the server, storage and network apparatuses in two different buildings, in campus mode, in order to increase resilience in case of localised disaster events.

The project of connection to the Internet as an “autonomous system”, with the possibility of managing various providers, was completed. As a result, service continuity was enhanced and costs were cut, making it possible to involve various connectivity operators.

A series of redesigning and segmenting actions were taken on the data network of the Basiglio campus, introducing adequate protective “firewalls” to increase safety levels.

A centralised system of operational visualisation was installed to support the operational monitoring and control activity carried out by the Command Center, able to consolidate management information and system alarms, thus improving the effectiveness and promptness of action.

In order to generally verify the trend in the structure of development and management costs of the information system vis-à-vis the market references and the alignment with corporate needs, an analysis was carried out with the support of a primary consultancy firm. The result of the study highlights an expenditure level lower than that of similar groups, and in general, a good level of confidence in the ability of information systems to support business projects.

At 31.12.2003, the net interbanking position shows a credit position of 1,473.3 million Euro (31.12.2002: 2,426.7 million Euro).

In detail, at year end, bank inflows reached 577.3 million Euro (2002: 716.7 million Euro) and total due from banks decreased to 2,014.6 million Euro, as against 3,143.4 million Euro at 31.12.2002.

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

At December 31, 2003, the securities portfolio of the Bank totalled 1,382.8 million Euro, a 62% increase over the previous year (2002: 853.8 million Euro). Throughout the year, the bank privileged investments in bonds as against interbank lending, thus obtaining, with the same level of risk and duration, slightly higher yields, with a satisfactory overall return also resulting from a careful and fruitful trading activity.

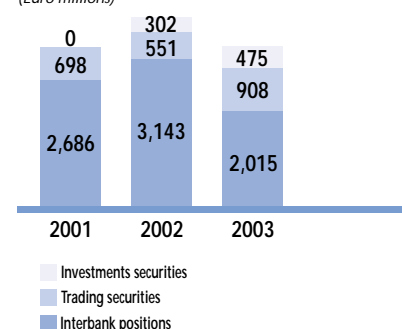
“Tied-up” investments totalled 475.2 million Euro (302.7 million Euro at 31.12.2002) following the allocation of Government and supranational securities for an equal amount, expressed in Euro, to this compartment. It should be noted that the allocation of Government securities to the “tied-up” compartment is carried out in compliance with the framework decision regarding the securities portfolio taken during 2002.

The securities portfolio, whether or not in tied up investments, consists of fixed and variable rate Government securities (also 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).

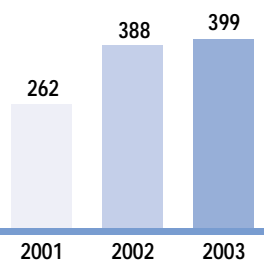
THE MANAGEMENT OF ASSETS

DISTRIBUTION OF TREASURY ASSETS
(Euro millions)

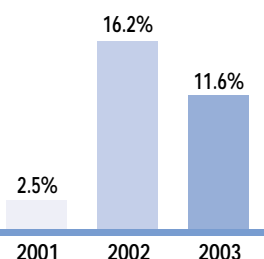


SHAREHOLDERS' EQUITY AND SOLVENCY COEFFICIENTS

SHAREHOLDERS' EQUITY AT YEAR-END
(Euro millions)



ROE



As at December 31, 2003, shareholders' equity, before retained earnings, was 388.0 million Euro, a 7.1% increase over 2002 (362.2 million Euro).

This change – 25.8 million Euro in absolute terms – relates to retained 2002 earnings. Once the proposal of carryover of 2003 profit is accepted by the Shareholders' meeting, the Bank assets will reach 398.6 million Euro, a 10.6 million change over 2002 financial statements.

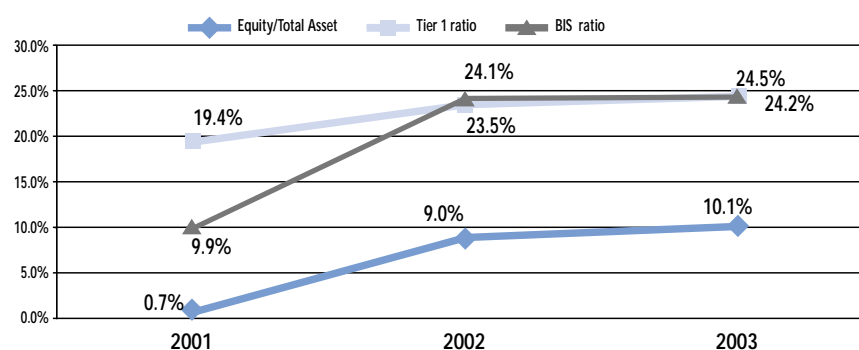
This corresponds to a net accounting value per share of 1.16 Euro, with a nominal value of 1 Euro each.

EPS (earning per share) is 0.132 Euro, against 0.172 in 2002.

In terms of profitability, ROE for the year is 11.6% (16.2% in 2002).

As for capital requirements, the ratio between total capital and the total of risk-weighted assets is significantly higher (24.24%) than the level required by the applicable regulation (7%).

CAPITAL ADEQUACY



RISK MANAGEMENT AND CONTROL

Financial risks

Banca Mediolanum places a high emphasis on the risk management and control, in the light of 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.
- full integration of risk indicators in the investment process.

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 consultancy provided by specific Committees (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 for the control of financial risks

The strategic role concerning 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 aforesaid 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 that it contributes to define, and which are approved 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 (VAR)
- Gap Analysis
- Sensitivity Analysis

Value At Risk (VAR) corresponds to the maximum value loss acceptable in the successive ten working days in 99% of the cases, calculated with the Riskmetrics method, which is appropriate considering the complexity and types of instruments present in the inflow and lending structure of the Bank. Since 2004, nonetheless, the limits expressed in terms of daily Var shall be included in daily operations.

Gap Analysis provides the level of matching of the exposure of the inflows and loans: during 2003, 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.

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

Exchange rate risk

The limits of exposure to the exchange rate risk were defined in terms of countervalue of the net position for the main currencies.

Credit risk

The organisation framework for control of the credit risk

The organisation framework entails:

- allocation of specific credit risk management responsibilities to the Credit Area
- allocation of the definition and control of the Financial Area credit risk to the Risk Control Office
- a Claims Office, with the objective of managing claims efficiently.

Retail customer lending

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

The loan granting sector also 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.

During 2004, the Risk Control office shall introduce a monitoring system on retail credits, considering their continuous growth and taking into consideration the Basle II guidelines for the purposes of measuring asset utilisation.

Financial Area

With regards credit risk vis-à-vis 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 vis-à-vis financial counterparts, which also encompasses controlled companies abroad.

During 2004, a system will be introduced for the control of the exposure to the securities portfolio expressed in terms of risk capital, and measured in terms

of equivalent risk weighted on the basis of external counterpart ratings, according to the weighting model based on the Standardized Approach laid out in the Basle II framework .

Country risk

As concerns the country risk, the rating is assigned according to the judgements of specialised bodies and agencies. The limits of exposure of emerging countries were defined vis-à-vis the overall portfolio.

Operating risks

At the end of 2003, the project continued for the identification of 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.

Banca Mediolanum S.p.A. and the Banking Group companies have adopted an “Ethical Code of Conduct”. This Code establishes a set of principles that must be complied with to guarantee the proper operation and the reliability of the management of the Group. These principles shall inspire the transactions, behaviours and relations both inside and outside the Group. Each and every administrative and control body, employee, licensed financial advisor, insurance agent and all the co-workers of the Bank and of the Group companies shall engage to comply with the principles set forth in the Code of Conduct.

Banca Mediolanum S.p.A. also adopted, on 18.12.2003, a set of “Models of Organisation, Management and Control pursuant to Legislative Decree of June 8, 2001, no. 231” for the purposes of preventing crimes that may be committed during the exercise of the corporate activity. As part of this, in compliance with Article 6 of the above Decree, a special Supervisory and Control Body was appointed, entrusted with the task of watching over the efficacy, compliance and updating of such models.

**OTHER RISKS
MANAGEMENT
AND CONTROL**

**ETHICAL CODE
OF CONDUCT**

**ADMINISTRATIVE
RESPONSABILITY
(LEGISLATIVE DECREE
231/2001)**

OTHER INFORMATION

The Security Policy Document (DPS) has been prepared in compliance with point 19 of the Technical Disciplinary concerning minimum security measures (Annex B – Legislative Decree no. 196/2003 “Code for protection of personal information”).

In the light of the changing legislative framework, both at a national and international level, the company started up a project intended to implement the International Accounting Standards (formerly IAS, now IFRS - International Financial Reporting Standards) in the course of 2003.

EQUITY INVESTMENTS

At December 31, 2003, the total amount of shareholdings were 245.1 million Euro, a decrease of 5.8% compared to the previous year's total amount of 260.1 million Euro.

During the year, the capital of Bankhaus August Lenz & Co. was increased by 10 million Euro. In addition, contributions were made to this German bank to cover the 2003 interim losses for a total amount of 9.3 million Euro.

With reference to the shareholding in Mediolanum International S.A., last December the bank covered the year's losses by 6.2 million Euro, mainly generated by Gamax Group.

In the financial statements as at December 31, 2003, Banca Mediolanum adjusted the value of the equity investments in Bankhaus August Lenz & Co. AG and in the sub-holding Fibanc S.A. and Mediolanum International S.A. by a total amount of 40,486 thousand Euro, in order to bring them in line with market values. These adjustments have carried out to a valuation consistent with the amount of Goodwill shown in the consolidated financial statements. Shareholdings have been evaluated by the application of evaluation methodologies consistent with the new accounting principles IAS (International Accounting Standards).

FIBANC INVERSIONES S.A.

81.042% of the Spanish financial conglomerate Fibanc Inversiones S.A., based in Barcelona, is directly held by Banca Mediolanum and 3.918% indirectly held through the subsidiary Tanami S.A.. This investment was acquired in 2000.

The company closed the year with a net result of 0.5 million Euro (31.12.2002: 0.3 million Euro). Net equity totals 62.5 million Euro.

Assets under management related to clients as at December 31, 2003 amounted to 1,942 million Euro (31.12.2002: 1,788 million Euro). The total number of clients were 60,721.

Net inflow for 2003 totalled 145 million Euro (2002: 59 million Euro).

The total number of people in the sales network decreased to 646 between agents and sales staff, compared to 663 in the previous year. There was a sharp increase in the number of Global Advisors under the Banca Mediolanum model, totalling 375 at year end (31.12.2002: 259 units).

This result is mainly due to the reorganisation process of Banco de Finanzas e Inversiones' sales network begun at the end of 2002, and which continued during 2003, with the aim to promote in Spain the Global Advisor model according to Banca Mediolanum standard adopted in Italy.

During 2003 the multi-channel project was completed (licensed financial advisors, internet, teletext, call centre and branches, called Fibanc Point) determining a real integration of sale channels through a service open 24 hours a day throughout the year.

Moreover the product range has been enriched in the insurance, social security and financial sectors, launching products like Europension and Big Chance, already being distributed by Banca Mediolanum.

The internal structure has been consolidated in order to monitor market and credit risks and, in particular, to control the sales network. There is a total of 240 employees compared to 316 units at the end of 2002, with a decrease of 76 units. This decrease is partially due the choice of a few employees to become global advisors.

Finally, a positive trend has been recorded by the controlled company, Valora S.A., based in Andorra, which has attained a total amount of assets under management of 51.5 million Euro (31.12.2002: 33.8 million Euro).

Bankhaus August Lenz & Co. AG is a multi-channel bank, based in Munich, reproducing the Banca Mediolanum model in the German market. This bank was bought in 2001 and is 100% held.

The banking activity of the company, started up in the second half of 2002 and is constantly evolving. The number of current accounts at 31.12.2003 totalled 4,480 (total customers: 5,390 of whom 4,480 current account holders).

During the year, the offer of financial and pension products of the Irish companies Mediolanum International Funds Ltd and Mediolanum International Life Ltd continued.

**BANKHAUS
AUGUST LENZ
& Co. AG**

The company closed the year with a loss of 74 thousand Euro (31.12.2002: 3.6 million Euro), after accounting for the settlement of losses during the year arising from investments for 9,300 thousand Euro. Assets under management related to clients as at December 31, 2003 amounted to 73.8 million Euro (31.12.2002: 0.6 million Euro). Net equity totalled 14.5 million Euro.

The sales network is constantly developing and reached 96 sole agents at the end of the year (31.12.2002: 36 agents); to date, recruiting has been focused along the Munich - Hamburg – Frankfurt axis in order to cover the most interesting areas. With a view to enhancing coverage on a national scale, training and promotional meetings started to be organised over the whole German territory so as to ensure a uniform development of the sales network. Staff as at year end number 32 units (31.12.2002 16 units).

MEDIOLANUM INTERNATIONAL S.A.

The Luxembourg-based company carries out sub-holding activities, controlling the following companies: the German Group headed by the company Gamax Holding AG and Mediolanum Private S.A.M..

The company closed the year with a loss of 8.924 million Euro, largely determined by the devaluation of the interest held in Gamax Holding AG. The previous year substantially closed in break-even.

Such devaluation was necessary considering the evolution of the economic context of financial markets, and was calculated by the company through evaluation methods consistent with the new international accounting standards to be introduced soon.

GAMAX HOLDING AG

The Gamax Group consists of a holding company with an interest in two fund management companies in Luxembourg, and two distribution companies in Germany (based in Munich) and Austria (based in Salzburg).

The Gamax Group registered significant results in the year 2003, in spite of consolidated losses for 293 thousand Euro, mainly due to extraordinary charges related to the corporate reorganisation plan.

During the year, Gamax Broker Pool AG, the German distribution company, left the historical head office of Leverkusen to move to Munich. Following this transfer, approximately 20 people employed by the Leverkusen head office decided to leave the company and, thanks to the synergies with the affiliated company Bankhaus August Lenz & Co. AG, it was not necessary to hire new staff.

Nonetheless, the temporary inutilisation of the Leverkusen head office resulted in the posting of extraordinary charges for 400,000 Euro to cover future costs to be supported until the expiry of the relevant rental contract.

Gross and net inflows of the Group decreased, mainly due to the persistent slump in the German and Austrian markets while assets under management remained stable at 430 million Euro (31.12.2002: 427 million Euro).

The distribution companies continued to offer the financial and pension products of the Irish affiliated companies on the German market, and started up the distribution in Germany of the “Gamax Fund of Funds”, managed by the Luxembourg affiliated company bearing the same name.

At December 31, 2003, the sales network consisted of 689 multifirm agents (1,104 agents at December 31, 2002) of whom 576 were in Germany and 113 in Austria. The decrease is connected to a strategic decision supporting agents that have shown a real interest towards our products and services.

In order to support the consulting activity, conventions and meetings were organised to provide training on the products and innovations of the Mediolanum world; in the next few months, information will be provided to the sales force through communication tools such as TV programmes and video tools.

This company, based in Principality of Monaco, is 75% controlled by Mediolanum International S.A.; the remaining 25% is held by Compagnie Monégasque de Banque. Corporate activity started in the second half of 2002, with managed assets totalling 14 million Euro at year end (31.12.2002: 7.3 million Euro). The operation is supported by one manager and one member of staff.

Like the previous year, the financial statements of 2003 closed with a small loss.

Considering that the Group's presence in the Principality of Monaco is no longer regarded as strategic, last December Banca Mediolanum decided to wind up the company.

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

MUTUAL FUNDS AND MANAGED ACCOUNTS

Banca Mediolanum holds a controlling interest of 51% (49% is directly held by Mediolanum S.p.A.) in Mediolanum Gestione Fondi SGRp.A., and in Irish companies Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd, both based in Dublin.

Mediolanum Gestione Fondi SGR p.A. manages 23 funds, of which 22 mutual funds and 1 open-ended pension fund. Total assets under administration were 1,791.3 million Euro (31.12.2002: 1,517.7 million Euro). Moreover, in 2003, asset management of the real estate investment trust called "Property" began, dedicated to institutional clients.

The profit for the year was 6,897,357 Euro (31.12.2002: 6,657,762) and 3,516,318 Euro was the dividend pertaining to Banca Mediolanum.

During the year, 6 new funds of funds (of the profit accumulation type) which are part of the "Mediolanum Elite System" were launched. These funds partly invest in OICR, also of a multi-compartment type, both harmonised and non-harmonised.

Moreover, with a view to exploiting the abilities of the whole Mediolanum Group in the best possible way, the company took up asset management tasks on behalf of Banca Mediolanum and other affiliated companies.

Through specialised companies, Mediolanum International Funds Ltd, based in Dublin, manages three families of funds (Defender, Top Managers and Challenge) with no less than 53 specialised compartments in all the commodity and geographic areas of the world.

Assets under administration totalled 8,139.5 million Euro (31.12.2002: 6,797 million Euro). The funds of Mediolanum International Funds are distributed in Italy, Spain, Germany and Austria.

The profit for the year was 119,777,581 Euro (31.12.2002: 118,469,138) and 61,086,566 Euro was the dividend pertaining to Banca Mediolanum.

Mediolanum Asset Management Ltd provides financial consulting, treasury and asset management services to both Mediolanum Group companies and third parties.

Mediolanum Asset Management Ltd is mainly involved in the control of the performance of funds, of the underlying risks and the management of liquidity of associated companies.

The profit for the year was 2,524,973 Euro (31.12.2002: 1,619,352) and 1,287,736 Euro was the dividend pertaining to Banca Mediolanum.

In December 2003 The Board of Directors meeting passed a resolution that Mediolanum Private S.A.M. (Montecarlo) should no longer be regarded as strategic; within the first half-year 2004, voluntary winding-up will be started. The closing of the company is expected within the current year.

On January 9, 2004, the winding-up process of Gamax Schweiz GmbH was concluded.

Starting in May the Bank foresees the start-up of home loan disbursement to its customers.

The trend of Banca Mediolanum during the first few months of 2004 leads us to believe that the performance of the year will be positive.

The financial statements of your Company, presented here for your approval together with this report, shows net profit of 45,009,765.22 Euro and we propose to allocate it as follows:

- 34,441,000.00 Euro dividend to the shareholders;
- 2,250,488.26 Euro to the Legal Reserve;
- 8,318,276.96 Euro to the Extraordinary Reserve.

Basiglio, March 18th, 2004

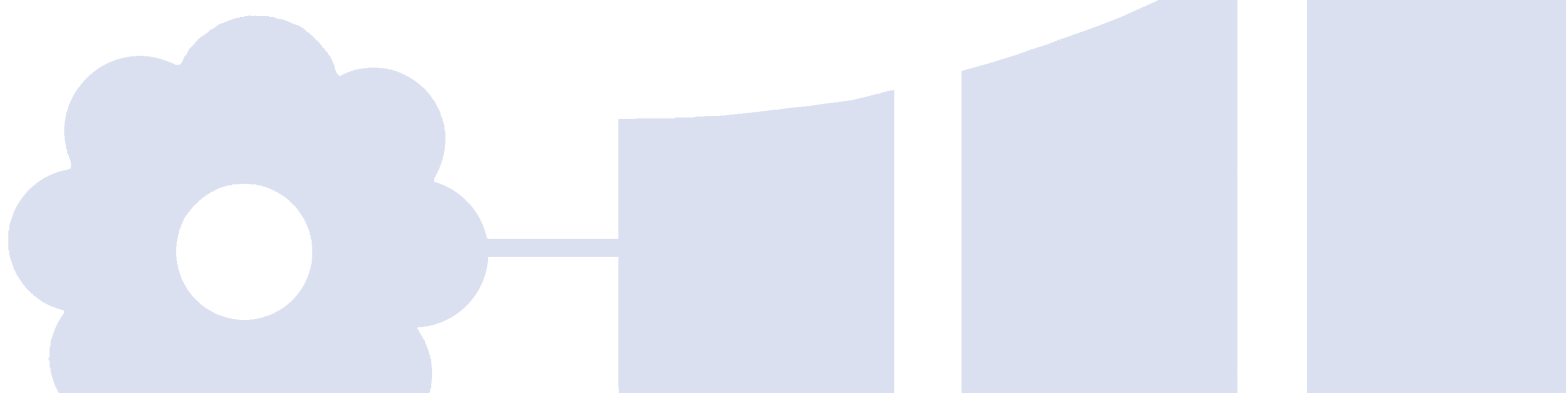
For the Board of Directors
Ennio Doris
Chairman

SIGNIFICANT POST BALANCE SHEET EVENTS

EXPECTED FUTURE TREND

BANCA MEDIOLANUM S.P.A.

*FINANCIAL STATEMENTS
AND NOTES
TO THE ACCOUNTS*



Balance sheet

ASSETS

Euro	31.12.2003	31.12.2002
10. Cash and deposits with central banks and post offices	3,459,524	8,253,594
20. Treasury bills and similar bills eligible for refinancing with central banks	446,492,315	197,600,312
30. Due from banks	2,014,594,355	3,143,416,510
a) on demand	33,027,669	648,595,970
b) other	1,981,566,686	2,494,820,540
40. Loans to customers	356,641,202	218,222,351
50. Bonds and debt securities	936,295,472	656,071,157
a) of public issuers	373,543,318	247,321,873
b) of banks	342,391,975	271,178,342
of which:		
- <i>own securities</i>	111,443	114,027
c) of financial institutions	220,360,179	137,570,942
60. Shares, interests and other equity securities	22,093	122,434
70. Equity investments	96,936	96,936
80. Equity investments in Group companies	245,121,153	260,108,700
90. Intangible fixed assets	14,768,984	18,946,085
of which:		
- start-up costs	6,409	24,025
- goodwill	0	0
100. Tangible fixed assets	21,629,668	25,572,188
130. Other assets	216,457,484	160,399,944
140. Accrued income and prepaid expenses	17,460,806	14,773,315
a) accrued income	16,010,907	13,779,993
b) prepaid expenses	1,449,899	993,322
TOTAL ASSETS	4,273,039,992	4,703,583,526

SHAREHOLDERS' EQUITY AND LIABILITIES

Euro	31.12.2003	31.12.2002
10. Due to banks	577,260,328	716,731,423
a) on demand	278,059,862	312,559,145
b) on term or with notice	299,200,466	404,172,278
20. Customers deposits	3,109,641,981	3,357,038,846
a) on demand	2,800,875,857	3,138,398,192
b) on term or with notice	308,766,124	218,640,654
50. Other liabilities	96,201,545	168,066,287
60. Accrued liabilities and deferred income	3,005,012	3,813,918
a) accrued liabilities	1,416,678	1,884,485
b) deferred income	1,588,334	1,929,433
70. Employee termination indemnity	6,738,724	4,191,519
80. Provisions for risk and charges	37,178,563	17,737,459
b) taxes	11,833,802	3,899,397
c) other funds	25,344,761	13,838,062
90. Credit risk fund	33,053	33,053
110. Subordinated liabilities	10,000,000	15,000,000
120. Share capital	341,000,000	335,329,112
140. Reserves	46,971,021	26,827,205
a) legal reserve	4,843,957	1,903,222
d) other reserves	42,127,064	24,923,983
170. Net profit (loss) for the year	45,009,765	58,814,704
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,273,039,992	4,703,583,526

GUARANTEES AND COMMITMENTS

10. Guarantees given	1,360,925	695,912
of which:		
- <i>acceptances</i>	<i>0</i>	<i>0</i>
- <i>other guarantees</i>	<i>1,360,925</i>	<i>695,912</i>
20. Commitments	132,269,962	641,261,385

Income statement

Euro	31.12.2003	31.12.2002
10. Interest income and similar revenues	108,106,994	136,151,750
<i>of which:</i>		
- on loans to customers	13,433,870	10,103,678
- on debt securities	40,872,118	42,310,470
20. Interest expense and similar charges	(62,119,012)	(118,355,866)
<i>of which:</i>		
- on customer deposits	(43,530,309)	(99,639,734)
- on debt securities	(356,479)	(707,567)
30. Dividends and other revenues	65,893,745	66,514,117
a) on stocks and shares	3,125	1,095
b) on equity investments	65,890,620	66,513,022
40. Commission income	285,213,325	264,813,477
50. Commission expense	(178,077,694)	(180,517,895)
60. Profits (losses) on financial operations	8,909,193	8,901,895
70. Other operating income	26,701,854	30,559,181
80. Administrative costs	(114,923,364)	(106,201,752)
a) payroll costs	(36,648,977)	(25,803,057)
<i>of which:</i>		
- wages and salaries	(26,632,946)	(19,010,493)
- social security contributions	(8,063,670)	(5,476,429)
- termination indemnities	(1,892,431)	(1,316,135)
- other	(59,930)	
b) other administrative costs	(78,274,387)	(80,398,695)
90. Write-downs of tangible and intangible fixed assets	(21,495,973)	(23,336,593)
100. Provisions for risks and charges	(12,239,603)	(6,038,939)
110. Other operating expenses	(28,354,439)	(19,792,519)
120. Write-downs of loans and provisions for guarantees and commitments	(2,944,549)	(2,655,526)
130. Write-backs to loans and provisions for guarantees and commitments	1,237,918	1,166,140
150. Write-downs of financial investments	(40,485,547)	0
170. Profit from operative activities	35,422,848	51,207,470
180. Extraordinary income	7,397,122	10,465,879
190. Extraordinary charges	(4,354,373)	(958,188)
200. Extraordinary income (charge) - net	3,042,749	9,507,691
220. Income tax for the year	6,544,168	(1,900,457)
230. Profit (loss) for the year	45,009,765	58,814,704

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 organizations, and with the guidelines and instructions established by the Governor of the Bank of Italy in Provision of January 16, 1995 and successive amendments.

The Notes to the financial statements are intended to illustrate, analyze and integrate balance sheet data, and provide the information required by Section 5 of Italian Law No. 87/92. Moreover, the Notes provide all additional information considered necessary for the purposes of giving a true and accurate picture thereof, even when not required by specific laws.

We hereby acknowledge that these financial statements comply with the accounting results, and that the latter cover all the operations performed by the Company.

Due to 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 No 87/92, the consolidated financial statements were prepared which include the companies belonging to the Banking Group.

The financial statements are presented in accordance with the requirements of Italian Law No. 87/92 and with the accounting principles issued by Professional Authorities, and they are in line with those adopted in the financial statements as at December 31, 2002 that is produced for purpose of comparison.

Loans

Loans are valued at their estimated realizable value, calculated in relation to the solvency of the borrower and any debt servicing difficulties in countries where the borrower resides.

All or part of the write-downs carried out are eliminated when the reasons giving rise to them no longer apply.

Write-downs, referred to estimated loan losses, are charged to "Value adjustments on loans and advances" in the income statement. Write-backs in loan values, including credits for default interest that had been previously written down, are credited to "Value re-adjustments on loans and advances".

PART A VALUATION CRITERIA

SECTION 1 VALUATION CRITERIA

1 LOANS, GUARANTEES AND COMMITMENTS

Guarantees and commitments

Guarantees given are reported at the contractual value of the commitment assumed by the company.

Commitments are reported as follows:

- unsettled securities (to be received or delivered) are shown on the basis of the settlement price;
- deposits and loans to be granted are shown on the basis of the amount to be received or granted;
- other commitments are shown on the basis of the contractual commitment given by the company.

The specific credit risks for guarantees and commitments are valued in accordance with the criteria adopted for the valuation of loans.

2 SECURITIES AND "OFF-BALANCE SHEET" TRANSACTIONS (EXCLUDING FOREIGN CURRENCY TRANSACTIONS)

Securities transactions are recorded at the contractual value date.

Repurchase agreements (Repos and Reverse Repos) that require the holder to resell when the agreement matures are considered funding / lending transactions and, consequently, reported as receivables and payables for the spot amount paid or received. The difference between forward and spot consideration is recorded as interest on an accrual basis.

Interest income on debt securities is recorded as interest on an accrual basis.

Dividends and the related tax credits are recorded on a cash basis.

The securities portfolio is classified into two categories: "Investment" and "Trading" portfolios.

INVESTMENT PORTFOLIO

Investment portfolio includes securities that are destined to be held until their maturity.

Securities held in the investment portfolios are valued at cost of purchase.

Cost is adjusted for the applicable portion of the net issuance premium/discount and the related portion of the (negative/positive) difference between the cost and issuance amount of the securities.

Issue premiums/discounts and difference between cost and issuance amount are recorded in interest income.

Investment portfolio is written down in case of permanent deterioration of the solvency profile of the issuer and the debt repayment ability of the country where the issuer resides.

All or part of the write-downs carried out are eliminated when the reasons giving rise to them no longer apply.

Securities held in the trading portfolios are valued at the lower of cost or market value.

Cost is determined using the principle of “weighted average price” adjusted for the applicable portion, during the period, of the issuance premium/discount of the securities.

Issue premiums/discounts are recorded as interest in the income statement.

Market value is determined as follows:

- a) For securities listed on regulated markets, using the average market price of the last month of the year;
- b) For securities not listed on regulated Italian and foreign markets, using the estimated realizable value.

The estimated realizable value is determined on the basis of the following measures:

- Market performance for similar securities listed in regulated Italian and foreign markets;
- The discounting of future cash flows on the basis of projected market returns;
- The solvency of the issuers;
- Any difficulty servicing debt in country where the issuer resides;
- Other information that can be determined objectively.

All or part of the write-downs carried out are eliminated when the reasons giving rise to them no longer apply.

Off- balance sheet transactions (excluding foreign currency transactions)

Off-balance sheet transactions, with the exception of those in foreign currency, are valued as follows:

a) unsettled securities transactions:

- at the lower of contract value and market value for purchases, and at the higher of the above values for sales. To determine market value, reference is made to the criteria reported as a part of the valuation of trading securities.

b) derivative contracts, which have the underlying securities, or which are tied to interest rates, indices or other assets:

- if held for hedging purposes, they are valued on a basis consistent with the underlying assets/liabilities hedged. Thus:
 - if they are related to interest-bearing assets or liabilities, the differentials/margins that are settled/accrued during the period flow to interest-comparable income (expense) whenever interest generated by the assets or liabilities hedged is recorded, in the case of specific hedging instruments; or based on the contract term, if hedging is general;
 - if they are related to assets or liabilities not bearing interest, the results of valuation flow to profits/losses on financial operations.
- If held as a part of trading portfolios, they are valued at the lower of cost (contract value) or current market value determined on the basis of the last quotation recorded.

The results of valuation flow to profits/losses on financial operations.

In case of contracts with maturity beyond one year, write-downs made in previous years are not maintained if the original reasons no longer apply.

3 EQUITY INVESTMENTS

Equity investments in certain unconsolidated subsidiaries are valued at purchase cost and historical exchange rate. This amount is adjusted by any write-downs needed to incorporate any permanent loss of value.

All or part of the write-downs carried out are eliminated when the reasons giving rise to them no longer apply.

4 ASSETS AND LIABILITIES IN FOREIGN CURRENCY (INCLUDING "OFF-BALANCE SHEET" TRANSACTIONS)

Assets and liabilities denominated in foreign currencies are expressed in Euro using the spot exchange rates at year-end.

"Off-balance sheet" transactions related to unsettled foreign exchange transactions, spot and forward, are valued using spot and forward exchange rates respectively at year-end.

The differences are recognized in the income statement as "Profits/Losses on financial operations".

Tangible fixed assets are stated at cost including any related charges and are depreciated on a straight-line basis in accordance with their remaining useful life.

5 TANGIBLE FIXED ASSETS

The cost also includes the revaluation performed in accordance with specific regulations. Revaluation gains are credited to the Shareholder's equity.

Ordinary maintenance costs, that do not increase the value of assets, are fully charged to the income statement.

Extraordinary maintenance costs and any other incremental investment cost are charged to the asset account and depreciated over the residual life of the asset concerned.

Any tangible fixed assets, that at year-end have experienced a permanent reduction in value, which is lower than the cost or value above mentioned, are reported at such lower value.

Intangible fixed assets are stated at cost including any related charges and are amortized on a straight-line basis in accordance with their remaining useful life.

6 INTANGIBLE FIXED ASSETS

In particular:

- Start-up and expansion costs are amortized over a period not to exceed five years.
- Improvements on leased buildings are amortized over the duration of the respective lease contracts.

The value of intangible fixed assets is reduced in the event of permanent losses of value.

7 OTHER FINANCIAL STATEMENT ITEMS

Payables are reported at their nominal value.

PAYABLES

Accrued income and expenses, prepaid expenses and deferred income are booked on an accrual basis with reference to the conditions established for each transaction.

ACCRUALS AND DEFERRALS

These provisions cover likely losses, the timing and extent of which cannot be determined at the closing of the accounting period, and reflect a realistic estimate of expected losses on the basis of the information available.

PROVISIONS FOR RISKS AND CHARGES

EMPLOYEE TERMINATION
INDEMNITY

This provision covers liability for employee termination indemnities accrued, in accordance with existing laws and current, national and internal, labour agreements.

This liability is subject to annual adjustment based on official cost-of-living indices.

REVENUE RECOGNITION

Interest income and interest expenses are recorded under the accrual basis.

Commissions are recorded when the related service is provided.

INCOME TAXES

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

Deferred income taxes are assessed using the balance sheet liability method.

Deferred taxes are calculated every year on temporary differences between book basis and tax basis. Prepaid 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.

Deferred tax assets and deferred tax liabilities are evaluated periodically to take into consideration changes in tax laws.

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.

Tables and remarks in Notes to the Financial Statement are in thousand Euro.

**PART B
BALANCE SHEET
INFORMATION**

Cash and deposits with central banks and post offices, amounting to 3,459 thousand Euro (of which 54 thousand Euro in foreign currency), consists of cash (Euro and foreign currencies) to the Milano 3 counter, and cash held in the ATMs located in the headquarters' premises and in the Banca Mediolanum financial consultants offices. This item includes the balance of the post-office accounts.

CASH AND DEPOSITS
WITH CENTRAL BANKS AND
POST OFFICES

1.1. Breakdown of item 30 "due from banks"

**SECTION 1
LOANS**

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Repayable on demand:		
Current account with banks – non resident accounts	24,823	45,960
Active current accounts with banks	4,564	3,578
Current accounts for services provided	3,641	4,243
Demand deposit accounts – residents	-	579,000
Demand deposit accounts – non residents	-	15,815
TOTAL	33,028	648,596
Other receivables:		
a) due from central banks	10,694	424
b) bills eligible for refinancing with central bank	-	-
c) repurchase agreements	230,094	219,766
d) securities lending contracts	-	-
e) time deposit accounts – non residents	1,023,475	1,159,993
f) time deposit accounts – residents	705,214	1,097,766
g) other credits	12,089	16,872
TOTAL	1,981,566	2,494,821
TOTAL OF ITEM 30 "DUE FROM BANKS"	2,014,594	3,143,417

The item *Other receivables for services* relates mainly to commission income due from credit institutes for "home loans" to customers, for 7,215 thousand Euro and, for the difference, to "pool loans" granted to credit organizations.

Repurchase agreements are negotiated with principal banks.

No write-downs have been made in *Due from banks* balances as at year-end. At year end, there were no unsecured credits to unreliable countries in this item.

With reference to bank deposits and savings with ordinary customers, the Compulsory Reserve with the Bank of Italy for the period 24.12.2003 to 23.01.2004, amounts to 55,937 thousand Euro.

1.5 Breakdown of item 40 “loans to customers”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) bills eligible for refinancing with central banks	-	-
b) repurchase agreements	45,312	15,222
c) securities lending contracts	-	-
d) current accounts	167,066	125,261
e) other financing	144,019	77,493
f) doubtful loans	244	246
TOTAL OF ITEM 40 “LOANS TO CUSTOMERS”	356,641	218,222

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

The item “other financing” includes “pool loans” for 107,449 thousand Euro (48,049 thousand Euro as at 2002) in which the Bank takes part; these transactions are exclusively related to financial companies controlled by principal Italian banking and insurance Groups. The difference of 36,570 thousand Euro is due to the loans to ordinary customers (21,122 thousand Euro), to financial consultants (14,098 thousand Euro) and to employees (1,350 thousand Euro).

1.6 Guaranteed loans to customers

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) loans secured by mortgages	151	163
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	4,051	6,034
4. other parties	1,236	1,100
TOTAL	5,438	7,297

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	(1,179)	244
A.2. Problem loans	1,036	(517)	519
A.3. Loans being restructured	-	-	-
A.4. Restructured loans	-	-	-
A.5. Loans subject to country risk	-	-	-
B. Performing loans	355,878	-	355,878
TOTAL	358,337	(1,696)	356,641

1.8 Dynamics of doubtful loans to customers

<i>Euro in thousands</i> Causes/categories	Non performing loans	Problem loans	Loans being restructured	Restructured loans	Loans subject to country risk
A. Initial gross exposure as at					
01.01.2003	1,423	776	-	-	-
A.1. of which:					
interest on delayed payments	43	-	-	-	-
B. Increases:	1,034	1,470	-	-	-
B.1. inflows from performing loans	10	1,269	-	-	-
B.2. interest on delayed payments	34	3	-	-	-
B.3. transfers from other doubtful loan categories	895	-	-	-	-
B.4. other increases	95	198	-	-	-
C. Decreases	(1,034)	(1,210)	-	-	-
C.1. outflows to performing loans	-	(1)	-	-	-
C.2. cancellations	(970)	-	-	-	-
C.3. amounts collected	(64)	(314)	-	-	-
C.4. realized gain on disposals	-	-	-	-	-
C.5. transfer to other categories of doubtful loans	-	(895)	-	-	-
C.6. other decreases	-	-	-	-	-
D. Final gross exposure as at					
31.12.2003	1,423	1,036	-	-	-
D.1. of which:					
interest on delayed payments	63	3	-	-	-

1.9 Dynamics of total adjustments on loans to customers

<i>Euro in thousands</i> Causes/categories	Non performing loans	Problem loans	Loans being restructured	Restructured loans	Loans subject to country risk	Performing loans
A. Total initial adjustments	1,177	296	-	-	-	-
A.1. of which:						
interest on delayed payments	43	-	-	-	-	-
B. Increases	957	504	-	-	-	-
B.1. adjustments	710	504	-	-	-	-
B.1.1 of which:						
interest on delayed payments	345	1	-	-	-	-
B.2. use of credit risk fund	-	-	-	-	-	-
B.3. transfer from other loan categories	247	-	-	-	-	-
B.4. other increases	-	-	-	-	-	-
C. Decreases	(955)	(283)	-	-	-	-
C.1. write-backs of adjustment	(11)	(2)	-	-	-	-
C.1.1 of which:						
interest on delayed payments	(1)	-	-	-	-	-
C.2. recovery of value upon collection	(35)	(34)	-	-	-	-
C.2.1 of which:						
interest on delayed payments	(1)	-	-	-	-	-
C.3. cancellations	(909)	-	-	-	-	-
C.4. transfer to other loan categories	-	(247)	-	-	-	-
C.5. other decreases	-	-	-	-	-	-
D. Final adjustments	1,179	517	-	-	-	-
D.1. of which:						
interests on delayed payments	63	1	-	-	-	-

The higher statements are examined in-depth, considering the trend balance, the account movements, and the whole investment in financial products of the Group.

SECTION 2 SECURITIES

<i>Euro in thousands</i> Items/Values	Book value
Item 20 – Treasury bills and similar bills eligible for refinancing with central banks	446,492
Item 50 – Bonds and other debt securities	936,296
Item 60 – Shares, interests and other equity securities	22
TOTAL	1,382,810
Of which:	
- investment securities	475,200
- trading securities	907,610
TOTAL	1,382,810

2.1 Investment securities

Investment securities are destined to be kept in business wealth for purposes of permanent investment, in accordance with a company resolution that regulates the aim of this item and its variations.

<i>Euro in thousands</i> Items/Values	Book value	Market value
1. Certificates of deposit	475,200	474,727
1.1. Government securities	465,282	464,835
- traded on regulated markets	465,282	464,835
- unlisted	-	-
1.2. Other securities	9,918	9,892
- traded on regulated markets	9,918	9,892
- unlisted	-	-
2. Stock and shares	-	-
- traded on regulated markets	-	-
- unlisted	-	-
TOTAL	475,200	474,727

The market value consists of the arithmetic average of December prices.

2.2 Annual changes in investment securities

Euro in thousands

A. Opening balance	302,652
B. Increases	258,880
B1. Purchases	256,703
B2. Write-backs and revaluation	-
B3. Transfers from trading portfolio	-
B4. Other changes	2,177
C. Decreases	86,332
C1. Sales	(85,637)
C2. Principal repayments	-
C3. Adjustments	-
of which:	
permanent write-downs	-
C4. Transfers to the trading portfolio	-
C5. Other changes	(695)
D. Closing balance	475,200

During the accounting period, some investment securities were sold in accordance with the board of directors' resolution of February 20, 2003, with the purpose of better adjusting the portfolio mix to the aims of the securities section.

2.3 Trading securities

The securities portfolio at the date of balance sheet is mainly composed of government bonds or supranational securities, expressed in Euro with average duration of 0.33 years, as shown below:

Euro in thousands

Items/Values	Book values	Market value
1. Certificates of deposit	907,588	907,923
1.1. Government securities	173,011	173,097
- traded on regulated markets	173,011	173,097
- unlisted	-	-
1.2. Other securities	734,577	734,826
- traded on regulated markets	504,034	504,225
- unlisted	230,543	230,601
2. Stock and shares	22	22
- traded on regulated markets	22	22
- unlisted	-	-
TOTAL	907,610	907,945

Movements during the period are summarized in the following table:

2.4 Annual changes in trading securities

Euro in thousands

A. Opening balance	551,142
B. Increases	10,937,597
B1. Purchases	10,924,997
Certificates of deposit	
Government securities	7,143,194
Other securities	3,700,701
Shares and quotas and other forms of capital	81,102
B2. Write-backs and revaluation	-
B3. Transfers from investment portfolio	-
B4. Other changes	12,600
C. Decreases	(10,581,129)
C1. Sales and principal repayments	(10,579,557)
Certificates of deposit	
Government securities	(7,096,960)
Other securities	(3,401,424)
Shares and quotas and other forms of capital	(81,173)
C2. Value adjustments	(1,572)
C3. Transfers to the investment portfolio	-
C5. Other changes	-
D. Closing balance	907,610

“Other changes” includes the accrued portion of premiums or discounts arising when the securities are subscribed and the gains related to disinvestment and redemption of securities.

SECTION 3 EQUITY INVESTMENTS

3.1 Main Equity Investments

Changes related to the increase in Bankhaus August Lenz & Co. shareholding for 10,000 thousand Euro following the increase to share capital on July 2003. During the accounting period, Banca Mediolanum paid a total of 15,500 thousand Euro to cover the losses of the controlled companies Bankhaus August Lenz & Co. (9,300 thousand Euro) and Mediolanum International S.A. (6,200 thousand Euro).

Banca Mediolanum also corrected the book value of the shareholdings in Bankhaus August Lenz and in Mediolanum International S.A. and Fibanc Groups, for a total amount of 40,486 thousand Euro, to adjust it to market value.

The evaluations were made according with the new accounting principles (IAS) that will be introduced in the near future.

Write-downs on shareholdings in the accounting period produced an adjustment to goodwill arising from Mediolanum's consolidated financial statements.

Mediolanum International S.A., held at 99.997% by Banca Mediolanum, is the holding company of the Gamax Group, 100% controlled by the shareholding through Gamax Holding AG. Moreover, Mediolanum International S.A. controls 75% of Mediolanum Private S.A.M..

The year-end book value of Mediolanum International S.A. was estimated considering the related value of the controlled shareholdings.

At the end of the accounting period, the evaluation of the controlled Mediolanum International S.A. produced a write-down of 15,098 thousand Euro.

Fibanc S.A. is the holding of the banking group that is controlled by Banco de Finanzas and Inversiones S.A.

Fibanc S.A. is 81.042% under the control of Banca Mediolanum, with Tanami S.A. (controlled 100% by Banca Mediolanum) holding a 3.918% investment.

93.981% of Banco de Finanzas and Inversiones S.A. is indirectly controlled by Fibanc S.A. and with a direct participation of 6.019% by Banca Mediolanum.

The book values of the these shareholdings were jointly analyzed, since they are interrelated.

At the end of the accounting period, the evaluation of the whole investment in Fibanc Group produced a write-down of 16,088 thousand Euro.

Regarding Bankhaus August Lenz & Co., Banca Mediolanum recorded write-downs on financial investments for 9,300 thousand Euro, equal to the amount of payments to cover losses done in previous years.

Item 80 "Equity Investments in Group companies" is detailed as follows:

<i>Euro in thousands</i> Company	Head office	Shareholders' equity	Profit (loss)	% holding	Book value
A. Controlled companies					
Fibanc Inversiones S.A.	Barcelona	11,339	(273)	81.042	137,500
Mediolanum International S.A.	Luxembourg	62,549	(8,924)	99.997	62,600
Bankhaus August Lenz & Co. AG	Munich	14,474	(74)	100.00	23,006
Banco de Finanzas e Inversiones S.A.	Barcelona	41,539	752	6.019	10,900
Tanami S.A.	Barcelona	904	(1)	100.00	6,700
Mediolanum Gestione Fondi SGR p.A.	Basiglio	18,180	6,897	51.00	2,610
Mediolanum International Funds Ltd	Dublin	122,317	119,778	51.00	1,346
Mediolanum Asset Management Ltd	Dublin	3,425	2,525	51.00	459
TOTAL					245,121

In the following table is shown the complete list of other companies indirectly controlled by the above companies.

<i>Euro in thousands</i> Company	Head office	Shareholders' equity	Profit (loss)	Activity
Ges Fibanc S.G.I.I.C. S.A.	Barcelona	3,135	7	Management of mutual funds
Fibanc Pensiones S.A. S.G.F.P.	Barcelona	1,282	6	Management of pension funds
Fibanc S.A.	Barcelona	699	29	Financial consulting company
Fibanca Faif S.A.	Barcelona	46	(5)	Financial consulting company
Fibanc Argentina S.A.	Buenos Aires	37	-	Business representatives
Valora S.A.	Andorra	281	27	Asset management
Gamax Holding S.A.	Luxembourg	6,102	(5,877)	Sub-holding company
Gamax Management AG	Luxembourg	3,949	3,424	Management of mutual funds
Gamax Fund of Funds Management AG	Luxembourg	75	(26)	Management of mutual funds
Gamax Broker Pool AG	Munich	(342)	(3,039)	Fund sales network
Gamax Austria GmbH	Salzburg	217	(598)	Fund sales network
Gamax Schweiz GmbH	Zürich	-	23	Winding-up company
Mediolanum Private S.A.M.	Principality of Monaco	475	(7)	Asset management

3.2 Amounts due to and from Group companies

Assets and liabilities to companies belonging to Mediolanum Group (headed by Mediolanum S.p.A.) and companies belonging to Mediolanum Banking Group (headed by Banca Mediolanum S.p.A.), are shown in the following tables:

<i>Euro in thousands</i>	31.12.2003
a) Assets	117,655
1. Due from banks	16
of which:	
- subordinated	
2. Loans to financial institutions	83,135
of which:	
- subordinated	
3. Loans to other customers	34,504
of which:	
- subordinated	
4. Bonds and other debt securities	-
of which:	
- subordinated	-
b) Liabilities	392,461
1. Due to banks	140,945
2. Due to financial institutions	12,069
3. Due to other customers	239,447
4. Securities issued	-
5. Subordinated liabilities	-
c) Guarantees and commitments	22
1. Guarantees given	22
2. Commitments	-

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

Assets

<i>Euro in thousands</i>	Total	Due from banks Item 30	Due from customers Item 40	Other assets Item 130	Accrued income and prepaid expenses Item 140
- Due from banks:					
Banco de Finanzas e Inversiones S.A.		-	-	-	16
TOTAL	16				
- Loans to financial institution:					
Mediolanum International Funds Ltd		-	-	63,638	-
Mediolanum International S.A.		-	13,614	-	-
Mediolanum Gestione Fondi SGR p.A.		-	-	4,577	-
Mediolanum Asset Management Ltd		-	-	1,288	-
Mediolanum State Street SGR p.A.		-	-	12	-
Mediolanum Private S.A.M.		-	-	6	-
TOTAL	83,135				
- Loans to customers:					
Mediolanum S.p.A.		-	-	31,715	-
Partner Time S.p.A.		-	1,030	86	-
Mediolanum International Life Ltd		-	30	961	-
Mediolanum Vita S.p.A.		-	6	514	-
Mediolanum Comunicazione S.r.l.		-	140	22	-
TOTAL LOANS TO GROUP COMPANIES	34,504				

Assets to group companies are mainly related to credits for dividends to collect, for active current accounts and for commission incomes due to “product” companies and Mediolanum S.p.A. through the sub-agency relationship.

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

Liabilities

<i>Euro in thousands</i>	Total	Due to banks Item 10	Customers' deposits Item 20	Other liabilities Item 50	Accrued liabilities and deferred income Item 60
- Due to banks:					
Bankhaus August Lenz & Co. AG	63,769	-	-	-	-
Banca Esperia S.p.A.	20	-	-	-	-
Banco de Finanzas e Inversiones S.A.	77,034	-	-	112	10
TOTAL	140,945				
- Due to financial institutions					
Mediolanum Gestione Fondi SGR p.A.	-	9,586	190	7	
Mediolanum State Street SGR p.A.	-	2,285	-	1	
TOTAL	12,069				
- Due to other customers:					
Mediolanum S.p.A.	-	16,824	675	6	
Mediolanum Fiduciaria S.p.A.	-	470	-	-	
PI Distribuzione S.r.l.	-	682	3	-	
Partner Time S.p.A.	-	-	9	-	
Mediolanum International Life Ltd	-	307	-	-	
Mediolanum Vita S.p.A.	-	217,499	59	122	
Mediolanum Comunicazione S.r.l.	-	-	2,791	-	
TOTAL AMOUNT DUE TO GROUP COMPANIES	239,447				

Liabilities mainly relate to current accounts.

Guarantees and commitments

<i>Euro in thousands</i>	Guarantees issued Item 10	Commitments Item 20
Banca Esperia S.p.A.	22	-
TOTAL GUARANTEES AND COMMITMENTS TOWARD GROUP COMPANIES	22	-

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

No significant receivables/payables to report.

3.4 Breakdown of item 70 “Equity Investments”

There was no change in this item since the previous accounting period; the shareholdings' book value as at December 31, 2003 is composed as follow:

<i>Euro in thousands</i> Company	% holding	Share capital	Book value
e-MID S.p.A.	0.8330	6,000	50
M.T.S. S.p.A.	0.0860	14,040	23
Euros Consulting S.p.A.	0.1270	10,238	14
S.I.A. S.p.A.	0.0100	18,124	9
S.W.I.F.T. SC	0.0011	10,819	1
TOTAL			97

of which:

<i>Euro in thousands</i>	31.12.2003
a) in banks	
- traded in regulated markets	-
- unlisted	-
b) in financial institutions	
- traded in regulated markets	-
- unlisted	-
c) other	
- traded in regulated markets	-
- unlisted	97

3.5 Breakdown of item 80 “Equity investments in Group companies”

The following table of shareholdings belonging to group companies relates to their activities:

<i>Euro in thousands</i>	31.12.2003
a) in banks	
- traded in regulated markets	-
- unlisted	33,906
b) in financial institutions	
- traded in regulated markets	-
- unlisted	211,215
c) other	
- traded in regulated markets	-
- unlisted	-
TOTAL ITEM 80 “EQUITY INVESTMENTS IN GROUP COMPANIES”	245,121

3.6 Annual change in equity investments

3.6.1 Equity investments in Group companies

For comments on changes in companies belonging to the Group, refer to section 3.1.

Euro in thousands

A. Opening balance	260,109
B. Increases	25,500
B.1. Purchases	10,000
B.2. Write-backs	-
B.3. Revaluation	-
B.4. Other changes	15,500
C. Decreases	40,488
C.1. Sales	2
C.2. Adjustments	40,486
of which:	
- permanent write-down	40,486
C.3. Other changes	-
D. Closing balance	245,121
E. Total revaluation	-
F. Total adjustments	40,486

3.6.2 Other equity investments

Euro in thousands

A. Opening balance	97
B. Increases	-
B.1. Purchases	-
B.2. Write-backs	-
B.3. Revaluation	-
B.4. Other changes	-
C. Decreases	-
C.1. Sales	-
C.2. Adjustments	-
of which:	
- permanent write-downs	-
C.3. Other changes	-
D. Closing balance	97
E. Total revaluation	-
F. Total adjustments	-

SECTION 4
TANGIBLE AND INTANGIBLE
FIXED ASSETS

Breakdown of tangible fixed assets

<i>Euro in thousands</i>	Net assets as at 31.12.2003	% Depreciation rate
Buildings	12,100	3
Computers	7,206	20
Miscellaneous equipment	767	15
Other peripherals	369	25
Office fittings	329	15
Office furniture	327	12
Other peripherals	204	20
Asset under construction and advance payments	174	-
Motor vehicles	88	25
Alarms	66	30
TOTAL ITEM 100 "TANGIBLE FIXED ASSETS"	21,630	

It should be noted that tangible assets of unitary value not exceeding 516.46 Euro were fully depreciated during the period, for a total of 41 thousand Euro, and that the rates applied to assets exceeding this value purchased during the period were reduced by half to take into account their limited utilization.

4.1 Annual changes in tangible fixed assets

<i>Euro in thousands</i>	
A. Opening balance	25,572
B. Increases	1,607
B.1. Purchases	1,607
B.2. Write-backs	-
B.3. Revaluation	-
B.4. Other changes	-
C. Decreases	(5,549)
C.1. Sales	(30)
C.2. Value adjustments	(5,519)
(a) depreciation	(5,519)
(b) permanent write-downs	-
C.3. Other changes	335
D. Closing balance	21,630
E. Total revaluation	-
F. Total adjustments:	(25,694)
(a) depreciation	(25,694)
(b) permanent write-downs	-

4.2 Annual changes in intangible fixed assets

Euro in thousands

A. Opening balance	18,946
B. Increases	12,955
B.1. Purchases	11,799
B.2. Write-backs	-
B.3. Revaluation	-
B.4. Other changes	1,156
C. Decreases	(17,132)
C.1. Sales	-
C.2. Value adjustments	(15,976)
a) depreciation	(15,695)
b) permanent write-downs	(281)
C.3. Other changes	(1,156)
D. Closing balance	14,769
E. Total revaluation	-
F. Total adjustments:	(65,868)
c) depreciation	(65,868)
d) permanent write-down	-

Depreciation criteria used are as follows:

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

Commission expenses paid to financial consultants (574 thousand Euro) for the marketing of the “Chorus” product (Asset Management in Mutual Funds), which cost has been capitalized as a “no load” product, are included in increases of the period.

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.

5.1 Breakdown of item 130 "Other assets"

SECTION 5 OTHER ASSETS

This item is detailed and compared with balances as at December 31, 2002:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Due from Mediolanum Group companies	66,856	74,977
Commission income receivable	35,928	35,354
Assets for "off-balance sheet transactions"	32,468	4,689
Due from fiscal authorities	27,846	9,577
Deferred tax assets	23,829	9,813
Other receivables	23,253	21,180
Due from financial advisors	3,263	2,887
Receivables being recovered	1,342	110
Guarantee deposits	803	1,187
Advances to suppliers	421	112
Due from Fininvest and Doris Group companies	324	314
Advance payments to employees and consultants	124	200
TOTAL	216,457	160,400

Due from Mediolanum Group companies and *Due from Fininvest, Fininvest-Doris Group companies* relates to the following companies:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Due from Mediolanum Group companies:	66,856	74,977
- Mediolanum S.p.A.	91	27
- Mediolanum Vita S.p.A.	419	190
- Mediolanum State Street SGR p.A.	12	19
- Mediolanum Comunicazione S.r.l.	22	18
- Partner Time S.p.A.	87	41
- Mediolanum Gestione Fondi SGR p.A.	3,742	3,437
- Mediolanum International Funds Ltd	61,189	60,419
- Mediolanum Private S.A.M.	6	-
- Mediolanum Asset Management	1,288	826
- Bankhaus August Lenz & Co. AG	-	10,000
Due from Fininvest and Doris Group:	324	314
- Vacanze Italia S.p.A. (ex Porto Rafael S.r.l.)	183	294
- Mediolanum Assicurazioni S.p.A.	141	20

The item *Due from the controlled companies* Mediolanum Gestione Fondi SGR p.A., Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd almost entirely relates to 2003 dividends to be paid in the first months of 2004 (March and April).

The item *Commission income receivable* is related to commissions for the distribution of products and services of Mediolanum S.p.A., Mediolanum Gestione Fondi SGR p.A., Mediolanum International Funds Ltd and Mediolanum International Life Ltd.

This item is detailed and compared with balances as at December 31, 2002, as follows:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Mediolanum S.p.A.	31,623	31,477
Mediolanum Gestione Fondi SGR p.A.	836	1,272
Mediolanum International Funds Ltd	2,449	2,533
Mediolanum International Life Ltd	961	-
Mediolanum State Street SGR p.A.	-	11
Others	59	61
TOTAL	35,928	35,354

The item *Assets for off-balance sheet transactions* includes the accounting contra-entries of the revaluation of exchange forward transactions.

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Amounts receivable for other withholding taxes to offset	12,349	-
Amounts receivable for withholding taxes	10,473	7,691
Direct tax credit for previous years (IRPEG)	3,592	219
Advance on direct taxes for the year (IRAP)	1,420	1,651
Refund of proportional tax on premium operations	9	9
VAT receivables	3	-
Stock Exchange Contract Tax receivables	-	7
TOTAL	27,846	9,577

The item *Amounts receivable for other withholding taxes to offset* is mainly related (for 12,339 thousand Euro) to advance taxes on current account interest, paid in advance during 2003. These advances were higher than the final amount calculated at year-end and the net credit will be recovered in 2004.

The item *Deferred tax assets* includes, for 23,829 thousand Euro, the amount recorded as taxes in advance. The changes in “assets for advance taxes” is shown in section 7.4 of the Notes.

Other receivables are mainly related to utility expenses to be charged to customers’ current accounts at their date of maturity (7,116 thousand Euro) and to commissions and expenses to charge to customers (9,023 thousand Euro).

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

This amount, stated at its par value of 3,525 thousand Euro which was adjusted by the allowance for doubtful receivables of 2,183 thousand Euro, represents the presumed realizable value, taking into account the insurance coverage against such risks through a policy with a primary insurance company.

Guarantee deposits includes a guarantee deposit to the *Cassa Compensazione e Garanzia*, for 509 thousand Euro. Guarantee deposits made in relation to the utilization of telephone and electricity lines, as well as guarantee deposits to the landlords of the head office premises and peripheral offices, totalled 294 thousand Euro.

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

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

Item *Accrued income* is analyzed as follows:

Accrued income

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Interest income-banks	6,831	5,224
Income from repurchase agreement with banks	177	54
Interest on securities	8,378	7,756
Interest on customer loans	541	746
Income from repurchase agreement with customers	69	-
Other	15	-
TOTAL	16,011	13,780

Prepaid expenses includes insurance premium quotas of 429 thousand Euro, rents payable of 24 thousand Euro and other deferrals of 997 thousand Euro for sundry services accrued during the year 2004.

5.3 Adjustments for accrued income and prepaid expenses.

In the financial statements as at December 31, 2003, Banca Mediolanum made no use of the option to increase or decrease asset accounts by the related accrued income and prepaid expenses, except for the accrued income on “zero-coupon” securities and on the accrued portion of net issuance premium/discount of bonds. These accrued incomes are included in the book value of the securities.

5.4 Breakdown of subordinated assets

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) due from banking institutions	-	-
b) loans to customers	-	-
c) Bonds and other debt securities	42,392	-
TOTAL	42,392	-

Subordinated bonds and other debt securities have been issued by primary banks.

LIABILITIES

SECTION 6 PAYABLES

6.1 Breakdown of item 10 "Due to banks"

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Repayable on demand:		
Current accounts with banking institutions – non-resident	140,804	6,436
Overnight deposits	97,000	228,800
Demand deposit accounts – residents	40,256	77,323
Demand deposit accounts – non residents	-	-
TOTAL	278,060	312,559
Time deposits or at notice:		
a) Repurchase agreements	72,191	177,578
b) Securities lending contracts	-	-
c) Time deposits – residents	-	-
d) Time deposits – non residents	227,009	226,594
e) Other debts	-	-
TOTAL	299,200	404,172
TOTAL ITEM 10 "DUE TO BANKS"	577,260	716,731

6.2 Analysis of item 20 "customer deposits"

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Repurchase agreements	308,766	218,641
b) Securities lending contracts	-	-
c) Current accounts for services provided	2,792,536	3,135,113
d) Current account in foreign currency	8,340	3,285
TOTAL ITEM 20 "DUE TO CUSTOMERS"	3,109,642	3,357,039

Breakdown of item 70 “employee termination indemnity”

Changes during the year are highlighted in the following table:

Euro in thousands

Opening balance	4,191
Quota accrued and included in the Income Statement	1,892
Allowance transferred from other Group companies	1,608
Other decreases (taxes on employee severance indemnity revaluation)	(25)
Disinvestment for investments in Pension Funds	(624)
Indemnities paid out during the year	(89)
Advance payments made during the year	(214)
Closing balance	6,739

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

This fund includes allocations made in previous years in relation to possible risks.

7.2 Variation in “credit risk fund” item 90

No changes occurred during the period under review.

Breakdown of sub-item 80 (b) “taxes”

Changes relating to “taxes” are shown below. The amount allocated at the end of 2003 reflects the “best estimate” of the future tax burden, and is adequate to ensure its coverage.

<i>Euro in thousands</i> Provision	Balance as at 31.12.2002	Allocations during the year	Other changes	Utilization	Balance as at 31.12.2003
IRPEG tax provision	2,416	6,798	1,103	(2,390)	7,927
IRAP tax provision	1,483	3,846	12	(1,434)	3,907
TOTAL TAX PROVISIONS	3,899	10,644	1,115	(3,824)	11,834

The item *Other changes* includes the provision of deferred taxes calculated, in 2003, on dividends recorded on an accrual basis by foreign companies and on commission income accrued in the current period but subject to taxation in the next accounting period.

More details about changes are included in table 7.5.

7.3 Breakdown of sub-item 80 (c) “provisions for risk and charges - other funds”

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

<i>Euro in thousands</i> Provision	Balance as at 31.12.2002	Allocations during the year	Other changes	Utilization	Balance as at 31.12.2003
Provision for staff loyalty obligation	515	-	-	-	515
Provision for portfolio indemnities to departing agents	3,941	7,077	(205)	(211)	10,602
Provision for illegal acts by agents	4,993	1,000	-	-	5,993
Provision for agents' retirement indemnities	1,938	2,181	-	(47)	4,072
“Prize contest” fund	126	18	-	(126)	18
Customer indemnity for electronic transactions	912	-	-	(176)	736
Other	1,413	2,089	-	(93)	3,409
Total	13,838	12,365	(205)	(653)	25,345

“Provision for staff loyalty obligation” is related to a contractual obligation in favour of professional staff 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 they do not provide their services to competitors.

“Portfolio indemnities to departing agents” is related to an obligation of the bank to pay an indemnity to advisors resigning their post as established by the general terms and conditions of the contract with them. The settlement of this indemnity is subject to the observation of a non-competition agreement by advisors after their departure.

The amount reported in the *Other changes* column is related to the transfer of out-of-period revenues for financial advisors’ indemnities for breach of the non-competition agreement.

“Provision for illegal acts by agents” relates to the potential payment of compensation by the companies for damage caused to customers as a consequence of illegal behaviour by financial advisors. On the basis of historical trends and the claims made to the Bank at the date of the financial statements, this fund is adequate to cover these risks.

“Provision for agents’ retirement indemnities” covers leaving indemnities accrued to financial advisors who will reach the age of retirement in the space of the next three years, as established by the agents’ collective agreement.

“Prize contest” fund includes the evaluation of the cost related to accrued but not yet assigned bonuses, in the context of prize competitions arranged by the company to promote its services and products.

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

“Other funds” are related to 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. These funds include a provision for the possible negative effects on the income statement coming from commissions written off in relation to advance repayments.

7.4 Changes in the year in the item “receivable from prepaid taxes”

Euro in thousands

1. Opening balance	9,813
2. Increases	17,776
2.1. Prepaid taxes for the year	16,888
2.2. Other increases	888
3. Decreases	3,760
3.1. Prepaid taxes cancelled during the year	1,864
3.2. Other decreases	1,896
4. Closing balance	23,829

Prepaid taxes for the year are related, for 10,248 thousand Euro, to 4/5 of shareholdings adjustments recorded in this accounting period and deductible in the next four financial periods.

The item “Other increases” is related to the adjustment of the “Prepaid taxes fund” (related to provisions made in previous years) as a consequence of new rates of income taxes, in force since 2004. The item “Other decreases” is related to the tax credit on dividends posted the previous year on an accrual basis and collected in the present period.

7.5 Changes in the year of “payables from deferred taxes”

Euro in thousands

1. Opening balance	2,391
2. Increases	1,115
2.1. Deferred taxes for the year	1,115
2.2. Other increases	-
3. Decreases	(2,391)
3.1. Deferred taxes cancelled during the year	(1,712)
3.2. Other decreases	(679)
4. Closing balance	1,115

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

No provision has been made for taxes on dividends related to Italian controlled companies, as the parent company (Mediolanum S.p.A.) intends to take the option for national tax consolidation.

The item “Other decreases” relates to the write-off of the residual amount of payables for deferred taxes provided in the previous accounting period.

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

Share capital

Share capital, fully subscribed and paid-up, amounts to 341,000 thousand Euro as at December 31, 2003, and consists of 341,000,000 ordinary shares with a par value of 1 Euro each.

Changes in the composition of shareholders' equity

On January 2003, share capital increased by 5,671 thousand Euro, and was registered at Milan Business Registry: this amount was paid by the sole shareholder Mediolanum S.p.A. in December 2002.

Changes in the composition of shareholders' equity are summarized 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 thousand Euro falling due September 28, 2005. Repayment, started in the current year, will continue in accordance with the established annual sinking plan.

8.1 Total capital and capital requirements as at December 31, 2003

<i>Euro in thousands</i>		
Categories/Values	31.12.2003	31.12.2002
A. A. Total capital		
A.1. Tier 1 capital	383,771	369,025
A.2. Tier 2 capital	531	10,031
A.3. Amounts to be deducted	(3,962)	-
A.4. Total capital	380,340	379,056
B. B. Capital requirement		
B.1. Credit risk	78,150	91,892
B.2. Market risk	31,706	18,157
Of which		
- Trading portfolio risk	31,706	16,459
- Foreign exchange risk	-	1,698
B.3. Third 3 subordinated loans	-	-
B.4. Other capital requirements	-	-
B.5. Total capital requirements	109,856	110,049
C. Risk-weighted assets and capital ratios		
C.1. Risk-weighted assets (*)	1,569,371	1,572,129
C.2. Tier 1 capital / risk-weighted assets	24.45%	23.47%
C.3. Tier 1 + tier 2 capital / risk-weighted assets	24.24%	24.11%

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

9.1 Breakdown of item 50 "other liabilities"

This item is analyzed as follows:

<i>Euro in thousands</i>		
	31.12.2003	31.12.2002
Due to financial advisors	46,538	40,956
Due to suppliers	17,443	14,664
Other payables	15,002	94,641
Due to tax authorities	4,170	6,290
Commercial payables to Mediolanum Group	3,727	4,979
Indemnity for agency relationship termination	2,342	2,376
Due to employees	2,302	1,568
Commercial payable to Fininvest and Doris Group	2,287	722
Due to social security entities	2,096	1,602
Due to consultants, professionals, directors and auditors	294	268
TOTAL	96,201	168,066

"Due to financial consultants" refers to commissions 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 2004.

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

SECTION 9 OTHER LIABILITIES

“Other payables”, for 15,002 thousand Euro, includes several transit accounts which were regularly closed during the first months of 2004. The decrease in comparison with the previous year is mainly due to short securities transactions as at December 31, 2002, which no longer existed as at 31 December 2003.

“Taxes payable” is as follows:

<i>Euro in thousands</i>	31.12.2003
Substitute tax and sundry withholding taxes	3,653
Adjustment of Stock Exchange tax contracts 2003	402
Other debts	100
Local taxes	15
TOTAL	4,170

Commercial payables to Mediolanum group companies and Commercial payables to Fininvest/Fininvest-Doris Group companies relate to services provided by the following companies:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Mediolanum Group:		
parent company:		
Mediolanum S.p.A.	675	2,624
Controlled companies:		
Mediolanum Gestione Fondi SGR p.A.	190	42
Bankhaus August Lenz & Co. AG	-	53
Mediolanum International S.A.	-	19
Affiliated companies:		
Mediolanum Comunicazione S.r.l.	2,791	2,195
Mediolanum Vita S.p.A.	59	46
Partner Time S.p.A.	9	-
PI Distribuzione S.r.l.	3	-
TOTAL	3,727	4,979
Fininvest and Doris Group:		
Publitalia '80 S.p.A.	1,400	41
Mediolanum Assicurazioni S.p.A.	482	442
Alboran S.p.A.	309	149
Mondadori Pubblicità S.p.A.	66	-
Mediaset S.p.A.	27	27
Arnoldo Mondadori Editore S.p.A.	3	-
Pagine Italia S.p.A.	-	50
Società Europea Edizioni S.p.A.	-	8
Cemit Interactive Media S.p.A.	-	3
Yond S.p.A.	-	2
TOTAL	2,287	722

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 31.03.2004, in compliance with the terms and conditions established by the industry association agreements.

Due to employees relates 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, 2003, but not yet utilized.

"Due to social security entities" refers to amounts due to social security entities for employees (1,764 thousand Euro) as well as financial consultants and insurance agents (332 thousand Euro).

"Due to consultants and professionals" refers to services received and paid on 2004; moreover, this item includes "due to directors and statutory auditors" for remuneration of the period not yet paid at the date of balance sheet, amounting to 135 thousand Euro.

9.2 Breakdown of item 60 "accrued liabilities and deferred income"

Accrued liabilities, for 630 thousand Euro, relates to the portion of interest receivable on deposits with other credit institutes accrued during the accounting period and, for 138 thousand Euro, to accrued liabilities on repurchase agreements with banks as at December 31, 2003.

Moreover, this item also includes charges accrued at the year's closing date on repurchase agreements with ordinary customers for 429 thousand Euro and accrued interest on short money transactions with ordinary customers for 133 thousand Euro.

The item also includes negative margins on assets swaps of 85 thousand Euro and accrued interests on bonds issued by the bank for 2 thousand Euro.

The item "deferred income" mainly relates to Swap and Outright transactions (302 thousand Euro), as well as commission receivables pertaining to future years (1,280 thousand Euro).

9.3 Adjustments for accrued liabilities and deferred income

In the financial statements as at December 31, 2003, Banca Mediolanum made no use of the option to increase or decrease the asset accounts with the related accrued liabilities and deferred income.

SECTION 10 GUARANTEES AND COMMITMENTS

10.1 Breakdown of item 10 “guarantees given”

<i>Euro in thousands</i>	31.12.2003
a) Commercial guarantees	1,268
b) Financial guarantees given	93
c) Assets pledged	-

10.2 Breakdown of item 20 “Commitments”

<i>Euro in thousands</i>	31.12.2003
a) Commitments to allocate funds (certain to be called on)	122,012
- loans and deposits with banks to be disbursed	85,000
- incoming securities for transactions to be settled	37,012
b) Commitments to allocate funds (not certain to be called on)	10,258
- commitment relating to the Interbank Deposit Protection Fund	10,258
TOTAL	132,270

10.3 Assets given as collateral of own debts

<i>Euro in thousands</i>	31.12.2003
Securities in portfolio given as collateral of funding repurchase agreements	377,562

This amount is expressed at the par value of the securities.

10.5 Forward transactions

<i>Euro in thousands</i>			
Type of transaction	Hedging	Dealing	Other
1. Trades			
1.1. Securities			
- purchases	-	37,012	-
- sales	-	4,171	-
1.2. Currencies			
- currencies against currencies	-	3,167	-
- purchases against euro	-	3,530	-
- sales against euro	-	6,418	-
2. Deposits and loans			
- to be disbursed	-	85,000	-
- to be received	-	-	-
3. Derivatives			
3.1. with exchange of principal			
a) securities			
- purchases	-	-	-
- sales	-	-	-
b) currencies			
- currencies against currencies	-	5,939	-
- purchases against euro	-	69,518	-
- sales against euro	-	359,110	-
c) other values			
- purchases	-	-	-
- sales	-	-	-
3.2. Without exchange of principal			
a) currencies			
- currencies against currencies	-	-	-
- purchases against euro	-	-	-
- sales against euro	-	-	-
b) other values			
- purchases	2,500	-	-
- sales	-	-	-

11.1 Large exposures

<i>Euro in thousand</i>	31.12.2003
a) amount	136,400
b) number	1

This concerns the positions of securitisation with S.C.I.P., Public Real Estate Securitisation Company S.r.l., formed for the privatization of the public real estate property.

SECTION 11 CONCENTRATION AND DISTRIBUTION OF THE ASSETS AND LIABILITIES

11.2 Distribution of loans to customers by main categories of borrowers

<i>Euro in thousands</i>	31.12.2003
a) Governments	-
b) other public entities	-
c) non-financial companies	10,603
d) financial companies	167,059
e) family firms	548
f) other borrowers	178,431
TOTAL	356,641

11.3 Distribution of loans to Italian resident non-financial companies and family firms

<i>Euro in thousands</i>	31.12.2003
a) other services for sales	7,824
b) building and public works	2,500
c) textile products, leather and shoes, clothing	400
d) commercial services, recovery and repairs	287
e) other manufacturing products	140
f) other branches	1
TOTAL	11,152

11.4 Distribution of guarantees given by principal counterpart categories

<i>Euro in thousands</i>	31.12.2003
a) Governments	-
b) other public entities	-
c) banks	22
d) non-financial companies	99
e) financial companies	12
f) family firms	60
g) other	1,168
TOTAL	1,361

11.5 Geographical distribution of Assets and Liabilities

<i>Euro in thousands</i>		Italy	Other EU countries	Other countries
1. Assets				
1.1. Due from banks		890,553	1,086,673	37,368
1.2. Loans to customers		342,982	13,644	15
1.3. Securities		1,009,694	333,233	39,883
TOTAL ASSETS		2,243,229	1,433,550	77,266
2. Liabilities				
2.1. Due to banks		256,234	250,035	70,991
2.2. Due to customers		3,104,911	4,704	27
2.3. Securities issued		-	-	-
2.4. Other		10,000	-	-
TOTAL LIABILITIES		3,371,145	254,739	71,018
3. Guarantees and commitments		100,533	33,031	67

11.6 Breakdown of Assets and Liabilities by maturity

Euro in thousands

Item/Residual duration	Established 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	unspec- ified duration
1. Assets	215,052	2,220,978	259,526	197,406	473,745	16,033	359,670	11,612
1.1. Treasury bills for re-financing	1	84,982	43,531	195,628	28,625	4	93,721	-
1.2. Due from banks	40,264	1,868,636	95,000	-	-	-	-	10,694
1.3. Loans to customers	166,959	156,875	12,168	16	19,691	-	553	379
1.4. Bonds and other certificates of deposit	7,828	110,485	108,827	1,762	425,429	16,029	265,396	539
1.5. "Off-balance sheet" transactions	2,454	129,864	35,400	3,385	681	312	999	-
2. Liabilities	3,078,936	599,257	8,709	-	10,000	-	-	-
2.1. Due to banks	278,060	290,491	8,709	-	-	-	-	-
2.2. Due to customers	2,800,876	308,766	-	-	-	-	-	-
2.3. Securities issued								
- bonds	-	-	-	-	-	-	-	-
- certificates of deposit	-	-	-	-	-	-	-	-
- other securities	-	-	-	-	-	-	-	-
2.4. Subordinated liabilities	-	-	-	-	10,000	-	-	-
2.5. "Off-balance sheet" transactions	79,657	90,765	46	742	626	315	944	-

11.7 Assets and liabilities in foreign currency

Euro in thousands

31.12.2003

a) Assets	
1) due from banks	348,225
2) loans to customers	37
3) securities	18
4) equity holdings	-
5) other	54
b) Liabilities	
1) due to banks	76,246
2) customer deposits	8,340
3) bonded debts	-
4) other	-

11.8 Securitisation transaction

As at December 31, 2003, the trading portfolio included the following securities, with rating AAA, resulting from securitisation transactions carried out by third parties. At the present date, these securities have been sold on the market.

<i>Euro in thousands</i> Securities	Subordinate asset	Book value	Market value
Senior:			
Cremonini Sec. 2002/2009 TV	Commercial credits	2,955	2,955
SCC INPS 07/04 2003/2008 TV	Contributory credits	90,000	90,000
SCC INPS 07/08 2003/2015 TV	Contributory credits	45,020	45,052
TOTAL		137,975	138,007

SECTION 12 MANAGEMENT AND BROKERAGE ON BEHALF OF THIRD PARTIES

12.1 Securities transactions

<i>Euro in thousands</i>	31.12.2003
a) Purchases	
1) settled	6,776,834
b) Sales	
1) settled	6,767,529

12.2 Managed accounts

In 2004, within the scope of rationalizing asset management activities of the Mediolanum banking Group, Banca Mediolanum has come to an agreement with Mediolanum Gestione Fondi SGR p.A. for the delegation of the whole managed account portfolio.

Total assets under management (1,869,367 thousand Euro) consists of securities not issued by the Bank, of which 1,773,291 thousand Euro relate to unit trusts managed by Group companies for the "Chorus" product (asset management in mutual funds).

Securities are expressed at their market value.

12.3 Custody and administration of securities

<i>Euro in thousands</i>	31.12.2003
a) Third-party securities held in deposit	5,829,426
1. securities issued by the bank that strikes the balance	9,764
2. other securities	5,819,662
b) Third-party securities deposited with third-parties	5,654,300
c) Portfolio securities deposited with third-parties	1,610,043

12.4 Credit collection for third parties: "debit" and "credit" adjustments

<i>Euro in thousands</i>	31.12.2003
a) "Debit" adjustments	-
1. current accounts	-
2. main portfolio	-
3. cash	-
4. other	-
b) "Credit" adjustment	2,929
1. current accounts	-
2. transferors of bills and documents	2,214
3. other	715

PART C INCOME STATEMENT INFORMATION

SECTION 1 INTEREST

1.1 Breakdown of item 10 "interest income and similar revenues"

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) on amounts due from banks	53,771	83,187
of which:		
- deposits with central banks	1,464	1,812
b) on loans to customers	13,434	10,104
of which:		
- loans with third party funds under administration	-	-
c) on certificates of deposit	40,872	42,310
d) other interest income	30	24
e) positive differentials on "hedging" transactions	-	527
TOTAL	108,107	136,152

1.2 Breakdown of item 20 "interest expenses and similar charges"

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) on amounts due to banks	18,180	17,437
b) on customer deposits	43,530	99,640
c) on other bonded debt:	-	-
of which:		
- on certificates of deposit	-	-
d) on loans with third party funds under administration	-	-
e) on subordinated liabilities	357	708
f) negative differentials on "hedging" transactions"	49	571
g) other interest expense	3	-
TOTAL	62,119	118,356

The decrease in interest expenses on customer deposits is strictly connected to the new pricing strategy introduced during the year.

1.3 Analysis of item 10 "interest income and similar charges"

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) on foreign currency assets	4,418	6,658

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) on foreign currency liabilities	2,442	4,486

SECTION 2 COMMISSIONS

2.1 Breakdown of item 40 “commission income”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Guarantees given	-	-
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	279,209	260,644
1. Securities dealing	486	1,641
2. Currency dealing	-	-
3. Managed accounts	22,282	26,528
3.1 Individual	22,282	26,528
3.2 Collective	-	-
4. Custody and administration of securities	5,775	2,444
5. Custodian bank	-	-
6. Placement of securities	70	190
7. Collection of orders	9,983	9,248
8. Consultancy services	-	-
9. Distribution of third-party services	240,613	220,593
9.1 Managed accounts	-	12
9.1.1 Individual	-	12
9.1.2 Collective	-	-
9.2 Insurance products	150,438	155,858
9.3 Other products	90,175	64,723
d) collection and payment services	185	147
e) servicing of securitisation operations	-	-
f) Tax-collection services	-	-
g) other services	5,819	4,022
TOTAL	285,213	264,813

“Collection of order” commissions include revenue generated by trading activities executed on the basis of third party instructions.

2.2 Analysis of item 40 “commission income”

Distribution channels for products and services

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) At own bank counters:	22,352	26,718
1. Managed accounts	22,282	26,528
2. Placement of securities	70	190
3. Third-party services and products	-	-
b) Distribution outside head office:	240,613	220,593
1. Managed accounts	-	-
2. Placement of securities	-	-
3. Third-party services and products	240,613	220,593

Subscription and management commissions related to O.I.C.R. quotas are contractually settled through trade agreements with 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 guaranteed towards the issuer, as regulated by Legislative Decree No. 58/98 Consolidation Act on Financial Brokerage, efforts were put in place to promote and sell insurance products and services in compliance with the mandate given by the parent company Mediolanum S.p.A. (agent of Mediolanum Vita). During the year the bank started-up distribution of insurance products (index linked) of the Irish affiliated company.

Commission related to insurance product sales of the affiliated companies and Mediolanum Assicurazioni S.p.A. are broken down as follows:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Life insurance policies	145,939	151,520
Non-Life insurance policies	4,185	4,299
TOTAL	150,124	155,819

The total amount of commissions generated by insurance policies includes a residual amount related to third counterparts.

2.3 Breakdown of item 50 “commission expense”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	167,795	167,084
1. Security dealing	-	-
2. Currency dealing	-	-
3. Managed accounts:	-	-
3.1. Own portfolio	-	-
3.2. Third party portfolio	-	-
4. Custody and administration of securities	-	-
5. Placement of securities	-	-
6. Off-site distribution of securities, products and services	167,795	167,084
d) Collection and payment services	1,522	1,486
e) Other services	8,761	11,948
TOTAL	178,078	180,518

Commission expense is analyzed and compared with the previous year's values below:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Sales commissions on securities, products and services	134,813	136,263
Management commissions	32,982	30,821
Other commissions	4,360	5,466
Social security contributions	2,589	2,761
FIRR charges for the period	2,436	2,470
Sundry indemnities settled in the period	898	2,737
TOTAL	178,078	180,518

SECTION 3 PROFITS AND LOSSES ON FINANCIAL OPERATIONS

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

<i>Euro in thousands</i>				
Line items/Operations	Securities operations	Currency operations	Other operations	Total
A.1. Revaluation	-	-	8	8
A.2. Write-downs	(1,572)	-	-	(1,572)
B. Other profits (losses)	7,195	3,548	(270)	10,473
TOTAL	5,623	3,548	(262)	8,909
1. Government bonds	1,426			
2. Other debt securities	4,313			
3. Equity securities	(116)			
4. Derivative contracts on securities	-			

SECTION 4 ADMINISTRATIVE COSTS

Breakdown of item 80 "Administrative costs"

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Payroll	36,649	25,803
Remuneration paid to outside professionals and outsourcing	17,636	14,193
Other sundry services	11,347	12,175
Other taxes and duties	10,359	9,907
Sales network staff	9,304	11,468
IT services	8,457	13,861
Repair and maintenance of furniture, machinery and equipment	4,662	4,129
Postage and telephone expenses	4,542	5,457
Rental expenses	4,286	3,991
Temporary hired staff from controlled and affiliated companies	4,263	2,101
Insurance	1,391	1,186
Printing and stationery	1,114	1,181
Compensation and fees paid to directors' and statutory auditors'	580	437
Membership fees	333	313
TOTAL	114,923	106,202

Below is the breakdown of the main items analyzed and relevant changes:

Payroll: these costs are detailed in the Income Statement. The variation respect the previous year (+10.846 thousand Euro) is largely due to staff increases as a result of increased business, expansion of duties in terms of coordination and direction of banking group and internalization of functions previously managed by affiliated companies.

4.1 Average number of employees by category

Units	31.12.2003	31.12.2002
a) Senior managers	42	18
b) 3 rd and 4 th level executives	84	29
c) Remaining staff	704	595
TOTAL	830	642

Remuneration paid to outside professionals and outsourcing is detailed as follows:

Euro in thousands	31.12.2003	31.12.2002
Professional and technical services Bank TELEVISION	8,085	6,441
IT consultancy	5,421	5,027
Other services	3,013	1,602
Legal and notary fees	1,117	1,123
TOTAL	17,636	14,193

The increase over the previous year (+3.443 thousand Euro) is largely due to the growth in technical costs connected to advertising campaigns and the strengthening of communication to the commercial structure.

Professional and technical services relates to services provided by the affiliated company Mediolanum Comunicazione S.r.l. for the production of TV programs 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.

Other services are related to "information provider" costs (3,008 thousand Euro), internal services and interim staff (2,436 thousand Euro) and CED Borsa services (747 thousand Euro).

Analysis of item *Other taxes and duties*:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Stamp duties	10,265	9,812
Other taxes (ICI, local taxes, other)	94	95
TOTAL	10,359	9,907

Sales network staff includes the amounts of remuneration to consultants dedicated to coordination, control and training of the sales network.

IT services, after the peak value recorded the previous year (+112%) as a result of technological up-dating, has now settled at 8,457 thousand Euro (-39%).

Insurance costs are related to the coverage of the following risks:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Damages to customers due to illicit acts	894	712
Agents' accident cover	440	415
Other	57	59
TOTAL	1,391	1,186

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

Item 100 *Provisions for risks and contingencies* is analyzed as follows:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Provision for portfolio indemnities to departing agents	7,077	2,321
Provision for Staff loyalty obligation	-	170
Provision for illegal acts by agents	1,000	1,500
Provision for agents' retirement indemnities	2,181	509
Other provisions	1,982	1,539
TOTAL	12,240	6,039

The nature of the above allowances is described in item 80 (c) of the Balance Sheet. (See attached).

5.1 Breakdown of item 120 "write-downs of loans and provisions for guarantees and commitments"

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Write-downs of loans	2,945	2,656
of which:		
- lump sum write-downs 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	2,945	2,656

This item includes write-downs as at December 31, 2003 on “difficult” loans (504 thousand Euro) and “doubtful” loans (957 thousand Euro) entirely relating to current accounts with no line of credit and with particular reference to irregular use of credit cards.

This item also includes write-downs of credits in place with ex agents, in part relating to illicit acts (347 thousand Euro).

SECTION 6
OTHER INCOME
STATEMENT ITEMS

6.1 Breakdown of item 70 “other operating income”

This item is detailed as follows and compared with balances at December 31, 2002:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Reimbursement of costs to customers	12,444	17,738
Recovery of stamp duties/special tax on stock exchange dealings	10,048	9,684
Reimbursement of costs to Mediolanum Group companies	2,658	1,470
Other revenues	881	672
Reimbursement of costs to agents (financial advisors)	505	883
Reimbursement of costs to staff	166	112
TOTAL	26,702	30,559

The item *Reimbursement of costs to customers* is related to fees for current accounts and to extra-fees connected to current accounts with an average deposit lower than contractually established.

Reimbursement of costs to Mediolanum Group companies is detailed in a separate attachment (see Attachment 4).

6.2 Breakdown of item 110 “other operating expenses”

In this item is included a total cost of 220 thousand Euro with Alboran S.p.A. (related company).

This item is analysed and compared with the previous year’ figures below:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Advertising and promotional expenses	14,157	7,843
Convention organization	4,369	2,764
Professional training of financial advisors	3,437	3,751
Other expenses	2,977	2,668
Company canteen	1,368	1,132
Entertainment expenses, gifts and donations	746	556
Market research	504	466
Employee training/search and selection	346	241
Travel expenses	292	254
Financial advisor search and selection	158	117
TOTAL	28,354	19,792

The increase since the previous year (8,562 thousand Euro) is related to the significant advertising campaign mainly developed in the second part of 2003. This initiative was focused to consolidate the professional image of the financial advisor and to improve brand awareness and services offered by Banca Mediolanum.

The item *Advertising and promotional expenses* includes sponsor costs related to the “*Giro d'Italia – Gran Premio della Montagna 2003*”.

Details of *Other operating expenses* charged by affiliated companies is provided in Attachment 4.

6.3 Breakdown of item 180 “extraordinary income”

The item *Extraordinary income* amounts to 7,397 thousand Euro and includes profit on sales of investment securities of 2,039 thousand Euro.

This item includes also contingent assets related to payback commissions paid to agents (2,466 thousand Euro), requested by the bank following the anticipated contractual expiration. Contingent assets related to income not accrued in previous years amounts to 655 thousand Euro and the amount of 1,792 thousand Euro is related to excess provisions of commissions to agents. Extraordinary income also includes excess provision for portfolio indemnities not paid due to agents failing to comply with the non-competition clause (205 thousand Euro) and insurance reimbursement (91 thousand Euro).

6.4 Breakdown of item 190 “extraordinary charges”

The item *Extraordinary charges* amounts to 4,354 thousand Euro and is related to compensatory payment for deferred taxes related to prior periods (1,074 thousand Euro), charges on security transactions due to foreign counterparts (419 thousand Euro), foreign exchange losses on bank current accounts of previous years (297 thousand Euro), commission adjustments of previous year (397 thousand Euro), interest/expenses and commissions adjustments to customers (157 thousand Euro), while the residual amount is related to costs not accrued in previous years.

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

This item relates to the annual tax on profit for the year. The following table shows a comparison to the previous year.

<i>Euro in thousands</i>	31.12.2003	31.12.2002
1. Current taxes IRPEG	6,799	26
Current taxes IRAP	3,846	1,454
2. Changes in prepaid taxes IRPEG	(15,828)	(2,009)
Changes in prepaid taxes IRAP	(85)	38
3. Changes in deferred taxes IRPEG/IRES	(1,288)	2,391
Changes in deferred taxes IRAP	12	-
4. Income taxes for the year IRPEG	(10,317)	408
Income taxes for the year IRAP	3,773	1,492
TOTAL INCOME TAXES FOR THE YEAR	(6,544)	1,900

With reference to Corporate Income Tax (IRPEG) for the year under review, tax relief was applied pursuant to Legislative Decree 18/12/1997 No. 466 (DIT) which resulted in a decrease of the above tax by 4,509 thousand Euro.

7.1. Geographical distribution of income

The geographical distribution of commission income generated by sales of products and services is analyzed as follows (the percentage data on overall sales is broken down by commercial area):

ITALY	
North-West	30%
North-East	20%
Central	37%
South and islands	13%

Profit for the period

Net profit for the period totalled 45,010 thousand Euro (2002: 58,815 thousand Euro).

SECTION 7
OTHER NOTES TO THE
INCOME STATEMENT

PART D OTHER INFORMATION

SECTION 1 DIRECTORS AND STATUTORY AUDITORS

1.1 Remuneration

The Board of Directors and the Board of Statutory Auditors are respectively composed of 9 and 3 members.

Remuneration for the period totalled 580 thousand Euro, detailed as follows:

<i>Euro in thousands</i>	31.12.2003
(a) Directors	456
(b) Statutory Auditors	124
TOTAL	580

1.2. Loans and guarantees given

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

There are no other loans and guarantees provided in favour of Directors and Statutory Auditors.

SECTION 2 PARENT COMPANY OR EUROPEAN UNION PARENT BANK

The company drawing up the consolidated financial statements for the Group, which includes this company:

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

Consolidated financial statements in compliance with Article 24 and 25 of Legislative Decree 27.01.1992 No. 27

As already pointed out, Banca Mediolanum S.p.A. has drawn up the consolidated financial statements as at December 31, 2003 including the companies belonging to the Mediolanum Banking Group, as well as directly controlled companies.

Attachments

The following attachments include additional information to that included in the Notes to the Accounts, and form an integral part thereof:

Att. 1 : Analysis of changes in intangible fixed assets as at December 31, 2003

Att. 2 : Analysis of changes in tangible fixed assets as at December 31, 2003

Att. 3 : Analysis of changes in shareholders' equity for the year ended
December 31, 2003

Att. 4 : Statement of revenues and costs towards parent, subsidiaries and
affiliated companies

Att. 5 : Cash flow statement as at December 31, 2003

Att. 6 : Reconciliation between theoretical tax liabilities and those accounted
for at December 31, 2003

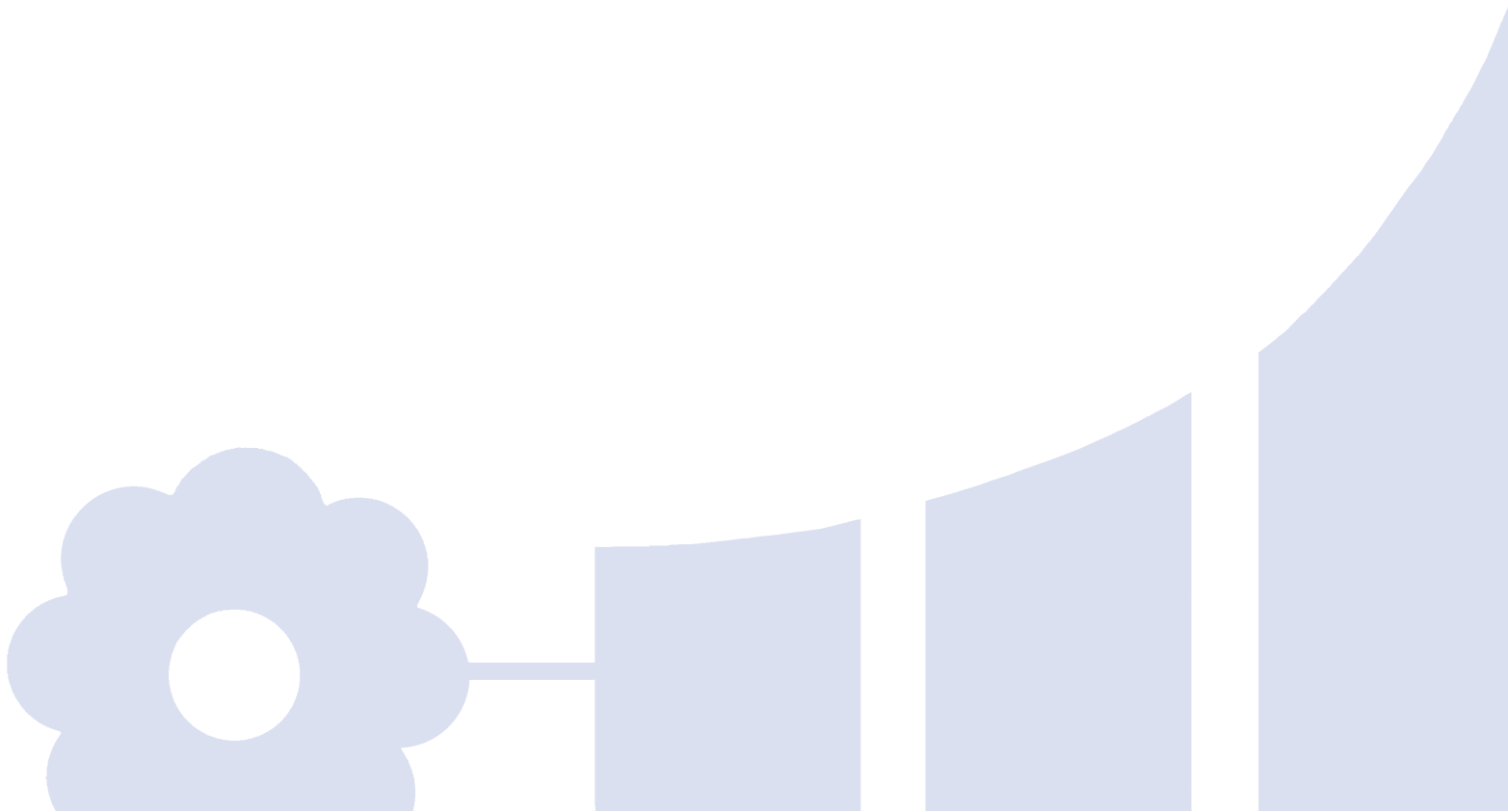
For the Board of Directors

Ennio Doris

Chairman

BANCA MEDIOLANUM S.P.A.

ATTACHMENTS



ATTACHMENT 1

ANALYSIS OF CHANGES IN INTANGIBLE FIXED ASSETS AS AT DECEMBER 31, 2003

<i>Euro</i>	Opening situation		
	Historic cost	Cumulative amortisation	Balance as at 01.01.2003
Intangible assets			
Start-up and expansion costs	846,020	(821,995)	24,025
Patents and intellectual property rights	0	0	0
Concessions, licences, trademarks and similar rights	55,443,011	(41,921,627)	13,521,384
Other intangible assets	12,455,643	(8,287,296)	4,168,347
Intangible assets in progress	1,232,329	0	1,232,329
TOTAL	69,977,003	(51,030,918)	18,946,085

ATTACHMENT 2

ANALYSIS OF CHANGES IN TANGIBLE FIXED ASSETS AS AT DECEMBER 31, 2003

<i>Euro</i>	Opening situation		
	Historic cost	Cumulative Depreciation	Balance as at 01.01.2003
Tangible assets			
Buildings	14,890,146	(2,347,602)	12,542,544
Other equipment	2,167,567	(1,272,295)	895,272
Alarm and security equipment	230,323	(141,249)	89,074
Peripheral equipment	2,466,044	(1,507,337)	958,707
Office fittings, furniture and equipment	1,839,947	(1,491,940)	348,007
Other furniture	960,672	(535,919)	424,753
Personal computers	23,098,886	(12,826,306)	10,272,580
Motor vehicles	125,404	(84,152)	41,252
Fixed assets in progress	0	0	0
TOTAL	45,778,989	(20,206,800)	25,572,189

Movements for the period				Closing situation		
Additions	Net disposals	Amortisation	Net reclassification	Historic cost	Cumulative amortisation	Balance as at 31.12.2003
0	0	(17,616)	0	846,020	(839,611)	6,409
0	0	0	0	0	0	0
8,617,804	0	(12,713,316)	1,155,612	65,216,427	(54,634,943)	10,581,484
668,085	(281,449)	(2,964,399)	0	11,984,176	(10,393,592)	1,590,584
2,513,790	0	0	(1,155,612)	2,590,507	0	2,590,507
11,799,679	(281,449)	(15,695,331)	0	80,637,130	(65,868,146)	14,768,984

Movements for the period				Closing situation		
Additions	Net disposals	Depreciation	Net reclassification	Historic cost	Cumulative amortisation	Balance as at 31.12.2003
4,573	0	(446,774)	0	14,894,719	(2,794,376)	12,100,343
125,911	0	(253,917)	0	2,293,478	(1,526,212)	767,266
30,840	0	(53,529)	0	261,163	(194,778)	66,385
105,649	0	(491,922)	0	2,571,671	(1,999,237)	572,434
60,549	(2,136)	(79,131)	0	1,888,084	(1,560,795)	327,289
31,713	0	(127,737)	0	992,385	(663,656)	328,729
989,501	(28,328)	(4,028,127)	0	24,038,381	(16,832,755)	7,205,626
84,448	0	(38,057)	0	209,852	(122,209)	87,643
173,953	0	0	0	173,953	0	173,953
1,607,137	(30,464)	(5,519,194)	0	47,323,685	(25,694,018)	21,629,668

ATTACHMENT 3

ANALYSIS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>Euro</i>	Share capital	Legal reserve	Extraordinary reserve
Balance as at January 1, 2003	335,329,112	1,903,222	16,068,053
Capital increase execution as praised for extraordinary meeting of 11.11.02	5,670,888		
Allocation of 2002 profit as decided at the Shareholders' meeting of 28.04.2003:			
- legal reserve		2,940,735	
- dividend paid			
- extraordinary reserve			22,873,969
Profit for the period			
Balance as at December 31, 2003	341,000,000	4,843,957	38,942,022

Capital contribution	Merger surplus	Profit for the period	Total shareholders' equity
5,670,888	3,185,042	58,814,704	420,971,021
(5,670,888)			0
		(2,940,735)	0
		(33,000,000)	(33,000,000)
		(22,873,969)	0
		45,009,765	45,009,765
0	3,185,042	45,009,765	432,980,786

ATTACHMENT 4

Euro in thousands

STATEMENT OF REVENUES AND COSTS TOWARDS PARENT, SUBSIDIARIES AND AFFILIATED COMPANIES

Company	Revenues			Total
	Commission income	Interest income	Other operating and extraordinary profits	
<i>Mediolanum Group</i>				
<i>Mediolanum Banking Group</i>				
Parent Company:				
Mediolanum S.p.A.	147,900	0	257	148,157
Controlled Company:				
Mediolanum Gestione Fondi SGR p.A.	24,540	0	667	25,207
Banco de Finanzas e Inversiones S.A.	0	24	120	144
Mediolanum International Funds Ltd	48,288	0	230	48,518
Bankhaus August Lenz & Co. AG	0	0	0	0
Mediolanum International S.A.	0	325	0	325
Mediolanum Private S.A.M.	0	0	5	5
Affiliated company:				
Mediolanum Vita S.p.A.	417	38	1,087	1,542
Partner Time S.p.A.	1	4	246	251
Mediolanum State Street SGR p.A.	1	0	13	14
PI Distribuzione S.r.l.	1	0	18	19
Banca Esperia S.p.A.	0	0	0	0
Mediolanum International Life Ltd	2,237	20	2	2,259
Mediolanum Fiduciaria S.p.A.	1	0	0	1
Mediolanum Comunicazione S.r.l.	1	0	125	126
<i>Fininvest-Doris Groups</i>				
Affiliated/related company:				
Società Europea di Edizioni S.p.A.	0	0	0	0
Alba Servizi Aerotrasporti S.p.A.	0	0	0	0
Mondadori Pubblicità S.p.A.	0	0	0	0
Arnoldo Mondadori Editore S.p.A.	0	0	0	0
Pagine Italia S.p.A.	0	0	0	0
Albacom S.p.A.	0	0	1	1
Publitalia '80 S.p.A.	0	0	0	0
Alboran S.p.A.	0	0	0	0
Vacanze Italia S.p.A.	0	0	2	2
Mediolanum Assicurazione S.p.A.	0	0	110	110
TOTAL	223,387	411	2,883	226,681

Costs

Administrative expenses	Other operating and extraordinary costs	Interest payable and other financial costs	Commission payable	Totale
3,343	323	398	0	4,064
223	0	109	161	493
0	0	747	0	747
0	0	0	0	0
0	0	469	0	469
0	0	0	0	0
0	0	0	0	0
667	0	2,774	0	3,441
41	0	13	0	54
0	0	27	0	27
0	11	5	2	18
0	0	4	0	4
0	1	24	0	25
0	0	4	0	4
5,814	4,570	6	0	10,390
21	0	0	0	21
3	0	0	0	3
0	182	0	0	182
0	3	0	0	3
0	156	0	0	156
0	0	0	0	0
435	5,553	0	0	5,988
2,140	219	0	0	2,359
0	8	0	0	8
786	0	0	0	786
13,473	11,026	4,580	163	29,242

ATTACHMENT 5

Euro in thousands

31.12.2003

CASH FLOW STATEMENT AS AT DECEMBER 31, 2003

A) SOURCE OF FINANCE	
Cash flow generated by operations:	
Profit (loss) for the period	45,010
Amortisation, depreciation of tangible and intangible assets	21,215
Value adjustments on shareholding	40,485
Net provision for risk and charges	19,441
Net change in employee termination indemnity	2,547
Increase/(decrease) due to banks	(139,471)
Increase/(decrease) due to customers	(247,397)
Increase/(decrease) other liabilities - accrued expenses and deferred income	(72,674)
TOTAL CASH FLOW GENERATED BY OPERATIONS	(330,844)
Decrease in tangible and intangible assets	312
Decrease in other financial investments	2
TOTAL CASH FLOW GENERATED	(330,530)
B) APPLICATION OF FUNDS	
Increase/(decrease) credit due from banks (excluding repayable on demand)	(513,254)
Increase/(decrease) credit with customers	138,419
Increase/(decrease) other assets - accrued income and prepaid expenses	58,745
Increase in tangible and intangible assets	13,407
Increase in equity investments	529,016
Own shares acquired	25,500
Subordinate liabilities repayment	5,000
Distributed dividends	33,000
TOTAL APPLICATION OF FUNDS	289,833
C) CASH FLOW FOR THE PERIOD (A - B)	(620,363)
D) Cash and liquid assets (opening balance)	656,850
E) Cash and liquid assets (closing balance)	36,487
F) CHANGE IN CASH AND LIQUID ASSETS (E - D)	(620,363)

<i>Euro</i>	<i>% Rate</i>	<i>Amount</i>	<i>Taxation</i>
Determination of IRPEG taxable income			
	19	24,777,671	
	34	13,687,926	
Profit before taxes including tax credit		38,465,597	
Theoretical fiscal charge			9,361,652
Temporary difference taxable in subsequent year		(66,114,566)	
Temporary differences deductible in subsequent years		18,955,232	
Temporary differences from previous years		58,925,868	
Permanent differences		(16,974,046)	
Total taxable income		33,258,085	
Taxable income 19%	19	30,060,014	
Taxable income 34%	34	3,198,071	
IRPEG of the current year			6,798,747
Determination of IRAP taxable income			
Difference between value and cost of production		58,903,231	
Costs and revenues not relevant for IRAP purposes		2,966,700	
TOTAL		61,869,931	
Theoretical fiscal charge (rate 4.25%)	5.25		3,248,171
Temporary difference taxable in subsequent years		(223,946)	
Temporary differences deductible in subsequent years		8,781,376	
Temporary differences from previous years		(6,840,349)	
Permanent differences		9,667,015	
Total taxable income		73,254,027	
IRAP of the current year	5.25		3,845,836

ATTACHMENT 6

RECONCILIATION BETWEEN
THEORETICAL TAX
LIABILITIES AND THOSE
ACCOUNTED FOR YEAR 2003

Statutory Auditors' report on the financial statements as at December 31, 2003

FINANCIAL STATEMENTS AND ATTACHMENTS

Dear Shareholders,

In compliance with the provisions set forth in Article 153 of Legislative Decree of 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, 2003, our report on the documents submitted for your examination, and on the activities carried out in accordance with the duties laid out in Article 149 of the aforesaid Legislative Decree.

The financial statements closed at December 31, 2003, comprise the Balance Sheet, the Income statement and the Notes to the financial statements, as well as Attachments related to intangible and tangible fixed assets, analysis of changes in Shareholders' equity, economic relations towards controlling, affiliated and controlled companies, reconciliation of cash flows, reconciliation between theoretical tax liabilities and those accounted for;

- the documents were drawn up according to the provisions set forth in Legislative Decree No. 87 of January 27, 1992, and to the instructions set forth by the Bank of Italy in the provision of January 16, 1995, and following amendments;
- we submitted the financial statements to the Board of Directors, along with the Directors' report on the financial statement, in compliance with the terms specified in Article 2429 of the Italian Civil Code.

After carrying out all inspections and controls forming part of the Board of Statutory Auditors' mandate as an alternative to the Auditing Company, according to the criteria for separation established in the above Legislative Decree No. 58/98, we can affirm, to the extent of our powers, that the documents were drawn up fully satisfying the requirements specified by the Civil Code, the EU Directive 86/635 relating to credit and financial bodies, and the guidelines laid out by the Supervisory Bodies.

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 is present.

The Notes to the financial statements, further to the information required by the Law, includes 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, therefore, any judgement relating to the drawing up and contents of the statements and the Note, as well as to compliance with the applicable accounting principles and a correct illustration of operations, shall be expressed by the Auditing Company, which is to draw up a relevant report pursuant to Article 156 of Legislative Decree 58/98.

During a meeting organised for this purpose, we received from the Auditing Company management the results of the verifications 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 euro 45,009,765.= resulting from the following:

Balance Sheet

Euro in thousands

Total Assets	4,273,040.=
Debts, Funds and other Liabilities	(3,840,059).=
Share capital	(341,000).=
Reserves	(46,971).=
Profit for the year	45,010.=
Guarantees and Commitments relating to the financial statements	132,269.=

Income Statement

Euro in thousands

Total revenues	510,004.=
Total costs	(464,994).=
Profit for the year	45,010.=

The Board of Directors, in the Directors' report on operations, provides, as already pointed out, a full profile of the facts and circumstances that characterised the operations of the year under review; moreover, it pointed out that, in spite of the contrasts in the year for both the share markets, which are generally regaining ground, and the European economies, going through a difficult recovery, partly due to the loss of value of the dollar, the Bank maintained an appreciable pace of growth, especially in revenue terms.

CORPORATE
MANAGEMENT

THE SUPERVISORY AND
MONITORING ACTIVITY

Pursuant to the provisions set forth in Articles 149 and 153 of the aforesaid Legislative Decree 58/98, the Board of Statutory Auditors provides the following information:

- we have taken part in the meetings of the Board of Directors and, through participation to these meetings, could ascertain that the appointed bodies never failed to provide information on operations carried out within the framework of the powers entrusted upon them, and that, pursuant to Article 2391 of the Civil Code and Article 136 of Legislative Decree 1.9.1993, the people concerned invariably pointed out any operation potentially entailing a conflict of interests, and abstained from voting;
- we have continued, through periodical meetings, to entertain a fruitful mutual collaboration with the monitoring service and with the internal control service, and are pleased to acknowledge their level of efficiency, adequacy and reliability; these functions, moreover, are constantly strengthened with new personnel, which was necessary to satisfy the ever increasing needs deriving from the constant development of the operating activity;
- we have participated in video-conferencing meetings with the Heads of individual control areas of the Spanish Group Fibanc Inversiones S.A. and Bankhaus August Lenz & Co, with a view to verifying the constant and gradual implementation of monitoring guidelines in order to harmonise the assessment methods of the parent company and make them suited to the mutual exchange of data and information; this activity was also covered in a specific report, concerning the monitoring activity on controlled companies;
- we have carried out throughout the year formal inspections to ascertain compliance with law provisions and the By-laws, and we have performed the verifications established by Article 2403 of the Civil Code, in accordance with Legislative Decree 58/98.
- we have supervised compliance of the asset composition and of the prudential monitoring requirements;
- we have verified compliance with the anti money laundering regulation implemented by means of adequate procedures and
- we have taken stock of the adoption, by the Bank, of “Models of organisation, management and control” in accordance with the provisions set forth in Legislative Decree dated June 8, 2001, No. 231, regarding the prevention of crimes that may be committed in the course of the corporate activity.

Following the verifications and inspections carried out independently and to the extent of its powers, the Board of Statutory Auditors acknowledges the following:

- the activities of those managing the company were performed in compliance with the law and powers attributed thereto; any decision taken urgently by the people appointed were 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, the verifications and inspections performed on controlled companies by the competent Supervisory Bodies; 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;
- as previously pointed out, we have evaluated and supervised the adequacy of the internal control function and its constant strengthening to achieve full efficiency; moreover, all potentially irregular operations were promptly pointed out to the Supervisory Bodies;
- the monitoring of the sales network calls for continuous investments and IT adjustments in order to prevent any risk of unloyal actions, complaints or actions by the customers.

Regarding the financial statements at December 31, 2003, being submitted for your approval, we can testify the following:

- 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;
- the non-trading portfolio is accounted for at purchase cost adjusted to account for the accrued portion of premiums or discounts to the par value, arising when the securities are subscribed ;
- the non-trading portfolio is accounted for at the lower of the value of the purchase cost and the market value;
- shareholdings are valued at purchase cost; when drawing up the financial statements, the value of some investments was adjusted in order to align them to the market value by applying evaluation methods consistent with the IAS accounting principles to be soon introduced;

- tangible assets are stated at purchase cost including related charges and depreciated on a straight-line basis using rates which reflect their remaining useful life;
- intangible assets are stated at purchase cost including related charges amortised using rates which reflect their useful life;
- loans are reported at their estimated realizable value;
- debt and payables are recorded at their par value;
- accruals and deferrals were determined in compliance with the accrual principle;
- 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 law and By-law provisions.

**CONCLUSIONS AND
COMMUNICATIONS**

Considering the above, the Board of Statutory Auditors would 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.

To conclude this Report, the Board of Statutory Auditors would like to sincerely thank the Board, the Top Management, Executives, Middle Managers and all the Employees for their intense activity and praiseworthy commitment and operating skills displayed in their work.

Milan, April 5, 2004

(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, 2003. 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 our 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 our report dated April 8, 2003.

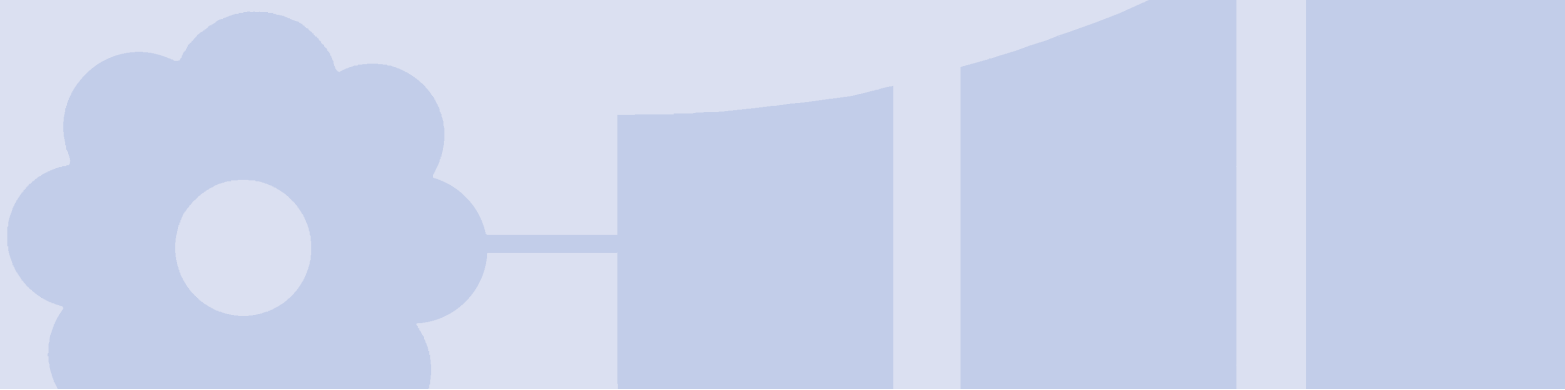
3. In our opinion, the financial statements of Banca Mediolanum S.p.A. comply with the Italian regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of Banca Mediolanum S.p.A. as of December 31, 2003, and the results of its operations for the year then ended.

Milan, Italy
April 2, 2004

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

BANCA MEDIOLANUM S.P.A.

*CONSOLIDATED FINANCIAL
STATEMENTS AS AT
DECEMBER 31, 2003*



Dear Shareholders,

The consolidated financial statements at December 31, 2003, drawn up by the Mediolanum Banking Group in compliance with the provisions of Italian Law No. 87 of 27 January, 1992, closed with a net Group profit of 55,412 thousand Euro (31.12.2002: 31,893 thousand Euro) after income taxes of 11,236 thousand Euro (31.12.2002: 19,406 thousand Euro).

The consolidation area includes all the companies directly and indirectly controlled by Banca Mediolanum, enrolled in the Registry of Banking Groups pursuant to Article 64 of the *Testo Unico Bancario* (Consolidated Banking Act). The consolidation area and principles are illustrated in the Notes to the consolidated financial statements.

Regarding the international scenario in which the Mediolanum Banking Group operated, reference is made to the Parent Company directors' report attached to the 2003 financial statements.

The Banking Group assets reached 5,343 million Euro.

Securities in the portfolio amounted to 1,477 million Euro, and amounts due to banks were 2,324 million Euro.

Customers' direct inflows are still mainly concentrated in Banca Mediolanum (97%). These fell year on year, passing from 3,388.1 million last year to 3,207.4 million (-5.3%).

The income statement shows an interest margin of 55,820 thousand Euro and a service margin of 293,978 thousand Euro. Administrative costs totalled 165,716 thousand Euro.

Volume is broken down by main business lines and developed as follows:

Inflows of managed accounts products

<i>Euro millions</i>	31.12.03	31.12.02	% Change
Life insurance products			
- Life insurance products inflows	2,055.0	2,109.9	(2.60)
Financial products - Mutual accounts funds and managed accounts			
- Gross consolidated inflows	2,244.8	2,688.0	(16.49)
- Net consolidated inflows	560.6	617.5	(9.21)

THE REFERENCE MARKETS

PERFORMANCE OF THE GROUP

Customers' consolidated assets under administration

<i>Euro millions</i>	31.12.03	31.12.02	% Change
Banca Mediolanum assets under administration	23,133.20	20,312.30	13.89
Fibanc Group assets under administration	1,941.9	1,788.3	8.6
Gamax Group assets under administration	430.0	427.0	0.7
Bankhaus August Lenz assets under administration	73.8	1.0	n.d.
Med. Private S.A.M. assets under administration	14.2	7.2	97.2
Consolidation adjustments	(3,659.0)	(2,786.0)	31.3
TOTAL MEDIOLANUM BANKING GROUP	21,934.10	19,749.8	11.1

BANCA MEDIOLANUM

For all that concerns the parent Company Banca Mediolanum, reference is made to the Directors' report attached to the 2003 financial statements .

ASSET MANAGEMENT COMPANIES

The activities of the fund management companies Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Funds Ltd were carried out in synergy with Banca Mediolanum whose mandate from these companies was to be involved in product placing activities promoting the whole range of products among savers.

Mediolanum Gestione Fondi SGR p.A. manages 23 funds, of which 22 mutual funds and 1 open-ended pension fund. Total assets under administration were 1,791.3 million Euro (31.12.2002: 1,517.7 million Euro).

Profit for the year totalled 6,897 thousand Euro (31.12.2002: 6,658 thousand Euro).

During the year, 6 new funds of funds (of the profit accumulation type) which are part of the "Mediolanum Elite System" were launched. These funds partly invest in OICR, also of a multi-compartment type, both harmonised and non-harmonised.

Moreover, with a view to exploiting the abilities of the whole Mediolanum Group in the best possible way, the company took up asset management tasks on behalf of Banca Mediolanum and other affiliated companies.

Through specialised companies, Mediolanum International Funds Ltd, based in Dublin, manages three families of funds (Defender, Top Managers and Challenge) with no less than 53 specialised compartments in all the commodity and geographic areas of the world.

Assets under administration totalled 8,139.5 million Euro (31.12.2002: 6,797 million Euro). The funds of Mediolanum International Funds are distributed in Italy, Spain, Germany and Austria.

Profit for the year totalled 119,778 thousand Euro (31.12.2002: 118,469 thousand Euro)

Mediolanum Asset Management Ltd provides financial consulting, treasury and asset management services to both Mediolanum Group companies and third parties.

Mediolanum Asset Management Ltd is mainly involved in the control of the performance of funds, of the underlying risks and the management of liquidity of associated companies.

The year closed with a profit of 2,525 thousand Euro (31.12.2002: 1,619 thousand Euro).

At December 31, 2003, the consolidated net results of the Fibanc Group were 468 thousand Euro, improved over the same period in the previous year (328 thousand Euro).

Consolidated capital and reserves of the Fibanc Group totalled 42 million Euro, assets under administration totalled 1,942 million Euro (31.12.2002: 1,788 million Euro). Inflows of the Spanish Group were 538 million Euro, and net inflows 145 million Euro.

The operating synergies implemented during the year within the Mediolanum Group paved the way for rearrangement process of the Fibanc structure, passing from 316 employees at 31.12.2002 to 240 employees at 31.12.2003.

The sales network shrank during the first half-year (30.06.2003: 520 units), to then return to last year's levels (31.12.2003: 646 units – 31.12.2002: 663 units).

The number of *Introducers*, deemed non-strategic for the implementation of the Mediolanum model, is gradually being decreased through termination of ongoing contracts, passing from 261 to 114 at 31.12.2003.

This phenomenon is partly due to the process of reorganisation of the Fibanc Group sales network begun last year, and which continued during the first half-year with the goal of promoting, within the Fibanc Group network, the Global Advisor position in accordance with the Mediolanum model, a figure that must satisfy specific requirements in terms of competence and professionalism.

As a result, the number of *Global Advisors* passed from 259 last year to 375 at December 31, 2003.

THE FIBANC GROUP

**MEDIOLANUM
INTERNATIONAL
S.A. AND THE
GAMAX GROUP**

The Luxembourg-based company carries out sub-holding activities, coordinating the activity of the companies it directly controls: Mediolanum Private S.A.M. and the German Group headed by the company Gamax Holding AG.

The company closed the year with a loss of 8,924 thousand Euro, after accounting for the settlement of losses during the year for 6,200 thousand Euro. Results for the year were largely determined by the devaluation of the interest held in Gamax Holding AG.

Such devaluation was necessary considering the evolution of the economic context of financial markets, and was calculated by the company through evaluation methods consistent with the new international accounting standards to be introduced soon.

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

The Gamax Group registered significant results in the year 2003, in spite of consolidated losses for 293 thousand Euro, mainly due to extraordinary charges related to the corporate reorganisation plan.

During the year, Gamax Brooker Pool AG, the German distribution company, left the historical head office of Leverkusen to move to Munich. Following this transfer, approximately 20 people employed by the Leverkusen head office decided to leave the company and, thanks to the synergies with the affiliated company Bankhaus August Lenz & Co. AG, it was not necessary to hire new staff. There are 29 employees, of whom 24 clerical personnel and 5 managers. Nonetheless, the temporary inutilisation of the Leverkusen head office resulted in the posting of extraordinary charges for 400,000 Euro to cover future costs to be supported until the expiry of the relevant rental contract.

Assets under administration totalled 430 million Euro (31.12.2002: 427 million Euro).

Gross and net inflows of the Group decreased, mainly due to the persistent slump in the German and Austrian markets.

The distribution companies continued to offer financial and social security products of the Irish affiliated companies on the German market, and started up the distribution in Germany of the fund of funds "Gamax Fund of Funds", managed by the Luxembourg affiliated company bearing the same name.

At December 31, 2003, the sales network consisted of 689 multifirm agents (1,104 agents at December 31, 2002) of whom 576 were in Germany and 113 in Austria.

The company Mediolanum Private S.A.M., based in Montecarlo and with a share capital of 500 thousand Euro, is 75% controlled; the remaining 25% is held by Compagnie Monégasque de Banque.

Corporate activity started in the second half of 2002, with managed assets totalling 14 million Euro (31.12.2002: 7.2 million Euro).

The operation is supported by two members of staff.

The financial statements at 31.12.2003 closed with a loss of 5 thousand Euro.

Bankhaus August Lenz & Co. AG is a multi-channel bank, based in Munich, reproducing the Banca Mediolanum model in the German market.

The banking activity of the company, started up in the second half of 2002, is constantly evolving; the company closed the year with a loss of 74 thousand Euro, after accounting for the settlement of losses during the year for 9,300 thousand Euro.

The number of current accounts at 31.12.2003 totalled 4,480 (total customers: 5,390 of whom 4,480 current account holders).

During the half-year, the offer of financial and social security products of the Irish companies Mediolanum International Funds Ltd and Mediolanum International Life Ltd continued, the latter company being held 100% by Mediolanum S.p.A..

The sales network is constantly developing and reached 96 sole agents at the end of the half-year (31.12.2002: 36 agents); at the present date, recruiting is being focused along the Munich - Hamburg - Frankfurt axis in order to cover the most interesting areas. With a view to enhancing coverage on a national scale, training and promotional meetings started to be organised over the whole German territory so as to ensure a uniform development of the sales network.

Assets under administration totalled 74 million Euro.

The German bank has 32 employees, including 2 managers.

**BANKHAUS
AUGUST LENZ
& CO. AG**

THE SALES NETWORK

<i>Units</i>	31.12.03	31.12.02
Licensed financial advisors (Banca Mediolanum)	4,052	4,114
Non-licensed financial advisors (Banca Mediolanum)	950	901
Fibanc Group network *	646	663
Gamax Group network	689	1,104
Bankhaus August Lenz network	36	36
TOTAL	6,373	6,818

* of whom 5 are sales employees (2002: 31).

HUMAN RESOURCES

Special emphasis was also placed on human resource development in 2003. Training and development of newcomers' teamwork skills continued, and corporate job rotation has now become standard practice, enabling employees to enhance their profile and increase their professional growth through new experience.

The number of Mediolanum Banking Group employees grew as follows:

<i>Units</i>	31.12.03
Clerical personnel	1,022
Middle managers	88
Managers	86
TOTAL	1,196

SIGNIFICANT POST-BALANCE SHEET EVENTS

In April, the controlled company Mediolanum Private S.A.M. will be put into voluntary liquidation since this investment is no longer regarded as strategic for the Group.

No significant events have occurred since December 31, 2003.

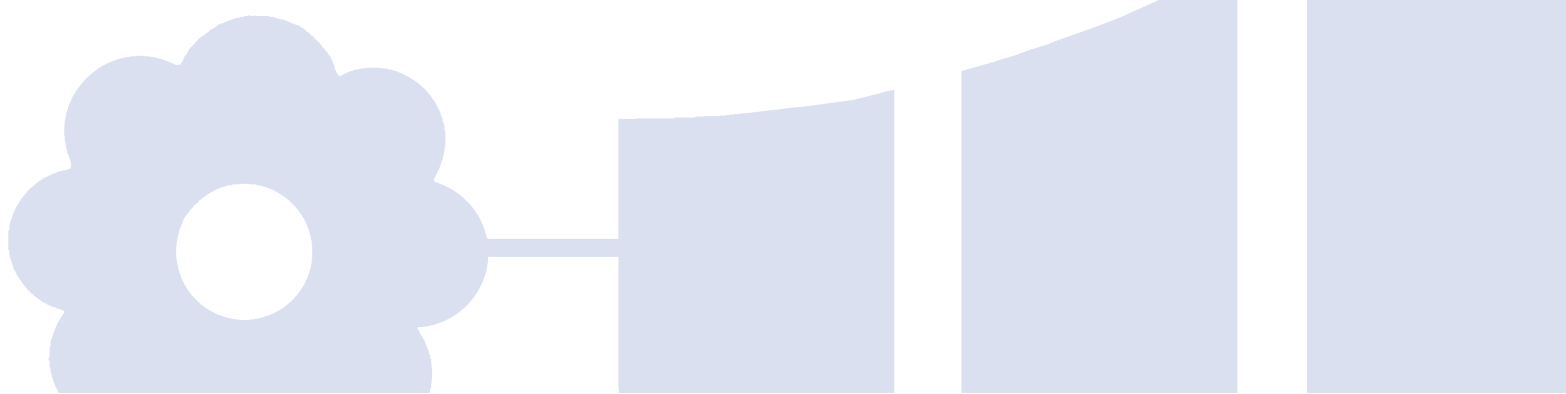
EXPECTED FUTURE TREND

The results of the Mediolanum Banking Group companies in the first few months of 2004 lead us to believe that the consolidated performance of the year will be positive.

For the Board of Directors
The Chairman and CEO
Ennio Doris

BANCA MEDIOLANUM S.P.A.

*FINANCIAL STATEMENTS
AND NOTES
TO THE ACCOUNTS*



Consolidated balance sheet

ASSETS

	<i>Euro in thousands</i>		31.12.2003	31.12.2002
10. Cash and deposits with central banks and post offices			7,008	10,837
20. Treasury bills and similar bills eligible for refinancing with central banks			446,492	197,600
30. Due from banks			2,324,454	3,493,893
a) on demand	84,653			706,860
b) other	2,239,801			2,787,033
40. Loans to customers			555,237	406,289
50. Bonds and debt securities			1,016,320	786,804
a) of public issuers	384,122			276,747
b) of banks	411,771			369,488
<i>of which:</i>				
- <i>own securities</i>	111			114
c) of financial institutions	0			140,569
d) of other issuers	220,427			0
60. Shares, interests and other equity securities			14,075	13,570
70. Equity investments			97	97
a) valued at net equity	0			0
b) other	97			97
80. Equity investments in Group companies			19	0
90. Positive consolidation differences			140,708	160,311
110. Intangible fixed assets			22,776	29,047
<i>of which:</i>				
- <i>start-up costs</i>	2,649			3,224
- <i>goodwill</i>	70			0
120. Tangible fixed assets			52,755	61,288
150. Other assets			216,795	160,209
160. Accrued income and prepaid expenses			20,706	19,660
a) accrued income	18,879			18,338
b) prepaid expenses	1,827			1,322
TOTAL ASSETS			4,817,442	5,339,605

SHAREHOLDERS' EQUITY AND LIABILITIES

<i>Euro in thousands</i>	31.12.2003	31.12.2002
10. Due to banks	437,191	711,899
a) on demand	137,991	307,727
b) time deposits or with notice	299,200	404,172
20. Customer deposits	3,685,805	3,905,601
a) on demand	3,101,368	3,389,915
b) time deposits or with notice	584,437	515,686
50. Other liabilities	129,043	189,311
60. Accrued liabilities and deferred income	6,107	13,112
a) accrued liabilities	4,443	11,183
b) deferred income	1,664	1,929
70. Employee termination indemnity	7,183	4,724
80. Provisions for risks and charges	58,770	40,365
a) provision for pensions and similar liabilities	1,181	1,088
b) taxes	27,855	23,657
c) consolidation fund for future risk and contingency	0	0
d) other funds	29,734	15,620
90. Credit risk fund	33	33
100. General banking risks fund	0	0
110. Subordinated liabilities	10,000	15,000
120. Negative consolidation differences	3,031	3,031
140. Minority interests	76,477	75,654
150. Share capital	341,000	335,329
170. Reserves	13,853	13,722
a) legal reserve	5,406	1,903
d) other reserves	8,447	11,819
190. Retained earnings	(6,463)	(69)
200. Net profit (loss) for the year	55,412	31,893
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,817,442	5,339,605

GUARANTEES AND COMMITMENTS

10. Guarantees given	28,241	27,121
<i>of which:</i>		
- <i>acceptances</i>		
- <i>other guarantees</i>	28,221	27,121
20. Commitments	457,721	1,518,895

Consolidated income statement

<i>Euro in thousands</i>	31.12.2003	31.12.2002
10. Interest income and similar revenues	125,637	159,851
<i>of which:</i>		
- on loans to customers	22,441	22,469
- on debt securities	43,456	47,519
20. Interest expense and similar charges	(69,817)	(131,206)
<i>of which:</i>		
- on customer deposits	(51,966)	(112,935)
- on debt securities	(356)	(708)
30. Dividends and other revenues	516	572
a) on stocks and shares	516	565
b) on equity investments	0	7
40. Commission income	516,892	469,931
50. Commission expense	(222,914)	(201,888)
60. Profits (losses) on financial operations	14,602	15,284
70. Other operating income	34,416	36,193
80. Administrative costs	(173,479)	(164,415)
a) payroll costs	(61,639)	(50,809)
<i>of which:</i>		
- wages and salaries	(45,364)	(39,249)
- social security contributions	(12,064)	(8,703)
- termination indemnities	(2,058)	(1,500)
- other	(260)	0
b) other administrative costs	(111,840)	(113,606)
90. Write-downs of tangible and intangible fixed assets	(47,786)	(48,120)
100. Provisions for risks and contingencies	(14,912)	(6,767)
110. Other operating expenses	(31,533)	(22,401)
120. Write-downs of loans and provisions for guarantees and commitments	(10,530)	(2,656)
130. Write-backs of loans and provisions for guarantees and commitments	5,634	1,522
140. Credit risk provisions	0	(1,987)
150. Write-downs of financial investments	(37)	0
160. Write-backs of long-term investments	0	160
180. Profit from operative activities	126,689	104,073
190. Extraordinary incomes	8,793	11,579
200. Extraordinary charges	(5,451)	(2,349)
210. Extraordinary profit (charge) - net	3,342	9,230
240. Income tax for the year	(11,326)	(19,406)
250. Profit (loss) for the year of minority interests	63,293	62,004
260. Profit (loss) for the year	55,412	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, and include 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..

The consolidated financial statements as at December 31, 2003 are compared with the previous year.

Amounts are in thousands of Euro.

PART A
CONSOLIDATION
AND VALUATION
CRITERIA

SECTION 1
CONSOLIDATION AND
VALUATION CRITERIA

CONSOLIDATION 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, 2003 of Banca Mediolanum and of 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.

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.

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, 2003, 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	Share capital	% 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 SGIIC 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
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	Winding-up company
Gamax Broker Pool AG	500	100.00	Munich	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

Unlike in the consolidated financial statements as at December 31, 2002, the shareholding in Fibanc Argentina S.A. held by Banco de Finanzas has not been included in the consolidation area. However, this exclusion, due to the fact that Fibanc Argentina S.A. completed its financial statements later than the consolidated financial statements, is not significant since the value of the shareholders' equity of the controlled company was 69 thousand Euro as at 31 December, 2002.

In addition, this shareholding valued at cost, was written down by 37 thousand Euro in the consolidated financial statements.

The financial statements are presented in accordance with the requirements of Italian Law No. 87/92 and with the accounting principles issued by Professional Authorities, and they are in line with those adopted in the financial statements as at December 31, 2002, presented for purposes of comparison.

VALUATION CRITERIA

1. Loans, guarantees and commitments

1.1 Loans

Loans are valued at their estimated realizable value, calculated in relation to the solvency of the borrower and any debt servicing difficulties in countries where the borrower resides.

All or part of the write-downs carried out are eliminated when the reasons giving rise to them no longer apply.

Write-downs, referred to estimated loan losses, are charged to *Value adjustments on loans and advances* in the income statement. Write-backs in loan values, including credits for default interest that had been previously written down, are credited to *Value re-adjustments on loans and advances*.

1.2 Guarantees and commitments

Guarantees given are reported at the contractual value of the commitment assumed by the company.

Commitments are reported as follows:

- unsettled securities (to be received or delivered) are shown on the basis of the settlement price;

- deposits and loans to be granted are shown on the basis of the amount to be received or granted;
- other commitments are shown on the basis of the contractual commitment given by the company.

The specific credit risks for guarantees and commitments are valued in accordance with the criteria adopted for the valuation of loans.

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

Securities transactions are recorded at the contractual value date.

Repurchase agreements (Repos and Reverse Repos) that require the holder to resell when the agreement matures are considered funding/lending transactions and, consequently, reported as receivables and payables for the spot amount paid or received. The difference between forward and spot consideration is recorded as interest on an accrual basis.

Interest income on debt securities is recorded as interest on an accrual basis.

Dividends and the related tax credits are recorded on a cash basis.

The securities portfolio is classified into two categories: “investment” and “trading” portfolios.

2.1 Investment portfolio

Investment portfolio includes securities that are destined to be held until their maturity.

Securities held in the investment portfolios are valued at cost of purchase.

Cost is adjusted for the applicable portion of the net issuance premium/discount and the related portion of the (negative/positive) difference between the cost and issuance amount of the securities.

Issue premiums/discounts and difference between cost and issuance amount are recorded in interest income.

Investment portfolio is written down in case of permanent deterioration of the solvency profile of the issuer and the debt repayment ability of the country where the issuer resides.

All or part of the write-downs carried out are eliminated when the reasons giving rise to them no longer apply.

2.2 Trading portfolio

Securities held in the trading portfolios are valued at the lower of cost or market value.

Cost is determined using the principle of “weighted average price” adjusted for the applicable portion, during the period, of the issuance premium/discount of the securities.

Issue premiums/discounts are recorded as interest in the income statement.

Market value is determined as follows:

- a) For securities listed on regulated markets, using the average market price of the last month of the year;
- b) For securities not listed on regulated Italian and foreign markets, using the estimated realizable value.

The estimated realizable value is determined on the basis of the following measures:

- Market performance for similar securities listed in regulated Italian and foreign markets;
- The discounting of future cash flows on the basis of projected market returns;
- The solvency of the issuers;
- Any difficulty servicing debt in the country where the issuer resides;
- Other information that can be determined objectively.

All or part of the write-downs carried out are eliminated when the reasons giving rise to them no longer apply.

2.3 “Off-balance sheet” transactions (excluding foreign currency transactions)

Off-balance sheet transactions, with the exception of those in foreign currency, are valued as follows:

- a) unsettled securities transactions:
 - at the lower of contract value and market value for purchases, and at the higher of these values for sales. To determine market value, refer to the criteria given in the valuation of trading securities.

b) derivative contracts, which have the underlying securities, or which are tied to interest rates, indices or other assets:

- if held for hedging purposes, they are valued on a basis consistent with the underlying assets/liabilities hedged. Thus:
 - if they are related to interest-bearing assets or liabilities, the differentials/margins that are settled/accrued during the period flow to interest-comparable income (expense) whenever interest generated by the assets or liabilities hedged is recorded, in the case of specific hedging instruments; or based on the contract term, if hedging is general;
 - if they are related to assets or liabilities not bearing interest, the results of valuation flow to profits/losses on financial operations.
- If held as a part of trading portfolios, they are valued at the lower of cost (contract value) or current market value determined on the basis of the last quotation recorded.

The results of such valuation flow to profits/losses on financial operations.

In case of contracts with maturity beyond one year, write-downs made in previous years are not maintained if the original reasons no longer apply.

3. Equity investments

Equity investments in certain unconsolidated subsidiaries are valued at purchase cost and historical exchange rate. This amount is adjusted by any write-downs needed to incorporate any permanent loss of value.

All or part of the write-downs carried out are eliminated when the reasons giving rise to them no longer apply.

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

Assets and liabilities denominated in foreign currencies are expressed in Euro using the spot exchange rates at year-end.

“Off-balance sheet” transactions related to unsettled foreign exchange transactions, spot and forward, are valued using spot and forward exchange rates respectively at year-end.

The differences are recognized in the income statement as “profits/losses on financial operations”.

5. Tangible fixed assets

Tangible fixed assets are stated at cost including any related charges and are depreciated on a straight-line basis in accordance with their remaining useful life.

The cost also includes the revaluation performed in accordance with specific regulations. Revaluation gains are credited to the Shareholder's equity.

Ordinary maintenance costs, that do not increase the value of assets, are fully charged to the income statement.

Extraordinary maintenance costs and any other incremental investment costs are charged to the asset account and depreciated over the residual life of the asset concerned.

Any tangible fixed assets that, at year-end, have experienced a permanent reduction in value, which is lower than the cost or previously mentioned evaluation, are reported at such lower value.

6. Intangible fixed assets

Intangible fixed assets are stated at cost including any related charges and are amortized on a straight-line basis in accordance with their remaining useful life.

In particular:

- Goodwill is amortised over a period not to exceed ten years;
- Start-up and expansion costs are amortized over a period not to exceed five years;
- Improvements on leased buildings are amortized over the duration of the respective lease contracts.

The value of intangible fixed assets is reduced in the event of permanent losses of value.

7. Other policies

Payables

Payables are reported at their nominal value.

Accruals and deferrals

Accrued income and expenses, prepaid expenses and deferred income are booked on an accrual basis with reference to the conditions established for each transaction.

Provisions for risks and charges

These provisions cover likely losses, the timing and extent of which cannot be determined at the closing of the accounting period, and reflect a realistic estimate of expected losses on the basis of the information available.

Employee termination indemnity

This provision covers liability for employee termination indemnities accrued, in accordance with existing laws and current, national and internal, labour agreements.

This liability is subject to annual adjustment based on official cost-of-living indices.

Revenue recognition

Interest income and interest expenses are recorded under the accrual basis. Commissions are recorded when the related service is provided.

Taxes**Income Taxes**

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

Deferred income taxes are assessed using the balance sheet liability method. Deferred taxes are calculated every year on temporary differences between the value of assets and liabilities entered and their tax value. Prepaid taxes are posted to the extent that they are reasonably expected to be recovered through future taxable income no lower than the amount of temporary deductible differences.

Deferred and prepaid taxes allocated in previous periods are evaluated annually to take changes in tax laws into consideration.

2.1. Value adjustments exclusively made in accordance with fiscal laws

None.

2.2. Provisions exclusively made in accordance with fiscal laws

None.

Cash and deposits with central banks and post offices, amounting to 7,008 thousand Euro, consists of cash (Euro and foreign currencies) and cash held in the ATMs located in the headquarters' premises and in the Banca Mediolanum financial consultants offices. This item includes the balance of the post-office accounts.

Breakdown of item 30 "due from banks"

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Repayable on demand:	84,653	697,972
- Current accounts for services provided	3,641	14,995
- Active current accounts with banks	38,402	7,206
- Current accounts with banks – non resident accounts	39,490	45,960
- Demand deposit accounts – residents	0	579,000
- Demand deposit accounts – non residents	3,120	50,811
b) Other receivables:	2.239.801	2.795.921
- Due from central banks	15,191	9,312
- Time deposit accounts – residents	705,215	1,097,766
- Time deposit accounts – non-residents	1,151,727	1,275,138
- Repurchase agreements	360,76	396,984
- Other receivables for services	12,089	16,721
TOTAL	2,324,454	3,493,893

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

The item "other receivables for services" relates mainly to commission income due from credit institutes for "home loans" to customers, for 7,215 thousands Euro, and for the difference, to "pool loans" granted to credit organizations.

Repurchase agreements are negotiated with primary banks.

SECTION 2
ADJUSTMENTS AND
PROVISIONS RECORDED
FOR FISCAL PURPOSES

PART B
CONSOLIDATED
BALANCE SHEET
INFORMATION

CASH AND DEPOSITS
WITH CENTRAL BANKS
AND POST OFFICES

SECTION 1
LOANS

No write-downs have been made in “Due from banks” balances as at year-end.

With reference to bank deposits and savings with ordinary customers, the Compulsory Reserve with the Bank of Italy for the period 24.12.2003 to 23.01.2004, amounts to 55,937 thousands Euro.

1.1 Analysis of item 30 “due from banks”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) due from central banks	15,191	9,312
b) bills eligible for refinancing with central banks	0	0
c) due from leasing contracts	0	0
d) repurchase agreements	360,076	396,984
e) securities lending contracts	0	0
f) others	1,949,188	3,087,597
TOTAL	2,324,455	3,493,893

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	2,324,454	0	2,324,454

1.5 Breakdown of item 40 “loans to customers”

Loans to customers are subjected to a continuous and careful monitoring by the companies belonging the Group.

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) bills eligible for refinancing with central banks	0	0
b) due from leasing contracts	3,558	7,116
c) repurchase agreements	0	15,222
d) securities lending contracts	45,312	472
e) other	506,367	383,479
TOTAL	555,237	406,289

1.6 Guaranteed loans to customers

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) loans secured by mortgages	42,106	31,385
b) loans secured by:	103,977	100,583
1. cash deposits	14,457	12,817
2. securities	7,420	4,045
3. other assets	82,100	83,721
c) loans secured by guarantees from:	5,650	7,134
1. Governments	0	0
2. other public agencies	0	0
3. banks	4,414	6,034
4. other parties	1,236	1,100
TOTAL	151,733	139,102

1.7 Loans to customers in cash

<i>Euro in thousands</i>	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans	9,602	(7,611)	1,991
A.1. Non-performing loans	8,303	(6,855)	1,448
A.2. Problem loans	1,036	(517)	519
A.3. Loans being restructured	0	0	0
A.4. Restructured loans	0	0	0
A.5. Loans subject to country risk	263	(239)	24
B. Performing loans	553,246	0	553,246
TOTAL	562,848	(7,611)	555,237

1.8 Dynamics of doubtful loans to customers

<i>Euro in thousands</i>	Non performing loans	Problem loans	Loans being restructured	Restructured loans	Loans subject to country risk
A. Initial gross exposure	10,035	776	0	0	263
A.1. of which:					
interest on delayed payments	0	0	0	0	0
B. Increases:	5,367	1,470	0	0	0
B.1. inflows from performing loans	4,250	1,269	0	0	0
B.2. interest on delayed payments	34	3	0	0	0
B.3. transfers from other doubtful loan categories	895	0	0	0	0
B.4. other increases	188	198	0	0	0
C. Decreases:	(7,099)	(1,210)	0	0	0
C.1. outflows to performing loans	(1,024)	(1)	0	0	0
C.2. cancellations	(6,011)	0	0	0	0
C.3. amounts collected	(64)	(314)	0	0	0
C.4. realised gain on disposals	0	0	0	0	0
C.5. transfer to other categories of doubtful loans		(895)	0	0	0
C.6. other decreases	0	0	0	0	0
D. Final gross exposure	8,303	1,036	0	0	263
D.1. of which:					
interest on delayed payments	0	3	0	0	0

1.9 Dynamics of total adjustments of loans to customers

<i>Euro in thousands</i> Causes/categories	Non- performing loans	Problem loans	Loans being restructured	Restructured loans	Loans subject to country risk	Performing loans
A. Total initial adjustments	10,356	296	0	0	198	0
A.1. of which: interest on delayed payments	43	0	0	0	0	0
B. Increases	7,248	504	0	0	41	0
B.1. value adjustments	7,001	504	0	0	41	0
B.1.1. of which: interest on delayed payments	45	1	0	0	0	0
B.2. use of credit risk fund	247	0	0	0	0	0
B.3. transfer from other loan categories	0	0	0	0	0	0
B.4. other increases	0	0	0	0	0	0
C. Decreases	(10,749)	(283)	0	0	0	0
C.1. write-backs of adjustment	(4,407)	(2)	0	0	0	0
C.1.1. of which: interest on delayed payments	(1)	0	0	0	0	0
C.2. recovery of value upon collection	(35)	(34)	0	0	0	0
C.2.1. of which: interest on delayed payments	(1)	0	0	0	0	0
C.3. cancellations	(5,758)	0	0	0	0	0
C.4. transfer to other loan categories	0	(247)	0	0	0	
C.5. total decreases	(549)	0	0	0	0	0
D. Final adjustments	6,855	517	0	0	239	0
D.1. of which: interest on delayed payments	63	1	0	0	0	0

SECTION 2 SECURITIES

<i>Euro in thousands</i> Items/values	Book value
Item 20 - Treasury bills and similar bills eligible for refinancing with central banks	446,492
Item 50 - Bonds and other debt securities	1,016,320
Item 60 - Share, interests and other equity securities	14,075
TOTAL	1,476,887
of which:	
- Investment securities	484,003
- Trading securities	992,884
TOTAL	1,476,887

2.1 Investment securities

<i>Euro in thousands</i>	Book value	Market value
1. Certificates of deposit	476,460	475,973
1.1. Government securities	465,974	465,527
- traded on regulated markets	465,974	465,527
- unlisted	0	0
1.2. Other securities	10,486	10,446
- traded on regulated markets	10,486	10,446
- unlisted	0	0
2. Stock and shares	7,543	7,346
- traded on regulated markets	0	0
- unlisted	7,543	7,346
TOTAL	484,003	483,319

2.2 Annual changes in investment securities

<i>Euro in thousands</i>	
A. Opening balance	324,329
B. Increases	259,595
B1. Purchases	257,292
B2. Write-backs and revaluations	-
B3. Transfers from trading portfolio	-
B4. Other changes	2,303
C. Decreases	(99,921)
C1. Sales	(85,637)
C2. Principal repayments	-
C3. Adjustments	-
of which:	
permanent write-downs	-
C4. Transfers to the trading portfolio	-
C5. Other changes	(14,284)
D. Closing balance	484,003

During the accounting period, some investment securities, made by Banca Mediolanum S.p.A., were sold in accordance with the board of directors' resolution of February 20, 2003, with the purpose of better adjusting the portfolio mix to the aims of the securities section.

2.3 Trading securities

<i>Euro in thousands</i>	Book value	Market value
1. Certificates of deposit	986,354	986,689
1.1. Government securities	173,011	173,097
- traded on regulated markets	173,011	173,097
- unlisted	-	-
1.2. Other securities	813,343	813,592
- traded on regulated markets	513,922	514,113
- unlisted	299,421	299,479
2. Stock and shares	6,530	9,644
- traded on regulated markets	2,194	2,244
- unlisted	4,336	7,400
TOTAL	992,884	996,333

2.4 Annual changes in trading securities

<i>Euro in thousands</i>	
A. Opening balance	674,489
B. Increases	11,155,412
B1. Purchases	11,142,812
Certificates of deposit	11,028,875
Government securities	7,255,459
Other securities	3,773,416
Shares, quotas and other forms of capital	113,937
B.2. Write-backs and revaluations	-
B.3. Transfers from investment portfolio	-
B.4. Other changes	12,600
C. Decreases	(10,837,017)
C.1. Sales and principal repayments	(10,835,433)
Certificates of deposit	(10,721,605)
Government securities	(7,214,485)
Other securities	(3,507,120)
Shares, quotas and other forms of capital	(113,828)
C.2. Write-backs and revaluations	(1,584)
C.3. Transfers to the investment portfolio	-
C.5. Other changes	-
D. Closing balance	992,884

3.1 Equity Investments

SECTION 3 EQUITY INVESTMENTS

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	432,981	45,010	-	0	0	0
2. Bankhaus August Lenz & Co. AG	Munich	Control as per Article 2359 Civil Code, clause 1	14,474	(74)	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	18,180	6,897	Banca Mediolanum S.p.A.	51	51	0
4. Mediolanum International Funds Ltd	Dublin	Control as per Article 2359 Civil Code, clause 1	122,317	119,778	Banca Mediolanum S.p.A.	51	51	0
5. Mediolanum Asset Management Ltd	Dublin	Control as per Article 2359 Civil Code, clause 1	3,425	2,525	Banca Mediolanum S.p.A.	51	51	0
6. Fibanc Inversiones S.A.	Barcelona	Control as per Article 2359 Civil Code clause 1	11,339	(273)	Banca Mediolanum 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	41,539	752	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	3,135	7	Banco de Finanzas e Inversiones S.A.	100	100	0
9. Fibanc S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	699	29	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	1,282	6	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	46	(5)	Banco de Finanzas e Inversiones S.A.	100	100	0
12. Valora S.A.	Andorra	Control as per Article 2359 Civil Code, clause 1	281	27	Banco de Finanzas e Inversiones S.A.	100	50	0
13. Tanami S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	904	(1)	Banca Mediolanum S.p.A.	100	100	0
14. Mediolanum International S.A.	Luxembourg	Control as per Article 2359 Civil Code, clause 1	62,549	(8,924)	Banca Mediolanum S.p.A.	100	100	0
15. Gamax Holding AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	6,102	(5,877)	Mediolanum International S.A.	100	100	0
16. Gamax Management AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	3,949	3,424	Gamax Holding S.A.	100	100	0
17. Gamax Funds of Fund Management AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	75	(26)	Gamax Holding S.A.	100	100	0
18. Gamax Broker Pool GmbH	Munich	Control as per Article 2359 Civil Code, clause 1	(342)	(3,039)	Gamax Holding S.A.	100	100	0
19. Gamax Austria GmbH	Salzburg	Control as per Article 2359 Civil Code, clause 1	217	(598)	Gamax Holding S.A.	100	100	0
20. Gamax Schweiz GmbH	Zürich	Control as per Article 2359 Civil Code, clause 1	0	23	Gamax Holding S.A.	100	100	0
21. Mediolanum Private S.A.M.	Principality of Monaco	Control as per Article 2359 Civil Code, clause 1	475	(7)	Mediolanum International S.A.	75	75	0
C. Other relevant shareholdings								
1. Fibanc Argentina S.A.	Buenos Aires	Control as per Article 2359 Civil Code, clause 1	37	4	Banco de Finanzas e Inversiones S.A.	100	100	19

Analysis of item 70 “equity investments”

The value of shareholdings as at December 31, 2003 is as follows:

<i>Euro in thousands</i>			Book value	Book value
Company	Share capital	% holding	as at 31.12.2003	as at 31.12.2002
e-MID S.p.A.	6,000	0.8330	50	50
M.T.S. S.p.A.	14,040	0.086	23	23
S.W.I.F.T. SC	10,819	0.0011	1	1
S.I.A. S.p.A.	18,124	0.01	9	9
Euros Consulting S.p.A.	10,238	0.127	14	14
TOTAL			97	97

3.4 Breakdown of item 70 “equity investments”

<i>Euro in thousands</i>	31.12.2003
a) in banks	
- traded in regulated markets	0
- unlisted	0
b) in financial institutions	
- traded in regulated markets	0
- unlisted	0
c) other	
- traded in regulated markets	0
- unlisted	97

3.5 Breakdown of item 80 “equity investments in Group companies ”

<i>Euro in thousands</i>	31.12.2003
a) in banks	
- traded in regulated markets	0
- unlisted	0
b) in financial institutions	
- traded in regulated markets	0
- unlisted	0
c) other	
- traded in regulated markets	0
- unlisted	19

3.6 Annual change in equity investments

3.6.1 Equity investments in Group companies

Euro in thousands

A. Opening balance	19
B. Increases	0
B1. Purchases	
B2. Write-backs	
B3. Revaluations	
B4. Other changes	
C. Decreases	0
C1. Sales	
C2. Adjustments	
of which:	
permanent write-downs	
C5. Other changes	
D. Closing balance	19
E. Total revaluations	0
F. Total adjustments	0

3.6.2 Other equity investments

Euro in thousands

A. Opening balance	97
B. Increases	0
B1. Purchases	
B2. Write-backs	
B3. Revaluations	
B4. Other changes	
C. Decreases	0
C1. Sales	
C2. Adjustments	
of which:	
permanent write-downs	
C5. Other changes	
D. Closing balance	97
E. Total revaluations	0
F. Total adjustments	0

Analysis of item 90 “positive consolidation difference ”

Positive consolidation difference of 140,708 thousand Euro relates to:

- a positive consolidation from the purchase of an interest in the German bank Bankhaus August Lenz & Co. AG (3,860 thousand Euro) by Banca Mediolanum S.p.A. on January 17, 2002;
- a positive consolidation from the purchase of an interest in the financial group headed by the Luxembourg company Gamax Holding AG (46,427 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 (3,248 thousand Euro);
- a positive consolidation difference from the purchase of the company Valora S.A. by Banco de Finanzas e Inversiones S.A.. (52 thousand of 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

Breakdown of tangible fixed assets

<i>Euro in thousands</i>	31.12.2003
Buildings	36,918
Alarms	66
Sundry equipment	870
Office furniture	4,444
Computers	9,532
Other peripherals	638
Motor vehicles	90
Tangible assets under formation	197
TOTAL	52,755

Total movements in the above items are shown in detail in the Attachment 2.

4.1 Annual changes in tangible fixed assets

Euro in thousands

A. Opening balance	61,288
B. Increases	2,931
B1. Purchases	2,931
B2. Write-backs	0
B3. Revaluations	0
B4. Other changes	0
C. Decreases	(11,464)
C1. Sales	(2,659)
C2. Adjustments	(8,803)
a) depreciations	(8,716)
b) permanent write-downs	(87)
C3. Other changes	(2)
D. Closing balance	52,755
E. Total revaluations	0
F. Total adjustments:	(38,534)
a) depreciations	(38,447)
b) permanent write-downs	(87)

Breakdown of intangible fixed assets

Euro in thousands

31.12.2003

Software, trademarks and licences	15,341
Intangible assets under formation	2,602
Improvements on leased goods	463
Other costs	1,644
Goodwill	70
Research and Projects	6
Start-up and expansion costs	2,650
TOTAL	22,776

Total movements in the above items are shown in detail in the Attachment 1.

4.2 Annual changes in intangible fixed assets

Euro in thousands

A. Opening balance	29,047
B. Increases	14,303
B1. Purchases	13,147
B2. Write-backs	0
B3. Revaluations	0
B4. Other changes	1,156
C. Decreases	(20,575)
C1. Sales	(19)
C2. Adjustments	(19,380)
a) depreciations	(19,099)
b) permanent write-downs	(281)
C3. Other changes	(1,176)
D. Closing balance	22,776
E. Total revaluations	0
F. Total adjustments:	(73,734)
c) depreciations	(72,407)
d) permanent write-downs	(1,327)

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 goods: 5 years

SECTION 5 OTHER ASSETS

5.1 Breakdown of item 150 “other assets”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Due from financial consultants	3,264	2,887
Commission income receivable	33,605	56,895
Of which: - Commission income from Mediolanum S.p.A.	31,623	31,477
- Commission income from Mediolanum International Life Ltd	961	0
Assets for “off-balance sheet transactions”	32,468	4,689
Receivables being recovered	1,342	110
Advance payments to employees and consultants	1,535	405
Due from fiscal authorities	35,354	15,687
Deferred tax assets	26,551	12,957
Due from Mediolanum Group companies	1,246	440
Due from Fininvest and Doris Group companies	324	314
Advances to suppliers	436	118
Guarantee deposits	16,687	15,266
Other receivables	63,983	50,441
TOTAL	216,795	160,209

The item “assets for off-balance sheet transactions” includes the accounting contra-entries of the revaluation of exchange forward transactions.

“Receivables being recovered” refers to the payment of compensation to customers for damage arising from illegal acts by former financial consultants of Banca Mediolanum S.p.A., 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>	31.12.2003	31.12.2002
Amounts receivable for withholding taxes	10,473	9,561
Amounts receivables for other withholding taxes to offset	12,349	0
Direct tax credit	7,321	5,893
Advance on employee severance indemnities (including interest) Law 662/96	11	35
Corporate tax 1992 (including interest)	93	92
Refund of proportional tax on premium operation	9	9
Stock Exchange Contract Tax receivables	0	7
VAT receivables	31	62
Other Due from fiscal authorities	5,067	28
TOTAL	35,354	15,687

“Loans for active deferred taxes” includes the amount booked as prepaid taxes coming from provisions of the accounting period resumed under taxation, of which the use under tax exemption in the following exercises is considered sure. Changes in deferred taxes are shown in section 7.4.

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Due from Mediolanum Group companies:	1,246	440
- Mediolanum S.p.A.	102	92
- Mediolanum Vita S.p.A.	775	207
- Mediolanum State Street SGR p.A.	12	38
- Mediolanum Comunicazione S.r.l.	22	18
- Partner Time S.p.A.	87	41
- Mediolanum International Life Ltd	235	33
- Duemme SGR p.A.	13	11
Due from Fininvest and Doris Group companies:	324	314
- Vacanze Italia S.p.A.	183	294
- Mediolanum Assicurazioni S.p.A.	141	20

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

“Guarantee deposits” of 15,721 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 509 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 receivables” are mainly related to utility expenses to be charged to customers’ current accounts at their date of maturity (7,116 thousand Euro) and to commissions and expenses to charge to customers (9,023 thousand Euro), receivables brought about by Mediolanum International Funds Ltd (17,080 thousand Euro), receivables brought about by Banco de Finanzas e Inversiones S.A. (11,000 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>	31.12.2003	31.12.2002
Accrued income		
Interest income – banks	6,945	5,422
Interest on securities	8,823	7,862
Other	3,111	5,054
TOTAL	18,879	18,338

Accrued income of 1,827 thousand Euro relates to services provided and insurance costs pertaining to the following year.

5.3 Adjustments to accrued income and prepaid expenses

In the financial statements as at December 31, 2003, Group Companies made no use of the option to increase or decrease asset accounts by the related accrued income and prepaid expenses, except for the accrued income on “zero-coupon” securities and on the accrued portion of net issuance premium/discount of bonds. These accrued incomes are included in the book value of the securities.

5.4 Breakdown of subordinated assets

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Due from banking institutions	0	0
b) Loans to customers	0	0
c) Bonds and other debt securities	42,503	0
TOTAL	42,503	0

As at December 31, 2002 there were no subordinated assets.

**SECTION 6
PAYABLES**

“Due to banks” are summarised in the following table:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) On demand	137,991	307,727
b) Time Deposit or with notice	299,200	404,172
TOTAL	437,191	711,899

6.1 Analysis of item 10 “due to banks”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Repurchase agreements	72,191	177,578
b) Securities lending contracts	0	0

6.2 Analysis of item “customer deposits”

“Customer deposits” are summarised in the following table:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) On demand	3,101,368	3,389,915
b) Time Deposit or with notice	584,437	515,686
TOTAL	3,685,805	3,905,601

Of which:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Repurchase agreements	436,353	372,743
b) Securities lending contracts	4,281	1,032

**SECTION 7
ALLOWANCES**

Breakdown of item 70 “employee termination indemnity”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Provision for employee termination indemnity	7,183	4,724

Changes during the year are shown in the following table:

<i>Euro in thousands</i>	
Opening balance	4,724
Quota accrued and included in the Income Statement	2,032
Allowance transferred from other Group companies	1,608
Allowance transferred to other Group companies	(35)
Other decreases	(650)
Indemnities paid out during the year	(127)
Advance payments made during the year	(369)
Closing balance	7,183

7.1 Breakdown of item 90 “credit risk fund”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Fund for general risks	33	33
b) Fund for country risk	0	0
TOTAL	33	33

7.2 Variation in “credit risk fund” item 90

<i>Euro in thousands</i>	
A. Opening balance	33
B. Increases:	0
B1. provisions	
B2. other	
C. Decreases:	0
C1. utilisation	
C2. other	0
D. Closing balance	33

7.3 Breakdown of sub-item 80 “provision for risk and charges”

(a) Provision for pensions and similar liabilities

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Provision for pensions and similar liabilities	1,181	1,088

Changes during the year are set out in the following table:

<i>Euro in thousands</i>	
Opening balance	1,088
Provision	170
Other increases	30
Indemnities paid out during the year	(7)
Other decreases	(100)
Closing balance	1,181

(b) Taxes:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Income tax provision	23,095	21,337
IRAP tax provision	4,760	2,320
TOTAL	27,855	23,657

Changes during the year are detailed in the following table:

Euro in thousands

Opening balance	21,337
Provisions	18,200
Other increases	1,103
Utilisation	(18,604)
Other decreases	1,059
TOTAL	23,095

Changes in the IRAP provision during the year are shown in the following table:

Euro in thousands

Opening balance	2,320
Provision	4,699
Other increases	12
Utilisation	2,271
Other decreases	-
TOTAL	4,760

(d) Other funds:

The following table details the composition of "other funds":

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Provision for agents' retirement indemnities	4,072	1,938
Provision for portfolio indemnities to departing agents	10,602	3,941
Provision for staff loyalty obligation	515	515
"Prize contest" fund	18	126
Provision for illegal acts by agents'	5,993	4,993
Customer indemnity for electronic transactions	736	912
Other funds	7,798	3,195
TOTAL	29,734	15,620

Changes during the year are detailed in the following table:

<i>Euro in thousands</i>	Balance as at 31.12.2002	Allocation during the year	Other changes	Utilisation	Balance as at 31.12.2003
Provision for agents' retirement indemnities	1,938	2,181			4,072
Provision for portfolio indemnities to departing agents	3,941	7,077	(205)	(211)	10,602
Provision for staff loyalty obligation	515				515
"Prize contest" fund	126	18		(126)	18
Provision for illegal acts by agents'	4,993	1,000			5,993
Customer indemnity for electronic transaction	912			(176)	736
Other funds	3,195	4,763		(160)	7,798
TOTAL	15,620	15,039	(205)	(673)	29,734

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

"Portfolio indemnities to departing agents" and **"Provision for staff loyalty obligation"** are related to an obligation of the bank to pay an indemnity to advisors resigning their post as established by the general terms and conditions of the contract with them. The settlement of this indemnity is subject to the observation of a non-competition agreement by advisors after their departure.

The amount reported in the *Other changes* column is related to the transfer of out-of-period revenues for financial advisors' indemnities for breach of the non-competition agreement.

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.

Prize contest fund includes the evaluation of the cost related to accrued but not yet assigned bonuses, in the context of prize competitions arranged by the company to promote its services and products.

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

Other funds are related to 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 in the item "receivable from prepaid taxes"

Euro in thousands

1. Opening balance	12,957
2. Increases	17,802
2.1. Prepaid taxes for the year	16,888
2.2. Other increases	914
3. Decreases	(4,208)
3.1. Prepaid taxes cancelled during the year	(1,923)
3.2. Other decreases	(2,285)
4. Closing balance	26,551

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

Euro in thousands

1. Opening balance	2,391
2. Increases	1,115
2.1. Deferred taxes for the year	1,115
2.2. Other increases	0
3. Decreases	(2,391)
3.1. Deferred taxes eliminated during the year	(1,712)
3.2. Other decreases	(679)
4. Closing balance	1,115

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

Share capital

Share capital, fully subscribed and paid-up, amounted to 341,000 thousand Euro at December 31, 2003. The rise over the previous year results from Banca Mediolanum S.p.A. share capital increases totalling 5,670 thousand Euro, subscribed by the controlling company Mediolanum S.p.A..

Breakdown of item 170 “reserves”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Legal Reserve	5,406	1,903
Other reserves:		
Shareholders' capital contribution	0	5,671
Other reserves	8,447	6,148
TOTAL	13,853	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 at 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.

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

Minority interests

Minority interests amount to 76,477 thousands Euro, of which 70,501 thousand Euro pertained to Mediolanum Group companies held by the controlling company Mediolanum S.p.A., as shown in the following table:

<i>Euro in thousands</i>		31.12.2003		31.12.2002	
Company	% Minority interests	Profit	Shareholders' equity	Profit	Shareholders' equity
Mediolanum International Fund Ltd	49	58,691	59,935	58,050	59,294
Mediolanum Asset Management Ltd	49	1,237	1,678	793	1,234
Mediolanum Gestione Fondi SGR p.A.	49	3,379	8,885	3,262	8,768
Mediolanum International S.A.	0.003	-	(2)	-	-
Mediolanum Private S.A.M.	25	(2)	119	(4)	121
Fibanc Inversiones S.A.	15.04	(13)	5,858	(97)	6,237
TOTALE		63,293	76,477	62,004	75,654

Negative consolidation difference

The 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>	31.12.2003	31.12.2002
Mediolanum Gestione Fondi SGR p.A.	3,120	3,120
Mediolanum International Fund Ltd	(51)	(51)
Mediolanum Asset Management Ltd	(38)	(38)
TOTAL	3,031	3,031

8.1 Consolidated total capital and capital requirements

<i>Euro in thousands</i>	Amount
A. Consolidated total capital	
A.1. Tier 1 capital	285,385
A.2. Tier 2 capital	531
A.3. Amounts to be deducted	(13,800)
A.4. Total capital	272,116
B. Consolidated capital requirement	
B.1. Credits risks	139,689
B.2. Market risks	38,240
of which:	
- trading portfolio risk	38,240
- foreign exchange risk	0
B.3. Tier 3 subordinated loans	0
B.4. Other capital requirements	0
B.5 Total capital requirements	177,929
C. Consolidated risk-weighted assets and capital ratios	
C.1. Risk-weighted assets	2,224,113
C.2. Tier 1 capital / Risk-weighted assets	12.83%
C.3. Tier 1 + Tier 2 capital / risk-weighted assets	12.23%

9.1 Breakdown of item 50 “other liabilities”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Due to suppliers	25,176	23,365
Due to Mediolanum Group companies	5,598	4,918
Due to Fininvest and Doris Group companies	1,978	574
Due to consultants, professionals, directors and auditors	408	367
Due to tax authorities	6,779	9,133
Due to financial consultants	46,540	40,999
Due to social security entities	2,341	1,722
Indemnity for agency relationship termination	2,342	2,376
Due to employees	2,864	1,838
Other payables	35,017	104,019
TOTAL	129,043	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.

“Due to tax authorities” is as follows:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Adjustment of Stock Exchange tax contracts	402	0
Local taxes	292	11
Substitute tax and other withholdings taxes	3,824	5,346
Virtual stamp-duty	217	1,039
VAT	374	29
Other debts	1,670	2,708
TOTAL	6,779	9,133

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 2004.

Due to social security entities refers 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, 2004, 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, 2003, but not yet utilised.

“Other payables” includes sundry items which were duly settled during the first months of 2004, totalling 18,630 thousand Euro.

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Accrued liabilities:		
- Provision for 13 th and 14 th month salary	0	125
- on interest payable	768	1,885
- other	3,675	9,173
TOTAL	4,443	11,183

The item “deferred income” mainly relates to Swap and Outright transactions (302 thousand Euro), as well as commission receivables pertaining to future years (1,280 thousand Euro).

SECTION 10 GUARANTEES AND COMMITMENTS

10.1 Breakdown of item 10 “guarantees given”

<i>Euro in thousands</i>	31.12.2003
a) Commercial guarantees	18,467
b) Financial guarantees	9,062
c) Assets pledged	712

10.2 Breakdown of item 20 “commitments”

<i>Euro in thousands</i>	31.12.2003
Commitments to allocate funds (certain to be called on)	399,736
Commitments to allocate funds (not certain to be called on)	57,985

10.3 Assets set aside in guarantee of own debts

<i>Euro in thousands</i>	31.12.2003
Securities in portfolio given as collateral of funding repurchase agreements	377,562
TOTAL	377,562

This amount is expressed at the par value of the securities.

10.5 Forward transactions

<i>Euro in thousands</i>			
Type of transaction	Hedging	Dealing	Other
1. Trades	2,519	1,964	0
1.1. Securities	2,222	1,690	
- purchases	122,666	5,861	
- sales	124,888	4,171	
1.2. Currencies	297	274	
- currencies against currency			
- purchases against Euro	3,524	1,500	
- Sales against Euro	3,821	1,226	
2. Deposits and loans	0	85,000	0
- to be disbursed		85,000	
- to be received			
3. Derivatives	22,255	283,653	0
3.1 With exchange of principal		283,653	
b) currency		283,653	
- currency against currency		5,939	
- purchases against Euro		69,518	
- sales against Euro		359,110	
3.2 Without exchange of principal	22,255		
b) other values	22,255		
- purchases	68,133		
- sales	90,388		

11.1 Main risks

<i>Euro in thousands</i>	31.12.2003
a) amount	136,400
b) number	1

11.2 Distribution of loans to customers by main categories of borrowers

<i>Euro in thousands</i>	31.12.2003
a) Government	0
b) other public entities	0
c) non-financial companies	91,655
d) financial institutions	153,445
e) family firms	123,240
f) other borrowers	186,897
TOTAL	555,237

SECTION 11 CONCENTRATION AND DISTRIBUTION OF THE ASSETS AND LIABILITIES

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

<i>Euro in thousands</i>	31.12.2003
a) other services for sale	7,958
b) commercial services, recovery and repairs	2,500
c) commercial and hotel services	400
d) textile products, leather and shoes, clothing	287
e) other branches	140
TOTAL	11,285

11.4 Distribution of guarantees by principal counterpart categories

<i>Euro in thousands</i>	31.12.2003
a) Government	0
b) other public entities	0
c) banks	461
d) non-financial companies	15,299
e) financial institutions	997
f) family firms	10,296
g) other	1,188
TOTAL	28,241

11.5 Geographic breakdown of assets and liabilities

<i>Euro in thousands</i>			
Line items/Countries	Italy	Other E.U. countries	Other countries
1. Assets			
1.1. Due from banks	892,479	334,989	1,096,986
1.2. Loans to customers	343,862	210,299	1,076
1.3. Securities	1,009,694	129,866	337,326
TOTAL	2,246,035	675,154	1,435,388
2. Liabilities			
2.1. Due to banks	256,234	71,726	109,232
2.2. Customer deposits	3,096,035	577,271	12,499
2.3. Securities issued			
2.4 Other accounts	10,000	0	0
TOTAL	3,362,269	648,997	121,731
3. Guarantees and commitments	373,251	112,644	67

11.6 Breakdown of Assets and Liabilities by maturity

Euro in thousands

Items/Residual duration	Established duration							
	On demand	Up to 3 months	Between 3 to 12 months	Over 1 year up to 5 years		Over 5 years		Unspecified duration
				Fixed rate	Indexed rate	Fixed rate	Indexed rate	
1. Assets								
1.1 Treasury bills for refinancing	1	84,982	43,531	195,628	28,625	4	93,721	0
1.2 Due from banks	91,709	2,121,520	95,000	0	0	0	0	16,225
1.3 Loans to customers	153,403	180,631	79,411	106	91,022	0	39,123	11,541
1.4 Bonds and other certificates of deposit	7,828	122,120	142,455	1,762	456,316	16,096	269,204	539
1.5 "Off-balance sheet" transactions	2,454	377,418	35,400	3,385	681	312	999	0
2. Liabilities								
2.1 Due to banks	137,256	291,227	8,709	0	0	0	0	0
2.2 Due to customers	3,101,368	494,277	17,095	0	70,577	0	2,488	0
2.3 Securities issued	0	0	0	0	0	0	0	0
Bonds	0	0	0	0	0	0	0	0
- certificates of deposit	0	0	0	0	0	0	0	0
- other securities	0	0	0	0	0	0	0	0
2.4 Subordinated liabilities	0	0	0	0	10,000	0	0	0
2.5 "Off-balance sheet" transactions	79,657	338,319	43	742	626	315	944	0

11.7 Assets and liabilities in foreign currency

Euro in thousands

31.12.2003

a) Assets	
1) due from banks	249,215
2) loans to customers	37
3) securities	0
4) equity holdings	0
5) other	0
b) Liabilities	
1) due to banks	15,835
2) customer deposits	8,340
3) bonded debts	0
4) other	0

11.8 Securitisation transactions

Companies included in consolidation carried out no direct securitisation transactions.

As at December 31, 2003, the trading portfolio included the following securities, with rating AAA, resulting from securitisation transactions carried out by third parties. At the present date, these securities have been sold on the market.

<i>Euro in thousands</i>			
Security	Book value	Market value	
Senior:			
Cremonini Sec. 02-09	2,955	2,955	
SCC INPS 07/04 TV	90,000	90,000	
SCC INPS 07/08 TV	45,020	45,052	
TOTAL	137,975	138,007	

SECTION 12
MANAGEMENT AND
BROKERAGE ON BEHALF
OF THIRD PARTIES

12.1 Securities transactions

<i>Euro in thousands</i>	31.12.2003
a) Purchases	36,342,296
- settled	36,342,296
b) Sales	36,413,627
- settled	36,413,627
TOTAL	72,755,923

12.2 Managed accounts

The market value of managed accounts at December 31, 2003 is 12,483,110 thousand Euro.

12.3 Custody and administration of securities

<i>Euro in thousands</i>	31.12.2003
a) Third-party securities held in deposit (excluding Managed accounts)	6,617,772
1. bonded debt by the bank that strikes the balance	9,764
2. other securities	6,608,008
b) Third-party securities deposited with third parties	6,301,505
c) Portfolio securities deposited with third parties	1,691,435
TOTAL	14,610,712

12.4 Credit collection for third parties: “debit” and “credit” adjustments

<i>Euro in thousands</i>	31.12.2003
a) Debit adjustments	0
1. current accounts	
2. main portfolio	
3. cash	
4. other accounts	
b) Credit adjustments	2,929
1. current accounts	0
2. transferors of bills and documents	2,214
3. other accounts	715

PART C INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1 INTEREST

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) On amounts due from banks	59,454	89,310
of which:		
- deposits with central banks	1,601	2,033
b) On loans to customers	22,441	22,469
of which:		
- loans with third party funds under administration		0
c) On certificates of deposit	43,456	47,519
d) Other interest income	32	26
e) Positive differentials on “hedging” transactions	254	527
TOTAL	125,637	159,851

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) On amounts due to banks	17,443	17,210
b) On customer deposits	51,966	112,935
c) On other bonded debt		
of which:		
- on certificates of deposit		708
d) On loans with third party funds under administration		0
e) On subordinated liabilities	356	33
f) Negative differentials on “hedging” transactions	49	82
g) Other interest expense	3	238
TOTAL	69,817	131,206

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) On foreign currency assets	4,528	6,813

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) On foreign currency liabilities	2,462	4,555

SECTION 2 COMMISSIONS

2.1 Breakdown of item 40 “commission income”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Guarantees given	310	259
b) Credit derivatives	25	24
c) Management, brokerage and consultancy services:	508,736	464,205
1. Securities dealing	13,126	13,508
2. Currency dealing	131	108
3. 3. Managed accounts:	284,307	246,974
3.1 Individual	24,859	29,784
3.2 Group	259,448	217,190
4. Custody and administration of securities	12,679	9,957
5. Custodian bank	867	829
6. Placement of securities	704	1,393
7. Collection of orders	9,983	9,248
8. Consultancy services	0	0
9. Distribution of third-party services	186,939	182,188
9.1 Managed accounts	10,781	10,024
9.1.1 Individual	0	594
9.1.2 Group	10,781	9,430
9.2 Insurance products	156,413	156,986
9.3 Other products	19,745	15,178
d) Collection and payment services	885	653
e) Servicing of securitisation operations	0	0
f) Tax collection services	0	0
g) Other services	6,936	4,790
TOTAL	516,892	469,931

2.2 Analysis of item 40 “commission income”

Distribution channels for products and services

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) At own bank counters:	23,065	27,798
1. Managed accounts	22,361	27,127
2. Placement of securities	704	671
3. Third-party services and products	0	0
b) Distribution outside own bank:	448,885	402,757
1. Managed accounts	261,946	219,847
2. Placement of securities	0	722
3. Third-party services and products	186,939	182,188

2.3 Breakdown of item 50 “commission expenses”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Guarantees received	0	0
b) Credit derivatives	0	0
c) Management and brokerage services:	188,473	186,735
1. Securities dealing	2,639	2,740
2. Currency dealing	290	524
3. Managed accounts:	12,062	7,760
3.1 Own portfolio	9,787	7,579
3.2 Third-party portfolio	2,275	181
4. Custody and administration of securities	1,173	3,022
5. Placement of securities	590	152
6. Off-site distribution of securities, products and services	171,719	172,537
d) Collection and payment services	1,900	1,972
e) Other services	32,541	13,181
TOTAL	222,914	201,888

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	171		8	179
A.2 Write-downs	(1,581)			(1,581)
B. Other profits (losses)	12,522	3,752	(270)	16,004
TOTAL	11,112	3,752	(262)	14,602
1. Government bonds	1,417			
2. Other debt securities	4,951			
3. Equity securities	4,890			
4. Derivative contracts on securities	(146)			

SECTION 3 PROFITS AND LOSSES ON FINANCIAL OPERATIONS

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Payroll	61,639	50,809
Printing and stationary	1,781	1,910
Temporary hired staff from controlled and affiliated companies	4,925	2,186
Sales network staff	9,382	11,593
Remuneration paid to outside professionals and outsourcing	22,198	17,254
Directors’ and Auditors’ remuneration	1,180	2,426
Postal and telephone expenses	7,439	8,331
Other taxes and duties	10,853	10,855
Leases and rentals	6,925	6,274
Insurance	1,583	1,277
IT services	11,530	16,644
Repair and maintenance of furniture, machinery and equipment	5,485	4,917
Membership fees	472	424
Other services	28,087	29,515
TOTAL	173,479	164,415

SECTION 4 ADMINISTRATIVE COSTS

Remuneration paid to outside professionals and outsourcing is detailed as follows:

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Legal ad notary fees	2,072	1,787
IT consultancy	5,597	5,612
Professional and technical services Bank Television	8,117	6,474
Other services	6,412	3,381
TOTAL	22,198	17,254

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

4.1 Average number of employees by category

<i>Units</i>	31.12.2003	31.12.2002
a) Managers	71	55
b) 3 rd and 4 th level managers	93	86
c) other employees	955	934
TOTAL	1,119	1,075

SECTION 5 WRITE-DOWNS, WRITE-BACKS AND PROVISIONS

Breakdown of item 100 “provisions for risks and contingencies”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Provision for illegal acts by agents	1,000	1,500
Provision for agents' retirement indemnities	2,181	509
Provision for portfolio indemnities to departing agents	7,077	2,321
Provision for Staff loyalty obligation	0	170
Other provisions	4,654	2,267
TOTAL	14,912	6,767

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
a) Write-downs	10,530	2,656
of which:		
- lump sum adjustments for country Risk	90	
- other lump sum adjustments		
b) Provisions for guarantees and commitments	0	0
of which:		
- lump sum adjustments for country Risk		
- other lump sum adjustments	0	0
TOTAL	10,530	2,656

This item also includes write-downs of credits in place with ex agents, in part relating to illicit acts.

SECTION 6
OTHER INCOME
STATEMENT ITEMS

6.1 Breakdown of item 70 “other operating income items”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Charging of costs to customers	12,444	20,708
Reimbursement of costs from agents (financial advisors)	581	883
Reimbursement of costs from Mediolanum Group companies	1,734	1,074
Reimbursement of costs from Fininvest and Doris Group companies	150	106
Reimbursement of costs from employees	181	125
Recovery of stamp duties/special tax on stock exchange dealings	10,048	9,684
Other revenues	9,278	3,613
TOTAL	34,416	36,193

The item *Charging of costs to customers* is related to fees for current accounts and to extra-fees connected to current accounts with an average deposit lower than contractually established.

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

	31.12.2003	31.12.2002
From Mediolanum Group companies:	1,734	1,074
- Mediolanum S.p.A.	260	337
- Mediolanum Vita S.p.A.	996	410
- Mediolanum State Street SGR p.A.	1	139
- Mediolanum Comunicazione S.r.l.	117	22
- Partner Time S.p.A.	241	153
- PI Distribuzione S.r.l.	19	2
- Mediolanum International Life Ltd	100	11
From Fininvest and Doris Group companies:	150	106
- Vacanze Italia S.p.A.	2	3
- Mediolanum Assicurazioni S.p.A.	148	103

6.2 Breakdown of item 110 “sundry operating expenses”

<i>Euro in thousands</i>	31.12.2003	31.12.2002
Leasing fees	73	56
Advertising and promotional expenses	15,447	8,637
Convention organisation	4,714	3,220
Market research	505	466
Travel expenses	793	830
Entertainment expenses, gifts and donations	856	672
Professional training of financial advisors	3,586	3,772
Company canteen	1,422	1,194
Financial advisor search and selection	158	118
Employee training/search and selection	471	417
Other expenses	3,508	3,019
TOTAL	31,533	22,401

6.3 Breakdown of item 190 “extraordinary income”

The item *Extraordinary income* amounts to 7,397 thousand Euro and includes profit on sales of investment securities of 2,039 thousand Euro.

This item includes also contingent assets related to payback commissions paid to agents (2,466 thousand Euro), requested by the bank following the anticipated contractual expiration. Contingent assets related to income not accrued in previous years amounts to 655 thousand Euro and the amount of 1,792 thousand Euro is related to excess provisions of commissions to agents in previous years.

Extraordinary income also includes excess provision for portfolio indemnities not paid due to agents failing to comply with the non-competition clause (205 thousand Euro) and insurance reimbursement (91 thousand Euro).

6.4 Breakdown of item 200 “extraordinary expenses”

The item *Extraordinary expenses* amounts to 4,354 thousand Euro and relates to the cost charged to the bank for complying with the “tax amnesty” regarding prior periods (1,074 thousand Euro), charges on security transactions due to foreign counterparts (419 thousand Euro), foreign exchange losses on bank current accounts of previous years (297 thousand Euro), commission adjustments of the previous year (397 thousand Euro), interest/expenses and commission adjustments to customers (157 thousand Euro), while the residual amount is related to costs not accrued in previous years.

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

<i>Euro in thousands</i>	31.12.2003	31.12.2002
1. Current taxes	28,879	21,388
2. Changes in prepaid taxes	(17,391)	(2,938)
3. Changes in deferred taxes	(162)	956
4. Income taxes for the year	11,326	19,406

7.1. Geographic breakdown of revenues

Italy	61,30%
Ireland	29,24%
Spain	7,15%
Germany	2,31%

SECTION 7
OTHER INCOME
STATEMENT INFORMATION

1.1 Payments

Remuneration to Directors and Auditors for the performance of their duties in this and 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	456	616
b) Statutory Auditors	124	0
TOTAL	580	616

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 was 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 include additional information to that included in the Notes to the Accounts, and form an integral part thereof:

Att.1 : Analysis of changes in intangible fixed assets as at December 31, 2003

Att.2 : Analysis of changes in tangible fixed assets as at December 31, 2003

Att.3 : Analysis of changes in Shareholders' equity for the year ended
December 31, 2003

Att.4 : Reconciliation between the financial statements of the parent company
and the consolidated financial statements.

Att.5 : Analysis of income and expenses with parent, controlled and affiliated
companies.

Att.6 : Cash flows statement as at December 31, 2003

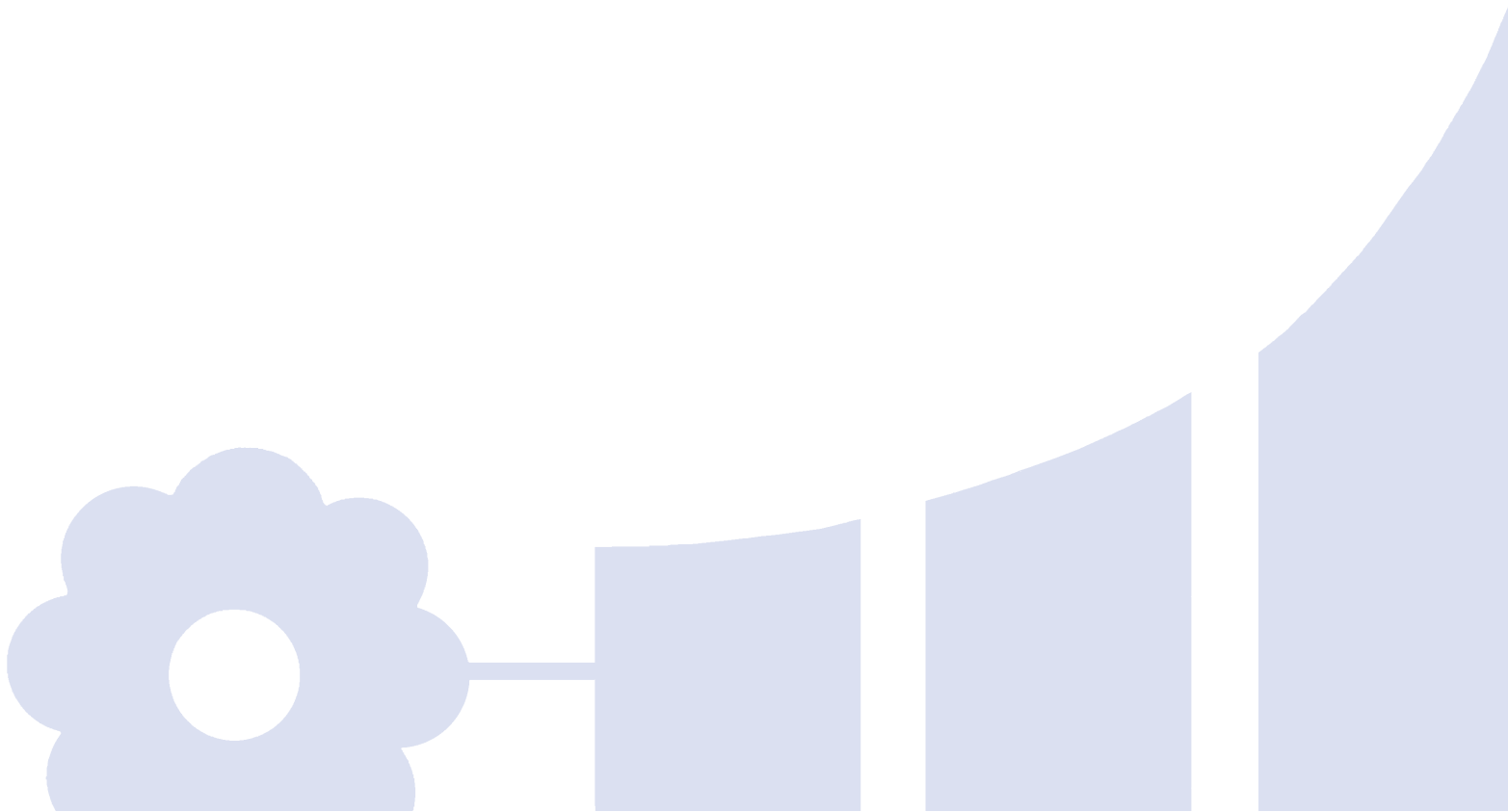
For the Board of Directors

Ennio Doris

Chairman and Chief Executive Officer

BANCA MEDIOLANUM S.P.A.

ATTACHMENTS



ATTACHMENT 1

ANALYSIS OF CHANGES IN OTHER INTANGIBLE ASSETS AS AT DECEMBER 31, 2003

Euro in thousands

Intangible assets	Opening situation		Balance as at 01.01.2003	Additions
	Historic cost	Cumulative Amortisation		
Start-up and expansion costs	4,598	(1,237)	3,361	253
Patents and intellectual property rights	2,929	(961)	1,968	265
Concessions, licences, trademarks and similar rights	60,825	(43,424)	17,401	9,391
Other intangible assets	13,884	(8,799)	5,085	704
Intangible assets in progress	1,232	0	1,232	2,526
TOTAL	83,468	(54,421)	29,047	13,139

ATTACHMENT 2

ANALYSIS OF CHANGES IN TANGIBLE FIXED ASSETS AS AT DECEMBER 31, 2003

Euro in thousands

Tangible assets	Opening situation		Balance as at 01.01.2003	Additions
	Historic cost	Cumulative Depreciation		
Land and Buildings	46,917	(6,591)	40,326	13
Plant and machinery	9,813	(4,992)	4,821	314
Industrial and trade equipment	6,900	(4,440)	2,460	846
Other tangible fixed assets	31,651	(17,980)	13,671	1,573
Fixed assets in progress	10	0	10	197
TOTAL	95,291	(34,003)	61,288	2,943

Movements for the period			Closing situation		
Net disposals	Amortisation	Net reclassification	Historic cost	Cumulative Amortisation	Balance as at 31.12.2003
0	(895)	0	4,851	(2,132)	2,719
(12)	(910)	231	3,413	(1,871)	1,542
0	(13,884)	1,156	71,372	(57,308)	14,064
(281)	(3,428)	(231)	14,076	(12,227)	1,849
0	0	(1,156)	2,602	0	2,602
(293)	(19,117)	0	96,314	(73,538)	22,776

Movements for the period			Closing situation		
Net disposals	Depreciation	Net reclassification	Historic cost	Cumulative Depreciation	Balance as at 31.12.2003
(2,100)	(1,320)	0	44,830	(7,911)	36,919
(529)	(1,154)	0	9,598	(6,146)	3,452
(2)	(1,312)	0	7,744	(5,752)	1,992
(31)	(5,019)	0	33,193	(22,999)	10,194
(10)	0	0	197	0	197
(2,672)	(8,805)	0	95,562	(42,808)	52,754

ATTACHMENT 3

ANALYSIS OF CHANGES IN SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2003

<i>Euro in thousands</i>	Share capital	Legal reserve	Other reserves	Negative consolidation difference	Profit for the period	Total
Balance as at January 1, 2003	335,329	1,903	11,750	3,031	31,893	383,906
Increase of paid-in share capital	5,671		(5,671)			0
Allocation of 2002 profit:						
- payment of dividends out of profits					(33,000)	(33,000)
- reserves		3,503	(4,610)		1,107	0
Other changes			515			515
Profit (loss) for the period					55,412	55,412
Balance as at December 31, 2003	341,000	5,406	1,984	3,031	55,412	406,833

ATTACHMENT 4

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2003

<i>Euro in thousands</i>	Capital and reserves	Profit for the period	Total Shareholders' equity
Parent company financial statements	387,971	45,010	432,981
Statutory profits and reserves of companies included in consolidation	(12,182)	57,065	44,883
Elimination of dividends accounted for on an accrual basis		(65,890)	(65,890)
Elimination of intercompany dividends	0	0	0
Amortisation of positive consolidation difference	(33,951)	(19,515)	(53,466)
Consolidation adjustments and effect of application of homogeneous accounting principles	10,150	38,978	49,128
Amortisation of capital gains attributed to buildings as at the date of acquisition	(567)	(236)	(803)
Shareholders' equity and profit for the period of the Group	351,421	55,412	406,833
Minority quota	13,184	63,293	76,477
Shareholders' equity and profit for the period as posted in the consolidated financial statements	364,605	118,705	483,310

<i>Euro in thousands</i> Company	Receivables	Payables	Costs	Revenues
Mediolanum S.p.A.	31,725	17,594	4,273	148,768
Mediolanum Comunicazione S.r.l.	21	2,735	10,641	126
Mediolanum International Life Ltd	2,518	390	137	8,462
Mediolanum Vita S.p.A.	876	219,272	25,699	1,904
Mediolanum Fiduciaria S.p.A.	0	470	4	1
Partner Time S.p.A.	9	1,116	54	251
PI Distribuzione S.p.A.	0	685	19	18
Mediolanum State Street SGR p.A.	0	0	0	0
Banca Esperia S.p.A.	0	19	0	4
Duemme SGR p.A.	12	2,286	27	14
TOTAL	35,161	244,567	40,854	159,548

ATTACHMENT 5

ANALYSIS OF INCOME AND EXPENSES WITH PARENT, CONTROLLED AND AFFILIATED COMPANIES

Euro in thousands 31.12.2003

A) SOURCE OF FINANCE

Cash flow generated by operations:

Profit (loss) for the period	55,412
Amortisation, depreciation of tangible and intangible assets	27,922
Net provision for risk and charges	18,405
Net change in employee termination indemnity	2,459
Positive consolidation differences	20,118
Minority interests	823
Increase/(decrease) due to banks	(274,708)
Increase/(decrease) due to customers	(219,796)
Increase/(decrease) other liabilities	(67,273)
TOTAL CASH FLOW GENERATED BY OPERATIONS	(436,638)
Decrease in tangible and intangible assets	2,964
TOTAL CASH FLOW GENERATED	(433,674)

B) APPLICATION OF FUNDS

Increase/(decrease) credit due from banks (excluding repayable on demand)	(547,232)
Increase/(decrease) credit with customers	148,948
Increase/(decrease) other assets	57,632
Increase in tangible and intangible assets	16,082
Increase in equity investments	478,932
Subordinate liabilities repayment	5,000
Distributed dividends	33,000
TOTAL APPLICATION OF FUNDS	192,362
C) CASH FLOW FOR THE PERIOD (A - B)	(626,036)
D) Cash and liquid assets (opening balance)	717,697
E) Cash and liquid assets (closing balance)	91,661
F) CHANGE IN CASH AND LIQUID ASSETS (E - D)	(626,036)

ATTACHMENT 6

CASH FLOW STATEMENT AS AT DECEMBER 31, 2003

Statutory
Auditors' report
on the consolidated
financial
statements as at
December 31,
2003

To the Shareholders

To the extent of our responsibilities we have examined the consolidated financial statements of the Banca Mediolanum S.p.A. Group as at December 31, 2003, drawn up according to the provisions set forth in Legislative Decree No. 87 of January 27, 1992, and in the provision issued by the Governor of the Bank of Italy on January 16, 1995.

The consolidated financial statements were submitted to us, along with the Director's report, in compliance with the terms of the law.

The financial statements under examination aggregate, on a line-by-line proportional basis, all the values resulting from the balance sheets and the income statements as at December 31, 2003 of the controlled companies included in consolidation pursuant to Articles 25 and 26 of the abovementioned decree No. 87/92.

Based on these documents, we inform you of the following:

1. The valuation was carried out in compliance with the instructions set forth by the Bank of Italy in the provision of January 16, 1995 and subsequent amendments: in accordance with these principles, we referred to the rules and regulations governing the consolidated financial statements, interpreted and integrated with the applicable accounting principles issued by the National Boards of Professional Accountants and Bookkeepers.
2. The financial statements of companies in which investments are held underwent verifications and examination by the respective control bodies and, in the cases required by law, by the relevant Auditing companies.
3. The evaluation and consolidation principles utilised by the Directors were correctly applied and are compliant with the legislation currently in force.

4. There were no derogations from the law; the results of the Consolidated Financial Agreements correspond to the bookkeeping entries and the data transmitted by the consolidated companies.

5. The financial statements were audited by the company Reconta Ernst Young SpA. In conclusion, it is our opinion that the consolidated financial statements correctly express the asset and financial situation of the company, as well as the economic result of the Banca Mediolanum Group for the year closing at December 31, 2003, in compliance with the rules and regulations referred to herein.

Milan, April 5, 2004

(The Chairman of the Board of Statutory Auditors)

Arnaldo Mauri

(The Statutory Auditors)

Adriano Angeli

Pierfelice Benetti Genolini

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, 2003. 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 audits of the financial statements of certain subsidiaries, which represent respectively 12% and 8% of consolidated total assets and consolidated net operating margin, are the responsibility of other auditors.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated April 8, 2003.

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, 2003, and the consolidated results of its operations for the year then ended.

Milan, Italy
April 2, 2004

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

Progetto grafico

Marilena Magnoni
Milano