



**MEDIOLANUM**  
GRUPPO MEDIOLANUM

## **Italian Financial CEO Conference**



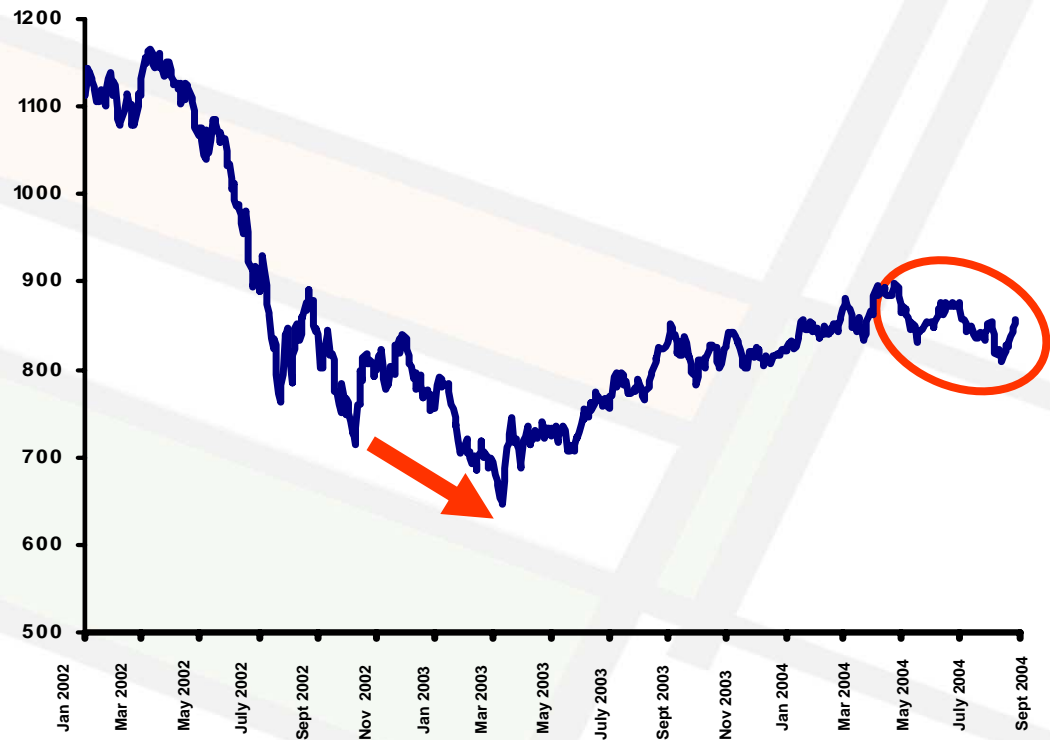
**Kepler**  
Equities

**Milan, September 27-28, 2004**

**Ennio Doris**  
**Chief Executive Officer**

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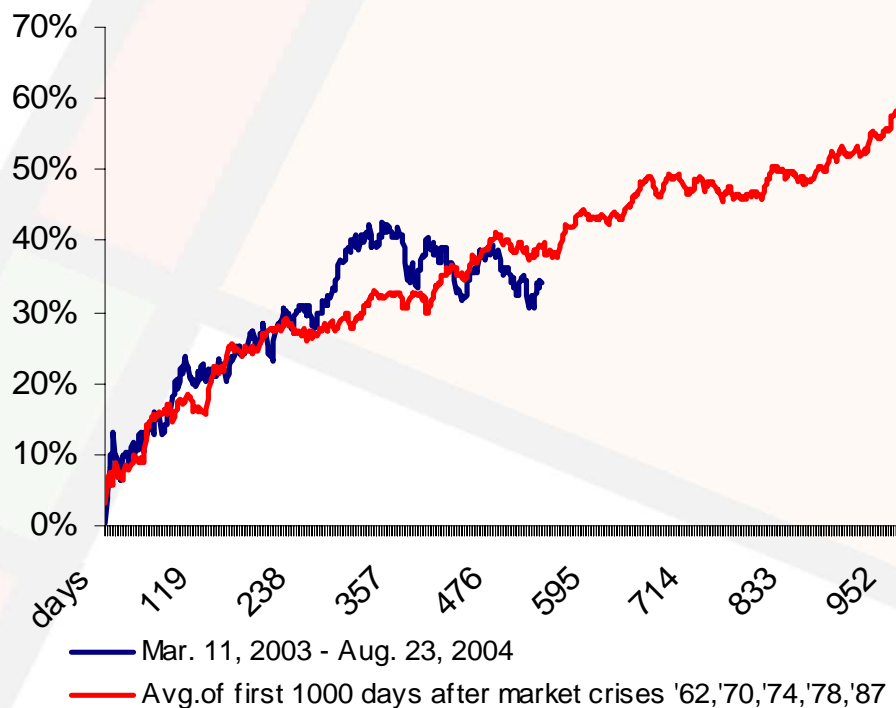
## MSCI World US\$ in Euro - 2002-2004



Source: Datastream

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## Market Crises Recovery Trend Dow Jones Index



Source: Datastream



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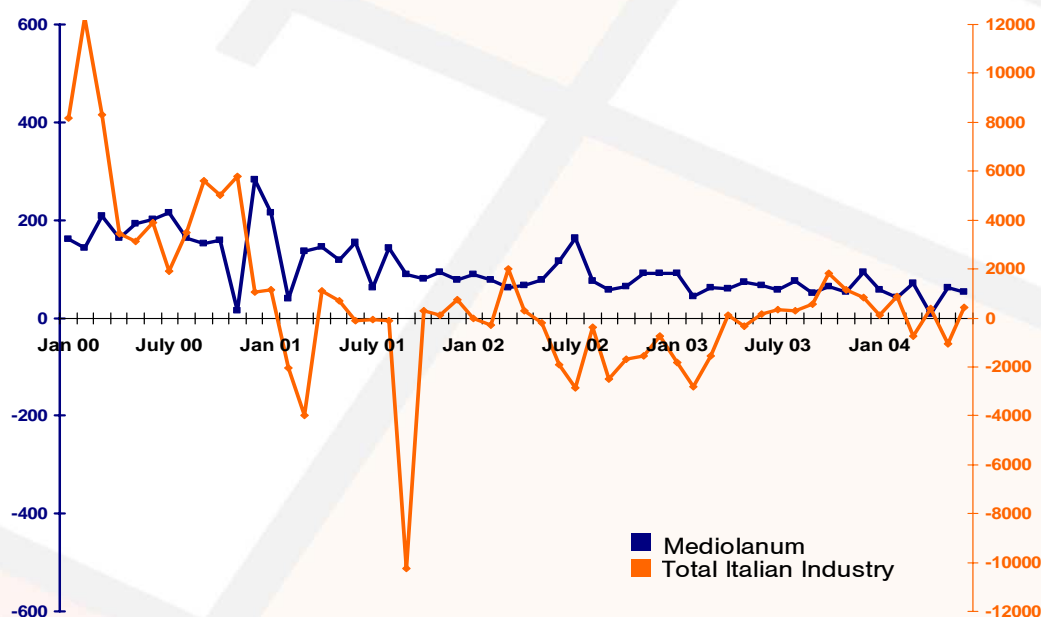
## Investor Sentiment & the Market

- ✓ Disruption in growth trend: a critical point for the average investor
- ✓ Changes are not perceived as they occur: positive media & public opinion drive action
- ✓ Investor response to market upturns occurs with a considerable lag
- ✓ The recent 6-month decline has interrupted the re-gaining of investor confidence in the market, resulting in negative net inflows in mutual funds in Italy

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## Net Inflows into Equity Mutual Funds\*

€ mn

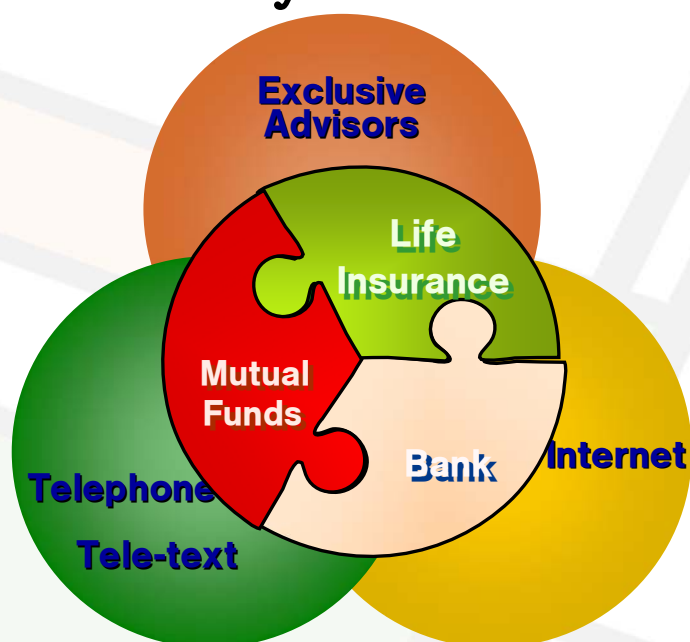


\* Including Managed Accounts & Unit-linked policies  
Source: Assogestioni



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## Mediolanum Business Model Built for flexibility

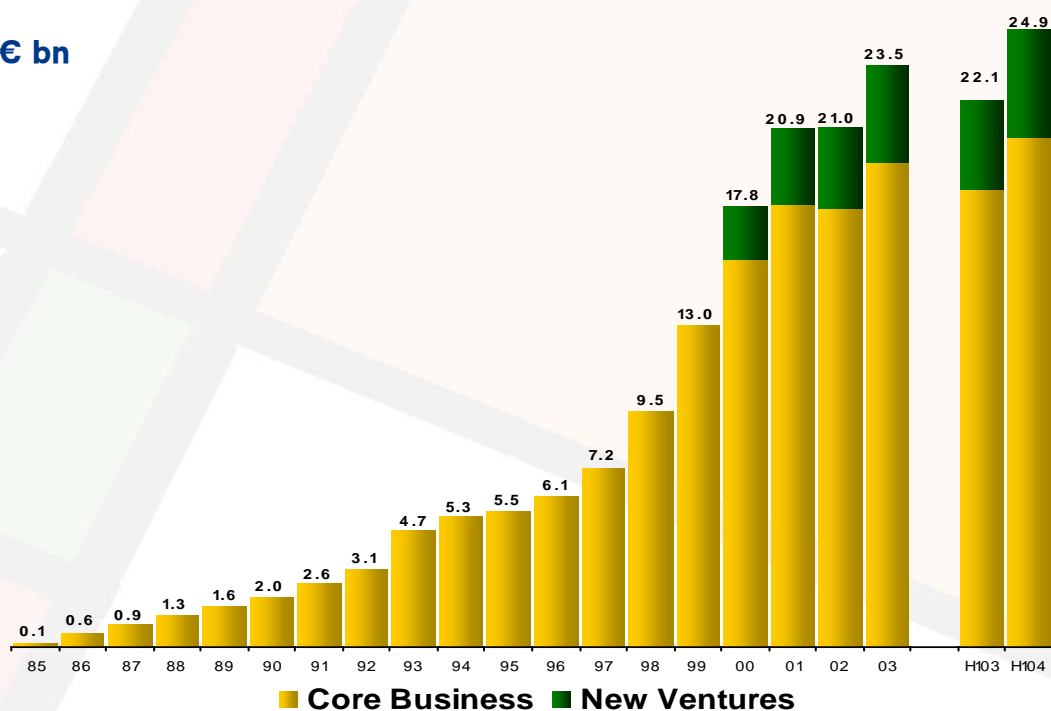


To respond to or even anticipate market changes  
and resulting client needs

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## Assets under Administration Trend

€ bn



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## Net Profit

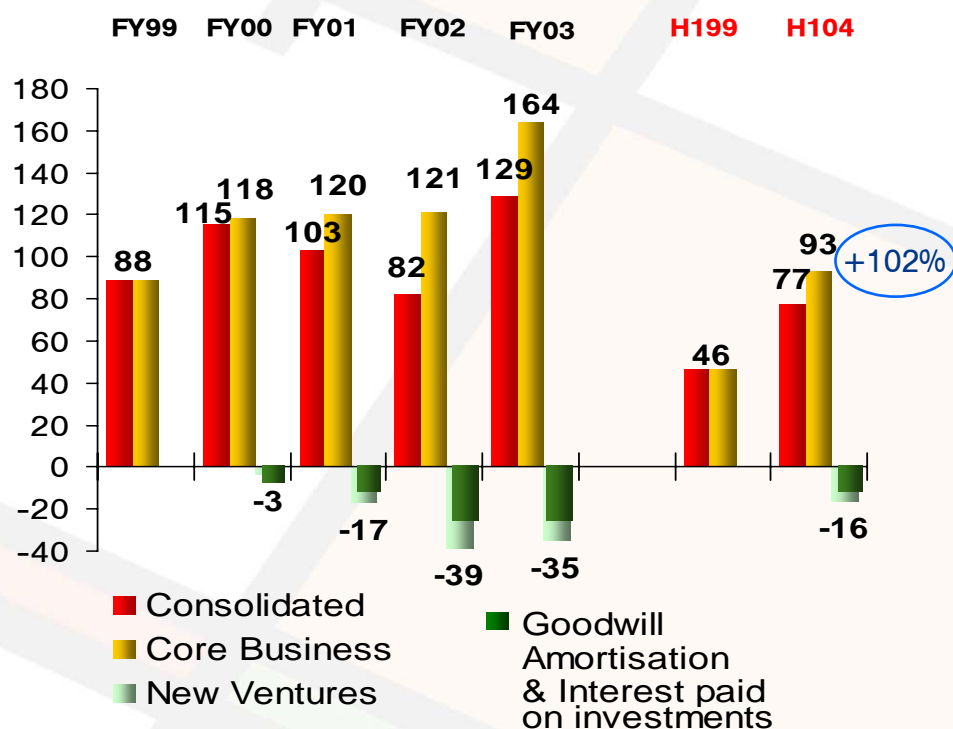
€ mn

	H1 04	H1 03	Change
Total revenues	1,425.1	1,075.7	+32.5%
Total costs	(1,325.2)	(1,017.2)	+30.3%
Net investment income	4.1	18.9	-78.3%
<b>Profit before Tax &amp; E.I.</b>	<b>104.0</b>	<b>77.4</b>	<b>+34.4%</b>
Extraordinary items	(0.6)	(4.9)	n.s.
<b>Profit before Tax</b>	<b>103.4</b>	<b>72.6</b>	<b>+42.5%</b>
Tax	(26.6)	(17.9)	+48.6%
Profit from minority interests	0.0	0.0	n.s.
<b>NET PROFIT</b>	<b>76.8</b>	<b>54.7</b>	<b>+40.5%</b>

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## Net Profit Trend

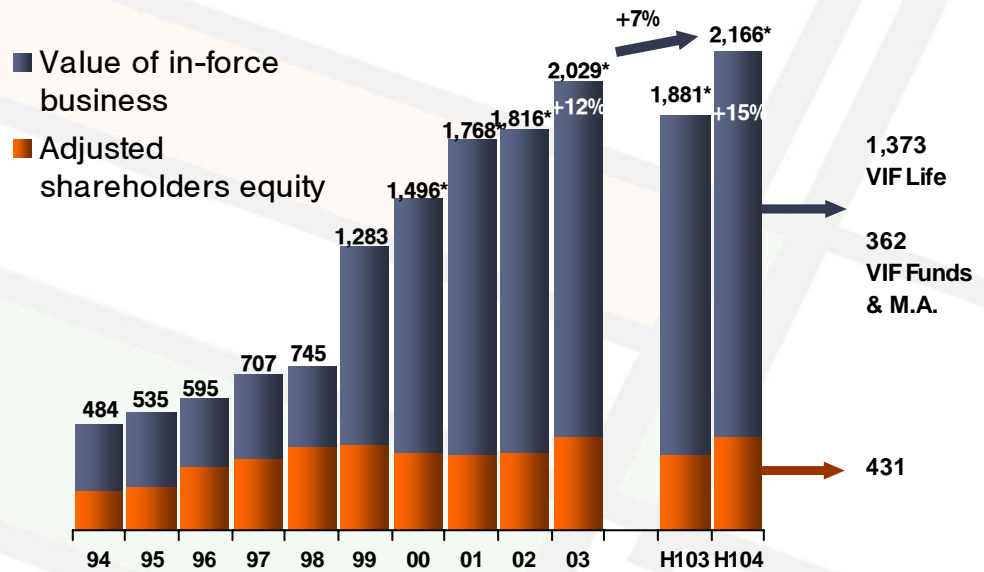
€ mn



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## Embedded Value Trend Post-acquisition Effect\*

€ mn



\* after excluding residual New Ventures Goodwill



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## Performance Factors



More solid gross inflows in Life Insurance

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## Gross Premiums Written

€ mn

	H1 04	H1 03	Change
U-L Pension plans	30.5	43.8	-30.4%
Pension plans: automatic increase in premiums*	15.0	13.0	+15.4%
U-L Investment policies (Life Funds)	43.9	12.0	+265.8%
<b>Recurring Policies (AP)</b>	<b>89.4</b>	<b>68.8</b>	<b>+29.9%</b>
Trad/Group/Investment policies	4.9	5.4	-9.3%
Unit-linked policies (Life Funds, Oro Funds)	66.9	63.4	+5.5%
Index-linked policies (Dipiù)	598.9	360.6	+66.1%
<b>Single Premium Policies (SP)</b>	<b>670.7</b>	<b>429.4</b>	<b>+56.2%</b>
<b>TOTAL NEW BUSINESS</b>	<b>760.1</b>	<b>498.2</b>	<b>+52.6%</b>
Pension plans in-force	319.0	291.6	+9.4%
Investment policies in-force	67.5	46.3	+45.8%
<b>TOTAL IN-FORCE BUSINESS</b>	<b>386.5</b>	<b>337.9</b>	<b>+14.4%</b>
<b>TOTAL GROSS PREMIUMS WRITTEN</b>	<b>1,146.6</b>	<b>836.1</b>	<b>+37.1%</b>

\* Included in In-force Business in the Embedded Value calculation



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## Performance Factors



More solid gross inflows in Life Insurance



Strong commission income, thanks to management & performance fees

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## Commission Income

€ mn

	H1 04	H1 03	Change
Entry fees	13.7	14.5	-5.5%
Management fees	83.2	66.4	+25.3%
Performance fees	38.2	35.6	+7.3%
<b>TOTAL COMMISSION INCOME*</b>	<b>135.1</b>	<b>116.5</b>	<b>+16.0%</b>

\* on all products with mutual funds underlying





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## Performance Factors

- ✓ More solid gross inflows in Life Insurance
- ✓ Strong commission income, thanks to management fees
- ✓ Important contribution from mortgage business

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## Bank Revenues

€ mn

	H1 04	H1 03	Change
<b>Interest Spread</b>	<b>25.1</b>	<b>31.8</b>	<b>-21.1%</b>
Securities	6.4	8.3	-22.9%
Service fees on managed accounts	10.5	11.4	-7.9%
Other services	20.4	12.0	+70.0%
-o/w mortgages	11.8	4.4	+168.2%
<b>Service Margin</b>	<b>37.3</b>	<b>31.7</b>	<b>+17.7%</b>
<b>BANK REVENUES</b>	<b>62.4</b>	<b>63.5</b>	<b>-1.7%</b>



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## Performance Factors

- ✓ More solid gross inflows in Life Insurance
- ✓ Strong commission income, thanks to management fees
- ✓ Important contribution from mortgage business
- ✓ Improvement in the results from New Ventures

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## Net Profit

€ mn

	H1 04	H1 03	Change
Spain	1.4	0.1	n.s.
Germany: Gamax	0.8	(0.7)	n.s.
Germany: B.A. Lenz	(5.5)	(3.9)	+41.0%
Banca Esperia*	0.9	(1.6)	n.s.
Mediolanum Private & Others	(0.7)	(0.4)	n.s.
<b>NET PROFIT/LOSS</b>	<b>(3.1)</b>	<b>(6.4)</b>	<b>-52.4%</b>

	H1 04	H1 03	Change
Spain	1.4	0.1	n.s.
Germany: Gamax	0.8	(0.7)	n.s.
Germany: B.A. Lenz	(5.5)	(3.9)	+41.0%
Banca Esperia*	0.9	(1.6)	n.s.
Mediolanum Private & Others	(0.7)	(0.4)	n.s.

**NET PROFIT/LOSS**      **(3.1)**      **(6.4)**      **-52.4%**



\* Mediolanum Group's share (48.5%)

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## Performance Factors

- ✓ More solid gross inflows in Life Insurance
- ✓ Strong commission income, thanks to management fees
- ✓ Important contribution from mortgage business
- ✓ Improvement in the results from New Ventures
- ✓ Reduced investment income from the Life traditional reserves

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## Net Investment Income

€ mn

	H1 04	H1 03	Change
Investment income - Life	26.6	38.4	-30.7%
Adjustments to financial investments	(4.8)	0.7	n.s.
Adjusted investment income - Life	21.8	39.1	-44.2%
Policyholders' interest	(18.2)	(20.6)	-11.7%
<b>Net Investment Income - Life</b>	<b>3.6</b>	<b>18.5</b>	<b>-80.5%</b>
<b>Net Investment Income - other</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>n.s.</b>
Interest paid on investments	3.8	4.3	-11.6%
<b>NET INVESTMENT INCOME</b>	<b>4.4</b>	<b>19.8</b>	<b>-77.7%</b>



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## Performance Factors

- ✓ More solid gross inflows in Life Insurance
- ✓ Strong commission income, thanks to management fees
- ✓ Important contribution from mortgage business
- ✓ Improvement in the results from New Ventures
- ✓ Reduced investment income from the Life traditional reserves
- ✓ Lower interest spread from the Bank

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## Bank Revenues

€ mn

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<b>Interest Spread</b>	<b>25.1</b>	<b>31.8</b>	<b>-21.1%</b>
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<b>Service Margin</b>	<b>37.3</b>	<b>31.7</b>	<b>+17.7%</b>
<b>BANK REVENUES</b>	<b>62.4</b>	<b>63.5</b>	<b>-1.7%</b>



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## Performance Factors

- ✓ More solid gross inflows in Life Insurance
- ✓ Strong commission income thanks to management fees
- ✓ Important contribution from mortgage business
- ✓ Improvement in the results from New Ventures
- ✓ Reduced investment income from the Life traditional reserves
- ✓ Lower interest spread from the Bank
- ✓ Higher corporate Tax

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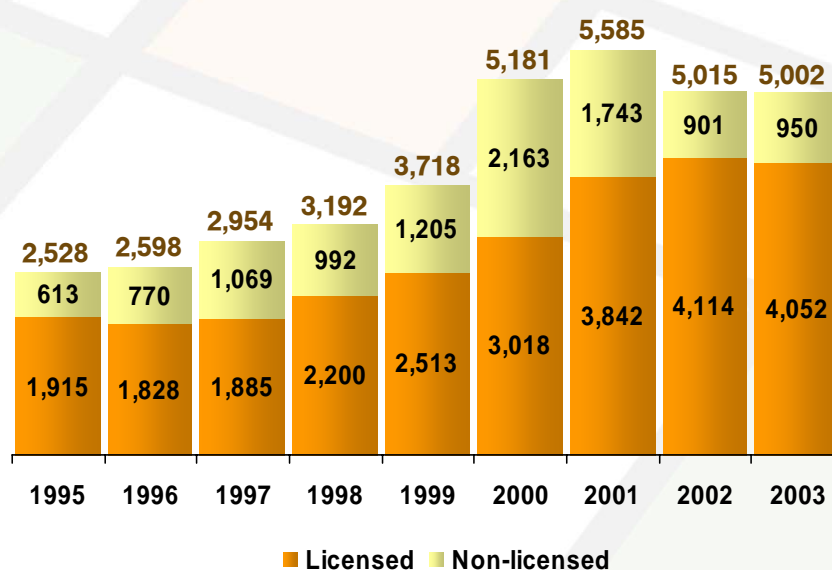
## Sales Network

	H1 04	H1 03	Change
Licensed Financial Advisors	4,055	4,130	-1.8%
Non-Licensed Financial Advisors	803	725	+10.8%
<b>Banca Mediolanum</b>	<b>4,858</b>	<b>4,855</b>	<b>+0.1%</b>
<i>o/w financial executives</i>	777	845	-8.0%
<b>Partner Time</b>	<b>939</b>	<b>1,167</b>	<b>-19.5%</b>
<b>TOTAL NETWORK</b>	<b>5,797</b>	<b>6,022</b>	<b>-3.7%</b>



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## Sales Network Growth Trend



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## Costs

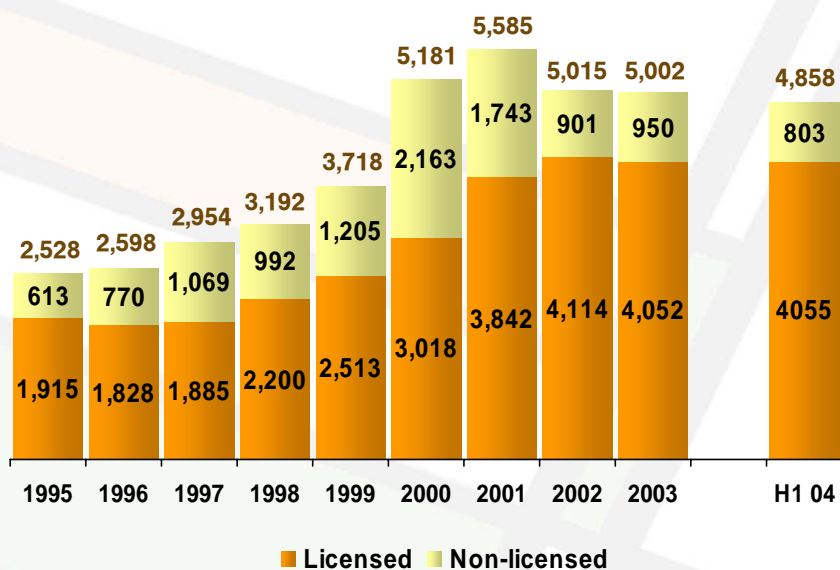
€ mn

	H1 04	H1 03	Change
Net claims, benefits paid, changes in reserves	1,026.4	740.3	+38.6%
Acquisition costs (commission expense)	97.3	87.3	+11.5%
G&A expenses	95.1	88.0	+8.1%
Advertising expenses	2.6	2.5	+4.0%
Depreciation & provisions	14.7	24.3	-39.5%



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## Sales Network Growth Trend



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## Bank Accounts & Account Holders

	H1 04	H1 03	Change
Active bank accounts	334,000	332,700	+0.4%
Primary account holders (unduplicated)	782,000	766,000	+2.1%



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## 2004 – Upcoming Activities

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### Two myths to dispel

**Myth: acquiring new customers is the only way to grow the business**



Cross-selling to existing customers has equal merit in growing the business, and under certain circumstances, is actually more appropriate, efficient & cost effective

**Myth: our margins are declining**



Average new business margin on APE basis is lower only due to shift in business mix. Margins on a product-by-product basis are continuously increasing





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## Product Development Responsiveness

Active product development to take advantage of & respond to regulatory agency changes

- ✓ **UCIT 3 regulation** recently enforced in Europe
- ✓ **Guideline Law** regarding the new regime of **private pensions** in Italy
- ✓ New set of rules issued by **Bank of Italy** in line with the IOSCO recommendations regarding **performance fees** on the Italy based funds

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## Product Development – Responsiveness New Fee structure on Italy-based funds

- ✓ We changed Performance fee calculation method drastically according to new regulations
- ✓ We increased Management fees to offset performance fees reduction, as our TER is lower than the market average



- Neutral effect on margins
- Stabilise revenues over time
- Increase in Embedded Value



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## Product & Service Development Focus on Affluent Segment

Development of products specifically  
designed for **affluent customers**



- ✓ Banca Esperia “funds of hedge funds” available for our affluent customers
- ✓ Highly personalised investment products in the pipeline
- ✓ Special loyalty program called “PrimaFila” developed with American Express Reward Program
- ✓ New division of the Banca Mediolanum sales network dedicated to affluent customers

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## 2004 – Key Business Priorities

- ✓ **Recovery of Volumes:**
  - aggressively grow the life insurance business
  - market behavior determining factor in mutual funds business growth
- ✓ **Recruitment of Advisors:**
  - planning a major effort in September/October
- ✓ **Resurgence of the Current Accounts:**
  - preparing a comprehensive plan

