



Mediobanca

Board of Directors' Meeting

Milan, 13 May 2005

Consolidated results for the nine months approved

- **Upward trend in Group results confirmed:**
 - revenues up 15%, to € 700m
 - profit from ordinary operations up 14%, to € 414m
 - pre-tax profit adjusted for extraordinary items up 41%, to € 368m
 - cost/income ratio stable at 34%, despite strengthening of franchise
 - AUM up € 1bn in nine months, to € 10.4bn
 - NAV up 12%, to over € 7bn

- **Improved top-line and operating results in all areas of activity:**
 - **Wholesale banking**
 - revenues up 13%, to € 361m
 - profit from ordinary operations up 12%, to € 262m
 - pre-tax profit up 45%, to € 251m
 - **Equity investment portfolio - in the nine months:**
 - strategic portfolio NAV up 19%, or € 954m, to € 6bn
 - € 187m reduction in non-strategic portfolio, yielding gains on disposal of € 32m
 - **Retail financial services**
 - finance disbursed up 20%, to € 2.7bn
 - revenues up 18%, to € 293m
 - pre-tax profit up 24%, to € 68m
 - 13 new Compass branches opened, taking the total to 114
 - **Private banking¹**
 - revenues up 14% to € 76m
 - profit from ordinary operations up 28%, to € 25m
 - pre-tax profit doubled, to € 29m, partly due to acquisition of minority interests in Compagnie Monégasque de Banque
 - AUM up 11% in the nine months, to € 10.4bn

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



At a board meeting held today with Gabriele GALATERI di GENOLA in the chair, the directors of Mediobanca approved the Group's accounts for the period ended 31 March 2005, as presented by general manager Alberto NAGEL and co-general manager Renato PAGLIARO.

Consolidated results

After **profit for the third quarter of € 128.5m, three times** the € 42.0m recorded at 31 March 2004, the Mediobanca Banking Group's results for the nine months to 31 March 2005 reflect **pre-tax profit in line** with last year of € 413.8m (31/3/04: € 413.6m), **despite a € 107.1m reduction in writebacks** to the Group's **equity investment portfolio**, from € 152.9m at end-March 2004 to € 45.8m. **Top-line growth of 15.1%**, to € 700.5m, comprises **higher interest income**, which **rose 17.1%** to € 500.1m, and **fee income**, which **increased by 10.2%** to € 200.4m; **interest income grew by 8.4%** even net of the € 120.7m (€ 79.8m) in dealing profits on treasury operations, driven by enhanced consumer credit volumes. Growth in costs of 16.2%, to € 286.4m, was chiefly due to geographical and commercial expansion by the Compass group. **Equity investment portfolio** management generated € 32.2m (€ 31.2m) in gains on disposals of non-strategic holdings. Of the other items, writedowns to securities and derivatives held in treasury amounted to € 4.9m (€ 56.9m), whereas **bad debt writeoffs**, which only involve the Compass group's operations, rose from € 62.1m to € 67.4m, reflecting the higher business volumes. **Funding** levels were virtually unchanged at € 25.2bn (31/12/04: € 25.1bn), as was the Group's **loan book** at € 16.4bn, 61% of which comprised corporate lending and structured finance, 20% of consumer credit, and 16% of leasing, with the other 3% consisting of finance disbursed by Compagnie Monégasque de Banque. **Investment securities** rose by € 89.8m after the writebacks referred to above, reaching **€ 3,313.2m**, and reflecting a **surplus** of market over book value of **€ 3,788m** based on prices at 31 March 2005.

Results by division

Despite the unfavourable market conditions, **Wholesale banking** delivered a 12.4% increase in profit from ordinary operations, from € 232.8m to € 261.6m, on top-line growth of 13% to € 361.1m driven by higher fee income, up from € 118m to € 129.1m, and a good performance from treasury management. Pre-tax profit rose by 45%, from € 173.3m to € 251.4m, after adjustments to treasury securities amounting to € 9.4m (€ 58.4m). The Group's loan book was largely stable, moving from € 12,771m to € 12,602m.

The **Equity investment portfolio** reflects gains of € 32.2m (31/3/04: € 31.2m) arising on disposals of non-strategic holdings during the first half of the financial year, namely Capitalia, Commerzbank, and Ciments Français. The main movements during the three months under review involved holdings of Telecom Italia bonds being converted into equity, and



subscription to a rights issue implemented by Pirelli & C. for an amount of € 44.6m, plus a further 10 million shares in this company which were acquired subsequent to 31 March 2005, having been put up for sale following changes to Pirelli & C.'s shareholders' agreement, for an outlay of € 9.7m.

Retail financial services delivered a 23.9% increase in pre-tax profit in the nine months, from € 54.8m to € 67.9m, which reflects the ongoing growth in the consumer credit segment, where finance disbursed rose by 23% to € 1,653m. Profit from ordinary operations rose by 16.1% to € 145m, on the back of an 18% increase in revenues to € 293.0m, and management of the cost/income ratio, which remained stable at 34% despite higher costs, up from € 124.2m to € 147.9m due to operational and geographical expansion by the group, which has seen 13 new Compass branches opened in the nine months. Bad debt writeoffs went up from € 61.7m to € 67.4m, reflecting the enhanced business volumes.

Private banking recorded a pre-tax profit of € 29.2m, double the € 14.6m recorded at 31 March 2004 and taking into account the acquisition of minority interests in Compagnie Monégasque de Banque, which is now 100%-owned. Management fees earned by this area grew from € 48.5m to € 57.3m, while assets under management rose by € 1bn during the nine months, to € 10.4bn. CMB and Banca Esperia both made healthy contributions, with profit from ordinary operations for the former rising by 31% to € 18.2m, and for the latter by 43% to € 5.8m.

Outlook

The Group's performance in the fourth quarter should be boosted by higher dividends, with dividend income from the strategic portfolio set to rise 34% to € 116m, and healthy performances from all the Group's business areas, despite the weak corporate market conditions which should be offset by vibrant growth in the consumer credit segment. Dealing profits on treasury operations are likely to be lower than in the fourth quarter last year.

Mediobanca S.p.A.

Mediobanca's results for the nine months show a gross margin from ordinary operations of € 253.3m, up 14.8% on the € 220.7m recorded at 31 March 2004, due to higher dealing profits from treasury operations, which rose from € 80.4m to € 117.6m, and higher fee income, up from € 113.1m to € 126.2m, despite the weak corporate and investment banking conditions referred to above. Pre-tax profit stood at € 320.5m (31/3/04: € 313.3m), after writebacks to the investment securities portfolio amounting to € 46.3m (€ 153.7m) and writedowns to securities and derivatives held in treasury totalling € 10.2m (€ 61.2m).

Regarding the main asset items, funding levels remained largely stable, rising from € 20.7bn to € 20.8bn, while loans and advances declined by € 169.1m, chiefly due to the closure of back-to-back transactions. Investment securities and treasury accounts were both higher, up € 88.6m and € 167.6m respectively.



MEDIOBANCA
Banca di Credito Finanziario S.p.A.

The board has approved plans to merge wholly-owned subsidiary MB Finstrutture – Intersomer S.p.A. into Mediobanca. Once the requisite clearances from the Bank of Italy have been received, it is expected that resolutions by the companies' respective boards of directors to adopt the plans will be passed in September of this year.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

	9 mths to 31/3/04	12 mths to 30/6/04	6 mths to 31/12/04	9 mths to 31/3/05
	€ m	€ m	€ m	€ m
Interest income	426.9	797.1	355.3	500.1
<i>of which: dividends</i>	<i>0.1</i>	<i>119.4</i>	<i>3.1</i>	<i>3.2</i>
Commissions received and other income	181.9	253.6	140.7	200.4
General costs and expenses	(246.5)	(362.6)	(182.4)	(286.4)
GROSS MARGIN FROM ORDINARY OPERATIONS	362.3	688.1	313.6	414.1
Net writedowns to securities and derivatives held in treasury	(56.9)	(7.0)	(11.7)	(4.9)
Net gains on disposal of investment securities	31.2	40.4	32.0	32.2
Net writebacks (writedowns) to investment securities	152.9	132.0	(1.1)	45.8
Bad debts written off.....	(62.1)	(88.4)	(44.8)	(67.4)
Gains on holdings stated on net equity basis.....	4.5	4.4	3.8	4.8
PROFIT BEFORE TAX AND PROVISIONS .	431.9	769.5	291.8	424.6
Provisions for liabilities and charges .	—	(1.5)	—	—
Depreciation and amortization	(4.8)	(7.1)	(0.8)	(1.3)
Profit attributable to minority shareholders	(13.5)	(17.4)	(5.7)	(9.5)
PROFIT BEFORE TAX	413.6	743.5	285.3	413.8
Transfer to provision for income taxes	—	(207.1)	—	—
NET PROFIT	—	536.4	—	—



CONSOLIDATED BALANCE SHEET

	<u>31/3/04</u>	<u>30/6/04</u>	<u>31/12/04</u>	<u>31/3/05</u>
	€ m	€ m	€ m	€ m
<u>Assets</u>				
Net treasury funds employed	9,238.7	9,723.0	9,970.9	10,040.0
Loans and advances to customers	16,941.1	16,280.9	16,314.2	16,366.1
Investment securities	3,099.1	3,154.8	3,223.4	3,313.2
Intangible assets	0.9	1.5	1.2	1.1
Property	260.6	260.5	261.4	259.7
Furniture and equipment	10.4	11.1	13.1	13.6
Other assets	2,330.9	2,407.3	2,157.9	2,286.0
Total assets	<u>31,881.7</u>	<u>31,839.1</u>	<u>31,942.1</u>	<u>32,279.7</u>
<u>Liabilities</u>				
Funding	24,880.3	24,596.6	25,061.3	25,166.2
Provision for liabilities and charges	181.2	386.6	142.8	145.2
Other liabilities	1,569.5	1,476.9	1,443.6	1,511.1
Loan loss provisions	13.4	13.4	—	—
Equity attributable to minorities	180.4	184.3	72.5	76.3
Shareholders' equity	4,643.3	4,644.9	4,936.6	4,967.1
Profit for the period	413.6 ⁽¹⁾	536.4	285.3 ⁽¹⁾	413.8 ⁽¹⁾
	<u>31,881.7</u>	<u>31,839.1</u>	<u>31,942.1</u>	<u>32,279.7</u>

(1) Pre-tax.