



Strengthening of Mediobanca Group banking activities continues

Compass acquires Linea to become third-largest Italian consumer credit specialist

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In line with its disclosed strategy to continuously strengthen the Group's banking activities, also in order to reallocate its free capital, Mediobanca has acquired Linea through its subsidiary Compass. Linea also operates in the consumer credit segment and is similar to Compass in terms of size.

The deal will give rise to the third largest player in the sector, with a market share of 8.5%.¹ The combined entity will be able to achieve economies of scale, maximize cross-selling and optimize operating processes and risk management, all of which are key factors for continuing to deliver attractive profits in a sector highly exposed to competitive pressures.

The industrial rationale for the deal, which enables the Mediobanca group to further diversify its sources of income (with the retail share rising from 30% to 37%), is based on the strong complementary nature of the two companies, with reference in particular to:

- **channels:** Compass's distribution platform, with 118 branches to be supplemented by a further 23 Linea branches, will be completed by access to the banking channel (Linea: 60 commercial agreements) and additional partnership agreements in place at Linea;
- **product:** Compass's healthy position in the non-auto and personal loans segments, where it ranks fourth and seventh with market shares of 7.9% and 5.8% respectively, will be further strengthened by this acquisition (personal loans combined: 3rd, market share 10.3%; direct, non-auto combined: 3rd, market share 13.7%), and completed by Linea's significant footprint in salary-backed loans (6th, market share 7.6%) and credit cards (9th, market share 4.1%).

The sales partnership with Banca Popolare di Vicenza Group (over 500 branches), which is already active in the leasing segment, will be extended to cover consumer credit as well pursuant to the sales agreement in force with Linea.

¹ Based on finance disbursed to 30 September 2007; source: Assofin.



Significant cost synergies are expected (approx. €40m gross), deriving from increased efficiency in the operating platforms, as well as revenue synergies, achievable on the back of the two companies' complementary capabilities, not reflected in the valuation on conservative grounds.

The consideration, which values 100% of the company at €405m, is payable in cash, and reflects a multiple of approx. 18x 2007E earnings for Linea, which is in line with comparable transactions.

The acquisition will involve the 96% stake put up for sale by Banca Popolare di Vicenza and Banco Popolare, and may be extended to minorities.

The deal, which is subject to approval by the supervisory authorities, is expected to be completed during the first half of 2008.

Based on the consensus of estimated earnings for the Mediobanca Group,² the deal is neutral on EPS 08 and 2% accretive on EPS 09.

As from January 2008 Gianluca SICHEL will be joining Compass as General Manager. Gianluca SICHEL, aged 40, was previously head of retail operations at Barclays, and prior to this worked for Clarima and McKinsey.

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Jessica Spina
Investor Relations
Mediobanca S.p.A.
Piazzetta E. Cuccia, 1
20121 Milan
Italy
Tel. no.: (0039) 02-8829.860

Lorenza Pigozzi
Media Relations
Mediobanca S.p.A.
Piazzetta E. Cuccia, 1
20121 Milan
Italy
Tel. no.: (0039) 02-8829.627

² Source: IBES.



ANNEXES

Table 1. Key data (€m)

	Compass	Linea	Combined
	12 mths to 30/6/07	12 mths to 31/12/06	12 mths
Loans and advances to customers	3,767	2,971	6,738
New loans	2,448	1,816	4,264
Total income	365	145	510
Operating profit	250	83	333
Operating profit less bad debt writeoffs	110	40	150
Net profit	61	17	78
No. of staff	578	785	1,363
No. of branches	118	23	141
C/I ratio	32%	43%	35%



Table 2. Ranking and mkt share 9 months 2007 – New loans (€m; source: Assofin)

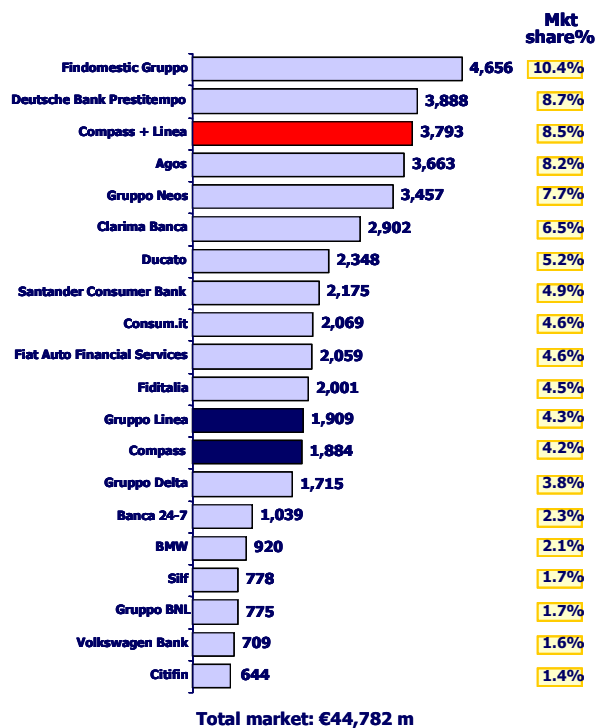


Table 3. Ranking and mkt share by product 9 months 2007 (€m; source: Assofin)

Product	Compass				Linea				Combined		
	Rank	New loans	Mkt share	Y to Y %	Rank	New loans	Mkt share	Y to Y %	Rank	New loans	Mkt share
Cars	14°	595	3.6%	-12%	12°	640	3.9%	4%	3°	1,235	7.5%
POS Loans	4°	328	7.9%	11%	6°	240	5.8%	60%	3°	568	13.7%
Personal loans	7°	843	5.8%	14%	11°	656	4.5%	111%	3°	1,499	10.3%
Credit cards	13°	113	1.7%	-7%	10°	163	2.4%	17%	9°	276	4.1%
Salary guaranteed loans	18°	5	0.2%	ns	6°	210	7.4%	173%	6°	215	7.6%
Total	12°	1,884	4.2%	3%	11°	1,909	4.3%	48%	3°	3,793	8.5%