

# MEDIOLANUM

GRUPPO MEDIOLANUM

## **Banking & Insurance CEO Conference**



**London, October 4-6, 2004**

**Ennio Doris  
Chief Executive Officer**



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## “Strategy 2010”

### 3 Two-Pronged Strategy

Focus is on Larger Scale

Strategy based on 2 drivers  
capitalising on our 2 main competitive advantages



- **New customer acquisition**  
through our innovative bank model
- **Management of our customers' assets**  
through our original & winning method





## **4 Freedom in Banking**

**People seek freedom  
in the full use of banking services**



There is a fermenting dissatisfaction  
towards traditional structure of branches  
tied to time & place

**Mediolanum Bank Model  
revolutionises this structure  
invalidating the concept of proximity**

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## **5 Technology as a Tidal Wave**

**Exponential build up  
in the consumers' use of Technology**



**The global scenario is in a state of  
perpetual motion**

**In 5 years  
the world will be very different from today**



## 6 You Have to Read the Signs!

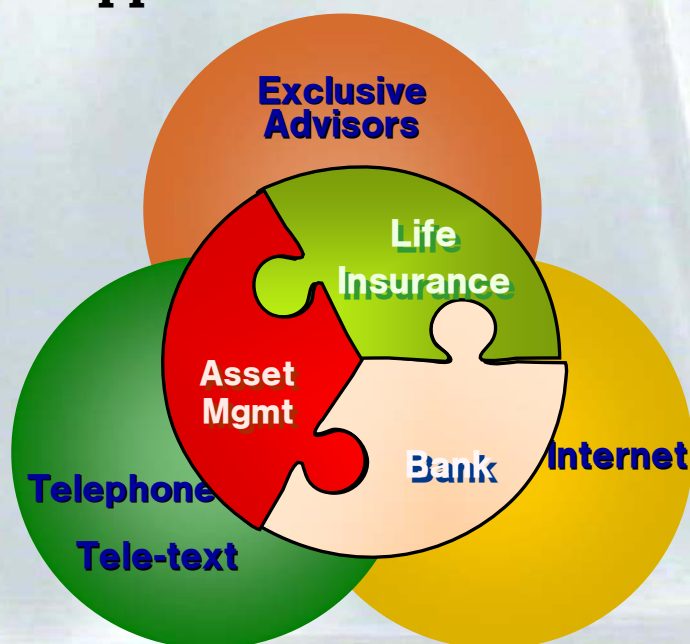
**Major lifestyle changes  
can take place in just a few months**

You need to have:

**Vision  
Direction  
Speed  
Courage**

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## 7 Our Bank Model 1st Killer Application



**Incorporates the human touch with technology  
& puts it at the hands of the customers**



## 8 High-tech High-touch



## 9 Bank Strategy Aggressive pricing

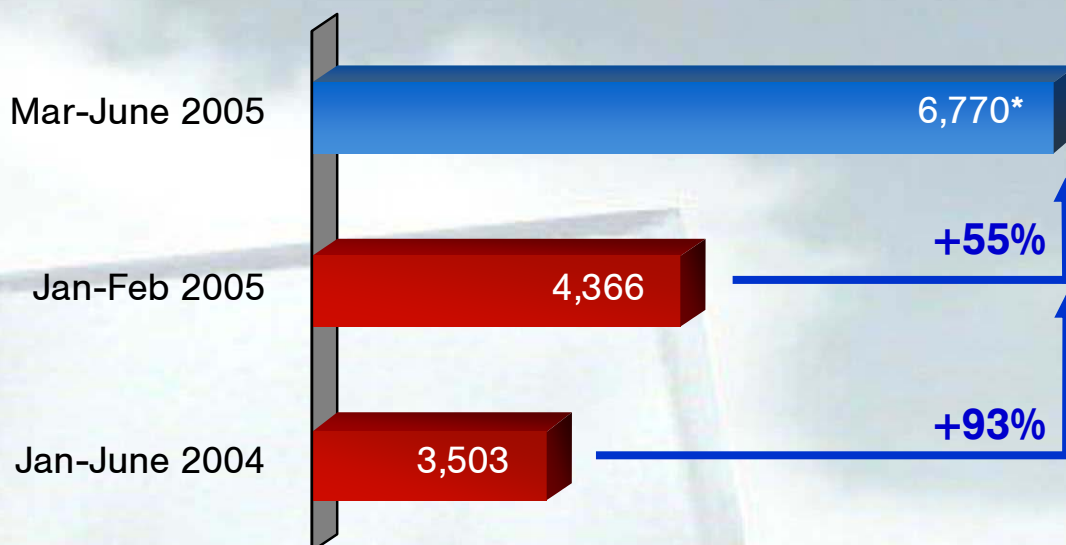
- Extremely efficient model
- Competitors not following us due to their prohibitive costs & risks
- We are able to pass our cost advantages onto our customers





## 10 "4 Freedoms" No. of bank accounts opened

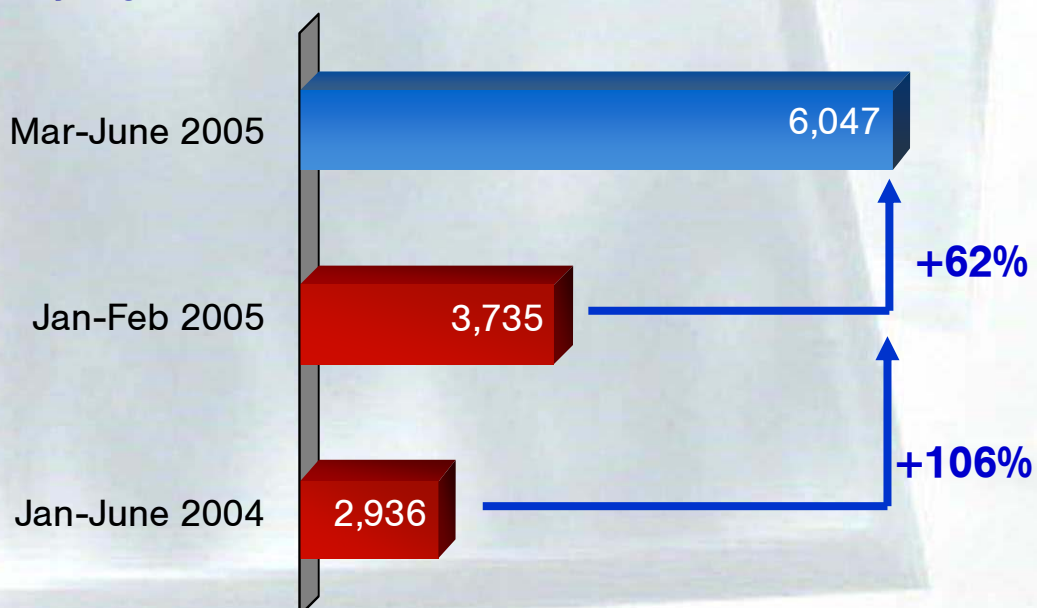
Monthly Avg.



\* 54% are Riflex accounts  
48% are opened by new customers

## 11 "4 Freedoms" No. of new bank customers

Monthly Avg.

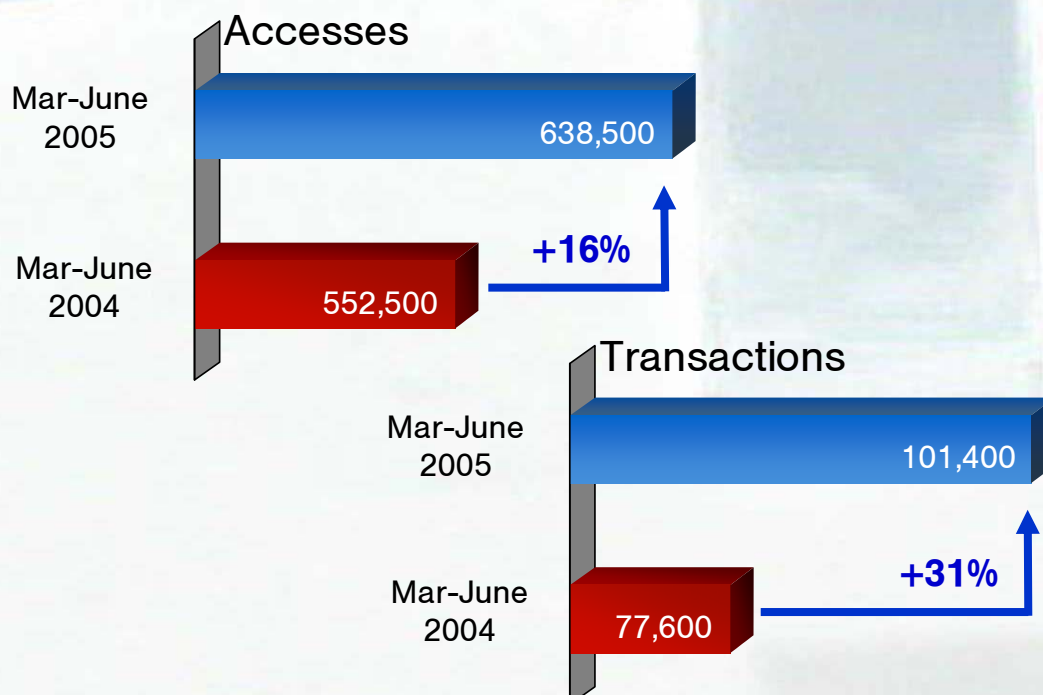


## 12 “4 Freedoms” Activation\* of bank accounts



\* defined as 12 non-automatic transactions/operation quarterly

## 13 Direct Channels Growth Monthly Avg.





## 14 “4 Freedoms” Project\*

**Objective: significantly increase bank customers via opening of bank accounts**

- New competitive product:  
Riflex account & Riflex card
- Clear promise: simplicity, full transparency & great convenience at no cost. No asterisks
- Memorable & convincing Advertising Campaign, run on all media
- Thousands of Collective Sales Efforts
- Promotional Events at a grass-root level held in towns all over Italy

## 15 “4 Freedoms” Rationale

**Bank customers who use our bank account as their primary account eventually give us 5 times more assets than non-bank customers**

	Avg. AUA	Cross-Selling*
Non-bank customers	€13,150	1.40
Bank customers	46,550	3.84
Bank customers/active users	59,580	5.84
Non-bank customers over age 55	19,840	1.36
Bank customers/active users over age 55	154,270	6.08

\* Out of 12 Products; Bank Account, Credit Cards, Stock Portfolio, Mutual Funds, Managed Accounts, Index-linked Policies, Pension Plan, Other Life Products, Non-life Products, Home Mortgages, Direct Channels (0-2)



## 16 '5D' Investment Strategy 2nd Killer Application

**Clients are advised to invest  
following a series of diversification criteria**

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

## 17 Logical vs. emotional investing

**Our advisors are advocates of our strategy  
& follow the strategy**



They are **not** tempted to guess the right  
time, stock, country, sector

**Advisors guide customers in managing their  
emotions (e.g. buying high & selling low)**

- ▶ Avoid modifications of asset allocation
- ▶ 'PAC' instalment plans with automatic payments



## 18 Dalbar: Quantitative Analysis of Investor Behaviour

"Investment return  
is far more dependent upon  
investor behaviour  
than on fund performance"



QAIB 2005

**DALBAR, Inc.**  
The Measurement of Success

## 19 Dalbar: Quantitative Analysis of Investor Behaviour (2)

"The average investor  
obtains a far inferior performance  
compared to the performance  
of the funds held"



QAIB 2005

**DALBAR, Inc.**  
The Measurement of Success





## 20 Dalbar: Quantitative Analysis of Investor Behaviour (3)

	Annualised return	
	10 year 1995-2004	20 year 1985-2004
S&P 500 Index	12.1%	13.2%
US equity fund investor avg.	6.2%	3.7%

Source: Dalbar, Inc.  
The Quantitative Analysis of Investor Behavior Study 2005  
Equity & Fixed Income funds



**DALBAR, Inc.**  
The Measurement of Success

## 21 “ ‘Stars’ are worthless without advice ”

Il Sole **24 ORE** 27/11/2004

### «Stelle» inutili senza consulenza

*La qualità di alcuni prodotti  
sprecata dai risparmiatori*

Anima  
Trading è di gran lunga il miglior fondo azionario internazionale degli ultimi dieci anni, con un rendimento annualizzato del 10,9% più che doppio rispetto al 5,2% dell'indice Msci World in euro.

... solo il 20% ha beneficiato di un rendimento pari o superiore al citato 10,9%. L'80% ha ottenuto un risultato peggiore, e quasi la metà ha addirittura subito una perdita! Ciò è stato possibile perché in realtà la maggior parte di questi risparmiatori è rimasta nel fondo troppo poco tempo.



## 22 Risparmio Italia Crescita (Ricre) Ranking

	RICRE	
	5 year 2000-2004	10 year 1995-2004
	Ranking	
	4th of 50	4th of 21

## 23 Dalbar method applied 'Ricre' Fund

	Annualised return	Initial investment
	1995-2004	€100,000
MIBTEL	8.7%	€ 230,000
RICRE technical performance	11.1%	€ 286,000
RICRE fund investor avg.	14.6%	€ 390,000



## 24 Dalbar: Quantitative Analysis of Investor Behaviour (4)

“The most important role  
of the financial advisor is to protect the clients  
from behaviour that can erode  
their investments and savings”



QAIB 2005

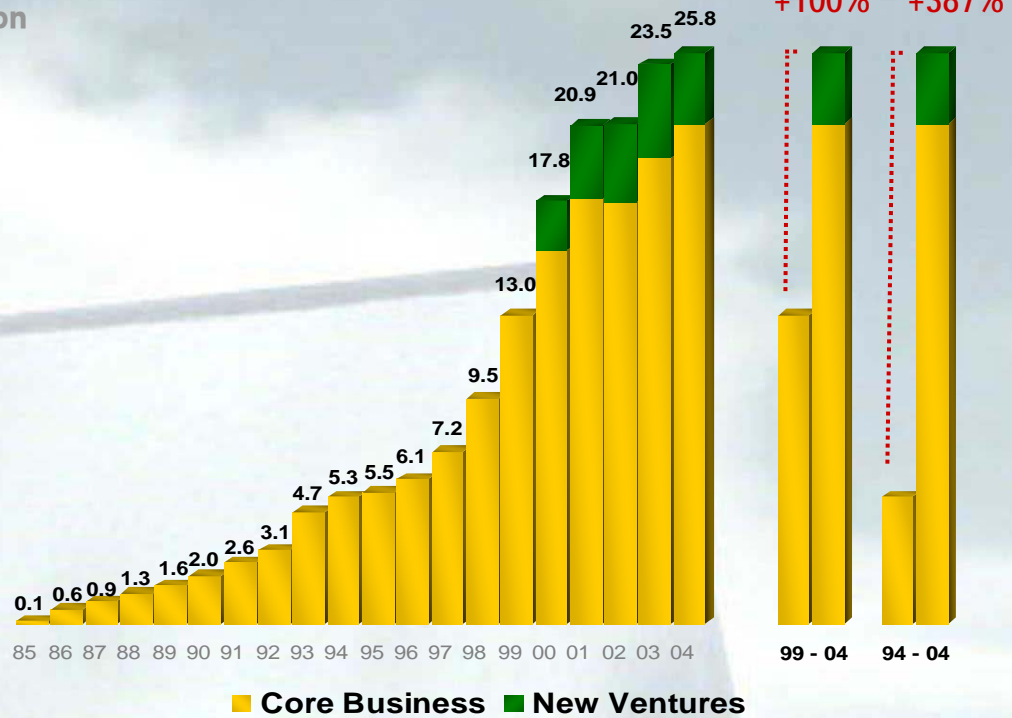
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## 25 AuA Trend 5 & 10-year comparison

€ bn



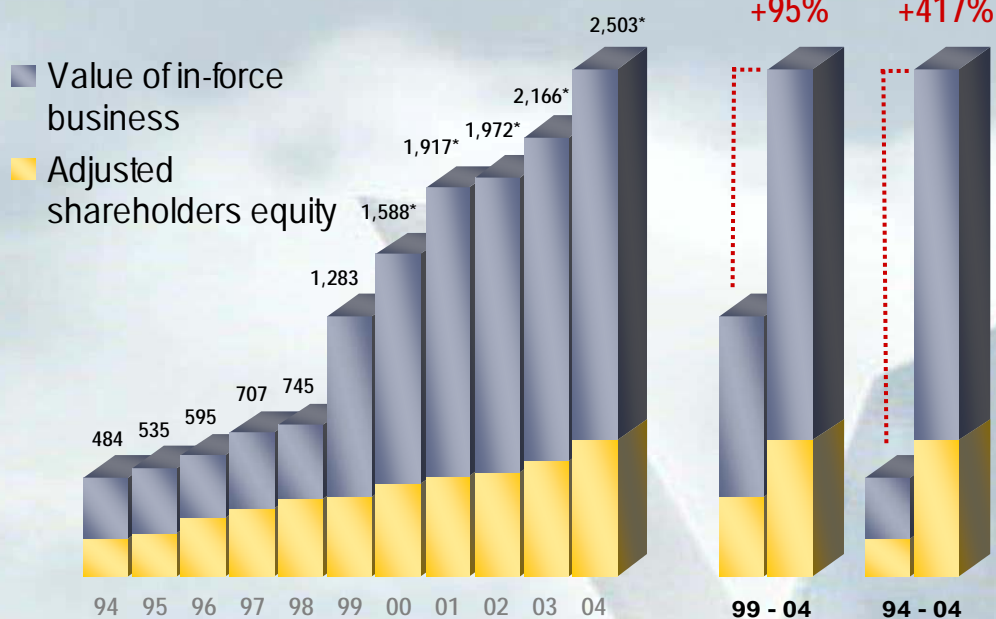
## 26 Net Profit Trend 5 & 10-year core business comparison

€ mn



## 27 Embedded Value Trend 5 & 10-year comparison\*

€ mn



\* before excluding residual New Ventures Goodwill

## 28 The next 5 years

**Defend our Growth Strategy at all costs  
with rigor & loyalty**

- Strengthen the capacity of the network in Italy:
  - ▶ Improve the recruiting techniques
  - ▶ Change the image of the FA profession, rendering it independent from market trends
- Reach 1 million bank accounts in Italy
- Continue to export our model abroad adding 2 more markets to Spain & Germany



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