



SOCIO-ENVIRONMENTAL REPORT




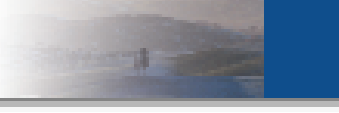



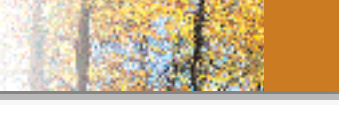

OUR COMMITMENT OF SOCIAL RESPONSIBILITY



BANCA MONTE DEI PASCHI DI SIENA S.p.A.



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MESSAGE FROM THE CHAIRMAN

Again in 2003, the Italian banking industry experienced a critical year. Though in presence of a slight recovery of several important international economies, the difficult domestic economic situation and the strong international geo-political tensions contributed to deteriorate the banks' uncertain operating scenario.

The problems concerning corporate crisis and the disappointment of investors emerged in this framework. As a result, the role played by the banks with respect to social responsibility was emphasized in a negative way. However, these events triggered a reaction aiming to avoid the risk of a crisis of confidence in the banking industry, and opened the way to several initiatives carried out by each bank and by the whole banking industry.

Although driven by critical issues, several of the initiatives undertaken focused on the necessity of rebuilding the relationship between the banks and their customers in accordance with the principles of transparency and fairness, in order to consolidate the traditional confidence at the basis of the banking business.

The conduct chosen by the MPS Group in these circumstances, and in particular the talks with the Consumers' Associations in order to reach agreement in reasonable time with respect to the settlement of long-term savings plans and structured products, have already been illustrated in the past. However, the publication of the Socio-Environmental Report represents the ideal opportunity for stressing that the strategies adopted did not stem from the circumstances, but from a rooted system of values which has always obliged the Bank and the Group to find viable solutions in the interest of the stakeholders, and in this case the clients.

A tangible sign of acknowledgement of the policy adopted is the recent addition of the BMPS shares to the Dow Jones Sustainability Index World, and the FTSE4Good Europe and FTSE4Good Global indices of the Financial Times, in addition to the introduction of the Bank's shares in the Ethibel global ethical index produced by the Belgian rating agency, Ethibel.

In 2003 the social and environmental commitment of the Bank and the Group remained very solid in accordance with the guidelines set out in prior years.

With reference to ethical products, the Bank expanded its operations in the area of socially responsible investments and launched an ethical range ("Sistema Ducato Etico") which incorporates the two funds marketed in 2001 (Ducato Etico Globale and Ducato Etico Civita) and a new bond fund (Ducato Etico Fix) which invest mainly in corporate bonds featured by business practices, in compliance with the principles of social and environmental responsibility.

In order to promote socially and environmentally sustainable behaviours and practices among its stakeholders, in 2003 Banca Monte dei Paschi di Siena participated in the "Ethics



and Market” project sponsored by several European consumers’ associations for the purpose of boosting demand and supply of ethical funds. In addition, the Bank joined the initiative covering “Sustainable development through Global Compact”, promoted by the Minister of Labour and the International Labour Organization (ILO), and supported a program of awareness of the principles of social responsibility among the SMEs.

The Bank has also gained a considerable experience with respect to quality and environmental certifications. In addition to the various ISO 9001 certifications procured for the MPS Group companies’ products and services starting from 2002 and the prestigious targets achieved by MPS Banca Verde (first bank in Europe listed in the European Register of the companies complying with the EMAS Regulation), in 2003 the Bank secured ISO 14001 certification for its environmental management system. From the point of view of responsibility with respect to the protection of human rights and employees, MPS Banca Verde has recently secured the Social Accountability 8000 certification.

The organizational and management measures taken by the Bank early in 2004 pursuant to Legislative Decree 231/2001 in relation to corporate administrative responsibility are of paramount importance. These measures aim to optimize the skill of preventing, monitoring and punishing any wrongdoings in the interest of a company by individuals related to the company itself.

Another significant initiative taken in 2003 has been the participation in the 10th principle of the UN Global Compact on the basis of which the Bank undertakes to *“encourage and support all possible initiatives aiming at preventing and fighting against any kind of corruption”*.

This Socio-Environmental Report of Banca Monte dei Paschi di Siena illustrates the economic and social environmental performance of the Bank and contains a section dealing with the other Group companies and focused on the major responsibility actions promoted by the same.

The objective of this Report is (i) to clear up that the ethics of responsibility is a value shared by the whole MPS Banking Group and (ii) to contribute to the understanding of the fundamental principles represented by the centrality of Man and environmental protection, thus facing the present and future demanding challenges.

Pier Luigi Fabrizi

GUIDE TO THE SOCIO-ENVIRONMENTAL REPORT

Banca Monte dei Paschi di Siena, the Parent Company of the MPS Banking Group, has published its report covering the issues concerning sustainable development from the year 2000 onwards. The purpose of the report is to prove that the Bank's actions are inspired by fundamental ethical values in compliance with the expectations of all stakeholders (shareholders, clients, employees, suppliers, Government and other government agencies, community) who are interested in the Bank's activity.

The Socio-Environmental Report illustrates the values which direct the Bank's conduct and responsible management, such as the focus on the centrality of man, correctness and transparency with respect to third parties, respect for the environment, and the results achieved in these areas and any projects of future improvement.

The Report is divided into five major sections:

- The first section describes the MPS Group and outlines its history, organizational structure and the strategies included in its Business Plan;
- The second section deals with the Bank's and the Group's social responsibility values and principles, and the management systems introduced for the governance of socio-environmental issues;
- The third section incorporates a detailed description of the Bank's environmental, economic and social performances, with the acknowledgement of the objectives achieved as set out in the 2002 Socio-Environmental Report and the description of future goals;
- The fourth section illustrates the actions of social responsibility carried out by several Group companies;
- The fifth section includes the certification of the auditing firm KPMG and the stakeholders' considerations resulting from the evaluation forms and feedback received by the readers of the past edition.

Banca Monte dei Paschi di Siena S.p.A. believes that the Socio-Environmental Report has become an essential tool for consolidating the relationships with the stakeholders and steady improvement. To this end, an evaluation form is

attached to this report. Each reader is kindly requested to fill the form and send it back to the Bank, including any comments and suggestions.

Reporting Methodology

The Socio-Environmental Report has been prepared for the purpose of providing the stakeholders with any information needed, in a format which is easy to understand and in compliance with the major socio-environmental standard guidelines. More specifically, the guidelines for this report include:

- the "Social Responsibility Reporting Model for the Banking Industry" prepared by an interbank work group of which the Bank is part, coordinated by the European Institute for the Social Report and the Italian Bankers' Association;
- the "Sustainability Reporting Guidelines" contained in the Global Reporting Initiative (GRI) and the guidelines of the Work Group for the Social Report.

The notes and data refer to Banca Monte dei Paschi di Siena, with some references in the first, second and fourth sections to information relative to other companies of the MPS Group in order to give the reader a global overview of the Group's socio-environmental commitment.

The information and data on socio-environmental issues were collected and analysed by the Work Group for the Socio-Environmental Report which includes members of different Units of the Bank. The economic data come from the Bank's accounting system and from the annual financial statements for 2003.

Although the Bank has adopted work methods aimed at ensuring and increasing the accuracy of the data supplied, there is a possibility of a certain margin of error for some of the environmental data due to the difficulty of measuring or estimating the aggregates.

The data are presented with reference to 2003 and, where deemed useful, with reference to prior years in order to highlight specific trends. Several quality data have been extended to the first half of 2004.





THE MPS BANKING GROUP



THE MPS GROUP PROFILE

MPS GROUP AS OF 31.12.03 - STAFF

	Workforce	%
Banca Monte dei Paschi di Siena	12.132	45,0
• including		
Corporate Center	978	3,6
Banca MPS Commercial Division	10.970	40,7
International*	184	0,7
Banca Toscana	3.851	14,3
Banca Agricola Mantovana	3.007	11,2
Banca 121 P.F.	225	0,8
Banca Steinhauslin	240	0,9
TOTAL ITALIAN BANKS	19.455	72,2
Foreign banks	505	1,9
Product companies	1.607	6,0
Service companies	2.534	9,4
• including		
MPS Group Operating Consortium	2.241	8,3
Other non-banking activities	91	0,3
Tax-collection **	2.528	9,4
Insurance companies	160	0,6
Other companies	84	0,3
TOTALE GRUPPO	26.964	100

* Foreign branches and representative offices

** Comprende le esattorie gestite direttamente da Banca MPS e le Società esattoriali del Gruppo.

The Monte dei Paschi di Siena Group operates in Italy and in the major international financial centres in various segments of the banking and financial services market. Its range of activity includes traditional lending and deposit-taking, asset management (investment funds, individual portfolios under management, pension funds and life insurance policies), investment banking, innovative corporate finance (project finance, merchant banking, financial advisory services), with a strong focus on the retail market (individuals and SMEs). The Group – which has roughly 27,000 employees, more than 1,800 branches and a string of alternative distribution channels – serve the needs of about 4.5 million customers.

The Parent Company, Banca Monte dei Paschi di Siena, was listed in June 1999 on the screen-based market of the Italian Stock Exchange and since September 1999 has been included in the Italian Stock Exchange's most significant index, the Mib30.

HISTORY

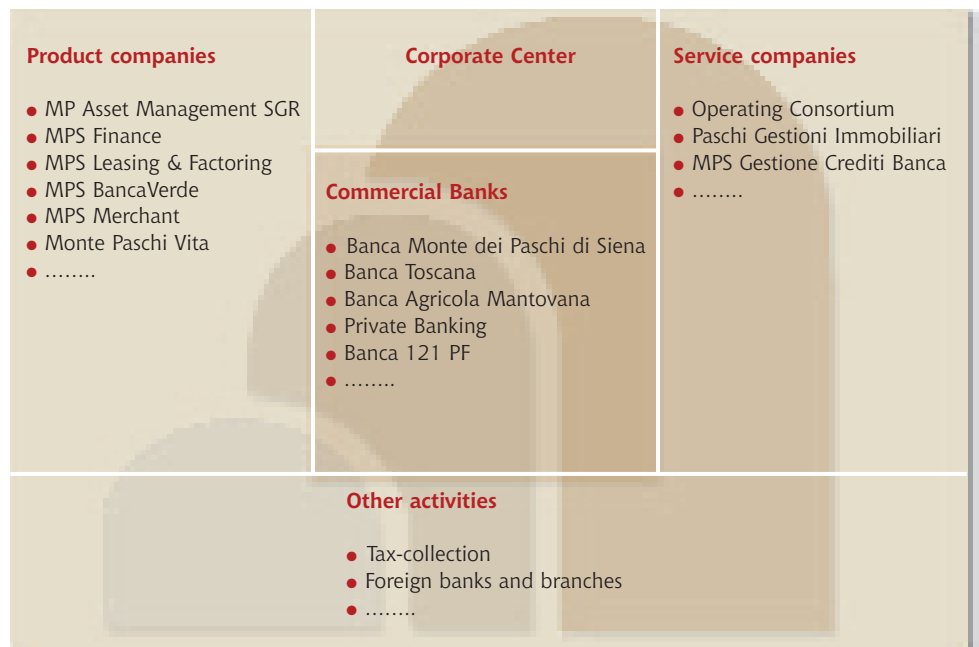
- 1472** The institution of "Monte di Pietà" by the General Council of the City of Siena for the purpose of granting credit to the needy: 27 February.
- 1865-1896** Operations within the traditional marketplace, the provinces of Siena and Grosseto.
- 1883** Participation in the start-up of the National Fund for the Insurance of Accidents in the Workplace (currently known as I.N.A.I.L.).
- 1907-1923** A move beyond the borders of the two traditional provincial areas served, and the opening of branches in Empoli, Florence, Perugia, Naples and Rome.
- 1929** Participation in the creation of Banca Toscana.
- 1936** Transformation into a public law credit institution.
- 1946-1956** Expansion of the Bank's network in other regions, and the opening of branches in Bologna, Milan and Genoa.
- 1983-1989** A move beyond national borders: New York, Singapore, Frankfurt and London.
- 1990-1994** Diversification into bancassurance (first bank in Italy) through MPV Vita, and into mutual investment funds through Ducato Gestioni. Enhancements to the presence in the medium-/long-term lending market through the acquisition of Mediocredito Toscano (currently, MPS Merchant) and Istituto Nazionale per il Credito Agrario (currently, MPS BancaVerde). Acquisition of interests in foreign banks: Banca Monte Paschi Belgio, Banca Monte Paschi (Suisse), Monte Paschi Banque (France).
- 1995-1999** Incorporation of Banca Monte dei Paschi di Siena S.p.A., as the by-product of the transfer of the banking activity of the public-law institute, Monte dei Paschi di Siena, in accordance with the regulatory reform of the banking system, and subsequent listing on the Italian Stock Exchange on 25 June 1999.
- 1999-2000** Further expansion through the acquisition of interests in several well-established regional banks, including a controlling interest in Banca Agricola Mantovana and Banca del Salento.
- 2001-2003** Enhancements to the productive units through MPS Merchant and MPS BancaVerde in the area of specialized credit and financial products for business, Consum.it in the area of consumer credit, MPS Finance in investment banking, MP Asset Management SGR in funds management and MPS Leasing & Factoring.
- Restructuring of the MPS Group, for the purpose of aligning the Group's structure with the strategies set out in the Business Plan and consolidating positions in several strategic companies through principal transactions as follows:
- The merger by incorporation of Banca Toscana and Banca Agricola Mantovana into BMPS, with the simultaneous incorporation of two new wholly-owned companies to take over management of the original brands of the two banks;
 - The merger of Banca 121, with the simultaneous incorporation of a new company known as Banca 121 Promozione Finanziaria;
 - The sale of the interests held in Cassa di Risparmio di Prato and Cassa di Risparmio di San Miniato;
 - The incorporation of MPS Immobiliare S.p.A., a wholly-owned company to house virtually all of the Group's property assets used in the core business activity;
 - The approval of the merger plan of Monte Paschi Ireland and Mantovana Ireland Ltd., for the purpose of restructuring the Group's Irish-law companies;
 - The merger of Ticino Vita and MontePaschi Vita, in the area of bancassurance;
 - The merger on 31 May 2004 of Banca Steinhauslin, for the purpose of restructuring the Group's presence in the private-banking market.

ORGANIZATIONAL STRUCTURE

In order to ensure a highly efficient governance system in compliance with the operating scenario, the MPS Group organizational model as of 31 December 2003 was structured as follows:

- **The Parent Company**
Incorporates the Board of Directors which dictates the Group's general and strategical guidelines and the Corporate Center, with governance and co-ordination tasks.
- **Business Units**
The Group's main profit centres are included in the four strategical development areas: Commercial Banks, Personal Financial Services, Private Banking and New Initiatives.
- **Product companies and excellence centres**
Dedicated to the production and management of special products supplied to the market through the Business Units and, if necessary, third-party networks.
- **Service companies**
Specialized by area, support the activity of the Business Units through the production and management of high-quality special services.
- **Other companies**
Take care of the Group's non-strategical activities, in a logic of optimization of performances.

THE MPS GROUP ORGANIZATIONAL MODEL



A breakdown of the Banking Group and its other subsidiaries and affiliated companies is given in the cover of this Report.

THE MPS GROUP GEOGRAPHICAL NETWORK

THE GROUP DOMESTIC BRANCHES

(31.12.2003)

Banca MPS	1.082
Banca Toscana	415
Banca Agricola Mantovana	290
Banca Steinhauslin	13
TOTAL MPS GROUP	1.800

MARKET SHARE

(branches/total bank branches in Italy) 5,90



FOREIGN REPRESENTATIVE OFFICES

Istanbul
Cairo
Tunis
Moscow
Beijing
Shanghai
Algiers

FOREIGN BRANCHES

Frankfurt
London
Madrid
New York
Hong Kong
Singapore

■ number of branches
■ market share
(branches/total bank branches per region)

THE MPS GROUP'S STRATEGIES AND BUSINESS PLAN

The 2003-2006 Business Plan, which is available on the web.site www.mps.it, is closely related to the previous plans and confirms the Group's strategical targets in terms of:

- **Size growth and income improvement;**
- **Focus on the retail market, SMEs and Government Agencies;**
- **Consolidation of the presence in the Private Banking market.**

In order to achieve these objectives, the Group leverages on the following elements:

- The **growth of commercial productivity** through increasing specialization of production units and distribution units by markets and customer segments;
- The **enhancement of operating efficiency** through the consolidation and streamlining of cost structures, both in terms of personnel expense and administrative expenses;
- The **optimization of risk management and capital consolidation.**







SOCIAL RESPONSIBILITY AND GOVERNANCE SYSTEMS

DEVELOPMENT OF THE MPS GROUP'S ROLE IN CORPORATE SOCIAL RESPONSIBILITY

- 1998**
- The Bank becomes the first Italian credit institution to sign the “UNEP Statement by Banks on the Environment and Sustainable Development” (UNEP Financial Initiatives).
- 1999**
- Banca MPS and Istituto Nazionale di Credito Agrario - INCA (currently, MPS BancaVerde) organize a conference on the issue of “Eco-compatible development as an economic- and social-growth opportunity”, Siena, 29 October.
- 2000**
- The Board of Directors of Banca MPS defines the MPS Group’s “Statement of Values”.
 - The MPS Group takes action to remove itself from any possible activity in relation to armaments.
- 2001**
- Creation of the Environmental Policies Unit within the Corporate Center.
 - Publication of the 2000 Social Responsibility Report and of the 2000 Environmental Report.
 - MP Asset Management SGR introduces new investment funds with special ethical criteria: Ducato Etico Civita and Ducato Etico Globale.
 - Establishment of the Advisory Board, an external advisory committee of experts in economics and science which plays the role of point of reference for the Group, for the identification of global evolution trends within Corporate Social Responsibility.
 - Publication of the 2000 Social Report of INCA.
 - INCA changes its name to MPS BancaVerde S.p.A. and becomes the Group’s vehicle for the implementation of policies for sustainable development and the protection of the environment.
- 2002**
- Banca MPS secures ISO 9001 quality certification for its services to the clientele.
 - Banca MPS adheres to the UN Global Compact.
 - MPS BancaVerde secures ISO 14001 environmental certification and EMAS registration.
 - As part of the World Business Council for Sustainable Development, Banca MPS signs the statement on “Finance and sustainable development”, presented to the Global Summit on Sustainable Development in Johannesburg.
 - The Bank is added to the Dow Jones Sustainability Index World.
 - Publication of the Socio-Environmental Report which earns a special award, “Statement of Sustainability for Large Organizations”, as part of the “Oscars for Financial Statements and Financial Communications 2002”.
 - Publication of the Socio-Environmental Report of MPS BancaVerde.
 - The Board of Directors of Banca MPS approves the environmental policy document.
- 2003**
- Procurement of environmental certification in accordance with ISO 14001 Standards.
 - The Bank is added to the FTSE4Good Global Sustainability Index.
 - Publication of the first Socio-Environmental Report of Banca Agricola Mantovana.
 - Banca MPS earns a special award, “Green Light Partner 2003”, from the European Commission.
- 2004**
- The Bank is added to the ETHIBEL sustainability index (31.03.2004).

VALUES

THE MISSION

The mission of Banca Monte dei Paschi di Siena is to create value for shareholders over the short term and the long term, thereby placing the priority on customer satisfaction, the professional development of the employees, and the interests of all stakeholders.

Banca MPS seeks to establish itself solidly as a principal force within the ever-changing Italian banking panorama, and as the parent company of one of the top financial service groups in Italy oriented to serving the European market as a whole.

Banca MPS intends to promote unity within the MPS Group, while simultaneously acknowledging the value of cultural differences between the various components of the Group and ensuring the maintenance of strong local roots in the areas where the Group companies operate.

Monte dei Paschi di Siena, which has always been the “people’s bank” pursuant to its roots and its century-long tradition focused on social equity and environmental protection, has been committed for several years in a demanding process of integration of these values in its activities.

To this end, first of all the Bank deemed it necessary to state its clear commitment in the area of social responsibility policies which have been disclosed in the following statements:

STATEMENT OF VALUES

Conscientiousness

To ensure conscientious behaviour at all times, and namely, the commitment to a constant orientation to service, to integrity and transparency, to correctness in business, to the safeguarding of the environment and to the respect of the individual

Focus on change

To cultivate a vision of the future, an openness to innovation and a sense of flexibility in one’s own work, while simultaneously enhancing the value of the strenghts of tradition.

Passion for professionalism

To act as a model of reference through the development of best practices and a professional image oriented to training and to self-development of key skills, for both the individual and the organization.

Customer orientation

To develop listening skills and thus attention to relationships with both internal and external customers, thereby improving the quality of services supplied and the level of customer satisfaction. This means constant attention to the efficiency and efficacy of the production and the distribution of services.

Entrepreneurial and proactive approach

To adopt an entrepreneurial approach at every level of responsibility, anticipating problems, advancing proposals and solutions and assuming accountability appropriate to one’s own professional rank.

Team spirit and cooperation

To communicate in order to maintain and develop team spirit, thereby promoting cooperation, the sharing of responsibility and the capacity to help others. The objective is to be responsible individuals, so as to facilitate BMPS’ success in the respect of its stated ethical values.

THE BANCA MPS ENVIRONMENTAL POLICY

We are committed to pursuing continuous improvement of our environmental performances, by gradually reducing the environmental impact of our activities.

We adopt the necessary measures and precautions in order to prevent, eliminate or reduce any form of environmental pollution in accordance with the regulations in force.

We ensure all of the Bank's employees and stakeholders are aware of the Bank's environmental policies and objectives.

We are committed to developing lending and investment policies which reward processes and products having a positive environmental and social impact.

DISENGAGEMENT OF BANCA MPS FROM THE ARMS BUSINESS

The Bank has pursued a policy of not providing any financial services to the arms industry for several years.

In line with its Statement of Values, the Bank felt it necessary to take action to remove itself from any possible involvement in financing the production or the sale of arms.

As of August 2000, Banca MPS provided precise instruction to all of its branches to avoid any transactions linked to the production or sale of arms, once the transactions in effect, some of which were related to long-term commitments, have been cleared from their books. The instructions were made with reference to Law no.185/1990. As of November 2001, this policy was adopted by all of the other banks of the MPS Group.



UN GLOBAL COMPACT



An Action Program promoted by the United Nations, Global Compact aims to encourage businesses – in co-operation with the UN Agencies, NGOs and others - to bring their policies and actions in line with nine universally recognized values with regard to human rights, fair labour practices and protection of the environment.

In June 2002, at the request of the UN Secretary General, Mr. Kofi Annan, the Bank's Chairman, Mr. Pier Luigi Fabrizi, endorsed the participation of Banca MPS in Global Compact.

The strong synergies between the Bank's corporate responsibility policies and the commitment undertaken by joining Global Compact are clear.

The Bank has participated in the Global Compact Annual Summits and has illustrated its initiatives for the purpose of incorporating and promoting the nine principles in the Learning Forum of the web-site www.unglobalcompact.org.

The proposal of addition of the 10th principle of Global Compact was accepted in May 2004 by undertaking the commitment to *encourage and promote any possible initiative for preventing and fighting against any form of corruption*.

A summary of the Bank's major initiatives and performances with reference to the Global Compact principles is attached to this Report.

BANK'S INTERNATIONAL COMMITMENTS TO SUSTAINABLE DEVELOPMENT WITHIN THE FINANCIAL INITIATIVE OF THE UN ENVIRONMENTAL PROGRAMME (UNEP-FI) *

We believe that the Bank can provide, together with other economic sectors, an important contribution to sustainable development.

We are committed to considering environmental needs in all of our activities across all markets, and to developing a dialogue with all stakeholders.

We aim to embrace the best methods of environmental governance, including efficient use of energy, recycling, and waste reduction, and to develop business relationships with partners, suppliers and companies on the basis of high environmental standards.

We encourage the development of products and services for safeguarding the environment.

* Excerpt from the Statement which has been officially endorsed by Banca MPS and MPS BancaVerde

EXCERPT FROM THE "FINANCE AND SUSTAINABLE DEVELOPMENT" STATEMENT PREPARED BY THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD) AND DEVELOPED BY THE BANK

We believe that the integration of sustainable development in a firm's activity constitutes a pre-requisite for the success of the firm and the creation of value for shareholders over the long term.

We are committed to promoting a pro-active orientation toward sustainable development through the activation of innovative systems within the company and of relationships with all stakeholders.

We recognize the role and the limits of the financial services sector in supporting sustainable development.

We are committed to being transparent and to growing the confidence of the stakeholders, including through regular reporting on the subject of sustainability.

CODE OF CONDUCT AND SELF-DISCIPLINE FOR THE BANKING AND FINANCIAL INDUSTRY PROMOTED BY THE ITALIAN BANKERS' ASSOCIATION

We carry out our activity with transparency, diligence and professionalism.

We notify our customers of the economic terms in relation to the products/services supplied and provide the necessary assistance.

We ensure confidentiality in the treatment of information by our employees and forbid the use of confidential information for personal purposes.

We verify, pursuant to the law, the identity of the individuals who address the Bank in order to carry out any transactions and co-operate with the customers to get to know them, in order to prevent misuse of the banking and financial system.

We prevent our staff from promising, doing and receiving any favours, sums and benefits for the purpose of obtaining improper advantages.

We circulate the Codes among our employees so as they are aware of the same and comply with the principles therein contained.

CORPORATE GOVERNANCE

In March 2001 Banca Monte dei Paschi di Siena S.p.A. endorsed the **Code of Self-discipline for Listed Companies** (also known as Preda Code) and implemented the principles therein contained both in its Articles of Association and in its operating practices.

Following is a breakdown of the corporate Bodies and other Procedures provided for by the Corporate Governance system of the Parent Company (further details are given in the Bank's Annual Report for 2003, also available in the Bank's web-site www.mps.it).

CORPORATE BODIES

Shareholders' meeting

Board of Directors

Executive Committee

Managing Director (not appointed)

Chairman

Board of Statutory Auditors

Committees

CEO

FUNCTIONS & PROCEDURES

Discipline of transactions with non related parties

Treatment of confidential information

Internal audit system

Investor Relations



CORPORATE BODIES

Shareholders' Meeting

Represents all shareholders and its resolutions, which are taken in compliance with the law and the Articles of Association, are binding on all shareholders.

The Shareholders proving their title are entitled to attend, in accordance with the terms provided for by the regulations in force.

The shareholders are notified of the Shareholders' Meeting procedures, which are compliant with the model prepared jointly by Assonime and the Italian Bankers' Association, by a specific note issued during each Meeting.

Board of Directors

The Board of Directors, as determined by the Shareholders' Meeting held on 26 April 2003 on the basis of the list voting system, **consists of 16 members**: 8 members are appointed by the Monte dei Paschi di Siena Foundation (Fondazione) and the remaining 8 members are appointed on the basis of a proposal of 70 shareholders forming a shareholders' pact. The directors may be re-elected and they hold office for three financial years. All members of the Board are non-executive independent directors:

- **Non-executive directors** means that no Managing Director has been appointed so far, even though the Articles of Association contemplate this position and there are no directors having executive responsibilities within the Bank.
- **Independent directors** means that, on the basis of the data supplied by the same, they are not deemed to maintain any significant economic relations – either directly or indirectly - with the Bank or its subsidiaries, or any investment relationships of a magnitude which would allow them to exercise control or considerable influence over the Bank, or to be close relatives of individuals in said positions.

The **remuneration** of the Directors is established by the Shareholders' Meeting and consists of three components: annual remuneration, meeting attendance fees, daily allowances for the refund of travel expenses (if any). At the moment, no form of variable compensation linked to the Bank's earnings and/or the achievement of specific objectives is contemplated nor is there any form of stock option plan.

In 2003 the overall remuneration of the Parent Company's Directors amounted to EUR 2,120,000.

In 2003 the Board of Directors held 31 meetings.

Executive Committee

Consists of 8 Directors. In a matter of necessity or urgency, the Committee may authorize any business or transaction that would normally be authorized by the Board of Directors, other than business or transactions to be authorized exclusively by the Board of Directors.

In 2003 the Executive Committee held 45 meetings.

COMPLIANCE WITH LEGISLATIVE DECREE 231/2001 REGARDING CORPORATE ADMINISTRATIVE RESPONSIBILITY

Legislative Decree 231/2001 introduced the principle of corporate administrative responsibility in Italy in relation to offences committed in the company's interest by individuals who are part of the same. In particular, the law punishes any fraud and misappropriation to the detriment of the Government and Government agencies, and the illicit collection of public funds. Banca MPS has immediately set up a Work Group for the purpose of complying with the necessary fulfilments in relation to said regulations and, in particular, preparing an organization model for preventing the above-mentioned offences, on the basis of an accurate mapping of high-risk activities. In accordance with the valuations and the results reported by the Work Group, on 1 April 2004 the Bank's Board of Directors approved **Form 231 of Banca MPS** which introduces a discipline code punishing non-compliance with the measures indicated in the form itself.

Committees

They have the responsibility of providing advisory or consultative input to the Board of Directors and include:

- **Compensation Committee**
The principal task of the Committee is to submit to the Board of Directors proposals regarding compensation to the directors vested with special powers and compensation to the Bank's Top Managers.
- **Internal Controls Committee**
Assists the Board of Directors in the initiatives aiming at achieving a proper system of internal controls, including the relations with the auditing firms, and oversees compliance with Corporate Governance rules and their periodic update. It is the Supervisory Body in compliance with Legislative Decree 231/2001.

Chairman of the Board of Directors

Represents the Bank towards third parties, is responsible for convening and chairing the Shareholders' Meeting as well as the meetings of the Board of Directors and the Executive Committee, determining the agenda thereof.

The Board of Directors has not delegated any authority to the Chairman, but the Chairman may, in a matter of necessity or urgency, and if the Executive Committee cannot act, authorize any business or transactions which is the responsibility of the Board of Directors or of the Executive Committee, except business or transactions for which the Board of Directors is exclusively responsible.

Board of Statutory Auditors

Consists of three acting auditors and two alternates; the auditors hold office for three years and can be reconfirmed.

The Auditors are not allowed to work as acting auditors in more than five companies listed on the Italian Stock Exchange which do not belong to the MPS Group; they are not allowed to hold office in banks other than those of the MPS Group and subsidiaries controlled jointly.

CEO

- Oversees the Bank's organization structure which he is responsible for.
- Executes all transactions and acts of ordinary administration.
- Submits proposals and reports to the Board of Directors or the competent committees.
- Arranges for the execution of resolutions by the Bank's Board of Directors as well as the coordination of the activity of the subsidiaries belonging to the MPS Group, in conformity with the general strategies and criteria established by the Board of Directors.
- Is the Head of human resources.
- Exercises the powers vested with him by the Board of Directors in the case of lending authority and in the ordinary management of other operations, with the support of the Deputy Chief Executive Officers and other Executives.

OTHER CORPORATE FUNCTIONS AND PROCEDURES

Code of conduct for transactions with related parties

Sets the applicable internal regulations.

Ordinary Transactions (with no particular elements) are approved in accordance with the limits of authority established by the current system of delegation of authority within the Bank.

Significant Transactions (which require public disclosure in accordance with art.71bis of the "Issuer Regulation" adopted by Consob resolution 11971) and Material Transactions (transactions which cannot be considered as "Significant Transactions", but have atypical and/or unusual elements) are approved by the Board of Directors.

Management of sensitive information

The Bank's internal rules dictate the standards of conduct in relation to sensitive information which might affect the price of listed financial products.

With reference to internal dealing, the Bank adopted a Code of conduct for internal dealing aimed at ensuring transparency in all transactions involving the shares or other listed financial instruments of the Bank and its subsidiaries, and the financial instruments connected to the same (including unlisted instruments) executed by "Material Individuals". "Material Individuals" refer to the positions expressly indicated in the regulations (Directors, Statutory Auditors and CEO) and other Top Managers of the Parent Company. The full text of the Code of conduct for internal dealing is published on the Bank's web site (www.mps.it).

Internal Controls System

The Bank has equipped itself with an internal controls system which complies with the directives of the regulatory authorities and the recommendations of the Basle Committee. The structure of the internal controls system is outlined in a specific Group Regulation approved by the Board of Directors. The Internal Audit Area reports directly to the CEO and is responsible for ensuring the appropriate development of the global control system.

Investor Relations

Additional information about Investor Relations is provided in the section concerning the "Shareholders".

CORPORATE GOVERNANCE OF SOCIAL RESPONSIBILITY

In light of the recent corporate crises which devastated the international and domestic financial markets, today the issue of corporate governance becomes much more complicated than in the past, including not only the traditional aspects concerning the transferability of ownership, the protection of minorities, the composition and the role of the Board of Directors, but also corporate social responsibility with respect to all stakeholders.

The voluntary adoption by the MPS Group of organizational and management schemes aimed at ensuring the steady observance of laws and ethical values represents an opportunity for improving accountability and the relations with the public opinion and society in general, thus involving important opportunities of social growth.

Although the corporate organizational scheme of Banca MPS complies with the provisions of the Preda Code, the Group's structures are gradually being adjusted in order to materially implement the socio-environmental policies defined.

The development of new commercial platforms aimed at enhancing the skill of customizing the services to the clients' requirements (see the section covering "The customers"), and the shift from the human resources management system towards models characterized by the development and enhancement of professional skills (see the section covering "Human Resources"), are two significant examples of such commitment, in addition to the consolidated organizational structure dedicated to directly monitoring social and environmental issues.

Environmental Policies Unit

This Unit of the Corporate Center is responsible for the coordination of the MPS Group socio-environmental policies.

Following are some of the initiatives which the unit is pursuing:

- the coordination of the Environmental Management System,
- the promotion of training in the socio-environmental field,
- the reporting on socio-environmental themes to stakeholders.

MPS BancaVerde

MPS BancaVerde is the MPS Group's excellence centre in the environmental area and is dedicated to promoting sustainable development and providing support with respect to quality-oriented farming and agricultural-processing operations. As a dedicated product factory, MPS BancaVerde is responsible for creating innovative products for the MPS Group in highly specialized niches such as the environmental sector and serves as a vehicle for the activation of the Group's policies in support of sustainable development and protection of the environment.

The following members of the ADVISORY BOARD who were appointed in 2001 hold office for the two years:

Jacqueline Aloisi de Lardere: *Director of the Division of Technology, Industry and Economics of the United Nations Environment Programme (UNEP) – Paris.*

Umberto Colombo: *Chairman of the Scientific Committee of the ENI Enrico Mattei Foundation.*

Meghnad Desai: *Director of the Centre for the Study of Global Governance of the London School of Economics, London.*

Geoffrey Heal: *Economics and Finance Professor, Graduate School of Business of Columbia University – New York.*

Michael Kelly: *member of the Direction of Environment, United Kingdom.*

Donato Masciandaro: *Ordinary professor of Monetary Economics, Paolo Baffi Centre, Bocconi University, Milan.*

Ignazio Musu: *Ordinary professor of Political Economics – Department of Economic Sciences, University of Venice.*

Charles Perrings: *director of the Environmental Economics Department, University of York (UK).*

Amartya Sen: *1998 Nobel prize for Economics “for his contribution to the theory of welfare economics”.*

Robert Solow: *1987 Nobel Prize for Economics “for his contribution to the theory of economic growth”.*

Advisory Board

Consists of internationally known scientific and economic experts and is responsible for providing consultative input to the Bank's Management in the area of corporate social responsibility.

The Advisory Board identifies trends in the area of corporate social responsibility and social reporting and has analysed the following topics during specific meetings:

- *Finance and Sustainable Development*, Siena November 2001;
- *Ethical Funds*, Milan April 2002;
- *Environmental risk in lending*, Rome January 2003.

PRINCIPAL MANAGEMENT SYSTEMS

In acknowledging quality, environment, safety and security in the workplace as its principal values, the Bank has adjusted its management systems in order to integrate socio-environmental issues effectively into business activity, in line with the major recognized international certification standards.

Banca MPS was one of the first credit institutions in Italy to implement a Quality Management System obtaining ISO 9001:2000 certification in 2002 for several services to its clientele, such as:

- The processing and disbursement of retail mortgage loans through the branch network;
- The planning and rendering of information-reporting services of direct banking via telephone, wap-gsm and the Internet;
- The planning and delivery of the treasury and cash service through the branch network.

Banca Toscana has recently renewed its quality system certification in accordance with ISO 9001:2000 standards for foreign transactions.

With the enactment of Legislative Decree 626/94, the Bank established the Prevention and Protection Unit for the purpose of complying with the provisions in relation to **safety** and **security**. The **Environmental Policy** of Banca MPS and MPS BancaVerde embraces the activation and subsequent certification of dedicated management systems. Banca MPS secured ISO 14001 certification in 2003, whereas MPS BancaVerde had obtained **ISO 14001 certification** in 2002 and was the first bank in Europe to obtain the **EMAS environmental registration under EU Regulation 76/2001**. From the organizational standpoint, in order to ensure the efficient monitoring at local level of the integrated management of the environment and the workers' safety and security, in 2003 Banca MPS assigned specific tasks to 25 employees acting as contacts/points of reference in the Major Branches (see the Section covering "Human Resources").

With regard to **the protection of workers and human rights**, the traditional focus on industrial relations has been recently flanked by the Bank's increasing international commitment, through the endorsement of the UN Global Compact and the adoption of the Social Accountability 8000 Rules. To this end, MPS BancaVerde was the first bank in the world to secure **SA 8000 certification** in June 2004.

PROMOTION OF DEVELOPMENT RESPECTFUL OF THE SOCIETY AND THE ENVIRONMENT

The Bank and the MPS Group have joined a string of initiatives and projects aimed at promoting development respectful of the society and the environment.



In 1998 Banca MPS and Banca Verde endorsed the UN Environmental Programme- Financial Initiative (UNEP FI), for the purpose of developing and promoting a balanced relation between financial performance and the environment.



Banca MPS is a member of the **World Business Council for Sustainable Development (WBCSD)**, an international association grouping 170 firms united by their commitment to balanced economic growth which takes into account the needs of environmental protection and social progress. The Bank co-operated with other firms within the WBCSD for preparing a statement on "Finance and Sustainable development", which was signed during the World Summit on Sustainable Development (Johannesburg, 2002).



Banca MPS is a member of **CSR Europe**, a network of 65 European companies which is aimed at promoting the development of corporate social responsibility in business practices.



Sodalitas is the Italian partner of CSR Europe. Within this Association, Banca MPS participates in the advanced Work Group for the study and benchmarking of Corporate Governance.



"Sustainable Development through Global Compact" is the Project launched by the Italian Ministry for Foreign Affairs, in co-operation with the International Labour Organization (ILO), for the purpose of spreading the **UN Global Compact** principles among the Italian companies. Banca MPS, which joined Global Compact in 2002, cooperates with the ILO for the implementation of a cycle of workshops on social corporate responsibility targeted at the SMEs.

Banca MPS is a partner of Adiconsum in the Project known as "Ethics and Market". The project, funded by the European Commission, is aimed at promoting the demand and improving the quality of supply in the area of socially responsible investments. The Project was a finalist in the category of "socially responsible financial initiatives" of the Sodalitas Social Award, 2003.

Banca MPS is one of the main sponsors of the "School of Environmental Communications" of Rispescia (GR), organized by **Legambiente** and 'Editoriale "La Nuova Ecologia", under the aegis of the European Commission and the Ministry of Environment.

Banca MPS participates in the Forum of **Agenda 21** of the City of Siena. In 2003, in the framework of the definition of the Local Action Plan, the Bank took part in a project supported by the Region of Tuscany, aimed at promoting the culture of sustainable development in the area of Siena and has organized a training workshop for its staff on these issues.

MPS BancaVerde is a member of the **Forum on Sustainable Finance**, a non-profit association which is part of the European network EuroSIF, which has the mission of promoting the culture of sustainable development within the Italian financial community.

Monte Paschi Asset Management SGR supports **OSIF**, a non-profit Consortium for the purpose of promoting the culture of social responsibility among the Italian companies.





PERFORMANCE

KEY HIGHLIGHTS

	2002	2003
ENVIRONMENTAL PERFORMANCE		
Total energy per employee (kWh)	6.650	7.502
Electric energy per employee (kWh)	4.917	5.658
Paper per employee (kg)	117	104
A4 pages per employee per day (n.)	46	33
Waste production per employee (kg)	92	72
CO ₂ emissions per employee (kg)	3.032	2.235
Auto travel per employee (km)	1.938	2.037
Water consumption per employee per day (liters)	109	135
ECONOMIC PERFORMANCE (in EUR million)		
Total funding	119.943	122.016
Customer loans and advances	36.803	36.636
Shareholders' equity	5.622	6.150
Gross operating profit	886,3	837,2
Net profit for the year	547,8	212,1
SOCIAL PERFORMANCE		
Employees (n.)	12.587	12.132
Training days (n.)	50.402	67.668
Accidents (n.)	140	190
• accidents involving employees outside of the workplace (n.)	88	116
Legal actions started by employees (n.)	180	110
Customers (n. 1,000)	2.785	2.712
Treasury and Cash services (n.)	1.595	1.702
Sponsorships and donations (EUR million)	21.190	20.969
Dividends (EUR million)	217,9	168,8
Total gross value added (EUR million)	2.540,7	1.730,5
• to the Community (EUR million)	145,1	102,6



ENVIRONMENTAL PERFORMANCE



The Bank-Environment interaction is essentially based on the following two aspects:

► **Direct environmental impact**

Although the Bank's activities are not characterized by a high polluting potential, in view of the concentration of the Bank's production units in various Italian cities and its widespread branch network, the Bank might contribute to alterate the natural environment as a result of its consumption of energy, water and paper, the production of waste and the employees' business trips.

► **Indirect environmental impact**

Through an accurate consideration of environmental issues in relation to its commercial activities, the Bank has the opportunity of contributing to circulate positive processes, products and behaviours from the standpoint of environmental compliance among its corporate customers and suppliers, in a logic of optimization of the relations with the stakeholders in the long term.

As an integral part of its values, the Bank respects the environment increasingly for the purpose of gradually reducing any form of pollution directly or indirectly attributable to corporate activities.



After setting up a specific Committee and introducing an Environmental Management System which secured the ISO 14001 certification in 2003 (see the section covering “Social responsibility and governance systems”), the Bank has inaugurated several programmes aimed at achieving clear objectives of improvement of its environmental performance which is periodically monitored by the Internal Audit Unit. Over 60 reviews were carried out in 2003 in order to verify the environmental performance achieved and to evaluate compliance of the workplace and the Bank’s activities with ISO 14001 standards and the environmental regulations in force. The results of the reviews were reassuring with respect to the gradual observance of the principles and standards introduced in the Bank by the Environmental Management System.

In order to promote improvement, particular emphasis has been placed in the training and education of the employees on the basis of the principle that the objectives set cannot be achieved without any cultural growth and the effective involvement of all employees in environmental issues.

“Save the nature: we can contribute through simple daily acts”: this is the basic principle underlying a self-learning session which was arranged in 2003 with respect to social responsibility and corporate environmental management. All employees can have access to the course via the Bank’s Intranet. The Bank’s quarterly house organ (Filo Diretto) also published 10 articles on these issues, with illustrations by our colleague, Sergio Manni.



Following is a summary of the major environmental initiatives conducted by the Bank in 2003 and their results.

THE MANAGEMENT OF DIRECT ENVIRONMENTAL IMPACTS

In 2003 the Bank made appreciable steps forward with respect to the management and monitoring of the direct environmental impacts.

The performance indicators show interesting signs of improvement in environmental efficiency as regards most of the aspects analysed, except energy and water consumption which increased considerably due to the extraordinary climatic conditions which characterized 2003.

However, the quality of the data published is subject to limitations and, though to a lesser extent with respect to prior years, a part of the data is still the result of estimates.

Environmental performance *	2003	% change vs. 2002
Total energy per employee (kWh)	7.502	12,8
Electric energy per employee (kWh)	5.658	15,1
Paper per employee (kg)	104	-11,1
A4 pages per employee (n.)	33	-28,3
Water consumption per employee per day (liters)	135	23,9
Waste production per employee (kg)	72	-21,7
Auto travel per employee (km)	2.037	5,1
CO ₂ emissions per employee (kg)	2.235	-26,3

* These indicators are in line with the principles of the document sponsored by UNEP, "EPI Finance 2000 – Environmental Indicators for the Financial Industry" and the manual "VfU Indicators 2003 - Internal Environmental Performance Indicators for the Financial Industry", drawn up by the German association VfU (Association for Environmental Management in Banks, Saving Banks and Insurance Companies).
In order to determine performance indicators, unless otherwise stated, the number of the Bank's employees as of the end of the year of reference, corresponding to the "Actual workforce", and including Tax-collection staff (13,903 staff units as of 31.12.2003), has been considered as a factor of standardization.

► Energy

The growing concerns over environmental problems such as the depletion of scarcely renewable resources, atmospheric pollution and the greenhouse effect have prompted companies to place increasing attention on the management of energy consumption.

The Bank and the MPS Group have addressed an Energy Manager more than 10 years ago. In compliance with Law no.10 of 1991, the Energy Manager steadily seeks to achieve maximum efficiency objectives and a rational use of energy in a logic of full environmental compliance of corporate activities.

The measures of energy management adopted by the Energy Manager in the past entailed in particular:

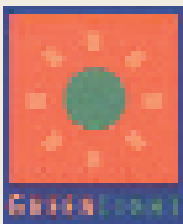
- The purchase of energy from renewable sources;
- The optimization of supply contracts;
- The installation of thermo-electric plants (engines, transformers, continuity systems, lighting) equipped with the best technologies for saving energy;
- The power regulation of the electric system in order to minimize thermal leaks in the transmission lines;
- Thermal insulation (insulation, external screens, double-glazing, ecc.);
- The conversion from oil-fired heating systems to methane gas heating systems or energy-saving heat pumps.



The initiatives carried out by the Bank in this field in 2003 include:

- the pursuit of the projects provided for by the Green Light Programme;

GREEN LIGHT PROGRAMME



The five-year Green Light Programma was started in 2000 by the General Direction of Energy and Transport of the European Commission. Public- and private-sector organizations are entitled to join on a voluntary basis and are committed to improving the quality and quantity of the lighting systems in the workplace, by installing lighting systems compliant with the best technological standards available.

The Bank became a participant in Green Light in November 2001 with the objective of adjusting the lighting of 300 facilities to the

Green Light standards by 2006, for a total of about 100,000 sq.mt. These adjustment measures will determine:

- The achievement of considerable energy savings;
- The improvement of the quality of lighting in the workplace to the benefit of the employees and the customers;
- The reduction of CO₂ emissions.

The Programme contemplates a very rigorous monitoring of the adjustments made, by preparing a technical sheet for each adjustment and an annual reporting with the detailed description of the systems installed and the economic-environmental performance achievable.

In 2003 the lighting of 18 facilities was adjusted to the Green Light standards for a total of 6,096 sq.mt..

During the two years in which the Bank participated in the Programme, the Bank has completed 48 adjustments (20,596 m²), with the priority going to buildings which are the oldest and/or which are equipped with low-efficiency energy systems. Adjustments include:

- Replacement of existing lamps with high-efficiency fluorescent lamps equipped with an electronic reactor and dark light optics appropriate for visual display units;
- Installation of time detectors of switch-on in the toilet facilities;
- Lamp scrapping for the lamps replaced.

Against investment outlays in the amount of EUR 250,000 recoverable over 3-4 years, it is estimated that the programme will yield annual savings of around 240,000 kWh of electric energy, equivalent to a reduction of operating costs by 30% (or EUR 65,000) in comparison with the original situation.

In consideration of the commitment expressed and the results achieved to date, the Bank received the "Green Light Partner 2003" award from the European Commission in May 2003.

- the increase of the interest in Consorzio Idroenergia s.c.r.l. for the purchase of hydroelectric energy. 260 Bank's units source their supply of energy from Idroenergia, with a consumption of equivalent electric energy produced by renewable sources which accounts for 63% of total, also considering the share purchased from other suppliers;
- the participation in Consorzio ABI Energia, promoted by the Italian Bankers' Association with the objective of defining actions for the optimal management of the purchase and use of energy. Following are the objectives which the Bank expects to achieve:
 - the reduction of the risk associated with the continuity of energy supply;
 - the reduction of the quantity of energy depleted;
 - the reduction of the costs of energy supply;
 - the reduction of the environmental impact of energy consumption;
- the energy analysis carried out in several buildings recording the highest energy consumption, aimed at identifying the efficiency measures required, especially in relation to the automatic regulation of the air-conditioning systems. In particular, the analysis concerned a sample of the Bank branches and the Tax-collection Unit located in Rome where further considerable electric and water savings might be achieved thanks to the planned measures for restructuring the water system;
- the enhancement of the monitoring systems of energy consumption, by linking the branches to the digital

meters of the suppliers. Thus, it will be easier to carry out more accurate analyses of the samples which are useful for anticipating the actual supply needs and identifying the actions aimed at limiting consumption;

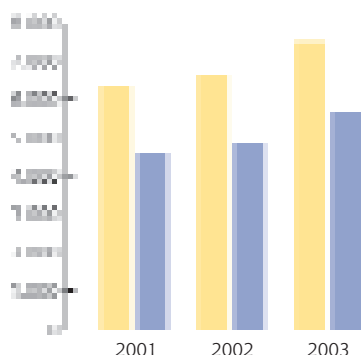
- the upgrade of 6,800 workstations, by replacing computers and printers with an equipment compliant with higher energy and environmental standards (Energy Star certification, liquid crystal displays etc.);
- the awareness of the employees for a rational use of energy aimed at eliminating energy waste.

ENERGY CONSUMPTION*	2001	2002	2003
Electric energy (kWh)	59.000.000	67.000.000	74.084.978
• from renewable sources (%)**	21	32	63
Diesel (Liters)	561.700	617.000	582.000
Natural gas (m3)	2.010.000	1.940.000	2.034.510
Total energy (kWh)	82.724.377	90.619.322	98.228.225

* The data are calculated on the basis of the annual expenditures for energy consumption.

** The data include the consumption of electric energy produced by the hydroelectric plants of Consorzio Idroenergia (kWh 40.340 in 2003), and the share produced by Enel from renewable sources (source: Enel Environmental Report 2002).

Performance indicators (kWh)



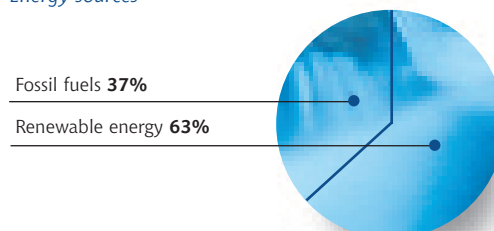
■ Total energy per employee
■ Electric energy per employee

ENVIRONMENTAL PERFORMANCE INDICATORS	2001	2002	2003
Total energy per employee (kWh)	6.347	6.650	7.502
Electric energy per employee (kWh)	4.528	4.917	5.658

A longer and colder winter with respect to prior years and an extraordinarily hot summer account for the high consumption recorded in 2003. The increasing consumption of electric energy is mainly attributable to the majority of the air-conditioning systems of the Bank's branches and units.

Electric Energy Consumption (2003)

Energy sources



► Transportation

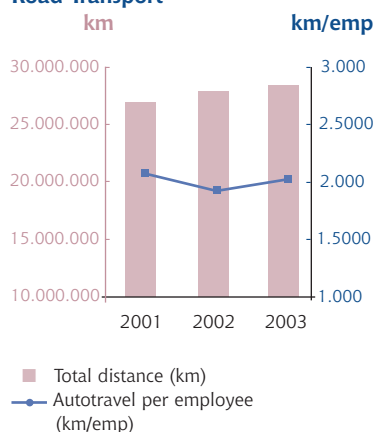
Road transportation is one of the principal factors of emissions into the atmosphere of carbon (CO₂), which is one of the causes of the climatic changes and the principal responsible for air pollution in the urban areas.

The Bank has a fleet consisting of 404 cars, which has increased with respect to 2002 as a result of the incorporation of 96 cars belonging to the former Banca 121. The vehicles are mainly powered by catalytic petrol engines (72%), with an average life of less than 10 years, in compliance with the European standards. The environmental impact associated with their use is minimized through regular mechanic maintenance and periodic review.

The employees' automobiles are the main means of transport for business purpose (83% of total distance travelled). In order to reduce the use of cars, the heads of each unit consider, on a case-by-case basis, the possibility of promoting the use of public transport or renting a car (500,000 km travelled in 2003). The employees are required to rent a car in the case of long-distance business trips (distances over 150 Km). This guideline is dictated by economic reasons, but it will also contribute to limit the vehicles' emissions into air due to the high quality of the cars supplied by the car rental agency chosen (maximum life: 8 months, mileage not exceeding 30,000 km, compliance with the market strictest environmental standards).

In a logic of gradually reducing business travels, the Bank is promoting training initiatives based on the most advanced IT-digital technologies (remote classes and e-learning; see the section covering "Human Resources") and the widespread use of videoconferencing equipment with 115 conferences held in 2003 in comparison with 80 in 2002 and 27 in 2001.

Road Transport



ROAD TRAVEL (KM)*	2001	2002	2003
With employee cars	24.018.516	24.384.901	23.822.800
With company cars	3.063.289	3.619.313	4.803.781
Total	27.081.805	28.004.214	28.626.581

ENVIRONMENTAL PERFORMANCE INDICATORS	2001	2002	2003
Auto travel per employee (km)	2.104	1.938	2.037

* Such indicators were calculated on the basis of auto travels of the actual workforce (n. 14.056 staff units in 2003) and do not include hire car travels.

Water

Water is the blue gold of the planet. In the past, water was deemed to be an inexhaustible resource, but today it is inevitably becoming a significant cost factor for any business activity.

The Bank uses water in its facilities mainly for hygienic purposes, even though significant volumes of water are also used as a cooling agent for heating systems in the major branches and units.

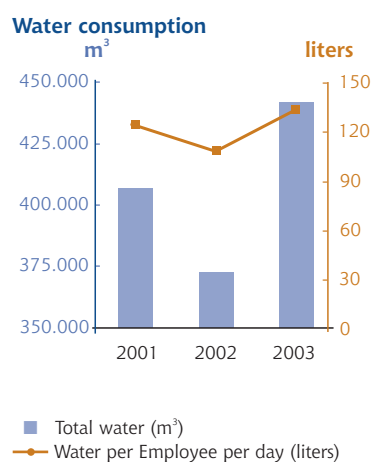
Water is sourced from water supply networks, except very few artesian wells dedicated to irrigate small green areas and to fuel the cooling systems.

Resulting waste water is directly drained into public sewage systems, as it is similar to effluent water coming from domestic use in terms of quality and quantity.

The selection of the equipment to be installed in newly-built facilities and on the occasion of refurbishments or extraordinary repairs (e.g. cisterns with waste water division, photocell water taps) is very important for the reduction of water consumption.

The Bank expects to achieve appreciable savings from the gradual replacement of the low-efficient cooling towers which are still in use and the plumbing renovation in the framework of the planned refurbishments in several branches and units of the Bank, and in particular in the Tax Collection Unit of Rome, due to its size.

However, the Bank has faced some difficulties in registering the volumes of water consumed by each operating unit, and above all premises on lease, due to the lack of a separate meter. The following data represent an estimate of actual consumption on the basis of costs.



WATER CONSUMPTION (M³)	2001	2002	2003
Total water	407.145	373.038	441.702

ENVIRONMENTAL PERFORMANCE INDICATORS	2001	2002	2003
Water consumption per employee per day (liters)*	125	109	135

* An average number of 250 business days per annum was considered for the calculation of this indicator.

Paper

The surge in the demand for paper, which is mainly due to the development of the service sector, prompted public attention to focus on the various adverse environmental consequences associated with paper production and its disposal at the end of use.

For operating purposes, the Bank uses remarkable quantities of paper, acknowledges the savings which might stem from the effective use of paper and is committed to gradually reducing its requirements by adopting several measures:

- The development of information media in internal communications. In 2003 the Bank developed a “friendly” version of the Intra-company system for the electronic management of documents and consolidated the Intranet portal to encourage the sharing and exchange of information between the different corporate functions;
- The diffusion of remote-banking channels for its customer relationships. In 2003, as a result of the Bank’s efforts, the number of Internet, phone and mobile banking transactions increased by more than 20% in comparison with prior year;
- The employees’ commitment to a rational use of paper in order to limit waste.



On the front of the quality of products, the Bank places emphasis on the possibility of using increasing quantities of paper produced with sustainable processes. The copying paper is obtained from cellulose coming from sustainable wood forests, without any whitening agents with elementary chlorine as a base. The paper used in the Head Office departments (15% of total) is produced in paper mills which secured ISO 14001 environmental certification.

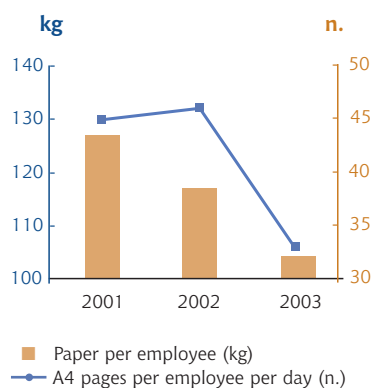
The percentage of recycled paper is minimal (roughly 3%) and is limited to the printing of several forms and printouts used by the branches, since it is not fully consistent with the existing storage and use systems.

During 2003 a plunge was recorded in the consumption of paper as a result of the above-mentioned measures, but also due to a better management of stocks, aiming at minimizing stocks (especially copy paper stocks) in the place of use.



PAPER CONSUMPTION (T) *	2001	2002	2003
Copy paper used for faxing, photocopying and printing	747	759	504
Pre-printed paper	639	614	665
Continuous forms	98	74	76
Other kinds of paper	40	27	19
Total	1.524	1.474	1.264

Performance Indicators

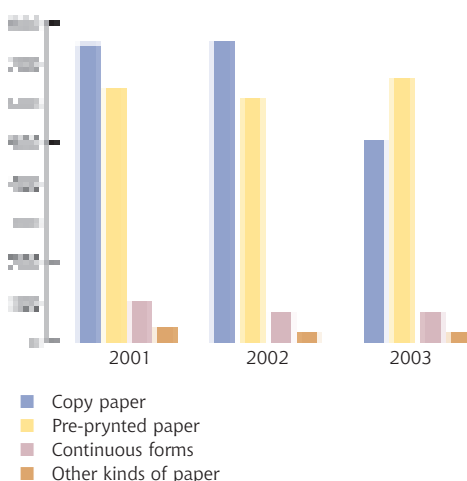


ENVIRONMENTAL PERFORMANCE INDICATORS	2001	2002	2003
Paper per employee (kg)	127	117	104
A4 pages per employee per day (n.) **	45	46	33

* The data do not include paper consumed by the Tax-collection Area.

** An average number of 250 business days per annum was considered for the calculation of this indicator.

Paper consumption (t)

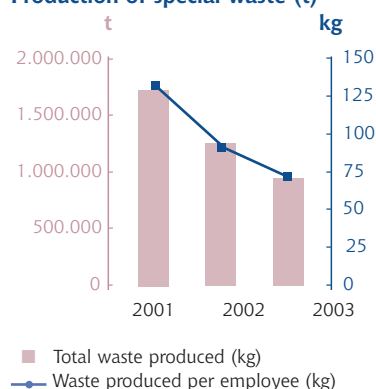


Waste

The Bank produces various types of waste such as urban waste and special waste. Special waste mainly includes paper and packaging materials (cardboard, wood, plastic and metal), out-of-order office equipment and toner cartridges.

On the basis of the data recorded in the documents required by law by 50% of the operating units, the Bank's production of special waste in 2003 is estimated at kg. 948,364. Only negligible quantities of special waste are hazardous (1%: mainly fluorescent lamps and batteries) and are turned over to maintenance companies which ensure their disposal and the fulfilment of regulatory obligations.

Production of special waste (t)



PRODUCTION OF SPECIAL WASTE (KG)*

	2001	2002	2003
Paper and paperboard	1.136.246	659.772	590.888
Packaging (excluding paperboard)	412.164	551.974	237.684
Out-of-order equipment	105.412	21.982	40.087
Toner cartridges	5.421	5.870	8.548
Other waste	65.583	12.090	71.157
Total waste	1.724.826	1.251.687	948.364

ENVIRONMENTAL PERFORMANCE INDICATORS*

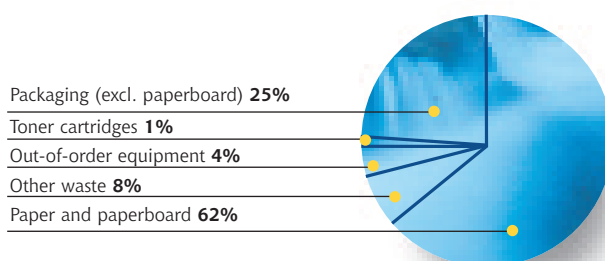
	2001	2002	2003
Waste per employee (kg)	132	92	72

* The value for the years of 2002 and 2001 are different from those reported in the Socio-Environmental Report 2002 by virtue of the use of a more precise method of estimation.

In comparison with the prior years, the quantities of special waste produced declined in 2003. Part of this decrease is attributable to increased outsourcing of warehousing services. Urban waste mainly represented by paper waste is sent to local waste management companies in exchange for the payment of a tax.

In order to obtain considerable margins of reduction of their huge waste management costs and to support the Local Authorities in achieving the objectives established by the law on differentiated waste collection, the Bank and the Local Authorities have defined an agreement and specific paper collection systems, which imply the use of paper as a secondary raw material in paper mills ("Progetto Carta") and involve some of the Bank's branches.

Prodction of special waste (2003)



► Emissions to air

Among the various global challenges which mankind is faced today, climatic changes are undoubtedly the natural events which threaten the Planet's stability most, since they are able to potentially influence the environment, economy, safety and security and the people's habits.

The emissions to air of carbon dioxide (CO₂) generated by human operations contribute to the greenhouse effect considerably.

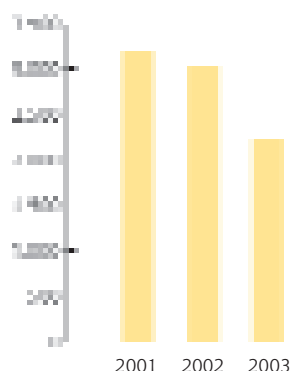
Following are CO₂ sources attributable to the Bank's activities:

- **Direct sources** - mainly heating systems used by the operating units and car fuels.
- **Indirect sources** - attributable to the production processes of electric energy purchased by the Bank.

For the purpose of measuring the quantities of CO₂ produced in 2003, the Bank adopted the following criteria, since there are universal standard reporting models:

CO ₂ SOURCE	COEFFICIENT	METHOD
• Electric energy consumption	0,550 kg CO ₂ /kWh	ENEL Environmental Report 2002
• Diesel consumption	2,68 kg CO ₂ /litro	The GHG Indicator: U.N.E.P. Guidelines for Calculating GreenHouse Gas Emissions for Business and Non-Commercial Organizations
• Natural gas consumption	2,93 kg CO ₂ /t	id.
• Transportation-petrol-powered car	0,185 kg CO ₂ /km	id.
• Transportation-diesel-powered car	0,156 kg CO ₂ /km	id.

CO₂ emissions per employee (kg)



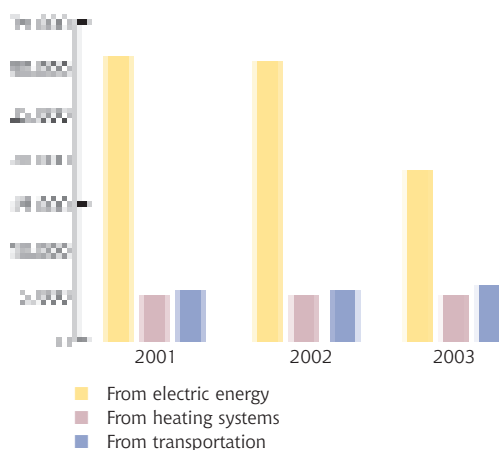
CO ₂ EMISSIONS(T)	2001	2002	2003
<i>Direct</i>			
• from heating systems	5.727	5.730	5.834
• from transportation	4.690	4.804	4.874
<i>Indirect</i>			
• From electric energy	31.506	30.785	18.560
Total emissions	41.923	41.319	29.268

ENVIRONMENTAL PERFORMANCE INDICATORS	2001	2002	2003
CO ₂ emissions per employee (kg)	3.217	3.032	2.235

The appreciable decline of CO₂ emissions (-29.2%) is due to the soaring consumption of electric energy generated by renewable sources which accounted for 63% of total in 2003.

There are no changes with reference to the CO₂ sinks included in the MPS Group real estate portfolio, which account for approximately 270 hectares of land developed as forests. Such green areas are able to absorb roughly 1,370 tons of carbon dioxide on an annual basis.

CO₂ emissions (t)



MARINELLA PROJECT

During 2003 the subsidiary Marinella S.p.A. pursued the territorial planning and qualification of an area (Bassa Val di Magra), situated between Liguria and Tuscany, characterized by a high environmental, touristic, historical and cultural potential. The Project aims to enhance the image of the location, in harmony with the natural surroundings, and to protect the environment. If considered from different standpoints (territorial design, connective tissue, environmental sustainability, landscape, compensation and mitigation), the green areas represent a primary component in the global project, with a particular focus on conserving the agricultural purpose of 50% of its 400 hectares and extending the existing wooded areas to 50 hectares. This shall, therefore, compensate the emissions of carbon dioxide generated by the Bank's operations.

THE MANAGEMENT OF INDIRECT ENVIRONMENTAL ASPECTS

“To develop credit and investment policies in support of processes and products having a positive impact on the environmental and social aspects”.

“...to use raw materials and support materials and, whenever possible, eco-friendly products”.

The Bank's and the MPS Group's commitment are hinged on these principles of Environmental Policy which focus on the risks and the opportunities which might arise in relation to the customers' and suppliers' environmental responsibility behaviours. The Bank does not control the so-called indirect environmental aspects thoroughly, but it can exercise influence on the management of the same.

The most significant indirect environmental aspects embrace the following:

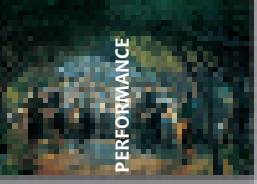
- Environmental risks associated with corporate loan disbursement;
- Supply of financial products and services which encourage a sustainable economic development;
- Supply policies supporting eco-friendly supplies.

► Environmental credit risk

Socio-environmental aspects have always been an important point of reference for defining the credit policies which direct the Bank's and the Group's loan management. The evaluation of creditworthiness from the point of view of emphasis placed by the companies on the environment might spur corporate customers to better manage the activities potentially more subject to generate environmental risks.

In this logic, the Bank has set several guidelines of lending policy for the whole Group with respect to the management of environmental risk, which represents a core component of the global evaluation of creditworthiness.

During the preliminary stage, accurate controls are conducted for the evaluation of the environmental impacts potentially associated with financial investments within the EIF



Agreement (European Investment Fund) and, in accordance with the provisions concerning the Evaluation of Environmental Impact, the usual details shall be enclosed with the documents submitted by the loan applicant for the implementation of infrastructural projects.

Particular emphasis is placed on the co-operation started with the subsidiary MPS BancaVerde for the development of an environmental rating system which will be linked with the Bank's rating of evaluation of the global credit risk. The model designed by MPS BancaVerde, which has been in effect since 2002, provides for the integration of the environmental score with credit risk evaluations normally used. The evaluation is based on a string of criteria which examine the kind of activity carried out by the applicant, compliance with environmental regulations, the quality of management, civil and criminal liability, complaints received, any environmental certifications secured, the terms for the conservation, use and disposal of hazardous substances, the environmental impacts generated by emissions to air, water and land.

A concise opinion which indicates the borrower's risk of insolvency and is based on the evaluation of any damages generated by environmental impacts on his/her economic-financial balance is the result of the analyses conducted.

So far, more than 1,500 companies operating in farming, agro-industrial processing, energy and waste management have been examined. 230 companies out of this total have been subject to further analyses. The application of the model highlighted that corporate customers put greater attention on the management of their environmental issues. This is also witnessed by the growing number of enhancement projects started and environmental certifications secured.

In order to support the companies in the evaluation of environmental risks, MPS BancaVerde has inaugurated an advisory service (Environment Risk Advisory) dealing with the implementation of actual environmental audits of production plants which issue a corporate "environmental quality opinion" in case of a positive outcome.

► Environmental financial products and services

The Bank and the MPS Group provide different forms of financial backing to the investors operating in the implementation and management of projects with considerable environmental consequences. Additional information is provided in the sections covering "Customers" and "Other Group companies".

These sections also illustrate/outline the Group's operations in the area of green funds and ethical-social funds.

► Eco-friendly purchases

Through their production processes and in relation to the specific characteristics of their products and services, the suppliers may affect the Bank's environmental performance to a certain extent.

The Bank's "green" purchasing strategy, integrated in the MPS Group's general suppliers' management, is based on an internal procedure within its Environmental Management System which includes:

- *The suppliers' evaluation on the basis of process and system benchmarks.*
The criteria underlying the suppliers' evaluation (both new suppliers and suppliers already existing in the Group's List) embrace the corporate environmental qualification resulting from information disclosed by the company in relation to the operating policies and systems adopted in order to ensure the accurate management of direct environmental impacts. Such qualification, if proved by an environmental certification (ISO 14001 or EMAS), is taken into account during the phasis of selection of the suppliers for the purchase of specific products or services. In case of equal value for money and corporate reliability, the Bank will retain the offer ensuring the best global environmental performance.
- *The purchase of eco-friendly products and services with respect to similar products and services sold in the market.*
When purchasing products, the Bank seeks the following environmental requirements, which shall be consistent with the objective of minimizing costs, as well as the following guarantees required during the performance of the services rendered by the supplier:
 - Compliance with the applicable environmental regulations;
 - The possession of marks or product environmental quality certifications;
 - Certifications of mitigated environmental impact (recyclability, energy savings, low noise, reduced hazard, ecc.).



The suppliers concentrate great interest and general attention on environmental issues. The Bank intends to pursue its efforts of promoting environmental issues among the companies in order to contribute to develop and diffuse the respect for the environment.

The Bank requires many specific environmental compliant products and services which determine the global quality of supplies.

PREFERENTIAL ENVIRONMENTAL CRITERIA FOR THE PURCHASE OF PRODUCTS AND SERVICES

Product/Service	Environmental criteria
Copy paper	<ul style="list-style-type: none"> • No whitening agents with chlorine as a base • Cellulose coming from sustainable wood forests • Production in paper mills which procured environmental certification.
PC and printers	<ul style="list-style-type: none"> • Possession of an ecological brand. • Energy Star compliance (EU Regulation n. 2422/2001). • Hazardous substance in accordance with the EU Directive 2002/95/CE. • Noise level when working lower than 55 dB in the case of computers and 65 dB in the case of printers up to 30 pp/min. • Electromagnetic emissions within the limits established by the EU Recommendation 1999/519/CE. • Recyclable equipment and components in compliance with the EU Directive 2002/96/CE.
Furnishing	<ul style="list-style-type: none"> • Procurement of the Ecolabel European ecological mark for fabrics (Decision of the Commission 2002/371/CE). • Procurement of ecological certification marks for wood components. • Recycled materials in the product and the packaging. • Content of hazardous substances in compliance with the international standards (EU Directives 67/548/CEE, 79/117/CEE and 76/769/CEE, EN Regulation 13986). • Compliance with the use guidelines for videoterminals as per Decree dated 2 October 2000.
Lamps	<ul style="list-style-type: none"> • Compliance with the Green Light standards.
Maintenance services	<ul style="list-style-type: none"> • Prevention of dispersion risks of hazardous substances. • Waste management with recycling and recovery purposes.
Cleaning services	<ul style="list-style-type: none"> • Non-toxic and highly-biodegradable products.



ECONOMIC PERFORMANCE

KEY OPERATING DATA

In 2002-2003 Banca MPS, in accordance with the guidelines set in the Business Plan, was involved in several transactions of streamlining and corporate restructuring which affected the Bank's structure:

- As of 1 July 2002, the transfer of the leasing and factoring business unit to "MPS Leasing e Factoring - Banca per i Servizi Finanziari alle Imprese S.p.A.";
- As of 1 January 2002, the merger by incorporation of Banca 121 S.p.A., with the consequent addition of 74 banking facilities to the network, and the simultaneous spin off of the financial promoters network which was transferred to the newly established "Banca 121 Promozione Finanziaria S.p.A.";
- The merger by incorporation of the subsidiaries Banca Agricola Mantovana and Banca Toscana at the end of March 2003 and the subsequent transfer of the banking units to two new commercial banks with the same name;
- As of 31 March 2003, the transfer of Banca MPS real estate unit to "MPS Immobiliare S.p.A.".

As a result of the joint effect of said transactions and the outsourcing of important activities at the Group's service structures in a logic of consolidated logistic and management efficiency, the comparison with the prior years is not significant.

In order to simplify the analysis of the Bank's trends, the profit and loss statements for 2002 and 2003 have been restated. No changes have been made with reference to balance-sheet aggregates, since the data as of 31 December 2003 are on a comparative basis with respect to the figures as of 31.12.2002.



RECLASSIFIED PROFIT AND LOSS STATEMENT**2002****2003***in EUR mn*

Interest income	1.255,5	1.300,7
Non-interest income	1.284,5	1.217,5
Total banking income	2.539,9	2.518,2
Personnel expenses	-911,4	-884,6
Other administrative expenses	-742,2	-796,3
Total administrative expenses	-1.653,6	-1.680,9
Gross operating profit	886,3	837,2
Valuation adjustments to fixed and intangible assets	-192,1	-103,3
Profit before taxes	694,2	734,0
Net profit*	547,8	212,1

* the bottom line comes to EUR 221.2 million in that it is inclusive of the first quarter operations of Banca Toscana and Banca Agricola Mantovana; the 2002 figure stands at EUR 599.5 million since it includes the results of the leasing and factoring business units and of Banca 121.

RECLASSIFIED BALANCE SHEET**2002****2003***in EUR mn***ASSETS**

Cash and cash on deposit with central banks and post offices	523	402
Customer loans and advances	36.803	36.636
Due from banks	20.744	16.687
Trading account securities	7.753	8.435
Fixed and intangible assets	9.544	11.710
Own shares or quotas	2	14
Other assets	13.231	11.116
TOTAL ASSETS	88.600	84.999

LIABILITIES

Customer deposits and other borrowed funds	50.251	50.816
Due to banks	17.079	13.312
Reserves for specific use	1.103	1.020
Other liabilities	11.161	9.218
Reserve for credit risks	183	113
Subordinated liabilities	3.200	4.370
Shareholders' equity	5.622	6.150
TOTAL LIABILITIES	88.600	84.999

BALANCE-SHEET INDICATORS**2002****2003***in EUR mn*

Total funding	119.943	122.016
Customer loans and advances	36.803	36.636
Shareholders' equity	5.622	6.150

Additional information on other balance-sheet indicators (together with management, operational and productivity indicators) is provided in the Annual Report 2003, which is available on the web-site www.mps.it.

SUMMARY STATEMENT OF VALUE ADDED

(Balance-sheet format*)

in EUR mn	2003
REVENUES	
Interest income, commissions earned and other revenues	5.033,6
TOTAL GROSS PRODUCTION	5.033,6
CONSUMPTION	
Interest expense, commissions paid and other operating costs	1.848,7
Other administrative expenses	796,6
Valuation adjustments/recoveries, loans, fixed assets and other provisions	504,2
TOTAL CONSUMPTION	3.149,5
BANKING GROSS VALUE ADDED	1.884,1
Extraordinary items	-153,6
AGGREGATE GROSS VALUE ADDED	1.730,5
Depreciation & amortization	647,7
AGGREGATE NET VALUE ADDED	1.082,8
Cost of labour:	
• direct	942,6
• indirect	219,6
Donations and disbursements	2,0
Indirect taxes and taxes on shareholders' equity	94,7
PROFIT BEFORE TAXES	-176,2
Change in reserve for general banking risks	300,0
Income taxes	97,4
NET PROFIT	221,2

* The comparative data for 2002 are not included in that they are not considered significant due to their transfer at the end of Q1 2003 of the results of Banca Toscana and Banca Agricola Mantovana to Banca Monte dei Paschi di Siena S.p.A., following the merger by incorporation and the subsequent spin off.

BREAKDOWN OF VALUE ADDED

<i>in EUR mn</i>		2003
Shareholders		68,2
Dividends distributed to the shareholders (except MPS Foundation)		68,2
Human resources		1.162,2
Cos tof labour	• direct	942,6
	• indirect	219,6
Local communities		102,6
Donations and disbursements		2,0
Dividends to MPS Foundation		100,6
Reinvestment		400,1
Valuation adjustments/provisions to cover non-current assets		647,7
Reserves and retained earnings		-247,6
DISTRIBUTED VALUE ADDED		1.733,1
Government and Local Authorities (taxes)		
Indirect taxes and taxes on shareholders' equity		94,7
Tax recovery *		<u>- 97,4</u>
		- 2,7 *
AGGREGATE GROSS VALUE ADDED		1.730,5

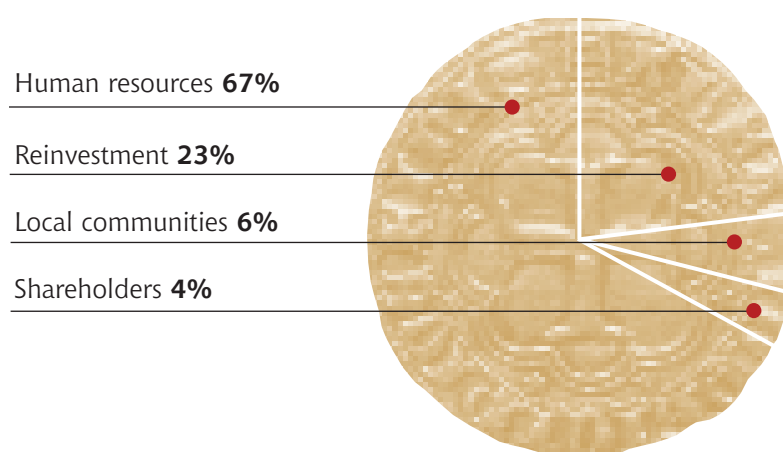
* The positive data in relation to income taxes are also influenced by deferred taxes, mostly resulting from the significant tax devaluation on equity investments

As shown by the breakdown of the distribution of value added:

- 23% was allocated to reinvestment and thus to the Bank's future business;
- 67% went to Human Resources under the form of wages and remuneration, social welfare and insurance charges;
- 6% was distributed to local communities through donations and disbursements and earnings distributed to Fondazione Monte dei Paschi di Siena whose mission is to carry out social work in favour of the community at large;
- 4% was disbursed to shareholders (excluding the Foundation) under the form of dividends.

In the case of the Government, tax recoveries achieved in 2003 exceeded the amount of indirect taxes and taxes on shareholders' equity for the year.

Distribution of Value Added (2003)



An aerial photograph of a rural landscape. A winding road cuts through the scene, leading to a small cluster of houses and trees. The surrounding area is divided into large, irregular fields of various shades of brown and green. The overall tone is somewhat desaturated, giving it a historical or artistic feel.

SOCIAL PERFORMANCE

This section of the report reviews the flows of resources and services between the Bank and the following groups of stakeholders:



HUMAN RESOURCES

Human resources translate into a primary factor in the Bank's business development and the most important source of competitive advantage.

That is why we have embraced a managerial approach to personnel management in order to ensure the highest staff involvement and satisfaction through the growing attention to the quality of internal communications, the corporate climate and culture and to enhance individual experience, professionalism and geniality.

SA 8000 REGULATION

The Bank is committed to constantly complying with the social responsibility standards set by the international SA 8000 (Social Accountability) regulation and the ruling laws covering:

- Juvenile/infantile labour
- Labour under constraint
- Safety and security
- Freedom of association and right of collective bargaining
- Discrimination
- Disciplinary procedure
- Working hours
- Compensation

This statement of commitment was also released to several customers which requested it, such as COOP Italia Srl, the first European company which secured SA 8000 certification. In 2003 the BVQI certifying entity carried out an audit at the Bank on behalf of COOP to check compliance with the regulation and realized that the Bank's operations are fully compliant with the principles of said standards.

In line with the Group's strategies, the management of human resources is oriented to:

- ensure the **growth of professional skills** (with particular reference to marketing and commercial activities, in a logic of specialization by market segment);
- monitor the **process of retraining** of human resources freed by the initiatives of productivity improvement.

The guidelines summarized in the **Human Resources Plan** aim (i) **to enhance the skills of the human resources** as a prerequisite for achieving the objectives of structural, organizational and operational consolidation planned in a framework of transformation and innovation and (ii) to improve professional and managerial profiles in terms of know-how, skills and responsibilities.

This development is supported by:

- the implementation of a **Training Plan** which anticipates and flanks the absorption of the changes associated with the implementation of projects;
- the development of an **Incentive System**, which is based on an *MBO (Management-by-Objective) logic*, and ensures proper levels of motivation and staff involvement in the corporate objectives and strategies;
- the design of a **Staff management and development model (PaschiRisorse)**, which includes specific role profiles and skill evaluation systems in a logic of differentiation, professional growth plans etc.

WORKFORCE

ACTUAL WORKFORCE*	2003
Corporate Center	978
BMPS Division	10.970
Employees abroad**	184
TOTAL	12.132

* The aggregate includes staff on assignment with other MPS Group companies and personnel from other MPS Group companies on assignment with the Bank, excluding the Tax Collection Area.

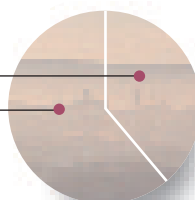
** Foreign Branches and Representative Offices.

LABOUR CONTRACTS (2003)

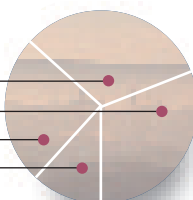
	%
With indefinite term	98,90
Apprenticeship	0,92
With definite term	0,18

Breakdown of personnel by gender (2003)

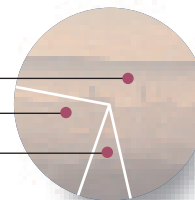
Female **38,9%**
Male **61,1%**

**Breakdown of personnel by seniority (2003)**

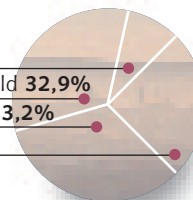
Up to 10 years **30,9%**
from 11 to 20 years **32,2%**
from 21 to 30 years **25,3%**
over 30 years **11,6%**

**Breakdown of personnel by academic credentials (2003)**

Middle school **69%**
University degree **23%**
Other **8%**

**Breakdown of personnel by age (2003)**

under 30 years old **9,0%**
between 31 and 40 years old **32,9%**
between 41 and 50 years **33,2%**
over 50 years old **24,9%**

**BREAKDOWN OF STAFF BY ACADEMIC BACKGROUND**

	Executives		Senior/middle/junior managers		Professional Areas (former clerical staff) (other)				Total
	Male	Female	Male	Female	Male	Female	Male	Female	
University degree	125	8	643	147	875	1.012	0	0	2.810
High school	156	1	1.835	310	3.089	2.968	12	2	8.373
Other	0	0	41	38	452	223	187	8	949
TOTAL	281	9	2.519	495	4.416	4.203	199	10	12.132

PROTECTED CATEGORIES

The Bank employs 885 staff units belonging to protected categories pursuant to Law 68/99, including the Tax Collection Area staff

CATEGORY*	n.
Handicapped	587
War orphans/widows	263
Refugees	33
Orphans due to terrorism and/or organized crime	2
TOTAL	885

* Data refer to the actual workforce-

A string of initiatives aim to improve the workstations and labour conditions of handicapped employees (see the section covering "Customers").

TALENTS PROJECT

Over the years, the Bank has steadily developed actions to highlight the value of its personnel and retain it. This policy, which has gradually been extended to the other companies of the Group, is marked by several elements which are generally an expression of the Bank's specific identity within the Italian banking industry:

- a "sense of belonging";
- a principle-based corporate culture;
- staff involvement in setting strategies and objectives;
- a broad-based incentive program based on accountability and economic rewards;
- professional development programmes.

On the basis of this project, the Bank has selected young university graduates with high academic standing (at present, roughly 250) or through internal screening. The purpose is to develop a special professional and training experience in key roles or in area of strategic interest of the Head Office. The Bank also envisages a systematic monitoring of its branch network in order to follow and orient the professional development of young employees who performed well in important roles.

RECRUITMENT AND TERMINATION

The Bank's workforce declined by 455 units with respect to 2002.

Terminations are mainly attributable to the Early Retirement Plan and the Solidarity Fund and, to a lesser extent, voluntary resignation (no. 72).

109 new high-potential young staff, including 38 on the basis of a regional public exam, were recruited.

SALARIES AND INCENTIVE SYSTEMS

AVERAGE ANNUAL PRE-TAX SALARIES (2003)*

Category	Amounts in EUR
• Executives	110.099
• Senior/middle/junior managers	52.288
• Other personnel	31.619

* The data include the payment of a thirteen month of wages and a contractual bonus. The figure excludes any productivity premiums, per diem allowances and refund of expenses incurred during business trips.

Incentive systems

The purpose of the Bank's incentive system - which consists of a productivity premium for Executives and Middle Managers and Bonuses to the Professional Areas - is to boost staff motivation and involvement in the corporate objectives and strategies, taking in account:

- during the phasis of *planning* – a close correlation with budgeted objectives, through the assignment of performance objectives in a "team" logic, in order to ensure maximum co-operation for the achievement of the results;
- during the phasis of *distribution* – any differences on the basis of the positions covered (skills, responsibilities) and the level of achievement of the objectives.

The global average ratio of incentives to total compensation accounts for roughly 7% (24% in the case of Executives, 8% with respect to Middle Management and 4% for clerical staff).

A stock-granting plan is among the incentives adopted to integrate ordinary compensation, in relation to the achievement of specific targets. In 2003 this plan entailed the issue of 10,571,461 ordinary shares of Banca MPS to employees.

SAFETY AND SECURITY

The employers' safety and security are monitored by the Prevention and Protection Unit which handles the issues provided for by Legislative Decree 626/94 for the Bank and the other Group companies.

The Bank's Safety and Security System operates in relation to the distribution of the various productive units across the national territory and is managed by an organizational structure that consists of individuals whose authority is provided by law and correlated with their

THE MPS GROUP HEALTH CARE UNIT

On 24 March 2003, the Bank set up the Group Health Care Unit in co-operation with the University of Siena, in order to bypass the obstacles of Legislative Decree 626/94. This will allow the Bank, which is widespread over the territory with many productive units, to promptly fulfil the obligations of "health monitoring", which involves about 5,000 video-terminal operators.

The Health Care System is based on the following terms:

- Banca MPS and the University of Siena entered into a general agreement which includes health care services and other activities in relation to industrial medicine and occupational psychology, ergonomics and prevention in the workplace, provided by the University to the Bank and other Group companies.
- The University of Siena, in co-operation with the Bank's Prevention and Protection Unit, recruits the Territorial Doctors who are co-ordinated by the holder of the chair of Industrial Preventative Medicine and Psychotechnics and oversees all the branches of the Group companies in their respective territorial areas.

respective responsibility and position with the Bank. The organizational structure includes: the employer (in the person of the Bank's CEO), the employer's representative, the Manager and the employees of the Prevention and Protection Unit, employees appointed as safety and security representatives, executives of the Bank, managers, employees appointed to handle emergencies, and the Territorial Doctors listed in the Group's Health Care Unit.

The Bank has recently created a new position, the Reporting Officer for Environment, Safety and Security, which is not expressly required by the law. This position is in support of the Executives and Managers for the implementation of environmental management and security issues in more than 1,000 productive units distributed all over the territory. At present, the Executives have appointed 25 Reporting Officers for Environment, Safety and Security in the branch network.

In March 2003 the Bank set up a Health Care Unit within the MPS Group and has recently started a project for the implementation of a system for managing safety and security in the workplace for the purpose of procuring the related certifications.

In 2003, in enforcement of Legislative Decree 241/2000, the Group's activity of prevention identified roughly 100 operating units provided with sunken storeys or basements, where the employees operate more than 10 hours per month. The Group has therefore activated radon detectors and monitoring systems and has defined the actions which might turn out to be necessary as a result of the measurement.

ACCIDENT STATISTICS

	2001	2002	2003
In the workplace	45	52	74
Outside the workplace	69	88	116
TOTAL ACCIDENTS	114	140	190

In general, the accidents in the workplace (most of them are mild, with average recovery time of 3-5 days) did not cause serious injuries to the employees; instead, accidents outside the Bank have risen mostly due to car collisions occurring while employees are travelling between their homes and offices or are on business travel.

As part of its effort to improve the healthiness of the work environment, the Bank has issued an internal regulation as a precautionary measure for reducing the risks related to tobacco smoke. The Bank is currently assessing another possibility granted by Law no.3 of 16 January 2003, namely the introduction of a ban on smoking in all facilities.



Absence from work

In 2003 the per capita average of absence from work was 14 days, including maternity leaves and excluding leaves for various purposes.

THE VALUE AND THE SKILLS OF EMPLOYEES

In order to meet the requirement of cultural growth existing in a continuously and rapidly changing environment, in 2003 the Group's staff participated in a communication/training initiative covering the strategic-management issues in relation to Organization, *The value of Employees – The skills of employees*. Clerical staff and middle managers, young recruits and experienced staff debated crucial issues such as the relationship process, the key points of the Business Plan including customer orientation and the enhancement of professional skills existing in the Bank. These sessions were chaired by teachers selected among the Bank's staff and tested a new kind of gathering for the achievement of important results through the recognition and appreciation of each individual. This result was also achieved thanks to 87 employees of Banca MPS who were trained with specific courses to teach as tutors in 500 classes, thus involving the participation of about 10,000 employees.

SECURITY

The Bank places particular emphasis on the **employees' and customers' security against organized crime** (additional information is provided in the section covering "Customers").

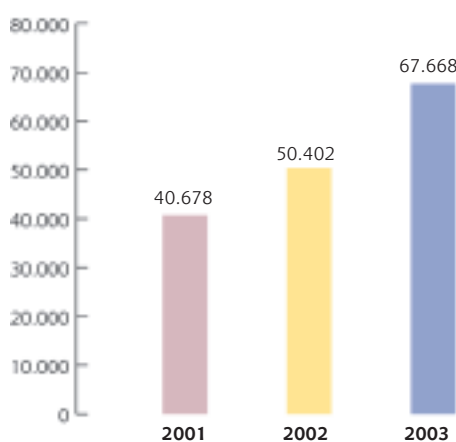
TRAINING

In line with the *2002-2005 Group Training Plan*, training activity was based on the following principles:

- Training in support of **organizational development** and **management of changes**.
- Training in support of the development of **professional areas and families** linked to traditional and new "jobs" of the banking industry.
- Training in support of **cross corporate communities** (Management and Young Talents) for the purpose of developing integration, a sense of belonging, the ability to manage interfunctional actions, managerial consistency. With respect to managerial consistency the Group has consolidated training activities for the development of managerial behaviours characterized by increasing attention to the widespread growth of relationship and management skills.

In 2003 the Group arranged 67,668 training days (including 1,710 distance-learning days) with a 25.5% increase with respect to 2002.

Training days

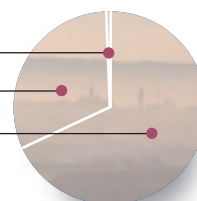


The Scope of Training (2003)

Support of corporate communities **0,50%**

Development, organization & management of changes **31,30%**

Development of professional Classes and areas **68,20%**





In order to ensure the utmost consistency between the contents, the addressees and the distribution channels of training activities, all available instruments are integrated and co-ordinated:

- Training activities in the classroom;
- *on the job* training;
- virtual classes;
- *e-learning* environment;
- corporate tutor network.

In March 2004 the MPS Group inaugurated “CLIC”, the new Group’s learning portal, with the objectives of encouraging the sharing and diffusion of information concerning the Group’s training activities, promoting the staff involvement in training processes/projects and increasing the sense of belonging to the Group as well as interest in training proposals.

A structured method for the **Monitoring and assessment of the effectiveness of training activities** is being perfected through the measurement of satisfaction of the participants in the courses, the participants’ learning, efficiency in the use of personal know how in the professional tasks and their impact on corporate results.

QUALITY CERTIFICATION

In a logic of steady improvement of internal skills and, consequently, of customers’ service, the Bank has implemented and tested a Training Management System, according to **ISO 9001:2000 standards** with the objective of securing the pertinent certification by 2004.

INTERNAL COMMUNICATIONS

While acknowledging the pivotal role of communications within the Bank, particular emphasis is placed on the process of information exchange and sharing in order to make all professional relations as profitable as possible.

Filo Diretto, an in-house publication, and the Intranet Portal are the main vehicles for the Bank’s communications to employees. With the activation of the section “**Environment and Sustainable Development**” in the portal, the Bank intends to boost the staff involvement in topical and popular issues.

UNION RELATIONS

The relations with the Union are oriented to high-quality industrial relations in order to steadily ensure the efficient management of the changes which impact significantly on the staff working conditions (new Organizational models and professional profiles, mobility, information circulation, training activities and internal communications). In line with the guidelines of the "summary protocol" of 21 November 2002, in 2003 industrial relations mainly focused on the examination of the consequences on the employees of the implementation of the corporate projects and restructuring set forth in the Business Plan. Specific agreements were defined in relation to the drawbacks on the working conditions of the staff involved.

Among the initiatives undertaken, particularly important was the creation of the Solidarity Fund, which also envisages the recruitment of young employees, in order to ensure staff compliance from the viewpoint of quality and quantity with the Bank's operational needs.

EMPLOYEE DISPUTES

As of 31 December 2003, there were 110 claims pending before the Labour Courts, including the Tax Collection Unit. There were 314 employees pending before the Courts and 33 attempted settlements. These claims are mostly related to compensation.

DISCIPLINARY MEASURES

In 2003 no disciplinary measures leading to the termination of the labour contract were taken.

CORPORATE CONTRIBUTIONS IN FAVOUR OF EMPLOYEES

The Bank provides services and contributions to its staff as detailed below:

TYPE OF CONTRIBUTION:	Amount (in EUR)
Supplementary corporate welfare	12.077.000
Health insurance policies	7.544.546
Accident policies	3.547.062
Service bonuses	538.602
Benefits to student children of employees	523.746
Publications and coins	176.058
TOTAL	24.407.014

Mutual Assistance Association for the Personnel

This initiative provides moral and material support to employees and their families through the granting of subsidies, loans and other types of assistance. It raises funds through the payments made by its members and an annual contribution made by the Bank which amounted to EUR 360,821 in 2003.

MUTUAL ASSISTANCE INITIATIVES:	Number	Amount (in EUR)
Health	467	577.620
Birth of children of employees	319	143.550
Schooling of student children of employees	1.914	405.398
TOTAL	2.700	1.126.568

The Fund granted 3,058 subsidies in the amount of EUR 59,352,000 and 997 advances with monthly repayment and no interest, due to health reasons and schooling fees, totalling EUR 2,183,965.

The Fund has also supported handicapped children of employees with a contribution of EUR 181,480 and extended aid to non self-sufficient elderly in the amount of EUR 254,930.

BANK-SPONSORED LEISURE-TIME ACTIVITY (CRAL)

The Bank encourages employee involvement in recreation associations (CRAL) set up for promoting the wholesome leisure time activity, for implementing social services for educational purposes and for pursuing activity in the arts, sports and tourism. As of the end of 2003, some 53 CRAL associations were active in Italy, with a total of 9,943 members (8,397 employees and 1,546 retirees).

The contributions made by the Bank to the CRAL associations in 2003 came to EUR 218,579.



CUSTOMERS

CARATTERE
PRIVILEGIATA FINANZA PERSONALE**A SERVICE MODEL FOR THE
MPS GROUP CUSTOMERS**

In 2003 the Group released the brand "Carattere" to all of its branches. This brand represents the new customer relationships the Bank intends to establish with its clients in order to identify customized investment solutions on the basis of their investment profile. In other words, "Carattere" aims to find the "right" investment and to leverage on the transparency of supply and awareness of choice by the customer.

The following major technical-organizational actions became, therefore, essential:

- 1 The creation of professional staff dedicated to providing advisory services to the customers (more than 100,000 training hours);
- 1 The implementation of a highly innovative technological platform in order to provide all details concerning the customer's portfolio and the possible investment solutions in real time.

The network feedback was extremely positive: "Carattere" was appreciated by the customers and the employees. The customers perceived an increase in service quality and a better capacity of the Bank to meet their requirements; the professional skills of the staff were emphasized by efficient and rewarding tools.

This translated into an increase in confidence which became evident in the average 10% increase in per capita funding registered with the customers involved in the project.

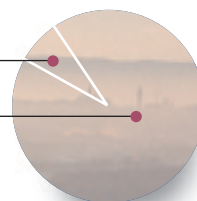
The central role of the customer represents the principal premise of the Bank's and the Group's business, and the main factor driving the production of personalized products and services that can be delivered through an integrated system of traditional and innovative distribution channels.

In 2003 the Bank pursued its programme of specialization by market and segment of production and distribution units, with the objective of increasing commercial efficiency and improving service capacity to the customers with an approach based on quality, transparency and closeness to the customers. The implementation of the Carattere project in the retail market continued.

With reference to "Corporate" customers, particular emphasis is placed on the SMEs. To this end, new professional profiles exclusively dedicated to different kinds of customers were created and the SME Centers staffed with specialized teams were activated all over the territory in order to provide the customers with a timely and integrated supply of products and services.

CUSTOMER PORTFOLIO

As of 31 December 2003 the Bank had a customer portfolio incorporating 2,712,000 relationships, with the retail market accounting for 93% and the corporate market accounting for 7%.

**Mix of customers
(2003)**Corporate **7%**Retail **93%****Funding**

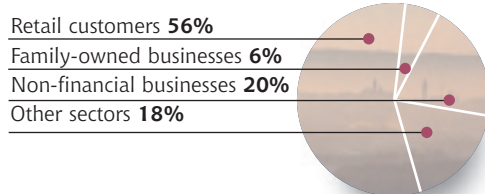
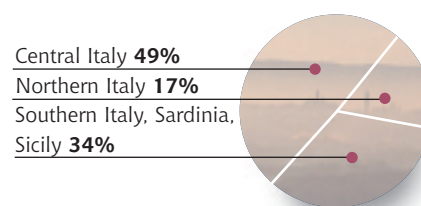
As of 31.12.2003 aggregate customer funding amounted to EUR 122,016 million; the figure reflects a 1.7% increase year on year mainly resulting from the stronger progress of direct funding (+3.2%) with respect to indirect funding (+0.5%).

AGGREGATE CUSTOMER FUNDING (in EUR million)

	31.12.2003	% change Y/Y
Direct customer funding	55.186	3,2
Customer deposits	31.737	-2,9
Other borrowed funds backed by negotiable instruments	19.079	8,7
Subordinated bonds	4.370	36,6
Indirect customer funding	66.830	0,5
Funds under management	26.988	11,6
Funds under administration	39.841	-5,8
TOTALE	122.016	1,7

Direct funding

Highlighting the Bank's retail orientation, the distribution of traditional funding by sector of activity shows that retail customers accounted for the majority of current accounts, savings deposits and certificates of deposit held by the Italian branches. The contribution of non-financial companies is also significant with an increase of 11% year on year. As shown by the geographical distribution of deposits, the Bank continues to enjoy strong market penetration in the central regions of Italy.

Ripartizione della raccolta domestica per settore di attività (anno 2003)**Geographic breakdown of funding (2003)****Indirect funding**

Indirect funding was virtually steady with respect to the figures reported at the beginning of the year (EUR 66,830 million, +9.5%) as a result of the hefty growth of funds under management – fuelled by the marketing activity and the revaluation of the volumes associated with the trend of the financial markets, but counterbalanced by the decline of funds under administration.

Loans

As of 31.12.2003 outstanding loans totalled EUR 36,636 million and were virtually steady year on year.

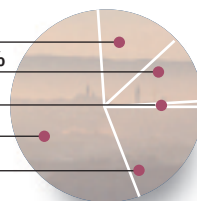
The distribution of domestic loans indicates a certain stability in the weight of loans relative to the individual areas, with Central Italy prevailing as the Bank's traditional franchise area (45%).

IMPIEGHI PER FORME TECNICHE (in milioni di euro)

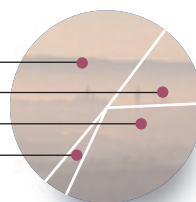
	31.12.2003	Var % sul 2002
Conti correnti	8.504	4,6
Finanziamenti per anticipi	1.017	-58,8
Sovvenzioni e anticipazioni	9.162	3,7
Prestiti personali	625	-7,9
Mutui e anticipi in c/to mutui	15.468	2,4
Altri	1.265	19,2
Sofferenze (nette)	594	12,6
TOTALE	36.636	-0,5

Breakdown of loans by sector of activity (2003)

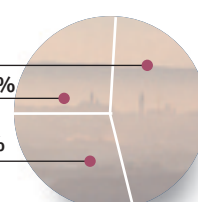
Retail customers	19%
Governments & Local gov.agencies	11%
Other sectors	1%
Loans for Production purposes	55%
Financial & insurance companies	14%

**Loans for production purposes (2003)**

Services	49%
Building e & public works	14%
Industry	33%
Agriculture	4%

**Geographic breakdown of loans (2003)**

Central Italy	45%
Northern Italy	29%
Southern Italy	
Sardinia, Sicily	26%

**QUALITY AND TRANSPARENCY****Quality management system**

In order to ensure an organic approach to the management of customers' services as a prerequisite for maximizing their satisfaction, the Bank adopted a Quality Management System in compliance with ISO 9001:2000 standards and secured certification in 2002 with reference to the following processes:

- Mortgage loans supplied to retail customers;
- Treasury and Cash services;
- Enquiry and information facilities of direct banking through several remote channels.

In 2003 the Bank started other projects aimed at achieving further quality certifications with reference to staff training activity for local tax services.

Transparency

The Bank has implemented the regulatory instructions issued by the Bank of Italy with respect to transparency, and participated and contributed to the implementation of the

objectives of the “Clear Pacts” project promoted by the Italian Bankers’ Association. As a result, the Bank has developed an intense organization, training and IT activity in order to seize the opportunity of enhancing the relationships with the customers which might result from exhaustive and clear communications.

In particular, the Bank has carefully followed the advertising campaign of the terms and conditions for the services supplied through the various channels available (branches, home banking, Internet).

By participating in the “Clear Pacts” project, from October 2003 to March 2004 the Bank has gradually launched 8 initiatives, as anticipated, and has begun the review for the certification to be achieved, as expected, by the end of 2004.



LE INIZIATIVE PATTI CHIARI

FARO (On line recorded ATM operations)	A new facility for indicating, over the phone or via the Internet, the closest working ATM of BMPS or another bank to the customers, wherever they are, with details of the shortest way to get there, on foot or by car.
List of low-risk and low-yield bonds	A list prepared according to the methods of modern finance which enumerates low-risk and low-yield simple and reliable Treasury Bills and bonds selected among many international bonds.
Clear information on structured and subordinated bank bonds	Investors’ guidelines and information on the risks related to sophisticated bonds. The risks related to these bonds are compared with the risks inherent to simpler bonds.
General evaluation criteria of the SME creditworthiness	A “list” of general standards on the basis of which the banks evaluate the SME creditworthiness and the major components of a business plan with the objective of familiarizing with several fundamental concepts of corporate finance.
Compared current accounts	Detailed information on bank current accounts which can also be compared. A comparison standard sheet will enable bank customers to compare current accounts, their contents, services, costs and use limits starting from easy mechanisms.
Basic banking services	An easily accessible, simple and inexpensive new product incorporating basic banking services (from the Bancomat payment card to the crediting of salaries and queries about movements).
Average response time with respect to loans to small businesses	Small businesses will be able to compare the average decision-taking time of each bank on the basis of sheets prepared by area and loan amount. Besides, loan applications are simplified and the customer is delivered a list of the standard documentation to submit.
Fixed time of availability for the amounts paid by cheque	The purpose of this facility is to communicate, in a transparent and systematic manner, the actual date of availability for the amounts deposited by cheque. The amounts deposited shall be available at a pre-determined time and, in particular, in a number of business days lower than today.

Retail Risk Management

In order to increase the investors' awareness and transparency in their investment choices, the Bank has inaugurated a project for defining a risk measurement system of the customers' portfolio:

- The mapping of the products included in the catalogue for the purpose of classifying them according to the degree of risk;
- The development of a procedure for identifying and assigning the degree of risk in relation to each retail customer's portfolio.

ACCESS AND SECURITY

Remote channels

NO. OF CONTRACTS - REMOTE CHANNELS (31/12/2003)

<i>Retail</i>	
Internet Banking (PaschiHome)	291.565
Phone Banking (PaschiInTel)	246.971
Mobile Banking (PaschiInRete)	29.401
Corporate (PaschiInAzienda)	39.855
Governments and government agencies (PaschiInTesoreria)	482
TOTAL	608.274

FACILITATING THE ACCESS OF THE HANDICAPPED TO BANKING FACILITIES

The Bank has attempted in various ways to meet the needs of the handicapped, giving disabled customers access to products and services as enjoyed by all other clients. In this regard, the Bank has set up a Work Group with the aim of identifying and proposing concrete short-term and medium-term programmes in favour of **handicapped employees and customers**, on the basis of the experiences made by the MPS Group in terms of accessibility. In line with this strategy, the initiatives defined are oriented to:

- 1 Fully remove the architectonic barriers;
- 1 Install accessible self-service terminals;
- 1 Improve the work stations and the working conditions of handicapped staff through appropriate training courses;
- 1 Ensure on-line accessibility of banking services.

"The queue? No thanks!": this slogan inspires a hub-and-spoke advertising campaign for the use of remote channels, through a direct relationship between tellers and retail customers. This initiative entails many benefits:

- **For the tellers:** more time available for the development of better relationships with the customers;
- **For the customers:** no waste of time and fewer travels, with positive repercussions on the environment.

With reference to "internet corporate banking", in catering to the corporate clientele, the Bank extended the range of on-line corporate functions, with the companies showing greater interest in these new forms of access to banking services. In 2003 the Group carried out about 1.6 million of on-line transactions.

In order to ensure the utmost security of financial transactions, the Bank became "Certification Authority" for the supply of digital certification services (digital signature) to its corporate customers and is acquiring the necessary qualification for rendering similar services to the Government and Local Government Agencies and any other Italian counterparts.

Management of personal data

As provided for by the new Legislative Decree no.196 of 30 June 2003 – Code for the management of personal data (aka Privacy Act), the Bank has prepared the Programmatic Document on Security which (i) illustrates the risks identified and any forms of prevention



of related damages, (ii) defines the technical and organizational criteria for protecting the areas and the premises where data are managed, and for ensuring their integrity and security of transmission, and (iii) contains a training programme for the responsables. The requests of access to personal data received from the customers (59 during 2003) have been regularly processed.

Video surveillance and control of access to bank facilities

In 2003 there were 59 robberies, which account for 5.7% of the Bank's total number of facilities. This figure is lower than the average of the Italian banking industry (7.8%). Crime-prevention measures to protect customers, staff and assets under management use various active and passive defense systems. The major initiatives of 2003 incorporate:

- The implementation of a new alarm control center connected with the alarm systems of all Group banks;
- The installation of digital technology videosurveillance systems.

Video surveillance cameras installed at the entrance of the Bank's branches, and in particular those gathering photographic images linked with other specific data including biometric data (i.e. prints), are compliant with the regulations issued by the Guarantor for Privacy. In 2003 the Video Surveillance Regulation was updated for compliance with the new regulations and a new internal Regulation was prepared in order to regulate the management of data in relation to the installation and management of instruments for fingerprinting.

Risk of money-laundering

In compliance with the provisions of Law 197/91, particular emphasis is placed on the prevention of money-laundering coming from illegal activities and the identification of financial flows in relation to terrorist activity.

The initiatives undertaken in 2003 include:

- The testing of a new procedure for the functional management of the "Single Information Files";
- The acquisition of a more advanced information system which enables the Head Office and the Branches to ascertain the presence of present or potential customers, who turn out to be under investigation at international level due to terrorist crimes;
- The creation of specific Staff for the examination of suspicious transactions to be reported to the Italian Foreign Exchange Office;
- An on-line course dealing with this issue.

In 2003 the Bank examined 222 reports, including 162 which were sent by law to the Italian Foreign Exchange Office.

CUSTOMER SATISFACTION

The Bank participates in the Italian Bankers' Association-Eurisko Observatory in relation to Retail Customer Satisfaction. The information available provide an update of the customers' expectations and satisfaction with respect to the banking industry and the specific Bank's services, and represent an useful tool for better orienting the Bank's marketing and commercial policies.

With reference to ISO 9001 certified services, the Bank conducts periodical Customer Satisfaction surveys which assess the level of quality perceived by the clientele and their needs. In 2003 the Bank carried out 3 surveys in relation to service quality of "Treasury and Cash services".

With respect to the "Corporate" segment, the Bank has designed innovative CRM (Customer Relationship Management) instruments which evaluate the customer's economic and financial profile accurately and provide assistance and advisory services more compliant with the companies' requirements.

Call Center

In order to encourage bank-customer relationships, the Bank's Call Center can assist the customers as follows:

- By executing bank transactions, queries and giving information;
- By giving information concerning the products and the services;
- By keeping an appointment book for appointments between the customer and the branch account manager.

CALL CENTER ACTIVITY	2003
Incoming telephone calls	1.350.009
Customer assistance and information	1.182.000
E-mail messages handled	1.651.894
Outgoing telephone calls	70.000
Appointments made	12.187
Number of operators	140



Complaints

The Bank is actively committed to taking note of customer suggestions and complaints in relation to operational issues or problems with the Bank staff, in order to solve any disruptions and increase the customers' loyalty. The complaints in relation to the Bank's ordinary operations are managed by a dedicated Unit which evidenced an increase in the customers' discontent (+ 40.9% year on year) in line with the banking industry. This is attributable, in general, to the customers' growing awareness and the specific economic and stock market situation which were exacerbated by extraordinary events such as the Cirio and Parmalat cases.

SUBJECT OF COMPLAINT	Total 2003	% of total
Credit opening	107	1,88
General banking issues	98	1,72
Cheques	246	4,32
Bancomat-cash withdrawals	370	6,49
Money transfers	185	3,25
Current accounts	1.537	26,99
Capital gain	18	0,32
Credit & debit cards	614	10,78
Cash	69	1,21
Centrale Rischio	46	0,81
Bad loans	26	0,46
Consumer loans & personal loans	47	0,82
Savings deposits	79	1,39
RIBA-electronic cash orders	69	1,21
Tax-collection & Treasury Units	24	0,42
Factoring	4	0,07
Mutual Investment Funds	160	2,81
Individual portfolios under management	127	2,23
Irpef Ilor VAT (taxes)	41	0,72
Leasing	7	0,04
Usury Law	2	4,23
Residential mortgage loans	241	4,23
Insurance policies	87	1,53
POS – cash withdrawal	17	0,3
Privacy	39	0,68
Salaries - pensions	9	0,16
Securities	345	6,06
Transparency	1	0,02
Utility bills	27	0,47
Other forms of investment	96	1,69
Other services of collection and payment	24	0,42
Sundry	933	16,36
TOTAL	5.695*	100,00

* Complaints received in 2003, excluding the complaints concerning MyWay and 4you and structured products, which are detailed in the appropriate table.

FINANCIAL AND STRUCTURED PRODUCTS

In 2003 most of the complaints concerned the financial products “MyWay e 4You”, and the structured products which are related with transactions executed by the Branches of the former Banca 121 which were later incorporated by BMPS.

This issue, which involved the other Banks of the Group, was managed and is still being managed globally from the economic, legal, communication and risk viewpoints.

The MPS Group has activated several initiatives such as the appointment of a “Task Force” consisting of representatives of the various Units involved (Legal, Commercial, Communication, Auditing, Finance and Loan Depts.).

In order to develop its activity, the Task Force consolidated relationships with the Consumers’ Associations, entered into discussions with them and signed a specific protocol of understanding for the purpose of seeking an amicable solution to the claims, examining the complaints received and, if necessary, determining the kind of action to be taken and the amount of the refund, if any. The Task Force took further actions to provide communications and support to the Branch network supplying specific and structured instructions about the issue, and has handled communications with external parties, including through the creation of a specific Internet site which gives information about the characteristics of the multiproduct financial plans and responses to the questions most frequently posed by the investors.

In the first half of 2004, the Group continued its activity to reach a final settlement for the issue. In particular, on 8 July 2004 a joint press release with the Consumers’ Associations (Adiconsum, Adoc, Adusbef, Codacons, Federconsumatori, Lega Consumatori Acli, Unione Nazionale Consumatori) announced the completion on 31 May 2004 of the examination of the claims received. The efforts made by the MPS Group and the Consumers’ Associations to come to a solution as soon as possible are proved by the 138 meetings held with the Consumers’ Associations between 7 July 2003 and 31 May 2004, with the deployment of many skilled human resources both on the part of the MPS Group and the Associations. The amicable procedure led to the following results with respect to the claims received (6,599):

- with respect to 21% of the cases, the Bank proposed a repayment in the range of 80%-100% of the amounts paid, in addition to the total deduction of discounting-back charges (“A Class”);
- with respect to 51% of the cases, the Bank proposed to renegotiate the savings plans by reducing the instalment to be paid or the term of the plan; alternatively, the investors will be allowed to terminate the savings plan effective the sixth year after the date of subscription with no discounting-back charges and the prompt reduction of the finance rate; in some cases, the Bank offered a repayment up to 80% of the instalments paid (“B Class”);
- with respect to 28% of the cases, the claim was rejected.

The claimants’ rate of acceptance of the proposals of amicable solution topped 90%. This agreement, which represents an important example of how consumer associations and the banking world can work together in a conciliatory manner, is therefore deemed to be positive.

At 18,317, the number of complaints received as of 30 June 2004 included 12,714 claims concerning the Savings Plans and 5,603 complaints in relation to Structured Products.

CORPORATE PRODUCTS AND SERVICES

Basle 2

The Bank is actively committed to participating in the debate in relation to the Basle 2 Accord, the work co-ordinated by the Italian Bankers' Association and the related disclosure of information. In order to disclose information and details to the companies in relation to the Basle 2 issues, the Bank has participated in and sponsored several major events and meetings at national and local level. This was flanked by a training programme addressed to the staff for the purpose of ensuring a proper update and minimizing the impact of the anticipated changes on the commercial network.

Contract awarded by the National Institute for Industrial Accidents (INAIL) for the security and safety of the workplace

The Bank is one of the credit institutions which adjudicated the INAIL contract with the objective of supporting, through interest subsidies, the compliance programmes of the structure and the organization with the regulations protecting the safety and security of the workplace in the SMEs, and in the sectors of agriculture and handicraft.

In 2003, 900 companies were granted loans by the Bank, in the amount of EUR 81 million, or 20% of the whole financing established by the Contract.

Impres@più

In 2003 the Bank inaugurated a new package account targeted to small businesses and microenterprises. Conto Impres@più is designed to enable this kind of customers to gain access to an integrated system of banking and non-banking services in exchange for a fixed monthly fee, at favourable conditions. The supply ranges from 'Internet Remote Banking facilities, corporate credit cards and insurance policies to special terms for Leasing & Factoring transactions, Internet and e-commerce facilities, and energy-savings advisory services. In order to meet the different requirements of the companies in a customized manner, Conto Impres@Più was designed in four different "sizes": Small, Medium, Large and Extra-Large, with different components.

Entrepreneurial initiatives by women

In 2003 the MPS Group continued to support the Marisa Bellisario Foundation ("Fondazione Marisa Bellisario per l'imprenditoria femminile"), which ensures bank products and loans at favourable conditions to entrepreneurial initiatives by women. The Bank has also sponsored several events promoted by the Foundation, including the "Marisa Bellisario Award" (Rome, 10 May 2003).

Social products and services

Additional information on the major corporate products and services having significant positive repercussions on the environment and the community is provided in the Section "Other Group companies".

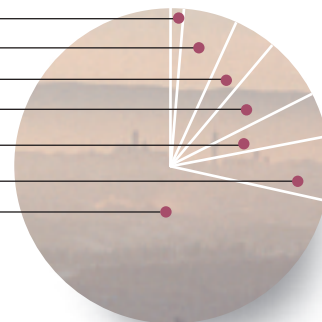
Emerging markets

The Bank and the MPS Group support the SMEs in their process of internationalization and also assess the opportunities of business development in the emerging markets.

In 2003 total credit lines granted in such countries and allocated by geographical area as shown in the graph came to EUR 408 million.

Exposure to emerging countries

Western Europe	1,50%
Eastern Europe and Balkans	5,50%
Near East	4,10%
Africa	6,40%
Latin America	4,40% (incl. Argentina 2,1% - and Brasil 0,1%)
North America	6,60%
Australasia	71,50%



CORPORATE ADVISORY SERVICES FOR THE MANAGEMENT OF COUNTRY RISK

Emerging countries are becoming more and more important at international level; their markets are acquiring growing weight in international trade and capital movements, even though in different ways from country to country. Many emerging countries have a market economy, even though in some cases they are lagging behind from the socio-economic viewpoint, and with respect to market liberalization and governance.

Despite the undeniable benefits that the consolidated economies might get from the emerging countries joining the international markets, the related risks, such as the issues of socio-environmental sustainability associated with the use of natural resources and the protection of human rights, especially with reference to the labour market and conditions, must not be neglected. Furthermore, such economies might show a certain instability linked with a non-consolidated political situation and the uncertain maturity of their financial markets. In this framework, the MPS Group plays the dual role of point of reference with respect to the business flows originating to and from Italy:

- On the front of financial assistance, by channelling specific financial instruments and programmes prepared by multilateral agencies (e.g. European Bank for Investments; European Bank for Reconstruction and Development) for the development of production units and infrastructure at local level;
- On the front of services, assistance and advisory services rendered by the Group foreign units to Italian companies, in particular the SMEs.

This leads to a close monitoring for the purpose of country risk and foreign bank counterparty risk evaluation.

The MPS Group has followed country risk for a decade at international level. Thanks to the experience made, proved by the co-operation with the newspaper "Il Sole 24 Ore" and the participation in the analysis group of Institutional Investors, the Bank decided to include country risk reports in its portal (www.mps.it under **companies/country reports**), and to group them by macro-geographical area in order to give an update of the risks connected with the main Emerging markets. Macro-economic analyses cover about 60 countries and focus on specific political, economic and market aspects with forecasts with respect to each economy. Area analyses are also conducted in order to identify infra-regional areas of development and any domino effects resulting from any financial crisis which might arise. With reference to counterparty risk, the Bank has recently prepared a "watch list", which identifies and monitors the countries and bank counterparties under watchlist, upon the occurrence of pre-established adverse events.

SHAREHOLDERS

Create value for our shareholders in the short-term and the long-term and establish a relationship based on the utmost confidence and transparency is our Bank's mission.

As of 31.12.2003 the share capital of Banca Monte dei Paschi di Siena S.p.A. amounted to EUR 1,935,272,832.

BREAKDOWN OF SHARE CAPITAL (NO. OF SHARES)

Ordinary shares	2.448.491.901
Savings shares	9.432.170
Preferred shares	565.939.729
TOTAL SHARES	3.023.863.800
Par value (eur)	0,64

The major shareholder is Fondazione Monte dei Paschi di Siena holding 49.00 %.

THE MONTE DEI PASCHI DI SIENA FOUNDATION

The Monte dei Paschi di Siena Foundation was established on 28 August 1995 as a result of the transfer of the banking business of the former Public-Law Credit Institution to Banca Monte dei Paschi di Siena S.p.A. After the approval of the new Charter on 8 May 2001, the Foundation acquired non-profit legal status and full management independence. The Foundation's activity is based on the principles of quality, subsidiarity, solidarity and sustainability and its priority is the solidal development of the territory with initiatives

As part of the programme for gradually reducing the MPS Foundation's control over the Bank, in January 2004 the extraordinary shareholders' meeting resolved:

- The conversion of part of the ordinary shares held by the Foundation into preferred shares; as a result, the Foundation's ownership of the Bank's ordinary shares decreased to 49%;
- A new clause in the Memorandum and Articles of Association on the basis of which the Foundation is entitled to vote in the ordinary shareholders' meetings with voting rights equalling the difference, less one share, between the ordinary shares it deposited and the total ordinary shares held by the other shareholders attending the meeting and entitled to vote.

The Bank has aimed to establish dialogue with all its shareholders.

Special emphasis is placed on communications with the Bank's web site growing more and more important. The site incorporates useful information in English concerning:

- Corporate Governance
- Annual reports and key highlights
- Significant presentations
- The Bank's ratings
- BMPS shares trends
- Press release
- Corporate events
- Shareholders' meeting held and planned

INVESTOR RELATIONS

The main initiatives undertaken throughout 2003 by the Investor Relations Unit regarded:

- The organization of a “Retail-Corporate day” to highlight the marketing projects under way;
- The participation of the Bank’s managers in international meetings such as meetings with asset managers and financial analysts;
- The presentation of the 2003-2006 Business Plan through a Road Show which begun in November with an analyst meeting in Milan and continued with other meetings held in the main European capitals and in the USA, with the opportunity of meeting over 130 asset managers and analysts.

At the end of 2003 there were approximately 30 financial analysts dealing with the BMPS shares (in line with 2002), with a rate of positive opinions of 66% (buy or hold), which increased to 74% in February 2004.

THE BANK’S RATING

Moody’s, Standard & Poor’s, Fitch - the three major rating agencies which the MPS Group illustrated its strategies included in the 2003-2006 Business Plan and the management trends for 2003 - confirmed their short-term and medium-/long-term ratings and showed great appreciation for the Business Plan.

Rating agency	Short-term debt rating 31.12.2003	Medium-/long-term debt rating 31.12.2003
Moody’s Investors Service	P-1	A-1
Standard & Poor’s	A-1	A
Fitch Rating	F-1	A+

Fitch upgraded the individual rating from C to B/C due to the Group’s strong geographical franchise, its improved capital adequacy, the efficiency of risk management and the recovery of profitability in relation to the implementation of the Business Plan.

Sustainability ratings

Banca MPS is subject to periodical reviews of its social responsibility profile by some of the principal ethical rating agencies.

Such evaluations, which are based on information obtained through questionnaires filled by the Bank and other publicly disclosed information, determine the position of the Bank’s shares within the sustainability indices and the portfolios of socially responsible investment funds.

In general, the opinions of the rating agencies are positive. Following are the major strengths :

- corporate governance system supported by a solid basic structure;
- good internal social policy consolidated by a steady dialogue with the Unions;
- efficient management of service and environment quality, proved by the certifications secured;
- commercial and marketing policies focusing on socio-environmental repercussions;
- good quality of socio-environmental reporting;
- support to many initiatives for the purpose of promoting Corporate Social Responsibility.

However, the agencies also noticed the following aspects which might be improved:

- lack of an organic paper incorporating the business ethics principles supported by the Bank;
- need of an increasing involvement of stakeholders in the implementation of the Bank’s socio-environmental policies and in the management of controversial cases.



Dow Jones Sustainability Indexes

The Bank was added in September 2002 to *Dow Jones Sustainability Index World*, a global sustainability index promoted by Dow Jones and SAM - a Swiss Sustainability Asset Management firm. In 2003 the average score was 54%, increasing by 4 points with respect to prior years

Nel 2003 lo score medio è stato del 54%, in aumento di 4 punti rispetto all'anno precedente:

Performance	BMPS Score %	*Average score for the industry %
Economic	52	51
Social	56	47
Environmental	61	31
TOTAL	54	47

* The averages for the industry incorporate 27 international banks, including 2 Italian banks only, which were included in the Index.



FTSE4Good

The Bank was added in March 2003 to the FTSE4Good Indices (FTSE4Good Europe Index and FTSE4Good Global Index) launched by the Financial Times and the London Stock Exchange. Eiris, the British company which handles the related rating activities, does not issue a concise score but only quality opinions. The last half-year index review confirmed that the Bank's operations are compliant with the selection criteria adopted.



Ethibel

In March 2004 the Bank was added to the Ethibel sustainability index, managed by Stock At Stake, a Belgian ethical rating agency, with the following scores:

Performance	BMPS Score
Economic	B
Internal social	A
External social	A
Environmental	AA



SiRi Company

The opinion on the Bank's social responsibility given by Avanzi Sri Research, a member of SiRi Company, is good (score: 69,1/100 with respect to a world average for the banking industry of 49,4/100). SiRi Company is the first aggregation in the world of environmental and social rating agencies.

COMMUNITY

We feel we are citizens of the communities where we operate. That is why we would like to offer long-lasting opportunities of well-being and growth to the community by promoting and supporting solidarity and social responsibility initiatives and activities.

MICROCREDITS AND HUMANITARIAN PROJECTS**Microcredits**

The Bank has activated a series of financial initiatives to service several of society's weakest classes which are often at a disadvantage in tapping credit due to their inability to supply secured or unsecured guarantees (the so-called non-bankable subjects).

Effective 1996, the Bank has developed three different kinds of microcredits through specific agreements with the voluntary association, "Arciconfraternita di Misericordia ed Istituzioni Riunite di Siena".

- **Anti-usury loans**

These loans are partially guaranteed by the Misericordia Guarantee Fund and are targeted for individuals, families, small businesses which are facing problems for various reasons and are unable to obtain ordinary bank loans, even though their financial situation would enable them to take on financial obligations. The Fund was initially set up through a donation of EUR 250,000 from the MPS Foundation and was subsequently increased thanks to the contributions paid by other participating agencies (Government, Region of Tuscany, other banks).

- **Loans against real estate bankruptcy**

These loans provide funding to families who purchased a house by signing a preliminary contract, or are awaiting the completion of the construction of their residence by a builder or a cooperative, and who have been forced to take on serious financial obligations in order to finalize the transactions, due to the difficulties of the building firm. The programme covers loans up to EUR 100,000, which can be repaid up to 20 years.

- **Solidarity loans**

These subsidized loans are granted to low income-earning families who are unable to secure ordinary bank loans. The maximum loan amount is EUR 7,500 and is guaranteed by a specific Fund which was set up with a contribution of EUR 200,000 from the MPS Foundation.

As of 31 December 2003, as a whole, the Bank had disbursed 446 loans in the amount of EUR 6,443,770. sono stati 446, per un importo complessivo di euro 6.443.770.



SOLIDARITY INITIATIVES FROM THE BANK'S EMPLOYEES

The Bank participated in the solidarity initiatives promoted by the Unions by raising funds among its employees to be dedicated to these purposes. In particular, in 2003 the Bank supported voluntary subscriptions for the following initiatives:

- "Scholarships for the children of peace volunteers";
- "Families of the Nassirya victims";
- "World's children suffering hardships".

3,103 employees participated in the subscriptions and funds raised amounted to EUR 22,276.

Solidarity and humanitarian projects

• *Children smile*

At the end of 2003 the Bank launched "Children smile", a loan targeted to the families who intend to adopt a child, with the objective of helping them to cope with the difficulties stemming from international adoptions. The maximum loan amount is EUR 10,000 (EUR 15,000 in case of adoptions of several children or from areas outside Europe). The loan has a fixed interest rate and is repayable in 10 years in monthly instalments. As of 31 March 2004, the Bank had disbursed EUR 200,000 for these purposes.

• *Pavarotti & Friends*

The Bank has sponsored "Pavarotti & Friends" for many years. This humanitarian initiative raises huge funds each year for the implementation of important social projects identified and managed by the UN High Commissioner for Refugees (UNHCR). In particular, the 2003 edition of Pavarotti & Friends was aimed at financing the UNCHR fund raising campaign (SOS IRAQ) for the repatriation and reintegration of at least 20,000 particularly vulnerable Iraqi refugees (women heads of a family, handicapped, elderly). The Bank's direct support came to EUR 413,000.

• *Legatumori Senese*

Legatumori Senese, as the local section of the Italian League for the fight against tumors, has been operating for more than 30 years by disclosing information on tumors and preventing this kind of diseases, especially through the Centre for Oncologic Prevention. The Bank has supported Legatumori Senese for many years and contributed to the purchase of new equipment and the consolidation of prevention activities addressed to the schools and young people. In 2003 the Bank continued to support this association by disbursing EUR 100,000 for the purchase of diagnostic equipment.

• *"Prisoners' Labour" Project*

In 2003, the Bank participated in the "Prisoners' Labour" project promoted by PCDET, a company set up within the prison of Bollate (MI) and specialized in the **fixing and regeneration of hardware** discarded by the companies. The project aimed to give the prisoners the opportunity of developing material skills which might be useful for their future rehabilitation.

The Bank contributed by donating 1,250 computers to PCDET which were replaced by other **high-performance** computers.

PCDET employs 11 prisoners, hired in accordance with the terms of the National Labour Contract for the engineering industry. They receive a regular salary which enables them to give economic support to their families. A Slovakian prisoner was the first who exploited the skills acquired during the training course for repairer- technicians arranged in the prison by PCDET. After extinguishing his offence, he went back to Slovakia where he works today as a computer technician.

• *Staff voluntary work*

In 2003, the Bank gave the staff about 400 hours of extraordinary paid leaves for the purpose of participating in voluntary initiatives.

RELATIONSHIPS WITH UNIVERSITIES, RESEARCH INSTITUTES AND OTHER ACADEMIC INSTITUTIONS

Apprenticeships programs

As part of its collaboration with the university and research world, the Bank offered 49 (30 in 2002) young university graduates the opportunity of participating in apprenticeships programs within its Head Office. The graduates worked for a period ranging from 3 to 6 months which was useful for their professional growth. The Bank's Units apply for the candidates and liaise with the University *placement centres* in order to inform the students about the opportunities being offered. The programs are activated in relation to specific projects to be carried out under the supervision of a corporate tutor and terminate with the production of a report and its publication on the Group's training portal "Clic".

University and Masters

In 2003, the Bank gave hefty contributions for the organization of university meetings and conferences and, in particular, supported the initiatives of the Universities of Siena (EUR 95,200), Roma La Sapienza, Palermo and Parma. In 2003, the Bank completed the funding of the University Center of Grosseto for the establishment in Grosseto of an academic course in Environmental Economy and Sustainable Tourism (EUR 37,701, up to a three-year total amount of EUR 113,104).

Following is a summary of the master's degree programs financed by Banca Monte dei Paschi di Siena SpA.

POST-GRADUATE STUDY PROGRAMS

Master	Description	Bank's contribution in 2003
MEBS - Master in Economics and Banking University of Siena	This program, the first to be sponsored by the Bank, celebrated its sixth anniversary in 2003. The annual program is available to university graduates with excellent academic standing who are interested in advanced studies in economics and banking.	The total contribution was EUR 211,747.
Gints – Master in Management of Financial Institutions and New Information Technology University of Siena	The program is aimed at satisfying the growing demand within the credit and financial services industry for individuals trained in both technology and business economics.	The contribution, paid through the MPS Group's Operating Consortium, amounted to EUR 193,671.
E2C – Master in Digital Economics and e-business University of Siena	The program aims to train highly qualified professionals who are able to meet the needs of digital economy.	The Bank has awarded scholarships and underwrites operating expenses. The aggregate contribution was EUR 175,600.
FINNAM	Set up by BMPS in 1999/2000 and designed to train individuals as experts in innovative finance for the environment, the program is actually offered by the Scientific and Technological Park of Salerno and the Internal Areas of Campania S.p.A.	The Bank's contribution for a two-year period (2002/2003) amounted to EUR 28,633.

POST-GRADUATE STUDY PROGRAMS

Master	Description	Bank's contribution in 2003
CIPMI – Master in Control and Innovation of the SMEs University of Siena	The program aims to cater to the growing needs of the SMEs for skilled individuals trained in the use of appropriate instruments for information production and processing, thus contributing to the development of a responsible corporate management through material actions in support of the steady requirement of product and process innovation. The first CIPMI program was sponsored in February 2004.	The Bank co-operated in the planning of the program and paid a contribution amounting to EUR 120,000.
SMEs – Master in Quality and Organization of the SMEs	The program aims to train managerial professionals within the quality sector, in order to deal with the integrated management of corporate systems. Their skills with respect to Quality, Environment and Security will be oriented to the management by process and the steady improvement of corporate management and organization techniques.	The contribution amounted to EUR 7,200.
ILP – Master in Engineering of Integrated and Production Logistics	The program aims to train professionals who are able to rapidly fill key positions in the area of integrated logistics, in any kind of company.	

In 2003 the Bank recruited 43 young employees among the university graduates who attended some of these post-graduate programmes.

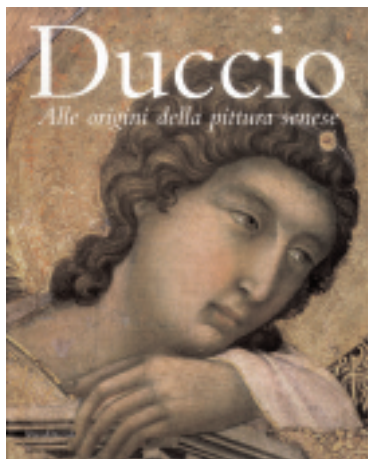
SPONSORSHIPS AND DONATIONS

SPONSORSHIPS AND DONATIONS IN 2003 (In EUR million)

Sector	Amount	%
Cultural (artistic)	5.853	27,91
Cultural (musical)	2.001	9,54
Economic	501	2,39
Scientific	465	2,22
Social and Ecological	818	3,90
Sporting	10.504	50,09
Other donations	827	3,94
TOTAL	20.969	100,00

Cultural activity

In 2003 the Bank acted as a financial sponsor of many initiatives of a cultural and scientific nature. The principal programs funded included those supporting the activity of Fondazione del Maggio Musicale Fiorentino and the procurement of Participant status in the Fondazione Musei Senesi (Eur 250,000), which co-ordinates, develops and enhances the artistic resources of the area of Siena and its Museums.



“DUCCIO: THE ORIGINS OF SIENESE PAINTING”

This exhibition represents an event of paramount importance, due to the value of the works displayed (including the stained-glass window of the Cathedral of Siena) and the interest arisen. The exhibition is held in the brand new, functional premises expressly created in the former Hospital of Santa Maria della Scala, includes the world-known Majesty from the Museum of Opera del Duomo and terminates in the basement under the floor of the present Cathedral where a cycle of wall paintings (contemporary to Duccio) has been found recently. The wonderful figures of these paintings have drawn the attention of scholars and visitors, because they have challenged a fundamental part of the history of Medieval art. The exhibition turned out to be extremely successful, so that at the end it totalled over 220,000 visitors, with peaks of 3,000 visitors per day.

Other initiatives in which the Bank was directly involved include:

- the exhibition in Naples of the works of Marco Pino, a XVII cent. painter from Siena;
- the participation in the Organizing Committee and the implementation of the exhibition “Duccio: the origins of Sienese painting”;
- the display at the 10th Antique Fair held in Siena and in the major domestic branches of the Bank of a selection of old coins of the Republic of Siena.

The Bank's art collection

The Bank's invaluable art collection dates back more than five hundred years and includes masterpieces which prove the great artistic tradition of Siena. It ranges from a fresco - “Madonna della Misericordia”, commissioned to Benvenuto di Giovanni del Guasta in 1481 in order to celebrate the foundation of Monte dei Paschi - to the rich Chigi Saracini Collection, which was acquired in 1959 and is on display in the Chigi Saracini Palace, where the famous Accademia Musicale is headquartered. The Bank's Historical Archive, which is located in “Rocca Salimbeni”, the building which has long served as the Bank's head office, is of inestimable value. In 2003, the Bank continued to work together the University of Siena for the purpose of classifying and reorganizing the documents kept in the Archive, which is deemed to be one of the most important in Italy.

In 2003 the Bank arranged more than 250 guided tours of the “Rocca”, with an estimated total number of visitors of over 1,000, in addition to approximately 3,000 visitors to the Head Office on the extraordinary Palio-days openings each year.

Besides, the Bank participated in the second edition of the National Day of Opening of Bank Buildings (20 September 2003) hosting more than 1,100 visitors.

Sports

The Bank's traditional commitment to supporting amateur sports was again affirmed in 2003, with funds disbursed for various events, also at national level. The Bank is the sponsor of Mens Sana Basket Siena and, through the subsidiary MontePaschi Vita, the Siena Football Association. The Bank supported the sailing competition “Toscana Elba Cup” and the prestigious international Horse Jumping Contest, “La Bagnaia”, which takes place each year.

Publications

The principal initiatives in 2003 on the publishing front in the historical, artistic and cultural areas include the publication of the coffee-table books “Duccio: Siena between the Byzantine tradition and the gothic world” and “Under the Cathedral of Siena”, dedicated to the sensational archaeological, architectural and figurative discoveries which came to the light in the basement of the Cathedral of Siena.

The essay dedicated to the XVII cent. Sienese painter, Marco Pino, was also completed.

GOVERNMENT, LOCAL AUTHORITIES AND OTHER GOVERNMENTAL INSTITUTIONS

We intend to continue to operate in accordance with the tradition, in mutual co-operation with the Government and governmental institutions in a logic of balanced and sustainable socio-economic development.

The Bank has developed a specific service model with the objective of enhancing its financial advisory services with respect to the requirements of the public sector. This model - which is hinged on professionals (Governmental Institutions Managers) - provides an integrated array of customer-focused products and services in a logic of co-operation and partnership, and flanks the traditional Tax-Collection and Treasury and Cash services.

Particular emphasis is placed on religious institutions and non-profit organizations, which required the development of targeted structures and advisory skills.

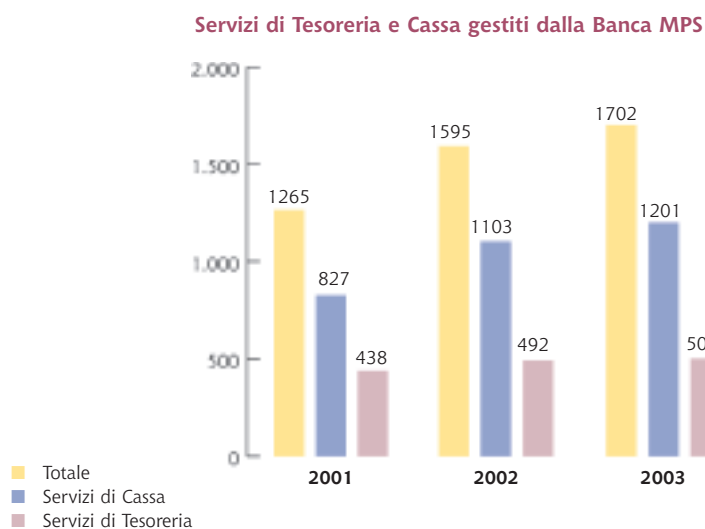
LOANS TO THE GOVERNMENT, LOCAL AUTHORITIES, OTHER GOVERNMENTAL INSTITUTIONS AND NO-PROFIT MAKING ORGANIZATIONS (2003) (In EUR million)

	Amount	Market share (%)
Government	1.062	4,98
Local authorities	2.669	8,91
Government-owned companies	418	2,52
Non-profit institutions	196	4,24
TOTAL	4.345	5,99



TREASURY SERVICES

In 2003 the Bank consolidated the Treasury and Cash services by acquiring 113 new mandates (most of them concerning Schools) as opposed to 6 revocations.



TAX COLLECTION SERVICE

The Bank directly manages revenue collection for five provinces (Rome, Siena, Grosseto, Leghorn and Latina), with 1,000 employees dedicated to this activity as of the end of 2003.

Other Group companies handle tax collection in all the provinces of Sicily and in the areas of L'Aquila, Piacenza and Perugia.

Through the MPS internet site (www.paschiriscossione.it) most taxpayers in these provinces can pay both the taxes billed through advices sent out by the tax collection service for the account of creditor entities, and the municipal tax on real property (ICI).

As a result of the full development of the Tax Collection service, in 2003 the Bank started a programme aimed at securing ISO 9001:2000 quality certification with specific reference to the "Local Taxes" service.

SUPPORT TO LOCAL ECONOMIC DEVELOPMENT

The Bank has always followed the measures of Regional Economic Planning with great interest as well as the initiatives of territorial development planned by the Local Authorities. In particular, the Bank has designed subsidized loans in favour of production companies.

In 2003 the Bank signed specific protocols with the Regions of Tuscany and Umbria for defining appropriate measures for facilitating access to loans by the local SMEs. In particular, the Bank made huge financial resources available at favourable terms to the



local companies, with the objective of financing specific projects and areas identified by the Region as priorities for the local business world.

The agreement signed with the Region of Umbria includes a programmes of initiatives to be taken by the Bank in the following areas:

- *Basilea 2*, through information, training and guidance activities.
- *Company crisis*, through the definition of a procedure for the prevention and concerted management of reversible corporate crises.
- *Integrated management*, through financial measures of connection to subsidized loans.

Agencies for local development

In 2003 the Bank actively participated (training, tutorage, specific advisory services, financial instruments etc.) in the creation of the Agency for the Development of the province of Siena, with the objective of promoting local growth in a logic of socio-environmental sustainability, through the supply of a broad range of services to local companies and authorities.

The Bank has monitored similar experiences in other local areas with great attention.

CROSSING EUROPE

A partner for the internationalization of the Italian SMEs

Crossing Europe, which was set up in December 2003, is the first Italian European Group of Economic Interest (EGEI) which consists of a bank and several Chambers of Commerce. It aims to support the Italian SMEs when they face the new challenges and opportunities resulting from intensifying relationships with the countries which will soon join the European Union. The activity of the EGEI, a corporate body regulated by the EEC Regulation no. 2173/85, is based on the MPS Group's skills in relation to European structural loans and the skills to promote Italian products in the world, which is typical of the participating Chambers of Commerce (Florence, Siena, Trieste, Region of Apulia). The EGEI provides the following services to the Italian companies interested in the internationalization process:

- Advisory services and technical assistance for the management of EU structural funds and other forms of public finance;
- Implementation of feasibility studies, market research and sector analyses for the promotion of international investments;
- Measures supporting the development of institutions and companies in the areas of research, innovation and training;
- Planning and implementation of e-business programs;
- Development of more direct interaction channels with institutional counterparties and consolidation of the research network of partners for the companies;
- Training of entrepreneurs in the new EU countries in relation to the issues associated with the Euro and the unification of the European market;
- Consolidation of the presence of the European companies in the markets of eastern Europe and in the Mediterranean area;
- Participation in tenders/contracts, bids and loan programs promoted by the European Union, national Governments and Local Authorities.

SUPPLIERS

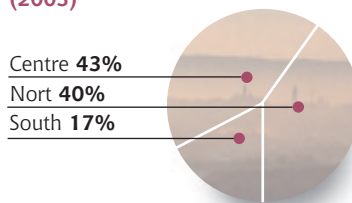
In working with suppliers, our policy places the accent on collaboration and, namely, the search for mutually beneficial conditions.

Sound partnership relationships are based on quality, price and delivery time.

The purchasing process is governed at a Group level by a centralized Head Office Unit. This enables the Group to operate the best synergies and to plan the best purchasing solutions, partly by entering into agreements and master agreements with the major suppliers.

In order to ensure that the supplies are always compliant with the quality required, each supplier is carefully selected according to its characteristics and the characteristics of its products and services, and is eventually included in the **Group Suppliers' List** or, if already included, its reliability rating is subject to periodical review and update.

Geographical breakdown of the major suppliers (2003)



In 2003, the suppliers providing the Bank with goods and services in excess of EUR 100,000 (the so-called major suppliers) numbered 210, with total billings therefor amounting to EUR 159 million.

The Bank establishes **real partnership relationships** aimed at regulating co-operation and optimizing overall relationship efficiency with the suppliers having significant skills and technological resources and ensuring a high quality of supply in the course of time.

Involvement in socio-environmental issues

In the last few years, the Bank and the Group gradually oriented towards management-organizational models in compliance with the principal standard quality certifications. This required the addition of other indicators for the qualification and selection of suppliers to the traditional technical-economic parameters. The procurement of quality (ISO 9001) and



environmental (ISO 14001, EMAS) certifications is a prerequisite for the assessment of the overall level of services rendered. This assessment process also provides for the analysis of the supplier's position with respect to the ethical-social principles set forth by the Social Accountability 8000 Standard. Pursuant to such principles, the supplier is requested to issue an official statement of compliance with this Standard, as a prerequisite for his presence in the Group List. The supplies are also subject to eco-compatible requirements (see the Section covering "Environmental Performance").

As of 31 December 2003, 10% of the suppliers included in the List had secured ISO 9001 certification, 1.4% had procured ISO 14001 certification and 46.2% participated in the SA 8000 Standard.

The measures adopted by the Bank aim to make the suppliers aware of Corporate Social Responsibility issues, in the belief that this joint commitment will generate significant mutual benefits.

Disputes

During 2003, there were no disputes with the suppliers.





OBJECTIVES AND TARGETS ACHIEVED



OBJECTIVES

ENVIRONMENTAL

- Greater internal and external sensitivity to environmental issues.
- Improvement of the monitoring and control of the Bank's socio-environmental performance.
- Evaluation of the indirect environmental aspects to complete the initial analysis in relation to Emas registration.
- Pursuit of the "Emas Project" for the procurement of the relative registration.
- Reduction of CO₂ emissions
- Improvement of differentiated refuse collection.
- Increase in the quota of eco-compatible consumer products used.
- Monitoring and control of the "environmental profile" of each supplier.

ECONOMICI

- Internal and external growth.
- Increase in volumes
- Improvement of the operational performance

SOCIALI

- Greater involvement of stakeholders in the Bank's social responsibility strategies
- Professional development of human resources in relation to social responsibility.
- Development of projects in partnership with others so as to augment social responsibility and to increase sensitivity of the clientele toward socially responsible financial products.
- Improvement of access to banking services for the disabled.
- Monitoring and control of the suppliers' "social profile" in view of the procurement of SA 8000 certification.
- Development of other instruments for increasing the customer's awareness of investments made.
- Increase in financial products for ethical investment.
- Increase in microcredits for social purposes and solidarity loans

RESULTS ACHIEVED IN 2003
OBJECTIVES 2004/05

The training program inaugurated contemplates specific instructions for the staff most closely involved in the environmental management system. Environmental issues were included in basic training (on-line training and classes) to the Bank's staff. The Group's Intranet portal incorporates a dedicated section.

Confirmed

The Bank, which participates in the Siena City Forum Agenda 21, has arranged in-house workshops in relation to sustainability issues.

As a result of the appointment of Officers Responsible for Environment and Security, the Bank has been able to improve its data collection system.

Confirmed

The sample of the sites subject to the measurement of environmental data was expanded.

The Bank has inaugurated the evaluation of the principal indirect environmental aspects (environmental credit risk, eco-compatible purchases etc.) and tested the procedure of evaluation of environmental risk in loan disbursements.

New target

CO₂ emissions were reduced by roughly 30%.

Confermato

The "Paper Project" has been inaugurated by starting the differentiated refuse collection system in several Major Branches.

Confirmed

Requirements of environmental quality have been introduced in the purchasing criteria for a series of products (e.g. ecological paper, energy-saving PCs etc.)

Confirmed

New target

Increase in banking facilities.

Confirmed

Expansion of funding, fund management and loans; expansion of remote-distance channels.

New target

The Bank's employees participated in specific workshops.

The suppliers were involved through actions of sensitivity in relation to the SA 8000 and ISO 14001 standards.

Confirmed

The Bank prepared a staff training programme on these issues and trained the Officers Responsible for the Environment and Security.

Confirmed

Activities were carried out to implement the "Ethics and Market" ("ETHMA") project, in co-operation with the consumers' association Adiconsum, with the emphasis going to research on ethical finance, Bank's staff training and clientele's sensitivity to socially responsible investments.

Confirmed

The Bank has created a specific Work Group to find a solution to the problems arising for its staff and clientele in relation to their different forms of handicap, such as architectural barriers, training and working conditions, access to ATMs, electronic banking facilities and on-line channels.

Confirmed

New target

New target

New target

New target





OTHER GROUP COMPANIES



BANCA TOSCANA S.p.A.



The Bank, based in Florence, was set up in 1904 with the name of “Piccolo Credito Toscano”, a cooperative bank promoted by a committee of citizens. In 1930 the Bank was renamed Banca Toscana S.p.A. and expanded steadily in terms of size and business growth. In 2003 the Bank merged by incorporation into Banca Monte dei Paschi di Siena S.p.A., and the banking business of the former Banca Toscana was transferred to a new bank having the same name.

As of 31 December 2003, the network of Banca Toscana included 415 branches, mainly located in central Italy, catering to the needs of the local economies and in particular of the SMEs and the families.

ISO 9001:2000 CERTIFICATION

Banca Toscana has been pursuing a policy of quality and customer satisfaction for years. In February 2004 the Bank renewed its quality system certification in accordance with the **ISO 9001:2000** standard, with respect to **International Services** (Head Office and peripheral units).

The Bank's internal social policy is characterized by the emphasis placed on the protection of workers. The Bank' officially subscribed to the principles of the Social Accountability 8000 Standard and also appointed a manager to deal with these issues. With reference to equal opportunities, together with other companies, the Bank is carrying out a project entitled “Motherhood and professional development in the banks”, as part of the EQUAL EU initiative, with the purpose of reducing discrimination and increasing equal opportunities for working mothers in the labour market. The program of renovation of the ATMs is also significant. As a result of the completion of this program, the disabled should have full access to 50% of the Bank's ATMs by 2007.

As part of its social responsibility policy, the Bank offers and promotes marketing initiatives characterized by significant socio-environmental repercussions, including the initiatives undertaken in accord with the Guarantee Consortiums or the Trade/Industry Associations:

- ▀ **Ecotrasporto:** loans for the purchase of electric or ecological vehicles by wholesalers and dealers.
- ▀ **Sicurconfidi:** loans for the modification and upgrade of the workplace pursuant to Legislative Decree 626/94.
- ▀ **Innovazione Tecnologica:** loans for investments in research and technological innovation, and in particular investments aimed at reducing the environmental impact, streamlining the consumption of energy and other resources, and securing quality and environmental certifications.
- ▀ **CESVOT:** loans in favour of non-profit organizations.

Sviluppo

Una strada che percorriamo insieme

ENVIRONMENTAL INDICATORS

2003

Total energy: consumption per employee (kWh)	10.206
Electric energy: consumption per employee (kWh)	6.484
Paper: A4 paper sheets per employee per day (no.)	39
CO ₂ emissions per employee (kg)	4.321
Auto travels for business purpose (km per employee)	1.847
Water: daily consumption per employee (liters)	99

ECONOMIC INDICATORS (amounts in EUR million)

Total funding	27.117
Customer loans	11.393
Shareholders' equity	1.101
Gross operating profit	292
Net profit for the year	81

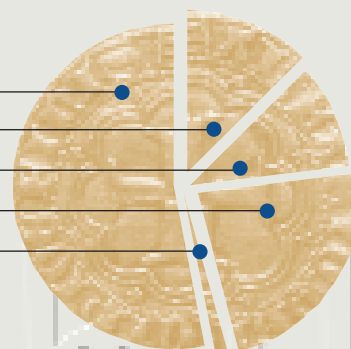
SOCIAL INDICATORS

Employees (no.)	4.482
Training days (no.)	14.522
Accidents (no.)	64
<i>outside the Bank (no.)</i>	54
Legal suits started by the employees (no.)	26
Customers (no.)	911.639
Number of customers' claims/number of customers (%)	0,55
Treasury and Cash services (no.)	99
Distribution of dividends (EUR '000s)	56.800
Gross global value added (EUR '000s)	456.905
<i>including to the Community (EUR '000s)</i>	1.667

The economic-financial data and the figures concerning value added are calculated with reference to the period from 31 March to 31 December 2003 after the merger by incorporation into BMPS S.p.A.

Breakdown of Value Added (2003)

Human resources	53,8%
Shareholders	12,4%
Corporate	10,3%
Government & Gov. Inst.	23,1%
Community	0,4%



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BANCA AGRICOLA MANTOVANA S.p.A.



Banca Agricola Mantovana (BAM) is a multichannel interregional commercial bank based in Mantua. Founded in 1871, the network of BAM consists of 289 branches located in 20 provinces in Lombardy, Emilia Romagna, Veneto and Piedmont. It was established as a credit institution oriented to supporting agriculture and the food processing industry. Though keeping a strong specialization in this area, today BAM supplies its services to the SMEs, cottage industries and retail customers. On 20 February 1999 Banca Agricola Mantovana joined the MPS Banking Group and the then cooperative bank BAM became a public limited company. In 2003 it merged by incorporation into Banca Monte dei Paschi di Siena S.p.A., and its banking business was transferred to a new bank keeping the same name.

The Bank's 2003 financial statements indicate that all the principal operating margins are increasing with respect to 2002, thus confirming the consolidation of its commercial vocation despite the unfavourable economic situation. The recognition of the customers' requirements, the Bank's strong franchise and the ability to supply products and services which can generate value added represented the key elements for the Bank's growth. The commitment of BAM in relation to social responsibility is illustrated in the Bank's Socio-Environmental Report, with the second edition published in April 2004 (www.bam.it).



Una strada che percorriamo insieme

ENVIRONMENTAL INDICATORS

2003

Total energy: consumption per employee (kWh)	11.466
Electric energy: consumption per employee (kWh)	6.862
Paper: per employee (kg)	169
Paper: A4 paper sheets per employee per day (no.)	46
Waste: production per employee (kg)	128
CO ₂ emissions per employee (kg)	4.611
Auto travels for business purpose (km per employee)	2.653
Water: daily consumption per employee (liters)	168

ECONOMIC INDICATORS (AMOUNTS IN EUR MILLION)

Total funding	24.732
Customer loans	7.975
Shareholders' equity	845
Gross operating profit	158
Net profit for the year	25

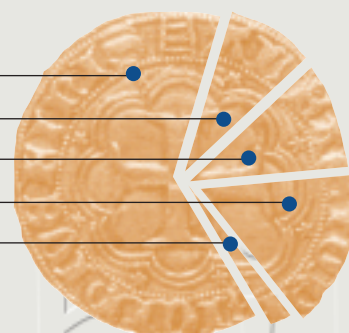
SOCIAL INDICATORS

Employees (no.)	3.528
Training days (no.)	30.246
Accidents (no.)	59
• outside the Bank (no.)	39
Legal suits started by the employees (no.)	9
Customers (no.)	466.763
Number of customers' claims/number of customers (%)	0,17
Treasury and Cash services (no.)	255
Distribution of dividends (EUR '000s)	17.160
Gross global value added (EUR '000s)	198.609
• including to the Community (EUR '000s)	3.511

The economic-financial data and the figures concerning value added are calculated with reference to the period from 31 March to 31 December 2003 after the merger by incorporation into BMPS S.p.A.

Breakdown of Value Added (2003)

Human resources	63,2%
Shareholders	8,6%
Corporate	10,6%
Government & Gov. Inst.	15,8%
Community	1,8%





MPS BANCAVERDE S.p.A.



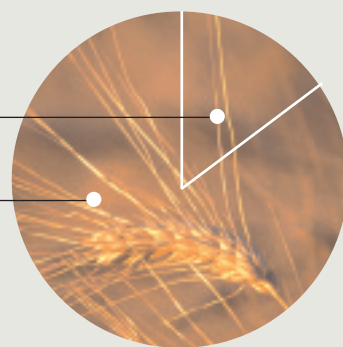
MPS BancaVerde, the former Istituto Nazionale di Credito Agrario (INCA), has operated in Florence since 1913 as Cooperativa di Credito Agricolo first, and then as Istituto Federale di Credito Agrario per la Toscana (IFCAT). In the course of time the Bank has become a consolidated leader in Italy as a credit institution specialized in long-term loans in support of agricultural projects. In 1992, INCA joined the Monte dei Paschi di Siena Banking Group and in 2001 was renamed MPS BancaVerde S.p.A.. Thus, it became the MPS Group excellence centre in the environmental sector and in support of agriculture and quality food processing industry.

The Bank's commitment to the protection of the environment and sustainable development - which has been integral part of its corporate purpose since 1998 - has developed gradually in the direction of greater organicity, with the subscription to the UNEP Financial Initiatives Statement and the procurement in 2002, as the first bank in Italy, of ISO 14001 certification and EMAS registration. In June 2003, the Bank secured SA 8000 certification (first bank in the world), thus proving the Bank's great interest in ethics and social responsibility. The Bank's core business is lending, through the supply of a wide range of financial products and advisory services in support of long-term investments to the companies operating in a logic of sustainable development. Product innovation mainly involved the production of

Loan applications received by business sector (2003)

Environment **14,8%**

Agriculture and Food processing **85,2%**



Loan applications in the Environmental Sector:

- 41% with respect to waste disposal,
- 31% with respect to energy.

Sviluppo

Una strada che percorriamo insieme

electric energy from renewable sources, the protection and the sustainable use of water and the ecological evolution of rural tourism. In 2003 the Bank launched three new products:

- **Energy save:** designed to meet the requirements of energy savings and technological innovation coming from the local authorities and the big users of electric energy. Focus is placed on Energy Save Companies (ESCO), according to the “third-party finance” scheme.
- **Ecoturismo:** designed to meet the requirements of a more qualified tourism. This product raises medium-term funds for financing the procurement of “Ecolabel” certification, also for the farm holiday resorts, in accordance with the recent provisions of the relative EU regulations.
- **Aqua:** designed to encourage a more reasonable use of water and to ensure continuity and development to crops, especially in the agricultural areas of great value, with the objective of financing the structures of collection and/or recovery of water, and high-tech irrigation plants and systems.

The Bank is a leader in the area of renewable energy, in particular wind and biogas, and grants its financial backing to several projects in different areas of Italy. With reference to advisory services, the consolidated assistance services rendered to the companies for environmental management are flanked by important agreements with several Local Authorities (Comuni) of Tuscany and Campania and with the National Union of Mountain Communities in Tuscany, in order to support the procurement of quality and environmental certifications and to identify any opportunities of contributions.

The Environment Risk Advisory service, which supports the companies in the assessment of environmental risks, is also very important.

Additional information on the Bank's socio-environmental policies is provided in the Bank's 2003 Sustainability Report (www.bancaverde.it).



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MPS MERCHANT S.p.A.



Florence-based MPS Merchant is the MPS Group merchant bank specialized in medium-term loans, innovative finance, public subsidies and aid for corporate development. The Bank was established in 1954 as a public-law medium-term credit institution, with the name of *Mediocredito Toscano* and the purpose of promoting the development of the SMEs. In 1992 the Bank was purchased by the Monte dei Paschi di Siena Group, which was one of its founders. In 2001 the Bank was renamed *MPS Merchant S.p.A.*, with the objective of increasingly assisting the companies and promoting their growth.

MPS Merchant is the product company of the MPS Group which is most active in project finance, and in particular in lending to fund the production of alternative energy, waste treatment, transports and civilian building. Loans granted in 2003 totaled EUR 76.5 million.

ENERGY AND ENVIRONMENTAL PROJECTS FINANCED

Waste treatment and disposal

- Plant for the treatment and heat-maximization of waste in Sicily.
- Loan for the implementation and management of a platform and a dump in the area of Manduria (TA) to be used for treating and dismantling solid urban waste and special waste.

Production of electric energy

- Energy plant powered by waste decay, located in the area of Tufino (NA).
- 2 plants for the production of electric energy powered by biomass in Calabria.
- Requalification and expansion of the production capacity of energy production plants from renewable or similar sources.
- Co-generation plant, in the industrial area of Faenza (RA), powered by vegetable biomass burning.

Water services

- Support for the implementation of the investments planned in ATO "Umbria 2 - Terni".
- Advisory services and financial backing to the tender for the Integrated Water System in the ATO of Enna.

Upgrading of degraded districts

- Advisory services for the upgrading of the former Falck industrial area in Sesto San Giovanni.

Una strada che percorriamo insieme

The Bank co-operates with several Government Institutions for the support and promotion of Industrial Research and the pre-competitive Development of companies. With reference to the Funds specifically set up by the Ministry of Education, University and Research, in 2003 the Bank analyzed 47 research projects, including 8 projects already approved by the Ministry. The Bank also tutored and monitored 109 projects financed in the prior years, including 20 projects which came to a successful conclusion during 2003 with other 9 projects completed in the first months of 2004. The projects submitted were mainly relative to the pharmaceutical and medical industries, biotechnologies and environment, value enhancement of the artistic, cultural and environmental heritage, innovative industrial research.

With respect to the Technological Innovation Fund of the Ministry for Production Activities, the Bank manages 227 projects in relation to industrial pre-competitive development and product/process innovation.

With reference to entrepreneurial activity by women, the Bank monitors and processes the enquiry files in relation to many subsidized corporate instruments, as provided by the law:

- 215/92 for entrepreneurial business by women (1,658 applications processed).
- 488/92 for the industry, services and tourism.
- 598/94 for environmental protection and technological innovation.
- Territorial Pacts, Area Contracts and Program Contracts.

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MONTE PASCHI ASSET MANAGEMENT SGR S.p.A.



Monte Paschi Asset Management is the MPS Group Milan-based asset management company. Active in collective asset management and in the management of traditional individual portfolios, the company also operates through two subsidiaries (MPS Alternative Investments SGR and MPS Asset Management Ireland Ltd) – in the field of alternative investments and in the segment of quantitative asset management. The company's activity in the area of institutional investors is also significant. Total assets managed by the company topped EUR 37 billion.

The company's internal policy aims to pursue the steady growth of professional skills and the full enhancement of human resources, in a logic of efficient customer orientation. From this point of view, the company has co-operated closely with the Parent Company to inaugurate a programme of initiatives for the optimization of communications and the operating-training support to the networks in order to improve the staff's skills of providing the most satisfactory information to the clientele. In this framework, the three Group asset management companies (Monte Paschi Asset Management SGR, MPS Alternative Investments SGR and MPS Asset Management Ireland Ltd.) created their new web sites.

Thanks to its excellent results for 2003, the company captured new clients, in particular in the field of welfare, with market shares accounting for 18% with respect to open Pension Funds and 3.2% with respect to Welfare Institutions. As a whole, the company manages 37 Pension Funds/Welfare Institutions, among the most important in the Italian financial world.

AN ARRAY OF ETHICAL FUNDS

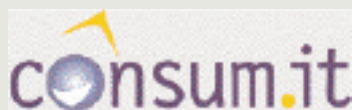
Monte Paschi Asset Management SGR consolidated its presence in the area of Socially Responsible Investments and launched an important initiative, designed during 2003, pending implementation.

The new range of ethical funds, **Sistema Ducato Etico**, will incorporate the two funds inaugurated in June 2001 - which are now included in the traditional range of the company (Ducato Etico Globale and Ducato Etico Civita) and the new Ducato Etico Fix fund, thus completing the supply of ethical funds in the main asset classes. The new fund will mainly invest in corporate bonds and its portfolio mix will be oriented in investing in the bonds of the companies adopting business practices in compliance with the principles of social and environmental responsibility.

The Advisor for Sistema Ducato Etico will be SAM – Sustainable Asset Management, a Swiss research and asset management firm encompassed among the major international socio-environmental rating agencies.

Una strada che percorriamo insieme

CONSUM.IT S.p.A.



Consum.it was established in 1998 as the MPS Group consumer credit company. The share capital is 70% owned by Banca Monte dei Paschi di Siena and 30% held by Banca Toscana, respectively.

During 2003, Consum.it continued to consolidate its presence in the market and confirmed its role as the Group's point of reference in the area of consumer credit with:

- EUR 893 million in terms of loans granted;
- EUR 1,205 million in terms of loan amounts to customers.

The company, which has always been sensitive to solidarity initiatives and cultural and sport promotion, is very committed to social issues.

Starting from 2001, at Christmas time Consum.it has replaced traditional gifts with the participation in projects promoted by non-profit organizations working in the social field. For two years in a row, the Company has decided to support the Italian Association against Leukaemia and Lymphomas. In 2003 the contribution from Consum.it went to the support of the activity of AMREF.



2003 CHRISTMAS: TOGETHER IN FAVOUR OF THE "CARRY WATER" PROJECT

In 2003, at Christmas time, Consum.it sponsored the "Carry water" Project, an initiative of AMREF (African Medical and Research Foundation) for the implementation of a waterworks in Kitui (Kenya), one of the driest areas in Africa.

In Kitui water comes for most of the year from hand-digged holes in the bed of river Tava. The waterworks will serve a territory of 21 square kilometres and a population of more than 5,000 people. The positive repercussions of the project include an increase in school attendance, since young boys and girls are normally responsible for water supply and this prevents them from regularly attending school. The commitment of Consum.it materialized in a donation of EUR 0.50 to AMREF for each transaction carried out by the customers using the renewable M'honey Card credit card between 15 November 2003 - 15 January 2004.

With approximately 165,000 transactions effected, Consum.it contributed with more than EUR 80,000 euro.

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MPS FINANCE S.p.A.



MPS Finance is the MPS Group product company responsible for the supply of financial products and services to corporate and retail customers in Italy and abroad. MPS Finance provides a wide range of financial instruments and works together with the other MPS Group companies to design investment and finance products, asset management, trading and innovative finance products, pension and insurance instruments. The range of MPS Finance products is flanked by an array of services which meet the customers' needs and include research services, trading instruments, risk management instruments, **advanced business management instruments**, news, links, advisory services etc.

MPS Finance is committed to operating in compliance with the principles of transparency and fairness, in a logic of social sustainability and regulatory consistency, thus contributing to the development of the investors' financial culture.

SOLIDARITY INITIATIVES

In 2003, MPS Finance supported the Liver and Multivisceral Transplant Centre of the Polyclinic of Modena and the Laboratory of Siena – Centre of assistance to the disabled.

As a result of the donation made by MPS Finance, the Transplant Centre could implement an advanced pilot unit of gastro-enterologic subintensive care for the patients who received multiple organ transplants. In the case of the Centre of assistance to the disabled, the contribution of MPS Finance enabled the Centre to purchase materials and equipment useful for teaching and playing activities.

Sviluppo

Una strada che percorriamo insieme

MPS VENTURE SGR S.p.A.



MPS Venture SGR was established in 2003 as the MPS Group company specialized in Private Equity. The company manages three closed funds (Venture 1, Siena Venture, Venture Sud), focusing on investments in the SMEs. In particular:

- Venture 1, an EUR 100 million fund which operates in Italy in the industry and service sectors;
- Siena Venture, an EUR 25 million fund targeted at companies located in the province of Siena and the neighbouring areas;
- Venture Sud, an EUR 25 million fund investing in the companies located in southern Italy.

In 2003 the company's activity was hinged on an in-depth examination of multiple investment opportunities, with more than 200 opportunities examined.

La società nel corso del 2003 si è particolarmente incentrata in un'intensa attività di scouting che ha visto impegnata la struttura nell'esame di molteplici opportunità di investimento: sono state valutate oltre 200 segnalazioni.

BACKING INNOVATION

Early in 2004 Siena Venture purchased a 48% equity investment in Bassnet, a firm based in Poggibonsi (SI) and operating in the area of technological innovation, training and communications. **Bassnet** is a "start up" established with the objective of creating a centre specialized in research and application development of services/products in relation to Information & Communication Technology (ICT).

Investments by business sector in 2003:

- Large department stores
- Industrial materials
- Fabrics
- Security systems
- facility management
- Industrial machines

CHARACTERISTICS OF THE INVESTMENTS (2003)

in EUR million

Amount	53,00
Average amount of investments	5,89

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ACCREDITATION OF THE DATA



Revisione a organizzazione contabile

KPMG S.p.A.
Piazza Vittoria Veneto, 1
00187 Roma (RM) - Italia

Telefono 066 215301
Telefax 066 215304
e-mail it-italia@kpmg.it

KPMG STATEMENT

REPORT OF THE AUDITORS

To the Board of Directors of
Banca MontePaschi di Siena SpA

1. We have audited the Socio-Environmental Report of Banca MontePaschi di Siena SpA as at and for the year ended 31 December 2003, as described under paragraph 2 of this report. We conducted our audit in order to verify compliance with the statements included in the paragraph entitled "A Guide to Reading" of the Socio-Environmental Report of Banca MontePaschi di Siena SpA as of 31 December 2003. On the basis of said paragraph, the Report has been prepared in compliance with the "Sustainability reporting guidelines" of the Global Reporting Initiative, the guidelines defined by GRI and the Social Responsibility Reporting Model for Banks issued by the Italian Bankers' Association, in cooperation with the European Institute for Socio-Environmental Reports. The Board of Directors of Banca MontePaschi di Siena SpA is responsible for the preparation of the Socio-Environmental Report pursuant to the above-mentioned principles.
2. In order to verify compliance with the statements included in paragraph 1, we carried out the following procedures, as suggested by the International Standards on Assurance Engagements 3000 - "Assurance Engagements to third parties on Auditor's Review of Historical Information", as established at an international level by the International Auditing and Assurance Standards Board (IAASB):
 - tested each of the compliance of economic, financial and information with the data and information contained in the Annual Report of Banca MontePaschi di Siena SpA as of 31 December 2003, as approved by the Shareholders' Meeting and audited by us on 10 April 2004;
 - tested analysis of the working processes underlying the production, recording and management of quantitative data. In particular, we carried out the following procedures:
 - interviews and talks with personnel delegated by the Head Office and other employees in order to (i) have a general understanding of the activities of Banca MontePaschi di Siena SpA, (ii) gather information in relation to the IT, accounting and reporting system required for the preparation of the Socio-Environmental Report, and (iii) identify the internal control processes, procedures and system supporting the collection, processing and transmission of data from each operating unit and department of the Bank to the unit responsible for the drafting of the Socio-Environmental Report.



KPMG Società per azioni ha la responsabilità di essere un'entità separata e di essere un'entità separata.

Messa a punto del Programma di Revisione
Giovanni Gualdi, Corrado Gualdi, Paolo Gualdi, Paolo Gualdi
Paolo Gualdi, Paolo Gualdi, Paolo Gualdi, Paolo Gualdi
Paolo Gualdi, Paolo Gualdi, Paolo Gualdi, Paolo Gualdi

Il presente documento è stato redatto
in data 10 aprile 2004 da KPMG S.p.A.
Società per azioni a capitali chiusi
e di diritto di diritto
Piazz. Vittoria Veneto, 1 - 00187 Roma (RM)
Sede Legale: Via Vittoria Veneto, 29 - 00184 Roma (RM)



test analysis of the documents supporting the preparation of the Socio-Environmental Report in order to confirm compliance of any information obtained through the interviews, and the efficiency of the processes underway, their adequacy in relation to the objectives described and the internal control system for the reporting of data and information.

- test analysis of completeness and internal compliance of the qualitative information contained in the Socio-Environmental Report. Such activity was carried out on the basis of the above-mentioned reference principles and guidelines;
 - procurement of certifications signed by a representative of Banca MontePaschi di Siena SpA stating that the Socio-Environmental Report and the information contained therein are a fair and true view of the Bank's activity, and compliance with the reporting guidelines. For comparative purposes with the previous years' figures which are represented as required by law, reference should be made to the opinion issued by another auditing firm on 10 September 2003.
- 3 On the basis of our audit and our opinion, the Socio-Environmental Report of Banca MontePaschi di Siena SpA as of 31 December 2003 complies with the guidelines illustrated under paragraph 1 and the referenced reporting principles. In addition, the confidential data not held in the information provided by the Socio-Environmental Report corresponds to the data and information contained in the Annual Report of Banca MontePaschi di Siena SpA, and the other data and information recommended with the documents supplied to us, the provisions of the guidelines and the reporting principles according to which the Socio-Environmental Report was prepared.
- 4 We reiterate, illustrating the information contained in the paragraph "Objectives and targets achieved" of the 2003 Socio-Environmental Report in order to fully comply, in all of its steady improvement, with the guidelines and principles regulating the process of responsible management for sustainable development, and the drafting of the Socio-Environmental Report.
- 41 Banca MontePaschi di Siena SpA intends to supplement the next edition of its Socio-Environmental Report with further confidential data, social and environmental indicators and other net methods of their determination in order to better link management objectives to their final outcome.
- 42 With reference to the process of responsible management for sustainable development, Banca MontePaschi di Siena SpA intends to broaden the range of instruments for measuring the stakeholders' satisfaction in order to increase the counterparties' interaction.

KPMG SpA

Massimo Tamburini

Massimo Tamburini
Partner

Firenze, 30 September 2004



EVALUATION OF THE 2002 SOCIO-ENVIRONMENTAL REPORT

In order to secure suggestions, comments and other feedback from the public in relation to the activities carried out by the Bank and illustrated in the Socio-Environmental Report, an evaluation form is enclosed with the Socio-Environmental Report in order to allow interested persons to interact with the Bank and to express their opinion.

The structure of the questionnaire consists of a section covering the reader's opinion about the quality and the transparency of the report, the issues of greatest interest, and the credibility of the information reported. A section thereafter was dedicated to comments and suggestions by the reader, and was followed by a final part requesting the recipient to indicate the category of stakeholders to which he belonged.

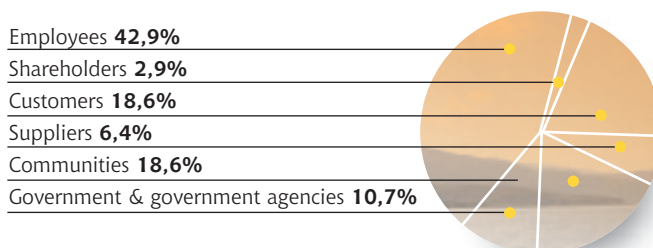
The questionnaire enclosed to the 2002 Socio-Environmental Report was distributed through various channels, including via post, meetings, telephone calls, the Internet (the questionnaire is also available on the Bank's site www.paschiambiente.it).

The stakeholders involved included the following:

- **Employees** (a sample representing the territory served by the Bank, and job positions and responsibilities within the Bank);
- **Partners** (from large to small investors);
- **Customers** (randomly selected, by considering the various categories, and limited to persons who had provided their consent to the processing of their personal data);
- **Suppliers** (based on a range of different sized companies and geographic areas of origin);
- **Local communities** (including non-government organizations, non-profit organizations, unions, members of the economic, social and academic world nationwide, other banking institutions, private citizens);
- **Government and government agencies** (with a preference going to those institutions for which the Bank performs treasury and cash services).

The means for delivering questionnaires and collecting them upon completion were such as to guarantee absolute anonymity of the respondents – an indispensable condition to allow for the maximum freedom of expression and reliability of the opinions given and considerations made.

Breakdown by stakeholder of the replies received (%)





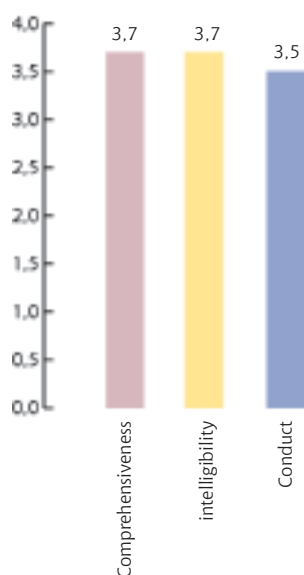
QUESTIONNAIRE ON THE 2002 REPORT

With reference to the 2002 Socio-Environmental Report, the 210 questionnaires returned with responses were representative of all of the categories of stakeholders indicated above. Most of the replies came from the employees (42.9%), the customers (18.6%) and the community (18.6%).

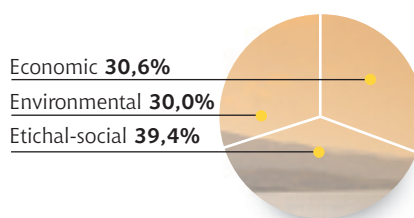
The processing of the results showed the following:

- for a point system ranging from 1 to 5, all of the parameters of evaluation received an average response above 3.5;
- the ethical-social issues were by far those of greatest interest to the readers (39.4%);
- the opinion on the reliability of information, for a point system ranging from 1 to 5, scored 4 (more than 45%).

Opinions expressed (average)



Issues of greatest interest (%)



OPPORTUNITIES FOR IMPROVEMENT

The most recurring suggestions contained in the questionnaires under the section “comments and suggestions” included requests for a concise version of the Socio-Environmental Report, the intensification of stakeholders’ involvement and the expansion of distribution of the document.

The feedback from the readers clearly proved their willingness to express their opinion on the issues discussed in the Socio-Environmental Report and to participate in its improvement.

LIST OF SUBJECTS ACCORDING TO GRI AND ITALIAN BANKERS' ASSOCIATION GUIDELINES

SUBJECTS	GRI	ITALIAN BANKERS' ASSOCIATION	PAGES*
GENERAL			
Overview and strategy	1.1, 1.2	3	1, 11, 15-18
Profile			
Organizational profile	2.1-2.8	3	7, 9, 10
History	-	3	8
Extent and profile of the report	2.10-2.14, 2.19, 2.21	-	3, 106, 107, retro copertina
Governance structure and management systems			
Mission and values	3.7	3	15
Corporate Governance	3.1, 3.2	3	19-22
Management policies and systems	3.14-3.20	3	11, 15, 16, 18, 23, 24, 48
Stakeholders' involvement	3.10-3.12	-	25, 108, 109
ECONOMY			
Key data and economic performance	EC1, EC3	3	48, 49
Calculation of value added	EC5, EC6, EC10	3	50-52
ENVIRONMENT			
Environmental management systems and certifications	3.17, 3.19, 3.20	3	24, 38, 86, 96
Performance indicators		3	
Raw materials	EN1	-	38, 39
Energy management	EN3, EN4, EN17, EN19	3	33-35
Water	EN5	-	37
Emissions, waste water, solid waste	EN8, EN11	-	39-42
Transportation	EN34	-	36
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PRINCIPLES	PAGES*
HUMAN RIGHTS	
1 To promote and respect human rights within the respective sphere of influence	15, 17, 24, 55, 77, 78, 86, 101
2 To make sure that the Bank is not a complicit in any abuse of human rights, either directly or indirectly	
LABOUR	
3 To guarantee freedom of association of workers and acknowledge the right to collective bargaining	17, 55-57, 61
4 To make sure that no forced or compulsory labour is employed	
5 To avoid employing juvenile labour	
6 To avoid any form of discrimination in staff recruiting and dismissal policies	
ENVIRONMENT	
7 To adopt preventive measures with respect to environmental challenges	15-17, 24, 30-46, 94-100
8 To promote initiatives for encouraging greater environmental responsibility	
9 To encourage development and the diffusion of technologies which do not damage the environment	
CORRUPTION	
10 To counter any kind of corruption, including extortion and bribery	17, 18, 21, 68

GLOSSARY

ABI: Italian Bankers' Association.

Asset Management: activity of managing financial and non-financial investments.

Basle 2: banking accord aiming at improving alignment between risks and capital absorbed, and to encourage the measurement and management of risks within the banks.

Benchmark: an objective parameter of reference for financial investments consisting of the major Stock indices (Mib30, Dow Jones, etc.) or other indices representative of the risk/return profile of the investment.

Carbon dioxide: a natural gas (CO₂), present in the atmosphere which is formed by the respiration and decomposition of animals and plants, by volcanic activity and by the combustion of organic material (natural gas, oil, wood, paper, etc.).

Carbon dioxide sinks: ecosystems (e.g. forests, ocean) which absorb carbon dioxide from the atmosphere and keep it, thus contributing to partly balance CO₂ emissions produced by human activities. Carbon dioxide sinks are contemplated by the Kyoto Protocol among the measures necessary for achieving the objective of reducing greenhouse gas emissions by the industrialized countries, given that climate changes are mainly attributable to them.

Corporate: Corporate activity is activity inherent to the management of relationships with companies.

Corporate governance: a term indicating the corporate structure and rules for governing a company, and addressing such issues as voting rights, rank and so forth. Clear governance rules guarantee greater transparency of the company and representation that is more democracy.

Corporate social responsibility: voluntary integration of social and ecological concerns into the commercial operations of a company and into the company's relationships with its stakeholders.

Customer Relationship Management (CRM): a group of strategies for managing relationships with the clientele.

Customer satisfaction: a parameter used for measuring the worth of a specific service offered to the public in relative terms.

Direct bank: term used for identifying the traditional banking services supplied through innovative channels such as PaschiHome (Internet banking) and PaschiIntel (telephone banking).

Emas (Eco Management and Audit Scheme): a scheme set up pursuant to the European Community Regulations no.761/01. Such Regulations set out the rules for the voluntary adoption of environmental management systems (similar to the ISO 14001 standard) and for the preparation of the Environmental Statement.

Environmental impact: any change of the environment, whether positive or negative, which is the result of the activity, products or services of a firm.

Environmental Management System (EMS): Part of the management system which embraces the organization structure, the activity of planning, the responsibilities, practices, procedures, processes and resources for processing, making operative, verifying and correcting environmental policy.

GRI (Global Reporting Initiative): The Global Reporting Initiative is an international long-term commitment involving the objective to develop and to disseminate guidelines which may be adopted on a voluntary basis for the realization of reports on economic, environmental and social aspects of a company's activity.

House organ: corporate newsletter.

Internal dealing: operations with financial instruments carried out by someone who does not have confidential information but has a decision-making power or is aware of such corporate strategies which support his investment decisions concerning the companies' financial instruments.

Internet banking: a service for carrying out banking transactions (buying/selling of securities, transfers of funds, etc.) and for accessing information relative to current accounts and securities portfolios, including through a personal computer; the service allows for securing information online in relation to the trend of principal markets or individual securities.

Investment banking: a service of intermediation for the buying/selling of financial instruments or portfolio management.

Merchant bank: a financial services firm specialized in supplying advisory services to

the companies, and aimed at starting, developing and consolidating projects through subsidized finance or by purchasing equity investments, in order to favor corporate restructuring and business development.

Mib 30: the Italian Stock Exchange Index including a basket of the major 30 stocks listed on the Milan Stock Exchange, with a high market capitalization and high liquidity.

Microcredits: small-amount loans granted at favourable terms to applicants normally excluded from ordinary bank loans, for the purpose of supporting employment and entrepreneurship.

Private banking: services for the management of the financial needs of high net worth individuals.

Private equity: risk capital investments in non-listed SMEs.

Rating: evaluation of a company's financial solidity.

Retail: Retail banking indicates banking activity directed toward servicing individual customers and small firms.

Stakeholder: all categories of persons who may influence, be influenced by, or have an interest in, the activity of a firm or a bank, including employees, shareholders, customers, the local community, the national community and the government, suppliers, and future generations.

Stock granting: stock granted to the employees free of charge.

Sustainable development: development which satisfies current needs without jeopardizing the possibilities of future generations to satisfy their needs.

UNI EN ISO 14001 Standards: Italian regulations relative to "Requisites and Guide for the Use of Environmental Management Systems" published in November 1996. Such regulations are the Italian-language acknowledgment of the European regulations EN ISO 14001 which, in turn, acknowledge fully the international ISO 14001 standards.

Value added: from the perspective of social responsibility reporting, value added reflects the socially significant results achieved by a firm in terms of the wealth it produces and distributes.

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This report is printed on certified ecological paper.

PAPER
50% recycled fiber
50% bleached without chlorine



Graphics: Maruska Pradelli Rossi

Photos: Bruno Bruchi

Photo on page 45 è di Massimo Busti (employee retired from the Bank).

Photo on page è di Fabrizio Barontini (BMPS employee)

Printing: AL.SA.BA. Grafiche, Siena

BANCA MONTE DEI PASCHI DI SIENA S.p.A. – Registered office: Siena, Piazza Salimbeni, 3 – www.mps.it

Share capital: EUR 1,935,272,832.00 (fully paid up)

Fiscal identification no., value-added tax no. and no. on the Register of Companies of Siena: 00884060526

Member of the Interbank Deposit Protection Fund. Banks Register no. 5274

Monte dei Paschi di Siena Banking Group, member of the Banking Groups List



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