



## "Growth after Restructuring"



The Italian Financial Services Conference 2004

Rome, February 5-6, 2004

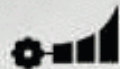






**Edoardo Lombardi**

**Chief Operating Officer**





## Built to face the Crisis

Long decline in the equity market

Corporate bond crisis

Fall in interest rates

Rapid development in technology

Increase in costs in banking system

Organizational rigidity



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## Built to face the Crisis

Long decline in the equity market

- ▶ Experience in 70s & 80s fundamental to maintaining positive results during equity market decline
- ▶ Results confirm validity of commercial strategy
- ▶ Results reinforce confidence level in effectiveness of commercial strategy



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## Built to face the Crisis

Long decline in the equity market

### Investment Strategy

- ▶ We don't suggest specific securities, specific markets nor market timing to the customer
- ▶ Long term approach capitalising on market fundamentals
- ▶ Asset allocation based on customer propensity to volatility should be adhered to once 'set'



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## Built to face the Crisis

Long decline in the equity market

### "5 D Strategy"

1. 'Time Horizon' diversification
2. 'Securities' diversification
3. 'Geographic / Sector' diversification
4. 'Growth Potential' diversification
5. 'Financial Instrument' diversification



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## Built to face the Crisis

### Long decline in the equity market

"PAC" automatic instalment plans

- ▶ service that best represents our Investment Strategy
- ▶ customer benefits from "dollar cost average" effect



"Big Chance"

- ▶ Accumulation plans initially invested in MM Funds
- ▶ Transfers equal instalments into Equity Funds
- ▶ Customer decides time interval of instalments



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## Built to face the Crisis

### Corporate Bond Crisis

Investment Strategy

- ▶ No negative effects for Mediolanum & customers
- ▶ Counter-strategy to recommend specific corporate bonds
- ▶ 0.3% of customers held one of these bonds; majority purchased prior to joining Mediolanum



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## Built to face the Crisis

### Fall in interest rates

stopped selling Traditional policies  
switched 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 "transformable" traditional policies  
were transformed

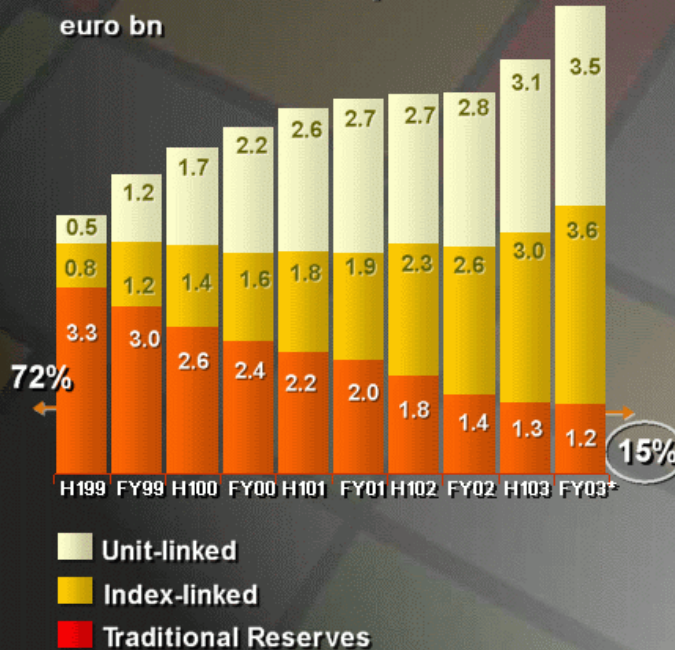


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## Built to face the Crisis

### Fall in interest rates

#### Composition of Life Reserves



- ▶ Traditional reserves sensitive to low interest rates in decline
- ▶ Guarantees relate only to traditional reserves, i.e. 15% of Life assets
- ▶ Unit-linked requires no solvency margin, index-linked only 1%
- ▶ Cost & availability of capital not an issue: network commission financed by 1st-year loadings

\* Preliminary Figures



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## Built to face the Crisis

### Rapid development in technology

Technology-based sophisticated financial solutions

- ▶ 'MyPension': allows flexibility between Europension & Tax Benefit based on customer tax situation for given year
- ▶ 'Chorus': managed account with automatic asset allocation
- ▶ 'Consolida Rendimenti': mutual fund gains automatically reinvested in bond funds based on client time frame & yield criteria
- ▶ 'PacPiù': doubles M.F instalment payments when unit-value drops to pre-determined level, investing more when fund is 'cheap'



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## Built to face the Crisis

### Cost increase in banking system

- ▶ Our technology based model results in less costly structure
- ▶ Cost-savings/2002: utilised to compete with internet banks to push increase in current accounts
- ▶ Cost-savings/2003: utilised to reinforce margins



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## Built to face the Crisis

### Cost increase in banking system

#### Increase in use of low-cost channels

mn	2003	2002	Change
Internet	5.9	4.6	+28%
VRU (Automatic Response Unit)	2.5	2.5	---
Call Center Operators	1.1	1.2	-8%
Other	1.0	1.0	---
<b>Total Direct Channel Contacts</b>	<b>10.5</b>	<b>9.3</b>	<b>+13%</b>



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## Built to face the Crisis

### Organisational rigidity

#### Our flexibility

- ▶ Network armed with appropriate products & promo activities to maximise opportunities
- ▶ Product modification & savings-oriented projects protect margins
- ▶ Network able to advise the right solution based on market situation & client needs giving maximum credit to concept of "Global Advising"



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## Consolidated Trends: 1999 - 2003

	2003	1999	Change
<b>AUM (euro mn)</b>	<b>23,430</b>	<b>12,967</b>	<b>+80.7%</b>
<b>Primary Account Holders</b>	<b>852,926</b>	<b>469,000</b>	<b>+81.9%</b>
<b>Current Accounts</b>	<b>406,546</b>	<b>144,053</b>	<b>+182.2%</b>
<b>Financial Advisors*</b>	<b>5,632</b>	<b>3,718</b>	<b>+51.5%</b>

\* Excluding Partner Time & Gamax



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## Consolidated Trends: 1999 - 2003

euro millions	AVG 2000/03	1999	Change
<b>Net Profit*</b>	<b>105</b>	<b>88</b>	<b>+18.4%</b>
<b>Net Inflows into Managed Savings</b>	<b>2,171</b>	<b>1,174</b>	<b>+84.9%</b>

\* Analysts' Consensus used for the 2003 Net Profit figure



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## Mediolanum Growth Factors: the next 5 years

What do the next 5 years hold for Mediolanum?

Expansion abroad

Banca Esperia

Growth in Sales Network

Growth in Customer Base

Increase in productivity



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## Mediolanum Growth Factors

International Expansion: Spain

2000: first step in exporting Mediolanum Model abroad

- ▶ Net profit will cover goodwill amortisation in 2006
- ▶ Fibanc passed 'start-up' phase



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## Mediolanum Growth Factors

### International Expansion: Germany

2001: Bankhaus August Lenz

- ▶ Breakeven in 2007

2001: Gamax

- ▶ 2003: Net profit
- ▶ 2006: Net profit will cover goodwill amortisation



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## Mediolanum Growth Factors

### International Expansion: the future

- ▶ Expansion abroad will continue
- ▶ Next objective: France & Poland



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## Mediolanum Growth Factors

### Banca Esperia: Private Banking

- ▶ HNW client segment
- ▶ Significant contribution to Group profits in 2003
- ▶ Important source of profit in the future



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## Mediolanum Growth Factors

### Growth of Sales Network: Italy

- ▶ Jedi recruitment project concentrates & coordinates recruitment efforts at the territory level
- ▶ 'Turnover rate reduction plan' provides assistance to outstanding young advisors to retain them during difficult sales periods
- ▶ 5% increase in 2004
- ▶ 10% organic growth in successive years



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## Mediolanum Growth Factors

### Growth of customer base

- ▶ Growth of network fundamental factor to growth in customer base
- ▶ Strong advertising support to back up networks' efforts: brand awareness & recognition
- ▶ Logistical problems resolved for cash withdrawal and deposit
- ▶ New customer segmentation system for customers: measures assets, cross-selling rate, profitability, dormancy rate for prospects: measures potential
- ▶ New customer segmentation system for prospects: measures potential



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## Mediolanum Growth Factors

### Increase in productivity: administrative structure

Determining factor: Increase in AUA

- ▶ Maintenance & increase in positive net inflows: based on development of customer base & assets of existing customers
- ▶ Assets will benefit from positive market effect: Mutual Funds & Managed Accounts: 70% equity
- ▶ Our technology will enable us to increase assets without adding manpower



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