



BANCA POPOLARE DI MILANO

Milano, 21 luglio 2009

**COMUNICATO STAMPA**  
**Fitch rivede l'outlook di Banca Popolare di Milano**

Fitch conferma i rating A / F1, rispettivamente long e short-term e rivede da stabile a negativo l'outlook del rating Banca Popolare di Milano.

*Si allega il comunicato stampa dell'agenzia di rating.*

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**FITCH AFFIRMS BANCA POPOLARE DI MILANO AT 'A';  
OUTLOOK REVISED TO NEGATIVE**

Fitch Ratings-London/Milan-21 July 2009: Fitch Ratings has today affirmed Italy-based Banca Popolare di Milano's (BPM) Long-term Issuer Default Rating (IDR) at 'A', Short-term IDR at 'F1', Individual Rating at 'B/C', Support Rating at '3' and Support Rating Floor at 'BB+'. The agency has simultaneously revised the rating Outlook to Negative from Stable.

The Outlook revision reflects Fitch's expectation that BPM's asset quality is likely to deteriorate further following the significant rise in impaired loans at the bank since the last quarter of 2008.

Gross impaired loans have increased substantially in the past year to account for 4.3% of total gross loans at end-March 2009, compared with 2.64% at end-2007. As a result, and despite the higher loan impairment charges reported by the bank, impairment allowance coverage has decreased.

The rapid increase in impaired lending at BPM in the current severe economic recession is worse than that experienced at many of its peers, reflecting its above-average exposure to property investment companies

and to real estate developers, which have been responsible for a significant number of new impaired positions. Fitch acknowledges the bank's policy of classifying loans at an early stage and considers that many of the exposures are supported by good levels of collateral.

However, individual borrower concentrations at BPM remain higher than the average for a cooperative bank mostly engaged in retail, small business and SME lending, reflecting its position in industrial Lombardy.

BPM's operating profitability has been under pressure since 2008 as a result of weaker operating revenues and higher loan impairment charges. Fitch expects this trend to continue for the rest of 2009 in line with market trends, as credit demand is likely to remain subdued and the low interest rate environment will strain BPM's net interest income while commission income also remains subdued. If the pace of deterioration in asset quality experienced in Q408 and Q109 was to continue for the rest of 2009, resulting loan impairment charges could erode a significant portion of BPM's pre-impairment operating profit.

BPM is taking part in the Italian government's hybrid capital injection plan and is due to receive EUR500m, which would improve its Tier 1 regulatory capital ratio by 150 bp, which Fitch considers adequate. The bank plans to reimburse this hybrid in 2013 and to continue to maintain adequate capitalisation through the issue of a mandatory convertible bond.

BPM is the eighth-largest bank and fourth-largest cooperative bank in Italy, with a national share of loans and deposits of around 2% respectively.

A report on BPM will be available shortly at [www.fitchratings.com](http://www.fitchratings.com), under Financial Institutions/Banks/Full Rating Reports.

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