



Press release

Board of Directors Meeting Milan, 16 September 2004

Consolidated accounts for year to 30 June 2004 approved

- ▲ Growth story continues; major improvement in consolidated results:
 - revenues up 32% to € 1,108m
 - profit from ordinary operations up 38% to € 745m
 - net profit € 536m, versus € 54m last year
 - cost/income ratio down 3 percentage points to 33%

- ▲ Segmentation into business areas and capital allocation by division now in place; significant progress in terms of earnings and profitability indicators:
 - Wholesale banking
 - wide-ranging organizational overhaul now complete; competitive positioning improved
 - outstanding 23% top-line growth to € 560m
 - net profit up 66% to € 278m, ROAC 17%
 - Equity investment portfolio
 - increasing focus on strategic investments; ongoing disposal of non-strategic holdings
 - 39% increase in dividends received to € 147m; 17% rise in gains on disposals to € 3bn
 - net profit/increase in net value to € 620m¹, ROAC 20%
 - Retail financial services
 - strong growth in consumer credit and mortgage businesses; lendings up 17% to € 2.7bn

¹ Includes € 422m in changes to unrealized gains on equity investment portfolio not booked to accounts.



- net profit up 114% to € 47m, ROAC 25%
- Private banking
 - Compagnie Monégasque de Banque (CMB) now consolidated (AUM € 6.7bn)
 - healthy growth by Banca Esperia (AUM up 52% at € 5.6bn)
 - net profit € 17m², ROAC 6%
- ▲ Proposed dividend more than doubled, from € 0.18 to € 0.40 per share

**Press release pursuant to
Consob resolution 11971/99 as amended**

At a Board meeting held today with Gabriele GALATERI di GENOLA in the chair, the Directors of Mediobanca approved the Group's consolidated accounts and the Bank's draft statutory accounts for the twelve months to 30 June 2004 presented to the Board by General Manager Alberto NAGEL and Co-General Manager Renato PAGLIARO.

Consolidated results

In the twelve months under review, the Group earned a net profit of € 536.4m, against € 53.6m one year previously, reflecting healthy growth in all areas of the Group's operations.

Total revenues of € 1,107.5m were recorded, an increase of 31.9% over last year, 51% of which were generated by wholesale banking, 31% by retail financial services, 12% by the Group's equity investment portfolio, and 6% by private banking.

Profit from ordinary operations earned by the Group during the period under review rose by 38.1% from € 539.2m to € 744.9m, due *inter alia* to a further reduction in the cost/income ratio from 35.8% to 32.7%. Writebacks to equity investments of € 132m and gains on disposals of € 40.4m were credited to earnings, compared with writedowns of € 181m and losses of € 51.1m last year. Bad debts written off, based on the maximum permissible tax rates and affecting virtually only the Compass

² Includes 48.5% of Banca Esperia pro-forma.



group's operations, rose from € 69.2m to € 88.4m, due chiefly to the increase in lending.

On the asset side, deposits and loans as at 30 June 2004 totalled € 24,596.6m, up 6.5% as a result *inter alia* of € 1.2bn contributed by CMB following its consolidation as of 2003-2004. Loans and advances to customers rose by 8.3% to reach € 16,280.9m, while the equity investment portfolio remained virtually unchanged, moving from € 3,168.6m to € 3,154.8m, and reflecting, in line with the new management policy, an approx. € 240m strengthening of the Group's strategic investments, and an approx. € 360m reduction in non-strategic holdings in listed and unlisted companies. Based on current prices, the portfolio reflects a gain of € 3,160m.

Results by division

In Wholesale banking, despite the tough market conditions a net profit of € 277.7m was recorded, up 66%. This was driven by outstanding top-line growth of 23% to € 559.8m on the back of:

- ▲ a 7% rise in interest income (net of treasury operations) to € 172.5m, due to an increase in spreads and an improved product mix
- ▲ investment banking fees rose by more than 20% from € 86.8m to € 107.1m, with an 18% increase in the number of deals closed to 65, and more effective cross-selling
- ▲ income from treasury operations more than doubled from € 114.4m to € 232.9m, after dealing profits from trading were helped by improved market conditions against a still low risk profile.
- ▲ Earnings from ordinary operations rose by 29% to € 420.1m, helped by a 4 percentage point reduction in the cost/income ratio to 25%.

The Group's Equity investment portfolio division recorded a net profit of € 198.4m, boosted by a 38.8% increase in dividends received from € 106m to € 147.1m, and helped also by the upturn on stock markets in terms of portfolio valuation, with net writebacks of € 132m, compared with writedowns of € 180.9m last year. Gains



realized on disposals totalled € 40.4m, compared with a loss of € 51.1m last year, and derive from the partial or total disposal of various holdings not considered to be strategic. Including unrealized gains, the profit earned by this division rises to € 620.5m.

Turning to Retail financial services, the Compass group more than doubled its net profit to € 47.3m on the back of a 22.7% increase in interest income from € 236m to € 289.5m, as a result primarily of higher lending volumes in the consumer credit segment. A major improvement in the cost/income ratio, which fell 5 percentage points to 37%, led to a 36.1% increase in earnings from ordinary operations from € 124.7m to € 169.7m. Asset quality remained satisfactory, with NPLs accounting for just 0.8% of total lendings.

The Group's private banking operations grew strongly, due both to the acquisition of CMB, which has AUM of € 6.7bn, and recorded net profit of € 25m and a ROE of 12%, and healthy growth by Banca Esperia, whose AUM rose by 52% to € 5.6bn, and which delivered a € 7m net profit and a ROE of 17%.

Profitability indicators

Group ROE stood at 11.5%, against 1.1% last year, while the return on capital allocated by individual business area was as follows:

▲ Wholesale banking:	ROAC 17.2%	(30/6/03: 10.2%)
▲ Equity investment ptf.:	ROAC 19.8%	(30/6/03: negative)
▲ Retail financial services:	ROAC 24.9%	(30/6/03: 11.6%)
▲ Private banking:	ROAC 5.6%	(30/6/03: 1.9%)

Proposed dividend payout

The Board proposed to submit a resolution to the approval of shareholders gathered in General Meeting on 28 October 2004 in the first instance, and on 29 October thereafter if adjourned, to pay a dividend of € 0.40 per share, more than double the € 0.18 per share paid last year. The shares will go ex-dividends on 22 November



2004 and the dividend will be payable as of 25 November thereafter; qualifying shareholders shall be entitled to a full tax credit of 51.51% on dividends received.

Mediobanca S.p.A.

The Board of Directors also approved Mediobanca S.p.A.'s draft statutory accounts for the twelve months under review. Profits from ordinary operations rose by 35.7% from last year to reach € 530.8m, reflecting an increase in revenues of 27.1% driven by higher dealing profits, which grew from € 103.3m to € 225.1m, and dividends received, which rose from € 110.8m to € 165.2m. The Bank earned a net profit of € 427.6m during 2003-2004, after net writebacks to investment securities of € 134.3m based on average prices in the six months to 30 June 2004, gains of € 39.1m arising on disposals, writedowns to securities and derivatives held in treasury totalling € 7.3m, and provisions and depreciation/amortization of € 34.9m, € 33m of which were transfers to loan loss provisions. Deposits and loans at the balance sheet date had risen by 2.6% to € 20,561.2m, while loans and advances to customers grew by 6.4% from € 12,522m to € 13,324.4m, and investment securities rose from € 2,766.3m to € 2,987.7m.

The Board of Directors also:

- ▲ called an Ordinary and Extraordinary General Meeting to be held on 28 October 2004 in the first instance, and on 29 October thereafter if adjourned, the extraordinary business to be transacted thereat involving additions to and amendment of a resolution passed in General Meeting on 25 June 2004 to increase the Company's share capital by a nominal amount of up to € 7.5m, or 15 million shares, via a rights issue reserved under Article 2441/8, 5 of the Italian Civil Code for employees of the Mediobanca Banking Group and Directors of the Bank holding positions of responsibility, as part of the share option schemes implemented by the Group.
 - ▲ deemed that the requirements of independence as defined in the Code of Conduct for Listed Companies are met in the persons of the following Bank Directors: Tarak BEN AMMAR, Roberto COLANNINO, Gabriele GALATERI di GENOLA, Bernardino LIBONATI and Achille MARAMOTTI.
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- ▲ approved the annual statement on corporate governance and compliance with the Code of Conduct for Listed Companies.

16 September 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	12 mths to 30/6//02	12 mths to 30/6/03	12 mths to 30/6/04
	€ m	€ m	€ m
Interest income	533.4	607.4	853.9
Commissions received and other income	175.0	232.0	253.6
General costs and expenses	(263.1)	(300.2)	(362.6)
GROSS MARGIN FROM ORDINARY OPERATIONS	445.3	539.2	744.9
Net writedowns to securities and derivatives held in treasury.....	(58.3)	(70.6)	(7.0)
Net gain (loss) on disposal of investment securities	463.7	(51.1)	40.4
Net writebacks (writedowns) to investment securities	(497.4)	(181.0)	132.0
Bad debts written off	(60.1)	(69.2)	(88.4)
Net overprovision for taxation ...	6.8	—	—
Gain (loss) on investments stated on net equity basis	(5.1)	(4.0)	4.4
PROFIT BEFORE TAX AND PROVISIONS ..	294.9	163.3	826.3
Provision for liabilities and charges	—	(5.1)	(1.5)
Depreciation and amortization	(3.6)	(5.1)	(7.1)
Provision for income tax	(29.2)	(90.7)	(263.9)
Profit attributable to minority shareholders	(7.0)	(8.8)	(17.4)
NET PROFIT	255.1	53.6	536.4



CONSOLIDATED BALANCE SHEET

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
<u>Assets</u>			
Treasury funds employed	4,141.2	9,365.0	9,723.0
Loans and advances to customers	17,154.7	15,033.9	16,280.9
Investment securities	3,351.5	3,168.6	3,154.8
Intangible assets	1.9	1.5	1.5
Property	122.0	123.3	260.5
Furniture and fixtures	4.2	5.4	11.1
Other assets	1,728.0	2,176.8	2,407.3
Total assets	26,503.5	29,874.5	31,839.1
<u>Liabilities</u>			
Deposits and loans	19,714.0	23,070.3	24,596.6
Provision for liabilities and charges	338.6	301.6	386.6
Consolidated provision for future liabilities and charges	5.8	—	—
Other liabilities	1,416.3	1,537.3	1,476.9
Loan loss provision	13.4	13.4	13.4
Equity attributable to minority shareholders	53.6	61.5	184.3
Shareholders' equity	4,706.7	4,836.8	4,644.9
Profit for the year	255.1	53.6	536.4
Total liabilities	26,503.5	29,874.5	31,839.1



MEDIOBANCA S.P.A. PROFIT AND LOSS ACCOUNT

	12 mths to 30/6/02	12 mths to 30/6/03	12 mths to 30/6/04
	€ m	€ m	€ m
Interest income	319.0	365.7	530.7
Commissions received and other income	136.2	168.7	148.4
General expenses and sundry operating costs	(129.8)	(143.2)	(148.3)
GROSS MARGIN FROM ORDINARY OPERATIONS .	325.4	391.2	530.8
Writedowns to securities and derivatives held in treasury	(41.2)	(57.9)	(7.3)
Gain (loss) on disposal of investment securities	460.7	(37.8)	39.1
Writebacks (writedowns) to investment securities	(500.1) ⁽¹⁾	(185.3) ⁽¹⁾	134.3
Net overprovision for taxation	6.8		—
Initial leasing instalment	(26.1)		—
MARGIN BEFORE TAXATION AND PROVISIONS ...	225.5	110.2	696.9
Provision for liabilities and charges	—	(5.1)	—
Transfers to loan loss provision	(87.0)	(45.0)	(33.0)
Depreciation and amortization	(3.6)	(5.1)	(1.9)
Taxation for the year	(17.3)	(69.0)	(234.4)
NET PROFIT (LOSS)	117.6	(14.0)	427.6

⁽¹⁾ Net of advance tax.



MEDIOBANCA S.P.A. BALANCE SHEET

	30/6/02	30/6/03	30/6/04
	€ m	€ m	€ m
<u>Assets</u>			
Treasury funds employed	3,411.0	8,796.6	8,427.8
Loans and advances	14,861.8	12,522.0	13,324.4
Investment securities	3,031.4	2,766.3	2,987.7
Fixed assets, net	11.4	10.6	11.6
Other assets	1,582.6	1,964.7	2,188.4
Total assets	22,898.2	26,060.2	26,939.9
<u>Liabilities</u>			
Deposits and loans	16,849.9	20,042.6	20,561.2
Provision for liabilities and charges	232.5	183.3	244.4
Other liabilities	1,239.6	1,344.3	1,323.6
Shareholders' equity	4,458.6	4,504.0	4,383.1
Profit (loss) for the year	117.6	(14.0)	427.6
Total liabilities	22,898.2	26,060.2	26,939.9
Memorandum accounts	50,916.7	79,162	84,319.5