



Board of Directors' meeting

Milan, 12 September 2005

Accounts for year ended 30 June 2005 and Mediobanca Group 2006-2008 three-year business plan approved

Results for year ended 30 June 2005

- ▲ **Healthy 2003-2004 results borne out, despite significant reduction in non-recurring profits; robust growth in retail operations (Retail financial services and Private banking) led to this area's contribution to the top line rising from 39% to 44%; the Group's financial highlights may be summarized as follows:**
 - revenues up 5%, to € 1,091m;
 - interest income up 3.6%, up 15% net of reduced trading income;
 - profit from ordinary operations up from € 685m to € 687m; approx. one-third generated by RFS and PB;
 - net profit: € 540m (30/6/04: € 536m);
 - ROE confirmed at 11%;
 - equity investment portfolio NAV over € 7bn, up € 1bn.

- ▲ **Proposed dividend: € 0.48 per share, up 20%; payout 70%, up from 58%**

- ▲ **Performances by individual business areas as follows:**
 - **Wholesale banking:**
 - interest income up 2%, to € 146m
 - fee income up 9% to € 168m
 - net profit € 240m (€ 278m), after € 67m fall in treasury income.
 - **Equity investment portfolio:**
 - dividend income up 27%, from € 100m to € 127m
 - strategic portfolio NAV: € 6bn (Δ € 1.2bn, up 25%)
 - non-strategic portfolio disposals amounting to € 220m and involving 20% of portfolio, yielding a gain of € 39m.
 - **Retail financial services:**
 - revenues up 19%, at € 401m



- net profit up 20%, at € 57m
- number of branches up to 124 following opening of 20 new Compass and 3 new Micos Banca branches.
- Private banking:¹
 - revenues up 10%, to € 101m
 - net profit doubled to € 34m, partly through buyout of Compagnie Monégasque de Banque (CMB) minorities
 - AUM up 15%, to € 10.8bn.

2006-2008 business plan

- ▲ Completion of transition from holding company to diversified banking group:
 - € 1.5bn reduction in capital allocated to equity investment portfolio
 - Generali and RCS MediaGroup equity-accounted (IAS 28);
 - all other holdings measured at fair value (IAS 39) and transferred to Wholesale banking division – with no further capital allocated – to be cashed in on gradually;
 - major development of wholesale banking activity to support transformation of Italian mid-sized and large corporates, including through extending international reach;
 - further strengthening of retail businesses, i.e. Retail financial services and Private banking, via organic growth and acquisitions;
- ▲ Group 2008² earnings targets:
 - Revenues: up from € 1.1bn, to € 1.7bn (CAGR³: 16%)
 - Operating profit: up from € 0.7bn, to € 1.2bn (CAGR: 19%)
 - Net profit: up from € 540m, to € 840m (CAGR: 16%)
 - ROE: 14%

At a Board meeting held today, with Gabriele GALATERI di GENOLA in the chair, the Directors of Mediobanca approved the consolidated and draft statutory accounts for the year ended 30

1) Includes Mediobanca Group's 48.5% share in the profits of Banca Esperia pro-forma, plus Compagnie Monégasque de Banque.

2) Based on 2005 IFRS-compliant data pro-forma.

3) Compound Annual Growth Rate.



June 2005 and the new 2006-2008 three-year business plan, as presented by General manager Alberto NAGEL and Co-general manager Renato PAGLIARO.

Consolidated results

In the year ended 30 June 2005, the Mediobanca Group earned a **net profit** of € 540.3m, bearing out the excellent results achieved last year, when a bottom line of € 536.4m was recorded. This was despite an unfavourable comparison base, with last year's results boosted by dealing profits from treasury operations amounting to € 229.5m, against € 172.6m this year, and net writebacks to the investment portfolio of € 132m, compared with € 56.1m this year. Despite the reduced trading income, **revenues** grew further by 4.6%, from € 1,043.6m to € 1,091.3m, with an increase of 7.9% in fee income, from € 244.5m to € 263.8m, and a 3.6% rise in interest income (15% net of the reduced treasury revenues) linked to growth in the consumer credit business. In terms of revenues by individual divisions, 46% of the total was generated from wholesale banking activities, 37% from retail financial services, and the remainder shared virtually equally between investment portfolio management and private banking. **Operating profit** was in line with the result posted last year, at € 687.1m, compared with € 685.4m, after a rise in operating costs from € 358.2m to € 404.2m, almost entirely due to the Compass group's geographical and commercial expansion. Among the other items, in addition to the net writebacks mentioned above, there were gains arising on disposals of holdings amounting to € 39m (30/6/04: € 40.4m), and bad debt writeoffs totalling € 99.2m (€ 88.4m) which reflect the Compass group's higher lending volumes.

Turning to the main balance-sheet item headings, at 30 June 2005 **funding** was down 2.1% from the figure of € 24.6bn recorded one year previously, to € 24.1bn, chiefly due to repayment of several back-to-back loans to customers. **Loans** rose by 5.2%, from € 16.2bn to € 17.1bn, chiefly due to growth in the consumer credit segment. The **investment portfolio** reflected an increase from € 3.2bn to € 3.3bn, the balance between acquisitions for the strategic portfolio worth € 248m, a reduction of € 220m in the non-strategic portfolio, and net writebacks of € 56.1m. Based on current prices, there is surplus of market over book value amounting to € 4,157.4m; the portfolio NAV is € 7,443.7m.

Results by division

In **Wholesale banking**, despite the ongoing weak scenario there was growth of 9% in fee income, from € 154.4m to € 168.3m, linked to healthy performances from investment and



corporate banking activities; interest receivable on loans held up well, at € 143.3m (30/6/04: € 146.4m), reflecting the Group's selective lending policy; and there was a reduced, albeit still appreciable, contribution from trading income, which declined from € 232.9m to € 167.1m, due to the non-recurring nature of trading.

Profit from ordinary operations reduced from € 408.5bn to € 355.7m, and net profit from € 277.7m to € 239.5m. ROAC⁴ for this division was 14%.

The **Equity investment portfolio** reflects a net gain booked of € 210m, due to a 27.2% rise in dividends received, from € 99.9m to € 127.1m, whereas net writebacks of € 56.1m (€ 132m) were credited to earnings. Gains on disposals of € 39m (€ 40.4m) derived from the sale of part or all of holdings deemed to be non-strategic. Unrealized gains on the portfolio grew by over € 800m during the year, from € 2,963m to € 3,798.1m.

In **Retail financial services**, the Compass group recorded an impressive 21.6% rise in interest income, from € 291.6m to € 354.6m, chiefly as a result of higher business volumes in the consumer credit segment, where there was a 28% rise in finance disbursed. Profit from ordinary operations increased by 16.9%, from € 168.9m to € 197.5m, after expenditure linked to Compass's network expansion, with the number of branches rising from 101 to 124, and commercial growth, was taken in full. The quality of lendings remains good, with an NPLs/loans ratio of 0.8%. Net profit increased by 20.5%, from € 47.3m to € 57m. The ROAC for this area was 26%.

In **private banking**, whose contribution to the consolidated results is starting to become significant (accounting for 7% of the revenues generated), a net profit of € 34.2m was recorded including the Group's pro-rata share in Banca Esperia's results. This was virtually double the € 17.4m recorded last year, partly as a result of the buyout of minority interests in CMB. Funding trends resulted in a significant rise in assets under management, which were up 15%, from € 9.4bn to € 10.8bn. ROAC for this area was 10%, up from 6%.

Proposed dividend

The Board approved a resolution to propose a dividend of € 0.48 per share to shareholders at the Annual General Meeting to be held on 28 October 2005 in the first instance, and on 29

4) *Return On Allocated Capital.*



October 2005 thereafter if adjourned. This represents an increase of 20% on the € 0.40 dividend paid last year. The shares will go ex-dividends on 21 November 2005, and the dividend will be payable from 24 November 2005 thereafter.

Business plan

The Board of Directors also approved the Group's new 2006-2008 three-year business plan, which will be unveiled to the financial community tomorrow.

The business plan envisages completion of the process of transforming Mediobanca from an investment-based holding company into a diversified banking group, by means of:

Wholesale banking

- ▲ building up the corporate banking side, with a view to increasing the customer base and lendings via:
 - an integrated product offering;
 - extending the Group's international reach, with the aim of becoming the bank of choice for cross-border deals involving Italy;
 - entering new asset classes via Mediobanca International (e.g. mezzanine finance, NPLs, etc.);
 - enhancing franchise in mid-corporate segment, by developing synergies with leasing/private banking businesses;
- ▲ strengthening investment banking activities to support large and medium-sized Italian corporates' transformation/growth stories, via mergers, acquisitions and corporate restructurings; stepping up proprietary trading activity, and consolidating domestic ECM leadership;
- ▲ principal investing activity, specifically linked to the wholesale banking business, targeting companies pursuing growth-based aggregations and turnarounds, with specific initiatives for the mid-corporate segment;
- ▲ 2008 targets:²
 - allocated capital up from € 1.8bn to € 2.1bn;
 - operating profit CAGR: 16%;

2) Based on 2005 IFRS-compliant data pro-forma.



Equity investment portfolio

This will continue to comprise the holdings in Generali and RCS MediaGroup, in view of the size of these investments and Mediobanca's role in the governance of these companies; other investments, as previously mentioned, will be transferred to Wholesale banking with a reduction of € 1.5bn in capital allocated to this division. Under IAS 28, these holdings will be stated on a net equity basis, meaning their profits (operating profit CAGR²: 20%) will be added pro-rata to the Group's earnings results, and their book value will rise from € 1.5bn to € 2.2bn.

Retail financial services

- ▲ further growth drive in consumer credit business, both organically and via acquisitions, in view *inter alia* of the favourable market scenario, with the aim of significantly increasing both lendings and earnings; in particular:
 - development of the consumer credit business will be oriented towards higher-margin products, e.g. credit cards, personal loans, etc., with additional geographical expansion (35 new branches to be opened), new sales agreements, more merchant outlets, and a more sophisticated marketing approach;
 - mortgage lending to households will see further increase in volumes of finance disbursed via expansion of geographical network, commercial agreements and product portfolio;
- ▲ 2008 targets:²
 - allocated capital up from € 0.4bn to € 0.7bn;
 - operating profit CAGR: 22%;
 - lendings up from € 7.4bn to € 13bn.

Private banking

- ▲ growth in this sector will be pursued both organically and via acquisitions, and will involve:
 - strengthening Banca Esperia's position at the top end of the domestic market, via more effective coverage and a more sophisticated, high value-added product offering;
 - further development of CMB, by leveraging on synergies with Banca Esperia, and extending the franchise outside the principality;

2) Based on 2005 IFRS-compliant data pro-forma.



▲ 2008 targets:²

- capital allocated, up from € 0.1bn to € 0.2bn;
- operating profit CAGR: 22%;
- AUM up from € 10.8bn to € 14bn.

The Group's chief 2008 earnings² targets are: revenues up from € 1.1bn to € 1.7bn (CAGR: 16%); operating profit up from € 0.7bn to € 1.2bn (CAGR: 19%); net profit up from € 540m to € 840m (CAGR: 16%); and ROE up from 10% to 14%.

Mediobanca S.p.A.

The Bank earned a net profit of € 440.1m in the year under review (30/6/04: € 427.6m), after net writebacks to investment securities totalling € 60.7m (€ 134.3m) based on average prices in the six months ended 30 June 2005, gains on disposals of holdings of € 38.5m (€ 39.1m), and writedowns to securities and derivatives held in treasury amounting to € 28.5m (€ 7.3m). Profit from ordinary operations reflects a 4% rise in interest receivable on loans, from € 140.4m to € 146m, and 9.8% growth in fee income, from € 148.4m to € 163m, while the reduced contribution from treasury income, which was down from € 225.1m to € 160.9m, led to a fall in the overall margin on ordinary operations, from € 475.8m to € 453.8m.

With regard to the main balance-sheet items, loans and advances to customers rose from € 13,324.4m to € 13,995.6m, despite a reduction in back-to-back loans, from € 2,560.3m to € 1,598.1m, which also led to a fall in deposits from € 20,561.2m to € 19,374.6m. Investment securities rose by € 221.5m, after writebacks to the portfolio amounting to € 60.7m. Net treasury funds employed fell by € 1,889.3m, including forward transactions and movements in other liabilities and assets.

* * *

The Board of Directors also:

- ▲ approved the merger of 100%-owned subsidiary MB Finstrutture – Intersomer into Mediobanca;
- ▲ deemed that the requirements of independence as defined in the Code of conduct for listed companies issued by Borsa Italiana are met in the persons of the following Directors: Tarak BEN AMMAR, Roberto COLANINNO, Gabriele GALATERI di GENOLA, Bernardino LIBONATI, and Fabrizio PALENZONA.

2) Based on 2005 IFRS-compliant data pro-forma.



- ▲ approved the annual statement on the Group's corporate governance system and compliance with the Code of conduct for listed companies issued by Borsa Italiana, which as usual will be included in the Annual Report.

12 September 2005



Consolidated Profit And Loss Account

	12 mths to 30/6/03	12 mths to 30/6/04	12 mths to 30/6/05
	€ m	€ m	€ m
Interest income	573.8	799.1	827.5
Commissions received and other income	224.8	244.5	263.8
General costs and expenses	(298.5)	(358.2)	(404.2)
GROSS MARGIN FROM ORDINARY OPERATIONS	500.1	685.4	687.1
Net writedowns to securities and derivatives held in treasury	(70.6)	(7.0)	(20.9)
Net gain (loss) on disposal of investment securities	(51.1)	40.4	39.0
Net writebacks (writedowns) to investment securities	(181.0)	132.0	(56.1)
Bad debts written off	(69.2)	(88.4)	(99.2)
Gain (loss) on investments stated on net equity basis	(4.0)	4.4	6.3
PROFIT BEFORE TAX AND PROVISIONS ...	124.2	766.8	668.4
Depreciation and amortization	—	(4.4)	—
Changes to provisions for liabilities and charges/provisions for general banking risks	(5.1)	(1.5)	4.2
Tax for the year	(56.7)	(207.1)	(122.7)
Profit attributable to minority shareholders	(8.8)	(17.4)	(9.6)
NET PROFIT	53.6	536.4	540.3



Consolidated Balance Sheet

	30/6/03	30/6/04	30/6/05
	€ m	€ m	€ m
<u>Assets</u>			
Net treasury funds employed	9,365.0	9,723.0	8,449.2
Loans and advances to customers	15,001.8	16,243.5	17,088.9
Investment securities	3,168.6	3,154.8	3,286.3
Intangible assets	1.5	1.5	1.3
Property	123.3	260.5	261.8
Furniture and fixtures	5.4	11.1	13.9
Other assets	2,176.7	2,407.2	2,313.8
Total assets	<u>29,842.3</u>	<u>31,801.6</u>	<u>31,415.2</u>
<u>Liabilities</u>			
Deposits and loans	23,070.3	24,596.6	24,085.4
Provisions for liabilities and charges	269.4	349.1	361.2
Other liabilities	1,537.3	1,476.9	1,428.0
Loan loss provisions	13.4	13.4	—
Equity attributable to minority shareholders	61.5	184.3	77.5
Shareholders' equity	4,836.8	4,644.9	4,922.8
Profit for the year	53.6	536.4	540.3
Total liabilities	<u>29,842.3</u>	<u>31,801.6</u>	<u>31,415.2</u>



Mediobanca S.p.A. Profit and loss account

	12 mths to 30/6/03	12 mths to 30/6/04	12 mths to 30/6/05
	€ m	€ m	€ m
Interest income	334.3	477.6	444.6
Commissions received and other income	168.7	148.4	163.0
General costs and expenses	(148.3)	(150.2)	(153.8)
GROSS MARGIN FROM ORDINARY OPERATIONS	354.7	475.8	453.8
Net writedowns to securities and derivatives held in treasury	(57.9)	(7.3)	(28.5)
Net gain (loss) on disposal of investment securities	(37.8)	39.1	38.5
Net writebacks (writedowns) to investment securities	(185.3)	134.3	60.7
MARGIN BEFORE TAXATION AND PROVISIONS	73.7	641.9	524.5
Provisions for liabilities, charges and loan loss	(50.1)	(33.0)	—
Taxation for the year	(37.6)	(181.3)	(84.4)
NET PROFIT (LOSS)	(14.0)	427.6	440.1



Mediobanca S.p.A. Balance sheet

	30/6/03	30/6/04	30/6/05
	€ m	€ m	€ m
<u>Assets</u>			
Net treasury funds employed	8,796.6	8,427.8	6,538.5
Loans and advances to customers ..	12,522.0	13,324.4	13,995.6
Investment securities	2,766.3	2,987.7	3,209.2
Property	10.6	11.6	11.6
Other assets	1,964.7	2,188.4	2,032.6
Total assets	26,060.2	26,939.9	25,787.5
<u>Liabilities</u>			
Funding	20,042.6	20,561.2	19,374.6
Provision for liabilities and charges ..	183.3	244.4	242.6
Other liabilities	1,344.3	1,323.6	1,202.2
Shareholders' equity	4,504.0	4,383.1	4,528.0
Profit (loss) for the year	(14.0)	427.6	440.1
Total liabilities	26,060.2	26,939.9	25,787.5
Memorandum accounts	79,162.0	84,319.5	81,192.6

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