

COMUNICATO STAMPA

BANCA MPS: S&P'S RIVEDE OUTLOOK DA "NEGATIVO" A "STABILE"

Siena, 6 dicembre 2005 – Standard & Poor's ha rivisto al rialzo l'outlook da "negativo" a "stabile" su Banca Monte dei Paschi di Siena e sulle controllate Banca Agricola Mantovana e Banca Toscana.

L'agenzia di rating allo stesso tempo ha confermato la valutazione 'A' a lungo termine e 'A-1' a breve termine per BMPS e le banche controllate.

I giudizi riflettono la posizione di leadership del Gruppo MPS nell'Italia Centrale, una buona diversificazione del business, un'adeguata asset quality e un soddisfacente profilo di funding.

Comunicato stampa di Standard & Poor's

Outlook On Banca Monte dei Paschi di Siena SpA To Stable On Improved Operating Performance

Razionale

On Dec. 5, 2005, Standard & Poor's Ratings Services revised its outlook to stable from negative on Italy-based Banca Monte dei Paschi di Siena SpA (MPS) and its core subsidiaries Banca Toscana SpA and Banca Agricola Mantovana SpA (BAM), reflecting the banking group's meaningful and sustainable improvement in operating performance.

At the same time, Standard & Poor's affirmed its 'A' long-term and 'A-1' short-term counterparty ratings on MPS, Banca Toscana, and BAM.

The ratings on MPS reflect the bank's strong franchise in its home market of central Italy, good business diversification, adequate asset quality, and satisfactory funding profile. They also take into account, however, the group's mediocre earnings and efficiency, and a capital-adequacy level that is weaker than the average for the rating level. Banca Toscana and BAM are core subsidiaries and accordingly their ratings are equalized with those on MPS.

In the first nine months of 2005, MPS' operating profit before credit provisions progressed by 29% compared with the same period in 2004, due to an increase in revenues sustained by significant growth of commercial flows. This mainly reflects buoyant market conditions in the domestic retail business, which offset the still unfavorable economic environment. Also, the bank's earnings quality has improved significantly since 2003. Nonetheless, MPS' earnings still lag behind peers' at the rating level.

Credit provisions decreased to 0.6% in the first nine months of 2005, due to lower inflows of impaired loans and a resilient level of write-backs. We consider maintaining this figure in the 0.6%-0.7% range as sustainable in 2006, and in line with the business plan target. Credit provisions have absorbed a significant part of the bank's operating income in recent years.

We view MPS' capital position as weak and lower than average for the rating level. At midyear 2005, the ratio of adjusted common equity (ACE) to risk-weighted assets was a mere 3.6% when adjusted for capital allocated to insurance subsidiaries. The ratio had lowered by about 110 basis points (bps) with the transition to IFRS on Jan. 1, 2005. Core capital as defined by Standard & Poor's is lower than that defined as core Tier 1 by the Bank of Italy, as it does not include the revaluation of real estate assets or the November 2003 issue of €700 million (\$845 million) in floating-rate, equity-linked subordinated hybrid securities (FRESH), and equity in insurance subsidiaries is deducted.

With €149 billion in total assets and €3.7 billion in ACE at end-September 2005, MPS is the fifth-largest Italian banking group. It has a nationwide network, including a particularly strong position in Tuscany, where it dominates the retail-banking market.

Outlook

The stable outlook on MPS, Banca Toscana, and BAM factors in the expectation that in the next few quarters the sustainability of the improved operating performance achieved in the first nine months of 2005 will be confirmed as the group leverages on its solid franchise in retail and SME business. The weak economic environment in Italy may still weigh on MPS' cost of credit risk, however. Nevertheless, we expect credit losses to remain moderate. At year-end 2005, MPS' capital position is expected to slightly rebound, mainly as a result of the sale in September 2005 of treasury shares coming from the early termination of put options written on the group's own capital (with a positive impact of about 30 bps). Nonetheless, it will remain at a weak level.

In the near to medium term, pressure on ratings could mainly come from a reversal of the recovering trend in profitability or an unexpected deterioration of asset quality. The potential for a higher rating is low, given the group's weaker earnings and capital position than peers'. The current ratings do not factor in any significant acquisitions or mergers that could affect the bank's risk profile.

Ratings List

Banca Monte dei Paschi di Siena SpA

Banca Toscana SpA

Banca Agricola Mantovana SpA

Counterparty credit rating

To From

A/Stable/A-1 A/Negative/A-1

NB: This list does not include all ratings affected.

Per ulteriori informazioni:

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