

MEDIOBANCA

*Annual Accounts and Report
as at 30 June 2004*

MEDIOBANCA

LIMITED COMPANY

SHARE CAPITAL € 389,418,332.50 FULLY PAID UP - RESERVES € 3,148.35 million

HEAD OFFICE: PIAZZETTA ENRICO CUCCIA 1, MILAN, ITALY

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

*Ordinary and Extraordinary General Meeting
28 October 2004*

www.mediobanca.it

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BOARD OF DIRECTORS

		Term expires
* GABRIELE GALATERI di GENOLA	CHAIRMAN	2006
* CESARE GERONZI	DEPUTY CHAIRMAN	2007
* CARLO SALVATORI	DEPUTY CHAIRMAN	2005
* MATTEO ARPE	DIRECTOR	2006
JEAN AZEMA	"	2006
TARAK BEN AMMAR	"	2006
GILBERTO BENETTON	"	2005
ANTOINE BERNHEIM	"	2005
* VINCENT BOLLORE'	"	2006
* CARLO BUORA	"	2005
GIANCARLO CERUTTI	"	2005
ROBERTO COLANINNO	"	2007
ENNIO DORIS	"	2006
GIANLUIGI GABETTI	"	2007
BERARDINO LIBONATI	"	2007
JONELLA LIGRESTI	"	2007
* ACHILLE MARAMOTTI	"	2007
CARLO PESENTI	"	2005
ALESSANDRO PROFUMO	"	2005
* ERIC STRUTZ	"	Next AGM

* Member of Executive Committee

STATUTORY AUDITORS

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

* * *

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

CONSOLIDATED ACCOUNTS

REVIEW OF GROUP OPERATIONS

The Group's annual accounts and report for the year ended 30 June 2004 include Compagnie Monégasque de Banque (CMB), which has been consolidated for the twelve months on a line-by-line basis after a controlling interest in it was acquired in July 2003.

In the year under review, the Group earned a net profit of € 536.4m, against € 53.6m one year previously. This reflects a healthy performance by all the Group's areas of operation. In wholesale banking, despite the tough market conditions an increase of over 20% in investment banking fees was recorded, from € 86.8m to € 107.1m, plus a hefty contribution from dealing profits on treasury operations, which more than doubled from € 114.4m to € 232.9m. In equity investment, the Group's portfolio was boosted by a 38.8% increase in dividends received, from € 106m to € 147.1m, and was helped by the upturn on stock markets generally, in terms of both portfolio valuation and gains realized on disposals. In retail financial services, the Compass group achieved a 22.7% increase in interest income from € 236m to € 289.5m, primarily due to higher consumer credit volumes; and private banking contributed management fees of € 46.2m. Overall, the Group generated revenues of € 1,107.5m, an increase of 31.9% over last year, 51% of which derived from wholesale banking, 31% from the Compass group, 12% from equity investment portfolio management, and 6% from private banking.

Earnings from ordinary operations for the twelve months rose by 38.1%, from € 539.2m to € 744.9m, and the cost/income ratio fell from 35.8% at 30 June 2003 to 32.7% at the same stage this year. Net write-backs of € 132m were recorded to the Group's equity investment portfolio, on the basis of average prices in the six months to 30 June 2004, against writedowns of € 181m twelve months previously, and gains of € 40.4m were generated on disposals of holdings, versus a € 51.1m loss last year. Of the other main items, writedowns to equities and derivatives held in treasury totalled € 7m (30/6/03: € 70.6m), whereas bad debts written off, based on the maximum permissible tax rates and affecting virtually only the Compass group's operations, rose from € 69.2m to € 88.4m, chiefly due to the increase in lending.

These results reflect the Group's management policy of increasing and diversifying revenue streams, keeping down costs, and maintaining excellence in asset quality.

* * *

DEVELOPMENTS IN THE CAPITAL MARKET

Movements in the capital market during the twelve months to 30 June 2004 led to some € 14.8bn being transferred to investors, against € 26bn the previous year:

	12 mths to 30/6/02	12 mths to 30/6/03	12 mths to 30/6/04
	€ m	€ m	€ m
Issues and placings ⁽¹⁾ of:			
Convertible ordinary and savings shares	4,902	7,036	6,741
Non-convertible preference and savings shares	9	18	430
Convertible bonds and bonds with warrants attached	2,530	1,133	481
Total	<u>7,441</u>	<u>8,187</u>	<u>7,652</u>
<i>of which: rights issues ⁽²⁾</i>			
<i>par value</i>	1,994	4,960	3,134
<i>share premium</i>	1,236	1,039	2,311
Dividends paid	<u>18,587</u>	<u>16,899</u>	<u>21,703</u>
Public tender offers	<u>6,773</u>	<u>17,680</u>	<u>780</u>
Balance	(17,919)	(26,392)	(14,831)

⁽¹⁾ Excluding placements restricted to institutional investors.

⁽²⁾ Excluding initial and other public offers, which amounted to € 754m in 2001/2002, € 524m in 2002/2003, and € 52m in 2003/2004.

Major developments since the preceding twelve-month period include the following:

- dividends rose by 28% to reach their all-time high (previously 2001-2002), with a payout ratio of 65%, as against 69% during the preceding twelve months. In absolute terms the increase was € 4.8bn, of which € 3.6bn involved one-off distributions of reserves, while the remainder was mostly due to dividend policies operated by banks and insurances.

Sixty-four of the 217 Italian companies listed on the screen-based market or MTA failed to pay dividends, which in terms of market capitalization represents 6% of the total, compared with 8% last year.

- proceeds from takeover bids fell to barely € 0.8bn, the lowest figure for six years.
- funds raised via new issues and placements fell by 6.5%, largely due to a reduction in amounts raised through rights issues, which declined from € 6bn to € 5.4bn; the share premium component rose to 42%, up from 17% last year. Issues of shares without voting rights also increased, albeit modestly.
- issues of convertible bonds and bonds with warrants attached recorded their lowest levels for four years.

Dividends represent by far the largest flow of funds. Just under half of this item, some € 10bn, was paid by energy companies and utilities, and 30% by banks and insurances; dividends paid by manufacturing enterprises accounted for barely 5% of the total.

Net aggregate earnings in 2003 by companies listed as at 30 June 2004 totalled € 17.7bn, approximately € 6bn higher than the previous year, an increase of 56%. Industrials' earnings improved from € 6.1bn to € 10.3bn, mostly the result of one-off charges – virtually half of which were booked by utilities – being € 8.3bn lower than last year, plus a € 0.7bn reduction in net interest charges. However, higher profits also occasioned a € 5.3bn increase in income tax, and generated € 3bn in funds attributable to minority shareholders. The return on equity went up from 5.7% to 9.2%. Profits earned by banks rose by 7%, with ROE inching up from 6.4% to 6.5%. This performance was chiefly due to a € 0.6bn increase in commissions received, a € 0.9bn reduction in writedowns to fixed financial assets, and a € 0.5bn fall in amounts transferred to loan loss provisions. Insurances recovered from their slump in profits during 2002, recording aggregate earnings of over € 2bn, with the return on equity climbing from 2.6% to 12.9%. Some € 1.1bn of the improvement is attributable to underwriting profits, and € 2.1bn to the major upturn in investment income, net of a € 0.7bn increase in tax charges. Returning to listed industrials, aggregate net worth for such companies rose by 2%, or € 2.3bn, and interest charges also grew by some 3%. This means the debt/equity ratio remained largely unchanged at around 120%. Intangible assets remain high at over 60% of

net worth, and the ratio of borrowings to tangible assets remained at approx. 3x.

Share prices rose by 15% in the twelve months to 30 June 2004. Including dividends this rises to 20%; the total return price index rose by 22% for industrials, 16% for banks, and 14% for insurances. Shares without voting rights rose by 35%. The daily average value of stocks traded on the official list during the period was € 2.8bn, up 7% versus 2002-2003, and those on the *Nuovo Mercato* totalled barely € 75m, up 111%. The free float rose from 50% to 54%.

Dividends and gains by blue chips in the main Western markets fell in relation to stock market prices. Indeed, as at 1 April 2004 they had returned to levels recorded two years previously, largely due to the major rise in share prices:

	Dividend yield		Price/earnings ratio	
	%		%	
	2003	2004	2003	2004
Benelux (**)	4.4	3.1	8.8	7.0
France (*)	3.1	2.3	6.4	5.1
Germany (*)	3.5	2.0	7.2	5.7
Italy (*)	3.6	3.2	6.3	5.4
United Kingdom (*) .	3.9	3.4	6.8	6.2
United States (*)	2.0	1.6	4.6	4.6
Switzerland (**)	2.6	1.4	5.9	5.0

(*) Top 50 dividend-paying companies by market capitalization.

(**) Top 20 dividend-paying companies by market capitalization.

N.B. – Mean indicators are based on share prices as at 1 April 2004. Figures refer only to companies which made a profit and paid a dividend in the year under review. The year-on-year changes in the twelve months ended 1 April 2004 can be summarized in the following percentage changes on stock market indices: Belgium up 46% (Brussels All Share), France up 42% (SBF 250), Germany up 55% (CDAX), Italy up 28% (Mediobanca MTA), Netherlands up 27% (AAX), United Kingdom up 27% (FTSE All Share), United States up 33% (S&P 500), Switzerland up 38% (Swiss Market Index).

Assets managed by mutual funds incorporated under Italian law fell from € 378bn to € 371bn during the twelve months under review. Redemptions totalling € 191bn outweighed subscriptions of € 170bn, over four-

fifths of which related to non-equity funds, but this shortfall was partly offset by a € 13bn operating profit. Equity funds returned an average 13%, and other funds 1%. In terms of portfolio composition, equities rose from 20% to 24%, with non-Italian equities moving up from 16% to 19% and Italian equities from 4% to 5%. The Italian government securities component remained more or less stable at 37%, down from 38%, as did other debt securities, with non-Italian bonds accounting for 26% and Italian bonds 3%. Assets held in funds incorporated under European law owned by Italian fund managers totalled € 127bn at 30 June 2004, against € 107bn twelve months previously. Almost € 14bn of this increase was due to net funds raised and approx. € 6.5bn to the funds' own performance; net of tax charges, the yield was 10% for equities, which account for around one-third of the total, compared with 21% for funds incorporated under Italian law, and 2.5% for bond and mixed funds.

The aggregate market capitalization of officially listed companies rose from € 473bn to € 507bn, with the free float up from € 236bn to € 272bn. This is broadly below the increase in share prices, almost two-thirds of which were accounted for by the effect of net removals from the list due primarily to mergers, which wiped some € 51bn off the total. The aggregate market capitalization of companies listed on the *Nuovo Mercato* remained modest, rising from € 6bn to € 7bn.

* * *

Turning now to financial services, the consumer credit market grew by 16.9% in 2003 in terms of new finance disbursed. The outlook for this year suggests continuing healthy growth, driven by an increasing consumer propensity to borrow.

	2002		2003		2004 E	
	€ m	%	€ m	%	€ m	%
Vehicle credit	14,980	51.7	16,990	50.1	18,112	46.2
Personal loans	4,685	16.2	5,813	17.2	7,772	19.8
Other loans	4,732	16.3	5,244	15.5	5,689	14.5
Credit cards	2,897	10.0	3,811	11.2	4,989	12.7
Other	1,686	5.8	2,029	6.0	2,649	6.8
	<u>28,980</u>	<u>100.0</u>	<u>33,887</u>	<u>100.0</u>	<u>39,211</u>	<u>100.0</u>

Source: Assofin

The mortgage lending market in Italy once again reflects growing volumes, but at rates slightly below those recorded last year. Bank of Italy figures show an increase of 9.7% in finance disbursed in the year to 31 March 2004, up from € 38.1bn to € 41.8bn.

The Italian leasing industry recorded a 14.4% downturn in 2003, due to capital spending liable for tax relief under Italian Law 383/01 being brought forward. There should be a slight upturn in business during 2004.

	2002		2003		2004 E	
	€ m	%	€ m	%	€ m	%
Finance leasing:						
- Vehicles	8,012	21.3	7,445	23.2	7,951	23.2
- Plant and equipment	11,689	31.1	9,575	29.8	10,073	29.4
- Property	17,334	46.2	14,094	43.8	14,954	43.6
- Aeronautical and railways	525	1.4	1,042	3.2	1,303	3.8
	<u>37,560</u>	<u>100.0</u>	<u>32,156</u>	<u>100.0</u>	<u>34,281</u>	<u>100.0</u>

Source: Assilea

CONSOLIDATED ACCOUNTS

The Group's profit and loss account and balance sheet have been condensed and compared on a like-for-like basis with those of the previous two years. They are as follows (some items have been restated for ease of comparison):

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/02	12 mths to 30/6/03	12 mths to 30/6/04
	€ m	€ m	€ m
Interest income	533.4	607.4	853.9
Commissions received and other income ...	175.0	232.0	253.6
General costs and expenses	(263.1)	(300.2)	(362.6)
GROSS MARGIN FROM ORDINARY OPERATIONS	445.3	539.2	744.9
Net writedowns to securities and derivatives held in treasury	(58.3)	(70.6)	(7.0)
Net gain (loss) on disposal of investment securities	463.7	(51.1)	40.4
Net writebacks (writedowns) to investment securities	(497.4)	(181.0)	132.0
Bad debts written off	(60.1)	(69.2)	(88.4)
Net overprovision for taxation	6.8	—	—
Gain (loss) on investments stated on net equity basis	(5.1)	(4.0)	4.4
PROFIT BEFORE TAX AND PROVISIONS	294.9	163.3	826.3
Provision for liabilities and charges	—	(5.1)	(1.5)
Depreciation and amortization	(3.6)	(5.1)	(7.1)
Provision for income tax	(29.2)	(90.7)	(263.9)
Profit attributable to minority shareholders	(7.0)	(8.8)	(17.4)
NET PROFIT	255.1	53.6	536.4

CONSOLIDATED BALANCE SHEET

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
Assets			
Treasury funds employed	4,141.2	9,365.0	9,723.0
Loans and advances to customers	17,154.7	15,033.9	16,280.9
Investment securities.....	3,351.5	3,168.6	3,154.8
Intangible assets	1.9	1.5	1.5
Property	122.0	123.3	260.5
Furniture and fixtures	4.2	5.4	11.1
Other assets	1,728.0	2,176.8	2,407.3
Total assets	26,503.5	29,874.5	31,839.1
Liabilities			
Deposits and loans	19,714.0	23,070.3	24,596.6
Provision for liabilities and charges	338.6	301.6	386.6
Consolidated provision for future liabilities and charges	5.8	—	—
Other liabilities	1,416.3	1,537.3	1,476.9
Loan loss provision	13.4	13.4	13.4
Equity attributable to minority shareholders	53.6	61.5	184.3
Shareholders' equity	4,706.7	4,836.8	4,644.9
Profit for the year	255.1	53.6	536.4
Total liabilities	26,503.5	29,874.5	31,839.1

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

	30/6/02	30/6/03	30/6/04
Regulatory capital (€ m)	6,227.0	5,561.8	5,948.7
Solvency margin (%)	23.71	19.39	20.05
Earnings per share (€)	0.33	0.07	0.69
Net asset value per share (€)	6.05	6.21	5.97
Price/earnings ratio	25.4	n.s.	14.5
Price/book value ratio	1.5	1.4	1.7
Avg. no. of employees in year ended 30/6/04	1,232	1,302	1,472 ⁽¹⁾
No. of shares in issue (millions)	778.5	778.5	778.6
Cost/income ratio (%)	37.1	35.8	32.7

(1) Of which 130 employed by CMB.

REVIEW OF KEY ITEMS

CONSOLIDATED BALANCE SHEET

The following is a review of movements in the major balance sheet items during the twelve months under review, of which Mediobanca's contribution is just under 80%:

Deposits and loans – this item rose by 6.5% from € 23.1bn to € 24.6bn, after € 1.8bn received as back-to-back funding for loans to customers, plus € 1.2bn from CMB.

Loans and advances to customers – these rose by € 1.2bn, or 8.3%, chiefly due to the € 1.8bn transactions with back-to-back funding referred to above, plus € 0.4bn from CMB. The twelve months under review reflect a rise of 20% in lendings to households and 8% in leasing, whereas lending to corporates were more or less stationary with growth of just 2%. As at 30 June 2004, 65% of the Group's loan book consisted of corporate lending and structured finance, 17% of consumer credit and 16% of leasing, with the other 2% made up of loans disbursed by CMB. At the same date, exposures in excess of 10% of consolidated regulatory capital, according to

the permitted risk weightings, totalled € 10,368.9m (30/6/03: € 9,907.2m), or 21.8% (22.3%) of the aggregate limit. The funds concerned were lent to ten groups of connected clients, unchanged versus the same time last year.

Investment securities – these fell by € 13.8m, following writebacks of € 132m. Movements during the twelve months under review involved purchases and subscriptions worth € 265.9m, notably € 148m to acquire Telecom Italia equities and bonds, € 42.3m to purchase shares in Assicurazioni Generali, € 39.8m to subscribe to a rights issue implemented by Fiat, € 17.6m for CMB's acquisition of a 6% stake in Monaco Telecom under the terms of a put-and-call agreement, and € 14.1m for a capital call on the Athena Private Equity stock units held by the Group. Divestments totalled € 278.7m, and involved a portion of the Group's holdings in Capitalia for € 35.3m and Commerzbank for € 25.9m, as well as its interests in Eurofind for a total of € 173.8m and Tirrenia for € 41.8m. These movements generated gains of € 40.4m, to which should be added € 4.4m in writebacks to holdings in companies accounted for on a net equity basis, primarily Banca Esperia and Athena Private Equity. Regarding the Group's position in sports car manufacturer Ferrari, as described in the interim report for the six months to 31 December 2003, the deal carried out in September 2002, whereby shares exceeding 15% of the company's share capital were sold and Mediobanca subscribed for bonds convertible into a like number of shares, following amendments to the terms on which the issue could be exercised, no longer qualifies as a repo transaction. The Group's aggregate holding in Ferrari, including the stake owned by CMB, is therefore now booked at below the required limit, and its carrying value has been reduced by € 148.2m accordingly. The Group's € 26.4m interest in CMB has also been written back, following its consolidation in the accounts. At 30 June 2004, the portfolio reflected a surplus of market over book value of € 2,963m, which at current prices rises to € 3,159.2m. At the same date, the Group's interest in Assicurazioni Generali amounted to 14.09% of that company's share capital (30/6/03: 13.93%), 12.77% of which is owned by Mediobanca and the other 1.32% by Compass, MB Finstrutture – Intersomer and Spafid. The entire shareholding is carried at € 1,252.3m.

Treasury funds employed – these rose from € 9.4bn to € 9.7bn, an increase of 3.8%, attributable solely to the € 890.9m from CMB. The funds comprise € 2.4bn in liquid assets and short-term lendings, including forward transactions, and € 7.3bn in securities, around two-thirds of which are bonds. Net writedowns charged at 30 June 2004, including to derivatives, amount to € 7m, after which the portfolio reflects an unrealized gain

of € 279.3m (30/6/03: € 259.4m), of which € 198m (€ 74.1m) on derivatives.

Property – this item rose by € 137.2m, following inclusion of CMB’s real estate portfolio comprising properties located entirely in the Principality of Monaco. Details of the Group’s main properties are given in the table below:

	sq.m	Book value at which carried in consolidated accounts	Book value at which carried in individual companies’ accounts ⁽¹⁾	Future redemption value
		€ '000	€ '000	€ '000
Milan:				
– Piazzetta Enrico Cuccia, 1	6,874	7,945.9	7,945.9	
– Via Filodrammatici, 3, 5, 7 - Piazzetta Bossi, 1 (*)	11,093	57,535.2	25,557.4	626.8
– Piazza Paolo Ferrari, 6	1,967	1,987.3	1,987.3	
– Foro Buonaparte, 10	2,932	5,878.7	3,567.6	
– Via Siusi, 1-7	5,300	4,102.6	1,132.8	
Rome:				
– Piazza di Spagna, 15	8,228	25,009.4	1,628.1	
– Via Nomentana, 146	2,460	7,538.1	553.4	
Vicenza:				
– Via Btg. Framarin, 4 (*)	4,239	5,394.7	4,880.3	56.0
Monaco	8,651	141,737.8 ⁽¹⁾	44,930.0	
Others	3,871	3,347.3	2,824.8	
	<u>55,615</u>	<u>260,477.0</u>	<u>95,007.6</u>	

(*) Properties acquired under leases.

(1) Due to attribution of surplus on consolidation until current value starts to apply.

Provision for liabilities and charges – this comprises the Provision for taxation amounting to € 303.7m, the Staff termination indemnity provision totalling € 32.3m, and the Provision for liabilities and charges of € 50.6m, most of which relates to the Compass group’s business.

Shareholders' equity and regulatory capital – including the € 53.6m profit earned last year, the Group's net worth fell by € 191.9m, due principally to the € 140.1m dividend payout for 2002-2003, and the surplus arising on consolidation of CMB, which amounts to € 21.8m after existing negative consolidation differences of € 84.6m were eliminated. The surplus will be amortized over a period of five years. Conversely, regulatory capital rose from € 5,561.8m to € 5,948.7m as a result of profit for the year and minority interests in CMB.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Interest income

This rose by 40.6% to € 853.9m (30/6/03: € 607.4m), slightly over half of which is attributable to Mediobanca. In addition to the € 21.3m contributed by CMB, the increase reflects: higher dealing profits from treasury operations; an increase in interest income earned by the Compass group, which rose from € 236m to € 289.5m on the back of higher lending volumes and a lower cost of funding; and a rise in dividends received, from € 118.2m to € 176.3m, including on securities held in treasury.

Commissions received and other income

These rose by 9.3% compared with last year, from € 232m to € 253.6m, reflecting the contribution of CMB which amounted to € 42.2m. This item comprises:

- € 148.4m (30/6/03: € 171.7m) in fees earned by Mediobanca;
- € 53.4m (€ 52.4m) in income generated by the Compass group, chiefly comprised of € 19.3m in recovered financing expenses, € 17.2m in net income from leasing, and € 16.9m in loans recovered;
- € 51.8m (€ 7.9m) earned by other Group companies, including CMB (€ 42.2m), Spafid (€ 3.8m) and MB – Finstrutture Intersomer (€ 3m).

General costs and expenses

The key items under this heading are:

- labour costs of € 166.3m (30/6/03: € 133.3m), almost half of which is attributable to Mediobanca. Over two-thirds of the increase is due to the effect of consolidating CMB, which employs 130 staff;
- bank charges and commissions of € 54.3m (€ 47.1m), including € 39.9m in fees paid by the Compass group (€ 36.3m), which are charged to the profit and loss account in full as and when the underlying loan is disbursed, rather than being amortized over its estimated life;
- sundry items totalling € 142m (€ 119.8m), including € 119.2m (€ 102.9m) in administrative expenses, € 13.6m (€ 8.2m) in ordinary depreciation charges, and € 9.2m (€ 8.7m) in sundry other charges; the increase in this item reflects both the Compass group's spending to extend its branch network, and the inclusion of CMB, which led to € 8.5m in administrative expenses, € 3.7m in ordinary depreciation charges and € 2.6m in sundry other charges. The key items under administrative expenses, € 45.3m of which were attributable to Mediobanca, are as follows:
 - EDP and financial information subscriptions of € 26.1m (€ 22.7m);
 - outside service and consultancy fees of € 20.3m (€ 17.5m);
 - rent, equipment, leasing and maintenance charges of € 16m (€ 12.5m);
 - fees incurred in respect of recovering bad debt and legal fees, which amounted to € 15.1m (€ 13.7m);
 - stationery, publication costs and utilities of € 9.9m (€ 8.3m);
 - advertising costs of € 7.6m (€ 6.9m), and travel and entertainment expenses of € 5.9m (€ 4.6m).

Bad debt written off

This involves almost exclusively the Compass group, and in particular consumer credit, with CMB's contribution in this area being confined to just € 1.6m. The increase from € 69.2m to € 88.4m is due to higher lend-

ing volumes, plus the Group's customary prudence in assessing credit against a backdrop that remains unfavourable.

REVIEW OF GROUP BUSINESSES

The Mediobanca Banking Group operates in four main areas: wholesale banking, i.e. financial services for corporates, which in turn is divided into corporate and investment banking; equity investment; retail financial services, i.e. consumer credit and leasing; and private banking. In providing a segmental analysis of the financials, it should be made clear that wholesale banking is carried on by Mediobanca, MB-Finstrutture Inter-somer, Mediobanca International and Prominvestment; retail financial services are provided by the Compass group; private banking includes CMB and the Group's 48.5% interest in Banca Esperia (pro-forma), plus Spafid and Prudentia Fiduciaria, which carry out trustee business; while equity investment brings together all participating interests owned by the Group in other companies, whose contributions to the other aggregates referred to above are accordingly stated net of such items.

Wholesale banking

	12 mths to 30/6/02	12 mths to 30/6/03	12 mths to 30/6/04
	€ m	€ m	€ m
Treasury funds employed	5,189.4	9,289.7	8,727.5
Loans and advances to customers	15,636.6	12,280.8	13,010.7
Deposits and loans	18,173.3	20,217.5	20,469.4
Interest income	229.5	276.1	405.4
Commissions received and other income	153.4	180.6	154.4
General costs and expenses	(124.9)	(131.4)	(139.7)
Gross margin from ordinary operations..	258.0	325.3	420.1
Net profit	206.5	167.7	277.7
Cost/income ratio (%)	32.6	28.8	25.0

A gross margin of € 420.1m was earned from ordinary operations by this division in the twelve months to 30 June 2004, up some 30% on the € 325.3m recorded the previous year, due to higher interest income driven by the rise in profits from treasury operations from € 114.4m to € 232.9m, plus € 29.2m in dividends. The interest margin on lendings remained virtually stable, with volumes net of back-to-back funds down 9.4% on last year offset by improved returns, average spreads being up approximately 20%. Conversely, fee income fell from € 175m to € 149.3m, due to a lower contribution from structured finance.

Mediobanca commenced operations in France during the twelve months under review, with the opening of a branch office in Paris. The office, which employs seven staff, opened for business in July of this year, offering the whole range of Group services with a particular focus on lending, corporate finance, and capital market activities.

Corporate banking

Lending and structured finance

The Group's loan book reflects an increase of 5.9% from € 12,280.8m to € 13,010.7m, entirely due to loans involving back-to-back funding, which rose from € 739.3m to € 2,560.3m. Operating conditions in this area have been tough, with excess supply exerting downward pressure on lending terms and on covenants. In the area of syndicated loans, where Mediobanca is the Italian market leader, volumes remained at levels comparable to last year, with a total of fifteen transactions worth some € 26bn being arranged (30/6/03: € 25bn), for which fees of € 42.2m (€ 88.2m) were received.

Funding and treasury accounts

Funding was virtually stable, rising from € 20.2bn to € 20.5bn, and comprised:

- € 3.2bn in time deposits and current accounts, € 1.3bn higher than last year due to the back-to-back transactions mentioned earlier;
- € 16.2bn in bonds and other debt securities, down € 1.4bn after new issues and interest accruals of € 2.3bn, and conversions, redemptions

(including early redemptions) and exchange rate adjustments of € 3.7bn;

- € 1.1bn in sundry other funds, up € 0.4bn.

Treasury accounts comprise:

- € 134.6m in cash and bank balances (30/6/03: € 185m), including € 55.3m held as compulsory reserve;
- € 6.2bn (€ 7.4bn) in fixed income securities, 59.9% of which are government securities, 4.7% Mediobanca bonds, and the balance of sundry other securities;
- € 2.7bn (€ 1.2bn) in equities, almost all in connection with arbitrage transactions settled during July;
- a € 0.3bn deficit on other applications of funds, made up of € 2.5bn in respect of repo transactions less € 2.2bn in technical shortfalls and € 0.6bn in sundry other liabilities.

Investment banking

The performance of Mediobanca's investment banking operations reflect a partial upturn on the equity side, and relative stability in terms of M&A and debt capital market activities despite the average transaction size being lower than last year. Against this backdrop, Mediobanca's position in these areas of operation remained stable or improved, with business volumes during the twelve months under review as follows:

- equity capital market: the Bank lead-managed nine underwriting and placing syndicates for equities and convertible bonds worth a total of € 6.2bn (30/6/03: € 1.2bn);
- debt capital market: Mediobanca led sixteen selling groups involving a total of € 6.7bn (€ 7.6bn);
- the Bank acted as advisor for M&A deals (some of which involved takeover bids) for over € 65bn (€ 70bn);
- trading for clients' accounts involved securities totalling € 15.2bn (€ 10.4bn), € 11.3bn of which related to equities (€ 6.7bn).

In return for such activities, the Group received fees of € 107.1m (€ 86.8m).

Equity investment portfolio

	12 mths to 30/6/02	12 mths to 30/6/03	12 mths to 30/6/04
	€ m	€ m	€ m
Securities held in portfolio	3,304.9	3,125.8	3,134.5
Dividends	120.8	106.0	147.1
Gains (losses) on disposals	436.8	(51.1)	40.4
Net writebacks (writedowns)	(558.7)	(180.9)	132.0
Net gain (loss) booked	23.3	(137.6)	198.4
Unrealized gain (loss) over previous year	(1,429.1)	(737.4)	422.1
Total profit (loss)	(1,405.8)	(875.0)	620.5

The Group's equity investment portfolio closed at € 3,134.5m, (cf. the breakdown given in table A), up € 8.7m after net writebacks of € 132m made up as follows:

	€ m
Writebacks	
Telecom Italia (equities and bonds)	51.3
Commerzbank	46.4
Mediolanum	15.3
Pirelli & C.	11.8
Finmeccanica	11.2
Capitalia	9.5
Fondiarria-SAI (equities and warrants)	7.7
Gemina	2.1
Other listed securities	2.9
	<u>158.2</u>
Writedowns	
Fiat	(6.5)
GIM	(1.3)
Lucchini	(12.3)
Istituto Europeo di Oncologia	(4.4)
Other unlisted securities	(1.7)
	<u>(26.2)</u>
	<u><u>(26.2)</u></u>

The book value of listed securities held in portfolio compared with average prices in the six months to 30 June 2004 reflects a net gain of € 2,963m, which rises to € 3,159.2m based on prices and holdings at the time of writing, up € 422.1m on the figure recorded at last year's balance sheet date. Movements during the period concerned consisted of purchases and subscriptions totalling € 279.1m, and divestments of € 314.7m, yielding a net gain of € 40.4m almost entirely attributable to disposals by Mediobanca.

The main movements were as follows:

Assicurazioni Generali: we bought 2 million shares in this company for an outlay of € 42.3m. At 30 June 2004, the Group's aggregate interest in the share capital of Assicurazioni Generali amounted to 14.09% (30/6/03: 13.93%), carried at € 1,252.3m (€ 1,210.1m).

Telecom Italia: 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 upon partial conversion of Olivetti 2001-2010 convertible bonds and 9 million Olivetti shares acquired pre-merger over the market for € 9.6m. A further 52.4 million TI equities were acquired, along with convertible TI 2010 bonds worth a nominal € 10.7m, for a total outlay of € 151.6m, while TI 2001-2004 convertible bonds worth a nominal € 13.2m and carried at par were redeemed upon expiry. As at 30 June 2004, the Group's interest in TI consisted of 163.4 million shares carried at € 408.5m, corresponding to 1.58% of the company's ordinary share capital and to 1.01% of its total share capital, plus a nominal € 59m in convertible TI 2010 bonds.

Fiat: we increased our holding by 7.9 million shares after subscribing to a rights issue for a net outlay of € 39.8m.

Athena Private Equity: the book value of our 6.1 million stock units was increased by € 14.1m following a capital call.

Capitalia: we sold 17.1 million Capitalia shares, involving a divestment of € 22.7m and yielding a gain of € 12.6m.

Commerzbank: we sold 1.6 million shares in Commerzbank, involving a divestment of € 12.7m and yielding a gain of € 13.2m.

Eurofind SA: we disposed of our entire holding in this company under the terms of an agreement with IFIL, involving a divestment of € 170.4m. The transaction resulted in a gain of € 3.4m, including a one-off € 56.7m dividend which was deducted from the sale price.

Tirrenia: we sold our entire holding in Tirrenia to FINTECNA, involving a divestment of € 34.4m and yielding a gain of € 7.4m.

Monaco Telecom: CMB acquired 652 shares, or 6% of this company's share capital for € 17.6m. The transaction featured a put-and-call agreement with controlling shareholder Cable & Wireless.

Other portfolio movements, including bonus transactions, generated net gains of € 3.8m.

The main movements to have taken place since 30 June 2004 are as follows:

- *RCS Mediagroup*: we acquired 13.9 million shares for an outlay of € 61.1m plus a further 13.7 million shares for an outlay of € 60.5m in respect of undertakings previously given;
- *Telecom Italia*: we acquired a further 10 million TI shares for an outlay of € 24.4m;
- *Ferrari*: the € 171m bond issue convertible into Ferrari shares up to 7.5% of that company's capital was repaid at maturity on 13 September 2004, and replaced by a new issue, also convertible into Ferrari shares, falling due on 30 September 2007.

Retail financial services: consumer credit and leasing

	30/6/02 € m	30/6/03 € m	30/6/04 € m
Loans to customers	4,901.7	4,697.9	5,338.9
Securitized lendings	511.3	1,112.2	1,112.2
Amounts disbursed	2,455.1	2,958.2	3,080.6
Interest income	218.4	236.0	289.5
Gross profit from ordinary operations	113.9	124.7	169.7
Net profit	24.1	22.1	47.3

The Compass group's consolidated highlights as at 30 June 2004 reflect an improvement of 36.1% in its gross margin from ordinary operations, which rose from € 124.7m to € 169.7m on the back of higher interest income, up from € 236m to € 289.5m, as a result of higher volumes in the consumer credit segment particularly and the lower cost of funding. At € 53.4m, commissions and other income were largely in line with the figure recorded last year (30/6/03: € 52.6m), and comprise € 5.1m in extraordinary items (€ 8.7m), € 17.3m (€ 13.1m) in income from recovered loans, € 16.9m (€ 16.6m) in income and recovered financing costs from consumer credit, and € 14.1m (€ 14.2m) in net income from leasing. The increase in overheads from € 163.9m to € 173.3m is due to growth in administrative and personnel costs, and fees paid to agents. The € 47.3m net profit, as against € 22.1m during the previous financial year, includes bad debt writeoffs and transfers to provisions for liabilities and charges totalling € 86.8m (€ 69.2m) and taxation amounting to € 26.5m (€ 24.6m).

As at 30 June 2004, lendings to customers totalled € 5,338.9m (€ 4,697.9m), shared almost equally between the leasing and consumer credit businesses.

A review of the individual group companies' results is given below (figures refer to the companies' statutory accounts):

- *Compass S.p.A. (consumer credit)*: this company's accounts for the year to 30 June 2004 reflect a profit of € 36.4m (30/6/03: € 2.1m, after losses on securities of € 13.4m), and value adjustments to receivables totalling € 63.9m (€ 51.6m), € 49.5m of which consisted of accounts sold to Cofactor (€ 38.9m).

A total of 597,979 loans were outstanding as at 30 June 2004, worth a principal amount of € 1,679m, against 525,840 loans worth € 1,478m at the equivalent juncture last year. This includes € 345.1m in loans sold on a non-recourse basis, in order to reconstruct the € 511m portfolio securitized in April 2002. Finance disbursed during the twelve months totalled € 1,479.1m (€ 1,336.6m).

The company employs a total of 458 staff at its 73 branches.

- *Cofactor S.p.A. (non-recourse loan acquisition)*: this company recorded a profit of € 23,000 (30/6/03: € 58,000), after value adjustments to receivables of € 14.5m (€ 10.9m).

As at 30 June 2004, the company's outstanding loans were carried at cost at € 68.2m (€ 67m).

The company employs a total of 42 staff.

- *Micos Banca SpA (mortgage lending)*: Micos Banca's accounts for the twelve months to 30 June 2004 reflect a net profit of € 3.7m (30/6/03: € 0.3m), after tax of € 1.3m (€ 2m) and adjustments/transfers to loan loss provision totalling € 5.9m (€ 4.4m). During the period under review some 4,322 mortgages were executed providing finance of € 334.9m, as against 3,830 mortgages during the previous twelve months providing € 269.8m in finance. Mortgages outstanding as at 30 June 2004 amounted to € 984.9m (€ 734.4m).

The company employs 127 staff at its 18 branches.

- *SelmaBipiemme Leasing S.p.A., Milan (61.65% owned)*: this company earned a net profit of € 10.5m in the period under review (30/6/03: € 3.1m), after dividends of € 5.8m (€ 1.5m) and taxation of € 4.4m (€ 3m).

During the twelve months, 7,635 leases (not including renewed leases or sub-leases) were executed in respect of goods worth a gross amount of € 647m, compared with 8,503 leases last year worth € 781.4m. As at 30 June 2004, the net value of goods on or pending lease was € 1,687.4m (€ 1,683.6m).

The company's headcount numbers 146 staff, employed at its 6 branches.

- *Palladio Leasing S.p.A., Vicenza (95% owned via SelmaBipiemme Leasing, the remaining 5% being held by Palladio itself in the form of own shares)*: Palladio Leasing earned a net profit of € 5.3m in the year under review (30/6/03: € 5.1m), after taxation of € 3.4m (€ 3.4m).

During the period the company executed 3,125 new leases covering equipment worth a gross figure of € 418m, as against 2,959 leases for € 374m in 2002-2003. The net value of goods on or pending lease as at 30 June 2004 is carried at € 988.7m (€ 840.9m).

The company employs 63 staff at its 4 branches.

- *Teleleasing S.p.A.*, Milan (80% owned via *SelmaBipiemme Leasing*): this company earned a net profit of € 11.4m in the year under review (30/6/03: € 15.3m), after taxation of € 7.3m (€ 10.7m).

During the twelve months, the company executed 6,125 leases covering goods worth a gross € 201.1m, compared with 5,614 leases for € 196.6m the previous year. The net value of goods on or pending lease as at 30 June 2004 was carried at € 328.2m (€ 313.3m).

The company employs a total of 26 staff.

- *Creditech S.p.A. (credit management) consolidated on a net equity basis*: Creditech delivered a profit of € 322,000 during the twelve months under review (30/6/03: € 143,000), after taxation of € 387,000 (€ 204,000) and non-recurring charges of € 645,000. Receivables under management as at 30 June 2004 totalled € 154.8m, generating revenues of € 6.6m (€ 5.1m).

Creditech employs 35 staff.

Private banking

	12 mths to 30/6/02	12 mths to 30/6/03	12 mths to 30/6/04 (*)
	€ m	€ m	€ m
Assets under administration/management	1,172.7	1,776.6	9,378.7
Securities held in trust	1,223.4	1,215.3	1,008.7
Commissions received	10.1	15.1	68.2
Profit attributable to the Group	1.2	1.5	17.4

(*) Includes CMB.

The aggregate figures include the Group's 48.5% share in Banca Esperia's profits on a pro-forma basis, as well as CMB as from 2003-2004. The acquisition of CMB has enabled the Group to strengthen its franchise in terms of assets under administration and/or management, which have risen by some € 6.7bn, in a financial centre specializing in this kind of

service, and should enable product synergies with Banca Esperia to be developed. In the twelve months under review, this business area delivered a net profit of € 17.4m, € 13.8m of which was attributable to CMB, and generated management fees of € 68.2m. As at 30 June 2004, assets under administration/management amounted to € 9.4bn.

A brief description of the individual companies' performance is given below (figures refer to the companies' statutory accounts):

— *Compagnie Monégasque de Banque, Monaco (61.64% owned)*

CMB heads up a group which, in addition to asset management, also provides commercial banking services, chiefly to high net worth individuals within the Principality. CMB's consolidated accounts for the year ended 31 December 2003 reflect a net profit of € 22.5m (31/12/02: € 17.9m), having generated € 32.9m (€ 31m) in commissions received, with lendings totalling € 916.5m and deposits of € 1,170m.

In the first six months of 2004, CMB earned a pre-tax profit of € 11m (30/6/03: € 9.1m), generated management fees of € 11.5m (€ 8.2m), and had assets under management/administration totalling € 6.7bn (€ 6.3bn).

The group's employee headcount numbers 130 people.

— *Banca Esperia, Milan (48.5% owned)*

Banca Esperia recorded a profit this year, two years after start-up and ahead of schedule. In the twelve months to 31 December 2003, Banca Esperia earned a consolidated net profit of € 2m, after management fees of € 28.4m, with total deposits of € 4.6bn and growth rates among the highest in this sector.

In the first six months of 2004, Banca Esperia earned a pre-tax profit of € 2.5m, compared with a loss of € 3m at the same stage last year. It generated management fees of € 16.3m (€ 9.1m), and had assets under management/administration totalling € 5.6bn (€ 3.7bn).

The company employs 120 staff.

— *Spafid - Società per Amministrazioni Fiduciarie S.p.A.*, Milan

For the year ended 30 June 2004, Spafid's accounts reflect a net profit of € 954,000 (30/6/03: € 294,000), after writebacks to securities totalling € 151,000. The company's net worth amounted to € 32.6m. Securities and value items managed on a non-discretionary basis totalled € 1,175m (€ 1,349.5m).

The company employs 24 staff.

— *Prudentia Fiduciaria*, Milan

In the twelve months to 30 June 2004, this company earned a net profit of € 44,000 (30/6/03: € 41,000), after tax of € 137,000. Securities and value items managed on a non-discretionary basis amounted to € 53m (€ 339.7m).

The company employs 27 staff.

Related party disclosure

Financial accounts with such parties outstanding as at 30 June 2004 and movements therein during the period under review are summarized in the table below:

	€ m
Assets	4,533.7
Liabilities	794.0
Guarantees and commitments	1,660.7
Interest received	180.2
Interest paid	(33.1)
Net fee income	50.0
Other income (expenses)	(23.2)

All such accounts fall within the individual Group companies' ordinary operations, are maintained on an arm's length basis and are entered into in the interests of the companies concerned. No atypical or unusual transactions have been entered into with these counterparties.

Prospects

In the financial year now underway, trends in wholesale banking and leasing will continue to be impacted by the weak economic climate, whereas growth in consumer credit should bear out the performance recorded in this sector last year. Against this backdrop, interest income is expected to remain at levels similar to those recorded at the balance sheet date, with a higher contribution from retail financial services being offset by a possible reduction in income from treasury operations. Current market trends do not give grounds for envisaging any major changes in the value of the Group's equity investment portfolio, while in private banking, both assets under management and earnings should continue to grow.

Reconciliation of shareholders' equity and net profit

	Shareholders' equity € '000	Net profit € '000
Balance as at 30/6/04 as per Mediobanca accounts	4,063,458 ⁽¹⁾	427,563
Net surplus over book value of consolidated companies	(17,463)	79,289
Exchange differences arising from translation of accounts denominated in currencies other than the Euro	(5,685)	—
Other adjustments and reclassifications on consolidation, including those made for consistency with Group accounting policies	604,631	33,639
Dividends received during the year	—	(4,111)
TOTAL	4,644,941 ⁽²⁾	536,380

⁽¹⁾ Excluding € 319,627,000 relating to loan loss provisions.

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

Milan, 16 September 2004

THE BOARD OF DIRECTORS

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Pursuant to article 156 of Legislative Decree n. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended June 30, 2004. These financial statements are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian 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 financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the audit opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to the report issued by the predecessor auditors dated September 23, 2003.

3. In our opinion, the consolidated financial statements of Mediobanca S.p.A. as of and for the year ended June 30, 2004 comply with Italian regulations governing financial statements; accordingly, they clearly present, and give a true and fair view of the financial position of Mediobanca S.p.A. as of June 30, 2004, and the results of its operations for the year then ended.

Milan, September 22, 2004

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

Table

TABLE A

MOVEMENTS IN INVESTMENT SECURITIES IN YEAR ENDED 30 JUNE 2004

	Opening Balance			Purchased and subscribed		Sold		Other movements Amount (\$)	Gain (Loss) € '000	(Writedowns) Writebacks € '000	Closing Balance			Avg price in six months to 30/6/04(€) € '000	Gain € '000
	Number	% (*)	Amount € '000	Number	Amount € '000	Number	Amount € '000				Number	% (*)	Amount € '000		
STRATEGIC															
Assicurazioni Generali	177,730,905	13.93	1,210,067	2,025,000	42,272	—	—	—	—	—	179,755,905	14.09	1,252,339	3,888,119	2,635,780
Fiat, <i>ordinary</i>	13,220,368	3.05 ÷ 2.14	93,124	7,932,219	39,816	—	—	—	(145)	(6,472)	21,152,587	2.64 ÷ 2.15	126,323	126,323	—
Italmobiliare, <i>ordinary</i>	2,106,888	9.50 ÷ 5.47	34,593	—	—	—	—	—	—	—	2,106,888	9.50 ÷ 5.47	34,593	77,576	42,983
Pirelli & C., <i>ordinary</i>	125,513,500	6.08 ÷ 6.02	80,579	—	—	—	—	—	—	11,759	125,513,500	3.77 ÷ 3.63	92,338	104,238	11,900
Pirelli & C., 2003-2006 <i>warrants</i>	94,135,125	—	4,252	—	—	—	—	—	—	—	94,135,125	—	4,252	9,207	4,955
RCS Mediagroup, <i>ordinary</i>	75,478,851	10.32 ÷ 9.92	126,464	—	—	—	—	—	—	—	75,478,851	10.30 ÷ 9.90	126,464	224,474	98,010
Telecom Italia, <i>ordinary</i>	210,723,954	2.38	209,038	62,883,706	148,557	—	—	5,832	—	45,044	163,375,000	1.58 ÷ 1.01	408,471	417,749	9,278
			1,758,117		230,645		—	5,832	(145)	50,331			2,044,780	4,847,686	2,802,906
NON-STRATEGIC															
Capitalia	26,616,250	1.21	35,293	—	—	17,116,250	35,339	—	12,643	9,548	9,500,000	0.43	22,145	22,145	—
Ciments Français, Paris	4,374,215	11.48	147,314	—	—	—	—	—	—	—	4,374,215	11.46	147,314	261,753	114,439
Commerzbank, Frankfurt	8,548,274	1.58	68,908	—	—	1,573,274	25,913	—	13,230	46,377	6,975,000	1.17	102,602	102,602	—
Finmeccanica	82,380,000	0.98	42,656	—	—	—	—	—	—	11,212	82,380,000	0.98	53,868	53,868	—
Fondiarria-SAI, <i>ordinary</i>	2,574,500	1.99 ÷ 1.51	28,691	—	—	—	—	—	—	5,498	2,574,500	1.99 ÷ 1.51	34,189	47,134	12,945
Fondiarria-SAI 2002-2008 <i>warrants</i>	5,115,600	—	10,359	—	—	—	—	—	—	2,244	5,115,600	—	12,603	18,319	5,716
Gemina, <i>ordinary</i>	46,132,781	12.66 ÷ 12.53	33,603	—	—	—	—	—	—	2,099	46,132,781	12.66 ÷ 12.53	35,702	35,702	—
Mediolanum	14,300,000	1.97	64,922	—	—	—	—	—	—	15,287	14,300,000	1.97	80,209	80,209	—
Others			16,982		—		—	—	—	1,581		—	18,563	24,827	6,264
			448,728		—		61,252	—	25,873	93,846			507,195	646,559	139,364
CONVERTIBLE BONDS AND OTHER SECURITIES ...	—	—	82,555	—	12,670	—	13,713	(6,139)	(460)	6,310	—	—	81,223	101,944	20,721
TOTAL LISTED SECURITIES			2,289,400		243,315		74,965	(307)	25,268	150,487			2,633,198	5,596,189	2,962,991
OTHER UNLISTED SECURITIES			836,427		35,753		239,709	(124,691)	12,065	(18,515)			501,330	501,330	—
TOTAL			3,125,827		279,068		314,674	(124,998)	37,333	131,972			3,134,528	6,097,519	2,962,991
								Other net income	3,020						
								Total net gain on disposal of investment securities	40,353						

(§) 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.

(*) Shares in DueMme SICAV are stated at their market price and at the exchange rate prevailing on 30 June 2004; for US bonds, the historic 0.82 exchange rate has been used.

CONSOLIDATED ACCOUNTS

BALANCE SHEET

	Assets	30/6/04		30/6/03	
		€ '000	€ '000	€ '000	€ '000
10.	CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES		11,573		8,445
20.	GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS		2,971,583		4,141,265
30.	AMOUNTS DUE FROM BANKS:		5,655,944		2,990,136
	a) repayable on demand	1,733,488		1,825,796	
	b) other accounts	3,922,456		1,164,340	
40.	AMOUNTS DUE FROM CUSTOMERS		16,754,809		15,722,659
	<i>of which:</i>				
	- <i>loans using funds managed for third parties</i>		—		—
50.	BONDS AND OTHER DEBT SECURITIES ISSUED BY:		3,900,908		3,410,511
	a) public agencies	935,031		693,533	
	b) banks	1,087,542		761,261	
	<i>of which:</i>				
	- <i>own bonds</i>	295,151		453,254	
	c) financial companies	1,259,070		1,289,342	
	<i>of which:</i>				
	- <i>own bonds</i>	—		—	
	d) other issuers	619,265		666,375	
60.	EQUITIES, PARTICIPATING INTERESTS AND OTHER CAPITAL SECURITIES		2,683,241		1,193,170
70.	EQUITY INVESTMENTS:		3,072,046		3,084,784
	a) stated on net equity basis	81,206		62,143	
	b) other equity investments	2,990,840		3,022,641	
80.	INVESTMENTS IN GROUP UNDERTAKINGS:		1,578		1,232
	a) stated on net equity basis	1,578		1,232	
	b) other investments in Group undertakings	—		—	
90.	POSITIVE DIFFERENCES ON CONSOLIDATION		17,463		—
110.	INTANGIBLE ASSETS		1,475		1,476
	<i>of which:</i>				
	- <i>installation costs</i>	148		1	
	- <i>goodwill</i>	—		—	
120.	TANGIBLE FIXED ASSETS		271,617		128,691
140.	OWN SHARES AND PARTICIPATING INTERESTS		970		970
150.	OTHER ASSETS		911,787		898,442
160.	ACCRUED INCOME AND PREPAID EXPENSES:		1,525,494		1,307,117
	a) accrued income	1,238,688		1,006,075	
	b) prepaid expenses	286,806		301,042	
	<i>of which:</i>				
	- <i>issue discounts on bonds</i>	69,347		68,203	
			37,780,488		32,888,898

GUARANTEES AND COMMITMENTS

	Guarantees and Commitments	30/6/04		30/6/03	
		€ '000	€ '000	€ '000	€ '000
10.	GUARANTEES GIVEN		933,826		1,863,150
	<i>of which:</i>				
	- <i>acceptances</i>	—		—	
	- <i>other guarantees</i>	933,826		1,863,150	
20.	COMMITMENTS		14,914,436		12,669,311
	<i>of which:</i>				
	- <i>assets sold under repurchase agreements</i>	—		—	
30.	CREDIT DERIVATIVES		534,996		344,500

Liabilities and Shareholders' Equity		30/6/04		30/6/03	
		€ '000	€ '000	€ '000	€ '000
10.	AMOUNTS DUE TO BANKS:		6,719,192		4,785,785
	a) repayable on demand	1,193,860		1,146,875	
	b) term deposits and deposits under notice	5,525,332		3,638,910	
20.	AMOUNTS DUE TO CUSTOMERS:		3,978,155		1,370,284
	a) repayable on demand	2,266,502		647,234	
	b) term deposits and deposits under notice	1,711,653		723,050	
30.	DEBT SECURITIES IN ISSUE:		16,807,800		18,358,682
	a) bonds	15,221,726		15,267,922	
	b) certificates of deposit	593,280		705,916	
	c) other debt securities	992,794		2,384,844	
50.	OTHER LIABILITIES		3,658,557		2,326,825
60.	ACCRUED EXPENSES AND DEFERRED INCOME:		832,750		779,439
	a) accrued expenses	574,438		468,041	
	b) deferred income	258,312		311,398	
70.	PROVISION FOR STAFF TERMINATION INDEMNITIES		32,266		34,268
80.	PROVISIONS FOR LIABILITIES AND CHARGES:		354,332		267,283
	a) post-retirement and similar benefits	—		—	
	b) provision for taxation	303,678		226,004	
	c) consolidated provision for future liabilities and charges	—		—	
	d) other provisions	50,654		41,279	
90.	LOAN LOSS PROVISION		13,428		13,428
100.	PROVISION FOR GENERAL BANKING RISKS		317,430		317,430
120.	NEGATIVE DIFFERENCES ON CONSOLIDATION		—		84,568
140.	NET EQUITY ATTRIBUTABLE TO MINORITY SHAREHOLDERS		184,254		61,508
150.	SHARE CAPITAL		389,291		389,275
160.	SHARE PREMIUM RESERVE		1,807,340		1,807,114
170.	RESERVES:		2,135,799		2,225,795
	a) legal reserve	77,855		77,855	
	b) reserve for purchase of own shares and participating interests	970		970	
	c) statutory reserves	893,452		1,033,591	
	d) other reserves	1,163,522		1,113,379	
180.	REVALUATION RESERVES		13,514		13,514
190.	RETAINED EARNINGS (ACCUMULATED LOSSES)		—		81
200.	PROFIT (LOSS) FOR THE YEAR		536,380		53,619
			37,780,488		32,888,898

PROFIT AND LOSS ACCOUNT

	12 months ended 30/6/04		12 months ended 30/6/03	
	€ '000	€ '000	€ '000	€ '000
10. INTEREST RECEIVABLE AND SIMILAR INCOME		1,327,126		1,314,677
<i>of which interest on:</i>				
- loans and advances to customers	841,333		883,265	
- debt securities	252,121		267,331	
20. INTEREST PAYABLE AND SIMILAR EXPENSES		(894,198)		(899,979)
<i>of which interest on:</i>				
- customer deposits	(106,238)		(35,611)	
- debt securities	(599,384)		(649,756)	
30. DIVIDENDS ON AND OTHER INCOME FROM:		663,692		297,798
a) equities, participating interests and other capital securities	460,018		187,990	
b) equity investments	203,674		109,808	
c) investments in Group undertakings	—		—	
40. COMMISSIONS RECEIVABLE		226,105		199,932
50. COMMISSIONS PAYABLE		(80,443)		(64,750)
60. GAINS (LOSSES) ON DEALING TRANSACTIONS		(229,489)		(172,708)
70. OTHER INCOME FROM OPERATIONS		280,653		375,488
80. ADMINISTRATIVE EXPENSES:		(295,601)		(243,835)
a) personnel costs	(166,280)		(133,276)	
<i>of which:</i>				
- wages and salaries	(121,640)		(91,358)	
- social security charges	(30,559)		(26,190)	
- transfer to termination indemnity provision	(9,055)		(12,739)	
- post-retirement and similar benefits	(5,026)		(2,989)	
b) other administrative expenses	(129,321)		(110,559)	
90. ADJUSTMENTS TO INTANGIBLE AND TANGIBLE FIXED ASSETS		(20,620)		(13,326)
100. TRANSFER TO PROVISION FOR LIABILITIES AND CHARGES		(12,216)		(13,340)
110. OTHER OPERATING EXPENSES		(190,948)		(336,049)
120. ADJUSTMENTS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		(87,391)		(67,112)
130. WRITEBACKS OF LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS		9,733		6,117
150. ADJUSTMENTS TO FINANCIAL FIXED ASSETS		(26,255)		(261,828)
160. WRITEBACKS OF FINANCIAL FIXED ASSETS		158,227		579
170. GAIN (LOSS) ON INVESTMENTS STATED ON NET EQUITY BASIS		4,454		(3,972)
180. PROFIT (LOSS) ON ORDINARY ACTIVITIES		832,829		117,692
190. EXTRAORDINARY INCOME		42,401		3,238
200. EXTRAORDINARY EXPENDITURE		(57,514)		(48,112)
210. EXTRAORDINARY PROFIT (LOSS)		(15,113)		(44,874)
240. INCOME TAXES FOR THE YEAR		(263,945)		(10,406)
250. (PROFIT) LOSS FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS		(17,391)		(8,793)
260. PROFIT (LOSS) FOR THE YEAR		536,380		53,619

NOTES TO THE ACCOUNTS OF THE BANK

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A. ACCOUNTING POLICIES

1. Methods of consolidation and accounting policies

Scope of consolidation

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

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

Basis of consolidation

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

Net differences arising when the accounts were first consolidated, have been recorded in the assets and liabilities of the companies concerned. Other negative net differences have been taken to the items *Negative goodwill on consolidation* or to the *Consolidated provision for future liabilities and charges*. Positive net differences have been taken to *Positive goodwill on consolidation* and have been amortized over a period of five years.

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

Currency

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

Accounts expressed in foreign currencies

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

Accounts used for consolidation

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

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

Accounting policies

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

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

2. Tax adjustments and provisions

2.1 Value adjustments made solely to comply with tax regulations

No such adjustments have been made.

2.2 Provisions made solely to comply with tax regulations

No such provisions have been made.

B. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Accounts receivable

1.1 Heading 30: Amounts due from banks

	30/6/04 € '000	30/6/03 € '000
a) Deposits with central banks	79,516	46,513
b) Bills eligible for refinancing at central banks	—	—
c) Forward transactions	3,385,375	1,868,850
d) Securities lent	132,318	67,072

1.2a Analysis of cash amounts due from banks as at 30 June 2004

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	5,529	—	5,529
a.1. <i>Non-performing lendings</i> ⁽¹⁾ <i>of which: to countries at risk</i>	127	—	127
a.2. <i>Potential problem lendings</i> <i>of which: to countries at risk</i>	—	—	—
a.3. <i>Debt in process of restructuring</i> <i>of which: countries at risk</i>	—	—	—
a.4. <i>Restructured debt</i> <i>of which: countries at risk</i>	—	—	—
a.5. <i>Unsecured credits to countries at risk</i>	5,402	—	5,402
b) Loans current as to payment of principal and interest	5,650,415	—	5,650,415

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

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

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

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

1.3a *Movements in doubtful debts due from banks in year ended 30 June 2004*

	Gross exposure € '000	Potential problem loans € '000	Debt in process of restructuring € '000	Restructured debts € '000	Unsecured credits to countries at risk € '000	Total gross doubtful debts € '000
a) Gross exposure as at 30/6/03	127	—	—	—	4,440	4,567
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
<i>Adjustments due to change in companies consolidated of which: interest in suspense</i>	—	—	—	—	—	—
<i>A. Pro-forma gross exposure as at 30/6/03</i>	127	—	—	—	4,440	4,567
<i>A.1. of which: interest in suspense</i>	—	—	—	—	—	—
b) Additions	—	—	—	—	2,487	2,487
<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>	—	—	—	—	2,487	2,487
c) Reductions	—	—	—	—	1,525	1,525
<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>	—	—	—	—	1,525	1,525
d) Gross exposure as at 30/6/04	127	—	—	—	5,402	5,529
<i>d.1. of which: interest in suspense</i>	—	—	—	—	—	—

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

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

1.5 Heading 40: Amounts due from customers

	30/6/04 € '000	30/6/03 € '000
a) Bills eligible for refinancing at central banks	—	—
b) Amounts due under finance leases	2,566,603	2,369,477
c) Forward transactions	422,493	671,124
d) Securities lent	69,563	109,334

1.6 Secured loans to customers

	30/6/04 € '000	30/6/03 € '000
a) Loans secured by mortgages	1,704,040	1,451,367
b) Loans secured by pledges on:		
1. cash deposits	1,935,020	18,032
2. securities	218,430	58,706
3. other assets	396,803	900,920
c) Loans secured by guarantees given by:		
1. Governments	180,760	387,343
2. public agencies	—	1,385
3. banks	1,611,317	1,338,367
4. others	3,462,641	3,229,837

1.7a Analysis of cash amounts due from customers as at 30 June 2004

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	206,485	96,558	109,927
a.1. <i>Non-performing lendings</i>	167,433	84,957	82,476 ⁽¹⁾
<i>of which: to countries at risk</i>	—	—	—
a.2. <i>Potential problem lendings</i>	31,650	11,317	20,333
<i>of which: to countries at risk</i>	—	—	—
a.3. <i>Debt in process of restructuring</i>	7,118	—	7,118
<i>of which: countries at risk</i>	—	—	—
a.4. <i>Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
a.5. <i>Unsecured credits to countries at risk</i>	284	284	—
b) Loans current as to payment of principal and interest	16,664,564	19,682	16,644,882

⁽¹⁾ Of which: € 62,107,000 owned by Cofactor.

1.7b 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>of which: to countries at risk</i>	—	—	—
<i>a.2. Potential problem lendings</i>	37,113	20,217	16,896
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	14,285	116	14,169
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	302	302	—
b) Loans current as to payment of principal and interest	15,618,511	4,860	15,613,651

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

1.8a Movements in doubtful debts due from customers in year ended 30 June 2004

	Gross exposure € '000	Potential problem loans € '000	Debt in process of restructuring € '000	Restructured debts € '000	Unsecured credits to countries at risk € '000	Total gross doubtful debts € '000
a) Gross exposure as at 30/6/03	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	2,542	—	—	—	—	2,542
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
Initial gross exposure after adjustments	155,289	37,113	14,285	—	302	206,989
<i>a.1. of which: interest in suspense</i>	58,022	3,689	—	—	—	61,711
b) Additions	51,227	33,299	55,517	—	284	140,327
<i>b.1. Transfers from loans current as to payment of principal and interest</i>	6,041	17,984	50,445	—	—	74,470
<i>b.2. Interest in suspense</i>	20,995	1,015	43	—	—	22,053
<i>b.3. Transfers from other classes of doubtful debt</i>	5,440	11,349	928	—	—	17,717
<i>b.4. Other additions</i>	18,751	2,951	4,101	—	284	26,087
c) Reductions	39,083	38,762	62,684	—	302	140,831
<i>c.1. Transfers to loans current as to payment of principal and interest</i>	625	5,559	42,800	—	—	48,984
<i>c.2. Amounts written off</i>	28,164	16,378	6	—	—	44,548
<i>c.3. Amounts collected</i>	9,259	6,544	1,017	—	—	16,820
<i>c.4. Proceeds of debt sold</i>	—	—	—	—	—	—
<i>c.5. Transfers from other classes of doubtful debt</i>	76	6,336	11,305	—	—	17,717
<i>c.6. Other reductions</i>	959	3,945	7,556	—	302	12,762
d) Gross exposure as at 30/6/04	167,433	31,650	7,118	—	284	206,485
<i>d.1. of which: interest in suspense</i>	63,886	2,518	223	—	—	66,627

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

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

1.9a *Movements in value adjustments to amounts due from customers in year ended 30 June 2004*

	Gross exposure	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
Net increase (decrease) due to change in companies consolidated	1,854	—	—	—	—	—	1,854
<i>A.1. of which: interest in suspense</i>	—	—	—	—	—	—	—
a) Pro-forma total adjustments as at 30/6/03	76,658	20,217	116	—	302	4,860	102,153
<i>a.1. of which: pro-forma interest in suspense</i>	58,053	3,689	—	—	—	—	61,742
b) Additions	41,782	57,454	—	—	284	17,335	116,855
<i>b.1. Value adjustments</i>	41,229	57,432	—	—	284	12,504	111,449
<i>b.1.1. of which: interest in suspense</i>	21,442	2,562	—	—	—	753	24,757
<i>b.2. Transfers from loan loss provision</i>	—	—	—	—	—	1,579	1,579
<i>b.3. Transfers from other classes of doubtful debt</i>	548	9	—	—	—	—	557
<i>b.4. Other additions</i>	5	13	—	—	—	3,252	3,270
c) Reductions	33,483	66,354	116	—	302	2,513	102,768
<i>c.1. Writebacks based on estimates</i>	1,368	1,624	—	—	—	801	3,793
<i>c.1.1. of which: interest in suspense</i>	—	—	—	—	—	—	—
<i>c.2. Writebacks of amounts collected</i>	2,293	1,915	116	—	—	1,616	5,940
<i>c.2.1. of which: interest in suspense</i>	551	360	—	—	—	11	922
<i>c.3. Amounts written off</i>	27,348	56,842	—	—	—	91	84,281
<i>c.4. Transfers to other classes of doubtful debt</i>	5	546	—	—	—	5	556
<i>c.5. Other reductions</i>	2,469	5,427	—	—	302	—	8,198
d) Total adjustments at 30/6/04	84,957	11,317	—	—	284	19,682	116,240
<i>d.1. of which: interest in suspense</i>	63,875	2,517	—	—	—	—	66,392

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

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

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

	30/6/04 € '000	30/6/03 € '000
a) Cash and value items in hand	3,428	1,489
b) Deposits with the Bank of Italy and other central banks	—	—
c) Deposits with other institutions	8,145	6,956
	11,573	8,445

2. Securities

2.1 Investment securities

	Book value € '000		Market value € '000	
	30/6/04	30/6/03	30/6/04	30/6/03
1. DEBT SECURITIES	78,187	79,536	98,610	99,053
1.1 Government securities:	—	—	—	—
• listed	—	—	—	—
• unlisted	—	—	—	—
1.2 Other debt securities:	78,187	79,536	98,610	99,053
• listed	74,654	75,232	95,077	94,749
• unlisted	3,533	4,304	3,533	4,304
2. CAPITAL SECURITIES	3,036	3,019	3,334	3,271
• listed	3,036	3,019	3,334	3,271
• unlisted	—	—	—	—
	81,223	82,555	101,944	102,324

Differences between redemption value on maturity and book value

	30/6/04 € '000	30/6/03 € '000
Surplus	16,268	26,819
Shortfall	—	—

2.2 Movements in investment securities

	30/6/04 € '000	30/6/03 € '000
A. HOLDING AT BEGINNING OF PERIOD	82,555	84,065
B. ADDITIONS	18,980	847
B1. Acquisitions	12,670	—
B2. Writebacks	6,310	579
B3. Transfers from holdings of non-investment securities	—	—
B4. Other movements	—	268
C. REDUCTIONS	20,312	2,357
C1. Disposals	13,713	577
C2. Redemptions	—	—
C3. Value adjustments	—	721
<i>of which: permanent writedowns</i>	—	—
C4. Transfers to holdings of non-investment securities	—	—
C5. Other movements	6,599	1,059
D. HOLDING AT END OF PERIOD	81,223	82,555

2.3 Non-investment securities

	Book value € '000		Market value € '000	
	30/6/04	30/6/03	30/6/04	30/6/03
1. DEBT SECURITIES	6,794,304	7,472,240	6,835,203	7,616,757
1.1 Government securities	1,906,796	2,612,279	1,907,464	2,621,227
• listed	1,906,796	2,612,279	1,907,464	2,621,227
• unlisted	—	—	—	—
1.2 Other debt securities:	4,887,508	4,859,961	4,927,739	4,995,530
• listed	4,314,354	4,136,817	4,353,488	4,263,604
• unlisted	573,154	723,144	574,251	731,926
2. CAPITAL SECURITIES	2,680,205	1,190,151	2,720,629	1,230,893
• listed	2,680,205	1,189,514	2,720,629	1,230,256
• unlisted	—	637	—	637
	9,474,509	8,662,391	9,555,832	8,847,650

2.4 Movements in non-investment securities

	30/6/04 € '000	30/6/03 € '000
A. HOLDING AT BEGINNING OF PERIOD	8,662,391	5,289,176
Net reduction due to change in companies consolidated	477,011	—
PRO-FORMA HOLDING AT BEGINNING OF PERIOD	9,139,402	5,289,176
B. ADDITIONS	51,863,735	53,958,654
B1. Acquisitions:	51,559,785	53,440,012
1. Debt securities:	39,677,511	45,281,904
• Government securities	23,394,047	36,864,086
• other debt securities	16,283,464	8,417,818
2. Capital securities	11,882,274	8,158,108
B2. Writebacks and revaluations	3,053	8,366
B3. Transfers from holdings of investment securities	—	131,141
B4. Other movements	300,897 ⁽¹⁾	379,135
C. REDUCTIONS	51,528,628	50,585,439
C1. Disposals and redemptions:	51,182,816	50,105,630
1. Debt securities:	40,745,608	42,046,025
• Government securities	24,107,365	34,189,762
• other debt securities	16,638,243	7,856,263
2. Capital securities	10,437,208	8,059,605
C2. Value adjustments	32,104	13,293
C3. Transfers to holdings of investment securities	—	51,295
C4. Other movements	313,708	415,221
D. HOLDING AT END OF PERIOD	9,474,509	8,662,391

⁽¹⁾ Of which € 15,154,000 due to dividends collected in kind.

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

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

3. Equity investments

3.1. Significant investments

	Share capital €	Par value of shares €	S/A (¹)	Shareholders' equity € '000 (²)	Profit (loss) € '000	Group interest		% voting shares at Ord. AGMs	Consolidated book value € '000
						Held by (³)	%		
A. CONSOLIDATED COMPANIES									
<i>A.1 Companies consolidated on line-by-line basis</i>									
1. MEDIOBANCA - Banca di Credito Finanziario S.p.A. - Milan	389,275,207.5	0.50	—	4,063,458	427,563	—	—	—	XXX
2. MB FINSTRUTTURE - INTERSOMER S.p.A. - Milan	6.5m	0.50	S	42,516	3,919	A.1.1	100.00	100.00	XXX
3. PROMINVESTMENT S.p.A. - Rome	743,000	0.52	S	1,739	(125)	A.1.1	70.00	70.00	XXX
4. PRUDENTIA FIDUCIARIA S.p.A. - Milan	100,000	5	S	474	44	A.1.1	100.00	100.00	XXX
5. SETECI - Società per l'Elaborazione, Trasmissione dati, Engineering e Consulenza Informatica S.p.A. - Milan	500,000	5	S	530	1	A.1.1	100.00	100.00	XXX
6. SPAFID S.p.A. - Milan	100,000	10	S	31,665	954	A.1.1	100.00	100.00	XXX
7. TECHNOSTART S.p.A. - Milan	1m	0.50	S	683	(29)	A.1.1	69.00	69.00	XXX
8. COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A. - Monte Carlo	111.1m	200		170,058	22,001	A.1.1	61.64	61.64	XXX
9. C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI - Monte Carlo	2.4m	1,525		1,468	(726)	A.1.8	99.94	99.94	XXX
10. C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M. - Monte Carlo	160,000	160	S	196	6,571	A.1.8	99.70	99.70	XXX
11. SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M. - Monte Carlo	775,000	155	S	869	19	A.1.8	99.90	99.90	XXX
12. MONOECI SOCIETE CIVILE IMMOBILIERE - Monte Carlo	1.600	15.5	S	(114)	(12)	A.1.8	99.00	99.00	XXX
13. MONOIKOS 2000 SOCIETE CIVILE IMMOBILIERE - Monte Carlo	2,000	1	S	(444)	(45)	A.1.9	99.95	99.95	XXX
14. MOULINS 700 S.A.M. - Monte Carlo	160,000	160	S	91	(38)	A.1.9	99.90	99.90	XXX
15. COMARFIN - COMPAGNIE MARITTIME ET FINANCIERE S.A.M. (⁴) - Monte Carlo	300,000	300	S	297	(232)	A.1.8	54.80	54.80	XXX

	Share capital €	Par value of shares €	S/A (¹)	Shareholders' equity € '000 (²)	Profit (loss) € '000	Group interest		% voting shares at Ord. AGMs	Consolidated book value € '000
						Held by (³)	%		
16. MADIOBANCA INTERNATIONAL Ltd - Grand Cayman	\$ 10m	\$ 1	S	\$ 73,991	\$ 7,555	A.1.1	100.00	100.00	XXX
17. COMPASS S.p.A. - Milan	87.5m	5	S	135,896	36,393	A.1.1	100.00	100.00	XXX
18. MICOS BANCA SpA - Milan	35m	0.50	S	34,385	3,707	A.1.17	100.00	100.00	XXX
19. COFACTOR S.p.A. - Milan	7.5m	0.50	S	11,318	23	A.1.17	100.00	100.00	XXX
20. SELMABIPPIEMME LEASING S.p.A. - Milan	40.2m	0.50	S	61,197	10,470	A.1.17	61.65	61.65	XXX
21. PALLADIO LEASING S.p.A. - Vicenza	8.7m	0.50	S	43,856	5,340	A.1.20	95.00	100.00	XXX
22. TELELEASING S.p.A. - Milan	9.5m	1	S	28,074	11,447	A.1.20	80.00	80.00	XXX
B. COMPANIES CONSOLIDATED ON NET EQUITY BASIS									
1. BANCA ESPERIA S.p.A. - Milan (³)	13m	0.52	A	37,458	1,406	A.1.1	48.50	48.50	XXX
2. SADE FINANZIARIA S.r.l. - Milan	25,000		S	25	—	A.1.1	100.00	100.00	XXX
3. RICERCHE E STUDI S.p.A. - Milan	100,000	5	S	103	—	A.1.1	100.00	100.00	XXX
4. CREDITECH S.p.A. - Milan	250,000	1	A	1,128	322	A.1.17	100.00	100.00	XXX
5. MB VENTURE CAPITAL S.A. - Luxembourg	40,000	10	S	206	(13)	A.1.7	35.00	35.00	XXX
6. MB VENTURE CAPITAL FUND I PARTICIPATING COMPANY A N.V. - Amsterdam	50,000	1	S	13,475	(3)	A.1.1	45.00	45.00	XXX
7. FIDIA - Fondo Interbancario d'Investimento Azionario SGR S.p.A. - Milan	15.6m	520	S	15,857	(643)	A.1.1	25.00	25.00	XXX
8. ATHENA PRIVATE EQUITY S.A. - Luxembourg	50m	2	S	146,240	3,600	A.1.1	24.46	24.46	XXX

	Share capital €	Par value of shares €	S/A (¹)	Shareholders' equity € '000 (²)	Profit (loss) € '000	Group interest		% voting shares at Ord. AGMs	Consolidated book value € '000
						Held by (³)	%		
C. OTHER SIGNIFICANT INVESTMENTS									
1. CARTIERE BURGO S.p.A. - Verzuolo (CN)	205.4m	0.52	A	170,359	364	A.1.1	22.13	22.13	XXX
2. SCONTOFIN S.A. - Luxembourg	2.6m	516.5	A	3,071	(9,875)	A.1.2	20.00	20.00	XXX
3. ZAMBIA TANZANIA ROAD SERVICES Ltd (in liquidation) - Lusaka	Kwacha 4m	Kwacha 200	A	Kwacha —	Kwacha —	A.1.2	23.33	23.33	XXX
4. TRADEVCO Ltd (in liquidation) - Monrovia	LRD 80m	LRD 16,000	S	LRD —	LRD —	A.1.1 C.4	60.00 40.00	100.00	XXX

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

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

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

(⁴) Sold in July 2004.

(⁵) Parent company of the Banca Esperia group.

(⁶) This company has not been consolidated pursuant to Article 36/4 of Decree Law 87/92.

Changes in companies consolidated on line-by-line basis in year ended 30 June 2004:

Company name and principal place of business	Reason for change
Additions:	
COMPAGNIE MONEGASQUE DE BANQUE - Monte Carlo	Included in area of consolidation
C.M.I. COMPAGNIE MONEGASQUE IMMOBILIERE SCI - Monte Carlo	Included in area of consolidation
C.M.G. COMPAGNIE MONEGASQUE DE GESTION S.A.M. - Monte Carlo	Included in area of consolidation
SMEF SOCIETE MONEGASQUE DES ETUDES FINANCIERE S.A.M. - Monte Carlo	Included in area of consolidation
MONOECI SOCIETE CIVILE IMMOBILIERE - Monte Carlo	Included in area of consolidation
MONOIKOS 2000 SOCIETE CIVILE IMMOBILIERE - Monte Carlo	Included in area of consolidation
MOULINS 700 S.A.M. - Monte Carlo	Included in area of consolidation
COMARFIN - COMPAGNIE MARITTIME ET FINANCIERE S.A.M. - Monte Carlo	Included in area of consolidation

3.2 Amounts due from and to Group undertakings

	30/6/04 € '000	30/6/03 € '000
a) AMOUNTS DUE FROM GROUP UNDERTAKINGS	2,937	3,133
1. Amounts due from banks	2,468	2,625
<i>of which: subordinated</i>	—	—
2. Amounts due from financial companies	—	—
<i>of which: subordinated</i>	—	—
3. Amounts due from other companies	469	508
<i>of which: subordinated</i>	—	—
4. Bonds and other debt securities	—	—
<i>of which: subordinated</i>	—	—
b) AMOUNTS DUE TO GROUP UNDERTAKINGS	975	17
1. Amounts due to banks	—	—
2. Amounts due to financial companies	—	—
3. Amounts due to other companies	975	17
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	60	2,109
1. Guarantees given	—	—
2. Commitments	60	2,109

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

3.3 Amounts due from and to associated undertakings

	30/6/04 € '000	30/6/03 € '000
a) AMOUNTS DUE FROM ASSOCIATED UNDERTAKINGS	2,897,261	2,456,994
1. Amounts due from banks	793,425	—
<i>of which: subordinated</i>		—
2. Amounts due from financial companies	395,964	420,000
<i>of which: subordinated</i>		—
3. Amounts due from other companies	1,483,459	1,750,264
<i>of which: subordinated</i>	400,000	400,000
4. Bonds and other debt securities	224,413	286,730
<i>of which: subordinated</i>	37,349	23,039
b) AMOUNTS DUE TO ASSOCIATED UNDERTAKINGS	692,247	85,390
1. Amounts due to banks	115,808	59,606
2. Amounts due to financial companies	490,236	24,745
3. Amounts due to other companies	86,203	1,039
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	1,019,607	1,320,699
1. Guarantees given	116,650	262,443
2. Commitments	902,957	1,058,256

3.4 Heading 70: Equity investments

	30/6/04 € '000	30/6/03 € '000
a) INVESTMENTS IN BANKS	143,519	145,743
1. <i>listed</i>	124,747	104,201
2. <i>unlisted</i>	18,772	41,542
b) INVESTMENTS IN FINANCIAL COMPANIES	278,182	234,952
1. <i>listed</i>	212,501	179,105
2. <i>unlisted</i>	65,681	55,847
c) OTHER EQUITY INVESTMENTS	2,650,345	2,704,089
1. <i>listed</i>	2,214,728	1,919,288
2. <i>unlisted</i>	435,617	784,801

3.5 Heading 80: Investments in Group undertakings

	30/6/04 € '000	30/6/03 € '000
a) INVESTMENTS IN BANKS	—	—
1. <i>listed</i>	—	—
2. <i>unlisted</i>	—	—
b) INVESTMENTS IN FINANCIAL COMPANIES	25	—
1. <i>listed</i>	—	—
2. <i>unlisted</i>	25	—
c) INVESTMENTS IN OTHER GROUP UNDERTAKINGS	1,553	1,232
1. <i>listed</i>	—	—
2. <i>unlisted</i>	1,553	1,232

3.6 Movements in investments

3.6.1 Movements in investments in Group undertakings

	30/6/04 € '000	30/6/03 € '000
A. HOLDING AT BEGINNING OF PERIOD	1,232	2,160
B. ADDITIONS	346	183
B1. Acquisitions	25	—
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	321	183
C. REDUCTIONS	—	1,111
C1. Disposals	—	—
C2. Value adjustments	—	39
<i>of which: permanent writedowns</i>	—	39
C3. Other movements	—	1,072
D. HOLDING AT END OF PERIOD	1,578	1,232
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS	39	1,221

3.6.2 Movements in other investments

	30/6/04			30/6/03		
	Stated at cost € '000	Stated at net equity € '000	Total € '000	Stated at cost € '000	Stated at net equity € '000	Total € '000
A. HOLDING AT BEGINNING OF PERIOD	3,022,641	62,143	3,084,784	3,212,731	52,548	3,265,279
B. ADDITIONS	661,450	19,228	680,678	751,955	14,278	766,233
B1. Acquisitions	469,725	14,121	483,846	529,789	14,155	543,944
B2. Writebacks	151,917	—	151,917	—	—	—
B3. Revaluations	—	—	—	—	—	—
B4. Other movements	39,808	5,107	44,915	222,166 ⁽¹⁾	123	222,289
C. REDUCTIONS	693,251	165	693,416	942,045	4,683	946,728
C1. Disposals	244,276	—	244,276	329,671	—	329,671
C2. Value adjustments	26,255	—	26,255	261,068	—	261,068
<i>of which: permanent writedowns</i>	—	—	—	187	—	187
C3. Other movements	422,720	165	422,885	351,306 ⁽²⁾	4,683	355,989
D. HOLDING AT END OF PERIOD	2,990,840	81,206	3,072,046	3,022,641	62,143	3,084,784
E. TOTAL REVALUATIONS	—	—	—	—	—	—
F. TOTAL ADJUSTMENTS	677,523	—	677,523	837,774	—	837,774

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

⁽²⁾ Of which € 131,141,000 transferred from non-investment securities.

4. Tangible and intangible fixed assets

4.1 Movements in tangible fixed assets

	30/6/04			30/6/03		
	Properties ⁽¹⁾	Furniture and equipment	Total	Properties	Furniture and equipment	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
A. HOLDING AT BEGINNING OF PERIOD	123,270	5,421	128,691	122,042	4,234	126,276
Net addition due to change in companies consolidated	45,500	6,816	52,316		(105)	(249)
PRO-FORMA ASSETS AT BEGINNING OF PERIOD	168,770	12,237	181,007	121,898	4,129	126,027
B. ADDITIONS	98,623	5,764	104,387	6,263	7,736	13,999
B1. Acquisitions	—	4,578	4,578	—	6,491	6,491
B2. Writebacks	—	—	—	—	—	—
B3. Revaluations	—	—	—	—	—	—
B4. Other movements	98,623 ⁽²⁾	1,186	99,809	6,263	1,245	7,508
C. REDUCTIONS	6,916	6,861	13,777	4,891	6,444	11,335
C1. Disposals and retirements from service	—	1,250	1,250	389	1,291	1,680
C2. Value adjustments:	6,916	5,611	12,527	4,502	5,153	9,655
a) <i>depreciation</i>	6,916	5,611	12,527	4,502	5,153	9,655
b) <i>permanent writedowns</i>	—	—	—	—	—	—
C3. Other movements	—	—	—	—	—	—
D. HOLDING AT END OF PERIOD	260,477	11,140	271,617	123,270	5,421	128,691
E. TOTAL REVALUATIONS	—	—	—	—	—	—
F. TOTAL ADJUSTMENTS:	38,242	37,344	75,586	31,326	32,919	64,245
a) <i>depreciation</i>	38,242	37,344	75,586	31,326	32,919	64,245
b) <i>permanent writedowns</i>	—	—	—	—	—	—

(1) Comprises the following properties:	sq.m	sq.m	
MILAN - Piazzetta Enrico Cuccia, 1	6,874	CATANIA - Piazza Castelnuovo, 26	300
MILAN - Via Filodrammatici / Piazzetta Bossi	11,093	FLORENCE - Via Lorenzo il Magnifico, 10	460
MILAN - Piazza Paolo Ferrari, 6	1,967	GENOA - Via XX Settembre, 36	251
MILAN - Foro Buonaparte, 6	2,932	MONACO - Monte Carlo	8,651
MILAN - Via Siusi, 1-7	5,300	VICENZA - Via Btg. Framarin, 14	620
MILAN - Via Murat, 84	1,367	VICENZA - Viale Europa	250
ROME - Piazza di Spagna, 15	8,228	VICENZA - Via Btg. Framarin, 4	4,239
ROME - Via Nomentana, 146	2,460	NOVARA - Piazza Martiri della Libertà, 4	214
NAPLES - Via Fiorentini, 21	140	PARMA - Via Garibaldi, 1	120
PALERMO - Piazza Castelnuovo, 26	149		

(2) Due to attribution of surplus arising on consolidation of CMB until current value starts to apply.

4.2 *Movements in intangible assets*

	30/6/04 € '000	30/6/03 € '000
A. ASSETS AT BEGINNING OF PERIOD	1,476	1,932
Net addition due to change in companies consolidated	1,021	3
PRO-FORMA ASSETS AT BEGINNING OF PERIOD	2,497	1,935
B. ADDITIONS	2,706	3,213
B1. Acquisitions	2,706	3,213
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	—	—
C. REDUCTIONS	3,728	3,672
C1. Disposals and retirements from service	1	—
C2. Value adjustments:	3,727	3,671
a) <i>amortization</i>	3,727	3,671
b) <i>permanent writedowns</i>	—	—
C3. Other movements	—	1
D. ASSETS AT END OF PERIOD	1,475	1,476
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS:	22,468	18,741
a) <i>amortization</i>	22,468	18,741
b) <i>permanent writedowns</i>	—	—

5. Other asset headings

5.1 Heading 150: *Other assets*

	30/6/04 € '000		30/6/03 € '000	
BILL FOR COLLECTION	6,981		—	
AMOUNTS DUE FROM REVENUE AUTHORITIES:				
• taxes withheld	9,037		10,794	
• advance tax paid, tax credits, taxes recoverable and interest thereon	425,785		315,903	
• advance tax prepaid	91,225	526,047	148,991	475,688
OTHER AMOUNTS DUE:				
• premiums, grants, indemnities and other items relating to lending transactions	12,005		4,190	
• futures and other securities transactions	641		78	
• advances on deposit commissions	5,041		491	
• invoices receivable and to be issued	10,570		6,613	
• other items in transit	64,119		41,130	
• exchange rate adjustments	116		101	
• funds deposited with clearing organizations	—	92,492	—	52,603
INTERBANK ACCOUNTS, DEFERRED VALUE DATES	5,008		15,042	
PREMIUMS PAID FOR OPTIONS PURCHASED	233,919		265,190	
VALUATION OF DERIVATIVES CONTRACTS	23,727		34,513	
DEPOSITS PAID ON DERIVATIVES CONTRACTS	16,599		28,679	
OTHER ITEMS	7,014		26,727	
	911,787		898,442	

5.2 Heading 160: *Accrued income and prepaid expenses*

	30/6/04 € '000		30/6/03 € '000	
ACCRUED INCOME				
Interest accrued on amounts due from banks	7,580		3,388	
Interest accrued on amounts due from customers	139,292		116,472	
Interest accrued on derivatives contracts	1,002,044		790,318	
Interest accrued on securities held	89,772	1,238,688	95,897	1,006,075
PREPAID EXPENSES				
Commissions prepaid	185,634		203,979	
Advances on forward transactions	11,167		15,479	
Discounts and expenses on bonds issued	69,347		68,203	
Other prepaid expenses	20,658	286,806	13,381	301,042
	1,525,494		1,307,117	

5.4 Subordinated assets

	30/6/04 € '000	30/6/03 € '000
a) Amounts due from banks	—	—
b) Amounts due from customers	405,964	400,000
c) Bonds and other debt securities	83,741	93,857
	489,705	493,857

6. Accounts payable

6.1 Heading 10: Amounts due to banks

	30/6/04 € '000	30/6/03 € '000
a) Forward transactions	1,034,503	447,155
b) Securities lent	76,150	18,568

6.2 Heading 20: Amounts due to customers

	30/6/04 € '000	30/6/03 € '000
a) Forward transactions	321,017	555,141
b) Securities lent	179,838	44,965

Heading 30: Debt securities in issue

	30/6/04		30/6/03	
	No. (1)	€ '000	No. (1)	€ '000
Bonds		15,221,726		15,267,922
• convertible	982,211	926,298	4,172,575	1,008,102
• with warrants	2,562	2,510	3,814	5,010
• other bonds	—	14,292,918	—	14,254,810
Certificates of deposit		593,280		705,916
Other securities	—	992,794	—	2,384,844
of which:				
• convertible	—	—	30,261	312,570
		16,807,800		18,358,682

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

7. Provisions (Headings 70, 80 and 90)

Provision for staff termination indemnities

	30/6/04 € '000	30/6/03 € '000
PROVISION AT BEGINNING OF PERIOD	34,268	28,621
Net addition due to Euro conversion and change in companies consolidated	—	78
PRO-FORMA PROVISION AT BEGINNING OF PERIOD	34,268	28,699
<i>deduct:</i>		
• indemnities paid out and advances made under Law 297/82 during the year	11,057	7,170
<i>add:</i>		
• transfers to provision for year	9,055	12,739
PROVISION AT END OF PERIOD	32,266	34,268

7.1 Heading 90: *Loan loss provisions*

	30/6/04 € '000	30/6/03 € '000
Loan loss provisions	13,428	13,428

7.2 *Movements in Loan loss provisions*

	30/6/04 € '000	30/6/03 € '000
A. PROVISIONS AT BEGINNING OF PERIOD	13,428	13,428
B. ADDITIONS	—	—
B1. Transfers to provisions	—	—
B2. Other movements	—	—
C. REDUCTIONS	—	—
C1. Transfers from provisions	—	—
C2. Other movements	—	—
D. PROVISIONS AT END OF PERIOD	13,428	13,428

Provision for taxation as at 30 June 2004

	Corporate income tax and regional production tax € '000	Municipal property tax € '000	“Substitutive” tax on gain in equity investments € '000	Other taxes € '000	Total € '000
PROVISION AT BEGINNING OF PERIOD	221,210	—	—	4,794	226,004
<i>deduct:</i>					
• transfers from provision during year	141,720	23	—	4,794	146,537
• writebacks to profit and loss account	—	—	—	—	—
• reductions	21,171	—	—	—	21,171
<i>add:</i>					
• transfers to provision during year	241,961	23	—	3,398	245,382
• additions	—	—	—	—	—
PROVISION AT END OF PERIOD	300,280	—	—	3,398	303,678

Provision for taxation as at 30 June 2003

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

7.3a Sub-Heading 80d) *Provisions for liabilities and charges: other provisions at 30 June 2004*

	Legal costs € '000	Promotion expenses € '000	Specific and probable risks and commitments € '000	Total € '000
PROVISIONS AT BEGINNING OF PERIOD	2,064	245	38,970	41,279
Net addition due to change in companies consolidated	—	—	949	949
PRO-FORMA PROVISION AT BEGINNING OF PERIOD	2,064	245	39,919	42,228
<i>less:</i>				
• transfers from provisions during period	912	296	2,582	3,790
• amounts credited back to earnings	—	—	—	—
<i>add:</i>				
• transfers to provisions for period	797	271	11,148	12,216
PROVISIONS AT END OF PERIOD	1,949	220	48,485 ⁽¹⁾	50,654

⁽¹⁾ Of which € 6,582,000 to cover the possible charges arising in connection with the liquidation of Group subsidiary Tradevco.

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

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

⁽¹⁾ Of which € 5,090,000 to cover the possible charges arising in connection with the liquidation of Group subsidiary Tradevco.

7.4a Advance tax assets as at 30 June 2004

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	148,991	143,177	5,814	—
2. Additions	10,948	10,209	739	—
2.1 advance tax arising in period	10,340	9,765	575	—
2.2 other additions	608	444	164	—
<i>of which for new equipment</i>	<i>514</i>	<i>444</i>	<i>70</i>	
3. Reductions	68,714	64,607	4,107	—
3.1 advance tax eliminated in period	66,316	62,210	4,106	—
3.2 other reductions	2,398	2,397	1	—
4. BALANCE AT END OF PERIOD	91,225	88,779	2,446	—

Eligible offsets as at 30 June 2004

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	91,225	88,779	2,446	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 150)	91,225	88,779	2,446	—

7.4b Advance tax assets as at 30 June 2003

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

Eligible offsets as at 30 June 2003

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

7.5a Deferred tax liabilities as at 30 June 2004

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	107,752	102,369	5,383	—
2. Additions	3,915	3,646	269	—
2.1 advance tax arising in period	3,914	3,646	268	—
2.2 other additions	1	—	1	—
3. Reductions	59,714	59,100	614	—
3.1 advance tax eliminated in period	38,542	37,928	614	—
3.2 other reductions	21,172	21,172	—	—
4. BALANCE AT END OF PERIOD	51,953	46,915	5,038	—

Eligible offsets as at 30 June 2004

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	51,953	46,915	5,038	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 80b)	51,953	46,915	5,038	—

7.5b Deferred tax liabilities as at 30 June 2003

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

Eligible offsets as at 30 June 2003

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

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

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

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

Heading 100: *Provision for general banking risks*

	30/6/04 € '000	30/6/03 € '000
• Loan loss provisions originally raised on provisionally tax-exempt basis under Article 71/1 of Presidential Decree 917/86, plus general portion of prior year loan loss provisions	317,029	317,029
• Subsequent allocations	401	401
PROVISION AT END OF PERIOD	317,430	317,430

Heading 140: *Net equity attributable to minority shareholders*

	30/6/04 € '000	30/6/03 € '000
Net equity attributable to minority shareholders	61,508	53,616
From consolidation of Compagnie Monégasque de Banque	106,627	—
Other changes	(1,272)	(901)
Profit (loss) for year attributable to minority shareholders	17,391	8,793
	184,254	61,508

Heading 150: *Share capital at 30 June 2004*

	30/6/04 € '000
SHARE CAPITAL AT BEGINNING OF PERIOD	
• 778,549,415 € 0.50 par value ordinary shares	389,275
Restricted rights issue of 33,500 shares subscribed by employees under stock option scheme	16
SHARE CAPITAL AT END OF PERIOD	389,291

Heading 150: *Share capital at 30 June 2003*

	30/6/03 € '000
SHARE CAPITAL AT BEGINNING OF PERIOD	389,265
• 778,529,415 € 0.50 par value ordinary shares	
Restricted rights issue of 20,000 shares subscribed by employees under share option scheme	10
SHARE CAPITAL AT END OF PERIOD	389,275

Heading 160: *Share premium reserve*

	30/6/04 € '000	30/6/03 € '000
SHARE PREMIUMS AT BEGINNING OF PERIOD	1,807,114	1,806,980
Increases:		
• due to share capital increases following exercise of share options	226	134
SHARE PREMIUMS AT END OF PERIOD	1,807,340	1,807,114

Heading 170: *Reserves*

	30/6/04 € '000	30/6/03 € '000
Legal reserve ⁽¹⁾	77,855	77,855
Reserve for own shares and participating interests ⁽²⁾	970 ⁽²⁾	970 ⁽²⁾
Statutory reserve ⁽¹⁾	893,452	1,033,591
Other reserves ⁽³⁾	1,163,522	1,113,379
	2,135,799	2,225,795

⁽¹⁾ Parent company's reserve.

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

⁽³⁾ Includes € 5,685,000 (30/6/03: € 1,809,000) representing exchange gain on translation of MEDIOBANCA INTERNATIONAL's accounts.

Heading 180: *Revaluation reserves*

	30/6/04 € '000	30/6/03 € '000
Revaluation reserve under Law 576/75	22	22
Revaluation reserve under Law 72/83	6,240	6,240
Revaluation reserve under Law 413/91	6,437	6,437
Revaluation reserve under Law 342/00	815	815
	13,514	13,514

8.1 *Regulatory capital and capital adequacy requirements*

	30/6/04 € '000	30/6/03 € '000
a) Regulatory capital		
a.1. Tier 1 capital	5,032,429	4,795,091
a.2. Tier 2 capital	1,049,962	907,450
a.3. Supervisory deductions	(133,666)	(140,776)
a.4. Regulatory capital	5,948,725	5,561,765
b) Capital adequacy requirements		
b.1. Credit risk	1,985,370	1,974,209
b.2. Market risk	366,007	295,349
• on non-investment securities	317,172	262,587
• on exchange rates	—	—
• on loan concentration	48,835	32,762
b.2.1 Tier 3 subordinated loans	—	—
b.3. Other capital adequacy requirements	21,710	24,970
b.4. Total capital adequacy requirements	2,373,087	2,294,528
c) Risk assets and capital adequacy ratios		
c.1. Risk weighted assets	29,663,588	28,681,600
c.2. Tier 1 capital as % of risk weighted assets	16.97%	16.72%
c.3. Regulatory capital as % of risk weighted assets	20.05%	19.39%

Heading 90: *Positive goodwill arising on consolidation*

COMPANY	Balance at 30/6/03	Value recorded during period	Other movements	Goodwill amortized during 12 mths	Balance at 30/6/04
Compagnie Monégasque de Banque	—	21,829	—	4,366	17,463

9. Other liability headings

9.1 Heading 50: *Other liabilities*

	30/6/04 € '000		30/6/03 € '000	
BILLS FOR COLLECTION		18		30
AMOUNTS DUE TO REVENUE AUTHORITIES		21,544		28,421
AMOUNTS DUE IN RESPECT OF:				
• interest coupons and dividends awaiting collection and debt securities in the process of conversion		2,335		2,044
• commissions payable to banks		72		76
• commissions payable to placing and underwriting syndicates		12,666		661
• invoices pending settlement and receipt		100,219		136,353
• premiums, contributions and other amounts due to third parties in respect of financing transactions		138,167	253,459	122,719
FEES PAYABLE, AND SOCIAL SECURITY CONTRIBUTIONS AND AMOUNTS WITHHELD FROM STAFF AND PROVIDERS OF SERVICES DUE TO REVENUE AUTHORITIES		19,795		13,110
INTERBANK ACCOUNTS, DEFERRED VALUE DATES		5,243		19,043
VALUATIONS OF DERIVATIVES CONTRACTS		164,664		168,739
TECHNICAL SHORTFALLS ON SECURITIES LENT		2,184,865		851,069
PREMIUMS RECEIVED ON OPTIONS SOLD		220,315		261,957
DEPOSITS RECEIVED ON DERIVATIVES		754,304		718,149
OTHER ITEMS		34,350		4,454
		3,658,557		2,326,825

9.2 Heading 60: *Accrued expenses and deferred income*

	30/6/04 € '000		30/6/03 € '000	
ACCRUED EXPENSES				
Interest accrued on deposits and loans from banks		69,888		48,302
Interest and commissions accrued on Mediobanca certificates of deposit and debt securities, and on guarantees and treasury transactions		273,672		240,238
Interest accrued on derivatives		218,713		171,765
Amounts accrued on refinancings and subsidies		12,165	574,438	7,736
DEFERRED INCOME				
Prepaid interest, premiums and commissions		153,822		156,442
Actualization of derivatives contracts		24,944		38,111
Leasing charges		19,807		19,937
Commissions on bonds issued		16,674		30,329
Advances on forward transactions		37,633		59,284
Other items		5,432	258,312	7,295
		832,750		779,439

10. Guarantees and commitments

10.1 Heading 10: *Guarantees given*

	30/6/04			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Bills backed or endorsed	4,741	—	4,741	—	—	—
b) Letters of guarantee	574,748	213,725	788,473	1,850,046	13,104	1,863,150
c) Assets pledged as collateral	—	140,612	140,612	—	—	—
	579,489	354,337	933,826	1,850,046	13,104	1,863,150

10.2 Heading 20: *Commitments*

	30/6/04			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Commitments to lend specific funds:						
• securities to be received	1,458,972	1,539,866	2,998,838	632,678	450,085	1,082,763
• amounts undrawn under existing loan agreements	2,752,950	2,040,572	4,793,522	3,374,370	2,993,726	6,368,096
• other commitments and exposures	66,370	—	66,370	21,436	75,046	96,482
	4,278,292	3,580,438	7,858,730	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	1,420,619	4,268,127	5,688,746	2,533,825	978,887	3,512,712
• participations in underwriting syndicates	501,557	—	501,557	253,736	—	253,736
• other commitments and exposures	326,789	538,614	865,403	128,852	1,226,670	1,355,522
	2,248,965	4,806,741	7,055,706	2,916,413	2,205,557	5,121,970
	6,527,257	8,387,179	14,914,436	6,944,897	5,724,414	12,669,311

10.3 Assets posted as collateral for amounts due by the Bank

	30/6/04 € '000	30/6/03 € '000
Securities held posted as collateral for forward funding transactions	990,067	658,737
Amounts due to customers posted as collateral for EIB loans	231,181	283,297

Credit derivatives (Heading 30 of Guarantees and Commitments)

	30/6/04			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Banking book hedge sales						
• with exchange of principal	—	218,333	218,333	—	205,000	205,000
• without exchange of principal	—	—	—	—	—	—
	—	218,333	218,333	—	205,000	205,000
b) Trading book hedge sales						
• with exchange of principal	261,663	55,000	316,663	—	139,500	139,500
• without exchange of principal	—	—	—	—	—	—
	261,663	55,000	316,663	—	139,500	139,500
	261,663	273,333	534,996	—	344,500	344,500

10.5 Forward transactions

Type of transaction	30/6/04			30/6/03		
	Hedging € '000	Trading € '000	Other € '000	Hedging € '000	Trading € '000	Other € '000
1. DEALING	—	8,139,364	323,292	148,200	3,661,997	491,206
1.1 Securities:	—	8,135,333	323,292	148,200	3,661,997	491,206
• <i>bought</i>	—	2,998,838	—	148,200	934,563	—
• <i>sold</i>	—	5,136,495	323,292	—	2,727,434	491,206
1.2 Foreign currency:	—	4,031	—	—	—	—
• <i>currency bought/sold for currency</i>	—	—	—	—	—	—
• <i>currency bought for Euros</i>	—	4,031	—	—	—	—
• <i>currency sold for Euros</i>	—	—	—	—	—	—
2. DEPOSITS AND LOANS	—	2,192,942	—	—	4,969,658	15,366
• <i>pending disbursement</i>	—	1,933,843	—	—	3,861,121	—
• <i>pending receipt</i>	—	259,099	—	—	1,108,537	15,366
3. DERIVATIVES CONTRACTS	18,311,462	24,286,034	14,728,823	21,067,078	18,383,600	16,509,238
3.1 With exchange of principal:	82,293	6,016,887	1,421,677	2,721,609	6,272,145	4,268,896
a) Securities ⁽¹⁾ :	—	4,904,264	1,421,677	1,587,665	5,752,167	4,268,896
• <i>bought</i>	—	2,854,104	459,832	1,212,570	1,687,004	1,519,119
• <i>sold</i>	—	2,050,160	961,845	375,095	4,065,163	2,749,777
b) Foreign currency:	82,293	1,112,623	—	1,133,944	519,978	—
• <i>currency bought/sold for currency</i>	—	5,129	—	—	—	—
• <i>currency bought for Euros</i>	26,526	366,469	—	544,006	32,801	—
• <i>currency sold for Euros</i>	55,767	741,025	—	589,938	487,177	—
c) Other value items:	—	—	—	—	—	—
• <i>bought</i>	—	—	—	—	—	—
• <i>sold</i>	—	—	—	—	—	—
3.2 Without exchange of principal:	18,229,169	18,269,147	13,307,146	18,345,469	12,111,455	12,240,342
a) Foreign currency:	—	—	—	—	—	—
• <i>currency bought/sold for currency</i>	—	—	—	—	—	—
• <i>currency bought for Euros</i>	—	—	—	—	—	—
• <i>currency sold for Euros</i>	—	—	—	—	—	—
b) Other value items ⁽¹⁾ ⁽²⁾ :	18,229,169	18,269,147	13,307,146	18,345,469	12,111,455	12,240,342
• <i>bought</i>	13,824,474	7,833,687	4,604,231	13,148,093	5,943,018	4,336,576
• <i>sold</i>	4,404,695	10,435,460	8,702,915	5,197,376	6,168,437	7,903,766

⁽¹⁾ Amounts bought and sold include basis swaps in a principal amount of € 2,444,478,000 (30/6/03: € 3,301,196,000).

⁽²⁾ Amounts bought and sold include derivatives incorporated in financial instruments in a total amount of € 9,555,459,000 (€ 10,664,952,000).

10.6 Credit derivatives

Type of transaction	30/6/04		30/6/03	
	Hedging € '000	Trading € '000	Hedging € '000	Trading € '000
1. HEDGE BUYS	75,000	465,614	115,000	183,500
1.1 With exchange of principal	75,000	465,614	115,000	183,500
– <i>credit default</i>	<i>75,000</i>	<i>465,614</i>	<i>115,000</i>	<i>183,500</i>
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
– <i>credit default</i>	—	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2. HEDGE SALES	218,333	316,663	205,000	139,500
2.1 With exchange of principal	218,333	316,663	205,000	139,500
– <i>credit default</i>	<i>218,333</i>	<i>316,663</i>	<i>205,000</i>	<i>139,500</i>
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2.2 Without exchange of principal	—	—	—	—
– <i>credit default</i>	—	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—

11. Segmental information

11.1 Significant exposures

	30/6/04	30/6/03
a) Total risk-weighted amount (€ '000)	10,368,869	9,907,232
b) Exposures (No.)	10	10

11.2 Loans and advances to customers by category of borrower

	30/6/04 € '000	30/6/03 € '000
a) Governments	225,774	256,612
b) Other public agencies	103,091	90,066
c) Non-financial undertakings	9,861,208	7,003,399
d) Financial companies	3,073,357	4,642,249
e) Family firms	380,173	295,709
f) Other industries	3,111,206	3,434,624
	16,754,809	15,722,659

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

	30/6/04 € '000	30/6/03 € '000
a) Sales services	2,620,620	2,387,278
b) Telecoms	1,654,716	422,153
c) Energy	859,528	1,087,724
d) Means of transport	537,442	169,562
e) Transport related services	519,667	158,667
f) Other industries	3,424,465	2,615,020
	9,616,438	6,840,404

11.4 Guarantees given by category of counterparty

	30/6/04 € '000	30/6/03 € '000
a) Governments	—	—
b) Other public agencies	2,727	2,727
c) Banks	49	49
d) Non-financial undertakings	324,827	142,965
e) Financial companies	438,551	488,196
f) Family firms	—	—
g) Other counterparties	167,672	1,229,213
	933,826	1,863,150

Credit derivatives by type of counterparty

	30/6/04 € '000	30/6/03 € '000
Hedge buys	540,614	298,500
Banking book	75,000	115,000
<i>Banks</i>	60,000	70,000
<i>Financial companies</i>	15,000	45,000
Trading book	465,614	183,500
<i>Banks</i>	315,614	106,000
<i>Financial companies</i>	150,000	77,500
Hedge sales	534,996	344,500
Banking book	218,333	205,000
<i>Banks</i>	170,000	180,000
<i>Financial companies</i>	48,333	25,000
Trading book	316,663	139,500
<i>Banks</i>	296,663	45,000
<i>Financial companies</i>	20,000	94,500

11.5 Assets and liabilities by geographical area

11.5a Assets and liabilities by geographical area as at 30 June 2004

	Domestic € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
1. ASSETS	23,588,329	7,587,405	790,751	31,966,485
1.1 Amounts due from banks	2,259,132	3,228,274	168,538	5,655,944
1.2 Amounts due from customers	15,469,020	1,061,559	224,230	16,754,809
1.3 Securities	5,860,177	3,297,572	397,983	9,555,732
2. LIABILITIES	21,602,174	4,119,817	1,783,156	27,505,147
2.1 Amounts due to banks	4,426,901	2,249,632	42,659	6,719,192
2.2 Amounts due to customers	2,018,985	1,870,185	88,985	3,978,155
2.3 Debt securities	15,156,288	—	1,651,512	16,807,800
2.4 Subordinated liabilities	—	—	—	—
2.5 Other accounts	—	—	—	—
3. GUARANTEES AND COMMITMENTS	7,362,412	7,585,614	1,435,232	16,383,258

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

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

11.6 Assets and liabilities by maturity

11.6a Assets and liabilities by maturity as at 30 June 2004

	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			
	€ '000	€ '000	€ '000	fixed rate € '000	floating rate € '000	fixed rate € '000	floating rate € '000	fixed rate € '000	floating rate € '000		
1. ASSETS	1,819,938	21,927,320	16,771,016	2,018,945	922,905	6,828,612	5,247,665	6,193,621	6,115,706	251,314	68,097,042
1.1 Government securities eligible for refinancing	—	129,522	23,603	9,888	—	374,328	128,106	1,312,896	993,240	—	2,971,583
1.2 Amounts due from banks	1,733,488	3,730,791	34,476	4,709	6,208	26,123	33,815	5,195	25,755	55,384	5,655,944
1.3 Amounts due to customers	86,450	2,595,044	2,459,087	863,851	476,650	2,068,545	4,710,925	448,974	2,849,353	195,930	16,754,809
1.4 Bonds and other fixed-income securities	—	467,013	759,298	84,836	96,795	602,880	115,681	1,244,164	530,241	—	3,900,908
1.5 Off-balance sheet instruments ⁽¹⁾	—	15,004,950	13,494,552	1,055,661	343,252	3,756,736	259,138	3,182,392	1,717,117	—	38,813,798
2. LIABILITIES	3,486,970	22,117,281	18,264,449	504,402	1,416,387	5,106,526	7,480,379	4,747,184	3,195,351	16	66,318,945
2.1 Deposits and loans from banks	1,193,860	2,884,551	831,674	1,880	432,480	1,926	667,452	—	705,369	—	6,719,192
2.2 Customer deposits	2,266,502	1,435,224	138,199	271	—	79,522	5,000	59	53,362	16	3,978,155
2.3 Debt securities in issue:	26,608	335,010	2,456,675	198,246	473,846	3,550,133	6,432,153	986,231	2,348,898	—	16,807,800
• bonds	208	235,650	2,184,679	75,489	468,237	3,226,841	6,230,425	722,999	2,077,198	—	15,221,726
• certificates of deposit	26,400	96,360	233,591	122,757	445	113,438	289	—	—	—	593,280
• other debt securities	—	3,000	38,405	—	5,164	209,854	201,439	263,232	271,700	—	992,794
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
2.5 Off-balance sheet instruments ⁽¹⁾	—	17,462,496	14,837,901	304,005	510,061	1,474,945	375,774	3,760,894	87,722	—	38,813,798

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

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

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

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

11.7 Assets and liabilities denominated in currencies other than the Euro

	30/6/04 € '000	30/6/03 € '000
a) ASSETS		
1. Amounts due from banks	534,146	113,031
2. Amounts due from customers	405,509	550,566
3. Securities	143,911	149,611
4. Equity investments	514	893
5. Other accounts	191	14
	1,084,271	814,115
b) LIABILITIES		
1. Amounts due to banks	102,988	23,932
2. Amounts due to customers	472,928	617
3. Debt securities in issue	30,528	173,484
4. Other accounts	—	—
	606,444	198,033

11.8.1 Securities held as a result of Group company securitizations

11.8.1a As at 30 June 2004

Underlying asset	Asset quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due from SACE in respect of non-Italian public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other receivables		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Retail/industrial/agricultural mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	90,832	—	8,410	99,242
Other receivables	Current as to payment of principal and interest	32,467	5,990	7,310	45,767
Social security contributions		—	—	—	—
		123,299	5,990	15,720	145,009
		123,299	5,990	15,720	145,009

11.8.1b As at 30 June 2003

Underlying asset	Asset quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Lease		—	—	—	—
Securities		—	—	—	—
Amounts due from SACE in respect of non-Italian public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other receivables		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans		—	—	—	—
Retail/industrial/agricultural mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	144,591	—	8,410	153,001
Other receivables	Current as to payment of principal and interest	50,440	5,990	7,310	63,740
Social security contributions		—	—	—	—
		195,031	5,990	15,720	216,741
		195,031	5,990	15,720	216,741

Compass S.p.A.

Under the terms of a securitization programme launched in 2002-2003, Compass sold a further € 345,123,000 in performing loans on the same terms as the original issue, i.e. quarterly revolving until October 2005. In its capacity as servicer, it also collected € 396,114,000 on behalf of Quarzo S.r.l., earning fees of € 482,000. A total of € 1,158.4m had been sold to Quarzo as at the balance sheet date.

SelmaBipiemme Leasing S.p.A.

Again under the terms of the 2002-2003 securitization, SelmaBipiemme sold a further € 190,030,000 in performing loans on the same terms as the original issue. In its capacity as servicer, it also collected a total of € 267,375,000 on behalf of Quarzo S.r.l., earning fees of € 135,000. A total of € 908.8m in loans had been sold to Quarzo as at the balance sheet date.

11.8.2 *Securities held as a result of third party securitizations*

11.8.2a As at 30 June 2004

Underlying asset	Asset quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES		—	—	—	—
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due from SACE in respect of non-Italian public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans	Current as to payment of principal and interest	5,000	—	—	5,000
Retail/industrial/agricultural mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	32,469	13,531	—	46,000
Other receivables	Non-performing	30,803	—	—	30,803
	Current as to payment of principal and interest	64,692	—	—	64,692
Social security contributions		—	—	—	—
		132,964	13,531	—	146,495
		132,964	13,531	—	146,495

11.8.2b As at 30 June 2003

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

12. Securities managed and traded for third parties

12.1 Securities traded

	30/6/04 € '000	30/6/03 € '000
a) PURCHASES:	8,483,967	6,164,275
1. settled	7,823,100	5,243,480
2. pending settlement	660,867	920,795
b) SALES:	8,090,238	6,112,573
1. settled	7,424,466	5,191,778
2. pending settlement	665,772	920,795

12.2 Assets under management

	30/6/04 € '000	30/6/03 € '000
Assets managed on behalf of clients	4,118,490	—

(¹) The Banca Esperia group has assets worth € 4,779,000 under management (30/6/03: € 3,153,000).

12.3 Securities held under custody and administration

	30/6/04 € '000	30/6/03 € '000
a) THIRD PARTIES' SECURITIES HELD:	16,373,087	4,666,148
a/1) <i>under custody</i> (¹)	11,303,017	1,599,873
a/2) <i>as trustees</i>	1,008,656	1,215,283
a/3) <i>as collateral</i>	4,061,414	1,850,992
b) THIRD PARTIES' SECURITIES HELD BY THIRD PARTIES	7,367,504	4,005,469
c) OWN SECURITIES HELD BY THIRD PARTIES	7,923,354	9,219,484

(¹) The Banca Esperia group has € 803,000,000 in securities under administration (30/6/03: € 510,000,000).

C. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

1. Interest

1.1 Heading 10: *Interest receivable and similar income*

	2003/04 € '000	2002/03 € '000
a) Interest on amounts due from banks <i>of which: amounts due from central banks</i>	110,015 1,740	105,425 1,453
b) Interest on amounts due from customers <i>of which: on loans and advances made with third parties' funds under administration</i>	841,333 —	883,265 —
c) Interest on debt securities	252,121	267,331
d) Other interest receivable	2,653	4,187
e) Surplus on hedging margins	121,004	54,469
	1,327,126	1,314,677

1.2 Heading 20: *Interest payable and similar expenses*

	2003/04 € '000	2002/03 € '000
a) Interest on amounts due to banks	188,494	213,502
b) Interest on amounts due to customers	106,238	35,611
c) Interest on debt securities in issue <i>of which: certificates of deposit</i>	599,384 ^(†) 20,110 ^(†)	649,756 ^(†) 27,449 ^(†)
d) Interest on third parties' funds under administration	—	—
e) Interest on subordinated liabilities	—	—
f) Shortfall on hedging margins	—	—
g) Other interest payable	82	1,110
	894,198	899,979

^(†) Includes commission on deposits.

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

	2003/04 € '000	2002/03 € '000
a) Interest receivable and similar income on assets denominated in currencies other than the Euro	27,621	27,428

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

	2003/04 € '000	2002/03 € '000
a) Interest payable and similar expenses on liabilities denominated in currencies other than the Euro	13,823	11,369

2. Commissions

2.1 Heading 40: *Commissions receivable*

	2003/04 € '000	2002/03 € '000
a) Guarantees given	3,695	1,423
b) Credit derivatives	3,984	3,935
c) Management, trading and consulting services:	102,610	37,200
1. securities dealing	21,732	5,850
2. currency dealing	30	—
3. asset management ⁽¹⁾	4,207	—
3.1 private individuals	4,207	—
3.2 groups	—	—
4. securities under custody and administration	3,333	935
5. bank deposits	—	—
6. securities placing	51,593	30,021
7. procurement of orders	6	—
8. advisory services	3,857	394
9. agency fees	17,852	—
9.1 asset management	17,852	—
9.1.1 private individuals	17,852	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other	—	—
d) Collection and payment services	512	54
e) Securitization servicing	617	413
f) Tax collection and receipt services	—	—
g) Other services:	114,687	156,907
• commissions on loans to customers	54,482	97,792
• advisory fees from clients	54,822	53,173
• other commissions	5,383	5,942
	226,105	199,932

(1) The Banca Esperia group generated fees of € 37,465,000 (30/6/03: € 13,509,000).

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

	2003/04 € '000	2002/03 € '000
a) On the Bank's own premises	73,652	30,021
1. Asset management ⁽¹⁾	4,207	—
2. Securities placing	51,593	30,021
3. Services and products provided by third parties	17,852	—
b) Elsewhere	—	—
1. Asset management	—	—
2. Securities placing	—	—
3. Services and products provided by third parties	—	—
	73,652	30,021

(1) The Banca Esperia group generated fees of € 37,465,000 (30/6/03: € 13,509,000).

2.3. Heading 50: *Commissions payable*

	2003/04 € '000	2002/03 € '000
a) Guarantees received	514	116
b) Credit derivatives	4,572	3,297
c) Management and trading services:	10,449	2,253
1. securities dealing	1,890	—
2. currency dealing	—	—
3. asset management	2	2
3.1 own portfolio	2	2
3.2 third parties' portfolios	—	—
4. securities custody and administration	1,272	495
5. securities placing	7,285	1,756
6. door-to-door sales of securities, products and services	—	—
d) Collection and payment services	182	165
e) Other services:	64,726	58,919
• commissions on transactions with banks, the Bank of Italy and Ufficio Italiano Cambi	11,433	9,752
• commissions payable to brokers for securities and derivatives trading	4,086	2,358
• commissions payable on facilities	9,195	10,476
• commissions paid to agents	40,012 ⁽¹⁾	36,333 ⁽¹⁾
	80,443	64,750

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

3. Gains and losses on dealing transactions

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

3.1a Gains (losses) on dealing transactions in the year ended 30 June 2004

	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000
A.1 Revaluations	23,805 ⁽¹⁾	—	799	24,604
A.2 Writedowns	(51,432) ⁽²⁾	—	7,694	(43,738)
B. Other gains (losses)	(184,058) ⁽³⁾ ⁽⁴⁾	20,970	(47,267)	(210,355)
	(211,685)	20,970	(38,774)	(229,489)
<i>of which:</i>				
1. <i>Government securities</i>	7,834			
2. <i>Other debt securities</i>	(61,125)			
3. <i>Capital securities</i>	(2,836)			
4. <i>Securities derivatives</i>	(155,558)			

⁽¹⁾ Includes € 1,989,000 relating to fixed-income securities and € 1,019,000 relating to capital securities.

⁽²⁾ Includes € 26,225,000 relating to fixed-income securities and € 5,864,000 relating to capital securities.

⁽³⁾ Comprises net losses of € 29,055,000 on fixed-income securities dealing, net gains of € 2,009,000 on capital securities, net negative margins of € 173,370,000 on futures contracts, and net gains of € 16,527,000 on options.

⁽⁴⁾ Covered by dividends of € 430,751,000 collected from arbitrage transactions of which € 424,737,000 by Mediobanca and € 6,014,000 by MB Finstrutture - Innersomer.

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

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

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

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

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

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

4. Administrative expenses

4.1. Average number of employees by category

	2003/04 € '000	2002/03 € '000
a) Senior executives	89	73
b) Grade 3 and 4 managers	297	234
c) Other staff	1,086	995
	1,472	1,302

4.2 Heading 80: Administrative expenses

	2003/04 € '000	2002/03 € '000
a) PERSONNEL COSTS:		
• wages and salaries	121,640	91,358
• social security charges	30,559	26,190
• severance indemnities	9,055	12,739
• post-retirement benefits	5,026	2,989
	166,280	133,276
b) OTHER ADMINISTRATIVE EXPENSES:		
• outside consultants' fees	35,370	31,257
• share and bond administration	2,287	2,038
• insurances	976	733
• advertising	9,902	9,208
• research and publications	417	441
• donations to charities	5,814	4,699
• rent	10,155	7,821
• maintenance, repairs and refurbishment	1,047	737
• service lease instalments	2,386	1,956
• stationery	614	615
• membership subscriptions	5,710	4,753
• postal, telephone, fax and telex charges	1,270	1,079
• newspapers, magazines and library acquisitions	497	539
• travel and entertainment	5,858	4,553
• EDP services	15,946	14,775
• financial information subscriptions	9,063	7,239
• expenses in respect of staff employed outside headquarters	213	117
• sundry administrative expenses	7,514	6,199
	115,039	98,759
• indirect taxation and taxes:	—	—
• registration tax on rights issue, "substitutive" and other taxes	14,282	11,800
Total other administrative expenses	129,321	110,559
	295,601	243,835

5. Adjustments, writebacks and transfers to provisions

Heading 90: *Adjustments to tangible and intangible assets*

	2003/04 € '000	2002/03 € '000
a) Intangible assets	8,093	3,671
<i>of which: goodwill</i>	4,366	—
b) Tangible assets:	12,527	9,655
• <i>premises</i>	6,916	4,502
• <i>equipment</i>	65	387
• <i>furniture</i>	5,546	4,766
	20,620	13,326

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

	2003/04 € '000	2002/03 € '000
Transfers to cover:		
• Legal costs	797	723
• Promotion expenses	271	356
• Specific and probable risks and commitments	11,148 ⁽¹⁾	12,261 ⁽¹⁾
	12,216 ⁽¹⁾	13,340 ⁽¹⁾

⁽¹⁾ Of which € 6,582,000 (30/6/03: € 5,090,000) to cover possible charges arising in connection with Tradevco entering liquidation.

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

	2003/04 € '000	2002/03 € '000
a) Value adjustments to loans	87,391	67,112
<i>of which:</i>		
• <i>lump-sum writedowns for country risk</i>	—	—
• <i>other lump-sum writedowns</i>	1,970	2,387
b) Provisions for guarantees and commitments	—	—
<i>of which:</i>		
• <i>lump-sum provisions for country risk</i>	—	—
• <i>other lump-sum provisions</i>	—	—
	87,391	67,112

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

	2003/04 € '000	2002/03 € '000
Writebacks of receivables written down in prior years	9,733	6,117

Heading 150: *Adjustments to financial fixed assets*

	2003/04 € '000	2002/03 € '000
a) Losses on investment securities	—	721
b) Losses on equity investments	26,255	261,068
c) Losses on investments in Group undertakings	—	39
	26,255	261,828

Heading 160: *Writebacks to financial fixed assets*

	2003/04 € '000	2002/03 € '000
Writebacks to:		
a) Investment securities	6,310	579
b) Equity investments	151,917	—
c) Investments in Group undertakings	—	—
	158,227	579

6. Other profit and loss headings

6.1 Heading 70: *Other operating income*

	2003/04 € '000	2002/03 € '000
Rent received	3,510	2,651
Options exercised to cover index-linked bonds	14,041	269,676
Tax recovered from clients	10,090	8,036
Income from finance leasing and factoring	51,882	59,959
Expenses recovered	9,713	6,733
Premiums collected on options issued	151,069	23,730
Other income	40,348	4,703
	280,653	375,488

6.2 Heading 110: *Other operating expenses*

	2003/04 € '000	2002/03 € '000
Premiums on index-linked bonds	14,041	270,328
Expenses incurred on goods on finance leases	23,633	25,925
Premiums paid on options issued	148,049	22,433
Sundry operating expenses	5,225	17,363
	190,948	336,049

6.3 Heading 190: *Extraordinary income*

	2003/04 € '000	2002/03 € '000
Gain on sale of financial fixed assets	34,550	317
Gain on sale of tangible fixed assets	245	454
Writebacks of taxation provisions not utilized	2,303	3
Other extraordinary income	5,303 ⁽¹⁾	2,464
	42,401	3,238

⁽¹⁾ Of which € 514,000 in advance tax on new equipment.

6.4 Heading 200: *Extraordinary expenditure*

	2003/04 € '000	2002/03 € '000
Loss on disposal of equity investments and financial assets	53,902 ⁽¹⁾	39,378
Loss on disposal of tangible fixed assets	187	36
Adjustments on consolidation	261	4,114
Other extraordinary expenditure	3,164	4,584
	57,514	48,112

(1) Covered by dividends received pre-sale amounting to € 56,685,000.

6.5 Heading 240: *Income taxes*

6.5a Year ended 30 June 2004

	Corporate income tax € '000	Local production tax € '000	Other taxes € '000	Total € '000
Current taxes	(230,852)	(7,195)	(2,600)	(240,647)
Increase (decrease) in advance taxes	(54,842)	(3,438)	—	(58,280)
Increase (decrease) in deferred taxes	34,635	347	—	34,982
Income taxes for the year	(251,059)	(10,286)	(2,600)	(263,945)

6.5b Year ended 30 June 2003

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

7. Segmental information

7.1 *Income by geographical area*

7.1a Year ended 30 June 2004

	Italy € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
Interest receivable and similar income	983,274	314,005	29,847	1,327,126
Dividends and other income	598,490	65,193	9	663,692
Commissions receivable	168,072	54,025	4,008	226,105
Gain (loss) on dealing transactions	(292,399)	68,546	(5,636)	(229,489)
Other operating income	215,127	65,523	3	280,653
	1,672,564	567,292	28,231	2,268,087

7.1b Year ended 30 June 2003

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

D. OTHER INFORMATION

1. Directors and Statutory Auditors

	2003/04 € '000	2002/03 € '000
1.1 Emoluments:		
a) Directors	8,098	4,956
b) Statutory Auditors	120	83
1.2 Loans granted and guarantees given:		
a) Directors ⁽¹⁾	319,779	—
b) Statutory Auditors	—	—

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

**ORDINARY AND EXTRAORDINARY
GENERAL MEETING
28 OCTOBER 2004**

BUSINESS TO BE TRANSACTED

Ordinary Business

1. Adoption of accounts for year to 30 June 2004, Directors' and Statutory Auditors' reports, and related resolutions.
2. Election of Directors, after determining their number.
3. Authorization to take out an insurance policy to cover the civil liability of the Bank's corporate governance bodies.

Extraordinary Business

1. Proposal to make addition and amendment to the resolution adopted in an Extraordinary General Meeting held on 25 June 2004 to increase the Company's share capital by a nominal amount of up to € 7.5m via the issue of up to 15 million shares under the terms of a rights issue reserved under Article 2441 paragraphs 8 and 5 of the Italian Civil Code for employees of the Mediobanca Banking Group and Directors of the Bank; related amendments to the Company's Articles of Association.

ORDINARY BUSINESS

ACCOUNTS OF THE BANK

REVIEW OF OPERATIONS

HIGHLIGHTS

The Bank earned a net profit of € 427.6m during 2003-2004, after net writebacks to investment securities of € 134.3m based on average prices in the six months to 30 June 2004, gains of € 39.1m on disposals of holdings, writedowns to securities and derivatives held in treasury totalling € 7.3m, and provisions and depreciation/amortization amounting to € 34.9m, € 33m of which were transfers to loan loss provision. This compares with a net loss of € 14m last year, after € 37.8m in losses on disposals of holdings, net write-downs of € 185.3m to investment securities and € 57.9m to securities and derivatives held in treasury, and provisions and depreciation/amortization of € 55.2m, € 45m of which comprised provisions for loan loss.

Profit from ordinary operations rose by 35.7% from € 391.2m to € 530.8m, reflecting an increase in revenues of 27.1% driven by higher dealing profits, which grew from € 103.3m to € 225.1m, and dividends received, which rose from € 110.8m to € 165.2m. This growth, against a slight 3.6% increase in costs from € 143.2m to € 148.3m, led to a major reduction in the cost/income ratio from 26.8% to 21.8%.

Deposits and loans at the balance sheet date rose to € 20,561.2m, reflecting € 1.8bn received in back-to-back funding for loans to customers. Loans and advances grew for the same reason, from € 12,522m to € 13,324.4m, and investment securities increased by € 221.4m, primarily as a result of the € 251.3m outlay to acquire Compagnie Monégasque de Banque (CMB), whereas cash and liquid assets fell by € 368.8m, including forward transactions and movements in other assets and liabilities.

During the twelve months under review, Mediobanca commenced operations in France with the opening of a branch office in Paris. The office, which employs seven staff, opened for business in July of this year, offering the whole range of Group services but with a particular focus on lending, corporate finance, and capital market activities.

* * *

Since May 2003 Mediobanca, jointly and severally with the other parties involved, has received seven claims for reimbursement of damages regarding what is purported to be its failure to launch a full takeover bid for La Fondiaria in 2002. The claims are for an aggregate amount of some € 157m. The Bank is confident it has legitimate grounds on which to oppose these claims.

* * *

Trading for clients' accounts during the twelve months included transactions involving 21.6 million Mediobanca shares worth a total of € 203.5m.

FINANCIAL HIGHLIGHTS

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

Profit and loss account

	12 mths to 30/6/02	12 mths to 30/6/03	12 mths to 30/6/04
	€ m	€ m	€ m
Interest income	319.0	365.7	530.7
Commissions received and other income	136.2	168.7	148.4
General expenses and sundry operating costs ..	(129.8)	(143.2)	(148.3)
GROSS MARGIN FROM ORDINARY OPERATIONS ...	325.4	391.2	530.8
Writedowns to securities and derivatives held in treasury	(41.2)	(57.9)	(7.3)
Gain (loss) on disposal of investment securities	460.7	(37.8)	39.1
Writebacks (writedowns) to investment securi- ties	(500.1) ⁽¹⁾	(185.3) ⁽¹⁾	134.3
Net overprovision for taxation	6.8	—	—
Initial leasing instalment	(26.1)	—	—
MARGIN BEFORE TAXATION AND PROVISIONS ...	225.5	110.2	696.9
Provision for liabilities and charges	—	(5.1)	—
Transfers to loan loss provision	(87.0)	(45.0)	(33.0)
Depreciation and amortization	(3.6)	(5.1)	(1.9)
Taxation for the year	(17.3)	(69.0)	(234.4)
NET PROFIT (LOSS)	117.6	(14.0)	427.6

⁽¹⁾ Net of advance tax.

Balance sheet

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
Assets			
Treasury funds employed	3,411.0	8,796.6	8,427.8
Loans and advances	14,861.8	12,522.0	13,324.4
Investment securities	3,031.4	2,766.3	2,987.7
Fixed assets, net	11.4	10.6	11.6
Other assets	1,582.6	1,964.7	2,188.4
Total assets	<u>22,898.2</u>	<u>26,060.2</u>	<u>26,939.9</u>
Liabilities			
Deposits and loans	16,849.9	20,042.6	20,561.2
Provision for liabilities and charges	232.5	183.3	244.4
Other liabilities	1,239.6	1,344.3	1,323.6
Shareholders' equity	4,458.6	4,504.0	4,383.1
Profit (loss) for the year	117.6	(14.0)	427.6
Total liabilities	<u>22,898.2</u>	<u>26,060.2</u>	<u>26,939.9</u>
Memorandum accounts	<u>50,916.7</u>	<u>79,162.0</u>	<u>84,319.5</u>

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

	30/6/02	30/6/03	30/6/04
Regulatory capital (€ m)	5,579.8	5,144.4	5,408.5
Solvency margin (%)	21.92	21.31	22.11
Earnings per share (€)	0.15	n.s.	0.55
Net asset value per share (€)	5.73	5.79	5.63
Price/earnings ratio	55.1	n.s.	18.2
Price/book value ratio	1.6	1.5	1.6
Market capitalization (€ m)	7,105.6	6,834.1	7,784.3
No. of shares in issue (millions)	778.5	778.5	778.6
Avg. no. of employees in year ended 30/6...	358	379	386
Cost/income ratio (%)	28.5	26.8	21.8

REVIEW OF KEY ITEMS

Loans and advances

These break down as follows:

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
Loans	14,690.8	11,800.4	12,849.4
Advances	171.0	721.6	475.0
	<u>14,861.8</u>	<u>12,522.0</u>	<u>13,324.4</u>

Movements over the past three years have been as follows:

	2001-02		2002-03		2003-04	
	€ m	%	€ m	%	€ m	%
Balance of loans disbursed as at beginning of year	14,230	100.0	14,862	100.0	12,522	100.0
Movements during the year:						
– disbursements	9,334	65.6	10,350	69.6	13,375	106.8
– repayments	8,702	61.2	12,690	85.4	12,573	100.4
– net disbursements	632	4.4	(2,340)	(15.8)	802	6.4
Balance of disbursed loans as at year-end	14,862	104.4	12,522	84.2	13,324	106.4

The 6.4% increase in finance disbursed from € 12,522m to € 13,324.4m is entirely due to transactions involving back-to-back funding, which rose from € 739.3m to € 2,560.3m, net of which this item actually fell by € 1,018.6m, reflecting a general situation of excess supply, which exerted downward pressure on lending terms and covenants. Around two-thirds of the high portfolio turnover is due to the frequent movements on revolving credit lines.

Total outstandings at 30 June 2004 include:

- 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 € 3,613.2m, up 31.1%, broken down as follows:

	€ m
<i>MB Finstrutture - Intersomer</i>	1,192.0
<i>Palladio Leasing</i>	566.3
<i>Compass</i>	543.0
<i>Micos Banca</i>	505.0
<i>SelmaBipiemme Leasing</i>	453.8
<i>Teleleasing</i>	351.5
<i>Seteci</i>	1.1
<i>R. & S.</i>	0.5
	<u>3,613.2</u>

As at 30 June 2004, there were eleven significant exposures in terms of loan concentration, i.e. in excess of 10% of the Bank's regulatory capital, unchanged versus this time last year. According to the permitted risk weightings, these exposures totalled € 10,688m (30/6/03: € 10,297.2m), or 24.7% (25%) of the aggregate limit.

The average rate of interest paid over the twelve-month period by borrowers of Euro facilities not linked to back-to-back funding was 3.46%, as against 4.13% the previous year.

Deposits and loans

The € 518.6m increase reflects the back-to-back transactions referred to above, net of which the aggregate fell by 6.7%.

This item comprises:

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
Time deposits and current accounts	2,279.1	1,721.4	3,069.8
Bonds and other debt securities	11,202.1	14,653.6	14,663.1
Other funds	3,368.7	3,667.6	2,828.3
	<u>16,849.9</u>	<u>20,042.6</u>	<u>20,561.2</u>

Time deposits and current accounts rose from € 1,721.4m to € 3,069.8m, driven by the € 1,535.2m in back-to-back funding which offset the € 74.2m reduction in ordinary current accounts and the € 112.6m fall in certificates of deposit.

Bonds and other debt securities remained virtually unchanged, after € 2,090.9m in new issues and interest accruals, and € 2,081.4m in conversions, redemptions (including early redemptions) and exchange rate adjustments. Over 90% of the new issues involve securities linked to real and financial indicators (such as interest rates, share prices and stock indices, investment funds and inflation) and foreign currencies. The balance is made up of zero coupon products. The average interest rate paid on the Bank's bonds over the twelve-month period, excluding those issued in respect of back-to-back loans, was 2.29%, as against 3.17% the previous year.

Other funds fell by € 839.3m, following a reduction in funds raised by Mediobanca International from € 2,880.2m to € 1,686.8m, whereas funds raised from banks and customers grew from € 145m to € 430.7m, € 285.7m of which in respect of back-to-back transactions, as did EIB funding, from € 642.4m to € 710.8m.

Treasury funds employed

This heading covers:

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
Cash and bank balances	128.9	195.5	131.0
Fixed income securities	3,734.6	7,098.2	6,128.6
Equities	1,147.4	1,179.6	2,565.0
Other treasury funds employed	(1,599.8)	323.3	(396.8)
	<u>3,411.1</u>	<u>8,796.6</u>	<u>8,427.8</u>

Cash and bank balances fell by € 64.5m. This item includes € 75.7m in ordinary current account balances and € 55.3m in our compulsory reserve.

Fixed income securities fell by € 969.6m. As at 30 June 2004, 63.3% of the portfolio consisted of government securities, 5.5% of Mediobanca bonds, and the balance of sundry other securities.

Equities totalled € 2,565m, and chiefly involve arbitrage transactions settled in the month of July.

Other treasury funds employed comprise repo trading, which involved lendings of € 3,812.9m and borrowings of € 1,355.5m, plus technical shortfalls amounting to € 2,184.9m and a net deficit on other funds employed of € 669.3m.

Movements in the treasury securities portfolio are shown in Table B. Overall the portfolio including derivatives and arbitrage transactions delivered a gain of € 225.1m. At the balance sheet date, net writedowns of € 16.1m were charged and upward exchange rate adjustments of € 8.8m applied. Unrealized gains at the same date amounted to € 262.1m, € 198m of which in derivatives and technical shortfalls. The total yield on treasury operations (net of writedowns, but not taking into account gains accumulated during the period) including derivative transactions was 4.95%, compared with 3.84% the previous year.

Investment securities

These consist of:

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
Bonds and other debt securities	77.4	77.3	76.7
Other investments	2,835.2	2,570.3	2,514.5
Investments in Group undertakings . . .	118.8	118.7	396.5
Total investment securities	<u>3,031.4</u>	<u>2,766.3</u>	<u>2,987.7</u>

Movements involved purchases and subscriptions of € 512m and divestments of € 312.8m, yielding a net gain of € 39.1m. In addition to the movements described in the Review of Group Operations, in July 2003 the Bank acquired a 44.35% stake in Compagnie Monégasque de Banque for an outlay of € 251.3m. Mediobanca, which already owned 17.29% of CMB,

accordingly became its controlling shareholder. The composition of the Bank's equity investment portfolio, the movements therein during the period under review and the relative writedowns charged at 30 June 2004 are set out in Table C. This shows a surplus of market price over book value based on average prices in the six months to 30 June 2004 of € 3,090.5m (€ 3,275.6m based on prices and holdings at the time of writing).

The performance of those Group subsidiaries not mentioned in the Review of Group Operations is briefly described below:

— *MB Finstrutture - Intersomer S.p.A.*, Milan

This company, which in the course of the year merged with Sade Finanziaria, earned a profit of € 3.9m in the twelve months to 30 June 2004 (30/6/03: € 2.7m pro-forma), after treasury gains of € 4.7m (compared with a loss of € 0.9m last year), commissions received and other income of € 4.2m (€ 8.3m), overheads of € 4.2m (€ 3.7m), and writedowns to securities and holdings totalling € 0.6m (€ 1.7m).

Lendings amounted to € 899.1m (€ 650m), treasury funds employed stood at € 132.2m (€ 81.8m), and investment securities totalled € 197.6m (€ 199m).

The company employs 14 staff.

— *Mediobanca International Limited*, Grand Cayman

In the year to 30 June 2004, Mediobanca International earned a profit of USD 7.6m (30/6/03: USD 10.1m). At the balance sheet date, total deposits amounted to USD 2,247m (USD 3,733m), while net assets stood at USD 81.6m (USD 74m).

The company employs 2 staff.

— *Prominvestment S.p.A.*, Rome (70% owned)

This company's accounts for the year to 30 June 2004 reflect a loss of € 125,000 (30/6/03: € 18,000), after taxation of € 37,000 (€ 83,000) and commissions received and other income totalling € 2.5m (€ 2.6m). Prominvestment acts as an agent chiefly to the Italian Ministries of Productive Activities and of Education, University and Research in providing technical and administrative services in respect of processing and handling applications for government subsidies.

ICCREA Banca acquired a 30% stake in Prominvestment during the twelve months under review.

The company employs 11 staff.

— *R. & S. - Ricerche e Studi S.p.A.*, Milan

This subsidiary's accounts for the year to 30 April 2004 show an even balance, after charging Mediobanca € 1.6m for expenses and services (30/4/03: € 1.7m).

During the twelve months, R&S published and distributed the twenty-eighth edition of its Annual Directory of leading Italian companies, the ninth edition of its review of financial aggregates for industrial and service-sector multinationals, the second edition of its report on leading international banks (which now covers the United States and Japan as well as Europe), and its usual quarterly surveys of listed companies' accounts. It also executed an agreement with Unioncamere to develop a model for valuing the financial stability of small-medium size Italian companies.

The company employs 13 staff.

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

This company's accounts for the twelve months ended 30 June 2004 reflect a loss of € 29,000 (30/6/03: € 12,000).

Technostart has no employees.

Table E gives the restated accounts for each individual Group company.

Net fixed assets

These consist of:

- Property, carried at a book value of € 25.5m, and depreciated as to € 13.9m. Regarding the two Group properties acquired under leases via subsidiary SelmaBipiemme, the lease on the Piazza di Spagna property in Rome expired during the year and was redeemed for € 1.7m. This leaves the lease on the property in Via Filodrammatici opposite the

Bank's headquarters, which expires in 65 months; the principal outstanding on it is € 25.6m;

- Furniture and intangible assets, consisting of furniture, office machines, computer equipment and software owned by the Bank. As usual, the cost of these items is written off in the year in which it is incurred, which this year has resulted in a € 1.9m charge to profit and loss.

Provision for liabilities and charges

These consist of:

- the Provision for taxation, amounting to € 227.4m;
- the Staff termination indemnity provision, amounting to € 12m. This covers all indemnities due to our staff as at 30 June 2004;
- the Provision for liabilities and charges, which consists of € 5.1m to cover exposure to Group subsidiary Tradevco based in Liberia, currently in liquidation.

Shareholders' funds, regulatory capital and solvency margin

The Bank's net worth of € 4,383.1m (30/6/03: € 4,504m) comprises:

- Share capital amounting to € 389.3m, up € 16,750 following exercise of share options;
- Reserves and retained earnings amounting to € 3,035.2m, down € 154m. These consist of:
 - the Legal reserve, unchanged at € 77.9m, and the Statutory reserve now standing at € 893.4m, down € 140.1m as a result of last year's dividend payout;
 - the Share premium reserve of € 1,807.3m, up € 226,000 following exercise of share options;
 - a Surplus arising on merger of € 249m, down € 13.9m, after withdrawing a like amount to cover the loss incurred last year;

- the Revaluation reserves pursuant to Italian Laws 72/83 and 413/91, both unchanged at € 7.6m;
- General banking provisions of € 638.9m;
- Loan loss provisions of € 319.6m, after allocating € 33m for the year.

The Bank's regulatory capital, taking into account proposals made in General Meeting, stands at € 5,408.5m, up € 264.1m after allocation of the profit for the year. The solvency margin rises accordingly from 21.31% to 22.11%.

* * *

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

* * *

Interest income

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
Interest receivable on loans	588.9	493.9	364.8
Interest and other income from treasury management	180.9	356.8	474.6
Dividends and tax credits	121.9	110.8	165.2
Total income from funds employed	891.7	961.5	1,004.6
Less cost of funding	(572.7)	(595.8)	(473.9)
Net interest income	<u>319.0</u>	<u>365.7</u>	<u>530.7</u>

Against a backdrop of persistently low market rates, the rise in net interest income chiefly reflects the increase in dealing profits on securities

held in treasury, which rose from € 103.3m to € 225.1m, mostly on equities, plus the major increase in dividends received. The fall in interest received on loans to customers, despite an increase in margins, reflects less stable volumes of lending which have often taken the form of short-term back-up loans to large corporates, or bridge loans to help finance capital market transactions.

Commissions received and other income

The main items included under this heading were fees of € 143m generated by corporate and investment banking activities (30/6/03: € 164.1m), € 3.1m in rent received, and € 1.6m in expenses recovered from clients.

General expenses

The main items under this heading are:

- bank charges of € 4.3m (30/6/03: € 3.4m);
- labour costs of € 79.1m (€ 74.5m), which reflect an increase in the performance-related component of staff remuneration, plus non-recurring items of € 3.6m;
- sundry expenses of € 64.9m (€ 65.3m), the main items in which were: EDP and financial information subscriptions of € 14.5m; outside consultants' fees of € 13.9m, which includes fixed fees payable to the Board of Directors; ordinary leasing instalments and related charges of € 10.4m on the Bank's offices in Piazza di Spagna in Rome and Via Filodrammatici in Milan; rent, equipment leasing and maintenance charges of € 6.2m; share and bond administration expenses of € 5.7m; sundry taxes of € 2.4m (net of amounts received); travel and entertainment expenses of € 2.4m; research and publication costs of € 2.3m; stationery, publication and utility charges of € 1.8m; ordinary depreciation charges of € 0.8m; and contingent and sundry liabilities of € 0.5m.

RISK MANAGEMENT

Credit risk

The Bank's internal system for managing, 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, fees receivable are "suspended" 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 the documentation (having regard *inter alia* to the maturity and average size of the loans) 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 such measures, the customary table covering Mediobanca's lending operations has been updated as follows:

	€ m
Loans outstanding as at 30 June 1991	6,772
Finance disbursed between 30 June 1991 and 30 June 2004	87,186
Total loans granted during the period (a)	93,958
Bad debts written off during the period (b)	2.6 (*)
% (b):(a)	<u>0.003</u>

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

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

Market risk

Mediobanca uses a risk management system that monitors market risk on a daily basis. This system calculates value at risk (VaR) ⁽¹⁾ for the Bank's entire trading and investment portfolio. VaR is based on expected volatility and the correlation between 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. VaR is also calculated on the same assumptions, using the Monte Carlo simulation ⁽²⁾ and historical simulation ⁽³⁾ models.

At the balance sheet date, VaR in respect of market risk was equivalent to € 4.8m, and the expected shortfall ⁽⁴⁾ was € 12.3m as detailed below.

Value at risk and expected shortfall

Risk factor	30/6/04 (€ '000)	30/6/03 (€ '000)
Interest rates	1,632	3,207
Equities	4,376	5,603
Exchange rates	461	382
<i>Diversification effect</i> (*)	(1,703)	(3,382)
TOTAL	4,766	5,810
<i>Expected shortfall</i>	12,276	9,369

(*) Resulting from mismatch between risk factors.

Overall, risk remains highest in equities at € 4.4m, down from the € 5.6m recorded at 30 June 2003 owing to the major reduction in market volatility in the last few months of the financial year. Lower volatility also reduced the risk associated with interest rates from € 3.2m to € 1.6m, while exposure to exchange rates remains low.

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

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

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

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

However, the Bank's increased business levels and the high volatility levels recorded in the course of the year contributed to greater variation in readings of VaR. Its high during the period was € 9.7m and its low € 3.4m, as against € 7.3m and € 1m respectively during the previous twelve-month period. The average daily VaR reading during the year was € 6.2m, compared with € 4m last year.

Table F as usual shows all our open positions at the balance sheet date, together with information on their credit quality as required by Bank of Italy regulations. This reflects a potential risk for our counterparties which has fallen from € 442.3m to € 431.8m despite an 8.2% increase in volumes from € 52.5bn to € 56.8bn, the result of offset agreements entered into with virtually all our counterparties in the course of the year and a reduction in exposures to banking counterparties. The improved performance of equity markets and growth in volumes during the year also led to an increase in the Bank's current exposure from € 234.9m to € 312m, and also in its future exposure from € 1,214.5m to € 1,317.9m.

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, and identifies a maximum potential exposure to the Bank's various counterparties based on a given confidence level and over a specified time horizon.

Asset and 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 between maturities for asset items implied in future volume movements.

OTHER INFORMATION

Staff and share option schemes

The Bank's staff, who deployed their skills with their customary diligence and professionalism during the period under review, totalled 386 people at the balance sheet date, unchanged from the figure recorded at 30 June 2003, including seven members of staff employed at the Group's branch office in Paris set up during the year and operative since July 2004. The staff now comprises 55 senior executives, 128 grade 3 and 4 managers, and 203 clerical staff.

Details of the Bank's share option schemes are given below:

	No. of options	Avg. strike price
		€
Options outstanding at start of financial year ...	24,029,000	8.00
Options granted	10,630,000	8.71
Options expired	190,000	7.97
Options exercised	33,500	7.23
Options outstanding at end of financial year	38,435,500	8.22
<i>Of which: exercisable</i>	<i>391,500</i>	<i>8.18</i>

The schemes provide for options to be exercised over a period of ten years, vesting between twelve and thirty-six months. A further 7,135,000 options have been granted since 30 June 2004 at a price of € 9.69 per share. At an Extraordinary General Meeting held on 25 June 2004, shareholders approved a resolution to set a new limit of 15 million shares for use under the terms of these schemes. It is anticipated that share options will also be granted to the Chairman.

Credit rating

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

Research

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

Related party disclosure

Financial accounts with such parties outstanding as at 30 June 2004 and movements therein during the period under review are summarized as follows:

	Group undertakings	Other related parties
	€ m	€ m
Assets	3,667.2	4,397.7
Liabilities	1,851.8	244.3
Guarantees and commitments	4,860.8	1,660.6
Interest received	101.0	170.9
Interest paid	(96.7)	(14.9)
Net fee income	(0.2)	51.9
Other income (costs)	(7.3)	(18.3)

Further details of accounts maintained with consolidated companies are contained in Table 3.2 of Part B of the Notes to the Accounts. All such accounts fall within the Bank's ordinary operations, are maintained on an arm's length basis and are entered into in the interests of the Bank itself *inter alia* in its capacity as parent company of the Mediobanca Banking Group. In this regard, certain services provided by Group subsidiaries, such as EDP, share and bond administration expenses, and research, are paid for at cost. No atypical or unusual transactions have been entered into with these counterparties. There are no shareholders in the Bank in a controlling position.

Italian legislative decree 196/03 - Code of conduct in respect of personal data protection

The Bank has drawn up a security planning document for the year 2004, in accordance with Articles 33ff of the above legislative decree.

OUTLOOK

In the new financial year now underway, the Bank's ordinary operations should perform in line with the results recorded at 30 June 2004, with the possible exception of treasury operations and fee income from wholesale banking, which are difficult to predict at this stage. The performance of the Bank's equity investment portfolio will again be dependent on the uncertainties that continue to affect stock markets worldwide.

PROPOSALS TO SHAREHOLDERS

The net profit for the year was € 427,562,845.64, after transfers of € 33m to loan loss provision.

We propose:

- to appropriate € 28,725.00 to the Legal reserve, taking it to € 77.9m, or 20% of the Bank's share capital;
- to appropriate € 111,172,216.56 to the Statutory reserve, which will take it to € 1,004.6m;
- to declare a dividend of € 0.40 per share on the 778,836,665 shares in issue as at 16 September 2004, amounting a total of € 311,534,666.00.

* * *

If these proposals are adopted, the Bank's net worth will amount to € 4,494.3m, including loan loss provisions, and its regulatory capital will amount to € 5,408.5m.

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

	€
Net profit for the year	427,562,845.64
To the Legal reserve	28,725.00
To the Statutory reserve	111,172,216.56
Dividend of € 0.40 per share on 778,836,665 shares	311,534,666.00
Directors' fees:	
• fees under Article 30 of the Bank's Articles of Association...	6,327,238.08
• less fixed fee under Article 18 of the Bank's Articles of Association	1,500,000.00
	<u>4,827,238.08</u>

Qualifying shareholders shall be entitled to a full tax credit of 51.51% on the € 0.40 per share dividend. The dividend will be payable as from 25 November 2004.

* * *

Mr Umberto Agnelli passed away on 27 May 2004. We are grateful to him for the clarity he brought to the Board's deliberations during his all too brief involvement with us.

Mr Marco Greco has left the office of Director. We thank him for the diligence with which he served Mediobanca.

The terms of office of Directors Cesare Geronzi, Roberto Colaninno, Bernardino Libonati, Jonella Ligresti and Achille Maramotti have expired, as has that of Mr Gianluigi Gabetti who was co-opted to the Board during the year under review.

You are invited to elect Directors accordingly.

* * *

AUTHORIZATION TO TAKE OUT INSURANCE POLICY TO COVER CIVIL LIABILITY OF CORPORATE GOVERNANCE BODIES

A proposal is hereby submitted to your approval to take out an insurance policy to cover monies for which the Bank's corporate governance bodies, i.e. the Board of Directors, the Statutory Audit Committee, and General Management, may become liable in respect of third parties as a result of failure to meet obligations incumbent upon them under law, the Company's Articles of Association, and resolutions adopted in General Meeting in carrying out the duties required by the office they hold. Such cover would include expenses incurred in respect of legal assistance and other advice provided to insured parties, but not liabilities arising as a result of gross misconduct, or administrative sanctions handed down by regulatory authorities.

This proposal to take out insurance on the terms outlined above stems from both the magnitude of the duties assigned to the aforementioned corporate governance bodies, and from the complexity of legislation currently in force, which is increasing the personal liability of company representatives and making it more onerous.

The annual cost of such a policy to provide cover of up to € 35m is estimated not to exceed € 450,000.

You are therefore invited to adopt the following resolution:

The Ordinary General Meeting of Mediobanca

hereby resolves

to authorize execution of an insurance policy up to a total cost of € 450,000 per annum and providing cover in an amount of up to € 35m, to cover the civil liability of the Bank's corporate governance bodies and the cost of any related legal and or other advice they may require, arising as a result of the aforementioned bodies' failure to meet obligations incumbent upon them under law, the Company's Articles of Association, and resolutions adopted in General Meeting, in carrying out the duties required by the office they hold. Such cover shall include expenses incurred in respect of legal and other advice provided to insured parties, but not liabilities arising as a result of gross misconduct, or administrative sanctions handed down by regulatory authorities.

Milan, 16 September 2004

THE BOARD OF DIRECTORS

STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REPORT

as required by Article 153 of Italian Legislative Decree 58/98

The following is a review of the Statutory Audit Committee's activities in the year to 30 June 2004, in accordance with Article 153 of Italian Legislative Decree 58/98.

Inspection of Mediobanca's accounts and financial statements under the foregoing Legislative Decree is the responsibility of external auditors Reconta Ernst & Young S.p.A., and reference is made to their report contained herein for further information in this regard.

The external auditors' report raises no matters of major significance, and contains a statement for information purposes regarding which we have no comment to make.

During the year under review, we have carried out our supervisory duties as required by law, in accordance with Bank of Italy and Consob regulations and in line with the guidance for Statutory Audit Committee members drawn up by the Italian association of chartered and ordinary accountants.

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

- met on eight occasions;
- taken part in eight Board meetings and ten Executive Committee meetings;
- received from the Directors during the course of the above meetings the information contemplated under Article 26 of the Bank's Articles of Association concerning the business and most significant financial transactions carried out by the Company and its subsidiaries;
- ascertained that transactions involving potential conflicts of interest have all been approved in accordance with legal and statutory requirements;
- duly noted that no atypical or unusual transactions have taken place;

- noted that no ordinary intra-group transactions or transactions involving related parties have been entered into which are counter to, or otherwise not in accordance with, the interests of the Company. The effects of such transactions in earnings terms are set out by the Directors in their review of the Bank's operations and accompanying schedules, to which you are referred;
- noted that the instructions required by the second paragraph of Article 114 of Italian Legislative Decree 58/98 have duly been transmitted to all Group companies;
- appraised the Company's internal control, administrative and accounting systems, and found them to be adequate to ensure the smooth running of its business and accurately reflect the state of its operations, on the basis of information received from managerial staff, regular reports prepared by the Bank's internal audit function, regular meetings with the Bank's external auditors involving a two-way exchange of data and information, and participation in Internal control committee meetings;
- monitored the implementation of organizational measures linked to developments in the Company's business;
- noted that the external auditors have issued no opinions within the terms laid down by law;
- noted that, following a request from the Bank itself, the external auditor conducted a review of the information contained in an offering prospectus for the issue of Mediobanca securities and a mandate in respect of professional advisory services concerning tax measures in force outside Italy, for an aggregate amount of € 46,000.00;
- noted that no further mandates have been granted to the external auditors;
- noted that mandates have been granted to parties linked on a permanent basis to the external auditors worth an aggregate € 194,644.20.

With regard to significant transactions, we would highlight the acquisition of Compagnie Monégasque de Banque, which led to expansion of the Mediobanca Banking Group. This transaction has been suitably documented in the Directors' review and accompanying schedules.

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

With regard to the question of corporate governance, we would point out that Mediobanca seeks to comply with guidance given in the Code of Conduct for Listed Companies on the terms set out in the Directors' statement, which has recently been updated and made available for your information.

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

* * *

The terms of office of Directors Cesare GERONZI, Roberto COLANINNO, Berardino LIBONATI, Jonella LIGRESTI and Achille MARAMOTTI have all expired, as has that of Gianluigi GABETTI who was co-opted to the Board of Directors in the course of the financial year under review. You are therefore invited to elect Directors accordingly.

You are also invited to authorize the taking out of an insurance policy to cover the civil liabilities of the Bank's corporate governance bodies, as described herein by the Board of Directors.

Finally, you are invited to approve an addition and amendment to the resolution adopted by shareholders in an Extraordinary General Meeting held on 25 June 2004 to increase the Company's share capital by a nominal amount of up to € 7.5m via the issue of up to 15 million new ordinary shares for subscription no later than 1 July 2020, to be set aside under paragraphs 8 and 5 of Article 2441 of the Italian Civil Code for Mediobanca Banking Group employees and Directors of Mediobanca.

Milan, 29 September 2004

STATUTORY AUDIT COMMITTEE

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Pursuant to article 156 of Legislative Decree n. 58 of February 24, 1998
(Translation from the original Italian text)

To the Shareholders of
Mediobanca S.p.A.

1. We have audited the financial statements of Mediobanca S.p.A. as of and for the year ended June 30, 2004. These financial statements are the responsibility of Mediobanca S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian 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 financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the audit opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to the report issued by the predecessor auditors dated September 23, 2003.

3. In our opinion, the financial statements of Mediobanca S.p.A. as of and for the year ended June 30, 2004 comply with Italian regulations governing financial statements; accordingly, they clearly present, and give a true and fair view of the financial position of Mediobanca S.p.A. as of June 30, 2004, and the results of its operations for the year then ended.
4. As described in the notes to the financial statements, the caption "Loan loss provision" was set up in application of tax rules. In relation to this, it is noted that the Bank opted, as permitted, to defer to the subsequent year ending June 30, 2005 the application of the new regulations regarding the financial statements as per Legislative Decree n. 6 of January 17, 2003, which contained among other items requirements for the elimination of "tax interference".

Milan, September 22, 2004

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

Accompanying Schedules

TABLE B

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) Writebacks € '000	Holding at 30/6/04 € '000	Value based on share prices at 30/6/04 € '000	Gain € '000
Government securities denominated in currencies other than the Euro ⁽¹⁾	123,973	965,758	1,073,198	(7,957)	(8,576)	—	—	—	—
Euro-denominated government securities ⁽¹⁾	4,688,932	30,989,465	31,911,217	(7,709)	—	(13,592)	3,745,879	3,746,657	778
Bonds denominated in Euros and other Eurozone currencies	2,280,878	7,258,787	7,149,490	(3,146)	—	(8,393)	2,378,636	2,401,470	22,834
Bonds denominated in non-Eurozone currencies ...	4,376	185,438	185,540	108	(268)	—	4,114	4,396	282
	<u>7,098,159</u>	<u>39,399,448</u>	<u>40,319,445</u>	<u>(18,704)</u>	<u>(8,844)</u>	<u>(21,985)</u>	<u>6,128,629</u>	<u>6,152,523</u>	<u>23,894</u>
Arbitrage/derivative transactions and technical shortfalls				11,210		24,780			104,764
TOTAL (A)				<u>(7,494)</u>		<u>2,795</u>			<u>128,658</u>
Non-investment securities	<u>1,179,621</u>	<u>11,713,130</u>	<u>10,326,392</u>	1,843	(599)	(2,627)	<u>2,564,976</u>	<u>2,605,163</u>	40,187
Arbitrage/derivative transactions and technical shortfalls				230,784		(16,255)			93,280
TOTAL (B).....				<u>232,627</u>		<u>(18,882)</u>			<u>133,467</u>
GRAND TOTAL (A+B)				<u>225,133</u>		<u>(16,087)</u>			<u>262,125</u>

⁽¹⁾ Issued by sovereign states.

TABLE C

MOVEMENTS IN INVESTMENT SECURITIES IN YEAR ENDED 30 JUNE 2004

	Opening Balance			Purchased and subscribed		Sold		Other movements (§)				Closing Balance			Avg price in six months to 30/6/04 (§) € '000	Gain € '000	
	Number	% (*)	Amount € '000	Number	Amount € '000	Number	Amount € '000	Number	Amount € '000	Gain (Loss) € '000	(Writedowns) Writebacks € '000	Number	% (*)	Amount € '000			
BONDS (*) AND OTHER SECURITIES																	
Telecom Italia 1.5% 2001-2004 convertibles (formerly Olivetti)	13,188	—	13,648	—	—	13,188	13,188	—	—	(460)	—	—	—	—	—	—	
Telecom Italia Olivetti 1.5% 2001-2010 convertibles with redemption premium (formerly Olivetti)	53,487	—	60,569	10,700	12,670	—	—	(5,150)	(2)	(5,832)	—	6,293	59,037	—	73,700	74,541	841
DueMme SICAV, Luxemburg	—	—	3,019	—	—	—	—	—	—	—	—	17	—	—	3,036	3,334	298
			<u>77,236</u>		<u>12,670</u>		<u>13,188</u>			<u>(5,832)</u>	<u>(460)</u>	<u>6,310</u>			<u>76,736</u>	<u>77,875</u>	<u>1,139</u>
EQUITY INTERESTS																	
SHARES LISTED IN ITALY																	
Assicurazioni Generali	160,912,892	12.61	699,197	2,025,000	42,272	—	—	—	—	—	—	—	162,937,892	12.77	741,469	3,524,346	2,782,877
Capitalia	26,616,250	1.21	35,293	—	—	17,116,250	35,339	—	—	12,643	9,548	9,500,000	0.43	22,145	22,145	—	
Fiat, ordinary	13,220,368	3.05 + 2.14	93,124	7,932,219	39,816	—	—	—	—	(145)	(6,472)	21,152,587	2.64 + 2.15	126,323	126,323	—	
Finmeccanica	82,380,000	0.98	42,656	—	—	—	—	—	—	—	11,212	82,380,000	0.98	53,868	53,868	—	
Fondiaria-SAI, ordinary	2,574,500	1.99 + 1.51	28,691	—	—	—	—	—	—	—	5,498	2,574,500	1.99 + 1.51	34,189	47,134	12,945	
Fondiaria-SAI 2002-2008 warrants	5,115,600	—	10,359	—	—	—	—	—	—	—	2,244	5,115,600	—	12,603	18,319	5,716	
Gemina, ordinary	46,132,781	12.66 + 12.53	33,603	—	—	—	—	—	—	—	2,099	46,132,781	12.66 + 12.53	35,702	35,702	—	
GIM, ordinary	4,154,832	2.79 + 2.56	3,123	—	—	—	—	(2,492,900)	(2)	—	(1,268)	1,661,932	2.79 + 2.27	1,855	1,855	—	
Italmobiliare, ordinary	2,106,888	9.50 + 5.47	34,593	—	—	—	—	—	—	—	—	2,106,888	9.50 + 5.47	34,593	77,576	42,983	
Mediolanum	14,300,000	1.97	64,922	—	—	—	—	—	—	—	15,287	14,300,000	1.97	80,209	80,209	—	
Telecom Italia, ordinary (formerly Olivetti) ..	210,723,954	2.38	209,038	62,883,706	148,557	—	—	(110,232,660)	(2)(4)	5,832 (2)	—	45,044	163,375,000	1.58 + 1.01	408,471	417,749	9,278
Pininfarina, ordinary	317,625	3.43 + 3.41	2,985	—	—	—	—	—	—	—	—	317,625	3.41	2,985	7,334	4,349	
Pirelli & C., ordinary	125,513,500	6.08 + 6.02	80,579	—	—	—	—	—	—	—	11,759	125,513,500	3.77 + 3.63	92,338	104,238	11,900	
Pirelli & C., 2003-2006 warrants	94,135,125	—	4,252	—	—	—	—	—	—	—	—	94,135,125	—	4,252	9,207	4,955	
Ratti	2,860,000	9.17	1,222	—	—	—	—	—	—	—	189	2,860,000	9.17	1,411	1,411	—	
RCS Mediagroup, ordinary	75,478,851	10.32 + 9.92	126,464	—	—	—	—	—	—	—	—	75,478,851	10.30 + 9.90	126,464	224,474	98,010	
			<u>1,470,101</u>		<u>230,645</u>		<u>35,339</u>			<u>5,832</u>	<u>12,498</u>	<u>95,140</u>			<u>1,778,877</u>	<u>4,751,890</u>	<u>2,973,013</u>
SHARES LISTED OUTSIDE ITALY																	
Ciments Français, Paris	4,374,215	11.48	147,314	—	—	—	—	—	—	—	—	4,374,215	11.46	147,314	261,753	114,439	
Commerzbank, Frankfurt	8,548,274	1.58	68,908	—	—	1,573,274	25,913	—	—	13,230	46,377	6,975,000	1.17	102,602	102,602	—	
Koenig & Bauer Albert, Würzburg, ordinary ..	760,000	4.70	9,652	—	—	—	—	—	—	—	2,660	760,000	4.70	12,312	14,227	1,915	
			<u>225,874</u>		<u>—</u>		<u>25,913</u>			<u>—</u>	<u>13,230</u>	<u>49,037</u>			<u>262,228</u>	<u>378,582</u>	<u>116,354</u>

TABLE C (cont.)

	Opening Balance			Purchased and subscribed		Sold		Other movements (§)		Gain (Loss) € '000	(Writedowns) Writebacks € '000	Closing Balance		
	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	48.50	18,167	—	—	—	—	—	—	—	892	12,125,000	48.50	19,059
Cartiere Burgo	87,375,005	29.07	54,587	67,360	43	—	—	—	—	—	—	87,442,365	22.13	54,630
Ferrari	1,720,000	21.50	490,200	—	—	80,000	22,800	(520,000)	(148,200)	—	—	1,120,000	14.00	319,200
Clessidra Fund stock units	—	—	—	500	375	—	—	—	—	—	—	500	4.46	375
Fidia	7,500	25.00	3,873	—	—	—	—	—	—	—	(70)	7,500	25.00	3,803
Istituto Europeo di Oncologia	13,602	14.87	10,665	2,372	2,372	—	—	(7,379) (5)	—	—	(4,442)	8,595	15.00	8,595
Lucchini	500,000	6.17	18,383	—	—	—	—	—	—	—	(12,279)	500,000	4.72	6,104
Lucchini warrants	—	—	—	763,889	—	—	—	—	—	—	—	763,889	—	—
Nomisma	100,000	0.69	29	—	—	—	—	—	—	—	—	100,000	0.69	29
Tirrenia di Navigazione	3,150,000	15.00	34,380	—	—	3,150,000	41,814	—	—	7,434	—	—	—	—
Zetesis	39,800	10.00	40	30,400	30	—	—	(20,800) (5)	—	—	(21)	49,400	10.00	49
Alice Lab Netherlands B.V., Amsterdam	75,000	8.19	80	—	—	—	—	—	—	—	(270)	75,000	8.19	620
Athena Private Equity class A, Luxembourg	6,114,460	24.46	30,341	—	14,121 (6)	—	—	—	—	—	874	6,114,460	24.46	45,336
Compagnie Monégasque de Banque, Monte Carlo	96,053	17.29	26,438	190,832	194,649	—	—	(286,885)	(221,087) (7)	—	—	—	—	—
Eurofind S.A. (class D), Luxembourg	3,029,651	9.53	170,357	—	—	3,029,651	173,767 (8)	—	—	3,410	—	—	—	—
EuroQube S.A., Brussels	18,758	4.94	1,782	—	405 (6)	—	—	—	—	—	(453)	18,758	4.94	1,734
Iran & Italy Industrial Promotion Co., Tehran	2,000	50.00	3	—	—	2,000	15	—	—	12	—	—	—	—
MBCA Holdings Limited, Harare	785,717	2.25	31	—	—	—	—	—	—	—	—	785,717	1.38	31
MB Venture Capital Fund I Participating Company ANV class B, Amsterdam	22,500	45.00	13,316	—	—	—	—	—	—	—	(11)	22,500	45.00	13,305
Fondo Saturn Venture, New York in USD	1,454,599	5.35	859	53,545	45	—	—	—	—	—	(421)	1,508,144	5.35	483
Satif, Monte Carlo	1,850	3.70	3	—	—	—	—	—	—	—	—	1,850	3.87	3
S.W.I.F.T., La Hulpe	1	—	2	—	—	—	—	—	—	—	—	1	—	2
			<u>874,346</u>		<u>212,040</u>		<u>238,396</u>		<u>(369,287)</u>	<u>10,856</u>	<u>(16,201)</u>			<u>473,358</u>
INVESTMENTS IN GROUP UNDERTAKINGS														
MB Finstrutture Intersomer	13,000,000	100.00	6,968	—	—	—	—	—	25,732 (8)	—	—	13,000,000	100.00	32,700
Sade Finanziaria S.p.A.	13,000,000	100.00	25,732	—	—	—	—	(13,000,000)	(25,732) (8)	—	—	—	—	—
Sade Finanziaria S.r.l. stock units	—	—	—	1	25	—	—	—	—	—	—	1	100.00	25
Compagnie Monégasque de Banque	—	—	—	55,555	56,666	13	13	286,885	221,087 (7)	—	—	342,427	61.64	277,740
Technostart	1,380,000	69.00	471	—	—	—	—	—	—	—	(20)	1,380,000	69.00	451
Others (see Table D)	—	—	85,560	—	—	—	—	—	—	—	—	—	—	85,560
			<u>118,731</u>		<u>56,691</u>		<u>13</u>		<u>221,087</u>	<u>—</u>	<u>(20)</u>			<u>396,476</u>
GRAND TOTAL			<u>2,766,288</u>		<u>512,046</u>		<u>312,849</u>		<u>(148,200)</u>	<u>36,124</u>	<u>134,266</u>			<u>2,987,675</u>
								Other net income	3,020					
								Total net gain on sale of investment securities	39,144					

(§) 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.

(5) Shares in DueMme SICAV are stated at their market price and at the exchange rate prevailing on 30 June 2004; for US bonds, the historic 0.82 exchange rate has been used.

(1) Nominal value in € '000.

(2) Bonds converted into shares.

(3) Following consolidation of ordinary share capital.

(4) Following merger of Telecom Italia and Olivetti.

(5) Share capital reduced to cover loss incurred.

(6) Capital call on shares held.

(7) Transferred to Investments in Group undertakings

(8) Including special one-off € 56,685,000 dividend.

(9) Following merger of Sade Finanziaria S.p.A. into MB Finstrutture - Intersomer S.p.A.

TABLE D

INVESTMENTS IN GROUP UNDERTAKINGS
(figures in Euros unless otherwise stated)

	Share Capital	Par Value per Share	No. of Shares held	Equity Interest %	Par Value € '000 USD/LRD'000	Book Value € '000
(*) COMPASS S.p.A., Milan	87,500,000	5	17,500,000	100	87,500	77,985
(*) COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A. Monte Carlo	111,100,000	200	342,427	61.64	68,485	277,740
(*) MB FINSTRUTTURE - INTERSOMER S.p.A., Milan	6,500,000	0.50	13,000,000	100	6,500	32,700
(*) MEDIOBANCA INTERNATIONAL LTD, Grand Cayman	\$ 10,000,000	\$ 1	10,000,000	100	\$ 10,000	6,002
(*) PROMINVESTMENT S.p.A., Rome	743,000	0.52	1,000,000	70	520	819
(*) PRUDENTIA FIDUCIARIA S.p.A., Milan.....	100,000	5	20,000	100	100	103
RICERCHE E STUDI S.p.A., Milan	100,000	5	20,000	100	100	103
SADE FINANZIARIA S.p.A., Milan	25,000		1	100	25	25
(*) SETECI - Società per l'Elaborazione, Trasmissione Dati, Engineering e Consulenza Informatica S.p.A., Milan	500,000	5	100,000	100	500	522
(*) SPAFID S.p.A., Milan	100,000	10	10,000	100	100	26
(*) TECHNOSTART S.p.A., Milan	1,000,000	0.50	1,380,000	69	690	451
(*) TRADEVCO LTD, Monrovia	LRD 80,000,000	LRD 16,000	3,000 ⁽¹⁾	60	LRD 48,000 ⁽²⁾
						<u>396,476</u>

(*) 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 D (cont.)

	Parent Company	Share Capital	Par Value per Share	No. of Shares held	Equity Interest %	Par Value € '000
INDIRECT INVESTMENTS HELD THROUGH SUBSIDIARIES						
(*) COFACTOR S.p.A., Milan	Compass S.p.A.	7,500,000	0.50	15,000,000	100	7,500
CREDITECH S.p.A., Milan	Compass S.p.A.	250,000	1	250,000	100	250
(*) MICOS BANCA SpA, Milan	Compass S.p.A.	35,000,000	0.50	70,000,000	100	35,000
(*) PALLADIO LEASING S.p.A., Vicenza	SelmaBipiemme Leasing S.p.A.	8,700,000	0.50	16,482,500	95 ⁽¹⁾	8,241
(*) SELMABIPIEMME LEASING S.p.A., Milan	Compass S.p.A.	40,200,000	0.50	49,564,777	61.65	24,782
(*) TELELEASING S.p.A., Milan	SelmaBipiemme Leasing S.p.A.	9,500,000	1	7,600,000	80	7,600
C.M.I. Compagnie Monégasque Immobilière SCI - Monte Carlo	Compagnie Monégasque de Banque S.A.	2,400,000	1,525	1,599	99.94	2,438
C.M.G. Compagnie Monégasque de Gestion S.A.M. - Monte Carlo	Compagnie Monégasque de Banque S.A.	160,000	160	997	99.70	160
SMEF Soc. Monégasque des Etudes Financière S.A.M. - Monte Carlo	Compagnie Monégasque de Banque S.A.	775,000	155	4,995	99.90	774
MONOECI Soc. Civile Immobilière - Monte Carlo	Compagnie Monégasque de Banque S.A.	1,600	15.5	99	99.00	2
MONOIKOS 2000 Soc. Civile Immobilière - Monte Carlo	C.M.I. Compagnie Monégasque Immobilière SCI	2,000	1	1,999	99.95	2
MOULINS 700 S.A.M. - Monte Carlo	C.M.I. Compagnie Monégasque Immobilière SCI	160,000	160	999	99.90	160
COMARFIN Comp. Maritime e Financière S.A.M. - Monte Carlo	Compagnie Monégasque de Banque S.A.	300,000	300	548	54.80	164

(*) Member of the Mediobanca Banking Group.

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

TABLE E

GROUP BANKING AND FINANCIAL UNDERTAKINGS: BALANCE SHEETS

	COMPASS	MICOS BANCA	COFACTOR	SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING	MEDIOBANCA INTERNATIONAL	MB FINSTRUTTURE - INTERSOMER	TECHNOSTART	PROMINVESTMENT	COMPAGNIE MONEGASQUE DE BANQUE
	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(\$ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)
ASSETS											
10. Cash in hand	9,046	611	30	19	6	1	1,980	3	1	1	27,531
20. Amounts due from banks	18,357	—	—	3,559	6	167	2,194,436	24,683	4	763	573,955
30. Amounts due from financial companies	55,117	—	14	6,113	—	155,119	—	757,841	7	—	—
40. Trade accounts receivable	1,679,275	984,896	68,161	18,658	10,996	32,566	—	121,758	—	4,880	342,705
50. Debt securities and other fixed-income securities	13,300	—	954	8,410	—	—	120,933	134,529	634	—	358,692
60. Equities, participating interests and other floating rate securities	—	—	—	—	—	—	842	98,219	—	—	44,783
70. Equity investments	259,749	—	—	535	—	—	—	92,312	14	—	227
80. Investments in Group undertakings ...	88,879	—	—	51,040	—	—	—	—	—	—	57,179
90. Intangible fixed assets	—	—	—	57	—	134	—	—	—	105	769
100. Tangible fixed assets	7,220	399	59	1,687,916	988,718	328,244	—	—	—	41	4,848
120. Own shares and stock units	—	—	—	—	970	—	—	—	—	—	—
130. Other assets	19,964	5,464	374	89,066	40,219	7,432	16,316	23,619	—	201	7,669
140. Accrued income and prepaid expenses	13,304	5,585	45	17,449	1,845	3,517	70,481	2,468	12	8	8,681
	<u>2,164,211</u>	<u>996,955</u>	<u>69,637</u>	<u>1,882,822</u>	<u>1,042,760</u>	<u>527,180</u>	<u>2,404,988</u>	<u>1,255,432</u>	<u>672</u>	<u>5,999</u>	<u>1,427,039</u>
LIABILITIES											
10. Amounts due to banks	1,891,559	912,567	109	1,064,576	904,618	434,184	—	1,192,017	—	—	48,903
20. Amounts due to financial companies	23,622	—	55,117	636,674	—	522	60,917	—	—	—	—
30. Trade accounts payable	—	25,000	—	13,702	6,803	316	178,860	—	—	—	1,177,374
40. Debt securities in issue	—	—	—	—	3,000	—	2,007,413	—	—	—	—
50. Other liabilities	21,967	5,617	1,168	43,122	36,387	8,955	—	1,498	18	3,251	2,008
60. Accrued expenses and deferred income	9,077	2,739	15	24,867	18,305	13,878	74,438	2,442	—	526	5,795
70. Provision for staff termination indemnities	9,631	1,012	877	3,012	1,028	160	—	42	—	94	—
80. Provisions for liabilities and charges ..	22,638	1,716	1,010	14,873	14,923	29,644	1,814	32	—	514	900
90. Loan loss provision	13,428	10,212	—	10,329	8,500	—	—	12,966	—	—	—
100. General financial risks provision	4,648	—	—	—	—	—	—	—	—	—	—
110. Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
120. Share capital	87,500	35,000	7,500	40,200	8,675	9,500	10,000	6,500	1,000	743	111,110
130. Share premium reserve	—	—	—	6,254	—	—	—	—	—	462	4,573
140. Reserves	41,031	563	426	14,743	34,320	16,139	63,900	36,015	—	534	54,373
150. Revaluation reserves	2,677	—	—	—	816	2,435	—	—	—	—	—
160. Retained earnings (accumulated loss) ...	40	(1,178)	3,392	—	45	—	91	1	(317)	—	2
170. Profit (loss) for the year	36,393	3,707	23	10,470	5,340	11,447	7,555	3,919	(29)	(125)	22,001
	<u>2,164,211</u>	<u>996,955</u>	<u>69,637</u>	<u>1,882,822</u>	<u>1,042,760</u>	<u>527,180</u>	<u>2,404,988</u>	<u>1,255,432</u>	<u>672</u>	<u>5,999</u>	<u>1,427,039</u>
GUARANTEES AND COMMITMENTS											
10. Guarantees given	147,331	—	—	—	—	—	—	—	—	2,727	250,113
20. Commitments	139,428	87,295	—	59,149	96,623	—	1,034,567	600,989	—	—	75,861
	<u>286,759</u>	<u>87,295</u>	<u>—</u>	<u>59,149</u>	<u>96,623</u>	<u>—</u>	<u>1,034,567</u>	<u>600,989</u>	<u>—</u>	<u>2,727</u>	<u>325,974</u>
SHAREHOLDERS' EQUITY											
(LIABILITY HEADINGS 100, 120, 130, 140, 150, 160 and 170)	172,289	38,092	11,341	71,667	49,196	39,521	81,546	46,435	654	1,614	192,059

TABLE E (cont.)

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

	MICOS BANCA	COMPAGNIE MONEGASQUE DE BANQUE
	(€ '000)	(€ '000)
10. Interest receivable and similar income	42,116	54,918
20. Interest payable and similar expenses	(22,475)	(21,460)
30. Dividends and other income	—	—
40. Commissions receivable	3,865	22,380
50. Commissions payable	(3,164)	(1,775)
60. Gains (losses) on dealing transactions	—	1,912
70. Other operating income	2,227	480
80. Administrative expenses	(12,125)	(32,138)
90. Adjustments to intangible and tangible fixed assets ...	(267)	(1,346)
100. Provision for loan losses and charges	(556)	—
110. Other operating expenses	(837)	(49)
120. Value adjustments on receivables and provisions for guarantees and commitments	(3,234)	—
130. Writebacks of receivables and provisions for guarantees and commitments	256	873
140. Transfers to loan loss provisions	(2,682)	(95)
170. Profit (loss) on ordinary activities	3,124	23,700
180. Extraordinary income	2,005	—
190. Extraordinary expenditure	(77)	(1,699)
200. Extraordinary profit (loss)	1,928	(1,699)
220. Income taxes for the year	(1,345)	—
230. Profit (loss) for the year	3,707	22,001

TABLE E (cont.)

GROUP UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	COMPASS	COFACTOR	SELMABIPIEMME LEASING	PALLADIO LEASING	TELELEASING	MEDIOPANCA INTERNATIONAL	MB FINSTRUTTURE - INTERSOMER	TECHNOSTART	PROMINVESTMENT
	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(\$ '000)	(€ '000)	(€ '000)	(€ '000)
EXPENSES									
10. Interest payable and similar expenses	(46,265)	(1,140)	(35,979)	(22,752)	(13,425)	(118,926)	(27,782)	—	—
20. Commissions payable	(35,770)	(25)	(7,301)	(1,868)	(1,530)	(112)	(247)	(2)	(1,277)
30. Loss on dealing transactions	—	(15)	(108)	(75)	—	—	(2,855)	(6)	—
40. Administrative expenses	(54,916)	(4,066)	(22,956)	(7,130)	(4,149)	(502)	(4,576)	(47)	(1,159)
50. Adjustments to intangible and tangible fixed assets	(2,977)	(31)	(582,028)	(250,450)	(149,403)	(33)	(24)	—	(69)
60. Other operating expenses	(20,256)	—	(41,698)	(1,946)	(30,747)	—	—	—	—
70. Transfer to provisions for liabilities and charges	(480)	(32)	(7,440)	(2,524)	—	(1,814)	—	—	(28)
80. Transfer to loan loss provision	—	—	—	(2,500)	—	—	—	—	—
90. Adjustments to accounts receivable and provisions for guarantees and commitments	(63,851)	(14,456)	(1,516)	(632)	(1,925)	—	—	—	(24)
100. Adjustments to financial fixed assets ..	—	—	—	—	—	—	(629)	—	—
110. Extraordinary expenses	(66)	(39)	(49)	(17)	(7)	—	(20)	—	(6)
120. Increase in provision for general financial risks	—	—	—	—	—	—	—	—	—
130. Income tax for the year	(17,960)	—	(4,429)	(3,387)	(7,343)	—	63	—	(37)
140. Profit for the year	36,393	23	10,470	5,340	11,447	7,555	3,919	—	—
INCOME									
10. Interest receivable and similar income	218,105	1,219	4,789	632	4,187	125,237	24,775	26	13
20. Dividends and other income	8,832	—	5,839	—	—	—	10,349	—	—
30. Commissions receivable	6,900	50	—	—	—	—	4,323	—	2,450
40. Gain on dealing transactions	—	—	—	—	—	3,705	—	—	—
50. Writebacks on accounts receivable and provisions for guarantees and commit- ments	4,427	1,289	773	2,054	11	—	—	—	—
60. Writebacks on financial fixed assets ..	3,731	—	—	—	—	—	—	—	—
70. Other operating income	36,832	16,893	699,349	295,915	215,493	—	492	—	3
80. Extraordinary income	107	376	3,224	20	285	—	50	—	9
100. Loss for the year	—	—	—	—	—	—	—	(29)	(125)

TABLE E (cont.)

OTHER GROUP UNDERTAKINGS: BALANCE SHEETS

	PRUDENTIA FIDUCIARIA	RICERCHE E STUDI ⁽¹⁾	SETECI	SPAFID	CREDITECH	COMPAGNIE MONEGASQUE IMMOBILIÈRE	SOCIETE MONEGASQUE D'ETUDES FINANCIERES	MONOECI SOC. CIVILE IMMOBILIÈRE	MONOIKOS 2000	MOULINS 700 S.A.M.	COMPAGNIE MARITIME E FINANCIERE S.A.M.
	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)	(€ '000)
ASSETS											
B) Fixed assets:											
I) Intangible assets	—	23	770	265	—	—	—	—	—	—	—
II) Tangible assets	—	32	2,512	72	190	17,585	5	807	2,147	30,905	14
III) Financial fixed assets	20	1	20	22,219	5	162	—	—	—	—	—
	20	56	3,302	22,556	195	17,747	5	807	2,147	30,905	14
C) Current assets:											
I) Inventories	—	261	—	—	—	—	—	—	—	—	—
II) Accounts receivable	252	1,070	1,466	3,205	2,673	8	450	—	419	2,367	16
III) Financial assets other than fixed assets	998	—	—	11,590	—	—	—	—	—	17	17
IV) Cash	183	142	127	1,438	862	—	485	62	55	159	95
	1,433	1,473	1,593	16,233	3,535	8	935	62	474	2,543	128
D) Accrued income and prepaid expenses	8	30	454	64	23	—	—	—	—	—	—
	1,461	1,559	5,349	38,853	3,753	17,755	940	869	2,621	33,448	142
LIABILITIES											
A) Shareholders' equity:											
I) Share capital	100	100	500	100	250	2,440	775	2	2	160	300
III) Revaluation reserves	—	—	—	—	—	—	—	—	—	16	—
IV) Legal reserve	24	3	18	778	50	—	—	—	—	—	—
VI) Statutory reserve	—	—	—	—	—	—	—	—	—	—	—
VII) Other reserves	349	—	12	30,785	—	—	11	—	—	—	8
VIII) Retained earnings (accumulated loss)	1	—	—	2	828	(972)	83	(116)	(446)	(85)	(11)
IX) Profit (loss) for the year	44	—	1	954	322	(726)	19	(12)	(45)	(38)	(232)
	518	103	531	32,619	1,450	742	888	(126)	(489)	53	65
B) Provisions for liabilities and charges	—	15	45	2,312	24	491	—	—	—	—	—
C) Provision for staff termination indemnities	543	543	403	1,193	329	—	—	—	—	—	—
D) Accounts payable:											
3) Amounts due to banks	—	—	—	—	—	16,428	—	991	3,100	—	—
4) Amounts due to other lenders	—	—	—	—	—	—	—	—	—	33,392	—
5) Advances from customers	—	—	—	—	—	—	—	—	—	—	—
6) Trade accounts payable	16	28	2,429	111	1,168	—	—	—	—	—	—
8) Amounts due to subsidiaries	—	—	—	8	—	—	—	—	—	—	—
9) Amounts due to associated companies	—	—	—	—	—	—	—	—	—	—	—
10) Amounts due to parent companies	—	565	1,103	—	—	—	—	—	—	—	—
11) Taxes payable	27	106	96	303	532	—	—	—	—	—	—
12) Amounts due to social security institutions ..	100	104	85	219	76	—	—	—	—	—	—
13) Other accounts payable	257	85	234	2,088	65	94	52	4	10	3	77
	400	888	3,947	2,729	1,841	16,522	52	995	3,110	33,395	77
E) Accrued expenses and deferred income	—	10	423	—	109	—	—	—	—	—	—
	1,461	1,559	5,349	38,853	3,753	17,755	940	869	2,621	33,448	142
MEMORANDUM ACCOUNTS											
Assets held by third parties	—	—	—	—	—	—	—	—	—	—	—
Commitments	—	—	—	—	100	—	—	—	—	—	—
Value items pledged as collateral or held for safekeeping	20,274	—	500	199,080	—	—	—	—	—	—	—
Depositors for value items	53,960	—	—	1,183,252	—	—	—	—	—	—	—
Other accounts	—	—	—	51,030	—	—	670	—	—	—	—
	74,234	—	500	1,433,362	100	—	670	—	—	—	—
Securities and value items held on trustee basis	32,695	—	—	975,961	—	—	—	—	—	—	—

⁽¹⁾ 12 months ended 30/4/04.

TABLE E (cont.)

OTHER GROUP UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	PRUDENTIA FIDUCIARIA	RICERCHE E STUDI ⁽¹⁾	SETECI	SPAFID	CREDITECH	COMPAGNIE MONEGASQUE IMMOBILIERE	SOCIETE MONEGASQUE D'ETUDES FINANCIERES	MONOECI SOC. CIVILE IMMOBILIERE	MONOIKOS 2000	MOULINS 700 S.A.M.	COMPAGNIE MARITIME E FINANCIERE S.A.M.
	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)	(€'000)
A) Value of production	2,155	1,561	8,333	5,476	6,576	1,174	583	65	182	—	156
B) Costs of production:											
6) Raw materials, consumables, semi-finished and finished goods	(2)	(31)	(121)	(43)	(25)	—	—	—	—	—	—
7) Services	(302)	(215)	(2,488)	(399)	(3,193)	—	—	—	—	—	—
8) Use of third parties' assets	—	(126)	(979)	(398)	(206)	—	—	—	—	—	—
9) Personnel	(1,686)	(1,063)	(2,289)	(2,625)	(2,242)	(591)	(389)	—	—	—	(412)
10) Depreciation, amortization and writedowns	—	(27)	(1,493)	(300)	(89)	—	(15)	(25)	(67)	—	(11)
12) Loan loss provision	—	—	(7)	—	—	—	(2)	—	—	—	—
13) Other provisions	—	—	—	(837)	—	—	—	—	—	—	—
14) Sundry operating expenses	(11)	(18)	(780)	(129)	(111)	(559)	(867)	(8)	(24)	(34)	(115)
	(2,001)	(1,480)	(8,157)	(4,731)	(5,866)	(1,150)	(1,273)	(33)	(91)	(34)	(538)
Value of production less costs of production ...	154	81	176	745	710	24	(690)	32	91	(34)	(382)
C) Interest income (charges)	29	(6)	(30)	766	(2)	(701)	—	(44)	(136)	—	(27)
D) Value adjustments to financial fixed assets	(2)	—	—	151	—	—	—	—	—	—	—
E) Extraordinary income (expenses)	—	(44)	10	12	—	(49)	718	—	—	(4)	177
Profit (loss) before tax	181	31	156	1,674	708	(726)	28	(12)	(45)	(38)	(232)
Income taxes for the year	(137)	(31)	(155)	(720)	(386)	—	(9)	—	—	—	—
Profit (loss) for the year	44	—	1	954	322	(726)	19	(12)	(45)	(38)	(232)

⁽¹⁾ 12 months ended 30/4/04.

TABLE F

OPEN POSITIONS IN DERIVATIVES
AS AT 30 JUNE 2004

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>	—	4,031	—	4,031
<i>Swaps</i>	24,202,698	1,188,334	—	25,391,032
<i>Options purchased</i>	421,942	170,282	12,891,033	13,483,257
<i>Options written</i>	487,728	163,000	12,445,617	13,096,345
Exchange traded contracts				
<i>Futures (long positions)</i>	—	—	1,795,541	1,795,541
<i>Futures (short positions)</i>	—	—	3,030,056	3,030,056
<i>Options purchased</i>	—	—	—	—
<i>Options written</i>	—	—	13,000	13,000
Total derivatives	25,112,368	1,525,647	30,175,247	56,813,262
<i>of which:</i>				
– <i>trading</i>	13,655,251	1,116,654	10,873,571	25,645,476

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

B. INFORMATION ON CREDIT QUALITY OF OTC CONTRACTS

Counterparty type	Gross positive market value ⁽¹⁾ € '000	Current credit exposure ⁽²⁾ € '000	Potential credit exposure ⁽²⁾ € '000	Credit equivalent amount ⁽⁴⁾ € '000
Banks	341,303	182,136	1,094,917	255,411
Other intermediaries	196,867	129,827	222,997	176,412
Total	538,170	311,963	1,317,914	431,823
<i>of which:</i>				
– <i>interest rate contracts</i>	128,575	71,168	87,912	54,384
– <i>exchange rate contracts</i>	8,190	—	30,888	9,532
– <i>equity and equity index- linked contracts</i>	401,405	240,795	1,199,114	367,907

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

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

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

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

TABLE G

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

Revaluations effected under Law 576/75:

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

Revaluations effected under Law 72/83:

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

Revaluation effected under Law 413/91:

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

ASSOCIATED INSURANCE UNDERTAKINGS

TABLE H

BALANCE SHEETS

	ASSICURAZIONI GENERALI 31/12/03 (€ '000)		ASSICURAZIONI GENERALI 31/12/03 (€ '000)
ASSETS		LIABILITIES AND SHAREHOLDERS' EQUITY	
B) Total intangible assets	62,303	A) Shareholders' equity	
C) Investments		I) Share capital or equivalent fund	1,275,999
I) Land and buildings (total)	354,094	II-VII) Reserves (total)	6,160,721
II) Investments in Group and other undertakings (total)	15,242,092	IX) Profit (loss) for year	550,431
III) Other financial investments		Total shareholders' equity (A)	7,987,151
1) Shares and stock units	712,436	B) Subordinated liabilities	750,000
2) Mutual fund units	93,280	C) Technical reserves	
3) Bonds and other fixed-income securities	2,505,315	I) General Business (total)	7,106,825
4) Loans	43,559	II) Life Business (total)	11,584,462
6) Deposits with banks	60,805	Total technical reserves (C)	18,691,287
7) Other financial investments	7,781	D) Technical reserves where investment risk is carried by policyholders and reserves arising from pension fund management (total)	188,340
Total other financial investments	3,423,176	E) Provision for risks and charges (total)	151,519
IV) Deposits with reinsurers	11,087,249	F) Deposits received from reinsurers	79,428
Total investments (C)	30,106,611	G) Accounts payable and other liabilities	
D) Investments for the benefit of life policyholders who carry the risk and deriving from pension fund management (total)	214,678	I) Amounts payable in respect of primary insurances	82,187
Db) Reinsurers' share of technical reserves		II) Amounts payable in respect of reinsurances	154,145
I) General Business (total)	957,624	III) Bond issues	2,500,000
II) Life Business (total)	141,730	IV) Amounts payable to banks and financial institutions	54,561
Total reinsurers' share of technical reserves (Db)	1,099,354	V) Secured debt	3
E) Accounts receivable		VI) Loans and other debt	1,857,885
I) Amounts due in respect of primary insurances (total)	831,194	VII) Staff termination indemnity provision	20,695
II) Amount due in respect of reinsurances (total)	344,608	VIII) Other accounts payable	439,014
III) Other accounts receivable	597,346	IX) Other liabilities	1,018,696
Total accounts receivable (E)	1,773,148	Total accounts payable and other liabilities (G)	6,127,186
F) Other assets		H) Accruals and deferrals (total)	153,732
I) Tangible assets and inventories (total)	2,186	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (A+B+C+D+E+F+G+H)	34,128,643
II) Cash (total)	324,909		
III) Own shares or stock units	8,792	GUARANTEES, COMMITMENTS AND OTHER CONTRA ACCOUNTS (TOTAL) ...	10,155,651
IV) Other assets (total)	470,378		
Total other assets (F)	806,265		
G) Accruals and prepayments (total)	66,284		
TOTAL ASSETS (B+C+D+Db+E+F+G)	34,128,643		

TABLE H (cont.)

STATEMENT OF EARNINGS (NON-TECHNICAL ACCOUNTS)

	ASSICURAZIONI GENERALI 2003
	(€ '000)
1) Underwriting profit (loss) from General Business	285,314
2) Underwriting profit (loss) from Life Business	153,708
3) Investment income in General Business	
a) Dividends	620,384
b) Other investment income (total)	158,948
c) Writebacks in book value of investments	53,233
d) Gain on disposal of investments	126,868
Total investment income in General Business	959,433
4) Portion of investment income transferred from technical accounts of Life Business	243,777
5) Operating and financial expenses in General Business	
a) Investment management expenses and interest paid	(38,095)
b) Writedowns in investments	(171,158)
c) Loss on disposal of investments	(104,465)
Total operating and financial expenses in General Business	(313,718)
6) Portion of investment income transferred from technical accounts of General Business	(441,966)
7) Other income	318,041
8) Other expenditure	(655,765)
9) Profit (loss) on ordinary operations	548,824
10) Extraordinary income	188,939
11) Extraordinary expenditure	(88,221)
12) Net extraordinary income (expenditure) (10-11)	100,718
13) Earnings before tax	649,542
14) Taxation for the year	(99,111)
15) Profit (loss) for the year (13-14)	550,431

TABLE H (cont.)

ASSOCIATED FINANCIAL UNDERTAKINGS: BALANCE SHEETS

	FIDIA S.p.A. 31/12/03	MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY A N.V. 31/12/03	BANCA ESPERIA S.p.A. 31/12/03	ATHENA PRIVATE EQUITY S.A. 30/9/03
	(€ '000)	(€ '000)	(€ '000)	(€ '000)
ASSETS				
10. Cash in hand	1	20	13	30,426
20. Amounts due from banks	590	—	63,351	—
30. Amounts due from financial companies	—	—	—	—
40. Trade accounts receivable	—	—	86,281	—
50. Debt securities and other fixed-income securities	2,503	—	—	1,009
60. Equities, participating interests and other floating rate securities	13,186	—	23,018	—
70. Equity investments	—	13,452	1	129,855
80. Investments in Group undertakings	—	—	16,355	—
90. Intangible fixed assets	2	—	1,171	—
100. Tangible fixed assets	5	—	728	—
110. Unpaid call on capital	—	—	—	—
130. Other assets	109	—	24,022	1,626
140. Accrued income and prepaid expenses	69	—	191	—
	<u>16,465</u>	<u>13,472</u>	<u>215,131</u>	<u>162,916</u>
LIABILITIES				
10. Amounts due to banks	—	—	—	—
20. Amounts due to financial companies	—	—	—	—
30. Trade accounts payable	—	—	156,538	—
50. Other liabilities	979	—	17,925	13,076
60. Accrued expenses and deferred income	10	—	153	—
70. Provision for staff termination indemnities	195	—	761	—
80. Provisions for liabilities and charges	67	—	890	—
90. Loan loss provision	—	—	—	—
120. Share capital	15,600	50	13,000	50,000
130. Share premium reserve	—	13,433	38,646	—
140. Reserves	257	—	—	105,309
160. Retained earnings (accumulated loss)	—	(8)	(14,188)	(9,069)
170. Profit (loss) for the year	(643)	(3)	1,406	3,600
	<u>16,465</u>	<u>13,472</u>	<u>215,131</u>	<u>162,916</u>
GUARANTEES AND COMMITMENTS				
10. Guarantees given	—	—	1,649	—
20. Commitments	—	—	21,139	—
	<u>—</u>	<u>—</u>	<u>22,788</u>	<u>—</u>

TABLE H (cont.)

**ASSOCIATED FINANCIAL UNDERTAKINGS:
PROFIT AND LOSS ACCOUNTS**

	FIDIA S.p.A. 31/12/03	MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY A N.V. 31/12/03	BANCA ESPERIA S.p.A. 31/12/03	ATHENA PRIVATE EQUITY S.A. 30/9/03
	(€ '000)	(€ '000)	(€ '000)	(€ '000)
EXPENSES				
10. Interest payable and similar expenses	—	—	2,570	305
20. Commissions payable	664	—	749	—
30. Loss on dealing transactions	16	—	—	—
40. Administrative expenses	3,397	3	19,036	—
50. Adjustments to intangible and tangible fixed assets	9	—	1,301	—
60. Other operating expenses	15	—	302	4,623
70. Transfer to provisions for liabilities and charges .	—	—	—	—
80. Transfer to loan loss provision	—	—	—	—
90. Adjustments to accounts receivable and provisions for guarantees and commitments	—	—	434	—
100. Adjustments to financial fixed assets	—	—	—	3
110. Extraordinary expenses	4	—	436	299
130. Income tax for the year	67	—	890	—
140. Profit for the year	—	—	1,406	3,600
	<u>4,172</u>	<u>3</u>	<u>27,124</u>	<u>8,830</u>
INCOME				
10. Interest receivable and similar income	96	—	4,056	650
20. Dividends and other income	—	—	—	8,028
30. Commissions receivable	3,421	—	21,035	—
40. Gain on dealing transactions	—	—	954	—
70. Other operating income	—	—	1,027	152
80. Extraordinary income	12	—	52	—
100. Loss for the year	643	3	—	—
	<u>4,172</u>	<u>3</u>	<u>27,124</u>	<u>8,830</u>

TABLE H (cont.)

OTHER ASSOCIATED UNDERTAKINGS: BALANCE SHEETS

	RCS MEDIA GROUP S.p.A. 31/12/03	CARTIERE BURGO S.p.A. 31/12/03	CIMENTS FRANÇAIS S.A. 31/12/03	GEMINA S.p.A. 31/12/03
ASSETS	(€ '000)	(€ '000)	(€ m)	(€ '000)
B) Fixed assets:				
I) Intangible assets	21	14,087	—	1,361
II) Tangible assets	894	749,152	4	54
III) Financial fixed assets	933,755	658,302	3,549	666,800
Total (B)	934,670	1,421,541	3,553	668,215
C) Current assets:				
I) Inventories	—	191,779	—	—
II) Accounts receivable				
1) Trade receivables	3,112	418,201	26	3,828
2) Amounts due from subsidiaries	13,603	13,057	—	5,950
3) Amounts due from associated companies	423	4,049	—	337
5) Other accounts	91,022	169,430	79	19,695
6) Deferred tax credits	—	—	—	—
	108,160	604,737	105	29,810
III) Financial assets other than fixed assets	271,931	1	—	15,791
IV) Cash	7,698	40,562	1	827
Total (C)	387,789	837,079	106	46,428
D) Accrued income and prepaid expenses	971	3,101	—	2,200
TOTAL ASSETS (B+C+D)	1,323,430	2,261,721	3,659	716,843
LIABILITIES				
A) Shareholders' equity:				
I) Share capital	762,019	156,279	153	368,240
II-VII) Reserves	506,542	14,088	917	143,058
VIII) Retained earnings (accumulated loss)	(194,409)	992	834	18,832
IX) Profit (loss) for the year	51,538	364	88	18,653
Total (A)	1,125,690	171,723	1,992	548,783
B) Provisions for liabilities and charges	44,708	20,113	54	1,651
C) Provision for staff termination indemnities	3,995	82,412	—	259
D) Accounts payable:				
1) Bonds	—	200,000	187	—
3) Amounts due to banks	16,552	1,271,980	837	150,901
4) Amounts due to other lenders	—	5,920	518	—
5) Advances and deposits	—	—	—	—
6) Trade accounts payable	4,296	336,506	—	680
8) Amounts due to subsidiaries	77,735	97,073	—	354
9) Amounts due to associated companies	42,744	4,690	—	130
11) Taxes payable	4,384	8,155	—	2,067
12) Amounts due to social security institutions	629	9,998	—	77
13) Other debt	2,426	28,172	71	9,320
Total (D)	148,766	1,962,494	1,613	163,529
E) Accrued expenses and deferred income	271	24,979	—	2,621
TOTAL LIABILITIES (A+B+C+D+E)	1,323,430	2,261,721	3,659	716,843
MEMORANDUM ACCOUNTS				
Personal guarantees given	210,957	39,766	—	108,862
Collateral given	—	—	—	—
Commitments, contingencies and other memorandum accounts	345,207	382,878	—	6,804
	556,164	422,644	—	115,666

TABLE H (cont.)

OTHER ASSOCIATED UNDERTAKINGS: PROFIT AND LOSS ACCOUNTS

	RCS MEDIA GROUP S.p.A. 31/12/03	CARTIERE BURGO S.p.A. 31/12/03	CIMENTS FRANÇAIS S.A. 31/12/03	GEMINA S.p.A. 31/12/03
	(€ '000)	(€ '000)	(€ m)	(€ '000)
A) Value of production:				
1) Revenue from sales and services	10,338	1,523,689	5	1,333
2) Increase (decrease) in work-in-progress, semi-finished and finished products	—	1,566	—	—
4) Internal additions to fixed assets	—	291	—	—
5) Other income	11,564	46,402	56	3,948
Total (A)	21,902	1,571,948	61	5,281
B) Costs of production:				
6) Raw materials, secondary materials, consumables, semi-finished and finished goods	(359)	(839,976)	—	—
7) Services	(15,408)	(414,822)	(41)	(2,098)
8) Assets leased or rented	(8,484)	(2,255)	—	(237)
9) Personnel	(15,395)	(175,848)	(19)	(1,437)
10) Depreciation, amortization and writedowns	(433)	(182,433)	(1)	(1,021)
11) Increase (decrease) in raw materials, secondary materials, consumables, semi-finished and finished goods	—	2,674	—	—
12) Risk provisions	(608)	—	—	—
13) Other provisions	(375)	(271)	—	—
14) Sundry operating expenses	(1,379)	(8,568)	(5)	(316)
Total (B)	(42,441)	(1,621,499)	(66)	(5,109)
Value of production less cost of production	(20,539)	(49,551)	(5)	172
C) Financial income (charges):				
15) Dividends from investments	61,537	53,866	113	29,335
16) Other financial income	15,984	20,131	—	6,180
17) Interest and other financial charges	(5,579)	(96,473)	(72)	(10,679)
Total (C)	71,942	(22,476)	41	24,836
D) Value adjustments to financial fixed assets:				
18) Revaluations	45,826	89	—	772
19) Writedowns	(14,966)	(1,008)	(51)	(7,045)
Total (D)	30,860	(919)	(51)	6,273
E) Extraordinary income (expenses):				
20) Extraordinary income	105,135	68,680	69	18
21) Extraordinary expenses	(132,560)	(5,500)	—	—
Total (E)	(27,425)	63,180	69	18
Profit (loss) before tax (A–B+C+D+E)	54,838	(9,766)	54	18,753
22) Income taxes for the year	(3,300)	10,130	34	(100)
26) Profit (loss) for the year	51,538	364	88	18,653

TABLE I

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

Disclosure required under Article 79 of CONSOB Resolution 11971/99

Name	Company in which interest held	No. of shares held at end of previous financial year	No. of shares acquired during year	No. of shares sold during year	No. of shares held at end of financial year
Antoine BERNHEIM	MEDIOBANCA	60,000	—	—	60,000
Vincent BOLLORE ⁷	MEDIOBANCA	38,925,230	—	—	38,925,230
Giancarlo CERUTTI	MEDIOBANCA	5,500	—	—	5,500
Jonella LIGRESTI	MEDIOBANCA	6,750	—	—	6,750
Vittorio RIPA di MEANA	MEDIOBANCA	3,000	—	—	3,000
Antonio IZZI	MEDIOBANCA	1,000	—	—	1,000
Alberto NAGEL	MEDIOBANCA	1,000	—	—	1,000

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

TABLE L

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

	Share Capital € '000	Par Value per Share €	No. of Shares held directly	Direct Interest %	No. of Shares held indirectly	Indirect Interest %	Shares held by
DIRECTLY CONTROLLED SUBSIDIARIES							
COMPASS S.p.A., Milan	87,500	5	17,500,000	100.00	—	—	—
COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., MONTE CARLO	111,100	200	342,427	61.64	—	—	—
MB FINSTRUTTURE - INTERSOMER S.p.A., Milan	6,500	0.50	13,000,000	100.00	—	—	—
MEDIOBANCA INTERNATIONAL LTD, Grand Cayman	\$ 10m	\$ 1	10,000,000	100.00	—	—	—
PROMINVESTMENT S.p.A., Rome	743	0.52	1,000,000	70.00	—	—	—
PRUDENTIA FIDUCIARIA S.p.A., Milan	100	5	20,000	100.00	—	—	—
RICERCHE E STUDI S.p.A., Milan	100	5	20,000	100.00	—	—	—
SADE FINANZIARIA S.p.A., Milan	25	0.50	1	100.00	—	—	—
SETECI - Società per l'Elaborazione, Trasmissione Dati, Engineering e Consulenza Informatica S.p.A., Milan	500	5	100,000	100.00	—	—	—
SPAFID S.p.A., Milan	100	10	10,000	100.00	—	—	—
TECHNOSTART S.p.A., Milan	1,000	0.50	1,380,000	69.00	—	—	—
TRADEVCO LTD, Monrovia	LRD 80m	LRD 16,000	3,000	60.00	2,000	40.00	Tradevco
INDIRECTLY CONTROLLED SUBSIDIARIES							
COFACTOR S.p.A., Milan	7,500	0.50	—	—	15,000,000	100.00	Compass
CREDITECH S.p.A., Milan	250	1	—	—	250,000	100.00	Compass
MICOS BANCA SpA, Milan	35,000	0.50	—	—	70,000,000	100.00	Compass
PALLADIO LEASING S.p.A., Vicenza	8,700	0.50	—	—	16,482,500 867,500	95.00 5.00	SelmaBipiemme Palladio Leasing
SELMABIPIEMME LEASING S.p.A., Milan	40,200	0.50	—	—	49,564,777	61.65	Compass

TABLE L (cont.)

	Share Capital € '000	Par Value per Share €	No. of Shares held directly	Direct Interest %	No. of Shares held indirectly	Indirect Interest %	Shares held by
TELELEASING S.p.A., Milan	9,500	1	—	—	7,600,000	80.00	SelmaBipiemme
C.M.I. Compagnie Monégasque Immobilière – SCI, Monte Carlo	2,400	1,525	—	—	1,599	99.94	CMB S.A.
C.M.G. Compagnie Monégasque de Gestion S.A.M., Monte Carlo	160	160	—	—	997	99.70	CMB S.A.
SMEF - Soc. Monégasque des Etudes Financière S.A.M., Monte Carlo	775	155	—	—	4,995	99.90	CMB S.A.
MONOECI Soc. Civile Immobilière, Monte Carlo	1,6	15.5	—	—	99	99.00	CMB S.A.
MONOIKOS 2000 Soc. Civile Immobilière, Monte Carlo	2	1	—	—	1,999	99.95	C.M.I. SCI
MOULINS 700 S.A.M., Monte Carlo	160	160	—	—	999	99.90	C.M.I. SCI
COMARFIN Comp. Maritime e Financière S.A.M., Monte Carlo	300	300	—	—	548	54.80	CMB S.A.

TABLE L (cont.)

	Share Capital € '000	Par Value per Share €	No. of Shares held directly	Direct Interest %	No. of Shares held indirectly	Indirect Interest %	Shares held by
OTHER SIGNIFICANT EQUITY INVESTMENTS							
ATHENA PRIVATE EQUITY S.A., Luxembourg	50,000	2	6,114,460	24.46	—	—	—
CIMENTS FRANÇAIS S.A., Paris	152,700	4	4,374,215	11.46	—	—	—
BANCA ESPERIA S.p.A., Milan	13,000	0.52	12,125,000	48.50	—	—	—
CARTIERE BURGO S.p.A., (formerly Dieci), Verzuolo	205,400	0.52	87,442,365	22.13	—	—	—
FERRARI S.p.A., Modena	20,000	2.50	1,120,000	14.00	80,000	1.00	CMB S.A.
FIDIA - Fondo Interbancario d'Inve- stimento Azionario S.p.A., Milan	15,600	520	7,500	25.00	—	—	—
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l., Milan	57,300	—	1	15.00	—	—	—
MB VENTURE CAPITAL FUND I PARTICIPATING CO. A N.V., Amsterdam	50	1	22,500	45.00	—	—	—
MB VENTURE CAPITAL S.A., Luxembourg	40	10	—	—	1,400	35.00	Technostart
SINTERAMA S.p.A., Sandigliano	72,800	0.51	—	—	15,000,000	10.51	MB Finstrutture - Intersomer
SCONTOFIN S.A., Luxembourg	2,600	516.5	—	—	1,000	20.00	MB Finstrutture - Intersomer
ZAMBIA TANZANIA ROAD SERVICES Ltd, Lusaka (in liquidation)	Kwacha 4,000	Kwacha 200	—	—	4,667	23.33	MB Finstrutture - Intersomer

ACCOUNTS OF THE BANK

BALANCE SHEET

	Assets	30/6/04	30/6/03
10.	CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES	93,619	73,710
20.	GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS	2,962,922,067	4,138,585,681
30.	AMOUNTS DUE FROM BANKS:	5,653,672,432	3,232,663,751
	a) repayable on demand	1,675,301,893	1,795,442,542
	b) other accounts	3,978,370,539	1,437,221,209
40.	AMOUNTS DUE FROM CUSTOMERS	13,299,724,429	12,937,378,519
	<i>of which:</i>		
	- loans using funds managed for third parties	—	—
50.	BONDS AND OTHER DEBT SECURITIES ISSUED BY:	3,239,407,473	3,033,789,673
	a) public agencies	848,493,754	692,517,802
	b) banks	697,743,820	738,192,168
	<i>of which:</i>		
	- own bonds	294,590,841	435,685,558
	c) financial companies	1,093,630,502	1,175,035,167
	<i>of which:</i>		
	- own bonds	—	—
	d) other issuers	599,539,397	428,044,536
60.	EQUITIES, PARTICIPATING INTERESTS AND OTHER CAPITAL SECURITIES	2,568,012,140	1,182,641,312
70.	EQUITY INVESTMENTS	2,514,462,131	2,570,320,041
80.	INVESTMENTS IN GROUP UNDERTAKINGS	396,476,206	118,731,237
100.	TANGIBLE FIXED ASSETS	11,561,328	10,647,200
130.	OTHER ASSETS	748,308,356	722,145,527
140.	ACCRUED INCOME AND PREPAID EXPENSES:	1,470,158,987	1,271,224,735
	a) accrued income	1,196,768,920	987,311,416
	b) prepaid expenses	273,390,067	283,913,319
	<i>of which:</i>		
	- issue discounts on bonds	55,924,068	51,756,224
		32,864,799,168	29,218,201,386

GUARANTEES AND COMMITMENTS

	Guarantees and Commitments	30/6/04	30/6/03
10.	GUARANTEES GIVEN	3,582,601,396	5,768,157,628
	<i>of which:</i>		
	- acceptances	—	—
	- other guarantees	3,582,601,396	5,768,157,628
20.	COMMITMENTS	16,343,589,850	14,493,152,176
	<i>of which:</i>		
	- assets sold under repurchase agreements	—	—
30.	CREDIT DERIVATIVES	534,995,772	344,500,000

	Liabilities and Shareholders' Equity	30/6/04	30/6/03
10.	AMOUNTS DUE TO BANKS:	5,620,446,826	5,049,270,226
	a) repayable on demand	823,989,744	910,494,149
	b) term deposits and deposits under notice	4,796,457,082	4,138,776,077
20.	AMOUNTS DUE TO CUSTOMERS:	2,594,627,595	1,222,647,659
	a) repayable on demand	1,984,508,009	662,118,239
	b) term deposits and deposits under notice	610,119,586	560,529,420
30.	DEBT SECURITIES IN ISSUE:	15,256,579,155	15,359,678,961
	a) bonds	14,473,871,678	14,505,512,211
	b) certificates of deposit	593,280,410	705,915,547
	c) other debt securities	189,427,067	148,251,203
50.	OTHER LIABILITIES	3,540,240,109	2,174,339,873
60.	ACCRUED EXPENSES AND DEFERRED INCOME:	797,845,317	738,996,534
	a) accrued expenses	561,375,369	454,569,428
	b) deferred income	236,469,948	284,427,106
70.	PROVISION FOR STAFF TERMINATION INDEMNITIES	11,958,826	14,884,802
80.	PROVISIONS FOR LIABILITIES AND CHARGES:	232,453,369	168,401,334
	a) post-retirement and similar benefits	—	—
	b) provision for taxation	227,363,369	163,311,334
	c) other provisions	5,090,000	5,090,000
90.	LOAN LOSS PROVISION	319,627,196	286,627,196
100.	PROVISION FOR GENERAL BANKING RISKS	638,934,653	638,934,653
120.	SHARE CAPITAL	389,291,457	389,274,707
130.	SHARE PREMIUM RESERVE	1,807,339,811	1,807,114,356
140.	RESERVES:	1,220,305,245	1,374,390,982
	a) legal reserve	77,854,941	77,854,942
	b) reserve for purchase of own shares and participating interests	—	—
	c) statutory reserves	893,452,113	1,033,591,188
	d) other reserves	248,998,191	262,944,852
150.	REVALUATION RESERVES	7,586,763	7,586,763
160.	RETAINED EARNINGS (ACCUMULATED LOSSES)	—	80,735
170.	PROFIT (LOSS) FOR THE YEAR	427,562,846	(14,027,395)
		32,864,799,168	29,218,201,386

PROFIT AND LOSS ACCOUNT

		12 months ended 30/6/04	12 months ended 30/6/03
10.	INTEREST RECEIVABLE AND SIMILAR INCOME	972,941,708	1,015,669,995
	<i>of which interest on:</i>		
	- loans and advances to customers	505,063,497	590,072,798
	- debt securities	217,621,494	218,418,410
20.	INTEREST PAYABLE AND SIMILAR EXPENSES	(812,517,913)	(826,858,160)
	<i>of which interest on:</i>		
	- customer deposits	(85,803,290)	(28,078,730)
	- debt securities	(533,545,854)	(566,368,997)
30.	DIVIDENDS ON AND OTHER INCOME FROM:	646,523,146	288,442,521
	a) equities, participating interests and other capital securities	451,163,866	185,991,530
	b) equity investments	195,359,280	102,450,991
	c) investments in Group undertakings	—	—
40.	COMMISSIONS RECEIVABLE	166,535,776	189,044,907
50.	COMMISSIONS PAYABLE	(28,271,542)	(30,543,716)
60.	GAINS (LOSSES) ON DEALING TRANSACTIONS	(226,493,601)	(168,508,903)
70.	OTHER INCOME FROM OPERATIONS	166,916,298	302,411,819
80.	ADMINISTRATIVE EXPENSES:	(137,101,823)	(125,745,511)
	a) personnel costs	(79,144,585)	(74,506,489)
	<i>of which:</i>		
	- wages and salaries	(56,863,070)	(50,811,091)
	- social security charges	(15,455,627)	(14,138,320)
	- transfer to termination indemnity provision	(3,649,520)	(6,736,155)
	- post-retirement and similar benefits	(3,176,368)	(2,820,923)
	b) other administrative expenses	(57,957,238)	(51,239,022)
90.	ADJUSTMENTS TO INTANGIBLE AND TANGIBLE FIXED ASSETS	(2,685,502)	(5,811,305)
100.	TRANSFER TO PROVISION FOR LIABILITIES AND CHARGES	—	(5,090,000)
110.	OTHER OPERATING EXPENSES	(165,463,751)	(304,881,148)
140.	TRANSFER TO LOAN LOSS PROVISIONS	(33,000,000)	(45,000,000)
150.	ADJUSTMENTS TO FINANCIAL FIXED ASSETS	(25,727,460)	(266,197,171)
160.	WRITEBACKS OF FINANCIAL FIXED ASSETS	159,993,629	578,939
170.	PROFIT (LOSS) ON ORDINARY ACTIVITIES	681,648,965	17,512,267
180.	EXTRAORDINARY INCOME	34,625,584	591,241
190.	EXTRAORDINARY EXPENDITURE	(54,355,138)	(43,413,206)
200.	EXTRAORDINARY PROFIT (LOSS)	(19,729,554)	(42,821,965)
220.	INCOME TAXES FOR THE YEAR	(234,356,565)	11,282,303
230.	PROFIT (LOSS) FOR THE YEAR	427,562,846	(14,027,395)

NOTES TO THE ACCOUNTS OF THE BANK

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N.B. - Figures are in € '000 unless otherwise stated.

A. ACCOUNTING POLICIES

1. Description of accounting policies

Loans and advances

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

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

Fixed income securities

These are broken down as between:

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

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

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

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

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

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

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

Non-investment equities

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

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

Holdings in SICAVs

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

Equity interests

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 Bank's accounts for years up to and including that ended 30 June 1993, writedowns were charged on a permanent basis. Since then, amounts written down have been written back

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

where the circumstances that gave rise to the writedown no longer subsist. Listed instruments are marked to market at the average middle market price in the second half of the financial year, or the last quarter in respect of adjustments made up to 30 June 1993. Unlisted stocks are adjusted pro-rata to net equity, bearing in mind factors relating to the asset value and profit forecasts for the companies concerned.

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

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

Tangible and intangible assets

These are stated at cost.

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

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

Debt

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

Provisions for liabilities and charges

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

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

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

Guarantees and commitments

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

Foreign currency translation

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

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

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

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

Off-balance sheet transactions

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

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

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

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

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

* * *

Mediobanca has chosen to avail itself of the right granted under Article 9 of Italian Legislative Decree 6/03 to prepare its accounts for the year to 30 June 2004 in accordance with legislation in force prior to the said Decree's enactment on 1 January 2004.

2. Tax adjustments and provisions

2.1 Value adjustments made solely to comply with tax regulations

No such adjustments have been made.

2.2 Provisions made solely to comply with tax regulations

The transfer of € 33m which has been made to the *Loan loss provision* to cover general risks constitutes such a provision. In the event of a distribution of assets, which is not anticipated at the time of writing, the entire provision of € 319.6m would form part of the Bank's taxable income.

B. NOTES TO THE BALANCE SHEET OF THE BANK

1. Accounts receivable

1.1 Heading 30: Amounts due from banks

	30/6/04 € '000	30/6/03 € '000
a) Deposits with central banks	55,257	46,513
b) Bills eligible for refinancing at central banks	—	—
c) Forward transactions	3,390,366	1,868,850
d) Securities lent	132,318	67,072

1.2a Analysis of cash amounts due from banks as at 30 June 2004

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	3,042	—	3,042
<i>a.1. Non-performing lendings ^(†) of which: to countries at risk</i>	127	—	127
<i>a.2. Potential problem lendings of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	2,915	—	2,915
b) Loans current as to payment of principal and interest	5,650,631	—	5,650,631

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

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

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

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

1.3 Movements in doubtful debts due from banks in year ended 30 June 2004

	Gross exposure	Potential problem loans	Debts in process of restructuring	Restructured debts	Unsecured credits to countries at risk	Total gross doubtful debt
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
a) Gross exposure as at 30/6/03	127	—	—	—	4,440	4,567
<i>a.1. of which: interest in suspense</i>	—	—	—	—	—	—
b) Additions	—	—	—	—	—	—
<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>	—	—	—	—	—	—
c) Reductions	—	—	—	—	1,525	1,525
<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>	—	—	—	—	1,525	1,525
d) Gross exposure as at 30/6/04	127	—	—	—	2,915	3,042
<i>d.1. of which: interest in suspense</i>	—	—	—	—	—	—

1.5 Heading 40: Amounts due from customers

	30/6/04 € '000	30/6/03 € '000
a) Bills eligible for refinancing at central banks	—	—
b) Forward transactions	422,493	671,124
c) Securities lent	69,563	109,334

1.6 Secured loans to customers

	30/6/04 € '000	30/6/03 € '000
a) Loans secured by mortgages	719,064	716,634
b) Loans secured by pledges on:		
1. cash deposits	1,807,900	18,032
2. securities	—	28,407
3. other assets	358,953	898,256
c) Loans secured by guarantees given by:		
1. Governments	180,760	387,343
2. public agencies	—	1,385
3. banks	477,541	551,676
4. others	2,273,170	2,131,833

1.7a *Analysis of cash amounts due from customers as at 30 June 2004*

	Gross exposure € '000	Total adjustment € '000	Net exposure € '000
a) Doubtful debts:	—	—	—
<i>a.1. Non-performing lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.2. Potential problem lendings</i>	—	—	—
<i>of which: to countries at risk</i>	—	—	—
<i>a.3. Debt in process of restructuring</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.4. Restructured debt</i>	—	—	—
<i>of which: countries at risk</i>	—	—	—
<i>a.5. Unsecured credits to countries at risk</i>	—	—	—
b) Loans current as to payment of principal and interest	13,299,724	—	13,299,724

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

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

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

	30/6/04 € '000	30/6/03 € '000
Cash and value items in hand	94	74
	94	74

2. Securities

2.1 Investment securities

	Book value € '000		Market value € '000	
	30/6/04	30/6/03	30/6/04	30/6/03
1. DEBT SECURITIES	73,700	74,217	74,541	74,217
1.1 Government securities:	—	—	—	—
• <i>listed</i>	—	—	—	—
• <i>unlisted</i>	—	—	—	—
1.2 Other debt securities:	73,700	74,217	74,541	74,217
• <i>listed</i>	73,700	74,217	74,541	74,217
• <i>unlisted</i>	—	—	—	—
2. CAPITAL SECURITIES	3,036	3,019	3,334	3,271
• <i>listed</i>	3,036	3,019	3,334	3,271
• <i>unlisted</i>	—	—	—	—
	76,736	77,236	77,875	77,488

Differences between redemption value on maturity and book value

	30/6/04 € '000	30/6/03 € '000
Surplus	—	2,958
Shortfall	3,813	—

2.2 Movements in investment securities

	30/6/04 € '000	30/6/03 € '000
A. HOLDING AT BEGINNING OF PERIOD	77,236	77,378
B. ADDITIONS	18,980	579
B1. Acquisitions	12,670	—
B2. Writebacks	6,310	579
B3. Transfers from holdings of non-investment securities	—	—
B4. Other movements	—	—
C. REDUCTIONS	19,480	721
C1. Disposals	13,188	—
C2. Redemptions	—	—
C3. Value adjustments	—	721
<i>of which: permanent writedowns</i>	—	—
C4. Transfers to holdings of non-investment securities	—	—
C5. Other movements	6,292	—
D. HOLDING AT END OF PERIOD	76,736	77,236

2.3 *Non-investment securities*

	Book value € '000		Market value € '000	
	30/6/04	30/6/03	30/6/04	30/6/03
1. DEBT SECURITIES	6,128,629	7,098,159	6,152,523	7,237,221
1.1 Government securities:	1,898,135	2,609,600	1,898,802	2,618,538
• <i>listed</i>	1,898,135	2,609,600	1,898,802	2,618,538
• <i>unlisted</i>	—	—	—	—
1.2 Other debt securities:	4,230,494	4,488,559	4,253,721	4,618,683
• <i>listed</i>	3,694,621	3,819,687	3,716,751	3,941,029
• <i>unlisted</i>	535,873	668,872	536,970	677,654
2. CAPITAL SECURITIES	2,564,976	1,179,621	2,605,163	1,220,304
• <i>listed</i>	2,564,976	1,179,621	2,605,163	1,220,304
• <i>unlisted</i>	—	—	—	—
	8,693,605	8,277,780	8,757,686	8,457,525

2.4 *Movements in non-investment securities*

	30/6/04 € '000	30/6/03 € '000
A. HOLDING AT BEGINNING OF PERIOD	8,277,780	4,881,984
B. ADDITIONS	51,393,880	53,506,960
B1. Acquisitions:	51,097,424	53,004,440
1. Debt securities:	39,399,448	44,890,656
• <i>Government securities</i>	23,387,322	36,862,305
• <i>other debt securities</i>	16,012,126	8,028,351
2. Capital securities	11,697,976	8,113,784
B2. Writebacks and revaluations	1,507	7,273
B3. Transfers from holdings of investment securities	—	131,141
B4. Other movements	294,949 ⁽¹⁾	364,106
C. REDUCTIONS	50,978,055	50,111,164
C1. Disposals and redemptions:	50,645,837	49,645,569
1. Debt securities:	40,319,445	41,625,344
• <i>Government securities</i>	24,106,641	34,189,058
• <i>other debt securities</i>	16,212,804	7,436,286
2. Capital securities	10,326,392	8,020,225
C2. Value adjustments	26,119	12,549
C3. Transfers to holdings of investment securities	—	40,497
C4. Other movements	306,099	412,549
D. HOLDING AT END OF PERIOD	8,693,605	8,277,780

⁽¹⁾ Of which € 15,154,000 due to dividends collected in kind.

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

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

3. Equity investments

3.1 Significant investments

	Share capital € '000	Par value of shares €	Shareholders' equity € '000	Profit (loss) ⁽¹⁾ € '000	Equity interest %	Book value € '000
A. SUBSIDIARIES (Heading 80)						
<i>Italy</i>						
1. COMPASS S.p.A., Milan	87,500	5	172,289	36,393	100.00	77,985
2. MB FINSTRUTTURE - INTERSOMER S.p.A., Milan	6,500	0.50	46,435	3,919	100.00	32,700
3. PROMINVESTMENT S.p.A., Milan	743	0.52	1,614	(125)	70.00	819
4. PRUDENTIA FIDUCIARIA S.p.A., Milan	100	5	518	44	100.00	103
5. RICERCHE E STUDI S.p.A., Milan	100	5	103	—	100.00	103
6. SADE FINANZIARIA S.p.A., Milan	25	0.50	25	—	100.00	25
7. SETECI - Società per l'Elaborazione, Trasmissione Dati, Engineering e Consulenza Informatica S.p.A., Milan	500	5	531	1	100.00	522
8. SPAFID S.p.A., Milan	100	10	32,619	954	100.00	26
9. TECHNOSTART S.p.A., Milan	1,000	0.50	654	(29)	69.00	451
<i>Outside Italy</i>						
10. COMPAGNIE MONEGASQUE DE BANQUE - CMB S.A., Monte Carlo	111,100	200	192,059	22,001	61.64	277,740
11. MEDIOBANCA INTERNATIONAL Ltd Grand Cayman	\$ 10m	\$ 1	81,546	7,555	100.00	6,002
12. TRADEVCO Ltd. - Monrovia, Liberia	LRD 80m	LRD 16,000	LRD —	LRD —	60.00 ⁽²⁾ ⁽³⁾
						396,476
B. COMPANIES SUBJECT TO CONSIDERABLE INFLUENCE						
1. ATHENA PRIVATE EQUITY S.A., Luxembourg	50,000	2	149,840	3,600	24.46	45,336
2. BANCA ESPERIA S.p.A., Milan	13,000	0.52	38,864	1,406	48.50	19,059
3. CARTIERE BURGO S.p.A., Milan	156,300	0.52	171,723	364	22.13	54,630
4. FIDIA - Fondo Interbancario d'Investimento Azionario S.p.A., Milan	15,600	520	15,214	(643)	25.00	3,803
5. MB VENTURE CAPITAL FUND I PARTICIPATING COMPANY A N.V., Amsterdam	50	1	13,472	(3)	45.00	13,305
						136,133
						532,609

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

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

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

3.2 Amounts due from and to Group undertakings

	30/6/04 € '000	30/6/03 € '000
a) AMOUNTS DUE FROM GROUP UNDERTAKINGS	3,667,173	2,911,410
1. Amounts due from banks <i>of which: subordinated</i>	514,903 —	287,611 —
2. Amounts due from financial companies <i>of which: subordinated</i>	3,106,575 —	2,469,100 —
3. Amounts due from other companies <i>of which: subordinated</i>	1,522 —	2,108 —
4. Bonds and other debt securities <i>of which: subordinated</i>	44,713 —	152,591 —
b) AMOUNTS DUE TO GROUP UNDERTAKINGS	1,851,821	3,045,460
1. Amounts due to banks	1,846,979	3,025,593
2. Amounts due to financial companies	3,892	19,850
3. Amounts due to other companies	950	17
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	4,860,754	6,213,952
1. Guarantees given	2,855,467	3,944,878
2. Commitments	2,005,287	2,269,074

3.3 Amounts due from and to associated undertakings

	30/6/04 € '000	30/6/03 € '000
a) AMOUNTS DUE FROM ASSOCIATED UNDERTAKINGS	2,869,587	2,435,284
1. Amounts due from banks <i>of which: subordinated</i>	793,425 —	— —
2. Amounts due from financial companies <i>of which: subordinated</i>	390,000 —	420,000 —
3. Amounts due from other companies <i>of which: subordinated</i>	1,483,459 400,000	1,750,264 400,000
4. Bonds and other debt securities <i>of which: subordinated</i>	202,703 15,639	265,020 23,039
b) AMOUNTS DUE TO ASSOCIATED UNDERTAKINGS	210,008	84,304
1. Amounts due to banks	115,808	59,606
2. Amounts due to financial companies	7,997	23,659
3. Amounts due to other companies	86,203	1,039
4. Debt securities	—	—
5. Subordinated liabilities	—	—
c) GUARANTEES AND COMMITMENTS	986,607	1,287,699
1. Guarantees given	83,650	229,443
2. Commitments	902,957	1,058,256

3.4 Heading 70: *Equity investments*

	30/6/04 € '000	30/6/03 € '000
a) INVESTMENTS IN BANKS	143,837	148,837
1. <i>listed</i>	124,747	104,201
2. <i>unlisted</i>	19,090	44,636
b) INVESTMENTS IN FINANCIAL COMPANIES	278,159	234,420
1. <i>listed</i>	212,501	179,105
2. <i>unlisted</i>	65,658	55,315
c) OTHER EQUITY INVESTMENTS	2,092,467	2,187,064
1. <i>listed</i>	1,703,857	1,408,417
2. <i>unlisted</i>	388,610	778,647

3.5 Heading 80: *Investments in Group undertakings*

	30/6/04 € '000	30/6/03 € '000
a) INVESTMENTS IN BANKS	283,742	6,002
1. <i>listed</i>	—	—
2. <i>unlisted</i>	283,742	6,002
b) INVESTMENTS IN FINANCIAL COMPANIES	112,109	112,104
1. <i>listed</i>	—	—
2. <i>unlisted</i>	112,109	112,104
c) INVESTMENTS IN OTHER GROUP UNDERTAKINGS	625	625
1. <i>listed</i>	—	—
2. <i>unlisted</i>	625	625

3.6 *Movements in investments*

3.6.1 Movements in investments in Group undertakings

	30/6/04 € '000	30/6/03 € '000
A. HOLDING AT BEGINNING OF PERIOD	118,731	118,779
B. ADDITIONS	277,765	—
B1. Acquisitions	277,765	—
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	—	—
C. REDUCTIONS	20	48
C1. Disposals	—	—
C2. Value adjustments	20	48
<i>of which: permanent writedowns</i>	20	48
C3. Other movements	—	—
D. HOLDING AT END OF PERIOD	396,476	118,731
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS	3,822	3,802

3.6.2 Movements in other investments

	30/6/04 € '000	30/6/03 € '000
A. HOLDING AT BEGINNING OF PERIOD	635,519	682,097
B. ADDITIONS	442,685	459,931
B1. Acquisitions	153,683	—
B2. Writebacks	—	—
B3. Revaluations	39,151	222,166 ⁽¹⁾
B4. Other movements	691,377	946,970
C. REDUCTIONS	242,963	329,671
C1. Disposals	25,707	265,428
C2. Value adjustments	—	—
<i>of which: permanent writedowns</i>	422,707	351,871 ⁽²⁾
C3. Other movements	2,514,463	2,570,321
D. HOLDING AT END OF PERIOD	—	—
E. TOTAL REVALUATIONS	677,523	837,774
F. TOTAL ADJUSTMENTS		

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

⁽²⁾ Of which € 131,141,000 transferred to non-investment securities.

4. Tangible and intangible fixed assets

4.1 Movements in tangible fixed assets

	30/6/04			30/6/03		
	Properties € '000	Furniture and equipment € '000	Total € '000	Properties € '000	Furniture and equipment € '000	Total € '000
A. HOLDING AT BEGINNING OF PERIOD	10,647	—	10,647	11,361	—	11,361
B. ADDITIONS	1,678	798	2,476	—	2,636	2,636
B1. Acquisitions	1,678	580	2,258	—	2,242	2,242
B2. Writebacks	—	—	—	—	—	—
B3. Revaluations	—	—	—	—	—	—
B4. Other movements	—	218 ⁽¹⁾	218	—	394 ⁽¹⁾	394
C. REDUCTIONS	764	798	1,562	714	2,636	3,350
C1. Disposals and retirements from service	—	218	218	—	394	394
C2. Value adjustments:	764	580	1,344	714	2,242	2,956
a) <i>depreciation</i>	764	580 ⁽²⁾	1,344	714	2,242 ⁽²⁾	2,956
b) <i>permanent writedowns</i>	—	—	—	—	—	—
C3. Other movements	—	—	—	—	—	—
D. HOLDING AT END OF PERIOD	11,561	—	11,561	10,647	—	10,647
E. TOTAL REVALUATIONS	23,610	—	23,610	23,610	—	23,610
F. TOTAL ADJUSTMENTS:	13,917	14,171	28,088	13,153	13,809	26,962
a) <i>depreciation</i>	13,917	14,171	28,088	13,153	13,809	26,962
b) <i>permanent writedowns</i>	—	—	—	—	—	—

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

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

4.2 Movements in intangible assets

	30/6/04 € '000	30/6/03 € '000
A. ASSETS AT BEGINNING OF PERIOD	— ⁽¹⁾	— ⁽¹⁾
B. ADDITIONS	1,341	2,855
B1. Acquisitions	1,341	2,855
B2. Writebacks	—	—
B3. Revaluations	—	—
B4. Other movements	—	—
C. REDUCTIONS	1,341	2,855
C1. Disposals and retirements from service	—	—
C2. Value adjustments:	1,341	2,855
a) <i>amortization</i>	1,341	2,855
b) <i>permanent writedowns</i>	—	—
C3. Other movements	—	—
D. ASSETS AT END OF PERIOD	—	— ⁽¹⁾
E. TOTAL REVALUATIONS	—	—
F. TOTAL ADJUSTMENTS:	13,359	12,018
a) <i>amortization</i>	13,359	12,018
b) <i>permanent writedowns</i>	—	—

⁽¹⁾ Cost fully written off.

5. Other asset headings

5.1 Heading 130: *Other assets*

	30/6/04 € '000		30/6/03 € '000	
AMOUNTS DUE FROM REVENUE AUTHORITIES:				
• taxes withheld	8,547		10,418	
• advance tax paid, tax credits, taxes recoverable and interest thereon	303,305		192,074	
• prepaid tax	84,883	396,735	143,165	345,657
OTHER AMOUNTS DUE:				
• premiums, grants, indemnities and other items relating to lending transactions	8,463		3,089	
• futures and other securities transactions	641		78	
• advances on deposit commissions	441		491	
• invoices receivable and to be issued	8,695		4,490	
• other items in transit	52,752	70,992	1,218	9,366
INTERBANK ACCOUNTS, DEFERRED VALUE DATES		5,008		15,042
PREMIUMS PAID FOR OPTIONS PURCHASED		234,409		265,210
VALUATION OF DERIVATIVES CONTRACTS		23,322		34,513
DEPOSITS PAID ON DERIVATIVES CONTRACTS		16,599		28,679
OTHER ITEMS		1,243		23,678
		748,308		722,145

5.2 Heading 140: *Accrued income and prepaid expenses*

	30/6/04 € '000		30/6/03 € '000	
ACCRUED INCOME				
Interest accrued on amounts due from banks	7,907		4,341	
Interest accrued on amounts due from customers	137,774		107,847	
Interest accrued on derivatives contracts	997,531		794,634	
Interest accrued on securities held	53,557	1,196,769	80,489	987,311
PREPAID EXPENSES				
Commissions prepaid	183,480		200,500	
Advances on forward transactions	11,173		15,490	
Discounts and expenses on bonds issued	55,924		51,756	
Other prepaid expenses	22,813	273,390	16,167	283,913
		1,470,159		1,271,224

5.4 *Subordinated assets*

	30/6/04 € '000	30/6/03 € '000
a) Amounts due from banks	—	—
b) Amounts due from customers	400,000	400,000
c) Bonds and other debt securities	62,031	93,857
	462,031	493,857

6. Accounts payable

6.1 Heading 10: *Amounts due to banks*

	30/6/04 € '000	30/6/03 € '000
a) Forward transactions	1,034,503	447,155
b) Securities lent	76,150	18,568

6.2 Heading 20: *Amounts due to customers*

	30/6/04 € '000	30/6/03 € '000
a) Forward transactions	321,017	555,141
b) Securities lent	179,838	44,965

Heading 30: *Debt securities*

	30/6/04		30/6/03	
	No. (1)	€ '000	No. (1)	€ '000
Bonds	—	14,473,872	—	14,505,512
• <i>convertible</i>	131,066	75,153	3,321,080	156,607
• <i>with warrants</i>	2,562	2,510	3,814	5,010
• <i>other bonds</i>	—	14,396,209	—	14,343,895
Certificates of deposit	—	593,280	—	705,916
Others	—	189,427	—	148,251
		15,256,579		15,359,679

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

7. Provisions (Headings 70, 80 and 90)

Provision for staff termination indemnities

	30/6/04 € '000	30/6/03 € '000
PROVISION AT BEGINNING OF PERIOD	14,885	12,292
<i>deduct:</i>		
• indemnities paid out and advances made under Law 297/82 during the year	4,529	2,337
• transfer to pension fund	2,012	1,767
• tax on revaluation of indemnities	35	39
<i>add:</i>		
• transfer to provision for year	3,650	6,736
PROVISION AT END OF PERIOD	11,959	14,885

7.1 Heading 90: *Loan loss provisions*

	30/6/04 € '000	30/6/03 € '000
SPECIFIC AND GENERAL CREDIT RISKS	319,627	286,627
LOAN LOSS PROVISION FOR DEFAULT INTEREST	—	—
	319,627	286,627

7.2 *Movements in loan loss provisions*

	30/6/04 € '000	30/6/03 € '000
A. PROVISIONS AT BEGINNING OF PERIOD	286,627	241,627
B. ADDITIONS	33,000	45,000
B1. Transfers to provisions	33,000	45,000
B2. Other movements	—	—
C. REDUCTIONS	—	—
C1. Transfers from provisions	—	—
C2. Other movements	—	—
D. PROVISIONS AT END OF PERIOD	319,627	286,627

Provision for taxation as at 30 June 2004

	Corporate income tax and regional production tax € '000	“Substitutive” CGT € '000	“Substitutive” tax on franking loan loss provision € '000	“Substitutive” tax on lendings € '000	Others ⁽¹⁾ € '000	Total € '000
PROVISION AT BEGINNING OF PERIOD	137,698	—	20,819	1,994	2,800	163,311
<i>deduct:</i>						
• transfers from provision during year	120,497	—	20,819	1,994	2,800	146,110
• writeback to profit and loss account	—	—	—	—	—	—
• other decreases	—	—	—	—	—	—
<i>add:</i>						
• transfers to provision during year	206,763	—	—	799	2,600	210,162
• other increases	—	—	—	—	—	—
PROVISION AT END OF PERIOD	223,964	—	—	799	2,600	227,363

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

Provision for taxation as at 30 June 2003

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

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

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

	30/6/04 € '000	30/6/03 € '000
Transfer to cover possible charges arising in connection with liquidation of Group company Tradevco	5,090	5,090
	5,090	5,090

7.4a Changes in advance tax assets over the twelve months to 30 June 2004

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	143,165	137,832	5,333	—
2. Additions	7,257	6,912	345	—
2.1 Advance tax arising in period	7,257	6,912	345	—
2.2 Other additions	—	—	—	—
3. Reductions	65,539	61,839	3,700	—
3.1 Advance tax eliminated in period	63,236	59,536	3,700	—
3.2 Other reductions	2,303	2,303	—	—
4. BALANCE AT END OF PERIOD	84,883	82,905	1,978	—

Eligible offsets as at 30 June 2004

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	84,883	82,905	1,978	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 150)	84,883	82,905	1,978	—

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

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

Eligible offsets as at 30 June 2003

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

7.5a Changes in deferred tax liabilities over the twelve months to 30 June 2004

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
1. BALANCE AT BEGINNING OF PERIOD	44,459	44,459	—	—
2. Additions	1,964	1,964	—	—
2.1 Advance tax arising in period	1,964	1,964	—	—
2.2 Other additions	—	—	—	—
3. Reductions	33,289	33,289	—	—
3.1 Advance tax eliminated in period	32,950	32,950	—	—
3.2 Other reductions	339	339	—	—
4. BALANCE AT END OF PERIOD	13,134	13,134	—	—

Eligible offsets as at 30 June 2004

	Total € '000	Corporate income tax € '000	Regional production tax € '000	Other taxes € '000
4. BALANCE AT END OF PERIOD	13,134	13,134	—	—
5. Transfers	—	—	—	—
5.1 to deferred taxation	—	—	—	—
5.2 from deferred taxation	—	—	—	—
6. AMOUNT CREDITED TO OTHER ASSETS (HEADING 80b)	13,134	13,134	—	—

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

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

Eligible offsets as at 30 June 2003

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

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

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

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

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

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

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

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

Heading 100: *Provision for general banking risks*

	30/6/04 € '000	30/6/03 € '000
Credit risk provision originally raised on provisionally tax-exempt basis under Article 71/1 of Presidential Decree 917/86	310,210	310,210
Addition resulting from the franking of the loan loss provision under Article 22 of Law 342/00	328,725	328,725
	638,935	638,935

Heading 120: *Share capital at 30 June 2004*

	30/6/04 € '000
SHARE CAPITAL AT BEGINNING OF PERIOD	
• 778,549,415 € 0.50 par value ordinary shares	389,275
Restricted rights issue of 33,500 shares subscribed by employees under share option scheme	16
SHARE CAPITAL AT END OF PERIOD	389,291

Heading 120: *Share capital at 30 June 2003*

	30/6/03 € '000
SHARE CAPITAL AT BEGINNING OF PERIOD	
• 778,529,415 € 0.50 par value ordinary shares	389,265
Restricted rights issue of 20,000 shares subscribed by employees under share option scheme	10
SHARE CAPITAL AT END OF PERIOD	389,275

Heading 130: *Share premium reserve*

	30/6/04 € '000	30/6/03 € '000
SHARE PREMIUMS AT BEGINNING OF PERIOD	1,807,114	1,806,980
Increases:		
• share options	226	134
SHARE PREMIUMS AT END OF PERIOD	1,807,340	1,807,114

Heading 140: *Reserves*

	30/6/04 € '000	30/6/03 € '000
RESERVES AT BEGINNING OF PERIOD:		
Legal reserve	77,855	77,852
Statutory reserve	1,033,591	1,033,329
Other reserves	262,945	262,945
Allocations under profit appropriation (fund allocation) approved at Annual General Meeting:		
• to Legal reserve	—	3
• to Statutory reserve	—	262
• from Statutory reserve	(140,139)	—
• from Other reserves	(13,947)	—
RESERVES AT END OF PERIOD:		
Legal reserve	77,855	77,855
Statutory reserve	893,452	1,033,591
Other reserves	248,998	262,945

Heading 150: *Revaluation reserves*

	30/6/04 € '000	30/6/03 € '000
Revaluation reserve under Law 72/83 ⁽¹⁾	4,080	4,080
Revaluation reserve under Law 413/91	3,507	3,507
	7,587	7,587

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

8.1 *Regulatory capital and capital adequacy requirements*

	30/6/04 € '000	30/6/03 € '000
a) Regulatory capital		
a.1. Tier 1 capital	4,167,072	4,055,629
a.2. Tier 2 capital	1,375,948	1,231,440
a.3. Supervisory deductions	(134,479)	(142,631)
a.4. Regulatory capital	5,408,541	5,144,438
b) Capital adequacy requirements		
b.1. Credit risk	1,449,986	1,478,176
b.2. Market risk	263,131	208,087
• on non-investment securities	263,131	208,087
• on exchange rates	—	—
• on loan concentration	—	—
b.2.1. Tier 3 subordinated loans	—	—
b.3. Other capital adequacy requirements	—	3,260
b.4. Total capital adequacy requirements	1,712,272	1,689,523
c) Risk assets and capital adequacy ratios		
c.1. Risk weighted assets	24,461,029	24,136,043
c.2. Tier 1 capital as % of risk weighted assets	17.04%	16.80%
c.3. Regulatory capital as % of risk weighted assets	22.11%	21.31%

9. Other liability headings

9.1 Heading 50: *Other liabilities*

	30/6/04 € '000		30/6/03 € '000	
DUE TO REVENUE AUTHORITIES	30,815		26,212	
AMOUNTS DUE IN RESPECT OF:				
• interest coupons and dividends awaiting collection and debt securities in the process of conversion	2,335		2,044	
• commissions payable to banks	72		76	
• commissions payable to placing and underwriting syndicates	12,666		661	
• invoices pending settlement and receipt	12,972		8,049	
• premiums, contributions and other amounts due to third parties in respect of financing transactions	121,407	149,452	106,566	117,396
FEES PAYABLE, AND SOCIAL SECURITY CONTRIBUTIONS AND AMOUNTS WITHHELD FROM STAFF AND PROVIDERS OF SERVICES DUE TO REVENUE AUTHORITIES	13,273		8,202	
INTERBANK ACCOUNTS, DEFERRED VALUE DATES	5,143		19,043	
PREMIUMS RECEIVED ON OPTIONS SOLD	237,705		266,031	
VALUATION OF DERIVATIVES CONTRACTS	164,683		168,238	
TECHNICAL SHORTFALLS ON SECURITIES LENT	2,184,865		851,069	
DEPOSITS RECEIVED ON DERIVATIVES CONTRACTS	754,304		718,149	
OTHER ITEMS	—		—	
	3,540,240		2,174,340	

9.2 Heading 60: *Accrued expenses and deferred income*

	30/6/04 € '000		30/6/03 € '000	
ACCRUED EXPENSES				
Interest accrued on deposits and loans from banks	111,514		79,257	
Interest and commissions accrued on Mediobanca certificates of deposit and debt securities, and on guarantees and treasury funding transactions	221,066		183,649	
Interest accrued on derivatives	226,314		189,193	
Amounts accrued on refinancings and subsidies	2,481	561,375	2,470	454,569
DEFERRED INCOME				
Actualization of derivatives contracts	25,403		38,111	
Commissions on bond issues	16,674		25,640	
Advances on forward transactions	37,633		59,677	
Prepaid interest and commissions	156,760	236,470	160,999	284,427
	797,845		738,996	

10. Guarantees and commitments

10.1 Heading 10: *Guarantees given*

	30/6/04			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Bills backed or endorsed	28,241	—	28,241	23,500	—	23,500
b) Letters of guarantee	1,707,316	1,847,044	3,554,360	2,694,201	3,050,457	5,744,658
c) Assets pledged as collateral	—	—	—	—	—	—
	1,735,557	1,847,044	3,582,601	2,717,701	3,050,457	5,768,158

10.2 Heading 20: *Commitments*

	30/6/04			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Commitments to lend specific funds:						
• securities to be received	1,458,972	1,539,866	2,998,838	632,678	450,085	1,082,763
• amounts undrawn under existing loan agreements	3,819,045	1,975,415	5,794,460	4,961,172	2,825,077	7,786,249
• other commitments and exposures	29,215	—	29,215	37,628	75,046	112,674
	5,307,232	3,515,281	8,822,513	5,631,478	3,350,208	8,981,686
b) Commitments to provide funds on a stand-by basis:						
• loans agreed on a conditional basis	1,486,749	4,266,955	5,753,704	2,478,269	978,425	3,456,694
• participations in underwriting syndicates	501,557	—	501,557	253,736	—	253,736
• other commitments and exposures	674,715	591,101	1,265,816	522,899	1,278,137	1,801,036
	2,663,021	4,858,056	7,521,077	3,254,904	2,256,562	5,511,466
	7,970,253	8,373,337	16,343,590	8,886,382	5,606,770	14,493,152

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

	30/6/04 € '000	30/6/03 € '000
Securities held posted as collateral for forward funding transactions	990,067	658,737
Amounts due to customers posted as collateral for EIB loans	231,181	283,297

Credit derivatives (Heading 30 of Guarantees and Commitments)

	30/6/04			30/6/03		
	Residents € '000	Non-residents € '000	Total € '000	Residents € '000	Non-residents € '000	Total € '000
a) Banking book hedge sales						
• with exchange of principal	—	218,333	218,333	—	205,000	205,000
• without exchange of principal	—	—	—	—	—	—
	—	218,333	218,333	—	205,000	205,000
b) Trading book hedge sales						
• with exchange of principal	261,663	55,000	316,663	—	139,500	139,500
• without exchange of principal	—	—	—	—	—	—
	261,663	55,000	316,663	—	139,500	139,500
	261,663	273,333	534,996	—	344,500	344,500

10.5 Forward transactions

Type of transaction	30/6/04			30/6/03		
	Hedging € '000	Trading € '000	Other € '000	Hedging € '000	Trading € '000	Other € '000
1. DEALING	—	8,144,302	323,292	148,200	3,661,997	491,206
1.1 Securities:	—	8,140,271	323,292	148,200	3,661,997	491,206
• bought	—	2,998,838	—	148,200	934,563	—
• sold	—	5,141,433	323,292	—	2,727,434	491,206
1.2 Foreign currency:	—	4,031	—	—	—	—
• currency bought/sold for currency	—	—	—	—	—	—
• currency bought for Euros	—	4,031	—	—	—	—
• currency sold for Euros	—	—	—	—	—	—
2. DEPOSITS AND LOANS	—	2,192,942	12,587	—	4,969,658	15,366
• pending disbursement	—	1,933,843	2,468	—	3,861,121	—
• pending receipt	—	259,099	10,119	—	1,108,537	15,366
3. DERIVATIVES CONTRACTS	16,222,144	25,641,445	14,945,642	17,562,618	19,523,111	15,398,908
3.1 With exchange of principal:	82,293	6,016,887	1,479,873	1,509,039	6,300,896	3,158,566
a) Securities ⁽²⁾ :	—	4,904,264	1,479,873	375,095	5,772,167	3,158,566
• bought	—	2,854,104	459,832	—	1,707,004	1,563,513
• sold	—	2,050,160	1,020,041	375,095	4,065,163	1,595,053
b) Foreign currency:	82,293	1,112,623	—	1,133,944	528,729	—
• currency bought/sold for currency	—	5,129	—	—	—	—
• currency bought for Euros	26,526	366,469	—	544,006	32,801	—
• currency sold for Euros	55,767	741,025	—	589,938	495,928	—
c) Other value items:	—	—	—	—	—	—
• bought	—	—	—	—	—	—
• sold	—	—	—	—	—	—
3.2 Without exchange of principal:	16,139,851	19,624,558	13,465,769	16,053,579	13,222,215	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⁾ :	16,139,851	19,624,558	13,465,769	16,053,579	13,222,215	12,240,342
• bought	13,408,504	8,609,626	5,129,293	12,762,156	6,472,781	4,538,015
• sold	2,731,347	11,014,932	8,336,476	3,291,423	6,749,434	7,702,327

⁽¹⁾ Amounts bought and sold include basis swaps in a principal amount of € 3,354,475,000 (€ 3,301,196,000 as at 30 June 2003).

⁽²⁾ Amounts bought and sold include derivatives incorporated in financial instruments in a total amount of € 10,022,151,000 (€ 9,510,227,000 as at 30 June 2003).

10.6 Credit derivatives

Type of transaction	30/6/04 € '000		30/6/03 € '000	
	Hedging	Trading	Hedging	Trading
1. HEDGE BUYS	185,000	465,614	275,000	183,500
1.1 With exchange of principal	185,000	465,614	275,000	183,500
– <i>credit default</i>	<i>185,000</i>	<i>465,614</i>	<i>275,000</i>	<i>183,500</i>
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
1.2 Without exchange of principal	—	—	—	—
– <i>credit default</i>	—	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2. HEDGE SALES	218,333	316,663	205,000	139,500
2.1 With exchange of principal	218,333	316,663	205,000	139,500
– <i>credit default</i>	<i>218,333</i>	<i>316,663</i>	<i>205,000</i>	<i>139,500</i>
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—
2.2 Without exchange of principal	—	—	—	—
– <i>credit default</i>	—	—	—	—
– <i>credit linked notes</i>	—	—	—	—
– <i>credit spread options</i>	—	—	—	—
– <i>total rate of return swaps</i>	—	—	—	—

11. Segmental information

11.1 Significant exposures

	30/6/04	30/6/03
a) Total risk-weighted amount (€ '000)	10,688,011	10,297,201
b) Exposures (No.)	11	11

11.2 Loans and advances to customers by category of borrower

	30/6/04 € '000	30/6/03 € '000
a) Governments	224,805	254,897
b) Other public agencies	—	—
c) Non-financial undertakings	7,192,826	5,567,333
d) Financial companies	5,426,294	6,648,010
e) Family firms	—	—
f) Other borrowers	455,799	467,139
	13,299,724	12,937,379

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

	30/6/04 € '000	30/6/03 € '000
a) Sales services	1,838,576	1,888,304
b) Telecoms	1,654,716	360,515
c) Energy	859,528	1,087,724
d) Means of transport	527,482	169,562
e) Transport-related services	519,667	158,667
f) Other industries	1,538,296	1,452,842
	6,938,265	5,117,614

11.4 Guarantees given by category of counterparty

	30/6/04 € '000	30/6/03 € '000
a) Governments	—	—
b) Other public agencies	—	—
c) Banks	1,660,428 ⁽¹⁾	3,037,402 ⁽¹⁾
d) Non-financial undertakings	321,534	138,822
e) Financial companies	1,600,639	1,362,721
f) Family firms	—	—
g) Other counterparties	—	1,229,213
	3,582,601	5,768,158

⁽¹⁾ Includes € 1,660,379,000 relating to funding transactions by MEDIOBANCA INTERNATIONAL (€ 3,037,353,000 as at 30 June 2003).

Credit derivatives by type of counterparty

	30/6/04 € '000	30/6/03 € '000
Hedge buys	650,614	458,500
Banking book	185,000	275,000
<i>Banks</i>	170,000	230,000
<i>Financial companies</i>	15,000	45,000
Trading book	465,614	183,500
<i>Banks</i>	315,614	106,000
<i>Financial companies</i>	150,000	77,500
Hedge sales	534,996	344,500
Banking book	218,333	205,000
<i>Banks</i>	170,000	180,000
<i>Financial companies</i>	48,333	25,000
Trading book	316,663	139,500
<i>Banks</i>	296,663	45,000
<i>Financial companies</i>	20,000	94,500

11.5 *Assets and liabilities by geographical area*

11.5a Assets and liabilities by geographical area as at 30 June 2004

	Domestic € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
1. ASSETS	20,910,152	6,079,057	734,529	27,723,738
1.1 Amounts due from banks	2,734,423	2,746,285	172,965	5,653,673
1.2 Amounts due from customers	12,468,429	640,691	190,604	13,299,724
1.3 Securities	5,707,300	2,692,081	370,960	8,770,341
2. LIABILITIES	18,902,012	2,699,700	1,869,942	23,471,654
2.1 Amounts due to banks	1,638,831	2,134,637	1,846,979	5,620,447
2.2 Amounts due to customers	2,006,602	565,063	22,963	2,594,628
2.3 Debt securities	15,256,579	—	—	15,256,579
2.4 Other accounts	—	—	—	—
3. GUARANTEES AND COMMITMENTS	9,961,986	7,416,291	3,082,910	20,461,187

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

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

11.6 Assets and liabilities by maturity

11.6a Assets and liabilities by maturity as at 30 June 2004

	Repayable									Perpetual	Total
	on demand	not more than 3 months	over 3 months but not more than one year	over 1 year but not more than 18 months		over 18 months but not more than 5 years		over 5 years			
				fixed rate	floating rate	fixed rate	floating rate	fixed rate	floating rate		
€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
1. ASSETS	2,024,143	22,174,122	15,175,897	840,377	1,078,821	5,690,156	4,501,892	6,126,199	5,140,554	55,384	62,807,045
1.1 Government securities eligible for refinancing	—	129,386	22,924	9,888	—	372,103	125,548	1,312,894	990,179	—	2,962,922
1.2 Amounts due from banks	1,675,302	3,287,085	32,759	3,752	6,084	23,869	69,424	5,196	494,818	55,384	5,653,673
1.3 Loans and advances to customers	348,841	2,379,330	2,352,856	92,793	657,545	1,194,847	3,940,282	414,506	1,918,724	—	13,299,724
1.4 Debt securities and other fixed-income securities	—	466,880	251,772	58,283	71,440	542,601	107,500	1,211,211	529,720	—	3,239,407
1.5 Off-balance sheet instruments ⁽¹⁾	—	15,911,441	12,515,586	675,661	343,252	3,556,736	259,138	3,182,392	1,207,113	—	37,651,319
2. LIABILITIES	2,835,106	21,112,450	16,494,949	504,131	650,366	5,190,434	7,050,439	4,186,830	3,098,268	—	61,122,973
2.1 Deposits and loans from banks	823,990	1,941,204	214,191	1,880	51,623	1,040,108	643,951	80,214	823,286	—	5,620,447
2.2 Customer deposits	1,984,508	475,187	3,553	—	—	78,018	—	—	53,362	—	2,594,628
2.3 Debt securities in issue:	26,608	332,010	2,418,270	198,246	468,682	2,592,425	6,230,714	855,726	2,133,898	—	15,256,579
• bonds	208	235,650	2,184,679	75,489	468,237	2,478,987	6,230,425	722,999	2,077,198	—	14,473,872
• certificates of deposit	26,400	96,360	233,591	122,757	445	113,438	289	—	—	—	593,280
• other debt securities	—	—	—	—	—	—	—	132,727	56,700	—	189,427
2.4 Subordinated liabilities	—	—	—	—	—	—	—	—	—	—	—
2.5 Off-balance sheet instruments ⁽¹⁾	—	18,364,049	13,858,935	304,005	130,061	1,479,883	175,774	3,250,890	87,722	—	37,651,319

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

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

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

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

11.7 Assets and liabilities denominated in currencies other than the Euro

	30/6/04 € '000	30/6/03 € '000
a) ASSETS		
1. Amounts due from banks	202,060	111,688
2. Amounts due from customers	381,112	554,497
3. Securities	30,180	143,693
4. Equity investments	514	6,895
5. Other accounts	75	14
	613,941	816,787
b) LIABILITIES		
1. Amounts due to banks	137,760	141,731
2. Amounts due to customers	9,760	864
3. Debt securities in issue	30,528	97,020
4. Other accounts	—	—
	178,048	239,615

11.8 Securities held as a result of securitizations by third parties

11.8a As at 30 June 2004

Underlying asset	Asset quality	Book value			
		Senior securities	Mezzanine securities	Junior securities	Total
INVESTMENT SECURITIES		—	—	—	—
Home mortgage loans		—	—	—	—
Credit cards		—	—	—	—
Leases		—	—	—	—
Securities		—	—	—	—
Amounts due to SACE from foreign public sector borrowers		—	—	—	—
Health care receivables		—	—	—	—
Other amounts due		—	—	—	—
		—	—	—	—
NON-INVESTMENT SECURITIES					
Home mortgage loans		5,000	—	—	5,000
Retail/industrial/farming mortgage loans		—	—	—	—
Lease instalments	Current as to payment of principal and interest	123,301	13,531	—	136,832
Other amounts due	Current as to payment of principal and interest	97,159	—	—	97,159
	Non-performing	30,803	—	—	30,803
Social security contributions		—	—	—	—
		256,263	13,531	—	269,794
		256,263	13,531	—	269,794

11.8b As at 30 June 2003

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

12. Securities managed and traded for third parties

12.1 Securities traded

	30/6/04 € '000	30/6/03 € '000
a) PURCHASES	8,483,967	6,164,275
1. settled	7,823,100	5,243,480
2. pending settlement	660,867	920,795
b) SALES	8,090,238	6,112,573
1. settled	7,424,466	5,191,778
2. pending settlement	665,772	920,795

12.3 Securities under custody and administration

	30/6/04 € '000	30/6/03 € '000
a) THIRD PARTIES' SECURITIES HELD:	5,905,267	2,970,397
1. Securities issued by MEDIOBANCA	507,501	428,211
a/1) <i>under custody</i>	507,501	428,211
a/2) <i>as collateral</i>	—	—
2. Other securities	5,397,766	2,542,186
a/1) <i>under custody</i>	1,336,352	691,194
a/2) <i>as collateral</i>	4,061,414	1,850,992
b) THIRD PARTIES' SECURITIES HELD BY THIRD PARTIES	3,586,584	2,316,218
c) OWN SECURITIES HELD BY THIRD PARTIES	7,822,784	9,207,350

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

1. Interest

1.1 Heading 10: *Interest receivable and similar income*

	2003/04 € '000	2002/03 € '000
a) Interest on amounts due from banks <i>of which: amounts due from central banks</i>	113,488 1,220	112,100 1,453
b) Interest on amounts due from customers <i>of which: on loans and advances made with third parties' funds under management</i>	505,063 —	590,072 —
c) Interest on debt securities	217,622	218,419
d) Other interest receivable	—	—
e) Surplus on hedging margins	136,769	95,079
	972,942	1,015,670

1.2 Heading 20: *Interest payable and similar expenses*

	2003/04 € '000	2002/03 € '000
a) Interest on amounts due to banks	193,166	232,410
b) Interest on amounts due to customers	85,804	28,078
c) Interest on debt securities in issue <i>of which: certificates of deposit</i>	533,548 ⁽¹⁾ 20,110 ⁽¹⁾	566,370 ⁽¹⁾ 27,449 ⁽¹⁾
d) Interest on funds under management	—	—
e) Interest on subordinated liabilities	—	—
f) Shortfall on hedging margins	—	—
	812,518	826,858

⁽¹⁾ Includes commission on deposits.

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

	2003/04 € '000	2002/03 € '000
a) Interest receivable and similar income on assets denominated in currencies other than the Euro	25,740	26,035

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

	2003/04 € '000	2002/03 € '000
a) Interest payable and similar expenses on liabilities denominated in currencies other than the Euro	15,226	13,069

2. Commissions

2.1 Heading 40: *Commissions receivable*

	2003/04 € '000	2002/03 € '000
a) Guarantees given	2,767	1,666
b) Credit derivatives	4,522	6,019
c) Management, trading and consulting services:	61,036	37,111
1. securities dealing	9,397	5,874
2. currency dealing	—	—
3. asset management	—	—
3.1 private individuals	—	—
3.2 groups	—	—
4. securities under custody and administration	—	—
5. bank deposits	—	—
6. securities placing	51,633	31,237
7. procurement of orders	6	—
8. advisory services	—	—
9. agency fees	—	—
9.1 asset management	—	—
9.1.1 private individuals	—	—
9.1.2 groups	—	—
9.2 insurance products	—	—
9.3 other	—	—
d) Collection and payment services	94	54
e) Securitization servicing	—	—
f) Tax collection and receipt services	—	—
g) Other services:	98,116	144,195
• commissions on loans to customers	43,228	89,613
• advisory fees from clients	54,822	54,439
• other commissions	66	143
	166,535	189,045

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

	2003/04 € '000	2002/03 € '000
a) On the Bank's own premises	51,633	31,237
1. Asset management	—	—
2. Securities placing ⁽¹⁾	51,633	31,237
3. Services and products provided by third parties	—	—
b) Elsewhere	—	—
1. Asset management	—	—
2. Securities placing	—	—
3. Services and products provided by third parties	—	—
	51,633	31,237

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

2.3 Heading 50: *Commissions payable*

	2003/04 € '000	2002/03 € '000
a) Guarantees received	506	111
b) Credit derivatives	4,572	7,492
c) Management and trading services:	8,024	2,233
1. securities dealing	—	—
2. currency dealing	—	—
3. asset management	—	—
3.1 own portfolio	—	—
3.2 third parties' portfolios	—	—
4. securities under custody and administration	739	477
5. securities placing	7,285	1,756
6. door-to-door sales of securities, products and services	—	—
d) Collection and payment services	—	—
e) Other services:	15,170	20,708
• commissions on transactions with banks, the Bank of Italy and Ufficio Italiano Cambi	1,022	1,373
• commissions payable to brokers for securities and derivatives trading	3,700	2,358
• commissions on loans	10,448	16,977
• other commissions	—	—
	28,272	30,544

3. Gains and losses on dealing transactions

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

3.1a Gains (losses) on dealing transactions in the year ended 30 June 2004

	Securities transactions € '000	Currency transactions € '000	Other transactions € '000	Total € '000
A.1 Revaluations	21,700 ⁽¹⁾	—	—	21,700
A.2 Writedowns	(45,462) ⁽²⁾	—	7,675	(37,787)
B. Other gains (losses)	(183,265) ^{(3) (4)}	18,214	(45,356)	(210,407)
	(207,027)	18,214	(37,681)	(226,494)
<i>of which:</i>				
1. Government securities	7,854			
2. Other debt securities	(57,387)			
3. Capital securities	(1,552)			
4. Securities derivatives	(155,942)			

⁽¹⁾ Includes € 598,000 relating to fixed-income securities and € 909,000 to capital securities.

⁽²⁾ Includes € 22,583,000 relating to fixed-income securities and € 3,536,000 to capital securities.

⁽³⁾ Comprises net gains of € 27,548,000 on fixed-income securities dealing, net losses of € 1,244,000 on capital securities, net negative margins of € 171,394,000 on futures contracts, and premiums of € 14,602,000 received on options.

⁽⁴⁾ Covered by dividends of € 424,647,000 collected from arbitrage transactions.

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

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

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

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

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

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

4. Administrative expenses

4.1. Average number of employees by category

	2003/04 € '000	2002/03 € '000
a) Senior executives	51	43
b) Grade 3 and 4 managers	127	124
c) Other staff	208	212
	386	379

Heading 80: Administrative expenses

	2003/04 € '000	2002/03 € '000
a) PERSONNEL COSTS:		
• wages and salaries	56,863	50,811
• social security charges	15,456	14,139
• severance indemnities	3,650	6,736
• post-retirement benefits	3,176	2,821
	79,145	74,507
b) OTHER ADMINISTRATIVE EXPENSES:		
• outside consultants' fees	13,855	12,024
• share and bond administration	5,707	5,523
• insurance	228	173
• research and publications	2,292	2,331
• donations to charities	398	441
• rent	1,269	1,293
• maintenance, repairs and refurbishment	4,883	4,621
• service lease instalments	461	362
• financial information subscriptions	5,165	4,767
• stationery and publication costs	443	647
• membership subscriptions	504	518
• postal, telephone, fax and telex charges	774	658
• utilities	594	509
• newspapers, magazines and library acquisitions	289	422
• travel and entertainment	2,424	2,046
• EDP services	8,857	8,105
• reimbursements in respect of employees seconded to the Bank	1,073	430
• sundry administrative expenses	1,639	1,414
	50,855	46,284
• indirect taxation:	—	—
• "substitutive" and other taxes	7,101	4,955
	7,101	4,955
Total other administrative expenses	57,956	51,239
	137,101	125,746

5. Adjustments, writebacks and transfers to provisions

Heading 90: *Adjustments to tangible and intangible assets*

	2003/04 € '000	2002/03 € '000
a) Intangible assets	1,341	2,855
b) Tangible assets	1,344	2,956
• premises	764	714
• plant	65	387
• furniture	515	1,855
	2,685	5,811

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

Heading 100: *Provision for liabilities and charges*

	2003/04 € '000	2002/03 € '000
Transfer to cover possible charges arising in connection with Tradevco entering liquidation	—	5,090
	—	5,090

Heading 140: *Transfers to loan loss provisions*

	2003/04 € '000	2002/03 € '000
Transfer under Article 71/1 of Presidential Decree 917/86	33,000	45,000
	33,000	45,000

Heading 150: *Adjustments to financial fixed assets*

	2003/04 € '000	2002/03 € '000
Losses on:		
a) Investment securities	—	721
b) Equity investments	25,707	265,428
c) Investments in Group undertakings	20	48
	25,727	266,197

Heading 160: *Writebacks of financial fixed assets*

	2003/04 € '000	2002/03 € '000
Writebacks of:		
a) Investment securities	6,310	579
b) Equity investments	153,683	—
c) Investments in Group undertakings	—	—
	159,993	579

6. Other profit and loss headings

6.1 Heading 70: *Other operating income*

	2003/04 € '000	2002/03 € '000
Options exercised to hedge index-linked bonds	6,005	269,676
Tax recovered from clients	4,688	3,311
Expenses recovered	1,616	141
Directors' fees	221	228
Rent received	3,105	2,718
Premiums received on options issued	151,069	23,730
Other operating income	212	2,608
	166,916	302,412

6.2 Heading 110: *Other operating expenses*

	2003/04 € '000	2002/03 € '000
Additional charges on index-linked bonds	6,005	270,328
Leasing instalments paid on properties and additional charges	10,397	11,137
Premiums paid on options acquired	148,049	22,433
Other expenses	1,012	983
	165,463	304,881

6.3 Heading 180: *Extraordinary income*

	2003/04 € '000	2002/03 € '000
Gain on sale of financial fixed assets	33,319	317
Gain on sale of tangible fixed assets	3	21
Contingent assets and sundry other income	1,304	253
	34,626	591

6.4 Heading 190: *Extraordinary expenditure*

	2003/04 € '000	2002/03 € '000
Loss on disposal of financial fixed assets	53,880 ⁽¹⁾	39,378
Other extraordinary expenditure	475	4,035
	54,355	43,413

(1) Covered by dividends received pre-sale amounting to € 56,685,000.

6.5a Heading 220: *Income taxes as at 30 June 2004*

	Corporate income tax € '000	Local production tax € '000	Other taxes € '000	Total € '000
Current taxes	(204,800)	—	(2,600)	(207,400)
Increase (decrease) in advance taxes	(54,927)	(3,355)	—	(58,282)
Increase (decrease) in deferred taxes	31,325	—	—	31,325
Income taxes for the year	(228,402)	(3,355)	(2,600)	(234,357)

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

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

7. Segmental information

7.1 *Income by geographical area*

7.1a Income by geographical area in the year ended 30 June 2004

	Italy € '000	Other EU member states € '000	Rest of the world € '000	Total € '000
Interest receivable and similar income	702,073	429,655	41,539	1,173,267
Dividends and other income	581,332	65,182	9	646,523
Commissions receivable	148,594	13,477	4,464	166,535
Gain (loss) on dealing transactions	(290,602)	66,564	(2,456)	(226,494)
Other operating income	103,164	63,739	13	166,916
	1,244,561	638,617	43,569	1,926,747

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

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

D. OTHER INFORMATION

1. Directors and Statutory Auditors

	2003/04 € '000	2002/03 € '000
1.1 Emoluments:		
a) Directors	8,098	4,956
b) Statutory Auditors	120	83
1.2 Loans granted and guarantees given:		
a) Directors ⁽¹⁾	319,779	—
b) Statutory Auditors	—	—

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

Remuneration paid to Directors, Statutory Auditors and General Manager

Disclosure required under Article 78 of CONSOB Resolution 11971/99

Name	Position	Period during which position held	Term expires (8)	Fee € '000 (1)	Fringe benefits	Bonuses and other incentives	Other compensation € '000
Gabriele GALATERI di GENOLA	Chairman (*)	01/07/03 - 30/06/04	30/06/2006	1,821	29		
Cesare GERONZI	Vice Chairman (*)	01/07/03 - 30/06/04	30/06/2004	318			
Carlo SALVATORI	Vice Chairman (*)	01/07/03 - 30/06/04	30/06/2005	303			
Umberto AGNELLI	Director	28/10/03 - 27/05/04	27/05/2004	179			
Matteo ARPE	Director (*)	15/07/03 - 30/06/04	30/06/2006	301 (1)			
Jean AZEMA	Director	15/09/03 - 30/06/04	30/06/2006	252			
Tarak BEN AMMAR	Director	15/09/03 - 30/06/04	30/06/2006	258			
Gilberto BENETTON	Director	01/07/03 - 30/06/04	30/06/2005	318			
Antoine BERNHEIM	Director	01/07/03 - 30/06/04	30/06/2005	321			
Vincent BOLLORE'	Director (*)	01/07/03 - 30/06/04	30/06/2006	330			
Carlo BUORA	Director	01/07/03 - 30/06/04	30/06/2005	303 (1)			
Giancarlo CERUTTI	Director	01/07/03 - 30/06/04	30/06/2005	321			
Roberto COLANINNO	Director	01/07/03 - 30/06/04	30/06/2004	321			
Ennio DORIS	Director (*)	01/07/03 - 30/06/04	30/06/2006	321			
Paolo FRESCO	Director	01/07/03 - 28/10/03	28/10/2003	105			
Gianluigi GABETTI	Director	25/06/04 - 30/06/04	28/10/2004	8			
Mario GRECO	Director	01/07/03 - 30/06/04	01/07/2004	303 (1)			
Berardino LIBONATI	Director	01/07/03 - 30/06/04	30/06/2004	318			
Jonella LIGRESTI	Director	01/07/03 - 30/06/04	30/06/2004	303			
Achille MARAMOTTI	Director	01/07/03 - 30/06/04	30/06/2004	321			
Fabrizio PALENZONA	Director (*)	01/07/03 - 11/09/03	11/09/2003	63			
Carlo PESENTI	Director	01/07/03 - 30/06/04	30/06/2005	318 (1)			
Alessandro PROFUMO	Director	01/07/03 - 30/06/04	30/06/2005	303 (1)			
Vittorio RIPA di MEANA	Director	01/07/03 - 15/09/03	15/09/2003	66			
Axel von RUEDORFFER	Director	01/07/03 - 30/06/04	30/06/2005	321			
Alberto NAGEL	General Manager	01/07/03 - 30/06/04	=		4	1,200	800
Angelo CASÓ	Chairman of the Statutory Audit Committee	01/07/03 - 30/06/04	30/06/2006	50			
Mario Andrea ARBUFFO	Standing Statutory Auditor	01/07/03 - 30/06/04	30/06/2006	35			
Eugenio PINTO	Standing Statutory Auditor	01/07/03 - 30/06/04	30/06/2006	35			

(8) Term expires at AGM to approve accounts for year ended at date indicated.

(*) Member of Executive Committee.

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

DIRECTORS' AND GENERAL MANAGERS' SHARE OPTION SCHEME

Name	Position	Options at beginning of financial year			Options granted			Options exercised			Options expiring			Options at end of financial year		
		No. of options	Avg strike price	Avg expiry	No. of options	Avg strike price	Avg expiry	No. of options	Avg strike price	Avg expiry	No. of options	Avg strike price	Avg expiry	No. of options	Avg strike price	Avg expiry
Alberto NAGEL	General Manager	3,120,000	8,034	Over 5 years	700,000	8,710	Over 5 years	=	=	=	=	=	3,820,000	8,158	Over 5 years	

2. Parent company or parent bank in European Union

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

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

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THE COMPANY

Mediobanca was set up in 1946, and has granted medium-term credit and operated as an investment bank for more than half a century now, helping its clients, which include leading Italian corporates as well as numerous medium size businesses and several international groups, to grow by providing them with professional advisory services as well as traditional bank credit. Over the years, the advisory and lending sides have been complemented by equity investment, consumer credit (via Group subsidiaries Compass and Micos Banca) and leasing (via the SelmaBipiemme group). In recent years a private banking venture has also been launched with the establishment of Banca Esperia and the acquisition of a majority interest in Compagnie Monégasque de Banque. Mediobanca shares have been listed on the Milan stock exchange since 1956.

SHARE CAPITAL AND OWNERSHIP

The Bank's share capital at 30 June 2004 totalled € 389,291,457.50, made up of 778,582,915 par value € 0.50 ordinary shares.

At an Extraordinary General Meeting held on 30 July 2001, the Board of Directors was authorized to increase the Bank's share capital prior to the fifth anniversary of the date of such resolution in an amount not to exceed € 250m nominal value by creating up to 500 million ordinary new shares, and to issue on or prior to the fifth anniversary of the date of such resolution, bonds convertible into ordinary shares in an amount not to exceed € 5bn nominal value, fixing the maximum number of shares that may be created under the terms of the issue at 500 million.

Resolutions have also been adopted by shareholders in General Meeting to increase the Bank's share capital under the terms of rights issues to be set aside for employees of the Mediobanca Banking Group in amounts respectively of € 1,120,750 (to be subscribed for no later than 31 December 2011), € 25m (to be subscribed for no later than 1 July 2015), and € 7.5m (to be subscribed for no later than 1 July 2020).

Mediobanca has approximately 57,000 shareholders. Shareholders representing just over half the Bank's share capital have entered into an agreement aimed

at preserving a stable shareholder base combined with a representative Board of Directors in order to ensure consistent management objectives. The agreement is filed with the Milan Register of Companies, and an excerpt from it may be found on the Bank's institutional website at www.medioBANCA.it.

CORPORATE GOVERNANCE BODIES

- General Meetings
- Board of Directors
- Executive Committee
- Chairman of Board
- General Manager
- Statutory Audit Committee

BOARD OF DIRECTORS: COMPOSITION AND FUNCTION

The Bank is governed by a Board of Directors comprising 21 members, who meet at least five times a year, and is organized and functions in such a way as to ensure that its duties are discharged effectively. The Board met on a total of eight occasions last year, and at least another five meetings have been scheduled for 2004-2005.

The Articles of Association currently in force provide that the Board has exclusive responsibility for the following areas:

- approval of the Bank's strategic guidelines and risk management policies;
- identifying equity investments deemed to be strategic or permanent; acquiring equity investments deemed to be strategic or permanent involving aggregate outlay in excess of € 500m; authorizing the increase or reduction of such holdings;
- acquisition or disposal of equity interests which would alter the composition of the Banking Group; determining principles to be adopted in carrying out instructions from the Bank of Italy;
- appointment and removal of the General Manager and, at the recommendation of the General Manager, of other members of the Bank's managerial staff, determining their powers;
- proposals to increase the Company's share capital, or issue convertible bonds or otherwise involving break-ups, non-intra-group mergers and spin-offs;
- approval of amendments to internal codes of conduct.

The Articles also provide for the Board to have sole jurisdiction in respect of resolutions concerning the following matters pursuant to Articles 2505 and 2505-bis of the Italian Civil Code; the institution or removal of branch offices; reductions to the Company's share capital as a result of shareholders exercising their right of withdrawal; amendments to the Articles themselves in compliance with regulatory requirements; and transfer of the Company's headquarters within Italian territory.

The Board of Directors currently in office is made up as follows:

Name	Office	Date appointed (*)	Term expires (**)
Gabriele GALATERI di GENOLA	Chairman	28/10/2003	30/6/2006
Cesare GERONZI	Deputy Chairman	29/10/2001	30/6/2004
Carlo SALVATORI	Deputy Chairman	28/10/2002	30/6/2005
Matteo ARPE	Director	28/10/2003	30/6/2006
Jean AZEMA	Director	28/10/2003	30/6/2006
Tarak BEN AMMAR	Director	28/10/2003	30/6/2006
Gilberto BENETTON	Director	28/10/2002	30/6/2005
Antoine BERNHEIM	Director	28/10/2002	30/6/2005
Vincent BOLLORE'	Director	28/10/2003	30/6/2006
Carlo BUORA	Director	28/10/2002	30/6/2005
Giancarlo CERUTTI	Director	28/10/2002	30/6/2005
Roberto COLANINNO	Director	30/07/2001	30/6/2004
Ennio DORIS	Director	28/10/2003	30/6/2006
Gianluigi GABETTI	Director	25/06/2004	(***)
Berardino LIBONATI	Director	30/07/2001	30/6/2004
Jonella LIGRESTI	Director	29/10/2001	30/6/2004
Achille MARAMOTTI	Director	29/10/2001	30/6/2004
Carlo PESENTI	Director	28/10/2002	30/6/2005
Alessandro PROFUMO	Director	28/10/2002	30/6/2005
Axel Freiherr von RUEDORFFER	Director	28/10/2002	30/6/2005

(*) Refers to term currently in progress.

(**) Term expires at AGM to approve accounts for year ended on date indicated.

(***) Next AGM.

Alberto NAGEL, General Manager, and Renato PAGLIARO, Co-General Manager and Secretary to the Board of Directors and Executive Committee, also take part in Board meetings.

With the partial exception of the Chairman, the Board is made up of Directors who are non-executive, in the sense that they have no executive powers or management functions in respect of the Bank's operations, to ensure their opinion carries due weight in the decision-making process. The Directors' independence is assessed annually by the Board on the occasion of approval of the Bank's annual draft accounts, based on information provided by the Directors themselves, and on appointment each Director makes a statement regarding his/her ability to qualify as independent. Of the Directors currently in office, the following qualify as independent: Tarak BEN AMMAR, Roberto COLANINNO, Berardino LIBONATI and Achille MARAMOTTI, plus the Chairman Gabriele GALATERI di GENOLA, despite his being vested with certain executive powers.

The Chairman is responsible for convening meetings of the Board of Directors and Executive Committee, for setting the agenda thereat, and for ensuring that all Board and Committee members are supplied in advance with adequate material regarding items on the agenda, insofar as this is possible in respect of matters of urgency and/or obligations of confidentiality.

In accordance with the principles laid down by the Code and despite the fact that the Bank's Articles of Association do not explicitly require it to do so, proposals for appointment to the position of Director, along with information regarding the candidates' personal and professional fitness to hold such office including their ability to qualify as independent Directors where this is appropriate, are insofar as is possible lodged at the Company's headquarters at least ten days prior to the date on which the Annual General Meeting is due to be held. No provision is made in the Articles of Association for voting lists in respect of the appointment of Directors.

A list of Directorships or posts on Statutory Audit Committees held by members of Mediobanca's Board of Directors in other companies listed on regulated markets in Italy or elsewhere, or in financial service companies, banks or insurance companies, or in other large corporates, is contained as an annex hereto.

EXECUTIVE COMMITTEE

The Board appoints an Executive Committee, which consists of eight members including the Chairman and Deputy Chairman, who are members ex-officio. The Committee:

- lays down guidelines for the organization and supervision of the Company's business, where necessary drawing up suitable internal regulations to this end, which it submits to the Board for approval;

- examines the General Manager’s business proposals with a view to keeping the Company’s affairs under review and taking decisions on the granting of loans or any other aspect of Company operations on the basis of such proposals within the limits laid down by the Board, if any, and without prejudice to those decisions for which the Board has sole responsibility and its right to delegate pursuant to Article 15 of the Company’s Articles of Association. In cases of urgency, the Executive Committee may take resolutions upon any matter or transaction, save those in respect of strategic or permanent equity investments, and report to the Board thereon at its next successive meeting.

As laid down in the Company’s Articles of Association, the Executive Committee reports to the Board of Directors every three months on the general operating performance, expected future trends and most significant transactions carried out by the Company and/or any of its subsidiaries in terms of amount or importance. Executive Committee meetings in the normal course of events are held once a month, with ten meetings having been held during the past financial year and a further eight meetings scheduled for the coming twelve months.

Members of the Executive Committee currently in office are: Gabriele GALATERI di GENOLA, Cesare GERONZI, Carlo SALVATORI, Matteo ARPE, Vincent BOLLORE’, Carlo BUORA, Ennio DORIS, and Achille MARAMOTTI.

Alberto NAGEL, General Manager, and Renato PAGLIARO, Co-General Manager, also take part in Executive Committee meetings.

OTHER COMMITTEES

Under the powers vested in it by the Company’s Articles of Association, the Board has set up three further committees with particular duties and responsibilities:

- *Internal control committee*: currently made up of Carlo BUORA (Chairman), Vincent BOLLORE’, Achille MARAMOTTI and Berardino LIBONATI. Internal control committee meetings are also attended by the Chairman of the Board, the Chairman of the Statutory Audit Committee (or another Statutory Auditor delegated by the Chairman), the General Manager and Co-General Manager, and, at the committee’s invitation, the head of the Bank’s internal audit unit and other members of the Bank’s senior management.

The committee:

- a) assists the Board of Directors in setting the strategic guidelines for the Bank’s internal control system and regular review of its adequacy and effective performance, identifying corporate risks facing the Bank and deciding how best to manage them;

- b) assesses the annual working plan, and reviews the regular reports, drawn up by the unit responsible for internal control;
- c) is kept informed by the Bank's heads of administrative staff and by the external auditors of any changes to the accounting policies adopted by the Bank, and assesses their suitability and compatibility in view of the drawing up of the Bank's accounts;
- d) reviews applications submitted by auditing companies for mandates to act as the Bank's external auditors, working plans drawn up in respect of the auditing process, and the results thereof, as contained in the external auditors' report and accompanying letter of suggestions, if any;
- e) carries out any further duties assigned to it by the Board of Directors, including with regard to the Bank's relations with external auditors.

The committee reports to the Board every six months, on the occasion of review of the annual and interim accounts and report, on the activities it has carried out in the period concerned, the adequacy of the Bank's internal control system, and relations with the Bank's external auditors.

The committee was established by the Board of Directors on 28 October 2003, and met on a total of four occasions last year.

- *Remuneration committee*: this consists of the Chairman, the two Deputy Chairmen, and Directors Tarak BEN AMMAR, Berardino LIBONATI and Achille MARAMOTTI, all of whom qualify as independent. The General Manager and Co-General Manager also take part in committee meetings in an advisory capacity and put forward proposals. The Remuneration committee's purpose is to:
 - a) determine remuneration packages for the Chairman, the General Manager and the Co-General Manager;
 - b) determine the remuneration of senior Bank management, including in respect of granting share options, if any, based on proposals made by the General Manager in agreement with the Chairman.

Although not expressly required to do so, the committee takes decisions in respect of the foregoing areas in the absence of the persons concerned.

The Remuneration committee met on a total of three occasions last year.

- *Appointments committee*: this consists of the Chairman and two Deputy Chairmen. The General Manager and Co-General Manager also take part in meetings in an advisory capacity.

The committee puts forward candidates for election to the corporate governance bodies of the companies in which the Bank has permanent or strategic equity interests, based on proposals made by the Chairman, the General Man-

ager and the Co-General Manager. Decisions are taken with a view to: maintaining the operational independence of the companies concerned; giving priority to the professional qualifications of the candidates themselves; and maximizing creation of shareholder value. Decisions are taken on a simple majority basis.

This committee met on a total of three occasions last year.

The Board has not assigned duties to the Remuneration committee in respect of proposals for candidates to appointment as Directors of Mediobanca. Such tasks fall within the jurisdiction of the Bank's shareholders, who have always put forward candidates in possession of the requisite characteristics to act as bank representatives in terms of professional and personal attributes. Effective possession of such requisites by the candidate is subsequently reviewed by the Board at its first meeting following his or her appointment and, without prejudice to the foregoing, within the term set by law.

RELATED PARTY DISCLOSURE

The Board of Directors has resolved that accounts with related parties, maintained on an arm's length basis and entered into in the interests of the Bank itself, including with Group undertakings, should in the normal course of events be approved by the relevant corporate governance body pursuant to:

- Articles 15 and 20 of the Company's Articles of Association, which lay down the respective powers of the Board of Directors and Executive Committee
- the Board resolution in respect of powers
- the provisions of Article 136 of the consolidated Italian law on banking regarding undertakings entered into directly and/or indirectly by representatives of banks.

In application of such resolution, an internal procedure has been set in place to evaluate the terms of transactions falling into the above category, even if such transactions have been carried out via subsidiaries. Submissions for approval to the relevant corporate governance body state that a transaction has been carried out with a related party and that the terms thereof do not diverge from those usually applied by the Bank in transactions of a similar nature.

Atypical transactions or accounts not maintained on an arm's length basis are subject to resolution by the Board. Although not expressly required to do so, the Board may choose to avail itself of independent experts in assessing any such transaction.

Atypical transactions, if not approved by the Board itself, must be reported to the Board. Each Director is bound to inform the Bank in a timely manner of any transactions entered into by the Bank with related parties through his or her agency, and in the event of his/her being in attendance at the meeting where the said transaction is due to be approved, he/she shall leave the meeting immediately while the matter is discussed.

INTERNAL DEALING

The Board of Directors has also approved a code of conduct in respect of internal dealing, i.e. dealing transactions involving financial instruments with capital content issued by Mediobanca carried out by persons defined as “relevant”. Such relevant persons have all subscribed to the code, and undertake to inform Mediobanca by the second calendar day following each respective ten-day period of all such transactions effected within the said ten-day period which individually or in the aggregate amount to or exceed the limit of € 5,000. Relevant persons are also bound to notify the Bank in a timely manner of all such transactions carried out but not disclosed during the preceding ten-day period which individually or in the aggregate exceed the amount of € 25,000 (“large transactions”). Mediobanca then discloses all such information to the market, within the terms and according to the methods laid down by the regulations governing markets operated and run by Borsa Italiana S.p.A. and related instructions. Relevant persons may not effect such transactions in the 30 days prior to the date on which the Board’s approval of the Bank’s draft annual and interim accounts is made public, nor in the 15 days prior to the date on which the Board’s approval of the Bank’s quarterly accounts is made public. Disclosure is not required in the case of exercise of share options, provided that the disposal of shares arising therefrom is disclosed.

CONFIDENTIAL AND PRICE-SENSITIVE INFORMATION

The Bank releases information on its and the Banking Group’s performance, and information otherwise required by regulatory authorities to be disclosed to the market, in ways that enable it to have the widest possible circulation in the briefest possible period of time, without prejudice to obligations of confidentiality. Price-sensitive information is released only upon receipt of approval from the Board of Directors or General Management, save where otherwise provided by regulatory requirement or by law.

The Board of Mediobanca has also approved an internal code of conduct, which sets out principles and restrictions for Directors, Statutory Auditors, employees, advisors, outside staff and suppliers on how confidential information should be processed and how to avoid its use in personal transactions and/or transactions carried out on behalf of others.

SHAREHOLDER AND INVESTOR RELATIONS

Mediobanca is fully aware of the importance of maintaining good relations with its shareholders, encouraging them to attend General Meetings, and sending shareholders with a recent record of attendance copies of annual reports and other relevant information at home. Material of this kind is also made available on the Bank's institutional website at www.mediobanca.it in English and Italian.

Relations with institutional investors, financial analysts and journalists are handled by the relevant units, i.e. the Investor relations unit and the Press office, which report to the General Manager and Chairman respectively.

The Bank has not adopted a specific set of regulations for holding General Meetings, as its Articles of Association ensure that proceedings are conducted in an orderly manner, providing for the Chairman to be responsible for ascertaining that proxies and rights to attend are in order and for presiding over the proceedings, a task that includes determining the order in which items on the agenda are to be put to the vote. In all cases, votes are taken by a show of hands.

INTERNAL AUDIT AND CONTROL

As required by Bank of Italy regulations, Mediobanca maintains an internal audit function which reports directly to the Chairman. This function is organized so as to ensure that the Bank's internal control system is fully effective at all times, and that major risk areas are monitored on an ongoing basis. The function also monitors all the Banking Group subsidiaries, and co-ordinates the respective internal audit functions of the individual companies concerned, thus ensuring that the same high standards of control extend throughout the Group as a whole. The function has regular meetings with the Statutory Audit Committee with a view to keeping it informed of the activities it has carried out, and to providing the Statutory Auditors with support for their own supervisory activities. The internal audit function reports to the Internal control committee and to the Board on a six-monthly basis, submitting its review of the status and adequacy of the Bank's internal control system. The head of the internal audit function also usually takes part in meetings of the Internal control committee.

STATUTORY AUDIT COMMITTEE AND EXTERNAL AUDITORS

The Statutory Audit Committee comprises three Standing Auditors and three Alternate Auditors, who are elected from lists that must be lodged at least fifteen days prior to the date set for the General Meeting in the first instance, accompanied by a *curriculum vitae* for each of the candidates, together with a declaration by the candidates themselves stating acceptance of their nomination and attesting under their own responsibility that they are qualified to stand for election under the law and the Bank's Articles of Association. The Articles in particular stipulate

that candidates already serving as Standing Auditors in five other companies listed on regulated markets in Italy, or as Directors, senior executives or managers of companies or entities or in any way involved in the management of enterprises directly or indirectly or through controlled companies engaged in business in the same fields as Mediobanca may not be elected as Standing Auditors. The Articles also provide that lists may be submitted by shareholders holding in the aggregate not less than 3% of the Company's share capital, provided they have been registered in the Company's books as holding such aggregate percentage of the Company's shares for at least six months prior to the date on which the General Meeting to which the list is to be submitted has been convened. In this connection, a single list was submitted to the Annual General Meeting held on 28 October 2003, convened *inter alia* with a view to appointing Statutory Auditors.

The Statutory Audit Committee in office until the Annual General Meeting to be held to adopt the accounts for the financial year ending 30 June 2006 is made up as follows:

Angelo CASO'	Chairman
Mario Andrea ARBUFFO	Standing Auditor
Eugenio PINTO	Standing Auditor
Guido CROCI	Alternate Auditor
Antonio IZZI	Alternate Auditor
Alessandro Ludovico TROTTER	Alternate Auditor

The Statutory Audit Committee monitors compliance with the law and the Bank's memorandum of incorporation, respect of sound management principles, and in particular the adequacy of the organizational, administrative and accounting systems operated by the Bank and their functioning. The Statutory Audit Committee is kept informed of the business and most significant financial transactions carried out by the Company and its subsidiaries, with particular reference to transactions where the Directors or related third parties have an interest, by attending meetings of the Board of Directors and Executive Committee. Information given to the Statutory Audit Committee outside meetings of the Board of Directors and Executive Committee is conveyed to the Chairman of the Committee in writing.

During the financial year ended 30 June 2004, the Statutory Audit Committee met on a total of eight occasions, and several times met with representatives of the Bank's external auditors who are responsible for inspection of the Company's accounts pursuant to Article 155 of the Italian Consolidated Law on Finance.

At an Annual General Meeting held on 28 October 2003, Reconta Ernst & Young were appointed to act as external auditor to the Bank and Banking Group in respect of its annual and interim accounts, and to perform other duties provided for under Article 155 of the Italian Consolidated Law on Finance.

Milan, 16 September 2004

Table 1: BOARD OF DIRECTORS/COMMITTEES - COMPOSITION

BOARD OF DIRECTORS							Executive Committee		Internal control committee		Remuneration committee		Appointments committee	
Post	Name	Executive	Non executive	Independent	**** §	No. of other posts	***	**** §	***	**** §	***	**** §	***	**** §
Chairman	Gabriele Galateri di Genola	X		YES	100%	6	X	100%			X	66.6%	X	100%
Deputy Chairman	Cesare Geronzi		X	NO	87.5%	1	X	10%			X	66.6%	X	100%
Deputy Chairman	Carlo Salvatori		X	NO	75%	4	X	80%			X	66.6%	X	100%
Director	Matteo Arpe		X	NO	62.5%	4	X	44.4%						
Director	Jean Azema		X	NO	71.4%	5								
Director	Tarak Ben Ammar		X	YES	100%						X	100%		
Director	Gilberto Benetton		X	NO	62.5%	10								
Director	Antonie Bernheim		X	NO	87.5%	10								
Director	Vincent Bolloré		X	NO	100%	9	X	100%	X	75%				
Director	Carlo Buora		X	NO	100%	7	X	90%	X	100%				
Director	Giancarlo Cerutti		X	NO	87.5%	6								
Director	Roberto Colaninno		X	YES	87.5%	5								
Director	Ennio Doris		X	NO	75%	5	X	70%						
Director	Gianluigi Gabetti		X	NO	100%	2								
Director	Berardino Libonati		X	YES	100%	3			X	75%	X	100%		
Director	Jonella Ligresti		X	NO	75%	6								
Director	Achille Maramotti		X	YES	87.5%	7	X	71.4%	X	75%	X	100%		
Director	Carlo Pesenti		X	NO	75%	6								
Director	Alessandro Profumo		X	NO	100%	10	X (1)	100%						
Director	Axel von Ruedorffer		X	NO	87.5%	4	X (1)	66.7%						

NO. OF MEETINGS HELD DURING THE YEAR

Board of Directors:	8	Executive Committee:	10	Internal control committee:	4	Remuneration committee:	3	Appointments committee:	3
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NOTES

** Indicates number of positions as Director or Statutory Auditor held by person concerned in companies listed on regulated markets in Italy and elsewhere, in financial service companies, banks and insurance companies, or in large corporates. Details are given in full in the Directors' Statement on Corporate Governance.

*** "X" indicates that Director is also a member of the Executive Committee.

**** Percentage indicates Directors' attendance record at BoD and Executive Committee meetings.

§ Refers to proportion of term already served.

(1) Tendered resignation as member of Executive Committee with effect from 28/10/03.

Table 2: STATUTORY AUDIT COMMITTEE

Post	Name	% attendance record	No. of other posts held **
Chairman	Angelo CASO'	100%	4
Standing Auditor	Mario Andrea ARBUFFO	87.5%	—
Standing Auditor	Eugenio PINTO	100%	1
Alternate Auditor	Guido CROCI	—	
Alternate Auditor	Antonio IZZI	—	
Alternate Auditor	Alessandro Ludovico TROTTER	—	

No. of meetings held during the year:	8
Quorum required for minority shareholders to submit lists of candidates for election as Standing or Alternate Auditors:	aggregate holding of not less than 3% of the Bank's share capital

** Indicates number of positions as Director or Statutory Auditor held by person concerned in companies listed on regulated markets in Italy and elsewhere. Details are given in full in the Directors' Statement on Corporate Governance.

Table 3: OTHER REQUIREMENTS UNDER CODE OF CONDUCT FOR LISTED COMPANIES

	YES	NO	Reasons for any departures from Code provisions
Power to represent the Bank and related party disclosure			
Has the Board authorized parties to represent the Bank and laid down:			
a) limits	X		
b) methods of execution	X		
c) reporting requirements?	X		
Has the Board reserved for itself the right to inspect and approve all major financial transactions including those with related parties?	X		
Has the Board set guidelines and criteria for identifying “large” transactions?	X		
If so, have such guidelines/criteria been set out in the statement on corporate governance?	X		
Has the Board implemented procedures for reviewing and approving transactions with related parties?	X		
If so, have such procedures been set out in the statement on corporate governance?	X		
Procedure for most recent appointment of Directors and Statutory Auditors			
Were candidates’ applications for the post of Director lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
Were they also accompanied by declarations regarding the candidates’ ability to qualify as independent Directors?	X		
Were candidates’ applications for the post of Statutory Auditor lodged at least ten days in advance?	X		
Were they accompanied by appropriately detailed documentation?	X		
General Meetings			
Has the Bank adopted specific regulations in respect of holding General Meetings?		X	Orderly proceedings are ensured by the powers vested in the Chairman under law and the Company’s Articles of Association.
Are such regulations attached as an annex hereto, or is indication given of where they may be obtained or downloaded?		X	
Internal control			
Has the Company designated staff to take charge of the area of internal control?	X		
If so, are such staff independent in operational terms from heads of individual operating units?	X		
Organizational unit responsible for internal control pursuant to Article 9.3 of the Code	X		Internal Audit
Investor relations			
Has the Company appointed a head of investor relations?	X		
If so, what are the head of IR’s contact details?	Jessica Spina tel. no. +39 02 8829.860 - fax no. +39 02 8829.819 e-mail investor.relations@mediobanca.it		

Annex - Posts in other companies held by Directors of Mediobanca

Name	Position in Mediobanca	Other posts held
Gabriele GALATERI di GENOLA	Chairman and member of Executive Committee	Deputy Chairman Assicurazioni Generali Director IFI Director Pirelli & C. Director Banca Esperia Director Banca Cassa di Risparmio di Savigliano Member of Supervisory Board Accor
Cesare GERONZI	Deputy Chairman and member of Executive Committee	Chairman Capitalia
Carlo SALVATORI	Deputy Chairman and member of Executive Committee	Chairman UniCredito Italiano Chairman CreditRas Assicurazioni Chairman CreditRas Vita Director Riunione Adriatica di Sicurtà - RAS
Matteo ARPE	Director and member of Executive Committee	Managing Director Capitalia Managing Director MCC Director Banca di Roma Director FinecoGroup
Jean AZEMA	Director	General Manager Groupama Director Bolloré Investissement Member of Supervisory Board Gimar Finance & Compagnie Director Véolia Environnement Director Société Générale
Gilberto BENETTON	Director	Chairman Edizione Holding Director Autostrade Director Benetton Group Chairman Autogrill Director Pirelli & C. Deputy Chairman Olimpia Deputy Chairman Telecom Italia Director Banca Antoniana Popolare Veneta Director Lloyd Adriatico Director Abertis Infraestructuras S.A.
Antoine BERNHEIM	Director	Chairman Assicurazioni Generali Deputy Chairman Alleanza Assicurazioni Director AMB Generali Holding Director Banca Intesa Director Banco Santander Central Hispano Deputy Chairman Bolloré Investissement Deputy Chairman LVMH Director Ciments Français Director Christian Dior Member of Supervisory Board Eurazeo

Name	Position in Mediobanca	Other posts held
Vincent BOLLORE'	Director and member of Executive Committee	Chairman Bolloré Investissement Chairman Bolloré Chairman Bolloré Participations Chairman Financière de l'Odet Director Financière Moncey Director Tramways de Rouen Safa Director Chemins de Fer et Tramways du Var et Du Gard Director Industrielle et Financiere De l'Artois Member of Statutory Audit Committee Compagnie du Cambodge
Carlo BUORA	Director and member of Executive Committee	Managing Director Pirelli & C. Director Pirelli & C. Real Estate Director Olimpia Managing Director Telecom Italia Chairman TIM Director RCS Mediagroup Director Riunione Adriatica di Sicurtà - RAS
Giancarlo CERUTTI	Director	Managing Director Officine Meccaniche Giovanni Cerutti Director Toro Assicurazioni Deputy Chairman Il Sole 24 Ore Director Hachette Rusconi Editore Director Juventus FC Director Fondazione Cassa di Risparmio di Alessandria
Roberto COLANINNO	Director	Chairman Immsi Director Capitalia Director Efibanca Chairman Omniaholding Chairman Piaggio & C.
Ennio DORIS	Director and member of Executive Committee	Managing Director Mediolanum Chairman Banca Mediolanum Managing Director Mediolanum Assicurazioni Managing Director Mediolanum Fiduciaria Director Banca Esperia
Gianluigi GABETTI	Director	Chairman IFI Chairman and Managing Director IFIL
Berardino LIBONATI	Director	Chairman Banca di Roma Chairman Acotel Group Director Swiss Re Italia

Name	Position in Mediobanca	Other posts held
Jonella LIGRESTI	Director	Chairman Fondiaria - SAI Chairman SAI Holding Italia Director Milano Assicurazioni Director Capitalia Deputy Chairman Premafin Finanziaria Deputy Chairman Atahotels
Achille MARAMOTTI	Director and member of Executive Committee Amministratore e	Chairman Max Mara Fashion Group Deputy Chairman Credito Emiliano Holding Deputy Chairman Credito Emiliano Director UniCredito Italiano Director UniCredit Banca Director Azuritalia Vita Director Azuritalia Assicurazioni
Carlo PESENTI	Director	Director Italmobiliare Managing Director Italcementi Director Ciments Français Director BPU Banca Director UniCredito Italiano Director RCS MediaGroup
Alessandro PROFUMO	Director	Managing Director UniCredito Italiano Chairman UniCredit Banca Mobiliare Director UniCredit Banca Director UniCredit Banca d'Impresa Deputy Chairman UniCredit Xelion Banca Director UniCredit Private Banking Chairman of Supervisory Board Bank Pekao Director Olimpia Director Koc Holding Member of Supervisory Board Deutsche Borse
Axel von RUEDORFFER	Director	Member of Supervisory Board Commerzbank Deputy Chairman of Supervisory Board Allgemeine Kreditversicherung Coface Member of Supervisory Board Audi Member of Supervisory Board Avis Europe

EXTRAORDINARY BUSINESS

DIRECTORS' REPORT

At an Extraordinary General Meeting held on 25 June 2004, a resolution was adopted to increase the Company's share capital by up to € 7.5m, via the issue of 15 million new par value € 0.50 ordinary shares for subscription no later than 1 July 2020, under the terms of a rights issue reserved for employees of the Mediobanca Banking Group pursuant to paragraph 8 of Article 2441 of the Italian Civil Code. The said resolution was adopted with a view to reconstituting the equity limit for use under the terms of the share option schemes operated by the Bank.

On this occasion, it is proposed to make addition and amendment to the resolution previously adopted, on the basis *inter alia* of provisions contained in Article 2389 of the Italian Civil Code as amended by Italian Legislative Decree 6/03 for the said share limit to be drawn on in respect also of remuneration for Directors carrying out particular duties.

The Bank's share option schemes were originally adopted as an effective method of pursuing its interests in the light *inter alia* of the favourable tax treatment such schemes enjoy, by means of:

- aligning a portion of management remuneration to the aim of creating value for shareholders;
- pursuing loyalty retention and creating a sense of ownership among the Bank's senior management;
- improving and strengthening the competitiveness of the remuneration package offered by the Bank over the medium-long term, in line with the practice of its leading competitors.

Therefore, the Board of Directors, in line with the proposals put forward by the Remuneration Committee, hereby proposes that the € 7.5m rights issue adopted in June be modified and extended as follows:

- to increase the Company's share capital by a nominal amount of € 5.5m for use under the terms of share option schemes reserved to employees of the Mediobanca Banking Group.
- to increase the Company's share capital by a nominal amount of € 2m for use under the terms of share option schemes reserved to Directors of the Bank carrying out particular duties.

Regarding the issue price of the aforementioned new shares, under paragraph 6 of Article 2441 of the Italian Civil Code and as provided for by the share option schemes operated by the Bank currently in force, the issue price will be fixed on

the basis of the arithmetical average of the Mediobanca share market price recorded in the period between the date on which the share options are granted and the equivalent day in the calendar month preceding such date, and may not be lower than the net asset value per share stated in the most recent set of accounts adopted.

You are therefore invited to adopt the following resolution:

“Having received and considered the Directors’ report, bearing in mind the fairness opinion issued in this regard by the Group’s external auditors, having duly noted the Statutory Auditors’ statement that the Company’s share capital currently amounts to € 389,418,332.50 fully subscribed and paid up, as an addendum and amendment to the resolution to increase the Company’s share capital adopted by shareholders in an Extraordinary General Meeting held on 25 June 2004,

hereby resolves

1. to increase the Company’s share capital pursuant to paragraphs 8 and 5 of Article 2441 of the Italian Civil Code by up to € 7.5m, via the issue of 15 million new par value € 0.50 ordinary shares ranking for dividends *pari passu* for subscription no later than 1 July 2020, as follows:
 - up to 11 million shares to be set aside for employees of the Mediobanca Banking Group
 - up to 4 million shares to be set aside for Bank Directors carrying out particular duties
2. to amend the final paragraph of Article 4 of the Bank’s Articles of Association accordingly, to read as follows:

EXISTING TEXT

AMENDED TEXT

SECTION II

Share capital, shares and bonds

Article 4

The Company’s share capital is Euro 389,418,332.50 represented by 778,836,665 Euro 0.50 par value shares.

The shares shall be registered.

Pursuant to a Resolution adopted at an Extraordinary General Meeting held on 30th July 2001 the Board of Directors was authorised (i) under Article 2443 of the Italian Civil Code to

Article 4

unchanged

unchanged

unchanged

increase the Bank's share capital by means of rights issues or bonus issues in one or more tranches on or prior to the fifth anniversary of the date of such Resolution in an amount not to exceed Euro 250 million nominal value by creating up to 500 million new Euro 0.50 par value shares and accordingly to determine from time to time the issue price of such shares, including the share premium, the date from which they rank for interest and whether any of the shares will be used for exercising warrants and (ii) under Article 2420-ter of the Civil Code to issue pursuant to Article 2441 of the Civil Code on or prior to the fifth anniversary of the date of the Resolution bonds convertible into ordinary shares or bonds with warrants to subscribe for ordinary shares in an amount not to exceed Euro five billion nominal value, provided that the exercise of the authority given hereunder shall not result in the issuance of more than 500 million shares.

As a result of (a) the resolution adopted at a Board Meeting held on 29th March 1999 and (b) the resolution adopted at an Extraordinary General Meeting held on 30th July 2001, the Bank's share capital has been further increased by a nominal amount of Euro 1,120,750 by issuing 2,241,500 new Euro 0.50 par value shares to be set aside for key employees of Mediobanca and the Mediobanca Banking Group for subscription on or prior to 31st December 2011. Of these new shares, 341,750 have been subscribed to date.

unchanged

An Extraordinary General Meeting held on 30th July 2001 amended the resolution taken at the Extraordinary General Meeting held on 28th October 2000 relating to the capital increase restricted to employees of the Mediobanca Banking Group by increasing the maximum nominal amount thereof to Euro 25,000,000 involving the creation of up to 50,000,000 Euro 0.50 per value ordinary shares ranking for dividends *pari passu* with the Bank's existing shares to be subscribed not later than 1st July 2015 on a restricted basis under Article 2441/8 of the Civil Code.

unchanged

At an Extraordinary General Meeting held on 25 June 2004, a resolution was passed to increase the Bank's share capital by up to a further Euro 7.5m via the issue of up to 15 million par value Euro 0.50 ordinary shares, ranking for dividends *pari passu* and for subscrip-

~~At an~~ **As a result of resolutions adopted at** Extraordinary General Meetings held on 25 June 2004 **and 28 October 2004, a resolution was passed to increase** the Bank's share capital **was increased** by up to a further Euro 7.5m via the issue of up to 15 million par value

tion no later than 1 July 2020, to be set aside for employees of the Mediobanca Banking Group on a restricted basis pursuant to Article 2441/8 of the Italian Civil Code.

Euro 0.50 ordinary shares, ranking for dividends *pari passu* and for subscription no later than 1 July 2020, ~~to be set aside for employees of the Mediobanca Banking Group on a restricted basis~~ pursuant to **paragraphs 8 and 5** Article 2441/8 of the Italian Civil Code, **to be set aside as follows:**

- **up to 11 million shares for employees of the Mediobanca Banking Group;**
- **up to 4 million shares for Bank Directors carrying out particular duties.**

3. To delegate to the Board of Directors the widest powers to execute the foregoing resolution to increase the Bank's share capital via a rights issue in one or more tranches restricted to Banking Group employees and Bank Directors carrying out particular duties, including the power to determine issue prices of shares on the basis of the arithmetical average of Mediobanca share prices recorded on the market operated by Borsa Italiana S.p.A. in the period from the date on which the option rights were granted and the same day in the calendar month preceding such date, provided that such issue price may not be lower than the unit value of the Company's net worth in the financial year ended prior to the date on which the option rights were so granted, to determine the methods and terms on which such rights are to be granted (to be carried out within five years), and to delegate others to carry out any of the foregoing;
4. to establish that, if the rights issue described herein has not been fully subscribed for by 1 July 2020, the Bank's share capital shall be understood to have increased by an amount equivalent to the number of subscriptions received;
5. to delegate to the Chairman of the Board of Directors and the General Manager, either jointly or severally, the widest powers to carry out all amendments to the numerical expressions of the Company's share capital contained in Article 4 of the Articles of Association;
6. to delegate to the Chairman of the Board of Directors and the General Manager, either jointly or severally, the widest powers to incorporate into this resolution any amendment, change or addendum that may be required or otherwise requested by the competent authorities".

Milan, 16 September 2004

THE BOARD OF DIRECTORS

AUDITORS' REPORT

**INDEPENDENT AUDITORS' REPORT
ON THE FAIRNESS OF THE CRITERIA USED
TO DETERMINE THE PRICE OF NEW SHARES TO BE ISSUED
BY WAY OF A RIGHTS ISSUE
RESTRICTED TO BANK DIRECTORS
WITH PARTICULAR DUTIES
(Article 158 of Legislative Decree no. 58 of 24 February 1998)**

(Translation from the original Italian text)

1. PURPOSE AND SCOPE OF OUR ENGAGEMENT

As required by Article 158 of Legislative Decree no. 58 of 24 February 1998, on 16 September 2004 we received from Mediobanca S.p.A. ("Mediobanca", or the "Bank") the proposed addendum and amendment to the resolution adopted by the Shareholders at an Extraordinary General Meeting held on 25 June 2004 to increase the Bank's share capital by up to € 7.5m, via the issue of up to 15 million new par value € 0.50 ordinary shares for subscription no later than 1 July 2020, under the terms of a rights issue to be reserved pursuant to Article 2441, paragraphs 8 and 5, of the Civil Code to employees of the Mediobanca Group (the "Group") and to Bank Directors with particular duties.

The proposed addendum and amendment to the said resolution involves the approved € 7.5m rights issue being rearranged as follows:

- up to € 5.5m for use under the terms of a share option scheme reserved for Group employees;
- up to € 2m for use under the terms of a share option scheme reserved for Bank Directors with particular duties.

The issue of rights to Directors who are not Bank employees must be approved pursuant to the above-mentioned Article 2441, paragraph 5, of the Civil Code. Therefore, as required by Article 158 of Legislative Decree no. 58 of 24 February 1998, in our capacity as auditors appointed to audit the Bank's annual accounts, we express below our opinion regarding the fairness of the criteria used to determine the price of the shares to be issued, as required by Article 2441, paragraph 6, of the Civil Code.

The Board of Directors' proposal is subject to the approval of the Shareholders in an Extraordinary General Meeting convened, in the first instance on 28 October 2004, and subsequently if necessary, on 29 October 2004.

The purpose of this report is to provide the Shareholders with relevant information regarding the criteria used by the Bank's Board of Directors to determine the price of the shares to be issued. To this end, in performing our engagement, we reviewed the criteria adopted by the Board to determine the future issue price of the shares concerned, in order to assess their suitability and to establish whether or not they are reasonable and not arbitrary, without, however, undertaking a full economic valuation of the Bank.

2. DESCRIPTION OF PROPOSED TRANSACTION AND CRITERIA USED TO DETERMINE THE SHARE ISSUE PRICE

As indicated in the Board of Directors' proposal, the Bank's share option schemes have been adopted in the interest of giving incentives to those with strategic roles or key to the success of the Bank and the Group, to ensure their retention and align their remuneration with the creation of value for Shareholders.

The Board's proposal is that the portion of the rights issue for use under the terms of the Bank's share option scheme to be set aside for Bank Directors with particular duties should be up to a maximum of € 2m via the creation of a maximum of 4 million new € 0.50 par value shares ranking for dividends *pari passu*.

The proposal also provides that the widest powers be delegated to the Board of Directors in order to execute the resolution to increase the Bank's share capital in one or more tranches, including the power to determine the methods and terms on which such option rights are to be granted, within five years of the date on which such resolution is passed.

Shares shall be issued on the basis of the option rights granted to Directors of the Bank under the terms of the share option scheme, for subscription no later than 1 July 2020.

In the event that the rights issue has not been completely subscribed by the date specified above, the Bank's share capital shall be considered to be increased by an amount equivalent to the number of subscriptions received.

In order to ensure that the procedure used to determine the price of the shares to be issued conforms to the provisions of Article 2441, paragraph 6, of the Civil Code, the proposal submitted for your approval by the Board stipulates that:

- the issue price shall be determined on the basis of the arithmetical average of the Mediobanca share price in the market operated by Borsa Italiana in the period between the date on which the share options are granted and the equivalent day in the calendar month preceding such date;
- the issue price may not be lower than the net asset value per share based on the most recent set of annual accounts approved prior to the granting of the option rights.

3. DOCUMENTATION UTILISED AND WORK PERFORMED

In performing our procedures we received from the Bank those documents and information considered useful for the purpose of conducting those analyses necessary for the performance of our engagement. In particular the information made available to us was:

- the Board of Directors' report dated 13 May 2004, setting out the proposed increase in the Bank's share capital via the issue of ordinary new shares under the terms of the share option schemes;
- minutes of the Extraordinary General Meeting held on 25 June 2004 in which the Shareholders adopted a resolution to increase the Bank's share capital by up to € 7.5m via the issue of 15 million new € 0.50 par value ordinary shares for subscription no later than 1 July 2020 under the terms of a rights issue reserved for employees of the Bank and the Group pursuant to Article 2441, paragraph 8, of the Civil Code;
- the Board of Directors' report dated 16 September 2004 illustrating the proposal to integrate and amend the resolution referred to above;
- Mediobanca's draft accounts and consolidated accounts for the year ended 30 June 2004, which were approved by the Board of Directors on 16 September 2004 and audited by us and upon which we reported in our reports dated 22 September 2004;
- Mediobanca's accounts for the year ended 30 June 2003 approved by the Shareholders at an Annual General Meeting held on 28 October 2003, and its consolidated accounts for the same period, which were audited by the predecessor auditors, who issued their reports on 23 September 2003;
- the Articles of Association of Mediobanca currently in force and the amendments proposed thereto;
- the Bank's share price performance in the course of 2004;
- additional financial and non-financial information deemed useful for the purposes of this report.

Our procedures included:

- review of the Board of Directors' reports setting out the criteria according to which the future issue price of the shares is to be determined;
- valuation considerations and analyses considered necessary in order to ascertain the fairness of the criteria on which the issue price of the shares has been determined;
- observation of the Bank's share price performance in the course of 2004;
- reading of the minutes of Board meetings held in 2003 and 2004 to the present date;

- review of the most recent research notes on Mediobanca by analysts at leading investment banks.

We have also obtained representations from the Bank's management that, as far as they are aware, there have been no major changes to the data and information used by us in the performance of our analyses.

4. CONSIDERATIONS ON THE FAIRNESS OF THE CRITERIA ADOPTED AND MINIMUM SHARE ISSUE PRICE

In the case of restricted rights issues, Article 2441, paragraph 6, of the Civil Code states that the issue price of the shares must be determined "on the basis of the net asset value, taking into account *inter alia*, with respect to shares listed on the stock exchange, the market performance of such shares in the previous six months". However, this establishes only a general principle, the objective application of which depends on the specific purpose of the proposed transaction.

As previously described in paragraph 2 above, the issue price of the shares shall be determined on the basis of the following criteria:

- the issue price shall be determined on the basis of the arithmetical average of the Mediobanca share price in the market operated by Borsa Italiana in the period between the date on which the share options are granted and the equivalent day in the calendar month preceding such date;
- the issue price may not be lower than the net asset value per share based on the most recent set of annual accounts approved prior to the granting of the option rights.

In this connection, we point out that:

- the first of these criteria, namely the arithmetical average of Mediobanca share prices in the month prior to the option rights being granted, effectively amounts to establishing a current value for the shares as at the moment at which the option rights are granted. Since the rights issue will take place at a time in the future, the setting of this benchmark enables reference to be made to a current value established by the market as at the date on which the option rights were granted;
- the second of these criteria has been proposed by the Directors as a floor for the issue price, in order to protect the asset value of the shares from the risk of dilution, which will be used as the issue price of the new shares in the event of a stock market downturn. The Bank's decision to use, as the issue price floor, the net asset value per share based on the most recent set of annual accounts approved prior to the granting of the option rights, has the effect of strengthening shareholder protection.

The adoption of stock market performance as a criterion for determining the issue price is based on the assumption that the markets are efficient, that is, that the value of a company's shares, and therefore of the company itself, is accurately reflected in the value of its share price over a meaningful period of time, i.e. one which is sufficient to enable any distortive effects resulting from temporary imbalances between supply and demand or any short-term speculative movements to be neutralized. In the specific case of Mediobanca, this method is particularly appropriate in view of the fact that Mediobanca shares have been listed on the Milan stock exchange for a long time, and that the free float comprises both Italian and non-Italian, institutional and private investors.

In view of the foregoing, we set out hereunder our observations on the criteria adopted for determining the share issue price:

- the criterion based on stock market performance adopted by the Board of Directors is commonly accepted and widely used both nationally and internationally to value companies operating in the banking sector;
- the stock market performance criterion is particularly appropriate in the presence of highly efficient financial markets in which share prices, on the basis of satisfactory liquidity and volume levels, tend to converge towards a value that can be determined theoretically via alternative, analytical or empirical methods (in this regard we would point out that the Mediobanca share is included in the S&P/MIB index by Standard & Poor's and Borsa Italiana);
- the Board of Directors proposal, in the light *inter alia* of market fluctuations and historical share price performance, enables a price to be set which in any case takes account of the most recently traded prices, which reflect an up-to-date market view of the stock and which are therefore the most suitable for meeting the specific aims of the proposed share increase;
- the risk of a possible fall in share prices and the dilution effect this would lead to for the existing Shareholders is covered by the proposal of a minimum issue price linked to the net asset value per share based on the most recent set of accounts adopted prior to the granting of the option rights.

By way of example, on the purely theoretical assumption of option rights being granted as at the date hereof, shares would be issued at a price of € 10.45 per share based on stock market prices determined as described above, whereas the minimum issue price would be € 5.77 per share, based on the Bank's net assets at the date of the last set of approved annual accounts for the year ended 30 June 2003, amounting to € 4,490m including *Loan loss provision*, divided by the number of shares in issue as at that date (778,549,115).

On the basis of the above considerations, our fairness opinion expressed in the following paragraph is based on the assumption that the unit price for the issue of shares shall be determined by the Board of Directors on the basis of the criteria described above.

5. CONCLUSIONS

Based on the above, and in pursuance of Article 2441, paragraph 6, of the Civil Code, we consider that the criteria identified by the Board of Directors to determine the issue price for shares to be issued under the terms of the proposed restricted rights issue are fair, in that they are, in the circumstances, appropriate, reasonable and not arbitrary.

Milan, 6 October 2004

Reconta Ernst & Young S.p.A.

Signed by: Riccardo Schioppo, partner

**RESOLUTIONS PASSED BY SHAREHOLDERS
IN ORDINARY AND EXTRAORDINARY
GENERAL MEETINGS HELD ON 28 OCTOBER 2004**

A General Meeting of shareholders in Mediobanca was held on 28 October 2004. It was resolved:

as ordinary business:

1. to adopt the accounts for the year ended 30 June 2004 and the Directors' Review of Operations;
2. to appropriate € 28,725 to the Legal reserve and € 111,172,216.56 to the Statutory reserve;
3. to declare a dividend of € 0.40 per share on the 778,836,665 shares in issue;
4. to re-elect Roberto COLANINNO, Gianluigi GABETTI, Cesare GERONZI, Bernardino LIBONATI, Jonella LIGRESTI and Achille MARAMOTTI as Directors of the Bank for a term of three years to expire upon the occasion of the Annual General Meeting held to approve the accounts for the year to 30 June 2007;
5. to authorize the taking out of an insurance policy to cover the civil liability of the Bank's corporate governance bodies, namely the Board of Directors, Statutory Audit Committee and General Management;

as extraordinary business:

1. to make addition and amendment to the resolution passed in a General Meeting held on 25 June 2004 to increase the Bank's share capital under paragraphs 8 and 5 of Article 2441 of the Italian Civil Code by up to € 7.5m via the issue of up to 15 million new ordinary shares for subscription no later than 1 July 2020 as follows:
 - up to 11 million shares to be set aside for employees of the Mediobanca Banking Group;
 - up to 4 million shares to be set aside for Bank Directors carrying out particular duties;
2. to amend Article 4 of the Bank's Articles of Association accordingly.

**BALANCE SHEET
AND
FUND ALLOCATION ANALYSES**

BALANCE SHEET ANALYSIS

ASSETS

As at 30th June	Liquid assets	Bills discounted advances, repurchase and forward transactions, and loans	Investment securities (excluding investments in Group undertakings)	Investments in Group undertakings	Investments in consortium companies	Property	Furniture, equipment and intangible assets	Other assets	Total assets	Contra accounts	GRAND TOTAL
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
1947	1,536	398	—	—	—	—	6	33	1,973	387	2,360
1948	1,344	1,900	—	—	—	—	6	33	3,283	465	3,748
1949	2,830	3,569	—	1	—	24	—	32	6,456	264	6,720
1950	3,532	5,315	889	3	—	—	—	35	9,774	853	10,627
1951	3,751	6,760	546	25	—	—	—	31	11,113	315	11,428
1952	3,706	9,779	464	38	—	—	—	31	14,018	176	14,194
1953	5,395	12,654	263	—	—	—	—	35	18,347	8,841	27,188
1954	7,804	15,909	763	1	—	—	—	137	24,614	553	25,167
1955	10,294	18,690	971	58	—	—	—	85	30,098	1,644	31,742
1956	14,713	23,573	1,283	5	—	—	—	484	40,058	12,272	52,330
1957	17,670	28,648	1,540	—	—	—	—	245	48,103	10,394	58,497
1958	18,727	31,577	1,798	—	—	—	—	439	52,541	4,799	57,340
1959	31,724	40,713	4,131	—	—	—	—	1,391	77,959	16,828	94,787
1960	45,099	49,813	4,286	—	—	—	—	227	99,425	7,622	107,047
1961	48,464	66,669	6,412	110	—	—	—	244	121,899	7,974	129,873
1962	29,895	100,913	9,027	39	—	—	—	435	140,309	32,419	172,728
1963	39,529	124,090	9,282	142	—	—	—	626	173,669	28,175	201,844
1964	49,714	153,282	9,337	90	—	—	—	1,332	213,755	23,277	237,032
1965	67,815	157,552	13,417	5	—	—	—	1,273	240,062	37,932	277,994
1966	100,651	191,935	15,115	—	—	—	—	2,385	310,086	100,762	410,848
1967	107,097	245,565	17,396	5	—	—	—	3,342	373,405	112,502	485,907
1968	121,745	305,666	17,317	—	—	—	—	4,569	449,297	122,695	571,992
1969	104,636	374,711	19,877	—	—	—	—	6,028	505,252	179,385	684,637
1970	108,075	513,117	19,759	5	—	—	—	5,512	646,468	148,926	795,394
1971	296,325	533,281	19,833	21	—	—	—	4,804	854,264	220,019	1,074,283
1972	211,681	644,004	22,501	541	—	26	—	6,373	885,126	248,839	1,133,965
1973	219,061	768,777	23,083	671	—	26	79	7,999	1,019,696	317,492	1,337,188
1974	725,455	1,091,712	29,243	755	—	190	102	16,095	1,863,552	283,551	2,147,103
1975	898,375	1,243,559	32,603	755	—	190	108	24,963	2,200,553	270,792	2,471,345
1976	842,638	1,394,824	27,159	1,573	—	190	133	27,826	2,294,343	260,533	2,554,876
1977	930,863	1,526,989	32,255	4,042	—	3,615	190	31,666	2,529,620	266,527	2,796,147
1978	931,722	1,719,338	34,759	4,137	—	3,615	198	72,125	2,765,894	414,045	3,179,939
1979	506,795	1,703,992	78,140	4,173	—	3,615	228	74,652	2,371,595	312,152	2,683,747
1980	520,954	1,834,527	55,983	4,174	7,230	3,615	251	75,576	2,502,310	385,483	2,887,793
1981	446,588	2,215,915	73,762	4,008	14,977	3,615	423	174,332	2,933,620	618,841	3,552,461
1982	638,435	2,540,960	165,104	4,008	14,993	3,615	438	174,142	3,541,695	714,778	4,256,473
1983	839,289	2,773,956	170,991	4,008	16,217	3,615	481	231,585	4,040,142	575,962	4,616,104
1984	859,764	3,002,978	225,314	8,088	16,217	19,625	511	224,145	4,356,642	650,010	5,006,652
1985	1,257,350	3,138,244	284,891	8,088	8,986	19,625	700	292,367	5,010,251	685,879	5,696,130
1986	1,697,370	3,388,523	379,210	8,088	1,239	19,625	666	227,820	5,722,541	1,575,268	7,297,809
1987	1,578,922	4,271,623	416,752	8,088	—	19,625	1,153	242,919	6,539,082	1,031,762	7,570,844
1988	1,569,877	4,540,865	565,933	4,213	—	19,625	1,803	208,692	6,911,008	1,827,254	8,738,262
1989	1,403,579	5,465,846	640,118	12,606	—	19,625	2,050	244,208	7,788,032	1,532,042	9,320,074
1990	1,860,248	6,841,257	709,335	9,495	—	19,625	2,353	348,524	9,790,837	2,458,501	12,249,338
1991	2,471,961	6,772,063	926,197	15,652	—	19,625	2,815	407,693	10,616,006	1,914,503	12,530,509
1992	2,245,473	7,356,291	1,149,728	17,897	—	23,800	3,539	516,359	11,313,087	4,974,896	16,287,983
1993	3,104,631	7,933,550	1,187,565	51,589	—	23,800	4,410	532,248	12,837,793	5,464,451	18,302,244
1994	3,347,387	8,961,303	1,389,176	49,085	—	23,800	4,690	522,005	14,297,446	3,851,623	18,149,069
1995	3,150,896	9,609,949	1,618,928	47,725	—	23,800	4,571	478,176	14,934,045	3,103,192	18,037,237
1996	2,571,335	10,717,159	1,793,785	46,491	—	23,800	4,739	484,943	15,642,252	4,114,659	19,756,911
1997	4,337,359	12,058,402	1,820,638	51,422	—	23,800	5,046	582,619	18,879,286	9,531,224	28,410,510
1998	4,789,102	14,115,689	2,106,078	58,298	—	23,800	6,013	856,681	21,955,661	24,883,375	46,839,036
1999	5,201,164	13,175,891	2,602,245	129,792	—	23,800	7,477	1,120,409	22,260,778	33,863,092	56,123,870
2000	4,578,652	14,764,593	2,740,839	60,875	—	23,800	9,286	1,344,067	23,522,112	43,236,774	66,758,886
2001	5,645,521	14,229,607	2,923,030	102,505	—	23,800	10,515	1,491,431	24,426,409	46,827,877	71,254,286
2002	7,377,119	14,861,758	2,912,572	118,779	—	23,800	11,961	1,881,176	27,187,165	50,916,657	78,103,822
2003	11,925,901	12,521,995	2,647,557	118,731	—	23,800	13,810	1,993,370	29,245,164	79,162,015	108,407,179
2004	14,260,693	13,324,382	2,591,198	396,476	—	25,479	14,172	2,280,488	32,892,888	84,319,470	117,212,358

BALANCE SHEET ANALYSIS

LIABILITIES

As at 30th June	Shareholders' equity			Specific credit risks provision	Provision for discounts and expenses on bonds issued	Securities fluctuation allowance	Provision for writedowns in investments	Time deposits and current accounts	Debt securities	Due to banks and EIB funds	Accumulated depreciation on furniture and equipment	Accumulated depreciation on property	Other liabilities and provisions	Profit for the year	Total liabilities	Contra accounts	GRAND TOTAL
	Share capital	Reserves, provi- sions qualifying as reserves (*) and retained earnings	TOTAL														
	€ '000	€ '000	€ '000														
1947	516	—	516	—	—	—	—	1,448	—	—	—	—	24	(15)	1,973	387	2,360
1948	516	—	516	—	—	—	—	2,729	—	—	—	—	30	8	3,283	465	3,748
1949	516	2	518	—	—	—	—	5,746	—	—	—	—	143	49	6,456	264	6,720
1950	1,033	26	1,059	—	—	—	—	8,325	—	—	—	—	303	87	9,774	853	10,627
1951	1,549	54	1,603	—	—	—	—	8,985	—	—	—	—	335	190	11,113	315	11,428
1952	1,549	109	1,658	—	—	—	—	11,745	—	—	—	—	405	210	14,018	176	14,194
1953	1,549	169	1,718	—	—	—	—	15,623	—	—	—	—	791	215	18,347	8,841	27,188
1954	1,549	273	1,822	—	—	—	—	21,681	—	—	—	—	898	213	24,614	553	25,167
1955	1,549	322	1,871	—	—	—	—	26,945	—	—	—	—	1,045	237	30,098	1,644	31,742
1956	2,066	365	2,431	—	—	—	—	35,586	—	—	—	—	1,764	277	40,058	12,272	52,330
1957	3,099	446	3,545	—	—	—	—	41,798	—	—	—	—	2,437	323	48,103	10,394	58,497
1958	3,099	522	3,621	—	—	—	—	45,287	—	—	—	—	3,245	388	52,541	4,799	57,340
1959	3,099	607	3,706	—	—	—	—	68,934	—	—	—	—	4,923	396	77,959	16,828	94,787
1960	5,165	747	5,912	—	—	—	—	87,472	—	—	—	—	5,323	718	99,425	7,622	107,047
1961	5,165	1,127	6,292	—	—	—	—	107,712	—	—	—	—	6,929	966	121,899	7,974	129,873
1962	5,165	1,562	6,727	—	—	—	—	125,489	—	—	—	—	7,089	1,004	140,309	32,419	172,728
1963	6,197	2,285	8,482	—	—	—	—	155,196	—	—	—	—	9,276	715	173,669	28,175	201,844
1964	6,197	2,901	9,098	—	—	—	—	189,266	—	—	—	—	14,618	773	213,755	23,277	237,032
1965	7,230	3,607	10,837	—	—	—	—	211,506	—	—	—	—	16,943	776	240,062	37,932	277,994
1966	7,230	4,484	11,714	—	—	—	—	274,589	—	—	—	—	22,862	921	310,086	100,762	410,848
1967	7,230	5,933	13,163	—	—	—	—	336,544	—	—	—	—	22,742	956	373,405	112,502	485,907
1968	8,263	7,307	15,570	—	—	—	—	402,293	—	—	—	—	30,377	1,057	449,297	122,695	571,992
1969	8,263	8,994	17,257	—	—	—	—	449,103	—	—	—	—	37,439	1,453	505,252	179,385	684,637
1970	8,263	11,326	19,589	—	—	—	—	534,360	41,317	—	—	—	50,034	1,168	646,468	148,926	795,394
1971	8,263	13,500	21,763	—	—	—	—	726,356	41,317	—	—	—	63,113	1,715	854,264	220,019	1,074,283
1972	8,263	16,462	24,725	—	—	—	541	745,717	41,317	—	—	26	71,605	1,195	885,126	248,839	1,133,965
1973	11,569	19,698	31,267	—	—	—	516	839,113	40,284	—	79	26	106,559	1,852	1,019,696	317,492	1,337,188
1974	11,569	24,879	36,448	—	—	—	669	832,133	240,371	597,632	102	26	153,960	2,211	1,863,552	283,551	2,147,103
1975	16,527	33,840	50,367	—	—	—	755	1,171,053	215,581	580,034	108	26	179,651	2,978	2,200,553	270,792	2,471,345
1976	16,527	41,766	58,293	—	—	—	755	1,073,975	213,284	771,016	133	26	166,756	10,105	2,294,343	260,533	2,554,876
1977	20,658	58,793	79,451	—	—	—	1,572	1,254,227	268,556	748,283	190	26	162,642	14,673	2,529,620	266,527	2,796,147
1978	26,856	67,217	94,073	—	—	—	4,039	1,449,198	396,572	601,809	198	3,615	200,652	15,738	2,765,894	414,045	3,179,939
1979	43,382	83,667	127,049	2,622	—	—	4,137	1,531,093	423,029	62,443	228	3,615	200,944	16,435	2,371,595	312,152	2,683,747
1980	43,382	107,496	150,878	3,300	3,873	—	4,173	1,622,873	445,639	41,851	251	3,615	207,623	18,234	2,502,310	385,483	2,887,793
1981	52,679	139,245	191,924	1,265	5,087	—	4,174	1,842,966	589,210	28,807	423	3,615	221,450	44,699	2,933,620	618,841	3,552,461
1982	70,238	167,753	237,991	650	7,308	—	4,008	2,390,742	662,617	27,385	438	3,615	187,644	19,297	3,541,695	714,778	4,256,473
1983	70,238	186,693	256,931	2,755	8,806	—	4,008	2,753,902	738,830	23,558	481	3,615	208,464	38,792	4,040,142	575,962	4,616,104
1984	87,798	269,265	357,063	3,267	9,684	—	4,008	2,987,681	698,842	5,404	511	4,204 ^(*)	241,537	44,441	4,356,642	650,010	5,006,652
1985	87,798	321,361	409,159	2,556	10,823	—	4,008	3,445,663	756,640	27,346	700	1,178	285,170	67,008	5,010,251	685,879	5,696,130
1986	87,798	416,625	504,423	1,275	8,163	—	4,008	3,559,090	1,170,955	98,190	666	1,766	284,740	89,265	5,722,541	1,575,268	7,297,809
1987	87,798	533,608	621,406	620	6,219	—	8,088	3,456,058	1,928,005	191,501	1,153	2,355	265,317	58,360	6,539,082	1,031,762	7,570,844
1988	105,357	609,693	715,050	440	1,727	—	4,213	3,799,239	1,872,357	229,658	1,803	2,944	221,321	62,256	6,911,008	1,827,254	8,738,262
1989	105,357	684,026	789,383	416	735	—	2,253	4,160,423	2,195,808	285,071	2,050	3,533	264,500	83,860	7,788,032	1,532,042	9,320,074
1990	175,595	1,037,632	1,213,227	192	7,031	—	12,606	4,679,784	3,160,657	247,347	2,353	4,121	343,651	119,868	9,790,837	2,458,501	12,249,338
1991	175,595	1,142,463	1,318,058	15,900	7,370	75,806	9,495	5,029,104	3,108,092	474,942	2,815	4,710	455,885	113,829	10,616,006	1,914,503	12,530,509
1992	175,595	1,252,575	1,428,170	5,872	6,137 ^(†)	131,073 ^(†)	15,652 ^(†)	5,489,100	2,803,155	752,917	3,539	5,299	536,812	135,361	11,313,087	4,974,896	16,287,983
1993	175,595	1,418,593	1,594,188	13,039	—	—	—	6,393,007	3,063,153	1,096,146	4,410	6,013	564,478	103,359	12,837,793	5,464,451	18,302,244
1994	245,833	1,983,409	2,229,242	13,763	—	—	—	5,366,489	4,461,893	1,601,089	4,690	6,727	502,025	111,528	14,297,446	3,851,623	18,149,069
1995	245,833	2,070,559	2,316,392	36,735	—	—	—	6,097,985	4,625,946	1,283,946	4,571	7,441	480,929	80,100	14,934,045	3,103,192	18,037,237
1996	245,833	2,152,495	2,398,328	35,201	—	—	—	6,432,396	4,783,236	1,441,434	4,739	8,155	476,621	62,142	15,642,252	4,114,659	19,756,911
1997	245,833	2,252,872	2,498,705	—	—	—	—	5,773,044	7,787,176	2,047,681	5,046	8,869	686,944	71,821	18,879,286	9,531,224	28,410,510
1998	295,059	2,972,222	3,267,281	—	—	—	—	4,082,396	10,297,074	2,707,852	6,013	9,583	1,455,901	129,561	21,955,661	24,883,375	46,839,036
1999	295,366	3,100,762	3,396,128	—	—	—	—	3,452,177	10,286,779	3,283,081	7,477	10,297	1,711,361	113,478	22,260,778	33,863,092	56,123,870
2000	307,780	3,317,037	3,624,817	—	—	—	—	2,918,920	11,072,736	3,072,363	9,286	11,011	2,686,566	126,413	23,522,112	43,236,774	66,758,886
2001	331,650	3,743,506	4,075,156	—	—	—	—	3,385,422	10,890,941	3,417,142	10,515	11,725	2,484,247	151,261	24,426,409	46,827,877	71,254,286
2002	389,265	4,069,354	4,458,619	—	—	—	—	4,508,208	11,202,082	4,430,055	11,961	12,439	2,446,155	117,646	27,187,165	50,916,657	78,103,822
2003	389,275	4,114,735	4,504,010	—	—	—	—	3,994,831	14,653,555	3,834,071	13,810	13,153	2,245,761	(14,027)	29,245,164	79,162,015	108,407,179
2004	389,291	3,993,794	4,383,085	—	—	—	—	7,381,096	14,663,091	3,612,124	14,172	13,917	2,397,840	427,563	32,892,888	84,319,470	117,212,358

(*) Provision for general banking risks, general credit risks provision and securities fluctuation allowance (between 1967 and 1984, when this allowance was taken to Reserve).

(†) Taken to Reserve.

(‡) Of which € 3.6m taken to Reserve.

(§) Of which € 12.5m taken to Reserve and the balance to write down the book value of securities.

FUND ALLOCATION ANALYSIS

For years ended 30th June	APPROPRIATION OF NET PROFIT									
	Gross profit for year	Allocation to credit risks provision	Net profit	Amount taken to Reserve	Amount taken to Special Reserve ⁽¹⁾	Writedowns in securities and investments, depreciation on furniture and equipment, and amortization of discounts on bonds issued	Total dividend paid	Percent dividend paid	Directors' remuneration ⁽²⁾	Increase (decrease) in retained earnings
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000		€ '000	€ '000
1947	(15)	—	(15)	—	—	—	—	—	—	—
1948	23	—	23	2	—	21 ⁽³⁾	—	—	—	—
1949	49	—	49	24	—	24	—	—	1	—
1950	87	—	87	26	—	3	54	7	2	2
1951	190	—	190	52	—	25	108	7	2	3
1952	210	—	210	52	—	38	108	7	3	9
1953	215	—	215	103	—	—	108	7	3	1
1954	213	—	213	52	—	52	108	7	3	(2)
1955	237	—	237	52	—	84	108	7	3	(10)
1956	277	—	277	77	—	57	135	7.50	3	5
1957	323	—	323	77	—	52	194	7.50	3	(3)
1958	388	—	388	77	—	52	248	8	3	8
1959	396	—	396	129	—	—	248	8	8	11
1960	718	—	718	387	—	—	331	8	8	(8)
1961	966	—	966	439	—	109	413	8	8	(3)
1962	1,004	—	1,004	413	—	116	465	9	9	1
1963	1,025	310	715	103	—	142	465	9	9	(4)
1964	1,289	516	773	103	—	90	558	9	12	10
1965	1,370	594	776	155	—	5	604	9	12	—
1966	1,644	723	921	181	—	—	723	10	14	3
1967	1,911	955	956	207	—	5	723	10	15	6
1968	2,219	1,162	1,057	258	—	—	775	10	16	8
1969	2,873	1,420	1,453	516	—	—	909	11	19	9
1970	2,976	1,808	1,168	258	—	5	909	11	18	(22)
1971	3,652	1,937	1,715	258	—	537	909	11	19	(8)
1972	3,390	2,195	1,195	258	—	—	909	11	19	9
1973	4,822	2,970	1,852	387	—	155	1,273	11	26	11
1974	6,988	4,777	2,211	511	—	395	1,273	11	26	6
1975	11,112	8,134	2,978	775	—	155	1,983	12	41	24
1976	17,077	6,972	10,105	1,808	4,132	2,109	1,983	12	41	32
1977	22,549	7,876	14,673	5,165	178	6,059	3,223	12	66	(18)
1978	25,034	9,296	15,738	6,197	6,197	98	3,223	12	65	(42)
1979	29,346	12,911	16,435	7,747	—	2,489	6,074	14	124	1
1980	33,728	15,494	18,234	7,747	3,099	1,214	6,074	14	123	(23)
1981	67,940	23,241	44,699	17,043	17,560	2,571	7,375	14	150	—
1982	29,720	10,423	19,297	7,747	—	1,498	9,833	14	201	18
1983	52,450	13,658	38,792	10,329	17,560	878	9,833	14	200	(8)
1984	60,560	16,119	44,441	27,372	—	3,476	13,170	15	272	151
1985	87,848	20,840	67,008	51,646	—	—	14,926	17	307	129
1986	124,380	35,115	89,265	67,139	—	4,080	17,560	20	361	125
1987	89,906	31,546	58,360	40,800	—	—	17,560	20	351	(351)
1988	84,324	22,068	62,256	40,800	—	—	21,071	20	429	(44)
1989	110,642	26,782	83,860	38,734	—	16,649	28,095	20	311	71
1990	153,577	33,709	119,868	83,912	—	339	35,119	20	454	44
1991	147,192	33,363	113,829	59,450	—	18,666	35,119	20	456	138
1992	171,152	35,791	135,361	99,852	—	—	35,119	20	452	(62)
1993	141,654	38,295	103,359	64,041	—	—	38,631	20	528	159
1994	154,910	43,382	111,528	61,975	—	—	49,167	20	733	(347)
1995	126,220	46,120	80,100	30,213	—	—	49,167	20	740	(20)
1996	110,692	48,550	62,142	12,137	—	—	49,167	20	742	97
1997	128,026	56,205	71,821	21,949	—	—	49,167	20	739	(34)
1998	191,858	62,297	129,561	62,090	—	—	66,401	22.50	1,091	(20)
1999	175,711	62,233	113,478	45,914	—	—	66,460	22.50	1,093	11
2000	198,407	71,994	126,413	47,898	—	—	77,230	25	1,312	(27)
2001	233,894	82,633	151,261	49,913	—	—	99,522	30	1,769	57
2002	204,646	87,000	117,646	265	—	—	116,782	30	618	(19)
2003	30,973	45,000	(14,027)	(154,166) ⁽⁴⁾	—	—	140,139	36	—	(81)
2004	460,563	33,000	427,563	111,201	—	—	311,535	80	4,827	—

⁽¹⁾ Allocations to Special Reserve were used to fund bonus issues of € 4.1m in October 1976, € 6.2m (together with € 6,019,000 from the Revaluation Reserve) in October 1977, € 6.2m in October 1978, € 3.1m in October 1980, € 17.6m in October 1981 and € 17.6m in October 1983.

⁽²⁾ Plus fixed fee of € 258,000 as from 30/6/89 and € 1.5m as of 30/6/02.

⁽³⁾ Of which € 15,000 to absorb prior year loss.

⁽⁴⁾ Of which € 14,027,000 to cover loss for the year, and € 140,139,000 for payment of dividend.

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