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# **1H December 2007 results**

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## **Section I**

# Ongoing growth despite adverse macro scenario

Section I

1H December 2007

## Key facts and achievements

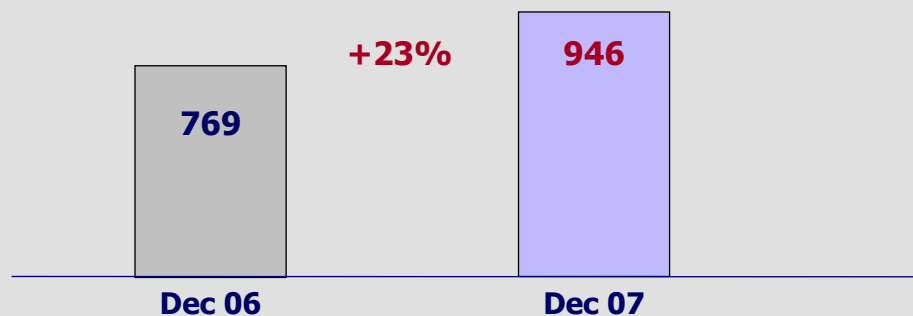
- /// **Double-digit increases by all income components**
  
- /// **Wholesale banking**
  - net profit up 21% driven by revenues (up 33%)
  - NII up 15%, fees up 25%
  - no concerns over fund raising or asset quality
  
- /// **Equity investment portfolio** - net profit up 33%
  
- /// **Retail financial services**
  - consumer finance: cost of risk under control, Linea acquired
  - mortgage lending: enlarging scope
  
- /// **Private banking**
  - net profit up 22%
  - AUM stable vs June 07, up 13% Y/Y

# Results show further growth despite deteriorating macro scenario ...

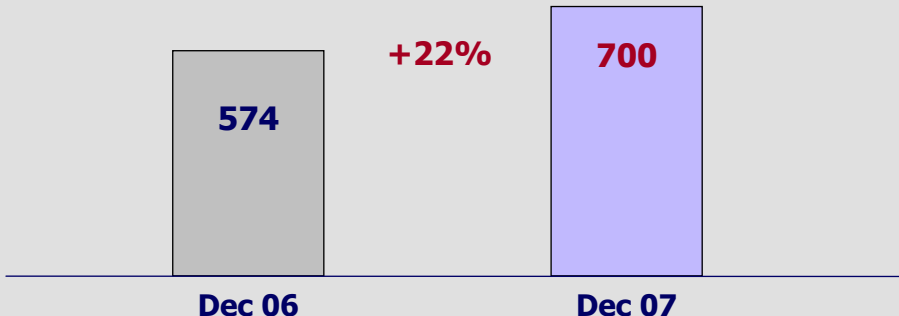
Section I

1H December 2007

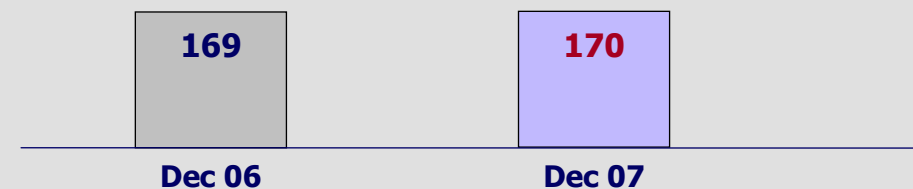
Income (€ m)



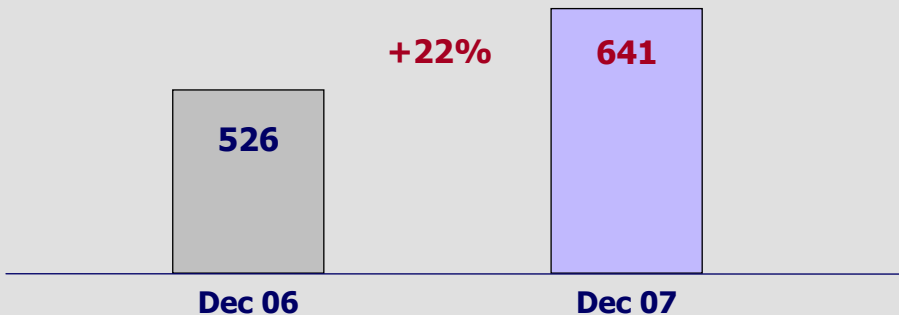
Gross operating profit (€ m)



Net portfolio result (€ m)



Net profit (€ m)

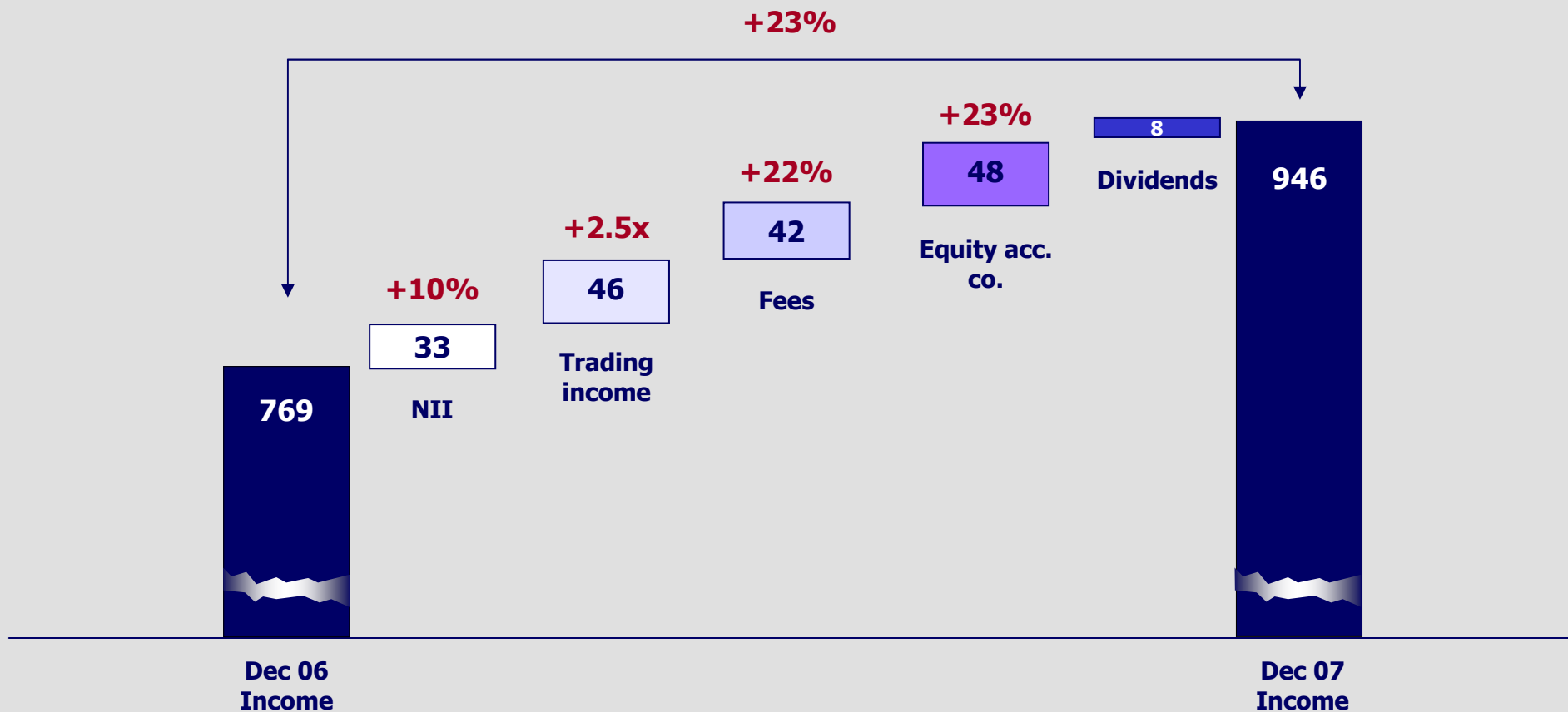


Group



# ... with double-digit increases by all income components ...

## Income trend by component (€ m)

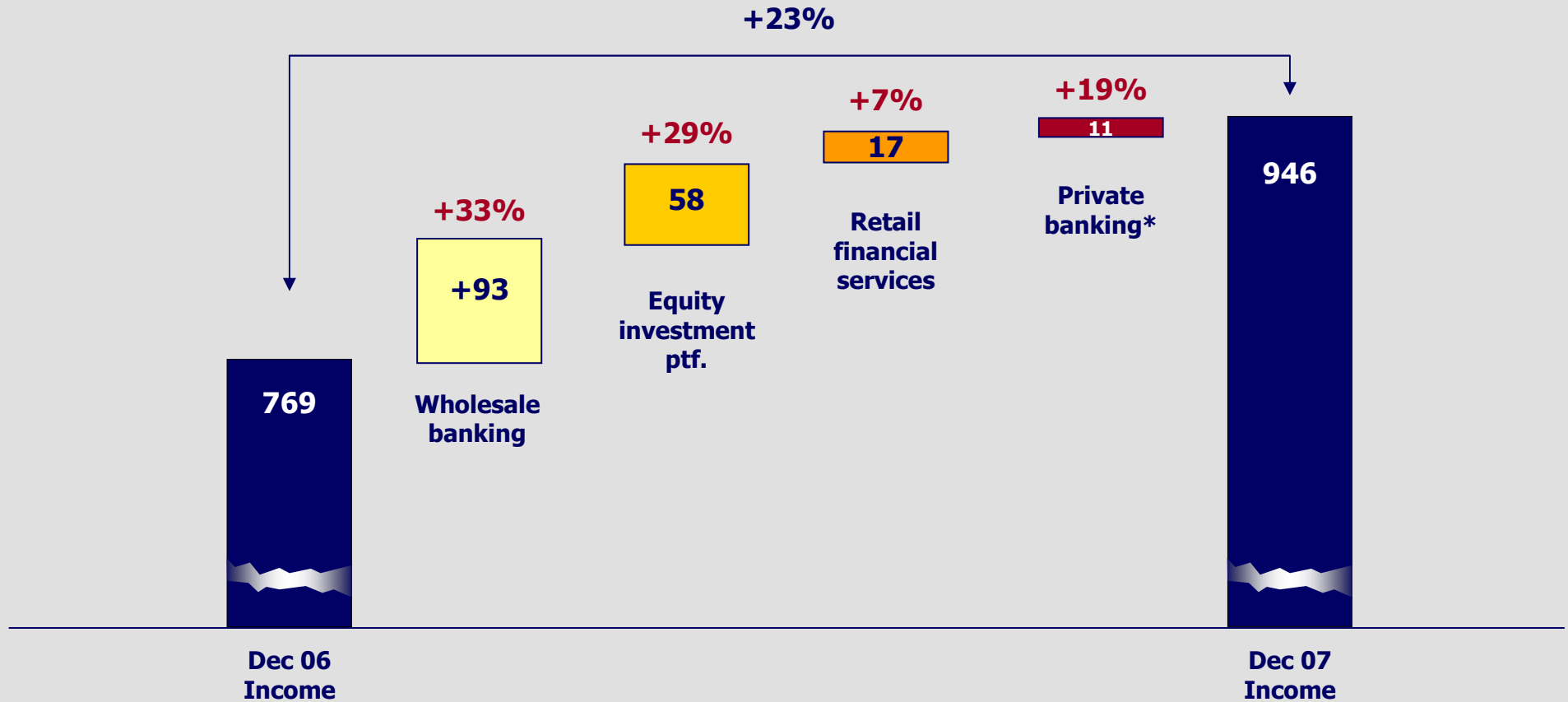


# ... mainly driven by WB and EIP

Section I

1H December 2007

## Income trend by business (€ m)



\* Banca Esperia booked pro-rata

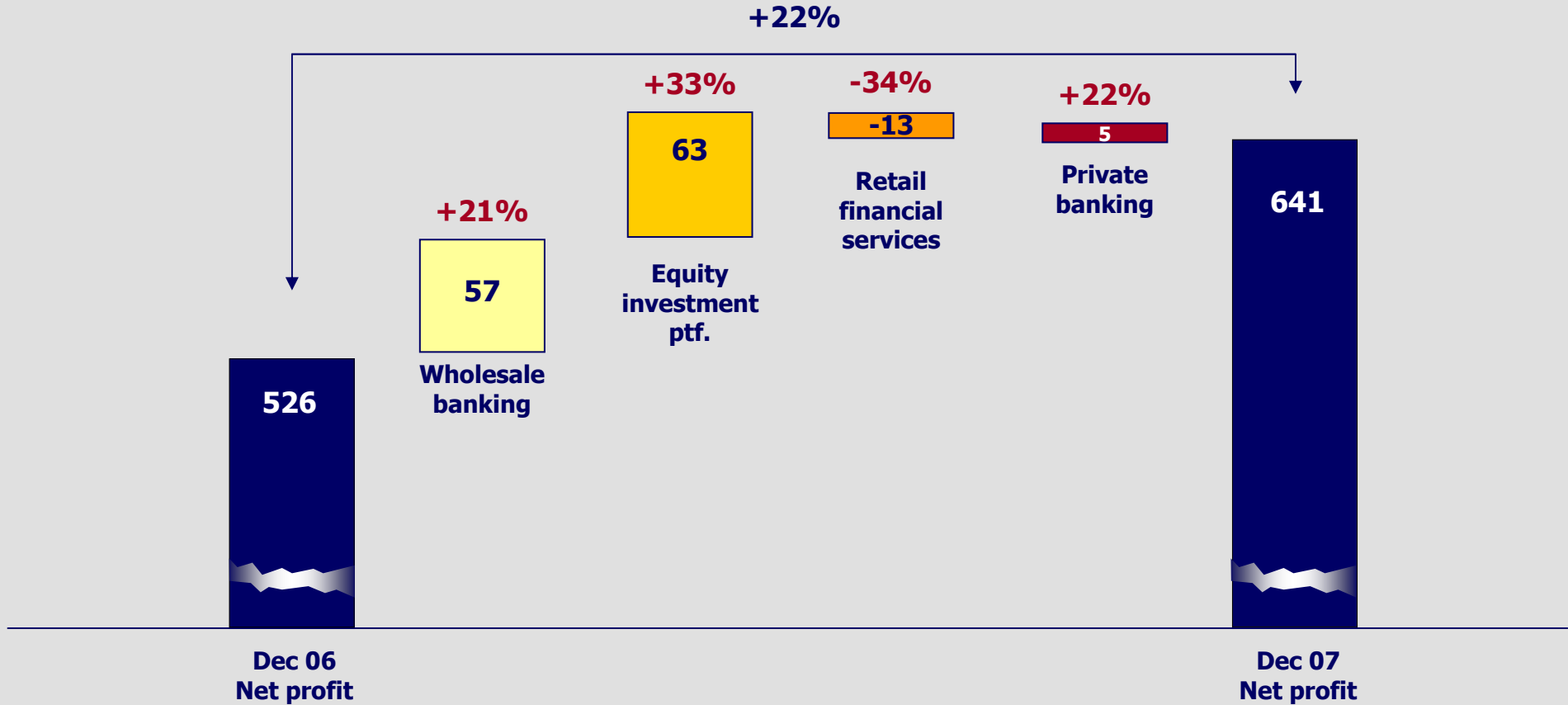


# Net profit up 22% despite major investments in WB and RFS

Section I

1H December 2007

## Net profit trend by business (€ m)





## Key issues

- ⚡ **No direct or indirect exposure to:**
  - ⚡ **US sub-prime**
  - ⚡ **CDOs, CLOs, SIVs, hedge funds or other vehicles/investment structures**
  - ⚡ **“equity bridge” facilities within LBO structures**
  - ⚡ **monolines**
- ⚡ **No “loan trading book” ⇒ no exposure to “mark to market” writedowns**

# Strong balance sheet

Section I

1H December 2007

## A&L figures

	€ bn	Dec 07/ June 07
<b>Loans to customers</b>	<b>29.7</b>	<b>+11%</b>
<b>Funding</b>	<b>36.4</b>	<b>+6%</b>
<b>Total assets</b>	<b>45.1</b>	<b>+4%</b>

## Capital ratios

	€ bn	Dec 07/ June 07
<b>RWA</b>	<b>46.0</b>	<b>-8%</b>
<b>Tier 1</b>	<b>14.05%</b>	<b>+1.8 pp</b>

Group



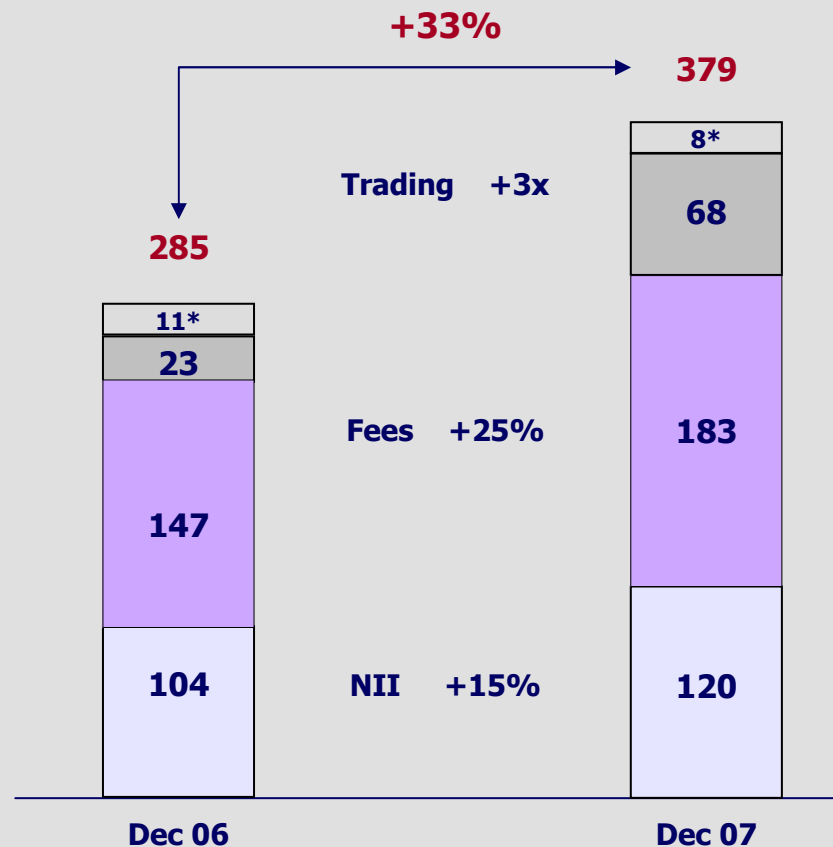
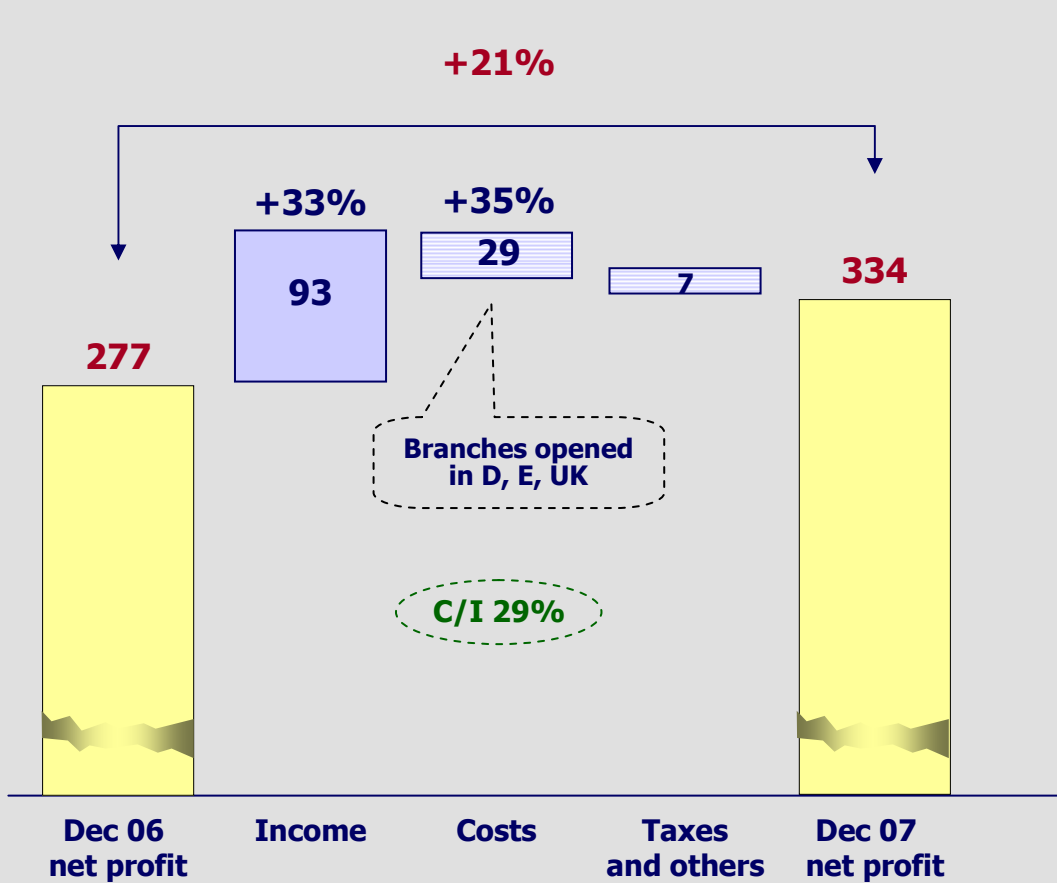
# Wholesale banking: net profit up 21%, driven by revenues (up 33%)

Section I

1H December 2007

Net profit trend (€ m)

Income trend (€ m)



\*Dividends and contributions from equity-acc. co.

# EIP: NAV stable

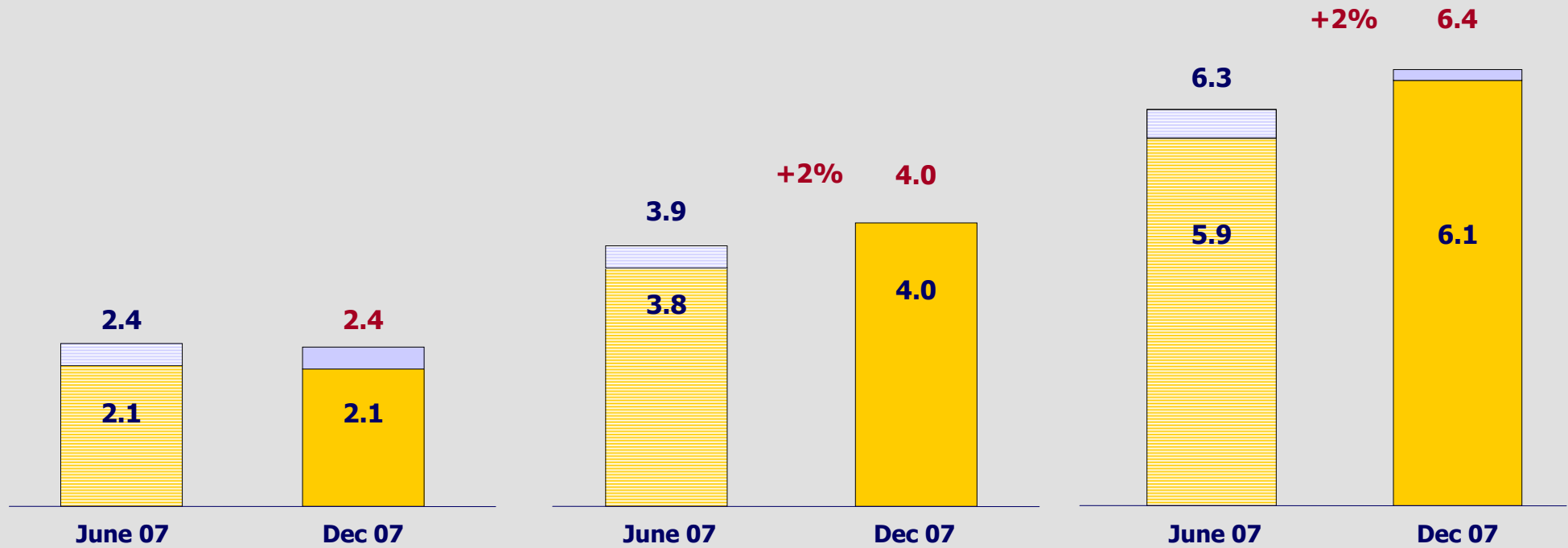
Section I

1H December 2007

Book value (€ bn)

Unrealized gains (€ n)

NAV (€ bn)



BV IAS = 14.09% AG and 13.94% RCS shareholders' funds    ■ Ass. Generali    ■ RCS Media

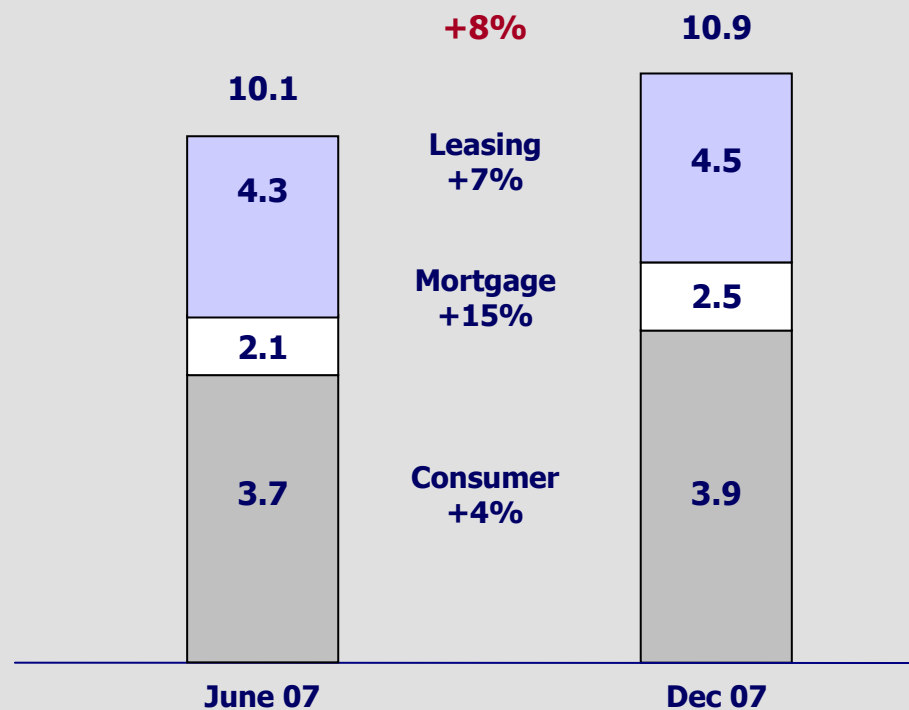
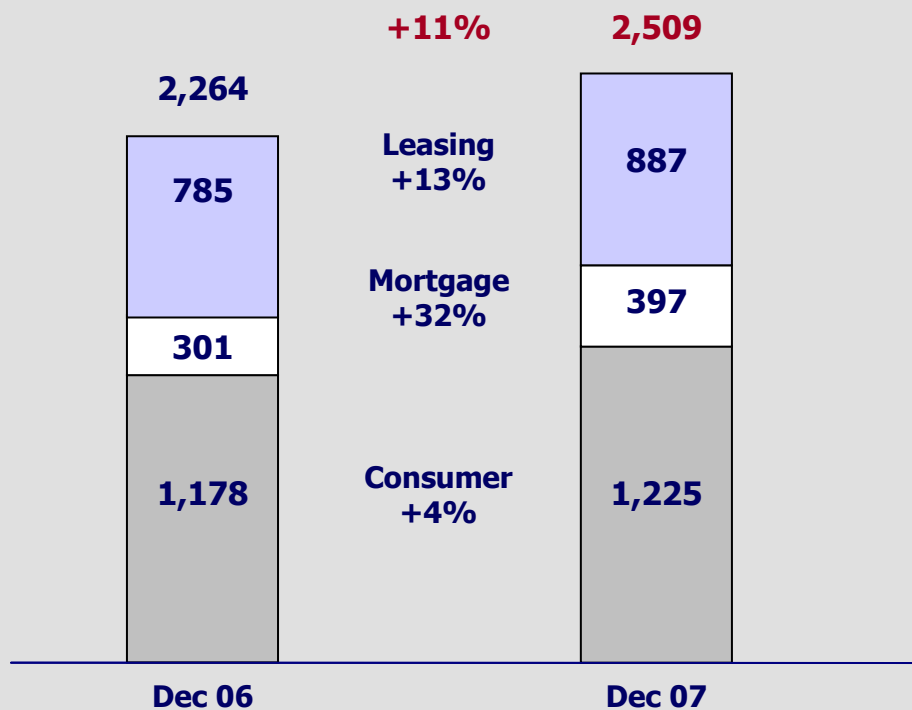
# Retail financial services: higher cost of funding ... (1/2)

Section I

1H December 2007

New loans trend (€ m)

Outstanding loans trend (€ bn)

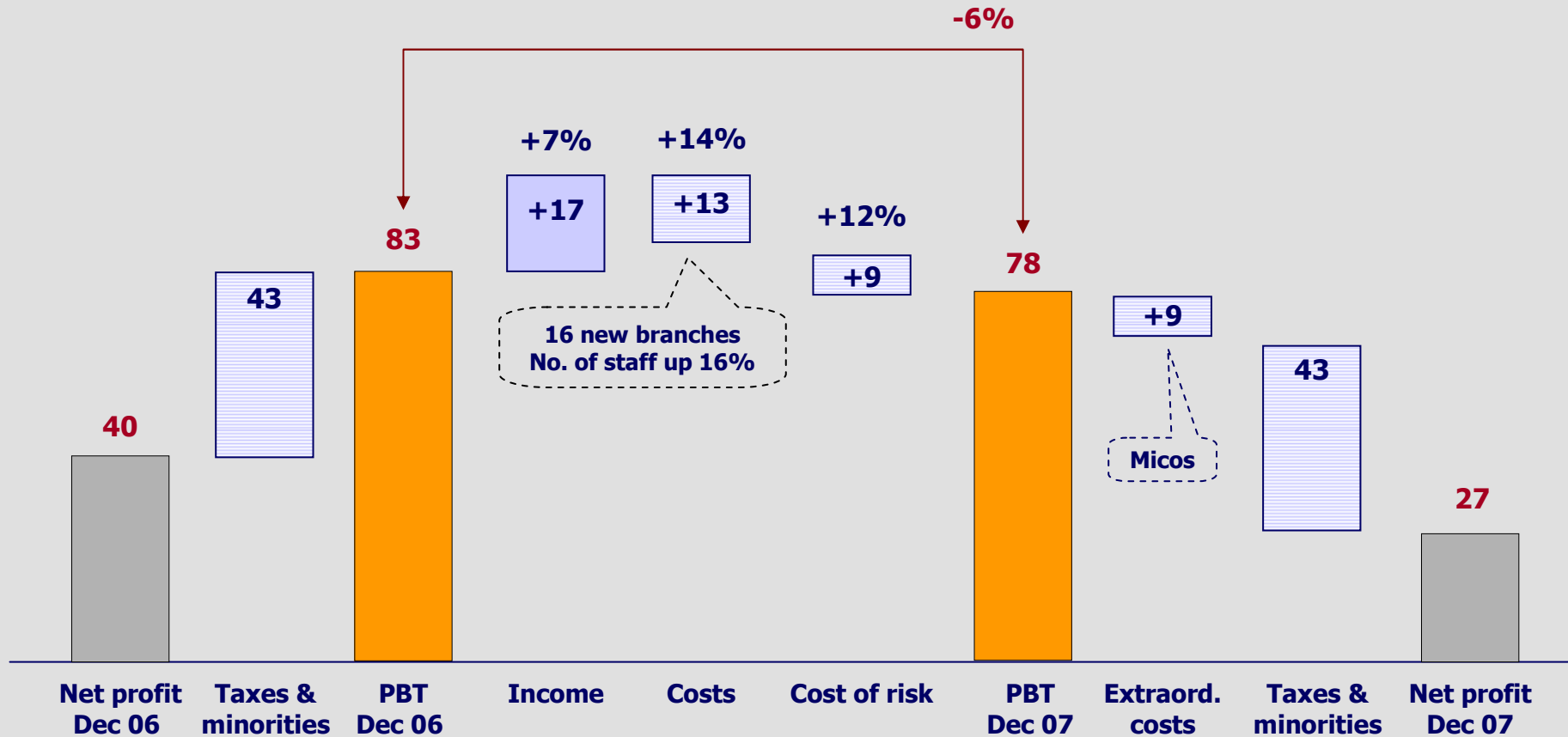


# ... and cost of new initiatives (2/2)

Section I

1H December 2007

## Net profit trend (€ m)

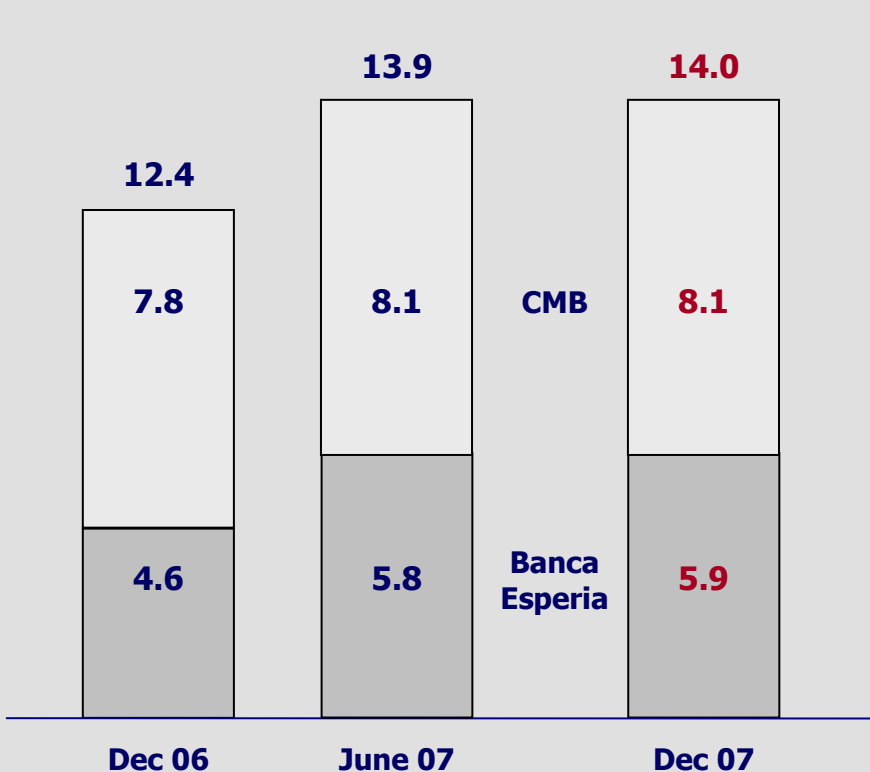


# Private banking: net profit up 22%

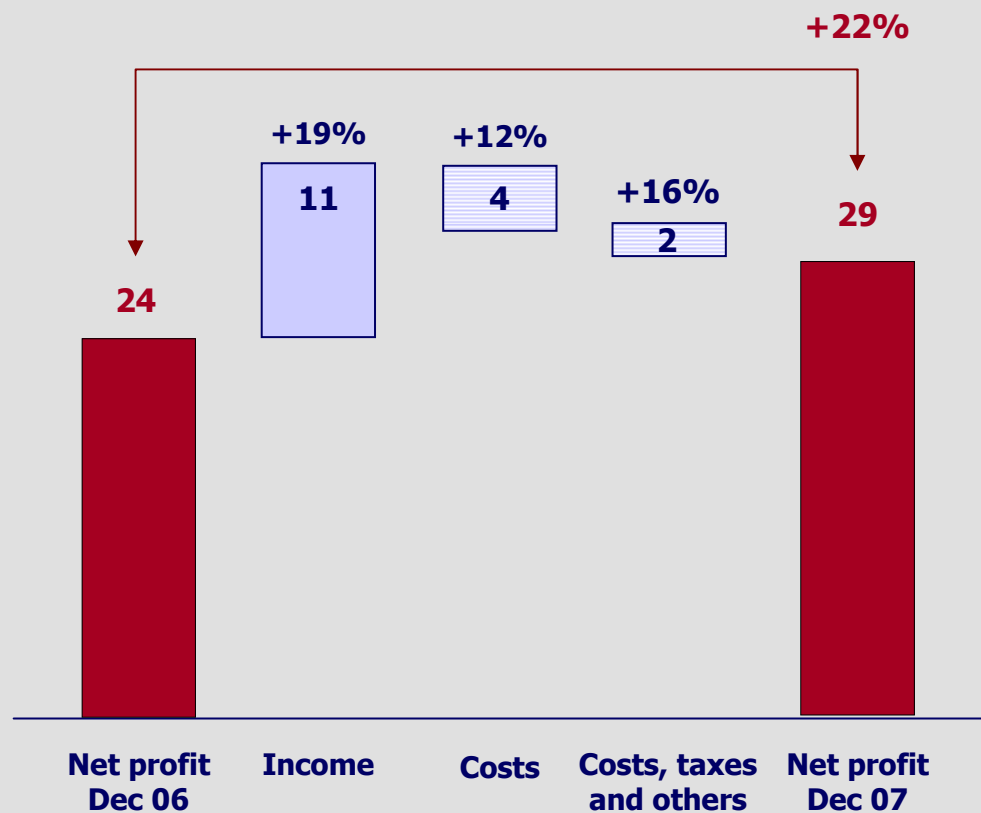
Section I

1H December 2007

AUM trend (€ bn)



Net profit trend (€ m)



# **2005-2008 Review**

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## **Section II**



# Challenging objectives for 2008 beaten...

Section II

2005-2008 review

	June 2005	June 2008*	Actual 3Y CAGR (%)	Target 3Y CAGR (%)
<b>Income (€ bn)</b>	1.2	1.8	+16	+13
<b>GOP (€ bn)</b>	0.8	1.2	+16	+15
<b>Net profit (€ bn)</b>	0.6	1.0	+17	+10
<b>EPS (€)</b>	0.8	1.2	+15	+9
<b>% C/I</b>	31	30		30
<b>ROE</b>	12	14		14

\* Consensus estimates, excl. Linea

Group

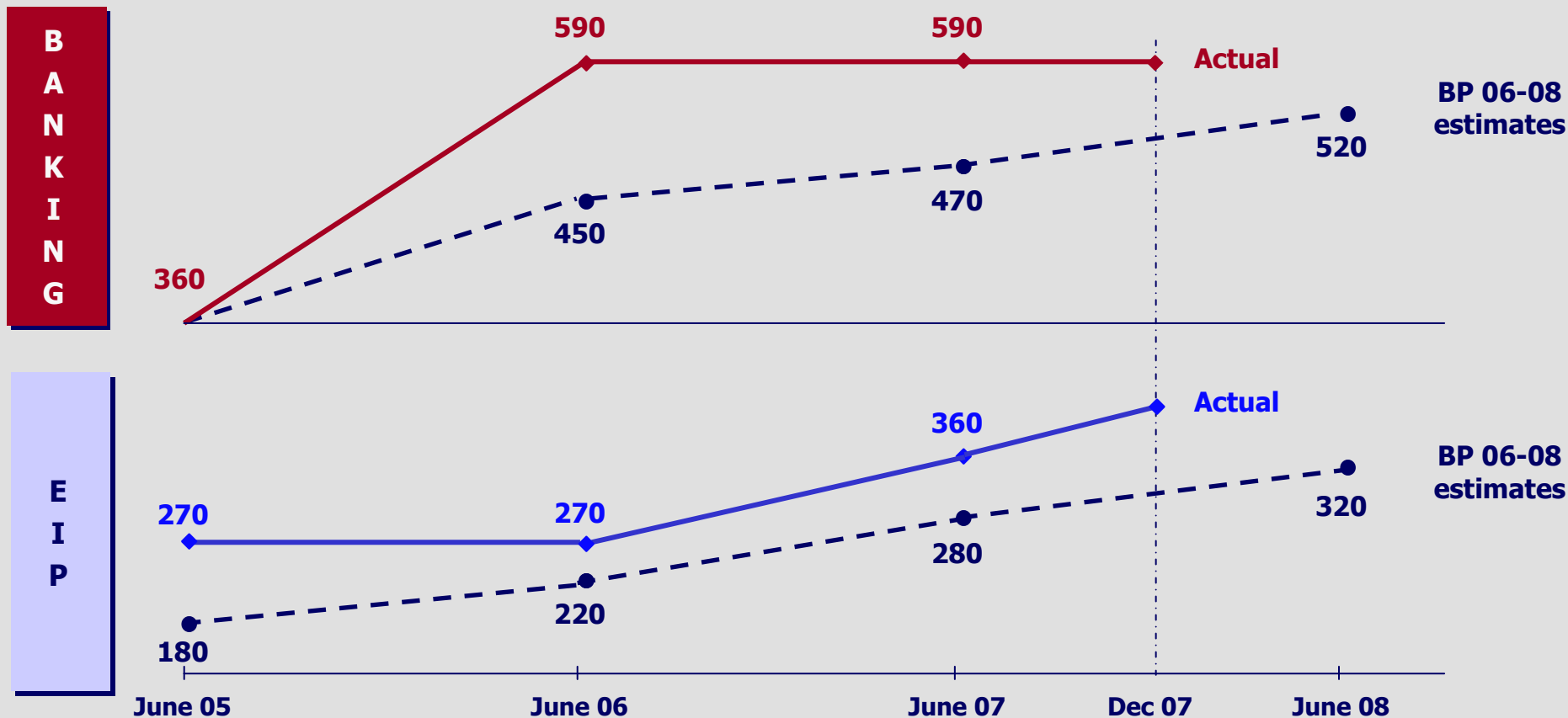


# ...with both banking and EIP performances ahead of targets

Section II

2005-2008 review

### Net profit trend (€ m)



Group



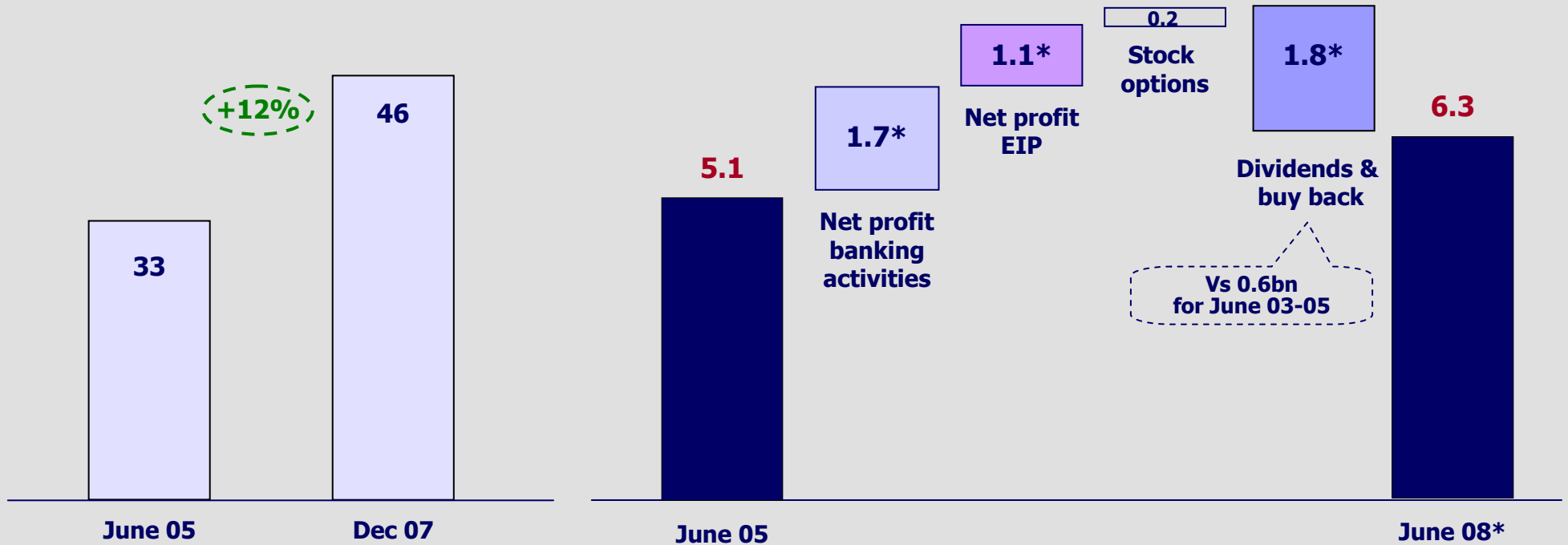
# Capital and shareholders' remuneration enhanced

Section II

2005-2008 review

RWA trend (€ bn)

Tier 1 trend (€ bn)



\* 2006, 2007 stated results, 2008 consensus estimates, excl. Linea

3YCAGR



# **2009-2011 Plan**

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## **Section III**

## Scenario

- /// **Tougher financial market environment**
- /// **Uncertainty over macro-economic development**

## Growth targets

- /// **Growth achievable over the cycle due to:**
  - /// **resilience on domestic market due to efficient business model**
  - /// **additional contribution from new initiatives/under-exploited products:**
    - **enlarged CIB product offering and geographic footprint**
    - **new asset classes in Principal Investing**
    - **consolidated position in Consumer Finance, new Retail Platform**

## Capital base Risk assessment

- /// **Sound balance sheet and risk assessment to be maintained**

## Mediobanca Group

### Corporate & Investment Banking

Lending

Capital Markets

Advisory

Large/mid corporates

### Principal Investing

EIP

Merchant Banking

Private Equity

Special Opportunities

### Retail & Private Banking

Consumer Credit

Mortgage Finance

Private Banking

Retail

# Pro-forma figures

Section III

2009-2011 Plan

		June 08° Pro forma Incl. Linea (€ bn)
<b>GROUP</b>	<ul style="list-style-type: none"> <li>/// Income includes AFS stake disposals</li> <li>/// Linea included</li> </ul>	<ul style="list-style-type: none"> <li><b>Income</b> 2.1</li> <li><b>PBT</b> 1.3</li> <li><b>Net profit</b> 1.0</li> <li><b>Loans <sup>2</sup></b> 33</li> <li><b>RWA <sup>2</sup></b> 53</li> </ul>
	<ul style="list-style-type: none"> <li>/// Income includes AFS stake disposals</li> <li>/// Leasing included</li> <li>/// Merchant banking, private equity excluded</li> </ul>	<ul style="list-style-type: none"> <li><b>Income</b> 0.9</li> <li><b>PBT</b> 0.6</li> <li><b>Loans <sup>2</sup></b> 22</li> <li><b>RWA <sup>2</sup></b> 41</li> </ul>
	<ul style="list-style-type: none"> <li>/// Linea consolidation<sup>1</sup></li> <li>/// Private Banking included</li> <li>/// Leasing excluded</li> </ul>	<ul style="list-style-type: none"> <li><b>Income</b> 0.8</li> <li><b>PBT</b> 0.2</li> <li><b>Loans <sup>2</sup></b> 11</li> <li><b>RWA<sup>2</sup></b> 10</li> </ul>

<sup>o</sup> Consensus estimates

<sup>1</sup> Linea 12m ending Dec07: revenues € 206m, PBT € 50m, NP € 23m, RWA €3.3bn, loans €3.7bn

<sup>2</sup> December 2007 figures, RWA restated according to Basel II criteria

# Mission

Section III

2009-2011 Plan

## Corporate & Investment Banking

- /// European CIB player, leader in Italy with major footprint in core Europe
- /// More diversified income mix by domestic/international
- /// More diversified income mix with broader product range

## Principal Investing

- /// Release opportunities embedded in business model/market position
- /// Enhance synergies with CIB
- /// New asset classes

## Retail & Private Banking

- /// Top 3 Italian consumer finance operator
- /// Recognized innovative retail player
- /// Scaling up private banking

## Capital Management

- /// Healthy asset quality
- /// Optimize capital structure
- /// Opportunistic acquisitions

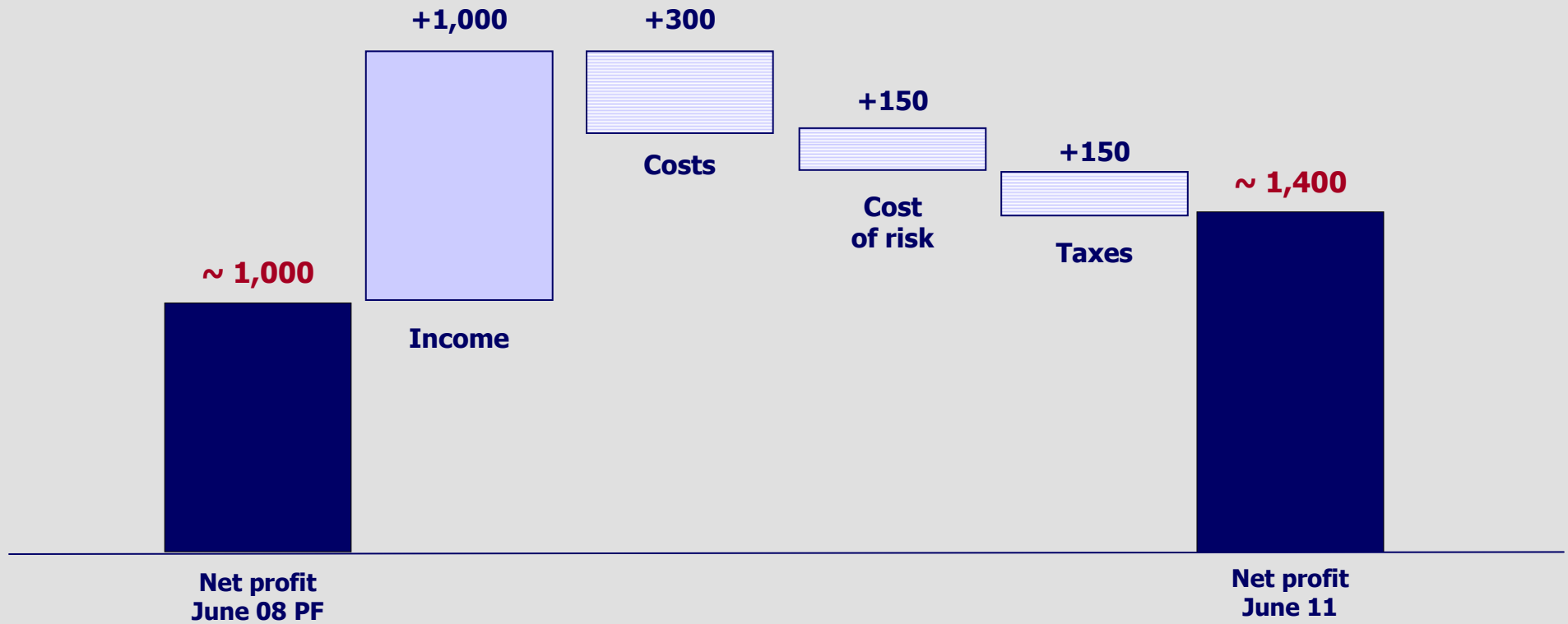


# Net profit up 40% driven by income

Section III

2009-2011 Plan

## Net profit trend (€ m)



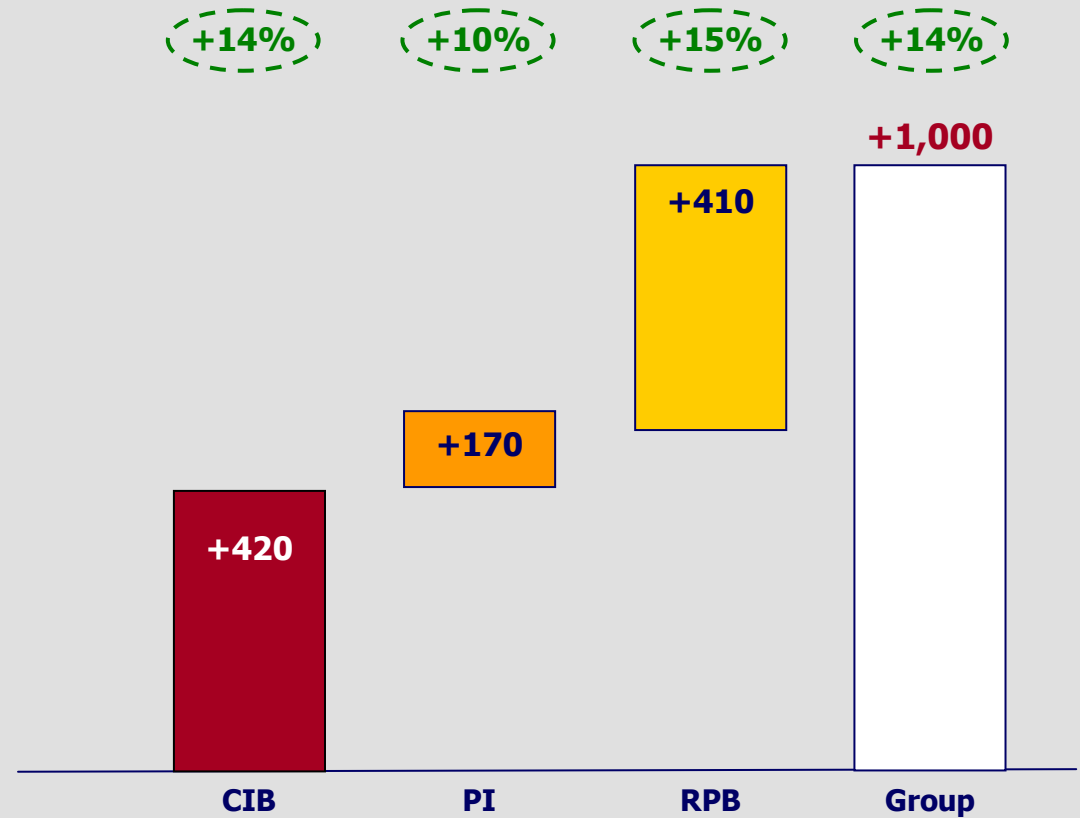
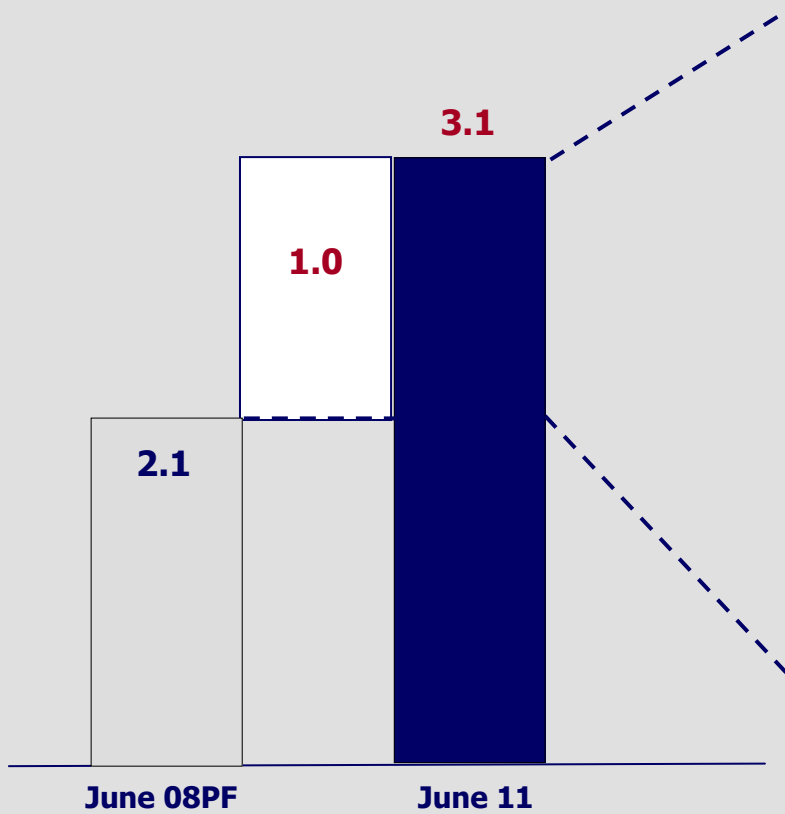
# Income growth driven by CIB and RPB

Section III

2009-2011 Plan

Income trend (€ bn)

Segmental contribution (€ m) and 3YCAGR



( 3Y CAGR )



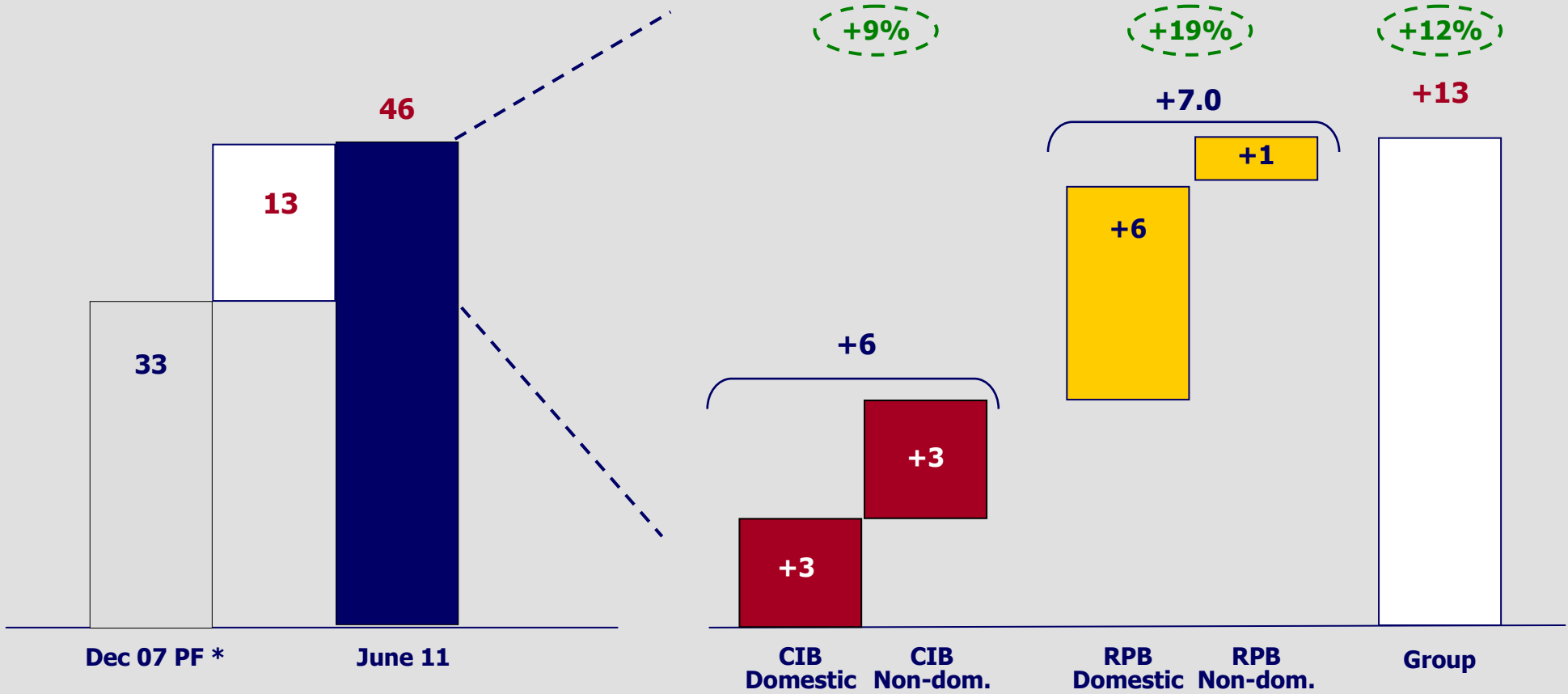
# Loan book: 3Y CAGR +12%

Section III

2009-2011 Plan

Loan book trend (avg., € bn)

Segmental contribution (€ bn) and 3YCAGR



\* € 3.7bn loans of Linea included



( 3Y CAGR )



# Improving corporate/retail mix

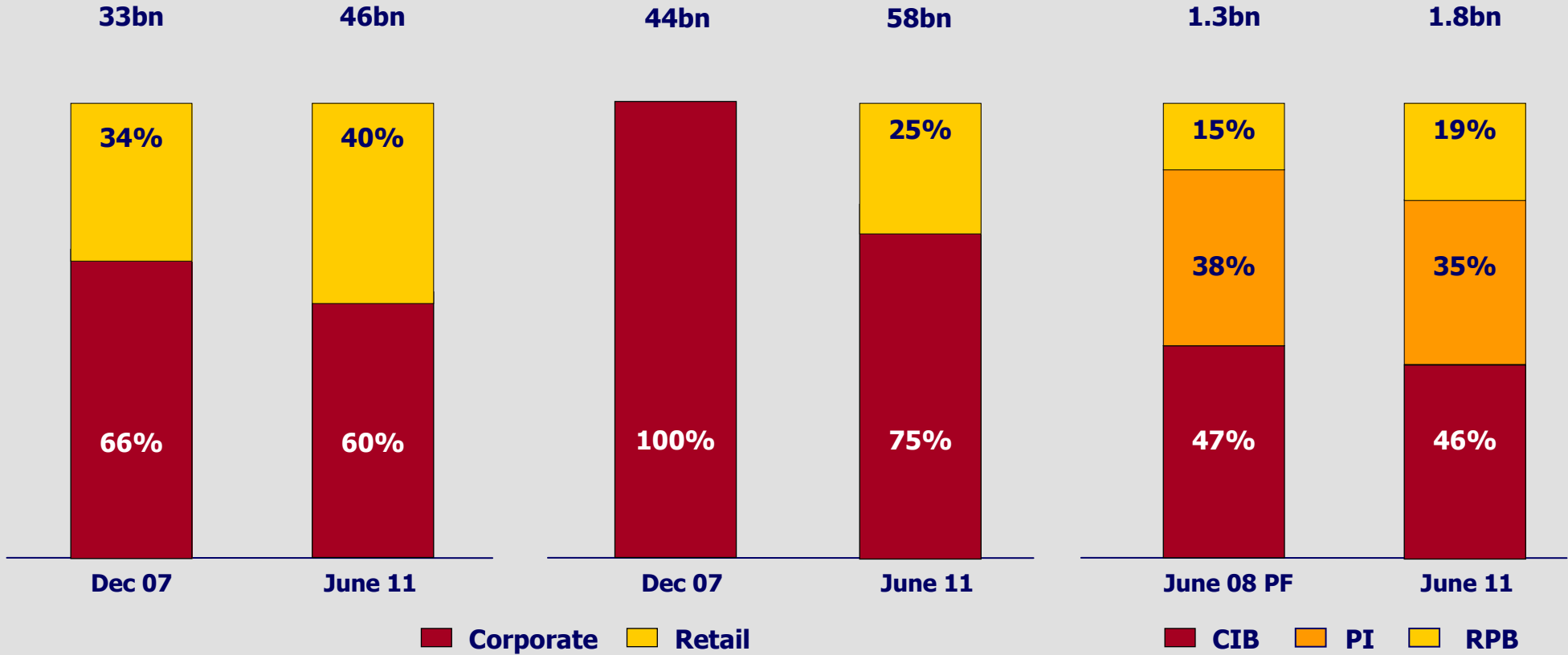
Section III

2009-2011 Plan

## Loan book breakdown (%)

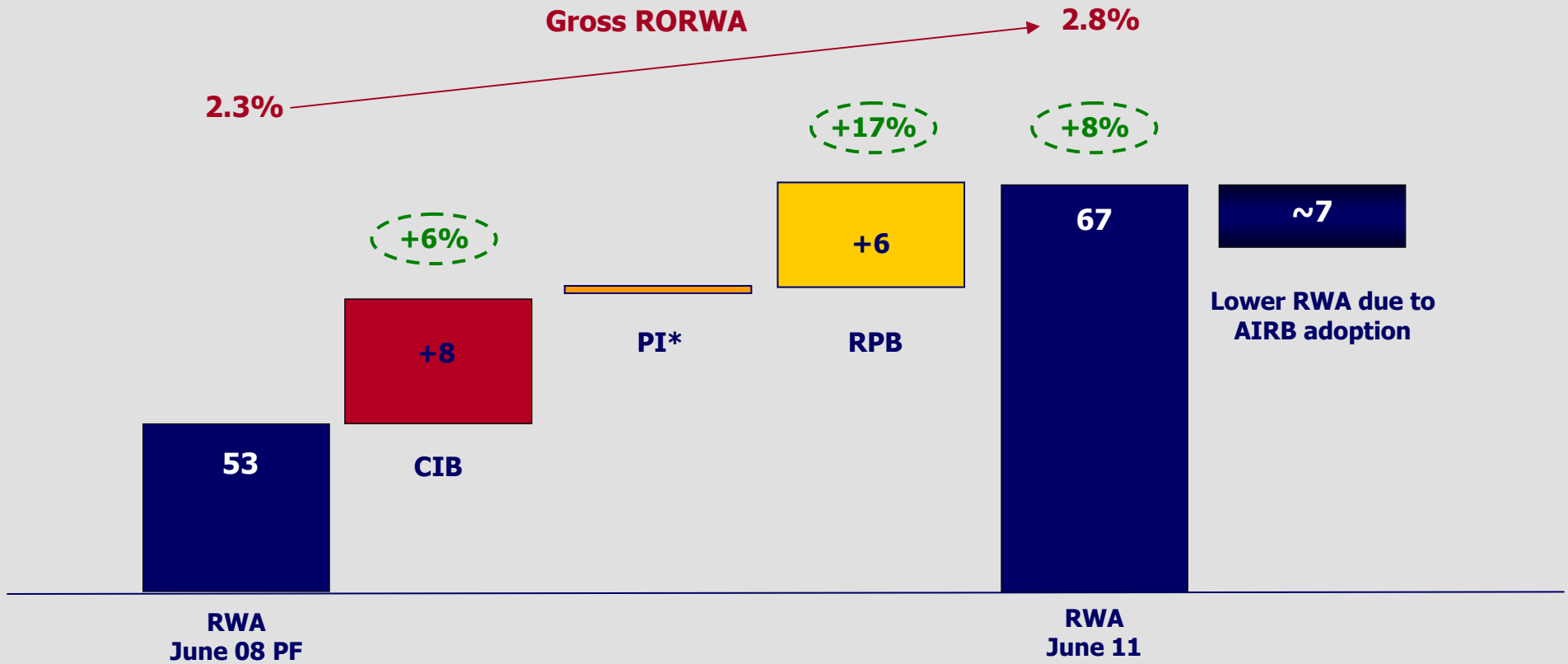
## Funding breakdown (%)

## PBT breakdown (%)



# Increasing RORWA

## RWA trend (€ bn) - Basel II standardized



\* EU Financial Conglomerates Directive applied

( 3Y CAGR )



# 2011 Group targets

Section III

2009-2011 Plan

€ bn	June 2008PF	3Y CAGR (%)	June 2011
<b>Income</b>	<b>2.1</b>	<b>+14</b>	<b>3.1</b>
<b>Net profit</b>	<b>1.0</b>	<b>+13</b>	<b>1.4</b>
<b>RWA</b>	<b>53</b>	<b>+8</b>	<b>67</b>
<b>EPS* (€)</b>	<b>1.2</b>	<b>+13</b>	<b>1.7</b>
<b>% C/I</b>	<b>30</b>		<b>30</b>
<b>ROE</b>	<b>14</b>		<b>18</b>
<b>RORWA gross</b>	<b>2.3</b>		<b>2.8</b>

\* EPS08 based on no. of outstanding shares (819m); EPS11 on fully diluted basis (834m)

Group

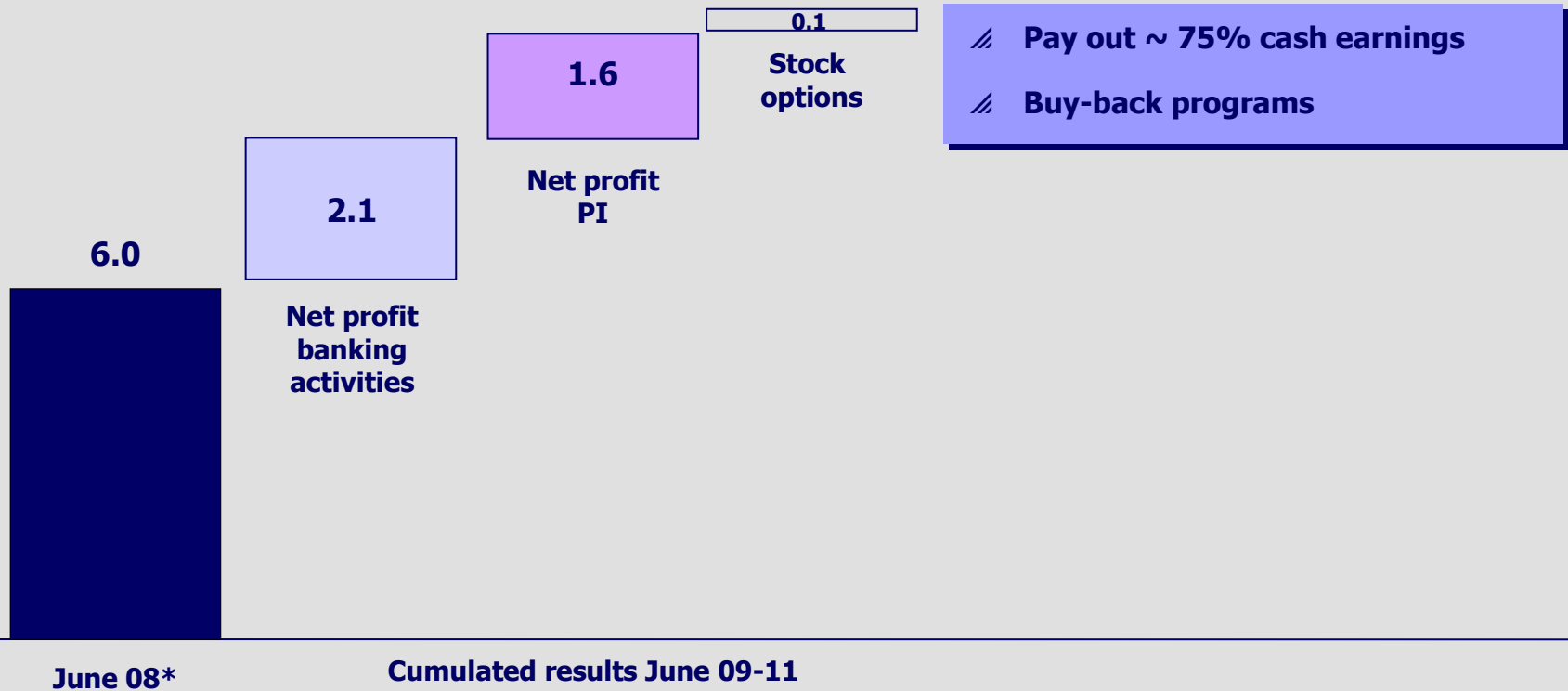


# Capital and shareholder remuneration enhanced further

Section III

2009-2011 Plan

## Tier 1 trend (€ bn)



\* 2008 consensus estimates, incl. Linea

Group



**2009-2011 Plan**

**Corporate & Investment Banking**

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**Section III**



## /// Enlarging product offer and marketing tools

### Lending

- /// Focus on risk-adjusted return
- /// Boosting origination in core Europe (Germany, France and Spain)
- /// Evaluating opportunities in new specialties finance

### Capital Markets

- /// Completing product range
- /// Leveraging brand and corporates relationship
- /// Improving synergies with Lending and Advisory

### Advisory

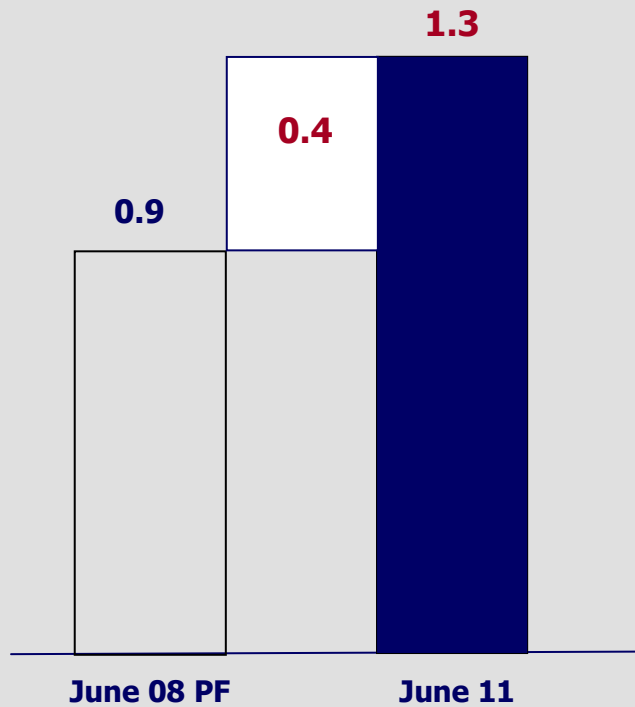
- /// Flexible product mix
- /// Enhancing origination
- /// Exploiting mid-corporate segment

# Well diversified income growth

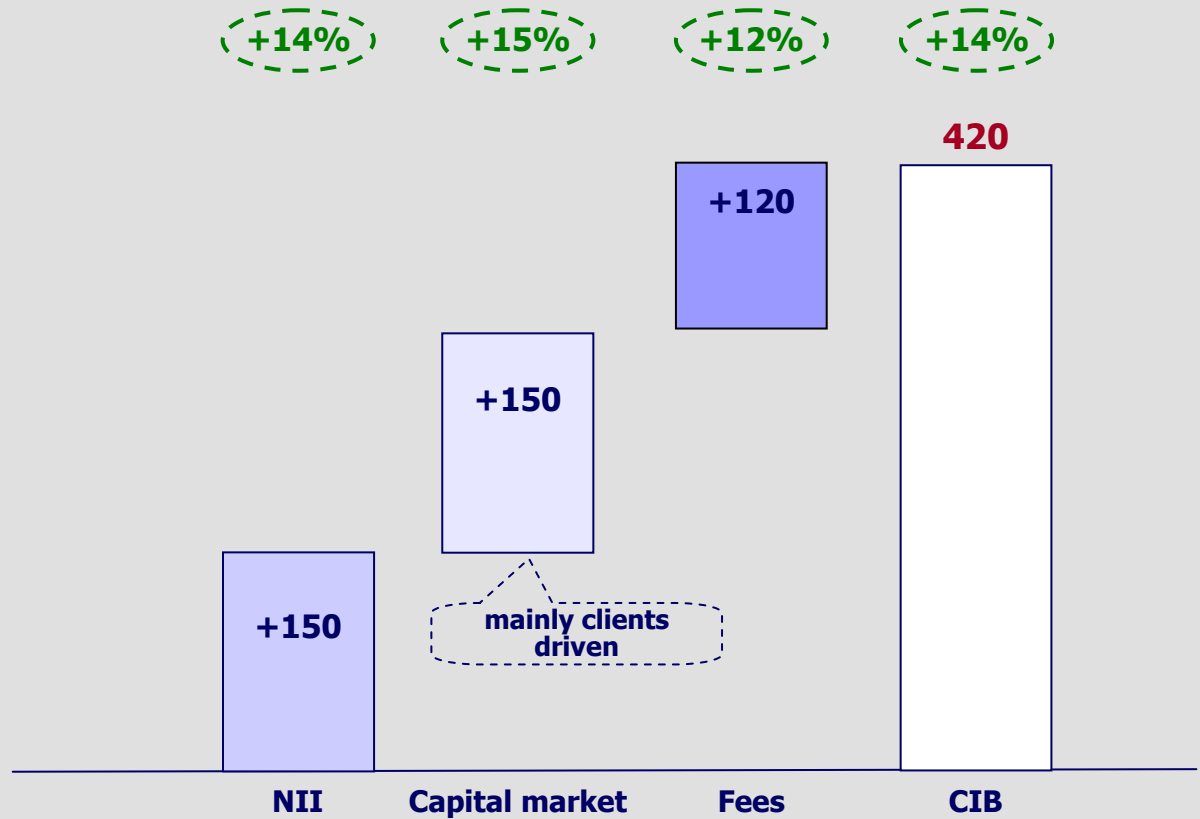
Section III

2009-2011 Plan

Income trend (€ bn)



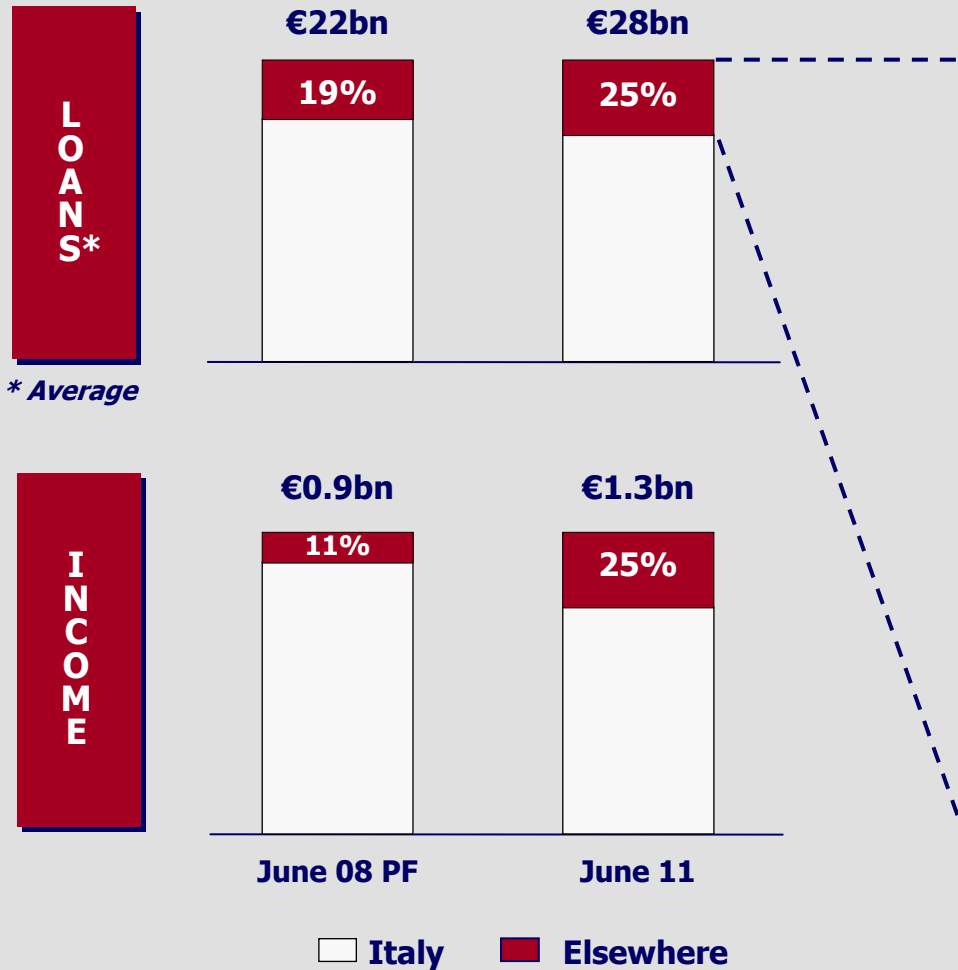
Segmental contribution (€ m) and 3YCAGR



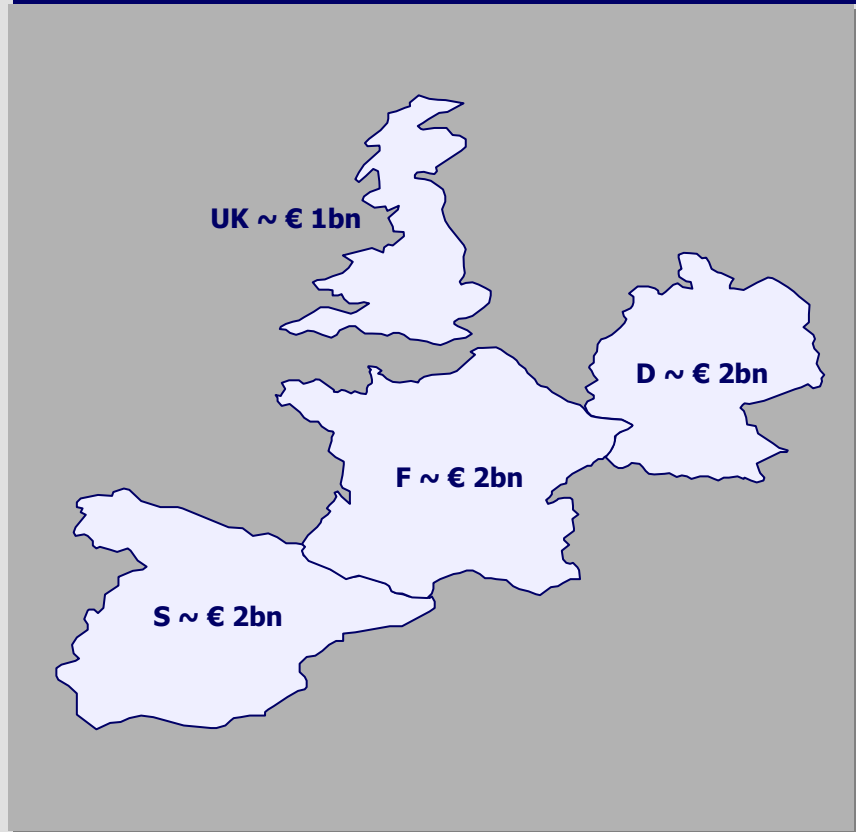
# CIB: loans and income from non-domestic customers up to 25%

Section III

2009-2011 Plan



Loan book breakdown by 2011



# 2011 CIB targets

Section III

2009-2011 Plan

€ bn	June 2008PF	3Y CAGR (%)	June 2011
<b>Income</b>	<b>0.9</b>	<b>+14</b>	<b>1.3</b>
<b>RWA</b>	<b>41</b>	<b>+6</b>	<b>49</b>
<b>% C/I</b>	<b>30</b>		<b>30</b>
<b>RORWA gross</b>	<b>1.4</b>		<b>1.8</b>

**2009-2011 Plan**

**Principal Investing**

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**Section III**

## /// Release potential embedded in business model and market position

### EIP (AG, RCS)

- /// Recurring, increasing contribution
- /// Drivers: EPS and total returns

### Merchant Banking\*

- /// Commitment: up to €300m
- /// Minority stakes in mid-corporates

### Private Equity\*

- /// Commitment: up to €500m
- /// Buyout of "mid-large" corporates

### Special Opportunities\*

- /// Commitment: up to €300m
- /// Special situations, real estate, stressed/distressed assets

\* Earnings not included in BP targets

# Principal Investing

Section III

2009-2011 Plan

	Drivers	Target IRR
<b>Merchant Banking*</b>	<ul style="list-style-type: none"><li>Expansion capital</li><li>Bridge to IPOs</li><li>Shareholder restructuring</li></ul>	20%
<b>Private Equity*</b>	<ul style="list-style-type: none"><li>Sector consolidation</li><li>Generational issues</li><li>M&amp;A</li></ul>	25%
<b>Special Opportunities*</b>	<ul style="list-style-type: none"><li>Market momentum</li><li>Restructuring situations</li></ul>	15%

\* Earnings not included in BP targets

**2009-2011 Plan**

**Retail & Private Banking**

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**Section III**



## // Consolidated position in Consumer Finance, new Retail Platform

### Consumer lending

- // Building a new player poised to be leader in the next 5Y
- // Leveraging/combining complementary assets from Compass - Linea
- // Exploiting integration costs and revenues synergies

### Retail Platform Mortgage Lending

- // Becoming a recognized "innovative retail player" leveraging on
  - // favorable competitive environment
  - // MB brand awareness and capital soundness
- // Accessing retail funding

### Private Banking

- // Scaling up business

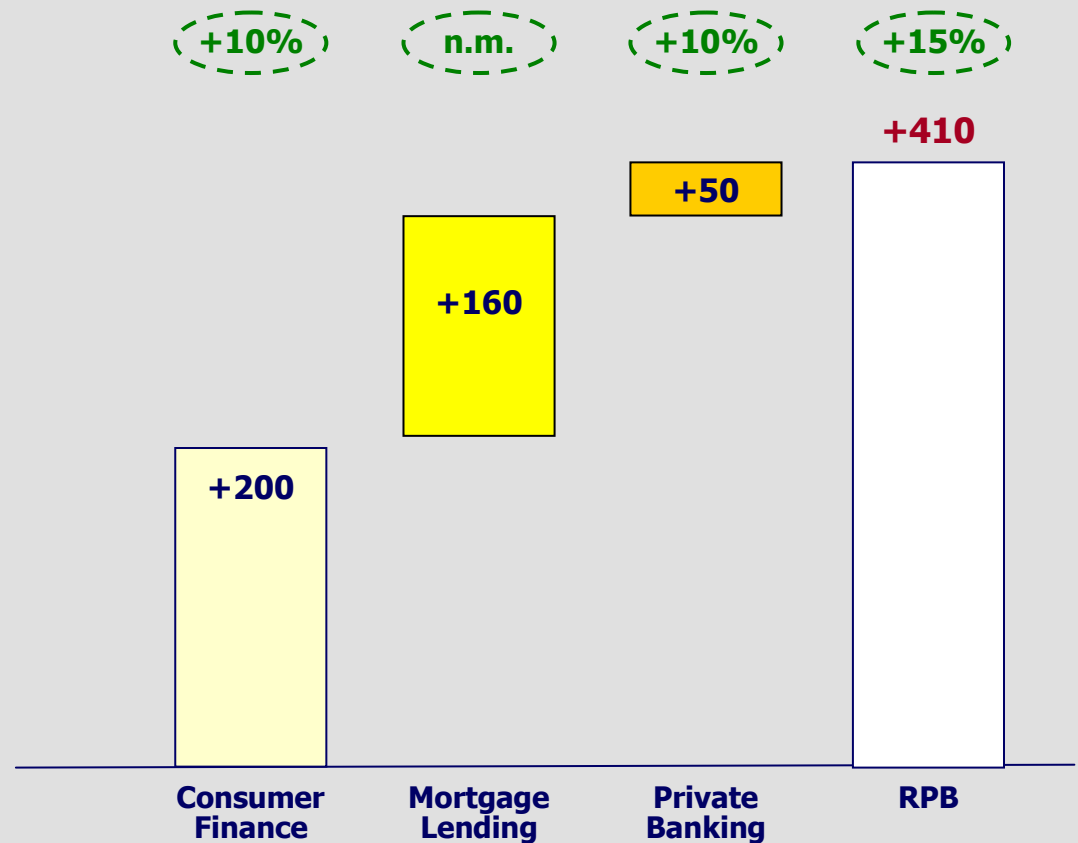
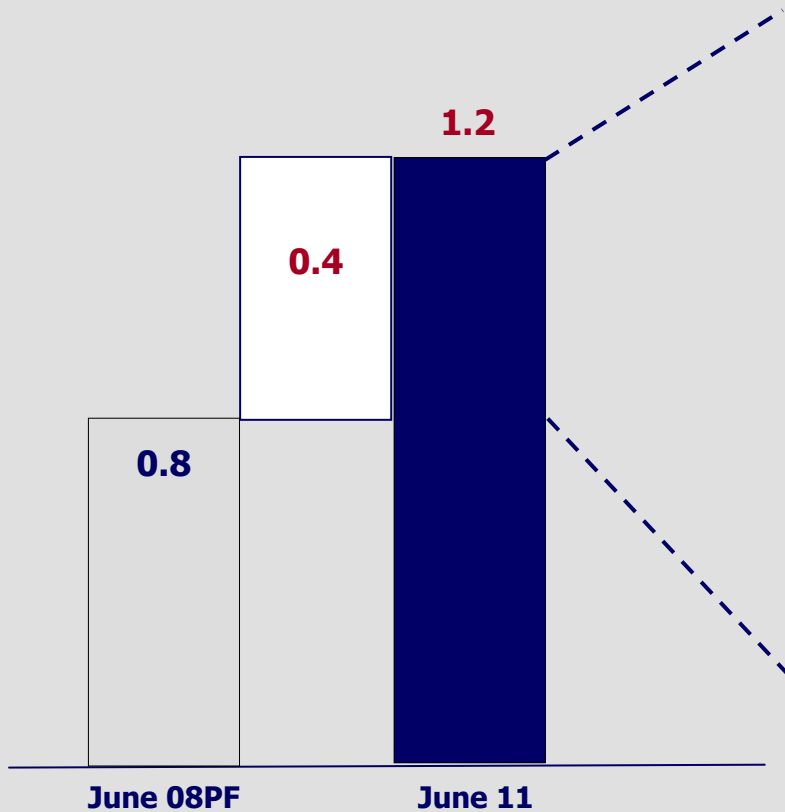
# Income 3Y CAGR 15% driven by consumer and mortgage lending

Section III

2009-2011 Plan

Income trend (€ bn)

Segmental contribution (€m) and CAGR



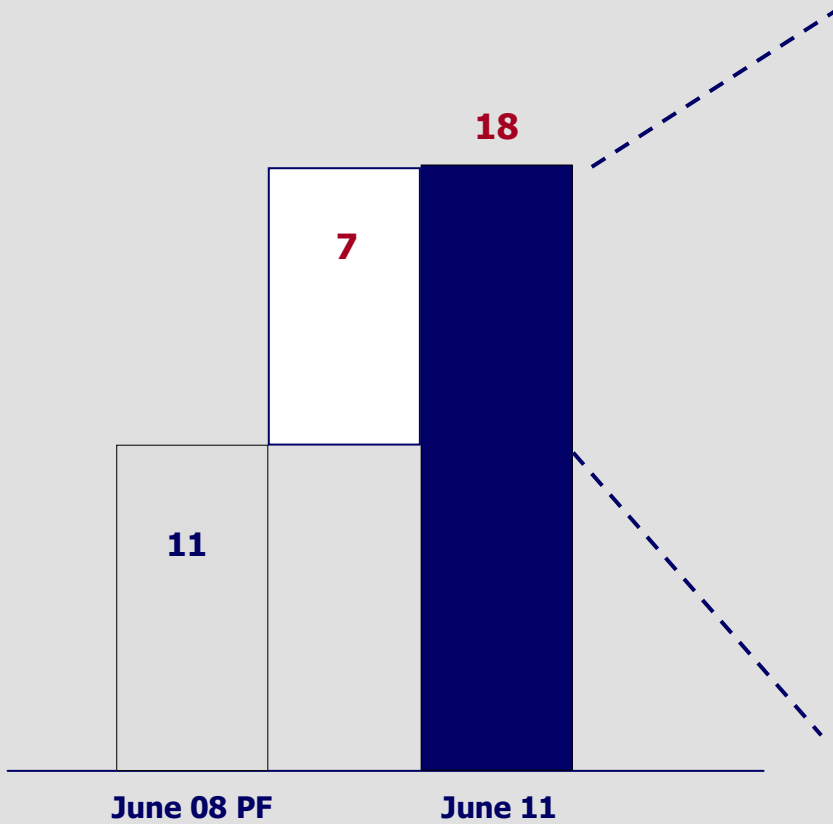
( 3Y CAGR )

# Retail loan book 3Y CAGR 19%

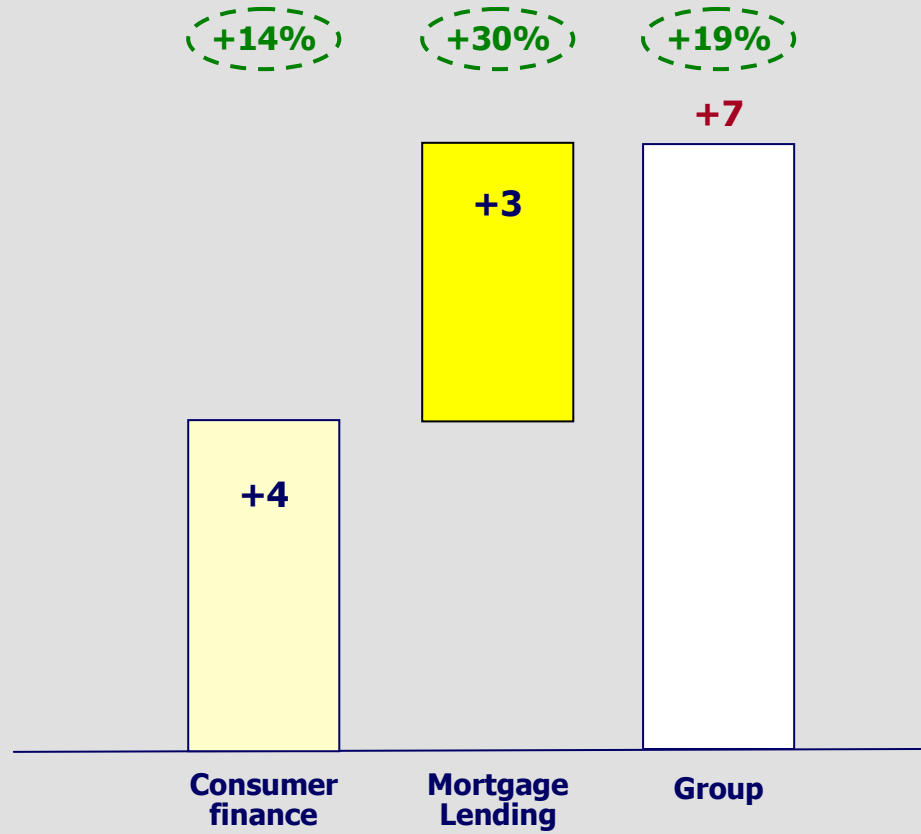
Section III

2009-2011 Plan

Loan book trend (avg. € bn)



Segmental contribution (€ bn) and CAGR



( 3Y CAGR )

# Compass: top 3 Italian consumer finance operator... (1/3)

Section III

2009-2011 Plan

## Compass + Linea

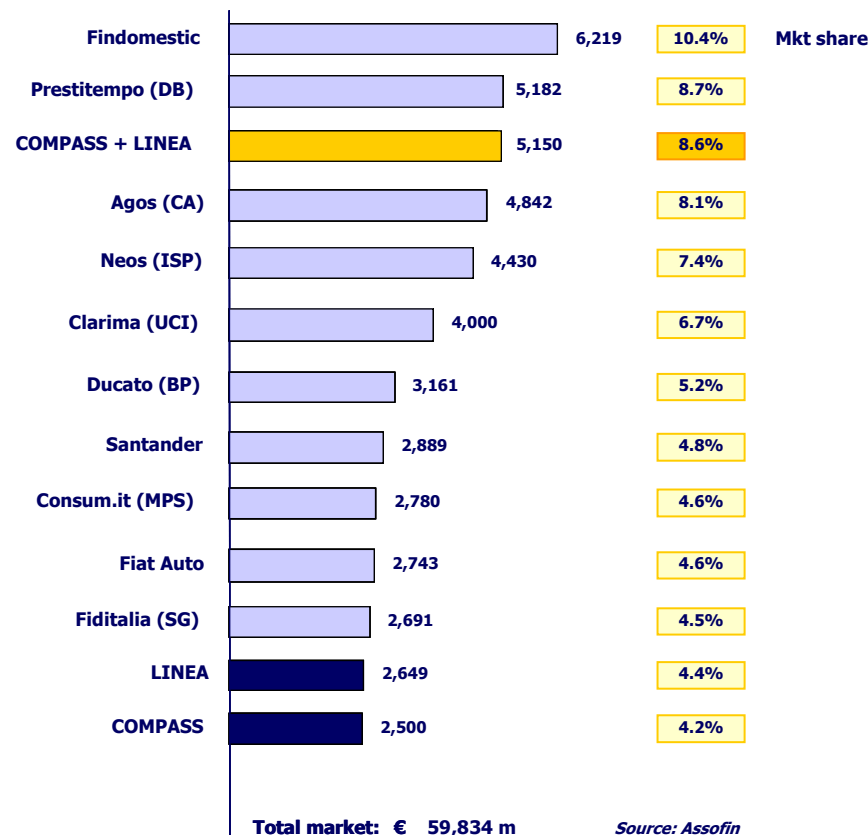
/// **Rationale: to achieve economies of scale, maximize cross-selling, build a complete and sound multi-channel platform and optimize risk management**

/// **Strong complementarities in terms of channel and product**

Channel	Compass	Linea
Branches	119	47
Banking		60 commercial agreements 500 Pop.Vicenza branches
GDO		several partnerships

Product	Compass		Compass + Linea	
	#	Mkt share	#	Mkt share
<b>Total</b>	<b>12<sup>^</sup></b>	<b>4.2%</b>	<b>3<sup>^</sup></b>	<b>8.6%</b>
Automotive	13 <sup>^</sup>	3.8%	3 <sup>^</sup>	7.6%
Special purposes	5 <sup>^</sup>	7.8%	2 <sup>^</sup>	14.1%
Personal loans	8 <sup>^</sup>	5.5%	2 <sup>^</sup>	10.4%
Credit cards	13 <sup>^</sup>	1.6%	9 <sup>^</sup>	4.0%
Salary guaranteed	18 <sup>^</sup>	0.2%	6 <sup>^</sup>	7.5%

## Ranking – New loans (€ m, 12m ending Dec 07)



# ...positioned to be market leader (2/3)

Section III

2009-2011 Plan

## Italian market

- /// Market still under-penetrated (loans 09-11 CAGR 12%), becoming more selective
- /// Return attractive even on risk-adjusted base

## Compass+Linea

### Competitive advantages

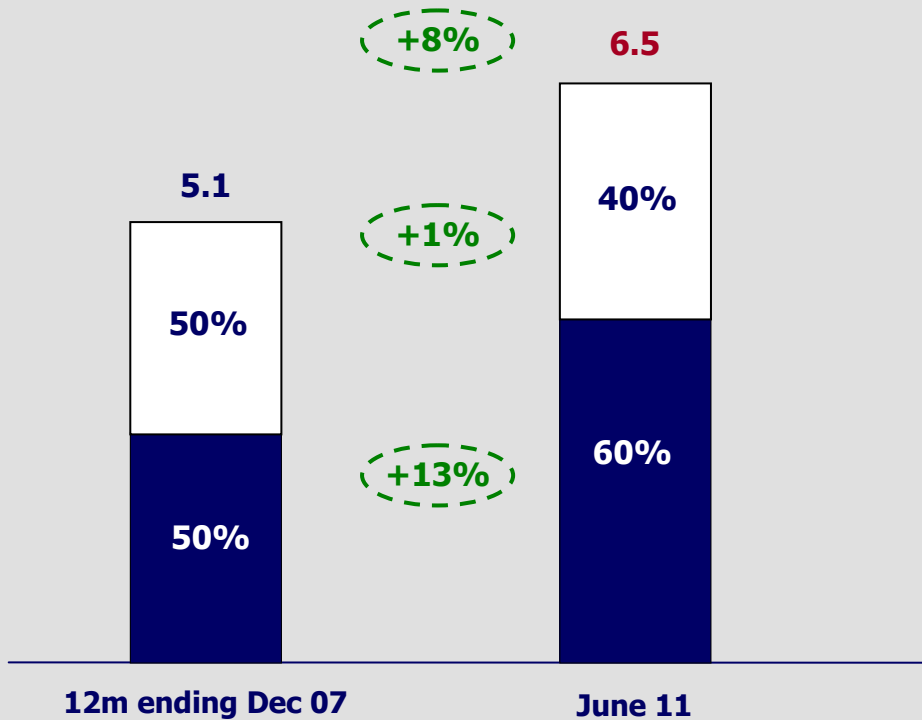
- /// Wide-scope distribution channels
- /// Complete product offering to meet fast changing client demand
- /// Widening customer base by fine-tuning of price-risk adj. product offering
- /// Strong risk management (underwriting, behavioral, collection)
- /// Achieving synergies: € 60m gross, 2/3 costs
- /// €20m one-off costs in 2008
- /// Realignment of Linea risk accounting criteria with Compass standard

# Improving product/customer mix, achieving economies of scale (3/3)

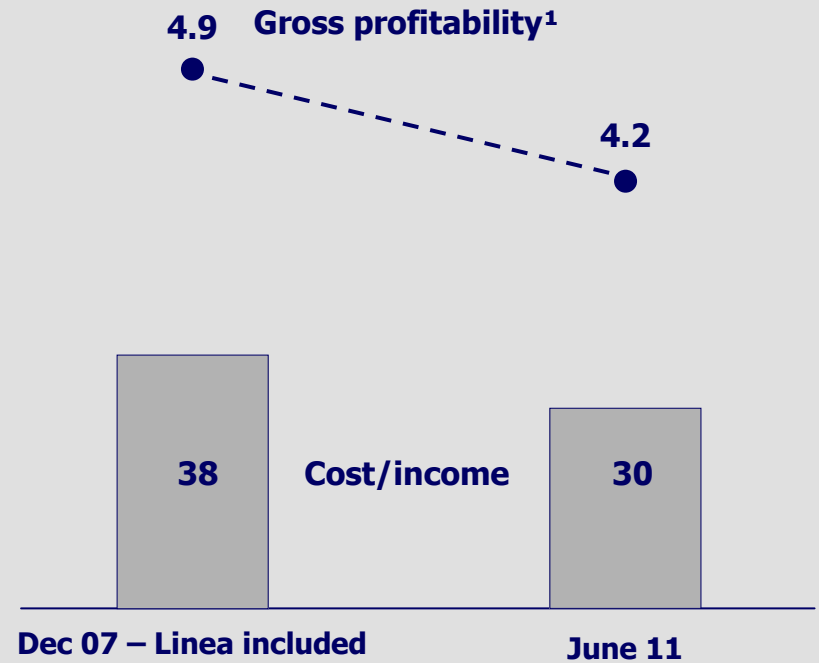
Section III

2009-2011 Plan

## New loans (€ bn)



## Efficiency and profitability (%)



<sup>1</sup> Spread risk adj. = (Income-cost of risk)/Avg. loans

( 3Y CAGR )



# Retail Platform: rationale (1/3)

Section III

2009-2011 Plan

## Italian retail banking

- /// **Attractive market**
- /// **Changing scenario (new regulatory environment)**
- /// **Changing customer approach (price sensitivity, use of remote channels)**

## MB key advantages

- /// **Strong Italian brand**
- /// **Free to launch innovative operations without overlapping with other retail initiatives**
- /// **Skilled management**

## MB goals

- /// **Achieve innovative and efficient retail distribution**
- /// **Access to retail deposits to fund Group growth**
- /// **Diversify and stabilize Group revenue pool**



## Retail Platform goals

- /// Strong innovative profile
- /// High brand awareness
- /// Market leader

## Distinctive offering

- /// Products and services distinguished by
  - ⇒ transparency
  - ⇒ efficiency
  - ⇒ high standardization
  - ⇒ competitive price

## Efficient multi-channel distribution

- /// Direct banking
- /// Streamlined branches



# Retail Platform: KPIs\* (3/3)

Section III

2009-2011 Plan

	By 2011 (3Y)	By 2013 (5Y)
<b>Customers</b>	~ 400K	~ 800K
<b>Products</b>	Current accounts, deposits, mortgages, cards...	....and investment products
<b>Distribution</b>	Online + 110 light branches	Online + 220 light branches
<b>Loans</b>	€ 6bn	€ 11bn
<b>Deposits</b>	€ 13bn	€ 25bn
<b>Revenues</b>	€ 200m	€ 400m
<b>PBT</b>	Breakeven	> € 100m

\* Micos+Retail Platform



# Private banking: scaling up business

Section III

2009-2011 Plan

## On-shore

- /// Developing Ultra-HNWI segment
- /// Enlarging product offering
- /// Recruiting bankers

## Off-shore

- /// Developing Swiss presence organically and via-acquisitions
- /// Developing presence outside Italy (Russia, Middle East, UK)
- /// Enhancing product factory

## Asset Management

- /// Assessing initiatives

## Targets

- /// AUM 3Y CAGR: +11%
- /// Gross margins: flat ~ 1%
- /// C/I ratio: further reduction to 45%

# 2011 RPB targets

Section III

2009-2011 Plan

€ bn	June 2008PF	3Y CAGR (%)	June 2011
<b>Income</b>	<b>0.8</b>	<b>+15</b>	<b>1.2</b>
<b>RWA</b>	<b>10</b>	<b>+17</b>	<b>16</b>
<b>% C/I</b>	<b>47</b>		<b>42</b>
<b>RORWA gross</b>	<b>1.9</b>		<b>2.1</b>

# Paradigm shift

Section III

2009-2011 Plan

## Key drivers

**Stronger European focus in CIB**

**Enlarged products range**

**More balanced sources of business**

**Maintaining strict risk control / capital strength**

## Absolute growth

**CAGR EPS +13%**

## Increased profitability

**ROE 18%**

**RORWA gross 2.8%**

## Attractive shareholders' remuneration

**Cashed pay-out ~ 75%**

**Buy-back programs**



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# Disclaimer

**This presentation contains certain forward-looking statements, estimates and targets with respect to the operating results, financial condition and business of the Mediobanca Banking Group. Such statements and information, although based upon Mediobanca's best knowledge at present, are certainly subject to unforeseen risk and change. Future results or business performance could differ materially from those expressed or implied by such forward-looking statements and forecasts. The statements have been based upon a reference scenario drawing on economic forecasts and assumptions, including the regulatory environment.**

## **Declaration by Head of Company Financial Reporting**

**As required by Article 154-bis, paragraph 2 of Italian Legislative Decree 58/98, the undersigned hereby declares that the stated accounting information contained in this report conforms to the documents, account ledgers and book entries of the company.**

**Head of Company Financial Reporting**

**Massimo Bertolini**

# Mediobanca Group

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