

MEDIOBANCA

Interim Report

for the six months ended 31 December 2003

(as required under Articles 81 and 82 of
Consob Regulation 11971/99 as amended)

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 389,285,207.50 FULLY PAID UP - RESERVES € 3,035.1m

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

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(as required under Articles 81 and 82 of
Consob Regulation 11971/99 as amended)

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REVIEW OF GROUP OPERATIONS

The Group's interim accounts for the six months to 31 December 2003 include Compagnie Monégasque de Banque (CMB) for the first time. The Monte Carlo-based private bank has been consolidated on a line-by-line basis, after a controlling interest was acquired in July 2003.

The Group earned a pre-tax profit of € 371.6m in the period under review, as against a loss of € 186.1m recorded at the equivalent juncture one year previously. Profit from ordinary operations rose by 31.4% from € 217.1m to € 285.1m, after a 17.9% increase in interest income from € 259.7m to € 306.1m. This was due to higher contributions from the Compass Group, dealing profits from treasury activities, and a 51.2% rise in commissions received and other income from € 94.6m to € 143m. Some 40% of the increase in the latter item was attributable to CMB; the remainder was due to Mediobanca's wholesale banking activities. Costs and expenses remained more or less stable, net of the CMB effect. Our equity investment portfolio showed an improved performance on the back of the stock market upturn: based on average prices in the six months to 31 December 2003, net writebacks of € 126.1m were recorded, compared with writedowns of € 271m at the same time last year. Portfolio management during the period also generated € 19.1m in gains on disposal, as against losses of € 13.4m in the six months to 31 December 2002. Of the other main items, writedowns to equities and derivatives held in treasury totalled € 7.9m (31/12/02: € 75.8m), whereas bad debt writeoffs, which involved only the Group's consumer credit and factoring, and to a lesser extent leasing, activities rose by 20% from € 34.5m to € 41.4m, due to growth in these business areas and a higher degree of caution in assessing credit in view of the unfavourable market conditions.

CMB contributed 3.6% to the balance of ordinary operations, 1.7% to pre-tax profit and 4.5% of total assets. Mediobanca's contribution to total assets was just under 80% of the aggregate.

* * *

CONSOLIDATED ACCOUNTS

The consolidated financial highlights have been condensed and compared on a like-for-like basis with those of the previous two financial years, and certain items have been reclassified for ease of comparison. The figures are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	6 mths to 31/12/02	12 mths to 30/6/03	6 mths to 31/12/03
		(€ m)	
Interest income	259.7	607.4	306.1
<i>of which: dividends</i>	<i>0.6</i>	<i>118.2</i>	<i>0.1</i>
Commissions received and other income	94.6	232.0	143.0
Costs and expenses.....	(137.2)	(300.2)	(164.0)
GROSS MARGIN FROM ORDINARY OPERATIONS	217.1	539.2	285.1
Writedowns to securities and derivatives held in treasury	(75.8)	(70.6) ⁽¹⁾	(7.9)
Net gain (loss) on sale of securities held	(13.4)	(51.1)	19.1
(Writedowns) writebacks to investment securities	(271.0)	(181.0) ⁽¹⁾	126.1
Net writeoffs, transfers to loan loss provision, and other expenses	(34.5)	(69.2)	(41.4)
Gain (loss) on investments stated on net equity basis	(2.4)	(4.0)	3.7
MARGIN BEFORE TAXATION AND PROVISIONS	(180.0)	163.3	384.7
Transfers to provision for liabilities and charges	—	(5.1)	—
Depreciation and amortization	(2.1)	(5.1)	(4.0)
Profit attributable to shareholders	(4.0)	(8.8)	(9.1)
PROFIT (LOSS) BEFORE TAX ATTRIBUTABLE TO MEDIOBANCA	(186.1)	144.3	371.6
Transfers to provision for income taxes.....	—	(90.7)	—
NET PROFIT (LOSS).....	—	53.6	—

⁽¹⁾ Net of advance tax.

CONSOLIDATED BALANCE SHEET

	31/12/02	30/6/03	31/12/03
	(€ m)		
Assets			
Treasury funds employed	7,441.5	9,365.0	9,173.8
Loans and advances	15,611.8	15,033.9	17,230.4
Investment securities	3,372.8	3,168.6	3,205.2
Intangible assets	1.7	1.5	2.2
Property	119.6	123.3	262.8
Furniture and fixtures	5.1	5.4	10.7
Other assets	1,896.5	2,176.8	2,292.5
Total assets	28,449.0	29,874.5	32,177.6
Liabilities			
Deposits and loans	22,068.1	23,070.3	25,271.1
Provision for liabilities and charges	229.8	301.6	180.1
Consolidated provision for future liabilities and charges	5.6	—	—
Other liabilities	1,419.7	1,537.3	1,525.2
Loan loss provisions	13.4	13.4	13.4
Equity attributable to minority shareholders	56.7	61.5	176.0
Shareholders' equity	4,841.8	4,836.8	4,640.2
Profit (loss)	(186.1) ⁽¹⁾	53.6	371.6 ⁽¹⁾
Total liabilities	28,449.0	29,874.5	32,177.6

(1) Pre-tax.

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

	31/12/02	30/6/03	31/12/03
Regulatory capital (€ m)	5,395.9	5,561.8	5,785.2
Solvency margin (%)	19.43	19.39	21.24
Gross gain per share on listed investment securities (€)	3.04	3.26	3.38
Market capitalization (€ m)	6,103.0	6,834.1	6,772.0
Mediobanca share price (€)	7.84	8.78	8.70
Average no. of staff	1,330	1,302	1,468
No. of shares in issue (m)	778.5	778.5	778.6

REVIEW OF KEY ITEMS

BALANCE SHEET

The following is a review of trends in major asset headings during the period under review:

Funding – this rose by 9.5% from € 23.1bn to € 25.3bn, helped by € 1.2bn in funds from CMB and € 1.9bn in respect of back-to-back transactions for loans to customers. Net of such items the aggregate fell by 3.5%, mostly due to the € 1.3bn reduction in securities issued by Mediobanca International which was only partly offset by a € 0.6bn increase in issues by Mediobanca.

Customer loans – these rose by 14.6%, or € 2.2bn, which chiefly reflects the € 0.9bn contribution of CMB and € 1.9bn in respect of back-to-back funding. The increase principally involved corporate lending and consumer credit, which grew by 10% and 8% respectively, and to a lesser extent leasing, which saw a 2% rise. As at 31 December 2003, 67% of the Group's loan book consisted of corporate lendings and structured finance, 14% of consumer credit, 14% of leasing and the remaining 5% of loans disbursed by CMB. As at 31 December 2003, significant exposures in terms of loan concentration according to the permitted risk weightings, i.e. in excess of 10% of consolidated regulatory capital, totalled € 9,189m, or 19.9% of the

aggregate limit. The funds concerned were lent to nine “groups of collected clients”, all of which were within the currently permitted threshold.

Investment securities – these rose by € 36.6m, after writebacks of € 126.1m. Movements during the period under review involved purchases and subscriptions of € 107.5m, most of which took place during the first quarter, when we subscribed to the Fiat rights issue for an amount of € 39.7m, and acquired Telecom Italia equities and shares worth € 58.7m. Divestments involved Commerzbank and Capitalia, with holdings worth € 12.7m being disposed of in the case of the former and € 10.1m in the case of the latter. These movements generated gains of € 19.1m, to which should be added € 3.7m in writebacks to holdings in unlisted companies, chiefly Banca Esperia and Athena. With regard to the Group’s holding in Ferrari, following several amendments to the terms and conditions of a transaction agreed in September 2002, whereby shares exceeding 15% of the company’s capital were to be sold and Mediobanca was to subscribe for bonds convertible into a like number of shares, this deal no longer qualifies as a repo transaction, so the aggregate holding, including the 1% owned by CMB, is now below the required threshold, and its book value has been reduced by € 148.2m accordingly. At 31 December 2003, the portfolio reflected a surplus of market over book value of € 2,630.7m, which at current prices rises to € 3,092.4m. The Group’s holding in Assicurazioni Generali at the end of the period under review was unchanged with respect to 30 June 2003 at 13.93% of that company’s share capital, 12.61% of which is owned by Mediobanca and 1.32% by Compass, Sade Finanziaria and Spafid. The entire shareholding in Generali is carried at a book value of € 1,210.1m.

Treasury funds – these fell by 2% from € 9.4bn to € 9.2bn, net of the € 353.8m contribution from CMB. This item is made up of € 2.9bn in liquid assets and short-term lendings including forward transactions, and € 6.3bn in marketable securities, 96.4% of which are fixed income. Write-downs charged at 31 December 2003, including derivatives, total € 7.9m, after which the portfolio reflects an unrealized gain of € 99.9m, to which should be added a further € 137.5m on derivatives.

Provision for liabilities and charges – this item includes the provision for taxation amounting to € 100.2m, the staff termination indemnity provision totalling € 31.4m, and the provision for liabilities and charges of € 48.5m connected principally to our retail financial services operations.

Reserves and capital – Group shareholders' equity fell by € 196.6m, mostly as a result of the dividend payout and a € 21.8m difference arising on consolidation of CMB (net of existing negative differences on consolidation), to be amortized over five financial years. Regulatory capital rose from € 5,561.8m to € 5,785.2m as a result of the net profit earned during the period and minority interests in CMB.

PROFIT AND LOSS ACCOUNT

Interest income

This rose by 17.9% to € 306.1m (31/12/02: € 259.7m), just over a half of which is attributable to Mediobanca. The increase reflects an € 11.7m contribution from CMB and higher dealing profits from treasury activities, which rose from € 68.1m to € 77.2m, as well as to a lower cost of funding for the Compass Group.

Commissions received and other income

These rose by over 50% compared with the equivalent period last year, from € 94.6m to € 143m, partly due to the € 20.9m contributed by CMB without which the net increase would have been 29%. The item comprises:

- € 94.2m in fees earned by Mediobanca in respect of wholesale banking services (31/12/02: € 62.3m);
- € 22.3m earned by the Compass Group (€ 27.2m), chiefly comprising € 9.2m in commissions received, € 4.9m in income from leasing and € 7.7m in loans recovered;
- € 26.5m (€ 5.1m) earned by the other Group companies including CMB (€ 20.9m), Spafid (€ 2m) and MB Finstrutture - Intersomer (€ 2.6m).

Costs and expenses

The key items under this heading are:

- labour costs of € 74.3m (31/12/02: € 55.8m), 44% of which is attributable to Mediobanca. This increase also includes the effect of consolidating CMB, both in terms of cost (€ 12.5m) and headcount (130 additional staff);
- bank charges of € 26.8m, (31/12/02: € 22.2m), including € 19.1m in commissions paid by the Compass Group (€ 17.1m), which as always are booked in full to earnings when the underlying contract is disbursed rather than amortized over the life of the loan itself;
- sundry items of € 62.9m (€ 59.2m), including € 52.3m in administrative expenses (€ 50.6m), € 6.2m in ordinary depreciation charges (€ 3.9m), and € 4.4m in sundry other charges (€ 4.7m). Consolidation of CMB resulted in an additional € 4.5m in administrative expenses, € 2.1m in ordinary depreciation charges, and € 2.2m in sundry other charges. The key items included under administrative expenses, € 18.5m of which was attributable to Mediobanca, were:
 - EDP and financial information subscriptions of € 11m (€ 11.3m);
 - outside consultants' fees, including fixed fees payable to the Board of Directors, totalling € 6.8m (€ 8.4m);
 - rent, equipment leasing and maintenance charges of € 6.7m (€ 6m);
 - legal fees and fees incurred in connection with recovering bad debts of € 6.6m (€ 5.5m);
 - stationery, postage, telephone and fax charges of € 3.7m (€ 3.8m);
 - advertising costs of € 2.8m (€ 4.8m), and travel and entertainment expenses of € 2.6m (€ 2.3m).

Value adjustments to receivables

These involve the Compass Group almost exclusively and in particular consumer credit, with CMB's contribution being limited to € 0.3m. The increase from € 34.5m to € 41.4m is due to higher volumes and our customary caution in a worsening scenario.

MEDIOBANCA

HIGHLIGHTS

In the six months ended 31 December 2003, Mediobanca earned a pre-tax profit of € 295.9m, as against a € 237.9m loss at the same juncture last year, after transferring € 30m to loan loss provisions (€ 38m).

Profit from ordinary operations totalled € 191.2m, up almost one-third on the € 144m recorded at 31 December 2002. There was growth by both principal sources of revenue: interest income rose from € 140.1m to € 158.6m, and fee income from € 64.1m to € 94.8m. Costs remained virtually unchanged. The investment securities portfolio recorded gains of € 19.1m during the period, and net writebacks based on average prices in the six months under review of € 127m, as against writedowns of € 275.8m at the same time last year. Writedowns to the securities and derivatives portfolio fell from € 66m to € 10.7m and compare with unrealized gains of € 233.6 m (30/6/03: € 253.8m).

Funding as at 31 December 2003 amounted to € 21,277.2m, up € 1.2bn versus 30 June 2003 *inter alia* as a result of € 1.9bn in funds to cover back-to-back transactions with clients. Loans and advances grew from € 12,522m to € 13,772.1m and the investment security portfolio from € 2,766.3m to € 3,055.1m, the latter partly due to the effect of writebacks worth € 127m during the period under review. Treasury funds employed fell by € 313.2m.

Turning to investment banking and syndicated loans, Mediobanca lead-managed transactions worth € 78bn, compared with € 28bn during the equivalent period last year.

* * *

Jointly and severally with the other parties involved, Mediobanca has recently received six claims for reimbursement of damages for what is purported to be its failure to launch a full takeover bid for Fondiaria in 2002. The claims are for an aggregate amount of around € 151m. The Bank is confident it has valid grounds to counter these claims.

* * *

Mediobanca's financial highlights have been condensed and compared on a like-for-like basis with the figures at 31 December 2002 and 30 June 2003. They are as follows:

Profit and loss account (*)

	6 mths to 31/12/02	12 mths to 30/6/03	6 mths to 31/12/03
	(€ m)		
Interest income	140.1	365.7	158.6
<i>of which: dividends</i>	<i>0.6</i>	<i>110.8</i>	<i>0.1</i>
Commissions received and other income	64.1	168.7	94.8
General expenses and other operating costs ...	(60.2)	(143.2)	(62.2)
GROSS MARGIN FROM ORDINARY OPERATIONS	144.0	391.2	191.2
Writedowns in securities and derivatives held in treasury	(66.0)	(57.9)	(10.7)
Net gain (loss) on disposal of securities held ..	—	(37.8)	19.1
Writedowns to investment securities	(275.8)	(185.3) ⁽¹⁾	127.0
MARGIN BEFORE TAXATION AND PROVISIONS	(197.8)	110.2	326.6
Provision for liabilities and charges	—	(5.1)	—
Transfers to loan loss provision	(38.0)	(45.0)	(30.0)
Depreciation and amortization	(2.1)	(5.1)	(0.7)
PROFIT (LOSS) BEFORE TAX	(237.9)	55.0	295.9
Taxation for the year	—	(69.0)	—
NET PROFIT (LOSS)	—	(14.0)	—

(*) Certain items have been reclassified for ease of comparison.

(1) Net of advance tax.

Balance sheet (*)

	31/12/02	30/6/03	31/12/03
		(€ m)	
Assets			
Treasury funds employed	7,129.0	8,796.6	8,483.4
Loans and advances	13,056.9	12,522.0	13,772.1
Investment securities	2,959.4	2,766.3	3,055.1
Fixed assets, net	11.0	10.6	10.3
Other assets	1,632.4	1,964.7	2,011.5
Total assets	24,788.7	26,060.2	27,332.4
Liabilities			
Deposits and loans	19,258.0	20,042.6	21,277.2
Provision for liabilities and charges ...	128.8	183.3	66.2
Other liabilities	1,142.8	1,344.3	1,313.1
Shareholders' equity	4,497.0	4,504.0	4,380.0
Profit (loss)	(237.9) ⁽¹⁾	(14.0)	295.9 ⁽¹⁾
Total liabilities	24,788.7	26,060.2	27,332.4
Memorandum accounts	71,306.4	79,162.0	78,254.7

(*) Certain items have been reclassified for ease of comparison.

(1) Pre-tax.

* * *

Mediobanca's core businesses are wholesale banking, i.e. corporate finance and investment banking, and equity investment.

Corporate finance

Lending and structured finance

The bank's loan book shows a 10% increase from € 12,522m to € 13,772.1m, which is entirely attributable to back-to-back funding transactions worth € 1.9bn, net of which the book reduced by around € 0.7bn. This reflects our customarily cautious approach to risk in a scenario that

remains challenging. In this regard, our activity as arranger of syndicated loans also declined, with the bank having arranged eight loans worth a total value of € 7.5bn (31/12/02: € 14.1bn). Fees collected during the period under review amount to € 29.5m (€ 27.7m).

Total outstandings as at 31 December 2003 include:

- overdue instalments of € 0.7m, since collected in full;
- a single non-performing item of € 127,000 covered by SACE credit insurance, whom we are suing for the indemnity due;
- loans and advances to subsidiaries totalling € 2,903.6m, broken down as follows:

	€ m
<i>MB Finstrutture - Intersomer</i>	615.6
<i>Palladio Leasing</i>	530.1
<i>Compass</i>	444.1
<i>Micos Banca</i>	373.4
<i>SelmaBipiemme Leasing</i>	358.1
<i>Teleleasing</i>	351.4
<i>Sade Finanziaria</i>	229.1
<i>Seteci</i>	1.3
<i>R. & S.</i>	0.5
	2,903.6

The average interest rate paid over the six-month period by borrowers of facilities not linked to back-to-back funding was 3.48%, as against 4.35% in the equivalent period last year, reflecting the general market trend.

Funding

The € 1.2bn increase in this item reflects the back-to-back transactions referred to previously, net of which the aggregate would have fallen by approx. € 0.6bn.

The heading comprises:

	31/12/02	30/6/03	31/12/03
	(€ m)		
Time deposits and current accounts	2,118.2	1,721.4	3,171.2
Debt securities	13,263.8	14,653.6	15,236.6
Loans from banks	3,876.0	3,667.6	2,869.4
	<u>19,258.0</u>	<u>20,042.6</u>	<u>21,277.2</u>

Time deposits and current accounts rose by € 1.5bn as a result of the back-to-back transactions referred to above, whereas CDs fell by € 67.2m. The average rate of interest paid over the six months under review was 2.40%, as against 3.12% the previous year.

The € 583m increase in debt securities reflects new issues worth € 1,094m and interest accruals of € 61.1m, against € 561.5m in conversions and redemptions (including early redemptions) and € 10.6m in exchange rate adjustments. The average interest rate on bonds and other debt securities excluding back-to-back issues in the six months under review was 2.32%, as against 3.45% the previous year.

The balance of loans from banks includes € 1,826m raised by Mediobanca International, and EIB funds of € 601.3m.

Treasury

This heading covers:

	31/12/02	30/6/03	31/12/03
	(€ m)		
Cash and bank balances	158.4	195.5	147.7
Fixed income securities	4,189.5	7,098.2	7,127.2
Equities	145.8	1,179.6	264.4
Other net treasury funds employed	2,635.3	323.3	944.1
	<u>7,129.0</u>	<u>8,796.6</u>	<u>8,483.4</u>

Cash and bank balances fell by € 47.8m and include € 84.8m in ordinary current account balances as well as € 62.9m constituting our compulsory reserve at the Bank of Italy.

Fixed income securities rose by € 29m. As at 31 December 2003, 60% of the portfolio consisted of Italian government securities, 10.5% of Mediobanca debt securities and the balance of securities by various other issuers. The latter, broken down by rating, were as follows: AAA: 24.6%; AA: 2.5%; A: 28.4%; BBB: 19.5%; sub investment grade: 1%; unrated: 24%.

Table I lists the movements in our treasury securities portfolio during the period under review. The overall result, including arbitrage and derivative transactions, was a gain of € 77.1m and writedowns of € 10.7m. Unrealized gains on the portfolio as at 31 December 2003 totalled € 233.6m (30/6/03: € 253.8m). The total yield on treasury transactions (net of writedowns and gains accumulated during the period) including derivative transactions was 3.83%, compared with 3.57% the previous year.

The item *Other treasury funds employed* includes reverse repurchases worth € 3,547.7m and repo transactions amounting to € 571m, technical shortfalls of € 1,866m, and the net balance of time deposits, which was € 166.6m in the red. This major position in forward transactions reflects the bank's propensity to contain risk with regard to use of treasury funds too.

Investment banking

The performance of Mediobanca's investment banking operations during the six months under review can be summarized in the following figures:

- equity capital market: the bank lead-managed eight underwriting and placing syndicates for equities and convertible bonds worth a total of € 5,144m (31/12/02: € 1,087m);
- debt capital market: Mediobanca led ten selling groups which placed € 1,807m (€ 2,194m);
- Mediobanca acted as advisor for M&A deals (some of which included takeover bids) worth more than € 63bn (€ 10bn);

- trading for clients' accounts involved securities totalling € 5.7bn (€ 5.1bn), € 4.3bn of which related to equities (€ 2.9bn). In this connection 4.2 million Mediobanca shares worth a total of € 37.3m were traded on behalf of clients.

In return for such activities, the bank received fees totalling € 62.8m (€ 32.7m) made up as follows: € 35m for M&A advisory services (€ 20.3m), € 24.2m for equity and debt capital market activities (€ 8.4m), and € 3.6m for trading for clients' accounts (€ 4.8m).

Investment securities

These consist of:

	31/12/02	30/6/03	31/12/03
	(€ m)		
Debt securities	76.5	77.3	86.6
Other investments	2,764.4	2,570.3	2,572.0
Investments in Group undertakings ..	118.5	118.7	396.5
Total investment securities	2,959.4	2,766.3	3,055.1

Table II lists the movements in our investment securities portfolio during the period under review, which shows a surplus of market price over book value of € 2,781.9m based on average prices in the six months ended 31 December 2003, or (€ 3,204.5m based on current prices and holdings and taking into account the interim writebacks booked at 31 December 2003.

Movements during the half-year involved purchases and subscriptions totalling € 358m and disposals of € 22.8m. Details are as follows:

- *Compagnie Monégasque de Banque*: we acquired a 44.35% interest in the share capital of this bank for a total outlay of € 251.3m, following exercise of the put-and-call options entered into with the Commerzbank group and a group of local CMB shareholders. Mediobanca, which already owned 17.29% of CMB, accordingly became its con-

trolling shareholder, and CMB became part of the Mediobanca Banking Group.

- *Fiat*: we increased our holding by 7.9 million shares after subscribing to a rights issue for a net outlay of € 39.7m.
- *Telecom Italia (formerly Olivetti)*: we received 106 million Telecom Italia shares following the merger between this company and Olivetti. These include shares representing the 5.1 million Olivetti shares we received following the partial conversion of Olivetti 2001-2010 convertible bonds and 9 million Olivetti shares which we acquired over the market for € 9.6m. A further 16.5 million TI shares and convertible TI 2010 bonds worth a nominal amount of € 10.7m were also acquired for a total outlay of € 49.2m, so as at 31 December 2003 our holding in Telecom Italia consisted of 122.5 million shares at a book value of € 279.9m, which corresponds to 1.19% of the company's ordinary share capital and 0.76% of its total share capital.
- *Athena Private Equity SA*: the book value of our 6.1 million shares was increased by € 5.4m following a capital call.
- *Commerzbank*: we sold 1.6 million shares for € 12.7m, yielding a gain of € 13.2m.
- *Capitalia*: we sold 7.6 million shares for € 10.1m, yielding a profit of € 4.3m.

At 31 December 2003 our holding in Ferrari was reduced to 14% of the company's share capital, as previously mentioned, after a € 171m disposal was booked to the accounts.

The following are the main movements to have taken place since 31 December 2003:

- *Telecom Italia*: we acquired 31.5 million shares involving an outlay of € 80.6m.
- *Capitalia*: we sold approx. 9.5 million shares for € 12.6m, implying a gain of € 8.4m.
- *Eurofind*: we disposed of our entire holding in this company for € 170.4m under the terms of our agreement with IFIL. The transaction

resulted in a gain of € 3.4m, after the extraordinary dividend of € 56.7m collected in December was deducted from the sale price.

- *Tirrenia*: we sold our entire shareholding in this company to FIN-TECNA (formerly IRI) for € 34.4m, resulting in a gain of € 7.4m.

Net writebacks including € 2.4m related to the Eurofind transaction in January mentioned above involved the following securities:

- writebacks:

	31/12/03
	(€ m)
<i>Commerzbank</i>	44.7
<i>Telecom Italia</i> (equities and bonds)	21.5
<i>Mediolanum</i>	17.5
<i>Capitalia</i>	15.0
<i>Finmeccanica</i>	8.2
<i>Fondiaria-SAI</i> (equities and warrants)	7.7
<i>Pirelli & C.</i> ordinary	7.5
<i>Gemina</i>	2.8
<i>Koenig & Bauer</i>	2.5
<i>Fiat</i> ordinary	1.2
<i>Others</i>	2.7
	<u>131.3</u>

Writedowns:

Unlisted securities	4.3
	<u>4.3</u>

OTHER ITEMS

The heading **Other assets** is made up of € 1,431.1m in accrued income and prepaid expenses, plus € 580.4m in other assets including € 38.5m paid to Premafin *inter alia* on behalf of a syndicate arranged by Mediobanca to underwrite a rights issue relating to 2002-2005 warrants in the event of non-exercise.

The **Provision for liabilities and charges** include:

- the *Provision for taxation*, amounting to € 49m;
- the *Staff termination indemnity provision*, amounting to € 12.1m. This covers all indemnities due to our staff as at 31 December 2003;
- the *Provision for liabilities and charges* of € 5.1m to cover exposure to Group subsidiary Tradevco, which has gone into liquidation.

Capital and reserves includes:

- *Share capital* amounting to € 389.3m, up € 10,500 following the exercise of stock options.
- *Reserves and profit and loss account* of € 3,035.2m, down by € 154m. These consist of:
 - the *Legal reserve*, which was unchanged at € 77.8m, and the *Statutory Reserve* of € 893.5m, down € 140.1m after last year's dividend was paid;
 - the *Share premium account*, which totals € 1,807.3m, up € 141,000 after stock options were exercised;
 - a *Surplus arising on merger* of € 249m, down € 13.9m after a transfer to cover last year's loss;
 - *Revaluation reserves under Laws 72/83 and 413/91*, unchanged at € 7.6m;
- *General banking provisions* of € 638.9m;
- *Loan loss provisions* of € 316.6m, after allocating € 30m for the six-month period.

PROFIT AND LOSS ACCOUNT

Interest income

	31/12/02	30/6/03	31/12/03
		(€ m) (*)	
Loan interest	269.6	493.9	189.9
Interest and other income from treasury operations	180.5	356.8	220.3
Dividends and tax credits	0.6	110.8	0.1
	450.7	961.5	410.3
Less cost of funding	(310.6)	(595.8)	(251.7)
	140.1	365.7	158.6

(*) To reflect the nature of the Group's operations more accurately, funding commissions have been reclassified as interest income rather than costs and expenses.

Interest income was higher than during the equivalent period last year, due to higher margins from trading involving securities held in treasury, which rose from € 62.2m to € 77.1m, plus a slight increase in the balance between interest received and interest paid.

Fee income and General expenses

The main items under the heading *Commissions received and other income* were fees of € 92.3m received in connection with corporate finance and investment banking activities (31/12/02: € 61.2m). The heading also covers € 1m in extraordinary and other income and € 1.5m in rent received.

The main items under the heading of *General expenses* were:

- bank charges of € 1.8m (31/12/03: € 1.5m), bearing in mind that funding commissions have been accounted for as funding charges;
- labour costs of € 32.5m (€ 29.3m);
- sundry expenses of € 27.9m (€ 29.4m), € 5.6m of which represents charges relating to the regular lease repayments on our premises in Milan and Rome.

OTHER INFORMATION

Credit rating

Standard & Poor's rate Mediobanca AA- for mid-long term debt and A-1+ for short-term debt. The outlook is negative.

Financial accounts with "related parties"

Financial accounts with Group undertakings and other "related parties" outstanding as at 31 December 2003 and the movements therein during the six months under review are summarized below:

	Group undertakings	Other "related parties"
	(€ m)	
Assets	3,110.3	3,629.6
Liabilities	1,975.0	443.4
Guarantees and commitments	5,047.3	917.2
Interest received	47.1	75.1
Interest paid	(55.4)	(9.6)
Fee income	(0.6)	19.6
Other income (expenses)	(2.2)	2.0

Accounts with "related counterparties" form part of Mediobanca's ordinary operations. They are maintained on an arm's length basis and are entered into in the bank's own interests *inter alia* in its position as parent company of the Mediobanca Banking Group. In this regard, certain services provided by Group subsidiaries such as EDP, share and bond administration expenses, and research, are paid for at cost. No "atypical" or "unusual" transactions have been entered into with these counterparties. There are no shareholders in Mediobanca in a "controlling" position.

Risk management

Credit risk

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

	€ m
Loans outstanding as at 30 June 1991	6,772
Loans disbursed between 30 June 1991 and 31 December 2003	83,249
Total loans granted during period (a)	<u>90,021</u>
Bad debts written off during period (b)	<u>2.6 (*)</u>
<i>% (b):(a)</i>	<u><u>0.003</u></u>

(*) A single item arising from an action to revoke payments taken more than four years after the loan was repaid by the borrower's special administrator operating under Law No. 95/79.

It should be pointed out that all default interest is credited to the relevant provision, which since 30 June 1991 has generated a net surplus of over € 8m.

Market risk

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

As at 31 December 2002, VaR on market risk was equivalent to € 4.6m, and the expected shortfall ⁽⁴⁾ was estimated at € 9.3m, as detailed below:

Value at risk and expected shortfall

Risk factor	31/12/03 (€ '000)	30/6/03 (€ '000)
Interest rates	1,418	3,207
Equities	4,237	5,603
Exchange rates	299	382
Diversification effect (*).....	(1,365)	(3,382)
TOTAL	4,589	5,810
Expected shortfall	9,296	9,369

(*) Resulting from mismatch between risk factors.

The fall in VaR at 31 December 2003 chiefly involved the interest rate component, which fell from € 3.2m to € 1.4m on the back of the bank's

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

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

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

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

reduced exposure to bond markets following the reduction in our equities and derivatives portfolio, to increased hedging of positions and to lower volatility after the highs recorded in the month of July. The fall in this component and the modest proportion occupied by exchange rate risk explain the fall in the diversification effect from € 3.4m to € 1.4m.

The bank's increasing activity in equity markets above all has led to greater variations in the levels of VaR, which averaged € 6.7m over the six months as opposed to € 4m for the entire 2002-2003 financial year.

Table IV, as usual, shows all our open positions as at 31 December 2003, together with information on their credit quality as required by Bank of Italy regulations. This reflects a potential risk with regard to our counterparties (who are leading banks and financial institutions) of € 474.5m, as against € 442.3m as at 30 June 2003, and a market risk of € 1,288.8m (€ 1,214.5m). Our current exposure is € 320.5m (€ 234.9m), taking into account deposits made by our counterparties. This increase is mostly linked to the upturn in equity markets.

Counterparty risk

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

Asset/liability management

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

* * *

THE COMPASS GROUP

	31/12/02 (€ m)	30/6/03 (€ m)	31/12/03 (€ m)
Customer lendings	4,731.9	4,697.9	4,929.7
Securitized lendings	1,112.2	1,112.2	1,112.2
Loans disbursed	1,521.3	2,958.2	1,459.6
Interest income	109.4	229.9	135.3
Gross margin from ordinary operations	57.3	122.7	78.2

At € 78.2m, the Compass Group's gross margin from ordinary operations as at 31 December 2003 reflects an improvement of 37%, up from € 57.3m at the same time last year, the result of higher lending volumes and lower funding charges due to the reduction in interest rates. Costs and expenses, which totalled € 79.3m as against € 77.6m at 31 December 2002 include a € 2m increase in fees paid to agents, and a € 1.6m rise in labour costs, offset by a € 1.8m reduction in administrative expenses, taking into account *inter alia* the fact that the comparable period last year included non-recurring charges in connection with SelmaBipiemme's € 2.6m securitization. The pre-tax result of € 31.6m (€ 5.3m) includes writedowns and provisions of € 41.1m (31/12/02: € 35m).

At 31 December 2003, customer lendings totalled € 4,929.7m (30/6/03: € 4,697.9m), shared almost equally between leasing and consumer credit.

A review of the individual companies' results follows:

- *Compass S.p.A.*: profit before tax was € 24.9m (31/12/02: € 0.8m after losses on listed securities totalling € 13.4m). Loans outstanding as at 31 December 2003 totalled € 1,540.9m (30/6/03: € 1,478m), net of the sale of performing loans worth € 169m on a non-recourse basis as part of the securitization completed last year.

- *Cofactor S.p.A.*: Cofactor recorded a pre-tax profit of € 114,000 (31/12/02: € 1.5m). At 31 December 2003, receivables under management totalled € 66m (30/6/03: € 67m).
- *Micos Banca SpA*: Micos Banca's profit before tax was € 1.8m, in line with the result achieved in the first half of 2002-03, after transfers to loan loss provisions of € 0.9m (31/12/02: € 0.7m). Loans outstanding at 31 December 2003 amounted to € 855.7m (30/6/03: € 734.4m).
- *Creditech S.p.A.*: this company made a pre-tax profit of € 95,000 (31/12/02: € 124,000), after non-recurring charges of € 250,000. In the six months under review the company generated revenues of € 3m (€ 2m).
- *SelmaBipiemme Leasing S.p.A.*: a pre-tax profit of € 9m (31/12/02: € 3.2m) was earned during the period after non-recurring charges of € 2.7m. At 31 December 2003, the net value of goods on or pending lease was € 1,665m (30/6/03: € 1,683.6m).
- *Palladio Leasing S.p.A.*: a pre-tax profit of € 4.3m (31/12/02: € 4.2m) was earned in the first half of the financial year. At 31 December 2003, the net value of goods on or pending lease was € 909.4m (30/6/03: € 840.9m).
- *Teleleasing S.p.A.*: a pre-tax profit of € 15.4m (31/12/02: € 12.7m) was earned. As at 31 December 2003, the net value of goods on or pending lease was € 333m (30/6/03: € 313.3m).

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

- **SPAFID - SOCIETÀ PER AMMINISTRAZIONI FIDUCIARIE S.P.A.**, Milan (100% owned): Spafid recorded a pre-tax profit of € 850,000 (31/12/02: € 145,000) for the half-year.
- **MB FINSTRUTTURE - INTERSOMER S.P.A.**, Milan (100% owned): this company recorded a pre-tax profit of € 176,000 during the six months under review, compared with an € 877,000 loss in the equivalent period last year, after a € 1.5m transfer to loan loss provision. At 31 December 2003 its lendings amounted to € 622m (30/6/03: € 650m).

- **SADE FINANZIARIA S.P.A.**, Milan (*100% owned*): this company's accounts for the half-year reflect a loss of € 2.6m (31/12/02: € 1.1m).
- **TECHNOSTART S.P.A.**, Milan (*69% owned*): this company's accounts for the six months ended 31 December 2003 reflect a loss of € 13,000 (31/12/02: € 8,000).
- **MEDIOBANCA INTERNATIONAL LIMITED**, Grand Cayman (*100% owned*): Mediobanca International earned a profit of USD 5m in the six months, compared with USD 5.4m as at 31 December 2002. Total deposits amounted to USD 2,687m (30/6/03: USD 3,733m).

Private banking

Mediobanca's operations in the private banking sector are carried out by Compagnie Monégasque de Banque and Banca Esperia, with the latter being consolidated on a net equity basis. CMB earned a net profit of € 22.5m in the period ended 31 December 2003, having collected fees worth € 32.9m and with € 6.2bn in assets under management. Banca Esperia's preliminary figures at the same date reflect management fees of € 27.7m and a gross profit of € 3m, with AUM of € 4.6bn.

* * *

Financial accounts with "related parties"

Financial accounts with Group undertakings and other "related parties" outstanding as at 31 December 2003 and the movements therein during the six months under review are summarized below:

	Other "related parties" (€ m)
Assets	3,745.2
Liabilities	1,063.1
Guarantees and commitments	917.2
Interest received	78.1
Interest paid	(21.2)
Fee income	19.4
Other income (expenses)	—

Accounts with “related counterparties” form part of all Group companies’ ordinary operations. They are maintained on an arm’s length basis and are entered into in the individual interests of the companies themselves. No “atypical” or “unusual” transactions have been entered into with these counterparties.

Prospects

In the second half of the year our wholesale banking business and leasing operations may be affected by the difficulties which continue to face companies, especially in terms of fees and volumes. Conversely, consumer credit is expected to maintain appreciable growth rates. Against this backdrop, interest income should perform in line with the first six months of the year, apart from dealing involving treasury securities, which is obviously difficult to predict. Fee income will remain linked to how mandates granted to Mediobanca are spread out through the year, as well as the challenging economic environment referred to above. The investment portfolio should bear out values recorded at the end of December, if current trends are maintained.

* * *

RECONCILIATION OF SHAREHOLDERS' EQUITY AND PROFIT

	Shareholders' equity (€ m)	Profit for the year (€ m)
Balance as at 31/12/03 as per accounts of Mediobanca	4,063.4 ⁽¹⁾	295.9
Net surplus over book value of consolidated companies	(19.6)	47.1
Exchange differences arising on translation of accounts denominated in currencies other than the Euro	(8.0)	—
Other adjustments and reclassifications on consolidation, including those made for consistency with Group accounting policies	604.4	31.0
Dividends received during the year	—	(2.4)
TOTAL	4,640.2 ⁽²⁾	371.6

⁽¹⁾ Excluding € 316.6m relating to loan loss provisions.

⁽²⁾ Excluding € 13.4m relating to subsidiaries' taxed loan loss provisions.

Milan, 11 March 2004

THE BOARD OF DIRECTORS

INTERIM CONSOLIDATED ACCOUNTS

BALANCE SHEET

Assets		31/12/03	31/12/02	30/6/03
		€ '000	€ '000	€ '000
10.	CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES	15,031	5,857	8,445
20.	GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS	3,853,962	1,691,674	4,141,265
30.	AMOUNTS DUE FROM BANKS:	5,027,966	4,855,157	2,990,136
	a) deposits and loans repayable on demand	1,266,771	682,700	1,825,796
	b) other accounts	3,761,195	4,172,457	1,164,340
40.	AMOUNTS DUE FROM CUSTOMERS	17,081,357	16,571,081	15,722,659
	<i>of which:</i>			
	• <i>loans using funds managed for third parties</i>	—	—	—
50.	BONDS AND OTHER DEBT SECURITIES ISSUED BY:	4,060,949	2,735,703	3,410,511
	a) government and public agencies	622,792	273,353	693,533
	b) banks	1,308,688	678,151	761,261
	<i>of which:</i>			
	• <i>own bonds</i>	660,229	479,242	453,254
	c) financial companies	1,358,833	1,207,477	1,289,342
	<i>of which:</i>			
	• <i>own bonds</i>	—	—	—
	d) other issuers	770,636	576,722	666,375
60.	EQUITIES, PARTICIPATING INTERESTS AND OTHER CAPITAL SECURITIES	319,317	152,608	1,193,170
70.	EQUITY INVESTMENTS:	3,112,800	3,280,723	3,084,784
	a) stated on net equity basis	71,752	57,372	62,143
	b) other equity investments	3,041,048	3,223,351	3,022,641
80.	INVESTMENTS IN GROUP UNDERTAKINGS:	1,231	1,134	1,232
	a) consolidated on net equity basis	1,231	1,134	1,232
	b) other investments in group undertakings	—	—	—
90.	POSITIVE GOODWILL ON CONSOLIDATION	19,580	—	—
110.	INTANGIBLE ASSETS	2,223	1,653	1,476
	<i>of which:</i>			
	• <i>installation costs</i>	206	2	1
	• <i>goodwill</i>	—	—	—
120.	TANGIBLE FIXED ASSETS	273,576	124,728	128,691
140.	OWN SHARES	970	1,216	970
150.	OTHER ASSETS	830,587	770,516	898,442
160.	ACCRUED INCOME AND PREPAID EXPENSES:	1,483,608	1,185,067	1,307,117
	a) accrued income	1,200,785	946,238	1,006,075
	b) prepaid expenses	282,823	238,829	301,042
	<i>of which:</i>			
	• <i>discounts on bonds issued</i>	62,237	42,563	68,203
		36,083,157	31,377,117	32,888,898

GUARANTEES AND COMMITMENTS

		31/12/03	31/12/02	30/6/03
		€ '000	€ '000	€ '000
10.	GUARANTEES GIVEN	839,729	490,323	1,863,150
	<i>of which:</i>			
	• <i>acceptances</i>	—	—	—
	• <i>other guarantees</i>	839,729	490,323	1,863,150
20.	COMMITMENTS	8,627,746	13,563,714	12,669,311
	<i>of which:</i>			
	• <i>assets sold under repurchase agreements</i>	—	—	—
30.	CREDIT DERIVATIVES	643,557	339,500	344,500

Liabilities and shareholders' equity		31/12/03	31/12/02	30/6/03
		€ '000	€ '000	€ '000
10.	AMOUNTS DUE TO BANKS:	5,212,572	5,538,248	4,785,785
	a) repayable on demand	1,176,928	1,372,929	1,146,875
	b) term deposits and deposits under notice	4,035,644	4,165,319	3,638,910
20.	AMOUNTS DUE TO CUSTOMERS:	3,795,685	1,369,364	1,370,284
	a) repayable on demand	2,264,114	513,028	647,234
	b) term deposits and deposits under notice	1,531,571	856,336	723,050
30.	DEBT SECURITIES IN ISSUE:	17,580,173	17,014,169	18,358,682
	a) bonds	15,811,219	13,853,370	15,267,922
	b) certificates of deposit	638,752	758,406	705,916
	c) other debt securities	1,130,202	2,402,393	2,384,844
50.	OTHER LIABILITIES	3,186,958	1,659,919	2,326,825
60.	ACCRUED EXPENSES AND DEFERRED INCOME:	905,901	833,051	779,439
	a) accrued expenses	612,527	532,646	468,041
	b) deferred income	293,374	300,405	311,398
70.	PROVISION FOR STAFF TERMINATION INDEMNITIES	31,400	28,804	34,268
80.	PROVISIONS FOR LIABILITIES AND CHARGES:	148,663	206,532	267,283
	a) post-retirement and similar benefits	—	—	—
	b) provision for taxation	100,181	160,077	226,004
	c) consolidated provision for future liabilities and charges	—	5,550	—
	d) other provisions	48,482	40,905	41,279
90.	LOAN LOSS PROVISION	13,428	13,428	13,428
100.	PROVISION FOR GENERAL BANKING RISKS	317,430	317,430	317,430
120.	NEGATIVE GOODWILL ON CONSOLIDATION	—	84,568	84,568
140.	NET EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS	176,004	56,714	61,508
150.	SHARE CAPITAL	389,285	389,275	389,275
160.	SHARE PREMIUM RESERVE	1,807,256	1,807,114	1,807,114
170.	RESERVES:	2,133,310	2,231,017	2,225,795
	a) legal reserves	77,855	77,854	77,855
	b) reserve for purchase of own shares and participating interests	970	1,216	970
	c) statutory reserves	893,452	1,033,591	1,033,591
	d) other reserves	1,161,033	1,118,356	1,113,379
180.	REVALUATION RESERVES	13,514	13,514	13,514
190.	RETAINED EARNINGS (ACCUMULATED LOSSES)	—	81	81
200.	PROFIT (LOSS) FOR THE PERIOD	371,578 ⁽¹⁾	(186,111) ⁽¹⁾	53,619
		36,083,157	31,377,117	32,888,898

⁽¹⁾ Including provision for income taxes.

PROFIT AND LOSS ACCOUNT

	6 months to 31/12/03	6 months to 31/12/02	12 months to 30/6/03
	€ '000	€ '000	€ '000
10. INTEREST RECEIVABLE AND SIMILAR INCOME	700,229	696,421	1,314,677
<i>of which:</i>			
• <i>loans and advances to customers</i>	426,068	467,158	883,265
• <i>debt securities</i>	160,121	144,219	267,331
20. INTEREST PAYABLE AND SIMILAR EXPENSES	(456,028)	(475,993)	(899,979)
<i>of which:</i>			
• <i>customer deposits</i>	(55,848)	(16,239)	(35,611)
• <i>securities issued</i>	(306,970)	(335,215)	(649,756)
30. DIVIDENDS FROM AND OTHER INCOME ON:	57,597	37,419	297,798
a) equities, participating interests and other capital securities	897	37,399	187,990
b) equity investments	56,700	20	109,808
c) investments in Group undertakings	—	—	—
40. COMMISSIONS RECEIVABLE	138,744	81,201	199,932
50. COMMISSIONS PAYABLE	(42,685)	(34,942)	(64,750)
60. GAINS (LOSSES) ON DEALING TRANSACTIONS	55,909	(84,166)	(172,708)
70. OTHER INCOME FROM OPERATIONS	113,744	307,743	375,488
80. ADMINISTRATIVE EXPENSES:	(132,928)	(110,714)	(243,835)
a) personnel costs	(74,278)	(55,802)	(133,276)
<i>of which:</i>			
• <i>wages and salaries</i>	(54,877)	(40,438)	(91,358)
• <i>social security contributions</i>	(14,245)	(11,837)	(26,190)
• <i>transfer to termination indemnity provision</i>	(3,665)	(2,681)	(12,739)
• <i>post-retirement and similar benefits</i>	(1,491)	(846)	(2,989)
b) other administrative expenses	(58,650)	(54,912)	(110,559)
90. ADJUSTMENTS TO INTANGIBLE AND TANGIBLE FIXED ASSETS	(10,143)	(6,054)	(13,326)
100. TRANSFER TO PROVISIONS FOR LIABILITIES AND CHARGES	(8,089)	(8,401)	(13,340)
110. OTHER OPERATING EXPENSES	(92,900)	(283,414)	(336,049)
120. ADJUSTMENTS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	(39,703)	(29,974)	(67,112)
130. WRITEBACKS OF LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	6,353	3,836	6,117
140. TRANSFERS TO CREDIT RISKS PROVISION	—	—	—
150. ADJUSTMENTS TO FINANCIAL ASSETS	(60,071)	(271,384)	(261,828)
160. WRITEBACKS TO FINANCIAL ASSETS	129,535	434	579
170. PROFIT (LOSS) ON INVESTMENTS STATED ON NET EQUITY BASIS	3,653	(2,389)	(3,972)
180. PROFIT (LOSS) ON ORDINARY ACTIVITIES	363,217	(180,377)	117,692
190. EXTRAORDINARY INCOME	20,079	2,351	3,238
200. EXTRAORDINARY EXPENDITURE	(2,628)	(4,086)	(48,112)
210. EXTRAORDINARY PROFIT (LOSS)	17,451	(1,735)	(44,874)
240. INCOME TAXES	—	—	(10,406)
250. PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO MINORITY INTERESTS	(9,090)	(3,999)	(8,793)
260. PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	371,578 ⁽¹⁾	(186,111) ⁽¹⁾	53,619

(1) Including transfer to provision for income taxes.

ACCOUNTING POLICIES

Methods of consolidation and accounting policies

Scope of consolidation

The consolidated interim accounts comprise the results of Mediobanca S.p.A. (the “Bank” or “Parent Company”) and those of its directly or indirectly controlled subsidiaries engaged in banking or financial services or solely or principally in activities of a substantially similar nature. The Bank’s other significant equity investments have been consolidated using the net equity method. A controlling interest was acquired in *Compagnie Monégasque de Banque* in July 2003; this company has been consolidated on the line-by-line basis for the first time accordingly.

All other equities, rights and participating interests are stated at book value, determined on the same basis as in the Bank’s accounts. Exceptions to these principles are explained in detail in the review of the Bank’s operations and the accompanying schedules.

Basis of consolidation

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

Net differences arising when the accounts were first consolidated have, where possible, been recorded in the assets and liabilities of the companies concerned. Other negative net differences have been taken to the item *Negative goodwill on consolidation*, and positive net differences to *Positive goodwill on consolidation*, with the latter being amortized over a period of five years.

The portion of net equity and share of profit for the period attributable to minority interests has been stated as *Net equity attributable to minority shareholders*.

Currency

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

Accounts expressed in foreign currencies

Accounts of subsidiaries denominated in currencies other than the Euro have been translated into Euros at exchange rates ruling on 31 December. Exchange differences against net equity arising when the accounts were first consolidated have been taken to *Other reserves* or the *Consolidated provision for future liabilities and charges*.

Accounts used for consolidation

The consolidated accounts have been prepared from the financial statements of the individual subsidiaries as at 31 December, restated where appropriate on a basis consistent with the format adopted for the Parent Company's accounts, and also adjusted to eliminate amounts charged to the profit and loss account solely to achieve tax benefits.

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

Loans and advances

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

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

Fixed income securities

These are broken down as between:

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

Listed securities and commitments to buy and sell such securities are stated at the lower of cost and market value, based on the average price in December in the case of non-investment securities, and on the average price in the six months ended 31 December in the case of investment securities where this reflects their current market values. If any other method of determining market value is adopted, this is stated in the review of the Bank's operations and the accompanying schedules.

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

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

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

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

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

Non-investment equities

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

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

Stock units held in SICAVs

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

Equity investments

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

Equity investments are stated at cost ⁽¹⁾ adjusted, where appropriate, to reflect statutory monetary revaluations and writedowns (in the case of listed securities) to market value at the balance sheet date and (in the case of unlisted securities) to the net equity of the business concerned at that date. In the Bank's accounts for years up to and including that ended 30 June 1993, the market value taken for the purposes of determining such writedowns was average middle market price in the fourth quarter of the period. Starting from the year ended 30 June 1994, market value has been based on average market price in the last half. Writebacks in whole or in part of amounts written down in prior years are made only where the circumstances that gave rise to the original writedown no longer subsist.

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

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

Tangible and intangible assets

These are stated at cost.

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

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

The capital cost of furniture, equipment and intangible assets is generally written off in the year of acquisition, since once acquired, their market value becomes insignificant. However, this principle does not apply in the case of some companies which, owing to the nature of their business, write down the capital cost of these items gradually on the basis of their remaining useful life.

Debt

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

Provision for liabilities and charges

Allocations covering current and deferred income taxes are made to the *Provision for taxation* under current tax regulations. Following the official introduction into Italian accounting practice of the principle of deferring advance tax, as sanctioned by the Bank of Italy on 3 August 1999, advance tax was recognised in your Bank's accounts as a deferred tax asset as from the year ended 30 June 2000, provided there is a reasonable certainty of it being recovered. On a prudential basis, such tax is so recognized where, according to budget projections, taxable income will be such as to enable the temporary differences that led to the advance payment to be fully reversed.

Other provisions cover specific or likely risks, commitments and liabilities which could not be quantified at the year-end.

Guarantees and commitments

Guarantees and commitments which involve exposures are stated at the value of the underlying transactions using the same principles as accounts receivable.

Foreign currency translation

Assets and liabilities in currencies other than the Euro are expressed in Euros at rates of exchange ruling at the year-end, with the exception of:

- a) investments, which are stated at historic exchange rates, unless they have been written down since acquisition;

- b) the portion of term loans formally denominated in currencies other than the Euro granted under intergovernmental agreements and special legislation is stated at its Euro equivalent ruling on the date of disbursement, since all exchange risks are covered by Italian State credit insurance policies or contractual guarantees.

Off-balance sheet transactions, including derivatives, in currencies other than the Euro are stated on the following basis:

- a) at the exchange rates ruling at the year-end, in the case of spot transactions pending settlement;
- b) at the price ruling at the year-end for maturities corresponding to those in the contract, in the case of forward contracts;
- c) in a manner consistent with the underlying on-and off-balance sheet assets and liabilities in the case of hedging transactions or deals related to them.

Off-balance sheet transactions

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

Other off-balance sheet transactions involving derivatives are stated at the lower of contract price and market value, with the proviso that all interlinked contracts are stated on a net basis.

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

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

Securities to be received or delivered under contracts pending settlement at the year-end are stated on the same basis as fixed-interest securities, equities held for trading purposes, stock held in SICAVs and investments in group companies, as the case may be.

Other items

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

2. Tax adjustments and provisions

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

No such adjustments have been made.

2.2. *Provisions made solely to comply with tax regulations*

No such provisions have been made.

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Segmental information

1.a *Loans and advances to customers by category of borrower (Asset heading 40)*

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
a) Governments	241,550	275,264	256,612
b) Other public agencies	88,040	95,335	90,066
c) Non-financial undertakings	9,543,228	8,031,667	7,003,399
d) Financial companies	3,596,317	4,783,186	4,642,249
e) Family firms	642,534	220,097	295,709
f) Other borrowers	2,969,688	3,165,532	3,434,624
	17,081,357	16,571,081	15,722,659

2. *Loans and advances to domestic non-financial undertakings and family firms by industry (*)*

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
a) Other sales services	1,839,133	2,896,030	2,387,278
b) Telecoms	1,723,961	741,721	422,153
c) Transport	960,446	185,752	158,667
d) Energy	801,098	832,066	1,087,724
e) Commercial services	797,477	386,081	402,734
f) Other industries	3,482,192	2,433,526	2,381,848
	9,604,307	7,475,176	6,840,404

(*) Restated.

3. *Guarantees given by category of counterparty (Heading 10 under Guarantees and Commitments)*

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
a) Governments	—	2,066	—
b) Other public agencies	—	103	2,727
c) Banks	49	49	49
d) Non-financial undertakings	138,610	95,196	142,965
e) Financial companies	456,703	392,909	488,196
f) Family firms	—	—	—
g) Other borrowers	244,367	—	1,229,213
	839,729	490,323	1,863,150

4. Significant exposures

	31/12/03	31/12/02	30/6/03
a) Total risk-weighted amount (€ '000)	9,189,008	11,256,005	9,907,232
b) Exposures (no.)	9	11	10

5. Assets and liabilities by maturity

	Repayable									Perpetual	Total
	On demand	Not more than 3 months	Over 3 months but not more than one year	Over 1 year but not more than 18 months		Over 18 months but not more than 5 years		Over 5 years			
				Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate		
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
1. ASSETS											
as at 31/12/03	1,637,232	20,576,618	21,763,601	1,453,413	875,045	6,832,136	5,258,509	4,430,237	4,736,480	284,809	67,848,080
as at 31/12/02	799,091	23,263,743	16,150,846	2,158,965	1,533,895	5,299,796	4,647,528	4,555,514	3,483,585	235,145	62,128,108
as at 30/6/03	2,513,448	16,255,827	18,477,961	1,703,021	1,238,259	6,331,918	3,167,826	6,424,148	4,605,742	249,130	60,967,280
1.1 Government securities eligible for refinancing	—	77,796	796,261	33,012	567	1,095,538	67,877	1,649,997	132,914	—	3,853,962
	—	51,490	240,578	270,745	—	481,014	125,086	485,945	36,816	—	1,691,674
	—	125,358	577,316	73,844	5,605	1,156,803	20,094	1,570,888	611,357	—	4,141,265
1.2 Amounts due from banks	1,266,771	3,521,481	56,583	4,433	5,216	26,393	29,668	7,043	22,042	88,336	5,027,966
	682,700	3,935,682	41,866	3,056	29,989	20,207	55,951	22,815	5,866	57,025	4,855,157
	1,825,796	928,436	71,890	4,339	42,634	25,551	20,731	11,873	12,246	46,640	2,990,136
1.3 Amounts due from customers	370,461	2,006,809	2,957,800	446,716	743,450	2,223,964	4,303,382	474,756	3,357,546	196,473	17,081,357
	116,391	3,093,198	3,922,107	521,641	966,890	1,887,553	3,368,643	591,563	1,924,975	178,120	16,571,081
	687,652	2,460,243	3,672,124	462,836	1,001,175	2,071,946	2,888,758	503,404	1,772,031	202,490	15,722,659
1.4 Bonds and other debt securities	—	589,732	574,201	144,524	77,572	896,709	309,458	791,220	677,533	—	4,060,949
	—	25,123	232,640	295,596	22,089	726,300	288,933	556,535	588,487	—	2,735,703
	—	41,754	287,427	307,008	47,448	712,927	183,518	778,287	1,052,142	—	3,410,511
1.5 Off-balance sheet instruments ⁽¹⁾	—	14,380,800	17,378,756	824,728	48,240	2,589,532	548,124	1,507,221	546,445	—	37,823,846
	—	16,158,250	11,713,655	1,067,927	514,927	2,184,722	808,915	2,898,656	927,441	—	36,274,493
	—	12,700,036	13,869,204	854,994	141,397	2,364,691	54,725	3,559,696	1,157,966	—	34,702,709
2. LIABILITIES											
as at 31/12/03	3,467,606	19,092,783	19,629,893	1,324,640	2,121,353	4,730,075	7,772,954	3,163,569	3,109,394	9	64,412,276
as at 31/12/02	1,915,418	19,209,423	14,719,987	2,036,908	1,255,917	9,671,620	4,001,387	4,725,461	2,660,140	13	60,196,274
as at 30/6/03	1,820,014	17,267,369	17,803,041	1,224,263	2,010,405	3,471,167	8,625,055	4,144,413	2,851,719	14	59,217,460
2.1 Amounts due to banks	1,176,928	1,361,778	1,067,445	10,361	231,653	9,175	322,590	—	1,032,642	—	5,212,572
	1,372,929	2,239,334	387,260	5,008	366,462	30,022	670,392	—	466,841	—	5,538,248
	1,146,875	1,112,919	589,323	20,735	770,743	9,287	619,549	—	516,354	—	4,785,785
2.2 Amounts due to customers	2,264,114	439,061	1,033,794	458	—	1,608	—	87	56,554	9	3,795,685
	513,028	561,493	126,334	13,033	—	150,311	—	165	5,000	—	1,369,364
	647,234	440,535	274,810	670	—	1,905	—	116	5,000	14	1,370,284
2.3 Debt securities in issue:	26,564	828,854	1,169,910	1,313,821	888,229	3,866,872	6,587,069	896,839	2,002,015	—	17,580,173
	29,461	309,444	2,026,258	1,082,358	389,966	6,765,747	2,995,719	2,412,147	1,003,056	13	17,014,169
	25,905	230,004	2,867,046	1,146,695	729,658	2,719,862	7,218,631	1,548,650	1,872,231	—	18,358,682
• bonds	208	667,297	827,524	1,167,684	861,920	3,540,978	6,379,855	635,438	1,730,315	—	15,811,219
	211	197,449	463,601	685,120	309,874	6,481,402	2,830,742	1,931,915	953,056	—	13,853,370
	208	43,955	1,185,797	959,337	728,815	2,432,953	6,985,586	1,152,540	1,778,731	—	15,267,922
• certificates of deposit	26,356	95,082	274,886	133,225	816	107,777	610	—	—	—	638,752
	29,250	109,495	278,487	173,745	2,263	164,148	1,018	—	—	—	758,406
	25,697	102,085	272,273	187,358	843	116,712	948	—	—	—	705,916
• other debt securities	—	66,475	67,500	12,912	25,493	218,117	206,604	261,401	271,700	—	1,130,202
	—	2,500	1,284,170	223,493	77,829	120,197	163,959	480,232	50,000	13	2,402,393
	—	83,964	1,408,976	—	—	170,197	232,097	396,110	93,500	—	2,384,844
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—	—	—
2.5 Off-balance sheet instruments ⁽¹⁾	—	16,463,090	16,358,744	—	1,001,471	852,420	863,295	2,266,643	18,183	—	37,823,846
	—	16,099,152	12,180,135	936,509	499,489	2,725,540	335,276	2,313,149	1,185,243	—	36,274,493
	—	15,483,911	14,071,862	56,163	510,004	740,113	786,875	2,595,647	458,134	—	34,702,709

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

6. Assets and liabilities by geographical area

	Italy € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
1. ASSETS				
as at 31/12/03	19,906,266	8,176,135	2,261,150	30,343,551
<i>as at 31/12/02</i>	<i>19,258,606</i>	<i>5,764,700</i>	<i>982,917</i>	<i>26,006,223</i>
<i>as at 30/6/03</i>	<i>21,165,051</i>	<i>5,219,960</i>	<i>1,072,730</i>	<i>27,457,741</i>
1.1 Amounts due from banks	2,395,478	1,981,131	651,357	5,027,966
	<i>2,147,330</i>	<i>2,621,830</i>	<i>85,997</i>	<i>4,855,157</i>
	2,007,759	885,833	96,544	2,990,136
1.2 Amounts due from customers	13,060,271	2,890,190	1,130,896	17,081,357
	<i>14,483,525</i>	<i>1,625,066</i>	<i>462,490</i>	<i>16,571,081</i>
	14,069,852	1,227,699	425,108	15,722,659
1.3 Securities	4,450,517	3,304,814	478,897	8,234,228
	<i>2,627,751</i>	<i>1,517,804</i>	<i>434,430</i>	<i>4,579,985</i>
	5,087,440	3,106,428	551,078	8,744,946
2. LIABILITIES				
as at 31/12/03	21,418,299	2,055,726	3,114,405	26,588,430
<i>as at 31/12/02</i>	<i>18,537,773</i>	<i>2,120,914</i>	<i>3,263,094</i>	<i>23,921,781</i>
<i>as at 30/6/03</i>	<i>19,263,606</i>	<i>2,073,080</i>	<i>3,178,065</i>	<i>24,514,751</i>
2.1 Amounts due to banks	3,625,962	1,516,672	69,938	5,212,572
	<i>4,022,311</i>	<i>1,462,258</i>	<i>53,679</i>	<i>5,538,248</i>
	3,378,163	1,380,792	26,830	4,785,785
2.2 Amounts due to customers	2,015,514	539,054	1,241,117	3,795,685
	<i>632,851</i>	<i>658,656</i>	<i>77,857</i>	<i>1,369,364</i>
	621,555	692,288	56,441	1,370,284
2.3 Debt securities	15,776,823	—	1,803,350	17,580,173
	<i>13,882,611</i>	—	<i>3,131,558</i>	<i>17,014,169</i>
	15,263,888	—	3,094,794	18,358,682
2.4 Subordinated liabilities	—	—	—	—
	—	—	—	—
	—	—	—	—
3. GUARANTEES AND COMMITMENTS				
as at 31/12/03	5,476,669	3,157,507	1,476,856	10,111,032
<i>as at 31/12/02</i>	<i>9,232,387</i>	<i>3,355,131</i>	<i>1,806,019</i>	<i>14,393,537</i>
<i>as at 30/6/03</i>	<i>8,781,771</i>	<i>4,175,735</i>	<i>1,919,455</i>	<i>14,876,961</i>

7. Assets and liabilities denominated in currencies other than the Euro

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
a) ASSETS			
1. Amounts due from banks	373,221	55,160	113,031
2. Amounts due from customers	566,380	603,895	550,566
3. Securities	301,545	100,350	149,611
4. Equity investments	893	984	893
5. Other accounts	74	1,575	14
	1,242,113	761,964	814,115
b) LIABILITIES			
1. Amounts due to banks	183,824	202,578	23,932
2. Amounts due to customers	413,151	7,670	617
3. Debt securities in issue	105,186	238,115	173,484
4. Other accounts	—	—	—
	702,161	448,363	198,033

8. Analysis of amounts due from banks as at 31 December 2003

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts	5,342	—	5,342
a.1. Non-performing lendings ⁽¹⁾	127	—	127
a.2. Potential problem lendings	—	—	—
a.3. Debt in process of restructuring	—	—	—
a.4. Restructured debt	—	—	—
a.5. Unsecured credits to countries at risk	5,215	—	5,215
b) Loans current as to payment of principal and interest	5,022,624	—	5,022,624
	5,027,966	—	5,027,966

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

Analysis of amounts due from banks as at 31 December 2002

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts	14,085	—	14,085
a.1. Non-performing lendings ⁽¹⁾	193	—	193
a.2. Potential problem lendings	—	—	—
a.3. Debt in process of restructuring	—	—	—
a.4. Restructured debt	12,592	—	12,592
a.5. Unsecured credits to countries at risk	1,300	—	1,300
b) Loans current as to payment of principal and interest	4,841,072	—	4,841,072
	4,855,157	—	4,855,157

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

Analysis of amounts due from banks as at 30 June 2003

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts	4,567	—	4,567
<i>a.1. Non-performing lendings ⁽¹⁾</i>	127	—	127
<i>a.2. Potential problem lendings</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	4,440	—	4,440
b) Loans current as to payment of principal and interest	2,985,569	—	2,985,569
	2,990,136	—	2,990,136

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

8.2. Movements in doubtful debts

	Non-performing lendings € '000	Potential problem loans € '000	Debts in process of restructuring € '000	Restructured debts € '000	Unsecured credits to countries at risk € '000	Total gross doubtful debt € '000
a) Gross exposure as at 30/6/03	127	—	—	—	4,440	4,567
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
b) Additions	—	—	—	—	2,375	2,375
<i>b.1. Transfers from loans current as to payment of principal and interest</i>	—	—	—	—	—	—
<i>b.2. Interest in suspense</i>	—	—	—	—	—	—
<i>b.3. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>b.4. Other additions</i>	—	—	—	—	2,375	2,375
c) Reductions	—	—	—	—	1,600	1,600
<i>c.1. Transfers to loans current as to payment of principal and interest</i>	—	—	—	—	—	—
<i>c.2. Amounts written off</i>	—	—	—	—	—	—
<i>c.3. Amounts collected</i>	—	—	—	—	—	—
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	—	—	—	—	—	—
<i>c.6. Other reductions</i>	—	—	—	—	1,600	1,600
d) Gross exposure as at 31/12/03	127	—	—	—	5,215	5,342
<i>d.1. of which: interest in suspense</i>	—	—	—	—	—	—

9. Amounts due from customers

9.1. Analysis of amounts due from customers as at 31 December 2003

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts	215,327	93,110	122,217
<i>a.1. Non-performing lendings</i>	164,169	81,775	82,394 ⁽¹⁾
<i>a.2. Potential problem lendings</i>	36,660	11,055	25,605
<i>a.3. Debt in process of restructuring</i>	13,164	—	13,164
<i>a.4. Restructured debt</i>	1,060	6	1,054
<i>a.5. Unsecured credits to countries at risk</i>	274	274	—
b) Loans current as to payment of principal and interest	16,973,882	14,742	16,959,140
	17,189,209	107,852	17,081,357

⁽¹⁾ € 64,614,000 of which owned by Cofactor.

Analysis of amounts due from customers as at 31 December 2002

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts	186,901	95,962	90,939
<i>a.1. Non-performing lendings</i>	132,713	79,845	52,868 ⁽¹⁾
<i>a.2. Potential problem lendings</i>	38,821	15,788	23,033
<i>a.3. Debt in process of restructuring</i>	15,038	—	15,038
<i>a.4. Restructured debt</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	329	329	—
b) Loans current as to payment of principal and interest	16,488,903	8,761	16,480,142
	16,675,804	104,723	16,571,081

⁽¹⁾ € 64,614,000 of which owned by Cofactor.

Analysis of amounts due from customers as at 30 June 2003

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts	204,447	95,439	109,008
<i>a.1. Non-performing lendings</i>	152,747	74,804	77,943 ⁽¹⁾
<i>a.2. Potential problem lendings</i>	37,113	20,217	16,896
<i>a.3. Debt in process of restructuring</i>	14,285	116	14,169
<i>a.4. Restructured debt</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	302	302	—
b) Loans current as to payment of principal and interest	15,618,511	4,860	15,613,651
	15,822,958	100,299	15,722,659

⁽¹⁾ € 64,614,000 of which owned by Cofactor.

9.2. Movements in doubtful debts

	Non-performing lendings € '000	Potential problem loans € '000	Debts in process of restructuring € '000	Restructured debts € '000	Unsecured credits to countries at risk € '000	Total gross doubtful debt € '000
a) Gross exposure as at 30/6/03	152,747	37,113	14,285	—	302	204,447
<i>a.1. of which: interest in suspense</i>	58,022	3,689	—	—	—	61,711
Adjustments due to change in companies consolidated	826	—	—	—	—	826
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
Gross exposure post-adjustment	153,573	37,113	14,285	—	302	205,273
<i>a.1. of which: interest in suspense</i>	58,022	3,689	—	—	—	61,711
b) Additions	25,408	24,745	324,032	2,120	274	376,579
<i>b.1. Transfers from loans current as to payment of principal and interest</i>	2,315	14,930	508	—	—	17,753
<i>b.2. Interest in suspense</i>	10,044	634	77	—	—	10,755
<i>b.3. Transfers from other classes of doubtful debt</i>	3,319	7,640	16,460	2,077	—	29,496
<i>b.4. Other additions</i>	9,730	1,541	306,987	43	274	318,575
c) Reductions	14,812	25,198	325,153	1,060	302	366,525
<i>c.1. Transfers to loans current as to payment of principal and interest</i>	237	3,562	—	—	—	3,799
<i>c.2. Amounts written off</i>	9,882	12,419	1,134	—	—	23,435
<i>c.3. Amounts collected</i>	3,702	3,351	8,290	1,060	—	16,403
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	412	3,803	25,281	—	—	29,496
<i>c.6. Other reductions</i>	579	2,063	290,448	—	302	293,392
d) Gross exposure as at 31/12/03	164,169	36,660	13,164	1,060	274	215,327
<i>d.1. of which: interest in suspense</i>	61,103	3,036	—	—	—	64,139

9.3. Movements in value adjustments

	Non-performing lendings	Potential problem loans	Debt in process of restructuring	Restructured debts	Unsecured credits to countries at risk	Loans current as to payment of principal and interest	Total adjustments
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
a) Total adjustments at 30/6/03	74,804	20,217	116	—	302	4,860	100,299
<i>a.1. of which: interest in suspense</i>	58,053	3,689	—	—	—	—	61,742
<i>Net variations due to changes in scope of consolidation</i>	—	—	—	—	—	—	—
<i>Total initial pro-forma adjustments</i>	74,804	20,217	116	—	302	4,860	100,299
<i>a.1. of which: interest in suspense</i>	58,053	3,689	—	—	—	—	61,742
b) Additions	24,013	31,580	—	122	274	10,628	66,617
<i>b.1. Value adjustments</i>	17,606	25,331	—	6	274	8,095	51,312
<i>b.1.1. of which: interest in suspense</i>	10,030	1,416	—	—	—	248	11,694
<i>b.2. Transfers from loan loss provision</i>	—	—	—	—	—	708	708
<i>b.3. Transfers from other classes of doubtful debt</i>	6,308	5,679	—	116	—	1,736	13,839
<i>b.4. Other additions</i>	99	570	—	—	—	89	758
c) Reductions	17,042	40,742	116	116	302	746	59,064
<i>c.1. Writebacks based on estimates</i>	63	3,168	—	—	—	—	3,231
<i>c.1.1. of which: interest in suspense</i>	—	—	—	—	—	—	—
<i>c.2. Writebacks of amounts collected</i>	1,265	1,027	—	116	—	714	3,122
<i>c.2.1. of which: interest in suspense</i>	488	277	—	—	—	6	771
<i>c.3. Amounts written off</i>	9,721	27,415	—	—	—	32	37,168
<i>c.4. Transfers to other classes of doubtful debt</i>	5,546	8,632	116	—	—	—	14,294
<i>c.5. Other reductions</i>	447	500	—	—	302	—	1,249
d) Total adjustments at 31/12/03	81,775	11,055	—	6	274	14,742	107,852
<i>d.1. of which: interest in suspense</i>	61,062	3,034	—	—	—	—	64,096

10. Secured loans to customers

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
a) Loans secured by mortgages	1,624,752	946,331	1,451,367
b) Loans secured by pledges on:			
1. cash deposits	1,889,493	15,570	18,032
2. securities	1,137,501	1,079,259	956,962
3. other assets	33,649	34,001	2,664
c) Loans secured by guarantees given by:			
1. governments	284,051	464,811	387,343
2. public agencies	671	2,324	1,385
3. banks	1,241,291	1,839,868	1,338,367
4. others	3,213,475	3,771,033	3,229,837

11. Amounts due from central banks (included under asset heading 30)

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
	88,209	69,424	46,513

12. Securities

12.a *Investment securities*

	Book value		
	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
1. DEBT SECURITIES	88,158	88,050	79,536
1.1 Government securities:	—	—	—
• listed	—	—	—
• unlisted	—	—	—
1.2 Other securities:	88,158	88,050	79,536
• listed	84,508	74,664	75,232
• unlisted	3,650	13,386	4,304
2. CAPITAL SECURITIES:	3,028	2,907	3,019
• listed	3,028	2,907	3,019
• unlisted	—	—	—
	91,186	90,957	82,555

12.b *Non-investment securities*

	Book value		
	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
1. DEBT SECURITIES	7,826,753	4,339,327	7,472,240
1.1 Government securities:	2,623,944	1,170,230	2,612,279
• listed	2,623,944	1,170,230	2,612,279
• unlisted	—	—	—
1.2 Other securities:	5,202,809	3,169,097	4,859,961
• listed	4,254,924	978,876	4,136,817
• unlisted	947,885	2,190,221	723,144
2. CAPITAL SECURITIES:	316,289	149,701	1,190,151
• listed	315,637	149,592	1,189,514
• unlisted	652	109	637
	8,143,042	4,489,028	8,662,391

12.c *Securities arising from debt securitizations at 31 December 2003*

Underlying asset	Credit quality	Book value			
		“Senior” securities	“Mezzanine” securities	“Junior” securities	Total
INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Credit cards		—	—	—	—
• Leasing		—	—	—	—
• Securities		—	—	—	—
• Sovereign loans guaranteed by SACE		—	—	—	—
• Health care receivables		—	—	—	—
• Other debt		—	—	—	—
Total		—	—	—	—
NON-INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Commercial, industrial and agricultural mortgages		—	—	—	—
• Leasing instalments	Current as to payment of principal and interest	156,896	—	8,410	165,306
• Other debt	Current as to payment of principal and interest	30,490	5,990	7,310	43,790
• Social security contributions		—	—	—	—
Total		187,386	5,990	15,720	209,096
TOTAL		187,386	5,990	15,720	209,096

12.d *Securities arising from debt securitizations* at 30 June 2003

Underlying asset	Credit quality	Book value			
		“Senior” securities	“Mezzanine” securities	“Junior” securities	Total
INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Credit cards		—	—	—	—
• Leasing		—	—	—	—
• Securities		—	—	—	—
• Sovereign loans guaranteed by SACE		—	—	—	—
• Health care receivables		—	—	—	—
• Other debt		—	—	—	—
Total		—	—	—	—
NON-INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Commercial, industrial and agricultural mortgages		—	—	—	—
• Leasing instalments	Current as to payment of principal and interest	144,591	—	8,410	153,001
• Other debt	Current as to payment of principal and interest	50,440	5,990	7,310	63,740
• Social security contributions		—	—	—	—
Total		195,031	5,990	15,720	216,741
TOTAL		195,031	5,990	15,720	216,741

12.e *Securities arising from debt securitizations* at 31 December 2002

Underlying asset	Credit quality	Book value			
		“Senior” securities	“Mezzanine” securities	“Junior” securities	Total
INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Credit cards		—	—	—	—
• Leasing		—	—	—	—
• Securities		—	—	—	—
• Sovereign loans guaranteed by SACE		—	—	—	—
• Health care receivables		—	—	—	—
• Other debt		—	—	—	—
Total		—	—	—	—
NON-INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Commercial, industrial and agricultural mortgages		—	—	—	—
• Leasing instalments	Current as to payment of principal and interest	155,900	—	8,410	164,310
• Other debt	Current as to payment of principal and interest	50,490	5,990	7,310	63,790
• Social security contributions		—	—	—	—
Total		206,390	5,990	15,720	228,100
TOTAL		206,390	5,990	15,720	228,100

Compass S.p.A.

During the period under review, Compass sold a further € 169,021,000 in performing loans as part of a securitization on the same terms as the original issue, i.e. quarterly revolving until October 2005. In its capacity as servicer to Quarzo S.r.l., it also collected a total of € 197,638,000, for which it earned fees of € 217,000.

SelmaBipiemme Leasing S.p.A.

During the period under review, SelmaBipiemme sold € 114,769,000 in performing loans as part of a securitization on the same terms as the original issue, i.e. quarterly revolving until April 2005. In its capacity as servicer to Quarzo S.r.l., it also collected a total of € 133,664,000, for which it earned fees of € 67,000.

12.f *Securities arising from debt securitizations* at 31 December 2003

Underlying asset	Credit quality	Book value			
		“Senior” securities	“Mezzanine” securities	“Junior” securities	Total
INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Credit cards		—	—	—	—
• Leasing		—	—	—	—
• Securities		—	—	—	—
• Sovereign loans guaranteed by SACE		—	—	—	—
• Health care receivables		—	—	—	—
• Other debt		—	—	—	—
Total		—	—	—	—
NON-INVESTMENT SECURITIES					
• Residential mortgages	Current as to payment of principal and interest	4,998	—	—	4,998
• Commercial, industrial and agricultural mortgages		—	—	—	—
• Leasing instalments	Current as to payment of principal and interest	100,930	13,031	—	113,961
• Other debt	Non-performing	31,568	—	—	31,568
• Social security contributions	Current as to payment of principal and interest	60,819	—	—	60,819
Total		—	—	—	—
TOTAL		198,315	13,031	—	211,346
		198,315	13,031	—	211,346

12.g *Securities arising from debt securitizations* at 30 June 2003

Underlying asset	Credit quality	Book value			
		“Senior” securities	“Mezzanine” securities	“Junior” securities	Total
INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Credit cards		—	—	—	—
• Leasing		—	—	—	—
• Securities		—	—	—	—
• Sovereign loans guaranteed by SACE		—	—	—	—
• Health care receivables		—	—	—	—
• Other debt		—	—	—	—
Total		—	—	—	—
NON-INVESTMENT SECURITIES					
• Residential mortgages	Current as to payment of principal and interest	4,998	—	—	4,998
• Commercial, industrial and agricultural mortgages		—	—	—	—
• Leasing instalments	Current as to payment of principal and interest	134,746	11,692	—	146,438
• Other debt	Non-performing	32,170	—	—	32,170
• Social security contributions	Current as to payment of principal and interest	32,691	—	—	32,691
Total		—	—	—	—
TOTAL		204,605	11,692	—	216,297
		204,605	11,692	—	216,297

12.h *Securities arising from debt securitizations* at 31 December 2002

Underlying asset	Credit quality	Book value			
		“Senior” securities	“Mezzanine” securities	“Junior” securities	Total
INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Credit cards		—	—	—	—
• Leasing		—	—	—	—
• Securities		—	—	—	—
• Sovereign loans guaranteed by SACE		—	—	—	—
• Health care receivables		—	—	—	—
• Other debt		—	—	—	—
Total		—	—	—	—
NON-INVESTMENT SECURITIES					
• Residential mortgages		—	—	—	—
• Commercial, industrial and agricultural mortgages		—	—	—	—
• Leasing instalments	Current as to payment of principal and interest	28,008	11,780	—	39,788
• Other debt	Non-performing	34,964	—	—	34,964
• Social security contributions		—	—	—	—
Total		62,972	11,780	—	74,752
TOTAL		62,972	11,780	—	74,752

13. Guarantees and commitments

13.1. Guarantees given (Heading 10 under Guarantees and Commitments)

	31/12/03			31/12/02			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Bills backed or endorsed	6,868	—	6,868	—	—	—	—	—	—
b) Letters of guarantee	448,941	383,920	832,861	427,498	62,825	490,323	1,850,046	13,104	1,863,150
c) Assets pledged as collateral security	—	—	—	—	—	—	—	—	—
	455,809	383,920	839,729	427,498	62,825	490,323	1,850,046	13,104	1,863,150

13.2. Commitments (Heading 20 under Guarantees and Commitments)

	31/12/03			31/12/02			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Commitments to lend specific funds:									
• securities to be received	705,408	134,691	840,099	5,091,528	1,105,420	6,196,948	632,678	450,085	1,082,763
• amounts undrawn under existing loan agreements	1,884,078	1,568,293	3,452,371	2,339,976	1,476,289	3,816,265	3,374,370	2,993,726	6,368,096
• other commitments and exposures	29,544	—	29,544	19,680	—	19,680	21,436	75,046	96,482
	2,619,030	1,702,984	4,322,014	7,451,184	2,581,709	10,032,893	4,028,484	3,518,857	7,547,341
b) Commitments to provide funds on a stand-by basis:									
• loans agreed on a conditional basis	1,836,384	1,459,186	3,295,570	1,118,833	1,396,652	2,515,485	2,533,825	978,887	3,512,712
• participations in underwriting syndicates	20,135	—	20,135	58,635	—	58,635	253,736	—	253,736
• other commitments and exposures	186,253	803,774	990,027	176,237	780,464	956,701	128,852	1,226,670	1,355,522
	2,042,772	2,262,960	4,305,732	1,353,705	2,177,116	3,530,821	2,916,413	2,205,557	5,121,970
	4,661,802	3,965,944	8,627,746	8,804,889	4,758,825	13,563,714	6,944,897	5,724,414	12,669,311

Credit derivatives (Heading 20 under Guarantees and Commitments)

	31/12/03			31/12/02			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Protection sales in banking book:									
• with exchange of principal	—	205,000	205,000	—	190,000	190,000	—	205,000	205,000
• without exchange of principal	—	—	—	—	—	—	—	—	—
	—	205,000	205,000	—	190,000	190,000	—	205,000	205,000
b) Protection sales in trading book:									
• with exchange of principal	259,057	179,500	438,557	—	149,500	149,500	—	139,500	139,500
• without exchange of principal	—	—	—	—	—	—	—	—	—
	259,057	179,500	438,557	—	149,500	149,500	—	139,500	139,500
	259,057	384,500	643,557	—	339,500	339,500	—	344,500	344,500

15. Forward transactions

	31/12/03			31/12/02			30/6/03		
	Hedging transactions € '000	Trading transactions € '000	Other transactions € '000	Hedging transactions € '000	Trading transactions € '000	Other transactions € '000	Hedging transactions € '000	Trading transactions € '000	Other transactions € '000
1. DEALING	—	4,501,003	322,800	148,200	14,358,646	490,809	148,200	3,661,997	491,206
1.1 Securities:	—	4,271,390	322,800	148,200	14,358,646	490,809	148,200	3,661,997	491,206
• bought	—	860,657	—	148,200	6,048,748	—	148,200	934,563	—
• sold	—	3,410,733	322,800	—	8,309,898	490,809	—	2,727,434	491,206
1.2 Foreign currency: ⁽¹⁾	—	229,613	—	—	—	—	—	—	—
• currency bought/sold for currency	—	—	—	—	—	—	—	—	—
• currency bought for Euros	—	130,931	—	—	—	—	—	—	—
• currency sold for Euros	—	98,682	—	—	—	—	—	—	—
2. DEPOSITS AND LOANS	—	831,385	145,000	—	—	390	—	4,969,658	15,366
• pending disbursement	—	755,608	100,000	—	—	—	—	3,861,121	—
• pending receipt	—	75,777	45,000	—	—	390	—	1,108,537	15,366
3. DERIVATIVE CONTRACTS	19,526,191	23,997,761	16,082,250	19,004,037	11,406,760	13,540,046	21,067,078	18,383,600	16,509,238
3.1 With exchange of principal:	455,099	4,954,516	1,759,757	3,244,749	3,667,500	2,642,486	2,721,609	6,272,145	4,268,896
a) Securities: ⁽²⁾	375,095	4,088,260	1,759,757	2,031,000	3,465,345	2,642,486	1,587,665	5,752,167	4,268,896
• bought	—	1,585,239	608,355	1,595,095	1,250,721	463,421	1,212,570	1,687,004	1,519,119
• sold	375,095	2,503,021	1,151,402	435,905	2,214,624	2,179,065	375,095	4,065,163	2,749,777
b) Foreign currency:	80,004	866,256	—	1,213,749	202,155	—	1,133,944	519,978	—
• currency bought/sold for currency	—	36,260	—	—	—	—	—	—	—
• currency bought for Euros	25,444	221,961	—	582,380	23,839	—	544,006	32,801	—
• currency sold for Euros	54,560	608,035	—	631,369	178,316	—	589,938	487,177	—
c) Other value items:	—	—	—	—	—	—	—	—	—
• bought	—	—	—	—	—	—	—	—	—
• sold	—	—	—	—	—	—	—	—	—
3.2 Without exchange of principal:	19,071,092	19,043,245	14,322,493	15,759,288	7,739,260	10,897,560	18,345,469	12,111,455	12,240,342
a) Foreign currency:	—	—	—	—	—	—	—	—	—
• currency bought/sold for currency	—	—	—	—	—	—	—	—	—
• currency bought for Euros	—	—	—	—	—	—	—	—	—
• currency sold for Euros	—	—	—	—	—	—	—	—	—
b) Other value items: ^{(1) (2)}	19,071,092	19,043,245	14,322,493	15,759,288	7,739,260	10,897,560	18,345,469	12,111,455	12,240,342
• bought	14,151,507	9,436,982	5,203,799	10,652,118	3,175,807	4,590,683	13,148,093	5,943,018	4,336,576
• sold	4,919,585	9,606,263	9,118,694	5,107,170	4,563,453	6,306,877	5,197,376	6,168,437	7,903,766

⁽¹⁾ Excludes contracts which provide for the exchange of two floating exchange rates (basis swaps) in a nominal amount of € 3,389,734,000.

⁽²⁾ Amounts bought and sold include derivatives incorporated into financial instruments worth a total amount at € 10,633,215,000.

15.1 Credit derivatives

	31/12/03		31/12/02		30/6/03	
	Hedging transactions € '000	Trading transactions € '000	Hedging transactions € '000	Trading transactions € '000	Hedging transactions € '000	Trading transactions € '000
1. HEDGE BUYS	95,000	349,609	100,000	106,000	115,000	183,500
1.1 With exchange of principal	95,000	349,609	100,000	106,000	115,000	183,500
• <i>credit default</i>	95,000	349,609	100,000	106,000	115,000	183,500
• <i>credit linked notes</i>	—	—	—	—	—	—
• <i>credit spread option</i>	—	—	—	—	—	—
• <i>total rate of return swap</i>	—	—	—	—	—	—
1.2 Without exchange of principal	—	—	—	—	—	—
• <i>credit default</i>	—	—	—	—	—	—
• <i>credit linked notes</i>	—	—	—	—	—	—
• <i>credit spread option</i>	—	—	—	—	—	—
• <i>total rate of return swap</i>	—	—	—	—	—	—
2. HEDGE SALES	205,000	438,557	190,000	149,500	205,000	139,500
2.1 With exchange of principal	205,000	438,557	190,000	149,500	205,000	139,500
• <i>credit default</i>	205,000	438,557	190,000	149,500	205,000	139,500
• <i>credit linked notes</i>	—	—	—	—	—	—
• <i>credit spread option</i>	—	—	—	—	—	—
• <i>total rate of return swap</i>	—	—	—	—	—	—
2.2 Without exchange of principal	—	—	—	—	—	—
• <i>credit default</i>	—	—	—	—	—	—
• <i>credit linked notes</i>	—	—	—	—	—	—
• <i>credit spread option</i>	—	—	—	—	—	—
• <i>total rate of return swap</i>	—	—	—	—	—	—

16. Amounts due from and to group undertakings

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
a) AMOUNTS DUE FROM GROUP UNDERTAKINGS	2,886	513	3,133
1. Amounts due from banks <i>of which: subordinated</i>	2,375 —	— —	2,625 —
2. Amounts due from financial companies <i>of which: subordinated</i>	—	—	—
3. Amounts due from other customers <i>of which: subordinated</i>	511 —	513 —	508 —
4. Bonds and other debt securities <i>of which: subordinated</i>	— —	— —	— —
b) AMOUNTS DUE TO GROUP UNDERTAKINGS	310	87	17
1. Amounts due to banks	—	—	—
2. Amounts due to financial companies	—	—	—
3. Amounts due to other customers	310	87	17
4. Debt securities	—	—	—
5. Subordinated liabilities	—	—	—
c) GUARANTEES AND COMMITMENTS	5	3	2,109
1. Guarantees given	—	—	—
2. Commitments	5	3	2,109

17. Assets under management

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
Securities under management for clients	6,247,000 ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾

⁽¹⁾ For information purposes only the Banca Esperia group had total AuM of € 4,590,132,000, compared with € 2,080,159,000 at 31 December 2002 and € 2,675,409,000 at 30 June 2003.

Securities held for safekeeping and as collateral

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
a) THIRD PARTY SECURITIES HELD:	7,832,858	3,971,369	4,666,148
a/1) <i>for safekeeping</i>	1,446,268	1,585,498	1,599,873
a/2) <i>as trustees</i>	965,641	1,285,041	1,215,283
a/3) <i>as collateral</i>	5,420,949	1,100,830	1,850,992
b) THIRD PARTY SECURITIES HELD BY THIRD PARTIES	4,355,529	3,783,862	4,005,469
c) OWN SECURITIES HELD BY THIRD PARTIES	9,892,927	8,076,388	9,219,484

18. Regulatory capital and capital adequacy requirements

	31/12/03 € '000	31/12/02 € '000	30/6/03 € '000
a) Regulatory capital			
a.1. Tier 1 capital	4,974,292	4,697,268	4,795,091
a.2. Tier 2 capital	936,049	839,519	907,450
a.3. Supervisory deductions	(125,170)	(140,851)	(140,776)
a.4. Regulatory capital	5,785,171	5,395,936	5,561,765
b) Capital adequacy requirements			
b.1. Credit risk	1,827,353	1,973,879	1,974,209
b.2. Market risk	325,173	214,787	295,349
• on non-investment securities	239,353	166,500	262,587
• on exchange rates	10,439	—	—
• on loan concentrations	75,381	48,287	32,762
b.2.1 Tier 3 subordinated loans	—	—	—
b.3. Other capital adequacy requirements	26,475	33,489	24,970
b.4. Total capital adequacy requirements	2,179,001	2,222,155	2,294,528
c) Risk assets and capital adequacy ratios			
c.1. Risk-weighted assets	27,237,513	27,776,938	28,681,600
c.2. Tier 1 capital as % of risk-weighted assets	18.26%	16.91%	16.72%
c.3. Regulatory capital as % of risk-weighted assets	21.24%	19.43%	19.39%

Positive goodwill on consolidation (Asset heading 90: breakdown and movements)

COMPANY	Balance at 30/06/2003	Values recorded dur- ing period	Other movements	Goodwill amortized dur- ing period	Balance at 31/12/2003
Compagnie Monégasque de Banque	—	21,755	—	2,175	19,580

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

1. Interest

1.1. Interest and similar income receivable (Heading 10)

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
a) Interest on amounts due from banks <i>of which: deposits with central banks</i>	57,480 630	55,029 834	105,425 1,453
b) Interest on amounts due from customers <i>of which: on loans made with third party funds under management</i>	426,068 —	467,158 —	883,265 —
c) Interest on debt securities	160,121	144,219	267,331
d) Other interest receivable	1,345	1,899	4,187
e) Surplus on hedging margins	55,215	28,116	54,469
	700,229	696,421	1,314,677

1.2. Interest and similar expenses payable (Heading 20)

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
a) Interest on amounts due to banks	93,171	119,015	213,502
b) Interest on amounts due to customers	55,848	16,239	35,611
c) Interest on debt securities in issue <i>of which: certificates of deposit</i>	306,970 ^(†) 11,042 ^(†)	335,215 ^(†) 14,813 ^(†)	649,756 ^(†) 27,449 ^(†)
d) Interest on third parties' funds under management	—	—	—
e) Interest on subordinated liabilities	—	—	—
f) Shortfall on hedging margins	—	—	—
g) Other interest payable	39	5,524	1,110
	456,028	475,993	899,979

^(†) Includes commission on deposits.

2. Non-Euro interest

2.1. Non-Euro interest and similar income receivable

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
On non-Euro assets	15,785	14,807	27,428

2.2. Non-Euro interest and similar expenses payable

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
On non-Euro liabilities	14,400	9,262	11,369

3. Commissions

3.1. Heading 40: *Commissions receivable*

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
a) Guarantees given	2,258	870	1,423
b) Collection and payment services	1,703	2,412	3,935
c) Management, trading and consulting services:	52,235	18,105	37,200
1. securities dealing	9,178	2,786	5,850
2. currency dealing	—	—	—
3. asset management	2,077 ⁽¹⁾	— ⁽¹⁾	— ⁽¹⁾
3.1 private individuals	2,077	—	—
3.2 groups	—	—	—
4. securities safekeeping and administration	1,867	458	935
5. bank deposits	—	—	—
6. securities placing	29,212	14,141	30,021
7. procurement of orders	6	—	—
8. consultancy	9,895	720	394
9. agency fees	—	—	—
9.1 asset management	—	—	—
9.1.1 private individuals	—	—	—
9.1.2 groups	—	—	—
9.2 insurance products	—	—	—
9.3 other	—	—	—
d) Tax collection services	812	108	54
e) Securitization servicing	284	214	413
f) Tax collection services	—	—	—
g) Other services:	81,452	59,492	156,907
• commissions on loans to customers	42,533	41,551	97,792
• customer advice and assistance	36,613	15,034	53,173
• other	2,306	2,907	5,942
	138,744	81,201	199,932

⁽¹⁾ For information purposes only, the Banca Esperia group generated fees of € 18,445,000, compared with € 5,504,000 at 31 December 2002 and € 13,509,000 at 30 June 2003).

3.2. Heading 40: *Fees receivable for distributing products and services*

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
a) On the Bank's own premises	31,289	14,141	30,021
1. asset management	2,077	—	—
2. securities placing	29,212	14,141	30,021
3. services and products	—	—	—
b) Provided by third parties	—	—	—
1. asset management	—	—	—
2. securities placing	—	—	—
3. services and products	—	—	—
	31,289	14,141	30,021

3.3 Heading 50: *Commissions payable*

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
a) Guarantees received	2	113	116
b) Credit derivatives	1,237	1,737	3,297
c) Management and trading services:	7,349	1,730	2,253
1. securities dealing	839	—	—
2. currency dealing	—	—	—
3. asset management	1	1	2
3.1 own portfolio	1	1	2
3.2 third parties' portfolios	—	—	—
4. securities safekeeping and administration	339	166	495
5. securities placing	6,170	1,563	1,756
6. door-to-door sales of securities, products and services	—	—	—
d) Collection and payment services	200	84	165
e) Other services:	33,897	31,278	58,919
• commissions on transactions with banks, the Bank of Italy and Ufficio Italiano Cambi	5,530	8,751	9,752
• Commissions payable to brokers for securities and derivatives trading	1,383	181	2,358
• commissions payable on facilities	7,913	8,945	10,476
• commissions paid to agents	19,071 ⁽¹⁾	13,401 ⁽¹⁾	36,333 ⁽¹⁾
	42,685	34,942	64,750

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

4. Gains and losses on dealing transactions

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

	6 months to 31/12/03				6 months to 31/12/02				12 months to 30/6/03			
	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000
A.1 Revaluations	2,173 ⁽¹⁾	—	(2,943)	(770)	42,616	—	20,793	63,409	14,266	—	15,598	29,864
A.2 Writedowns	(33,959) ⁽²⁾	—	24,193	(9,766)	(36,543)	—	(62,123)	(98,666)	(10,909)	—	(74,496)	(85,405)
B. Other gains (losses)	65,272 ⁽³⁾	1,224	(51)	66,445	(38,169)	83	(10,823)	(48,909)	(88,301)	8,805	(37,671)	(117,167)
	33,486	1,224	21,199	55,909	(32,096)	83	(52,153)	(84,166)	(84,944)	8,805	(96,569)	(172,708)
<i>of which:</i>												
1. Government securities	4,305				10,428				1,275			
2. Other debt securities	(27,481)				46,135				102,768			
3. Capital securities	(20,030)				(249,103)				(154,633)			
4. Derivatives	76,692				160,444				(34,354)			

⁽¹⁾ Includes € 520,000 relating to fixed income securities and € 1,369,000 relating to capital securities.

⁽²⁾ Includes € 25,397,000 relating to fixed income securities and € 528,000 relating to capital securities.

⁽³⁾ Comprises net gains of € 1,701,000 on fixed income securities dealing; net losses of € 20,871,000 on capital securities; positive net margins on futures contracts of € 69,832,000, and net gains on options of € 14,610,000.

5. Extraordinary items

5.1. Heading 190: *Extraordinary income*

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
Gain on sale of financial assets	17,510	—	317
Adjustments on consolidation	29	393	454
Gain on disposal of tangible assets	933	2	—
Overprovision for taxation credited back to earnings	—	—	3
Other extraordinary income	1,607	1,956	2,464
	20,079	2,351	3,238

5.2. Heading 200: *Extraordinary expenditure*

	6 months to 31/12/03 € '000	6 months to 31/12/02 € '000	12 months to 30/6/03 € '000
Loss on disposal of financial assets	145	1	39,378
Adjustments on consolidation	—	3,627	4,114
Loss on disposal of tangible assets	3	3	36
Other extraordinary expenditure	2,480	455	4,584
	2,628	4,086	48,112

OTHER INFORMATION

1. Average number of employees by category

	6 months to 31/12/03 No.	6 months to 31/12/02 No.	12 months to 30/6/03 No.
a) Senior executives	90	74	73
b) Grade 3 and 4 managers	304	252	234
c) Other staff	1,074	1,004	995
	1,468	1,330	1,302

CONSOLIDATED COMPANIES

	Head office	Share capital €	Par value per share €	Group interest		% voting shares at Ord. AGMs
				Held by (¹)	Equity interest %	
A. CONSOLIDATED COMPANIES						
<i>A.1 Companies consolidated on line-by-line basis</i>						
1. MEDIOBANCA - Banca di Credito Finanziario S.p.A.	Milan	389,285,207.50	0.50	—	—	—
2. MB FINSTRUTTURE - INTERSOMER S.p.A.	Milan	6,500,000	0.50	A.1.1	100.00	100.00
3. PROMINVESTMENT S.p.A.	Rome	743,000	0.52	A.1.1	70.00	70.00
4. PRUDENTIA FIDUCIARIA S.p.A.	Milan	100,000	5	A.1.1	100.00	100.00
5. SADE FINANZIARIA S.p.A.	Milan	6,500,000	0.50	A.1.1	100.00	100.00
6. SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A.	Milan	500,000	5	A.1.1	100.00	100.00
7. SPAFID S.p.A.	Milan	100,000	10	A.1.1	100.00	100.00
8. TECHNOSTART S.p.A.	Milan	1,000,000	0.50	A.1.1	69.00	69.00
9. MEDIOBANCA INTERNATIONAL Ltd	Grand Cayman	USD 10m	USD 1	A.1.1	100.00	100.00
10. COMPAGNIE MONEGASQUE DE BANQUE ⁽²⁾	Monte Carlo	111,100,000	200	A.1.1	61.64	61.64
11. COMPASS S.p.A.	Milan	87,500,000	5	A.1.1	100.00	100.00
12. MICOS BANCA SpA	Milan	35,000,000	0.50	A.1.11	100.00	100.00
13. COFACTOR S.p.A.	Milan	7,500,000	0.50	A.1.11	100.00	100.00
14. SELMABIPIEMME LEASING S.p.A.	Milan	40,200,000	0.50	A.1.11	61.65	61.65
15. PALLADIO LEASING S.p.A.	Vicenza	8,700,000	0.50	A.1.14 A.1.15	95.00 5.00	100.00
16. TELELEASING S.p.A.	Milan	9,500,000	1	A.1.14	80.00	80.00

⁽¹⁾ See number in extreme left-hand column for holder of Group interest.

⁽²⁾ Compagnie Monégasque de Banque has been consolidated on the line-by-line basis for the first time, after a controlling interest in this company was acquired during the past financial year.

cont.: Consolidated companies

	Head office	Share capital €	Par value per share €	Group interest		% voting shares at Ord. AGMs
				Held by (¹)	Equity interest %	
B. COMPANIES CONSOLIDATED ON NET EQUITY BASIS						
1. BANCA ESPERIA S.p.A.	Milan	13,000,000	0.52	A.1.1	48.50	48.50
2. CREDITECH S.p.A.	Milan	250,000	1	A.1.11	100.00	100.00
3. RICERCHE E STUDI S.p.A.	Milan	100,000	5	A.1.1	100.00	100.00
4. MB VENTURE CAPITAL S.A.	Luxembourg	40,000	10	A.1.8	35.00	35.00
5. MB VENTURE CAPITAL FUND I PARTICIPATING COMPANY A N.V.	Amsterdam	50,000	1	A.1.1	45.00	45.00
6. FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A.	Milan	15,600,000	520	A.1.1	25.00	25.00
7. ATHENA PRIVATE EQUITY S.A.	Luxembourg	50,000,000	2	A.1.1	24.46	24.46
C. OTHER SIGNIFICANT INVESTMENTS						
1. TRADEVCO Ltd	Monrovia, Liberia	LRD 80m	LRD 16,000	A.1.1 C.1	60.00 40.00	100.00
2. CARTIERE BURGO S.p.A.	Verzuolo (CN)	156,300,000	0.52	A.1.1	29.07	29.07
3. IRAN AND ITALY INDUSTRIAL PROMOTION COMPANY	Tehran	Rials 400m	Rials 100,000	A.1.1	50.00	50.00
4. SCONTOFIN S.A.	Luxembourg	2,600,000	516.5	A.1.5	20.00	20.00
5. ZAMBIA TANZANIA ROAD SERVICES Ltd. (in liquidation)	Lusaka	Kwacha 4m	Kwacha 200	A.1.2	23.33	23.33

(¹) See number in extreme left-hand column for holder of Group interest.

INTERIM ACCOUNTS OF THE BANK

BALANCE SHEET

	Assets	31/12/03	31/12/02	30/6/03
		€ '000	€ '000	€ '000
10.	CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES	49	55	74
20.	GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS	3,847,267	1,689,099	4,138,586
30.	AMOUNTS DUE FROM BANKS:	4,959,154	5,009,462	3,232,664
	a) deposits and loans repayable on demand	1,225,894	647,008	1,795,443
	b) other accounts	3,733,260	4,362,454	1,437,221
40.	AMOUNTS DUE FROM CUSTOMERS	13,797,308	13,824,605	12,937,379
	<i>of which:</i>			
	• <i>loans using funds managed for third parties</i>	—	—	—
50.	BONDS AND OTHER DEBT SECURITIES ISSUED BY:	3,363,539	2,573,993	3,033,790
	a) government and public agencies	511,239	272,247	692,518
	b) banks	1,083,989	654,397	738,192
	<i>of which:</i>			
	• <i>own bonds</i>	659,670	461,672	435,686
	c) financial companies	1,218,637	1,112,468	1,175,035
	<i>of which:</i>			
	• <i>own bonds</i>	—	—	—
	d) other issuers	549,674	534,881	428,045
60.	EQUITIES, PARTICIPATING INTERESTS AND OTHER CAPITAL SECURITIES	267,461	148,669	1,182,641
70.	EQUITY INVESTMENTS	2,571,998	2,764,388	2,570,320
80.	INVESTMENTS IN GROUP UNDERTAKINGS	396,471	118,504	118,731
90.	INTANGIBLE ASSETS	—	—	—
	<i>of which:</i>			
	• <i>installation costs</i>	—	—	—
	• <i>goodwill</i>	—	—	—
100.	TANGIBLE FIXED ASSETS	10,290	11,004	10,647
130.	OTHER ASSETS	602,174	541,380	722,145
140.	ACCRUED INCOME AND PREPAID EXPENSES:	1,431,132	1,150,055	1,271,224
	a) accrued income	1,147,347	926,436	987,311
	b) prepaid expenses	283,785	223,619	283,913
	<i>of which:</i>			
	• <i>discounts on bonds issued</i>	62,237	24,658	51,756
		31,246,843	27,831,214	29,218,201

GUARANTEES AND COMMITMENTS

		31/12/03	31/12/02	30/6/03
		€ '000	€ '000	€ '000
10.	GUARANTEES GIVEN	3,310,080	4,769,070	5,768,158
	<i>of which:</i>			
	• <i>acceptances</i>	—	—	—
	• <i>other guarantees</i>	3,310,080	4,769,070	5,768,158
20.	COMMITMENTS	10,437,873	15,480,996	14,493,152
	<i>of which:</i>			
	• <i>assets sold under repurchase agreements</i>	—	—	—
30.	CREDIT DERIVATIVES	643,557	339,500	344,500

	Liabilities and shareholders' equity	31/12/03	31/12/02	30/6/03
		€ '000	€ '000	€ '000
10.	AMOUNTS DUE TO BANKS:	4,263,870	6,006,648	5,049,270
	a) repayable on demand	776,171	951,340	910,494
	b) term deposits and deposits under notice	3,487,699	5,055,308	4,138,776
20.	AMOUNTS DUE TO CUSTOMERS:	2,484,517	1,198,283	1,222,647
	a) repayable on demand	1,945,629	498,336	662,118
	b) term deposits and deposits under notice	538,888	699,947	560,529
30.	DEBT SECURITIES IN ISSUE:	15,875,614	14,022,415	15,359,679
	a) bonds	15,047,744	13,129,973	14,505,512
	b) certificates of deposit	638,752	758,406	705,916
	c) other debt securities	189,118	134,036	148,251
50.	OTHER LIABILITIES	3,010,694	1,433,503	2,174,340
60.	ACCRUED EXPENSES AND DEFERRED INCOME:	870,086	782,399	738,996
	a) accrued expenses	599,265	518,887	454,569
	b) deferred income	270,821	263,512	284,427
70.	PROVISION FOR STAFF TERMINATION INDEMNITIES	12,036	12,372	14,885
80.	PROVISIONS FOR LIABILITIES AND CHARGES:	54,126	116,439	168,401
	a) post-retirement and similar benefits	—	—	—
	b) provision for taxation	49,036	116,439	163,311
	c) other provisions	5,090	—	5,090
90.	LOAN LOSS PROVISION	316,627	279,627	286,627
100.	PROVISION FOR GENERAL BANKING RISKS	638,935	638,935	638,935
120.	SHARE CAPITAL	389,285	389,275	389,275
130.	SHARE PREMIUM RESERVE	1,807,256	1,807,114	1,807,114
140.	RESERVES:	1,220,305	1,374,390	1,374,391
	a) legal reserves	77,855	77,854	77,855
	b) reserve for purchase of own shares and participating interests	—	—	—
	c) statutory reserves	893,452	1,033,591	1,033,591
	d) other reserves	248,998	262,945	262,945
150.	REVALUATION RESERVES	7,587	7,587	7,587
160.	RETAINED EARNINGS (ACCUMULATED LOSSES)	—	81	81
170.	PROFIT (LOSS) FOR THE PERIOD	295,905 ⁽¹⁾	(237,854) ⁽¹⁾	(14,027)
		31,246,843	27,831,214	29,218,201

⁽¹⁾ Including transfer to provision for income taxes.

PROFIT AND LOSS ACCOUNT

	6 months to 31/12/03	6 months to 31/12/02	12 months to 30/6/03
	€ '000	€ '000	€ '000
10. INTEREST RECEIVABLE AND SIMILAR INCOME	508,520	543,126	1,015,670
<i>of which:</i>			
• <i>loans and advances to customers</i>	259,146	322,888	590,072
• <i>debt securities</i>	126,181	116,837	218,419
20. INTEREST PAYABLE AND SIMILAR EXPENSES	(416,750)	(434,363)	(826,858)
<i>of which:</i>			
• <i>customer deposits</i>	(45,420)	(13,347)	(28,078)
• <i>securities issued</i>	(269,487)	(291,625)	(566,370)
30. DIVIDENDS FROM AND OTHER INCOME ON:	57,586	37,419	288,443
a) equities, participating interests and other capital securities	897	37,399	185,992
b) equity investments	56,689	20	102,451
c) investments in group undertakings	—	—	—
40. COMMISSIONS RECEIVABLE	109,041	75,512	189,045
50. COMMISSIONS PAYABLE	(18,985)	(16,759)	(30,544)
60. GAINS (LOSSES) ON DEALING TRANSACTIONS	55,658	(71,153)	(168,509)
70. OTHER INCOME FROM OPERATIONS	80,974	270,890	302,412
80. ADMINISTRATIVE EXPENSES:	(58,096)	(53,298)	(125,746)
a) personnel costs	(32,519)	(29,320)	(74,507)
<i>of which:</i>			
• <i>wages and salaries</i>	(23,070)	(21,436)	(50,811)
• <i>social security contributions</i>	(6,193)	(5,989)	(14,139)
• <i>transfer to severance indemnity provision</i>	(1,810)	(1,100)	(6,736)
• <i>post-retirement and similar benefits</i>	(1,446)	(795)	(2,821)
b) other administrative expenses	(25,577)	(23,978)	(51,239)
90. ADJUSTMENTS TO INTANGIBLE AND TANGIBLE FIXED ASSETS	(1,016)	(2,501)	(5,811)
100. PROVISIONS FOR LIABILITIES AND CHARGES	—	—	(5,090)
110. OTHER OPERATING EXPENSES	(78,819)	(273,100)	(304,881)
140. TRANSFERS TO LOAN LOSS PROVISION (*)	(30,000)	(38,000)	(45,000)
150. ADJUSTMENTS TO FINANCIAL ASSETS	(60,112)	(276,245)	(266,197)
160. WRITEBACKS TO FINANCIAL ASSETS	130,409	434	579
170. PROFIT (LOSS) ON ORDINARY ACTIVITIES	278,410	(238,038)	17,513
180. EXTRAORDINARY INCOME	17,705	217	591
190. EXTRAORDINARY EXPENDITURE	(210)	(33)	(43,413)
200. EXTRAORDINARY PROFIT (LOSS)	17,495	184	(42,822)
220. INCOME TAXES	—	—	11,282
230. PROFIT (LOSS) FOR THE PERIOD	295,905 ⁽¹⁾	(237,854) ⁽¹⁾	(14,027)

(*) Made solely to comply with tax regulations.

(1) Before transfer to provision for income taxes.

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT
(Translation from the original Italian text)

To the Shareholders
of Mediobanca S.p.A.

1. We have audited the consolidated accounts and explanatory notes included in the Interim Report of Mediobanca S.p.A. for the six months ended December 31, 2003. These consolidated accounts and explanatory notes are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on above-mentioned consolidated accounts and explanatory notes based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Companies and Stock Exchange Commission). 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 accounts and explanatory notes 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 consolidated accounts and explanatory notes, 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.

With respect to the comparative amounts related to the same period of the prior year and those related to the prior year end consolidated financial statements, reference should be made to the reports issued by the predecessor auditors, dated respectively March 15, 2003 and September 23, 2003.

3. In our opinion, the consolidated accounts and explanatory notes indicated in the first paragraph of this report give a true and fair view of the consolidated financial position of Mediobanca S.p.A. at December 31, 2003 and the consolidated results of its operations for the six-month period then ended in conformity with the criteria indicated by article 81 of the CONSOB Regulation as approved in its resolution No. 11971 of May 14, 1999 and subsequent modifications.
4. As permitted by the same article 81 of the specified CONSOB Regulation, Mediobanca S.p.A. has presented the consolidated results of its operations for the six months ended December 31, 2003 gross of income taxes.

Milan, March 16, 2004

Reconta Ernst & Young S.p.A.
signed by: Riccardo Schioppo, Partner

**ACCOMPANYING SCHEDULES TO THE
ACCOUNTS OF THE BANK**

TABLE I

MOVEMENTS IN TREASURY SECURITIES

	Holding at 30/6/03 € '000	Amounts bought and subscribed € '000	Sales and redemptions € '000	Gain/Loss € '000	Exchange adjustments € '000	(Writedowns) Writedowns € '000	Holding at 31/12/03 € '000	Value based on share prices at 31/12/03 € '000	Gain € '000
Government securities denominated in currencies other than the Euro (*)	123,972	344,737	250,539	(6,863)	2,161	(2,408)	211,060	211,061	1
Euro-denominated government securities (*)	4,688,933	14,060,069	14,660,479	(10,928)	—	(14,319)	4,063,276	4,069,395	6,119
Bonds denominated in Euros	2,280,878	3,539,003	2,982,252	19,106	—	(7,845)	2,848,890	2,878,732	29,842
Bonds denominated in non-Eurozone currencies ...	4,376	15,034	15,046	48	(422)	—	3,990	4,444	454
Arbitrage/derivative transactions and technical shortfalls	7,098,159	17,958,843	17,908,316	1,363	1,739	(24,572)	7,127,216	7,163,632	36,416
TOTAL (A)				39,425		17,082			59,281
				40,788		(7,490)			95,697
Non-investment securities	1,179,621	2,641,709	3,531,473	(25,037)	(993)	606	264,433	324,760	60,327
Arbitrage/derivative transactions and technical shortfalls				61,356		(3,899)			77,574
TOTAL (B)				36,319		(3,293)			137,901
GRAND TOTAL (A + B)				77,107		(10,783)			233,598

(*) Issued by sovereign states.

TABLE II

MOVEMENTS IN INVESTMENT SECURITIES IN THE SIX MONTHS ENDED 31 DECEMBER 2003

	Opening Balance		Purchased and subscribed		Sold		Other movements (\$)		Balance at 31/12/03		Average price in 6 months to 31/12/03 € '000	Average price in 6 months to 31/12/03 € '000	
	Number	% (*)	Number	Amount € '000	Number	Amount € '000	Number	Amount € '000	Number	% (*)			Amount € '000
BONDS (1) AND OTHER SECURITIES													
– SHARES LISTED IN ITALY													
Assicurazioni Generali	160,912,892	12.61	—	—	—	—	—	—	160,912,892	12.61	699,197	3,264,923	2,565,726
Capitalia	26,616,250	1.21	—	—	7,600,000	10,078	—	—	19,016,250	0.86	40,219	40,219	—
Fiat, ordinary	13,220,368	3.05 + 2.14	7,932,219	39,672	—	—	—	—	21,152,587	2.64 + 2.15	134,002	134,002	—
Finmeccanica	82,380,000	0.98	—	—	—	—	—	—	82,380,000	0.98	50,894	50,894	—
Fondiarria-SAI, ordinary	2,574,500	1.99 + 1.51	—	—	—	—	—	—	2,574,500	1.99 + 1.51	34,189	37,766	3,577
Fondiarria-SAI 2002-2008 warrants	5,115,600	—	—	—	—	—	—	—	5,115,600	—	12,602	13,552	950
Gemina, ordinary	46,132,781	12.66 + 12.53	—	—	—	—	—	—	46,132,781	12.66 + 12.53	36,426	36,426	—
GIM, ordinary	4,154,832	2.79 + 2.56	—	—	—	—	—	—	4,154,832	2.79 + 2.56	2,957	2,957	—
Italmobiliare, ordinary	2,106,888	9.50 + 5.47	—	—	—	—	—	—	2,106,888	9.50 + 5.47	34,593	79,218	44,625
Mediolanum	14,300,000	1.97	—	—	—	—	—	—	14,300,000	1.97	82,382	82,382	—
Telecom Italia, ordinary (formerly Olivetti)	210,723,954	2.38	22,008,706	46,069	—	—	(110,232,660) (2)(*)	5,832 (2)	122,500,000	1.19 + 0.76	279,913	279,913	—
Pinnifarina, ordinary	317,625	3.43 + 3.41	—	—	—	—	—	—	317,625	3.43 + 3.41	2,985	7,340	4,355
Prelli & C., ordinary	125,513,500	6.08 + 6.02	—	—	—	—	—	—	125,513,500	3.77 + 3.63	88,085	88,085	—
Prelli & C. 2003-2006 warrants	94,135,125	—	—	—	—	—	—	—	94,135,125	—	4,252	9,432	5,180
Ratti	2,860,000	9.17	—	—	—	—	—	—	2,860,000	9.17	1,566	1,566	—
RCS Mediagroup, ordinary	75,478,851	10.32 + 9.92	—	—	—	—	—	—	75,478,851	10.30 + 9.90	126,464	196,396	69,932
				85,741		10,078		5,832			1,630,726	4,325,071	2,694,345
– SHARES LISTED OUTSIDE ITALY													
Ciments Français, Paris	4,374,215	11.48	—	—	—	—	—	—	4,374,215	11.46	147,314	234,589	87,275
Commerzbank, Frankfurt	8,548,274	1.58	—	12,683	1,573,274	—	—	—	6,975,000	1.17	100,928	100,928	—
Koenig & Bauer Albert, Würzburg, ordinary	760,000	4.70	—	—	—	—	—	—	760,000	4.70	12,183	12,183	—
				225,874		12,683		—			260,425	347,700	87,275

TABLE II (cont.)

	Opening Balance		Purchased and subscribed		Sold		Other movements (§)		Interim (writedowns) writebacks		Balance at 31/12/03	
	Number	Amount € '000	Number	Amount € '000	Number	Amount € '000	Number	Amount € '000	Number	Amount € '000	Number	Amount € '000
- UNLISTED SHARES AND STOCK UNITS (1)												
Banca Esperia	12,125,000	18,167	—	—	—	—	—	—	—	—	12,125,000	18,167
Cartiere Burgo	87,375,005	54,587	1,120	—	—	—	—	—	—	—	87,376,125	54,587
Ferrari	1,720,000	490,200	—	—	600,000	171,000	—	—	—	—	1,120,000	319,200
Fidia	7,500	3,873	—	—	—	—	—	—	(41)	—	7,500	3,832
Istituto Europeo di Oncologia	13,602	10,665	2,372	2,372	—	—	—	—	(4,577)	—	15,974	8,460
Luccioni	500,000	18,383	—	—	—	—	—	—	—	—	500,000	18,383
Luccioni, <i>warrants</i>	—	—	763,889	—	—	—	—	—	—	—	763,889	—
Nomisima	100,000	29	—	—	—	—	—	—	—	—	100,000	29
Tirrenia di Navigazione	3,150,000	34,380	—	—	—	—	—	—	—	—	3,150,000	34,380
Zetesis	39,800	40	—	—	—	—	—	—	(21)	—	39,800	19
Alice Lab Netherlands BV, Amsterdam	10,550	890	—	—	—	—	—	—	(115)	—	10,550	775
Athena Private Equity (Class A), Luxembourg	6,114,460	30,341	—	5,433 (4)	—	—	—	—	874	—	6,114,460	36,648
Compagnie Monégasque de Banque, Monte Carlo	96,053	26,438	190,832	194,649	—	—	(286,885)	(221,087) (5)	—	—	—	—
Eurofind S.A. (Class D), Luxembourg	3,029,651	170,357	—	—	—	—	—	—	—	—	3,029,651 (6)	170,357
EuroQube SA, Brussels	18,758	1,782	—	405 (4)	—	—	—	—	—	—	18,758	2,187
Iran & Italy Industrial Promotion Co., Tehran	2,000	3	—	—	—	—	—	—	—	—	2,000	3
MBCA Holdings Limited, Harare	785,717	31	—	—	—	—	—	—	—	—	785,717	31
MB Venture Capital Fund I Participating Company A NV B, Amsterdam	22,500	13,316	—	—	—	—	—	—	—	—	22,500	13,316
Saturn Venture Fund, New York in USD	1,454,599	859	53,545	45	—	—	—	—	(436)	—	1,508,144	468
Satif, Monte Carlo	1,850	3	—	—	—	—	—	—	—	—	1,850	3
S.W.I.F.T., La Hulpe	1	2	—	—	—	—	—	—	—	—	1	2
		874,346		202,904		171,000		(221,087)		(4,316)		680,847
- INVESTMENTS IN GROUP UNDERTAKINGS												
Compagnie Monégasque de Banque, Monte Carlo	—	—	55,555	56,666	13	13	286,885	221,087 (5)	—	—	342,427	277,740
Others (see Table III)	—	118,731	—	—	—	—	—	—	—	—	—	118,731
		118,731		56,666		13		221,087				396,471
		2,766,288		357,980		193,774				124,593		3,055,087
GRAND TOTAL									Other adjustments	2,388 (7)		
										126,981		

(§) Includes portfolio movements not generating cash flow.

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

(1) Nominal value in € '000.

(2) Bonds converted into shares.

(3) Telecom Italia merged by amalgamation into Olivetti.

(4) Capital call on shares held.

(5) Transferred to Investments in group undertakings.

(6) Without voting rights.

(7) Relating to sale of holding in Eurofind during the month of January.

TABLE III

INVESTMENTS IN GROUP UNDERTAKINGS

(figures in Euros unless otherwise stated)

	No. of Shares held	Equity Interest %	Par Value '000	Book Value € '000
(*) COMPASS S.p.A., Milan Share capital € 87,500,000 par value per share € 5	17,500,000	100	€ 87,500	77,985
(*) COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A. Share capital € 111,100,000 par value per share € 200	342,427	61.64	» 68,485	277,740
(*) MB FINSTRUTTURE - INTERSOMER S.p.A., Milan Share capital € 6,500,000 par value per share € 0.50	13,000,000	100	» 6,500	6,968
(*) MEDIOBANCA INTERNATIONAL LTD, Grand Cayman Share capital \$ 10,000,000 par value per share \$ 1	10,000,000	100	\$ 10,000	6,002
(*) PROMINVESTMENT S.p.A., Rome Share capital € 743,000 par value per share € 0.52	1,000,000	70	€ 520	819
(*) PRUDENTIA FIDUCIARIA S.p.A., Milan Share capital € 100,000 par value per share € 5	20,000	100	» 100	103
RICERCHE E STUDI S.p.A., Milan Share capital € 100,000 par value per share € 5	20,000	100	» 100	103
(*) SADE FINANZIARIA S.p.A., Milan Share capital € 6,500,000 par value per share € 0.50	13,000,000	100	» 6,500	25,732
(*) SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A., Milan Share capital € 500,000 par value per share € 5	100,000	100	» 500	522
(*) SPAFID S.p.A., Milan Share capital € 100,000 par value per share € 10	10,000	100	» 100	26
(*) TECHNOSTART S.p.A., Milan Share capital € 1,000,000 par value per share € 0.50	1,380,000	69	» 690	471
(*) TRADEVCO LTD, Monrovia Share capital LRD 80,000,000 par value per share LRD 16,000	3,000 ⁽¹⁾	60	LRD 48,000 ⁽²⁾
				396,471

(*) Member of the Mediobanca Banking Group.

⁽¹⁾ The remaining shares are held by the company itself.⁽²⁾ Written down to a token value of € 1.

TABLE III (cont.)

	Parent Company	No. of Shares held	Equity Interest %	Par Value € '000
INDIRECT INVESTMENTS HELD THROUGH SUBSIDIARIES				
(*) COFACTOR S.p.A., Milan Share capital € 7,500,000 par value per share € 0.50	Compass S.p.A.	15,000,000	100	7,500
CREDITECH S.p.A., Milan Share capital € 250,000 par value per share € 1	Compass S.p.A.	250,000	100	250
(*) MICOS BANCA SpA, Milan Share capital € 35,000,000 par value per share € 0.50	Compass S.p.A.	70,000,000	100	35,000
(*) PALLADIO LEASING S.p.A., Vicenza Share capital € 8,700,000 par value per share € 0.50	SelmaBipiemme Leasing S.p.A.	16,482,500	95 ⁽¹⁾	8,241
(*) SELMABIPIEMME LEASING S.p.A., Milan Share capital € 40,200,000 par value per share € 0.50	Compass S.p.A.	49,564,777	61.65	24,782
(*) TELELEASING S.p.A., Milan Share capital € 9,500,000 par value per share € 1	SelmaBipiemme Leasing S.p.A.	7,600,000	80	7,600

(*) Member of the Mediobanca Banking Group.

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

TABLE IV

OPEN POSITIONS IN DERIVATIVES
AS AT 31 DECEMBER 2003

A. NOTIONAL PRINCIPAL AMOUNTS BY UNDERLYING EXPOSURE

	Interest rate contracts € '000	Foreign exchange contracts € '000	Index-linked contracts € '000	Total € '000
Over-the-counter (OTC) traded contracts				
– <i>Forwards</i>	—	229,614	—	229,614
– <i>Swaps</i>	25,900,526	943,175	—	26,843,701
– <i>Options purchased</i>	278,228	166,788	12,920,835	13,365,851
– <i>Options written</i>	373,893	163,000	13,218,514	13,755,407
Exchange traded contracts				
– <i>Futures (long positions)</i>	3,479,244	—	175,305	3,654,549
– <i>Futures (short positions)</i>	222,909	—	975,615	1,198,524
– <i>Options purchased</i>	—	—	32,431	32,431
– <i>Options written</i>	—	—	64,054	64,054
Total derivatives	30,254,800	1,502,577	27,386,754	59,144,131
<i>of which:</i>				
– <i>trading</i>	17,945,120	1,095,873	6,455,311	25,496,304

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

B. INFORMATION ON CREDIT QUALITY OF OTC CONTRACTS

Counterparty type	Gross positive market value ⁽¹⁾ € '000	Current credit exposure ⁽²⁾ € '000	Potential credit exposure ⁽³⁾ € '000	Credit equivalent amount ⁽⁴⁾ € '000
Banks	424,409	157,965	966,755	220,141
Other intermediaries	172,100	162,569	322,091	254,338
Total	596,509	320,534	1,288,846	474,479
<i>of which:</i>				
– <i>interest rate contracts</i>	213,426	123,995	88,613	78,053
– <i>exchange rate contracts</i>	18,555	1,057	32,624	10,149
– <i>equity and equity index- linked contracts</i>	364,528	195,482	1,167,609	386,277

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

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

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

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

TABLE V

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

	No. of Shares held directly	Direct Interest % (*)	No. of Shares held indirectly	Indirect Interest % (*)	Shares held by
DIRECTLY CONTROLLED SUBSIDIARIES					
COMPASS S.p.A., Milan Share capital € 87,500,000 par value per share € 5	17,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE, Monte Carlo Share capital € 111,100,000 par value per share € 200	342,427	61.64	—	—	—
MB FINSTRUTTURE - INTERSOMER S.p.A., Milan Share capital € 6,500,000 par value per share € 0.50	13,000,000	100.00	—	—	—
MEDIOBANCA INTERNATIONAL Ltd, Grand Cayman Share capital \$ 10,000,000 par value per share \$ 1	10,000,000	100.00	—	—	—
PROMINVESTMENT S.p.A., Rome Share capital € 743,000 par value per share € 0.52	1,000,000	70.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan Share capital € 100,000 par value per share € 5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan Share capital € 100,000 par value per share € 5	20,000	100.00	—	—	—
SADE FINANZIARIA S.p.A., Milan Share capital € 6,500,000 par value per share € 0.50	13,000,000	100.00	—	—	—
SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A., Milan Share capital € 500,000 par value per share € 5	100,000	100.00	—	—	—
SPAFID S.p.A., Milan Share capital € 100,000 par value per share € 10	10,000	100.00	—	—	—
TECHNOSTART S.p.A., Milan Share capital € 1,000,000 par value per share € 0.50	1,380,000	69.00	—	—	—
TRADEVCO Ltd, Monrovia Share capital LRD 80,000,000 par value per share LRD 16,000	3,000	60.00	2,000	40.00	Tradevco
INDIRECTLY CONTROLLED SUBSIDIARIES					
COFACTOR S.p.A., Milan Share capital € 7,500,000 par value per share € 0.50	—	—	15,000,000	100.00	Compass
CREDITECH S.p.A, Milan Share capital € 250,000 par value per share € 1	—	—	250,000	100.00	Compass
MICOS BANCA SpA, Milan Share capital € 35,000,000 par value per share € 0.50	—	—	70,000,000	100.00	Compass
PALLADIO LEASING S.p.A., Vicenza Share capital € 8,700,000 par value per share € 0.50	—	—	16,482,500 867,500	95.00 5.00	SelmaBipiemme Palladio Leasing
SELMABIPIEMME LEASING S.p.A., Milan Share capital € 40,200,000 par value per share € 0.50	—	—	49,564,777	61.65	Compass
TELELEASING S.p.A., Milan Share capital € 9,500,000 par value per share € 1	—	—	7,600,000	80.00	SelmaBipiemme

(*) Own shares.

TABLE V (cont.)

	No. of Shares held directly	Direct Interest % (*)	No. of Shares held indirectly	Indirect Interest % (*)	Shares held by
OTHER SIGNIFICANT EQUITY INVESTMENTS					
ATHENA PRIVATE EQUITY S.A., Luxembourg Share capital € 50,000,000 par value per share € 2	6,114,460	24.46	—	—	—
CIMENTS FRANÇAIS S.A., Paris Share capital € 152,700,000 par value per share € 4	4,374,215	11.46	—	—	—
CARTIERE BURGO S.p.A., Verzuolo Share capital € 156,300,000 par value per share € 0.52	87,376,125	29.07	—	—	—
BANCA ESPERIA S.p.A., Milan Share capital € 13,000,000 par value per share € 0.52	12,125,000	48.50	—	—	—
FERRARI S.p.A., Modena Share capital € 20,000,000 par value per share € 2.50	1,120,000	14.00	80,000	1.00	Compagnie Monégasque de Banque S.A.
FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A., Milan Share capital € 15,600,000 par value per share € 520	7,500	25.00	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan Share capital € 106,500,000	1	15.00	—	—	—
IRAN AND ITALY IND. PROM. CO., Tehran Share capital Rials 400,000,000 par value per share Rials 100,000	2,000	50.00	—	—	—
MB VENTURE CAPITAL FUND I PART. CO. A N.V., Amsterdam Share capital € 50,000 par value per share € 1	22,500	45.00	—	—	—
TIRRENA DI NAVIGAZIONE S.p.A., Rome Share capital € 108,400,000 par value per share € 5.16	3,150,000	15.00	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg Share capital € 40,000 par value per share € 10	—	—	1,400	35.00	Technostart
SINTERAMA S.p.A., Sandigliano Share capital € 72,800,000 par value per share € 0.51	—	—	15,000,000	10.51	MB Finstrutture - Intersomer
SCONTOFIN S.A., Luxembourg Share capital € 2,600,000 par value per share € 516.5	—	—	1,000	20.00	Sade Finanziaria
ZAMBIA TANZANIA ROAD SERVICES Ltd, Lusaka (in liquidation) Share capital Kwacha 4,000,000 par value per share Kwacha 200	—	—	4,667	23.33	MB Finstrutture - Intersomer

(*) Own shares.

OttavioCapriolo - Milan