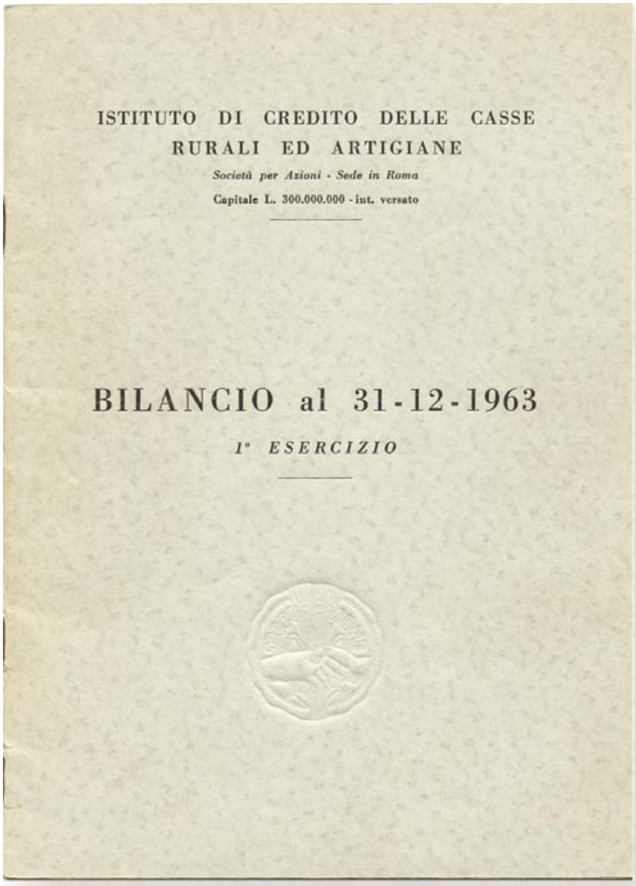
Financial Statement 2003



ICCREA BANCA
ISTITUTO
CENTRALE DEL
CREDITO
COOPERATIVO

CONSIGLIO DI AMMINISTRAZIONE

dr. ENZO BADIOLI	Presidente
avv. TULLIO ODORIZZI	Vice-Presidente
comm. CARLO VALTORTA	»
rag. VITTORIO ALBERTAZZI	Amministratore
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geom. GIUSEPPE CAPPELLO	»
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dr. GILIOLO ERSPAMER	»
ing. ALDO FORMICONI	»
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avv. GIUSEPPE LO GIUDICE	»
dr. RAIMONDO MAGNANI	»
avv. VINCENZO NOTO	»
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dr. ANTONIO ZUCCHINI	»
dr. ELIO TORELLI	Sindaco Supplente
comm. CARLO BORRA	»

COMITATO ESECUTIVO

dr. ENZO BADIOLI	dr. RAIMONDO MAGNANI
ing. ALDO FORMICONI	comm. CARLO VALTORTA
avv. TULLIO ODORIZZI	On.le ANGELO PRIORE

DIREZIONE

rag. ARTURO RAITANO	Direttore Generale
rag. CLIO MASSIMILLA	Capo Contabile

Corporate bodies

2001 – 2003

Board of Directors

Chairman
Clementi Giorgio(*)

Deputy Chairman
Colombo Annibale(*)

Directors
Bonacina Gianfranco
dell'Erba Augusto
Fiorelli Bruno
Gaetani Fausto
Mazzarello Giuseppe(*)
Melchiori Giorgio
Prati Antonio(*)
Saporito Salvatore
Tommasi Gian-Maria

Board of Statutory Auditors

Chairman
Bracci Remigildo

Auditors
Cateni Francesco
Petrone Silvio

Alternate auditors
Cuminetti Elio
Donnici Aldo

2004 – 2006

Board of Directors

Chairman
dell'Erba Augusto(*)

Deputy Chairman
Colombo Annibale(*)
Carri Francesco(*)

Directors
Bonacina Gianfranco
Buda Pierino(*)
Fiorelli Bruno
Gaetani Fausto
Gelsomino Giovanni
Mazzarello Giuseppe(*)
Michielin Gianpiero
Saporito Salvatore

Board of Statutory Auditors

Chairman
Bracci Remigildo

Auditors
Mariani Vittorio
Petrone Silvio

Alternate auditors
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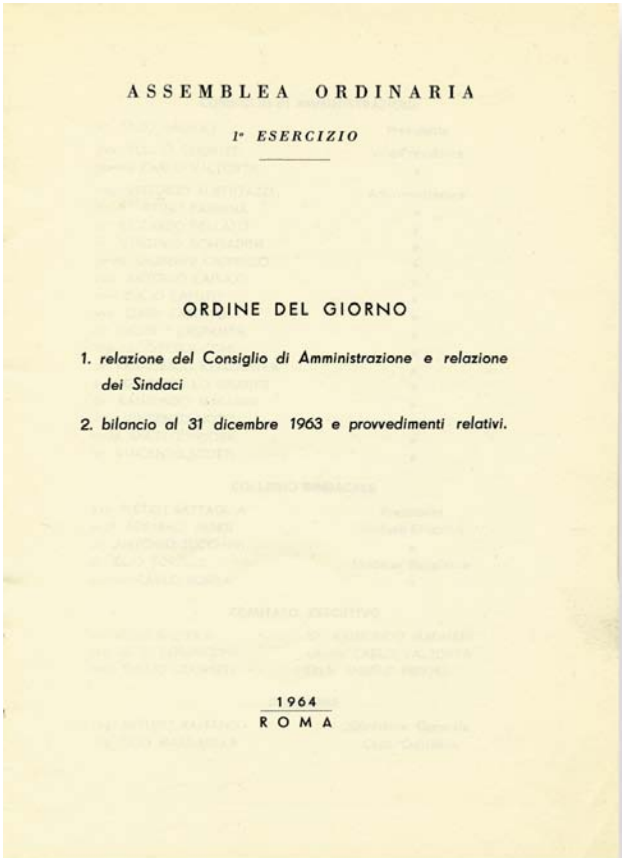


ASSEMBLEA ORDINARIA

1° ESERCIZIO

ORDINE DEL GIORNO

1. *relazione del Consiglio di Amministrazione e relazione dei Sindaci*
2. *bilancio al 31 dicembre 1963 e provvedimenti relativi.*

1964

ROMA

RELAZIONE DEL CONSIGLIO DI AMMINISTRAZIONE

Signori,

per la prima volta nella storia del movimento le Casse Socie sono chiamate a discutere il bilancio del loro organismo centrale, richiesto e voluto per rendere più intensa ed efficace la loro attività.

Ciò che oggi sottoponiamo al Vostro esame ed al Vostro giudizio è il bilancio di un breve corso di tempo, durante il quale gli amministratori sono stati chiamati ad affrontare questioni di vario ordine per la costituzione e l'avviamento dello Istituto.

Perciò al di là delle cifre che Vi sottoponiamo Voi dovete scorgere il desiderio nostro e Vostro di riuscire a dar vita ad un organismo agile ed efficace che sia veramente strumento di propulsione per lo sviluppo delle Casse Rurali ed Artigiane.

L'ambizione degli amministratori è di tradurre in pratica il più rapidamente possibile il dettato dell'articolo 2 del nostro statuto sociale il quale precisa molto opportunamente i confini entro cui dobbiamo operare: « l'Istituto ha lo scopo di rendere più intensa ed efficace l'attività delle Casse Rurali ed Artigiane, agevolando coordinando ed incrementandone l'azione mediante lo svolgimento delle funzioni creditizie di intermediazione e di assistenza a favore degli Enti partecipanti, previste e disciplinate dallo Statuto e l'attuazione di ogni altra idonea iniziativa consentita in materia dalle leggi vigenti ».

Noi desideriamo aggiungere alle chiare indicazioni statutarie la volontà di procedere, con tatto e prudenza per un nostro graduale inserimento nel sistema bancario, operando con quel tanto di buon senso e di tecnica che l'esercizio del credito richiede, sempre in stretto contatto con il Superiore Organo di

7

Report on operations

Introduction

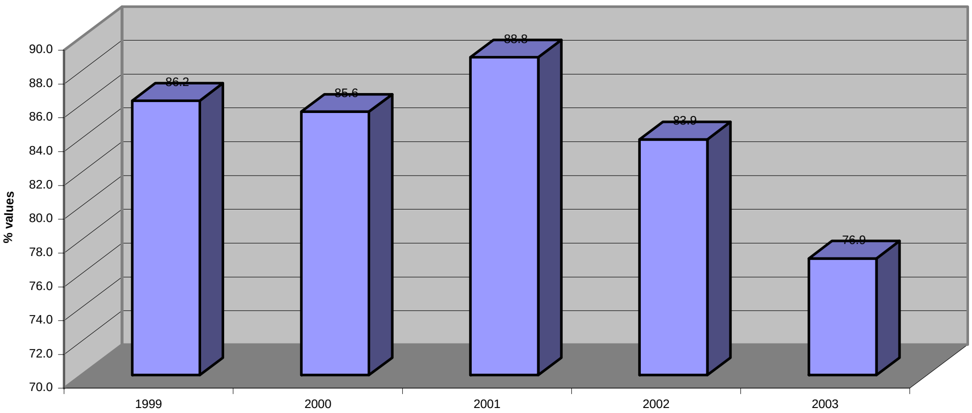
Shareholders,

Although considerable uncertainty persisted through 2003, the Bank continued strengthening its product development and distribution and carrying out the structural and organizational rationalization that characterizes this phase of its development.
The Bank undertook numerous initiatives and achieved good results as regards both the expansion of operations and the rationalization and integration of its organization.

The operational and organizational rationalization also enabled the Bank to make good use of opportunities to grow in profitability and size.

The cost-income ratio declined by 7 percentage points from 83.9% in 2002 to 76.9% in 2003. The ROE stayed at around 5%.

Cost-income ratio



All the more encouraging is the fact that these objectives were achieved in a period that, contrary to most forecasts, did not see any substantive economic improvements such as might produce a structural and lasting recovery.

As in the prior financial year, the main macroeconomic indicators were revised downwards during 2003. The weakness of consumption and investment, the difficulties of exporters in penetrating markets as a result of the unfavorable euro exchange rate, the problems of a manufacturing sector faced with growing competition, especially from Asia, and, finally, the events connected with the Cirio and Parmalat affairs all combined to create a dangerous climate of pessimism, which has increased the difficulty of creating conditions conducive to economic recovery.

Against this background, and its own extensive reorganization notwithstanding, the Bank succeeded in making appreciable efficiency and profitability gains, which are encapsulated in the figures shown above.

By leveraging its skills, operational tools and product range, the Bank succeeded in meeting the demands of its customers, strengthening its community ties and preserving its local character while providing adequate remuneration to its human resources and leveraging the professional potential present in the company.

Reform and revitalization necessarily require the willing participation of staff and the maintenance of constant relations with the trade unions. Thanks to the agreement on voluntary recourse to the Solidarity Fund, signed on 21 February 2002 for employees in the head offices of the Bank, and the agreement of 16 June 2003 for employees in the branch network, the total downsizing will affect 99 employees by 31 March 2004. To safeguard relations with customers, expand its professional skills and build long-term relations, the Bank has devoted particular effort to developing its human resources. Training plays a key role in this context, and the Bank has therefore provided training courses to almost all its employees in technical-specialist and human development-organizational skills. A sizeable proportion of these training courses form part of the three-year Training Plan agreed on 21 February 2002.

BANK EMPLOYEES DIVIDED BY TYPE (% OF TOTAL)

	2003	2002	2001	2000	1999
Executives	1.8	1.7	2.4	2.5	2.8
Middle managers	10.0	10.0	11.7	11.8	12.7
Others	88.3	88.3	85.8	85.7	84.5
Total	100.0	100.0	100.0	100.0	100.0

Thanks to the activities and initiatives undertaken in 2003, the Bank reaffirmed the centrality of its institutional role as provider of technical and operational support to mutual banks, an especially important role in view of the current market context of rising competitive pressure, which obliges it to achieve ever-higher standards of efficiency and efficacy. Reinforcing its strengths and building its capacity to handle technological innovation and market change are necessary conditions for enabling the Bank to protect and strengthen the role and position of mutual banking in the national economic fabric.

The continuous reinforcing of the network system, in which Iccrea has traditionally played an important part, makes it possible to ensure that even the smallest of the mutual banks can remain autonomous entities, firmly rooted in their local environments, while also enjoying economies of scale and a breadth of scope that enable them to compete on the market.

On 30 November 2003, the Bank celebrated its 40th birthday. At the time of its foundation, Iccrea offered the mutual banks a means of self-administration and the internalization of their transactions, so they could finally achieve independence from other banks. This was how the then Governor of the Bank of Italy, Guido Carli, described its function: "*Iccrea...was never conceived as an institute that would transform mutual banks into branches of a large central institute, but, rather, as an institute providing mutual banks with services that they could not produce for themselves. So successful was*

this process that a mutual bank in a small town in Valcamonica that I know well can offer services comparable to those of a major city bank."

The current initiatives relating to the reorganization of the corporate structure and equity investments of the Iccrea Group will directly affect the main companies of the Group and reshape the Group's competitive model, which will enable the Bank to focus even more intently on leveraging its specific skills and increasing value for stakeholders.

In the second half of 2003, the Iccrea Group embarked on a thorough review of its mission and, consequently, its organizational structures.

The entire management of the Group, acting under the coordination of Iccrea Holding, participated in the preparatory work, which was concluded in December 2003 with the definitive approval of a plan for the strategic repositioning of the Group.

As we shall describe below, the organizational changes, which relate to both back-office and front-office structures, and the extensive organizational and IT reforms made necessary by recent regulatory changes in Europe and elsewhere (Basle 2, IAS, EBA 2 etc.) have obliged Iccrea to undertake specific projects and draw up product business plans.

The rethink of Iccrea's role evolved from a careful appraisal of the current state and position of mutual banks.

In 2003, the mutual banking system continued the dynamic growth that has been a feature of recent years.
The growth was strong in both lending and funding.

Although the growth attests to how mutual banks are successfully carving out an important position for themselves in the national economy, the various facets that make up the growth also need to be considered.

The sector is not proceeding at the same pace everywhere, and, in some cases, the performance in certain geographical areas is uneven. In light of this situation, the market opportunities that Iccrea is successfully exploiting need to be used to serve mutual banks, whose specific needs must therefore be interpreted on a case-by-case basis. At the same time, however, Iccrea must also act as a central institute that flanks the mutual banks and provides them with constant support to reinforce their relations with the households and businesses they serve.

As part of a program to enrich its range of banking products, Iccrea plans to increase its professional qualities through the delivery of a wealth of products and services. This ambition has prompted Iccrea to evaluate the possibility of taking over all the securitization activities of mutual banks with a view to tailoring the Group's services to the individual financial and economic needs of the mutual banks.

With specific regard to the definition of strategic guidelines, Iccrea Banca has reaffirmed and underscored its mission as a mediating agency between the banking system as a whole and the mutual banks in the area of payments systems, capital market operations, liability financing and asset liability management services on behalf of mutual banks, and as a provider of outsourced securities management services.

In other words, Iccrea Banca, in addition to its strategic function of serving as an interface in the payment system for mutual banks, must also increasingly assume strategic responsibility for providing indispensable financial guidance to mutual banks, and must therefore operate on their behalf on capital markets by making use of the most advanced instruments available.

The achievement of this aim requires the adequate training of human resources, especially those engaged in front office activities, to improve their approach to dealing with customers.

The good performance in 2003 was once again confirmed by leading international institutions.

As is by now its customary practice, the Bank underwent the Standard & Poor's rating review process.

The agency confirmed the positive rating given in previous years, awarding an "A" for the long term and "A1" for the short term, with a stable outlook. The agency also underscored the Bank's effectiveness in carrying out its specific role, and the quality of its capital adequacy ratios (Tier 1 stable at 10% over the last two years) and profitability, which is in keeping with our principal role as a provider of services to mutual banks. The final assessment also reflects Standard & Poor's opinion that the low degree of asset risk is not a cause for concern and that the outlook is stable.

Shareholders,

Following this overview of the key factors and management issues that characterized the Bank's activity in 2003, we can now bring you up to date on the economic and financial results achieved and the evolution of the principal balance-sheet aggregates. The criteria followed in drawing up the financial statements and the accounting details are specified in the notes to the financial statements. An overview of the macroeconomic scenario, the trends in financial intermediation, and the position of the mutual banking system will provide a framework within which the results achieved by the Bank may be better understood.

THE MACROECONOMIC CONTEXT

The world economy

The recovery in the global economy that began in the summer of 2003 strengthened in the final quarter of the year, thanks to an easing of international political tensions.

The three main areas of the world economy, the United States, Japan and the euro area, used budgetary policy to sustain economic activity, while monetary policy, already expansionary, became even more accommodating. Real short-term interest rates fell to around zero. Global trade progressively expanded over the year and, by the fourth quarter, was growing rapidly.

The growth of the global economy, however, is quite unevenly spread.

In the United States, annualized GDP growth in the third quarter of 2003 reached 7%. Even though a slowdown occurred in the fourth quarter, growth remained swift at 4.1%. The average for 2003 as a whole was 3.1%.

The economic growth of the United States was driven above all by military spending in the second quarter, which contributed to more than half the total GDP growth of 2003. Growth also received a powerful boost from the rise in private consumption (which increased in the third quarter by an annualized 2.7%, after a rise of 6.6% in September), largely attributable to the tax relief approved in May by the US Administration.

The acceleration in economic activity took place in an environment of modest inflation, even in the final part of the year.

In Japan, the economic expansion registered in the first three quarters of the year strengthened still further in the fourth.

Average GDP growth in Japan in 2003 was 2.7%, compared with the forecast of just 0.8% made in the spring of 2003 by leading international institutions. In 2002, the Japanese economy shrank by 0.4%.

The recovery was primarily brought about by an expansion in private non-residential investment, which grew at an especially fast pace in the last three months of the year (at an annual rate of 22%).

The euro area

While the recovery in the American and Japanese economies accelerated in 2003, the weakness of activity that began two years earlier in the euro area persisted. In addition to the continuing slackness of domestic demand in euro area countries, the appreciation of the currency also exacerbated the situation by reducing European competitiveness. Exports remained stagnant, while imports rose.

The average rate of GDP growth in the euro area for 2003 was 0.4%, less than the already mediocre 0.9% registered in 2002. Economic stagnation in the first half of the year was followed by a modest acceleration in GDP growth in the second.

The climate of confidence, which reached its lowest point since 1996 in May, began to edge upwards again in the second part of 2003, but remained historically low. In particular, current and future purchasing intentions remain depressed.

The harmonized consumer price index for the euro area rose by 2.1% in 2003, compared with 2.3% in 2002.

The Italian economy

In Italy, economic activity remains weak. Last year, Italian GDP rose by just 0.3% (0.4% in 2002). The stagnation of the first two quarters of the year was followed by a sharp increase in output in the third quarter, which, however, came to a halt in the fourth.

The impetus of final domestic demand was enough to offset the negative impact of external demand. The index of industrial production showed a fall for the third year in succession.

On average, consumption accelerated in 2003 (rising by 1.3%, compared with 0.5% in 2002). For the first time since the recession in the early 1990s, investment spending contracted by 2.1%.

Italian products continued to lose market share in 2003, a trend that has been under way since the mid-1990s. Measured in constant prices, Italy's share of total global trade fell fallen from 4.5% in 1995 to 3.0% in 2003.

In October 2003, the unemployment rate was 8.5%. Unemployment, which is below the European average, fell by four tenths of a point with respect to the previous year.

The 12-month change in the general consumer price index was 2.7% (up from 2.5% in 2002).

Net general government borrowing in 2003 amounted to 2.4% of GDP (2.3% in 2002).

In the course of 2003, monetary policy became moderately expansive as the risk of inflation ebbed and the need to counter economic weakness became more pronounced. The most recent cut in official rates, which are at a historic low, was made on 6 June. At present, the minimum bid rate on refinancing operations is 2%, that on the marginal lending facility is 3% and that on the overnight deposit facility is 1%.

The Italian stock market

Stock market indices and share prices

The Mib closed the year at 19,374 points, an advance of 14.3% with respect to the end of 2002. The highest point in the year was on Thursday 4 December, when the index reached 19,946 (+17.6% compared with end-2002), and the lowest came on Wednesday 12 March (14,867 points, -12.3%).

Among continuous indices, the Mibtel closed 2003 with a gain of 14.3%, the new S&P/Mib gained 14.9% and the Mib30 12.5%. The Midex rose by 25.8% to outperform all the other market indices. Compared with its minimum in March 2003, the Midex had gained 42.1% by the end of the year.

Of the 321 stocks listed at the end of the year, 212 (66.0% of the total) achieved a substantially positive performance over the year (gaining more than 2.5%), 22 (6.9%) remained unchanged (moving within the range of -2.5% to +2.5%), 68 (21.2%) performed poorly (losing more than 2.5%) and 19 (5.9%) could not be measured because they were either unlisted or suspended from trading at the end of 2002.

At the end of November, the Italian Stock Exchange had a capitalization of €487.6 billion, making it the sixth largest in Europe by value of listed domestic shares.

Trading volume

A total of 44.3 million shares and covered warrants with a value of €693 billion were traded on the Italian stock exchange in 2003. The average daily volume was 176,000 transactions with an average value of €2.8 billion (6.2%).

Daytime trading on the exchange saw a significant increase in value, rising from a daily average of €2.4 billion to €2.6 billion (+6.8%). The daily average number of transactions conducted during daytime trading was 138,000.

Equity derivatives

In 2003, 17.7 million standard contracts were traded with a corresponding notional value of €776 billion. Average daily trading of standard contracts rose from 68,443 in 2002 to 70,516 (+3.0%).

Futures on the Mib30 index registered a daily average of 17,000 standard contracts with a notional value of €2.1 billion.

The miniFIB saw growth both in contracts traded (with average daily volume rising from 8,464 to 10,218: +20.7%) and in notional value (with average daily volume rising from €231 million to €252 million).

The average daily volume of options on the Mib30 index was 9,900 standard contracts with a value of €0.6 billion.

The average daily volume of equity options rose in respect of standard contracts from 30,111 in 2002 to 31,500 in 2003.

On the Italian Derivatives Exchange (IDEM) the average volume of stock futures trading increased by 248.6%, from 535 standard contracts with a value of €2.9 million per day in 2002 to 1,800 with a value of €8.2 million in 2003.

Mot and Euromot

The total value of trade in government securities was €133.3 billion in 2003, with an average daily value of €531 million. Bond trading on the MOT increased from €7.8 billion to €8.8 billion, with the average daily value rising from €30.9 to €35.2 million (+13.7%).

Trading on the EuroMOT jumped from €2.3 to €3.7 billion, with the daily average increasing from €9.1 million to €14.7 million (+ 61.1%).

Placement operations

In 2003, listed companies carried out 28 capital increases (24 on the Stock Exchange, 3 on the Nuovo Mercato and one on the Expandi market), through which companies raised €9.8 billion.
The six placement operations, all of them carried out by listed companies, raised €2.8 billion, practically the same amount as in 2002 (€2.9 billion).

Public tender offers

A total of 32 public tender offers (PTOs) with a value of €16.9 billion were made in 2003. Compulsory PTOs became part of Italian law in 1992. The number of PTOs carried out in 2003 equaled the high recorded in 1996 and was second in value only to 1999 (when the total was to €55 billion).

The Italian banking system within the euro area

The number of banks in the euro area was 6,593 at 31 December 2003, compared with 6,906 at the end of 2002 (-4.5%). At the end of 2003, Italy had 795 operating banks, which account for 12.1% of the area total.

As regards operations involving the main banking business lines, at the end of December 2003 the aggregate of "deposits and bonds" of euro-area monetary financial institutions (MFIs) totaled €9,462 billion (+5.8% compared with a year previous).

Lending to residents by euro-area MFIs totaled €7,913 billion at the end of 2003, an increase of 5.9% on the previous year.

The performance of mutual banks

Against this background, developments in the principal balance-sheet aggregates of the mutual banks in the final quarter of 2003 showed an increase in the total lending and funding that was far greater than the banking system average. Lending in particular increased strongly, and funding saw substantial growth in both the demand and term components.

Lending to mutual bank customers amounted to €66,986 million at the end of 2003, with an annual growth rate of 17.3%, compared with 5.8% for the Italian banking system as a whole. Within this total, mortgage lending continued to grow, though at a slightly slower pace than in 2002 (22.3% compared with a system average of 13.4%). Mortgage lending by Italian mutual banks at the end of December 2003 totaled €34,259 million.

The data for December 2003 confirmed the mutual banks' vocation of channeling lending to households and small craft firms. Against an overall share of the lending market of 5.9%, the mutual banks accounted for 21% of loans to craft firms with fewer than 20 employees, and 15% of loans to producer households.

At the same time, there was strong growth during the year in lending to larger firms. Mutual banks' lending to non-financial companies (mainly corporations) increased by 24.3%, compared with an average of 6.9% for the system as a whole.

The mutual banks remain strongly committed to supporting the borrowing needs of consumer households, with their share of the household credit market reaching 8.8%.

As regards loan quality, the significant drop in bad debts in 2002 thanks to the multi-originator securitization operations carried out by BCC Securis, was followed by an upturn in 2003 (9.2%), though the rise was smaller than that in total lending.

The ratio of bad debts to total lending in the mutual banking sector progressively decreased toward the end of the year to stand at 2.9% at 31 December, compared with a system average of 4.6%.

Interbank lending by mutual banks expanded at a moderate rate through almost the entire year contracted towards the very end of the period. The aggregate totaled €6,178 million in 2003 (-6.3% compared with end-2002), equal to 5.8% of total assets, well below the figure for the banking system as a whole (19.8%).

In respect of investments in securities, the securities portfolio of the mutual banking sector increased by 2.1% year-on-year, compared with 5.5% for the system.

At the end of 2003, direct funding by mutual banks amounted to €85,135 million, a rise of 11.5%, which is significantly greater than the 4.5% registered by the banking system as whole.

The total capital of mutual banks at 31 December 2003 was €11,523 million (up 6.2%), equal to 11.1% of total liabilities (the capital and reserves aggregate of the banking system was 7.8% of total liabilities).

Indirect funding at 31 December 2003 was €28,547 million, which, running counter to the trend in the system as a whole, represents an annual decrease of 4.3%. The ratio of indirect to direct funding by mutual banks was 33.5%, compared with a system average of 167.8%.

As regards earnings, preliminary data for December 2003 confirmed that the income statements of mutual banks are continuing to show good results and higher profits deriving mainly from traditional banking activities, even though their operating costs remain higher than the average for the banking sector as a whole.

With respect to the main structural aspects of the sector, at the end of December 2003, 446 mutual banks were active and operating a total of 3,332 branches (10.9% of the national total) located in 96 provinces and 2,298 municipalities.

The number of mutual bank members at 31 December 2003 was 686,451, 5.9% more than the previous year. The number of customers rose by 5.5% to 1,376,533.

Finally, the number of employees in the category continued to rise in conjunction with the expansion of the network. The total number of employees rose from 24,520 at the end of December 2002 to 25,282 at the end of December 2003 (+3.1%). In the system as a whole, the movement was in the opposite direction, with a significant fall (-1.8%) over the same period.

The activity of the Bank

The following is a summary overview of the Bank's balance sheet and income statement at 31 December 2003, with comparative figures for 31 December 2002. Greater detail is provided in the financial statements and the related notes.

Balance sheet data

At 31 December 2003, total assets and liabilities amounted to €5,994.2 million, compared with €6,838.8 million at end-2002. On the asset side, the reduction mainly regarded loans to banks, while on the liabilities side, it related to a reduction in funding with mutual and other banks.

AGGREGATES	2003	2002	TOTAL CHANGE	% CHANGE
ASSETS				
Loans to banks	4,205.2	5,174.3	-969.1	-18.7
Loans to customers	745.0	782.3	-37.3	-4.8
Securities	576.7	473.8	102.9	21.7
Equities	82.6	60.5	22.1	36.5
Total interest-bearing assets	**5,609.4**	**6.490,9**	**-881,5**	**-13,6**
Other assets	384.8	347.9	36.9	10.6
TOTAL ASSETS	5,994.2	6,838.8	-844.6	-12.3
LIABILITIES				
Due to banks	4,592.4	5,570.9	-978.5	-17.6
Due to customers	388.9	401.7	-12.9	-3.2
Debt securities in issue	392.9	370.0	22.9	6.2
Total interest-bearing liabilities	**5,374.2**	**6,342.7**	**-968.5**	**-15.3**
Other liabilities	315.3	242.8	72.5	29.9
Shareholders' equity	293.8	242.5	51.4	21.2
Net income for the year	10.9	10.9	0.0	0.3
TOTAL LIABILITIES	5,994.2	6,838.8	-844.6	-12.3

The following pages consider the performance of the main asset and liability aggregates of the balance sheet.

Assets

Total interest-bearing assets decreased from €6,490.9 million in 2002 to €5,609.4 million in 2003 (-12.3%). The fall was mainly concentrated in lending to banks.

In more detail, loans to banks contracted by €969.1 million (-18.7%), and at the end of the financial year amounted to €4,205.2 million. The decrease is entirely ascribable to the fall in the value of loans to other banks, which fell by €976.3 million (-22.7%).

BREAKDOWN OF LOANS TO BANKS	31/12/2003	31/12/2002	TOTAL CHANGE	% CHANGE
Mutual banks	874,847	867,722	7,125	0.8
Other banks	3,330,328	4,306,593	-976,265	-22.7
Total interest-bearing liabilities	4,205,175	5,174,315	-969,140	-18.7

Loans to customers contracted by 4.8%, from €782.3 million in 2002 to €745.0 million in 2003. The decline mainly regarded loans not directly pertinent or functional to the activities of the mutual banks. Bad debts totaled €21.7 million, a decline of 2.2%% compared with 2002. The credit risk index at the end of 2003 stood at 2.9%.

BREAKDOWN OF LOANS TO CUSTOMERS	31/12/2003	31/12/2002	TOTAL CHANGE	% CHANGE
Current accounts	347,149	409,491	-62,342	-15.2
Mortgage loans and other loans	364,665	330,965	33,700	10.2
Portfolio discounting	2,311	7,824	-5,513	-70.5
Third-party funds under administration	7,820	8,024	-204	-2.5
Bad debts	21,708	22,187	-479	-2.2
Loans to Credico Funding S.r.l. (CBO)	1,334	3,809	-2,475	-65.0
Total	744,987	782,300	-37,313	-4.8

The bond portfolio grew by €102.9 million (from €473.8 million to €576.7 million), an increase of 21.7% compared with the previous year.

Portfolio equities and units in funds totaled €82.6 million, an increase of €22.1 million (36.5%) connected with the development of structured products. The total includes €56.1 million in units of the closed-end Securfondo real estate fund.

At 31 December 2003, the book value of the Bank's portfolio (bonds and equities), which is entirely classified among "trading securities" totaled €659.3 million, compared with €534.3 million at end-2002.

BREAKDOWN OF SECURITIES	31/12/2003	31/12/2002	TOTAL CHANGE	% CHANGE
Treasury securities	218,240	53,726	164,514	306.2
Bonds	358,420	420,035	-61,615	-14.7
Total debt securities	576,660	473,761	102,899	21.7
Equities	82,596	60,524	22,072	36.5
Total securities	659,256	534,285	124,971	23.4
Investment securities	0	180,760	-180,760	-100
Trading securities	659,256	353,525	305,731	86.5

The disposal of bonds from the investment portfolio generated gains of €6.4 million, which were recognized as extraordinary income. The sale, carried out in implementation of a decision taken by the Board of Directors on 14 February 2003, was essentially intended to lower interest rate risk (which consequently fell by around two percentage points) and to improve the maturity-transformation structure of assets and liabilities.

For more details of the operation, see Part B, section 2 ("Securities") of the notes.

As far as equity investments are concerned, the implementation of the parent company's Governance Plan, whose provisions include the concentration of equity investments with the parent company, entailed the sale of the Bank's stake in BCC Capital to the parent company. The 9,297,000 shares were transferred for a price of €10,649,312, which corresponds to the book value of the subsidiary.

To supervise subsidized lending activities more effectively, the Bank acquired a stake of 30% in Prominvestment S.p.A.. The operation involved the acquisition of 428,571 shares for €684,919.

Liabilities

Interest-bearing liabilities amounted to €5,374.2 million, a decrease of 15.3%, mainly as a consequence of the reduction in interbank funding.

Interbank deposits totaled €4,592.4 million, a fall of 17.6% compared with 2002. Of the total reduction of €978.5 million, €391.0 million referred to mutual banks and €587.5 million to other banks. Mutual bank deposits include €526.5 million in reserve requirements that the Bank manages on their behalf.

BREAKDOWN OF AMOUNTS DUE TO BANKS	31/12/2003	31/12/2002	TOTAL CHANGE	% CHANGE
Mutual banks	3,809.,241	4,200,220	-390,979	-.3
Other banks	783.,197	1,.370.,712	-587,515	-42.9
Total	4,592,438	5,570,932	-978,494	-17.6

The reduction in interbank funding was associated with a fall of €12.9 million (from €401.7 million in 2002 to €388.9 million in 2003) in funding with ordinary customers, which is mainly composed of current accounts. Funding through debt securities, however, increased by €22.9 million (from €370.0 million in 2002 to €392.9 million in 2003). The main components of this aggregate are: outstanding checks (€235.1 million), bonds (€50.9 million) and credit linked notes (€106.8 million). During 2003, new bond issues amounted to €96.7 million and redemptions to €79.5 million.

At 31 December 2003, shareholders' equity (excluding net income for the year and including the increase the allocation to the provision for general banking risks) amounted to €293.8 million, up €51.4 million (21.2%) compared with €242.5 million at the end of 2002. The increase is the combined result of a rise in the value of the legal reserve (to which, pursuant to law, three tenths of earnings for 2002 were allocated), accruals to the general banking risk provision (€0.2 million) and, especially, the revaluation of the Bank's property assets amounting to €47.9 million, net of withholding tax.

In respect of this last point, at its meeting of 25 March 2004 the Board of Directors approved the revaluation of real estate in accordance with the terms of Article 2 paragraphs 25/27 of Law 350 of 24 December 2003, which permits the voluntary revaluation of capital assets pursuant to articles 10-16 of Law 342 of 21 November 2000, in the manner prescribed by the Ministerial Decree of 13 April 2001. The purpose of the revaluation was to bring unrecorded capital gains onto the Company's books.
The revaluation involved all real estate owned by the Bank at 31 December 2002. Each asset was revalued with reference to its market value, as this was felt to be more consistent with the activity for which it is used. From an accounting perspective, the

revaluation was made on the basis of the historical cost of the asset net of accumulated depreciation, thereby extending the period of depreciation for each asset. The net balance resulting from the revaluation, which was the sum of the additional value attributed to the assets less withholding tax in settlement, amounted to €47,865,650, which was taken to the revaluation reserve. The value assigned to the assets does not exceed their market value, which was determined on the basis of an expert appraisal.

The revaluation entails the payment of a one-off withholding tax of 19% of the additional book value of the assets (€11.2 million), which was deducted directly from the total value of the revaluation.

The revaluation reserve helped increase regulatory capital at 31 December 2003. The situation at end-2003 is illustrated in Part B, section 8 of notes to the financial statements, which also provides information on regulatory capital.

Other business areas

In 2003, the Bank was active in other business areas, notably collection and payment services as well as management and advisory services for financial products and services.

Information on the activities and results of the main business areas is provided in the remainder of this report.

The income statement

The results for the period were achieved against a background of considerable uncertainty.

MAIN AGGREGATES OF THE INCOME STATEMENT	2003	2002	TOTAL CHANGE	% CHANGE
Interest income	178,886,832	241,775,537	-62,888,705	-26.0
Interest expense	-146,422,844	-204,764,892	58,342,048	-28.5
Net interest income (expense)	32,463,988	37,010,646	-4,546,658	-12.3
Dividends	2,866,401	4,622,075	-1,755,674	-38.0
Commission income	153,348,633	140,398,171	12,950,462	9.2
Commission expense	-72,146,576	-61,221,035	-10,925,541	17.8
Income on financial transactions net of revaluations/writedowns	17,608,619	4,514,756	13,093,863	290.0
Other operating income	5,260,391	3,109,446	2,150,945	69,2
Other operating costs	-206,500	0	-206,500	
Net income from services	106,730,968	91,423,413	15,307,555	16.7
Gross income	139,194,956	128,434,058	10,760,898	8.4
Operating expenses	-98,588,846	-97,111,939	-1,476,907	1.5
Gross operating income	40.606.110	31.322.119	9.283.991	29.6
Amortization/depreciation	-8.625.178	-10.704.476	2.079.298	-19.4
Net operating income	31.980.932	20.617.643	11.363.289	55.1
Net income	10.888.705	10.861.128	27.577	0.3

Net interest income

Net interest income at 31 December 2003, which is the balance of fund management activities and interest income on hedging derivatives, amounted to €32.5 million, down 12.3% on 2002 (€37.0 million). As a ratio of total revenues (gross income), the incidence of net interest income fell from 28.8% at end-2002 to 23.3% at end-2003. By contrast, net income from services increased, which is more in keeping with the Bank's central mission of providing services to the mutual banks. The reduction in the aggregate is chiefly due to the following: a fall in interest rates, which reduced the contribution to income of non-interest-bearing funding, which itself showed a decline; the grace period associated with the growth of the mutual bank credit card, which continued in 2003; and the sale of bonds that formed part of the investment portfolio that included large coupon flows.

Intermediation and other revenues

Revenues from intermediation and other activities (net income on services) at 31 December 2003 amounted to €106.7 million, up 16.7% on the prior year. The revenues were 76.7% composed of net income from intermediation, an increase on the 71.2% of 2002.

Commissions

At 31 December 2003, net commissions from services amounted to €81.2 million, an increase of 3.8% compared with 2002 (€79.2 million).

BREAKDOWN OF COMMISSIONS	31/12/2003	31/12/2002	TOTAL CHANGE	% CHANGE
Collection and payment services	45,415	44,769	646	1.4
Management, intermediation and advisory services	13,831	14,064	-233	-1.7
Other services	21,956	20,344	1,612	7.9
Total net commissions	81,202	79,177	2,025	2.6

The growth is entirely due to the increase in net commissions generated from collection and payments activities (+1.4%) and other services (7.9%). An increasing proportion of the aggregate "other services" consists of commissions on issues, use and renewals of credit cards, including the mutual bank credit card, which greatly extended its market penetration in the year. Net commissions from credit cards in 2003 came to €9.9 million, while fees for the mutual bank network and ATM commissions came to €10.8 million.

The contribution from commissions on management, intermediation and advisory services continued to decline, as they contracted by 1.7% or about €0.2 million. The decrease was concentrated in securities placement and trading and revenues from depository bank services. By contrast, commissions from asset management and the custody and administration of securities rose.

Income and losses from financial transactions

Income and losses from financial transactions (securities trading, foreign exchange,

derivatives held for purposes other than hedging and the related year-end valuations) is the most volatile segment of revenues from intermediation.

The aggregate increased almost four-fold with respect to the previous year: from €4.5 million to €17.6 million.

For more information on the aggregate, see the relevant section in the notes to the financial statements.

Other operating income and expenses

Other operating income and expenses produced a net positive result of €5.1 million (mainly caused by the recovery of costs relating to seconded staff and to stamp duty, the insourcing of oversight reporting for mutual banks, the contribution of the Solidarity Fund, revenues generated from subsidized lending activities and rental income). The aggregate increased with respect to 2002, when it was €3.1 million. Further details are given in sections 6.1 and 6.2 of the notes to the financial statements.

Gross income

In 2003, the Bank's gross income came to €139.2 million, an increase of 8.4% compared with 2002 (€128.4 million), which attests to a recovery in profits on ordinary activities. It was largely made up of net income on services, which more than compensated for the fall in net interest income.

General and administrative expenses

General and administrative expenses rose by 1.5% in 2003. The total, which includes staff costs, administrative expenses, and indirect taxes and duties, came to €98.6 million.

Staff costs

In 2003, staff costs came to €53.5 million, compared with €52.6 million the previous year. It should be noted that the total for the year also includes the incentive and performance bonus, the second of which will be distributed in 2004.

Other administrative expenses

In 2003. other administrative expenses totaled €45.1 million, an increase of 1.3% compared with 2002 (€44.5 million).

BREAKDOWN OF OTHER ADMINISTRATIVE EXPENSES	31/12/2003	31/12/2002	TOTAL CHANGE	% CHANGE
Data processing, software maintenance, press agency	13,381	13,934	-553	-4.0
Mutual bank network management	4,418	4,728	-310	-6.6
Office expenses	6,001	6,439	-438	-6.8
Promotional expenses, association dues, contributions	1,536	1,602	-66	-4.1
Professional fees, consulting, reimbursements	2,801	3,063	-262	-8.6
Fees and reimbursement of directors	448	444	4	0.9
Advertising	880	1,410	-530	-37.6
Outsourcing of EDP services	3,065	3,072	-7	-0.2
Other outsourcing activities	2,162	0	2,162	
Postal expenses	3,964	3,975	-11	-0.3
Maintenance of real estate and movable property	2,612	1,998	614	30.7
Other	584	848	-264	-31.1
Indirect taxes and duties for the year	3,222	3,004	218	7.3
Total	**45,074**	**44,517**	**557**	**1.3**

Overall, there was a general curtailment of costs with respect to 2002, in line with the objectives of the business plan. The exception was spending on outsourcing, which mainly referred to the costs of centralizing internal auditing activities on the Group parent, and the outsourcing of archive storage and delivery system, and the costs of upgrading the local network, especially the Milan branch.

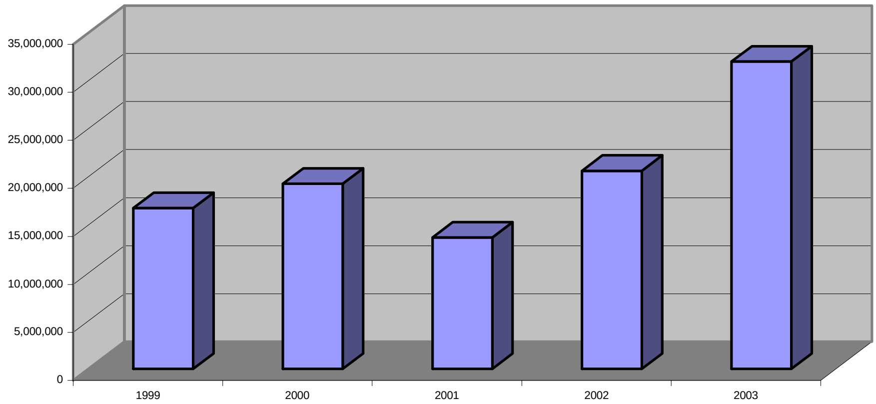
Amortization and depreciation of intangible and tangible fixed assets

Amortization and depreciation of intangible and tangible fixed assets fell from €10.7 million in 2002 to €8.6 million in 2003 (-19.4%).

Net operating income

As a result of the developments described above, net operating income increased by 55.1% to reach €32.0 million (€20.6 million in 2002).

Net operating income



Provisions for liabilities and contingencies

Provisions for liabilities and contingencies totaled €1.2 million, compared with €1.4 million in 2002. The total is mainly made up of provisions allocated to offset the risk of revocatory actions advanced in bankruptcies.

Loan-loss provision

In 2003, €5 million was allocated to the loan-loss provision, which refers only to possible risks on loans and is not used to adjust their value. No allocations were made to the provision in 2002.

Net adjustments to loans and provisions

At 31 December 2003, net adjustments to loans and provisions made in the course of the year amounted to €8 million, compared with €5.7 million in 2002. Writebacks totaled €2.5 million, less than in 2002 (€10.7 million).

Income on ordinary operations

Income on ordinary operations was €20.3 million, compared with €24.2 million the previous year.

Extraordinary income

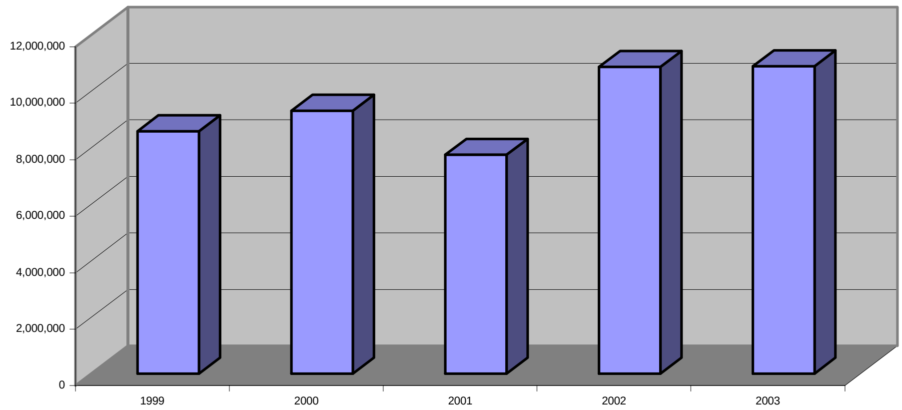
Extraordinary items in 2003 produced net income of €2.6 million, compared with net

expense of €2.0 million in 2002. In 2002, extraordinary expense had included costs of €8.5 million relating to staff reductions under the terms of the agreement of 21 February 2002 for the creation of the "Solidarity Fund" for mutual bank employees. Extraordinary income in 2003 included a capital gain of €6.4 million from the sale of securities from the investment portfolio, as well as €3.5 million in prior-year income, derived mainly from the settlement of suspended items, partly offset by the items imputed to the income statement as extraordinary expense (€1.5 million). Extraordinary expense in 2003 includes the costs of staff reductions, which amounted to €5.3 million and referred to the application of the agreements of 21 February 2002 and 16 June 2003 for the Solidarity Fund to support the income, employment and professional retraining of mutual bank employees. In 2003, 23 employment relationships were terminated, of which 20 were covered by the Fund (the other three were retirements).

Net income

Net income in 2003, consisting of both ordinary and extraordinary income net of the change in the provision for general banking risks and direct taxes for the period, amounted to €10.9 million, practically unchanged with respect to 2002.

Net income for the year



Business areas

Below we set out the main measures that the Bank implemented for its business areas.

Finance

Before illustrating the activities and results of the individual sectors of the Finance area, the Bank's position in relation to the events involving the Cirio and Parmalat Groups should be clarified.

As far as lending is concerned, the Bank had a marginal exposure of €215,436.29 with Cirio Del Monte Italia S.p.A. following participation in 1997 in a mortgage loan pool led

by another bank. The mortgage was duly paid by the debtor through the lead bank at the contractual payment dates, with the exception of the last installment of €215,436.29. This was unpaid following the placement of the Group under special administration. The loan is backed by adequate security in the form of real estate and capital equipment.

The Bank has no loans outstanding with the Parmalat Group.

It should also be added that the Bank’s portfolio did not contain Parmalat or Cirio securities.

In February 2004 the Prosecutor’s Office of Monza notified the Bank of the conclusion of the preliminary investigations into its 6.625% interest in the Del Monte Finance Luxembourg SA consortium (as co-leader for the sum of €1 million in an issue totaling €200 million). In this respect, the activities carried out by the Bank are considered to be in line with the relevant internal and external regulations and were conducted following established procedures, including those regarding commissions. These are typical of and consistent with the purely intermediary role that the Bank carries out on behalf of the mutual banks, which place their requests to subscribe securities issues.

We can now move on to the individual sectors of activity.

In the strategy followed by the Bank, the essential role of the finance area is to serve the mutual banks.

The traditional finance sector consequently provided adequate support for the mutual banks’ operational requirements, keeping the Bank’s own exposure low. The different areas of operation are described in more detail below.

Treasury and foreign exchange

In terms of average size, funding on mutual banks’ running accounts totaled about €3 billion, while average volumes of tied funding amounted to about €1.2 billion. Funding from other client bank working accounts amounted to about €400 million, of which about half from Banca Agrileasing. Interbank funding from the market came to about €600 million. Overall funding also includes reserve requirements held for 302 mutual banks amounting to about €526.4 million, for which the Bank provided adequate turnover and management. The demand component was slightly lower and the term component slightly higher than in 2002.

The Bank maintained an important role in interbank deposit operations, with particular reference to the e-MID market.

Foreign exchange transactions generated about €2.2 million. The Bank continued to provide the mutual banks with a service of negotiating banknote transactions and gold lending.

G.T.O. Managed portfolios

Managed portfolios amounted to about €2.1 billion (€1.6 billion in 2002) and refer to 121 mutual banks (103 in 2002). The total rises to €2.8 billion if allocations to the pension

fund and other entities are included. In terms of market share, the number of mutual banks served by the Bank represented about 28% of the total. However, if the mutual banks in the provinces of Trento and Bolzano, which use similar services provided by their respective central credit institutions, are excluded, the rate of market penetration was about 36.5%. If the data are analyzed in terms of volumes under management, the market share is about 14.5% (again excluding the mutual banks in Trento and Bolzano). However, this share doubles if we take into account the fact that about 50% of the mutual banks' portfolios consist of investment securities and/or are used to secure repurchase agreements. Net returns came to 3.08%, an average of 0.37% above the benchmark level. The maximum loss alert threshold was not breached for any of the mutual banks. The asset allocation policy established by the management committee focused on seeking yields of around the benchmark level, with low exposure to market risk. The performance of liquid assets averaged around 5%, bonds 4% (mainly with investment grade rating), and equities 1%. The remainder consisted of government securities. The Bank also continued to manage the National Pension Fund, which achieved a gross performance, on €676 million, of 3.23%, compared with a benchmark figure of 2.77%.

Securities portfolio

In the government securities market, the Bank retained its primary dealer status and met the quotation requirements imposed by the management committee in both the cash and repurchase segments. The desk received orders from about 200 mutual banks and carried out over 5,700 operations amounting to more than €24 billion over the year.
As regards the other securities portfolios, about €250 million in securities were managed in respect of various guarantees owed by the Bank and about €80 million for repurchase operations with the mutual banks.

With respect to intermediation services, the performance of trading and order collection activities is closely related to market developments and there are few means to counter negative trends or reinforce the Bank's penetration during positive market phases. In this respect, the phenomena characterizing the last three years have led to a reduction in volumes owing to poor market performance and the increase in the proportion of transactions conducted through online trading (which rose from 33% in 2002 to the current 44%), with a consequent reduction in contribution margins. The performance of orders for equities, bonds and listed derivatives continued to be essentially in line with forecasts, generating on average about 5,500 orders per day and 3,300 completed transactions.

Innovative finance

In 2003 the Bank registered significant growth in relations with mutual banks: 1,759 transactions were completed, with volumes totaling €3.5 billion.

With respect to individual market segments, the following points are worthy of note:

- *interest rate derivatives* were again the most substantial business sector for the Innovative Finance Department. This is a result of the considerable demand from mutual banks, which use these instruments to manage their assets and liabilities dynamically. Volumes came to just under €1.8 billion and the number of contracts to

1,108.

- *plain vanilla equity derivatives* were essentially limited to Evolution products, with 55 operations concluded with a nominal value of €44.7 million.
- *exotic derivatives* showed signs of recovery. However, the bank continued its policy of operating only with exotic products with an adequately large market and to operate only with a view to minimizing risk and neutralizing market risk. Operations focused on exotic structures (mainly Asian-type options) units in Aureo and Raiffeisen investment funds (which hold a special appeal for mutual banks in the north-east of the country) as underlyings. 113 operations were carried out with a nominal value of over €107 million. Inflation-linked (Protection) financial instruments continued to hold a high market appeal: 197 operations totaling €377 million were carried out involving options based on the same underlyings.

In 2003 Iccrea's business relationship with BCC Vita was further consolidated, with an issue of credit-linked notes and the issue and sale of index-linked policies by this Group insurance company.

Transactions in credit derivatives were conducted with Italian and international counterparties in the context of structuring operations relating to BCC Vita insurance policies. This activity did not involve the assumption of risk positions for the Bank's own portfolio.

Lending

The weakness of economic activity over the period and the emergence of credit crunch phenomena in Italy– first noted in the report for 2002 – prompted the Bank to focus its operations on services for mutual banks, giving preference to loans to companies that are their direct customers (including through lending by pools of lenders) or that are functional to their operations (oil, energy, telephone companies etc.). By contrast, action was taken to limit exposure to "large customers" who do not represent the Bank's core business.

This policy was introduced in the last quarter of 2002 and continued in 2003. The result is a more prudent loan portfolio, with non-bank loans equal to or more than €3 million making up no more than 0.75% of the total. Conversely, positions with a value of less than €250,000 make up more than 90% of the total and for the most part consist of mortgages. In the case of "ordinary" mortgages, the bank merely replaced rather than expanded the volume of loans as they matured. The number of ordinary mortgage loans was 2,175, with a reduction in the amount of the average loan to €128,000. At 31 December 2003, in terms of total credit granted (excluding ceilings), total lending amounted to nearly €4.3 billion, 72% of which in loans to banks (mainly mutual banks) and 28% in loans to customers. The latter totaled €1.2 billion, 52% of which in the form of current accounts, 44% in mortgages and 4% in guarantee commitments. At 31 December 2003 there were 101 pool loans totaling €213.4 million. For 17 of these loans, amounting to €211 million (of which €52.2 million from Iccrea), the Bank acts as "lead bank" and participant. Twelve of these operations have gone to syndication. The distribution of loans by area of economic activity (excluding individuals) has seen a dramatic reduction in operations in the parabanking sector (leasing, factoring and consumer credit companies), the residual amount of which has fallen almost to the levels

of the other traditionally counter-cyclical industries.

During the year, a working group was set up within the Group to identify the necessary actions to organize the Group as a whole in a manner more in keeping with the expectations of the reference market, specifically in the “business” sector.

The working group focused on the increasingly rapid growth of mutual bank lending to corporate customers, a development that underscores the presence of a radical change in the traditional balance between demand and supply in lending by credit intermediaries, and in particular by mutual banks.

A number of trends can be identified: the divergence between the needs of local SMEs and the decision-making centers of the main banking groups, a phenomenon that is accompanied by a reduction in lending operations by some of the most important national banking groups, partly with a view to the upcoming application of the Basle 2 rules.
It is increasingly clear that the mutual bank system is driving the development of Italian small firms, the mutual banks’ natural and traditional counterparty.

This process is accompanied by a demand for comprehensive lending support, including from larger firms, which at the moment are suffering the dearth of assistance from other credit intermediaries, for the reasons outlined above. This implies changes in both the average size of loan and in the type of firm that the mutual banks have dealings with.

Consequently, the working group agreed on the need to evaluate carefully of how best to address and respond to this situation.

More specifically, the need was seen, on the one hand, not to interrupt the flow of credit assistance to mutual banks requesting it, and on the other to increase the know-how available to the Group in this segment by ensuring that Iccrea has sufficient expert staff to handle corporate finance within the parts of the Group. At present the Group does have a range of specialist skills at its disposal, but has never before set itself the objective of acquiring systematic and structured expertise as a primary target in its corporate finance area.

The issue is clearly highly complex and the challenge can only be tackled in stages. Therefore, briefly, its was agreed to start by identifying the resources currently available in the Group’s corporate segment. The next stage is to identify the most appropriate actions to make the different lending operations to product companies, and similar investments made with third parties, as harmonized and effective as possible. The overall aim is to serve the mutual banks, support them in their development and, where required, in managing the most appropriate market positioning vis-à-vis their customers.

In the light of these preliminary considerations and conditions, in accordance with the strategic guidelines drawn up by the parent company, the objectives for 2004-2006 that specifically refer to Iccrea Banca’s operations in this segment can be summarized as follows:

- to provide medium/long-term credit support to extraordinary finance activities originating in the Corporate Area and to appropriate for this purpose a dedicated capital allocation to support the activity of BCC Capital;

- to recruit the appropriate professional resources to cover corporate finance activities, in keeping with the Group objective of developing a sufficiently large team of expert staff and enhancing and, where necessary, reorganizing the lending area;
- to take a selective approach to lending operations in the ordinary finance segment and implement only those that support the needs expressed by the mutual banks and to continue the work of reducing exposure to customers not directly related and/or functional to the operations of the mutual banks (for example, leasing or factoring companies, major groups and industrial companies not linked to payment systems, etc.).

Subsidized lending

In 2003 the Bank continued operating as a “concessionaire bank” for public bodies (mainly the Ministry for Productive Activities) in the evaluation and management of applications for grants for investment projects submitted by firms in response to calls issued by the bodies managing the funds made available under various laws.

In the first half of the year the fifth call for applications for funds made available under Law 215/1992 for women’s entrepreneurship was completed. Acting as “concessionaire” bank for the Emilia Romagna and Campania Regions, the Bank received about 500 applications for investment projects amounting to €51 million. The activities connected with these applications were entrusted to Prominvestment S.p.A., the company leading the grouping and in which, as described in the Assets section, the Bank has acquired a 30% stake.

At the beginning of the year the initial assessment of 90 applications submitted in response to the “industry” call for applications was carried out. “Tourism” and “commerce” calls (nos. 15 and 16) were also opened, attracting 59 applications (double the number received for the previous call). The total value of the investment projects for which applications were made was around €200 million.

Acting on behalf of 180 mutual banks, the Bank formed a temporary business grouping with Artigiancassa, Banca Nazionale del Lavoro, Credito Italiano and Gruppo Monte dei Paschi di Siena to participate in the invitation for tenders conducted by INAIL (the Italian industrial accidents insurance agency), which was seeking a bank to manage the assessment and disbursement of subsidized loans to SMEs, agricultural enterprises and artisan companies. The grouping was awarded the engagement. INAIL will provide interest subsidies and capital grants for projects to improve workplace health and safety.

In the course of the year the mutual banks concerned approved 916 loans amounting to €75.7 million, with interest subsidies (at a rate of 6.0225%) provided by INAIL. The loans approved by the mutual banks with grants from INAIL account for about 21% of the loans approved at the national level by the entire grouping of INAIL concessionaire banks. On 1 February 2004 the mutual banks disbursed the first tranche of loans amounting to €32.2. million.

The Bank provided speakers for more than 50 meetings and conferences on the theme of subsidized loans organized by mutual banks, local and regional federations and Iccrea branches in which mutual bank employees, businesses, business consultants, employers’ associations and local authority representatives took part.

Payment systems

In the field of collection and payments services, the Bank made a special effort to ensure that its internal procedures are compatible with the new market standards.

The Bank continued its rationalization process to maintain the quality levels of the services and products on offer. This also led to a reduction of 14% in the number of employees assigned to the sector in 2002 and a further 4% reduction in 2003.

Considerable efficiency gains were achieved through the continuing rationalization of IT procedures and organizational improvements within the Bank’s office structures.

A further increase in profitability was achieved through reductions in the fees paid to data collection and transport companies.

International activities took the form of a variety of services that included governance in the international payments service, traditional correspondent banking activities, participation in international bodies, and assistance for users of local procedures in this segment.

The Bank's Applications Center has acquired an important role in the National Interbank Network (Rete Nazionale Interbancaria – RNI). The applications available on the RNI met the needs of the mutual banks and local technical units, even in this period of high flows generated by their branches.

The chief activities that the Applications Center is in the process of implementing can essentially be divided into two types:

a. *Technological* - Improvements to infrastructure (applications and system software) used for the exchange and control of information flows and messages;
b. *Commercial* – meetings and correspondence with potential “customers” (banks and financial companies) that need an applications center and/or a channel for operations and accounting or which plan to change their existing systems. Obviously, the Center also continued to provide assistance and support to existing customers.

As part of the initiatives set out in point a), projects to reduce the activities involved in the control and management of applications available through the Center were particularly significant. The aim here was to enable more staff to be devoted to assistance for users and to contain RNI flows between Iccrea and the banks for which it acts as a forwarding agent (for example, by encouraging the use of the file transfer protocol for incoming credit transfer operations) with a view to improving service quality and reducing transaction times.

In 2004, in addition to the interbank activities already envisaged, a number of initiatives to improve and expand the range of interconnection options between banks and Iccrea are planned. Of these, the dissemination of exchanges using MQS (an IBM multi-platform program) through an application developed in-house (MQAC), which will make it possible to connect banks with widely differing hardware, is particularly important.

As regards initiatives under point b) above, the Bank acquired new customers both in its role as an applications center and as an operational/accounting channel.

With the cooperation of INCRA, the Bank also arranged the migration of the connection for the mutual banks in Calabria from CEDECRA to Iccrea for the regional node service.

In terms of volumes, the flow of operations was essentially stable with respect to the previous year, with an increase only in the Corporate Banking application as a result of the increasingly wide use of this form of bank-company exchange.

Compared with 2002, last year saw an increase of 32% in the number of debit cards (from 1,250,000 to 1,644,239) and of 45% in the number of ATMs (from 1,100 to 1,591). Mutual bank credit card penetration remained at a significant level, higher than the average for national issuers.

MUTUAL BANK CREDIT CARDS

	2003	2002	2001
Cards issued	406,712	279,722	130,856
Active cards	248,101	176,059	60,731
% active cards	61%	63%	46%

The new PagoBancomat authorization service, which is to be launched on 1 January 2004, was designed and tested in the course of 2003.

The processing agreement for the production of the new TASCA prepaid card was also completed. The card is expected to come into operation in April 2004.

More generally, the PagoBancomat authorization initiative is being launched in the electronic banking segment, with the aim of penetrating a business area experiencing strong growth and the ABI 8000 project to consolidate the stock of over one million debit cards, which at present is extremely fragmented.

In terms of mature traditional instruments such as checks, which still continue to be the leading product in terms of contribution (€13.8 million in 2003), mutual bank loyalty initiatives were planned (check image transmission to the mutual banks).

As regards the development of the overall payment systems structure at the European level, Iccrea Banca is taking part in a number of working groups under the aegis of the Bank of Italy, CIPA, ABI etc.. The Bank is conducting a careful analysis of the EBA Step 2 project, where the criteria for direct participation by intermediaries in the payment system are currently being drawn up.

Commercial developments and the distribution network

In line with the 2002-2004 strategic plan, which envisages more direct support for revenue-generating activities and catering more effectively to the needs of the mutual banks, the commercial network was strengthened through the opening of new branches in Udine, Cuneo, Pescara and Bari.

This enabled the Bank to continue developing and consolidating its commercial presence for its customers, especially in terms of electronic banking and financial activities, through a targeted program of visits and numerous meetings at the local level.

The Bank's commercial objectives were met in full, especially as regards outsourced securities management and mutual bank credit card services.

Initiatives in the monitoring and analysis of market opportunities included a project to analyze how best to satisfy customer needs, the results of which should be seen in the course of the next financial year.

The studies carried out in 2003 indicated the need for improvements aimed at developing a commercial approach more closely tailored to identifying and satisfying the needs expressed by the mutual banks. This gave rise to a project to review the Bank's organizational structure, with the aim of developing a mutual bank-oriented commercial approach that draws on the resources of a Marketing and Commercial Development area that:

- is able to grasp, analyze, summarize and communicate to Iccrea Banca the needs of the mutual banks and their reference market;
- understands the dynamics of the market in which the mutual banks operate (competitors, new products, etc.);
- plays a fundamental role in the definition of a strategic business and budgetary plan that is appropriate to the development prospects of the mutual banks.

These points form part of a broader Group project regarding the Group's local presence.

Organization, information systems and support structures

In 2002, the Bank continued making organizational changes as part of its drive to simplify its structures and adapt them to a results-driven model that is more responsive to market developments. At the Head Office and local level, the restructuring cut across numerous departments, unifying activities around the individual processes identified while enhancing the flexibility of resource deployment.

The Bank also modified its information systems as part of the progressive renewal of its operational processes and the supporting IT procedures. The changes, from a Group perspective, are intended to streamline the IT architecture, reduce processing times and improve data quality.

Information systems

In this sector the rationalization of the information systems and application procedures adopted in the various units of the company continued, following the guidelines set out in the business plan for 2002-2004 for the development of information and communication technology (ICT). The analyses conducted identified a plan of initiatives that envisage the introduction of advanced applications solutions and are intended to improve the quality of IT procedures, reduce operational risks and effectively support the production of information to meet the supervisory and regulatory requirements for lending (Basle 2) and accounting (IAS) matters.

The development of disaster recovery procedures in the "campus" area was completed, with the information back-up process being extended to operating procedures. An operational continuity project was set up to overcome the limits of the existing technological structure.

As regards security, the operational decentralization of authorizations was implemented at the mutual bank level, ensuring the traceability of all events that modify authorization levels.

The help desk procedure for the notification of malfunctions and requests for intervention to define/record the corrective action taken was also activated.

Linux partitions were created on mainframe systems to support new java applications with a view to server consolidation and the rationalization of the IT structure.

The migration of the new P01-Net system developed using innovative technologies for the security and confidentiality of data transmission was completed.

On 16 June 2003 the Bank of Italy rolled out the New BI-REL gross settlement system, the Italian element of the European TARGET payments system. On this date, the mutual banks for which the Bank passively and indirectly acts as a forwarding agent also adopted the new arrangements, so as to respond to market demand and enable the rationalization of wholesale payments at the European level.

The new Express II securities settlement system, an ambitious project to improve procedures supporting trading in financial instruments listed on regulated and unregulated markets, entered service in the autumn of 2003.

During the first half of 2003 all the post start-up activities of the ISIDE Basic Information Service were completed. Activities related to the SACS procedure for the management of bad debts were also initiated, after all the enhancements had been put in place and the migration trials conducted. The release of the Iccrea Information System is scheduled for the end of March 2004.

The SPIN project upgraded the interbank reconciliation procedure, with the replacement of manual tasks with automated IT procedures.

Last year also saw the activation of the new purchasing procedure, which in 2004 will be integrated with the ANACONDA (cost management) procedure and CESPITI activities.

Staff

Human resource management focused on consolidating the Bank's structures, especially as regards the achievement of efficiency goals in the light of the changes made to the organizational structure in the course of the year.

At the end of 2003 the Bank had 733 employees, ten fewer than at 31 December 2002.

BREAK-DOWN OF STAFF BY GRADE

	2003	2002	2001	2000	1999
Managers	13	13	19	20	22
Supervisors	73	74	91	93	99
Other	647	656	666	675	658
Total	**733**	**743**	**776**	**788**	**779**

Over the year, 34 employees left the bank (20 registered with the Solidarity Provision, 3 retired, 9 resigned, of whom 3 moving to different positions in the Iccrea Group and mutual banks, and 2 dismissed under the terms of Law 223/1991). 6 employees were seconded to other Group companies.

The recruitment strategy focused on the need to introduce new skills and expertise to the Bank. In this light, 24 new employees were recruited in the following categories: 7 IT staff, of whom 2 for disaster recovery; 11 for the finance and securities administration sector; 5 for the commercial network; and 1 for support activities.

Following the company reorganization, the following new posts were created: 3 central managers, 4 department heads, 2 local branch managers, 9 office supervisors and 10 unit managers.

In addition to these new positions, which became necessary as a result of the reorganization process, 46 employees were transferred within the company.

The redundancy program envisaged in the company agreement of 21 February 2002 continued, with the departure of a further 25 employees in 2003. At 31 December 2003 87 employees had left the Bank (plus 1 employee seconded to the National Pension Fund), compared with a total of 95 surplus members of staff at the Bank's head office in Rome.

On 16 June 2003 a new agreement was signed with the trade unions for voluntary recourse to the special Solidarity Fund to enable the departure of employees who, although meeting the requirements for utilization of the Fund, were excluded from the implementation of the 21 February 2002 agreement since they were employed in local branches of the Bank. At 31 December 2003 3 employees had left under these new provisions.

Another 8 employees are expected to leave by 31 March 2004 (7 from the head office and 1 from the local network). This will bring total departures to 99.

On 19 March 2003 an agreement was reached with the trade unions for the renewal of the company-level contract. This made it possible to:

- pay the performance-related bonus for 2000 and 2002;
- draw up a staff assignment system that is closely linked to occupational profiles and the staff assessment system. Under this new system 14 employees were assigned in 2003 (4 2nd level supervisors, 5 1st level supervisors, 3 at 3A3L level and 2 at 3A2L level);
- formalize the new staff assessment system;
- draw up a new shift system for the data processing unit. With effect from 1 January 2004, this makes it possible for the unit to remain fully operational from 5 a.m. on Mondays to 10 p.m. on Saturdays.

A total of 717 employees took part in technical-specialization and behavioral-organizational training schemes for a total of 35,781 classroom-hours. Of these, about 23,000 classroom-hours were dedicated to the implementation of the Three-Year Training Plan envisaged in the agreement of 21 February 2002. In 2003 the Solidarity Fund and Lazio Region provided grants of €802,144 for training activities envisaged by the plan.

Under the training program drawn up for the first half of 2004, the Solidarity Fund procedure was activated to provide grants of €234,528 for 11,446 classroom-hours involving 626 employees.

A contract was signed with Aureo Gestioni to provide administrative-regulatory assistance in human resource management and technical support for payroll procedures.

Organization

The Bank has an interconnected organizational structure, amply described in previous reports, that includes units operating in business areas and units covering support areas, in addition to specialist staff functions.

To enable the structure to provide an increasingly flexible response to operational requirements, regular adjustments are made to the model. In 2003, the following measures were adopted to complete the restructuring process:

- outsourcing of the internal control function to the parent company and entry into service of the Inspectorate Department, which will operate in compliance with Art. 19 of the Organizational-Functional Structure Regulations approved by the Board on 19 December 2002.
- the separation of the Central Support Unit from the Payment Services Unit.

Qualitative risk information

The Bank's financial situation testifies to the fact that its economic and financial equilibrium and capital adequacy profiles have been respected.

Exposure to interest rate risk was monitored with respect to the overall banking book and to specific credit and finance segments.

The Bank's asset and liability structure is reflected in a capital absorption profile for both credit and market risk. The profile was essentially in line with that for the previous year.

In terms of overall objectives, the Bank's lending activity focuses primarily on the mutual banks and their larger customers and mainly consists of short-term operations.

The relevant decisions are taken at Iccrea headquarters on the basis of decision-making authorizations established by the Board of Directors.

Treasury operations reflect the typical structure of the Bank as borrower of mutual bank liquidity and lender of funds on the interbank deposits market. This results in significant volumes of short-term interbank flows, mainly denominated in euros. Foreign exchange operations are also carried out with the mutual banks and other leading Italian and foreign banks.

The short-term liquidity position is maintained in compliance with the operational and quantitative criteria introduced during the year as part of the review of internal limits, with the aim of ensuring that liquid assets are kept constantly in line with current liabilities.

As regards treasury operations, credit exposure ceilings are established for each banking counterparty. The ceilings are divided by product type and determined on the basis of formal criteria regarding the creditworthiness and size of the counterparty.

The methods used to evaluate credit risk are the same for new and renewed loans. The only parameters to change are the extent to which these are applied and the degree of analysis to which they are subjected, depending on the type of customer and the amount and type of loan. In examining applicants' creditworthiness, their solvency is evaluated on the basis of their current and prospective capacity to generate income.

Performing loans are currently divided into three risk categories according to creditworthiness: “full”, “moderate” and “fully covered”. This classification is up-dated annually when the loans are reviewed and any time significant changes in the initial information provided occur. The division of loans into categories also provides an adequate reference base for the statistical determination of the most appropriate writedown percentages for the determination of losses on the loan portfolio.
The Bank has established the rules and IT structures and procedures described briefly below for the classification and valuation of impaired loans. The criteria for the classification of bad, substandard or restructured loans are drawn from the provisions laid down by the supervisory authorities and translated into sectoral rules with which the loan management structures (the Loan Development and Management Department) and those responsible for controls (the Loan and Credit Limits Department and the Risk Management Department) or oversight tasks (Inspectorate Department) have to comply. Loans are evaluated on an ongoing basis for classification purposes, and regular reports are drawn up to coincide with the half-yearly and annual financial statements. With the help of computerized screening procedures and information from a variety of internal and external sources, the departments involved – acting independently or subject to authorization by senior management – classify loans according to risk category. The control units carry out sample checks throughout the year, with especially extensive controls in June and December.

For information regarding the criteria and methodologies used to forecast losses, please refer to the notes to the financial statements.

The Bank has introduced additional criteria governing preliminary loan disbursement procedures that involve both the organizational level, with a specific staff structure, and guidelines on loans to ordinary customers. The aim of the latter is to ensure that the loan portfolio is made more consistent with the bank's objectives and with an appropriately gauged risk assumption strategy.

In securities trading, the Bank mainly acts as primary dealer in the government securities market on behalf of the mutual banks. The amount of equities held, all of which are issued by leading companies, is marginal. Counterparties are assessed on the basis of formal criteria regarding creditworthiness, size and type of activity.

Controls (Internal Audit and Inspectorate)

As noted in last year's Report on Operations, one of the strategic objectives for 2003 was to consolidate the plan drawn up by the parent company, Iccrea Holding S.p.A., to centralize internal auditing at Group companies.

As part of this project, on 1 February 2003 the Bank transferred its internal auditing functions (including control activities pursuant to Consob regulation 11522/98 as amended) to the Internal Audit Unit for Group Companies, a structure that has been set up for this purpose in Iccrea Holding S.p.A..

Direct observation and control functions to ensure the regular conduct of operations (for example, anti-money-laundering activities, transparency, privacy, etc.) continue to be carried out by an internal structure (the Inspectorate Department). The Inspectorate also carries out checks of potential liability at the request of the Head Office. Both structures also provide support to the Board of Auditors in their auditing activities.

Risk Management

In 2003 the Bank continued its activities and projects to strengthen its arrangements for identifying, measuring and controlling risk.

New measures were implemented within the system of internal limits for treasury and securities operations. The procedures and criteria applied in setting ceilings for financial operations with banks and investment companies were also redefined. In this context the evaluation process includes input from the new Loan and Credit Limits Department.

As part of the risk management functions, the existing activities for the evaluation of the company's technical criteria and management reporting were flanked by new mechanisms for the daily analysis of the main portfolio components, with independent reports on current market risks.

Further developments included the introduction of a credit risk reporting requirement that is intended to implement the evaluation criteria as they evolve in accordance with the Basle Committee guidelines.

In this respect, as part of a series of projects at the Group level activities were carried out in support of the parent company for the adoption of an internal rating system for evaluating

banking counterparties.

A first set of initiatives was also carried out to introduce organizational mechanisms to monitor operational risk through the promotion of self-assessment activities and the design and creation of a company-level risk database following the most widely used methods in this area, as envisaged by the Basle Committee guidelines.

In close connection with the actions necessitated by legislative changes, the overall quality of the current risk measurement and strategic-management control systems needs to be improved. The increasing complexity and sophistication of market operations and the assumption by Iccrea of a more prominent “advisory” role for the mutual banks require the adoption of more highly developed risk-measurement methods that are in line with international best practice. It is felt in this respect that the proposal for a system-wide “Finance Division” role can only be adopted with an energetic and effective implementation plan.

In 2004, in addition to initiatives to meet the new regulatory requirements, a series of initiatives will be introduced to ensure the effectiveness and efficiency of the risk management system and, more generally, of the internal control system.

Planning and control activities and management information systems

In 2003 the planning and control system department implemented a number of important initiatives involving all relevant sectors.

In general, significant progress was made on the planning and control reporting systems to improve the quality and scope of data collection.

More specifically, the budgeting and financial reporting system for individual business units was completed and the development of individual product income statements is at an advanced stage. The technical groundwork for the evaluation of the contribution made by individual customers has also been completed.

The Products and Services Reporting System was significantly enhanced with a view to making it the chief instrument for the monitoring of relationships with the mutual banks and other corporate customers. The system processes the information flows for operations contained in the Bank’s operating procedures to produce statistical, summary and detailed information broken down by service/product and customer.

The incentive system was refined to tailor it more closely to the characteristics of the Bank and its general objectives, cost and investment strategy, and management and organizational structure

The main new developments concern the introduction of the new international accounting standards envisaged by Regulation no. 1606/2002 approved by the European Parliament on 19 July 2002.

In Italy, the Community Law for 2003, which was approved in October, granted enabling authority to the Government to extend the obligatory application of the IAS/IFRS to the individual and consolidated financial statements of banks and financial intermediaries subject to supervision by the Bank of Italy. The application of these standards will be voluntary for

all other companies.

The differences between the international standards and the standards used thus far in Italy are significant and far-reaching, with repercussions on organizational and operational processes that will require complex changes to accounting and IT systems.

The change in the accounting rules will also require adjustments in the statutory, fiscal and regulatory fields.

The new accounting standards also require each company to equip itself with a management reporting system for performance and balance sheet data in order to provide a better understanding of individual Group business lines.

As the actions envisaged affect the collective interests of the Group, they need to be implemented in such a way as to contain implementation times and costs and improve the quality of results. In this light the Iccrea Group initiated a system project in 2003 –the IAS project – that is being taken forward in two stages.

The first stage, which was completed in September 2003, involved an analysis of the new rules and the preparation of a master plan of action, with an impact assessment for the following factors:

- accounting, to establish the repercussions of the new rules in terms of their effect on the income statement and the balance sheet;
- operational, organizational and authorization processes, in relation to the new classification and evaluation procedures;
- information systems, to identify any need for action on operational systems or the reporting systems used to draw up the financial statements and for management control operations.

The second stage, which is still under way, is intended to implement actions through detailed technical and functional analyses, as well as actions involving information systems and the definition of new organizational processes. Staff training initiatives will be developed in tandem with this.

It is clear that these activities will address issues already defined by the IASB and the European Commission, while with regard to regulatory issues, which are still at the evaluation stage, implementation of the initiatives will depend on when and in what form the new provisions are approved.

OTHER INFORMATION ON OPERATIONS (provided in accordance with Art. 3.2 of Legislative Decree 87/1992)

Shareholders,

Pursuant to Article 3, paragraph 2, of Legislative Decree 87/1992 and the Instructions on the Financial Statements of Credit Institutions issued by the Bank of Italy (section 2, paragraph 6 of circular 166/1992 as amended), we inform you that:

1. the Bank does not invest resources in research and development activities proper;

2. the Bank does not hold and has not purchased or sold its own shares or shares of the parent company, either directly or through a trust company or third party;
3. Legislative Decree 196/2003 approved the new privacy code, which is intended to reorganize, in the form of a consolidated text, the provisions governing the protection of personal data contained in Law 675/1996 and other legislative decrees, regulations and codes of conduct. Legislative Decree 196/2003, which also contains important new elements that take account the provisions of the Privacy Authority and of EU Directive 2002/58/EC on privacy and electronic communications, introduces, *inter alia*, the fundamental and innovative principle of the protection of data and not just the more general principle of the protection of privacy. In relation to the provisions of the law, the Bank has drawn up a security planning document for 2004. This contains a risk analysis and sets out the relative countermeasures, the arrangements for data security and the division of tasks and responsibilities in data-handling structures.

With regard to relations with the companies of the Iccrea Banking Group, as analyzed in detail in the notes to the financial statements, we note that:

1. receivables due from and payables due to the parent company Iccrea Holding S.p.A. amount to €915,000 and €64,149,000 respectively, while no guarantees or commitments have been issued;

2. receivables due from and payables due to the companies of the Group: Aureo Gestioni SGR S.p.A., Banca Agrileasing S.p.A., BCC Capital S.p.A., BCC Gestione Crediti S.p.A., BCC Securis S.r.l.; BCC Servizi Innovativi, BCC Web, Credico Finance S.p.A., Immicra Srl, Simcasse S.p.A., and TK Leasing S.p.A., total €2,558,000 and €148,949,000 respectively, while guarantees amounting to €182,104,000 have been issued.

3. receivables due from and payables due to BCC Vita S.p.A. and Nolé S.p.A., the subsidiaries of Iccrea Holding S.p.A., the parent company of the Iccrea Banking Group, amount to €3,093,000 and €28,882,000 respectively, while no guarantees or commitments have been issued.

We also inform you that no atypical or unusual operations were carried out with related parties (Consob Communication 2064231 of 30 September 2002).

SIGNIFICANT POST-PERIOD EVENTS AND THE OUTLOOK

In accordance with the provisions of Article 3, paragraph 2, of Legislative Decree 87/1992, we inform you that no significant events affecting the position as reported in the financial statements occurred after the close of the financial year.

The Board meeting of 12 March 2004 approved the start of the collateralized bond obligation (CBO2) operation, which is one of the initiatives for the development and supply of innovative instruments to provide mutual banks with adequate support for their funding strategies. More specifically, with this decision the Bank agreed to underwrite bond that will be issued by the mutual banks for use in securitization operations. The portfolio will have an overall nominal value of about €1.2 billion and will be issued by the mutual banks before the

end of April 2004. The final details of the issue will be available only after confirmation from the rating agencies.
We inform you that the Bank of Italy, in its provision of 8 March 2004, has arranged for the Bank to be inspected in accordance with Article 54 of Legislative Decree 385 of 1 September 1993.

Outlook

Thus far 2004 is proving to be another year characterized by difficult economic conditions, with slow and patchy growth. This trend is unlikely to enable the weakness that characterized the real economy in 2003 to be fully overcome or to restore confidence among businesses or private investors.

In terms of the management of the company in the course of 2004, the following information has been provided as an indication of possible developments for the stand-alone Bank in today's market context.

With respect to the structure of the Operational Plan for 2004, the Bank plans to implement actions designed to:

- <u>increase overall revenues</u> by developing the commission component in order to offset the downward trend in net interest income, which is affected by the narrowing of spreads on intermediation activities and the erosion of the grace period for the mutual bank credit card.

- <u>support organizational efficiency and functionality</u> by improving structures, ensuring effective corporate governance and overall risk monitoring and management functions, and upgrading the commercial structure and network.

Essentially, the Bank is taking the necessary steps to enable the "machine" to adapt its revenue sources to market trends and its organizational structure to the provisions of the legislative and regulatory reform (notably IAS and Basle 2).

As regards balance sheet aggregates and the Bank's total lending and funding, in spite of the effects of the long – and enduring – economic slowdown, the Bank estimates that customer lending and funding can be developed by supplementing the activities to the mutual banks. At the same time, the average volume of interbank operations is falling as a result of a re-allocation of the assets of the mutual banks in the light of their increasing tendency to support their local economy through direct lending operations.

From the economic point of view, a reduction in net interest income is expected as a consequence of the reduction in average spreads and the contribution of interest-free funding. Income from services is expected to perform well. An increase in costs is expected owing to the need to improve the Bank's organizational, production and distribution profiles.

Shareholders,

With this financial year the Board has reached the end of its term of office.

Our aim in our work has been to implement the strategy lines contained in the Business Plan for 2002-2004. The results achieved have given us cause for satisfaction: notable profitability and efficiency gains have been achieved.

The particularly difficult market context in which we have been operating has been worsened by the lack of confidence in the entire banking system that has developed among customers. While this has also had an impact on our own operations, it has not prevented us from achieving our objectives.

The process of rationalizing the different elements of the company has been completed with the development, begun three years ago, of a strategic design that was intended to combine a large, extensive and diverse customer base, strong local roots and the operational capacities of a company that is present in all segments of credit and financial intermediation.

Over time this design has been adapted to suit the context and size of the market, while maintaining the original diversity and traditional features of its various components. Today the Bank operates not just on a sound business footing but also on the basis of an innovative organizational and business model.

We can expect the scenario for the next few years to continue to be characterized by instability and lack of continuity. We shall also be seeing a reference framework whose outlines are defined by developments in Basle, by new legislative provisions linked to the reform of company and tax law, and by the introduction of the IAS. Important changes therefore lie ahead, and we have a duty to transform them into opportunities to set new, challenging goals for our Bank.

The results achieved validate the strategic choices made thus far. We now need to continue developing revenues, paying careful attention to costs and engaging in sound intermediation activities.

These are the foundations from which to pursue growth and tackle an increasingly complex and competitive market with determination.

We are confident that the new Board will continue this consolidation process and we take this opportunity to wish them a fruitful term of office and every success in their work.

Shareholders,
In conclusion, the Board wishes once again to express its gratitude to you for the keen interest you have taken in the activities of the directors and management.

We would like also to thank the mutual banks for their confidence in us and continued custom.

We thank all our staff most sincerely for their hard work and determination in tackling the major changes that swept through the Bank last year.

A very special thank you goes to those staff members who, following the implementation of the Solidarity Fund, left us in the course of the year and those who will be leaving in 2004. We are grateful indeed for their service in the interests of the growth and strengthening of the Bank.

We also wish to express our appreciation of the responsibility and constructive spirit shown by the trade union organizations during the delicate corporate restructuring operations.

We wish to thank the Board of Statutory Auditors for the work they have carried out with such professionalism, in a spirit of collaboration that went beyond the call of duty.

We should also like to express our gratitude and appreciation to the Bank of Italy, CONSOB and the rating agencies for the close attention with which they have always followed the work of the Bank and for their accessibility and cooperation.

And finally, we wish to thank all the central and local representatives of the mutual banking sector, especially Iccrea Holding and Federcasse, for their great skill and spirit of mutual cooperation in carrying out our business.

PROPOSED DISTRIBUTION OF NET INCOME FOR THE YEAR

Shareholders,
We invite you to approve the financial statements for the financial year ending 31 December 2003, which have been audited by Reconta Ernst & Young S.p.A. We also propose that the net income for the year, totaling €10,888,705, be allocated as follows:

to the legal reserve and the reserve provided for in the bylaws	€	3.280.000
as dividends in the amount of €18.07 per share	€	7.589.400
at the disposal of the Board of Directors	€	19.305

Rome, 25 March 2004

THE BOARD OF DIRECTORS

Structure and contents of the financial statements

The Bank has prepared its financial statements, consisting of the balance sheet, income statement and notes to the financial statements, accompanied by the Directors' report on operations, pursuant to articles 2 and 24 of Legislative Decree 87/1992.

The notes to the financial statements provide description and analysis of the financial data and present the information specifically required by Legislative Decree 87/1992, the Bank of Italy measure of 30 July 2002 and other laws. They also contain all the supplementary information considered necessary to provide a true and fair view of the Bank's financial position and operating results, even where not specifically required by law. The following schedules are therefore attached to the notes:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- Schedule of revaluations;
- Statement of the Central Guarantee Fund;
- List of equity investments

The financial statements are audited by Reconta Ernst Young S.p.A. in accordance with the shareholders' resolution of 30 April 2002, which engaged the auditors on a voluntary basis.

The financial statements have been drawn up in accordance with current legislation and reference has been made to accounting principles generally accepted in Italy.

The figures in the notes to the financial statements are stated in thousands of euros.

The most significant accounting policies adopted in preparing the financial statements are described below. They have been agreed with the Board of Statutory Auditors where required by law and are the same as those used in previous years.

BILANCIO AL 31 DICEMBRE 1963

ATTIVO		PASSIVO	
Depositi presso Istituto d'emissione	Lit. 90.000.000	Creditori diversi	Lit. 1.236.300
c/c di corrispondenza con casse associate	Lit. 6.265.152	Capitale sociale	Lit. 300.000.000
Titoli di proprietà	Lit. 1.173.600		
Azionisti decimi da versare	Lit. 195.000.000		
Debitori diversi	Lit. 5.000.000		
Depositi cauzionali	Lit. 10.000		
Mobili e Impianti	Lit. 1.314.084		
TOTALE DELL'ATTIVO	Lit. 298.762.836		
Perdita netta dell'esercizio	Lit. 2.473.464		
TOTALE A PAREGGIO	Lit. 301.236.300	TOTALE DEL PASSIVO	Lit. 301.236.300
CONTI D'ORDINE		**CONTI D'ORDINE**	
Titoli a cauzione	Lit. 3.800.000	Amministratori c/cauzione	Lit. 3.800.000
TOTALE GENERALE	Lit. 305.036.300	TOTALE GENERALE	Lit. 305.036.300

IL CAPO CONTABILE
rag. Clio Massimilla

IL PRESIDENTE
dr. Enzo Badioli

I SINDACI
avv. Pietro Battaglia
prof. Adriano Vandi
dr. Antonio Zucchini

CONTO PROFITTI E PERDITE - Esercizio 1963

SPESE E PERDITE		RENDITE E PROFITTI	
Spese di costituzione	Lit. 1.786.485	Interessi su titoli di proprietà	Lit. 1.408
Cancelleria e stampati	Lit. 187.581		
Postali, telegrafiche e telefoniche	Lit. 39.606		
Affitto locali	Lit. 460.000		
Minusvalenza titoli	Lit. 1.200		
	Lit. 2.474.872		Lit. 1.408
		Perdita netta dell'esercizio	Lit. 2.473.464
	Lit. 2.474.872		Lit. 2.474.872

IL CAPO CONTABILE
rag. Clio Massimilla

IL PRESIDENTE
dr. Enzo Badioli

I SINDACI
avv. Pietro Battaglia
prof. Adriano Vandi
dr. Antonio Zucchini

Balance sheet and Income Statement

BALANCE SHEET	At 31 December 2003		At 31 December 2002	
Assets				
10 Cash and balances with central banks and post offices		31,886,898		50,212,164
20 Treasury securities and other securities		218,239,583		53,726,232
eligible for refinancing with central banks				
30 Loans to banks		4,205,175,328		5,174,315,138
a) repayable on demand	247,203,384		493,675,129	
b) other	3,957,971,944		4,680,640,009	
40 Loans to customers		744,986,545		782,299,822
of which:				
loans financed with third-party funds under administration	7,819,645		8,024,002	
50 Bonds and other debt securities		358,419,884		420,035,093
a) public issuers	267,305,674		266,075,932	
b) banks	31,103,970		37,955,633	
of which: own securities	84,204		7,807,232	
c) financial institutions	30,207,691		98,901,564	
d) other issuers	29,802,549		17,101,964	
60 Shares and other equities		82,596,561		60,523,282
70 Equity investments		2,710,256		1,768,713
80 Equity investments in Group companies		510,000		11,159,312
90 Intangible fixed assets		5,194,915		5,862,606
100 Tangible fixed assets		108,719,295		51,192,458
130 Other assets		167,052,047		175,568,085
140 Accrued income and prepaid expenses		68,736,749		52,116,055
a) accrued income	29,616,063		40,016,911	
b) prepaid expenses	39,120,686		12,099,144	
of which:				
- discount on issue of securities	5,896,175		122,023	
Total Assets		**5,994,228,061**		**6,838,778,960**

BALANCE SHEET		At 31 December 2003		At 31 December 2002	
Liabilities					
10	Due to banks		4,592,437,678		5,570,931,862
	a) repayable on demand	3,143,601,298		3,900,123,115	
	b) term or notice	1,448,836,380		1,670,808,747	
20	Due to customers		388,864,323		401,743,697
	a) repayable on demand	309,495,378		328,803,466	
	b) term or notice	79,368,945		72,940,231	
30	Debt securities in issue		392,861,595		369,978,399
	a) bonds	50,915,493		127,932,447	
	c) other	341,946,102		242,045,952	
40	Third-party funds under administration		7,819,645		8,024,002
50	Other liabilities		206,793,026		148,268,314
60	Accrued expenses and deferred income		43,597,893		41,387,001
	a) accrued expenses	11,761,610		14,707,247	
	b) deferred income	31,836,283		26,679,754	
70	Staff severance pay provision		17,770,980		17,185,612
80	Provision for liabilities and contingencies		34,364,866		23,159,199
	b) provision for taxes and duties	24,805,165		14,624,291	
	c) other	9,559,701		8,534,908	
90	Loan-loss provision		5,000,000		4,784,386
100	Provision for general banking risks		10,650,000		10,400,000
120	Share capital		216,913,200		216,913,200
140	Reserves		18,400,500		15,142,160
	a) legal reserve	18,121,897		14,863,557	
	c) reserves provided for in bylaws	191,803		191,803	
	d) other	86,800		86,800	
150	Revaluation reserve		47,865,650		0
170	Net income (loss) for the period		10,888,705		10,861,128
Total Liabilities			**5,994,228,061**		**6,838,778,960**

GUARANTEES AND COMMITMENTS	AT 31 DECEMBER 2003		AT 31 DECEMBER 2002	
10 Guarantees issued		259,415,712		81,579,735
of which:				
- acceptances	7,630,332		9,553,417	
- other	251,785,380		72,026,318	
20 Commitments		797,450,872		364,831,579

INCOME STATEMENT		AT 31 DECEMBER 2003		AT 31 DECEMBER 2002	
10	Interest income and similar revenues		178,886,832		241,775,537
	of which :				
	- on loans to customers	28,343,469		43,838,604	
	- on debt securities	14,419,775		18,906,549	
20	Interest expense and similar charges		146,422,844		204,764,892
	of which :				
	- on amounts due to customers	8,420,461		14,291,972	
	- on debt securities	3,398,875		5,466,073	
30	Dividends and other income		2,866,401		4,622,075
	a) shares and other equity securities	2,621,561		4,286,543	
	b) equity investments	244,840		335,532	
40	Commission income		153,348,633		140,398,171
50	Commission expense		72,146,576		61,221,035
60	Income (loss) on financial transactions		17,608,619		4,514,756
70	Other operating income		5,260,391		3,109,446
80	General and administrative expenses:		98,588,846		97,111,939
	a) staff costs	53,513,961		52,595,115	
	of which:				
	- wages and salaries	33,978,542		33,191,344	
	- social security contributions	9,719,262		9,435,214	
	- staff severance pay o	2,930,768		3,029,472	
	- pensions and similar liabilities	1,299,526		1,301,839	
	b) other administrative expenses	45,074,885		44,516,824	
90	Writedowns of tangible and intangible fixed assets		8,625,178		10,704,476
100	Provision for liabilities and contingencies		1,198,919		1,391,684
110	Other operating costs		206,500		0
120	Writedowns of loans and provisions for guarantees and commitments		8,007,904		5,698,242
130	Writebacks of loans and provisions for guarantees and commitments		2,526,348		10,691,007
140	Loan-loss provision		5,000,000		0-
170	**Income (loss) on ordinary operations**		**20,300,457**		**24,218,724**

INCOME STATEMENT		AT 31 DECEMBER 2003	AT 31 DECEMBER 2002
180	Extraordinary income	10,004,854	7,268,735
190	Extraordinary expense	7,366,606	9,285,065
200	**Income (loss) on extraordinary items**	**2,638,248**	**-2,016,330**
210	Change in provision for general banking risks	250,000	512,633
220	Income taxes for the period	11,800,000	10,828,633
230	**Net income (loss) for the period**	**10,888,705**	**10,861,128**

Notes to the Financial Statements

Part A: Significant accounting policies

SECTION 1: DESCRIPTION OF ACCOUNTING POLICIES

1. Loans, guarantees and commitments

Loans to banks

Loans to banks are reported at their estimated realizable value, which normally coincides with the nominal value increased by accrued interest at year-end and net of repayments.

Loans to customers

Transactions settled on current account facilities are recorded at the moment of execution; Other transactions (portfolio discounting, foreign transactions, securities, etc.) are recorded at the time of settlement.

The value of loans stated in the balance sheet, including accrued contractual and default interest, represents their estimated realizable value. The figure is obtained by deducting writedowns (specific and general) of principal and interest from the total amount disbursed, net of repayments.

The original value of loans is reinstated in subsequent years if the reasons for the writedowns cease to obtain.
Expected losses are calculated using analytical and statistical methods, the latter being used for bad debts in respect of personal loans and for calculating normal risk.
The analytical method (used with bad debts, substandard loans and restructured loans) is based on standard criteria approved by the Board of Directors that envisage the prudent valuation of any guarantees and/or ability to repay the loan.
For bad debts in respect of personal loans, the statistical method is based on stratification by age category, with the measurement of collections and losses on closed transactions. The results are then processed to produce a percentage of expected loss, which is applied to the entire stock outstanding. Other loans are written down on a general basis using statistical techniques that use the values for impairment rates (impaired loans as a percentage of total loans) and the percentage of non-recoverability (percentage of losses on impaired loans over time). The results contribute to prudently determining the percentage of provisions required.

Other loans

Other loans are reported at nominal value, increased by any interest accrued at year-end. This value represents their estimated realizable value.

Loans financed with third-party funds under administration

Loans with third-party funds under administration include loans financed with funds provided by central government or other government bodies. Remuneration is effected in the form of a lump-sum fee. They are posted in the balance sheet under both asset and liabilities, in that they generate credit risk for the Bank.
The corresponding item under liabilities represents the Bank's debt in respect of the funds received.

Guarantees and commitments

Guarantees issued are stated at the total amount of the commitment.

Any estimated risks associated with guarantees are reflected in the provisions for liabilities and contingencies with appropriate charges.

Securities to be received are stated at the forward price indicated in the contract.
Commitments to disburse funds to counterparties and customers are reported at the amount to be settled.

2. Securities and off-balance-sheet transactions (excluding foreign exchange transactions)

2.1 Investment securities

Securities held as stable long-term investments are carried at historical cost adjusted for accrued issue and trading discounts. Such securities are written down in the event of a lasting deterioration in the solvency of the issuer. The original value is reinstated should the reasons for the writedowns cease to obtain. The difference between purchase price, calculated as indicated previously, and the redemption value of debt securities adjusts the interest earned on the securities on an accruals basis.

2.2 Trading securities

Securities that are not held as financial fixed assets are carried at the lower of cost, calculated using LIFO with annual layers and adjusted to account for accrued issue discounts, and market price, determined as:

- the arithmetic mean of December prices for securities listed on regulated or organized markets in Italy or abroad;

- for unlisted securities, the price resulting from a comparison with the nominal value of securities with similar characteristics listed on regulated markets in Italy or abroad or, where not available, on the basis of other objectively identifiable elements.

The original value is reinstated in subsequent years if the reasons for any writedowns cease to obtain.
Repurchase agreements that oblige the buyer to resell the securities forward are treated as contangos. Accordingly, the amounts received and paid are posted as payables and receivables. The cost of funding and income from loans, comprising coupon payments and accrued issue discounts and the differential between the spot and forward prices of the securities are reported on an accruals basis under interest.

Off-balance-sheet transactions excluding foreign exchange transactions

Off-balance-sheet transactions include unsettled securities purchase and sale transactions and derivatives on securities and interest rates.

Securities transactions unsettled at year-end are stated as follows:

- for commitments to purchase, at the lower of the settlement price and the year-end market price;

- for commitments to sell, at the lower of the settlement price and book value.

Derivative contracts are valued in accordance with the purpose for which they were entered into. In particular:

- economically linked transactions entered into for hedging purposes are valued on a basis consistent with the hedged assets and liabilities.

- economically linked transactions incorporated in complex financial portfolios made up of securities, other financial instruments and derivatives are valued at the lower of cost and market price, recognizing capital gains only up to the amount of recognized capital losses ;

- trading contracts on the Bank's own behalf are valued at the lower of purchase cost and the corresponding market value. Any negative differences are recognized under "Income (loss) on financial transactions".

Commissions in respect of trading contracts on behalf of customers are recognized in the financial year in which the contracts were made.

Premiums paid and received in the purchase and writing of options are capitalized under caption 130 of assets (other assets) and 50 of liabilities (other liabilities).

Premiums in respect of options exercised by the expiry date increase or decrease, depending on the case, the price of the underlying assets (if the option contract provides for the exchange of principal) or the difference received or paid (if the option does not involve the exchange of principal).

Premiums in respect of options unexercised at the expiry date are recognized in the income statement under caption 60 (Income (loss) on financial transactions) or under items 70 or 110 (other operating income - other operating costs), depending on whether the options form part of trading activity or not. Profits and losses on options trading are also posted under caption 60.

3. Equity investments

Equity investments are valued at cost. The value is written down for lasting impairment where the investee company has suffered losses that are not expected to be offset by profits in the immediate future. The original value is reinstated in subsequent years if the reasons for the writedown cease to obtain.

Dividends and the related tax credit are recorded in the year in which they are approved, which normally coincides with the year in which they are paid.

4. Assets and liabilities denominated in foreign currencies (including off-balance-sheet transactions)

Assets and liabilities denominated in or indexed to foreign currencies are stated at end-year spot rates.

Off-balance-sheet transactions in foreign currencies consisting of unsettled sale or purchase contracts or forward hedging contracts are valued at end-year spot rates.

Foreign currency derivatives are valued at the end-year forward exchange rate applicable to maturities corresponding to those of the transactions involved.
The economic effects of the valuations are recognized in the income statement with a contra-item under other assets and liabilities in the case of off-balance-sheet transactions.

The difference between exchange rate at the date of the transaction and the contractual forward rate is charged to the income statement on an accruals basis in line with the recording of interest on the hedged assets or liabilities.

Costs and revenues denominated in foreign currencies are translated at the exchange rate on the recording date.

5. Tangible fixed assets

Tangible fixed assets are carried at cost including incidental expenses; the carrying value includes revaluations carried out in compliance with law and is stated net of accumulated depreciation.

Tangible assets are depreciated on a straight-line basis applying ordinary rates of depreciation determined in relation to the estimated useful lives of the assets. The rates correspond to the maximum rates allowed under tax regulations. In the event of a permanent impairment of value, regardless of accumulated depreciation, the asset is written down accordingly. The original value is reinstated in subsequent years if the reasons for the writedown cease to obtain.

Improvement costs are capitalized and allocated to the related asset. They are then depreciated on the basis of the remaining useful life of the asset.

6. Intangible fixed assets

These are carried at cost including incidental expenses and net of accumulated amortization, which is calculated on a straight-line basis over the estimated useful life of the assets and in any case over no more than five years.

Formation and expansion costs, purchased goodwill and other deferred costs are carried under assets with the consent of the Board of Statutory Auditors. Such costs are amortized over a maximum period of five years.

7. Other items

Accruals and deferrals

Accruals and deferrals included the accrued share of revenues and expenses covering two or more accounting periods.

Staff severance pay

The staff severance pay provision covers the entire liability accrued in respect of severance pay entitlements in accordance with the applicable legislation and collective and company-level labor contracts.

Provision for liabilities and contingencies

The tax provision covers accrued income and indirect taxes, allocated on the basis of the estimated tax liability as calculated in accordance with tax regulations.

Deferred tax is calculated on the basis of the tax effect of temporary differences between the amount of an income component recognized under statutory provisions and that recognized for tax purposes, or when expenses (revenues) can be deducted (taxed) in a different year from that in which they are charged to the income statement.

To this end, "taxable temporary differences" are those that in future periods will give rise to taxable amounts (for example, deferred capital gains) and "deductible temporary differences" are those that in future periods will give rise deductible amounts (for example, writedowns of payables in excess of 0.6% of their value).
Deferred tax assets are reported if it is reasonably certain that they will be recovered, while deferred tax liabilities are reported on an accruals basis.

The provision for personnel costs includes accrued liabilities in respect of staff, such as bonuses and unused holiday entitlement.

Other provisions for liabilities and contingencies include the theoretical net worth of the Central Guarantee Fund.

Other provisions are made to cover risks associated with guarantees issued and other commitments, as well as liabilities that are likely or certain to be incurred but uncertain as to amount or the date on which they will arise. The provisions made to cover such liabilities reflect the best possible estimate based on the information available.

Loan-loss provision

The provision covers possible credit risks only and does not adjust the value of loans.

Provision for general banking risks

This provision covers general business risks and therefore forms part of shareholders' equity. The net change over the year is charged to the income statement.

SECTION 2: WRITEDOWNS AND PROVISIONS EFFECTED EXCLUSIVELY IN COMPLIANCE WITH TAX REGULATIONS

Part B: Information on the balance sheet

SECTION 1: LOANS

Cash and balances with central banks and post offices "Caption 10 "

	31/12/03	31/12/02
The item shows a balance of :	**31,887**	**50,212**
and includes		
- Notes and coins	31,887	50,212

The item includes €27,454 thousand in "Notes and coins" with third parties.

1.1 Breakdown of caption 30 "Loans to banks"

	31/12/03	31/12/02
The item shows a balance of :	**4,205,175**	**5,174,315**
and includes		
a) claims on central banks (1)	273,861	285,302
b) bills eligible for refinancing with central banks	0	0
c) repurchase agreements	98,924	8,668
d) securities lending	0	0

(1) this is the reserve requirement of the Bank and that managed on behalf of mutual banks/rural and artisans' banks (BCCs and CRAs) as at 31 December 2003.

The following table details transactions with BCCs/CRAs and other banks:

	31/12/03	31/12/02
- repurchase agreements	**98,924**	**8,668**
- BCCs and CRAs	32,287	8,668
- Other banks	66,637	0
- other loans:	**4,106,251**	**5,165,647**
- deposits	**3,136,187**	**4,252,423**
- BCCs and CRAs	10,820	50,168
- Other bank	3,125,367	4,202,255
- current accounts	**225,212**	**247,213**
- BCCs and CRAs	105,879	160,464
- Other banks	119,333	86,749
- other	**744,852**	**666,011**
- BCCs and CRAs	725,861	648,422
- Other banks	18,991	17,589
Total BCCs and CRAs	**874,847**	**867,722**
Total other banks	**3,330,328**	**4,306,593**
Total	**4,205,175**	**5,174,315**

1. 2 Status of loans to banks

CATEGORY / AMOUNT	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE
A. Impaired loans	**615**	**0**	**615**
A.1. Bad debts	615	0	615
A.2. Substandard loans	0	0	0
A.3. Loans being restructured	0	0	0
A.4. Restructured loans	0	0	0
A.5. Unsecured loans to countries at risk	0	0	0
B. Performing loans	**4,204,560**	**0**	**4,204,560**
Total	**4,205,175**	**0**	**4,205,175**

1. 3 Changes in impaired loans to banks

CAUSE / CATEGORY	BAD DEBTS	SUBSTANDARD LOANS	LOANS BEING RESTRUCTURED	RESTRUCTURED LOANS	UNSECURED LOANS TO COUNTRIES AT RISK
A. Opening gross exposure	**1,230**	**0**	**0**	**0**	**0**
A.1. of which: default interest	10	0	0	0	0
B. Increases:	**0**	**0**	**0**	**0**	**0**
B.1. from performing loans	0	0	0	0	0
B.2. default interest	0	0	0	0	0
B.3. transfers from other categories of impaired loans	0	0	0	0	0
B.4. other increases	0	0	0	0	0
C. Decreases:	**615**	**0**	**0**	**0**	**0**
C.1. to performing loans	0	0	0	0	0
C.2. cancellations	615	0	0	0	0
C.3. collections	0	0	0	0	0
C.4. assignments	0	0	0	0	0
C.5. transfers to other categories of of impaired loans	0	0	0	0	0
C.6. other decreases	0	0	0	0	0
D. Closing gross exposure	**615**	**0**	**0**	**0**	**0**
D.1. of which: default interest	0	0	0	0	0

1.4 Changes in total adjustments of loans to banks

Cause / Category	Bad debts	Substandard loans	Loans being restructured	Restructured loans	Unsecured loans to countries at risk	Performing loans
A. Total opening adjustments	**615**	**0**	**0**	**0**	**0**	**0**
A.1. of which: default interest	10	0	0	0	0	0
B. Increases:	**0**	**0**	**0**	**0**	**0**	**0**
B.1. writedowns	0	0	0	0	0	0
B.1.1. of which: default interest	0	0	0	0	0	0
B.2. utilization of loan-loss provision	0	0	0	0	0	0
B.3. transfers from other categories of loans	0	0	0	0	0	0
B.4. other increases	0	0	0	0	0	0
C. Decreases:	**615**	**0**	**0**	**0**	**0**	**0**
C.1. writebacks from valuations	0	0	0	0	0	0
C.1.1. of which: default interest	0	0	0	0	0	0
C.2. writebacks from collections	0	0	0	0	0	0
C.2.1. of which: default interest	0	0	0	0	0	0
C.3. cancellations	615	0	0	0	0	0
C.4. transfers to other categories of of impaired loans	0	0	0	0	0	0
C.5. other decreases	0	0	0	0	0	0
D. Total closing adjustments	**0**	**0**	**0**	**0**	**0**	**0**
D.1. of which: default interest	0	0	0	0	0	0

1. 5 Breakdown of caption 40 "Loans to customers"

	31/12/03	31/12/02
The item shows a balance of :	**744,987**	**782,300**
and includes		
a) bills eligible for refinancing with central banks	0	0
b) repurchase agreements	0	0
c) securities lending	0	0

Tipology	31/12/03	31/12/02
Current accounts	347,149	409,491
Mortgage loans and other loans	364,665	330,965
Portfolio discounting	2,311	7,824
Third-party funds under administration	7,820	8,024
Bad debts	21,708	22,187
Loan to Credico Funding S.r.l. (CBO)	1,334	3,809
Total	**744,987**	**782,300**

1.6 Loans to customers secured by

TIPOLOGY	31/12/03	31/12/02
a) mortgages	**304,047**	**255,426**
b) collateral:	**3,414**	**13,298**
1) cash	0	1,741
2. securities	3,120	11,557
3. other assets	294	0
c) guarantees issued by:	**24,752**	**56,349**
1. governments	0	0
2. other government agencies	0	318
3. banks	0	0
4. other	24,752	56,031
Total	**332,213**	**325,073**

For partly secured loans, only the secured portion is included.

1.7 Status of loans to customers

CATEGORY / AMOUNT	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE
A. Impaired loans	**39,955**	**11,207**	**28,748**
A.1. Bad debts	31,557	9,849	21,708
A.2. Substandard loans	8,025	1,216	6,809
A.3. Loans being restructured	0	0	0
A.4. Restructured loans	373	142	231
A.5. Unsecured loans to countries at risk	0	0	0
B. Performing loans	**719,037**	**2,798**	**716,239**
Total	**758,992**	**14,005**	**744,987**

1.8 Changes in impaired loans to customers

CAUSE / CATEGORY	BAD DEBTS	SUBSTANDARD LOANS	LOANS BEING RESTRUCTURED	RESTRUCTURED LOANS	UNSECURED LOANS TO COUNTRIES AT RISK
A. Opening gross exposure	**37,625**	**15,125**	**0**	**380**	**0**
A.1. of which: default interest	12,285	128	0	0	0
B. Increases:	**16,652**	**15,988**	**0**	**0**	**0**
B.1. from performing loans	148	14,707	0	0	0
B.2. default interest	600	67	0	0	0
B.3. transfers from other categories of impaired loans	11,386	0	0	0	0
B.4. other increases	4,518	1,214	0	0	0
C. Decreases:	**22,720**	**23,088**	**0**	**7**	**0**
C.1. to performing loans	0	5,476	0	0	0
C.2. writeoffs	20,594	0	0	0	0
C.3. collections	1,815	6,207	0	7	0
C.4. assignments	0	0	0	0	0
C.5. transfers to other categories of impaired loans	0	11.386	0	0	0
C.6. other decreases	311	19	0	0	0
D. Closing gross exposure	**31,557**	**8,025**	**0**	**373**	**0**
D.1. of which: default interest	9,287	190	0	0	0

1.9 Changes in total adjustments of loans to customers

CAUSE / CATEGORY	BAD DEBTS	SUBSTANDARD LOANS	LOANS BEING RESTRUCTURED	RESTRUCTURED LOANS	UNSECURED LOANS TO COUNTRIES AT RISK	PERFORMING LOANS
A. Total opening adjustments	**15,438**	**4,635**	**0**	**142**	**0**	**2,419**
A.1. of which: default interest	9,951	51	0	0	0	0
B. Increases:	**16,506**	**1,163**	**0**	**0**	**0**	**439**
B.1. Writedowns	7,201	1,163	0	0	0	400
B.1.1. of which: default interest	908	67	0	0	0	0
B.2. Utilization of loan-loss provision	4,784	0	0	0	0	0
B.3. Transfers from other categories	4,521					
of loans		0	0	0	0	0
B.4. Other increases						
	22,095	**4,582**	**0**	**0**	**0**	**60**
C. Decreases:	910	22	0	0	0	60
C.1. Writebacks from valuations	446	7				
C.1.1. of which: default interest	591	0	0	0	0	0
C.2. Writebacks from collections						
C.2.1. of which: default interest	417	0	0	0	0	0
C.3. Writeoffs	20,594	0	0	0	0	0
C.4. Transfers to other categories of impaired loans	0	4,521	0	0	0	0
C.5. Other decreases	0	39	0	0	0	0
D. Total closing adjustments	**9,849**	**1,216**	**0**	**142**	**0**	**2,798**
D.1. of which: default interest	6,824	111	0	0	0	0

Expected losses are calculated using analytical and statistical methods, the latter being used for bad debts in respect of personal loans and for calculating normal risk.

The analytical method (used with bad debts and substandard loans) is normally based on standard criteria approved by the Board of Directors that, among other things, envisage the prudent valuation of any guarantees (for example, for mortgage loans, the value of the asset is considered as 50% of the updated appraised value; for those backed by supplementary guarantees, such as the Central Guarantee Fund, the guarantor's contribution is reduced by at least 10% of the Fund's liability as established by law) and/or the financial situation of any guarantors.

For bad debts in respect of personal loans, the statistical method is based on stratification by age category, with the measurement of collections and losses on closed transactions. The results are then processed to produce a percentage of expected loss, which is applied to the entire stock outstanding.

Other loans are written down on a general basis using statistical techniques that use the values for impairment rates (impaired loans as a percentage of total loans) and the percentage of non-recoverability (percentage of losses on impaired loans over time). The results contribute to prudently determining the percentage of provisions required. Loans bearing non-market rates are written down by discounting at average market rates.
As in the case of classification, specific analytical valuations are carried out by line management, with extensive sample checks by control units. The Internal Audit Department also calculates general loss forecasts.

Valuations are submitted for approval by the Board of Directors.

SECTION 2: SECURITIES

Securities holdings are classified as follows:

CATEGORY	31/12/03	31/12/02
Treasury securities and other securities eligible for refinancing with central banks (caption 20):	218,240	53,726
Bonds and other debt securities (caption 50)	358,420	420,035
Shares and other equities (caption 60)	82,596	60,524
Total	**659,256**	**534,285**
Of which:		
Investment securities	0	180,760
Trading securities	659,256	353,525

2.1 Investment securities

At the start of 2003, the Board of Directors voted to dispose of the portfolio.

ITEMS / AMOUNT	BOOK VALUE		MARKET VALUE (1)	
	31/12/03	31/12/02	31/12/03	31/12/02
1. Debt securities	**0**	**180,760**	**0**	**179,154**
1.1 Government securities	**0**	**180,760**	**0**	**179,154**
- listed	0	180,760	0	179,154
- unlisted	0	0	0	0
1.2. Other securities	**0**	**0**	**0**	**0**
- listed	0	0	0	0
- unlisted	0	0	0	0
2. Equity securities	**0**	**0**	**0**	**0**
- listed	0	0	0	0
- unlisted	0	0	0	0
Total	**0**	**180,760**	**0**	**179,154**

(1) Arithmetic average of prices in last six months of the year for listed securities.

2.2 Changes in investment securities

	2003	2002
A. Opening balance	**180,760**	**181,530**
B. Increases	**6,399**	**74**
B1. Purchases	0	0
B2. Writebacks	0	0
B3. Transfers from trading portfolio	0	0

2.2 CHANGES IN INVESTMENT SECURITIES (NEXT)	2003	2002
B4. Other changes	6,399	74
C. Decreases	**187,159**	**844**
C1. Sales	186,687	0
C2. Redemptions	0	0
C3. Writedowns	0	0
of which: - permanent writedowns	0	0
C4. Transfers to trading portfolio	0	0
C5. Other changes	472	844
D. Closing balance	**0**	**180,760**

Following a review of corporate policy on the amount of strategic assets to be carried, on 14 February 2003 the Board of Directors approved the early disposal of the investment security portfolio. This operation served to make the structure of assets more flexible, creating greater room for maneuver in pursuing company objectives, and to reduce exposure to interest rate risk.
The securities involved in the disposal and their amounts were as follows:

ISIN CODE	DESCRIPTION	NOMINAL VALUE
IT0001224309	BTP 1/05/98-08 5%	75,000
IT0001273363	BTP 1/11/98-09 4,5%	62,500
IT0001278511	BTP 1/11/98-29 5,25%	38,000

The operation produced extraordinary income of €6,399 thousand.

2.3 Trading securities

ITEMS / AMOUNT	BOOK VALUE		MARKET VALUE (1)	
	31/12/03	31/12/02	31/12/03	31/12/02
1. Debt securities	**576,660**	**293,001**	**577,800**	**294,892**
1.1. Government securities	**485,438**	**139,030**	**485,755**	**139,990**
- listed	485,438	139,030	485,755	139,990
- unlisted	0	0	0	0
1.2 Other securities	**91,222**	**153,971**	**92,045**	**154,902**
- listed	29,724	22,345	30,182	22,409
- unlisted	61,498	131,626	61,863	132,493
2. Equity securities	**82,596**	**60,524**	**83,759**	**61,012**
- listed	68,024	56,325	69,022	56,808
- unlisted	14,572	4,199	14,737	4,204
Total	**659,256**	**353,525**	**661,559**	**355,904**

Valuation of the securities produced writedowns totaling €348 thousand and writebacks amounting to €252 thousand, which were taken to the income statement. In addition, there are unrecorded capital gains of €2,303 thousand, as specified in Part A - Section 1

Equity securities include a holding of €56,102 thousand in SECURFONDO.
Trading volumes for the year divided by type of security are shown below:

2.4 Changes in trading securities

	2003	2002
A. Opening balance	**353,525**	**321,146**
B. Increases	**60,856,538**	**74,157,454**
B.1. Purchases	60,842,182	74,147,571
- Debt securities	60,180,334	73,779,176
+ government securities	54,212,096	69,303,048
+ other	5,968,238	4,476,128
- Equity securities	661,848	368,395
B.2. Writebacks and revaluations	252	702
B.3. Transfers from investment portfolio	0	0
B.4. Other changes	14,104	9,181
C. Decreases	**60,550,807**	**74,125,075**
C.1. Sales and redemptions	60,547,837	74,118,959
- Debt securities	59,906,943	73,747,134
+ government securities	53,867,985	69,302,516
+ other	6,038,958	4,444,618
- Equity securities	640,894	371,825
C.2. Writedowns	347	2,051
C.3. Transfers to investment portfolio	0	0
C.4. Other changes	2,623	4,065
D. Closing balance	**659,256**	**353,525**

SECTION 3: EQUITY INVESTMENTS

3.1 Significant equity investments

NAME	REGISTERED OFFICE	SHAREHOLDERS' EQUITY	INCOME/LOSS	% HOLDING	BOOK VALUE
A. Subsidiaries					
B. Companies subject to significant influence					
1 Prominvestment S.p.A.	Rome	1,276	-18	30	685

The holding was transferred at book value to the parent company, Iccrea Holding S.p.A., during 2003. During the year the Bank acquired 30% of Prominvestment S.p.A.

3.2 Assets and liabilities with Group companies

	31/12/03	31/12/02
a. Assets	**6,566**	**32,592**
1. Loans to banks	93	20,955
Of which: - subordinated	0	0
2. Loans to financial institutions	984	500
Of which: - subordinated	0	0
3. Loans to other customers	3,889	9,537
Of which: - subordinated	0	0
4. Bonds and other debt securities	1,600	1,600
Of which: - subordinated	0	0
b. Liabilities	**229,992**	**564,513**
1. Due to banks	128,345	455,041
2. Due to financial institutions	70,742	97,457
3. Due to other customers	29,305	10,415
4. Debt securities in issue	1,600	1,600
5. Subordinated debt	0	0
c. Guarantees and commitments	**182,104**	**25**
1. Guarantees issued	182,104	25
2. Commitments	0	0

The composition of **assets** with Group companies is as follows:

COMPANY	31/12/03	31/12/02
ICCREA Holding S.p.A. - Parent company	915	258
Banca Agrileasing S.p.A.	1,693	22,555
Immicra S.r.l.	796	1,290
BCC Vita S.p.A.	150	8,167
Nolé S.p.A.	2,943	80
Aureo Gestioni S.G.R.p.A.	69	26
Simcasse S.p.A. in liquidazione	0	207
BCC Capital	0	9

The composition of **liabilities** with Group companies is as follows:

COMPANY	31/12/03	31/12/02
ICCREA Holding S.p.A. - Parent company	64,149	71,775
Banca Agrileasing S.p.A.	128,345	455,041
Aureo Gestioni S.G.R.p.A.	360	221
BCC Servizi Innovativi	100	0
Immicra S.r.l.	220	283
Credico Finance S.p.A.	41	9,537
BCC Capital S.p.A.	495	609
BCC Gestione Crediti S.p.A.	1,369	2,000
TK Leasing S.p.A.	1,165	1,323
BCC Vita S.p.A.	28,882	11,732
BCC Securis S.r.l.	9	6,594
BCC WEB	1,703	0
Simcasse S.p.A. in liquidazione	3,154	5,398

3.3 Assets and liabilities with affiliated companies (excluding Group companies)

	31/12/03	31/12/02
a. Assets	**6,468**	**4,813**
1. Loans to banks	0	0
of which:		
- subordinated	0	0
2. Loans to financial institutions	4,390	4,747
of which:		
- subordinated	0	0
3. Loans to other customers	2,078	66
of which:		
- subordinated	0	0
4. Bonds and other debt securities	0	0
of which:		
- subordinated	0	0
b. Liabilities	**6,719**	**17,791**
1. Due to banks	0	0
2. Due to financial institutions	3,774	16,112
3. Due to other customers	2,945	1,679
4. Debt securities in issue	0	0
5. Subordinated debt	0	0
c. Guarantees and commitments	**0**	**0**
1. Guarantees issued	0	0
2. Commitments	0	0

3.4 Composition of caption 70 “Equity investments”

	31/12/03	31/12/02
a) banks	**0**	**0**
1. listed	0	0
2. unlisted	0	0
	1,694	**1,009**
b) financial institutions	0	0
1. listed	1,694	1,009
2. unlisted	**1,016**	**760**
	0	0
c. other	1,016	760

3.5 Composition of caption 80 “Equity investments in Group companies”

	31/12/03	31/12/02
a) banks	**0**	**0**
1. listed	0	0
2. unlisted	0	0
	300	**10,949**
b) financial institutions	0	0
1. listed	300	10,949
2. unlisted	**210**	**210**
	0	0
c. other	210	210

3.6 Changes in equity investments

3.6.1 Equity investments in Group companies

	31/12/03	31/12/02
A. Opening balance	**11,159**	**10,779**
	0	**380**
B. Increases	0	380
B1. Purchases	0	0
B2. Writebacks	0	0
B3. Revaluations	0	0
B4. Other changes	**10,649**	**0**
	10,649	0
C. Decreases	0	0
C1. Sales	0	0
C2. Writedowns	0	0
of which:	**510**	**11,159**
- permanent writedowns	**0**	**0**
C3. Other changes	**0**	**0**

The sale involved the disposal of the equity investment in BCC Capital S.p.A. to Iccrea Holding S.p.A. at book value.

3.6.2 Other equity investments

	31/12/03	31/12/02
A. Opening balance	**1,769**	**1,935**
	945	**3,136**
B. Increases	945	0
B1. Purchases	0	0
B2. Writebacks	0	0
B3. Revaluations	0	3.136
B4. Other changes	**4**	**3,302**
	0	3.302
C. Decreases	0	0
C1. Sales	0	0
C2. Writedowns	4	0
of which:	**2,710**	**1,769**
- permanent writedowns	**0**	**0**
C3. Other changes	**0**	**0**

The decreases regard the writeoff of the holding in Consorzio Servizi Comuni. The writeoff produced a loss on equity investments of €2 thousand, which was recognized under extraordinary expense. Purchases regard Prominvestment S.p.A., P.B. S.r.l. and Cilme-Multitel S.p.A..

SECTION 4: TANGIBLE AND INTANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS

4.1 Changes in tangible fixed assets

CATEGORY OF ASSET	LAND AND BUILDINGS		MOVABLES		MACHINERY AND PLANT		TOTAL	
	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02
A. Opening balance	**43,368**	**45,512**	**814**	**1,028**	**7,010**	**6,884**	**51,192**	**53,424**
B. Increases	**59,577**	**0**	**307**	**40**	**3,217**	**4,105**	**63,101**	**4,145**
B1. Purchases	0	0	307	40	3,217	4,105	3,524	4,145
B2. Writebacks	0	0	0	0	0	0	0	0
B3. Revaluations	59,093	0	0	0	0	0	59,093	0
B4. Other changes	484	0	0	0	0	0	484	0
C. Decreases	**2,144**	**2,144**	**232**	**254**	**3,198**	**3,979**	**5,574**	**6,377**
C1. Sales	0	0	38	4	740	1,334	778	1,338
C2. Writedowns	2,144	2,144	194	250	2,458	2,645	4,796	5,039
a) depreciation	2,144	2,144	194	250	2,458	2,645	4,796	5,039
b) permanent writedowns	0	0	0	0	0	0	0	0
C3. Other changes	0	0	0	0	0	0	0	0
D. Closing balance	**100,801**	**43,368**	**889**	**814**	**7,029**	**7,010**	**108,719**	**51,192**
E. Total revaluations	**102,960**	**43,867**	**0**	**0**	**0**	**0**	**102,960**	**43,867**
F. Total writedowns	**30,261**	**28,116**	**2,865**	**3,001**	**14,793**	**14,303**	**47,919**	**45,420**
a) depreciation	30,261	28,116	2,865	3,001	14,793	14,303	47,919	45,420
b) permanent writedowns	0	0	0	0	0	0	0	0

Law 350/2003 extended the deadline set in Law 342/2000 regarding the revaluation of company assets.
The Bank took advantage of the revaluation option to adjust especially undervalued real estate holdings to market values.
The operation involved the revaluation of historical cost net of accumulated depreciation on the basis of an expert appraisal.
The revaluation reserve under Law 342/2000 amounts to €47,866 thousand and the withholding tax in settlement amounts to €11,228 thousand.
The effects of the operation on each asset are shown in the annex to the financial statements.

INTANGIBLE FIXED ASSETS

Intangible fixed assets, representing costs with long-term benefits, are shown net of amortization in the table:

	31/12/03	31/12/02
- software licenses	3,438	3,198
- projects in process	362	0
- projects in use	1,395	2,665
Total	**5,195**	**5,863**

4.2 Changes in intangible fixed assets

	31/12/03	31/12/02
A. Opening balance	**5,863**	**6,123**
B. Increases	**3,161**	**5,405**
B1. Purchases	3,161	5,405
B2. Writebacks	0	0
B3. Revaluations	0	0
B4. Other changes	0	0
C. Decreases	**3,829**	**5,665**
C1. Sales	0	0
C2. Writedowns	3,829	5,665
a) amortization	3,829	5,665
b) permanent writedowns	0	0
C3. Other changes	0	0
D. Closing balance	**5,195**	**5,863**
E. Total revaluations	**0**	**0**
F. Total writedowns	**7,392**	**12,971**
a) amortization	7,392	12,971
b) permanent writedowns	0	0

Purchases primarily regard software licenses. Intangible fixed assets are amortized over three years.

SECTION 5: OTHER ASSETS

5.1 Composition of caption 130 “Other assets”

	31/12/03	31/12/02
- Tax receivables	17,803	18,268
- Tax credit in respect of ICCREA Holding contribution,	19,302	18,774
- Commissions to be charged	18,098	19,907
- Premiums on options purchased	70,327	62,147
- Trade collections	1,858	15,713
- Revaluation of foreign exchange transactions	25,911	19,279
- Other	13,753	21,480
Total	**167,052**	**175,568**

Tax receivables regard advances on account, withholdings and taxes paid in advance. Outstanding items totaling €412,495 thousand have been reclassified under a separate heading.

5.2 Composition of caption 140 "Accrued income and prepaid expenses"

The caption breaks down as follows:

	31/12/03	31/12/02
Accrued income :		
- interest on securities	3,821	3,536
- interest on mortgages and loans	2,867	4,866
- interest on special credit transactions	3,037	1,829
- interest on deposits and other foreign transactions	12,221	22,185
- repurchase agreements	275	7
- derivatives transactions	7,395	7,594
- other	0	0
Total accrued income	**29,616**	**40,017**
Prepaid expenses :		
- discount on issue of securities	5,896	122
- derivatives transactions	28,275	7,994
- other	4,950	3,983
Total prepaid expenses	**39,121**	**12,099**

5.3 Adjustments for accrued income and prepaid expenses

No direct adjustments were made to balance sheet items in respect of accrued income and prepaid expenses except for those expressly provided for by law.

5.4 Distribution of subordinated assets

	31/12/03	31/12/02
a) Loans to banks (BCCs)	10,197	6,197
b) Loans to customers	0	0
c) Bonds and other debt securities:	51,192	89,868

The item regards loans to BCCs, of which one on behalf of the Central Guarantee Fund. The bonds regard BCC issues and the subscription of mezzanine and junior securities from the securitization (CBO) discussed in section 11.8.

SECTION 6: PAYABLES

6.1. Breakdown of caption 10 “Due to banks”

	31/12/03	31/12/02
a) repurchase agreements	57,895	49,283
b) securities lending	0	0

The item breaks down as follows:

	31/12/03	31/12/02
- repurchase agreements	**57,895**	**49,283**
- BCCs and CRAs	57,895	49,228
- Other banks	0	55
- other liabilities		
- deposits	**0**	**5,521,649**
- BCCs and CRAs	**4,039,556**	**4,586,132**
- Other banks	3,603,734	4,002,421
- current accounts	435,822	583,711
- BCCs and CRAs	**454,002**	**896,489**
- Other banks	147,612	148,571
- other	306,390	747,918
- Other banks	**40,985**	**39,028**
Total BCCs and CRAs	40,985	39,028
Total other banks	**3,809,241**	**4,200,220**
Total	**783,197**	**1,370,712**
- repurchase agreements	**4,592,438**	**5,570,932**

The deposits of the BCCs and CRAs include €526,476 thousand in respect of reserve requirements managed by the Bank on their behalf.

6.2 Breakdown of caption 20 “Due to customers”

	31/12/03	31/12/02
a) repurchase agreements	17,296	1,150
b) securities lending	0	0
Total	**17,296**	**1,150**

The amount of "Due to customers", equal to €388,864 thousand, mainly consists of current accounts; the interest paid is in line with market rates.

6.3 Breakdown of caption 30 “Debt securities in issue”

	31/12/03	31/12/02
The item totals:	**392,862**	**369,978**

The item breaks down as follows: bonds totaling €50,916 thousand, credit linked notes totaling €106,850 thousand euros and checks in circulation totaling €235,096 thousand . Bonds maturing during the year amounted to €79,521 thousand , while new issues totaled €96,750 thousand.

6.4 Breakdown of caption 40 “Third-party funds under administration”

	31/12/03	31/12/02
The item totals:	**7,820**	**8,024**

The item is the balance of central government funds, former Agensud funds (Southern Italy Development Agency) and regional funds provided for special loans.

SECTION 7: PROVISIONS

Staff severance pay provision "Caption 70"

The staff severance pay provision totals €17,771 thousand. It represents employees' accrued severance entitlement at end-year.
Changes for the year were as follows:

Balance at 31 December 2002:	**17,186**
Releases for advances and severance pay:	-1,643
Transfer to the Solidarity Fund:	-180
Transfer to the Supplementary Pension Fund:	-467
Capital gains tax on revaluation:	-56
Provisions:	2,931
Balance at 31 December 2003:	**17,771**

Provision for liabilities and contingencies "Caption 80"

- Provision for taxes and duties "80_b":

The provision of €24,805 thousand represents allocations made in respect of liabilities for direct, indirect and deferred taxes, calculated on the basis of tax legislation, as well as the liability for IRAP.

Changes for the year were as follows:

Balance at 31 December 2002001:	**14,624**
Releases for income taxes:	-11,458
Releases in respect of tax regularization scheme:	-449
Deferred taxes:	1,457
Increase for direct taxes	7,943
Increase in respect of tax on revaluations under Law342/2000:	11,228
Increase for indirect taxes:	1,460
Balance at 31 December 2003:	**24,805**

Advance payments on account amounted to €5,470 thousand for IRPEG and €3,927 thousand for IRAP.

7.1 Composition of caption 90 "Loan-loss provision"

	31/12/03	31/12/02
The item totals:	**5,000**	**4,784**

The provision, amounting to €5,000 thousand, covers the risk of potential loan losses. It therefore does not adjust asset items. During the year, releases amounted to €4,784 thousand to cover losses recognized pursuant to Article 66 of Presidential Decree 917/1986.

7.2 Change in "Loan-loss provision" (CAPTION 90)

	31/12/03	31/12/02
A. Opening balance	**4,784**	**6,000**
B. Increases	**5,000**	**0**
B1. Allocations	5,000	0
B2. Other changes	0	0
C. Decreases	**4,784**	**1,216**
C1. Releases	4,784	1,216
C2. Other changes	0	0
D. Closing balance	**5,000**	**4,784**

7.3 Composition of caption 80 c) "Provisions for liabilities and contingencies: other provisions":

	31/12/03	31/12/02
The item totals:	**9,560**	**8,535**

The item comprises the following provisions:

Provision for future liabilities and contingencies

The provision amounts to €4,361 thousand and was established to cover the risk of revocatory actions in bankruptcy involving a number of claims, the estimated losses on pending suits and possible losses on other pending items.

Provision for guarantees and commitments

The provision amounts to €84 thousand euros. It was established to cover possible losses on guarantees issued on behalf of third parties.

Provision for personnel costs

The provision of €3,380 thousand covers liabilities in respect of incentive programs, bonuses and unused holiday entitlement.

Central Guarantee Fund

The provision, which totals €1,735 thousand , represents the theoretical net worth of the Central Guarantee Fund, established in 1979 for the purpose of protecting the image of the BCCs and CRAs, to maintain branches and provide financing and capital to those in temporary difficulty.
The management of the Fund does not have an impact of the Bank's results.

The assets and liabilities of the Fund at 31 December 2003 are shown below:

ASSETS	31/12/03	31/12/02
Deposits with banks	27,710	24,187
Loans to CRAs	11,362	11,362
Securities	0	2,590
Accrued income	0	31
Other assets	434	392
Total assets	**39,506**	**38,562**

LIABLITIES	31/12/03	31/12/02
BCC deposits	37,769	36,849
Other liabilities	2	0
Central Guarantee Fund reserve	1,735	1,713
Total liabilities	**39,506**	**38,562**

Changes in the Fund reserve for the year were as follows:

Balance at 31 December 2002	**1,713**
Allocation for the year	22
Balance at 31 December 2003	**1,735**

No significant events occurred during the year except for the extension until 31 December 2005 of the loan granted the BCC of Pachino
The amount of the reserve is considered sufficient to cover the commitments of the Fund.
The annexes detail the economic and financial situation regarding the formation of the Fund reserve.
In early 2004, part (€20,000 thousand) of the tied deposits of the Central Guarantee Fund were returned.

7.4 Changes in deferred tax assets

1. Opening balance	**3,998**
2. Increases	**721**
2.1 Deferred tax assets arising during the year	721
2.2 Other increases	0
3. Decreases	**-3,121**
3.1 Deferred tax assets reversed during the year	-3,098
3.2 Other decreases	-23
4. Closing balance	**1,598**

7.5 Changes in deferred tax liabilities

1. Opening balance	**853**
2. Increases	**1,689**
2.1 Deferred tax liabilities arising during the year	1,689
2.2 Other increases	0
3. Decreases	**-232**
3.1 Deferred tax liabilities reversed during the year	-213
3.3 Other decreases	-19
4. Closing balance	**2,310**

SECTION 8: REGULATORY CAPITAL, SHARE CAPITAL, RESERVES, PROVISION FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

The Bank's **shareholders' equity** at 31 December 2003 amounted to **€304,719 thousand**, as shown in the schedule in the annexes.

8.1 Regulatory capital and prudential capital requirements

CATEGORY / AMOUNT	IMPORTO 2003	IMPORTO 2002
A. ***Regulatory capital***		
A.1 Tier 1 capital	244,049	239,851
A.2 Tier 2 capital	52,678	4,595
A.3 Deductible elements	1,525	0
A.4 Regulatory capital	295,202	244,446
B. ***Prudential capital requirements***		
B.1 Credit risk	117,850	129,500
B.2 Market risks	22,253	16,832
of which:		
- risk on trading portfolio	22,253	16,832
- exchange rate risk	0	0
B.3 Tier 3 subordinated debt	0	0
B.4 Other requirements	240	5,579
B.5 Total capital requirements	140,343	151,911
C. ***Risk assets and capital ratios***		
C1. Risk-weighted assets	2,004,900	2,170,157
C2. Tier-1 capital/risk-weighted assets	12.17%	11.05%
C3. Regulatory capital/risk-weighted assets	14.72%	11.26%

Provision for general banking risks “Caption 100”

	31/12/03	31/12/02
The item totals:	**10,650**	**10,400**

The provision increased by €250 thousand .

Share capital "Caption 120"

	31/12/03	31/12/02
Fully subscribed share capital totals:	**216,913**	**216,913**

Share capital consists of 420,000 shares with a par value of €516.46 each, held by the parent company, Iccrea Holding S.p.A., the Federazione Lombarda delle BCC and the Cassa Centrale delle C.R. Trentine e delle BCC del Nord-Est..

Reserves “Caption 140”

	31/12/03	31/12/02
Reserves total:	**18,400**	**15,142**

Reserves increased following the allocation of net income approved by the Shareholders' Meeting of 30 April 2003.

Revaluation reserve "Caption 150"

	31/12/03	31/12/02
Reserves total:	**47,866**	**0**

Pursuant to Law 350/2003 (formerly Law 342/2000) real estate assets were revalued.

Net income for the year "Caption 170"

	31/12/03	31/12/02
Net income for the year totals:	**10,889**	**10,861**

In accordance with the Bank's bylaws, three tenths of net income is allocated to the legal reserve. The remaining seven tenths is available for distribution to shareholders, with a portion available to the Board of Directors to fund charitable or public relations initiatives.

SECTION 9: OTHER LIABILITIES

9.1 Composition of caption 50 "Other liabilities"

The item breaks down as follows:

	31/12/03	31/12/02
- Adjustments of illiquid customer and bank items	19,235	12,234
- Payables on farmer and craft loans	1,094	3,096
- Invoices be received and paid	12,555	17,683
- Withholdings to be paid	3,333	5,080
- Commissions to be paid	13,495	15,729
- Social security contributions	1,780	1,815
- Expired bank transfers	5,454	3,678
- Funds available to BCCs for pension payments	1,703	776
- Premiums on options written	68,168	39,841
- Coupons and securities to be credited	1,311	725
- Solidarity allowances	7,617	6,151
- Other	71,048	41,460
Total	**206,793**	**148,268**

As in the case of assets, outstanding items totaling €171,692 thousand were reclassified to a separate item. Other items include €45,822 thousand regarding overdrafts resulting from technical factors (mismatch of inflows and outflows on accounts).

9.2 Composition of caption 60 "Accrued expenses and deferred income"

The caption breaks down as follows:

ACCRUED EXPENSES	31/12/03	31/12/02
- interest on bonds	172	611
- interest on current accounts, loans and other	1,138	990
- interest on deposits and other foreign transactions	1,275	2,378
- other	1,836	181
- repurchase agreements	124	111
- derivatives transactions	7,217	10,436
Total accrued expenses	**11,762**	**14,707**

DEFERRED INCOME :	31/12/03	31/12/02
- interest on portfolio discounting	0	166
- interest on foreign transactions	1,196	1,741
- other	668	740
- derivatives transactions	29,972	24,033
Total deferred income	**31,836**	**26,680**

9.3 Adjustments for accrued expenses and deferred income

No direct adjustments were made to balance sheet items in respect of accrued expenses and deferred income except for those expressly provided for by law.

SECTION 10: GUARANTEES AND COMMITMENTS

10.1 Composition of caption 10 “Guarantees issued”

	31/12/03	31/12/02
a) Commercial guarantees	236,876	48,569
b) Financial guarantees	22,540	33,011
c) Assets pledged as collateral	0	0
Total	**259,416**	**81,580**

The sharp rise is attributable to the granting of guarantees to Banca Agrileasing.

10.2 Composition of caption 20 “Commitments”

	31/12/03	31/12/02
a) Commitments to disburse funds - certain utilization	686,946	359,832
b) Commitments to disburse funds - uncertain utilization	110,505	5,000
Total	**797,451**	**364,832**

Commitments to disburse funds with certain utilization regard securities transactions to be settled, loans to be disbursed and credit derivatives transactions (€105,250 thousand). Commitments with uncertain utilization regard put options written.

10.3 Assets pledged as collateral for own liabilities

Assets pledged as collateral for the liabilities of the Bank consist solely of securities and regard:

	31/12/03	31/12/02
- repurchase agreements	72,483	49,895
- guarantees for derivatives transactions	26,566	11,566
- Euroclear guarantee	168,000	172,000
- security for cashier's checks	41,000	36,000
- guarantees for earthquake victims	0	516
- security deposit for rent to "Fondo Naz. Sped. Doganali"	5	5
Total	**308,054**	**269,982**

10.4 Undrawn margins on credit lines

	31/12/03	31/12/02
a) central banks	0	0
b) other banks	0	0

10.5 Forward transactions

	31/12/03			31/12/02
CATEGORY OF TRANSACTION	HEDGING	TRADING	OTHER	
1. Purchases/sales:				
1.1 Securities				
- Purchases	0	477,813	0	309,971
- Sales	0	490,725	0	314,825
1.2 Foreign currencies				
- foreign currency vs foreign currency	130,926	0	0	178,177
- purchases against euros	119,961	0	0	246,634
- sales against euros	1,099,615	0	0	1,367,963
2. Deposits and loans				
- to be disbursed	0	103,884	0	38,860
- to be received	0	58,215	0	88,788
3. Derivative contracts				
3.1 With exchange of principal				
a) Securities				
- Purchases	0	382,363	0	6,400
- Sales	0	210,698	0	40,235
b) Foreign currencies				
- foreign currency vs foreign currency	0	792	0	0
- purchases against euros	0	156,392	0	24,529
- sales against euros	0	156,395	0	25,634
c) Other assets				
- Purchases	0	0	0	0
- Sales	0	0	0	0
3.2 Without exchange of principal				
a) Foreign currencies				
- foreign currency vs foreign currency	0	0	0	0
- purchases against euros	0	1,125	0	0
- sales against euros	0	1,500	0	0
b) Other assets				
- Purchases	237,700	6,763,212	0	4,382,150
- Sales	1,676,072	7,895,835	181,350	7,765,850

Foreign currency operations involve outright transactions for hedging purposes, translated at the end-year spot exchange rate.
The balance sheet reports premiums paid on options totaling €70,327 thousand and premiums received on options totaling €68,168 thousand.

To clarify **point 3** of **Section 10.5** see the following table:

TYPE OF DERIVATIVE CONTRACT	HEDGING	TRADING	OTHER
With exchange of principal			
Securities:			
- Purchases			
Options on debt securities	0	266,767	0
Options on equities	0	96	0
Futures	0	115,500	0
- Sales			
Options on debt securities	0	210,698	0
Options on equities	0	0	0
Futures	0	0	0
Foreign currency			
- Purchases			
Currency options	0	157,184	0
- Sales			
Currency options	0	156,395	0
Without exchange of principal			
Foreign currency			
- Purchases			
Currency options		1,125	
- Sales			
Currency options		1,500	
Other assets			
- Purchases			
Interest rate swaps	79,250	3,845,906	0
Overnight indexed swaps	0	357,518	0
Forward rate agreements	0	644,188	0
Options on indices	104,600	753,006	0
Options on interest rates	0	98,906	0
Interest rate/index swaps	0	0	0
Zero coupon swaps	22,850	269,205	0
Swaptions	0	146,526	0
Futures on indices	0	180	0
Interest rate options	0	567,437	0
Basis swaps	31,000	80,340	0
- Sales			
Interest rate swaps	100,000	3,885,143	76,750
Overnight indexed swaps	1,545,072	1,241,489	0
Forward rate agreements	0	755,281	0
Options on indices	0	906,917	104,600
Options on interest rates	0	86,485	0
Interest rate/index swaps	0	1,000	0
Zero coupon swaps	0	267,456	0
Swaptions	0	146,486	0
Basis swaps	31,000	80,340	0
Interest rate options	0	525,238	0

10.6 Credit derivatives

	31/12/03	
CATEGORY OF TRANSACTION	TRADING	OTHER
1. Purchases of protection	**0**	**106,850**
1. With exchange of principal :	0	106,850
credit linked notes	0	106,850
1.2 Without exchange of principal	0	0
2. Sales of protection:	**0**	**105,250**
2.1 With exchange of principal :	0	105,250
- credit default swaps	0	105,250
2.2 Without exchange of principal	0	0

SECTION 11: CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.1 Large exposures

	31/12/03	31/12/02
a) Amount	214,946	253,248
b) Number	4	6

The item regards current account positions, securities and off-balance-sheet risk assets.

11.2 Breakdown of loans to customers by type of borrower

	31/12/03	31/12/02
a) Governments	0	0
b) Other government agencies	11,681	14,719
c) Non-financial corporations	429,892	425,947
d) Financial corporations	142,811	190,183
e) Producer households	39,442	39,735
f) Other	121,161	111,716
Total	**744,987**	**782,300**

11.3 Breakdown of loans to resident non-financial corporations and producer households

	31/12/03	31/12/02
a) Other market services	73,895	63,250
b) Transport services	60,877	67,487
c) Food, beverages and tobacco products	57,028	41,305
d) Products of agriculture, forestry and fishing	52,475	53,157
e) Energy products	51,275	44,253
f) Other sectors	173,774	194,864
Total	**469,324**	**464,316**

11.4 Breakdown of guarantees issued, by counterparty

	31/12/03	31/12/02
a) Governments	0	0
b) Other government agencies	0	0
c) Banks	240,075	59,967
d) Non-financial corporations	18,752	20,690
e) Financial corporations	273	489
f) Producer households	3	104
g) Other	313	330
Total	**259,416**	**81,580**

11.5 Geographical distribution of assets and liabilities

ITEMS / COUNTRIES	ITALY		OTHER EU COUNTRIES		OTHER COUNTRIES	
	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02
1. Assets	**3,974,341**	**4,316,932**	**1,462,791**	**2,038,154**	**172,286**	**135,814**
1.1 Loans to banks	2,595,160	3,023,920	1,438,012	2,027,875	172,003	122,520
1.2 Loans to customers	743,815	777,916	1,019	4,355	153	29
1.3 Securities	635,366	515,096	23,760	5,924	130	13,265
2. Liabilities	**5,132,342**	**6,094,331**	**179,894**	**187,951**	**69,749**	**68,396**
2.1 Due to banks	4,343,186	5,314,818	179,508	187,853	69,745	68,261
2.2 Due to customers	388,474	401,511	386	98	4	135
2.3 Debt securities in issue	392,862	369,978	0	0	0	0
2.4 Other	7,820	8,024	0	0	0	0
3, Guarantees and commitments	**742,711**	**368,944**	**214,953**	**65,988**	**99,203**	**11,479**

11.6 Distribution of assets and liabilities by residual maturity

Items / Residual duration	Specified maturity – On demand 31/12/03	On demand 31/12/02	To 3 months 31/12/03	To 3 months 31/12/02	From 3 months to 12 months 31/12/03	From 3 months to 12 months 31/12/02	More than 5 years – Fixed rate 31/12/03	Fixed rate 31/12/02	Floating rate 31/12/03	Floating rate 31/12/02	More than 5 years – Fixed rate 31/12/03	Fixed rate 31/12/02	Floating rate 31/12/03	Floating rate 31/12/02	Unspecified maturity 31/12/03	Unspecified maturity 31/12/02
1. Assets	**7,030,986**	**1,367,868**	**4,907,450**	**8,895,756**	**4,140,106**	**3,360,274**	**4,051,878**	**2,812,071**	**456,976**	**321,104**	**627,071**	**684,387**	**501,580**	**357,895**	**306,485**	**320,446**
1.1 Treasury securities eligible for refinancing	4,619	0	1,504	0	38,167	0	19	0	112,652	0	37	12,054	61,241	41,672	0	0
1.2 Loans to banks	377,405	565,368	2,385,879	3,751,919	1,140,206	540,914	6,730	7,336	14,060	16,463	0	0	6,420	6,398	274,476	285,917
1.3 Loans to customers	361,202	424,477	5,582	5,458	41,237	31,419	27,085	30,755	127,191	106,262	22,863	28,891	127,818	120,509	32,009	34,529
1.4 Bonds and other debt securities	104	0	7	55	46,794	49,363	19,613	19,314	85,978	122,305	773	175,610	205,150	53,388	0	0
1.5 Off-balance-sheet transactions	6,287,656	378,023	2,514,478	5,138,324	2,873,702	2,738,578	3,998,431	2,754,666	117,095	76,074	603,398	467,832	100,951	135,928	0	0
2. Liabilities	**12,892,059**	**5,677,625**	**2,300,103**	**6,099,832**	**1,870,395**	**2,882,718**	**3,869,873**	**2,636,212**	**164,540**	**42,176**	**675,471**	**553,152**	**94,360**	**136,309**	**3,073**	**4,054**
2.1 Due to banks	3,707,847	4,852,871	803,055	570,585	81,242	146,770	35	33	254	254	5	15	0	63	0	341
2.2 Due to customers	368,495	328,804	17,296	69,150	0	77	0	0	0	0	0	0	0	0	3,073	3,713
2.3 Debt securities in issue:																
- bonds	0	0	0	74,066	3,015	5,455	2,500	1,000	30,250	27,261	0	5,000	15,150	15,150	0	0
- certificates of deposit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
- other	235,096	229,446	0	0	11,000	0	0	0	95,850	12,600	0	0	0	0	0	0
2.4 Subordinated liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2.5 Off-balance-sheet transactions	8,580,621	266,504	1,479,752	5,386,031	1,775,138	2,730,416	3,867,338	2,635,179	38,186	2,061	675,466	548,137	79,210	121,096	0	0

11.7 Foreign currency assets and liabilities

	31/12/03	31/12/02
a) Assets:	**1,444,270**	**1,659,406**
1. Loans to banks	1,438,658	1,652,722
2. Loans to customers	1,689	1,136
3. Securities	19	14
4. Equity investments	0	0
5. Other	3,904	5,534
b) Liabilities:	**489,778**	**557,211**
1. Due to banks	464,158	541,641
2. Due to customers	25,620	15,570
3. Debt securities in issue	0	0
4. Other	0	0

The difference between assets and liabilities is covered by outright foreign currency transactions, as detailed in table 10.5, point 1.2.

11.8 Securitizations

At the end of 2001, pursuant to Law 130 of 30 April 1999 on the securitization of claims, the Bank carried out an assignment of securities issued by mutual banks (BCCs).
The operation was conducted to meet the BCCs direct medium/long-term funding needs aimed at:

- reducing the exposure to interest rate risk of the BCCs through maturity transformation;
- rebalancing assets and liabilities;
- expanding lending capacity.

The assignment, which involved bonds with a nominal value of €889,600 thousand, was carried out on 21 December 2001 with Credico Funding S.r.l. of Milan, an Italian special purpose vehicle established pursuant to Law 130/1999 and entered at no. 32929 in the general register maintained by the Italian Foreign Exchange Office pursuant to Article 106 of Legislative Decree 385/1993, its sole purpose being to conduct one or more securitization transactions pursuant to Article 3 of Law 130/1999.
Credìco Funding S.r.l. is wholly owned by Stichting Chatwin and Stichting Amis, both Dutch-registered companies. They granted Iccrea Banca S.p.A. a call option to acquire the entire holding. Iccrea Banca S.p.A. simultaneously issued an put option to the two companies to sell the holding in the SPV.
Credico Funding S.r.l. financed the purchase of the securities via the issue of six classes of asset-backed securities, denominated A, B, C, D, E and F for a total of €889,600 thousand.
The characteristics of the securities issued are as follows:

- Class A with a value of €742,810 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.23%;
- Class B with a value of €26,690 thousand , quarterly coupon at a floating rate of 3-month Euribor plus 0.33%;
- Class C with a value of €26,690 thousand , quarterly coupon at a floating rate of 3-month Euribor plus 0.38%;
- Class D with a value of €44,480 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.50%;
- Class E with a value of €22,240 thousand , quarterly coupon at a floating rate of 3-month Euribor plus 1.20%;
- Class F with a value of €26,690 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 3.00%.

The following ratings have been assigned to the different classes of securities:

	STANDARD & POOR	MOODY'S
Classe A	AAA	AAA
Classe B	AAA	
Classe C	AA	
Classe D	A	
Classe E	BBB	

I The Class A securities were placed with institutional investors, while the other classes of security, including Class F, were entirely subscribed by the Bank and partially placed with BCCs.
The Bank's remaining exposure after completion of the transaction is essentially represented by the Class F securities held in portfolio and the residual receivable due from Credico Funding S.r.l., which will be repaid in proportion to interest payments.
At 31 December 2003, the Bank held Class F securities with a nominal value of €450 thousand , while the nominal value of the remaining classes amounted to €29,740 thousand euros. The receivable in respect of Credico Funding S.r.l. amounts to €1,334 thousand. Payments have been made on a regular basis and none of the participating BCCs is in default.

SECTION 12: MANAGEMENT AND INTERMEDIATION SERVICES

12.1 Securities trading

	31/12/03	31/12/02
a) Purchases	**17,358,843**	**6,737,964**
1. settled	17,183,301	6,617,620
2. not yet settled	175,542	120,344
b) Sales	**13,537,788**	**4,785,504**
1. settled	13,362,246	4,665,164
2. not yet settled	175,542	120,340

12.2 Asset management

	31/12/03	31/12/02
1. own securities	**0**	**0**
2. other	**2,766,401**	**2,427,766**

12.3 Custody and administration of securities

	31/12/03	31/12/02
a) Third-party securities on deposit (excluding asset management)		
1. own securities	364,569	334,919
2. other	53,533,327	46,746,554
b) Third-party securities deposited with third parties	49,590,787	43,797,353
c) securities owned by bank deposited with third parties	632,226	532,013

12.4 Claims collection for third parties: debit and credit adjustments

	31/12/03	31/12/02
a) Debit adjustments	**341,246**	**293,772**
1. current accounts	201,814	173,747
2. central portfolio	139,432	120,025
3. cash	0	0
4. other	0	0
b) credit adjustments	**360,427**	**305,747**
1. current accounts	211,289	182,598
2. assignors of bills and documents	149,138	123,149
3. other	0	0

12.5 Other transactions

	31/12/03	31/12/02
The item totals:	**0**	**0**

Part C: Information on the income statement

SECTION 1: INTEREST

1.1 Composition of caption 10: "Interest income and similar revenues"

	31/12/03	31/12/02
a) on loans to banks	130,139	171,641
of which:		
- on loans to central banks	12,180	17,258
b) on loans to customers	28,343	43,839
of which:		
- on loans financed with third-party funds under administration		
c) on debt securities	14,420	18,907
d) other interest income	839	985
e) positive balance on differences on hedging transactions	5,145	6,404
Total	**178,886**	**241,776**

Interest income and similar revenues on loans to customers includes default interest of €432 thousand.

1.2 Composition of caption 20: "Interest expense and similar charges"

	31/12/03	31/12/02
a) on amounts due to banks	134,604	185,007
b) on amounts due to customers	8,420	14,292
c) on debt securities	3,399	5,466
of which:		
- certificates of deposit	0	0
d) on loans with third-party funds under administration	0	0
e) on subordinated debt	0	0
f) negative balance on differences on hedging transactions	0	0
Total	**146,423**	**204,765**

1.3 Breakdown of caption 10: "Interest income and similar revenues"

	31/12/03	31/12/02
a) on foreign-currency assets	**19,615**	**21,715**

1.4 Breakdown of caption 20: "Interest expense and similar charges"

	31/12/03	31/12/02
a) on foreign-currency liabilities	**4,482**	**12,901**

SECTION 2: COMMISSIONS

2.1 Composition of caption 40 “Commission income”

	31/12/03	31/12/02
a) guarantees issued	523	482
b) credit derivatives	550	51
c) management, intermediation and advisory services:		
1. securities trading	6,292	6,754
2. foreign exchange	61	56
3. asset management		
3.1 individual	1,642	1,481
3.2 collective	0	0
4. custody and administration of securities	5,377	3,367
5. depository services	4,782	5,083
6. securities placement	1,418	2,702
7. order collection	814	905
8. advisory services	0	7
9. distribution of third-party services		
9.1 asset management		
9.1.1. individual	0	0
9.1.2. collective	0	0
9.2 insurance products	0	0
9.3 other	0	0
d) collection and payment services	55,378	52,642
e) servicing activities for securitizations	89	89
f) tax collection services	0	0
g) other services	76,423	66,779
Total	**153,349**	**140,398**

Item "g) other services" includes €62,479 thousand from commissions on credit card issues, usage and renewals and €10,825 thousand from commissions on BCC network and Bancomat ATM services.

2.2 Breakdown of caption 40 "Commission income": Distribution channels for products and services

	31/12/03	31/12/02
a) own branches:		
1. asset management	1,642	1,481
2. securities placement	1,418	2,702
3. third-party services and products	0	0
b) off-premises distribution:		
1. asset management	0	0
2. securities placement	0	0
3. third-party services and products	0	0
Total	**3,060**	**4,183**

2.3 Composition of caption 50 "Commission expense"

	31/12/03	31/12/02
a) guarantees received	365	350
b) credit derivatives	572	62
c) management and intermediation services :		
1. securities trading	1,435	1,564
2. foreign exchange	491	329
3. asset management		
3.1 own portfolio	38	67
3.2 third-party portfolio	0	0
4. custody and administration of securities	3,135	2,847
5. securities placement	1,456	1,484
6. off-premises distribution of securities, products and services	0	0
d) collection and payment services	9,963	7,873
e) other services	54,692	46,645
Total	**72,147**	**61,221**

Item "e) other services" mainly concerns commissions passed through to the BCCs/CRAs, with €52,603 thousand regarding credit card issues, usage and renewals.

SECTION 3: INCOME (LOSS) ON FINANCIAL TRANSACTIONS

3.1 Composition of caption 60 “Income (loss) on financial transactions”

ITEMS / TRANSACTION	SECURITIES TRANSACTIONS		FOREIGN EXCHANGE TRANSACTIONS		OTHER	
	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02
A.1 Revaluations	252	702				
A.2 Writedowns	348	2,051			5	526
B. Other income/loss	10,161	2,738	2,225	1,612	5,324	2,040
Total	**10,065**	**1,389**	**2,225**	**1,612**	**5,319**	**1,514**
1. Government securities	3,159	2,163				
2. Other debt securities	7,593	4,049				
3. Equity securities	1,057	-1,124				
4. Derivative contracts on securities	-1,744	-3,699				

Please note that derivative contracts, in the form of exercised options of securities, contributed to the formation of the income on securities posted at points 1, 2 and 3, and that the amount reported in the column "Other" includes derivatives only.

SECTION 4: GENERAL AND ADMINISTRATIVE EXPENSES

description of caption 80 "General and administrative expenses"

General and administrative expenses include staff costs totaling €53,514 thousand. Other administrative expenses amounting to €45,074 thousand in 2003 include:

ITEMS	31/12/03	31/12/02
Data processing, software maintenance, press agency	13,381	13,934
BCC network management	4,418	4,728
Office expenses	6,001	6,439
Promotional expenses, association dues, contributions	1,536	1,602
Professional fees, consulting, reimbursements redemptions	2,801	3,063
Fees and reimbursement of directors	448	444
Advertising	880	1,410
Outsourcing of EDP services	3,065	3,072
Outsourcing	2,162	0
Postal expenses	3,964	3,975
Maintenance of real estate and movable property	2,612	1,998
Other	584	848
Indirect taxes and duties	3,222	3,004
Total	**45,074**	**44,517**

Expenses in respect of outsourcing mainly regard costs incurred in respect of the centralization of internal auditing activities with the parent company as well as database maintenance and shipping.

4.1 Average number of employees

AVERAGE	31/12/03	31/12/02
a) senior management	13	16
b) 3rd and 4th level supervisors	74	83
c) other staff	656	661

SECTION 5: WRITEDOWNS, WRITEBACKS AND PROVISIONS

5.1 Composition of caption 120 "Writedowns of loans and provisions for guarantees and commitments"

The item breaks down as follows:

	31/12/03	31/12/02
a) writedowns of loans	8,008	5,698
Of which:		
- general country risk	0	0
- other general writedowns	0	393
b) provisions for guarantees and commitments	0	0
Of which:		
- country risk provision	0	0
- other general provisions	0	0
Total	**8,008**	**5,698**

Composition of caption 130 " Writebacks of and provisions for guarantees and commitments"

	31/12/03	31/12/02
a. writebacks of loans		
- default interest	1,123	853
- principal	1,403	9,641
b. writebacks of provisions for guarantees and commitments	0	197
Total	**2,526**	**10,691**

Depreciation and amortization of intangible and tangible fixed assets

	31/12/03	31/12/02
	8,625	10,704

Depreciation and amortization for the year is detailed in the tables reporting changes in tangible and intangible fixed assets. The rates applied are the maximum rates allowed under tax regulations, which are considered to be representative of the assets' useful lives.

Provision for liabilities and contingencies

	31/12/03	31/12/02
	1,199	1,392

The item reflects the amount needed to adjust the provision for liabilities and contingencies. See point 7.3.

Loan-loss provision

	31/12/03	31/12/02
	5,000	0

Composition of caption 150 "Writedowns of financial fixed assets"

	31/12/03	31/12/02
	0	0

Composition of caption 160 "Writebacks of financial fixed assets"

	31/12/03	31/12/02
	0	0

SECTION 6: OTHER ITEMS OF THE INCOME STATEMENT

6.1 Composition of caption 70 "Other operating income"

The item breaks down as follows:

	31/12/03	31/12/02
Revenues from property management services	193	70
Property rentals	506	486
Reimbursements:		
- expenses for seconded personnel	1,230	600
- stamp duty	677	512
- Solidarity Fund contributions	581	0
Premiums on options	206	0
Revenues from subsidized financing services	318	262
Insourcing revenues	470	0
Other	1,079	1,179
Total	**5,260**	**3,109**

6.2 Composition of caption 110 "Other operating costs"

	31/12/03	31/12/02
	206	0

Regards premiums on options.

6.3 Composition of caption 180 "Extraordinary income"

The item includes:

	31/12/03	31/12/02
Disposal of investment securities	6,399	0
Gains on disposals	6	14
Income from equity investments	0	3,137
Miscellaneous prior-year income and non-existent liabilities	3,518	3,227
Miscellaneous prior-year income - Central Guarantee Fund reserve	82	891
Total	**10,005**	**7,269**

The disposal of investment securities implemented the Board of Directors' resolution to eliminate the portfolio.
The prior-year income mainly regards the settlement of litigation and suspended items.
Prior-year income for the Central Guarantee Fund regards profits on interventions by the Fund in previous years

6.4 Composition of caption 190 "Extraordinary expense"

The item includes:

	31/12/03	31/12/02
Losses on disposals	105	84
Losses on equity investments	2	
Prior-year expenses and non-existent assets	1,483	696
Voluntary separation incentives	5,299	8,503
Credit card fraud	478	2
Total	**7,367**	**9,285**

The expenses for voluntary separation incentives regard the application of the agreements of 21 February 2002 and 16 June 2003 on the activation of the "Solidarity Fund to support the income, employment and professional retraining of mutual bank employees". In 2003, a total of 23 staff left the Bank. Of these, 20 registered with the Fund and 3 retired directly.

6.5 Composition of caption 220 "Income taxes for the period"

	31/12/2003	31/12/2002
1. Current taxes (-)	-7,943	-10,166
2. Change in deferred tax assets (+/-)	-2,400	128
3. Change in deferred tax liabilities (-/+)	-1,457	-791
4. Income taxes for the period (-1+/-2-/+3)	-11,800	-10,829

SECTION 7: OTHER INFORMATION ON THE INCOME STATEMENT

7.1 Geographical distribution of income

All revenues for the year were generated in Italy.

Part D : Other information

SECTION 1: DIRECTORS AND STATUTORY AUDITORS

1.1 REMUNERATION:	31/12/03	31/12/02
a) Directors	256	251
b) Statutory auditors	110	107

1.2 LOANS AND GUARANTEES ISSUED	31/12/03	31/12/02
a) Directors	0	0
b) Statutory auditors	0	0

SECTION 2 - PARENT COMPANYOR EU PARENT BANK

2.1 Name:

ICCREA Holding S.p.A.

2.2 Registered office

Rome - Via Massimo D'Azeglio, 33

Annexes

These annexes provide additional information beyond that shown in the notes to the financial statements, of which they are an integral part.

The information is contained in the following annexes:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- Schedule of revaluations;
- Statement of the Central Guarantee Fund;
- List of equity investments.

Statement of changes in shareholders' equity:

			RESERVE PROVIDED FOR IN BYLAWS	OTHER RESERVES	PROVISION FOR GENERAL BANKING RISKS	RE-VALUATION RESERVES	NET INCOME FOR THE YEAR	SHARE-HOLDERS' EQUITY
Balance at 31 December 2002	**216,913**	**14,863**	**192**	**87**	**10,400**	**0**	**10,861**	**253,316**
Allocation of net income for 2002:								
- legal reserve		3,259					-3,259	0
- reserve provided for in bylaws								
- extraordinary reserve								
- shareholders							-7,589	-7,589
- Board of Directors							-13	-13
Provision for general banking risks					250			250
Revaluation of real estate Law 342/2000						47,866		47,866
Net income for 2003							10,889	10,889
	216,913	**18,122**	**192**	**87**	**10,650**	**47,866**	**10,889**	**304,719**

Statement of cash flows at 31 December 2003

FUNDS USED AND INVESTED		FUNDS GENERATED BY OPERATIONS AND RAISED	
Writebacks and use of funds generated by operations		**Funds generated by operations**	
Use of provision for taxes and duties	12,139	Provision for taxes and duties	22,320
Use of provisions for liabilities and contingencies	95	Provisions for liabilities and contingencies and general banking risks	1,177
Writebacks of loans	2,526	Writedowns of loans	8,007
Use of staff severance pay provision	2,345	Amortization and depreciation of intangible and tangible fixed assets	8,625
Use of provision for personnel costs	2,850	Allocation to staff severance pay provision	2,931
Use of loan-loss provision	4,784	Allocation to provision for personnel costs	2,771
		Change in provision for general banking risks	250
		Loan-loss provisions	5,000
		Allocation to Central Guarantee Fund reserve	22
		Net income for the year	10,889
Increase in funds invested:		**Increase in funds raised:**	
Securities	124,971	Other liabilities	60,735
Equity investments	942	Share capital	0
Other assets	8,106	Debt securities in issue	22,883
Tangible fixed assets	62,323	Revaluation reserves	47,866
Intangible fixed assets	3,161		
Decrease in funds raised:		**Decrease in funds invested:**	
Amounts due to banks	978,494	Cash and balances with central banks and post offices	18,325
Amounts due to customers	12,879	Loans to banks	969,140
Dividends distributed and funds available to Board of Directors	7,603	Loans to customers	31,832
Third-party funds under administration	204	Equity investments in Group companies	10,649
Total funds used and invested	**1,223,422**	**Total funds generated and raised**	**1,223,442**

Schedule of revaluations

		Revaluations effected by the parent company ICCREA Holding S.p.A.					
Property	Cost	Rev. (Law 72/83)	Rev. (Law 408/90)	Rev. (Law 413/91)	Rev. Law 342/00	Accumu-lated depre-ciation	Book value
Via Torino, 135 Roma	1,172	0	1,334	945	2,302	1,453	4,300
Via Torino, 146 Roma	2,915	5,165	7,580	9,213	24,492	12,765	36,600
Via Torino, 148 Roma	68	0	5	908	997	378	1,600
Via Torino, 150 Roma	1,694	0	0	81	1,689	664	2,800
Via Torino, 153 Roma	4,549	0	4,266	4,145	8,772	6,232	15,500
Via D'Azeglio, 33 Roma	7,959	0	5,550	4,677	12,882	7,568	23,500
Mostacciano Pal.1 Roma	4,010	0	0	0	2,582	492	6,100
Mostacciano Pal.2 Roma	2,897	0	0	0	3,094	391	5,600
Mostacciano Pal.3 Roma	2,834	0	0	0	2,283	317	4,800
Total	**28,098**	**5,165**	**18,735**	**19,969**	**59,093**	**30,260**	**100,800**

Statement of the Central Guarantee Fund at 31 December 2003

BALANCE SHEET	31/12/03	31/12/02
ASSETS		
Deposits with banks	27,710	24,187
Loans to BCCs	5,165	5,164
Loans to BCCs - subordinated	6,197	6,198
Securities holdings	0	2,590
Accrued income on securities	0	31
Other assets	434	392
Total assets	**39,506**	**38,562**
LIABILITIES		
BCC and Casse Centrali deposits	37,769	36,849
Other liabilities	2	0
Central Guarantee Fund reserve	1,735	1,713
Total liabilities	**39,506**	**38,562**
MEMORANDUM ACCOUNTS, COMMITMENTS AND CONTINGENCIES		
Securities and guarantees received	11,362	11,362
Central Guarantee Fund guarantees	878	878
Processing of Central Guarantee Fund interventions	3,577	3,466
Total	**15,817**	**15,736**
INCOME STATEMENT		
COSTS AND LOSSES		
Interest on BCC deposits	934	911
Fees and consulting	4	8
Writedowns of loans	0	1,033
Allocations to the reserve	22	0
Total costs and losses	**960**	**1,952**
REVENUES AND PROFITS		
Interest on bank deposits	665	781
Interest on loans to BCCs	181	181
Interest on securities holdings	31	99
Gains on securities	1	0
Prior-year income	82	891
Total revenues and profits	**960**	**1,952**

List of equity investments

REGISTRATED NAME	SHARES OR OTHER EQUITIES	BOOK VALUE	NOMINAL VALUE	PERCENTAGE HOLDING
PROMINVESTMENT S.p.A.	428,571	685	223	30.0000%
BCC VITA S.p.A:	160,000	210	160	1.0000%
BCC GESTIONE CREDITI	300,000	300	300	15.0000%
FINLOMBARDA S.p.A.	150	26	39	0.3750%
SERVIZI INTERBANCARI S.p.A.	999,783	492	600	2.2220%
SIA S.p.A.	73,290	53	38	0.2090%
C.FIN.CENTRONORD S.p.A. IN FALL	170,000	0	88	10.0000%
CILME-MULTITEL S.p.A.	61,600	258	185	2.8000%
BORSA ITALIANA	7,000	22	4	0.0430%
FONDO GARANZIA DEP. BCC	1	0	0	0.1820%
S.W.I.F.T. S.C.	41	62	5	0.0470%
SIMEST S.p.A.	434,783	258	225	0.1360%
M.T.S. S.p.A	8,269	560	430	2.2180%
P.B. s.r.l.	1,960	2	2	1.9600%
SITEBA S.p.A.	24,540	13	13	0.4910%
E-MID	4,410	220	220	3.6750%
S.S.B. S.p.A.	659,771	59	86	0.7970%
Total		**3,220**	**2,618**	

Report of the board of statutory auditors

Shareholders,
The Board of Directors has submitted the financial statements for the year ending 31 December 2003 and the Report on Operations.

Summary data:

BALANCE SHEET	
Assets	Euro 5.994.228.061
Liabilities	Euro 5.689.510.006
SHAREHOLDERS' EQUITY	
Share capital	Euro 216.913.200
Reserves	Euro 18.400.500
Revaluation reserves	Euro 47.865.650
Provision for general banking risks	Euro 10.650.000
Net income for the year	Euro 10.888.705
INCOME STATEMENT	
Revenues	Euro 370.502.078
Costs	Euro 359.363.373
Change in provision for general banking risks	Euro (250.000)
Net income for the year	Euro 10.888.705

The financial statements - comprising the balance sheet, income statement and the notes to the financial statements - have been prepared in accordance with the regulations introduced by Legislative Decree 87 of 27 January 1992 and the instructions of the Bank of Italy of 30 July 2002.
The notes to the financial statements describe the accounting policies adopted and supply information regarding the items in the balance sheet and income statement. In addition, they include the following attachments: the statement of changes in shareholders' equity, the statement of cash flows, the statement of the Central Guarantee Fund, the list of equity investments and the schedule of revaluations.
In compliance with Article 6, paragraph 2, of Legislative Decree 87/1992, the corresponding figures for the prior year are given alongside each item included in the balance sheet and income statement.

The Report on Operations prepared by the Board of Directors provides a complete and full account of the situation of the Bank and its operating performance during 2003 and developments following the end of the year.

The financial statements are consistent with the underlying accounting records, which are duly kept in compliance with current regulations.

The reconciliation of accounting records and the financial statement accounts was effected by means of reclassification entries. The information required in order to verify the explanatory notes is readily obtainable from the accounting records.

During the year we carried out the required audits as well as numerous checks of an administrative nature to ensure compliance with the provisions laid down by law and the Bank's articles of incorporation. We also participated in the meetings of the Board of Directors and the Executive Committee.

The accounting principles adopted by the Board of Directors, with our full agreement, comply with current legislation and are supplemented, where compatible with the law, by the accounting principles established by the Italian Accounting Profession. There were no departures as referred to in the last paragraph of Article 2 of Legislative Decree 87/92, as the principles adopted are regarded as consistent with a true and fair view of the Bank's financial position and results of operations.
In particular, your attention is drawn to the following aspects:

Securities

Securities held as stable long-term investments are carried at historical cost adjusted for accrued issue and trading discounts. Such securities are written down in the event of a lasting deterioration in the solvency of the issuer. The original value is reinstated should the reasons for the writedowns cease to obtain. The difference between purchase price, calculated as indicated previously, and the redemption value of debt securities adjusts the interest earned on the securities on an accruals basis in relation to their residual maturity.
Securities that are not held as financial fixed assets are carried at the lower of cost, calculated using LIFO with annual layers and adjusted to account for accrued issue discounts, and market price, determined as:
the arithmetic mean of December prices for securities listed on regulated or organized markets in Italy or abroad;

for unlisted securities, the price resulting from a comparison with the nominal value of securities with similar characteristics listed on regulated markets in Italy or abroad or, where not available, on the basis of other objectively identifiable elements.
Transactions to be settled are valued with the criteria adopted for the portfolio involved.
The original cost is reinstated in subsequent years if the reasons for any writedowns cease to obtain.
Repurchase agreements that oblige the buyer to resell the securities forward are treated as contangos. Accordingly, the amounts received and paid are posted as payables and receivables. The cost of funding and income from loans, comprising coupon payments and accrued issue discounts and the differential between the spot and forward prices of the securities are reported on an
accruals basis under interest.
On 14 February 2003 the Board of Directors approved the disposal of the investment security portfolio. In a highly unstable and unpredictable economic context, this operation served to make the structure of assets more flexible and to reduce exposure to interest rate risk.
The sale of investment securities generated extraordinary income of €6,399 million.
Valuation of trading securities produced writedowns totaling €348 thousand and writebacks amounting to €252 thousand, which were taken to the income statement. In addition, there are unrecognized capital gains of €2.303 million.

Loans to customers

Transactions settled on current account facilities are recorded at the moment of execution; other transactions are recorded at settlement.
Loans, including accrued contractual and default interest, are stated in the balance sheet at their estimated realizable value. The figure is obtained by deducting from the total amount disbursed any writedowns of principal and interest determined on the basis of specific analysis of the solvency of borrowers for bad debts, substandard loans and restructured loans, and using general criteria for other loans that take account of past rates of impairment and non-recovery.
The criteria adopted for the classification of bad debts, substandard loans and

restructured loans are those envisaged in the relevant supervisory instructions, which have been incorporated into sectoral rules with which line departments and control units must comply. The analytical method is based on criteria approved by the Board of Directors and agreed by the Board of Auditors that envisage the prudent valuation of any guarantees and the ability to repay the loan.
For bad debts in respect of personal loans, the Bank adopts a statistical method based on stratification by age category, with the measurement of collections and losses on closed transactions. The results are then processed to produce a percentage of expected loss on existing loans.
Bad debts including default interest amount to €21.708 million net of writedowns. Total writedowns for the year came to €8.008 million, while writebacks amounted to €2.526 million. Writedowns of default interest for the year amounted to €755 thousand.

Equity investments

Equity investments are valued at cost. The value is written down for lasting impairment where the investee company has suffered losses that are not expected to be offset by profits in the immediate future. The original value is reinstated in subsequent years if the reasons for the writedown cease to obtain.
Dividends and the related tax credit are recorded in the year in which they are approved, which normally coincides with the year in which they are paid.

Tangible fixed assets

Tangible fixed assets are carried at cost including incidental expenses and revaluations carried out pursuant to law and net of accumulated depreciation.
Tangible assets are depreciated on a straight-line basis applying rates of depreciation determined in relation to the estimated useful lives of the assets. In the event of a permanent impairment of value, regardless of accumulated depreciation, the asset is written down accordingly. The original value is reinstated in subsequent years if the reasons for the writedown cease to obtain.
Improvement costs are capitalized and allocated to the related asset. They are then depreciated on the basis of the remaining useful life of the asset.

Intangible fixed assets

Intangible fixed assets are carried at cost including incidental expenses and net of accumulated amortization, which is calculated on a straight-line basis over the estimated useful life of the assets and in any case over no more than five years.
Formation costs, purchased goodwill and other deferred costs are carried under assets with our consent. Such costs are amortized on a straight-line basis over a maximum period of five years.

Assets and liabilities denominated in foreign currencies (including off-balance-sheet transactions)

Assets and liabilities denominated in or indexed to foreign currencies are stated at end-year spot rates.
Off-balance-sheet transactions in foreign currencies consisting of unsettled sale or purchase contracts or forward hedging contracts are valued at end-year spot rates.
Foreign currency derivatives are valued at the end-year forward exchange rate applicable to maturities corresponding to those of the transactions involved.
The economic effects of the valuations are recognized in the income statement with a contra-item under other assets and liabilities in the case of off-balance-sheet transactions.

The difference between exchange rate at the date of the transaction and the contractual forward rate is charged to the income statement on an accruals basis in line with the recording of interest on the hedged assets or liabilities.
Costs and revenues denominated in foreign currencies are translated at the exchange rate on the recording date.

Provisions for liabilities and contingencies

The provision for taxes and duties covers accrued income and indirect taxes, withholding tax in settlement and IRAP, allocated on the basis of the estimated tax liability as calculated in accordance with tax regulations.
The provision for personnel costs includes accrued liabilities in respect of staff, such as bonuses and unused holiday entitlement.
Other provisions for liabilities and contingencies include the theoretical net worth of the Central Guarantee Fund.
Other provisions are made to cover risks associated with guarantees issued and other commitments, as well as liabilities that are likely or certain to be incurred but uncertain as to amount or the date on which they will arise. The provisions made to cover such liabilities reflect the best possible estimate based on the information available.

Deferred taxation

Deferred tax is calculated on the basis of the tax effect of temporary differences between the amount of an income component recognized under statutory provisions and that recognized for tax purposes, or when expenses (revenues) can be deducted (taxed) in a different year from that in which they are charged to the income statement.
To this end, "taxable temporary differences" are those that in future periods will give rise to taxable amounts and "deductible temporary differences" are those that in future periods will give rise deductible amounts.
Deferred tax assets are reported if it is reasonably certain that they will be recovered against expected taxable income, while deferred tax liabilities are reported unless there is little likelihood of their being incurred.

Off-balance-sheet transactions excluding foreign exchange transactions

Off-balance-sheet transactions include unsettled securities purchase and sale transactions and derivatives on securities and interest rates.
Securities transactions unsettled at year-end are stated as follows:
- for commitments to purchase, at the lower of the settlement price and the year-end market price;
- for commitments to sell, at the lower of the settlement price and book value.

Derivative contracts are value in accordance with the purpose for which they were entered into. In particular:
- economically linked transactions entered into for hedging or offsetting purposes are valued on a basis consistent with the hedged assets and liabilities;
- transactions included in complex financial portfolios consisting of securities, other financial instruments and derivatives are valued at the lower of cost and market price, recognizing any capital gains only up to the limits of the losses recorded;
- trading contracts on the Bank's own behalf are valued at the lower of purchase cost and the corresponding market value. Any negative differences are recognized under "Income (loss) on financial transactions".

Commissions in respect of trading contracts on behalf of customers are recognized in the financial year in which the contracts were made.

Premiums paid and received in the purchase and writing of options are capitalized under caption 130 of assets (other assets) and 50 of liabilities (other liabilities).
Premiums in respect of options exercised by the expiry date increase or decrease, depending on the case, the price of the underlying assets (if the option contract provides for the exchange of principal) or the difference received or paid (if the option does not involve the exchange of principal).
Premiums in respect of options unexercised at the expiry date are recognized in the income statement under caption 60 (Income (loss) on financial transactions) or under items 70 or 110 (other operating income - other operating costs), depending on whether the options form part of trading activity or not. Profits and losses on options written are also posted under caption 60.

Loan-loss provision

The provision covers possible credit risks only and does not adjust the value of loans. During the year, releases amounted to €4.784 million to cover losses recognized pursuant to Article 66 of Presidential Decree 917/1986. The allocation for the year came to €5 million.

Provision for general banking risks

This provision covers general business risks and therefore forms part of shareholders' equity. The allocation for the year came to €250 thousand.

At its meeting of 25 March 2004 the Board of Directors approved the revaluation of real estate assets pursuant to the provisions of articles 10-16 of Law 342 of 21 November 2000 and the ministerial decree of 13 April 2001, whose effectiveness was extended under Article 2, paragraphs 25/27 of Law 350 of 24 December 2003.
These rules, in a departure from ordinary valuation principles, allow the recognition of unrealized capital gains.

In the report on operations, the Board of Directors indicated that market value had been adopted as the criterion for determining the size of the revaluation, stating that it was the principle most consistent with the banking activity in which the Bank is engaged. The Board also stated that the revaluation did not exceed market value, as indicated in the expert appraisal conducted by Mr. Sanò, engineer.

The Board of Auditors concurs with the choice of criterion and the motivation and concludes, on the basis of the appraisal conducted by Mr. Sanò, that the value attributed to the real estate does not exceed market value.

The revaluation reserve, net of withholding tax in settlement of €11,227,746, amounts to €47,865,650.

The Group Internal Audit Department provided us with its report on controls carried out at investment departments, in accordance with Consob regulations.

In the light of the foregoing, the Board of Statutory Auditors recommends approval of the financial statements at 31 December 2003 and confirms that the allocation of net income proposed by the Board of Directors complies with the relevant legislation and the Bank's bylaws.

The Board of Statutory Auditors
The Chairman

Indipendant Auditors' Report

ERNST & YOUNG

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AUDITORS' REPORT
(Translation from the original Italian text)

To the Shareholders
of ICCREA BANCA S.p.A. –
Istituto Centrale del Credito Cooperativo

1. We have audited the financial statements of ICCREA BANCA S.p.A. - Istituto Centrale del Credito Cooperativo as of and for the year ended December 31, 2003. These financial statements are the responsibility of ICCREA BANCA S.p.A. - Istituto Centrale del Credito Cooperativo's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency)(1). In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated April 7, 2003.

3. In our opinion, the financial statements of ICCREA BANCA S.p.A. - Istituto Centrale del Credito Cooperativo comply with the Italian(1) regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of ICCREA BANCA S.p.A. - Istituto Centrale del Credito Cooperativo as of December 31, 2003, and the results of its operations for the year then ended.

4. As described in the report on operations, at its meeting of March 25, 2004 the Board of Directors approved the revaluation of real estate pursuant to Law 350/2003. The revaluation was posted to the revaluation reserve net of withholding tax in settlement, which was recognized in the provision for taxes and duties. The accounting effects of the revaluation are described in the notes to the financial statements.

Rome, April 21, 2004

Reconta Ernst & Young S.p.A.
signed by: Wassim Abou Said, partner

(1) Words added in translation from original Italian text

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