Banca Monte dei Paschi di Siena's BoD approves reorganisation plan

More efficient local coverage, more resources in the network

The overall reorganisation process put underway two years ago is drawing to a close:
700 resources to be reallocated for Front Office consolidation and structural costs reduced by EUR 180 mln

Siena, 17 December 2010 – The Board of Directors of Banca Monte dei Paschi di Siena Spa has today approved the plan for the comprehensive reorganisation of the Parent Company's units and distribution network.

In brief, major reorganisation objectives include: increased local coverage starting from the central role of Branches and the enhanced value of the Branch Manager; an integrated view of the customer through local units working more closely with the 'Provinces' and 'Districts' and leveraging appropriate resources; shorter business supply chains; simpler and leaner organisational units resulting in structurally higher levels of operational efficiency.

The Bank's new setup will lead to major simplification of decision-making processes and even more efficient banking coverage than today thanks to the creation of 99 new Local Market Units which will no longer be differentiated by business segments but will, instead be centred on an integrated coordination of all units operating locally (Branches and Specialised Centres), and will be called 'Local Market Units' (LMUs).
The LMUs will be coordinated through the current 11 'Regional Areas', which will steer, monitor and channel the Network's product and service needs. Banca Mps's Head Office support units will in turn be revised with a view to optimizing setup and increasing the Parent Company's operational efficiency.

All of this will significantly strengthen local operating units in terms of speed, simplicity and transparency and will involve the reallocation of (human and technological) resources to the network, so as to further improve Group competitiveness in the areas of *Households* and *Businesses*. This will also be achieved by means of a network expansion of 700 resources through the transfer of client and credit management skills to the LMUs. At the same time, the Central Units (Parent Company, BMPS Network Division, Operating Consortium, Regional Areas, Departments) will be streamlined substantially with an outflow of approximately 1,400 resources in the 2011/2013 period. The Front-to-Back Office ratio will thus be strongly readjusted, increasing by approximately 5 p.p.

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Once steady state is reached, this action is expected to result in a structural cost reduction of approximately EUR 180 mln and a growth in net income, the value of which will be determined in the next Business Plan on the basis of: increased customer acquisition and retention rates, direct implementation of business strategies and more “time for business” available to Branch staff as a consequence of revised processes and technological platforms (adoption of the PaschiFace system). Additional benefits will come from a reduction in the provisioning ratio brought about by the Project “Organisational Review of Credit Structure and Processes”. The organisational reconfiguration will deeply involve all company units and will be thoroughly discussed with the Trade Unions in continuity with the Group’s well-established industrial relations; the implementation plan provides for roll-out at Company level by the end of the first quarter of 2011 and by the second quarter at Network level.

“What we expect from this final milestone after the acquisition of Antonveneta and the merger of other banks and companies into the Montepaschi Group – states CEO Antonio Vigni – is consolidation of our footprint, starting from the central role of Branches and the enhanced value attributed to the Branch Manager, while ensuring utmost synergy with Specialised Centres and on-line channels”.
“We endeavour to attain an all-inclusive view of customers – Vigni explains – with operating units that are closer to the Italian ‘Provinces’ and ‘Districts’, leveraging appropriate resources, with higher value being placed on the role of Regional Areas when it comes to coordination. A simplified organisation will lead to the clear-cut identification of responsibilities in decision-making processes and will shorten core business supply chains”.
“Higher operational efficiency will thus be achieved, enabling workforce reduction in the Central Units and consequent lowering of structural costs, while at the same time allowing the necessary strengthening of the Network” concludes the CEO of the Montepaschi Group.

Following is a more detailed account of what will happen in the next 6 months.

THE 99 LOCAL MARKET UNITS

The major focus of reorganisation will see the operating units (Branches and Specialised Centres) being supervised by a single coordinating Local Market Unit and no longer by the existing business-based units (Retail, Private, Corporate and Institutional clients) to enhance customer service specialisation within a more integrated and synergic context. Local coverage will be ensured by a team led by the Head of the Local Market Unit. It is precisely the Head of this team who will be single-point accountable for the budget and deliverables of the local market assigned. The new unit will support the Network with business promotional actions and campaigns, as well as with the acquisition of new customers and funds. It will also support Front-End Managers in their relations with customers and will enjoy more autonomy in pricing, loan granting and management of terms and conditions. **99 Local Market Units will thus be established across the Italian network, overseeing an average of 24 branches each**. These 99 Units will approximately coincide with Italy’s ‘Provinces’ or manufacturing ‘Districts’.

REGIONAL AREAS: STILL 11 BUT SIMPLER

The Local Market Units will be coordinated by the existing **11 Areas** which will be **made much leaner than they are today** in a logic of better integration, clear-cut allocation of responsibilities and **consolidation of know-how,** particularly in the areas of customer satisfaction, international banking and middle office products.

PARENT COMPANY: GREATER OPERATIONAL EFFICIENCY, 20% ORGANISATIONAL DOWNSIZING

Initiatives approved are aimed at shortening business supply chains, simplifying the organisational structure and obtaining higher resource efficiency. As a result, today's organisational units will be downsized by over 20% on average. Additional actions on the functional aspects of the company's organisation, the code of conduct and the engagement of all company resources will facilitate these processes. In addition to revising major internal regulations and current Consumer, Corporate and Private Models for the purpose of simplification and clarity, these actions will include the adoption of the "**Manual of Customer & Employee Response Time"**.

Main novelties include the discontinuation of the BMps Network Division in its capacity as coordinator of the regional areas and Network, with banking and credit responsibilities being reallocated to the Consumer and Corporate divisions, resulting in shorter supply chains and more direct accountability in the achievement of business and profit results. A 'Direct Markets' Area will also be established to fully develop business synergies and prospects inherent in the "alternative/direct markets".

A further novelty consists in the creation of the Finance Division, reflecting the strategic value attached to this area for its capacity to ensure an independent and additional source of funding with respect to that from the non-trading business, as well as for the opportunity it offers to strengthen the coordination of Group financial policies.

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