

# **Bipiemme Group**

## **The Italian Financial Services Conference “Weathering the storm”**

**Milan, 30<sup>th</sup> January 2009**



**BANCA POPOLARE DI MILANO**

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# Bipiemme Group: highlights (1/2)

## **FOCUSED ON COMMERCIAL BANKING**

- ~1.3mln customers\*: ~3,000 corporate banking clients and ~1,300,000 commercial banking clients (of which 89% retail, 10.5% SB, 0.5% SME's)
- ~ 75% of total funding comes from retail while ~ 25% from wholesale
- 83% of total income as at 30 September 2008 comes from Commercial banking and 12% from Corporate banking

## **LOW RISK PROFILE**

- Good credit quality: NPL / loans at 0.5% well below the system; cost of credit at 47bp as of 30.09.08
- Adequate capital position: as at 30 September 2008 Core Tier1 6.4% Tier1 7.6% TCR 10.1%
- Among the first italian banks in terms of tangible equity / total asset as of 30/09/08
- Sound funding position
- Rating: A1 stable Moody's / A- stable S&P's / A stable Fitch

\***Corporate banking** composed of: corporate with turnover > €50m;

**Commercial banking** composed of: SME's with turnover €5-50m and Small Business with turnover €0-5m;

# Bipiemme Group: highlights (2/2)

## **STRONG FRANCHISE IN NORTH OF ITALY**

■ Market share in Italy around 2.1%\* split as follow:

Lombardy	7.2%	Milan: 12.5%	Varese: 12.5%	Lecco: 13.0%
Piedmont:	3.5%	Alessandria: 20.9%		
Apulia:	2.6%	Foggia: 11.6%		
Lazio:	2.2%	Rome: 4.3%		
Other regions:	3.6%			

## **CORPORATE GOVERNANCE**

- Cooperative bank with about 94,000 shareholders, of which about 47,000 registered shareholders with voting rights.
- Recently some institutional investors became registered shareholders with voting rights
- New governance approved on 13.12.08: first mover in terms of widening minorities of representation inside the administrative bodies (6 seats in the BoD –out of 18- reserved to minorities and 1 seat in statutory Board of Auditors)

\* Data as at 30 September 2008



# BPM's actions from June 08 to date (1/2)

## CAPITAL ADEQUACY

**Core Tier1 > 6%  
by YE 08**

- Use of ECAI\* rating
- RWA optimisation through revaluation of eligible collateral
- Payout 50%

## LIQUIDITY

**Increase liquidity level  
and the buffer margin**

- Reductions in financial assets
- Focus on direct funding (+6.2% June 08, +11.7% Sept 08)
- Set up of internal securitisation on BPM loans in order to increase eligible assets for ECB repo's (~€1.2bn)
- Issue of BPM Group bonds for customer repo's

## LOANS GROWTH

**Continues**

- >€1.0bn in mortgages and personal loans granted in Q3 08
- New loan facilities for SMEs
- New products for households (Euromutuo)

\* External Credit Assessment Institution

# BPM's actions from June 08 to date (2/2)

## FINANCIAL ASSET ALLOCATION

**Results**

- No changes to financial asset categories as BPM has not applied voluntary amendments to IAS 39
- Re-evaluation as at Sept 08 were carried out according to IAS 39

## CURRENT WORK IN PROGRESS

**Ongoing**

- Webank spin-off: transformation of We@service into an online bank. Total n. of customers: ~400,000 of which ~40,000 are purely online

## RECENT DEVELOPMENT

**Results**

- Acquisition of Unicredit branches (39 branches)
- Acquisition of 56.9% of B.P. Mantova (9 branches)
- Public Tender Offer on Anima (reached 94.05%)\*

## GOVERNANCE

**Changes**

- On 13<sup>th</sup> December 2008 EGM approved amendments to BPM By-laws

# Amendments to BPM By-laws : highlights

On 13<sup>th</sup> December 2008 the Extraordinary General Meeting approved the amendments to BPM By-laws.

## Previous BPM By-laws

- **N. Directors:** 20  
  *. split as follows*  
    Majority list: 16  
    Minority lists: 4
- **N. independent Directors\*:** 2
- **Art. 45 of By-laws:** General Manager power/roles are not listed
- **Art. 31 of By-laws:** (1) resolutions of shareholders' meetings related to absorptions or mergers: 3/4 of shareholders voting (at least 500)



## Current BPM By-laws

- **N. Directors:** 18  
  *. split as follows*  
    Majority list: half + 1 (now 10)  
    Minority lists: 6  
    Strategic partners' representatives: 2
- **N. independent Directors\*:** 4
- **Art. 45 of By-laws:** General Manager power/roles are listed
- **Art. 31 of By-laws:** (1) resolutions of shareholders' meetings related to absorptions or mergers: 2/3 of shareholders voting (at least 500)

## Additions/changes to the previous By-laws

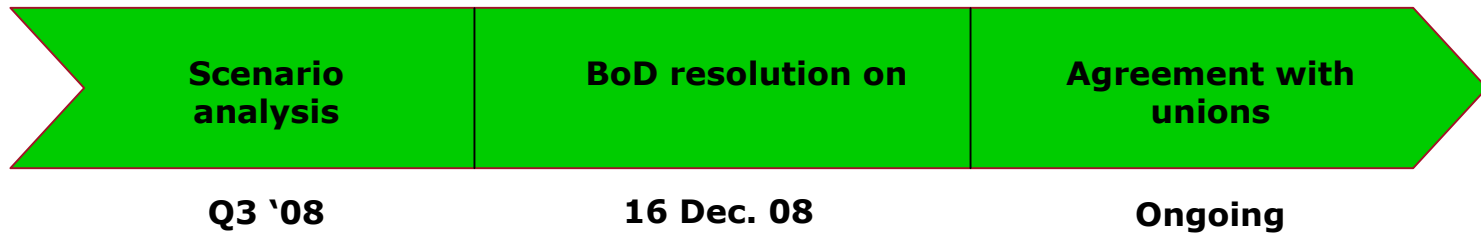
- **Art. 31 of By-laws:** the meeting quorum required for AGM is required also in EGM in the case of resolutions to be passed to comply with the instructions of the Supervisory Authority issued to establish or assimilate regulatory provisions
- **Art. 41 of By-laws:** attribute an acting member of the Board of Auditors to a list presented by UCITS\*\* on the condition that the same has obtained at least 5% of the total votes cast

7 (\*) Art. 147-ter TUF ratifies that a BoD with at least 7 members must have a minimum of 2 independent Directors

(\*\*) "Undertaking for Collective Investment in Transferable Securities"

# Cost saving project: “fondo di solidarietà”

## Timing



## Main objectives

- Personnel net reduction of approx 400 units in 3 years mainly in head office
- Optimization of head office structure of parent company and group commercial banks
- Agreement with the unions expected by the end of June
- At the end of the plan material benefit on cost income



# AuM B.U. razionalisation

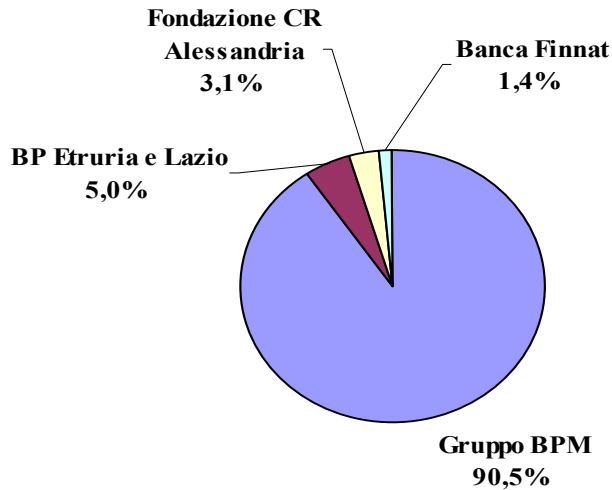


- diversified range of products
- performances
- operating efficiency

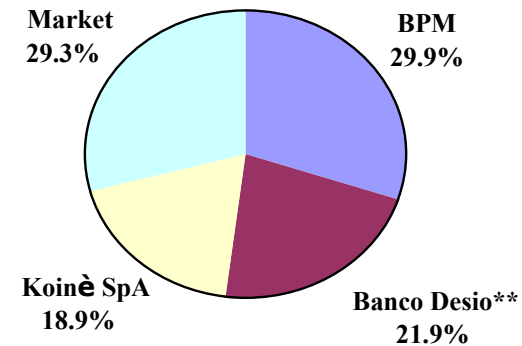


well known trademark  
diversified franchise network

## BPM Gestioni: Shareholders Equity



## Anima: Shareholders Equity post Tender Offer



At the end of the Tender Offer Bpm stake at 94.05%\*

# September 2008 results: highlights

€ m	Sept 08	Sept 07	%
Loans	31,984	28,842	10.9
Funding	34,720	31,078	11.7
Assets under custody	20,025	20,761	(3.5)
Asset management	17,174	20,138	(14.7)
Tier1	7.6	7.2	0.4pp
TCR	10.1	9.6	0.5pp
RWA	37,423	33,812	10.7

Strong loans and funding growth continues, driven by commercial banking activity (Mkt share: loans 1.96% +10bp YoY, funding 2.08% stable YoY)

AUM trend still negative, but better than the sector (Mkt share 2.18% + 13bp YoY and +30bps on a homogenous basis)

€ m	Sept 08	Sept 07	%
Interest income	791	762	3.9
Total income	1,250	1,368	(8.6)
Operating profit	438	562	(22.1)
Net income	143	302	(52.7)
Cost/income ratio	65.0%	58.9%	6.1 pp
ROE adj. (annualised)	7.2%	15.4%	(8.2pp)

Interest income performance supported by contribution from corporate and commercial banking

Total income mainly affected by portfolio adjustments and weak net commissions

Net income also affected by adjustment on Anima stake

# 9M 08 divisional performance

€m		Comm. Bk	Corp. Bk	Inv. Bk	Wealth Mgt	Corp. Center	BPM Group
<b>Interest income</b>	<b>Amount</b>	626	99	(21)	0.4	87	<b>791</b>
	<b>% Chg.</b>	7.5	26.4	nm	2.7	1.8	<b>4.1</b>
<b>Non Int. income</b>	<b>Amount</b>	409	51	10	35	(45)	<b>459</b>
	<b>% Chg.</b>	(3.8)	0.9	(89.3)	(11.7)	nm	<b>(24.3)</b>
<b>Total income</b>	<b>Amount</b>	1,035	149	(10)	35	41	<b>1,250</b>
	<b>% Chg.</b>	2.7	16.4	nm	(11.6)	(50.0)	<b>(8.6)</b>

# Financial Assets

€ m	Dec 07 total	Sept. 08 total	Forecast 31/12/08	Maturing 2009
BPM & Others	2.521	2.830	2.400	200
BPM Ireland	1.341	1.114	900	180
Banca Akros	1.964	1.284	1.300	n.m.
<b>TOTAL FINANCIAL ASSET</b>	5.826	5.228	4.600	380

Yearly trend and year-end forecast:

- BPM & Others portfolio posted a temporary increase at the end of September of €310m, mainly due to the increase in Government bonds. BPM portfolio is forecast to decrease by €450m over Q4.

- BPM Ireland portfolio decreased by almost €230m as at September 30<sup>th</sup> due to sale or maturity of bonds. The portfolio will decrease by €200m by YE. The structured credit portfolio is gradually reducing and at the year-end the open position will be negligible (€20-25m).

- Banca Akros portfolio decreased by almost €680m at the end of September mainly due to the equity portfolio. The reduction was due to a more cautious approach, induced by the global financial crisis. No changes in the size of the portfolio are forecast by year-end.

# Provisions and adjustments: breakdown

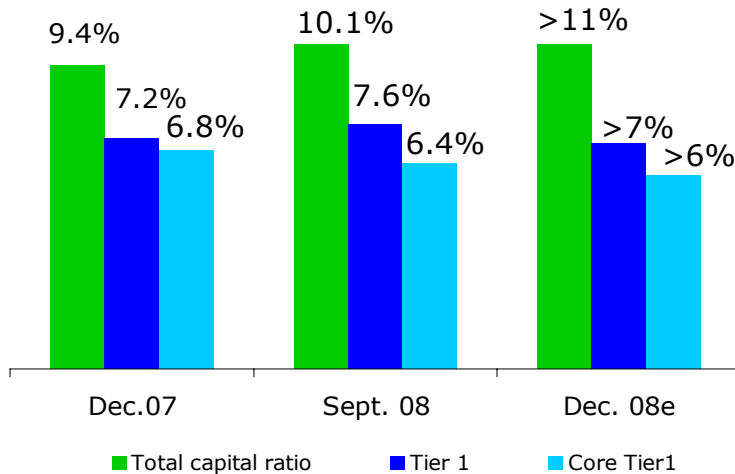
Details on provisions & adjustments	Sept 08 €m	bp	Sept 07 €m	bp
<b>Net adjustments To loans &amp; fin. Asset</b>	<b>-111.6</b>	<b>47</b>	<b>-81.9</b>	<b>38</b>
<i>o/w</i>				
<i>Financial position adjustments</i>	-9.0	4	-0.2	0
<i>Portfolio adjustments</i>	-17.1	7	-22.1	10
<i>Specific adjustments</i>	-85.4	36	-59.6	28
<b>Detail on specific adjustments by segments</b>				
Retail	-16.7	31	-10.4	21
Small Business	-40.9	78	-27.6	58
SME's	-23.9	60	-20.3	59
Corporate	-4.0	5	-1.3	2

■ Annualised total cost of credit at 47bp calculated using loans figures at the end of September 2008

■ Annualised total cost of credit by segment calculated using average loans YTD

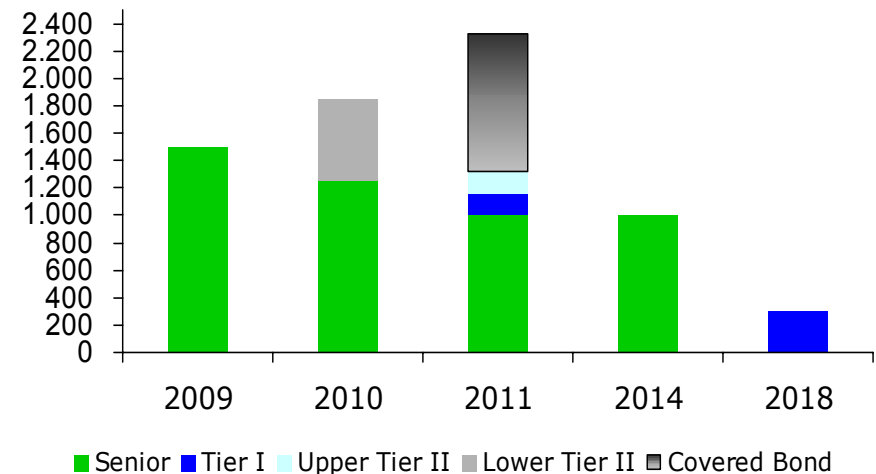


# Capital ratio



- In September 08, Tier1 benefited from a €300m perpetual bond issue and TCR from a €270m subordinated issue
- YE 08 forecasts confirmed: Core Tier1 >6%, Tier1 over 7% and TCR more than 11%. Figures include the effects coming from UCI branches, BP Mantova acquisition and Anima Tender Offer

## BPM Wholesale Debt maturity



- Wholesale funding: €1.5bn expire in 2009, fully refinanced by Covered Bond 10y Programme
- Eligible assets for ECB repo's up to ~ €1.6bn

The ratios have been calculated by using the standard Basel 2 model

# Conclusion

In a difficult environment, BPM remain a solid Group with the following main features:

- Focused on Commercial Banking
- Low risk profile
- Strong franchise
- Focused on ongoing projects in order to improve the efficiency:
  - razionalitation AuM activities
  - cost saving project
  - integration of branches recently acquired
- New governance