



MEDIOLANUM

GRUPPO MEDIOLANUM

The **I**talian **F**inancial **S**ervices **C**onference 2003

Looking for **Value**

in a **Low Growth Environment**

Naples, February 6-7, 2003

GIUBERGIA UBS WARBURG
Società di Intermediazione Mobiliare

 **UBS Warburg**





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Chief Operating Officer



Slow Growth Environment & Valuation

- ▶ Increased global competition
- ▶ Slowed growth
- ▶ Constant shareholder request for improvement in financial results



**great demand for Short-Term Performance
measured by the Bottom Line & Ratios**



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Fast Growth Environment & Valuation

**Tangible metrics declared to be of little relevance
in boom times**



emphasis on Non-Financial Indicators

- ▶ Business model
- ▶ Degree of innovation
- ▶ Growth of customer base



promise of Long-Term Performance



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Performance Criteria

*"Financial performance tells me
what a company has already done.*

*Non-financial performance tells me
what it is likely to do".*

Senior Portfolio Manager



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How do we look at Value?

Value increasingly found in non-financial criteria



business model, innovation, people, ideas, brand, etc.

**The bottom line still matters as do
other financial metrics...**

...but they provide only a limited view of a company's
total Value



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The need for Balance

We see the need to Balance our Focus on:

- ▶ Hard numbers
- ▶ Intangibles that will drive Value in the future



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Our Agenda

Strategy & Model

Actions to increase Value in the Short Term

Actions to increase Value in the Long Term



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Strategy & Model

Mediolanum's Strategy & Model
built with
"anti-seismic" criteria



Responsive to the
shocks & jolts of tumultuous times,
not just the 'easy times'



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The '5D' Strategy

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



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Mediolanum Investment Strategy

- ▶ Clients are advised to invest following a series of diversification criteria: 'time horizon' the most important
- ▶ Investment in equity is advised for time horizons greater than 7 years
- ▶ Equity investment is diversified across the global economy to reduce risk
- ▶ Long term investors are advised to view market crises as buying opportunities
- ▶ Advice is not based on stock-picking, tactical asset allocation decisions, or market timing



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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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A Business Model built for Loyalty



*Life Insurance
Financial
Banking*

All financial needs from one source
& one professional



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Strategy & Model (bis)

Mediolanum's Strategy & Model
built with
"anti-seismic" criteria



able to substantially Reduce
impact of market Volatility

not only on our Customers but
also on our Operations



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Commercial vs. Technical Performance

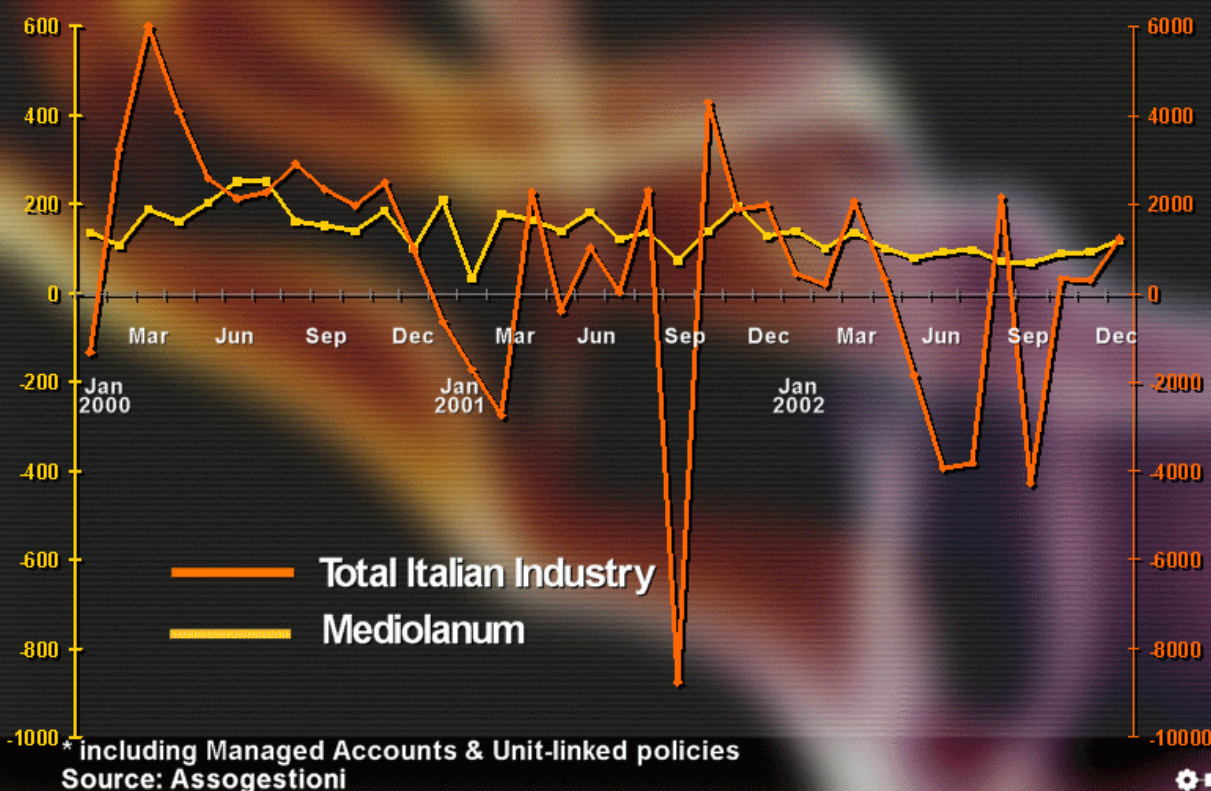
High priority given to Commercial performance

- ▶ Commercial performance: achieved by the Customer via the correct choice of time to invest & liquidate
- ▶ Technical performance: obtained by the Asset Manager
- ▶ Capital guaranteed products: for investments with a duration of up to 8 years
- ▶ Equity products: for investment with long duration (e.g. individual pension plans)



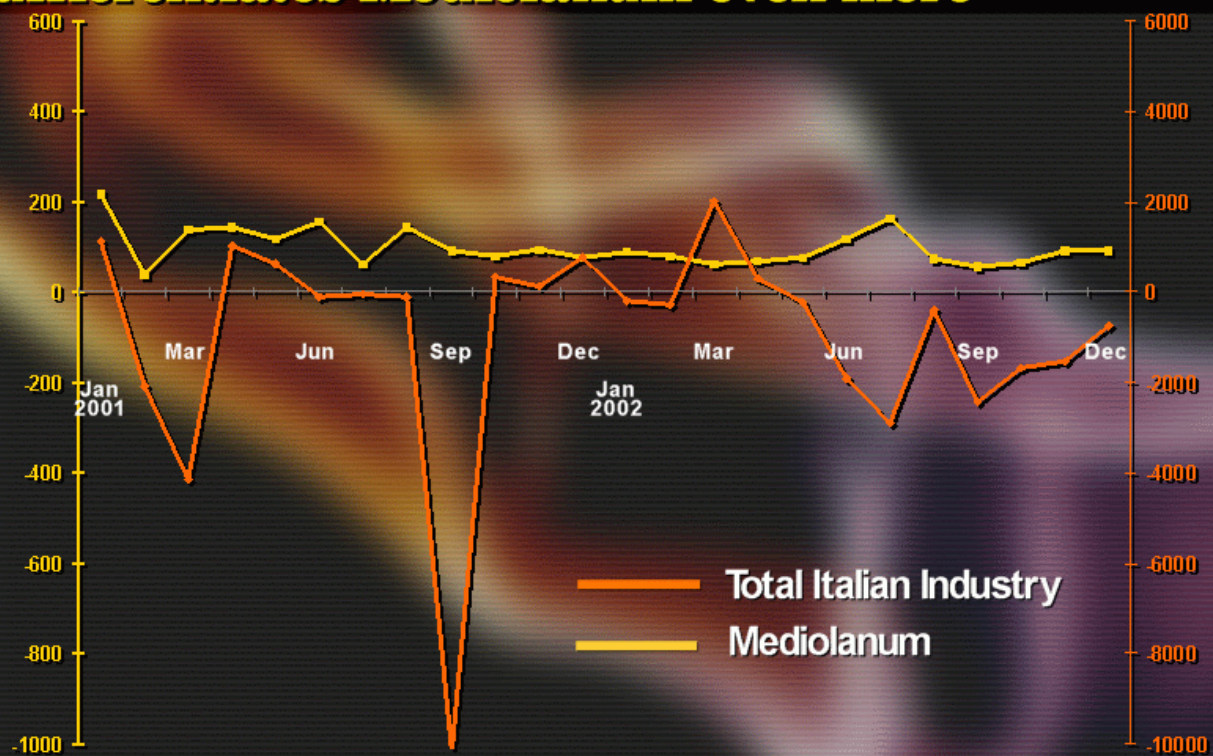
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Net Inflows into Mutual Funds*: testimonial of 'Customer Performance'



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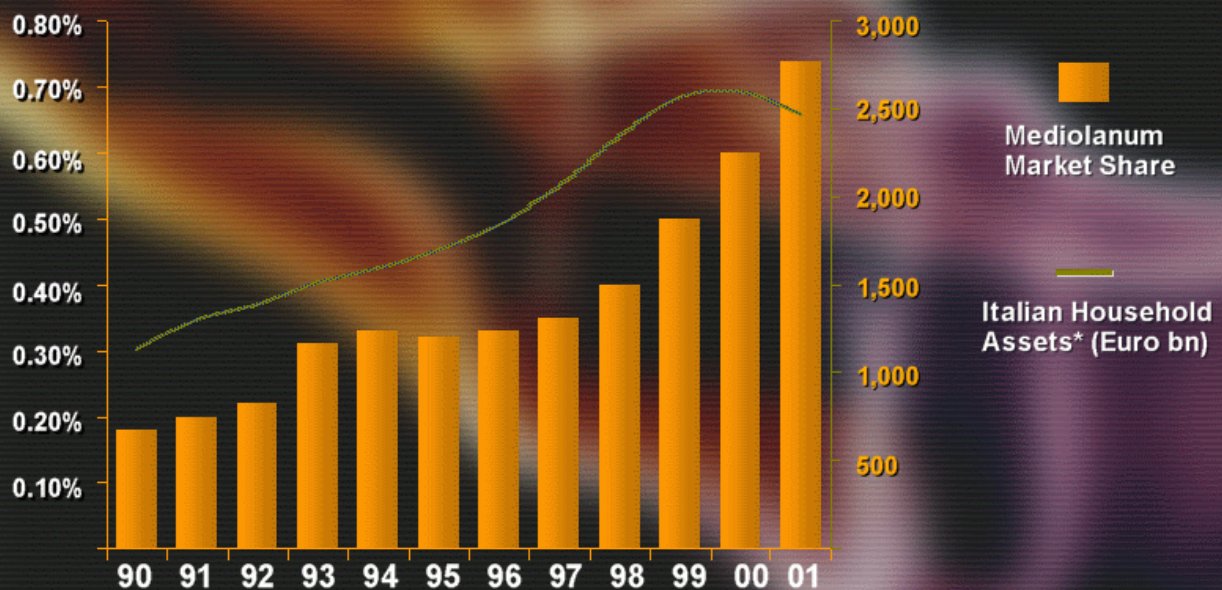
Net Inflows into Equity Mutual Funds* differentiates Mediolanum even more



* including Managed Accounts & Unit-linked policies
Source: Assogestioni

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Mediolanum Market Share Growth

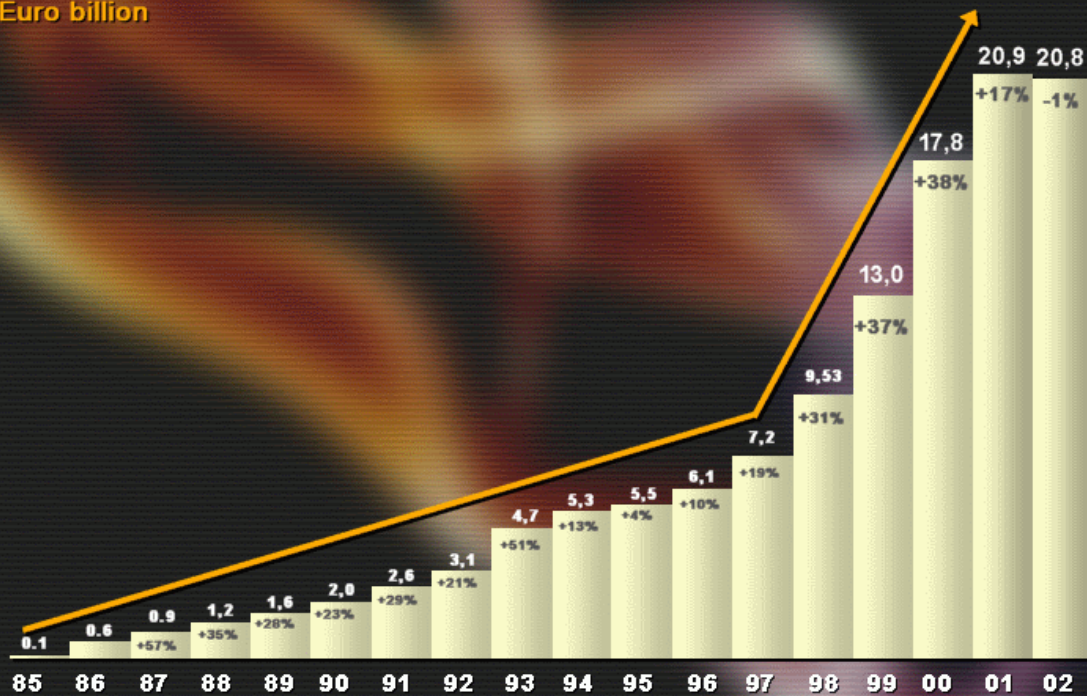


* Source: Banca d'Italia

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Evolution of AuA proves our model & strategy Reduce impact of market Volatility

Euro billion



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How we create Value for the Short Term

Net Inflows

Life Insurance Reserves

Net Profit

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Net Inflows (2002 Preliminary Figures)

Euro million	FY 2002	FY 2001	Change
► Mutual Funds & M.A.	557.7	1,024.0	-45.6%
► Life Policies	1,136.6	1,035.6	9.8%
Managed Savings	1,694.1	2,059.6	-17.7%
► Securities	489.9	647.5	-24.3%
► Cash	796.6	731.2	8.9%
► Repurchase Agreements	12.9	-1.4	-1,021.4%
Administered Savings	1,299.4	1,377.3	-5.7%
TOTAL NET INFLOWS	2,993.5	3,436.9	-12.9%



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Ranking for Mutual Fund Net Inflows

Cumulative 2001/2002

1	Gruppo Mediolanum	2.889,4
2	Gruppo Credem	1.936,0
3	Gruppo B. Pop. Milano	1.401,6
4	Gruppo B. Pop. Novara	945,6
5	Gruppo RAS	656,6
6	Gruppo Generali	623,5
7	Bancoposta	592,7
8	Gruppo Eptaconsors	576,0
9	Azimut (2001)	223,5
10	Gruppo BNL	132,1
11	Gruppo Monte dei Paschi	-269,4
12	Unicredito Italiano	-918,2
13	Cisalpina (now Capitalia)	-1.325,8
14	Gruppo Deutsche Bank	-2.218,3
15	Gruppo Bipop (now Capitalia)	-2.330,4
16	Gruppo Banca di Roma (with Capitalia)	-2.473,3
17	Gruppo Sanpaolo-IMI*	-2.511,9
18	Arca	-5.953,3
19	Gruppo IntesaBci	-8.287,2
	Others	10.043,6

*o/w Fideuram -971,5

Italian Market Net Inflows -6.267,3



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How we create Value for the Short Term

Difficult times for the Life Insurance Industry

Life Margins under Pressure

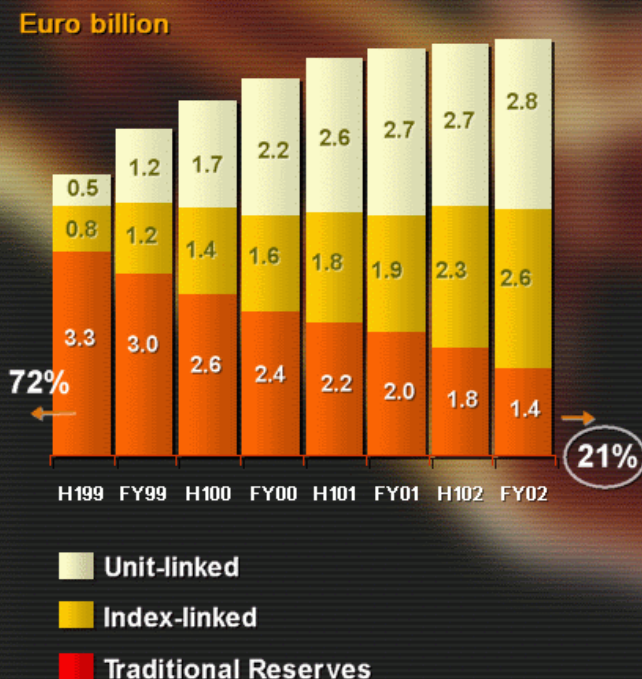
- ▶ Effect of low interest rates on traditional reserves
- ▶ Writedowns from market decline
- ▶ Liabilities for guaranteed yields & annuities
- ▶ Shortage of capital
- ▶ Cost of capital



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How we create Value for the Short Term

Evolution of Mediolanum Life Reserves



- ▶ Interest rate-sensitive traditional reserves in decline
- ▶ Traditional reserves modestly affected by writedowns
- ▶ Guarantees relate only to traditional reserves, i.e. 21% of Life assets
- ▶ Unit & Index-linked don't require solvency margins
- ▶ Cost & availability of capital present no issue: network commission financed by 1st-year loadings



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How we create Value for the Short Term Surrenders of Unit-linked

Persistency in Unit-linked products very High
contrary to the norm for weak equity markets



Surrenders of:

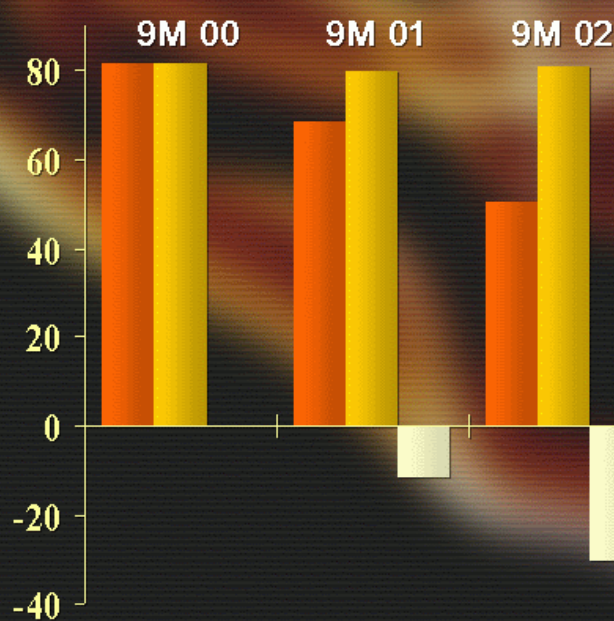
- ▶ Unit-linked Pension Plans 1.4% *
- ▶ Unit-linked Investment Policies 5.7% *

* 9M data annualised



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How we create Value for the Short Term Evolution of Net Profit



Despite market decline
we maintained
the same Profit level
in Core business

Consolidated Core Business New Ventures



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How we create Value for the Short Term

Recent actions focusing on Net Profit

1. Increase of management fees on Ireland-based mutual funds by 10 basis points
2. Modification of performance fee calculations on Ireland-based mutual funds
3. Reduction of interest paid on current accounts
4. Transformation of the traditional policies into index or unit-linked products
5. Strong effort to control G&A expenses



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How we create Value for the Long Term

Embedded Value

Product Innovation Strategy

New Ventures

Knowledge of the Customer Base

Network Recruitment Strategy



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How we create Value for the Long Term Embedded Value

Our Primary Indicator that measures Profitability
over the long run

- ▶ Business & product development
- ▶ Evaluation of product profitability
- ▶ Evaluation of new distribution channels
- ▶ Transparency in reporting

Improved Control over Operations



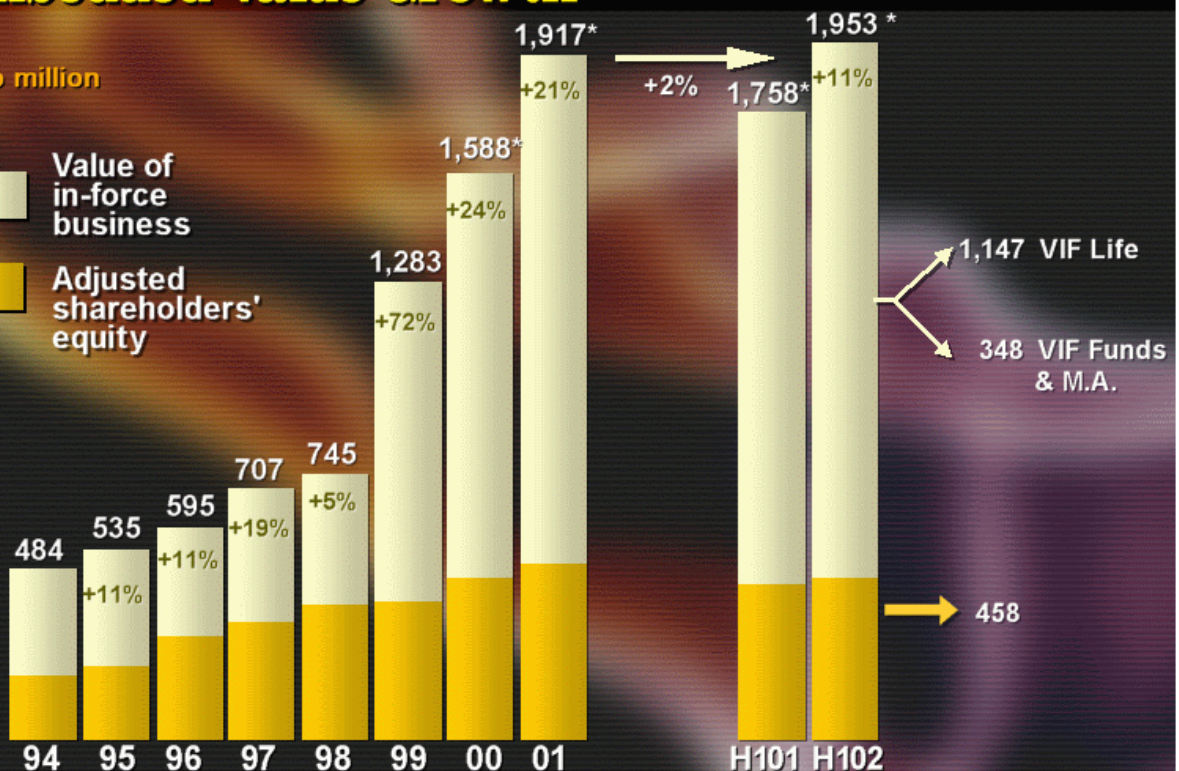
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How we create Value for the Long Term Embedded Value Growth

Euro million

Value of
in-force
business

Adjusted
shareholders'
equity



* including New Ventures goodwill



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How we create Value for the Long Term Product Innovation Strategy

a Focus on our latest:
'MyPension'

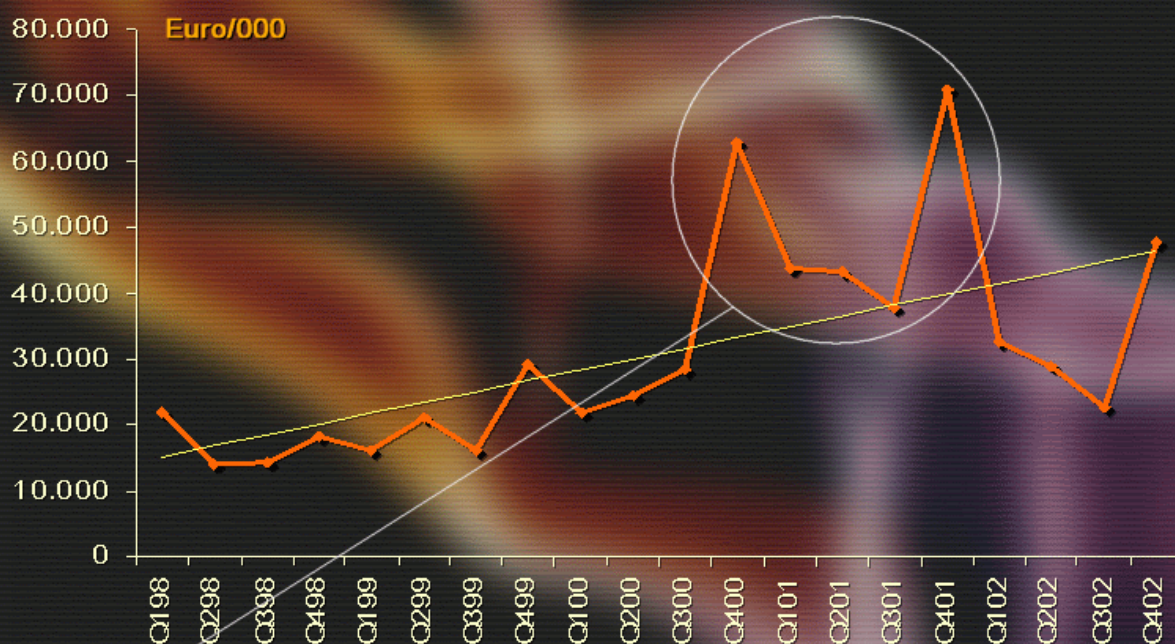
- ▶ New pension plan based on our unit-linked policies
- ▶ Provides maximum flexibility in choosing the appropriate tax advantages
- ▶ Suited to client's specific situation
- ▶ Adaptive to changing economic & fiscal needs

improves Loyalty & Profitability through Flexibility



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How we create Value for the Long Term Evolution of Recurring Premiums



* exceptional peaks due to the new tax policy



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How we create Value for the Long Term New Ventures

- ▶ **'Banca Esperia'** reaching break-even & should close 2003 with slight profit
- ▶ **'Spain'** expected to close 2002 with modest profit & outlook for 2003 is positive
- ▶ **'Germany'** will reach its in-the-red peak in 2003 due to costs related to the replication of our Business Model



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How we create Value for the Long Term Our Business Model Abroad

- ▶ Spanish & German projects' evolution will be driven by pace of advisors' development, but
- ▶ Our ventures abroad have important Growth Potential: ours is the only available model that effectively combines Technology with Human presence, & avoids the expense of maintaining branches



**our belief is that we will achieve
even Faster Growth than in Italy**



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How we create Value for the Long Term **Knowledge of the Customer Base**

- ▶ 'Client Rating' method based on a new proprietary segmentation
- ▶ 'Life Time Value' measurement, which assesses the Embedded Value per client



**to measure the Profitability of each Client
over the long term**



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How we create Value for the Long Term **Network Recruitment Strategy**

**New Recruitment Strategy to recoup
the growth of our sales network**



**Traditional one-by-one recruitment approach
of the supervisors Reinforced with a Focused
Approach on a given territory in need of advisors**

- ▶ through University Campus selections
- ▶ via Group Assessments



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A few closing points

1. A low-growth environment is not preventing Mediolanum from generating Value
2. Our strategy & business model is built to respond to the shocks & difficulties of the market
3. Mediolanum is not prepared to sacrifice long-term objectives for the sake of producing higher short-term results
4. To ascertain Value it is important to refer to both financial results & non-financial indicators
5. Mediolanum is in a position to take full competitive advantage of these difficult moments

