



Press release

Board of Directors' meeting

Milan, 10 March 2005

Accounts for six months ended 31 December 2004 approved

- **First six months confirm improvement in group results:**
 - revenues up 10% to € 496m
 - profit from ordinary operations up 10% to € 314m
 - pre-tax profit excluding one-off items up 17% to € 286m

- **Healthy performance by all group business areas: ongoing progress in wholesale banking, despite unfavourable scenario; significant value generated from strategic investments, capital invested in non-strategic investments reduced; strong commercial/earnings growth in consumer credit and private banking:**
 - **Wholesale Banking**
 - Revenues up 6% to € 274m
 - Pre-tax profit up 2% from € 191m to € 195m

 - **Equity Investment Portfolio**
 - € 637m increase in gains on strategic portfolio, from € 3bn to € 3.6bn
 - € 126m reduction in non-strategic portfolio; gains of € 32m

 - **Retail Financial Services**
 - 23% growth in finance disbursed
 - Pre-tax profit up 38% to € 47m
 - Significant increase in consumer credit distribution network (10 new branches added)

 - **Private Banking¹**
 - Banca Esperia: 2004 profit € 8.5m (31/12/03: € 2m); AUM up 50%, from € 4.6bn to € 7bn
 - Compagnie Monégasque de Banque (CMB): 2004 profit up 31% to € 29.4m; 38.4% minority interests acquired for an outlay of € 94m

¹ Includes Mediobanca's 48.5% share in profits of Banca Esperia pro-forma, plus CMB.



- **Group profit from ordinary operations excluding equity investment adjustments up 17% from € 245.5m to € 286.4m; pre-tax profit of € 285.3m (31/12/03: € 371.6m), after writedowns to holdings of € 1m, against writebacks of € 126m last year, and writedowns to equities and derivatives held in treasury of € 12m (€ 8m)**
- **Mediobanca S.p.A.: profit from ordinary operations up 8%; pre-tax profit down from € 295.9m to € 220.9m due to equity investment portfolio adjustments (writedowns of € 0.6m, against writebacks of € 127m)**
- **Results for the six months in line with full-year earnings objectives.**



At a Board meeting held today with Gabriele GALATERI di GENOLA in the chair, the Directors of Mediobanca approved the Group's interim accounts and report for the six months ended 31 December 2004, as presented by General manager Alberto NAGEL and Co-general manager Renato PAGLIARO.

Consolidated results

In the twelve months under review, **revenues** and **profit from ordinary operations** both rose by 10%, from € 449.1m to € 496m in the case of the former, and from € 285.1m to € 313.6m in the case of the latter. This performance was driven by a 16.1% rise in **interest income**, stable **fee income**, and **costs** up 11.2%, chiefly in connection with the Compass group's distribution network expansion and commercial development. **Investment portfolio management** generated € 32m (31/12/03: € 19.1m) in gains on disposal of holdings, while net writedowns based on average prices recorded in the six months to 31 December 2004 were negligible at € 1.1m, compared with net writebacks of € 126.1m at the same stage last year, and writedowns of € 271m as at 31 December 2002. Of the other main items, writedowns to equities and derivatives held in treasury amounted to € 11.7m (€ 7.9m), whereas **bad debts written off**, which involved only the Compass group's operations, rose from € 41.4m to € 44.8m, as a result of higher business volumes. Overall, **consolidated profit before tax** excluding equity investment adjustments rose by 16.7%. A **pre-tax profit** of € 285.3m was earned, compared with € 371.6m at the same stage last year.

Funding grew by 2% from € 24.6bn to € 25.1bn. The **loan book** was virtually unchanged from the balance-sheet date at € 16.3bn, 63% of which consists of corporate lending and structured finance (65%), 19% of consumer credit (17%), and 16% of leasing, while the other 2% is made up of finance disbursed by CMB. **Investment securities** rose by € 68.6m, and at current prices reflect unrealized gains of approx. € 4bn, an increase of 25%.

Results by division

In **Wholesale Banking**, a gross margin of € 211.1m was earned from ordinary operations during the six months under review, up from € 200.2m despite the unfavourable market conditions. This was due, in addition to fee income holding up well at € 94m (31/12/03: € 98m), to a healthy performance from treasury activities, where profits rose from € 77.8m to € 103.8m. Pre-tax profit grew from € 190.8m to € 195.1m, after writedowns to securities held in treasury amounting to € 15.5m (€ 8.7m). The reduction in the loan book from € 13,010.7m to € 12,770.9m chiefly reflects the closure of transactions with back-to-back funding.



The **Equity Investment Portfolio** reflects gains on disposal of € 32m (31/12/03: € 19.1m), linked to divestments involving non-strategic holdings, i.e. Capitalia and part of the Group's holdings in Commerzbank and Ciments Français. The main movements during the month involved the acquisition of 3.77% of RCS from Gemina involving an outlay of € 121.7m, € 58.2m invested in the Telecom-Pirelli group, and € 8.3m to acquire shares in Assicurazioni Generali. As at 31 December 2004, the portfolio reflects unrealized gains of € 3,806.1m (30/6/03: € 3,166.8m) after net writedowns of € 1.1m, as against writebacks of € 126.1m.

Retail Financial Services delivered a 38% increase in pre-tax profit in the six months, from € 34.1m to € 47.1m, reflecting strong growth in the consumer credit segment, where finance disbursed was up 26.9%. Profit from ordinary operations rose by 20.9% on the back of a 21.1% rise in interest income, which enabled the 16% rise in costs due to operating growth and geographical expansion to be completely absorbed (a total of 10 new branches were opened during the six months). The rise in bad debt writeoffs from € 41.1m to € 44.7m reflects the higher business volumes.

Private Banking shows a pro-forma¹ profit of € 19.7m before tax but after minorities, virtually double the € 10.1m recorded last year and reflecting the acquisition of minority interests in Compagnie Monégasque de Banque amounting to 38.4% for an outlay of € 93.8m during the period under review (CMB is now a wholly-owned subsidiary of the Mediobanca banking group). Fees earned by this division grew from € 31.6m to € 38.8m, while assets under management rose from € 9.4bn to € 10.2bn. CMB's draft accounts for the twelve months ended 31 December 2004 reflect consolidated net profits of € 29.4m (31/12/03: € 22.5m). Fee income grew by 29%, from € 32.9m to € 42.5m, and AUM by 7% from € 6.3bn to € 6.7bn. Banca Esperia's draft accounts for the same period show consolidated net profits of € 8.5m (€ 2m), reflecting an approx. 50% increase in revenues, from € 30.5m to € 45.3m, and in AUM, from € 4.6bn to € 7bn.

Mediobanca S.p.A.

Mediobanca's results for the six months under review show a gross margin from ordinary operations amounting to € 206.6m, up 8.1% (31/12/03: € 191.2m) on the back of higher treasury gains, which rose from € 77.1m to € 102.9m against stable fee flows amounting to € 92.5m (€ 94.8m) and despite the weak corporate and investment banking environment referred to earlier. Pre-tax profit came in at € 220.9m (€ 295.9m), after net writedowns² to

¹ Includes 48.5% of Banca Esperia's profits.

² Calculated on the basis of market prices recorded in the six months ended 31 December 2004.



investment securities amounting to € 0.6m, compared with net writebacks of € 127m at the same stage last year, and writedowns to securities and derivatives held in treasury of € 16.5m (€ 10.7m).

Regarding the main asset items, funding fell slightly from € 20.6bn to € 20.7bn, as a result of a € 0.3bn reduction in borrowings principally connected to the closure of transactions featuring back-to-back funding. Net treasury funds rose by 3.6% accordingly.

The Board wishes to place on record its gratitude to Achille Maramotti who recently passed away, and whose human qualities and business acumen shall be sorely missed. Independent non-executive director Fabrizio Palenzona has been co-opted to take his place on the Bank's Executive, Remunerations and Internal control committees.

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	6 mths to 31/12/03	12 mths to 30/6/04	6 mths to 31/12/04
	€ m	€ m	€ m
Interest income	306.1	797.1	355.3
<i>of which: dividends</i>	0.1	119.4	3.1
Commissions received and other income	143.0	253.6	140.7
General costs and expenses	(164.0)	(362.6)	(182.4)
GROSS MARGIN FROM ORDINARY OPERATIONS	285.1	688.1	313.6
Net writedowns to securities and derivatives held in treasury	(7.9)	(7.0)	(11.7)
Net gains on disposal of investment securities	19.1	40.4	32.0
Net writebacks (writedowns) to investment securities	126.1	132.0	(1.1)
Bad debts written off	(41.4)	(88.4)	(44.8)
Gains on holdings stated on net equity basis	3.7	4.4	3.8
PROFIT BEFORE TAX AND PROVISIONS	384.7	769.5	291.8
Provisions for liabilities and charges	—	(1.5)	—
Depreciation and amortization	(4.0)	(7.1)	(0.8)
Profit attributable to minority shareholders	(9.1)	(17.4)	(5.7)
PROFIT (LOSS) BEFORE TAX ATTRIBUTABLE TO MEDIOBANCA ...	371.6	743.5	285.3
Transfer to provision for income taxes	—	(207.1)	—
NET PROFIT	—	536.4	—

**CONSOLIDATED BALANCE SHEET**

	31/12/03	30/6/04	31/12/04
	€ m	€ m	€ m
Assets			
Treasury funds employed	9,173.8	9,723.0	9,970.9
Loans and advances to customers	17,230.4	16,280.9	16,314.2
Investment securities	3,205.2	3,154.8	3,223.4
Intangible assets	2.2	1.5	1.2
Property	262.8	260.5	261.4
Furniture and fixtures	10.7	11.1	13.1
Other assets	2,292.5	2,407.3	2,157.9
Total assets	32,177.6	31,839.1	31,942.1
Liabilities			
Deposits and loans	25,271.1	24,596.6	25,061.3
Provision for liabilities and charges	180.1	386.6	142.8
Other liabilities	1,525.2	1,476.9	1,443.6
Loan loss provisions	13.4	13.4	—
Equity attributable to minority shareholders	176.0	184.3	72.5
Shareholders' equity	4,640.2	4,644.9	4,936.6
Profit for the period	371.6 ⁽¹⁾	536.4	285.3 ⁽¹⁾
Total liabilities	32,177.6	31,839.1	31,942.1

(1) Pre-tax.

**MEDIOBANCA: PROFIT AND LOSS ACCOUNT**

	6 mths to 31/12/03	12 mths to 30/6/04	12 mths to 31/12/04
	€ m	€ m	€ m
Interest income	158.6	477.6	180.9
<i>of which: dividends</i>	0.1	112.1	3.1
Commissions received and other income	94.8	148.4	92.5
General expenses and sundry operating costs	(62.2)	(148.3)	(66.8)
Gross margin from ordinary operations	191.2	477.7	206.6
Net writedowns to securities and derivatives held in treasury	(10.7)	(7.3)	(16.5)
Net gains on disposal of investment securities	19.1	39.1	31.9
Net writebacks (writedowns) to investment securities	127.0	134.3	(0.6)
Margin before taxation and provisions	326.6	643.8	221.4
Transfers to loan loss provisions	(30.0)	(33.0)	—
Depreciation and amortization	(0.7)	(1.9)	(0.5)
Loan loss provision written back ⁽¹⁾ ..	—	—	319.6
Provision for general banking risks ..	—	—	(319.6)
Profit before tax.....	295.9	608.9	220.9
Provision for income tax	—	(181.3)	—
Net profit (loss)	—	427.6	—

⁽¹⁾ In application of measures pursuant to Italian Legislative Decree 6/03.



MEDIOBANCA: BALANCE SHEET

	31/12/03	30/6/04	31/12/04
	€ m	€ m	€ m
<u>Assets</u>			
Treasury funds employed	8,483.4	8,427.8	8,729.2
Loans and advances to customers ...	13,772.1	13,324.4	12,991.3
Investment securities	3,055.1	2,987.7	3,145.2
Property	10.3	11.6	11.2
Other assets	2,011.5	2,188.4	1,914.7
Total assets	<u>27,332.4</u>	<u>26,939.9</u>	<u>26,791.6</u>
<u>Liabilities</u>			
Funding.....	21,277.2	20,561.2	20,749.3
Provision for liabilities and charges ..	66.2	244.4	29.5
Other liabilities	1,313.1	1,323.6	1,248.3
Shareholders' equity	4,380.0	4,383.1	4,543.6
Profit (loss) for the period	295.9	427.6	220.9
Total liabilities	<u>27,332.4</u>	<u>26,939.9</u>	<u>26,791.6</u>
Memorandum accounts	<u>70,254.7</u>	<u>84,319.5</u>	<u>76,347.8</u>