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## Mediobanca Board of Directors' Meeting

Milan, 8 March 2006

### IAS-compliant results for six months to 31/12/05 approved

- Net profit up 96% to € 515m, virtually double the € 263m recorded at 31/12/04.<sup>1</sup>
- Result achieved on the back of:
  - strong growth in net profit from ordinary activities, up 63% to € 190m, especially in corporate and investment banking
  - healthy contribution from equity investment portfolio, up 60% to € 180m
  - approx. € 145m in one-off gains linked to disposals of shareholdings
- Headline consolidated figures include:
  - total income up 42% to € 741m
  - profit from ordinary activities up 58% to € 563m, approx. 70% of which generated by banking
  - loan book up 17% to € 21.2bn, with major growth in both corporate finance (up 20%, to € 12.6bn), including on non-Italian markets, and retail activity (up 12%, to € 8.6bn)
- All the main business areas reflect top- and bottom-line growth:
  - Wholesale banking
    - lendings up 20% to € 12.6bn, interest income up 10% to € 81m
    - fee income up 30% to € 122m
    - net profit up from € 109m to € 300m, € 140m of which from ordinary operations (up 82%)
    - ROAC<sup>2</sup>: 14% (30/6/05: 11%)
  - Equity investment portfolio (Assicurazioni Generali and RCS MediaGroup):
    - NAV: € 5.7bn (30/6/05: € 5.2bn)
    - pro-rata share of profit for the period: € 168m (up 53%)
    - ROAC: 14% (30/6/05: 9%)
  - Retail financial services
    - finance disbursed up 25% at € 2.3bn, shared virtually equally between consumer credit, mortgages and leasing

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<sup>1</sup> Figures have been calculated pro-forma on a IAS/IFRS-compliant basis including the estimated impact of adopting IAS 39 for ease of comparison.

<sup>2</sup> Calculated based on ordinary net profit.



- **total income up 22% at € 209m**
- **net profit up 29% at € 40m**
- **ROAC: 19% (30/6/05: 19%)**
- **Private banking<sup>3</sup>**
  - **total income up 10% at € 55m**
  - **net profit up 21% at € 23m**
  - **ROAC: 42% (30/6/05: 35%)**

At a Board meeting held today with Gabriele GALATERI di GENOLA in the chair, the Directors of Mediobanca approved the Group's interim results for the six months ended 31 December 2005 which were drawn up in accordance with IAS/IFRS, as illustrated by General manager Alberto NAGEL and Co-general manager Renato PAGLIARO.

#### **Consolidated results<sup>4</sup>**

In the six months to 31 December 2005, the Group earned a net profit of € 515.4m, virtually double the € 263.4m earned during the equivalent period one year previously.

This result was achieved on the back of:

- approx. € 190m (31/12/04: € 116m) in net profits from ordinary banking activities;
- some € 145m (€ 34.1m) in net gains on disposal of AFS assets, including the approx. € 27m share of net treasury income linked to the Ciments Français disposal;
- € 180.7m (€ 113.1m) in net profits from investments accounted for using the equity method, of which € 155m, or 55%, is attributable to Assicurazioni Generali and € 13m, or 30%, to RCS MediaGroup.

The growth trends witnessed during the first quarter were confirmed by the half-yearly performance:

- net interest income rose by 18.1%, from € 234.4m to € 276.8m, due to the 20% increase in corporate banking volumes plus ongoing growth in retail financial services, where finance disbursed rose by 25%;

<sup>3</sup> Includes Compagnie Monégasque de Banque and the Group's 48.5% pro-forma share in the profits of Banca Esperia.

<sup>4</sup> The profit and loss account for the six months ended 31 December 2004 have been restated on a IAS/IFRS-compliant basis, with the exception of IAS 39 in relation to the treatment of financial instruments. For ease of comparison, a pro-forma version has also been provided which includes an estimate of the impact which adoption of this standard would have had on the results for this period. The balance sheet as at 31 December 2005 has been compared with the figures recorded at 1 July 2005, also restated in accordance with the new accounting standards.



- net trading income of € 102m (31/12/04: € 38.8m) reflects the healthy stock market conditions;
- growth of over 23% in net fee and commission income, from € 133m to € 164.3m, is the result of higher business volumes in both corporate and investment banking.

The most significant development on the balance-sheet side during the period was the major increase in customer lendings, which rose by 16.4%, from € 18.2bn to € 21.1bn, against a temporary reduction in funding, down 5.9%, from € 24.5bn to € 23.1bn (new issues have been made since the reporting date). This led to a temporary reduction in treasury positions, from € 3,359.8m to € 758.7m.

Net equity stood at € 5,696.2m (30/6/05: € 5,440m).

### **Divisional results**

The consolidated results reflect robust performances by all the Group's main areas of operation:

In **wholesale banking**, profit before tax on ordinary activities totalled € 252.4m, up 85% compared with the € 136.4m recorded one year previously. The result was boosted by enhanced business volumes during the period, against a more favourable market backdrop which impacted positively on all the main revenue sources: net interest income rose by 10.4%, from € 73m to € 80.6m; net trading income soared from € 36.6m to € 99.2m and includes gains of € 40.8m upon disposal of Ciments Français shares; and fee and commission income also recorded a significant 30% increase, from € 94m to € 121.8m, on the strength of a robust performance from both corporate and investment banking. There was a modest increase in costs, from € 71.1m to € 74.1m. A net profit of € 300.5m (31/12/04: € 109m) was earned during the six months, reflecting € 113.6m in gains on disposal of AFS assets (€ 103m in relation to Ciments Français).

**Retail financial services.** The Compass group's consolidated highlights at 31 December 2005 reflect an increase in profit from ordinary activities of 29.8%, from € 100.9m to € 131m. This was driven by higher net interest income, which climbed 22% from € 155.5m to € 189.2m on the back of higher average volumes in the consumer credit segment particularly. The increase in operating costs, from € 71.3m to € 78.3m, is attributable to expansion in the group's distribution network, which saw five new Compass branches opened during the period, making a total of 98, and also to enhanced business volumes. Net profit of € 39.9m (31/12/04: € 31.1m) was up 29%, and reflects bad debt writeoffs of € 52.3m (€ 40.4m), mostly the result of higher consumer credit volumes.



At 31 December 2005 lendings to customers, which includes securitized loans, amounted to € 8,058.1m (30/6/05: € 7,254.8m), shared virtually equally between leasing and consumer credit activities.

**Private banking.** The aggregate figures include Compagnie Monégasque de Banque and the Group's 48.5% share in the profits of Banca Esperia pro-forma. A net profit of € 22.7m was recorded, up over 20% compared with the € 18.8m posted last year, due to an enhanced contribution from management fees, which rose from € 35.9m to € 40.7m, and following gains on disposal of securities amounting to € 4m (31/12/04: € 2.2m). Growth in assets under management, from € 10.8bn to € 11.1bn, was shared equally between the two companies.

The **equity investment portfolio**, which as from 1 July 2005 includes only the Group's shareholdings in Assicurazioni Generali and RCS MediaGroup, shows a rise in income (i.e. the Group's pro-rata share in the earnings of these two companies) from € 109m to € 167.8m.<sup>5</sup> The book value of the portfolio including this income rises accordingly by € 166.3m, from € 1,979.9m to € 2,146.2m, € 147.3m of which is attributable to Assicurazioni Generali and € 19m to RCS MediaGroup. At current prices the portfolio reflects a surplus of market over book value amounting to € 3,961.3m (31/12/05: 3,586.5m).

With regard to the parent company **Mediobanca**, whose accounts have been prepared in accordance with the principles established under Italian Legislative Decree 87/92, the Bank earned a net profit of € 253.6m, up over 70% compared with the € 148.3m recorded at 31 December 2004. This reflects improvement in profit from ordinary activities, which rose by 7%, from € 206.1m to € 220.5m, and above all in the investment securities portfolio, where gains on disposal amounted to € 103.2m (31/12/04: € 31.9m), and writebacks calculated on the basis of average prices during the six-month period totalling € 31.2m, against net writedowns of € 0.6m at the same stage last year. The 20.7% increase in net interest income, from € 74.9m to € 90.4m, is chiefly the result of higher customer lendings. Net treasury income (including dividends) reduced from € 106m to € 77.7m. Fees reflect the robust performance in investment and corporate banking referred to earlier, rising by 34.3%, from € 92.5m to € 124.2m. The cost/income ratio remained basically stable, inching up from 24.6% to 24.8%. Below the operating line and apart from the gains on investment securities mentioned above, securities and derivatives held in treasury were written down by € 54.6m (31/12/04: € 16.5m), more than offset by unrealized gains worth a total of € 227.5m, up € 23.9m from the figure recorded at 30 June 2005.

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<sup>5</sup> Refers to six months ended 30 September 2005.



**MEDIOBANCA**  
*Banca di Credito Finanziario S.p.A.*

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As part of a general policy of career advancement for the Bank's senior managerial staff and in view of the ongoing strong improvement in results, the Board of Directors appointed Massimo Di Carlo and Francesco Saverio Vinci as Deputy general managers, the former with responsibilities for Lending and structured finance and international activities, the latter as head of Financial markets, and Maurizio Cereda as Central manager with responsibility for Corporate finance.

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	6 mths to 31/12/04 (excl. IAS 39)	6 mths to 31/12/04 pro-forma (*)	6 mths to 31/12/05
	€ m	€ m	€ m
Net interest income .....	231.2	234.4	276.8
Dividends and similar income.....	3.1	3.1	17.6
Net trading income .....	91.3	38.8	102.0
Net fee and commission income .....	131.7	133.0	164.3
Share in profits earned by equity-accounted companies .....	113.1	113.1	180.7
<b>TOTAL INCOME.....</b>	<b>570.4</b>	<b>522.4</b>	<b>741.4</b>
Operating costs.....	(166.1)	(166.1)	(178.7)
<b>PROFIT FROM ORDINARY ACTIVITIES.....</b>	<b>404.3</b>	<b>356.3</b>	<b>562.7</b>
Gain on disposal of AFS assets .....	31.9	34.1	117.7
Gain (loss) on disposal of other assets .....	—	(0.1)	0.5
Bad debt writeoffs .....	(43.6)	(40.4)	(51.5)
<b>PROFIT BEFORE TAX .....</b>	<b>392.6</b>	<b>349.9</b>	<b>629.4</b>
Income tax for the period .....	(97.2)	(83.0)	(110.5)
Minority interest .....	(3.3)	(3.5)	(3.5)
<b>NET PROFIT .....</b>	<b>292.1</b>	<b>263.4</b>	<b>515.4</b>

(\*) Includes estimated effects of adopting IAS 39.



## CONSOLIDATED BALANCE SHEET (RESTATED)

	1/7/05	31/12/05
	€ m	€ m
<b>Assets</b>		
Net applications of treasury funds .....	3,359.8	758.7
AFS assets .....	7,037.2	4,882.6
<i>of which: fixed income</i>	<i>4,445.0</i>	<i>2,456.5</i>
<i>equities</i>	<i>2,383.2</i>	<i>2,426.1</i>
Financial assets held to maturity .....	239.0	594.1
Loans and advances to customers .....	18,171.7	21,146.6
Equity investments .....	2,137.6	2,318.5
Tangible and intangible assets .....	310.6	305.3
Other assets .....	524.5	464.9
<i>of which: tax assets</i>	<i>133.3</i>	<i>141.9</i>
Total assets .....	<u>31,780.4</u>	<u>30,470.7</u>
<b>Liabilities</b>		
Funding .....	24,502.5	23,059.8
<i>of which: debt securities in issue</i>	<i>15,173.6</i>	<i>14,964.6</i>
Other liabilities .....	854.9	929.5
<i>of which: tax liabilities</i>	<i>468.8</i>	<i>521.8</i>
Provision for liabilities .....	189.7	187.6
Net equity .....	5,519.3	5,778.4
<i>of which: share capital</i>		
<i>reserves</i>	<i>397.5</i>	<i>398.3</i>
<i>minority interest</i>	<i>5,042.5</i>	<i>5,297.9</i>
Profit for the period .....	714.0	515.4
Total liabilities .....	<u>31,780.4</u>	<u>30,470.7</u>



## MEDIOBANCA: RESTATED PROFIT AND LOSS ACCOUNT

	31/12/04	30/6/05	31/12/05
	€ m	€ m	€ m
Net interest income .....	74.9	146.0	90.4
Dividends and similar income .....	3.1	137.7	17.5
Net trading income .....	102.9	160.9	61.3
Net fee and commission income .....	92.5	163.0	124.2
<b>TOTAL INCOME .....</b>	<b>273.4</b>	<b>607.6</b>	<b>293.4</b>
Operating costs .....	(67.3)	(153.8)	(72.9)
<b>PROFIT FROM ORDINARY ACTIVITIES .....</b>	<b>206.1</b>	<b>453.8</b>	<b>220.5</b>
Net writedowns to securities and derivatives held in treasury .....	(16.5)	(28.5)	(54.6)
Net gains on disposal of investment securities .....	31.9	38.5	103.2
Net writebacks (writedowns) to investment securities .....	(0.6)	60.7	31.2
<b>PROFIT BEFORE TAX AND PROVISIONS .....</b>	<b>220.9</b>	<b>524.5</b>	<b>300.3</b>
Transfers to provision for tax .....	(72.6)	(84.4)	(46.7)
<b>NET PROFIT .....</b>	<b>148.3</b>	<b>440.1</b>	<b>253.6</b>





## MEDIOBANCA: RESTATED BALANCE SHEET

	31/12/04	30/6/05	31/12/05
	€ m	€ m	€ m
<b>Assets</b>			
Net applications of treasury funds .....	8,729.2	6,538.5	3,358.4
Loans and advances to customers .....	12,991.3	13,995.6	15,551.1
Investment securities.....	3,145.2	3,209.2	3,278.9
Property .....	11.2	11.6	11.2
Other assets .....	1,914.7	2,032.6	1,979.7
<b>Total assets .....</b>	<b>26,791.6</b>	<b>25,787.5</b>	<b>24,179.3</b>
<b>Liabilities</b>			
Funding .....	20,749.3	19,374.6	18,012.0
Provisions for liabilities and charges .....	29.5	242.6	215.5
Other liabilities .....	1,320.9	1,202.2	1,076.7
Net equity.....	4,543.6	4,528.0	4,621.5
Profit for the period .....	148.3	440.1	253.6
<b>Total liabilities .....</b>	<b>26,791.6</b>	<b>25,787.5</b>	<b>24,179.3</b>