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**BUSINESS PLAN 2022 – 2026**  
**“A CLEAR AND SIMPLE COMMERCIAL BANK”**

**BUSINESS PLAN AIMED AT UNLOCKING BMPS FULL VALUE POTENTIAL, FOR THE BENEFIT OF ALL STAKEHOLDERS, LEVERAGING ON THE BANK’S DIFFERENTIATING FEATURES: BROAD AND DEEPLY ROOTED DISTRIBUTION NETWORK, BEST-IN-CLASS DIGITAL PLATFORM WIDIBA WITH HIGH GROWTH PROSPECTS, TALENTED AND MOTIVATED HUMAN CAPITAL, STRONG ESG COMMITMENT**

**THREE KEY STRATEGIC PILLARS:**

**1. BUSINESS MODEL DRIVING SUSTAINABLE PROFITABILITY, THROUGH THE REFOCUSING OF COMMERCIAL ACTIVITIES AND THE GROUP SIMPLIFICATION**

- **Robust revenue generation, with focus on wealth management, bancassurance and consumer finance**
- **Increase of operating efficiency through workforce optimisation thanks to a voluntary exit scheme which leverages on the Solidarity Fund and a new framework for cost management**
- **Simplification of the Group’s structure through the merger of product factories and the IT subsidiary**

**2. SOLID AND RESILIENT BALANCE SHEET**

- **Improvement of the Bank’s risk profile, through the reduction of the Net NPE ratio to 1.9% in 2024 and 1.4% in 2026 (2.6% in 2021), also thanks to targeted NPE portfolio disposals**
- **Long-term sustainability of the funding profile and liquidity position, through the optimization of the customer deposits and institutional funding mix**
- **Best-in-class capital ratios in Italy, with a buffer of over 300bps in 2024 and over 400bps in 2026 vs the SREP Tier 1 ratio requirements**

**3. MANAGEMENT OF LEGACIES THROUGH FACTUAL ASSESSMENT OF RISKS AND APPROACH BASED ON FACTUAL ELEMENTS AND PREVIOUS EXPERIENCE**

**SUSTAINABLE FINANCIAL AND CAPITAL TARGETS**

**Pre-tax Profit<sup>1</sup> of €705m in 2024 and €909m in 2026**

- **Cost / Income Ratio at 60% in 2024 and 57% in 2026 (71% in 2021)**
  - **CET1 Ratio at 14.2% in 2024 and 15.4% in 2026**
- **Return to dividend distribution with 30% pay-out ratio on 2025 and 2026 net profit**

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<sup>1</sup> Pre-tax profit before taking into account the net impact of taxes and positive effect related to off-balance sheet DTA re-assessment.



## €2.5BN RIGHTS ISSUE SUPPORTING THE DELIVERY OF THE BUSINESS PLAN TARGETS

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SIENA, June 23, 2022 – Yesterday night the Board of Directors of Banca Monte dei Paschi di Siena (“BMPS”, the “Bank” or the “Group”), chaired by Patrizia Grieco, unanimously approved the new 2022-2026 Business Plan: “*A Clear and Simple Commercial Bank*” (the “Business Plan” or the “Plan”).

Through this Plan, BMPS intends to strengthen its role as leading commercial bank in Italy with a clear and simple business model. The Business Plan, focused on creating value for all BMPS stakeholders, aims to achieve an attractive and sustainable profitability with a solid balance sheet, an optimised operating structure and the best-in-class digital platform Widiba, leveraging its strong, historic commercial franchise, our talented human capital and ESG-driven culture across all of the Bank’s activities.

“Today our Bank starts a new chapter, revamping its development path and aiming to reach a robust capital level, while keeping its own identity and leveraging on its unique history. The new Plan is based on a sustainable development model to support the growth of local constituencies in the areas in which we operate. I would like to thank the Bank’s employees, whose supported has always been present, also in the most challenging times.” Said Patrizia Grieco, Chairperson of Banca Monte dei Paschi di Siena.

“The new Business Plan 2022-2026 will revamp Banca Monte dei Paschi di Siena leveraging its historic roots, its strong brand and its human capital in performing its mission as a commercial bank. We will relaunch the retail and corporate business thanks to the strong commercial presence and the digital capabilities of Widiba, an asset with a compelling potential which positions BMPS among best-in-class operators by innovation and digitalisation in the Italian banking system. With the commitment of our Colleagues, which I am sure will put the Bank in the best conditions to unlock its true value which has remained hidden for too long as a result of its legacies from the past, which we will address and manage with decisive and pragmatic processes. In addition, we will increase our attractiveness for investors.” Said Luigi Lovaglio, CEO of Banca Monte dei Paschi di Siena. “The simplification of the Group structure is the first important step to achieve the Plan’s targets, to streamline and speed up processes on the basis of a simple and agile organization and internal sharing within the Bank of all competences that will be used to serve clients, to whom we will be closer and closer.”

The Group’s new strategy is centered around the following pillars:

1. **Achieve business model sustainability:** optimisation of the organisational structure in order to improve the agility and efficiency of the Bank’s operations and enable the revamp of our commercial proposition. The objective is to strengthen the role of BMPS as a reference point in the regions where it operates, through a product offering focused on households and corporates and digitalisation to improve commercial productivity, ensuring in this way a robust revenue generation.



2. **Build a solid and resilient balance sheet:** significant strengthening of the Bank's capital position following the completion of the Euro 2.5bn rights issue expected by the end of 2022, coupled with the implementation of a sustainable funding strategy with the improvement of the risk profile thanks to new business lending priorities.
3. **Tackle the legacy issues:** management of legacies through factual assessment of risks and approach based on factual elements and previous experience

The delivery of the business plan is based on the completion of the Euro 2.5bn rights issue, which is subject to the approval of the Extraordinary General Meeting to be held by the end of September 2022.

In order to support the Business Plan implementation, three new business divisions will be established: Retail & SME, Large Corporate and Investment Banking. In addition, a cost governance unit to ensure an effective cost management and two dedicated specialized units, one focused on premium clients for wealth management and one for consumer finance will be set up to support the growth of commercial revenues.

Such reorganization will enable the management team of the Bank to achieve more agile decision-making process, leveraging the Bank's internal talent through the allocation of clear responsibilities and accountability for delivery. The managerial team of the Bank will work closely with the CEO to implement the full set of the Plan's initiatives, embracing a corporate culture centered around clients.

Finally, it should be highlighted that the Ministry of Economics and Finance, the Bank's controlling shareholder, has stated its endorsement to the Business Plan of the Bank in compliance with national and European rules and its support to the capital initiatives that the Bank will pursue for the strengthening of its capital base during the Business Plan for its relevant share at market conditions and in compliance with requirements that might be issued by the Supervisory Authority.

The objectives and the pillars of the Business Plan take into account the update of the commitments between the Italian Republic and the European Commission, which are related to the Bank. Such update is expected shortly on the basis of what was shared by the MEF.

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### **Key Pillars of the Business Plan 2022-2026**

As highlighted above, the Plan is structured around three key pillars:

1. Business model driving sustainability profitability
2. Solid and resilient balance sheet
3. Management of the Bank's legacies

1. Business model driving sustainability profitability



The Business Plan envisages important initiatives aimed at achieving a business model characterized by sustainable profitability, thanks to the optimization of the organizational structure in order to improve the agility and efficiency of the Bank's operations, together with the revamp of the commercial activities, aimed at strengthening the role of BMPS as a reference point in our territory, through a business proposition and product offering focused on household and corporate clients.

The digitalization is enabled by a Plan focused on key projects to support the revenue re-mix and with the aim of ensuring their effective and timely completion, in order to obtain tangible results over the course of the Plan.

In particular, the Plan envisages the following actions:

- Simplification of the Group structure through the merger into BMPS of selected subsidiaries (MPS Capital Services, MPS Leasing & Factoring, MPS Consorzio Operativo), to enable the streamlining of the Group and operating model. Such mergers will produce meaningful cost and revenue synergies.
- Highly rigorous and disciplined G&A cost management based on the centralization of several cost owners under one single unit, renegotiation of existing contracts and redesign of expense policies and processes according to a zero-based approach
- Optimization and redeployment of workforce, which will include a resizing for approximately 4,000 employees thanks to a voluntary exit scheme which leverages on the Solidarity Fund with overall cost savings equivalent to Eur 270m per year from 2023 against one-off restructuring costs of approximately Eur 800m. Furthermore, we envisage the redeployment of people on client-facing commercial activities and customer support.
- Rationalization of the distribution network: reduction of 150 branches (of which 100 by 2024), which will bring the number of branches to ~1,218. Such rationalization will be based on (i) commercial factors (closure of unprofitable or overlapping branches and branches with sub-optimal geographic location), (ii) adoption of “lean” branch models leveraging on technology-self (“evolved” ATMs) (iii) evolution of client preferences towards digital channels and the related reduction of branch activity. Tailored programs for customer retention are envisaged.

The Bank will implement, among other initiatives, the following actions:

- Strengthening of financing offering for households, in particular with regard to consumer, credit and mortgages. Key actions to pursue this strategy include the introduction of new CRM solutions to strengthen the insight on the customer base and the increase consumer credit activities, particularly with the Bank’s existing clients. The success of such strategy is strictly linked to the recent launch of the proprietary internal consumer finance product factory which will complement the distribution offer of third-party products with in-house products.
- Step-up of advisory-based model to manage household savings. The plan intends to achieve the following:
  - Achievement of full wealth management potential, exploiting the successful, long-standing partnership with Anima and the new advisory platform to serve the client base with an improved service model and enriched product range addressing the needs and risk-rewards profile of the client base.



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- Continue the successful journey in the bancassurance business developed in partnership with AXA, both in the Protection and Life Insurance business. With regard to the Protection segment, the Plan is set to achieve ambitious results through a joint-effort with the partner centered on the upgrade of the product offering and the improvement of the customer relation model, developing a multi-channel customer experience.
- Exploitation of Widiba's full potential as leading challenger Bank. The Plan envisages meaningful investments in technology for over Eur 30m to develop economies of scale on its model focused on financial advise.
- New commercial proposition for SMEs. In this context, a number of initiatives to enhance focus and capture the specialization opportunities in each area will be established with the view to finance different business verticals.
- Expansion of client base in both retail and households through specific win-back programs, referral programs, tailored value proposition for specific client bands and strengthening of hubs focused on customer acquisition both at central and peripheral level.
- Finally, the strengthening of our digital strategy through renewed internet and mobile banking offer, digital and automated tools to support payment transactions (evolved ATMs).

In order to revamp our commercial platform, Eur 0.5bn will be deployed to support the growth of the business. Such investment will be mainly aiming to support the execution of the Plan's initiatives, with specific regard to the omni-channel digital offer, to the development of the client base through improved CRM systems and data analytics for wealth management and consumer finance and the development of our credit management platform.

The initiatives are supported by the evolution of internal data management governance platforms and by relevant evolution of the technological platform.

The Plan envisages specific initiatives to further enhance Widiba's platform in terms of user experience digitalization, development of digital offering, evolution of robo-advisory digital proposition and development of data intelligence. Widiba will follow a dedicated growth path leveraging on its specificities and technological excellence.

The Plan also defines clear strategic guidance in terms of ESG policies with the aim to positively contribute to the development via the integration of the sustainability principles in the corporate strategy.

The Plan will allow the Group to further accelerate its journey towards a sustainable business model following a long-standing engagement which is witnessed by the signing of the Net Zero Banking Alliance and Principles for Responsible Banking with the objective of achieving a distinctive position in the management of ESG themes, supporting clients in the upcoming "green" transformation process and contributing to the creation of a society predicated on sustainability, equality and inclusion.



In the Business Plan we have defined specific actions and objectives across all pillars of sustainability, looking both internally and externally. In particular, our goal is to:

- Positively contribute to the environment through a constant reduction of direct emissions (-60% vs 2017 – Scope 1)
- Further progress the Diversity & Inclusion Program, with the objective to achieve 40% women representation in roles of responsibility, the adoption of internal rules on inclusion and pre-certification of gender equality
- Unlocking human capital through the enablement of smart working and the enhancement of wealth initiatives on employees' emerging needs and the promotion of the ESG culture through ESG training and awareness programs for all employees
- Continue to be active in the areas where the Bank operates promoting initiatives to support local initiatives, culture and the enhancement of the artistic heritage, financial education and job orientation.
- Support customers in their own sustainable transformation process through the achievement of a 20% share of ESG lending on total new lending, the issuance of new “green” bonds for Eur 2.5bn throughout the Plan time horizon, the achievement of 50% of new investment in banking book corporate bonds and broadening of the ESG investment product offers pursuing a 40% share of AuM ESG on the overall UCITS AuM
- Adoption of ESG-based credit rating systems for the assessment of counterparty risk and credit policies to support the transition and the achievement of the emissions reduction objectives by 2040 for NZBA high-priority sectors
- Include ESG KPIs in the performance management system, in the activity management processes, in the risk management, investment management and reporting processes
- Strengthen the Bank's ESG rating positioning acquiring at least one additional general ESG rating

## 2. Solid and resilient balance sheet

The Business Plan indicates a significant strengthening of the capital position of BMPS after the completion of the Euro 2.5bn Rights Issue by the end of 2022.

The CET1 ratio fully loaded is expected to reach 14.2% by 2024 and 15.4% by 2026, with significant buffers vs the regulatory capital requirements, notwithstanding future regulatory headwinds and the dividend distribution from 2025 onwards (with a pay-out ratio of 30% for both 2025 and 2026).

The capital actions will be complemented by the implementation of a sustainable funding strategy and by a meaningful improvement of the risk profile of the bank in light of conservative credit policies.

In terms of funding, the Plan envisages the achievement of a more stable funding mix through a re-balancing towards customer deposits and institutional funding (with €12bn of cumulative new issuances within the Plan timeframe, also in light of outstanding bond maturities) and a reduction of the funding from Central Banks (funding BCE from 22% of the total currently to ~13% by 2022).

The liquidity ratios will remain significantly above the regulatory requisites (NSFR ~130%, LCR ~160%).



Robust MREL position with a buffer vs the targets inclusive of the CBR.

With regard to the improvement of the Bank's risk profile, the Plan envisages initiatives aimed at enhancing the monitoring systems and the management of non-performing credit. NPEs will decrease by €1.3bn throughout the Plan (from €4.1bn to €2.8bn in 2026), of which €0.8bn from potential disposal currently in progress and expected to complete in 2H 2022.

As a result, the Net NPE ratio is expected to decrease from 2.6% in 2021 to 1.9% in 2024 and 1.4% in 2026, with a coverage ratio uplift to 53% in 2024 and 59% in 2026.

**3.Tackle the legacy issues:** management of legacies through factual assessment of risks and approach based on factual elements and previous experience

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### **Key Financial Targets 2022-2026**

From the implementation of the Business Plan's initiatives, an incremental contribution to gross operating profit of Euro 370m in 2024 and Euro 527m in 2026 is expected. Such impact is based on three components:

- Increase in commercial revenues (net interest margin excl. TLTRO and commissions) equal to Euro 424m in 2024 and to Euro 612m in 2026;
- Reduction of TLTRO, trading revenues and other financial revenues equal to Euro 303m in 2024 and Euro 306m in 2026;
- Reduction of operating costs through the implementation of initiatives envisaged in the Plan equal to Euro 248m in 2024 and Euro 221m in 2026;

The cost/income ratio is expected to decrease to 60% in 2024 and 67% in 2026 from the 71% in 2021.

The Plan also provides for a cost of risk lower than 50bps in 2024 and 2026, thanks to the reduction of the default rate, strengthening of early warning systems and monitoring of the credit processes and the proactive management of the portfolio of non-performing loans, also through selected disposals. A pre-tax profit of Euro 705m is expected in 2024 and Euro 909m in 2026, with a net profit of Euro 1,003m in 2024 (benefiting from the reassessment of DTA) and Euro 833m in 2026, with return to dividends starting from 2025 (pay-out of 30% in 2025-2026).

Below are summarized key targets and KPIs:

<b>Income Statement (€m)</b>	<b>2021A</b>	<b>2024E</b>	<b>2026E</b>	<b>21-24E CAGR</b>	<b>21-26E CAGR</b>
Operating Income	2,980	3,102	3,286	1.3%	2.0%
Operating Costs	(2,106)	(1,858)	(1,885)	(4.1)%	(2.2)%
Gross Operating Profit	874	1,244	1,401	12.5%	9.9%




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Pre-tax Profit <sup>1</sup>	263	705	909	38.8%	28.1%
Net Profit <sup>1</sup>	310	1,003	833	48.0%	21.9%

KPI's	2021A	2024E	2026E	21-24 Delta	21-26 Delta
Cost/Income Ratio	71%	60%	57%	(11 p.p.)	(13 p.p.)
Cost of Risk (bps)	31	<50	<50	<20 p.p.	<20 p.p.
Gross NPE Ratio	4.9%	3.9%	3.3%	(1 p.p.)	(2 p.p.)
NPE Coverage	48%	53%	59%	5 p.p.	11 p.p.
CET1 Ratio FL	11.0%	14.2%	15.4%	3 p.p.	4 p.p.
RoATE <sup>2</sup>	4.2%	8.0%	8.7%	4 p.p.	5 p.p.

<sup>1</sup> Includes €83m / €40m of contributions to systemic funds in 2024E e 2026E

<sup>2</sup> RoaTe is calculated based on Earnings (defined as pre-tax profit without the impact of taxes and the positive effect related to the reassessment of off-balance sheet DTA) and average tangible book value.

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We inform you that today, 23 June 2022, at 10.30 (CET) a presentation will be held with the possibility of connecting via conference call to illustrate the new Business Plan 2022-2026 to the financial community. The presentation will be chaired by Luigi Lovaglio, Chief Executive Officer, and will also be available via video webcasting. Details for connecting to the event are available on the Bank's website in the Investor Relations section (<https://www.gruppomps.it/en/investor-relations/index.html>) where the presentation will be uploaded.

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