

**BANCA MONTE DEI PASCHI DI SIENA SPA**

Banca Monte dei Paschi di Siena, the oldest surviving bank in the world and one of the largest in Italy, serves more than 4.5 million clients every year.

**Global overview of Banca Monte dei Paschi di Siena SPA**

Banca Monte dei Paschi di Siena SpA (BMPS), part of the MPS Group, was founded in 1472 in Siena and is today the oldest surviving bank in the world. It had started its operations with a social objective to save poor borrowers from unscrupulous moneylenders. From a single city operation in Siena, it has gradually expanded to other parts of Italy and the world through its branch network and representative offices. Today it is one of the largest banks in Italy and provides consumer, business, and other banking services to about 4.5 million clients through more than 1,800 group branches throughout the country. It has a market share of nearly 6.5 per cent of deposits and 6.2 per cent of loans at the national level in Italy.

BMPS started its commercial activities by lending to farmers against collateral in the form of land, jewellery, clothing etc. Its real estate portfolio grew remarkably in 19th century when it began extending its activities to newer locations in Italy beyond Siena. In 1929, BMPS engineered the merger of Credito Toscano and Banca di Firenze, and then acquired a major stake in the resulting entity, Banca Toscana SpA. It also took over a majority stake in Banca Agricola Mantovana, which supports the agriculture and food industry and represents the MPS Group as its agriculture loan specialist.

BMPS emerged stronger after Italy’s banking sector collapse and economic downturn in early 1930s. During this phase, BMPS adopted a large-scale diversification and growth strategy. It launched a life insurance joint venture, Monte Paschi Vita, in partnership with Crédit Agricole. After taking on a new partner, SAI, Monte Paschi Vita emerged as Italy’s largest provider of banking and insurance services. In 1994, MPS ventured into the asset management business and launched an asset management subsidiary, Ducato Gestioni.

In 1999, MPS launched its initial public offering (IPO), which was a great success. After the IPO, the stake of BMPS’s owner foundation was reduced to around 76 per cent. Currently, the stake of MPS foundation is down to 49 per cent. The IPO proceeds were utilised to acquire a majority stake in Banca del Salento, which was later renamed Banca 121. With the acquisition of additional banks during the last decade of 20th century, the MPS Group.

### Company Details

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banking group now has more than 1,800 branches in its fold and more than 28,000 employees.

The MPS Banking group provides a host of banking and other financial services including medium to long term credit, leasing, factoring, consumer financing, merchant banking, asset management, insurance, stock broking, etc. It has foreign branches in China, Germany, the United Kingdom, Hong Kong, and the USA. It also has representative offices in China, Egypt, Russia, Turkey, Algeria, Morocco, India, Czech Republic and Tunisia.

For year ended December 2005, BMPS had a total asset base of Euro 154 billion and a net profit of Euro 814 million, with the latter having grown at a rate of 32 per cent over the previous year. It enjoys long term A+ and A1 rating from Fitch and Moody’s respectively with a stable outlook.

Banca Monte dei Paschi di Siena in India

Given the year-on-year growth rate of more than 8 per cent in the gross domestic product of India and China, BMPS decided to tap the investment opportunities in these countries. It opened a Representative Office in India in April 2006 in Mumbai. The Mumbai Representative Office provides the following services in compliance with Indian regulations:
- Liaison activities
- Promotion of exports and imports
- Helping identify possible joint venture partners for Italian companies
- Research activities for promotion of trade between India and Italy

The major emphasis of the Representative Office is to help the Italian small and medium enterprises (SME) to establish relations with their Indian counterparts, form joint ventures and carry on their commercial operations smoothly. In its pursuit of providing efficient services to SME in Italy, BMPS has developed a product “Exportkey”, a financial instrument that relieves the Italian exporter of credit risk with developing and emerging countries, and allows collections ‘on site’, while payments may be received in extended period. The scheme is available for exports to India. Internationally, the Bank has also commenced a model “International Partner - Advisory Services”, which is meant to provide support to Italian SME in expanding globally through the assistance of its foreign network, including India.

Key success factors in India

Wide range of products and services offered

The primary focus of BMPS is to serve export-oriented companies and help them achieve success globally through a range of financial products and services. Its branches, representative offices, Italian desks, customer desks and partnerships with major bank and financial institutions, are all located in the major financial centres of the world and countries of high interest to Italian businesses. It provides highly specialised products and services to companies wanting to go international, in a scenario of increasing globalisation of the markets and fierce competition.

BMPS supports substantial business especially in the SME segment, which is spreading its wings in the international arena. The bank is heavily relying on the export activities of its promising SME clientele for expansion of its international business. Customer satisfaction is the prime objective of the Bank and in line with this global philosophy, BMPS has put in tremendous efforts to provide efficient services from its new office in India. It intends to increase its market share in India by following the same approach and positioning itself as the future banking partner for those at the forefront of Indo-Italian trade.
Committed staff

The Representative Office is operated by a group of committed staff, which has a very good knowledge of trade, commerce and the banking industry in India as well as in Italy. Given the fact that Indo-Italian trade is largely concentrated in fashion and designing, gems and jewellery, leather and leather products, textiles, agro food processing and industrial machinery sectors, BMPS has designed its entry strategy into India accordingly. Prior to launching its Indian operations, its staff undertook in-depth research on these sectors to better understand the key needs of Italian exporters, enabling BMPS to provide these services efficiently.

Future plans

Following the good response to the opening of the Mumbai Representative Office, BMPS is planning to open an additional Representative Office in New Delhi to provide similar services to its clients in North India. Its future strategy includes helping Indian corporates desirous of strengthening links between Italy and India to set up shop in Italy. It also intends to upgrade the Mumbai Representative Office to an operational centre and in due course start a private banking business. However, this is contingent on potential growth opportunities and favourable regulations.

The Indo-Italian Chamber of Commerce and Industry (IICCI) is planning to double trade between India and Italy within the next three years. BMPS banking group would like to support companies involved in this effort by providing them a full array of banking services and products in Italy and India. With the opening up of the Indian financial sector in 2009, BMPS may also explore all available opportunities in view of expected rapid growth in its Indian operations.

BMPS's India operations

- Entered India in 2006 via its Representative Office at Mumbai
- Offers services to its Italian clients involved in manufacturing or sourcing activities from India as well as imports into India
- Major emphasis of these services is targeted at Italian SME
- Services include liaison activities, promotion of exports and imports, identifying possible joint venture partners, research activities for promotion of trade
- Plans are on to open a Representative Office in Delhi