MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

GRUPPOMPS

COMUNICATO STAMPA

MPS: FITCH CONFERMA RATING CON OUTLOOK STABILE

Siena, 25 agosto 2004 – Fitch Ratings ha confermato il rating di Banca Monte dei Paschi di Siena di lungo periodo “A+”, quello di breve “F1”, quello individuale “B/C” e di supporto “2”. L’outlook rimane stabile.

FITCH AFFIRMS MPS’S RATINGS. THE OUTLOOK REMAINS STABLE

Siena, 25th August 2004 – Fitch Ratings has affirmed Banca Monte dei Paschi di Siena’s ratings at long term “A+”, short term “F1”, individual “B/C” and support “2”. The outlook remains stable.

(The following statement was released by Fitch Ratings)
Fitch Ratings-London/Milan-24 August 2004: Fitch Ratings, the international rating agency, has today affirmed Italy's Banca Monte dei Paschi di Siena's (MPS) ratings at Long-term 'A+', Short-term 'F1', Support '2' and Individual at 'B/C'. The Outlook remains Stable.
The rating action reflects the group's initial recovery in profitability following the implementation of a new strategic plan, the overhauling of risk management systems and the bank's good franchise and strong position in central Italy. The bank has tightened its credit risk management, but asset quality remains moderate. The action also takes into account the improvement in the bank's capital adequacy. However, although stronger, regulatory capital ratios remain slim for an 'A+' rated bank.
MPS has now completed most of the reorganisation it initiated three years ago to change the bank's system of governance from an Italian style 'federal' model, with subsidiaries operating autonomously, to a simpler structure based on divisions. As part of the restructuring the bank has made substantial investments in IT, introduced a new group operating system and segmented its customer base. These events led to a decline in profitability. In November 2003, MPS announced its new strategic plan to regain its profitability, outlining a steady improvement to a target ROE of 14% by 2006. Much of the increase is scheduled to come from cost savings. The bank will reduce staff numbers by 1,700, of which 600 left the bank in 2003, and it will transfer a further 1,900 back office employees to the branch network. The group's profitability is also likely to improve to a satisfactory level as integration costs will diminish over time. However, competition is intensifying and Fitch considers that over the longer term MPS will need to operate more efficiently if it wants to compete effectively at national level.
Credit risk in MPS is moderate and controls have been strengthened to reduce the cost of credit and in preparation for the new Basel capital accord. At end-2003, the ratio of net impaired loans to total net loans was acceptable at 3.6%. In 2001, the bank securitised a large proportion of its impaired loans, removing them from the balance sheet, but the bank retained much of the credit risk by reacquiring the junior notes. The securitisations were performing adequately at end-June 2004.
The group's greatest market risk exposure is to its large equity investments, which it has decided to rationalise. Interest rate risk is small and the bank undertakes little proprietary trading. Liquidity is sound. At end-2003, its Tier 1 capital ratio strengthened to 6.5% following the issue of EUR700m of convertible trust preferred perpetual securities in November 2003.
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