



MEDIOLANUM

GRUPPO MEDIOLANUM

"Living in a 1% World"



European Banking & Insurance Conference
London, October 7-9, 2003





Edoardo Lombardi

Chief Operating Officer



Interest Rates & the Economic System

Interest Rates:

- ▶ crucial to banks and insurance companies
- ▶ a determining factor in the health of the business

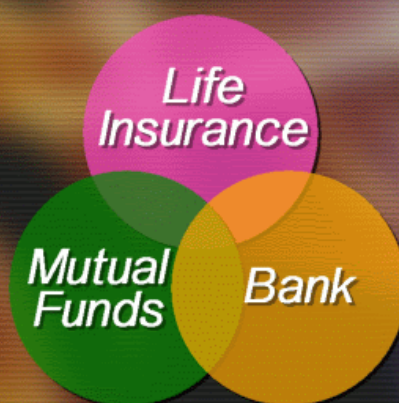


Low interest rates often create an environment that endangers survival



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Mediolanum Product Line Integration



Personalised "Financial Solutions"



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A Business Model built for Flexibility



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



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Mediolanum Multi-channel Bank Model: Diversification & Integration



Integrates all "points of contact"



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Banca Mediolanum's Strategy & Model:

to provide service
when and **where**
the customers want it
&
through the **channel**
they choose



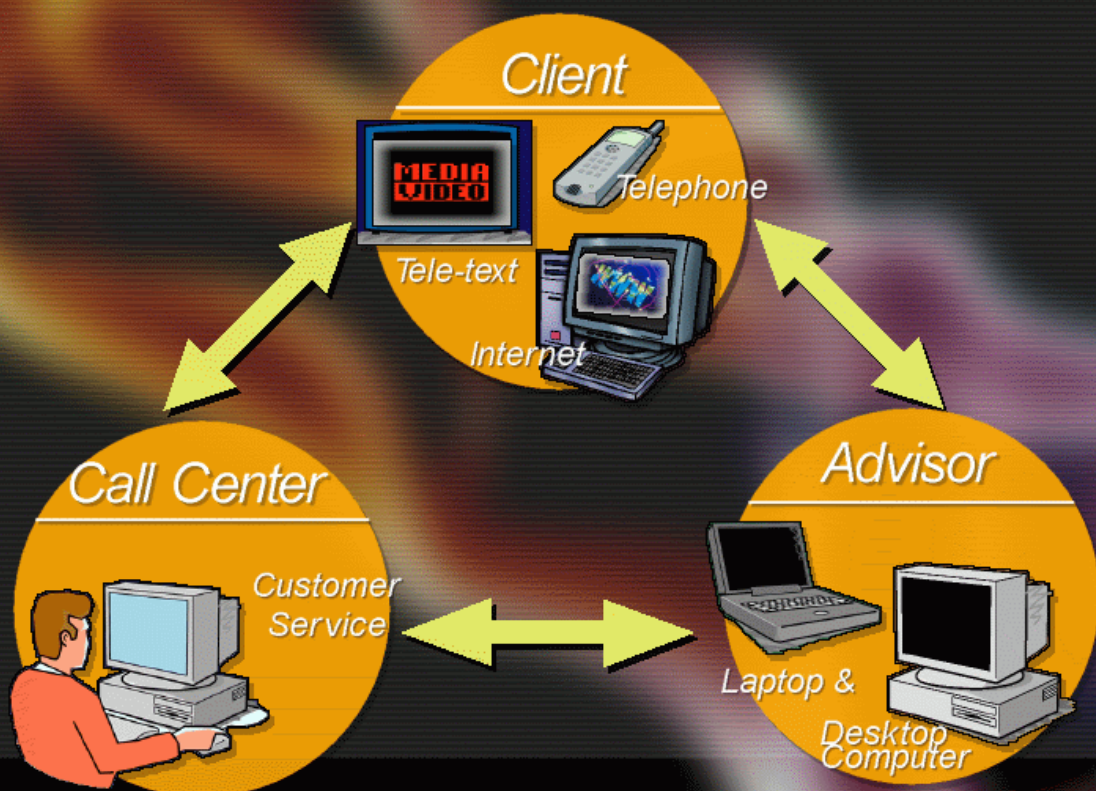
Loyalty & Persistency

Substantially reduces impact of changes in
market environment



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Multi-Channel Integrated Bank Virtuous Triangle



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Interest Rate & Risk Premium of Equity

Nominal Interest Rate below historical minimum

Reduces:

- ▶ bank interest spread
- ▶ life investment income



"Risk Premium of Equity" goes down



Makes the prospect of investing in equity
even more appealing



A blurred background image of a person wearing a blue shirt, possibly in a professional setting. The image is out of focus, with warm tones of orange and yellow on the left side.

Proactivity



Proactivity: Defining Characteristic

"Controlling a situation by taking Initiative"

Our Proactive Actions have helped us to:

- ▶ contain & even reduce costs
- ▶ offer products that provide attractive alternatives to fixed rate products
- ▶ defend revenues via: life policies, current account, recalculation of performance fees

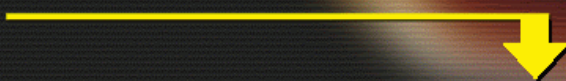


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Proactivity: Era of Traditional Policies

**Single premium & annual premium
traditional policies sold until 1998**

- ▶ invested in government bonds
- ▶ revenues equal to 20% of the yield generated on segregated funds
- ▶ guaranteed the policyholder a minimum yield of 3.8% on average



A "cocktail" of risks & liabilities



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Proactivity: Era of Unit-linked

We stopped selling Traditional policies switching to Unit-linked

Unit-linked characteristics:

- ▶ invest in equity
- ▶ revenues based on the level of assets
- ▶ not tied to interest rates
- ▶ no guarantee of a minimum yield
- ▶ no guarantee of a level of annuity

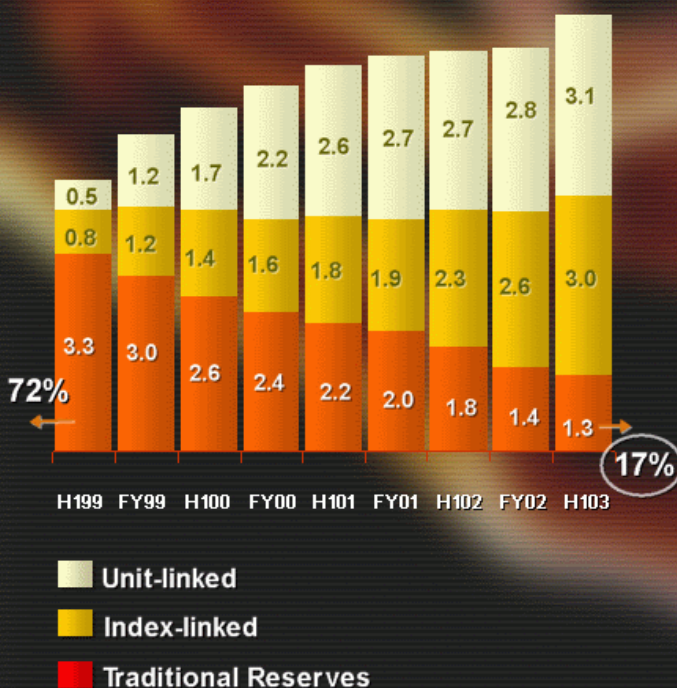
80% of the "transformable" traditional policies were transformed



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Proactivity: Evolution of Mediolanum Life Reserves

euro billions



- ▶ traditional reserves sensitive to low interest rates in decline
- ▶ guarantees relate only to traditional reserves, i.e. 17% of Life assets
- ▶ unit-linked requires no solvency margin, index-linked only 1%
- ▶ cost & availability of capital are not an issue: network commission financed by 1st-year loadings



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Proactivity: Bank Business

1999: current accounts with no costs &
high interest rates

Interest rate cuts put pressure on Interest Spread



2002: we lowered our rates at the right time while
maintaining a significant edge over the competition
Today our best account offers 2%



Our interest spread now generates
important Revenues



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Proactivity: Performance Fees

Impact of fees on fund performance modest:
3% to 5% of the spread of
benchmark performance vs. fund performance



- ▶ average contribution of performance fees to our
revenues: 25 bps on M.F assets/year*

Customer is much more "performance sensitive"
than "price sensitive"



- ▶ customers care about the Performance of investment
- ▶ our Advice to customer compels logical vs. emotional
investing

*Tillinghast's calculation



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Proactivity: Investment Strategy Effect

**Cost of Equity owned by our
customers vs. competitor's customers**



Criteria:

- ▶ Monthly Equity Net Inflows
 - ▶ MSCI World Index
 - ▶ January 2000 - August 2003
- 

**Investments of our customers had an average
"cost of shares purchased"
23% lower
than the competitions' customers**

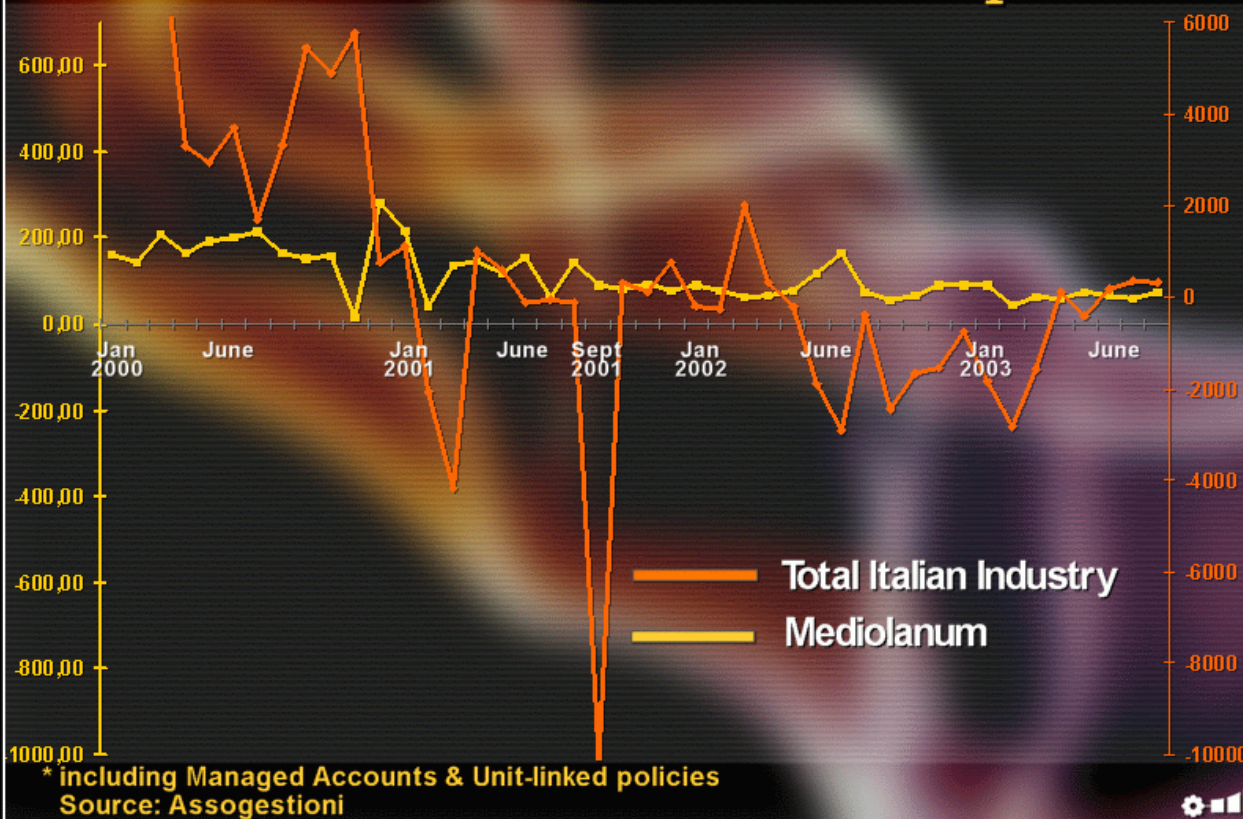


Key Results

H1 2003 Reclassified Results
Mediolanum Group



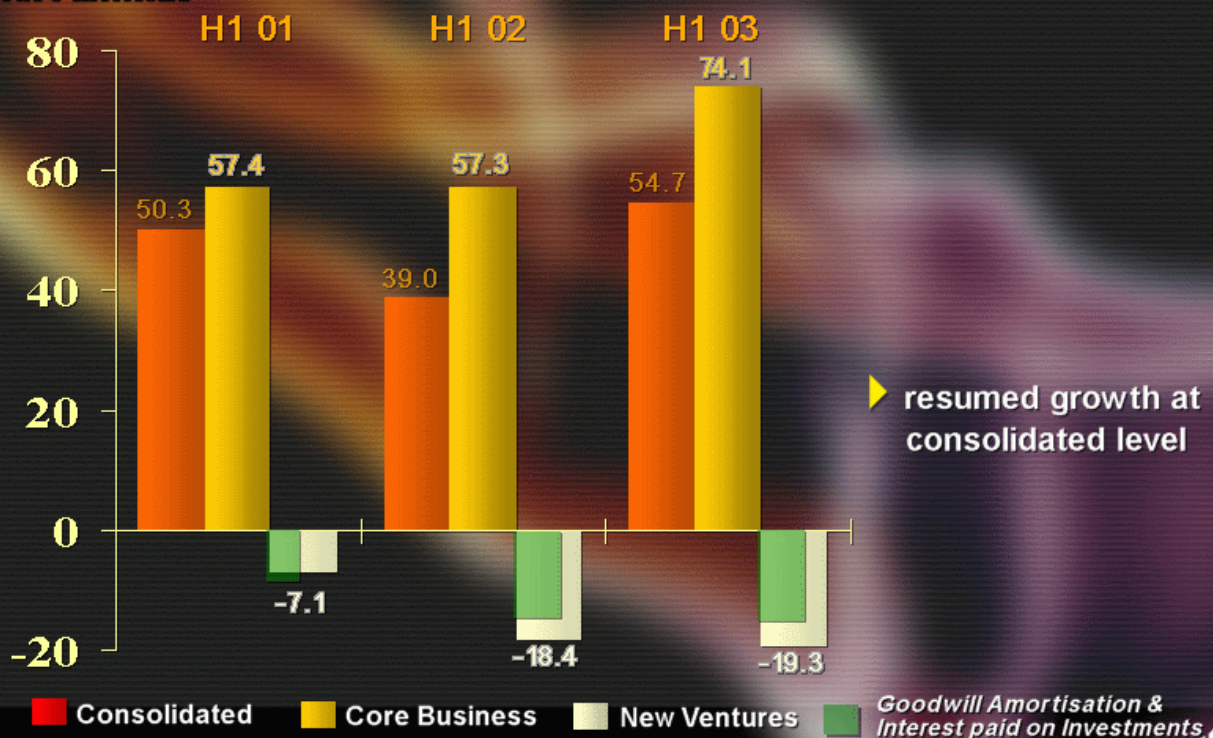
Net Inflows into Equity Mutual Funds* differentiates Mediolanum from competition



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Key Results: Evolution of Net Profit

euro millions



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Key Results: Consolidated AUA

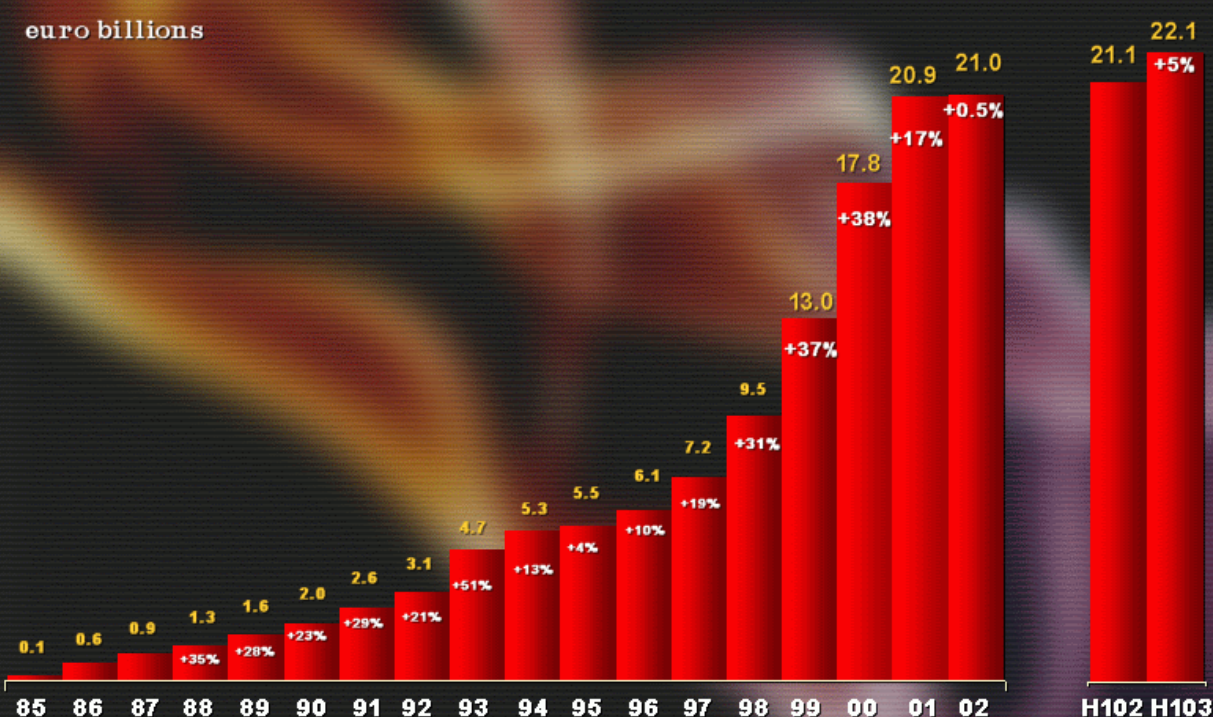
euro millions	30.06.03	30.06.02	Change
Life Reserves	7,366.9	6,745.2	+9.2%
Mutual Funds & M.A.	9,090.3	8,975.9	+1.3%
Institutional Assets	164.8	494.2	-66.7%
Bank Deposits	5,169.9	4,877.4	+6.0%
Consolidation Adjustments	-3,257.0	-3,130.3	+4.0%
Core Business Assets	18,534.9	17,962.4	+3.2%
Spain	1,943.6	1,845.8	+5.3%
Germany	424.5	516.5	-17.8%
Banca Esperia*	1,190.3	745.2	+59.7%
Mediolanum Private	9.4	6.8	+38.2%
New Ventures Assets	3,567.8	3,114.3	+14.6%
CONSOLIDATED TOTAL	22,102.7	21,076.7	+4.9%

* Mediolanum Group's share (48.5%)



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Key Results: Consolidated AUA Evolution



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Key Results: Consolidated Net Inflows

euro millions	H1 2003	H1 2002	Change
Managed Savings	1,077.7	1,205.8	-10.6%
Administered Savings	189.5	998.0	-81.0%
TOTAL NET INFLOWS	1,267.2	2,203.8	-42.5%



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Key Results: H1 2003



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Performance Factors



Performance Factors: Net Investment Income

euro millions	H1 2003	H1 2002	Change
Investment Income - Life	38.4	34.4	+11.6%
Adjustments to the value of financial investments	0.7	-5.6	-112.5%
Adjusted Invest. Income - Life	39.1	28.8	+35.8%
Policyholders' Interest	-20.6	-31.9	-35.4%
Net Invest. Income - LIFE	18.5	-3.1	n.s.
Net Invest. Income - OTHER	-3.0	-0.5	n.s.
Interest paid on Investments	4.3	5.5	-21.8%
NET INVESTMENT INCOME	19.8	1.9	+942.1%
Life Profit before TAX & E.I.	48.3	33.8	+42.9%

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Performance Factors: Net Investment Income

- ▶ reduced gap between yield generated & yield retroceded to policyholders
- ▶ reduced number of policyholders benefiting from retrocession (effect of transformation)
- ▶ good trading performance taking advantage of volatility in bond market
- ▶ the write-ups in the value of the securites

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Performance Factors: Interest Spread

euro millions	H1 2003	H1 2002	Change
Interest Spread	31.8	12.8	+148.4%
‣ Securities	8.3	6.8	+22.1%
‣ Service fees - managed accounts	11.4	14.3	-20.3%
‣ Other Services	12.0	12.1	-0.8%
Service Margin	31.7	33.2	-4.5%
TOTAL BANK REVENUES	63.5	46.0	+38.0%
Bank Profit before TAX & E.I.	27.9	8.6	+224.4%

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Performance Factors: Performance Fees

euro millions	H1 2003	H1 2002	Change
Entry Fees	14.5	17.4	-16.7%
Management Fees	66.4	76.8	-13.5%
Performance Fees	35.6	13.2	+169.7%
TOTAL COMMISSION INCOME*	116.5	107.4	+8.5%
* o/w COMMISSION INCOME - Unbundled Mutual Funds	57.5	59.2	-2.9%
Mutual Funds Profit before TAX & E.I.	23.9	23.3	+2.1%

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Performance Factor: Cost Control

	2002	2001	Change
G&A (Euro million)	172	166	+4%
Bank Customers ('000)	438	369	+19%
Direct Channel Contacts ('000)	9,290	7,770	+20%
Total Transactions ('000)	3,296	2,810	+17%



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Performance Factor: Cost Control - Direct Channel Contacts by type

millions	H1 2003	H1 2002	Change
Internet	2.8	2.3	+18%
VRU (Automatic Response Unit)	1.2	1.1	+10%
Call Center Operators	0.6	0.7	-19%
Other	0.4	0.5	+11%
Total Direct Channel Contacts	5.0	4.6	+8%



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Performance Factor: Cost Control Achievements

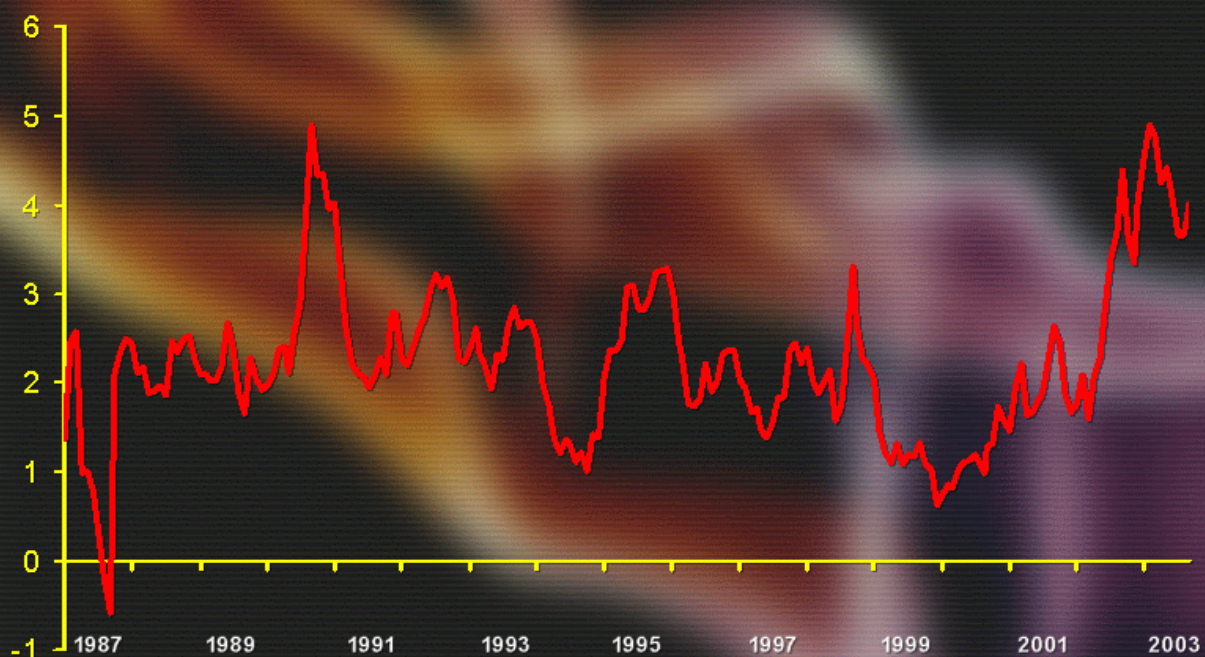
- ▶ adoption of the "Electronic Contract" - eliminates data-entry and reduces errors & inaccuracies
- ▶ re-negotiation of all Supplier Contracts - has generated important cost savings
- ▶ successful development of "Improvement Teams" - volunteer work teams focused on cost savings & quality issues



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Global Risk Premium Evolution*

Our equity products well-positioned to benefit



* excluding Japan

Source: Datastream, Bloomberg, I/B/E/S, FISE



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Performance Factor: Products suitable for a 1% world

Short and Medium-term needs



- ▶ Current Accounts like "Conto Unico" with 2% interest rate & are no-cost
- ▶ "Dipiù Money" - index-linked product that gives yearly coupon with guaranteed principle & pays minimum of 1.5%
- ▶ "Dipiù Power" - takes advantage of even limited gains in the index



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Performance Factor: Products suitable for a 1% world

Long-term needs



"Big Chance" Investment Service

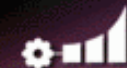
- ▶ initial investments in MM Funds
- ▶ transfers equal instalments into Equity Funds
- ▶ customer decides time interval of instalments
- ▶ "Dollar Cost Average" effect



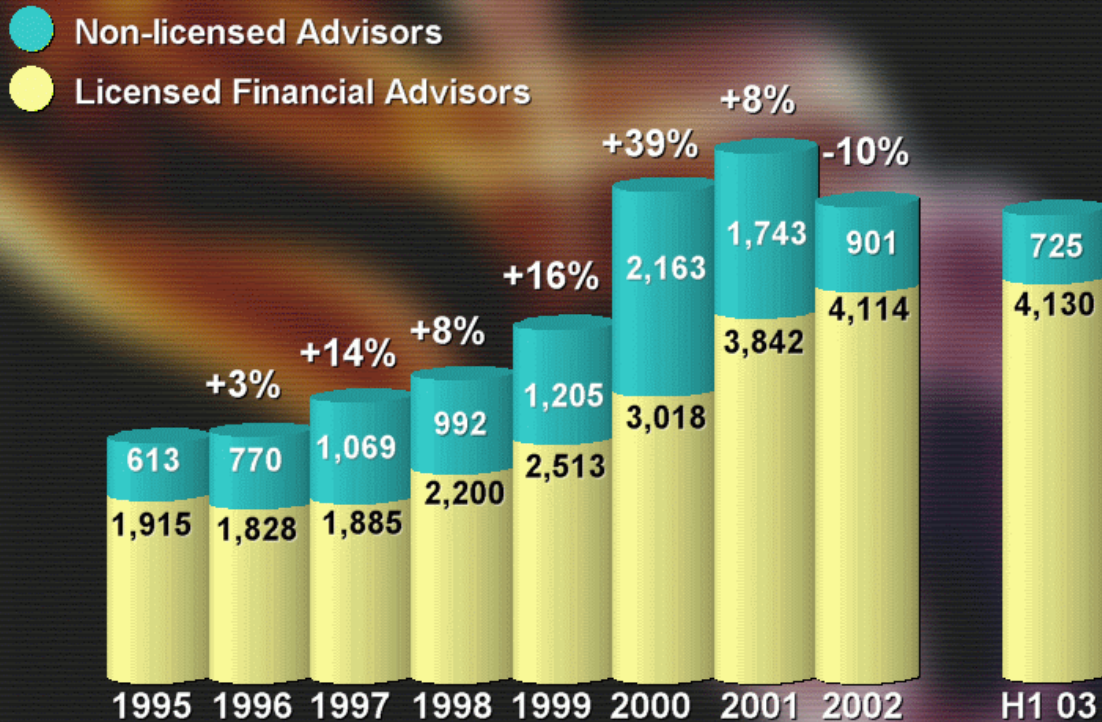
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Key Priority



Key Priority: Recovery of Volumes Sales Network Evolution



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Key Priority: Recovery of Volumes Sales Network

Change in trend: growth in Network in July/August

- ▶ new recruiting process initiated in June: focus put on given territory and involves group meetings i.e. at university campus'
- ▶ targeted TV advertising campaign initiated in September: developed specifically for new advisor recruitment

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Key Priority: Recovery of Volumes Current Accounts

Strong emphasis on increasing the
number of Current Accounts



a Strategic Product for
asset gathering and cross-selling

	Average AUA	Cross Selling ⁽¹⁾
Non-Bank Customers	10,500 euro	1.27
Bank Customers	40,600 euro	2.75
Bank Customers heavy-users	47,200 euro	2.88
Bank Customers heavy-users over age 55	144,000 euro	3.18
Non-Bank Customers over age 55	17,000 euro	1.29

⁽¹⁾ out of 10 products



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Key Priority: Recovery of Volumes Current Accounts

Focus on increasing number of Current Accounts



- ▶ advisor convention presenting:
 - new website with major upgrading of internet channel
 - reorganisation of direct channels to provide customers of "high standing" with a higher level of service quality
- ▶ new TV and print advertising campaign
- ▶ finalise agreements that will give our customers access to more bank branches for services requiring physical facilities (cash depositing, etc.)



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