



BANCA POPOLARE DI MILANO

### **Moody's rivede i rating di BPM**

Bipiemme comunica che Moody's Investors Service ("Moody's") ha deciso di diminuire il *long-term and deposit rating* di BPM a Baa3 da A3, lo *short-term debt and deposit ratings* a Prime-3 da Prime-2. Moody's ha inoltre diminuito la *standalone bank financial strength rating (BFSR)* di un "notch" a D+, che mappa a Ba1 della scala di rating di lungo termine da C- (che mappava a Baa1). L'*outlook* per tutti i rating è negativo.

Bipiemme fa peraltro presente di non condividere la decisione di Moody's.

Tale decisione appare effettuata sulla base di motivazioni contraddittorie e senza il supporto di un'adeguata considerazione delle implicazioni delle recenti modifiche alla struttura di governo societario della Banca, ora incentrato su un sistema dualistico particolarmente rigoroso.

Il riconoscimento da parte di Moody's (i) del miglioramento del sistema di governo societario in risposta alle richieste dell'autorità di vigilanza, (ii) del miglioramento della situazione patrimoniale in virtù delle iniziative sul capitale avviate, nonché (iii) della soddisfacente posizione di liquidità della Banca, costituiscono una conferma del fatto che le azioni che BPM ha intrapreso vanno nella giusta direzione. Allo stesso tempo, proprio tale riconoscimento evidenzia le contraddizioni alla base della decisione di *downgrading* comunicataci in data odierna.

Bipiemme considererà ogni azione che potrà essere intrapresa al fine di tutelare la Banca e i suoi azionisti.

Si allega comunicato dell'agenzia Moody's.

Milano, 11 novembre 2011

Per informazioni:

**Direzione Relazioni Esterne**

Ildebrando Radice  
02.77.00.2527

**Ufficio stampa**

02.77.00.3784  
[relazioni.esterne@bpm.it](mailto:relazioni.esterne@bpm.it)

**Investor Relations**

02.77.00.2057  
[investor.relations@bpm.it](mailto:investor.relations@bpm.it)

**Barabino & Partners**

Sabrina Ragone  
02.72.02.35.35 - 338.25.19.534  
[s.ragone@barabino.it](mailto:s.ragone@barabino.it)

Claudio Cosetti

02.72.02.35.35 - 335.74.91.683  
[c.cosetti@barabino.it](mailto:c.cosetti@barabino.it)



**Rating Action: Moody's downgrades Banca Popolare di Milano (Italy) to Baa3/D+, negative outlook**

**Global Credit Research - 11 Nov 2011**

Milan, November 11, 2011 -- Moody's Investors Service today downgraded Banca Popolare di Milano's (BPM) long-term debt and deposit ratings to Baa3 from A3, and its short-term debt and deposit ratings to Prime-3 from Prime-2. Moody's also downgraded the bank's standalone bank financial strength rating (BFSR) by one notch to D+, mapping to Ba1 on the long-term scale, from C- (which maps to Baa1). The outlook for all ratings is negative.

This rating action concludes the review for possible downgrade initiated on 5 May 2011.

**RATINGS RATIONALE**

The decision to downgrade BPM's ratings primarily reflects Moody's concern that the bank will be structurally challenged by its specific governance structure to maintain a sufficient cost flexibility also compared to its domestic peers. Moody's believes that such cost flexibility will be paramount for the bank's management to be able to successfully navigate the bank through a very challenging operating environment which has already impacted the system's funding costs and is likely to put further pressure on the Italian banking system's asset quality. Moody's

notes that improvements have been made in response to the Italian regulator's demands, but remains concerned that the bank's corporate governance structure will still make it challenging to improve or even maintain its low profitability, which will remain at levels more compatible with a standalone financial strength rating at the standalone Ba1/D+ level for some time.

Moody's noted that in June 2011, BPM's annualised pre-provision income was a modest 1.14% of risk-weighted assets. Growth prospects for Italy have been cut and cost of funding has increased in recent months, which are likely to make the 9% annual growth rate of revenues

envisaged by the business plan until 2013 uncertain and difficult to achieve. Moody's also pointed out the bank's difficulty to cut costs, with the business plan envisaging an 1.3% compounded annual growth rate of costs until 2013.

The rating agency notes that, owing to its low profitability, the bank will be challenged to generate substantial capital from retained earnings.

Nevertheless the bank will improve capital adequacy, with a Core Tier 1 ratio expected at 8.3% at the year end, assuming the completion of the ongoing share issue (fully underwritten by a pool of banks) and the conversion of a mandatorily convertible bond. It is also worth noting that

BPM's liquidity is satisfactory, which has allowed the bank to cope with the current difficult market funding conditions all the more so since its funding is largely retail-deposit based.

The negative outlook is driven by the difficult operating environment and the bank's resistance to change.

#### WHAT COULD CHANGE THE RATINGS UP

The outlook could return to stable in the event of a significant improvement in profitability (net income above 1% of risk-weighted assets on a sustainable basis).

#### WHAT COULD CHANGE THE RATINGS DOWN

Failure to strengthen the group's profitability, capital adequacy or corporate governance could put negative pressure on the ratings.

The following ratings were downgraded:

- standalone bank financial strength rating (BFSR) to D+ from C-;
- long-term deposit and senior debt ratings to Baa3 from A3;
- short-term ratings to Prime-3 from Prime-2
- senior unsecured MTN rating to P(Baa3) from (P)A3;
- subordinated debt rating to Ba1 from Baa1;
- subordinate MTN rating to (P)Ba1 from (P)Baa1;
- Tier III MTN rating to (P)Ba1 from (P)Baa1;
- junior subordinate MTN rating to (P)Ba2 from (P)Baa2;
- preferred stock rating to B1(hyb) from Ba1(hyb).

The methodologies used in this rating were Bank Financial Strength Ratings: Global Methodology published in February 2007, and Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology published in March 2007. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

The bank is headquartered in Milan, Italy. At June 30th 2011 it had total assets of EUR56 billion.

#### REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to

each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings

are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this

announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular

rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement

provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned

subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment

of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity

page for the respective issuer on [www.moodys.com](http://www.moodys.com).

The rating has been disclosed to the rated entity or its designated agent(s) and issued with amendment resulting from that disclosure.

Information sources used to prepare the rating are the following : parties involved in the ratings, and public information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating. Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entity or its related third parties within the two years preceding the credit rating action. Please see the special report "Ancillary or other permissible services provided to entities rated by MIS's EU credit rating agencies" on the ratings disclosure page on our website [www.moody's.com](http://www.moody's.com) for further information. Please see the ratings disclosure page on [www.moody's.com](http://www.moody's.com) for general disclosure on potential conflicts of interests. Please see the ratings disclosure page on [www.moody's.com](http://www.moody's.com) for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter. Please see Moody's Rating Symbols and Definitions on the Rating Process page on [www.moody's.com](http://www.moody's.com) for further information on the meaning of each rating category and the definition of default and recovery. Please see ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website [www.moody's.com](http://www.moody's.com) for further information. Please see [www.moody's.com](http://www.moody's.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Carlo Gori  
Vice President - Senior Analyst  
Financial Institutions Group  
Moody's Italia S.r.l  
Corso di Porta Romana 68  
Milan 20122  
Italy  
Telephone:+39-02-9148-1100  
Johannes Wassenberg  
MD - Banking  
Financial Institutions Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454  
Releasing Office:  
Moody's Italia S.r.l  
Corso di Porta Romana 68  
Milan 20122  
Italy  
Telephone:+39-02-9148-1100

© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET**

**ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided

"AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and

procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61

003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided

only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this

document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act

2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are

MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In

such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned

credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc.,

a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of

the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make

any investment decision based on this credit rating. If in doubt you should contact your financial or other professional

adviser.