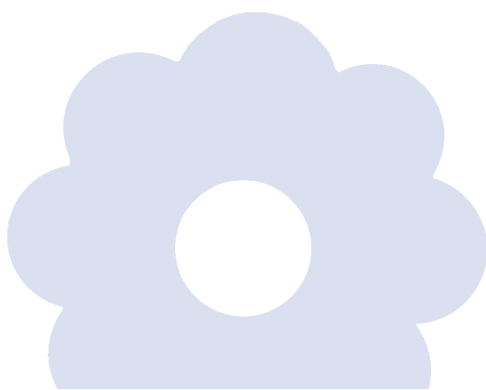


BANCA MEDIOLANUM S.P.A.

*2004
ANNUAL REPORT
AND CONSOLIDATED
ACCOUNTS*



Summary

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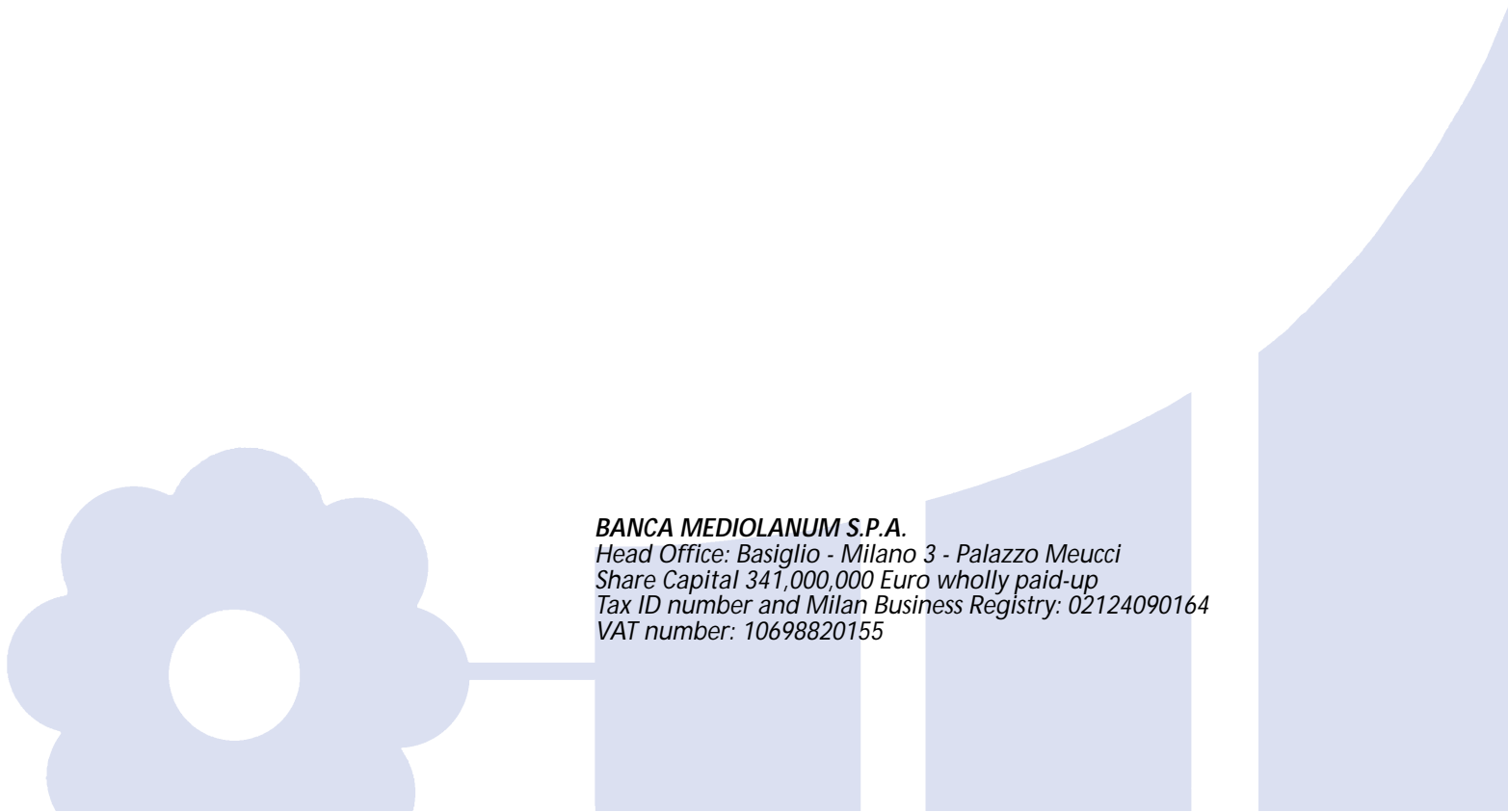
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The Annual report and consolidated accounts have been translated from those issued in Italy, from the Italian to English language solely for the convenience of international readers.

BANCA MEDIOLANUM S.P.A.

**FINANCIAL STATEMENTS
AS AT DECEMBER 31,
2004**



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

Officers of the Company

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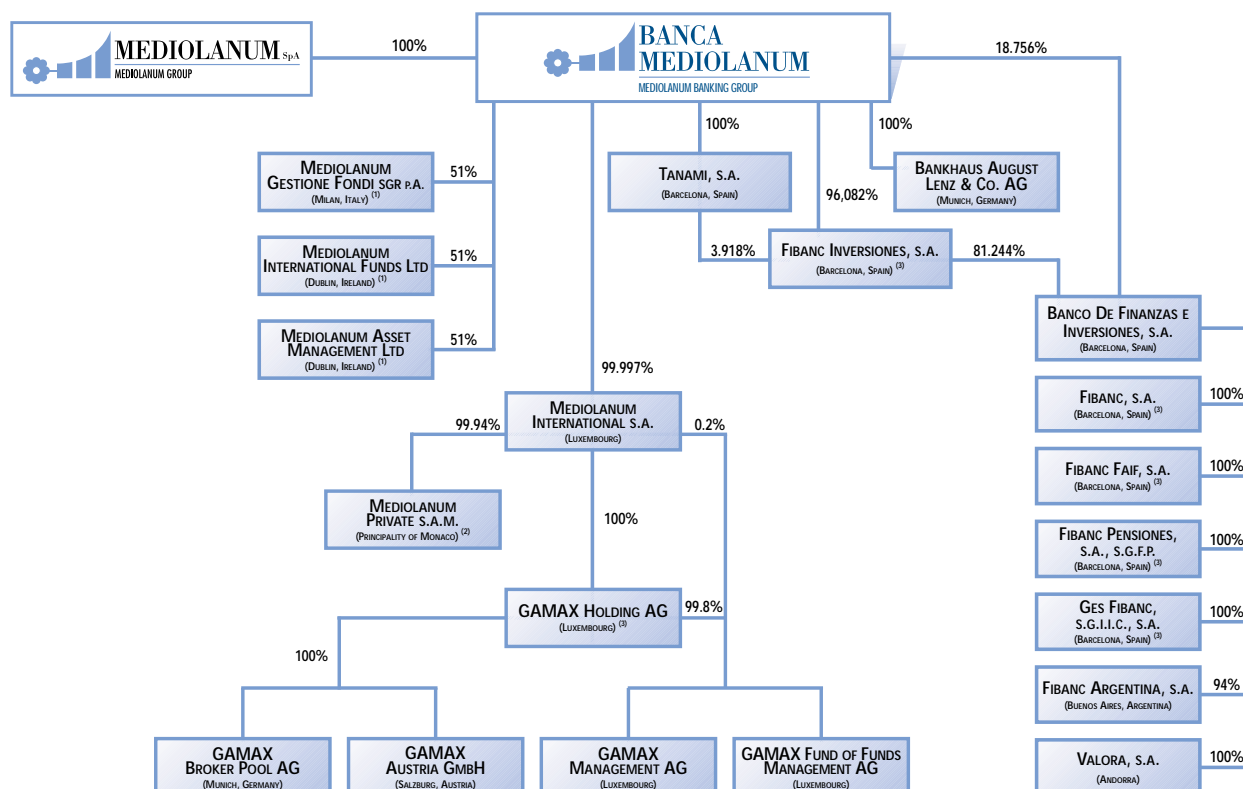
BOARD OF STATUTORY AUDITORS	Arnaldo Mauri Adriano Angeli Pierfelice Benetti Genolini Franco Colombo Francesca Meneghel	Chairman of the Board of Statutory Auditors Statutory Auditor Statutory Auditor Alternate Statutory Auditor Alternate Statutory Auditor
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GENERAL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

SECRETARY OF THE BOARD Luca Maria Rovere

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

CORPORATE STRUCTURE (UPDATED TO DECEMBER 31, 2004)



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

(2) Winding-up company.

(3) Due to regular disposals, the directors own a symbolic participation share to the social capital.

Ordinary meeting of the Shareholders at April 21, 2005

With Mediolanum S.p.A. present in person as the sole shareholder representing the entire share capital, the ordinary meeting of the shareholders unanimously adopted the following resolutions:

SUMMARY OF RESOLUTIONS

- to approve the Report of the Board of Directors accompanying the Company Financial Statements at 31/12/2004;
- to approve the Company Financial Statements for the year ended 31/12/2004;
- to appropriate the profit for the year of 45,488,924.84 Euro as follows:
 - to the shareholders, a dividend of 35,805,000.00 Euro;
 - to the Legal Reserve, 2,274,446.00 Euro (5%);
 - to the Extraordinary Reserve, 7,409,478.84 Euro;
- to renew the appointment of auditors Reconta Ernst & Young S.p.A., pursuant to the existing legislation, for financial years 2005, 2006 and 2007, said appointment being:
 - to audit the Company Financial Statements with, in each year, 620 hours of work overall for a total fee of 58,000.00 Euro;
 - to audit the Consolidated Financial Statements with, in each year, 130 hours of work overall for a total fee of 12,000.00 Euro;
 - to verify that the accounts are properly kept with, in each year, 140 hours of work overall for a total fee of 13,000.00 Euro;
 - to perform a limited audit on the half-year company and consolidated statement of accounts with, in each year, 160 hours of work overall for a total fee of 14,000.00 Euro;
 - to perform the auditing work in respect of the introduction of the International Financial Reporting Standards (formerly IAS) and regarding the opening 2004 and 2005 balance sheets and the comparative data for financial year 2004 with, solely in the case of 2005, 225 hours of work for a total fee of 27,000,00 Euro.

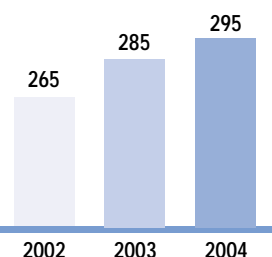
Directors' report on the financial statements as at December 31, 2004

Dear Shareholders,

Your Bank ended the 2004 period with a profit of 45,488,925 Euro (45,009,765 Euro in 2003), after adjustments to the value of financial assets for 27,114,000 Euro and taxes for 12,879,549 Euro.

2004 saw a general recovery of the world's economy, with stock markets progressively growing and interest rates generally remaining at their low levels of the previous year. However, the dollar continued to lose value against other currencies, particularly the Euro, undermining the economy in European countries. In this context of positive and negative sides, the available income of Italian families started growing again, to the highest average levels recorded in the last decade. At June 2004, the total gross financial assets of Italian households grew to 3,000 billion Euro, approximately 2.2 times the size of GDP, and they mainly directed their money towards lower risk investments than in the past.

COMMISSION INCOME
(Euro millions)



Within this situation, although at lower levels than in previous periods, your Bank has managed to keep growing in relation both to net inflows from products placed and to revenues.

Gross inflows from insurance products in 2004 totalled 2,325 million Euro, while those relating to mutual funds and management services came to 1,410 million Euro. Commission income grew by 3.4%, reaching 294.8 million Euro (2003: 285.2 million Euro).

Inflows from current account customers remained unchanged from the previous year: 3,152 million Euro at the end of 2004 (3,110 at end 2003). Also lending to customers showed no major changes: 360 million Euro at the end of 2004 (357 million Euro at the end of 2003).

The interest margin increased by 3%, reaching 47.4 million Euro (2003: 46 million Euro) thanks to cost-effective management of profit-bearing banking activities, mainly consisting of lending in Euro on the interbank market and a Government securities portfolio, again in Euro. Due to the very low volatility of the money and bonds market, profits from financial transactions were limited to 5 million Euro (2003: 8.9 million Euro). The brokerage margin therefore remained largely unchanged at 227.9 million Euro. During 2004, the number of Bank employees increased, from 839 at 31.12.03 to 966 at 31.12.04.

The process for strengthening the headquarters' organisation and offices, for the purpose of integrating coordination and staff functions into the Mediolanum Banking Group, has been completed.

As at December 31, 2004, the Mediolanum Banking Group, headed by your company, was unchanged in its structure except for the closure of Gamax Schweiz GmbH, Zurigo, which was put into liquidation on January 9, 2004.

Overall, the world economy grew at a fast pace in 2004. The good performance of 2004 was helped by the favourable financial conditions that characterised the main international economies. Despite rising oil prices which, in the third quarter of 2004, exceeded US\$ 50 a barrel, the inflationary trend was only limited. According to the International Monetary Fund's assessment, the gross domestic product performance worldwide grew by 5% in 2004: 4.4% in the USA, 2.9% in Japan, 2% in the Euro Area. Unfortunately, growth in Italy was only 1.3%, one of the lowest growth rates in the area. Developing countries on the other hand saw growth of 6.6%.

During 2004, the trend in the general consumer price index in the USA accelerated, with the rate of inflation rising to 2.7%. In Japan, the perennial problem of deflation appeared to improve. In the Euro Area, there was average inflation of 2.1%, not far from the European Central Bank's objectives. In Italy, the rate of inflation was 2.3%.

On the foreign exchange markets, the Euro's rise against the main international currencies accelerated. The average exchange rate over the year against the American dollar was 1.244 compared to 1.132 in 2003 (+9.9%), with record levels being reached in the last part of the year (1.341 in December). During 2004, Anglo-Saxon countries took a stiffer approach in their monetary policies, while the Euro Area and Japan remained neutral. In the USA, the Federal Reserve increased the federal fund rate 5 times by 25 basis points each time, taking it from 1% to 2.25%. Faced with a very slow and moderate period of recovery, the ECB was far more cautious: the minimum rate on the main refinancing operations stayed at 2%.

THE MEDIOLANUM GROUP

THE REFERENCE MARKET

The macroeconomic performance of Italy in 2004 was of an unexceptional recovery. In terms of industrial production, the average result was basically unchanged. Domestic demand was affected by stagnating private consumption and by the fall in investments. Household expenditures were affected by the eroding of purchasing power caused by growing inflation, and the negative consequences of the collapse in confidence. On the back of the positive trend in employment income, together with the gradual recovery of consumer confidence, household expenditure was upheld and grew by just over 1% on average in 2004.

The performance of public consumption shifted into positive territory (+0.7%), while gross fixed-income investments grew by 2.3%. The trade balance was slightly positive in 2004, but the current balance of payments recorded a negative figure.

In 2004, the trend in employment levels in Italy was still positive, despite the considerable slow down in the process of new job creation which was affected by the continuing stagnation of economic activities in the three previous years. The level of unemployment fell further to 7.4%, a level which is now lower and bucking the trend prevailing in the countries of the Euro Area.

During the year, in a context characterised by a lower than expected recovery in production, a deterioration in public sector debt became progressively evident. The open acknowledgement of the negative trends and the consequent remedial actions put in place kept the ratio of deficit to GDP under 3%. However, evaluated net of the effects of the economic cycle, overall public borrowing was still just over 2 per cent of GDP.

The ratio of public sector debt to gross domestic product fell in 2004, in line with the trend of the last decade. According to the indications of the Ministry of the Economy, it should settle at 105.8% instead of the budgeted 106%. As in previous years, this reduction in the ratio between debt and product was significantly helped by the entry of extraordinary revenues into the public coffers.

In 2004, the international stock markets continued to grow, after the recovery in 2003. The Standard & Poor's 500 index at the New York Stock Exchange recorded a change of 7.6%, the Nikkei 225 index at Tokyo a change of 8.9% and the Dow Jones Euro Stoxx Large index of the Euro Area recorded a change of 7.5%.

The general index of the Italian Stock Exchange – MIBTEL – ended the year showing growth of 18.1%. Total capitalisation of the Italian Stock Exchange at year-end 2004 amounted to 589 billion Euro, equal to 43.1% of GDP. The number of companies listed on the Italian market remained unchanged in 2004, at 225.

At the end of 2004, the number of financial and monetary institutions in the Euro Area amounted to 6,406. Referring to Italy, at the end of 2004 there were 787 financial and monetary institutions, amounting to 12.2% of the EU-12 total, in line with Italy's weight in terms of assets and liabilities of the financial and monetary institutions, with a higher percentage only in France (18.5%) and Germany (about 22%).

Specifically looking at operations in the single EU-12 markets, total inflows in the twelve months (deposits, bonds and subordinated loans) recorded a 6.6% rate of increase, practically the same as that recorded in Italy in the same period (6.1%). The trend in lending growth rate in Europe was 5.6%, an amount in line with that recorded by Italian banks in the same period (5.7%).

In 2004, financial assets of households grew further, with a growth rate trend of approximately 3.5%.

The areas showing a higher than average growth rate were bank deposits (+5.9%), bank bonds (+12.3%), and also 'welfare' savings, with insurance products and pension funds increasing by 13.9% and 4.2% respectively. Longer term Government securities recorded moderate growth (+2% annually), but there was a sharp drop in demand for short-term Government bonds (-36.1%). Also the dynamics of the quotas of mutual funds showed a contraction (-4.3%). In terms of weight out of the total of private financial assets, bank deposits amounted to 24.8%.

Specifically looking at safe-custody accounts (including managed accounts in fund units), the total grew by 1.4% during 2004, reaching a level of 1,650 billion Euro.

At the end of 2004, the net worth of mutual funds set up by Italian intermediaries amounted to 515 billion Euro, with net inflows down by 10 billion Euro.

Over the last year, bank inflows increased by over 67.7 billion Euro – an annual increase of 7.16% – thus giving total bank inflows of 1,014.5 billion Euro. From the perspective of the dynamics of the various components of funding, at the end of 2004 there was an acceleration in the trend of deposits by customers and in the dynamics of bank bonds, while the dynamics of repurchase agreements and certificates of deposit, both short and long term, fell substantially further.

Bank lending consolidated its position during 2004, proving the effective contribution that banks offered to businesses and households even during a period of a slump in production. The total lending by all banks in Italy at the end of 2004 amounted to 1,096.6 billion Euro, showing a growth rate of 6.03%. The total borrowing by households and non financial businesses showed a growth rate of 7.7% at the end of 2004, a level sharply higher than current growth of nominal GDP in Italy and than the trend in investments. Lending to households was higher than to industry/business in the last months of the year, up 13.4%. A higher pace of development continues to be featured by the consumer credit area which, at the end of 2004, recorded a growth rate of 15.4%. Also the home loans area proved to have a fairly rapid growth rate, increasing by nearly 20% at the end of 2004.

In the Euro Area, the monetary market rates remained largely stable throughout 2004: the three-month Euribor rate stood at 2.17% in December 2004, compared to 2.15% in December 2003. Long-term yields (benchmark rates) fell in the Euro Area by 67 basis points since December 2003 to an average December 2004 position of 3.69%. In Italy, as in the rest of Europe, the rates applied to customers during 2004 were generally down. The interest rates applied to new home loans were 3.68% (12 basis points below that at December 2003), and also the rate on Euro current accounts given to private individuals fell (from 6.12% in December 2003 to 6% at December 2004).

Interest rates on deposits in current accounts to households and to non-financial companies fell to 0.70% in December 2004, a slight fall from the same period of 2003 (0.72%).

The past year saw your company not only consolidating its position as regards coverage of the Italian market but also expanding by penetrating the Spanish and German markets. Below are the main operational and organisational elements.

The total of customers at year end, including current account holders and customers with mutual funds or insurance policies placed by Banca Mediolanum was 921,610 (2003: 917,700) of which 785,100 account holders.

The current accounts at the end of 2004 increased to 344,132 (2003: 332,724) corresponding to 477,000 account holders. The percentage of current account holders as against the total number of customers grew to 52%, confirming a higher level of customer loyalty and assets, and the extensive and complete utilisation of banking services by customers.

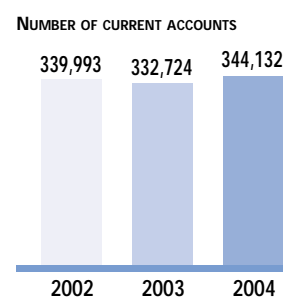
The average assets per customer rose to 26,090 Euro as against 23,980 Euro in 2003 (+8.8%). New customers were encouraged by the numerous, differentiated advertising campaigns, in the press and on radio and television, and also through the intensive use of Mediolanum Channel with programmes dedicated to Banca Mediolanum customers. Once again in 2004, the Bank sponsored the Maglia Verde ("Green Shirt") in the Giro d'Italia cycle race, obtaining a significant return in terms of image and contacts with new customers.

Inflows from customers remained unchanged from the previous year: 3,151.7 million Euro at 31.12.04 compared to 3,109.6 million Euro at year end 2003 (+1.4%).

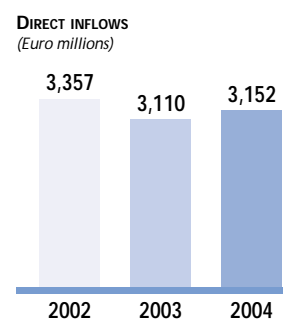
This stability is primarily due to the considerable impetus given to the sale of managed savings products with a high yield and limited duration, which better satisfy short-term liquidity and profitability requirements. The only form of direct bank inflows was in current account liquidity with residential customers or, to a lesser extent, repurchase agreement operations.

INFORMATION ON OPERATIONS

THE CUSTOMERS

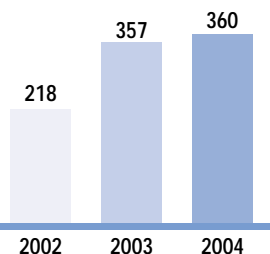


INFLOWS



LENDING

LENDING TO CUSTOMERS
(Euro millions)



During the period, loans to retail customers progressively grew, although there was generally no change in the structure of the products which are primarily aimed at meeting the liquidity needs of customers with assets invested in Group products.

Personal loans amounted to 38.6 million Euro as against 36.5 million Euro the previous year (+5.7%).

In the second half of the year, your Bank began directly issuing land loans. At the end of the year, these amounted to 12.7 million Euro for a total of 85 loans. The balance of current accounts with ordinary customers, totalling 165.4 million Euro, was lower than at the same time of the previous year (167 million Euro), although there was a significant increase (+28.2%) in the number of customers with credit lines: 15,130 in 2004 (11,796 customers in 2003).

At year end 2004, there were no repurchase agreements for lending with customers (2003: 45.3 million Euro).

Apart from lending to private individuals, the Bank also takes part in pool loans granted to finance companies belonging to leading banking and insurance groups, amounting to 110.2 million Euro in 2004 (2003: 107.4 million Euro), to which are added loans granted to banks for 5.5 million Euro (2003: 4.8 million Euro).

In total, lending to customers – private individuals and financial institutions – amounted to 360.4 million Euro at 31/12/04, up by 1.1% on the previous year (356.6 million Euro at 31/12/03).

BANKING SERVICES

An interesting project was developed with American Express in 2004 for creating and selling a co-branded Gold card to Banca Mediolanum's best customers, the target of the "*Prima Fila*" offer. The holders of this card take part in the membership reward programme through subscribing and using Mediolanum products and services, as well as through normal purchases on the card.

In order to offer customers the entire range of banking operations, the agreements with Banca Intesa S.p.A. and Poste S.p.A. have been reviewed so that their agencies (over 15,000 nationwide) can be used for paying-in operations (cash and cheques) and for withdrawals by Banca Mediolanum current account holders.

Like nearly all other Italian banks, your Bank has belonged to the *PattiChiari* (Clear Agreements) Association since its outset. Of the various projects promoted by the Association, Banca Mediolanum has chosen to follow the “Current Accounts Compared” venture, obtaining the relative right to apply the *PattiChiari* certification brand on February 11, 2005. The certificate attesting to operations in compliance with the requisites specified in the special protocols was issued on February 2, 2005 by *Certiquality* – the Quality Certification Institute.

In 2004, Banca Mediolanum devoted more interest and more extensive resources, for the purposes of global consultancy to households, to the home loans sector. The number of financial advisors was increased by specific intervention on the network and, more importantly, the processes for an effective management of these practices were enhanced as part of the distribution agreement with Unicredit Banca per la Casa – *Unicredit Bank for the Home* – which acquired the Italian branch of Abbey National Bank Plc at the end of 2003. As a consequence, the total amount of home loans placed in 2004 leapt to 430.6 million Euro (2003: 304.9 million Euro). The average amount of each home loan is in the region of 102,000 Euro, with an average duration of 24 years.

Since the beginning of the affiliation with Abbey National Bank, and then Unicredit Banca per la Casa, dating back to 1998, a total of 13,143 home loans have been placed amounting to 1,244 million Euro.

As mentioned earlier, Banca Mediolanum began directly issuing home loans in 2004

Gross inflows of mutual funds by the controlled companies Mediolanum Gestione Fondi SGRp.a. and Mediolanum International Fund Ltd, directly purchased by customers or subscribed through managed accounts in fund units, totalled 1,409.9 million Euro (2003: 1,619.8 million Euro). However, net inflows were negative at 53.3 million Euro (2003: positive 444.7 million Euro). The capacity to penetrate the market with innovative products and services in the pension and insurance business was yet again confirmed (Europension and My Pension) also through the expansion of customers’ payment schedules.

HOME LOANS

THE PLACING OF FINANCIAL AND INSURANCE PRODUCTS

The sales volumes of index-linked policies with guaranteed capital remained high. New policies were developed during the year with investments also in hedge funds or linked to hedge-indices.

In 2004, total Life inflows were 2,309 million Euro (2003: 2,062.3 million Euro), showing an increase of 12%.

New Life business amounted to 1,426.2 million Euro (1,282.8 million Euro in 2003). Deferred annuities and recurring premiums totalled 126.5 million Euro (2003: 107.4 million Euro).

INDIRECT INFLOWS AND MANAGED ACCOUNTS/ MANAGED ACCOUNTS IN FUND UNITS

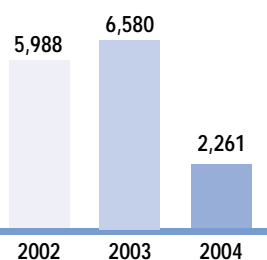
The analysis of trends in indirect inflows and managed account products must take into account the performance of financial markets, as well as the Bank's strategies, particularly that of diversification.

Indirect inflows (securities custody and administration, excluding managed accounts in funds unit), valued at market prices at the end of the year, fell to 2,661 million Euro as against 6,580.4 million Euro at the end of 2003. However, this second figure included foreign financial instruments deposited by Mediolanum Vita at Banca Mediolanum, but which are now with another depository. As a result of the economies of scale, this enables the bank to improve on operating costs.

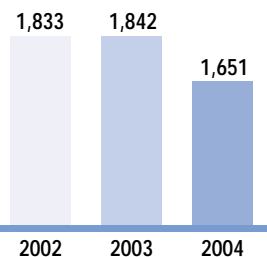
The figure of direct inflows from just retail clients (1,651.3 million Euro) compares, on a like-for-like basis, with the amount of 1,841.5 million Euro at year-end 2003, showing a decrease of 10% which is partly justified by the unfavourable performance of the US dollar against the Euro, and partly as a consequence of the relocation by customers from investments in corporate bonds to managed investment products as a result of the financial scandals in recent times.

This figure does not include individual managed accounts in securities (GPM) of 15 million Euro (37.5 million Euro at the end of 2003), which sharply reduced due to the closing of various situations with institutional investors. Managed accounts in fund units (that only utilise OICR – savings and collective investment undertakings – of companies belonging to the Mediolanum Banking Group) totalled 1,666 million Euro (1,841.5 million Euro at the end of 2003).

INDIRECT INFLOWS
(Euro millions)



MANAGED ACCOUNTS IN FUNDS UNITS
(Euro millions)



Lastly, Banca Mediolanum has renewed the mandate for delegating 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.

2004 saw the lowest point in saver confidence, having been hard hit by the Parmalat financial scandal which brought to light various structural failings in the corporate control system. This drop in confidence had two substantial effects: on the bonds market, a flight from all corporate bonds, particularly those with a low rating (vehicle manufacturer bonds and those connected with the telecommunications sector) and, on the stock market, a sharp reduction in investments, going against the trend of increasing indices and despite the fact that certain stock offered very interesting economic and yield prospects.

On the stock market, interest was well revived among the traditional retail customers only after the ENEL 3rd Offer for Sale which certainly acted as a turning point in the trust demonstrated by investors towards the market.

2004 will also be remembered for the weakness of the dollar, which also had a strong effect on the performance of financial instruments exposed to exchange rate risk (primarily bonds, but also shares), further distancing retail investors from these alternatives for diversification.

The Italian bond market was affected by financial scandals and by the ensuing regulatory uncertainties: the volumes of retail transactions fell on average by 40%, more markedly in the sector connected to Eurobonds, totals of which in customer securities portfolios fell from 506 million Euro in January to 390 million Euro in December.

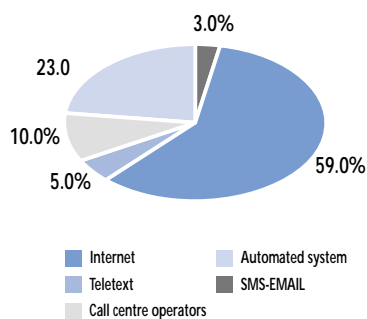
In this context, retail orders negotiated by the Bank on Italian stock markets in 2004 amounted to 400,951 (2003: 707,014), a reduction of 43%.

The overall counter-value brokered on the Italian stock exchange totalled 10,252 million Euro (2003: 14,199 million Euro), a reduction of 28%.

The total of retail orders negotiated by the Bank on foreign markets increased substantially, reaching 18,499 (2003: 16,000), for a total value of 151.37 million Euro (2003: 129.06 million Euro), growing by 15%.

TRANSACTIONS IN SECURITIES

MULTI-CHANNEL APPROACH CALL CENTRE AND THE INTERNET



There was a progressive and substantial increase in the number of current account holders in 2004 that chose to take advantage of the services offered by the direct channels for their banking transactions. Some 70% of current account holders used the Internet site and the phone services.

The banking services already present, and the new functions made available by direct channels, Internet and Call Centres, have brought about a further and substantial increase of contacts and of order transactions carried out by customers through the multi-channel bank model.

The number of contacts made by customers using direct channels grew by 8%, reaching a volume in 2004 of nearly 11,000,000 contacts.

Particularly the Internet contacts grew, with 59% of all contacts being made this way, up 20% on 2003.

The phone channel kept much the same volumes of contact as in the previous year.

The tendency found in previous years for users of direct channels to be increasingly prepared to work independently remained – over 80% of contacts are made using the automated systems provided by the Bank, Internet and the VRU automatic answering system.

The increase in contacts through direct channels is matched by an increase of 7% of order transactions, although the online trading transactions have dropped as they did in 2003 following the fall in interest of traders, partly brought about by the irregular performance of financial markets.

75% of transactions over the direct channels refer to conventional banking operations.

Transactions on the Internet channel have grown by 11%, mainly due to online transactions in the banking area which represent 72% of the total volumes.

In this area, the number of transactions has not only increased due to the growing volumes of bank transfers and mobile phone recharging, but also through an increase in payments made by MAV and RAV payment slips, of taxes and pre-printed post office payment slips, the last of these functions being released in 2004 and achieving considerable success.

The rate of growth of transactions carried out over the phone channel was 5%, with a high contribution of banking operations (76%) where, alongside the conventional operations of bank transfers and giro transactions, there were significant increases in orders for booking cash from approved bank branches (+ 57%).

In March 2004, the new online banking site of Banca Mediolanum was released which, apart from a thorough revamp in terms of graphic layout and surfing systems, also reorganised and optimised the contents for both the public sections and the area reserved to customers.

The contents already present in the part of the Internet site reserved to customers were reorganised, and new functions were introduced to improve operations and information made available to current account holders.

Specifically, it was made possible to activate the main commercial RID (direct interbank payments) and the main utilities directly on-site; from June 2004 it has been possible to pay all the pre-printed post office payment slips online.

Among the payment functions by bank transfer, new functions have been introduced such as the payment of recurring bank transfers and bank transfers for building improvements.

As regards the public area of the site, the restyling was a chance to fully overhaul the information and commercial contents which were reorganised and structured within 5 macro-areas dedicated to Bank Services, Lending, Investments, Pensions and Personal Protection.

Each section was also supplemented with training and educational contents, as well as interactive tools made available to users in order to identify, for instance, their requirements for supplementary pensions or the current account most suited to their needs.

The Internet site and interactive Teletext were also used to re-launch the main advertising and sales projects which the Bank's communication featured during 2004.

In May, Banca Mediolanum's presence at the *Giro d'Italia* was backed by a mini-site which summarised all the activities promoted during the event, while a campaign of interactive banners was to be found on the main Italian web-sites. The banner campaign came together with the sending of over 800,000 emails to profiled users and was reinforced by a presence in the main online search engines.

In the autumn, a new section was released dedicated to the loyalty club, *Prima Fila* and to the services offered.

Also within the Call Centre channel, further new functions were activated, and the work to improve and optimise the quality level of the service offered to clients continued by monitoring and carefully checking the quality standards and the response times which, during 2004, grew by 8%.

Still during 2004, new service standards were introduced for various user targets, in continuation of the process of subdividing client targets that had first been started in previous years.

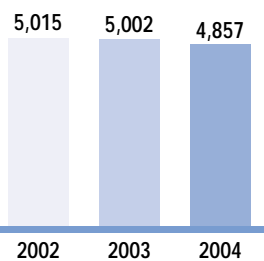
2004 saw the consolidating of the text-messaging service, introduced at the end of the previous year, for receiving information about bank services. The service, which is free and can be requested by customers directly over their own mobile phones, was further expanded to include new services.

Alert functions were brought in for warning about having reached the ceiling limits set by the customer, and it is possible to be notified about the number of free cash dispenser withdrawals remaining, the periodical balance on the current account and to be notified about money credited to the customer's account.

Since July 2004 the services for booking cash from approved bank branches have been activated and extended.

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 fell slightly to 4,857 (5,002 in 2003), while turnover compared to the previous year was limited, confirming the loyalty of Banca Mediolanum's sales network. Of these, the number of financial advisors – that is, those with high-profile professional qualifications and seniority – remained stable at 4,048 at the end of 2004 (2003: 4,052). The number of insurance agents (those with only a few months' experience) fell from 950 at the end of 2003 to 768 at year-end 2004. The sales network also includes 41 agents specialised in mortgage selling.

The breakdown of the network by geographical region shows that 43% of consultants work in the North, 39% in Central Italy, and the remaining 18% in the South and major islands.

The Bank continued to strengthen its territorial presence by opening more Punto Mediolanum centres, which brought the total to 106 at December 31, 2004 (end 2003: 100). The opening of new Punto Mediolanum centres will continue during 2005, in line with the multiyear plan put in place. These offices, all on the ground floor, in the centre of 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 2004 (including the above Punto Mediolanum centres) was 567 (602 at the end of 2003). The decrease results from the rationalisation of the office presence in Italy, which led to closing offices not meeting the quality and quantity standards required by the company.

Called Med Campus, this IT tool for managing sales network training consolidated its usage in 2004. It is a tool for monitoring all the courses held and to check the validity of the learning mechanisms also through integrating with the Portal of the Networks.

There were also converged into the Portal of the Networks the Company Intranet site and all the IT and support instruments that have progressively been created, such as the Pension Portal, the Life Time Suite, and the Personal Financial Planning. This exponentially increased the number of contacts, coming close to 100,000. The various online courses dedicated to regulatory and legal aspects of operations (Anti-money laundering, Law 231/2001, Rules of conduct, Privacy laws, Patti Chiari) were 'attended' by about 14,000, which means that, on average, the members of the network took 3 online courses per person.

In 2004, also the development of satellite TV via computer continued, with an increase in programmes dedicated to training, and which are received directly over the laptop computers of financial advisors. Also the traditional channel dedicated space to financial information for the Mediolanum community, and particularly for the sales network.

MEDIOLANUM POINTS

MEDIOLANUM POINTS AND FINANCIAL ADVISORS' OFFICES

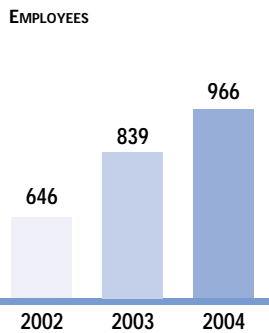


NETWORK TRAINING AND OPERATING STRUCTURE

In the training centres of Tabiano and Pomezia, there were 35,000 classroom days held (+12% on 2003), to which is to be added approximately 3,000 days held in other locations for special projects.

732 Banca Mediolanum applicants participated in the three test sessions of qualifying exams for Financial Advisor. 39.43% of applicants passed both oral and written tests, which is higher than the national average of 30.30%, and further confirmation of the validity of the Bank's training approach.

EMPLOYEES



During 2004, Banca Mediolanum staff developed as follows:

Units	31.12.2003	31.12.2004	change	% on total	av. age
Managers	43	46	+3	4.8	46
Executive middle managers	88	118	+30	12.2	39
Personnel	708	802	+94	83.0	31
TOTAL	839	966	+127	100.0	33

The increase of 127 people since 2003 is partly due to the ongoing process of integrating coordination and staff functions in the Banking Group, and partly to the strengthening of the functions of customer care and the credit/loans area. A strong investment in human resources has been made in the middle management area. The inclusion of new people has been marked by the effort to identify individuals with high growth potential.

The strong attention to professional updating of a technical, regulatory and financial nature continued. Training, held both internally and externally, saw a strong institutional impulse with courses concerning the quality of the service, communication with customers, team work and leadership development.

The staff development policy that focuses on gaining experience within the Group, also abroad, continued in 2004 through job enlargement and job rotation plans aimed at promoting professional growth and enhancing careers. Women account for 57% of total employees, and the average age stands at around 33.

THE AUDITING AND NETWORK MONITORING ACTIVITY

At December 31, 2004, the Internal Auditing Area and the Network Monitoring Sector numbered a total of 30 people (29 individuals at 31.12.03).

The Internal Auditing function continued to audit the Bank during the year, with particular emphasis on investment services, compliance with anti-money laundering laws and assessing the effectiveness and efficiency of the Internal Control System of the various corporate structures.

Also with the controlled company Mediolanum Gestione Fondi SGR, which does not have an independent internal monitoring function but instead relies on the Internal Auditing support provided by Banca Mediolanum on the basis of a service agreement, the checks required by internal regulations and by current laws in force continued. In addition, as regards the guidance and supervisory tasks entrusted to Banca Mediolanum's Internal Auditing Department 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), on-site controls were carried out and videoconferences held.

During the period, this function coordinated the important project of "Risk Assessment" aimed at mapping out all the corporate processes and their relevant risks, a project begun by the Mediolanum Group together with the consultancy company, Deloitte. The purpose of the project is to make the process of identifying, evaluating and managing internal and external risk more efficient, since such risks could undermine the achievement of corporate objectives, and to promote actions for adjusting and improving the monitoring operations regarding unacceptable risk profiles. This project helped to spread the idea of control and provided the Management with a useful tool for managing and monitoring risks. At the end of 2004, actions for mitigating the risks that emerged as a result of the project were examined and scheduled according to the appropriate priority.

Progress continued to be made as regards the examination and control of the work done by the Sales Network, carried out by the Network Monitoring Sector with the aim of assuring the constant and full compliance with current laws regarding external placing and offers. At the end of these checks, the necessary actions were planned for remedying irregularities found and, where necessary, the operators involved were subject to sanctions or removed from office. During 2004, there were 17 cases of irregularities by financial advisors signalled to the Supervisory Body.

To protect the Bank further, the insurance policy covering illegal acts by the sales network to the detriment of customers was renewed for 2004.

1,470 written complaints from customers were received in 2004 (1,043 in 2003). This increase is mainly due to the well-known cases of default of the Cirio, Giacomelli and Parmalat bonds, regarding which the Bank received a total of 483 complaints (70 in 2003). The bank has never had a credit relationship with these companies, and has never participated in any underwriting syndicate for placing and guaranteeing their securities, nor has it included these bonds in its investment portfolio. Although these complaints are limited in number considering the overall total of customers of the Bank, it has been decided to introduce more stringent controls over the adequacy of bond selling and their consistency with the investment objectives declared by the customer, and a total prohibition has been put on the sale of bonds that have no rating to customers, and the sale of bonds with a BBB or lower rating have been limited to just the phone channel by means of using secret codes.

From the overall examination of complaints received during the period, no failings in procedures, organisation or conduct emerge of such significance as to warrant being communicated to the Board of Directors and the Board of Statutory Auditors.

ORGANISATION AND PRODUCTION PROCESSES

The Bank's organisational structure was developed and modified during 2004 (also officially) in order to provide a better service to customers and to the other companies in the Banking Group and the Mediolanum conglomerate.

As part of the constant endeavour to improve the quality of relations with customers, the main innovation concerned the setting up of the new Customer Care area which is in charge of contacts with customers through the direct channels of Internet and the Call Centre, and the management of back office operations. This ensures, through the ascertaining and individual responsibility of the transactions carried out by the customer, a closer integration with the parallel marketing by the Sales Network.

In terms of new services to customers, the extending of operations to approved branches of Banca Intesa and Italian Post Offices has resulted in booking procedures for cash, cheques and paying-in operations and checking of these operations, all backed by linkups between the various IT systems.

As regards the technical support and staffing activities carried out for other Mediolanum Group companies, in technical functions where the Bank has accrued sufficient competence and experience, these activities have resulted in special agreements that involve the IT Systems and Organisation, Legal Affairs, Anti-Money Laundering and Privacy, Purchasing, Suppliers Accounts, Staff Administration and General Services.

The work of modifying the organisational structure, which was made official in a new edition of the Internal Regulations, is also the main reason for the increase in the Bank's staff numbers in 2004, as mentioned earlier.

The part below lists the most important actions for development undertaken in 2004.

The multi-channel technological and application platform, which is the most significant strategic element of the Banca Mediolanum Information System, was the object of further investments aimed at completing the restyling of the Internet site and for the technological and functional reengineering project for the Call Centre Channel, for the phone operations for managing commercial outbound messages, and email and fax communications.

Other services for customers of electronic channels have been activated, such as the function of bank transfers for building renovations and payments by RID and pre-printed post office paying-in slips. Also the range of SMS text messages has been extended, now providing information on the current account balance, number of ATM withdrawals made, confirmation that general bank transfer payments have been made, and payment of salaries.

As part of the IT tools supporting the Sales Network, a project for redesigning the "Network Portal" was put into effect, adding further services for the advisors (Intranet, Commission online, Electronic contracts online) with the aim of improving the aspects of communication, completeness and usability of the IT services available to the Sales Network.

In the area of monitoring systems, the following objectives were achieved:

- within the new integrated system of Planning and Control, a data-warehouse has been created which, consolidating the data coming from commercial channels and from product systems, provides new statistics; there was then started up the development of the final models for analysing profitability and assets;

- the Dashboarding strategy has been made available which provides the management of the Network and the Head Offices with a means for periodically analysing the production and extent of the sales network.

The programme for adopting the IAS principles led to a plan for introducing new application solutions to update the IT system, particularly as regards the components for reading and assessing financial instruments and for preparing the consolidated financial statements of the bank. Together with the outsourcer Cedacri, the development work for the bank's accounts is in progress, and with another software house for the consolidated financial statements.

The project for the migration of certain business applications, such as Personal Data, Commission, SAP, to Cedacri S.p.A. has been completed. The operation was successfully concluded in both operational and financial terms, bringing about a considerable reduction in costs.

The organisational activity regarding the development, consolidation and optimisation of corporate processes mainly concerned the following aspects:

- the defining of the procedures and the integration of systems carrying out and accepting paying-in and withdrawal transactions by customers at approved branches of Banca Intesa and the Post Office;
- the completion of activities associated with 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 which was activated in April 2004;
- the automation of logistics of the material for the Sales Network, creating a workflow that makes it possible to manage and track the processes for handling and completing the request for contract and promotional material;
- in the Credit area, the automation of the process for investigation, evaluation and allocation of loans from both Banca Mediolanum and from third-party brokers, with a view to enabling Financial Advisors to know in advance whether a loan application will proceed, thereby improving the service to the customer;
- the introduction of schemes for splitting customers, based on the Marketing Intelligence MICKS system, in order to provide the most appropriate services to certain sectors of customers. The first practical implementation involved the project "Prima Fila", targeting on the Bank's best customers.

In the area of technological infrastructure, the systems have been generally updated and boosted, which was made necessary by the programmes for developing customer expansion and by the introduction of new services. Ensuing from the Disaster Recovery plan, two new systems of data memorisation were acquired, installed in two different buildings and connected to the application servers by the “storage area network” architecture.

In the audio area, a project was begun for the adoption of the “Voice-over IP” technology and the unifying of the switchboards of call centres and administrative offices on a single platform.

The aim of this project, due to be completed in the first half of 2005, is to cut operating and maintenance costs of the devices and to introduce the new services made available by integrating telephones and the IT infrastructure.

Special attention has been dedicated to the aspects of IT security, with the reinforcing of the “firewalls” and the improvement of anti-virus defences.

The usage of “change management” instruments and operating procedures has been extended. These involve the development aspect and the provision of services, and the aim is to further automate the processes and to reduce the possibility of malfunctions deriving from changes and evolutions in systems.

At 31.12.04, the net interbanking position showed a credit of 597 million Euro (1,437.3 million Euro at 31.12.03).

In detail, at year end, bank inflows reached 619.1 million Euro (2003: 577.2 million Euro) and the total due from banks decreased to 1,216.1 million Euro, as against 2,014.5 million Euro at 31.12.03.

Lending with the banks and interbank inflows consist solely of deposits with a one day to three month duration.

At December 31, 2004, the securities portfolio of the Bank totalled 2,222.4 million Euro, a 60.7% increase over the previous year (2003: 1,382.8 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 cost-effective trading activity.

THE MANAGEMENT OF TREASURY ASSETS

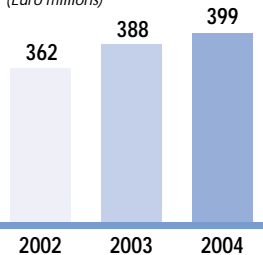
“Tied-up” investments totalled 494.6 million Euro (2003: 475.2 million Euro). Only Government and supranational securities (expressed in Euro) are allocated to this item. It should be noted that the allocation of Government securities to the “tied-up” item is carried out in compliance with the framework 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.

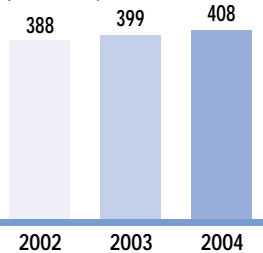
There were virtually no substantial credit, rate, exchange rate or country risks to Bank assets (interbank and securities).

SHAREHOLDERS' EQUITY AND SOLVENCY COEFFICIENTS

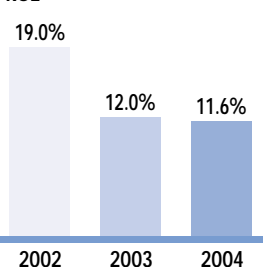
SHAREHOLDERS' EQUITY AT YEAR-END
(Euro millions)



SHAREHOLDERS' EQUITY BEFORE RETAINED EARNINGS
(Euro millions)



ROE



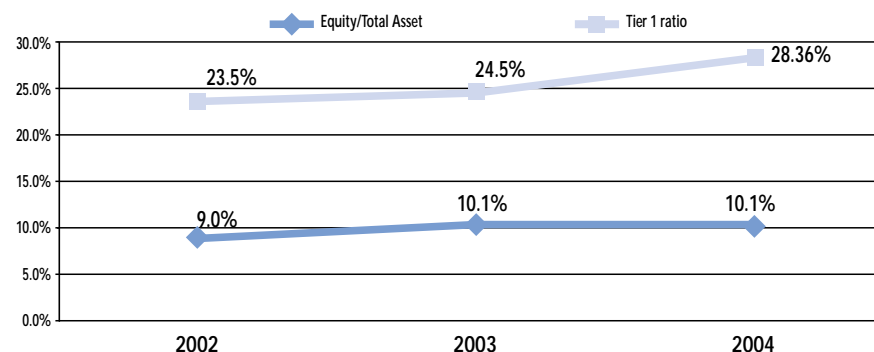
As at December 31, 2004, shareholders' equity, before retained earnings, was 398.5 million Euro, a 2.7% increase on 2003 (388 million Euro). This change – 10.5 million Euro in absolute terms – relates to retained 2003 earnings. Once the proposal of carrying forward 2004 profit is accepted by the Shareholders' meeting, the Bank's assets will reach 408.2 million Euro, a 9.7 million change from the 2003 financial statements.

This corresponds to a net accounting value per share of 1.20 Euro (2003: 1.16 Euro), with a par value of 1 Euro each. EPS (earnings per share) was 0.133 Euro, against 0.132 in 2003.

In terms of profitability, ROE for the year was 11.4% (11.6% in 2003).

As regards capital requirements, the ratio between total capital and the total of risk-weighted assets is significantly higher (28.3%) than the level required by the applicable regulation (7%)

CAPITAL ADEQUACY



Banca Mediolanum places high emphasis on the management and control of risks, from the perspective of four 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.

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 taken.

The Risk Management Area 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 and 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, the limits expressed in terms of daily VAR have been included in daily operations.

Gap Analysis provides the level of matching of the exposure of the inflows and loans.

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

As regards interest rates, adverse movements are defined as the parallel and uniform shift by 50 and 100 basis points in the interest rate curve.

Credit risk

As regards the credit risk of financial institutions, there is a team at the Area for Asset Risk Control whose task is to define the maximum limits of credit to the individual counterparts, as well as having the functions of analysis and monitoring of risks with financial counterparts, which also encompasses foreign subsidiaries.

During 2004 a system was started 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 Standardised Approach laid out in the Basle framework.

Exchange rate risk

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

CREDIT RISK CONTROL

The organisation framework

The organisation framework entails:

- allocation of credit risk exposure appraisal to the Asset Risk Control Area by the monitoring and measuring of the risk associated with the various types of instrument, and also by checking the Bank's capital adequacy for such instruments. This Area, using special tools, estimates statistical indicators such as the probability of default, loss given default and exposure at default, in order to determine the expected loss on existing loans and to guarantee solvency for the Bank;

- the allocation of specific credit risk management responsibilities to the Credit Area;

The Credit Area conducts its function of granting credit to customers with a level of independence defined by the Board of Directors and in compliance with the strategies defined by the Regulations for Credit management, which also defines the credit-granting process at precise levels of responsibility.

This Area has control over the progress of credit granted: as part of its responsibilities, it has to continually check existing credit lines and select those at most risk in order to embark on the appropriate actions for protecting the credit;

- a specific Claims Office, with the objective of managing difficult loan situations efficiently.

During 2005, the credit risk control process will be made operative which enables the Bank, based on the rating given to its customers, to determine an estimate for capital provisions in compliance with the instructions of Basle II.

Country risk

The rating is assigned for country risk according to agencies and the opinions of specialised Institutions. The exposure limits for emerging countries were defined for the overall portfolio

Operating risks

The project was concluded in 2004 for identifying risks within all corporate processes, in order to guarantee an efficient monitoring of risks by the management, as well as in view of a future measuring of Operating Risks for Basle II.

Banca Mediolanum and the Banking Group companies have adopted an "Ethical Code of Conduct". This code, complementary to the Internal Code of Conduct as at Article 58 of the CONSOB regulation 11522/1998, 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

MANAGEMENT AND CONTROL OF OTHER RISKS

ETHICAL CODE OF CONDUCT

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.

ADMINISTRATIVE RESPONSIBILITY (LEGISLATIVE DECREE 231/2001)

Banca Mediolanum also adopted, on 18.12.03, a set of “Models of Organisation, Management and Control pursuant to Legislative Decree of June 8, 2001, No. 231” for the purposes of preventing any crimes that may be committed during the exercise of the corporate activity. As part of this, in compliance with Article 6 of the this Decree, a special Supervisory and Control Body was appointed, entrusted with the task of ensuring the efficacy, compliance and updating of such models. During 2004, this Body put these models to effect with a series of checks that involved all the corporate functions, both at head office and in the sales network.

EQUITY INVESTMENTS

On December 31, 2004, the total amount of shareholdings in Group companies held by the Bank were 301.4 million Euro, 23% up on the previous year's figure of 245.1 million Euro. During the year, the capital of Bankhaus August Lenz & Co. AG. was increased by 12 million Euro, while that of Banco de Finanzas e Inversiones was increased by 20 million Euro. In addition, contributions were made to the German bank to cover the period loss for a total amount of 11.8 million Euro.

In September 2004, the remaining minority holding of 15.04% in Fibanc Inversiones was acquired for 39.6 million Euro, taking the bank's control to 100%.

The bank applied value adjustments totalling 27,110,000 Euro.

These value adjustments related to:

- the subsidiary Bankhaus August Lenz & Co. AG for 11,800,000 Euro, the amount paid to cover losses in the period,
- subsidiary Mediolanum International SA for 1,200,000 Euro, to adjust its value to that of shareholders' equity shown at the balance sheet date,
- subsidiary Fibanc Inversiones S.A. for 14,114,000 Euro, to adjust its book value in the balance sheet, after the acquisitions during the year, on the basis of an evaluation made in the previous period which is felt to still be applicable at the end of 2004.

The value adjustments to Mediolanum International SA and Fibanc Inversiones SA were made to bring them in line with the value obtained by the application of commonly used evaluation methods.

Additionally, during the year Banca Mediolanum underwrote 4.89% of the share capital in the newly founded Serenissima SGR p.A. for a total of 88,000 Euro.

Control of the Spanish Group passed entirely to Banca Mediolanum in 2004 following the acquisition of 15.04% of the holding "Fibanc Inversiones" from the minority shareholder Carlos Tusquets, founder of the Fibanc Group.

This operation, carried out in September 2004, was a result of exercising the sale option rights given to Carlos Tusquets at the time of acquiring the Fibanc Group in July 2000. The counter-value was 39.6 million Euro, equal to a price of 231.15 Euro per share, as had been established in the original contract.

Banca Mediolanum has direct control of 96.082% in the share capital, with the remaining 3.918% being held indirectly through the subsidiary Tanami S.A., a Spanish company.

In order to reinforce the capitalisation of the "Banco de Finanzas", its share capital was increased in May 2004 by 20 million Euro, subscribed and fully paid-in by Banca Mediolanum.

The consolidated shareholders' equity of the Fibanc Group amounts to 62.4 million Euro (41.9 million Euro at the end of 2003).

The 2004 period ended with a positive result of 450,000 Euro, similar to the previous period, while the current year is to be considered very positive in various ways.

The sales network at the end of the year consisted of 626 people (2003: 532, excluding the signallers), of which 453 are exclusive Global Advisors following the model of the financial advisors of Banca Mediolanum (2003: 375 agents), and 110 are part-time consultants (2003: 81 agents).

Sales mostly concentrated on the area of managed savings, represented by the products of highest added value. Gross inflows of Life products amounted to 93 million Euro (2003: 85 million Euro); the volume of recurring premiums more than doubled compared to the previous year.

Sales of funds by the Irish associated company MIF have also substantially increased, reaching 26 million Euro (2003: 6 million Euro).

**FIBANC
INVERSIONES S.A.**

Managed assets amounted to 2,016 million Euro, an increase from the previous year's 1,942 million Euro. It is important to note that this figure is the highest ever achieved by the Fibanc Group, including the time prior to its acquisition by Banca Mediolanum.

The reorganisation of the structure continued in the direction of emulating the Banca Mediolanum model; there are still 8 bank branches in operation, compared to the 18 existing at the time of acquiring the Fibanc Group; there are 5 "Punto Fibanc", similar to the Punto Mediolanum centres operative in Italy.

The number of staff at December 31, 2004 fell to 229 from 240 of the previous year.

During 2004, the work for creating the multi-channel bank continued, reproducing the Banca Mediolanum model in the German market.

The main work was therefore targeted on developing the sales force, partly by controlling and consolidating the agents already active, and partly by the selection process aimed at identifying and recruiting high quality people able to adapt to our model of global consultancy.

This strategy led to the hiring of 74 new people during the year, and the dismissal of 72, improving the average professional level of the sales network.

The number of sole agents at December 31, 2004 totalled 98 (2003: 96).

Managed savings of customers at December 31, 2004 amounted to 19.8 million Euro (2003: 6.6 million Euro).

The 2004 period closed with a breakeven result, after having covered losses for the period by 11.8 million Euro.

In addition, in order to boost the bank's capitalisation, the capital was increased by 12 million Euro in September, taking the share capital from 8 million Euro up to 20 million Euro.

At December 31, 2004 there were 35 employees (2003: 32).

Lastly, it should be noted that, during the year, an agreement was reached with the company "Euronet", whereby Bankhaus Lenz gains some 400 personalised cash dispensers distributed throughout the main shopping centres of the country.

Apart from the slight financial gain from this idea, it acts as an important vehicle for advertising and also enables Banklenz customers to be able to have free access to a far-reaching network of ATMs.

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

The period result closed with a loss of 1.1 million Euro.

**MEDIOLANUM
INTERNATIONAL S.A.**

The Gamax Group, consisting of a holding company with an interest in two fund management companies in Luxembourg and in two distribution companies operating in Germany and Austria, recorded a positive year by achieving a net consolidated profit of 1.5 million Euro, as against the loss of 293,000 Euro the previous year.

This result is despite extraordinary charges of 400,000 Euro due to the early termination of the rental contract on the old head office in Leverkusen. This objective was achieved primarily because of two factors: the introduction of a “performance fee” on funds led to gross revenues of 1.3 million Euro, while corporate reorganisation operations completed the previous year and constant cost cutting have resulted in a very lean structure.

At year end, there were 25 staff, little different from the 29 of the previous year.

The volumes of gross and net inflows were down on previous years, due to the continuing and very difficult slump in the German market. As a result, assets under management at December 31, 2004 amounted to 387 million Euro (2003: 430 million Euro).

The sales network at December 31, 2004 consisted of 504 multi-firm agents, of which 394 in Germany and 110 in Austria. This is a lower number than the previous year (31.12.03: 689 agents), and is a consequence of picking out a more limited number of agents but who have a high interest in the products marketed by the Group.

During the year, the banking platform was put in place in agreement with the company “Moventum” which, helping fund investment operations, is a useful tool for backing the sales work of the agents.

**GAMAX HOLDING
AG**

MEDIOLANUM PRIVATE S.A.M.

Following the decision taken in 2003, where a presence in the Principality of Monaco was no longer considered strategic, the operations in 2004 were limited to terminating the existing mandates for assets under administration and initiating the liquidation procedures.

In February 2004, the 25% portion held by Compagnie Monegasque de Banque was acquired, for the symbolic amount of 1 Euro, taking Mediolanum International's control to 100%.

At the end of 2004, all the mandates for administering customer assets were closed and the staff employment contracts terminated. The contracts for renting, utilities and supplies were also cancelled.

On December 30, 2004, the Extraordinary General Meeting of the company formally approved the liquidation of the company, changing the registered address so that it is domiciled at the Consultancy Studio dealing with the liquidation procedure.

The period result was a loss of 725,000 Euro.

During the period, the controlling company, Mediolanum International, restored the shareholders' equity with a payment of 300,000 Euro.

The final cancellation of the company from the Registry of Companies of the Principality of Monaco is due to take place within the first half of 2005.

ASSET MANAGEMENT COMPANY

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 SGRp.A. manages 23 funds, of which 22 mutual funds and 1 open-ended pension fund. Total assets under administration were 1,881 million Euro (31.12.03: 1,791 million Euro).

Assets under administration on behalf of associated companies by delegation of administration amount to 11,769 million Euro (2003: 10,600 million Euro).

The profit for the year was 8,521,073 Euro (31.12.03: 6,897,357 Euro), and 4,343,377 Euro was the dividend pertaining to Banca Mediolanum.

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

Assets under administration totalled 9,021.2 million Euro at the end of the period (31.12.03: 8,139.5 million Euro). The funds of Mediolanum International Funds are marketed in Italy, Spain, Germany and Austria.

The profit for the year was 122,707,536 Euro (31.12.03: 119,777,581 Euro), and 62,580,844 Euro was the dividend pertaining to Banca Mediolanum.

The work of Mediolanum Asset Management Ltd is mainly in supporting the asset management operations carried out by Group companies, both via direct management and with ancillary operations to such management, such as the control of the performance of funds and the monitoring of underlying risks.

The profit for the year was 3,378,056 Euro (31.12.03: 2,524,973) and 1,722,809 Euro was the dividend pertaining to Banca Mediolanum.

Your Bank took part in collecting funds for the victims of the 'tsunami' in South-East Asia on December 26, 2004. The amount offered both by customers and the Bank itself will be used for two long-term projects for children: the first in India under the care of Caritas, and the second in Indonesia under the care of the *Comunità di Sant'Egidio*.

SOCIAL PROJECT

In December 2004 and January 2005, the Board of Directors passed a resolution whereby the Bank has decided to apply the new accounting principles IAS/IFRS as of the financial statements for the year ending December 31, 2005, and adopted the framework resolution for the classification of the financial instruments to the new principles.

The Board of Directors' meeting in March 2005 decided that the Bank's participation in Argentina is not strategic, and therefore the company Fibanc S.A. based in Buenos Aires (Argentina) will be put into voluntary liquidation.

SIGNIFICANT POST BALANCE SHEET EVENTS

The trend of Banca Mediolanum during the first few months of 2005 leads us to believe that the performance of the year will be positive.

EXPECTED FUTURE TREND

THANKS

Dear Shareholders,

To conclude this report we would like to once again to present our warmest appreciation to the Global Advisors and Employees for their contribution, and to give our thanks to the Shareholder and our Customers for their choice of this Bank. Lastly, we should like to thank the Supervisory and Control Authority, the trade associations and the corresponding Banks for their effective support assured, as always, to the Bank's work.

We take this opportunity for thanking Antonio Lenza, the manager of the Milan Branch of Bank of Italy, for his work, and wish the incoming manager, Salvatore Messina, all the very best in his work.

The financial statements of your Company, presented here for your approval together with this report, show net profit of 45,488,924.84 Euro, which we propose to allocate as follows:

- 35,805,000 Euro dividend to the shareholders;
- 2,274,446 Euro to the Legal Reserve;
- 7,409,478.84 Euro to the Extraordinary Reserve.

Basiglio, March 17, 2005

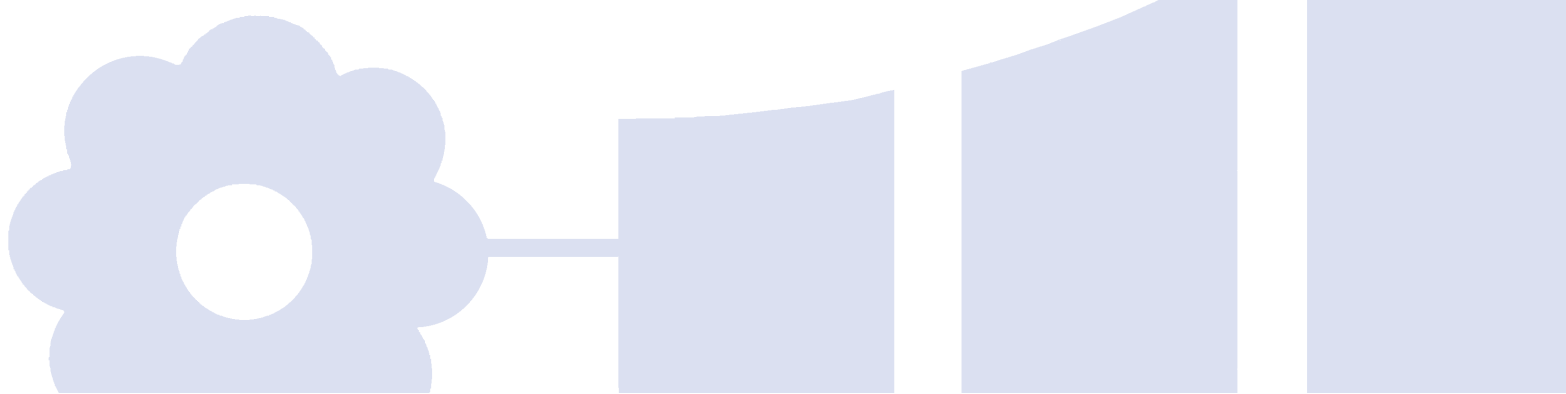
For the Board of Directors

Ennio Doris

Chairman

BANCA MEDIOLANUM S.P.A.

*FINANCIAL STATEMENTS
AND NOTES
TO THE ACCOUNTS*



Balance sheet

ASSETS

Euro	31.12.2004	31.12.2003
10. Cash and deposits with central banks and post offices	8,282,559	3,459,524
20. Treasury bills and similar bills eligible for refinancing with central banks	1,298,373,084	446,492,315
30. Due from banks	1,216,159,937	2,014,594,355
a) on demand	134,870,412	33,027,669
b) other	1,081,289,525	1,981,566,686
40. Loans to customers	360,441,409	356,641,202
50. Bonds and debt securities	923,988,105	936,295,472
a) of public issuers	443,726,980	373,543,318
b) of banks	340,525,239	342,391,975
of which:		
-- <i>own securities</i>	5,970	111,443
c) of financial institutions	120,110,577	220,360,179
d) other issuers	19,625,309	
60. Shares, interests and other equity securities	26,370	22,093
70. Equity investments	200,556	96,936
80. Equity investments in Group companies	301,438,049	245,121,153
90. Intangible fixed assets	17,820,251	14,768,984
of which:		
- start-up costs	141	6,409
- goodwill	0	0
100. Tangible fixed assets	17,752,739	21,629,668
130. Other assets	226,474,681	216,457,484
140. Accrued income and prepaid expenses	13,521,009	17,460,806
a) accrued income	10,707,799	16,010,907
b) prepaid expenses	2,813,210	1,449,899
TOTAL ASSETS	4,384,478,749	4,273,039,992

SHAREHOLDERS' EQUITY AND LIABILITIES

Euro	31.12.2004	31.12.2003
10. Due to banks	619,156,439	577,260,328
a) on demand	155,979,540	278,059,862
b) on term or with notice	463,176,899	299,200,466
20. Customers deposits	3,151,651,037	3,109,641,981
a) on demand	3,001,857,041	2,800,875,857
b) on term or with notice	149,793,996	308,766,124
50. Other liabilities	120,612,634	96,201,545
60. Accrued liabilities and deferred income	2,137,776	3,005,012
a) accrued liabilities	664,705	1,416,678
b) deferred income	1,473,071	1,588,334
70. Employee termination indemnity	7,988,730	6,738,724
80. Provisions for risk and charges	33,870,369	37,178,563
b) taxes	5,026,862	11,833,802
c) other funds	28,843,507	25,344,761
90. Credit risk fund	33,053	33,053
110. Subordinated liabilities	5,000,000	10,000,000
120. Share capital	341,000,000	341,000,000
140. Reserves	57,539,786	46,971,021
a) legal reserve	7,094,445	4,843,957
d) other reserves	50,445,341	42,127,064
170. Net profit (loss) for the year	45,488,925	45,009,765
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,384,478,749	4,273,039,992

GUARANTEES AND COMMITMENTS

10. Guarantees given	4,874,891	1,360,925
of which:		
- <i>acceptances</i>	<i>0</i>	<i>0</i>
- <i>other guarantees</i>	<i>4,874,891</i>	<i>1,360,925</i>
20. Commitments	44,137,063	132,269,962

Income statement

Euro	31.12.2004	31.12.2003
10. Interest income and similar revenues	98,518,238	108,106,994
<i>of which:</i>		
- on loans to customers	16,350,366	13,433,870
- on debt securities	38,524,778	40,872,118
20. Interest expense and similar charges	(51,127,522)	(62,119,012)
<i>of which:</i>		
- on customer deposits	(29,367,990)	(43,530,309)
- on debt securities	(195,790)	(356,479)
30. Dividends and other revenues	68,649,714	65,893,745
a) on stocks and shares	2,685	3,125
b) on equity investments	68,647,029	65,890,620
40. Commission income	294,847,121	285,213,325
50. Commission expense	(187,930,911)	(178,077,694)
60. Profits (losses) on financial operations	4,961,386	8,909,193
70. Other operating income	38,852,234	26,701,854
80. Administrative costs	(135,100,126)	(114,923,364)
a) payroll costs	(46,669,982)	(36,648,977)
<i>of which:</i>		
- wages and salaries	(33,904,747)	(26,632,946)
- social security contributions	(10,284,711)	(8,063,670)
- termination indemnities	(2,400,697)	(1,892,431)
- other	(79,827)	(59,930)
b) other administrative costs	(88,430,144)	(78,274,387)
90. Write-downs of tangible and intangible fixed assets	(16,948,294)	(21,495,973)
100. Provisions for risk and charges	(12,286,423)	(12,239,603)
110. Other operating expenses	(27,795,139)	(28,354,439)
120. Write-downs of loans and provisions for guarantees and commitments	(2,592,352)	(2,944,549)
130. Write-backs to loans and provisions for guarantees and commitments	1,020,908	1,237,918
150. Write-downs of financial investments	(27,114,000)	(40,485,547)
170. Profit from operative activities	45,954,834	35,422,848
180. Extraordinary income	13,149,524	7,397,122
190. Extraordinary charges	(735,884)	(4,354,373)
200. Extraordinary income (charge) - net	12,413,640	3,042,749
220. Income tax for the year	(12,879,549)	6,544,168
230. Profit (loss) for the year	45,488,925	45,009,765

Notes to the financial statements as at December 31, 2004.

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.

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".

Guarantees and commitments

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

FORM AND CONTENTS OF FINANCIAL STATEMENTS

PART A VALUATION CRITERIA

SECTION 1 VALUATION CRITERIA

1 LOANS, GUARANTEES AND COMMITMENTS

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 (net of the withholding tax accrued until the implementation of Legislative Decree 239/96) 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 (net of the withholding tax accrued until the implementation of Legislative Decree 239/96).

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".

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.

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.

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.

6 INTANGIBLE FIXED ASSETS

Payables are reported at their nominal value.

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

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.

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.

7 OTHER FINANCIAL STATEMENT ITEMS

ACCOUNTS PAYABLE

ACCRUALS AND
DEFERRED INCOME

PROVISIONS FOR RISKS
AND CHARGES

EMPLOYEE TERMINATION
INDEMNITY

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 and prepaid taxes accrued in previous years are evaluated periodically to take into consideration changes in tax laws.

Starting from the year under review, Banca Mediolanum S.p.A., as a consolidated company, decided to apply the right to consolidate taxes at national level, resulting in the definition of a single overall set of revenues in the tax return laid out by the consolidating company (Mediolanum S.p.A.) as established and set forth in Articles 117-129 of the TUIR.

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

PART B BALANCE SHEET INFORMATION

ASSETS

CASH AND DEPOSITS
WITH CENTRAL BANKS AND
POST OFFICES

Cash and deposits with central banks and post offices, amounting to 8,282 thousand Euro (of which 98 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.

**SECTION 1
LOANS**

1.1 Breakdown of item 30 "due from banks"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
On demand:		
Current accounts with banks – non resident accounts	3,288	24,823
Current accounts with banks – resident accounts	990	0
Active current accounts with banks	312	4,564
Current accounts for services provided	29,256	3,641
Demand deposit accounts – residents	50,000	0
Demand deposit accounts – non residents	51,024	0
TOTAL	134,870	33,028
Other receivables:		
a) due from central banks	3,128	10,694
b) bills eligible for refinancing with central banks	0	0
c) repurchase agreements	16,920	230,094
d) securities lending contracts	0	0
e) time deposit accounts – non residents	468,793	1,023,475
f) time deposit accounts – residents	585,759	705,214
g) other credits	6,690	12,089
TOTAL	1,081,290	1,981,566
TOTAL OF ITEM 30 "DUE FROM BANKS"	1,216,160	2,014,594

The item *Other receivables for services* relates mainly to commission income due from credit institutes for "home loans" to customers, for 1,137 thousand Euro and, for the difference, to "pool loans" granted to credit organizations. Repurchase agreements are negotiated with primary 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 08.12.2004 to 18.01.2005, amounts to 58,322 thousand Euro.

1.5 Breakdown of item 40 "loans to customers"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) bills eligible for refinancing with central banks	0	0
b) repurchase agreements	0	45,312
c) securities lending contracts	0	0
d) current accounts	165,393	167,066
e) other financing	194,759	144,019
f) doubtful loans	289	244
TOTAL OF ITEM 40 "LOANS TO CUSTOMERS"	360,441	356,641

The item “other financing” includes “pool loans” for 110,200 thousand Euro (107,449 thousand Euro as at 2003) in which the Bank takes part; these transactions are almost exclusively related to financial companies controlled by principal Italian banking and insurance Groups. The difference of 84,559 thousand Euro is due to the loans and mortgages to licensed financial advisors and other ordinary customers.

1.6 Guaranteed loans to customers

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) loans secured by mortgages	12,879	151
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	4,028	4,051
4. other parties	10,696	1,236
TOTAL	27,603	5,438

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	1,586	(1,297)	289
A.2. Problem loans	1,100	(549)	551
A.3. Loans being restructured	-	-	-
A.4. Restructured loans	-	-	-
A.5. Loans subject to country risk	-	-	-
B. Performing loans	359,601	-	359,601
TOTAL	362,287	(1,846)	360,441

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/ 2004	1,423	1.036	-	-	-	-
A.1. of which:						
interest on delayed payments	63	3	-	-	-	-
B. Increases	775	1.102	-	-	-	-
B.1. inflows from performing loans	-	831	-	-	-	-
B.2. interest on delayed payments	30	5	-	-	-	-
B.3. transfers from other doubtful loan categories	625	-	-	-	-	-
B.4. other increases	120	266	-	-	-	-
C. Decreases:	(612)	(1.038)	-	-	-	-
C.1. outflows to performing loans	-	(5)	-	-	-	-
C.2. cancellations	(551)	-	-	-	-	-
C.3. amounts collected	(61)	(408)	-	-	-	-
C.4. realized gain on disposals	-	-	-	-	-	-
C.5. transfer to other categories of doubtful loans	-	(625)	-	-	-	-
C.6. other decreases	-	-	-	-	-	-
D. Final gross exposure						
as at 31/12/2004	1,586	1,100	-	-	-	-
D.1. of which:						
interest on delayed payments	77	6	-	-	-	-

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 in bonis
A. Total initial adjustments	1,179	517	-	-	-	-
A1. of which:						
interest on delayed payments	63	1	-	-	-	-
B. Increases	718	453	-	-	-	-
B.1 adjustments	381	453	-	-	-	-
B1.1 of which:						
interest on delayed payments	36	2	-	-	-	-
B.2 use of credit risk fund	-	-	-	-	-	-
B.3. transfer from other loan categories	337	-	-	-	-	-
B.4. other increases	-	-	-	-	-	-
C. Decreases	(600)	(421)	-	-	-	-
C.1. write-backs of adjustment	(31)	(8)	-	-	-	-
C1.1. of which:						
interest on delayed payments	(2)	-	-	-	-	-
C.2. recovery of value upon collection	(16)	(79)	-	-	-	-
C.2.1.of which:						
interest on delayed payments	(1)	-	-	-	-	-
C.3. Cancellations	(551)	-	-	-	-	-
C.4. transfer to other loan categories	(2)	(334)	-	-	-	-
C.5. other decreases	-	-	-	-	-	-
D. Final adjustments	1,297	549	-	-	-	-
D.1 of which:						
interests on delayed payments	77	3	-	-	-	-

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

SECTION 2 SECURITIES

<i>Euro in thousands</i> Items/Values	Book value as at 31.12.2004	Book value as at 31.12.2003
Item 20 – Treasury bills and similar bills eligible for refinancing with central banks	1,298,373	446,492
Item 50 – Bonds and other debt securities	923,988	936,296
Item 60 – Shares, interests and equity securities	26	22
TOTAL	2,222,387	1,382,810
Of which:		
- non-trading securities	494,567	475,200
- trading securities	1,727,820	907,610
TOTALE	2,222,387	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 specific company resolution.

<i>Euro in thousands</i> Items/Values	Book value	Market value
1. Certificates of deposit	494,567	496,777
1.1. Government securities	484,636	486,775
- traded on regulated markets	484,636	486,775
- unlisted	-	-
1.2. Other securities	9,931	10,002
- traded on regulated markets	9,931	10,002
- unlisted	-	-
2. Stock and shares	-	-
- traded on regulated markets	-	-
- unlisted	-	-
TOTAL	494,567	496,777

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

2.2 Annual changes in investment securities

Euro in thousands

A. Opening balance	475,200
B. Increases	20,120
B.1. Purchases	19,935
B.2. Write-backs and revaluation	-
B.3. Transfers from trading portfolio	-
B.4. Other changes	185
C. Decreases	(753)
C.1. Sales	-
C.2. Principal repayments	-
C.3. Adjustments	-
of which:	
permanent write-downs	-
C.4. Transfers to the trading portfolio	-
C.5. Other changes	(753)
D. Closing balance	494,567

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 0.58 years, as shown below:

Euro in thousands

Items/Values	Book value	Market value
1. Certificates of deposit	1,727,794	1,728,033
1.1. Government securities	763,429	763,436
- traded on regulated markets	763,429	763,436
- unlisted	-	-
1.2. Other securities	964,365	964,597
- traded on regulated markets	821,483	821,628
- unlisted	142,882	142,969
2. Shares, quotas and other forms of capital	26	28
- traded on regulated markets	4	5
- unlisted	22	23
TOTAL	1,727,820	1,728,061

Movements during the period are summarized in the following table:

2.4 Annual changes in trading securities

Euro in thousands

A. Opening balance	907,610
B. Increases	11,125,709
B.1. Purchases	11,096,469
Certificates of deposit	11,062,179
Government securities	4,478,306
Other securities	6,583,873
Shares and quotas and other forms of capital	34,290
B.2. Write-backs and revaluation	-
B.3. Transfers from investment portfolio	-
B.4. Other changes	29,240
C. Decreases	(10,305,499)
C.1. Sales and principal repayments	(10,297,498)
Certificates of deposit	(10,263,220)
Government securities	(3,897,883)
Other securities	(6,365,337)
Shares and quotas and other forms of capital	(34,278)
C.2. Value adjustments	(820)
C.3. Transfers to the investment portfolio	-
C.5. Other changes	(7,181)
D. Closing balance	1,727,820

“Other changes” includes the balance of the short sale of securities (3,098 thousand Euro) and the accrued portion of premiums or discounts arising when the securities are subscribed.

SECTION 3 EQUITY INVESTMENTS

3.1 Main Equity Investments

Changes related to the increase in Banco de Finanzas e Inversiones SA shareholding for 20,000 thousand Euro and Bankhaus August Lenz & Co. AG for 12,000 thousand Euro, following the increase to share capital on May and September 2005, respectively.

Moreover, the acquisition of the minority interest of the controlled company Fibanc Inversiones SA was concluded in September; this amounted to 171,451 shares representing 15.04% of the share capital, thus bringing the interest held in the Spanish group to 100%. The countervalue of this transaction was 39,631 thousand Euro.

During the accounting period, Banca Mediolanum paid a total of 11,800 thousand Euro to cover the losses of the controlled companies Bankhaus August Lenz & Co. AG .

Banca Mediolanum also corrected the book value for 27,114 thousand Euro, itemised as follows: Bankhaus August Lenz & Co. AG for 11,800 thousand Euro to cover losses during the year; the equity investment in Mediolanum International SA. For 1,200 thousand Euro, correcting its value to equity as at

December 31, 2004; the equity investment in Fibanc Inversiones S.A. for 14,114 thousand Euro, to adjust its book value as a result of acquisitions in the year, based on an evaluation performed last year and still considered appropriate at the end of 2004.

The book value of Mediolanum International S.A. and Fibanc Inversiones SA were corrected to adjust them to the value determined by standard evaluation procedures.

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	10,990	(349)	96.082	163,017
Mediolanum International S.A.	Luxembourg	61,412	(1,137)	99.997	61,400
Bankhaus August Lenz & Co. AG	Munich	26,474	-	100.000	35,006
Banco de Finanzas e Inversiones S.A.	Barcelona	62,315	777	18.756	30,900
Tanami S.A.	Barcelona	904	-	100.000	6,700
Mediolanum Gestione Fondi SGR p.A.	Basiglio	19,807	8,521	51.000	2,610
Mediolanum International Funds Ltd	Dublin	125,247	122,708	51.000	1,346
Mediolanum Asset Management Ltd	Dublin	4,278	3,378	51.000	459
TOTAL					301,438

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	3,138	3	Management of mutual funds
Fibanc Pensiones S.A. S.G.F.P.	Barcelona	1,285	4	Management of pension funds
Fibanc S.A.	Barcelona	400	1	Financial consulting company
Fibanc Faif S.A.	Barcelona	46	-	Financial consulting company
Fibanc Argentina S.A.	Buenos Aires	ARS 50,000	-	Business representatives
Valora S.A.	Andorra	283	2	Asset management
Gamax Holding AG	Luxembourg	6,047	(54)	Sub-holding company
Gamax Management AG	Luxembourg	4,575	3,826	Management of mutual funds
Gamax Fund of Funds				
Management A G	Luxembourg	69	(20)	Management of mutual funds
Gamax Broker Pool GmbH	Munich	600	(1,559)	Fund sales network
Gamax Austria GmbH	Salzburg	315	(602)	Fund sales network
Mediolanum				
Private S.A.M.	Principality of Monaco	50	(725)	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>	31.12.2004
a) Attività	146,378
1. Due from banks	4,486
of which: - subordinated	-
2. Loans to financial institutions	88,736
of which: - subordinated	-
3. Loans to other customers	53,156
of which: - subordinated	-
4. Bonds and other debt securities	-
of which: - subordinated	-
b) Liabilities	485,911
1. Due to banks	252,669
2. Due to financial institutions	15,800
3. Due to other customers	217,442
4. Securities issued	-
5. Subordinated liabilities	-
c) Guarantees and commitments	-
1. Guarantees given	-
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.	4,485	-	-	-	1
TOTAL	4,486				
- loans to financial institutions:					
Mediolanum Asset Management Ltd	-	-	-	1,723	-
Mediolanum Fiduciaria S.p.A.	-	-	-	1	-
Mediolanum Gestione Fondi SGR p.A.	-	-	-	6,414	-
Mediolanum International Funds Ltd	-	-	-	66,106	-
Mediolanum International S.A.	-	-	14,492	-	-
TOTAL LOANS TO FINANCIAL INSTITUTIONS	88,736				
- loans to other customers:					
Alboran S.p.A.	-	-	-	-	120
Mediolanum Comunicazione S.p.A.	-	-	-	329	-
Mediolanum International Life Ltd	-	-	-	2,272	-
Mediolanum S.p.A.	-	-	-	46,294	-
Mediolanum Vita S.p.A.	-	-	1	3,118	-
Partner Time S.p.A.	-	-	349	643	-
PI Distribuzione S.p.A.	-	-	-	30	-
TOTAL LOANS TO OTHER CUSTOMERS	53,156				

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:					
Banco de Finanzas e Inversiones S.A.		233,020	-	83	18
Bankhaus August Lenz & Co. AG		19,548	-	-	-
TOTAL DUE TO BANKS	252,669				
- due to financial institutions					
Gamax Management AG		-	4,063	-	-
Mediolanum Gestione Fondi S.G.R p.A.		-	11,406	331	-
TOTAL DUE TO FINANCIAL INSTITUTIONS	15,800				
- due to other customers:					
Alboran S.p.A.		-	-	139	-
Mediolanum Comunicazione S.p.A.		-	666	977	-
Mediolanum Fiduciaria S.p.A.		-	452	-	-
Mediolanum International Life Ltd		-	9,517	-	-
Mediolanum S.p.A.		-	16,752	5,603	-
Mediolanum Vita S.p.A.		-	182,141	135	-
Partner Time S.p.A.		-	-	9	-
PI Distribuzione S.p.A.		-	1,050	1	-
TOTAL DUE TO OTHER CUSTOMERS	217,442				

Liabilities mainly relate to current accounts.

There are no Guarantees and/or Commitments involving Group companies.

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"

The shareholdings' book value as at December 31, 2004 is composed as follow:

<i>Euro in thousands</i>	% holding	Share capital	Book value
Company			
Serenissima SGR	4.889	1,800	88
e-MID S.p.A.	0.833	6,000	50
M.T.S. S.p.A.	0.086	19,388	23
Euros Consulting S.p.A.	0.127	10,238	14
CAD IT S.p.A.	0.011	4,670	11
S.I.A. S.p.A.	0.010	18,124	9
Consorzio Patti Chiari	0.565	885	5
S.W.I.F.T. s.c.	0.001	10,794	1
TOTAL			201

The following table illustrates shareholdings in companies that are not part of the Group with reference to the activity thereof.

<i>Euro in thousands</i>	31.12.2004
a) in banks	
- traded in regulated markets	-
- unlisted	-
b) in financial institutions	
- traded in regulated markets	-
- unlisted	88
c) other	
- traded in regulated markets	11
- unlisted	102

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>	31.12.2004
a) in banks	
- traded in regulated markets	-
- unlisted	65,906
b) in financial institutions	
- traded in regulated markets	-
- unlisted	235,532
c) other	
- traded in regulated markets	-
- unlisted	-
TOTAL ITEM 80 "EQUITY INVESTMENTS IN GROUP COMPANIES"	301,438

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.

<i>Euro in thousands</i>	
A. Opening balance	245,121
B. Increases	83,431
B.1. Purchases	71,631
B.2. Write-backs	-
B.3. Revaluation	-
B.4. Other changes	11,800
C. Decreases	(27,114)
C.1. Sales	-
C.2. Adjustments	(27,114)
of which:	
permanent write-down	-
C.3. Other changes	-
D. Closing balance	301,438
E. Total revaluation	-
F. Total adjustments	(67,600)

3.6.2 Other equity investments

<i>Euro in thousands</i>	31.12.2004
A. Opening balance	97
B. Increases	104
B.1. Purchases	104
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	201
E. Total revaluation	-
F. Total adjustments	-

The change since the previous year relates to interests acquired in the companies Serenissima SGR p.A., CAD IT S.p.A. and the Consortium for the management of the *Patti Chiari* mark.

Breakdown of tangible fixed assets

<i>Euro in thousands</i>	Net assets at 31.12.2004	% depreciation rate
Buildings	11,755	3
Computers	4,206	20
Miscellaneous equipment	710	15
Other peripherals	363	25
Office furniture	319	12
Office fittings	250	15
Asset under formation and advance payments	62	-
Means of transport	53	25
Alarms	35	30
TOTAL ITEM 100 "TANGIBLE FIXED ASSETS"	17,753	

SECTION 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

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 103 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

Euro in thousands

A. Opening balance	21,630
B. Increases	1,520
B.1. Purchases	1,520
B.2. Write-backs	-
B.3. Revaluation	-
B.4. Other changes	-
C. Decreases	(5,397)
C.1. Sales	-
C.2. Value adjustments	-
a) depreciation	(5,290)
b) permanent writedowns	-
C.3. Other changes	(107)
D. Closing balance	17,753
E. Total revaluation	-
F. Total adjustments:	(30,963)
a) depreciation	(30,963)
b) permanent write-downs	-

Details of intangible fixed assets

<i>Euro in thousands</i>	Net assets as at 31.12.2004	% Depreciation rate
Software	9,232	33.33
Assets under construction and advance payments	7,556	-
Improvements on leased goods	570	20.00
Other multi-annual costs (commission on capitalised managed assets in mutual funds)	321	33.33
Engineering and plant expenses	55	20.00
Other rights	47	33.33
Trademarks	39	33.33
TOTAL ITEM 90 "INTANGIBLE FIXED ASSETS"	17,820	

4.2 Annual changes in intangible fixed assets

Euro in thousands

A. Opening balance	14,769
B. Increases	14,709
B.1. Purchases	14,602
B.2. Write-backs	-
B.3. Revaluation	-
B.4. Other changes	107
C. Decreases	(11,658)
C.1. Sales	-
C.2. Value adjustments	-
a) depreciation	(11,519)
b) permanent write-downs	(139)
C.3. Other changes	-
D. Closing balance	17,820
E. Total revaluation	-
F. Total adjustments:	(76,006)
a) depreciation	(76,006)
b) permanent write-down	-

Depreciation criteria used are as follows:

Start-up and expansion costs	5 years
Improvements on leased goods	5-6 years
Other long-term costs (software/trademarks/commissions on fund management services)	3 years

Commission expenses paid to financial consultants (280 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, 2003.

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Due from Mediolanum Group companies	84,428	66,844
Other receivables	47,278	23,265
Commission income receivable	42,464	35,928
Deferred tax assets	19,834	23,829
Due from fiscal authorities	16,516	27,846
Due from financial advisors	6,025	3,263
Assets for "off-balance sheet transactions"	5,792	32,468
Receivables being recovered	1,993	1,342
Advances to suppliers	1,051	421
Guarantee deposits	756	803
Due from Fininvest and Doris Group companies	195	324
Advance payments to employees and consultants	143	124
TOTAL	226,475	216,457

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Due from Mediolanum Group companies:	84,428	66,844
parent company:		
- Mediolanum S.p.A.	10,038	91
controlled companies:		
- Mediolanum International Funds Ltd	62,728	61,189
- Mediolanum Gestione Fondi SGR p.A.	5,868	3,742
- Mediolanum Asset Management Ltd	1,723	1,288
affiliated companies:		
- Mediolanum Vita S.p.A.	3,021	419
- Partner Time S.p.A.	643	87
- Mediolanum Comunicazione S.p.A.	329	22
- Mediolanum International Life Ltd	47	-
- PI Distribuzione S.p.A.	30	-
- Mediolanum Fiduciaria S.p.A.	1	-
- Mediolanum Private S.A.M.	-	6
Due from Fininvest and Doris Group:	195	324
- Mediolanum Assicurazioni S.p.A.	193	141
- Arnoldo Mondadori Editore S.p.A.	2	-
- Vacanze Italia S.p.A.	-	183

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 2004 dividends to be paid in March and April 2005.

The item “Due to the parent company Mediolanum S.p.A.” includes 9,766 Euro for IRES advance payments, if these are transferred to the consolidating company in application of the right to consolidate taxes at national level.

Other receivables mainly relate to bills to be charged to customers' current accounts and not yet due (13,948 thousand Euro), transit items regularly closed in the first months of 2005 (20,647 thousand Euro), commission and expenses to be charged to customers (7,355 thousand Euro), other amounts to be received relating to inter-banking profits (2,957 thousand Euro) and receivables for invoices issued and to be issued (971 thousand Euro).

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, 2003, as follows:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Mediolanum S.p.A.	36,256	31,623
Mediolanum International Funds Ltd	3,378	2,449
Mediolanum International Life Ltd	2,225	961
Mediolanum Gestione Fondi SGR p.A.	547	836
Diversi	58	59
TOTAL	42,464	35,928

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

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Advance on virtual stamp-duties	7,159	-
Amounts receivable for other withholding taxes to offset	5,485	12,349
Advance on direct taxes for the year (IRAP)	3,794	1,420
Direct tax credit for previous years (IRPEG)	66	3,592
Refund of proportional tax on premium operations	12	9
Amounts receivable for withholding taxes	-	10,473
VAT receivables	-	3
TOTAL	16,516	27,846

Advances on virtual stamp duties mainly consist of the advance payment made in December 2004 for virtual stamp duties relating to 2005.

The item *Amounts receivable for other withholding taxes to offset* is mainly related (for 5,474 thousand Euro) to advance taxes on current account interest, paid in advance during 2004. These advances were higher than the final amount calculated at year-end and the net credit will be recovered in 2005.

Following the application of the right to consolidate taxes at national level, withholdings for the year (9,708 thousand Euro) were posted under “Due to the Parent company Mediolanum S.p.A.” (the consolidating company).

The item “Due from financial advisors” mainly relates to commission advances totalling 6,699 thousand Euro, to which value adjustments of 2,253 thousand Euro were applied.

“Assets for off-balance sheet transactions” includes counter-items relating to the re-evaluation of forward exchange transactions between the two years.

“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 4,421 thousand Euro which was adjusted by the allowance for doubtful receivables of 2,428 thousand Euro, represents the presumed realizable value, taking into account the insurance coverage against such risks.

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

“Guarantee deposits” includes a guarantee deposit to the *Cassa Compensazione e Garanzia*, for 462 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.

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>	31.12.2004	31.12.2003
Interest on securities	7,139	8,378
Interest income - banks	3,117	6,831
Interest on customer loans	438	541
Other	14	15
Income from repurchase agreement with banks	-	177
Income from repurchase agreement with customers	-	69
TOTAL	10,708	16,011

Prepaid expenses includes insurance premium quotas of 1,213 thousand Euro and other deferrals of 1,600 thousand Euro for sundry services relating to future years.

5.3 Adjustments for accrued income and prepaid expenses

In the financial statements as at December 31, 2004, Banca Mediolanum made no use of the option (Article 12, clause 2, of Legislative Decree 87/92) to increase or decrease asset accounts by the related accrued income and prepaid expenses, except for the accrued income on “zerocoupon” 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, as specifically required by the Bank of Italy.

5.4 Breakdown of subordinated assets

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) due from banking institutions	-	-
b) loans to customers	-	-
c) Bonds and other debt securities	996	42,392
TOTAL	996	42,392

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

6.1 Breakdown of item 10 “Due to banks”

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Current accounts with banking institutions – non-resident	132,389	140,804
Overnight deposits	15,000	97,000
Demand deposit accounts – residents	8,571	40,256
Demand deposit accounts – non residents	19	-
TOTAL	155,979	278,060
On term or with notice:		
a) Repurchase agreements	287,005	72,191
b) Securities lending	-	-
c) Time deposits – residents -	68,251	-
d) Time deposits – non-residents	107,921	227,009
e) Other debts	-	-
TOTAL	463,177	299,200
TOTAL ITEM 10 “DUE TO BANKS”	619,156	577,260

6.2 Breakdown of item 20 “customer deposits”

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) Repurchase agreements	149,794	308,766
b) Securities lending	-	-
c) Current accounts for services provided	2,986,714	2,792,536
d) Current account in foreign currency	15,143	8,340
TOTAL ITEM 20 “DUE TO CUSTOMERS”	3,151,651	3,109,642

SHAREHOLDERS' EQUITY AND LIABILITIES

SECTION 6 PAYABLES

SECTION 7
ALLOWANCES

Breakdown of item 70 “employee termination indemnity”

Changes during the year are highlighted in the following table:

Euro in thousands

Opening balance as at 31.12.2003	6,739
Quota accrued and included in the Income Statement	2,401
Allowance transferred from other Group companies	279
Allowance transferred to other Group companies	(11)
Other decreases (taxes on employee severance indemnity revaluation)	(20)
Disinvestment for investments in Pension Funds	(782)
Indemnities paid out during the year	(82)
Advance payments made during the year	(535)
Closing balance as at 31.12.2004	7,989

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 2004 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 31.12.2003	Allocations during the year	Other changes	Utilization	Balance as at 31.12.2004
IRPEG/IRES tax provision	7,927	5,061	(5,001)	(6,797)	1,190
IRAP tax provision	3,907	3,759	4	(3,833)	3,837
Total tax provisions	11,834	8,820	(4,997)	(10,630)	5,027

Following application of the right to consolidate taxes at national level, the provision to cover IRES for the year (5,061 thousand Euro) was transferred to item *Other liabilities* under payables to the Parent company Mediolanum S.p.A (consolidating company).

The item *Other changes* includes, further to the transfer of IRES payables to the Parent company, the provision of “deferred taxes” calculated, in 2004, 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. “Other changes” also include the cancellation of deferred taxes for the previous year. More details about changes are included in table 7.5.

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

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

<i>Euro in thousands</i> Provisions	Balance as at 31.12.2003	Allocations during the year	Other changes	Utilization	Balance as at 31.12.2004
Provision for agents' retirement indemnities	4,072	5,308	(5)	(185)	9,190
Provision for illegal acts by agents	5,993	2,590	-	-	8,583
Other	3,409	2,307	-	(240)	5,476
Provision for portfolio indemnities to departing agents	10,602	1,740	(7,231)	(167)	4,944
Staff loyalty provision	515	329	(23)	(200)	621
“Prize contest” fund	18	30	-	(18)	30
Customer indemnity for electronic transactions	736	-	(450)	(286)	-
TOTAL	25,345	12,304	(7,709)	(1,096)	28,844

“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 five years, as established by the agents’ collective agreement. During the year, further provisions were made to cover the what is known as the “percentage of theoretical ISC- weighting elaborated at a category level” that can be used to quantify allocations to provisions established to cover future indemnities due to financial advisors when terminating their contract (as per *Circolare Assoreti 35/04*).

“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.

“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.

“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 in the two years following their departure. The amount reported in the

Other changes column is related to the transfer of out-of-period revenues for financial advisors' indemnities no longer due for breach of contractual limitations. The allocation for the year was made taking into account the historic trends and the situation of financial advisors having resigned as at December 31, 2004.

"Staff loyalty provision" 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.

"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 Bank to promote its services and products.

The "Customer indemnity for electronic transactions" established in previous years was used during the year to settle previous positions, and was wiped out for the remaining balance of 450 thousand Euro, since the assumptions for its existence no longer apply.

7.4 Changes in the year in the item "receivables from prepaid taxes"

Euro in thousands

1. Opening balance	23,829
2. Increases	6,160
2.1. Prepaid taxes for the year	6,160
2.2. Other increases	
3. Decreases	(10,155)
3.1. Prepaid taxes cancelled during the year	(10,155)
3.2. Other decreases	
4. Closing balance	19,834

Prepaid taxes for the year relate to allocations for the following years.

7.5 Changes in the year of "payables from deferred taxes"

Euro in thousands

1. Opening balance	1,115
2. Increases	1,179
2.1. Deferred taxes for the year	1,179
2.2. Other increases	-
3. Decreases	(1,115)
3.1. Deferred taxes cancelled during the year	(1,115)
3.2. Other decreases	-
4. Closing balance	1,179

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 Bank 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.

Share capital

Share capital, fully subscribed and paid-up, amounts to 341,000 thousand Euro as at December 31, 2004, and consists of 341,000,000 ordinary shares with a par value of 1 Euro each.

Changes in the composition of Shareholders' equity

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 for a nominal value of 25,000 thousand Euro, expiring September 28, 2005, with a variable three-monthly rate, indexed to the three-month Euribor rate plus a 0.125% spread.

Repayment, started in the previous year, continued in accordance with the established annual sinking plan.

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

8.1 Total capital and capital requirements as at December 31, 2004

<i>Euro in thousands</i>		
Categories/Values	31.12.2004	31.12.2003
A. Total capital		
A.1. Tier 1 capital	390,403	383,771
A.2. Tier 2 capital	(717)	531
A.3. Amounts to be deducted	-	3,962
A.4. Total capital	389,686	380,340
B. Capital requirement		
B.1. Credit risk	71,985	78,150
B.2. Market risk	24,388	31,706
Of which:		
- Trading portfolio risk	24,388	31,706
- Foreign exchange risk	-	-
B.3. Third 3 subordinated loans	-	-
B.4. Other capital requirements	-	-
B.5 Total capital requirements	96,373	109,856
C. Risk-weighted assets and capital ratios		
C.1. Risk-weighted assets *	1,376,757	1,569,371
C.2. Tier 1 capital / risk-weighted assets	28.36%	24.45%
C.3. Tier 1 + tier 2 capital / risk-weighted assets	28.30%	24.24%

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

SECTION 9 OTHER LIABILITIES

9.1 Breakdown of item 50 "other liabilities"

This item is analyzed as follows:

<i>Euro in thousands</i>		
	31.12.2004	31.12.2003
Due to financial advisors	41,577	46,538
Other payables	29,034	14,674
Due to suppliers	21,085	17,443
Commercial payables to Mediolanum Group	7,278	4,036
Guarantee deposits	4,485	328
Due to tax authorities	3,823	4,170
Short sale of securities	3,098	-
Due to employees	2,634	2,302
Indemnity for agency relationship termination	2,520	2,342
Commercial payables to Fininvest and Doris Group	2,065	1,978
Due to social security entities	2,306	2,096
Due to consultants, professionals, directors and auditors	708	294
TOTAL	120,613	96,201

"Due to financial advisors" 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 2005.

"Other payables" mainly related to transit items regularly closed in the first months of 2005 (26,987 thousand Euro).

“Guarantee deposits”, amounting to 4,485 thousand Euro, relates to amounts received and furnished as collateral by former Fibanc shareholders relating to the purchase of minority interests last September.

“Trade payables to Mediolanum Group companies” and “Trade payables to Fininvest Group and Doris Group companies”, mainly relate to current accounts and/or services to be settled, and refer to the following companies:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Mediolanum Group:		
parent company:		
- Mediolanum S.p.A.	5,603	675
controlled companies:		
- Mediolanum Gestione Fondi SGR p.A.	331	190
- Banco de Finanzas e Inversiones S.A.	83	-
consociate:		
- Mediolanum Comunicazione S.p.A.	977	2,791
- Alboran S.p.A.	139	309
- Mediolanum Vita S.p.A.	135	59
- Partner Time S.p.A.	9	9
- PI Distribuzione S.p.A.	1	3
TOTAL	7,278	4,036
Fininvest/Doris Group:		
- Publitalia '80 S.p.A.	1,326	1,400
- Mediolanum Assicurazioni S.p.A.	681	482
- Mediaset S.p.A.	27	27
- Cemit Interactive Media S.p.A.	23	-
- Mondadori Pubblicità S.p.A.	6	66
- Arnoldo Mondadori Editore S.p.A.	1	3
- Alba Servizi Aerotrasporti S.p.A.	1	-
TOTAL	2,065	1,978

“Taxes payable” is as follows:

<i>Euro in thousands</i>	31.12.2004
Substitute tax and sundry withholding taxes	3,726
Value Added Tax (VAT)	71
Other debts	12
Local taxes	14
TOTAL	3,823

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, 2004, but not yet utilized.

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 31.03.2005, in compliance with the terms and conditions established by the industry association agreements.

“Due to social security entities” refers to amounts due to social security entities for employees (1,914 thousand Euro) as well as financial consultants and insurance agents (392 thousand Euro).

“Due to consultants and professionals” refers to services received and paid on 2005; 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 158 thousand Euro.

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

Accrued liabilities: 327 thousand Euro relates to the portion of interest receivable on deposits with other credit institutes accrued during the accounting period, 238 thousand Euro for accrued liabilities on repurchase agreements as at December 31, 2004 and, for 99 thousand Euro, to liabilities accrued on derivative contracts on rates.

The item “deferred income” mainly relates to Swap and Outright transactions (235 thousand Euro), as well as commission receivables pertaining to future years (1,231 thousand Euro).

9.3 Adjustments for accrued liabilities and deferred income

In the financial statements as at December 31, 2004, Banca Mediolanum made no use of the option (as per Article 12, clause 2, of Legislative Decree No. 87/92) 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>	31.12.2004
a) Commercial guarantees	1,782
b) Financial guarantees given	3,093
c) Assets pledged	-

10.2 Breakdown of item 20 “commitments”

<i>Euro in thousands</i>	31.12.2004
a) Commitments to allocate funds (certain to be called on)	34,984
- loans and deposits with banks to be disbursed	32,342
- incoming securities for transactions to be settled	2,642
b) Commitments to allocate funds (not certain to be called on)	9,154
- commitment relating to the Interbank Deposit Protection Fund	9,154
TOTAL	44,138

10.3 Assets given as collateral of own debts

<i>Euro in thousands</i>	31.12.2004
Securities in portfolio given as collateral of funding repurchase agreements	441,478

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	-	2,642	-
- sales	-	2,079	-
1.2. Currencies			
- currencies against currencies	-	-	-
- purchases against euro	-	8,432	-
- sales against euro	-	8,615	-
2. Deposits and loans			
- to be disbursed	-	65,581	-
- to be received	-	11,301	-
3. Derivatives			
3.1 with exchange of principal			
a) securities			
- purchases	-	-	-
- sales	168,700	-	-
b) currencies			
- currencies against currencies	-	5,498	-
- purchases against euro	-	850	-
- sales against euro	-	180,006	-
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	-	1,000	-
- sales	-	3,000	-

SECTION 11
CONCENTRATION AND
DISTRIBUTION OF THE
ASSETS AND LIABILITIES

11.1 Large exposures

<i>Euro in thousands</i>	31.12.2004
a) amount	50,100
b) number	1

11.2 Distribution of loans to customers by main categories of borrowers

<i>Euro in thousands</i>	31.12.2004
a) Governments	-
b) other public entities	-
c) non-financial companies	10,171
d) financial companies	133,961
e) family firms	403
f) other borrowers	215,906
TOTAL	360,441

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

<i>Euro in thousands</i>	31.12.2004
a) other services for sales	10,065
b) building and public works	-
c) textile products, leather and shoes, clothing	200
d) commercial services, recovery and repairs	309
e) other manufacturing products	-
f) other branches	-
TOTAL	10,574

11.4 Distribution of guarantees given by principal counterpart categories

<i>Euro in thousands</i>	31.12.2004
a) Governments	-
b) other public entities	-
c) banks	3,022
d) non-financial companies	99
e) financial companies	6
f) family firms	95
g) other	1,653
TOTAL	4,875

11.5 Geographical distribution of Assets and Liabilities

Euro in thousands

Line items/Countries	Italy	Other EU countries	Other countries
1. Assets			
1.1. Due from banks	693,055	451,422	71,683
1.2. Loans to customers	345,698	14,743	-
1.3. Securities	1,557,033	616,571	48,784
TOTAL ASSETS	2,595,786	1,082,736	120,467
2. Liabilities			
2.1. Due to banks	287,469	306,495	25,192
2.2. Due to customers	3,117,693	33,309	649
2.3. Securities issued	-	-	-
2.4. Other	5,000	-	-
TOTAL LIABILITIES	3,410,162	339,804	25,841
3. Guarantees and commitments	41,042	7,623	347

11.6 Breakdown of Assets and Liabilities by maturity

Euro in thousands

Item/Residual duration	Established duration								Unspecified duration
				over 1 year up to 5 years		over 5 years			
	on demand	up to 3 months	between 3 months to 12 months	fixed rate	indexed rate	fixed rate	indexed rate		
1. Assets	300,453	1,275,039	1,093,133	298,207	691,508	772	136,264	3,586	
1.1. treasury bills for re-financing	-	67,096	656,496	294,498	280,272	11	-	-	
1.2. Due from banks	134,870	1,014,944	63,218	-	-	-	-	3,128	
1.3. Loans to customers	165,583	147,838	13,911	6	21,723	-	10,922	458	
1.4. Bonds and other certificates of deposit	-	45,161	359,508	3,703	389,513	761	125,342	-	
1.5. "Off-balance sheet" transactions	29	232,671	19,386	695	300	682	538	-	
2. Liabilities	3,157,836	584,867	33,104	-	-	-	-	-	
2.1. Due to banks	155,979	435,279	27,898	-	-	-	-	-	
2.2. Due to customers	3,001,857	149,588	206	-	-	-	-	-	
2.3. Securities issued	-	-	-	-	-	-	-	-	
- bonds	-	-	-	-	-	-	-	-	
- certificates of deposit	-	-	-	-	-	-	-	-	
- other securities	-	-	-	-	-	-	-	-	
2.4. Subordinated liabilities	-	-	5,000	-	-	-	-	-	
2.5. "Off-balance sheet" transactions	9,861	238,449	706	3,737	334	673	541	-	

11.7 Assets and liabilities in foreign currency

<i>Euro in thousands</i>	31.12.2004
a) Assets	
1) due from banks	356,024
2) loans to customers	33
3) securities	1,106
4) equity holdings	-
5) other	98
b) Liabilities	
1) due to banks	165,023
2) customer deposits	15,143
3) bonded debts	-
4) other	-

11.8 Securitisation transaction

As at December 31, 2004, the trading portfolio included the following securities resulting from securitisation transactions carried out by third parties.

<i>Euro in thousands</i>		Subordinate asset	Book value	Market value
Securities				
Senior:				
Atlantide Finance S.r.l. (ATIDE 1A)10/06/09	Regione Lazio receivables		14,956	14,956
SCIC A1 TV 22/09/08	INPDAP receivables		15,000	15,000
SCCI 0 31/07/10	INPS receivables		15,000	15,000
SCCI 0 31/07/16	INPS receivables		35,000	35,012
TOTAL			79,956	79,968

SECTION 12 MANAGEMENT AND BROKERAGE ON BEHALF OF THIRD PARTIES

12.1 Securities transactions

<i>Euro in thousands</i>	31.12.2004
a) Purchases	13,863,026
1) settled	13,863,026
b) Sales	13,496,741
1) settled	13,496,741

12.2 Assets under management

Total assets under management, expressed at their market values, consists of 1,678,476,483 Euro, and relates to securities not issued by the Bank, of which 1,612,525,531 Euro relates to unit trusts managed by Group companies for the "Chorus" product (asset management in mutual funds).

Assets under management were handled by the controlled company Mediolanum Gestione Fondi SGR p.A..

12.3 Custody and administration of securities

<i>Euro in thousands</i>	31.12.2004
a) Third-party securities held in deposit	1,977,942
1. securities issued by the bank that strikes the balance	4,894
2. other securities	1,973,048
b) Third-party securities deposited with third-parties	1,960,840
c) Portfolio securities deposited with third-parties	2,392,212

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

As established in the guidelines implementing Decree 87/1992, issued by the Bank of Italy, in order to ensure consistency between the accounts and the financial statements, reclassification entries were necessary in order to match accounting balances with the relevant liquid balances.

<i>Euro in thousands</i>	31.12.2004
a) "Debit" adjustments	13,005
1. current accounts	-
2. main portfolio	-
3. cash	-
4. other	13,005
b) "Credit" adjustment	10,996
1. current accounts	-
2. transferors of bills and documents	-
3. other	10,996

PART C INCOME STATEMENT INFORMATION

SEZIONE 1 INTEREST

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) On amounts due from banks	43,573	53,771
of which:		
- deposits with central banks	1,307	1,464
b) on loans to customers	16,350	13,434
of which:		
- loans with third party funds under administration	-	-
c) on certificates of deposit	38,525	40,872
d) other interest income	13	30
e) positive differentials on "hedging" transactions	57	-
TOTAL	98,518	108,107

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) On amounts due to banks	21,515	18,180
b) On customer deposits	29,368	43,530
c) On other bonded debt:	-	-
of which:		
- on certificates of deposit	-	-
d) On loans with third party funds under administration	-	-
e) On subordinated liabilities	196	357
f) Negative differentials on “hedging” transactions”	20	49
g) Other interest expense	29	3
TOTAL	51,128	62,119

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) on foreign currency assets	6,477	4,418

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) on foreign currency assets	2,106	2,442

SECTION 2 COMMISSIONS

2.1 Breakdown of item 40 “commission income”

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) Guarantees given	-	-
b) Credit derivatives	-	-
c) Management, brokerage and consultancy services	287,574	279,209
1. Securities dealing	801	486
2. Currency dealing	-	-
3. Managed accounts	19,604	22,282
3.1 Individual	19,604	22,282
3.2 Group	-	-
4. Custody and administration of securities	4,229	5,775
5. Custodian bank	-	-
6. Placement of securities	258	70
7. Collection of orders	6,525	9,983
8. Consultancy services	-	-
9. Distribution of third-party services	256,157	240,613
9.1 Managed accounts	-	-
9.1.1 Individual	-	-
9.1.2 Group	-	-
9.2 Insurance products	172,173	150,438
9.3 Other products	83,984	90,175
d) collection and payment services	1,280	191
e) servicing of securitisation operations	-	-
f) tax-collection services	-	-
g) other services	5,993	5,813
TOTAL	294,847	285,213

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

2.2 Breakdown of item 40 “Commission income”

Distribution channels for products and services:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) At own bank counters:	19,862	22,352
1. Managed accounts	19,604	22,282
2. Placement of securities	258	70
3. Third-party services and products	-	-
b) Distribution outside head office:	256,158	240,613
1. Managed accounts	-	-
2. Placement of securities	-	-
3. Third-party services and products	256,158	240,613

Subscription and management commissions related to O.I.C.R. (savings and collective investment undertakings) quotas are contractually settled through trade agreements with affiliated companies: Mediolanum Gestione Fondi SGR p.A. and Mediolanum International Funds Ltd. An agreement was made with Duemme Hedge SGR S.p.A. (banking group Banca Esperia) in 2004 for the placement of go-go mutual funds managed by Duemme Hedge SGR.

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.. During the year the bank distributed insurance products (index linked) of the Irish affiliated company Mediolanum International Life Ltd.

Commission related to insurance product sales of the affiliated companies, Mediolanum Vita S.p.A., Mediolanum International Life Ltd, and the associated company Mediolanum Assicurazioni S.p.A. are broken down as follows:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
LIFE insurance policies	167,435	145,939
NON-LIFE insurance policies	4,158	4,185
TOTAL	171,593	150,124

Commission income of 580 thousand Euro was posted, relating to the placement of policies of third companies in the home loan brokerage sector.

2.3 Breakdown of item 50 "commission expense"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) Management and brokerage services:	174,441	167,795
1. Security dealing	-	-
2. Currency dealing	-	-
3. Managed accounts:	-	-
3.1 Bank 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	174,441	167,795
d) Collection and payment services	983	1,522
e) Other services	12,507	8,761
TOTAL	187,931	178,078

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Sales commissions on securities, products and services	136,161	134,813
Management commissions	38,280	32,982
Other commissions	6,021	4,360
Social security contributions	3,176	2,589
FIRR charges for the period	2,561	2,436
Sundry indemnities settled in the period	1,732	898
TOTAL	187,931	178,078

SECTION 3 PROFITS AND LOSSES ON FINANCIAL OPERATIONS

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

<i>Euro in thousands</i>	Securities operations	Currency operations	Other operations	Total
A.1 Revaluation	-	-	23	23
A.2 Write-downs	(820)	-	-	(820)
B. Other profits (losses)	4,236	1,522	-	5,758
TOTAL	3,416	1,522	23	4,961
1. Government bonds	1,798			
2. Other debt securities	3,682			
3. Equity securities	(23)			
4. Derivative contracts on securities	(2,041)			

SECTION 4
ADMINISTRATIVE COSTS

Breakdown of item 80 *Administrative costs*:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Payroll	46,670	36,649
IT systems services	20,103	12,197
Other sundry services	10,290	8,339
Other taxes and duties	10,164	10,359
TV and Internet communication services	9,736	8,085
Remuneration paid to network professionals	7,960	9,304
Rental expenses	6,278	4,286
Repair or maintenance of furniture, machinery and equipment	5,065	4,662
Postage and telephone expenses	4,393	4,542
Remuneration paid to outside professionals and outsourcing	4,269	5,811
Temporary hired staff from controlled and affiliated companies	3,388	4,263
Information provider services	3,045	3,008
Printing and stationery	1,583	1,114
Insurance	1,164	1,391
Compensation and fees paid to Directors and Statutory Auditors	672	580
Membership fees	320	333
TOTAL	135,100	114,923

Administrative costs increased during the year, mainly as a consequence of adjustments in the personnel and organisational structure of the Bank, partly as a result of the level of assets and particularly because of the centralisation within the Bank of a number of IT, administrative and logistic services that it provides to the companies in the Group.

This resulted in a significant increase mainly in personnel costs (+10,021 thousand Euro) and in the costs for IT systems services (+7,906 thousand Euro). The higher level of costs incurred to provide services to Group companies was offset by an increase in other operating income, as illustrated in section 6 of the Income Statement.

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 (+10.021 thousand Euro) is largely due to staff increases. The average number of employees by category is detailed as follows:

4.1 Average number of employees by category

<i>Units</i>	31.12.2004	31.12.2003
a) Senior managers	46	42
b) 3 rd and 4 th level executives	112	84
c remaining staff	774	704
TOTAL	932	830

IT systems services: this item includes the costs for the IT systems of the Bank and the Mediolanum Group companies with respect to the inter-group services contract:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
EDP consultancy	8,340	5,421
Other EDP services	11,763	6,776
TOTAL	20,103	12,197

Other services are related to “external services” and interim staff (3,545 thousand Euro), interbanking and transaction services (2,072 thousand Euro), photo-typesetting services (711 thousand Euro), and utilities (805 thousand Euro).

Analysis of item *Other taxes and duties*:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Stamp duties	10,073	10,265
Other taxes (ICI, local taxes, other)	91	94
TOTAL	10,164	10,359

Television and Internet communication services: this item refers to services from the affiliated company Mediolanum Comunicazione S.p.A. for producing and broadcasting television programmes on Mediolanum Channel, as well as programmes for training and information to the sales network. The item also includes costs for the “Teletext” and “Internet” services offered to customers.

Remuneration paid to network professionals: this item includes the total of payments to employees for supervising, coordinating and training the sales network.

SECTION 5
WRITE-DOWNS,
WRITE-BACKS AND
PROVISIONS

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Provision for agents' retirement indemnities	5,308	2,181
Provision for illegal acts by agents	2,590	1,000
Other provisions	2,319	1,982
Provision for portfolio indemnities to departing agents	1,740	7,077
Provision for Staff loyalty obligation	329	-
TOTAL	12,286	12,240

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>	31.12.2004	31.12.2003
a) write-downs of loans	2,592	2,945
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	2,592	2,945

This item includes write-downs as at December 31, 2004 on “difficult” loans for 453 thousand Euro (504 thousand Euro in 2003) and “doubtful” loans 717 thousand Euro (957 thousand Euro in 2003).

This item also includes write-downs of credits in place with ex agents, in part relating to illicit acts (264 thousand Euro).

6.1 Breakdown of item 70 "other operating income"

This item is detailed as follows and compared with balances at December 31, 2003:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Recharging of costs to Mediolanum Group companies	15,098	2,658
Charging of costs to customers	12,328	12,444
Recovery of stamp duties/special tax on stock exchange dealings	9,861	10,048
Other revenues	967	881
Recharging of costs to agents (financial advisors)	397	505
Recharging of costs to staff	201	166
TOTAL	38,852	26,702

The increase in operating income over the previous year (12,150 thousand Euro) mainly relates to the recharging of IT, administrative and logistic services to Mediolanum Group companies.

Recharging of costs to Mediolanum Group companies, along with other economic transactions with them, is detailed in a separate attachment (see Attachment 4).

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.

SECTION 6 OTHER INCOME STATEMENT ITEMS

6.2 Breakdown of item 110 “other operating expenses”

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Advertising and promotional expenses	9,035	14,157
Convention organization	6,912	4,369
Professional training of financial advisors	5,000	3,437
Other expenses	2,278	2,977
Company canteen	1,644	1,368
Entertainment expenses, gifts and donations	807	746
Market research	767	504
Employee training/search and selection	551	346
Travel expenses	413	292
Financial advisor search and selection	388	158
TOTAL	27,795	28,354

The item *Advertising and promotional expenses* includes sponsor costs related to the “Giro d’Italia – Gran Premio della Montagna 2004” and the “Giromediolanum” event, held during the cycle race period.

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 13,150 thousand Euro and mainly includes profit for 10,225 thousand Euro related to indemnity and commission to the sales network no longer due or to be paid back as a result of breach of contract by licensed financial advisors.

Contingent assets related to income not accrued in previous years amounts to 622 thousand Euro and the amount of 1,556 thousand Euro is related to excess in sundry costs pertaining to previous years.

The item also includes account adjustments and sundry income for 336 thousand Euro, and also 411 thousand Euro relating to reimbursements received during the year for transactions.

6.4 Breakdown of item 190 “extraordinary charges”

The item “extraordinary charges” amounts to 736 thousand Euro and mainly relates to costs 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>	31.12.2004	31.12.2003
1. Current taxes IRES	5,061	6,799
Current taxes IRAP	3,759	3,846
2. Changes in prepaid taxes IRES	3,889	(15,828)
Changes in prepaid taxes IRAP	107	(85)
3. Changes in deferred taxes IRES	60	(1,288)
Changes in deferred taxes IRAP	4	12
4. Income taxes for the year IRES	9,010	(10,317)
Income taxes for the year IRAP	3,870	3,773
TOTAL INCOME TAXES FOR THE YEAR	12,880	(6,544)

7.1 Geographical distribution of income

Profits included in items 10 (interest income and similar revenues), 40 (commission income), 60 (profits/losses on financial operations) and 70 (other operating income) mainly refer to Italian customers, whereas profits included in item 30 (dividends and other revenues) relate to controlled companies in the EU area for 64,304 thousand Euro.

Profit for the period

Net profit for the period totalled 45,489 thousand Euro (2003: 45,010 thousand Euro).

1.1 Remuneration

The Board of Directors and the Board of Statutory Auditors are respectively composed of 11 and 3 members. Remuneration for the period totalled 671,749 Euro (580,217 Euro in 2003) detailed as follows:

<i>Euro in thousands</i>	31.12.2004
(a) Directors	535
(b) Statutory Auditors	137
TOTAL	672

1.2. Loans and guarantees given

As at the date of drawing up the financial statements, an outstanding amount of 293,398 Euro was due from Mr. Giuseppe Lalli for a loan of of 310,000 Euro, and an outstanding amount of 163,501 Euro from Mr. Carlos Javier Tusquets Trias de Bes.

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

SECTION 7 OTHER NOTES TO THE INCOME STATEMENT

PART D) OTHER INFORMATION

SECTION 1 DIRECTORS AND STATUTORY AUDITORS

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. 87

As already pointed out, Banca Mediolanum S.p.A. has drawn up the consolidated financial statements as at December 31, 2004 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, 2004

Att. 2 : Analysis of changes in tangible fixed assets as at December 31, 2004

Att. 3 : Analysis of changes in shareholders' equity for the year ended
December 31, 2004

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

Att. 5 : Cash flow statement as at December 31, 2004

Att. 6 : Reconciliation between theoretical tax liabilities and those accounted
for at December 31, 2004

Att. 7 : Analysis of shareholders' equity reserves as at December 31, 2004

Att. 8 : Detailed schedule of deferred taxes as at December 31, 2004

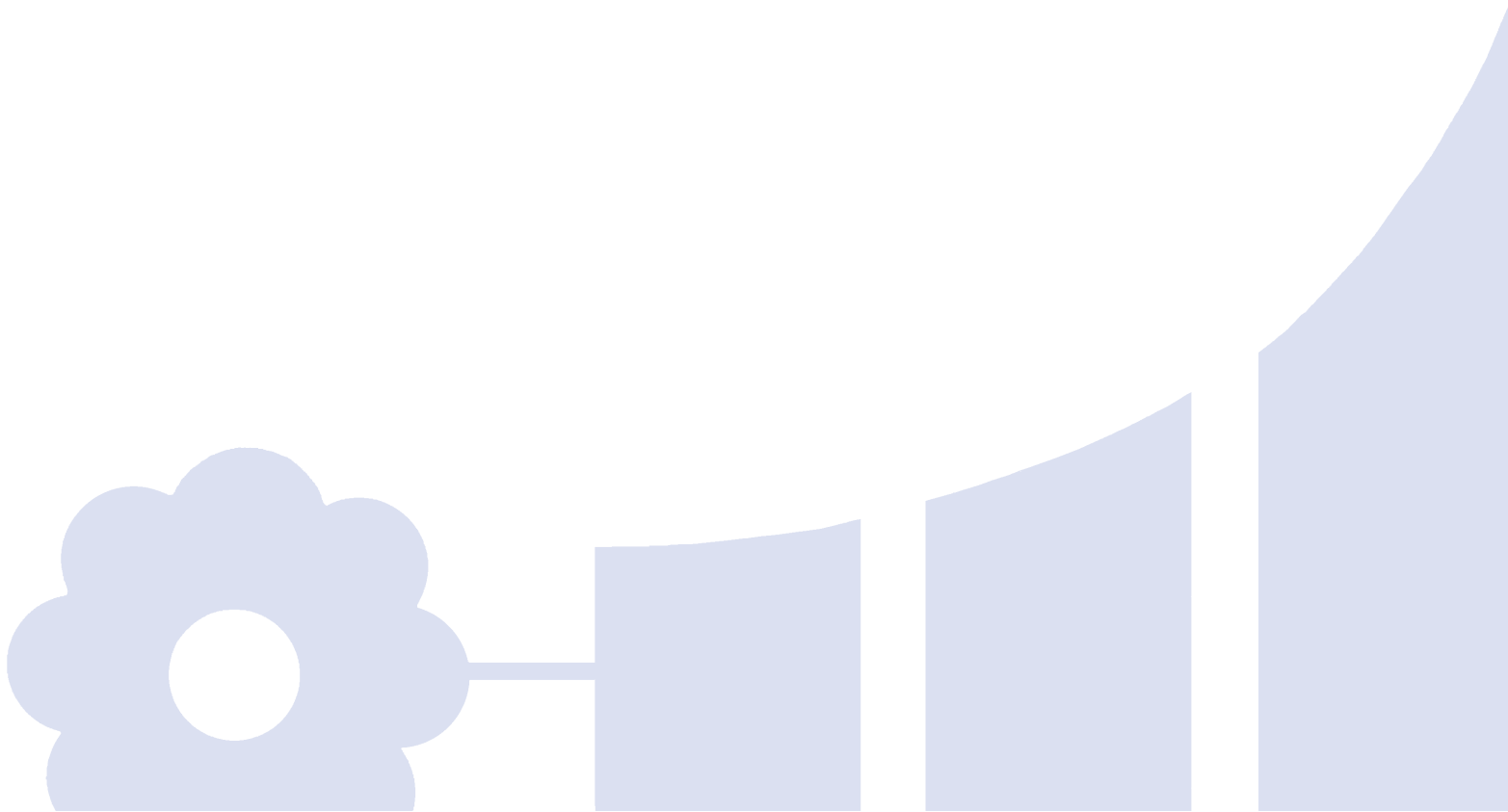
For the Board of Directors

Ennio Doris

Chairman

BANCA MEDIOLANUM S.P.A.

ATTACHMENTS



ATTACHMENT 1

ANALYSIS OF CHANGES IN INTANGIBLE FIXED ASSETS AS AT DECEMBER 31, 2004

Euro	Opening situation		
	Historic cost	Cumulative amortisation	Balance as at 31.12.2003
Intangible assets			
Start-up and expansion costs	846,020	(839,611)	6,409
Concessions, licences, trademarks and similar rights	65,216,427	(54,634,943)	10,581,484
Other deferred charges capitalized GPF commission	10,391,347	(9,270,824)	1,120,523
Improvements on asset of third parties	1,544,143	(1,080,842)	463,301
Other intangible assets	48,686	(41,926)	6,760
Intangible assets in progress	2,590,507	-	2,590,507
TOTAL	80,637,130	(65,868,146)	14,768,984

ATTACHMENT 2

ANALYSIS OF CHANGES IN TANGIBLE FIXED ASSETS AS AT DECEMBER 31, 2004

Euro	Opening situation		
	Historic cost	Cumulative amortisation	Balance as at 31.12.2003
Tangible assets			
Buildings	14,894,719	(2,794,376)	12,100,343
Dotazioni varie attrezzature	2,293,478	(1,526,212)	767,266
Alarm and security equipment	261,163	(194,778)	66,385
Peripheral equipment	2,571,671	(1,999,237)	572,434
Office fittings, furniture and equipment	1,888,084	(1,560,795)	327,289
Other furniture	992,385	(663,656)	328,729
Personal computers	24,038,381	(16,832,755)	7,205,626
Motor vehicles	209,852	(122,209)	87,643
Fixed assets in progress	173,953	-	173,953
TOTAL	47,323,685	(25,694,018)	21,629,668

Movements for the period				Closing situation		
Additions	Net disposals	Amortisation	Net reclassification	Historic cost	Cumulative amortisation	Balance as at 31.12.2004
-	-	(6,268)	-	846,020	(845,879)	141
8,041,123	-	(10,320,748)	1,016,051	74,273,601	(64,955,689)	9,317,912
279,654	(139,024)	(939,737)	-	9,149,896	(8,828,480)	321,416
338,623	-	(232,157)	-	1,882,766	(1,312,999)	569,767
68,838	-	(20,527)	-	117,522	(62,453)	55,069
5,874,256	-	-	(908,817)	7,555,946	-	7,555,946
14,602,494	(139,024)	(11,519,437)	107,234	93,825,751	(76,005,500)	17,820,251

Movements for the period				Closing situation		
Additions	Net disposals	Amortisation	Net reclassification	Historic cost	Cumulative amortisation	Balance as at 31.12.2004
103,020	-	(448,393)	-	14,997,739	(3,242,769)	11,754,970
204,485	-	(261,985)	-	2,498,104	(1,788,338)	709,766
6,705	-	(38,192)	-	267,868	(232,969)	34,899
150,357	-	(359,839)	309	2,721,250	(2,357,989)	363,261
73,932	-	(82,445)	-	1,959,342	(1,640,566)	318,776
30,292	-	(108,584)	-	1,022,582	(772,145)	250,437
949,379	-	(3,955,532)	6,324	24,976,579	(20,770,782)	4,205,797
-	-	(34,863)	-	209,852	(157,072)	52,780
1,967	-	-	(113,868)	62,053	-	62,053
1,520,138	-	(5,289,833)	(107,234)	48,715,369	(30,962,630)	17,752,739

ATTACHMENT 3

ANALYSIS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>Euro</i>	Share capital	Legal reserve	Extraordinary reserve
Balance as at January 1, 2004	341,000,000	4,843,957	38,942,022
Allocation of 2003 profit as decided at the Shareholders' meeting of 22.04.2004			
- legal reserve		2,250,488	
- dividend paid			
- extraordinary reseve			8,318,277
Profit for the period			
Balance as at December 31, 2004	341,000,000	7,094,445	47,260,299

	Surplus of fusion	Profit for the period	Total shareholders' equity
	3,185,042	45,009,765	432,980,786
		(2,250,488)	-
		(34,441,000)	(34,441,000)
		(8,318,277)	-
		45,488,925	45,488,925
	3,185,042	45,488,925	444,028,711

ATTACHMENT 4

Euro in thousands

Revenues

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

Company	Commission income	Interest income	Other operating and extraordinary profits	Total
<i>Mediolanum Group</i>				
<i>Mediolanum Banking Group</i>				
Parent Company:				
Mediolanum S.p.A.	161,742	0	868	162,610
Controlled Company:				
Mediolanum International Funds Ltd	42,941	0	608	43,549
Mediolanum Gestione Fondi SGR p.A.	18,947	0	4,534	23,481
Mediolanum International S.A.	0	328	0	328
Banco de Finanzas e Inversiones S.A.	0	28	53	81
Bankhaus August Lenz & Co. AG	0	0	0	0
Gamax Management AG	0	0	0	0
Affiliated company:				
Mediolanum Vita S.p.A.	1,115	53	6,034	7,202
Mediolanum International Life Ltd	9,874	85	242	10,201
Partner Time S.p.A.	0	4	1,605	1,609
Mediolanum Comunicazione S.p.A.	0	12	1,054	1,066
PI Distribuzione S.p.A.	0	0	56	56
Mediolanum Fiduciaria S.p.A.	0	0	2	2
Alboran S.p.A.	0	0	0	0
<i>Fininvest-Doris Groups</i>				
Affiliated/related company:				
Mediolanum Assicurazione S.p.A.	0	0	534	534
Arnoldo Mondadori Editore S.p.A.	0	0	12	12
Publitalia '80 S.p.A.	0	0	3	3
Vacanze Italia S.p.A.	0	0	1	1
Alba Servizi Aerotrasporti S.p.A.	0	0	0	0
Mondadori Pubblicità S.p.A.	0	0	0	0
Cemit Direct Media S.p.A.	0	0	0	0
TOTAL	234,619	510	15,606	250,735

Costs

Administrative expenses	Other operating and extraordinary costs	Interests payable and other financial costs	Commission payable	Total
1,870	0	499	0	2,369
0	0	0	0	0
372	0	194	790	1,356
0	0	0	0	0
137	0	2,557	0	2,694
0	0	2,379	0	2,379
0	0	63	0	63
1,433	0	3,986	0	5,419
0	0	132	0	132
37	0	5	0	42
7,684	6,356	2	0	14,042
0	0	6	1	7
0	0	6	0	6
214	99	0	0	313
1,305	0	44	0	1,349
0	13	0	0	13
467	1,258	0	0	1,725
0	0	0	0	0
3	0	0	0	3
0	124	0	0	124
19	5	0	0	24
13,541	7,855	9,873	791	32,060

ATTACHMENT 5

Euro in thousands

31.12.2004

CASH FLOW STATEMENT AS AT DECEMBER 31, 2004

A) SOURCE OF FINANCE	
Cash flow generated by operations:	
Profit (loss) for the period	45,489
Amortisation, depreciation of tangible and intangible assets	16,809
Value adjustments on shareholding	27,114
Net provision for risk and charges	(3,308)
Net change in employee termination indemnity	1,250
Increase/(decrease) due to banks	41,896
Increase/(decrease) due to customers	42,009
Increase/(decrease) other liabilities - accrued expenses and deferred income	23,544
TOTAL CASH FLOW GENERATED BY OPERATIONS	194,803
Decrease in tangible and intangible assets	139
Decrease in other financial investments	0
TOTAL CASH FLOW GENERATED	194,942
B) APPLICATION OF FUNDS	
Increase/(decrease) credit due from banks (excluding repayable on demand)	(900,277)
Increase/(decrease) credit with customers	3,800
Increase/(decrease) other assets - accrued income and prepaid expenses	6,077
Increase in tangible and intangible assets	16,122
Increase in equity investments	839,578
Own shares acquired	83,535
Subordinate liabilities repayment	5,000
Distributed dividends	34,441
TOTAL APPLICATION OF FUNDS	88,276
C) CASH FLOW FOR THE PERIOD (A - B)	106,666
D) Cash and liquid assets (opening balance)	36,487
E) Cash and liquid assets (closing balance)	143,153
F) CHANGE IN CASH AND LIQUID ASSETS (E - D)	106,666

<i>Euro</i>	<i>% rate</i>	<i>Amount</i>	<i>Taxation</i>
Determination of IRES taxable income			
Profit before taxes including tax credit		58,368,474	
Theoretical fiscal charge	33		19,261,596
Temporary difference taxable in subsequent year		(68,955,382)	
Temporary differences deductible in subsequent years		17,914,833	
Temporary differences from previous years		42,442,995	
Permanent differences		(34,258,687)	
Total taxable income	33	15,512,233	
Tax of the current year			5,119,037
Adjustment of fiscal consolidation			(58,019)
Net IRES for the current year			5,061,018
Average rate on profit before tax	8.67		
Determination of IRAP taxable income			
Difference between value and cost of production		72,308,924	
Costs and revenues not relevant for IRAP purposes		(7,495,679)	
TOTAL		64,813,245	
Theoretical fiscal charge (rate 5.25%)	5.25		3,402,695
Temporary difference taxable in subsequent years		(308,354)	
Temporary differences deductible in subsequent years		9,002,942	
Temporary differences from previous years		(7,178,470)	
Permanent differences		5,271,587	
Total taxable income		71,600,950	
IRAP of the current year	5.25		3,759,050

ATTACHMENT 6

RECONCILIATION BETWEEN THEORETICAL TAX LIABILITIES AND THOSE ACCOUNTED YEAR 2004

ATTACHMENT 7

ANALYSIS OF RESERVES IN SHAREHOLDERS' EQUITY

Nature/Description	Amount	Potential of utilization (A, B, C)	Share available	Report of the utilizations executed in the three previous years	
				for losses covering	for other reasons
Share capital:	341,000,000				
Capital reserves of which:					
Profit reserves of which:					
- legal reserve	7,094,445	B	7,094,445	-	-
- extraordinary reserve	47,260,299	A B C	47,260,299	-	1,328,663
- merger reserve	3,185,042	A B C	3,185,042	-	-
TOTAL	398,539,786		57,539,786	-	1,328,663
Of which share non-distributable			57,539,786		
Of which residual share non-distributable			-		

A: for capital increase
 B: for losses coverage
 C: for distribution to shareholders

ATTACHMENT 8

DETAILS OF DEFERRED TAXES

	2003		2004	
	Amount of temporary differences	Fiscal effect (% rate)	Amount of temporary differences	Fiscal effect (% rate)
Prepaid taxes of which:				
Devaluations for durable depreciations in value on intangible assets	31,056	33.00	23,281	33.00
Provisions for risks and charges	26,488	33.00	28,005	33.00
Fiscally deductible expenses in following years	7	33.00	10	33.00
Fiscally deductible expenses in following years	12,645	38.25	7,598	38.25
TOTAL	70,196		58,894	
Deferred taxes of which:				
Dividends	3,118	33.00	3,215	33.00
Commission income fiscally taxable in following years	224	38.25	308	38.25
TOTAL	3,342		3,523	
Deferred (prepaid) net taxes		22,714		18,655
Prepaid taxes related to fiscal losses of the current year				
Prepaid taxes related to fiscal losses of the previous year				
Temporary differences excluded from the deferred and prepaid tax computation				
	-		-	
Fiscal losses that can be carried forward of which:				
	-		-	
Net	-		-	

Statutory Auditors' report on the financial statements as at December 31, 2004

FINANCIAL STATEMENTS AND ATTACHMENTS

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, 2004, our report on the documents submitted for your examination and approval, and on the work of monitoring carried out in accordance with the duties laid out in Article 149 of the aforesaid Legislative Decree.

The Financial Statements closed at December 31, 2004 closed with a net profit of 45,488,925 Euro, in line with the previous year's results. This result was generated by the following items, expressed in thousands of Euro:

Stato patrimoniale

Euro in thousands

Total assets	4,384,479.=
Debts, Funds and other Liabilities	3,940,450.=
Share capital	341,000.=
Reserves	57,540.=
Profit for the year	45,489.=

Off-balance sheet items

Guarantees and Commitments relating to the Financial Statements	49,012.=
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Income statement

Euro in thousands

Total revenues	519,999.=
Total costs	474,510.=
Profit for the year	45,489.=

The financial statements comprising the Balance Sheet, the Income Statement and the Notes to the financial statements, showing the principles of its format and the evaluation criteria, together with tables and attachments related to the main Balance Sheet and Income Statement items, economic relations towards controlling and controlled companies, reconciliation of cash flows, reconciliation between theoretical tax liabilities and those accounted for, all accurately reflect the provisions set forth in

Legislative Decree No. 87 of January 27, 1992 and the instructions set forth by the Bank of Italy in the provision of January 30, 2002;

All the provisions that came into force during the year under review regarding any corporate law reform, fiscal matters, innovations and temporary rules of national and international accounting principles were implemented wherever applicable; in particular the adoption, as a consolidated company, of the nationwide consolidated tax system, as established and governed by articles 117-129 of the T.U.I.R.

The above documents were audited by the company RECONTA ERNST & YOUNG S.P.A. which, during the year under review, was also responsible for accounting control.

During a meeting organised for this purpose, scheduled with the Auditing Company before the drafting of this report, its managers gave their opinion on how the financial statements and the Notes were drawn up and on compliance with the applicable accounting principles and a correct illustration of operations, from which no particular observations or significant facts emerged.

The Auditing Company was also commissioned to audit the financial statements of some Group companies belonging to the Banking Group headed by your Company; the Auditing company did not perform any other tasks apart from auditing and controlling accounts entries.

After carrying out all inspections and controls forming part of the Board of Statutory Auditors' mandate as an alternative to the Auditing Company, we can affirm, to the extent of our powers, that the documents submitted by the Board of Directors in compliance with the terms set forth in Article 2429 of the Italian Civil Code, 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; moreover, all ancillary information, although not required by any specific law, is provided to give a correct and fair representation.

The Directors' Report on operations illustrates the situation of the Bank and the companies controlled by it, the main events that occurred 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 Board of Statutory Auditors made extensive reference to the contents of the above documents.

VERIFICATIONS AND
DECLARATIONS

With reference to the financial statements as at December 31, 2004, submitted for your approval, the Board of Statutory Auditors acknowledges the following:

- the financial statement data are derived from the internal and external accounts administration system, considered adequate and reliable for correctly illustrating operations;
- no exceptions as permitted by Article 2423, 4th clause, of the Italian Civil Code were applied.
- the company decided to apply the nationwide consolidated tax scheme to include all the controlled companies in the Banking Group
- intangible assets are stated, with our agreement in the cases established by law, among assets since they are of multiyear utility; purchases for the year increasing this item totalled 14,602 thousand Euro and related to application software, advance payments for the definition of new IT procedures, improvements on leased goods, commission costs for managed assets considered to have multiyear utility.
- depreciation quotas for tangible assets are stated using rates which reflect their remaining useful life. The amortisation quotas for intangible assets are stated using rates which reflect their assumed useful life, but for no longer than the period permitted by law;
- the assessment criteria of line items are the same as those applied in the previous year, and are always inspired by prudence and caution and carefully laid out according to principles and techniques compliant with the applicable rules and standards;
- transactions with related parties were examined; we hereby confirm what was stated in the Directors' report on operations.
- the Board of Statutory Auditors met those in charge at the company of verifying and auditing the Financial Statements, who had no observations or remarks regarding either accounting and administrative obligations or the drafting of the Financial Statements, or the content of the applicable Report, to be attached as per Articles 156 and 165 of Legislative Decree 58/1998, which was submitted to us during the latest meeting.
- as for the provisions of Bank of Italy, we can confirm that the individual solvability coefficient amply exceeds the minimum level required.
- the transactions that are deemed to be "major risks" fall within the limits established by the Supervisory Body.

We have taken part in the meetings of the Board of Directors and periodically received from Directors information about operations and the main economic, financial and asset transactions performed by the company and by the controlled companies, ensuring that the actions discussed and implemented complied with the law and the company's By-laws.

During the verifications carried out, we devoted special attention to the activities performed by the internal audit function, periodically meeting the person in charge of the "internal audit" department and participating, by means of videoconference, at periodical meetings organised by the same Group department, with those in charge of individual sectors of controlled companies.

Notice was taken of the measures implemented following the observations formulated by the Italian Exchange Rate Office about anti-money laundering activities after the inspection performed by the bank. The controlled company Fibanc Inversiones S.A. was subject to verification by the Banco de Espana. The observations formulated in the report drafted by it were included in the document drawn up by the Board of Directors of Fibanc and examined in the first meeting held at the beginning of the current year.

The various meetings held highlighted the following:

- the constant improvement and updating of internal procedures is such as to ensure compliance with the provisions currently in force and the relevant implementing regulations;
- the progressive adjusting of the internal auditing function to the growth of the company's operations is adequate and independent;
- improvements suggested to remedy failings were implemented;
- the monitoring of compliance with the Code of Conduct and Ethics did not highlight any significant event;
- customers' complaints were given special attention with reference to the illegal acts carried out by financial advisors, and remedial actions were promptly undertaken during our periodical verifications; for greater safeguards in this respect, the insurance policy stipulated against such risks was renewed for 2004.
- during 2004, the supervisory Body of the Bank, set up to comply with the provisions contained in Legislative Decree of June 8, 2001, No. 231, adopted the organisation, management and control models approved by the Board of Directors, that we examined with the members of the Board in the first

months of the year; on the occasion of the Board meeting examining the financial statements, this Body presented its annual report, illustrating the work done in relation to controlling operations in 2004 and provided information about the verification schedule it intends to implement for the year 2005;

- For the purposes of controlling internal rules and procedures, the internal audit function drafted its annual report, providing suggestions to implement all the improvements deemed necessary.

CONCLUSIONS AND COMMUNICATIONS

To conclude this report, we declare that the company's operations were carried out in compliance with the law and the By-laws and that no significant events occurred to be submitted to the attention of the Supervisory bodies.

Based on the above assumptions, we would like to express our favourable opinion regarding the approval of the Financial Statements for the year 2004, and its agreement with the Directors' proposal regarding the distribution of profits for the year.

Milan, April 6, 2005

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, 2004. 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 2, 2004.

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, 2004, and the results of its operations for the year then ended.

Milan, Italy
April 5, 2005

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

MEDIOLANUM BANKING GROUP

*CONSOLIDATED FINANCIAL
STATEMENTS AS AT
DECEMBER 31, 2004*



Directors' report on the consolidated financial statements as at December 31, 2004

Dear Shareholders,

The consolidated financial statements at December 31, 2004, drawn up by the Mediolanum Banking Group in compliance with the provisions of Italian Law No. 87 of January 27, 1992, closed with a net Group profit of 40,886 thousand Euro (31.12.2003: 55,412 thousand Euro) after income taxes of 32,655 thousand Euro (31.12.2003: 11,326 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 these consolidated financial statements.

THE REFERENCE MARKETS

Regarding the international scenario in which the Mediolanum Banking Group operated, reference is made to the Parent company Directors' Report attached to the 2004 financial statements.

PERFORMANCE OF THE GROUP

The Banking Group ended the period at December 31, 2004 showing a result from ordinary operations generally in line with the previous period: 126,864 thousand Euro compared to 126,689 thousand Euro in 2003.

Total assets reached 4,748 million Euro (31.12.2003: 4,817 million Euro).

Securities in the portfolio at year end amounted to 2,282 million Euro (31.12.2003: 1,477 million Euro), and amounts due to banks were 1,411 million Euro (31.12.2003: 2,324 million Euro).

Customers' inflows were largely unchanged from the previous year: 3,667 million Euro at 31.12.2004 compared to 3,686 million Euro at the end of 2003, and were mainly concentrated in the Parent company Banca Mediolanum (85.5%).

The consolidated interest margin was 56,190 thousand Euro (2003: 55,820 thousand Euro), and the brokerage margin amounted to 296,983 thousand Euro (293,978 thousand Euro).

Administrative costs rose from 173,479 thousand Euro in the previous year to 188,621 thousand Euro as at December 31, 2004.

The result from extraordinary operations, at 12,634 million Euro, showed an increase by 9,292 million Euro (2003: 3,342 million Euro). This result was mainly achieved by Banca Mediolanum (12,414 thousand Euro) – please refer to the Notes to the financial statements for Banca Mediolanum as at December 31, 2004.

Taxes for the period rose considerably, from 11,326 thousand Euro to 32,655 thousand Euro in 2004. This was caused by the loss of certain tax relief provisions from which Banca Mediolanum benefited in the previous period, especially the application of a reduced tax rate – known as Dual Income Tax (DIT) – and the tax benefit coming from value adjustments to equity investments in Group companies.

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

VOLUME

Inflows of managed accounts products

<i>Euro millions</i>	31.12.2004	31.12.2003	% change
Life insurance products			
- Life insurance products inflows	2,306	2,055	12.2
Financial products – Mutual accounts funds			
- Gross consolidated inflows	2,910	2,723	6.9
- Net consolidated inflows	535	936	(42.8)
Managed savings – current accounts and securities deposit			
- Gross consolidated inflows	16	405	(96.0)
- Net consolidated inflows	(18)	(103)	(82.5)

Customers' consolidated assets under administration

<i>Euro millions</i>	31.12.2004	31.12.2003	% change
Banca Mediolanum assets under administration	25,908	23,133	12.0
Fibanc Group assets under administration	2,016	1,942	3.8
Gamax Group assets under administration	387	430	(10.0)
Bankhaus August Lenz assets under administration	53	74	(28.4)
Med.Private S.A.M. assets under administration	0	14	n.d.
Consolidation adjustments	(4,514)	(3,659)	23.4
TOTAL MEDIOLANUM BANKING GROUP	23,450	21,934	6.9

PERFORMANCE OF THE GROUP IN THE VARIOUS SECTORS

Regarding the performance and results achieved by the companies in the Banca Mediolanum Banking Group, please refer to the section "Equity Investments" in the Directors' Report attached to the 2004 financial statements of the Parent company.

THE SALES NETWORK

<i>Units</i>	31.12.2004	31.12.2003
Licensed financial advisors (Banca Mediolanum)	4,048	4,052
Non-licensed financial advisors (Banca Mediolanum)	768	950
Credit executives (Banca Mediolanum)	41	0
Fibanc Group network *	626	532
Gamax Group network	504	689
Bankhaus August Lenz network	98	96
TOTAL	6,085	6,319

* The figure for the previous period included 114 "Introducers".

HUMAN RESOURCES

The number of Mediolanum Banking Group employees grew as follows:

<i>Units</i>	31.12.2004	31.12.2003
Clerical personnel	1,103	1,022
Middle managers	137	88
Managers	76	86
TOTAL	1,316	1,196

SIGNIFICANT POST-BALANCE SHEET EVENTS

No significant events have occurred since December 31, 2004.

EXPECTED FUTURE TREND

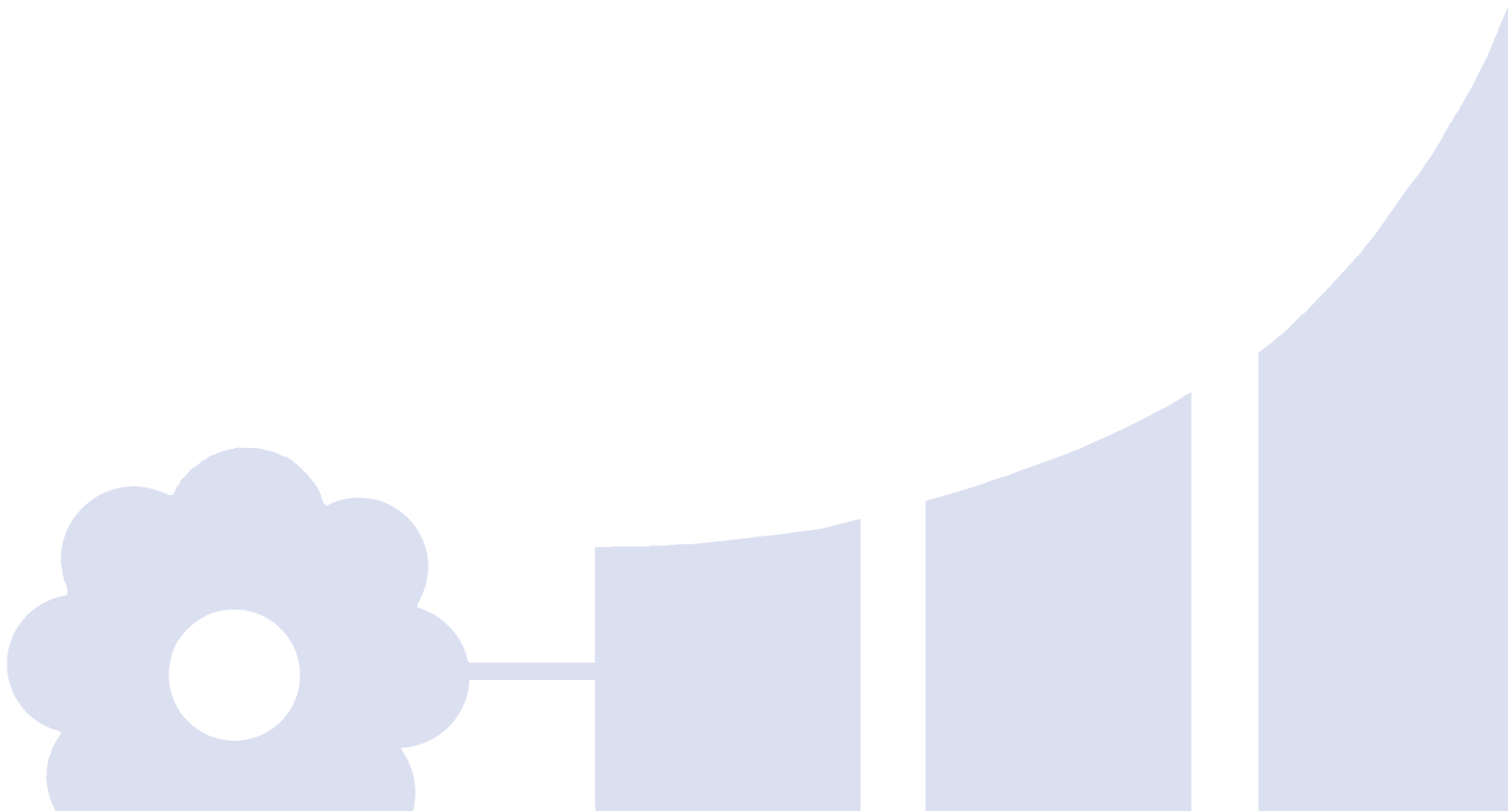
The results of the Mediolanum Banking Group companies in the first few months of 2005 lead us to believe that the consolidated performance of the year will be positive.

For the Board of Directors

Ennio Doris
Chairman

MEDIOLANUM BANKING GROUP

*CONSOLIDATED
FINANCIAL STATEMENTS
AND NOTES
TO THE ACCOUNTS*



Consolidated balance sheet

ASSETS

	<i>Euro in thousands</i>		31.12.2004	31.12.2003
10. Cash and deposits with central banks and post offices			39,306	7,008
20. Treasury bills and similar bills eligible for refinancing with central banks			1,298,373	446,492
30. Due from banks			1,410,666	2,324,454
a) on demand	162,569			84,653
b) other	1,248,097			2,239,801
40. Loans to customers			544,715	555,237
50. Bonds and debt securities			969,360	1,016,320
a) of public issuers	447,322			384,122
b) of banks	382,075			411,771
<i>of which:</i>				
- <i>own securities</i>	6			111
c) of financial institutions	120,110			0
d) of other issuers	19,852			220,427
60. Shares, interests and other equity securities			13,948	14,075
70. Equity investments			201	97
a) valued at net equity				
b) other	201			97
80. Equity investments in Group companies			19	19
90. Positive consolidation differences			152,414	140,708
110. Intangible fixed assets			24,220	22,776
<i>of which:</i>				
- <i>start-up costs</i>	1,726			2,649
- <i>goodwill</i>	220			70
120. Tangible fixed assets			49,130	52,755
150. Other assets			229,015	216,795
160. Accrued income and prepaid expenses			16,245	20,706
a) accrued income	12,725			18,879
b) prepaid expenses	3,520			1,827
TOTAL ASSETS			4,747,612	4,817,442

SHAREHOLDERS' EQUITY AND LIABILITIES

<i>Euro in thousands</i>	31.12.2004	31.12.2003
10. Due to banks	367,364	437,191
a) on demand	24,365	137,991
b) on term or with notice	342,999	299,200
20. Customers deposits	3,666,996	3,685,805
a) on demand	3,261,309	3,101,368
b) on term or with notice	405,687	584,437
50. Other liabilities	155,806	129,043
60. Accrued liabilities and deferred income	3,086	6,107
a) accrued liabilities	1,575	4,443
b) deferred income	1,511	1,664
70. Employee termination indemnity	8,471	7,183
80. Provisions for risk and charges	54,452	58,770
a) provision for pensions and similar liabilities	1,101	1,181
b) taxes	21,453	27,855
d) other funds	31,898	29,734
90. Credit risk fund	33	33
100. General banking risks fund	0	0
110. Subordinated liabilities	5,000	10,000
120. Negative consolidation differences	3,031	3,031
140. Minority interests	73,174	76,477
150. Share capital	341,000	341,000
170. Reserves	28,482	13,853
a) legal reserve	7,656	5,406
d) other reserves	20,826	8,447
190. Retained earnings	(169)	(6,463)
200. Net profit (loss) for the year	40,886	55,412
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,747,612	4,817,442

GUARANTEES AND COMMITMENTS

10. Guarantees given	23,396	28,241
<i>of which:</i>		
- <i>acceptances</i>		
- <i>other guarantees</i>	23,396	28,221
20. Commitments	336,817	457,721

Consolidated income statement

<i>Euro in thousands</i>	31.12.2004	31.12.2003
10. Interest income and similar revenues	113,129	125,637
<i>of which:</i>		
- on loans to customers	24,591	22,441
- on debt securities	39,973	43,456
20. Interest expense and similar charges	(56,939)	(69,817)
<i>of which:</i>		
- on customer deposits	(40,012)	(51,966)
- on debt securities	(196)	(356)
30. Dividends and other revenues	305	516
a) on stocks and shares	302	516
b) on equity investments	3	
40. Commission income	538,302	516,892
50. Commission expense	(241,319)	(222,914)
60. Profits (losses) on financial operations	8,200	14,602
70. Other operating income	46,153	34,416
80. Administrative costs	(188,621)	(173,479)
a) payroll costs	(69,424)	(61,639)
<i>of which:</i>		
- wages and salaries	(51,545)	(45,364)
- social security contributions	(13,988)	(12,064)
- termination indemnities	(2,591)	(2,058)
- other	(286)	(260)
b) other administrative costs	(119,197)	(111,840)
90. Write-downs of tangible and intangible fixed assets	(44,155)	(47,786)
100. Provisions for risk and contingencies	(13,036)	(14,912)
110. Other operating expenses	(30,391)	(31,533)
120. Write-downs of loans and provisions for guarantees and commitments	(11,476)	(10,530)
130. Write-backs to loans and provisions for guarantees and commitments	6,710	5,634
140. Credit risk provisions	0	0
150. Write-downs of financial investments	(1)	(37)
160. Write-backs of long-term investments	3	0
180. Profit from operative activities	126,864	126,689
190. Extraordinary income	14,937	8,793
200. Extraordinary charges	(2,303)	(5,451)
210. Extraordinary income (charge) - net	12,634	3,342
240. Income tax for the year	(32,655)	(11,326)
250. Profit (loss) for the year of minority interests	65,957	63,293
260. Profit (loss) for the year	40,886	55,412

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.

The consolidated financial statements as at December 31, 2004 are compared with the previous year.

Amounts are in thousands of Euro.

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, 2004 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".

PART A CONSOLIDATION AND VALUATION CRITERIA

SECTION 1 CONSOLIDATION AND VALUATION CRITERIA

CONSOLIDATION CRITERIA

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, 2004, 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	100.00	Barcelona	Investment company
Banco de Finanzas e Inversiones S.A.	14,032	100.00	Barcelona	Banking
Ges Fibanc S.G.I.I.C. S.A.	2,506	100.00	Barcelona	Management of mutual funds
Fibanc S.A.	301	100.00	Barcelona	Financial advisory company
Fibanc Pensiones S.G.F.P. S.A.	902	100.00	Barcelona	Management of pension funds
Fibanc Faif S.A.	60	100.00	Barcelona	Financial consulting company
Valora S.A.	421	100.00	Andorra	Asset management
Tanami S.A.	181	100.00	Barcelona	Real estate broker
Bankhaus August Lenz & Co. AG	20,000	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	99.997	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 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	99.94	Principality of Monaco	Asset management

The following events took place within the Mediolanum Banking Group in 2005:

- on January 9, the procedure for putting Gamax Schweiz GmbH into liquidation was concluded;
- in February, the controlled company Mediolanum International S.A. increased its shareholding in Mediolanum private S.A.M. to 99.94%, taking over the portion held by Compagnie Monégasque de Banque. Last May, the Board of Directors of Mediolanum Private S.A.M. passed resolution to halt taking in new assets and to proceed with the gradual closing of the administrative relations in course with customers.
- in May, the controlled company Banco de Finanzas e Inversiones S.A. approved a share capital increase of 20 million Euro, fully subscribed by Banca Mediolanum; as a result of this operation, the portion held by the Mediolanum Group in the Banco de Finanzas Group increased from 85.865% to 87.781%. In addition, on September 15, the acquisition by Banca Mediolanum of 171,451 shares in Fibanc Inversiones S.A. was formalised, for a total amount of 39.6 million Euro, thereby increasing the interest in the Spanish Group to 100%; in August, the controlled company Bankhaus August Lenz approved an increase in share capital of 12 million Euro, which was put into effect in September.

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, 2003, 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.

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*.

Write-downs carried out in previous years are eliminated when the reasons giving rise to them no longer apply.

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 (net of the withholding tax accrued until the implementation of Legislative Decree 239/96).

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

Market value is determined as follows:

- For securities listed on regulated markets, using the average market price of the last month of the year;
- 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 unconsolidated companies 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

Accounts payable

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.

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 and prepaid 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.

PART B CONSOLIDATED BALANCE SHEET INFORMATION

Cash and deposits with central banks and post offices, amounting to 39,306 thousand Euro, mainly consists of cash held in the ATMs installed in Germany by the controlled company Bankhaus August Lenz and cash held in the ATMs located in the headquarters' premises and in the Banca Mediolanum financial consultants offices, as well as of cash held (Euro and foreign currencies). It also includes the balance of postal current accounts.

CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES

Breakdown of item 30 "due from banks"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) Repayable on demand:	162,569	84,653
- Current accounts for services provided	29,256	3,641
- Active current accounts with banks	25,023	38,402
- Current accounts with banks - non resident accounts	3,349	39,490
- Current accounts with banks – resident accounts	990	0
- Demand deposit accounts – residents	50,000	0
- Demand deposit accounts - non residents	53,951	3,120
b) Other receivables:	1,248,097	2,239,801
- Due from central banks	8,690	15,191
- Time deposit accounts – residents	585,808	705,215
- Time deposit accounts – non-residents	593,588	1,151,727
- Repurchase agreements	53,321	360,076
- other receivables	6,690	7,592
TOTAL	1,410,666	2,324,454

SECTION 1 LOANS

Repurchase agreements are negotiated with primary banks.

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

1.5 Breakdown of item 40 "loans to customers"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) bills eligible for refinancing with central banks	0	0
b) due from leasing contracts	2,819	3,558
c) repurchase agreements	0	45,312
d) securities lending contracts	561	0
e) current accounts	165,393	167,066
f) other	375,942	339,301
TOTAL	544,715	555,237

1.6 Guaranteed loans to customers

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) loans secured by mortgages	66,298	42,106
b) loans secured by:	72,428	103,977
1. cash deposits	5,007	14,457
2. securities	7,908	7,420
3. other assets	59,513	82,100
c) loans secured by guarantees from:	18,595	5,650
1. Governments	-	-
2. other public agencies	-	-
3. banks	7,899	4,414
4. other parties	10,696	1,236
TOTAL	157,321	151,733

1.7 Loans to customers in cash

<i>Euro in thousands</i>	Gross exposure	Total adjustments	Net exposure
A. Doubtful loans			
A.1. Non-performing loans	10,396	(9,314)	1,082
A.2. Problem loans	1,100	(549)	551
A.3. Loans being restructured	0	0	0
A.4. Restructured loans	0	0	0
A.5. Loans subject to country risk	268	(268)	0
B. Performing loans	543,082	0	543,082
TOTAL	554,846	(10,131)	544,715

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	8,303	1,036	0	0	263
A.1. of which:					
interest on delayed payments	63	3	0	0	0
B. Increases:	18,991	1,102	0	0	5
B.1. inflows from performing loans	18,216	831	0	0	5
B.2. interest on delayed payments	30	5	0	0	0
B.3. transfers from other doubtful loan categories	625	0	0	0	0
B.4. other increases	120	266	0	0	0
C. Decreases:	(16,898)	(1,038)	0	0	0
C.1. outflows to performing loans	(14,743)	(5)	0	0	0
C.2. cancellations	(2,094)	0	0	0	0
C.3. amounts collected	(61)	(408)	0	0	0
C.4. realised gain on disposals	0	0	0	0	0
C.5. transfer to other categories of doubtful loans	0	(625)	0	0	0
C.6. other decreases	0	0	0	0	0
D. Final gross exposure	10,396	1,100	0	0	268
D.1. of which:					
interest on delayed payments	77	6	0	0	0

1.9 Dynamics of total adjustments of loans to customers

<i>Euro in thousands</i> Categories/values	Non-performing loans	Problem loans	Loans being restructured	Restruct. loans	Loans subject to country risk	Performing loans
A. Total initial adjustments	6,855	517	0	0	239	0
A.1. of which:						
interest on delayed payments	63	1	0	0	0	0
B. Increases	10,233	453	0	0	29	0
B.1. value adjustments	9,896	453	0	0	29	0
B.1.1. of which:						
interest on delayed payments	36	2	0	0	0	0
B.2. use of credit risk fund	0	0	0	0	0	0
B.3. transfer from other loan categories	337	0	0	0	0	0
B.4. other increases	0	0	0	0	0	0
C. Decreases	(7,774)	(421)	0	0	0	0
C.1. write-backs of adjustment	(5,662)	(8)	0	0	0	0
C.1.1. of which:						
interest on delayed payments	(2)	0	0	0	0	0
C.2. recovery of value upon collection	(16)	(79)	0	0	0	0
C.2.1. of which:						
interest on delayed payments	(1)	0	0	0	0	0
C.3. cancellations	(1,933)	0	0	0	0	0
C.4. transfer to other loan categories	(2)	(334)	0	0	0	0
C.5. total decreases	(161)	0	0	0	0	0
D. Final adjustments	9,314	549	0	0	268	0
D.1. of which:						
interest on delayed payments	77	3	0	0	0	0

<i>Euro in thousands</i>	Book value
Voce 20 - Treasury bills and similar bills eligible for refinancing with central banks	1,298,373
Item 50 - Bonds and other debt securities	969,360
Item 60 - Share, interests and other equity securities	13,948
TOTAL	2,281,681
of which:	
- Investment securities	502,824
- Trading securities	1,778,857
TOTAL	2,281,681

SECTION 2 SECURITIES

2.1 Investment securities

<i>Euro in thousands</i>	Book value	Market value
1. Certificates of deposit	495,170	497,379
1.1. Government securities	484,636	486,775
- traded on regulated markets	484,636	486,775
- unlisted	0	0
1.2. Other securities	10,534	10,604
- traded on regulated markets	10,534	10,604
- unlisted	0	0
2. Stock and shares	7,654	7,628
- traded on regulated markets	40	14
- unlisted	7,614	7,614
TOTAL	502,824	505,007

2.2 Annual changes in investment securities

<i>Euro in thousands</i>	
A. Opening balance	484,003
B. Increases	20,269
B.1. Purchases	20,081
B.2. Write-backs and revaluations	3
B.3. Transfers from trading portfolio	0
B.4. Other changes	185
C. Decreases	(1,448)
C.1. Sales	0
C.2. Principal repayments	0
C.3. Adjustments	(1)
of which:	
permanent write-downs	0
C.4. Transfers to the trading portfolio	(692)
C.5. Other changes	(755)
D. Closing balance	502,824

2.3 Trading securities

<i>Euro in thousands</i>	Book value	Market value
1. Certificates of deposit	1,772,564	1,772,836
1.1. Government securities	763,429	763,436
- traded on regulated markets	763,429	763,436
- unlisted		
1.2. Other securities	1,009,135	1,009,400
- traded on regulated markets	832,161	832,339
- unlisted	176,974	177,061
2. Stock and shares	6,293	6,414
- traded on regulated markets	3,353	3,424
- unlisted	2,940	2,990
TOTAL	1,778,857	1,779,250

2.4 Annual changes in trading securities

<i>Euro in thousands</i>	
A. Opening balance	992,884
B. Increases	12,485,862
B.1. Purchases	12,455,929
Certificates of deposit	12,390,411
Government securities	4,478,306
Other securities	7,912,105
Shares, quotas and other forms of capital	65,518
B.2. Write-backs and revaluations	0
B.3. Transfers from investment portfolio	692
B.4. Other changes	29,241
C. Decreases	(11,699,889)
C.1. Sales and principal repayments	(11,691,763)
Certificates of deposit	(11,626,317)
Government securities	(3,897,883)
Other securities	(7,728,434)
Shares, quotas and other forms of capital	(65,446)
C.2. Write-backs and revaluations	(945)
C.3. Transfers to the investment portfolio	0
C.5. Other changes	(7,181)
D. Closing balance	1,778,857

SECTION 3
EQUITY INVESTMENTS

3.1 Equity investments

<i>Euro in thousands</i>									
Company	Head office	Type of relationship	Shareholders' equity	Profit	Holding relationship		Voting percentage %	Consolidat. 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	444,029	45,489	-	0	0	0	0
2. Bankhaus August Lenz & Co. AG	Munich	Control as per Article 2359 Civil Code, clause 1	26,474	0	Banca Mediolanum S.p.A.	100	100	0	0
3. Mediolanum Gestioni Fondi SGR P.A.	Basiglio	Control as per Article 2359 Civil Code, clause 1	19,807	8,521	Banca Mediolanum S.p.A.	51	51	0	0
4. Mediolanum International Funds Ltd	Dublin	Control as per Article 2359 Civil Code, clause 1	125,247	122,708	Banca Mediolanum S.p.A.	51	51	0	0
5. Mediolanum Asset Management Ltd	Dublin	Control as per Article 2359 Civil Code, clause 1	4,278	3,378	Banca Mediolanum S.p.A.	51	51	0	0
6. Fibanc Inversiones S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	10,990	(349)	Banca Mediolanum Tanami S.A.	96.082 3.918	96.082 3.918	0	0
7. Banco de Finanzas e Inversiones S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	62,315	777	Banca Mediolanum S.p.A. Fibanc Inversiones S.A.	18.76 81.24	18.76	0	0
8. Ges. Fibanc S.G.I.I.C. S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	3,138	3	Banco de Finanzas e Inversiones S.A.	100	100	0	0
9. Fibanc S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	400	1	Banco de Finanzas e Inversiones S.A.	100	100	0	0
10. Fibanc Pensiones S.G.F.P. S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	1,285	4	Banco de Finanzas e Inversiones S.A.	100	100	0	0
11. Fibanc Faif S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	46	0	Banco de Finanzas e Inversiones S.A.	100	100	0	0
12. Valora S.A.	Andorra	Control as per Article 2359 Civil Code, clause 1	283	2	Banco de Finanzas e Inversiones S.A.	100	50	0	0
13. Tanami S.A.	Barcelona	Control as per Article 2359 Civil Code, clause 1	904	0	Banca Mediolanum S.p.A.	100	100	0	0
14. Mediolanum International S.A.	Luxembourg	Control as per Article 2359 Civil Code, clause 1	61,412	(1,137)	Banca Mediolanum S.p.A.	99.997	99.997	0	0
15. Gamax Holding AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	6,047	(54)	Mediolanum International S.A.	100	100	0	0
16. Gamax Management AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	4,575	3,826	Gamax Holding S.A.	100	100	0	0
17. Gamax Funds of Fund Management AG	Luxembourg	Control as per Article 2359 Civil Code, clause 1	69	(20)	Gamax Holding S.A.	100	100	0	0
18. Gamax Broker Pool GmbH	Munich	Control as per Article 2359 Civil Code, clause 1	600	(1,559)	Gamax Holding S.A.	100	100	0	0
19. Gamax Austria GmbH	Salzburg	Control as per Article 2359 Civil Code, clause 1	315	(602)	Gamax Holding S.A.	100	100	0	0
20. Mediolanum Private S.A.M.	Principality of Monaco	Control as per Article 2359 Civil Code, clause 1	50	(725)	Mediolanum International S.A.	99.94	99.94	0	0
C. Other relevant shareholdings									
1. Fibanc Argentina S.A.	Buenos Aires	Control as per Article 2359 Civil Code, clause 1	30*	4*	Banco de Finanzas e Inversiones S.A.	94	94	19	19

* Figures relating to the financial statements as at December 31, 2003.

Analysis of item 70 “Equity investments”

The value of shareholdings as at December 31, 2004 is as follows:

<i>Euro in thousands</i>	Book value	Book value	as at	as at
Company	Share capital	% holding	31.12.2004	31.12.2003
e-MID S.p.A.	6,000	0.8330	50	50
M.T.S. S.p.A.	19,388	0.086	23	23
S.W.I.F.T. SC	10,794	0.001	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
Serenissima SGR	1,300	4.889	88	0
CAD IT	4,670	0.011	11	0
Consorzio PattiChiari	885	0.565	5	0
TOTAL			201	97

3.4 Breakdown of item 70 “Equity investments”

<i>Euro in thousands</i>	31.12.2004
a) in banks	
- traded in regulated markets	0
- unlisted	0
b) in financial institutions	
- traded in regulated markets	0
- unlisted	88
c) other	
- traded in regulated markets	11
- unlisted	102

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

<i>Euro in thousands</i>	31.12.2004
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
B.1. Purchases	
B.2. Write-backs	
B.3. Revaluations	
B.4. Other changes	
C. Decreases	0
C.1. Sales	
C.2. Adjustments	
of which:	
permanent write-downs	
C.5. 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	104
B.1. Purchases	104
B.2. Write-backs	0
B.3. Revaluations	0
B.4. Other changes	0
C. Decreases	0
C.1. Sales	0
C.2. Adjustments	
of which:	
permanent write-downs	0
C.5. Other changes	0
D. Closing balance	201
E. Total revaluations	0
F. Total adjustments	0

Analysis of item 90 "Positive consolidation differences"

Positive consolidation difference of 152,414 thousand Euro relates to:

- the difference between the price paid by Banca Mediolanum S.p.A. to acquire an interest in the Fibanc Group companies and the net worth of assets and liabilities at current value (105,737 thousand Euro);
- a positive consolidation difference from the purchase of an interest in the German bank Bankhaus August Lenz & Co. AG (3,377 thousand Euro) by Banca Mediolanum S.p.A.;

- a positive consolidation difference from the purchase of an interest in the financial group headed by the Luxembourg company Gamax Holding AG for 40,623;
- 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 (2,633 thousand Euro);
- a positive consolidation difference from the purchase of the company Valora S.A. by Banco de Finanzas e Inversiones S.A. (44 thousand Euro).

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

Amortisation of positive consolidation differences for the year totalled 20,733 thousand Euro.

Breakdown of tangible fixed assets

<i>Euro in thousands</i>	31.12.2004
Buildings	38,119
Computers	5,623
Office furniture	2,818
Sundry equipment	784
Other peripherals	408
Tangible assets under formation	62
Motor vehicles	53
Alarms	35
Other tangible assets	1,228
TOTAL	49,130

SECTION 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

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	52,755
B. Increases	4,491
B.1. Purchases	3,275
B.2. Write-backs	0
B.3. Revaluations	0
B.4. Other changes	1,216
C. Decreases	(8,116)
C.1. Sales	(134)
C.2. Adjustments	
a) ammortamenti	(7,875)
b) permanent write-downs	0
C.3. Other changes	(107)
D. Closing balance	49,130
E. Total revaluations	0
F. Total adjustments:	(46,409)
a) depreciations	(46,322)
b) permanent write-downs	(87)

Breakdown of intangible fixed assets

Euro in thousands

31.12.2004

Software, trademarks and licenses	13,109
Intangible assets under formation	7,556
Start-up and expansion costs	1,726
Other costs	1,039
Improvements on leased goods	570
Goodwill	220
TOTAL	24,220

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

4.2 Annual changes in intangible fixed assets

Euro in thousands

A. Opening balance	22,776
B. Increases	16,997
B.1. Purchases	16,118
B.2. Write-backs	0
B.3. Revaluations	0
B.4. Other changes	879
C. Decreases	(15,553)
C.1. Sales	(8)
C.2. Adjustments	
a) depreciations	(15,406)
b) permanent write-downs	(139)
C.3. Other changes	0
D. Closing balance	24,220
E. Total revaluations	0
F. Total adjustments:	(89,279)
c) depreciations	(87,813)
d) permanent write-downs	(1,466)

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

Start-up and expansion costs	5 years
Concessions, licences (application software)	3 years
Improvements on leased goods	5-6 years

SECTION 5 OTHER ASSETS

5.1 Breakdown of item 150 "other assets"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Other receivables	75,481	63,983
Commission income receivable	61,986	33,605
Deferred tax assets	22,375	26,551
Due from fiscal authorities	19,900	35,354
Due from Mediolanum Group companies	18,979	1,246
Guarantee deposits	15,087	16,687
Due from financial consultants	6,025	3,264
Assets for "off-balance sheet transactions"	5,792	32,468
Receivables being recovered	1,993	1,342
Advances to suppliers	1,058	436
Due from Fininvest Group and Doris Group companies	195	324
Advance payments to employee and consultants	144	1,535
TOTAL	229,015	216,795

"Due from fiscal authorities" is summarised in the following table:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Advance payment on virtual stamp-duty	7,159	0
Amounts receivable for other withholding taxes to offset	5,490	12,349
Advance payment on direct taxes for the year (IRAP)	4,638	0
Other due from fiscal authorities	2,320	5,171
Amounts receivable for withholding taxes	217	10,473
Direct tax credit for previous years (IRPEG)	67	0
Refund of proportional tax on premium operation	9	9
Direct tax credit	0	7,321
VAT receivables	0	31
TOTAL	19,900	35,354

"Deferred tax assets" 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 receivables from prepaid taxes is 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>	31.12.2004	31.12.2003
Due from Mediolanum Group companies:	18,979	1,246
- Mediolanum S.p.A.	14,188	102
- Mediolanum Vita S.p.A.	3,391	775
- Mediolanum State Street SGR p.A.	0	12
- Mediolanum Comunicazione S.r.l.	329	22
- Mediolanum Fiduciaria S.p.A.	1	87
- Partner Time S.p.A.	643	235
- P.I. Distribuzione S.p.A.	30	13
- Mediolanum International Life Ltd	397	0
Due from Fininvest Group and Doris Group companies:	195	324
- Mediolanum Assicurazioni S.p.A.	193	183
- Vacanze Italia S.p.A.	0	141
- Arnoldo Mondadori S.p.A.	2	0

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

“Guarantee deposits” of 14,328 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 guarantee deposits made by the Parent company Banca Mediolanum S.p.A..

“Other receivables” are mainly related for 14,000 thousand Euro to receivables owed to Banco de Finanzas e Inversiones S.A. for trading in foreign currency and derivative operations which were settled in the first days of 2005 and, for approximately 15,000 thousand Euro, relate to the company Mediolanum International S.A., as well as to the other Parent company receivables.

altri crediti in carico alla Capogruppo.

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Accrued income		
Interest on securities	7,500	8,823
Interest income – banks	3,309	6,945
Other	1,916	3,111
Total	12,725	18,879

Accrued income mainly relate to the Parent company.

5.3 Adjustments to accrued income and prepaid expenses

In the financial statements as at December 31, 2004, Group Companies made no use of the option (Article 12, clause 2, of Legislative Decree 87/92) to increase or decrease asset accounts by the related accrued income and prepaid expenses, except for the accrued income on “zerocoupon” 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, as specifically required by the Bank of Italy.

5.4 Breakdown of subordinated assets

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) Due from banking institutions	0	0
b) Loans to customers	41	0
c) Bonds and other debt securities	996	42,503
TOTAL	1,037	42,503

Subordinated securities are issued by primary banks.

6.1 Analysis of item 10 “Due to banks”

SECTION 6 PAYABLES

<i>Euro in thousands</i>	31.12.2004	31.12.2003
On demand:		
Overnight deposits	15,000	97,000
Demand deposit accounts – residents	8,571	40,256
Demand deposit accounts – non residents	743	0
Current accounts with banks – non residents, their accounts	51	735
TOTAL	24,365	137,991
Time deposits or with notice:		
a) Repurchase agreements	168,295	72,191
b) Securities lending contracts	0	0
c) Time deposit accounts - non residents -	66,783	0
d) Time deposit accounts – residents -	107,921	227,009
e) Other payables	0	0
TOTAL	342,999	299,200
TOTALE ITEM 10 “DUE TO BANKS”	367,364	437,191

6.2 Analysis of item “Customer deposits”

“Customer deposits” are summarised in the following table:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) on demand	3,261,309	3,101,368
b) time deposit or with notice	405,687	584,437
TOTAL	3,666,996	3,685,805

Of which:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) repurchase agreements	302,393	436,353
b) securities lending contracts	0	4,281

SECTION 7 ALLOWANCES

Breakdown of item 70 “employee termination indemnity”

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Provision for employee termination indemnity	8,471	7,183

Changes in the item *Employee termination indemnity* are as follows:

<i>Euro in thousands</i>	
Opening balance	7,183
Quota accrued and included the Income Statement	2,591
Allowance transferred from other Group companies	295
Allowance transferred to other Group companies	(23)
Other decreases	(835)
Indemnities paid out during the year	(158)
Advance payments made during the year	(582)
Closing balance	8,471

7.1 Breakdown of item 90 “credit risk fund”

This fund includes provisions made by the Parent company in previous years to cover possible risks.

7.2 Variation in “credit risk fund” item 90

No changes were recorded during the year.

7.3 Breakdown of sub-item 80 “Provisions for risks and charges”

(a) Provision for pensions and similar liabilities

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Provision for pensions and similar liabilities	1,101	1,181

The item *Provision for pensions and similar liabilities* relates to the Mediolanum International S.A. Group for 308 thousand Euro and to the Fibanc S.A. Group for 793 thousand Euro.

Changes during the year are highlighted in the following table:

Euro in thousands

Opening balance	1,181
Provision	117
Other increases	20
Indemnities paid out during the year	(14)
Other decreases	(203)
Closing balance	1,101

(b) Taxes:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Income tax provision	16,699	23,095
IRAP tax provision	4,754	4,760
TOTAL	21,453	27,855

Changes during the year are highlighted in the following table:

Euro in thousands

Opening balance	23,095
Provision	24,100
Other increases	5,541
Utilisation	(18,950)
Other decreases	(17,087)
TOTAL	16,699

Changes of IRAP provision during the year are highlighted in the following table:

Euro in thousands

Opening balance	4,760
Provision	4,676
Other increases	7
Utilisation	(4,677)
Other decreases	(12)
TOTAL	4,754

(d) Other funds:

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Provision for illegal acts by agents	8,583	5,993
Provision for agents' retirement indemnities	9,190	4,072
Other funds	8,530	7,798
Provision for portfolio indemnities to departing agents	4,944	10,602
Provision for staff loyalty obligation	621	515
"Prize contest" fund	30	18
Customer indemnity for electronic transaction	0	736
TOTAL	31,898	29,734

5,476 thousand Euro of Other funds relates to the Parent company Banca Mediolanum.

Changes during the year are highlighted in the following table:

<i>Euro in thousands</i>	Baance as at 31.12.2003	Allocation during the year	Other changes	Utilisation	Baance as at 31.12.2004
Provision for agents' retirement indemnities	4,072	5,308	(5)	(185)	9,190
Provision for portfolio indemnities to departing agents	10,602	1,740	(7,231)	(167)	4,944
Provision for staff loyalty obligation	515	329	(23)	(200)	621
"Prize contest" fund	18	30	0	(18)	30
Provision for illegal acts by agents	5,993	2,590	0	0	8,583
Customer indemnity for electronic transaction	736	0	(450)	(286)	0
Other funds	7,798	3,056	(1,104)	(1,220)	8,530
TOTALE	29,734	13,053	(8,813)	(2,076)	31,898

7.4 Change in the year in the item "receivables from prepaid taxes"

Euro in thousands

1. Opening balance	26,551
2. Increases	6,160
2.1. Prepaid taxes for the year	6,160
2.2. Other increases	0
3. Decreases	(10,336)
3.1. Prepaid taxes cancelled during the year	(10,336)
3.2. Other decreases	0
4. Closing balance	22,375

7.5 Change in the year in the item "payables from deferred taxes"

Euro in thousands

1. Opening balance	1,115
2. Increases	2,569
2.1. Deferred taxes for the year	2,569
2.2. Other increases	
3. Decreases	(1,321)
3.1. Deferred taxes eliminated during the year	(1,321)
3.2. Other decreases	
4. Closing balance	2,363

"Other funds" mainly relate to future charges to be borne by Banca Mediolanum.

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

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

Share capital

Share capital of the Parent company Banca Mediolanum, fully subscribed and paid-up, amounted to 341,000 thousand Euro at December 31, 2004.

Breakdown of item 170 "reserves"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Legal reserve	7,656	5,406
Other reserves:		
Shareholders' capital contribution	0	0
Other reserves	20,826	8,447
TOTAL	28,482	13,853

Subordinated liabilities

The amount in item 110 of the balance sheet relates to a subordinated bonded loan issued by the Parent company.

Minority interests

Minority interests amount to 73,174 thousand Euro, fully pertaining to Mediolanum Group companies held by the controlling company Mediolanum S.p.A., as shown in the following table:

<i>Euro in thousands</i>	Company	% Minority interests	31.12.2004		31.12.2003	
			Profit	Shareholders' equity	Profit	Shareholders' equity
	Mediolanum International Fund Ltd	49	60,127	61,371	58,692	59,939
	Mediolanum Asset Management Ltd	49	1,655	2,096	1,237	1,678
	Mediolanum Gestione Fondi SGR p.A.	49	4,175	9,705	3,379	8,885
	Mediolanum International S.A.	0.003	0	2	0	(2)
	Mediolanum Private S.A.M.	0.006	0	0	(2)	119
	Fibanc Inversiones S.A.	0	0	0	(13)	5,858
	TOTAL		65,957	73,174	63,293	76,477

Negative consolidation differences

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>	31.12.2004	31.12.2003
Mediolanum Gestione Fondi SGR p.A.	3,120	3,120
Mediolanum International Fund Ltd	(51)	(51)
Mediolanum International S.A.	(38)	(38)
TOTAL	3,031	3,031

8.1 Consolidated total capital and capital requirements

<i>Euro in thousands</i>		Amount
Categories / Values		
A. Consolidated total capital		
A.1. Tier 1 capital		208,010
A.2. Tier 2 capital		(717)
A.3. Amounts to be deducted		0
A.4. Total capital		207,293
B. Consolidated capital requirement		
B.1. Credits risks		106,536
B.2. Market risks		32,961
of which:		
- trading portfolio risk		32,961
- foreign exchange risk		
B.3. Tier 3 subordinated loans		
B.4. Other capital requirements		
B.5 Total capital requirements		139,497
C. Consolidated risk-weighted assets and capital ratios		
C.1. Risk-weighted assets		1,743,713
C.2. Tier 1 capital/Risk-weighted assets		11.93%
C.3. Tier 1 + Tier 2 capita /risk-weighted assets		11.89%

SECTION 9 OTHER LIABILITIES

9.1 Breakdown of item 50 “other liabilities”

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Other payables	49,100	34,689
Due to financial consultants	42,016	46,540
Due to consultants and suppliers	30,616	25,584
Due to Mediolanum Group companies	9,740	5,598
Due to tax authorities	5,900	6,779
Guarantee deposits	4,485	328
Due to employees	3,572	2,864
Short sale of securities	3,098	0
Indemnity for agency relationship termination	2,520	2,342
Due to social security entities	2,694	2,341
Due to Fininvest and Doris Group companies	2,065	1,978
TOTAL	155,806	129,043

The items “Due to Mediolanum, Fininvest and Doris Group companies” relate to the supply of services from the companies listed in Attachment 5.

“Due to tax authorities” is as follows:

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Substitute tax and other withholdings	4,385	3,824
Other debts	1,343	1,670
VAT	113	374
Local taxes	59	292
Adjustment of Stock Exchange tax contracts	0	402
Virtual stamp-duty	0	217
TOTAL	5,900	6,779

“Other payables”, other than those of the Parent company, mainly relate to Fibanc Group transit items for approximately 15,000 thousand Euro which were duly settled during the first months of 2005; moreover, it includes payables for rebate of commission to fund managers in the controlled company Mediolanum International Fund for approximately 2,800 thousand Euro.

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Accrued liabilities:		
- other	988	3,675
- on interest payable	587	768
TOTAL	1,575	4,443

The item “deferred income” mainly relates to Swap and Outright transactions performed by the Parent company, as well as to commission receivables pertaining to future years.

10.1 Breakdown of item 10 “guarantees given”

<i>Euro in thousands</i>	31.12.2004
a) Commercial guarantees	20,274
b) Financial guarantees	3,122
c) Assets pledged	0

10.2 Breakdown of item 20 “Commitments”

<i>Euro in thousands</i>	31.12.2004
Commitments to allocate funds (certain to be called on)	267,556
Commitments to allocate funds (not certain to be called on)	69,261

SECTION 10 GUARANTEES AND COMMITMENTS

10.3 Assets set aside in guarantee of own debts

<i>Euro in thousands</i>	31.12.2004
Securities in portfolio given as collateral of funding repurchase agreements	321,478

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	151,253	2,642	-
- sales	145,031	2,079	-
1.2. Currencies			
- currencies against currency			
- purchases against Euro	10,603	8,432	-
- sales against Euro	8,879	8,615	-
2. Deposits and loans			
- to be disbursed	-	65,581	-
- to be received	-	11,301	-
3. Derivatives			
3.1 With exchange of principal			
a) securities			
- purchases	-	-	-
- sales	168,700	-	-
b) currency			
- currency against currency	-	5,498	-
- purchases against Euro	-	850	-
- sales against Euro	-	180,006	-
c) other values			
- purchases			
- sales	33,105		4,485
3.2 Without exchange of principal			
a) currency			
- currency against currency	-	-	-
- purchases against Euro	-	-	-
- sales against Euro	-	-	-
b) other values			
- purchases	33,105	5,500	-
- sales	-	3,000	-

SECTION 11
CONCENTRATION AND
DISTRIBUTION OF THE
ASSETS AND LIABILITIES

11.1 Main risks

<i>Euro in thousands</i>	31.12.2004
a) amount	102,265
b) number	3

11.2 Distribution of loans to customers by main categories of borrowers

<i>Euro in thousands</i>	31.12.2004
a) Government	0
b) other public entities	0
c) non-financial companies	79,261
d) financial institutions	119,469
e) family firms	125,288
f) other borrowers	220,697
TOTAL	544,715

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

<i>Euro in thousands</i>	31.12.2004
a) other services for sale	10,307
b) commercial services, recovery and repairs	309
c) commercial and hotel services	0
d) textile products, leather and shoes, clothing	200
e) other branches	0
TOTAL	10,816

11.4 Distribution of guarantees by principal counterpart categories

<i>Euro in thousands</i>	31.12.2004
a) Government	-
b) other public entities	-
c) banks	3,022
d) non-financial companies	12,705
e) financial institutions	6
f) family firms	5,980
g) other	1,683
TOTAL	23,396

11.5 Geographic breakdown of assets and liabilities

Euro in thousands

Line items\Countries	Italy	Other E.U. countries	Other countries
1. Assets			
1.1. Due from banks	694,795	643,385	72,486
1.2. Loans to customers	361,471	181,946	1,298
1.3. Securities	1,557,036	672,088	52,557
TOTAL	2,613,302	1,497,419	126,341
2. Liabilities			
2.1. Due to banks	287,471	54,701	25,192
2.2. Customer deposits	3,111,093	551,207	4,696
2.3. Securities issued	0	0	0
2.4. Other accounts	5,000	0	0
TOTAL	3,403,564	605,908	29,888
3. Guarantees and commitments	273,616	86,250	347

11.6 Breakdown of Assets and Liabilities by maturity

Euro in thousands

Items/Residual duration	Established duration							
	On demand	Over 1 year up to 5 years				Over 5 years		Unspecified duration
		Up to 3 months	Between 3 to 12 months	Fixed rate	Indexed rate	Fixed rate	Indexed rate	
1. Assets								
1.1. Treasury bills for refinancing	0	67,096	656,496	294,498	280,272	11	0	0
1.2. Due from banks	162,569	1,061,016	178,264	0	0	0	0	8,817
1.3. Loans to customers	157,762	167,950	86,408	17,883	61,538	0	35,549	17,625
1.4. Bonds and other certificates of deposit	226	59,106	363,461	3,703	411,176	761	130,927	0
1.5. "Off-balance sheet" transactions	29	563,838	33,915	40,996	300	5,646	538	0
2. Liabilities								
2.1. Due to banks	24,365	315,101	27,898	0	0	0	0	0
2.2. Due to customers	3,261,309	321,627	26,772	3	20,783	0	2,488	34,014
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	5,000	0	0	0	0	0
2.5. "Off-balance sheet" transactions	9,861	569,616	15,235	44,038	334	5,637	541	0

11.7 Assets and liabilities in foreign currency

<i>Euro in thousands</i>	31.12.2004
a) assets	
1) due from banks	362,215
2) loans to customers	606
3) securities	1,106
4) equity holdings	0
5) other	148
b) liabilities	
1) due to banks	163,699
2) customer deposits	22,448
3) bonded debts	-
4) other	-

11.8 Securitisation transactions

Companies included in consolidation carried out no direct securitisation transactions.

As at December 31, 2004, the trading portfolio of the Parent company included the following securities, all of them resulting from securitisation transactions carried out by third parties.

<i>Euro in thousands</i>		Underlying activity	Book value	Market value
Senior:				
Atlantide Finance S.r.l.(ATIDE 1A) 10/06/09	Regione Lazio receivables		14,956	14,956
SCIC A1 TV 22/09/08	INPDAP receivables		15,000	15,000
SCCI 0 31/07/10	INPS receivables		15,000	15,000
SCCI 0 31/07/16	INPS receivables		35,000	35,012
TOTAL			79,956	79,968

12.1 Negoziazione di titoli

<i>Euro in thousands</i>	31.12.2004
a) Purchases	50,586,355
- settled	
b) Sales	50,302,073
- settled	

12.2 Managed accounts

The market value of managed accounts at December 31, 2004 is 1,691,970 thousand Euro.

SECTION 12
MANAGEMENT
AND BROKERAGE ON
BEHALF OF THIRD PARTIES

12.3 Custody and administration of securities

<i>Euro in thousands</i>	31.12.2004
a) Third-party securities held in deposit (excluding Managed accounts)	
1. Bonded debt by the bank that strikes the balance	4,894
2. Other securities	2,800,466
b) Third-party securities deposited with third parties	2,696,215
c) Portfolio securities deposited with third parties	2,432,921
TOTAL	7,934,496

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

<i>Euro in thousands</i>	31.12.2004
a) Debit adjustments	13,005
1. current accounts	
2. main portfolio	
3. cash	
4. other accounts	13,005
b) Credit adjustments	10,996
1. current accounts	
2. transferors of bills and documents	
3. other accounts	10,996

PART C INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1 INTERESTS

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) on amounts due from banks	48,476	59,454
of which:		
- deposits with central banks	1,349	1,601
b) on loans to customers	24,591	22,441
of which:		
- loans with third party funds under administration		
c) on certificates of deposit	39,973	43,456
d) other interest income	16	32
e) positive differentials on "hedging" transactions	73	254
TOTAL	113,129	125,637

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) on amounts due to banks	16,682	17,443
b) on customer deposits	40,012	51,966
c) c) on other bonded debt	0	0
of which:		
- on certificates of deposit	0	0
d) on loans with third party funds under administration		
e) on subordinated liabilities	196	356
f) negative differentials on “hedging” transactions	20	49
g) other interest expense	29	3
TOTAL	56,939	69,817

3 Analysis of item 10 “Interest income and similar revenues”

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) on foreign currency assets	6,574	4,528

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) on foreign currency liabilities	2,111	2,462

2.1 Breakdown of item 40 “commission income”

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) Guarantees given	243	310
b) Credit derivatives	92	25
c) Management, brokerage and consultancy services:	516,549	508,736
1. Securities dealing	12,176	13,126
2. Currency dealing	50	131
3. Managed accounts:	267,530	284,307
3.1 Individual	1,407	24,859
3.2 Group	266,123	259,448
4. Custody and administration of securities	4,942	12,679
5. Custodian bank	852	867
6. Placement of securities	791	704
7. Collection of orders	6,525	9,983
8. Consultancy services	0	0
9. Distribution of third-party services	223,683	186,939
9.1. Managed accounts	2,253	10,781
9.1.1 Individuali	435	0
9.1.2 Group	1,818	10,781
9.2. Insurance products	137,446	156,413
9.3. Other products	83,984	19,745
d) collection and payment services	12,958	885
e) servicing of securitisation operations	0	0
f) tax collection services	0	0
g) other services	8,460	6,936
TOTAL	538,302	516,892

SECTION 2 COMMISSIONS

2.2 Analysis of item 40 "Commission income":

Distribution channels for products and services

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) At own bank counters:	8,700	23,065
1. Managed accounts	8,442	22,361
2. Placement of securities	258	704
3. Third-party services and products	0	0
b) Distribution outside head office:	483,304	448,885
1. Managed accounts	259,088	261,946
2. Placement of securities	533	0
3. Third-party services and products	223,683	186,939

2.3 Breakdown of item 50 "commission expense"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) Guarantees received	0	0
b) Credit derivatives	0	0
c) Management and brokerage services:	214,040	188,473
1. Securities dealing	2,808	2,639
2. Currency dealing	313	290
3. Managed accounts:	12,362	12,062
3.1 Own portfolio	10,381	9,787
3.2 Third-party portfolio	1,981	2,275
4. Custody and administration of securities	466	1,173
5. Placement of securities	124	590
6. Off-site distribution of securities, products and services	197,967	171,719
d) Collection and payment services	9,326	1,900
e) Other services	17,953	32,541
TOTAL	241,319	222,914

SECTION 3 PROFITS AND LOSSES ON FINANCIAL OPERATIONS

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

<i>Euro in thousands</i>	Securities operations	Currency operations	Other operations	Totale
A.1 Revaluations	0	0	23	23
A.2 Write-downs	(945)	0	0	(945)
B. Other profits (losses)	7,431	1,691	0	9,122
TOTAL	6,486	1,691	23	8,200
1 Government bonds	1,798			
2 Other debt securities	4,159			
3 Equity securities	2,767			
4 Derivatives contracts on securities	(2,238)			

SECTION 4
ADMINISTRATIVE COSTS

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Payroll	69,424	61,639
Other services	27,847	28,087
IT system services	22,186	17,127
Leases and rentals	21,128	15,042
Other taxes and duties	10,523	10,853
Remuneration paid to outside professionals and outsourcing	7,920	8,484
Sales network staff	8,442	9,382
Postal and telephone expenses	6,844	7,439
Repair and maintenance of furniture, machinery and equipment	5,757	5,485
Temporary hired staff from controlled and affiliated companies	3,329	4,925
Printing and stationary	2,103	1,781
Insurance	1,368	1,583
Directors’ and Auditors’ remuneration	1,249	1,180
Membership fees	501	472
TOTAL	188,621	173,479

“Other taxes and duties” relates, for 10,073 thousand Euro, to the stamp-duty expensed by the controlling company during 2005.

“Other services” relates, for 10,290 thousand Euro, to Banca Mediolanum (outsourced service costs and interim jobs, interbanking and transaction services, photo-typesetting services, energy bills) and for 11,545 thousand Euro to managers’ costs incurred by the controlled company Mediolanum International Funds Ltd.

4.1 Average number of employees by category

<i>Units</i>	31.12.2004	31.12.2003
a) Managers	78	71
b) 3 rd and 4 th level managers	217	93
c) other employees	889	955
TOTAL	1,184	1,119

SECTION 5
WRITE-DOWNS,
WRITE-BACKS AND
PROVISIONS

Breakdown of item 100 "Provisions for risks and contingencies"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Provision for agents' retirement indemnities	5,308	2,181
Other provisions	3,069	4,654
Provision for illegal acts by agents	2,590	1,000
Provision for portfolio indemnities to departing agents	1,740	7,077
Provision for Staff loyalty obligation	329	0
TOTAL	13,036	14,912

The nature of the above provisions is illustrated in item 80 of the Balance Sheet.

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
a) Write-downs	11,476	10,530
of which:		
- Lump sum adjustments for Country Risk	0	90
- Other lump sum adjustments		
b) Provisions for guarantees and commitments di cui	0	0
- Lump sum adjustments for Country Risk	0	0
- Other lump sum adjustments	0	0
TOTAL	11,476	10,530

SECTION 6
OTHER INCOME
STATEMENT ITEMS

6.1 Breakdown of item 70 "other operating income"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Other revenues	18,294	9,278
Charging of costs to customers	12,357	12,444
Recovery of stamp-duties/special tax on stock exchange dealings	9,861	10,048
Recharging of costs to Mediolanum Group companies	4,024	1,734
Recharging of costs to agents (financial advisors)	855	581
Recharging of costs to Fininvest and Doris Group companies	549	150
Recharging of costs to employees	213	181
TOTAL	46,153	34,416

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
From Mediolanum Group companies:	4,024	1,734
- Mediolanum S.p.A.	756	260
- Mediolanum Vita S.p.A.	1,471	996
- Mediolanum State Street SGR p.A.	0	1
- Mediolanum Comunicazione S.r.l.	583	117
- Mediolanum Fiduciaria S.p.A.	2	241
- Partner Time S.p.A.	511	19
- PI Distribuzione S.r.l.	56	100
- Mediolanum International Life Ltd	645	0
From Fininvest and Doris Group companies:	549	150
- Vacanze Italia S.p.A.	1	2
- Mediolanum Assicurazioni S.p.A.	536	148
- Arnoldo Mondadori S.p.A.	12	0

"Other revenues" mainly concern the Irish controlled companies Mediolanum International Funds Ltd and Mediolanum Asset Management Ltd and relate to securities lending (7,180 thousand Euro) and revenues from fund managers (2,357 thousand Euro).

6.2 Breakdown of item 110 "other operating expenses"

<i>Euro in thousands</i>	31.12.2004	31.12.2003
Advertising and promotional expenses	9,804	15,447
Convention organisation	7,071	4,714
Professional training of financial advisors	5,253	3,586
Other expenses	2,899	3,581
Company canteen	1,706	1,422
Entertainment expenses, gifts and donations	946	856
Travel expenses	920	793
Market research	767	505
Employee training/search and selection	637	471
Financial advisor search and selection	388	158
TOTAL	30,391	31,533

"Advertising and promotional expenses" includes the costs for sponsoring the "Giro d'Italia – Gran Premio della Montagna 2004", and the "Giromediolanum" event, the promotional road show which is put on to go alongside the *Giro d'Italia*.

6.3 Breakdown of item 190 “extraordinary incomes”

This item, totalling 14,937 thousand Euro, relates to contingent assets (10,225 thousand Euro) for indemnities and commission due from the Parent company to the sales network, accrued in previous years and no longer due or for which reimbursement has been asked, and which pertain to agents failing to comply with the contractual clauses.

Moreover, during the year, excess costs accrued in previous years were registered for approximately 600 thousand Euro, as well as contingent assets relating to profits not accrued in previous years for approximately 1,600 thousand Euro.

6.4 Breakdown of item 200 “extraordinary charges”

The item under review amounts to 2,303 thousand Euro and is mainly related to costs accrued in previous years.

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

<i>Euro in thousands</i>	31.12.2004	31.12.2003
1. Current taxes	27,231	28,879
2. Changes in prepaid taxes	4,176	(17,391)
3. Changes in deferred taxes	1,248	(162)
4. Income taxes for the year	32,655	11,326

SECTION 7 OTHER INCOME STATEMENT INFORMATION

7.1 Geographic breakdown of revenues

Profits included in items 10 (interest income and similar revenues), 40 (commission income), 60 (profits/losses on financial operations) and 70 (other operating income) mainly refer to Italian customers (86%), and for the remaining part to customers belonging to the EU area (14%).

**PART D
OTHER
INFORMATION**

**SECTION 1
DIRECTORS AND
STATUTORY AUDITORS**

1.1. Payments

Remuneration to Directors and Statutory 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>	31.12.2004
a) Directors	885
b) Statutory Auditors	143
TOTAL	1,028

1.2. Loans and guarantees given

As at the date of the drawing up of financial statements, an outstanding amount of 294 thousand Euro was due from Mr. Giuseppe Lalli as result of a line of credit in his favour of 310 thousand Euro and 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 Statutory 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, 2004

Att.2 : Analysis of changes in tangible fixed assets as at December 31, 2004

Att.3 : Analysis of changes in Shareholders' equity for the year ended December 31, 2004

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, 2004

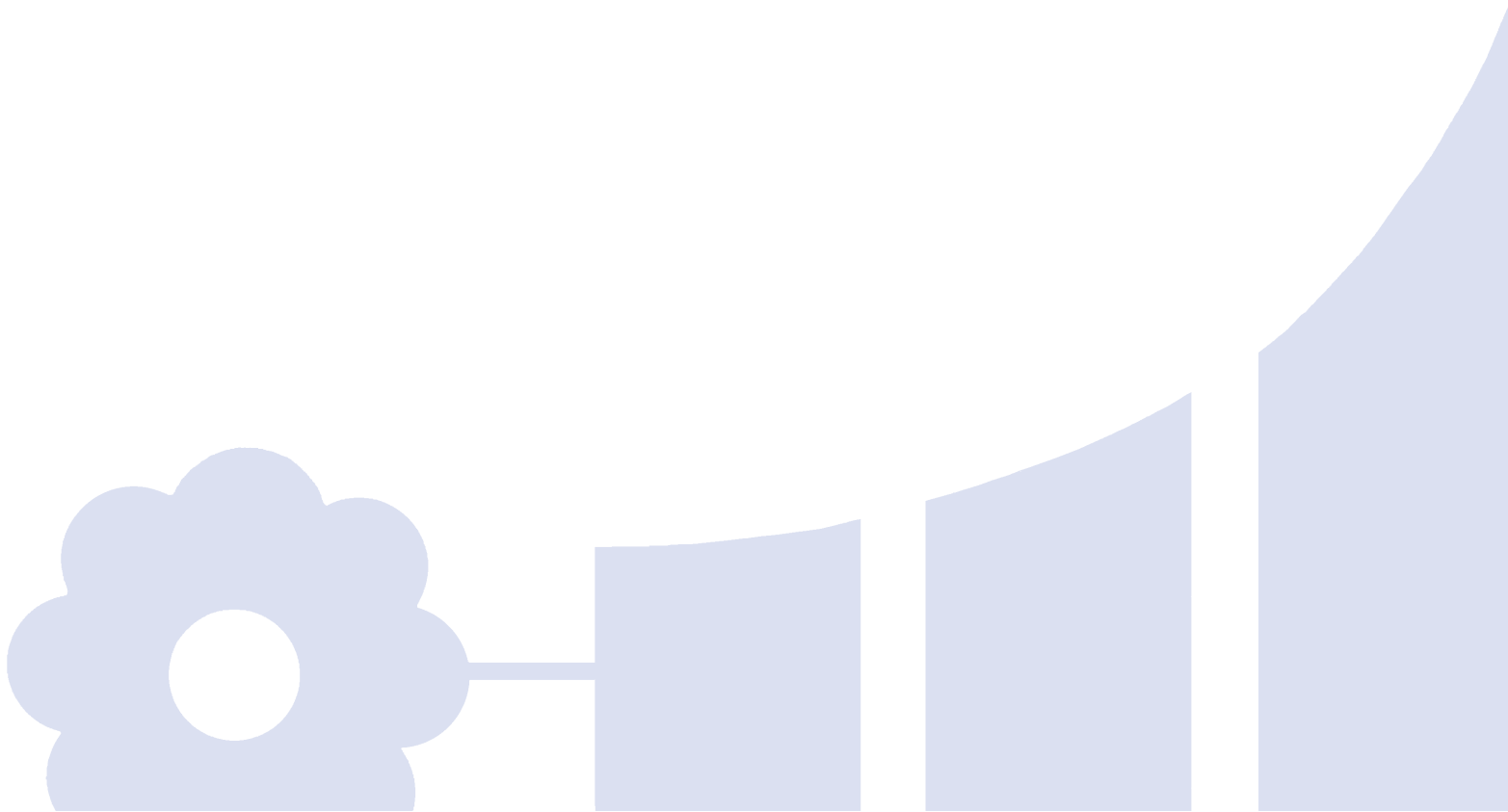
For the Board of Directors

Ennio Doris

Chairman

MEDIOLANUM BANKING GROUP

ATTACHMENTS



ATTACHMENT 1

ANALYSIS OF CHANGES IN OTHER INTANGIBLE ASSETS AS AT DECEMBER 31, 2004

Euro in thousands

Intangible assets	Opening situation			Additions
	Historic cost	Cumulative Amortisation	Balance as at 31.12.2003	
Start-up and expansion costs	4,851	(2,132)	2,719	188
Concessions, licences, trademarks and similar rights	74,785	(59,179)	15,606	9,203
Other intangible assets	14,076	(12,227)	1,849	1,743
Intangible assets in progress	2,602	0	2,602	5,863
TOTAL	96,314	(73,538)	22,776	16,997

ATTACHMENT 2

ANALYSIS OF CHANGES IN TANGIBLE FIXED ASSETS AS AT DECEMBER 31, 2004

Euro in thousands

Tangible assets	Opening situation			Additions
	Historic cost	Cumulative Depreciation	Balance as at 31.12.2003	
Land and buildings	44,831	(7,911)	36,920	2,574
Plant and machinery	9,598	(6,146)	3,452	145
Industrial and trade equipment	7,744	(5,752)	1,992	233
Other tangible assets	33,193	(22,999)	10,194	1,514
Fixed assets in progress	197	0	197	25
TOTAL	95,563	(42,808)	52,755	4,491

Movements for the period			Closing situation		
Net disposals	Amortisation	Net reclassification	Historic cost	Cumulative Amortisation	Balance as at 31.12.2004
0	(961)	0	5,039	(3,093)	1,946
(115)	(12,601)	1,016	84,889	(71,780)	13,109
(139)	(1,844)	0	15,680	(14,071)	1,609
0	0	(909)	7,556	0	7,556
(254)	(15,406)	107	113,164	(88,944)	24,220

Movements for the period			Closing situation		
Net disposals	Depreciation	Net reclassification	Historic cost	Cumulative Depreciation	Balance as at 31.12.2004
(56)	(1,319)	0	47,349	(9,230)	38,119
0	(563)	0	9,743	(6,709)	3,034
0	(712)	0	7,977	(6,464)	1,513
(32)	(5,281)	7	34,682	(28,280)	6,402
(46)	0	(114)	62	0	62
(134)	(7,875)	(107)	99,813	(50,683)	49,130

ATTACHMENT 3

ANALYSIS OF CHANGES IN SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2004

<i>Euro in thousands</i>	Share capital	Legal reserve	Other reserves	Losses carried forward	Negative consolid. difference	Profit for the period	Total
Balance as at January 1, 2004	341,000	5,406	8,447	(6,463)	3,031	55,412	406,833
Allocation of 2003 profit:							0
- payment of dividends out of profits						(34,441)	(34,441)
- reserves		2,250	15,948	2,773		(20,971)	0
Utilization of reserves for covering losses of prior corporate years			(3,521)	3,521			0
Other changes			(48)				(48)
Profit (loss) for the period						40,886	40,886
Balance as at December 31, 2004	341,000	7,656	20,826	(169)	3,031	40,886	413,230

ATTACHMENT 4

RECONCILIATION BETWEEN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

<i>Euro in thousands</i>	Capital and reserves	Profit for the period	Total Shareholders' equity
Parent company financial statements	398,540	45,489	444,029
Statutory profits and reserves of companies included in consolidation	(19,202)	134,786	115,584
Elimination of dividends accounted for on an accrual basis	0	(68,647)	(68,647)
Elimination of intercompany dividends	0	(3,200)	(3,200)
Amortisation of positive consolidation difference	(55,320)	(20,733)	(76,053)
Consolidation adjustments and effect of application of homogeneous accounting principles	49,128	19,422	68,550
Shareholders' equity and profit for the period of the Group	(802)	(274)	(1,076)
TOTAL	372,344	40,886	413,230
Minority quota	7,217	65,957	73,174
Shareholders' equity and profit for the period as posted in the consolidated financial statements	379,561	106,843	486,404

<i>Euro in thousands</i>				
Company	Receivables	Payables	Costs	Revenues
Mediolanum S.p.A.	41,179	22,355	2,369	162,610
Mediolanum Comunicazione S.r.l.	336	1,643	14,042	1,066
Mediolanum International Life Ltd	2,272	9,517	132	10,187
Mediolanum Vita S.p.A.	3,118	182,276	5,419	5,179
Mediolanum Fiduciaria S.p.A.	1	452	6	2
Partner Time S.p.A.	992	9	42	1,284
PI Distribuzione S.p.A.	31	1,051	7	56
Banca Esperia S.p.A.	22,025	29,858	27	1,031
Duemme SGR p.A.	16	0	0	16
Alboran S.p.A.	0	139	226	0
TOTAL	69,970	247,300	22,270	181,431

ATTACHMENT 5

ANALYSIS OF INCOME AND EXPENSES WITH PARENT, CONTROLLED AND AFFILIATED COMPANIES

<i>Euro in thousands</i>		31.12.2004
A) SOURCE OF FINANCE		
Cash flow generated by operations:		
Profit (loss) for the period		40,886
Amortisation, depreciation of tangible and intangible assets		23,281
Net provision for risk and charges		(4,318)
Net change in employee termination indemnity		1,288
Positive consolidation differences		(11,754)
Minority interests		(3,303)
Increase/(decrease) due to banks		(69,827)
Increase/(decrease) due to customers		(18,809)
Increase/(decrease) other liabilities		23,742
TOTAL CASH FLOW GENERATED BY OPERATIONS		(18,814)
Decrease in tangible and intangible assets		388
TOTAL CASH FLOW GENERATED		(18,426)
B) APPLICATION OF FUNDS		
Increase/(decrease) credit due from banks (excluding repayable on demand)		(991,704)
Increase/(decrease) credit with customers		(10,522)
Increase/(decrease) other assets		7,759
Increase in tangible and intangible assets		21,488
Increase in equity investments		804,898
Subordinate liabilities repayment		5,000
Distributed dividends		34,441
TOTAL APPLICATION OF FUNDS		(128,640)
C) CASH FLOW FOR THE PERIOD (A-B)		110,214
D) Cash and liquid assets (opening balance)		91,661
E) Cash and liquid assets (closing balance)		201,875
F) CHANGE IN CASH AND LIQUID ASSETS (E-D)		110,214

ATTACHMENT 6

CASH FLOW STATEMENT AS AT DECEMBER 31, 2004

Statutory
Auditors' report
on the
Consolidated
financial
statements as at
December 31,
2004

To the Shareholders

we have examined the consolidated Financial Statements of the "MEDIOLANUM Banking Group" as at December 31, 2004, drawn up according to the provisions set forth in Articles 24 and 25 of Legislative Decree No. 87/92, and in relation to membership of the Register of Banking Groups pursuant to Article 64 of the Consolidated Banking Act (Testo Unico Bancario) and the implementation guidelines issued by the Bank of Italy on July 22, 2002.

The document, consisting of the Balance Sheet, the Income Statement and the relevant Notes, also includes the Board of Directors' report on consolidated operations.

The values shown in these documents are in thousands of Euro and include the accounting data of the draft balance sheet as at December 31, 2004 of the Parent company and the companies directly and indirectly controlled by it and included in the consolidation area of the Mediolanum Banking Group.

The Balance Sheet shows a positive result of 40,886 Euro, consolidated capital and reserves of 369,313 thousand Euro and minority interests of 73,174 Euro. The Balance Sheet includes, among off-balance sheet items, guarantees and commitments totalling 360,213 Euro.

CONSOLIDATION
PRINCIPLES AND METHODS

Companies belonging to the Group were consolidated on a line-by-line basis, with cancellation of inter-group relations – both in the balance sheet and income statement – of dividends posted in individual statements on an accrual basis, and of adjustments to the value of financial assets posted in the individual financial statements of consolidated companies.

The accounting value of consolidated equity holdings was eliminated against the relevant net asset value at the date of introduction into the consolidation area; any surpluses, if not attributable to specific entries, gave rise to the item "Positive consolidation differences", amortised on a ten-year basis; negative differences are posted under "Negative consolidation differences".

Book values of positive consolidation differences as at December 31, 2004 totalled 152,414 thousand Euro. Negative consolidation differences were 3,031 thousand Euro.

We agree with the criteria utilised for evaluating the various items in the consolidated financial statements, specified in the Notes. No exceptions to the applicable legislation is to be pointed out.

The financial statements of controlled companies are subject to auditing by the Auditing Companies appointed by each company.

Consolidated capital and the coefficients established by Bank of Italy exceed the set threshold.

We verified the Notes and the Directors' report on operations in order to ascertain their contents, compliance with the provisions contained in Legislative Decree 87/92 and consistency with the consolidated financial statements.

Based on our controls and on the above comments, we declare that the consolidated financial statements and Attachments thereto were drawn up correctly.

Milan, April 6, 2005

The Chairman of the Board of Statutory Auditors

Arnaldo Mauri

The Statutory Auditors

Adriano Angeli

Pierfelice Benetti Genolini

AUDITING OF THE
FINANCIAL STATEMENTS,
THE NOTES AND THE
DIRECTORS' REPORT

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, 2004. 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 7% 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 2, 2004.

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, 2004, and the consolidated results of its operations for the year then ended.

Milan, Italy
April 5, 2005

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