

MEDIOBANCA

Banca di Credito Finanziario

Analyst Presentation

Overview and 1H Results

Milan, 11 March 2004



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Overview

Section I



1994-1998: macro scenario

Macro environment

- /// Economic recovery
- /// Stock market growth
- /// Net inflow of funds from equity market to companies
- /// Euro convergence
- /// New banking law (1993)

Domestic scenario

- /// Industrial companies
 - /// significant earnings growth
 - /// capex financed by cash flow and rights issues
 - /// start of privatization and liberalization
- /// Banking
 - /// start of privatization and consolidation
 - /// increasing focus on fee-based income and cost synergies
 - /// increasing presence of international investment banks

1994-1998: Mediobanca

Overview

Section I

Overview and 1H Results

**Mediobanca
as "Italian
Boutique"**

- /// **Indepth knowledge of Italian economy and key relations with Italian industrials**
- /// **Focus on lending for long-term industrial growth but also strong presence in advisory and equity investment activities**
- /// **Excellence in asset quality and conservative accounting principles**
- /// **Strong corporate culture**
- /// **Customer base concentrated on shareholders and companies in which MB had an interest**
- /// **Value potential not fully exploited**
- /// **Organization and products/services based on boutique model**



Macro environment

- // **Effects of Euro convergence**
 - // lower public spending and economic growth
 - // lower interest rates
 - // further incentives to privatization and liberalization
- // **Stock market boom until mid-2000 followed by sharp downturn**
- // **Peak in M&A and equity activity, with increased specialization by sector**
- // **Net inflow of funds from companies to equity market**

Domestic scenario

- // **Industrials**
 - // peak of privatization
 - // acquisitions financed by debt
 - // direct access to financial markets
- // **Banking**
 - // commercial banks set up their own investment banking arms
 - // Italy as a prominent revenue source for international investment banks

1999-2001: Mediobanca - first business plan

Overview

Section I

- /// **Mission: to position MB as the domestic investment banking specialist**
- /// **Range of products and services broadened**
- /// **Marketing approach introduced**
 - /// **pro-active origination**
 - /// **increasing focus on medium-size companies**
 - /// **building regional presence**
- /// **Major organizational reshaping**
 - /// **new functions: Budgeting & Control, Risk Management, Organization, Group Internal Auditing**
 - /// **integration of existing back office structures**

**Mediobanca:
from boutique
to investment
banking
specialist**



Macro environment

- /// Euro introduced
- /// Flat economy
- /// Weak consumer demand
- /// Further decrease in interest rates
- /// Stock market recovery since mid-2002
- /// Slowdown in M&A/equity activity

Domestic scenario

- /// **Industrials**
 - /// lower earnings generation
 - /// weaker financial structures
- /// **Banking**
 - /// growth of fixed income, derivatives and structured finance activities

2002: Mediobanca - second business plan*

Overview

Section I

Overview and 1H Results

**Mediobanca:
from investment
banking
specialist to
multi-business
group**

- /// To exploit group potential
- /// To become a more structured wholesale banking operator
- /// To develop consumer credit and private banking
- /// To maintain excellence in terms of asset quality and efficiency

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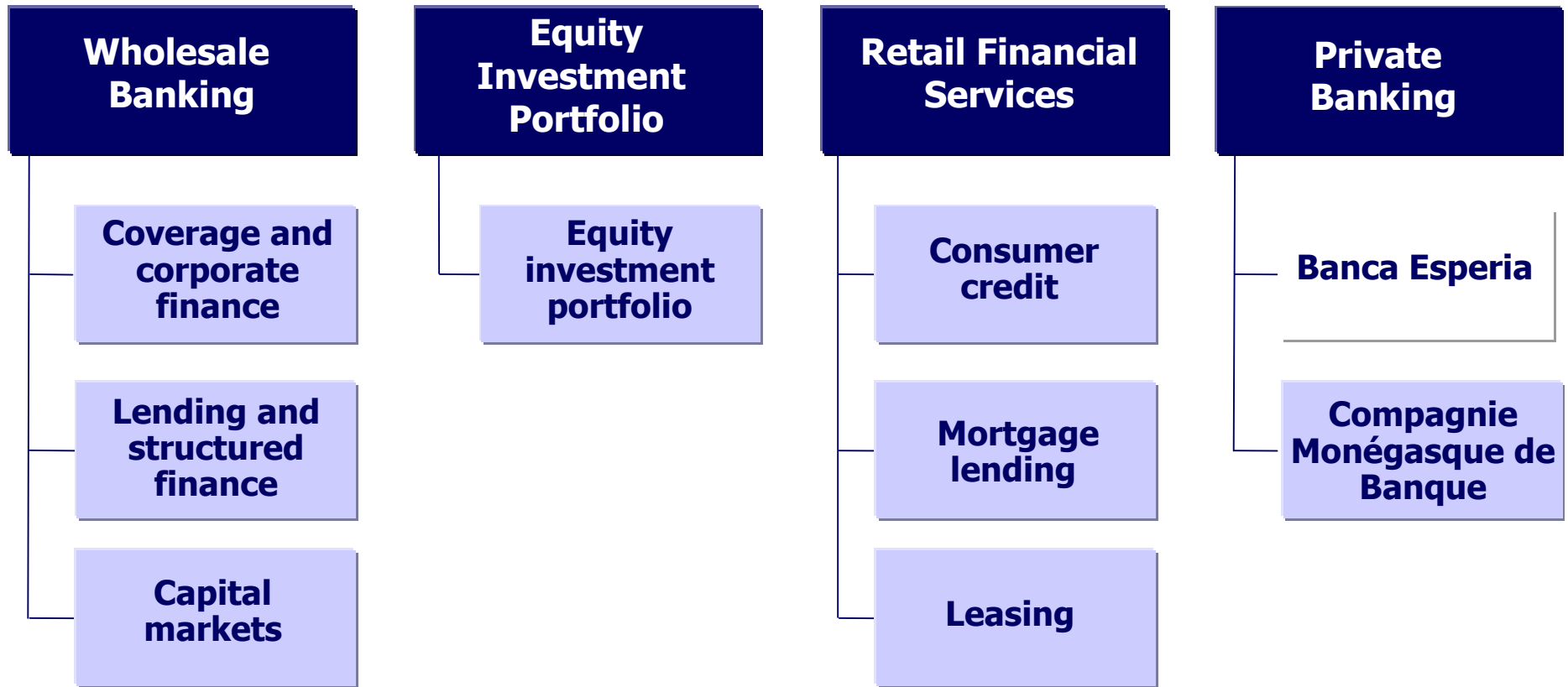
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3**

- /// New rationale in equity portfolio management
- /// Focus on capital management and results of different businesses
- /// New organizational structure
- /// Develop relations with market and investors

* *Approved April 2002 for three years ending June 2005*



Mediobanca group activities



 Fully consolidated



Advantages of integrated model

- /// **Diversifies risks and revenues**
- /// **Exploits synergies between businesses**
- /// **Increased capital allocation efficiency and flexibility**
- /// **Shares MB corporate culture**

Objectives

- /// To strengthen domestic leadership through greater integration between investment and corporate banking activities while safeguarding autonomous risk assessment
- /// To diversify and stabilize revenues stream
- /// To improve customer coverage and deal origination
- /// To maintain excellence in terms of asset quality and efficiency
- /// To build selective presence outside Italy

WB: new range of products offered post-restructuring

Overview and 1H Results

Overview

Section I

Coverage and corporate finance

Products and services

- /// Coverage and origination
- /// Advisory
- /// M&A
- /// Restructuring

Improved focus

- /// 7 industry teams
 - /// Branded goods – Energy
 - /// FIG – Infrastructure
 - /// Industrial and mid-size
 - /// Real Estate - TMT
- /// Footprint in 4 cities
 - /// Bologna - Padua
 - /// Florence - Rome

Lending and structured finance

Products and services

- /// Corporate lending
- /// Structured finance
- /// Export finance
- /// Credit analysis

Capital markets

Products and services

- /// Equities
 - /// equity capital market
 - /// equities and derivatives trading
 - /// equity sales and research
- /// Fixed income
 - /// debt capital market
 - /// fixed income and derivatives trading
 - /// fixed income sales and research
- /// ALM
 - /// ALM and treasury

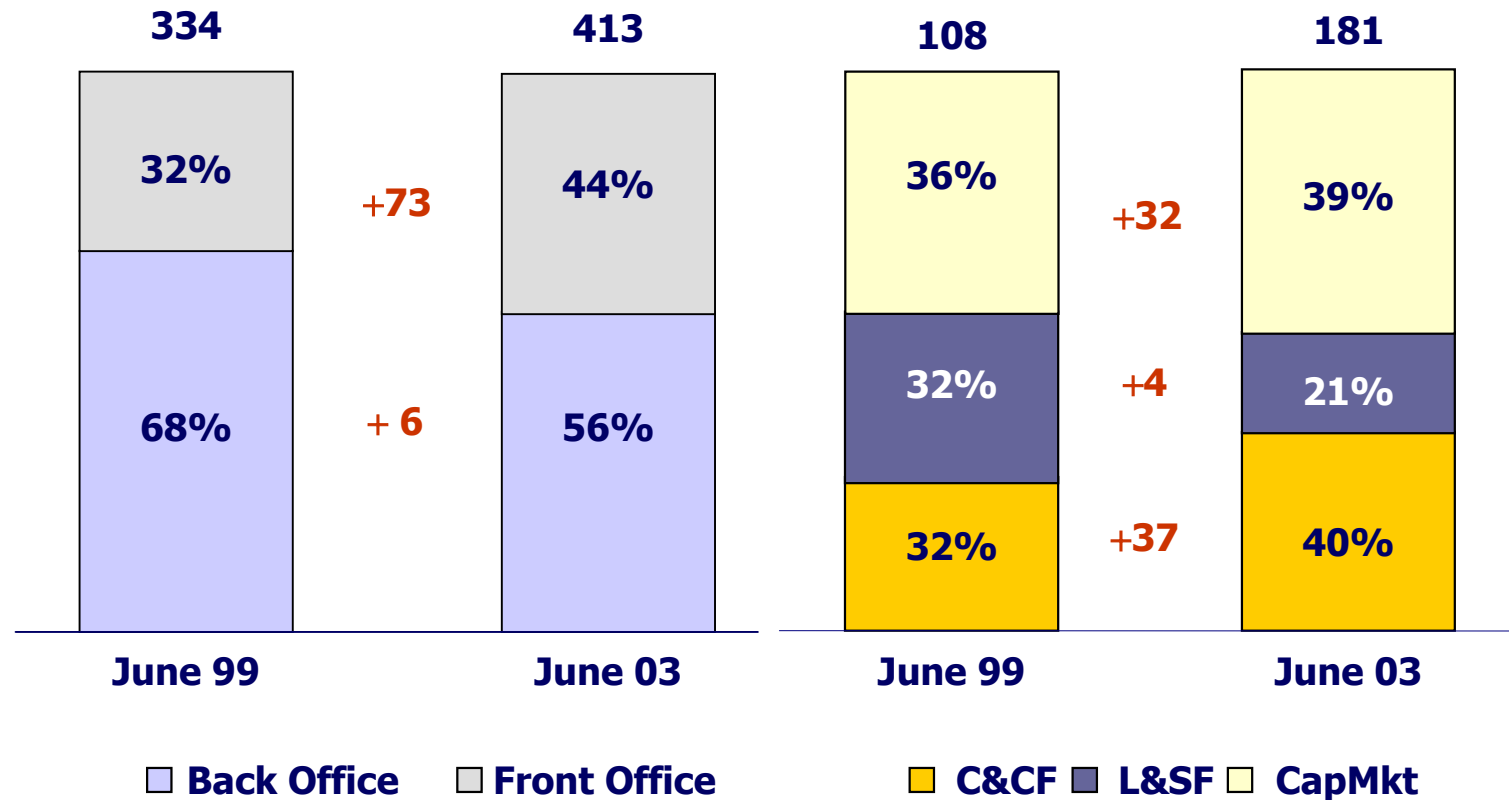
Investment and Corporate banking

WB: major staff refocusing

More than half current workforce on board since 1998

Breakdown BO/FO (%)

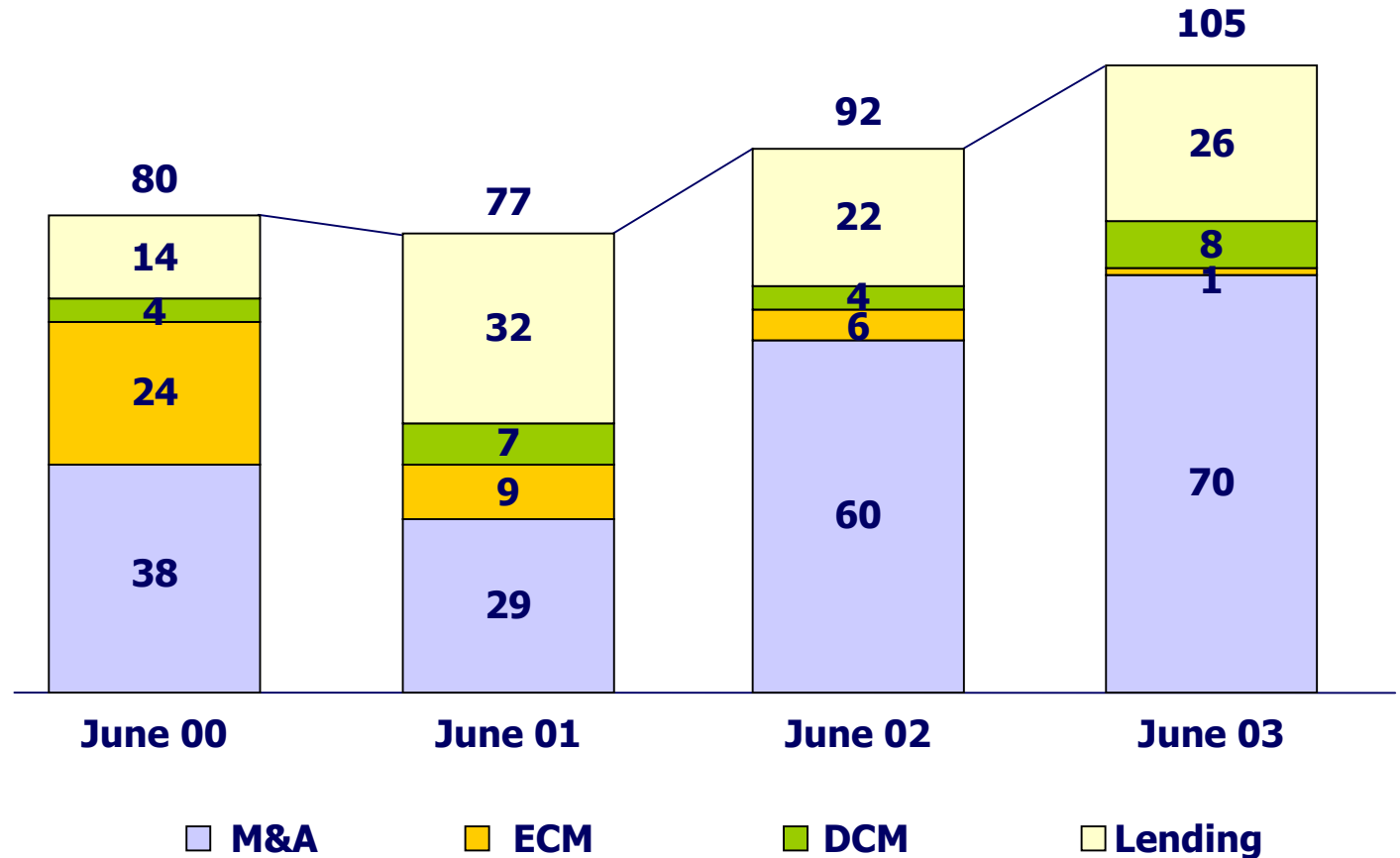
Breakdown FO by product (%)



WB: transaction volumes

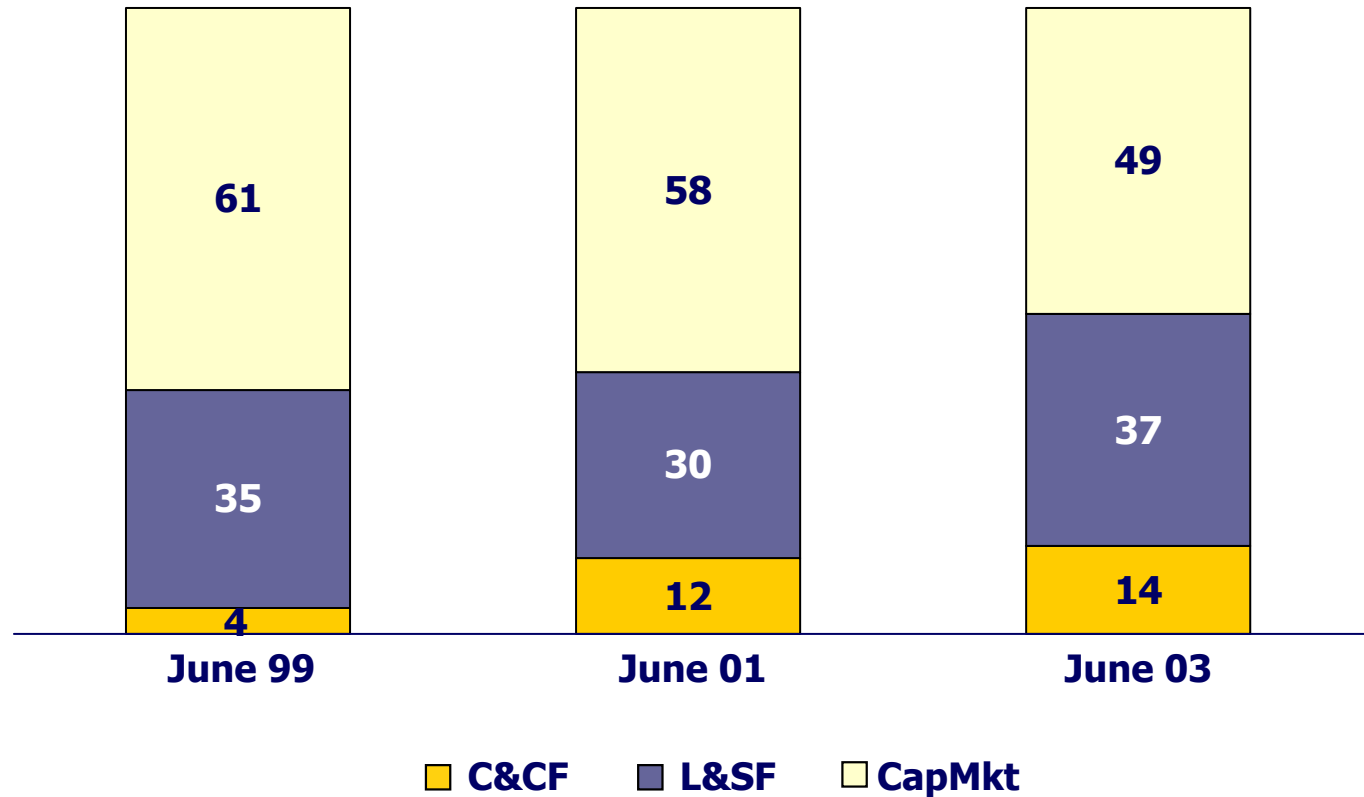
Sound deal volumes

€ bn



WB: improved revenue diversification

Breakdown WB revenues (%)



CAGR 99-03
9%



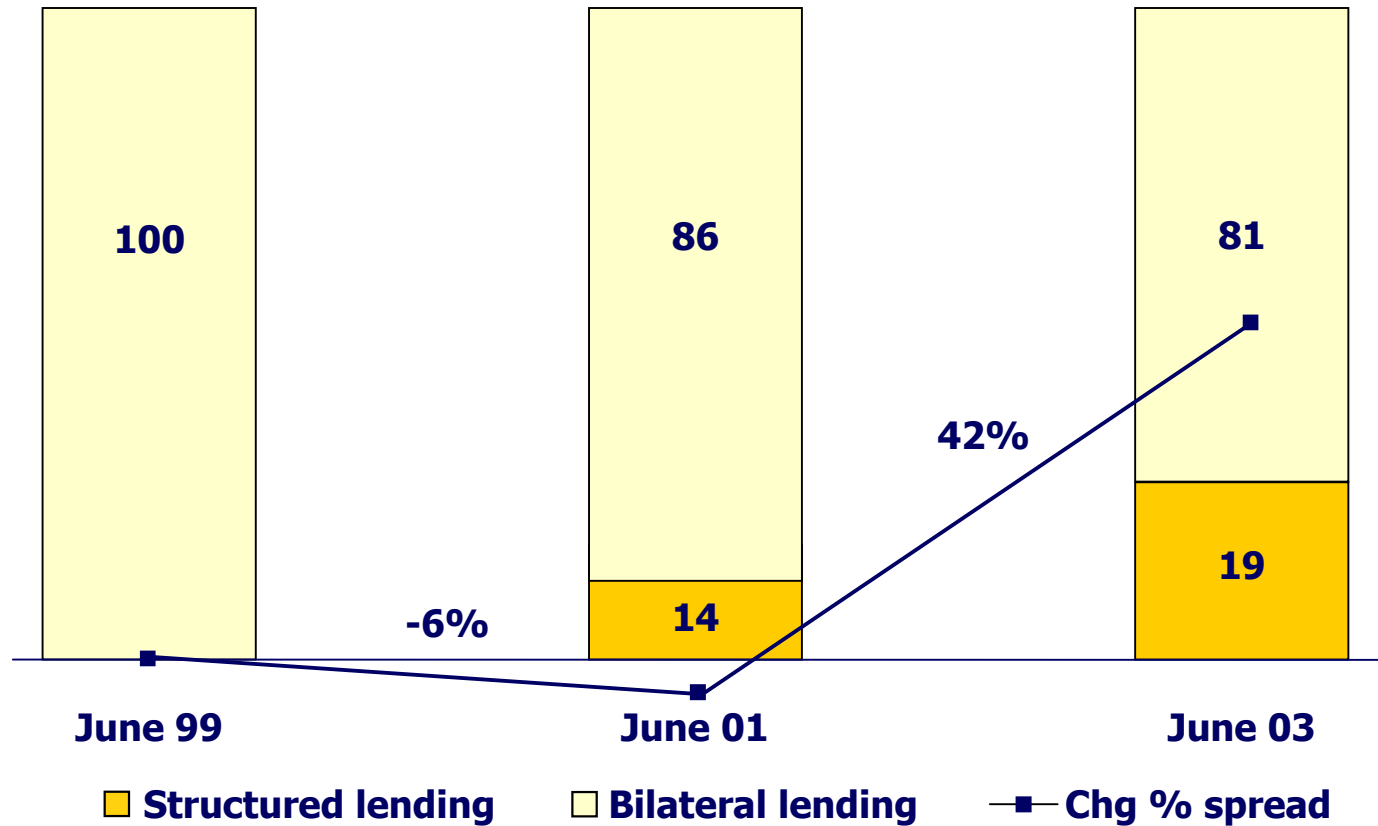
WB: lending and structured finance

Overview

Section I

Overview and 1H Results

Loan book composition (%)



Different loan mix

Spread increased



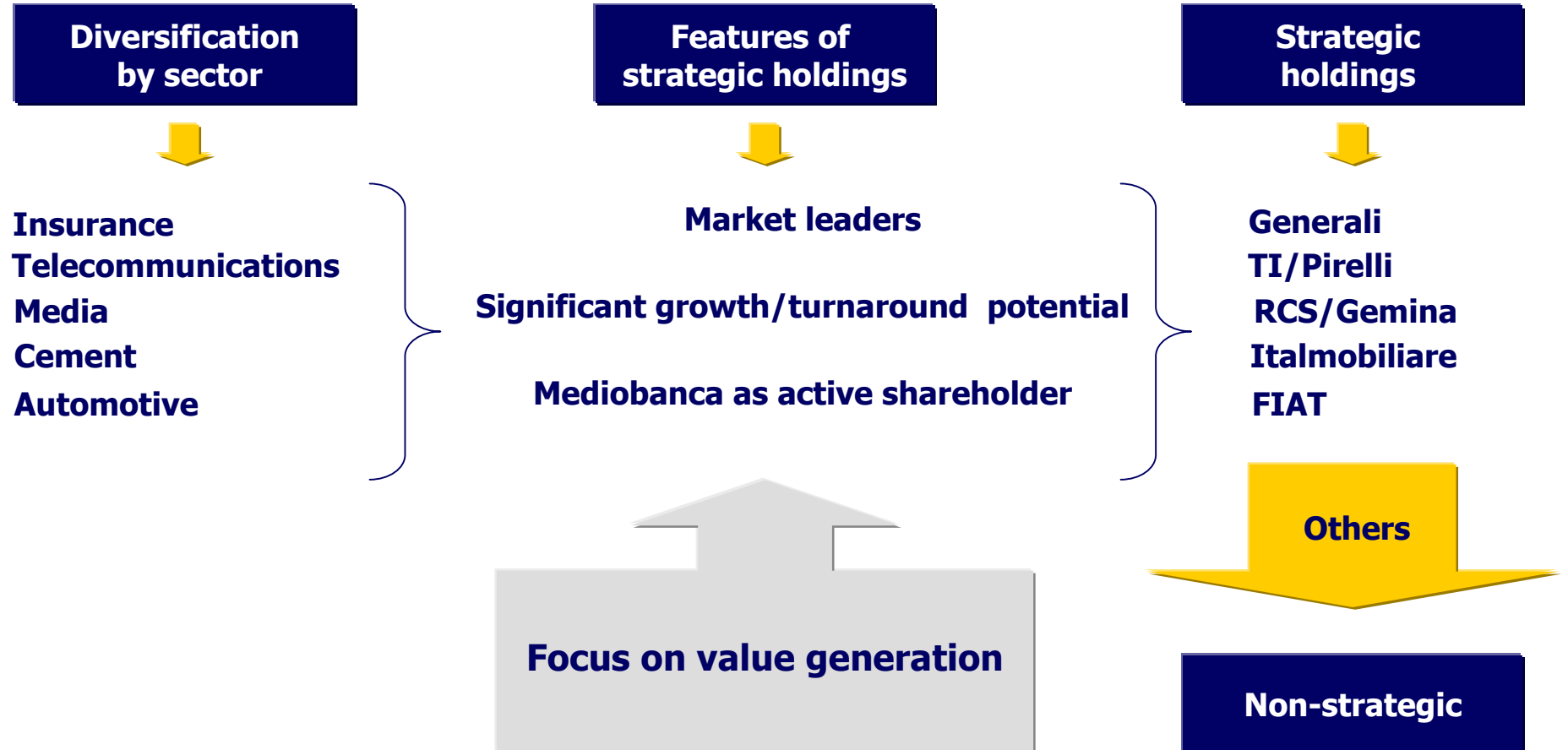
Achievements

- /// **New organizational structure implemented**
- /// **Leadership in a broader product range**
- /// **Revenues stream increased and diversified despite tough market conditions**
- /// **Performance-linked stock option scheme implemented**
- /// **Superior asset quality: bad loans/loans 0%**
- /// **Tight cost control: cost/income approx. 30%**

Objectives

- /// **Portfolio segmentation**
- /// **Investment criteria**
- /// **More dynamic portfolio management**

EIP: segmentation criteria



EIP: composition

Overview and 1H Results

Overview

Section I

€ m	% ord. Dec-03	Book value Dec-03	Unrealized gains 9 March
Assicurazioni Generali	13.93	1,210	2,718
Telecom, <i>ord.</i>	1.19	280	38
Pirelli & C., <i>ord. + warrants</i>	3.77	92	22
RCS Mediagroup, <i>ord.</i>	10.30	126	92
Gemina, <i>ord.</i>	12.66	37	-
Fiat, <i>ord.</i>	2.64	134	-4
Italmobiliare, <i>ord.</i>	9.50	35	41
Strategic		1,914	2,907
Ciments Français	11.46	147	115
Commerzbank	1.17	101	6
Mediolanum	1.97	82	-
Finmeccanica	0.98	51	7
Capitalia	0.86	40	4
Fondiaria-SAI, <i>ord. + warrants</i>	1.99	47	23
Others		20	7
Non-strategic		488	162
Convertible bonds and other securities		87	23
Total listed shares		2,489	3,092
Other unlisted shares		697	
Total		3,186	

Criteria

- /// **Strategic holdings**
 - /// market leaders in their own sectors
 - /// significant growth/profitability potential
 - /// mid/long-term return higher than cost of equity

- /// **Non-strategic holdings**
 - /// expectation of value creation
 - /// short/mid-term return higher than cost of equity

- /// **Portfolio segmented into Strategic and Non-strategic holdings**
- /// **Strategic portfolio**
 - /// **AG: new business plan**
 - /// **TI: corporate restructuring, holding increased**
 - /// **RCS: new business plan**
 - /// **FIAT: subscribed to rights issue relating to turnaround plan**
- /// **Non-strategic portfolio**
 - /// **Allianz, BNL, Cofide, ENEL, Stefanel, Tirrenia and Eurofind sold**
 - /// **Capitalia, Commerzbank and Fondiaria - SAI reduced**
 - /// **Ciments Français and Intesa exchangeables placed**

Achievements

EIP: major movements

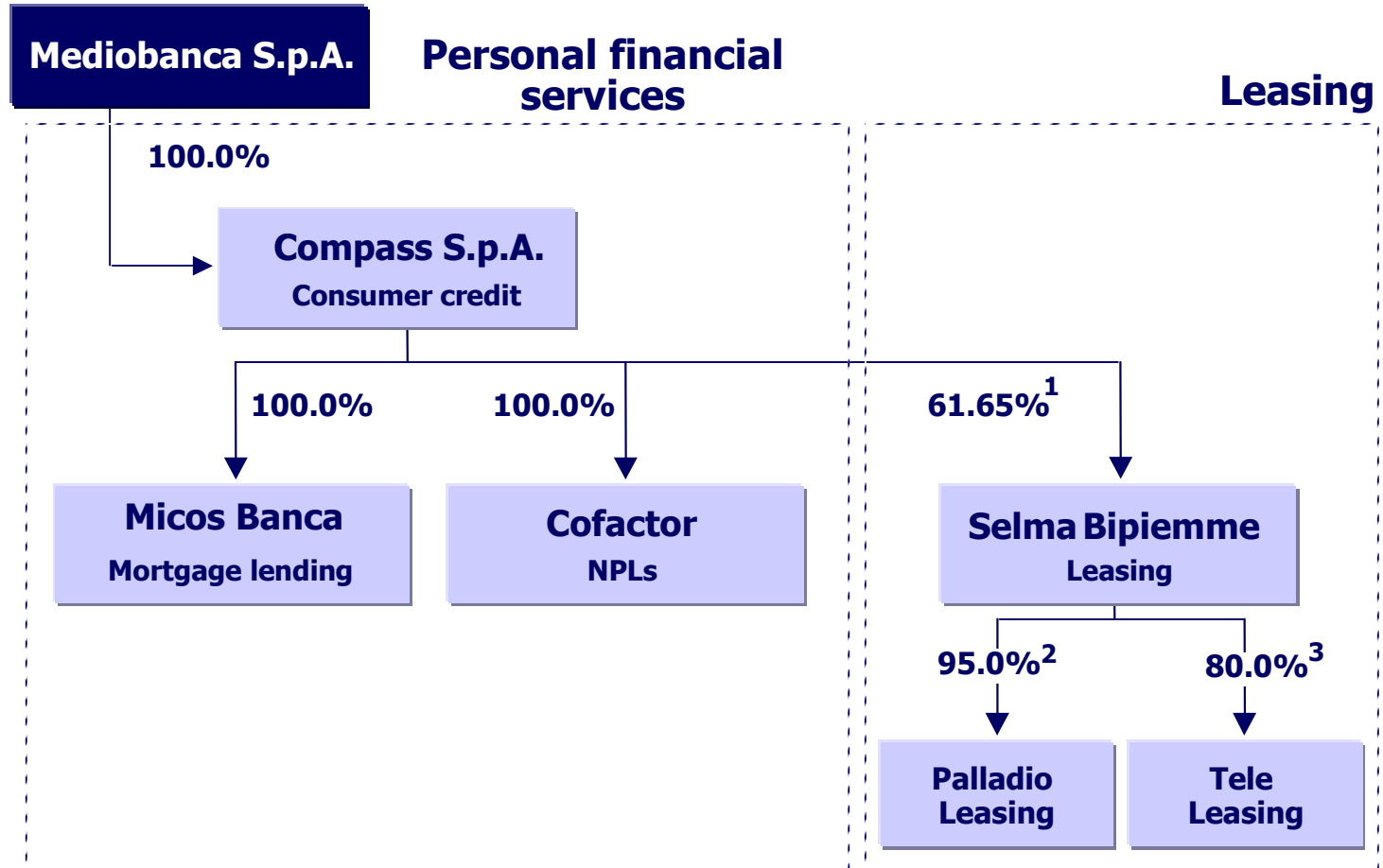
Overview and 1H Results

Overview

Section I

	Jan 03 - June 03		July 03-Dec 03		Since Dec 03		Past 14 m	
	Investment	Disposal	Investment	Disposal	Investment	Disposal	Investment	Disposal
Strategic	49		350		81		480	
TI			59		81			
Fiat			40					
Pirelli & C.	49							
CMB			251					
Non-strategic	21	(154)	8	(40)		(217)	29	(411)
Allianz				(8)				
BNL		(1)						
Capitalia				(10)		(13)		
Cofide				(5)				
Commerzbank				(13)				
Enel				(3)				
Eurofind						(170)		
Fondiaria-SAI		(153)						
Stefanel				(1)				
Tirrenia						(34)		
Others	21		8					

Retail financial services



 Fully consolidated

1) 38.35% owned by BPM Group 2) 5% owned by Palladio Leasing 3) 20% owned by Telecom Italia



RFS: 99-03

Overview

Section I

Overview and 1H Results

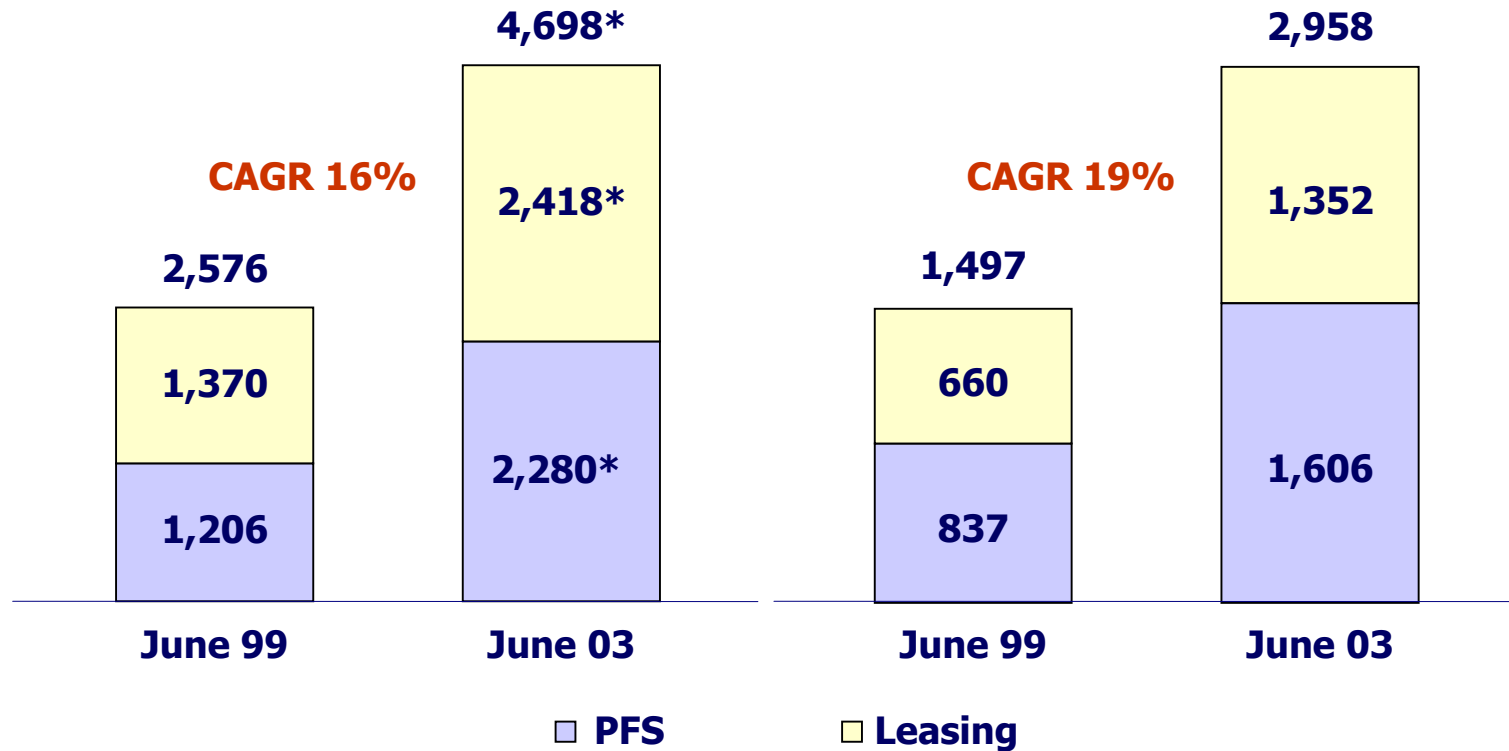
Loans outstanding

New loans

€ m

€ m

Doubled volumes by internal growth



* Net of € 1,112 m in securitized loans (PFS € 511 m, Leasing € 601 m); adjusted RFS CAGR 23%



RFS: 99-03

Overview

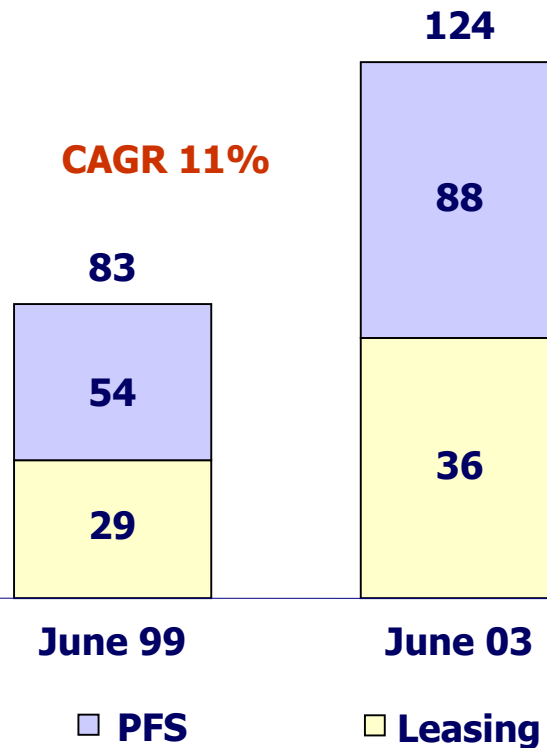
Section I

Overview and 1H Results

Gross operating profit

Key figures

€ m



June 99

June 03

Branches (no.)

76

100

PFS

68

91

Leasing

8

9

Employees (no.)

659

829

PFS

468

608

Leasing

191

221

PFS: NPL/loans

1.0%

1.3%

Leasing

doubtful loans/loans

0.6%

0.7%

**Strict
asset quality
control**

Private banking: Compagnie Monégasque de Banque

Private Banking

CMB

Banca
Esperia

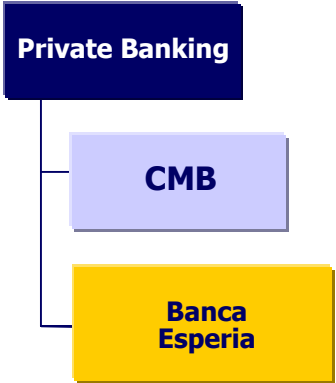
- /// **Set up in 1976; the leading private bank in Monaco**
- /// **Mediobanca key shareholder since 1980s; controlling 61.6% interest acquired in July 2003**
- /// **CMB consolidated as of December 2003**
- /// **As at December 2003**
 - /// **AUM of € 6.2bn**
 - /// **annual net profit of € 22.5m**

Private banking: Banca Esperia

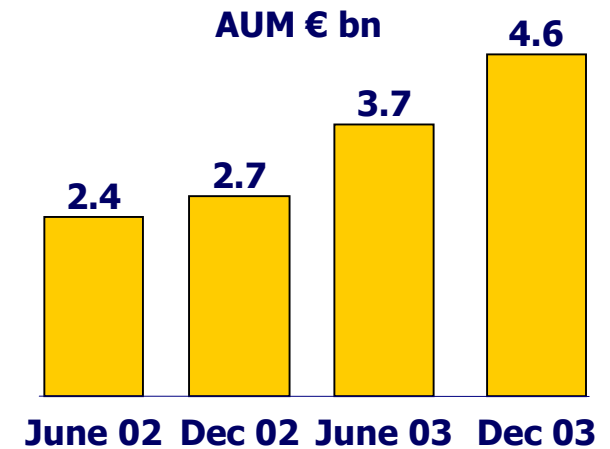
Overview

Section I

Overview and 1H Results



- /// Mediobanca and Mediolanum own 48.5% each, with the other 3.0% held by management
- /// Mission: to become the leading private bank for high net worth individuals in Italy, offering portfolio management, advisory and lending services
- /// 7 branches: Bologna, Brescia, Florence, Genoa, Milan, Rome, Turin
- /// Leader for new AUM in 2003
- /// As at December 2003
 - /// AUM of € 4.6bn
 - /// profitable



1H Results

Section II



MB Group: 1H results

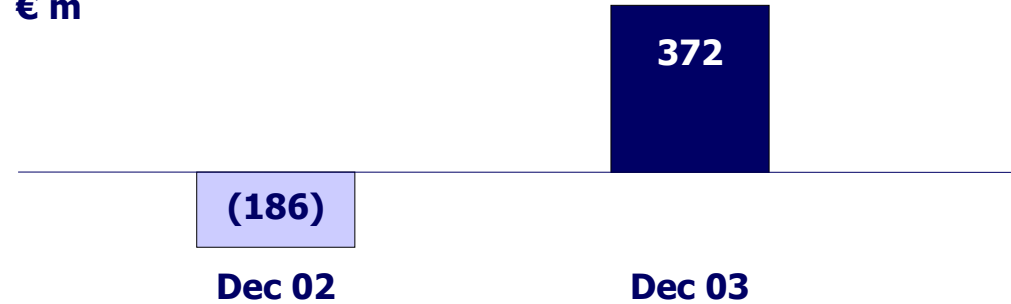
Overview and 1H Results

1H Results

Section II

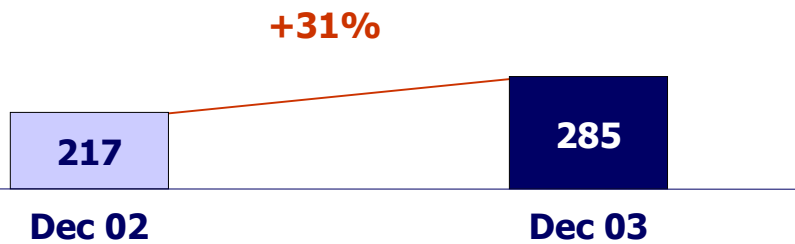
Result before taxes

€ m



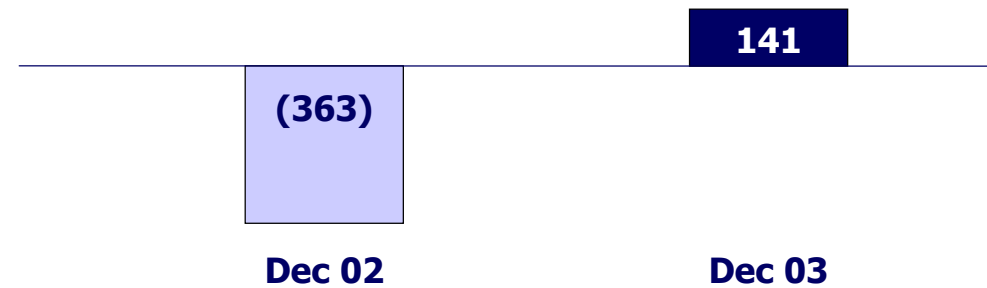
Gross operating profit

€ m



Net portfolio result

€ m



MB Group: revenues

1H Results

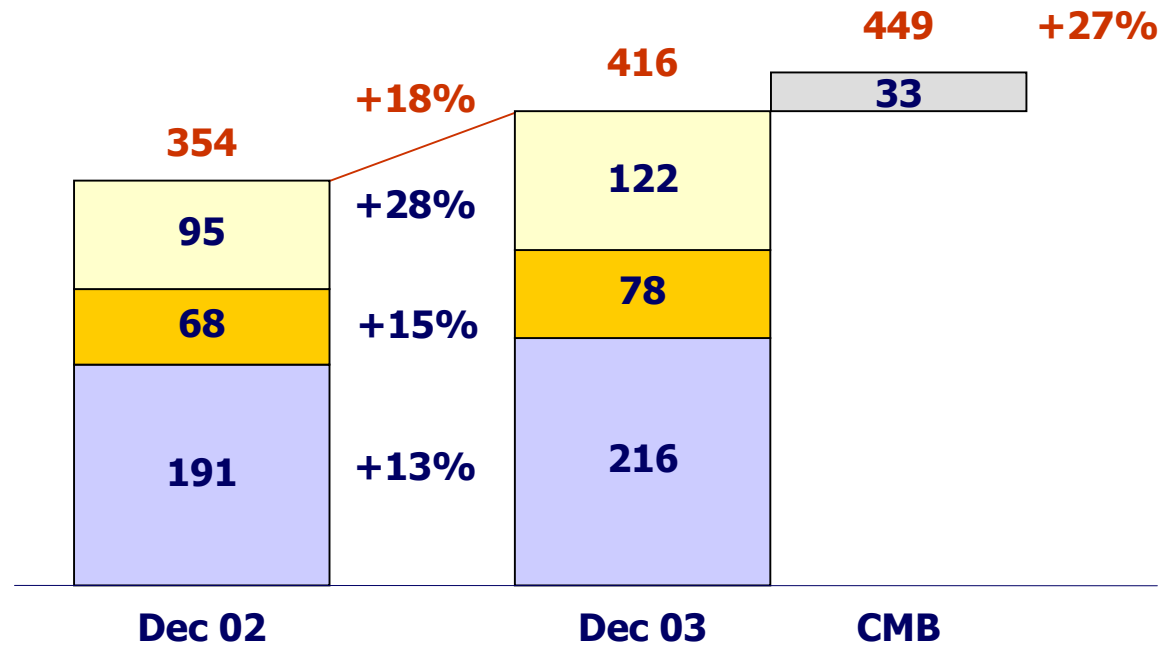
Section II

Overview and 1H Results

Increase
by all revenue
sources

CMB
contribution
7%

€ m



Interest income
Trading income

Fees and other income
CMB



MB Group: costs

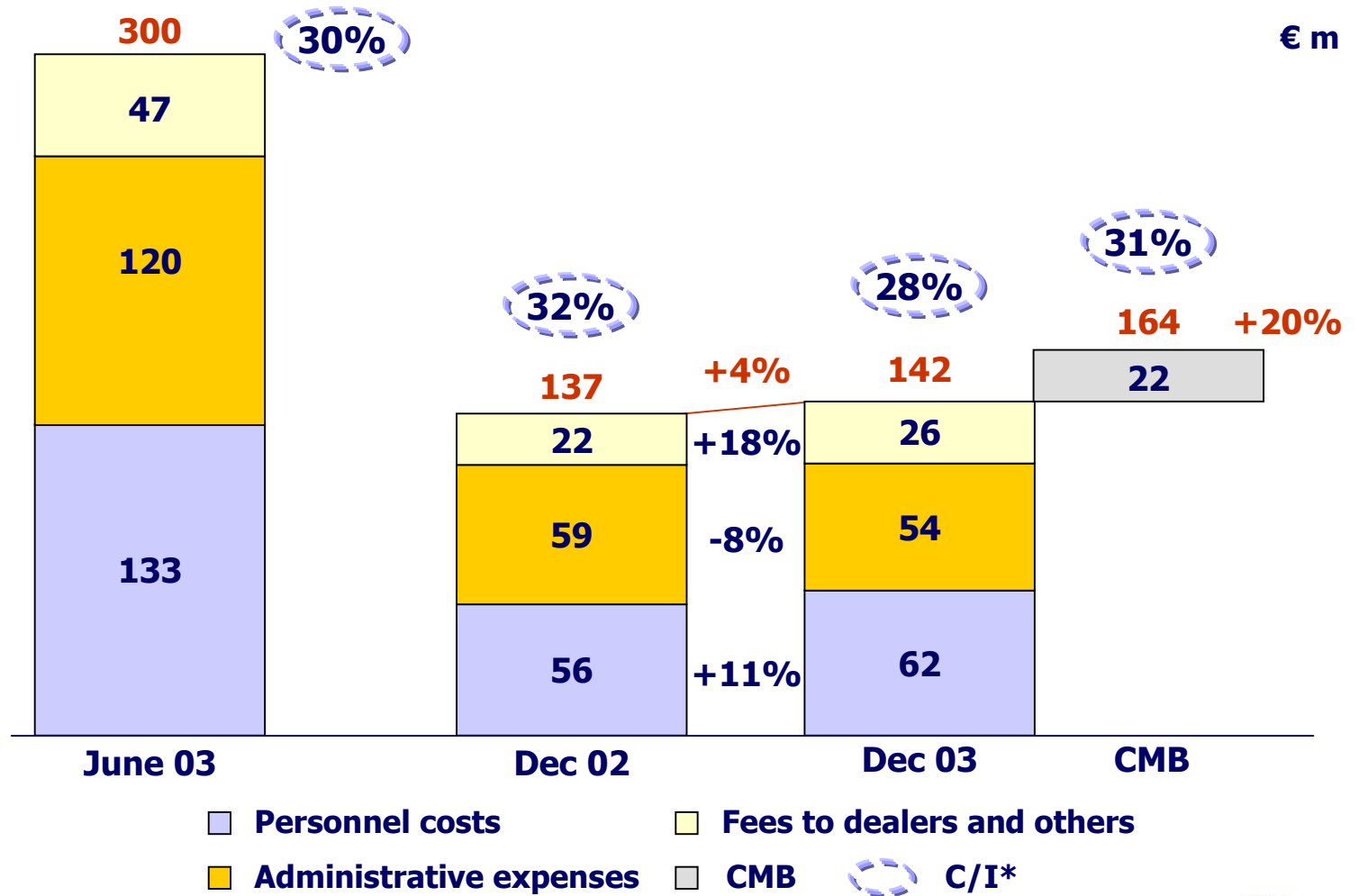
1H Results

Section II

Overview and 1H Results

€ m

Costs under control

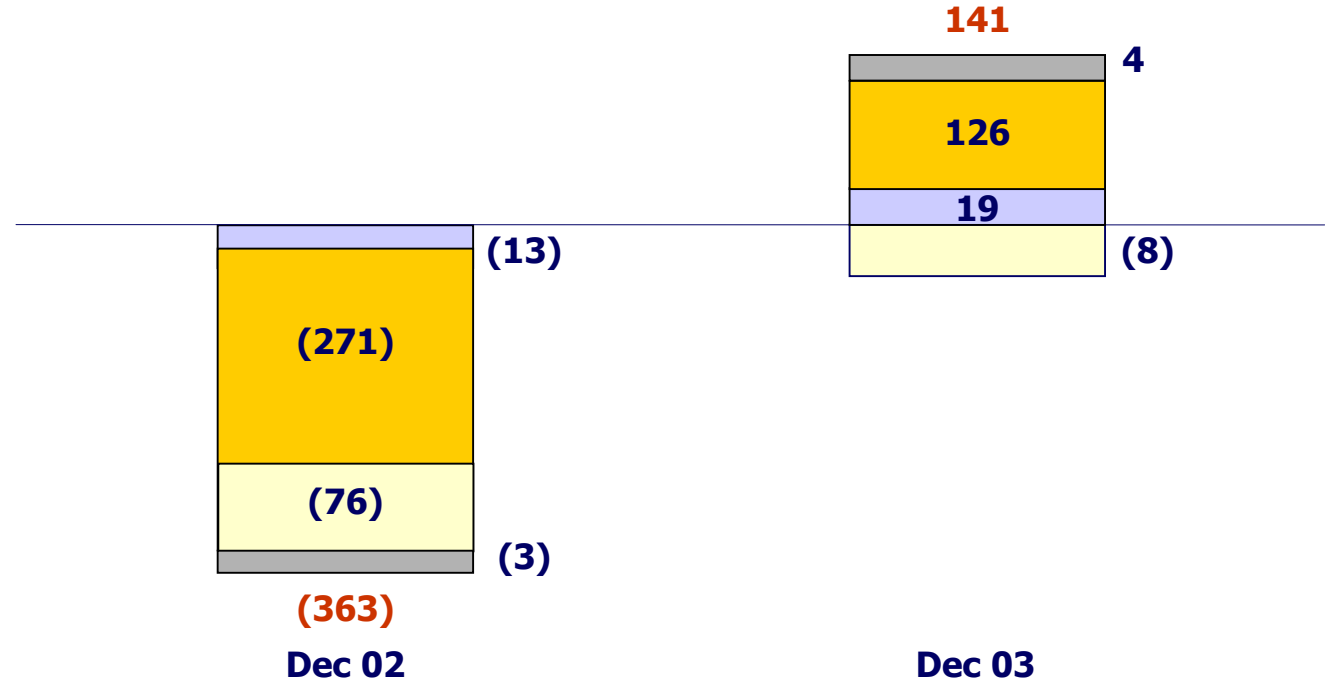


* Cost/ income does not include fees to dealers



MB Group: net portfolio result

€ m



■ Net result from equity-accounted companies

■ Writedowns/backs to EIP

■ Writedowns/backs to treasury portfolio

■ Net result from disposals

Equity market recovery

Earnings from disposals

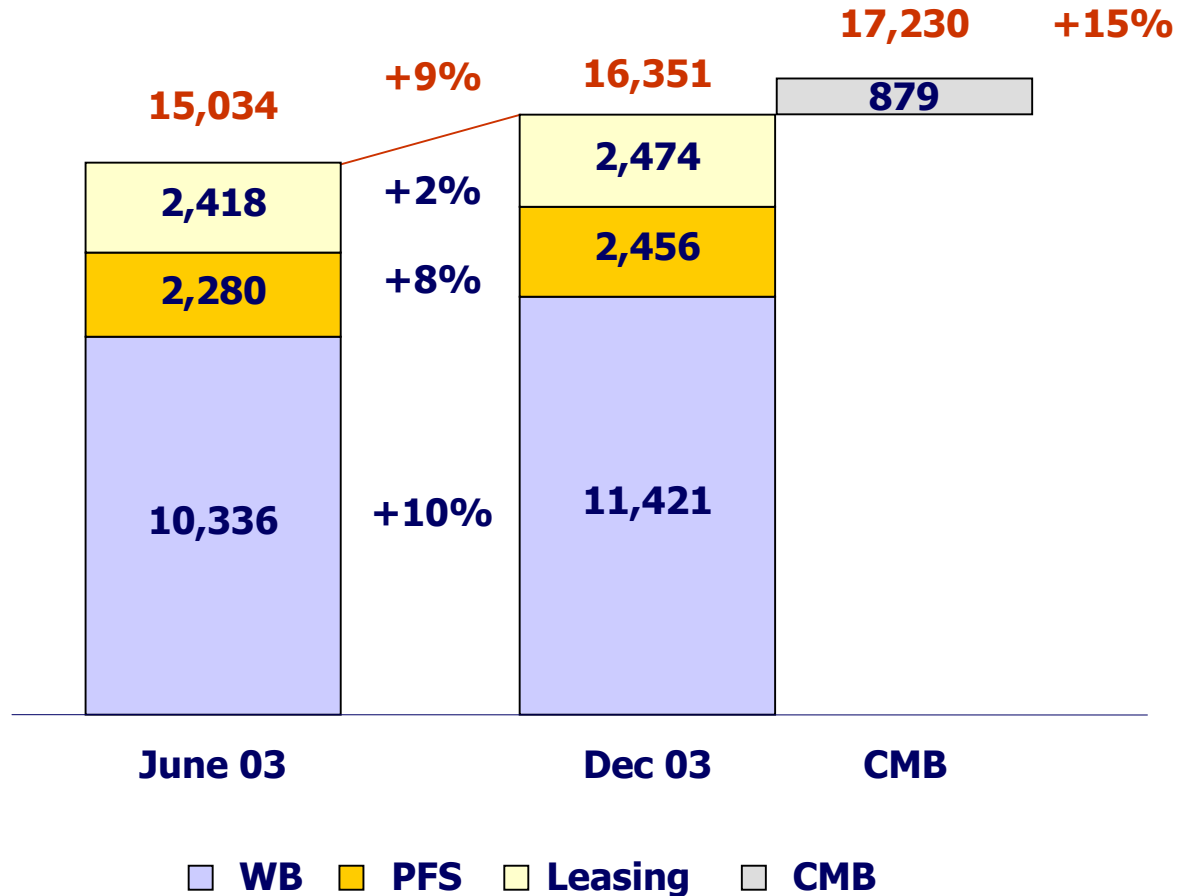


MB Group: loan book

RFS contribution 29%

CMB contribution 5%

€ m



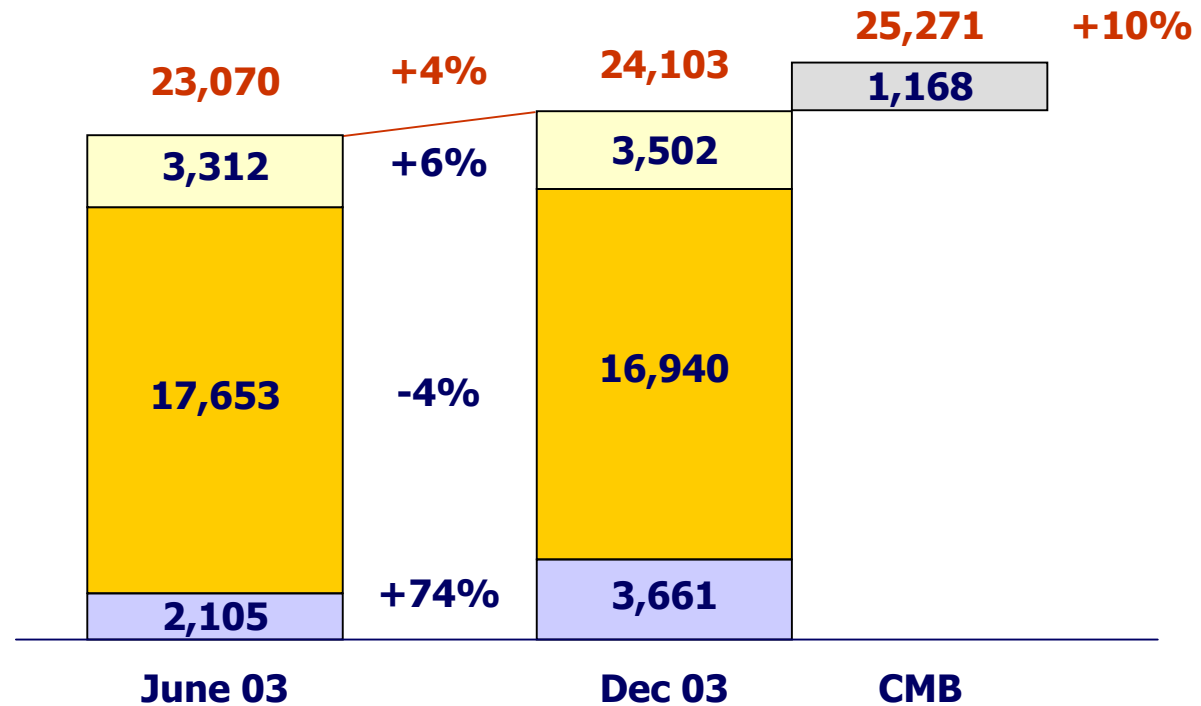
MB Group: funding

1H Results

Section II

Overview and 1H Results

€ m



Deposits
 Bonds
 From banks
 CMB

CMB contribution 5%



Wholesale banking

1H Results

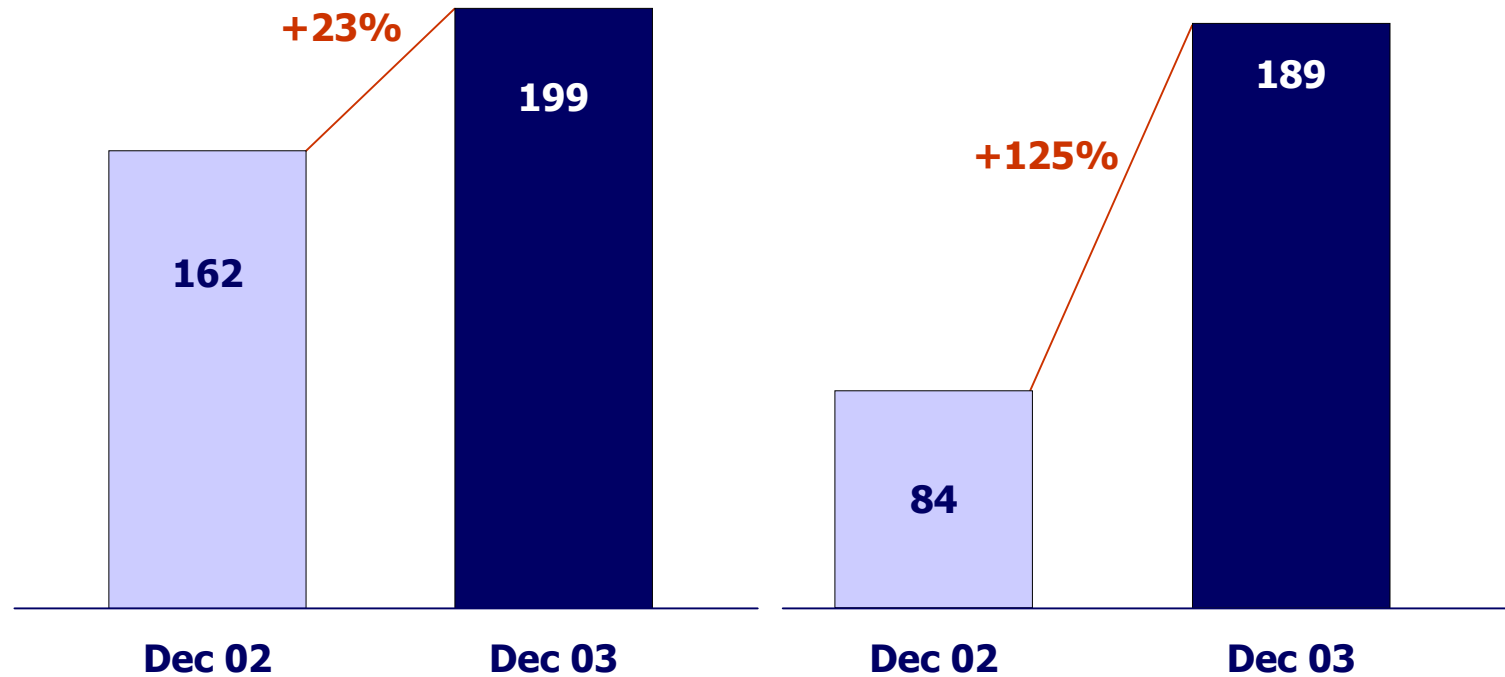
Section II

Gross operating profit

Result before taxes

€ m

€ m



Increased profitability

WB: revenues

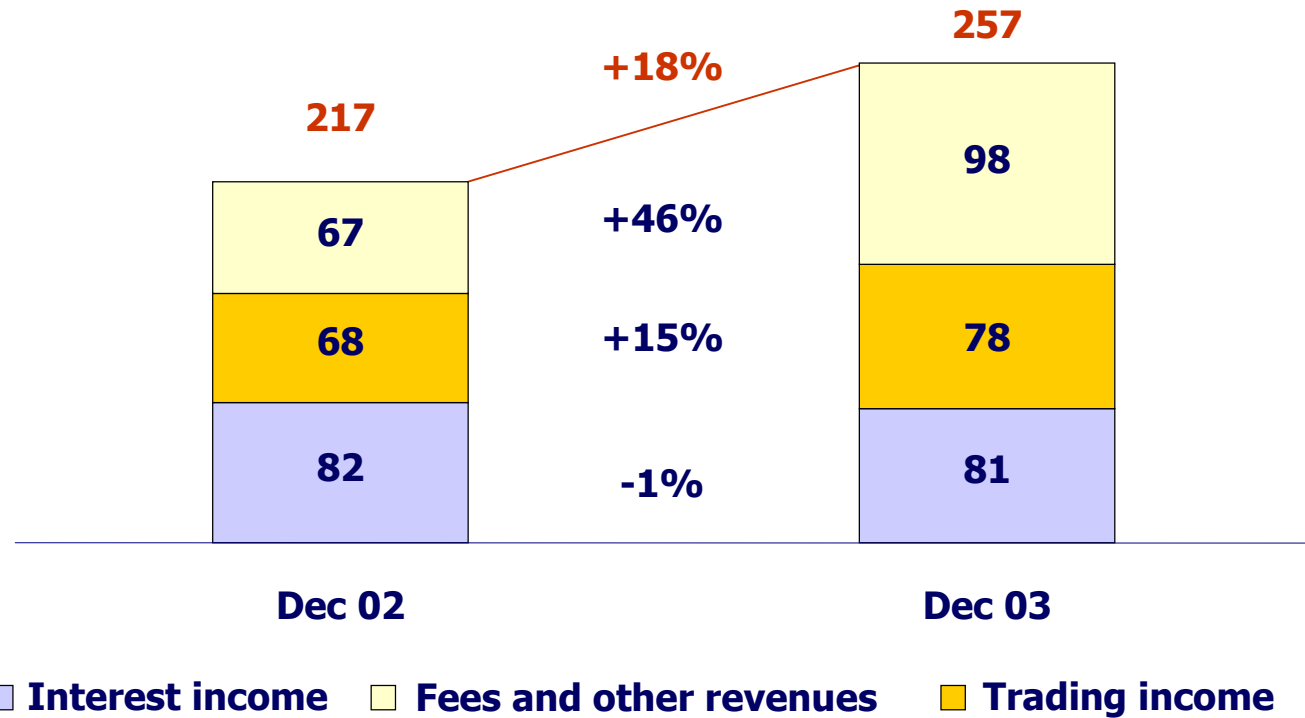
1H Results

Section II

Overview and 1H Results

Appreciable growth

€ m



WB: costs

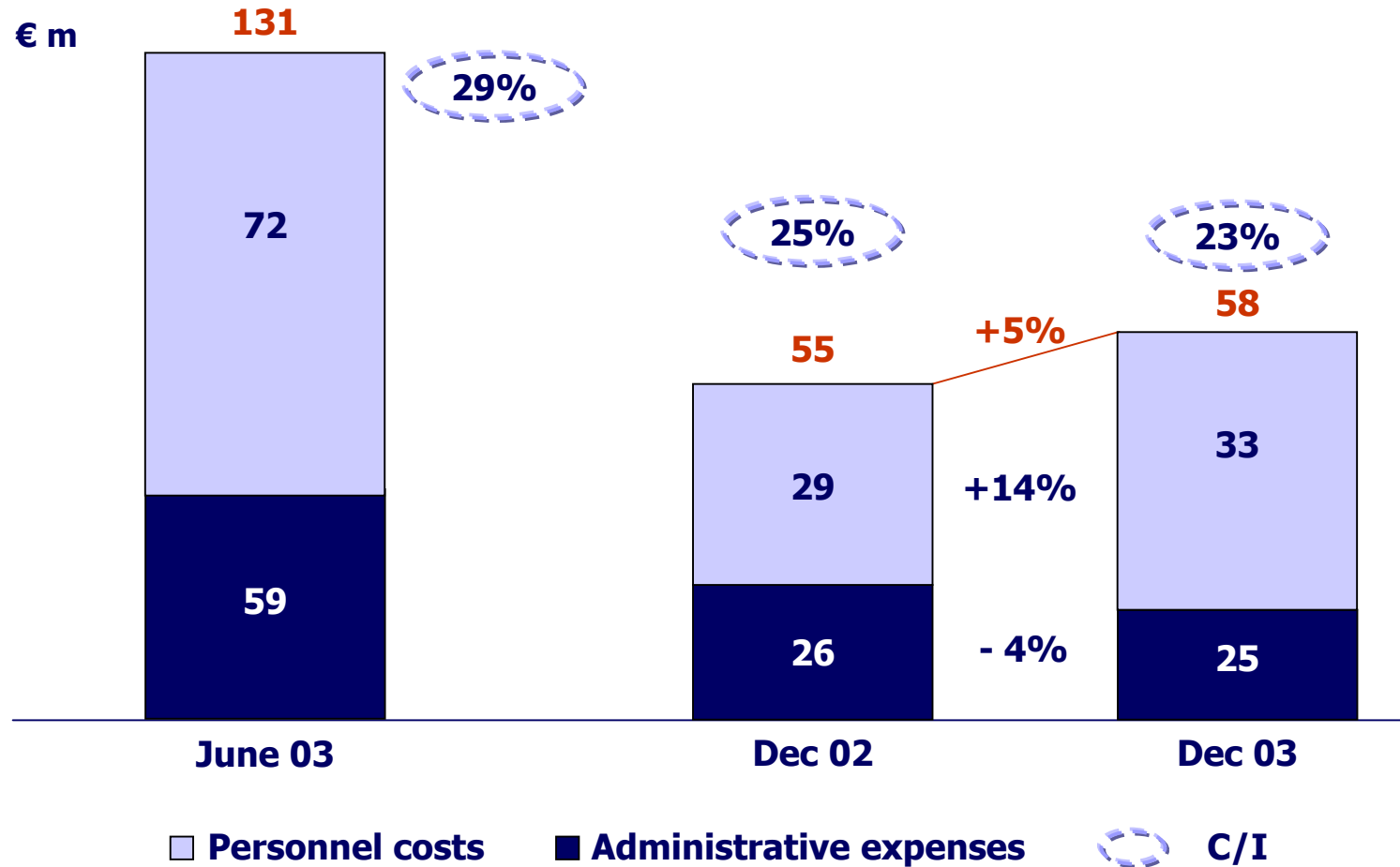
1H Results

Section II

Overview and 1H Results

Administrative expenses under control

Cost/income reduction



Equity investment portfolio

1H Results

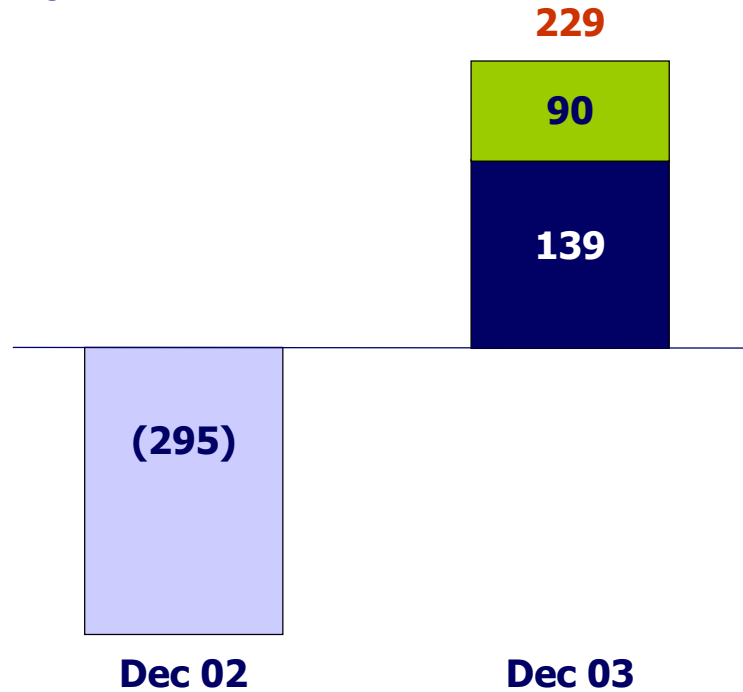
Section II

Overview and 1H Results

Stock market recovery

Result before taxes

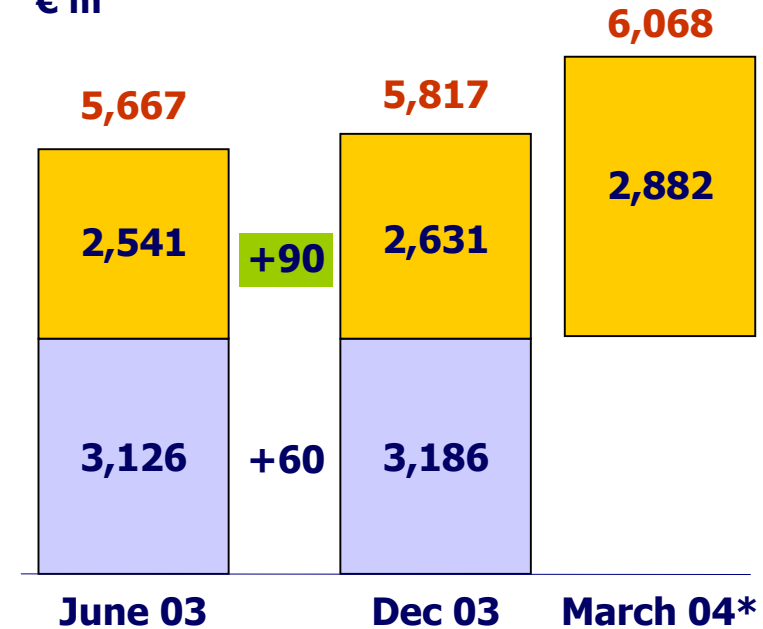
€ m



■ Change in unrealized gains June 03 – Dec 03

Net asset value

€ m



■ Book value

■ Unrealized gains

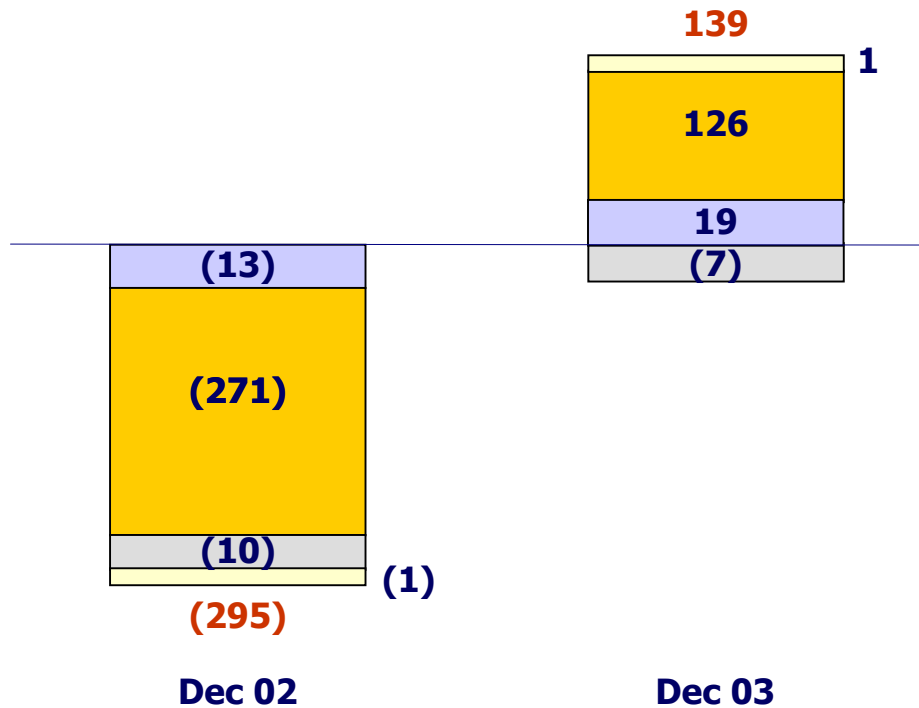
* Average last 6m (October 03 - March 04)



EIP: result before taxes

Unrealized gains on EIP € 2,631 m

€ m



- GOP***
- Writedowns/backs**
- Net result from disposals**
- Result from equity-accounted companies**

* **GOP = Interest income less costs where:**

- **Interest income = cost of funding of 1.3% AG stake held by Compass, Sade and Spafid**
- **Costs = labour cost plus administrative expenses**



EIP: writedowns/backs and net result from disposals

Overview and 1H Results

1H Results

Section II

Writedowns/backs (€ m)

Dec 02		Dec 03	
Commerzbank	(67)	Commerzbank	45
Intesa	(55)	Telecom	22
Fondiaria-Sai	(41)	Mediolanum	17
Finmeccanica	(19)	Capitalia	15
Capitalia	(18)	Finmeccanica	8
Olivetti	(16)	Fondiaria-Sai	8
Mediolanum	(15)	Pirelli & C.	8
Fiat	(10)		
Allianz	(7)	Others	3
Pirelli & C.	(6)		
Others	(17)		
Total	(271)	Total	126

Net result from disposals (€ m)

Dec 02		Dec 03	
Others	(13)	Commerzbank	13
		Capitalia	4
		Others	2
Total	(13)	Total	19

Retail financial services

1H Results

Section II

Overview and 1H Results

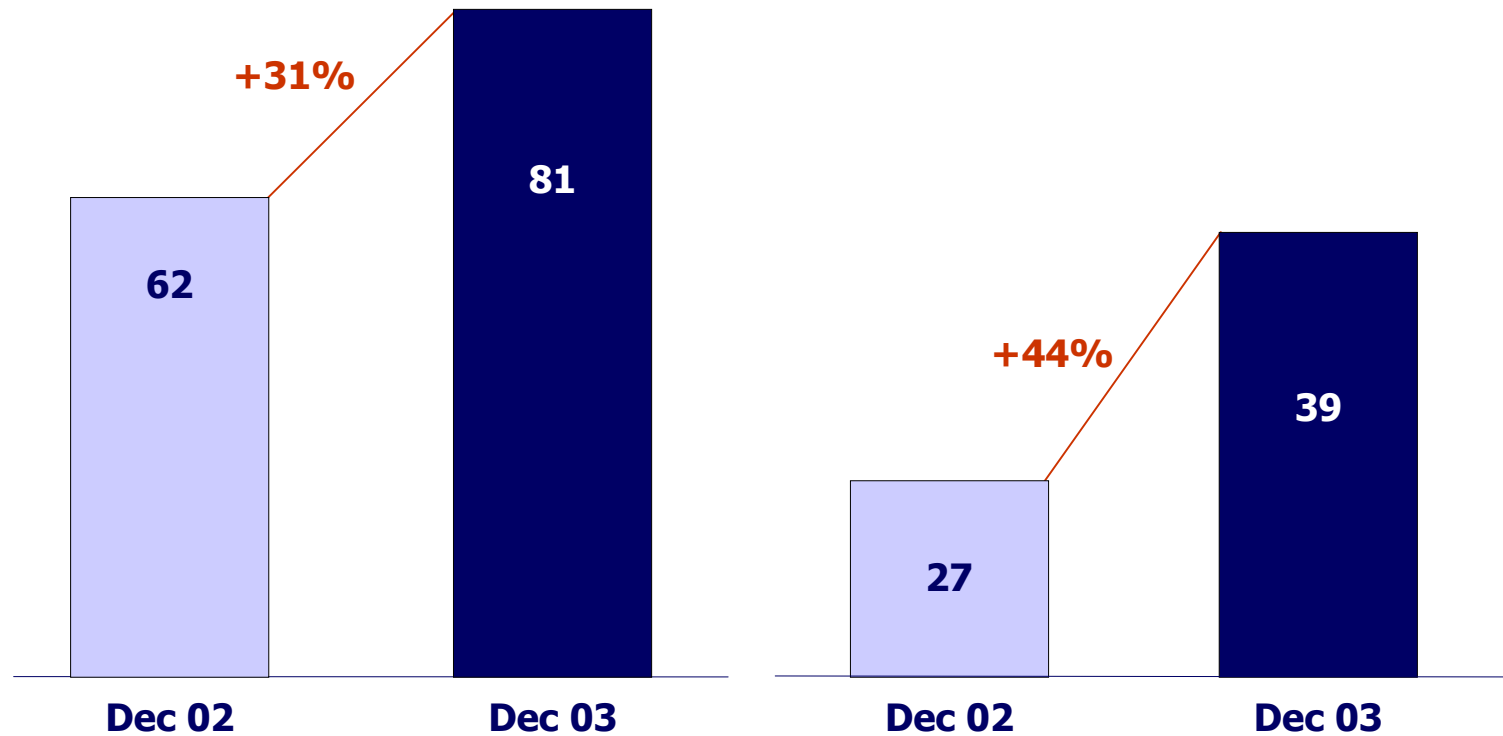
Gross operating profit

Result before taxes and minorities

€ m

€ m

Appreciable growth



RFS: revenues

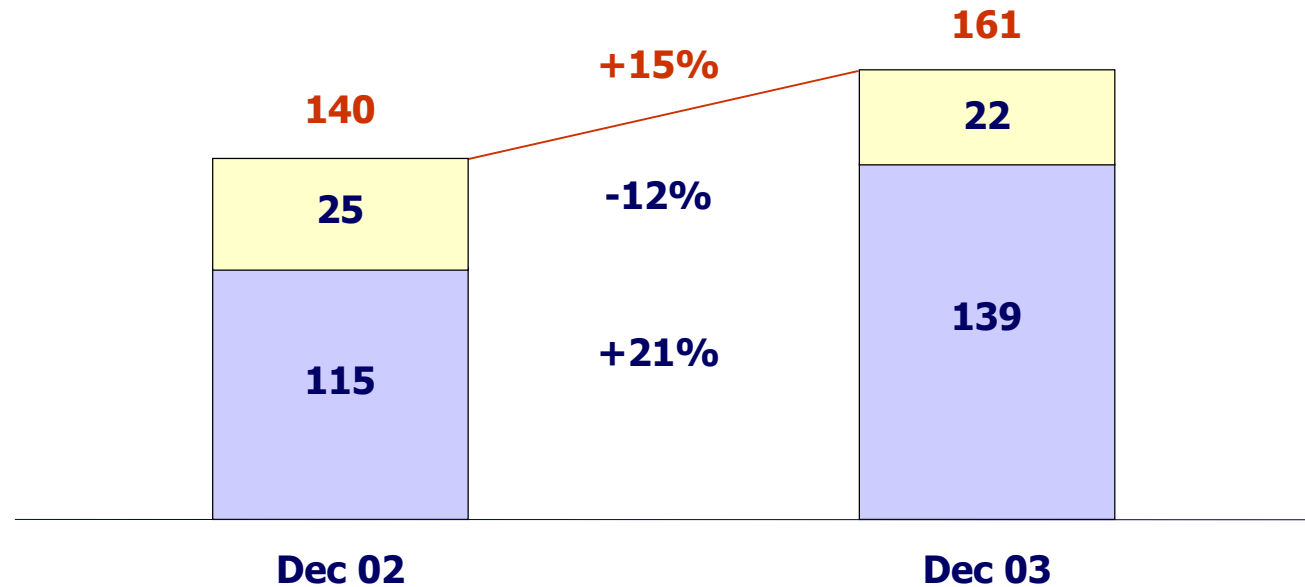
1H Results

Section II

Overview and 1H Results

Revenues growing

€ m



Interest income

Fees and other revenues

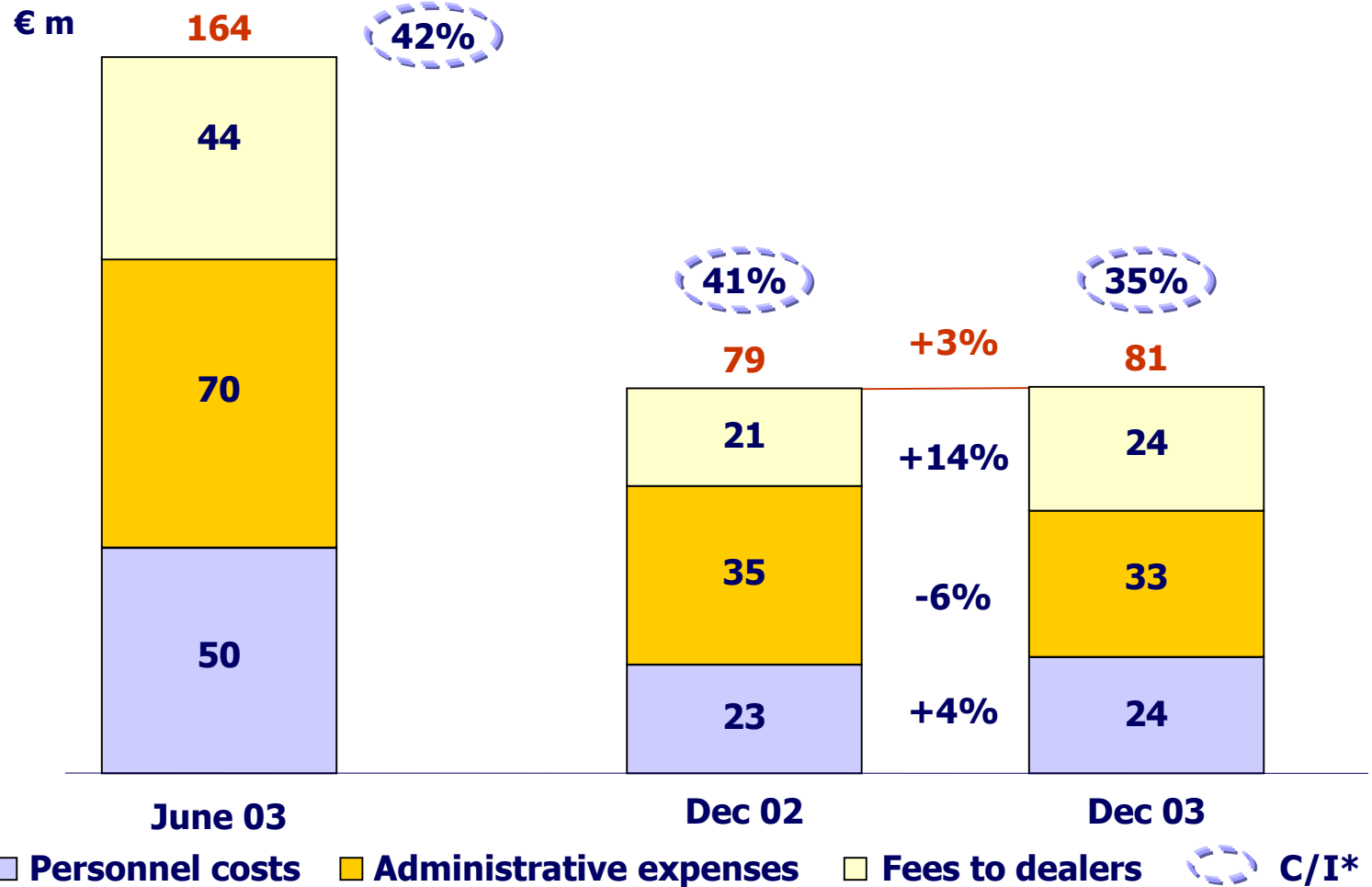
RFS: costs

1H Results

Section II

Overview and 1H Results

Cost/income reduction



* Cost/ income does not include fees to dealers



RFS: personal financial services

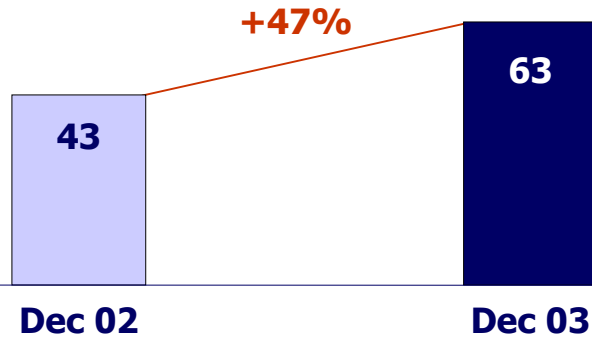
Overview and 1H Results

1H Results

Section II

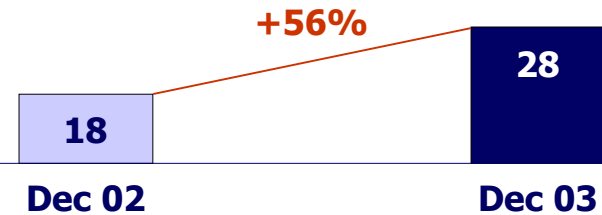
Gross operating profit

€ m



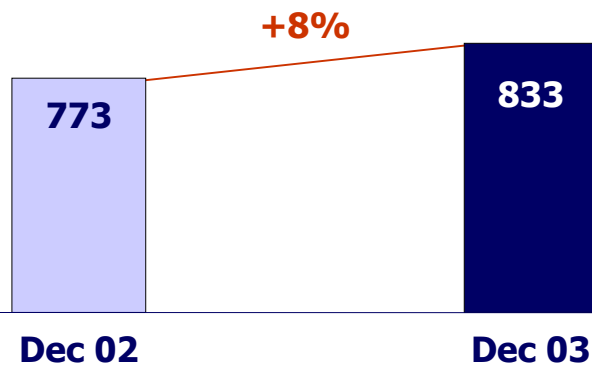
Result before taxes & minorities

€ m



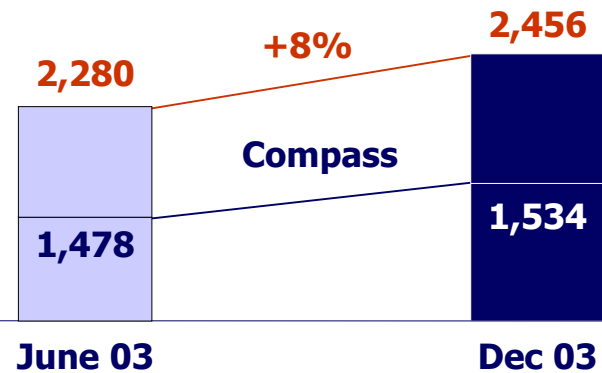
New loans

€ m



Loans outstanding

€ m



RFS: leasing

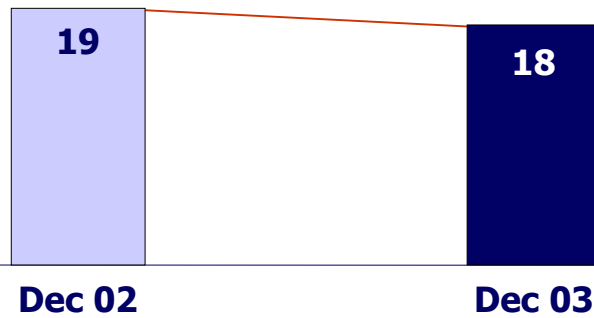
Overview and 1H Results

1H Results

Section II

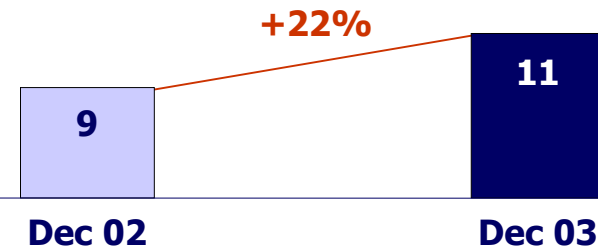
Gross operating profit

€ m



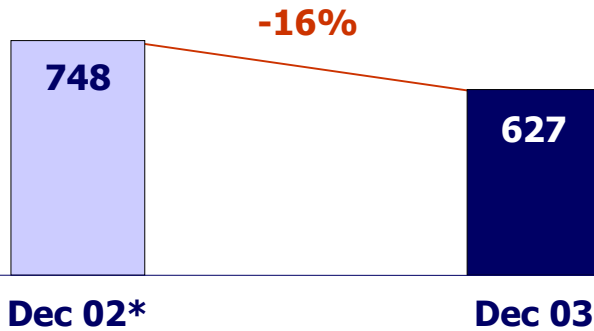
Result before taxes & minorities

€ m



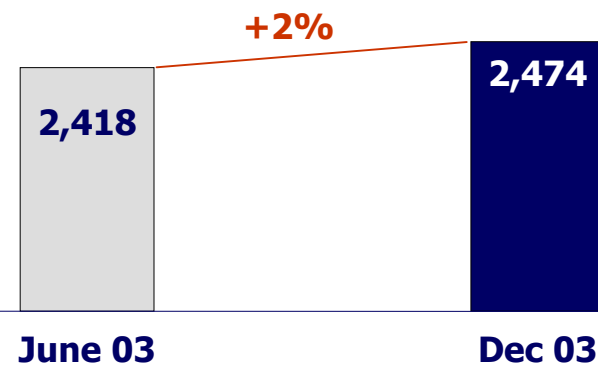
New loans

€ m



Loans outstanding

€ m



* Volumes boosted in part by benefits under Law 38/301 ("Tremonti Bis")

Private banking

1H Results

Section II

Overview and 1H Results

Gross result

€ m

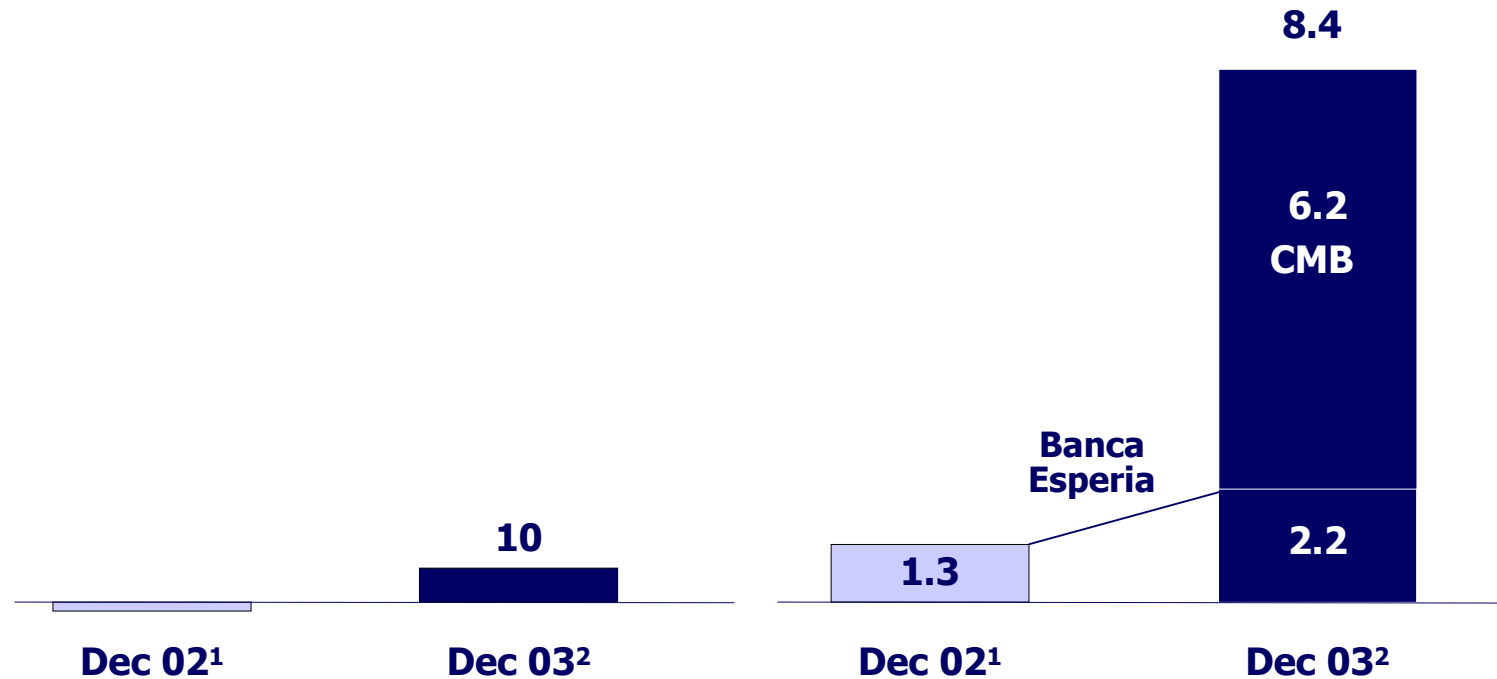
AUM

€ bn

CMB consolidated

Banca Esperia profitable

Strong AUM growth



1) 48.5% Banca Esperia

2) 100 % CMB + 48.5% Banca Esperia



Capital allocation

Overview and 1H Results

1H Results

Section II

**Criteria for
capital
allocation**

WB	Regulatory requirements	€ 1.5 bn
EIP	Book value of holdings	€ 3.2 bn
RFS	Compass group shareholders' funds	€ 186 m
PB	Invested capital	€ 300 m

MB Group

MB Group shareholders' funds	€ 4.6 bn
-------------------------------------	-----------------

Earnings and ROAC

Overview and 1H Results

1H Results

Section II

Segmental ROAC

	1H profit before taxes - € m	Tax rate	1H ROAC	Annualized ROAC
WB	189	33%	8.2%	16.4%
EIP	229 ¹	pre-tax	7.2%	18.4% ²
RFS	34 ³	33%	12.3%	24.6%
PB	10	0%	3.3%	6.6%

MB Group ROE

	1H profit before taxes - € m	Tax rate	1H ROE	Annualized ROE
MB Group	372	33%	5.4%	10.8%

1) Assuming € 90 m in changes to unrealized gains June 03 – Dec 03

2) Assuming € 106 m in dividends (hp: 04 = 03) and last 6m (Oct 03- Mar 04) changes to unrealized gains

3) After minorities



Outlook for 2004/2005

Section III



Highlights for 2004/2005

Mediobanca objectives

- /// **Wholesale banking**
 - /// defend current profitability while maintaining excellence of asset quality/efficiency
 - /// develop French operations
- /// **Equity investment portfolio**
 - /// focus on profitability and value growth of strategic holdings
 - /// maximize return from non-strategic investments
- /// **Consumer finance and Private banking**
 - /// raise growth target
 - /// take part in consolidation process
- /// **Dividend policy: progressive increase of dividend linked to the performance of different business segments**
- /// **Systematic investor coverage**



To build selective presence outside Italy

Outlook for 2004/2005

Section III

Overview and 1H Results

Starting operations in France

- /// **Set up an MB presence in Paris**
- /// **Mission: to build up corporate finance business**
 - /// **origination and execution of M&A/advisory deals**
 - /// **coverage and origination on French corporates for L&SF and CapMkt activities**
- /// **Marc Vincent (46) hired as head of MB France**
 - /// **head of SSSB/Citigroup French investment banking since 2000; head of Schroders France (1996-2000)**
 - /// **formerly head of CSFB French corporate finance (1991-96)**
- /// **Size: lean, with approx. 10 bankers at full strength**
- /// **Profitable in 2 years**



MEDIOBANCA

Banca di Credito Finanziario

