

**Translation of a press release issued by Mediobanca on 28 October 2003
in accordance with Consob resolution 11971/99 as amended**

Quarterly accounts approved; operating profits up

At a Board Meeting held today with Mr Gabriele GALATERI di GENOLA in the Chair, the Directors of Mediobanca approved the Group's quarterly accounts and report for the three months ended 30 September 2003.

In the three months under review, the Group earned a pre-tax profit of € 164.5m, compared with a loss of € 346.3m at the same stage last year. This reflects an improved performance both in terms of ordinary operations, which were up 43.4%, or € 45.3m, and by the Group's investment portfolio, which contributed € 70.3m.

On the operating side, both Mediobanca's wholesale banking business and the Compass group's activities improved, and the main sources of income rose appreciably: the *Interest margin* climbed from € 111.8m to € 145.6m, an increase of 30.2%, and *Commissions and other income* rose by 26.8% from € 54m to € 68.5m. Meanwhile, the upturn in share prices prior to and since 30 June 2003 led to net writebacks in the investment security portfolio of € 70.3m based on average prices in the six months to 30 September. Last year, the portfolio's performance resulted in writedowns of € 348.1m based on prices as at 30 September 2002.

Other items which contributed to the pre-tax result were net writedowns to securities and derivatives held of € 33.4m (30/9/03: € 72.5m), and net writeoffs and provisions for loan losses in connection with the Compass group's activities totalling € 18.6m (€ 12.8m), largely as a result of higher consumer credit volumes.

As at 30 September 2003, funding had risen 3.7% vis-à-vis the figure recorded at 30 June, net of € 1.5bn in transient items in respect of back-to-back transactions with clients. Customer loans also rose € 15bn to € 16.5bn as a result of these short-term transactions. Investment securities including writebacks rose € 425.2m, € 251.3m of which was due to the acquisition of a 44.35% stake in Compagnie Monégasque de Banque in July of this year and the remainder to movements described in the Group's Annual Accounts and Report as at 30 June 2003, namely subscribing to the Fiat rights issue and acquiring shares in Telecom Italia. The Group's net worth falls from € 4,836.8m as at 30 June 2003 to € 4,749m following the proposed dividend payout.

Mediobanca earned a pre-tax profit of € 104.1m from ordinary operations in the three months ended 30 September 2003, as against € 71.1m during the equivalent period last year. This increase is due to improvement in all the main sources of income: the interest margin rose by approximately 25%, *inter alia* due to trading profits, which increased from € 24.5m to € 36.4m, and commissions and other income rose from € 35.6m to € 54.4m. The margin before taxation and provisions was € 129.1m, as against a loss of € 350.8m as at 30 September 2002, after writebacks to the Bank's investment portfolio of € 70.3m (30/9/2002: writedowns of € 348.1m), calculated on the basis of average prices in the six months to 30 September. Writedowns to securities and derivatives held in treasury totalled € 33.9m (€ 73.2m), and transfers to loan loss provisions were made of € 11.3m. Movements in the Bank's asset aggregates were largely the same as those at the consolidated level described above.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	3 mths to 30/9/02	12 mths to 30/6/03	3 mths to 30/9/03
	(€ m)	(€ m)	(€ m)
Interest margin ⁽¹⁾	111.8	607.4	145.6
<i>of which: dividends</i>	0.1	118.2	0.1
Commissions received and other income ...	54.0	232.0	68.5
General expenses ⁽¹⁾	(61.5)	(300.2)	(64.5)
GROSS MARGIN FROM ORDINARY OPERATIONS	104.3	539.2	149.6
Writedowns in securities and derivatives held in treasury	(72.5)	(70.6)	(33.4)
Net gain (loss) on sale of securities held	(13.4)	(51.1)	—
Writebacks (writedowns) in investment securities	(348.1)	(181.0)	70.3
Net writeoffs and transfers to cover loan losses and other charges ⁽¹⁾	(12.8)	(69.2)	(18.6)
Gain (loss) on investments stated on net equity basis	—	(4.0)	—
MARGIN BEFORE TAXATION AND PROVISION	(342.5)	163.3	167.9
Transfers to provision for liabilities and charges ⁽¹⁾	—	(5.1)	—
Accelerated depreciation and amortization ..	(0.6)	(5.1)	(0.4)
Profit attributable to minority shareholders ..	(3.2)	(8.8)	(3.0)
MARGIN BEFORE TAXATION	(346.3)	144.3	164.5
Transfers to provision for income tax	—	(90.7)	—
NET PROFIT	—	53.6	—

⁽¹⁾ Figures restated. In order to reflect the nature of the Group's operations more accurately, commissions on funding instruments have been included in the *Interest margin* rather than *General expenses*. The portion of *Provision for liabilities and charges* relating to possible loan losses has been included in *Bad debts written off*, which has been renamed *Net writeoffs and provisions for loan loss and other charges*.

CONSOLIDATED BALANCE SHEET

	30/9/02	30/6/03	30/9/03
	(€ m)	(€ m)	(€ m)
Assets			
Net treasury funds employed ⁽¹⁾	6,417.4	9,365.0	9,848.2
Loans and advances	16,501.4	15,033.9	16,544.9
Investment securities	3,132.3	3,168.6	3,593.8
Intangible assets	1.8	1.5	1.4
Property	120.9	123.3	122.1
Furniture and fixtures	5.2	5.4	5.0
Other assets ⁽¹⁾	1,899.0	2,176.8	2,230.6
Total assets	28,078.0	29,874.5	32,346.0
Liabilities			
Deposits and loans ⁽¹⁾	21,307.0	23,070.3	25,439.5
Provision for liabilities and charges	344.1	301.6	307.5
Consolidated provision for future liabilities and charges	5.9	—	—
Other liabilities ⁽¹⁾	1,852.6	1,537.3	1,609.4
Loan loss provision	13.4	13.4	13.4
Equity attributable to minority shareholders ..	55.9	61.5	62.7
Shareholders' equity	4,845.4	4,836.8	4,749.0
Profit (loss)	(346.3) ⁽²⁾	53.6	164.5 ⁽²⁾
Total liabilities	28,078.0	29,874.5	32,346.0

⁽¹⁾ Figures restated. In order to reflect the nature of the Group's operations more accurately, certain items normally included under *Other assets*, *Deposits and loans* and *Other liabilities* have been reclassified as *Net treasury funds employed*.

⁽²⁾ Pre-tax.