

Our Commitment to Social Responsibility



REPORT 06

Social Responsibility in MPS Banking Group

REPORT
06

Social Responsibility
in MPS Banking Group





Corporate bodies and officers

BOARD OF DIRECTORS

Giuseppe Mussari Chairman

Francesco Gaetano Caltagirone Deputy Chairman

Ernesto Rabizzi Deputy Chairman

Fabio Borghi Director

Turiddo Campaini Director

Lucia Coccheri Director

Lorenzo Gorgoni Director

Andrea Pisaneschi Director

Carlo Querci Director

Pierluigi Stefanini Director

BOARD OF STATUTORY AUDITORS

Tommaso Di Tanno President

Leonardo Pizzichi Standing statutory auditor

Pietro Fabretti Standing statutory auditor

Marco Turillazzi Substitute statutory auditor

Carlo Schiavone Substitute statutory auditor

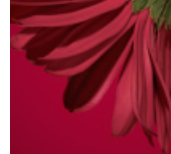
GENERAL MANAGEMENT

Antonio Vigni General Manager

Giuseppe Menzi Senior Deputy General Manager Head of Group Service Centre

Nicolino Romito Deputy General Manager (Head of Private Banking & Wealth Management)

Marco Morelli Deputy General Manager (Head of Corporate Banking & Capital Markets)



Message from the Chairman and General Manager



Message from the Chairman and General Manager

A company's *raison d'être* – and at the same time its No.1 responsibility, also social – continues to be that of good entrepreneurship, i.e. of conducting its elective business well. This is in the primary interest of shareholders but also with obvious positive knock-on effects in terms of “collective interest”. It in fact contributes to good performance of the economy in general and to the creation of wealth and job opportunities.



For us too, this is the way of combining the general interest and proper business management, without pretending to be the holders of any all-embracing mandate. At the same time, any economic player must be able to take its country's interests to heart, interpreting this keenness in accordance with its actual role. In our case this translates into awareness that – if the effort is fully implemented in what, for the sake of convenience, we can define as the “general interest” – it is possible to commit the energy of thousands of people to making the financial



Message from the Chairman and General Manager



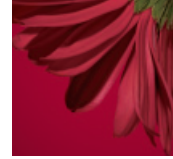
system and, at the same time, the entrepreneurial fabric of Italy more modern.

To be up to this task it is necessary to innovate and grow continuously in terms of efficiency and profitability. It is with legitimate satisfaction that we are able to state that, in the last year, in this respect the MPS Group has once again certainly done its part.

Pre-empting change to be front-stage players now and in future – this is in fact the philosophy with which our new 2006-2009 Business Plan has been conceived.

In 2006 the need to upgrade our levels of organisational efficiency and commercial capability required us to make many additional and burdensome efforts. These – and it is important to highlight this – were handled with great professionalism by management and by all Group staff.

This is clearly demonstrated by the results achieved – record earnings and dividends – which, we believe, fully meet our shareholders' expectations. Moreover, the strategic insurance joint venture and the asset benefits yielded by careful capital management also enable us to look ahead with positive growth prospects in terms of



Message from the Chairman and General Manager



business and size.

The key strategic guidelines on which the Business Plan is developed – enhancement of the customer's value as a “stakeholder with needs and requirements” and the quest for “sustainable growth” – fit perfectly with a corporate vision featuring awareness of the Group's social responsibility.

With the 2006-2009 Business Plan, the concept of the “customer is king” as the lynchpin of MPS' strategy receives further, concrete confirmation. We will in fact never tire of repeating that the reduction of the time and space separating the customer from our bank and, in particular, from a proposition of outright top quality, is the yardstick against which we will measure our progress.

The quest for sustainable growth in turn expresses our will to assess results also in a medium- and long-term perspective. This is the only perspective in which it is possible to conjugate the need to assure adequate remuneration of capital on an ongoing basis with awareness of the interdependence, in future, between consideration of the various stakeholders' needs and business performance.

The customer as core focus and sustainable



Message from the Chairman and General Manager



growth: these are growth routes that require leverage of qualified and motivated human assets. Because of this the Business Plan envisages – alongside a major personnel manoeuvre aiming to streamline central organisation and enhance the front-line organisation in contact with the market and customers – ongoing training and development of human resources and achievement of a transparent system for enhanced use and recognition of skills and commitment.

Aiming for sustainable growth also implies being aware of the environment as the element in which, at the end of the day, the interests of all us meet, regardless of the stakeholder categories to which we belong. An environment that sometimes admonishes us – also via devastating events – for the debts that we are accumulating both with the environment itself and with future generations.

It is therefore essential that every economic player, in defining its objectives and the means for achieving them, find – albeit without betraying its fundamental vocational task – the determination and ability to honour the social and environmental responsibility, with which it is in any case vested, in a tangible fashion

As regards this, our Social Responsibility Report – the last edition of which helped MPS to win



Message from the Chairman and General Manager

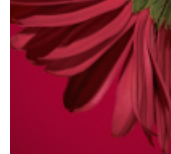


the Italian “Oscar” for the best “economic, social, and environmental communication” – reports exhaustively and transparently on how our dialogue with our shareholders evolved and on the actions qualifying MPS’ commitment in the corporate social responsibility field, from the strategic, governance, organisational, and operational standpoint.

A merit that we have to share with each and every person who contributed to achievement of our major 2006 results – and a tangible sign of how the sensibility and culture of truly aware social responsibility is gaining increasing ground and taking increasingly deep root in our Group.

Giuseppe Mussari

Antonio Vigni



Introduction to the report

REPORT PURPOSE AND STRUCTURE

This is our seventh Corporate Social Responsibility (CSR) Report and the second group-wide edition.

The Report describes the main activities and highlights the progress made in various areas of CSR during 2006.

As done in the last edition, the Report is structured by stakeholder category so as to facilitate access to information most relevant to them by individual categories, whilst also providing an overview of our commitments to and impact on society as a whole.

We have chosen the Reports' contents according to the new Global Reporting Initiative (GRI) guidelines (G3), with a level of application that we assess as being B+ (for greater detail readers should refer to "Topic Guide as per G3 Guidelines"). We have also taken into account the recommendations of the model proposed by the Italian banking association (ABI) for stakeholder reporting and of the GRI social and environmental supplements.





This year we have sought to give more detail on CSR aspects that are most sensitive and crucial for our business, also gathering some outside expert opinions and asking our top managers for their points of view.

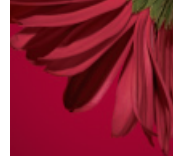
We are above all interested in knowing our stakeholders' expectations and degree of appreciation. We have therefore activated mechanisms of consultation and debate with trade union organisations and consumer associations, on which we count a great deal in order to continue to improve.

REPORT SCOPE

Unless otherwise indicated in the text, the Report refers to the MPS Group as a whole, as reported in the Consolidated Annual Report & Accounts. It contains qualitative and quantitative information referring to 2006 and comparisons with previous years. It also describes significant initiatives undertaken in the first part of 2007.

DATA QUALITY AND MEASUREMENT SYSTEMS

We do not have a single unified information system to manage CSR data. We intend to improve our reporting process and make it more effective and to do so plan to develop specific standards. The data included in the Report come from various company platforms, i.e. general accounting, the customer database, the personnel management system, the supplier list, and the procurement system. Other



indicators, not centrally managed today at group level, have been developed on the basis of direct data collection in the various companies and local realities. In order to have up-to-date information, an appropriate key to its interpretation and in-depth details, we have carried out numerous internal interviews.

The adjustments necessary to data published in the previous Report are appropriately indicated in the text.

INDEPENDENT AUDITING

We have appointed KPMG to audit the information contained in this Report. The activity was performed according to the approach indicated in KPMG's report and has provided us with many ideas for improvement, both for the reporting process and for more effective CSR application.

The Report can also be read by means of a DVD. The DVD, created using methods permitting use by those with sight impairments and also usable with "basic" operating systems, permits easy navigation in the document. It also contains interviews with the Chairman, General Manager, and Deputy General Managers of the banking group's parent company.

The Report can be downloaded from our website www.mps.it, where it is also possible to ask for hard copies, leave comments and suggestions, and request further information on CSR.



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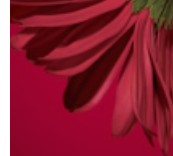


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The Mps Group



The Mps Group

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



Our origins date back to 1472, when the Republic of Siena decided to found the “Monte di Pietà” (a sort of pawnbroking agency) to help the needy, fight usury, and aid rural development at what was a difficult time in the city’s history.

With the strength given by long experience as a local public bank, today we are one of the major banking organisations in Italy. With over 24,000 employees, over 1,900 branches, and a strong sales-channel system, we offer an extensive range of banking and financial services to 4.5 million customers, in Italy and abroad. We have a strong vocation for the retail world and for the world of households and small businesses.

Commercial business in this area in fact accounts for some 57% of our results.

The group parent company Banca Monte dei Paschi di Siena has been listed on the Milan Bourse since 1999, with market capitalisation of € 14.85 billion and assets of over € 158 billion.

Where we are

Our HQ is in Siena.

We are present throughout Italy, with a 5.9% market share.

The preponderant part of our business is located here (98.6% of net operating profit), with concentration particularly in the areas of Central Italy.

We are also active in foreign markets with 36 locations (branches, representation offices, subsidiary banks, and operating branches). Here the main purpose is to accompany Italian corporations in their international activities (90% of our operations take place in Western Europe).



How we are organised

Our organisational model features four main components, i.e.

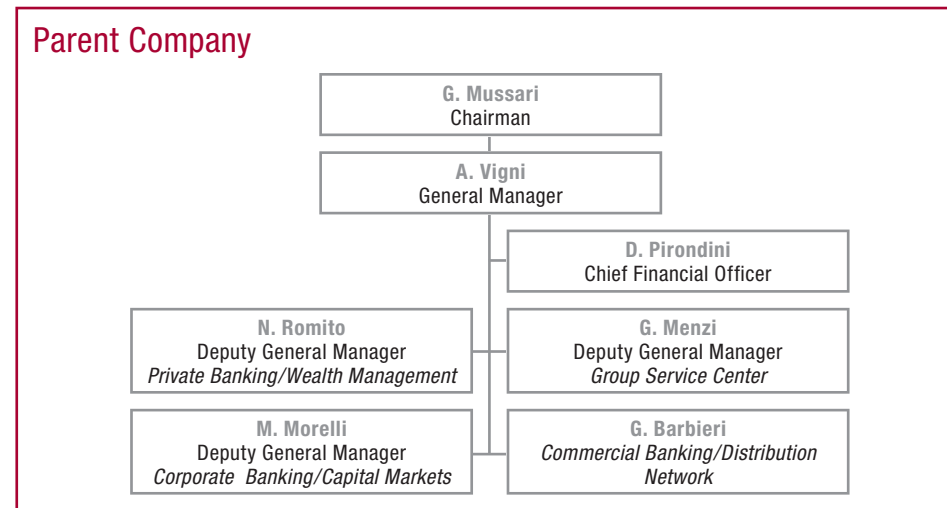
- An organisation for top management and operating co-ordination consisting of the Parent Company, Banca Monte dei Paschi di Siena SpA
- A sales organisation, consisting mainly of the bank branch networks of Banca Monte dei Paschi di Siena, Banca Toscana, and Banca Agricola Mantovana, plus the private banker network (MPS Banca Personale)
- A production organisation, consisting of product companies and centres of excellence, dedicated to development of specialist financial instruments
- A service organisation, consisting of companies managing information technology, real estate, and other business support services.

Other Group businesses are of the non-banking type (oenology, local territorial development, etc.). At operating level, the organisation reflects a multi-relational approach to the market, based on customer categories, with the aim of maximising customer satisfaction: To do this the Parent Company is structured in three divisions managing the following business segments:

WITH OVER 24,000 EMPLOYEES AND OVER 1,900 BRANCHES, WE OFFER AN EXTENSIVE RANGE OF BANKING AND FINANCIAL SERVICES TO 4.5 MILLION CUSTOMERS

- Commercial Banking & Distribution Network, dedicated to retail customers and small businesses
- Corporate Banking & Capital Markets, to handle relations with corporate customers
- Private Banking & Wealth Management, handled by Group companies specialised in asset management, private banking, pension-planning products, insurance, and financial promotion (i.e. private banking via a field force).

MPS GROUP





Organisational processes and management of the bank's investment asset portfolio (equity interests, real estate, and receivables) are handled by a unit (Group Service Centre) headed by the Senior Deputy General Manager. The Chief Financial Officer is responsible for planning & budgeting, financial reporting, tax planning, treasury management, capital allocation and management, and integrated risk management.

Our strategy

Our ambition is to create value for all stakeholders, distinguishing ourselves for the standard of our service, our ability to meet customer expectations, our commitment to development of internal skills, soundness and continuity of our business results to the benefit of shareholders, and for our participation in the growth of the communities where we are active.

MPS GROUP MISSION

- To create shareholder value in both the short and long term, giving priority to customer satisfaction, to people's professional development, and to the interests of all stakeholders.
- To be a model of reference in the constantly changing Italian banking panorama, establishing the MPS Group's leading position as a premier Italian group with a European orientation.
- To develop the sense of belonging to the Group, whilst enhancing the value of cultural differences and maintaining a strong franchise for each Group company in its local geography.

We want to be front-stage players in the changing competitive scenario and to grow with the aim of becoming leader in customer service, remaining faithful to our values.

OUR VALUES

Responsibility ethic - Customer orientation - Readiness for change - Entrepreneurship and proactiveness - Passion for professional skills - Team spirit and co-operation

The MPS Group's Charter of Values, available on our website www.mps.it in the section "Our Values".

To do this our strategy aims to:

- Develop our organisational model and sales network to strengthen the capacity and quality of commercial activity
- Increase productivity via reorganisation of staff and reining in of operating costs
- Manage credit risks actively and improve the profitability and soundness of our capital structure.

The 2006-2009 Business Plan is available on our website www.mps.it in the "Investor Relations" section.

The main achievements of FY2006 are described in this Report.



Identity and image

Our identity is based on four pillars:

- Tradition
- Territorial franchise
- Innovation
- Social value.

These are in fact the characteristics that the market and the public in general perceive in us.

We have also used them as the basis for our institutional communication – currently on the air with the new TV commercial called “An Italian story since 1472”. The aim of the commercial is to remind people, in a simple manner, of the constant presence and service of a great Italian bank, which has always been close to people – both young and old – and to the world of work, a “participant” in everyday personal and social life.

Careful as we are of matching core benchmark values, we use various market research tools (multi-client and specific) to monitor the brand’s competitive position, its level of awareness/recognition and appreciation, together with corporate reputation. We do this from the qualitative and quantitative standpoints and in terms of trend.

Other independent surveys confirm the bank’s quality and soundness. These include the research performed by Cohn & Wolfe and Research International, according to which Banca Monte dei Paschi di Siena is one of the top 20 companies with the best reputation in Italy. The factors appreciated included relational skills and the value of its ethical image and management.



In 2007 we have started an initial process of enhancing the value of our main so-called “intangible assets”. We are also assessing adoption of a professional, internationally qualified model for enhancement of the value over time of the brand, of make-it/break-it factors, and of potential – to be exploited in turn in operations and in communication with stakeholders.

The corporate and Group trademarks are patented and protected at domestic and international level. In the case of the Group trademark, as it is an acronym there are numerous cases of anteriority, but we monitor the situation constantly on a global basis to consolidate our brand position.

**OUR IDENTITY IS BASED ON
FOUR PILLARS:
TRADITION
TERRITORIAL FRANCHISE
INNOVATION
SOCIAL VALUE**

Social responsibility in Mps



For us social responsibility means taking part in the sustainable development of society, doing so with corporate decisions and individual conduct able to respond to stakeholders' expectations and interests, constantly complying with legislation and institutional recommendations and meeting the highest standards of integrity and transparency.

CSR underpins and supports corporate strategy. We in fact believe that (a) proper and transparent corporate governance, (b) careful management of business factors important in environmental, social, and reputational terms, (c) development of positive stakeholder relations, and (d) enhanced exploitation of intangible or non-economic assets are all-important for achievement of good profits over time.

Our commitment

To put this vision into practice, we count above all on integrity and on a strong sense of belonging on the part of all employees. This is a key "must-have" in order to develop good customer relations and assure strong integration in the communities where we are established.

We are also committed to acting consistently with some key principles against which we measure our results and our reputation.

These principles are part of our corporate culture and express the expectations of our stakeholders.



SOCIAL RESPONSIBILITY PRINCIPLES

Sustainable Development - Proactive approach to sustainable development

Correctness and Transparency - Completeness and clarity of information for customers, Transparency in stakeholder relations, On-the-job diligence and professionalism, Confidential and secure treatment of personal data and information

Anti-Corruption and Anti-Crime - Active opposition to any type of corruption, Fight against money laundering and terrorist activities

Labour Standards - Equal professional opportunities, Opposition to all kinds of discrimination, Protection of health and safety, Good workplace conditions and labour relations

Human Rights - Respect of human rights and championing of their protection

Environment - Prevention of environmental impact, Encouragement of environmental protection activities and technologies, Spread of environmental culture and sensibility

We also support them to implement agreements and commitments that we have made at international level, i.e.

- The “Banks and Sustainable Development” manifesto defined as part of the UN Environmental Programme
- The UN Global Compact
- The European Alliance for CSR launched by the European Commission with its announcement no. 136 of March 22nd 2006.



Our approach

With the aim of ensuring that the corporate perspective driven by our CSR policy is expressed – both internally and externally – in such a way as to become an integral part of corporate decision-making processes and business activities, we work systematically on the following areas.

STRATEGY

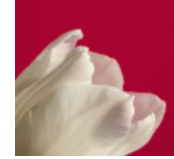
The most important aspects to be addressed and the related short- and medium-term priorities are established consistently with corporate vision and commitments and on the basis of:

CSR IS AN INTEGRAL PART OF DECISION-MAKING PROCESSES AND BUSINESS ACTIVITIES

- Expectations expressed by stakeholders or emerging from interpretation of social trends
- Tendencies and challenges affecting our sector
- Input coming from institutions, international bodies, financial analysts and rating agencies, and auditing and certification firms
- Risk/opportunity analysis
- Good practices seen.

The various company units are involved in this process and are responsible for achieving specific objectives.

We are currently working on the strategic agenda for 2007-09.



STAKEHOLDER DIALOGUE

Considerations of the Italian consumer associations forming part of the Consumer lab*

As part of Consumer lab activities, in the first part of 2007 we met with consumer associations, gathering their observations and suggestions for improving our socially responsible approach, as summarised below:

- Verify products also with consumer associations to assure their usefulness for customers and their transparency;
- Perform deeper analysis of customer expectations and needs to facilitate their access to banking services;
- Perform more controls and training to protect customers, in a substantial manner, when concluding banking contracts, investments, and savings approaches;
- Inform customers better on the risks of products recommended;
- Make it easier for customers to read contracts (via sheets summarising contracts' salient points, for example);
- Finance, at low-rate conditions, household and business investments in the energy/environmental field;
- Submit the MPS Group's Code of Ethics and Social Responsibility Report to assessment by consumer associations;
- Make the Social Responsibility Report more "streamlined";
- Differentiate CSR communication by stakeholder category and topic.

* For more detailed information on the Consumer lab, readers should refer to the "Customers" chapter.

ORGANISATION

The Parent Company's Board of Directors defines social policy and assures that it is implemented.

Its action is supported by the Corporate Social Responsibility Committee (see the chapter on "Corporate Governance and Business Ethics").

At operating level, CSR co-ordination is managed by the Communication Area – a unit in the Parent Company reporting directly to the Chairman and General Managers, and therefore in a key position in the management team.

COMMERCIAL ACTIVITY

Correctness, transparency, and customer orientation are central factors in our commercial activity. To win the trust of customers – and in particular of consumers and small retail investors – sales networks are made more efficient by dedicated service models, training of front-line staff, and dissemination of a listening and relationship culture. Further objectives are to:

- Increase products' comprehensibility, making product information clearer, more transparent and more precise
- Have first-hand knowledge of society's needs in order to respond effectively with the right savings and investment products
- Increase the levels of accessibility and financial inclusion.

STAKEHOLDER COMMUNICATION AND RELATIONS

Communication and dialogue with stakeholders are essential to assure that we are constantly ahead as regards nascent trends and sensitive issues and to assess the consistency of our activities with stakeholder expectations. This is a key factor for winning trust and appreciation, thus reducing risks of "conflicts" and maximising opportunities – also of a commercial nature – for the Group.

MPS is firmly convinced of this. And that is why we have been publishing a social report since 2000; why we dedicate space to CSR in Internet communication and in the weekly newsletter to all employees; why we aim for a frank exchange



with trade union organisations; and why we are building sound relationships with consumer associations to achieve maximum levels of customer satisfaction.

CSR PROMOTION

We believe that in many areas of CSR there is an opportunity to work with other companies and organisations to establish and spread good practices. We take part in the activities promoted by the Italian banking association (ABI – Associazione Bancaria Italiana) on questions ranging from transparency to anti-money laundering, from consumer relations to IT security, and from energy saving to financial inclusion. We have been working together with other banks since 2002 to follow CSR developments, defining guidelines for management and reporting.

In Italy we are members of:

- Sodalitas (the Italian partner of CSR Europe)
- Forum per la Finanza Sostenibile (part of the European Social Investment Forum network)
- The Kyoto Club

At the international level, we support:

- The United Nations Organisation (UNEP FI – the environmental programme of financial institutions – and the Global Compact)
- The World Business Council for Sustainable Development
- CSR Europe

We also promote CSR by:

- Sharing our experiences via specific communication efforts (Social Report, Internet, and presentations)
- Supporting specialised studies and master courses
- Working with non-profit organisations on information and awareness-building initiatives.



With our range of ethical funds we give preference to companies that do not pollute and that respect fundamental ethical standards. With our loans we are committed to developing sustainable enterprises.

Key aspects and priorities

Among the aspects of corporate social responsibility most important for our sector, the ones we rate as priorities are:

- A trust-based relationship with customers
- Enhanced exploitation of intangible assets
- Skills development
- Management of possible risks to our reputation
- Financial inclusion
- Impact on climate change
- Community commitment

These are important components of our corporate strategy and are increasingly being integrated in day-to-day operations.

We provide details of this in this Report, describing the main activities in 2006.

Corporate governance and business ethics



Our objective is to create maximum shareholder value, in both the short and long term, via satisfactory remuneration of invested capital. We are committed to doing so sustainably, assuring the transparency, equity, and ethicality of governance.

Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Define a code of ethics for activities in the insurance business | Monte Paschi Vita and Monte Paschi Danni have approved their own codes of ethics | Develop corporate governance principles as envisaged by the Italian Corporate Governance Code and consistently with the Group's CSR policy |
| Define the Group code of ethics | <u>Activities underway</u> The code has been drawn up. Internal checks and outside consultations have to be started before submitting it to the BoD for approval | Issue the Group code of ethics |
| | | Analyse the social and reputational risks of the business |
| | | Improve CSR reporting standards and procedures and further extend the scope of reporting for some indicators |
| | | Strengthen quality certifications to develop the scope of their application |



Corporate governance

Within the rules and regulations governing banking groups' activities in Italy, the Italian Consolidated Banking Act (Testo Unico Bancario or TUB in Italian) establishes the key role of the "parent company" which is responsible for directing, co-ordinating and controlling investee companies.

With regard to the above Act, Banca Monte dei Paschi di Siena has adopted a corporate governance and control model of the "traditional type", i.e.

CSR IS A FEATURE ENHANCING OUR CORPORATE GOVERNANCE MODEL

with a Board of Directors and a Board of Statutory Auditors. This is in line with the Italian Corporate Governance Code for Listed Companies (Codice di Autodisciplina delle Società Quotate) (a revised version of the Code was issued this year by the Italian Corporate Governance Committee). The action of the various corporate bodies intends to assure a dynamic development process, in line with the development of society, to provide an optimal response to expectations concerning performance and to legislative innovations, constantly orienting the organisation towards the best decisions and best market practices.

Our full annual Corporate Governance Report is available on the website www.mps.it, in the "Investor Relations" section. Below we highlight the most important points.

OWNERSHIP STRUCTURE

Banca Monte dei Paschi di Siena is a joint-stock company whose share capital is structured as follows:

- 49% is owned by the Fondazione MPS (the Foundation). Formed in turn by the main local public authorities, it pursues purposes of social benefit for sustainable development of Sienese and regional territory

- Free float is approximately 40%
- 9% is owned by foreign investors.

It is also important to note that:

- Pursuant to the Articles of Association, no shareholder, with the exception of the Foundation, can exercise voting rights at Shareholder Meetings exceeding 4% of ordinary share capital
- There is a three-year shareholder pact, set up in January 2007 by 50 shareholders, owning 3.34% of the bank's share capital, via which they control 2.71% of voting stock. The pact is intended to stabilise the corporate set-up, assuring consultation before shareholders' meetings and a special procedure in cases of sale of stock bound by the pact.

BOARD OF DIRECTORS

Appointed on April 29th 2006, the present Board will remain in office until shareholder approval of the FY2008 individual year-end accounts. It consists of ten non-executive directors (there is no managing director, an executive committee has not been formed, and, as their title implies, no director holds executive positions in the organisation). Nine directors are independent (the Chairman, in the light of the new Corporate Governance Code, is not as he previously headed the Foundation), i.e. not linked to the company in such a way as to affect their independence of judgement and assessment of work done by management. The characteristics and skills of directors, who are elected by means of the list voting system, are communicated to shareholders for appropriate evaluation before appointment. Directors' further commitments and other offices held in other companies are compatible and not in competition with their office in Banca Monte dei Paschi di Siena – as demonstrated by Board activity in FY2006; 36 meetings, all with a high attendance rate.

COMMITTEES

Of the various committees suggested by the Italian Corporate Governance Code, the Compensation Committee and Internal Audit & Control Committee have been set up within the Board. However, there is no Appointments Committee. As regards



this, the list voting system is in force with a minimum threshold of 1.5% of share capital for submittal of lists. Other important committees are those for corporate social responsibility, strategy, and communication.

Compensation Committee

The Committee consists of four directors and has the task of making proposals to the Board concerning compensation for directors holding specific positions and monetary treatment of top managers. Its members are: Carlo Querci (co-ordinator), Francesco Gaetano Caltagirone, Lucia Coccheri, and Andrea Pisaneschi. For FY2006, present Board members received a total of € 1.4 million, of which some € 484,000 pertaining to the Chairman. The General Manager received compensation amounting to some €412,000. No form of variable remuneration linked to the company's business results or to achievement of given targets is contemplated for directors.

Internal Audit & Control Committee

The Committee consists of three directors and aids the Board as regards initiatives designed to create an appropriate system of internal controls. In addition, the Committee has been identified as the oversight body pursuant to Italian Legislative Decree 231/01 concerning corporate administrative liability. Its members are: Andrea Pisaneschi (co-ordinator), Fabio Borghi, and Lorenzo Gorgoni. The Committee's meetings are also attended by the President of the Board of Statutory Auditors or by a statutory auditor delegated to do so. In FY2006 the Committee met 13 times, with an average attendance rate of 87%.

Corporate Social Responsibility Committee

The Committee consists of four directors and has consultative and propositive functions vis-à-vis the Board for the implementation of initiatives concerning environmental protection, customer satisfaction, people's professional development, and protection of all stakeholders' interests.



TASKS OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

- Identification of the ethical, social and environmental principles definition of the MPS Group's CSR policies.
- Development of codes of ethics/conduct
- Review of the CSR Strategic Plan, indicating priorities and implementation approach.
- Guidance of integration of CSR principles in activities
- Supervision of development and preparation of the MPS Group's Social Report and of important CSR communication initiatives
- Provision of opinions on investment and lending choices, assessing their consistency with CSR policies and their potential social and reputational impact
- Support of the ongoing growth of the company's CSR culture and its outward promotion

The Committee provides support for the Board's action on definition of CSR policies, assessing risks and opportunities relevant to the company and related performance. Its members are: Carlo Querci (co-ordinator), Turiddo Campaini, Lucia Coccheri, and Andrea Pisaneschi.

BOARD OF STATUTORY AUDITORS

The present Board of Statutory Auditors was renewed on April 29th 2006 and will remain in office until shareholder approval of FY2008 year-end accounts. The minimum threshold for submittal of appointment lists has been set at 1.5% of share capital. In FY2006 the Board of Statutory Auditors met 47 times with almost 100% attendance.



Risk management

Risk management is based on clear-cut distinction of roles and responsibilities between control functions at the various levels:

- The Board of Directors of Banca Monte dei Paschi di Siena defines the overall degree of risk aversion and thus the operating limits of reference
- The Board of Statutory Auditors and Internal Audit & Control Committee assesses the efficiency and adequacy of the internal controls system
- The Risk Committee defines risk-management policies and procedures, which the General Management team then has to implement
- The Risk Committee also assesses – overall and by individual Group company – the risk profile achieved and trends in risk/return performance indicators
- The Internal Controls Area defines rules for controls, checking their application
- The Risk Management Service defines methods and tools for analysing and monitoring risks.

The main risks include: credit risk, market risk, equity investment risk, interest-rate risk, operating risks, and reputational risks.

As regards operating risks, this year we have defined a specific Group directive, also including the number of complaints and staff turnover among the various risk indicators.

Environmental credit risk is important above all in project financing operations (readers should refer to the “Environment” chapter). Reputational risks will be analysed as from 2007, with special reference to those concerning products and customer portfolio management.

Greater information concerning risk management is available on the website www.mps.it in the “Investor Relations” section.

Code of ethics and management of sensitive aspects

Compliance with contractual requirements and legal obligations is a key must-do for the business and we verify it constantly. This year we have set up a dedicated compliance unit.

As regards the Parent Company, we report expenditure of some € 223,000 for fines and penalties. We believe that proper conduct is good for the company. It does not reduce the company's ability to generate value for itself and for stakeholders but, on the contrary, helps to gain and retain credibility, reputation, and consensus.

Because of this, it is essential that directors, management and all employees act according to the highest ethical and professional standards.

To guide our conduct we have our Charter of Values, which also includes, among others, the principle of work ethics and responsibility.

We also support the code of conduct and self-discipline code promoted by the ABI (Italian banking association). Other sensitive aspects (conflicts of interest, corruption, and internal relations) are addressed in house regulations and procedures.

This year we have defined a code of ethics for the insurance business. This joins the code of conduct prepared the previous year for the asset management business, as part of the project for the Group Code of Ethics, which is now nearing completion.



TRANSPARENCY AND CONFLICTS OF INTEREST

To assure the utmost transparency and correctness of governance and in market relations, avoiding the onset of conflicts of interest, we:

- Have a three-tier control system, i.e. the Board of Statutory Auditors, the Internal Audit & Control Committee, and the Internal Controls Area. This year 654 on-site internal inspections were performed at the Group's commercial banks
- Assure timely market disclosure of significant events
- Apply a code of conduct for transactions with related parties (parties who have positions or equity interests enabling them to exercise significant influence on corporate governance). This year no related-party transaction involved the obligation of market disclosure pursuant to CONSOB Regulation 11971
- Apply rules of conduct for the management of price-sensitive information, market abuse, and for control of transactions involving the financial instruments of the bank and its subsidiary/associate companies by relevant persons (directors, statutory auditors, and top management). If they exceed € 5,000 p.a., they must be notified to the head of the Legal & Corporate Affairs Area
- Maintain an independent stance vis-à-vis auditing firms, awarding engagements and advisory service assignments to their associate firms only with the Board of Statutory Auditors' approval. This year the fees paid by Banca Monte dei Paschi di Siena for such activities for firms belonging to the KPMG network totalled about € 573,000.

ANTI-MONEY LAUNDERING AND FIGHT AGAINST CRIME

We co-operate with other banks, institutions, and control authorities, to combat crime, with special reference to:

- Laundering of the proceeds of illegal activities
- Financing of terrorist activities
- Prevention of fraud to the detriment of customers (readers should refer to the "Customers" chapter).

We do so operating in compliance with the law and using appropriate organisational and technological systems and house regulations. These permit prompt flagging of suspicious identities and transactions.

We also invest in training (1,081 employees involved for a total of 3,290 hours) and perform careful checks, also envisioning sanctions for operator negligence (seven in 2005 and two in 2004).

This year we have developed an electronic procedure that compares and links the "black list", consisting of the lists circulated by the relevant authorities, with our general customer list and with the company's accounting services. This permits more effective monitoring of any such transactions, which are reported, as necessary (first to the Internal Controls Area and then to the Italian Foreign Exchange Bureau (Italian acronym UIC)) for the necessary actions (freezing of assets, for example).

We examined 896 cases during the year, 537 of which were reported to the UIC. We have also made ourselves available and provided support to the judiciary and to investigatory authorities for investigation of transactions executed by persons flagged by the banking industry system (162 cases in Banca Monte dei Paschi Siena). There were 13 legal proceedings for non-notification of the UIC.

PREVENTION OF CORRUPTION

We do not tolerate any form of corruption.

This is a commitment – also made internationally with our support of the UN Global Compact – that we put into practice via an organisational model compliant with Italian Legislative Decree 231/2001 (concerning legal entities' administrative liability), which envisages:

- Rules and procedures to prevent crimes being committed (fraud, bribery and corruption, etc.)



- Processes for the management and control of financial resources in activities at risk
- An oversight body to assure good operation and constant updating of the model. This year we completed revision of the risk map to include also the new crimes subsequently defined by Legislative Decree 231. Checks in this respect were also performed as part of routine internal audit programmes, as well as by specific investigation of some more sensitive activities
- Employee training (4,312 employees this year, for a total of 10,687 hours)
- Reporting and disciplinary systems. This year there were no disciplinary sanctions for employees or legal proceedings against the company.

We require our suppliers to comply with Legislative Decree 231, on pain of cessation of the business relationship.

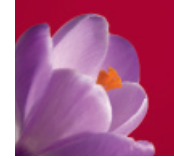
In foreign operations we do not feel any particular risk of corruption and fraud. Our activities in countries featuring a high rate of corruption are in fact modest, i.e. € 570 million of loans, mainly of a commercial nature and mainly concentrated in Russia, Iran, Algeria, India, the Philippines, and Romania. This is also true as regards low-tax countries, i.e. transactions totalling € 1.7 billion, mainly of a financial nature, in India, Singapore, Hong Kong and, to a lesser extent, in Kuwait and in the United Arab Emirates.

SAFEGUARDING OF HUMAN RIGHTS

Within our sphere of influence we champion and assure respect of human rights as indicated in various international declarations and conventions. It is a commitment that we have also made publicly via our adhesion to the UN Global Compact.

WE HAVE LONG DECIDED NOT TO FINANCE THE ARMS TRADE

We do not tolerate any form of discrimination, either during hiring or employment of staff, where we assure equal opportunities and accessibility for the disabled



(reference should be made to the “Staff” chapter) or in our commercial activity, which we perform in a perspective of full financial inclusion (and in this case reference should be made to the “Customers” chapter).

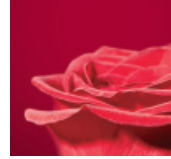
In the workplace, we combat any cases of constraint, exploitation, and harassment and we take care of people’s safety and health. In this respect, we adhere to the principles of the Social Accountability 8000 standard, which we also promote among our suppliers (see also the “Staff” and “Suppliers” chapters).

We exclude involvement in financing of terrorist activities – also by preventing money laundering – and of wars. As regards the latter, in 2000 we decided to abandon the arms industry and today we are not present in the central register of arms trading loans prepared by the Italian Cabinet Office every year pursuant to Italian Law 185/1990.

We take part in the action of civil and humanitarian institutions and organisations to safeguard basic economic and social rights, such as health, housing, schooling, and work (reference should be made to the “Customers” and “Community” chapters).

We recognise the gravity and urgency of problems connected with climate change. We are therefore committed to promoting eco-efficiency and renewable energy among customers (readers should refer to the “Environment” chapter).

Performance and value creation



Our first responsibility is to make a profit. This is the only way in which we can give tangible value to our stakeholders and, directly or indirectly, to society in general - by contributing to the investments of shareholders and consumers, paying salaries, providing quality services to customers, supporting the bank-related business created around us, paying taxes to improve public services, and by taking part in the development of the economies in which we operate.

We believe that, in order to do this sustainably over time, it is fundamental to invest in assets and resources defined as “intangibles” because they are normally not highlighted in company reports. But to us and stakeholders they provide a more complete assessment of our potential and room for growth.

Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|-------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------|
| Implement the 2006-09 Business Plan | <u>Activities underway</u> All performance indicators have progressed, in line with BP targets | Implement the 2006-09 Business Plan |
| | | Analyse and enhance value of intangibles |



Tangible value

FY2006 economic performance was very positive.

Net profit was the highest ever (€ 910.1 million) and the per-share dividend (€ 0.17) was also the highest ever distributed, with a 57% payout ratio (dividends distributed/earnings).

The main revenue components once again grew, with financial & insurance income up by +10.4% and net operating profit of € 1,279 million up by +40.1% vs. FY2005. Operating volume showed robust growth vs. 2005 (loans +10.1% and direct customer funding +7.2%). Lastly, profitability indicators also improved with a cost/income ratio of 60.9% and ROE (return on equity) of 13.3%. These results have benefited our stakeholders. We have produced value added totalling close to € 3.7 billion (+8.8% vs. 2005), distributing 85% of this amount to stakeholders.

THANKS TO OUR PERFORMANCE WE HAVE CREATED € 3.7 BILLION OF VALUE ADDED BENEFITING ALL OUR STAKEHOLDERS

More extensive and detailed information on economic performance is provided in the Consolidated Annual Report & Accounts, available on our website www.mps. It in the “Investor Relations” section. To this performance we must add the further value and the positive effects - more difficult to quantify - that our business activity is able to induce in society.

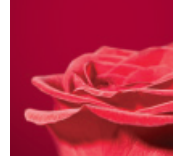
We are talking about the impact on employment levels in customer companies and among local suppliers, which, in us, have an important point of reference in terms of business operations, about the coverage of employee pension plants, the profitability of families’ pension-planning schemes, and about our contribution to the economic, social, and environmental development of the areas where we operate.

These aspects are described in the following sections.

Intangible value

Our intangible value and the value we distribute to society as a whole are increasingly driven by the development that we manage to achieve for internal resources, i.e.

- Human resources, which comprise the culture, know-how, and experience of employees and managers, and internal relations - resources not directly possessed by the company but providing great potential for its future value
- Structural resources, i.e. “assets” owned by the company, consisting of factors supporting productivity and the ability to innovate, including organisation, efficient processes, information systems, and knowledge development models
- Relational models, consisting of relations with the market and stakeholders, with important features being operating models, customer relations and satisfaction, brand awareness and dissemination, and external communication processes.



This Report provides an initial report on these resources and an overview of our commitment to enhancing/exploiting their strategic value.

Intangible resources

| Human resources | | Structural resources | | Relational resources | |
|---------------------------------------------------------------|-----------------|------------------------------------|-----------------|-------------------------------|-----------------|
| Aspects | Page references | Aspects | Page references | Aspects | Page references |
| Staff structure (age, educational qualifications, and tenure) | 96, 150-151 | Innovation | 66-67, 79-83 | Customer portfolio | 63-64, 142-144 |
| Turnover | 96-98, 154-155 | Technological applications | 66-67 | Customer retention | 64, 147-148 |
| Remuneration and incentives | 101-103, 153 | Technology investments | 66-67, 147 | Customer satisfaction | 67, 148 |
| Professional skills | 98-100 | Knowledge exchange/sharing systems | 96, 99 | Identity management | 20-21 |
| Equal opportunities and diversity | 104-105, 154 | | | Usability of website | 70, 78 |
| Training & development – activities and costs | 100-101, 152 | | | Stakeholder relation networks | 51 |
| | | | | Media presence | 141 |

INTANGIBLE RESOURCES GIVE VALUE TO ENTERPRISES

In today's economy it is increasingly evident that the ability of organisations to manage the growth and creation of value over time in a sustainable manner is not only the result of the possession of tangible assets – both physical and financial. It is also the result of access to intangible resources, i.e. to assets identifiable as having economic value but without a cut-and-dried physical nature. According to the most authoritative international sources and to an approach widely found in business literature, they can be classified in three dimensions, i.e. human, structural, and relational. Since many of these resources are often invisible in traditional annual company reports, a growing number of companies, initially in Northern Europe, aided by major national and supranational institutions that have defined specific guidelines, have started to equip themselves with tools for systematic monitoring and measurement of intangible resources. There are also many proposals – which in common have the specific objective of widening the scope of corporate disclosure – for new reporting tools that also include strategically valuable intangible factors having an indirect impact on the value chain insofar as they are linked to external environmental and social performance. They include, for example, attention to the effects of processes, products, and services on natural resources in the perspective of safeguarding the environmental heritage and those relating to occupational health and safety, respect of human rights, and participation in companies' community of reference. These items of information add up to an important database that make it possible to understand in advance the possible evolution of an organisation's economic, financial, and social performance in subsequent financial years. They can be used both for preparation, on a voluntary basis, of a specific business report – called "intellectual capital statement" or "intangibles report" – or for inclusion in a social or sustainability report if this is part of a company's stakeholder communication strategy.

Andrea Gasperini

Head of the Mission Intangibles project*

AIAF – Associazione Italiana degli Analisti Finanziari (Italian association of financial analysts)

* *Mission Intangibles* is a task force of the AIAF, the aim of which is to provide guidance, motivation, and critical debate on methods for assessing and communicating intangible assets and resources.



Every enterprise is called upon to be socially responsible towards its stakeholders – i.e. to those who have expectations concerning its business, inasmuch as they are directly or indirectly affected by its decisions and conduct.

The MPS Group believes communication and dialogue with its stakeholders to be vitally important to achieve effective interaction with them. That interaction permits – by virtue of an ongoing and transparent exchange – verification of the consistency of its activities with their expectations.

Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Develop systematic programmes for dialogue and co-operation with stakeholders | <u>Activities underway</u> We have set up task/consultation forces, also centring round CSR, with trade union organisations and consumer associations | Continue the activities started to involve trade union organisations and consumer associations |



Stakeholder identification and relations

We consider to be stakeholders those:

- Who contribute to accomplishment of our mission
- Whose decisions (on spending, investment, business, regulations, and control) affect achievement of our objectives
- Who are affected by our choices and activities.

We exchange notes regularly, in various ways, with our stakeholders, in order to:

- Inform them about corporate strategies and business activities
- Know their expectations concerning the way in which the company should operate
- Improve ourselves, considering the aspects most important for stakeholders, together with stakeholder suggestions, in our operations.

Our various experiences in stakeholder relations and the ways in which this has influenced activity are described in the following chapters.

WE WANT TO BUILD AN OPEN AND TRANSPARENT DIALOGUE WITH STAKEHOLDERS

Our commitment to our stakeholder:

Organisations of civil society

Participate in the social and humanitarian purposes championed by the "third sector"

Community

Co-operate in sustainable development of the local economies where we operate

Shareholders & investors

Create sustainable value

Suppliers

Co-operate to achieve reciprocal benefits

Customers

Seek the best solutions to their needs



Staff

Maximise involvement and satisfaction with special attention to internal communication and to corporate culture and climate

Institutions & control bodies

Always act with integrity and in compliance with the law

Shareholders and investors



Creation of value for our shareholders, in both the short and long term, creating a relationship with them based on the utmost trust and transparency, is the quintessence of our mission.

Our main shareholder is the MPS Foundation – Fondazione Monte dei Paschi di Siena – to which we are linked by history and a sense of responsibility for the community. Other shareholders are mostly small retail investors, also including many employees. In the market we prefer to build enduring relationships based on the seriousness and concrete nature of our actions. The Chairman and General Manager guide our efforts to involve the financial community, presenting strategies and financial reports, in general shareholder meetings and in investor relations activities.

Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| Develop investor relations activities centring round CSR | Teleconferences centring round CSR were held with two premier international financial institutions | Improve the quality of our shareholder base, with special attention to investors with long-term growth potential |
| | | Enhance the value of our CSR policy and of development of intangibles in analyst and investor relations |



Market capitalisation and shareholder base

At year-end, based on 3,029,509,006 outstanding shares, Banca Monte dei Paschi di Siena's market value was approximately € 14.85 billion.

The breakdown of the shareholder base is identified for 95% of capital.

59.7% of MPS ordinary share capital is owned by four strategic shareholders:

- MPS Foundation = 49%
- Caltagirone Group = 4.71%;
- Hopa = 3%
- Unicoop Firenze = 2.98%.

Retail investors also own a substantial stake (19.3%), with the remainder of stock owned by institutional investors, mostly foreign.

PARTICIPATION AND PROTECTION OF MINORITY SHAREHOLDERS

Shareholders' democratic participation is assured by certain measures, i.e.

- one share = one vote
- Limitation of the voting power of the Foundation, which, at ordinary shareholder meetings, can participate for a number of shares at least one share less than the total of those held by the other shareholders.

Share performance

2006 was a good year for the main equity indexes and in particular for banks, with overall performance of +23.4%. MPS stock's performance (ticker: BMPS) was above the sector average. At year end it was worth € 4.91 per share, up by 24.4% since the beginning of the year and by 86.7% since the beginning of 2005, with a maximum price of € 5.08 and a minimum price of € 3.72. In terms of market multiples, at year end the stock was priced at 15.5x expected earnings and at 2x equity per share.

WE CREATE VALUE FOR OUR SHAREHOLDERS, IN BOTH THE SHORT AND LONG TERM, CREATING A RELATIONSHIP WITH THEM BASED ON THE UTMOST TRUST AND TRANSPARENCY

Dialogue with the financial community

Our policy for relations with the financial community, based on principles of correctness and transparency, is designed to assure – for every shareholder and investor – information that is not only clear and complete but also, and in particular, accessible and timely, going beyond mere compliance with market regulations.

Communication concerns both mandatory disclosure and news on the Group's objectives and strategies, as well as on organisational and corporate developments.



We provide constant updates via our website, also in English, and – the first Italian bank to do so - we have also made our financial statements available in XBRL format, the new international standard for electronic reporting of financial information.

We also dedicate numerous opportunities for information and dialogue to the financial community. In 2006 these underwent marked intensification.

The most important activities featured:

- Participation in 8 conferences organised by the most important international financial intermediaries
- 24 road shows in major financial locations
- 61 contacts with analysts (road shows, individual meetings, and teleconferences, etc.).

In total, we met 421 investors in 13 different countries.

Financial ratings

Below we summarise the main rating agencies' ratings in 2006, which remained the same as in 2005.

| Agencies | Short-term debt rating as at 31.12.2006 | Medium-/long-term debt rating as at 31.12.2006 |
|---------------------------|-----------------------------------------|------------------------------------------------|
| Moody's Investors Service | P-1 | A-1 |
| Standard & Poor's | A-1 | A |
| Fitch Ratings | F-1 | A + |

In January 2007 Standard & Poor's revised the outlook for Banca Monte dei Paschi di Siena and for the subsidiaries Banca Toscana and Banca Agricola Mantovana upwards from "stable" to "positive". This confirms the ongoing improvement in MPS Group profitability.

At year-end, recommendations for BMPS stock were: positive for 22% of analysts, neutral for 65% of them, and negative for 13% of them.

Csr and financial markets

In the market, as stated earlier, we prefer to build enduring relationships based on the seriousness and concrete nature of our actions.

We therefore consider with interest "socially oriented" investors, i.e. pension funds, ethical funds, foundations, and "traditional" investors, increasingly ready to appreciate companies' values and efforts for the creation of sustainable profits.

We dedicate space to CSR in our annual report and in Internet communication.

This year, as mentioned, we also held teleconferences with two premier international institutions, which consider BMPS stock in management of their socially responsible investments (SRIs).

SRI choices are based on the assessments of equities, made by financial analysis firms specialised in ethical ratings. These are sometimes reflected in benchmark indexes. Below we show the latest updates concerning BMPS stock.



FTSE4Good - BMPS has been included in the FTSE4Good European and global indexes, created by the Financial Times and London Stock Exchange, since 2003.

Dow Jones Sustainability Indexes - As happened in the four previous years, the rating assigned to us in 2006 was positive but not sufficient to re-enter the global index.



Ethibel sustainability indices - We have been present since 2004 in the indexes managed by the eponymous Belgian research & consultancy firm specialised in socially responsible investments.



SiRi company - The rating obtained by us for CSR was well above the sector average.



Oekom research - With a C+ score, we are ranked 13th among the banks analysed in 2006 by the German agency Oekom Research.



Avanzi SRI indexes - These are indexes launched in 2005 by Avanzi SRI Research (Vigeo Group), a financial analysis firm that is leader in Italy in the socially responsible investment sector.



Agenzia europea di investimenti standard ethics - In the last survey we were assigned an EE- rating vs. an average of E+ for companies listed in Italy.



Axia - With an A+++ rating, we are one of the listed companies in Italy with the best CSR profile.

More detailed information about MPS sustainability ratings is available on our website www.mps.it in the "Our Values" section.

SOCIALLY RESPONSIBLE INVESTMENT MOVES INTO THE MAINSTREAM

Increasingly frequently one notes – in Europe as a whole and, still a little timidly, in Italy – signs of an important change as regards SRI (socially responsible investment), i.e. progressive integration of environmental and social aspects in fundamental financial analysis. In other words, "traditional" analysts and asset managers are starting to understand that the way in which enterprises manage social-responsibility variables influences their value-creation capability. And that is not all, in other words "behaving well" does not imply giving up slices of profit but, on the contrary, strengthens the medium-term prospects of success.

CSR analysis provides information and insight that help to pinpoint areas of risk and opportunity otherwise not visible in purely economic and financial research. SRI is starting to move away from the boundaries of the niche formed by ethical investors in the strict sense of the term and to be used as a management style also by operators driven by opportunistic motivations. This is not only (or not so much) because it can safely be stated that there is an immediate correlation between social responsibility and higher profits, but also because investors feel able to place greater "trust" in a company that is concerned about its sustainability.

From enterprises' point of view, this approach is a further "reward" for socially responsible conduct and a spur to improve continuously in terms of strategies, organisation, and results.

Davide Dal Maso

Secretary General

Forum per la Finanza Sostenibile

(part of the European Social Investment Forum network)



We feel the responsibility of responding to society's needs, focusing on quality, transparency, and closeness to customers.

We have some 4.5 million customers, mostly families and SMEs (small and medium enterprises) who trust in our professionalism for secure and profitable management of their financial assets and whose trust we want to merit.

In an increasingly competitive scenario we are committed to developing the best services and to looking after relations with customers, so that they choose us and help us to grow. We want our products to be accessible to everyone.

Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Improve customer satisfaction | An in-depth survey was performed, covering a larger number of customers than in past editions and showing levels of satisfaction in line with those of 2005 | Implement the "care score" project to measure, also via surveys performed by outside firms, customer appreciation, the quality and care of service provided by employees, and customer satisfaction |

Customers



Customers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



| 2006 Objectives | Accomplishments | 2007 Objectives |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|
| Develop co-operation with consumer associations | Consumer lab projects were successfully completed. The agreement has been renewed for the 2-year period 2007/08 | Work on the new Consumer lab projects initiated |
| Achieve certification for the 9th "Patti Chiari" initiative (= "Clear Pacts", the Italian banking association's transparency initiative) | <u>Activities underway</u> Operating tools and procedures have been devised and are currently in the test phase | Achieve certification for the 9th and 10th Clear Pacts initiatives |
| Achieve certification for the 9th "Patti Chiari" initiative (= "Clear Pacts", the Italian banking association's transparency initiative) | We have defined numerous commercial offerings for "non-standard" customers. The microcredit company's activities are now on-stream | Define a "Customer Pact" containing promised service levels |
| Improve accessibility of bank premises and services | <u>Activities underway</u> We have adapted numerous ATMs to the needs of wheelchair users (20%) and sight impairment (850 machines). The website has been made accessible to the sight-impaired and easier to consult | Continue the programme to upgrade facilities' accessibility |
| Inform and build awareness of corporate customers about CSR | <u>Activities not performed</u> We did not hold the seminars envisaged in the agreement with the Italian Global Compact bureau | Establish ethical/social criteria for the lending and investment activity |



Customers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



| 2006 Objectives | Accomplishments | 2007 Objectives |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Increase subscription of ethical funds | <u>Activities underway</u> Assets managed by ethical funds decreased to 98 million | Develop and promote the ethical-fund offering |
| Start up the Microcredit Company | The company is currently operational in the province of Siena, without about ten loans already granted, for a total of 33,000 | Increase microcredit business volume and that of products for "non-standard" customers |
| | | Define guidelines for participatory creation of products and services meeting the needs of society, with special reference to its weaker members |

Customer profile

As stated earlier, our customer base numbers 4.5 million customers. In the 3-year period 2004-06 it has grown slightly but constantly. More specifically, in the commercial banking networks over 4 million banking relationships are active, of which 97.8% with retail customers (including small businesses, with annual sales of up to € 2.5 million). Of these, 65% relates to the so-called Family segment (customers with assets of not more than € 25,000) and to residents mostly located in Central and Southern Italy (79.5%).



As regards corporate customers (61,127 companies), 78% of them are SMEs.

Loyalty levels are very high, with 53% of banking relationships in place for more than ten years. The retention rate (93.5%) is stable whilst our ability to acquire new customers continues to grow (7.1%).

Among the products most appreciated by customers we find property & casualty (P&C) insurance policies, consumer credit, and mortgages (P&C policies and prepaid cards are key products for the activation of new banking relationships).

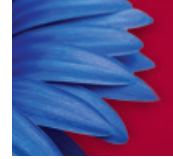
Conversely, some traditional products – such as current accounts, securities and bonds – are marking time a little. These trends are explained both by increased competition and transparency in current accounts and by investors' lower risk propensity.

WE FEEL THE RESPONSIBILITY OF RESPONDING TO SOCIETY'S NEEDS, FOCUSING ON QUALITY, TRANSPARENCY, AND CLOSENESS TO CUSTOMERS.

Operating and control systems

Once again this year we have achieved important commercial results, confirming our market position in the main business segments and increasing – both quantitatively and qualitatively – our relational assets.

This has been possible thanks to the determination with which we have sought to



maximise customer potential, with enhanced care of customer relations and continuous development of trust and confidence.

These factors, in a scenario featuring increasing competition and regulatory complexity, continue to be the key to success in the business.

Professional competence, speed of response, emphasis on customer satisfaction and, more generally, the quest for a constantly higher standard of service, in fact enable us to give the best possible response to families' savings management needs and to assure effective financial and advisory support for businesses.

The positive trend reported rewards the company's endeavour to improve its closeness to customers. We do so both by intensifying direct contacts (at least once a year for 59% of retail customers) and via constantly evolving service models and commercial platforms.

To support and achieve objective convalidation of the commercial function's quality, numerous services – both internal and for customers – have ISO 9001 certification:

- Retail mortgage loans
- Direct banking (i.e. via remote channels)
- Cash management and collection/payment services for local administrations
- Staff training
- Foreign services
- Credit recovery

RELATIONSHIP MANAGEMENT

In the last few years we have made significant technology and training investments to create effective and innovative approaches to CRM (customer relationship management). Activities in this respect concern:

- Knowledge of customers, with analyses and information systems to identify and devise tailored commercial propositions



- Interaction with customers, also via the development of tools to support the sales network in monitoring and leveraging customer reactions
- Customer satisfaction, for ongoing monitoring and improvement of our customers' satisfaction with services and products.

A dedicated staff unit reporting to the General Manager has been created to handle this activity.

INNOVATION

Sensitivity to change and innovation are key factors for a constantly appropriate response to the changing needs of society and for competing successfully over time. We therefore invest in them with conviction.

This year our drive to innovate was particularly intense on the commercial front. It also included numerous new propositions (a) for emerging social groups and what we call “non-standard customers” – immigrants and atypical workers (see the “Financial Inclusion” paragraph later on) and (b) to support investments in the environmental field (see the “Environment” chapter).

We have also made major investments in technology, creating some 1,200 applications, with total expenditure of € 103.7 million (+43% vs. FY2005).

As regards this, we highlight the fact that, based on the agreement with Microsoft for the “bank branch of the future”, an innovative functional platform will be created to develop the technological feature of customer services in a multichannel perspective. The new functionalities offered will include the possibility of dialoguing with the branch and call centres via VoIP telephony (a voice communication system on networks using Internet Protocol (IP)), videoconferencing, computer-based instant messaging, and mobile devices. Customers will thus be able to perform banking operations in total security (via identification systems, such as smart cards), passing quickly and simply from one remote channel to another to ask for



information and advice on our products and services. Another innovation of the “bank branch of the future” will be the possibility to fix an appointment in the branch via the on-line video-branch. The customer will be able to connect with the call centre via instant messaging, communicating with the operator via a video call. The appointment fixed is automatically included in the financial manager’s electronic diary, with confirmation sent to the customer via SIS or e-mail.

CUSTOMER SATISFACTION

For the second year running we monitored the satisfaction of retail customers and those of the private banker network by means of an extensive telephone survey (14,000 interviews).

Results were positive, substantially in line with those of the previous survey. More than 75% of interviewees stated they were “satisfied” or “very satisfied” with their relationship with the bank,

WE MONITOR CUSTOMER SATISFACTION TO CONTINUE IMPROVING OURSELVES

whilst dissatisfied interviewees accounted for 5% of the total. The satisfaction index was therefore high (+0.47%, on a scale from -1 to +1), with some areas indicating a need for attention relating to:

- Cost/benefit ratio for investment products and current accounts
- Advisory support
- Fierce competition, particularly in our historical areas of establishment.

Criticalities emerging from the survey will be the subject of improvement efforts, with the fundamental objective of increasingly developing and spreading the culture of attention to satisfying customers’ expectations.

Further information on customer satisfaction is available on the www.mps.it website in the “Our Values” section.



COMPLAINTS

We consider complaints as improvement opportunities, to overcome conflicts, and restore customer trust and confident.

In agreement with consumer associations, we manage conciliation of disputes (complaints not accepted or not settled to the customer's satisfaction) for amounts of up to € 50,000.

In 2006 we received 4,752 complaints (-26% vs. 2005) concerning normal banking operations, that we promised to settle within 60-90 days. At present we do not have a system to monitor complaint response times and therefore are developing appropriate systems for this purpose.

For complaints concerning Banca Monte dei Paschi di Siena, the Italian Banking Ombudsman intervened in 148 controversies (5% of the total).

Further customer contestations related to:

- The sale of structured products (BtpTel and BtpStrike) and financial schemes (the Myway and 4You cases) – cases that have substantially been concluded and now relate to ordinary management, with residual complaints for the plans (3,337 vs. 5,899 in 2005). As regards this, a limited number of controversies went to court, with sentences in our favour in 75% of cases, following recognition of contracts' legitimacy and regulatory compliance. Adverse outcomes were instead due to faulty documentation or to criticalities during the selling process
- Cloning of credit/debit cards – an industry-wide problem for which the Italian interbank consumer guarantee and protection fund comes into play
- Compounding (i.e. quarterly capitalisation of interest), for which we received another 540 contestations.

As instead regards the insurance business, customers made 123 complaints (vs. 102 in 2005 and 138 in 2004).

Sales channels

We offer our commercial proposition and maintain customer relationships via a varied network of sales and relational channels. From the organisational standpoint, we have (a) set up an Area dedicated to development of conventional and innovative channels and (b) redefined physical territorial coverage to achieve more effective business co-ordination at local level.

Our aim is to be close to customers with appropriate facilities and human resources. As regards the latter, in FY2006 we improved the back-office/front-office ratio to 32% (vs. 42% in FY2005).

The branch network numbers 1,903 branches in Italy (36 abroad) and 139 private-banker offices. In FY2006 we strengthened and rationalised the network with 50 new openings, compared with the target indicated in the Business Plan of some 200 new locations by the end of 2009. We also activated 36 new specialist centres (27 for SMEs and to local public administrations and 9 to private customers) and signed on a further 143 private bankers. ATMs (automatic teller machines) totalled 2,233 and they too increased in number.

REMOTE CHANNELS

A growing number of customers choose channels other than the bank branch – Internet, home or mobile telephones, and call centres – to access our banking and information services.

Virtual channels grew by 9% on average, with 725,000 contracts in place at year-end. The Internet platform is the one most used, both by retail and corporate customers, 39% and 35% respectively of holders of Internet banking contracts used the channel during the year. We have centralised our commercial banks' call centre activity in just one unit. The number of incoming telephone calls increased (+13%)



as did instruction and information operations (+11%), whilst marketing activity was more focused, with the aim of improving its quality and effectiveness. Call-centre operators (115 at 2006 year-end) received over 8,000 hours of training, with the objective of further developing their banking skills and of making the unit into a more incisive commercial sales channel.

The Group insurance companies' customer service unit handled 76,000 telephone calls and close to 3,000 items of written correspondence.

ACCESSIBILITY

We are committed to making our facilities and services more accessible for disabled people. To do this, we are eliminating architectural barriers and upgrading ATMs, with new functionalities made possible by technological progress and meeting accessibility requirements:

- Operating shelf at the right height for wheelchair users (a condition already met by 20% of ATMs)
- Braille-equipped keyboards and earphone sockets (standard features of new installations, already applied to 850 ATMs)
- Adaptation of software to support audio functionalities for the blind and sight-impaired (completion scheduled for the end of 2007).

Once again for the blind and sight-impaired, we have:

- Created a Braille security card containing access codes for giving remote instructions, for use of telephone banking services – an innovation in Italy
- Followed WAI (Web Accessibility Initiative) guidelines in revamping our website, so as to overcome the barriers to Internet use often encountered by people with motorial and sight problems, the elderly, and those who do not have advanced technological devices.



SECURITY

Anti-fraud systems

We prevent computer fraud and identity thefts (phishing) by investing substantially to assure maximum security and privacy in use of banking services via Internet. As regards this, our website complies with the Ebtrust quality standard devised by the DNV certification body and, once again in 2006, there were no cases of phishing or other computer attacks.

The technological infrastructure's critical parts are located in a secure zone and accesses to services are limited and protected by systems able to avoid interception and involuntary disclosure of information, i.e.

- A certificate resident in the customer's computer (and therefore recognised by the bank)
- Personal password, also of the "disposable" (single-use) type, to access services from computers potentially not secure.

To avoid fraud – not only computer fraud – we have launched a project with the aim of:

- Improving general corporate culture concerning the problem
- Discouraging illicit activities, increasing risks for those guilty of abuse
- Reinforcing internal controls
- Developing the necessary IT support to assure timely flagging of anomalous cases.

Operating continuity

The increased complexity of business activities, the growing interdependence between financial intermediaries, the major use made of technology in processes, and new risk scenarios (which now also have to consider the eventuality of terrorist attacks) have made it necessary to adapt the overall system for their management – also to reflect the rules established by the Basel Committee and the regulation issued by the Bank of Italy.

We have therefore taken action, both to (a) prevent and mitigate damage potentially



caused by any type of event and (b) be ready to manage crises relating to operating continuity (e.g. prolonged non-usability of premises, outages of infrastructures, and absence of indispensable staff). As regards this, our banks have devised specific plans assuring immediate resumption and maintenance of a minimum viable level of operation of key business processes.

Disaster recovery plans are in place for prompt restarting of computer systems in the eventuality of serious damage to the central electronic processing centre. Thus far no malfunctioning of security systems has occurred of an entity such as to jeopardise continuity of customer services.

Training activities, audits, and plan simulations have been scheduled.

Bank robbery risk

In 2006 we experienced 115 robberies (vs. 123 in 2005) with an incidence of 6.2 every 100 branches (vs. 6.6 in 2005), less than the Italian national average (11.8%).

In branches at greater risk, in addition to normal security measures (double doors with release mechanisms, video surveillance systems, and so on), there are also biometrical access control systems, i.e. based on combined capture of images and fingerprints.

At present, there are 53 of these systems in the Group's network. Given their effectiveness (at the branches where they are installed no further robberies have occurred), we plan to apply such systems to a growing extent, always assuring compliance with regulations concerning the protection of privacy.



Transparency and quality of customer relations

TRANSPARENCY

Correctness and transparency of products' sale conditions are key objectives. Our commercial staff is trained to observe the rules governing dealings with the customer and is aware of the need to facilitate his/her understanding of the proposition.

In this way we seek to help customers to clarify their real needs, educating them in informed management of their savings, oriented towards medium- and long-term objectives. From a procedural standpoint, in 2006 we incorporated the rules introduced by the so-called "Bersani Decree" for more transparent communication with the customer if the bank makes adverse changes to current-account conditions. We have amended contractual documents accordingly.

As far as investment services are concerned, we have constantly updated the risk profiles of products sold, seeking to improve customers' knowledge of this. To this end, going beyond the requirements imposed by supervisory authorities, we have developed an in-depth questionnaire to find out customers' risk propensity and their awareness of financial instruments risk/return ratio. We have continued to focus on training and awareness-building of commercial staff (more than 800 employees followed a 45-minute on-line course) and to follow the application and developments of the "Clear Pacts" (Patti Chiari) promoted by the Italian banking association (www.pattichiari.it). We have certification for the first eight initiatives of the project and are working on incorporation of those recently launched ("Comparison of financial investments" and "Changing accounts") for which we aim to win certification by the end of 2007. We have continued to focus on training and awareness-building of commercial staff (more than 800 employees followed a 45-minute on-line course) and to follow the application and developments of the "Clear Pacts" (Patti Chiari) promoted by the Italian banking association (www.pattichiari.it). We have certification for the first eight initiatives of



the project and are working on incorporation of those recently launched (“Comparison of financial investments” and “Changing accounts”) for which we aim to win certification by the end of 2007.

This year we also participated, with direct involvement of various employees, in:

- “Clear Pacts in cities”, helping to spread information about the project among the populations of major Italian cities
- “The economy and I” – a financial education programme for schools..

LISTENING AND DIALOGUE

We believe that deeper knowledge of consumers’ problems and expectations in their relationship with the financial industry reduces the probability of conflicts and helps to make us more competitive.

Since 2004 we have been working with the main Italian consumer associations to investigate and address in a concrete manner issues of financial discomfort, above all for families and small retail investors. But also so as to meet our customers’ real needs, seeking agreed solutions to communication and relational problems.

In 2006 the agreement (for the Consumer lab) was renewed for another two years, increasing the number of associations participating to 15.

Activities to date have covered:

- Training of the commercial banking network’s staff. Consumer associations took direct part in company courses involving some 2,700 employees on the topic of “Pension planning: new regulations and social responsibility for savings”
- Definition of guidelines for customer-oriented contractual documentation, with the aim of managing some aspects of the bank/consumer relationship better: easier legibility of contracts’ economic and legal aspects, preparation of specific forms for any complaints, extension of timing for presentation of documentation acquirable



after contract signature, etc. The products considered thus fare are: current accounts, credit/debit cards, and mortgages

- Development of products and substances for “weak” customer segments (immigrants, the disabled, the elderly, the young, etc.). Initiatives implemented include: the Braille card for accessing telephone banking services and the package for immigrants called “Banca Senza Frontiere” (Bank Without Borders). In addition the method was agreed for profiling customer risk propensity/aversion for financial and insurance products
- Definition of guidelines for customer-oriented information on financial products and services. Customer communications have been revised to make them clearer and more comprehensible, with development to date of two guides – for current accounts and mortgages.

In other words, tangible results, which we want to continue. Consequently, the Consumer lab’s efforts will continue, focusing – in the 2-year period 2007-08 – on areas such as:

THE BANK-CUSTOMER RELATIONSHIP

Consumer associations’ point of view



The scenario

Unduly high commissions, anti-competition practices, and scarce transparency in the sale of products – these are some of the criticisms of banks made by several quarters and also highlighted in the recent European Commission report on retail banking. Criticisms forming part of many citizens’ experience and that – in these difficult years for the Italian economy and due to well-known cases where customers have felt betrayed by advice given on savings investment – have increased considerably, distancing people from an institution – the bank – that, a short time ago, was considered a secure point of reference, in which to place absolute trust.



Consumer associations' role

As associations, we believe we have to do our part to champion and defend consumers' rights. Because of this we have denounced, and continue to denounce, the problems we see in the relationship with banks, acting in the institutional forums for such matters and supporting people's rightful complaints. We do this with determination and sharp criticism – but we in any case believe in the importance of the dialogue with banks. Our role, however, is not only to criticise and make demands but also to make proposals to solve the problems we report. It is in any case appreciable that individual banks are starting to ask themselves how they can make their profits more sustainable and transparent, in the interest of shareholders, customers, and of the other stakeholders.

Consumer-lab

Monte dei Paschi di Siena is one of them, having long started to reconsider its relationship with consumers, reaching the point of opening itself up to a direct and constructive exchange with us and of creating – the first of its type – a permanent consumer laboratory or workshop. The lab's work started in November 2004 and is producing positive reverberations both for the MPS Group's activity and for the sensitivity of its people. Consumer-Lab is making us grow too. The direct exchange for joint definition of concrete improvement measures in fact enables us to gain even closer knowledge of banking reality and to focus our role in the common interest. It is therefore a successful experience, which we believe should be an example for other companies that, like Monte Paschi, believe in the customer's centrality and want to restore customers' trust in the Italian banking industry.

Adiconsum, Adoc, Associazione Consumatori Utenti, Casa del Consumatore, Cittadinanzattiva, Confconsumatori, Federconsumatori, Lega Consumatori, Movimento Consumatori, Movimento Difesa del Cittadino, Unione Nazionale Consumatori, Adusbef, Assoutenti, and Codacons

** In view of its recent entry into Consumer lab, the Codici association believed it premature to express its judgement/appreciation of activities performed and/or planned.*

- Training and development of the heads of our district offices
- Principles and approaches for the granting of loans
- Customer investment-risk profiling, in the light of the European MiFID directive (MiFID = Markets in Financial Instruments Directive – 2004/39/EC)
- Analysis of products to check transparency of conditions and ability to respond to consumers' real needs
- CSR activities and the Group's Social Report
- Customer satisfaction.

Constant updates on activities are available on the website www.mps.it/consumer+lab/

In the insurance business, in 2006 Montepaschi Vita (life assurance) performed its first "Listening to Customers" survey. The aim of this was to find out customers' degree of awareness of needs for protection against new types of risks (insolvency, financial difficulties due to families' increasing levels of indebtedness, and job loss). Survey results will be used to develop targeted information and awareness-building initiatives.

MARKETING AND ADVERTISING

Our marketing area is constantly committed to developing products and services increasingly able to respond quickly and effectively to all commercial segments – including the weaker and "non-performing" ones.

Advertising and communications targeting the public are always truthful and based on standards of maximum transparency and thoroughness. Our direct commercial communication (offers of products and services, satisfaction surveys, and so on) targets only customers who have given their consent to receipt of such initiatives.

Communications directly or indirectly intended for the public are, once again, also truthful and do not feature information or omissions that may be misleading, altering such communications' reliability.

We adhere to the Italian Advertising Self-Regulation Code ("Codice di



Autodisciplina Pubblicitaria”). We have never been either sentenced or sued for misleading advertising or for advertising conflicting with the code issued by the Istituto di Autodisciplina Pubblicitaria (Italian Advertising Self-Regulation Institute).

According to a recent survey performed by the Adusbef consumer association of 26 Italian banks’ websites, Banca Monte dei Paschi di Siena’s Internet communication is the best in terms of transparency and completeness of information about products and services.

PRIVACY

Information concerning the Group, customers, and other parties, such as employees, suppliers, directors, and shareholders, is treated confidentially, in compliance with legislation concerning privacy.

At the end of 2006 we updated our Data Security Plan, prepared pursuant to Italian Legislative Decree 196/2003 (the Consolidated Privacy Act), concerning:

- Analysis of risks in handling of personal data
- Tasks and responsibilities
- Organisational, physical and virtual measures able to assure the integrity of personal data and security in their remote electronic transmission
- Training programmes. In Banca Monte dei Paschi di Siena 40-minute on-line courses were also activated for those responsible for processing/handling such data, together with a 2-hour session as part of training of new hires
- Internal controls. Internal audits were also initiated to check the ways in which data entrusted to outside companies designated as processors of such data are handled.

There were 282 requests from concerned parties wishing to access the personal data held on them. All these requests were met, as were queries from the Italian Privacy Guarantor.



Management of sensitive and socially relevant aspects

FINANCIAL INCLUSION

Banks are considering with growing interest the expectations and needs also of new potential customers entering the market, identifying solutions for their fuller financial inclusion in society. Products and services are devised that, based on a traditional rationale of economic viability, develop banking action in areas such as social outcasting (60% of the industry’s total assets are active in microcredit) and integration of immigrants (over 1 million of them in Italy are already bank customers).

We too offer tailored propositions to atypical workers, students, young couples, the elderly, immigrants, the fourth sector, and micro businesses. In 2006 our research and development work on new products was particularly intensive also in these fields, for which we activated specific workshops. In the home-loan area, we have introduced the possibility of 100% financing of home purchase and of starting repayment instalments 13 months after stipulation of the mortgage contract. Fixed-term workers can interrupt repayments and related interest accrual in periods of inactivity (our “On-off mortgage”). To young couples we offer favourable rates and conditions.

Once again for young people, the offering is very varied, to help in them in their financial needs for study, first job, etc. (“Conto giovani più” and “PRS Master”). In addition, with our “Spider” prepaid card it is not necessary to open a current account to execute the main banking transactions and to access direct banking services, with a consequent significant reduction of costs.



Customers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



For elderly consumers, we offer a reverse annuity mortgage loan (“PrestiSenior”). Against attachment of a mortgage to home-owners’ property, they are able to receive an annuity for 20 years, enabling them to face the problems of old age with greater serenity. It is possible for their heirs to “redeem” the mortgage, thus saving family assets (something that is not possible under the “bare ownership” system).

We support female and youth entrepreneurship (with 136 loans totalling € 5.6 million paid out in 2006 by Banca Monte dei Paschi di Siena) and micro businesses. As regards this, we have developed a specific offering (PRS Microbusiness) and we take part in SMOAT (Sistema Microcredito Orientato Assistito Toscano), a seed fund launched by the Tuscany regional authorities to offer financial services to entrepreneurs who, lacking sufficient guarantees to access normal bank credit, want to start up a new business. In addition, Banca Agricola Mantovana has also recently signed an agreement with the Municipality of Mantua, earmarking € 1.5 million to finance entrepreneurial projects launched by young people. In the so-called third sector we operate with a specific service model for more effective management of financial needs, risk profiles, and relations with parties generally considered by the banking industry to be “atypical”. This year we have also adhered to the “RID anch’io” project (the name means “Direct debiting for me too”) – the initiative promoted by the ABI (Italian banking association) in agreement with the main non-profit organisations in Italy. It enables our customers to make donations via banking domiciliation (i.e. direct debiting). There is a twofold benefit: (1) the donor can make small regular donations, at far lower costs than normal and (2) the beneficiary, with receipt of donations on a more continuous basis, can plan and manage its activity better.

Greater information about our products is available on our website www.mps.it.

Banca Senza Frontiere

We offer a structured package of banking products and services for immigrants, to aid their full integration in the Italian social and economic fabric.

The aim is to pinpoint immigrants’ needs via dialogue with representatives of



Customers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



their communities and with the institutions protecting their rights and interests (religious and humanitarian institutions, embassies and consulates, ethnic associations, voluntary social service associations, etc.), thus establishing ourselves as their secure point of banking reference.

The commercial proposition at branch level is called “Banca Senza Frontiere” (Bank without Borders). It offers special low-cost conditions to access some basic MPS services (current account, mortgage, personal loans – inclusive of an insurance policy against work accidents and job loss – and free bank transfers to the person’s country of origin, etc.) and products such as:

- Prepaid-reloadable cards (free of charge)
- Sureties for rental of accommodation (as an alternative to cautionary deposits)
- Accumulation plans with a lower entry threshold than the standard level
- Insurance policies covering expenses for medical care or for the transfer of a family member.

But a particularly distinctive feature of the package is the possibility for immigrants to send remittances to their home countries free of charge. In addition, thanks to agreements with premier foreign banks (in Albania, Morocco, and Senegal), the immigrant’s relations can also access current-account services at particularly good terms. Banca Senza Frontiere is therefore the main commercial instrument that we exploit to develop a customer segment with growing potential (today immigrants account for 5% of the population in Italy and are increasing steadily). But it is also intended to aid immigrants’ integration in Italian society, whilst at the same time helping the





growth of countries featuring underdeveloped economies.

To date we have 265,000 customers for the package (of which 128,000 coming from countries featuring high emigration rates), 116,710 current accounts, and 35,488 mortgage loans. Numbers that set the MPS Group among the top positions in Italy for services to immigrants.

MICROCREDITO DI SOLIDARIETÀ SPA



The characteristics of the activity of Microcredito di Solidarietà SpA thus far are:

- No collateral: loans are given against an assessment of the applicant's moral calibre and sense of responsibility
- Loans of an average amount of € 5-10,000
- Interest rate: 4.50% fixed, expense-free with the exception of taxes
- Tailor-made repayments: the client indicates the monthly amount, the company indicates the sustainable duration
- Repayment also of a modular type: the client pays interest on a monthly basis and decides if and by how much to reduce principal debt, observing the final due date.

A fundamental feature of the company's governance is the role played by voluntary social service associations. They provide critically important value-added by directly identifying, in the field, poverty and difficulty and by certifying the applicant's morality, correctness, and effective state of need.

As a result of its novelty in the traditional banking panorama, the initiative was selected among the 120 business case studies presented at the 2nd European MarketPlace on CSR, under the European Commission's patronage, and was one of the finalists of the 4th edition of the Sodalitas Social Award.



Microcredit

We now have a decade of experience in solidarity lending. Since 1996 we have in fact been working together with a leading Siense voluntary social service organisation (Arciconfraternità di Misericordia ed Istituzioni Riunite di Siena) in granting small loans to the less well-off and needy members of the community. Loans, which are mostly 50% guaranteed by a fund managed by the Fondazione Toscana per la Prevenzione dell'Usura (Tuscan Foundation for the Prevention of Usury) have now topped the € 19.5 million market (with about € 5 million loaned in 2006).

As a continuation of this experience, Microcredito di Solidarietà SpA has been founded. It is a financial company specialised in microcredit, 40% owned by Banca Monte dei Paschi di Siena, with the remainder of equity owned by Siense public, religious, and voluntary institutions. The company, which has been registered in the Italian Foreign Exchange Bureau's central register since June 2006, is currently active in the province of Siena, with about ten loans already granted, for a total of € 33,000.

COSTS OF BANKING SERVICES

In the last few years, a series of studies, with the latest being that of the European Commission, have highlighted the fact that the costs of banking services in Italy, and in particular of current accounts, are higher – significantly so – than those prevalent in the rest of the European Union.

WE WANT TO MAKE OUR PRODUCTS ACCESSIBLE FOR EVERYONE

The Italian Government, with the so-called "Bersani Decrees", has also taken action on the matter, in order to increase competition between banks – to the benefit of consumers and businesses and, also, of our banks' international competitiveness.

The MPS Group was one of the first banking groups to align its conduct with the requirements of the market and, later, of banking regulations, cancelling the costs of closing current accounts and of transferring securities.



Another important initiative, performed in co-operation with consumer associations, was production of a “Guide to reading your statement of account”. We in fact believe that, the problem of transparency of services originates, first of all, i.e. before cost levels, from lack of a common language. With this guide, we intend to help develop such a language.

RESPONSIBLE CREDIT MANAGEMENT

Our commercial policy has always sought to strike a balance between financial support to families and businesses and related risk profiles. In other words, we apply stringent criteria in our assessments of reliability, helping customers in their debt management efforts.

THE OVER-INDEBTEDNESS OF ITALIAN FAMILIES

Italian families' indebtedness continued to grow in 2006, as regards both mortgage loans and consumer credit. It nevertheless remains at about half the level observed in the EU, being set at around 46% of disposable income.

The Italian banking industry has not yet experienced any substantial increase of “accounts in the red”, even although signs are starting to emerge of difficulty in repaying loans (non-performing-loan flows for families up by 16%, increasing more than loan growth). This partly depended on the increase in the European Central Bank's benchmark rates (+1.25% points in 2006).

For example, to people who have multiple exposure, i.e. several loans maybe with different intermediaries, we offer a personal loan called “PRS Una”, which makes it possible to consolidate several debt positions in just one instalment, with consequent improvement of cash flow. The new instalment is in fact less than the sum of instalments of the refinanced loans.



We recognise that, following recent changes in mortgage interest rates, many customers may find themselves in difficulty with repayment instalments. Because of this we offer a capped variable-rate mortgage, which limits the effects of interest-rate increases, immediately fixing the maximum instalment amount. We are committed to making information on our products as clear as possible. We do so also in co-operation with consumer associations, with easy-to-use guides.

RESPONSIBLE MANAGEMENT OF INVESTMENTS AND ADVISORY SERVICES

Conflicts of interest in asset management

In Italy, over 90% of asset management companies are controlled by banks. This structure has undoubtedly helped to drive the strong growth enjoyed by the Italian mutual funds industry in recent years and to draw families closer to asset management services. But, as has been repeatedly underlined also by the Governor of the Bank of Italy, this structure also inevitably causes potential conflicts of interest between asset management companies and banks. Moreover, asset management companies' predominant use of a market centring round “company-loyal” customers could hinder the quest for efficiency and innovation.

In the case of our asset management company (MP Asset Management Sgr–MPSAM for short), the potential onset of conflicts of interest with the Group's banking businesses is limited by observance of the guidelines given in the “Autonomy Protocol” issued by Assogestioni (the Italian association of asset managers), also envisaging the presence of independent directors. MPSAM also has its own code of ethics, defined by an independent advisory committee representing the interests of customers, employees, shareholders, and other stakeholders. The committee acts as liaison between the company's top management bodies and all stakeholders, overseeing application of the Code (which is available on the MPSAM website www.mpsam.it). Lastly, we highlight the fact that our funds offering has a strong multibrand bias, with third-party funds having an incidence of 38% in the Group's asset management accounts, higher than the industry average (28%, source: Assogestioni).



Investment management

We invest our customers' savings and assets seeking to meet their varied needs in the best possible way, whether they be small retail investors or large institutional investors.

Business activity is transparent and we always endeavour to conduct it with the utmost correctness and integration, well aware of the major social responsibility inherent in reallocation of monetary resources in financial markets.

In making investments, MPSAM always opts for companies with good standards of governance and transparency, also managing a specific range of ethical funds.

Fund fees have been concentrated in just one expense item to make them more transparent and comprehensible. On average their value is lower than the TER (Total Expense Ratio, i.e. the actual cost borne by the fund every year) of the last three years.

We provide up-to-date information on MPSAM's products, performance, and activities, as well as on financial markets and the macroeconomic scenario, to enable present and prospective customers to manage their investments in a more informed manner. To do this we use the website www.mpsam.it, "communications to fund participants", and the "MPS Monitor" magazine. As from 2007, subscribers to our ethical funds will also receive a specific newsletter, Dialogos, containing review and discussion of CSR questions.

The attention paid to transparency aspects is reflected in the small number of complaints received – just six, all unfounded and therefore not accepted.

Socially responsible investments

We market a range of ethical products – the "Ducato Ethical System" (Sistema Ducato Etico). The system consists of three funds (Etico Fix, Etico Geo, and Etico Flex Civita) that invest in companies deemed to have a sound capital structure and to be financially profitable and that:



- Do not pollute and seek to minimise the environmental impact of their activity
- Do not exploit under-age labour
- Do not operate in morally questionable sectors
- Respect occupational safety regulations
- Do not discriminate between workers and assure all of them equal opportunities
- Respect freedom of association and trade union activity
- Adopt appropriate and transparent governance models
- Exclude direct relations with dictatorships and oppressive regimes
- Do not abuse their market position.

The Ethical Investments Committee intervenes for their management and a co-operation agreement is in place with the Swiss company SAM – Sustainable Asset Management, one of the world's major players in the field of socially responsible investments.

Part of funds' fees are allocated to socially useful projects (readers should refer to the "Community" chapter) and, in the case of Ducato Etico Civita, to the eponymous association for protection and enhancement of the historical, artistic, and environmental heritage.

At year-end the three funds' total assets amounted to € 98 million, i.e. 0.64% of total assets managed by MPSAM.

More detailed information on our ethical funds is available on the website www.mpsam.it.

Complementary pension funds

The new Italian national budget law has brought forward to January 1st 2007 the coming into force of regulations concerning complementary pension planning/provision. Consequently, by June 30th 2007 a large part of private companies' employees must decide on allocation of their "severance indemnity provision" (i.e. post-employment benefit provision). This is a change of great social importance, designed to assure valid pension coverage also for younger generations.



In this scenario, there is likely to be substantial development of pension funds and of individual pension-planning policies offered by financial intermediaries.

The MPS Group already has specific propositions in this respect, which it intends to develop further to meet customers' new and varied needs. At year-end our pension funds (Kaleido and Paschi Previdenza) had 56,298 members, with overall assets of € 312 million (+14% vs. FY2005) and a market share of around 9%.

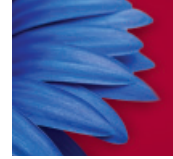
We have a strong interest in this business segment. This is also demonstrated by the recent agreement entered into with the French insurance company AXA for creation of a long-term strategic partnership in bancassurance – both life and P&C – and in complementary pension provision.

Financial advisory and private banker services

Implementation of the European directive 2004/39/EC – MiFID (in force as from November 2007) is a key step in construction of a single European market for financial services, more transparent and competitive, and open to growing competition also from non-banking intermediaries.

The main novelties include the new rules for financial advisory services, which change from being an ancillary service to become an investment service, subject to authorisation and restricted to licensed intermediaries. For banks and private banker networks, the new rules offer the opportunity of remunerating the service, leading to a more transparent approach in customer relations.

MPS Banca Personale is ready for this major market development as it already provides an advisory service concerning a vast range of third-party products, making its private bankers (720) available, with over 1,000 of the world's best funds and SICAVs (investment companies with variable capital, i.e. open-ended collective investment undertakings), without giving preference to any particular investment house, thus avoiding possible conflicts of interest.



This year it has also defined and agreed with its employees and private banks its value system (the “convergence and distinctiveness” project), making managers of the sales network responsible for directing activity consistently with the profession's code of ethics, in a rationale of customer centrality and correctness and transparency of conduct.

The first customer satisfaction survey performed by MPS Banca Personale revealed good levels of appreciation of the service (60% of customers said they were satisfied or very satisfied), with negative verdicts from 16.2% of interviewees.

Fiduciary management

We manage grantor customers' assets with the utmost confidentiality. The MPS Group company dedicated to fiduciary management (Monte Paschi Fiduciaria) is careful to avoid elusive customer conduct. Before accepting an assignment, it in fact checks not only the activity and the entity of wealth but also the origin of the assets that the customer intends to grant and his/her/its morality – with special reference to any breaches of anti-money laundering regulations.

Among the services offered, those of ethical/social relevance include:

- A trust for philanthropic activities, which enables the customer to exploit his/her propensity for solidarity, channelling charity contributions without the costs otherwise arising from creation of a foundation or officially recognised non-profit organisation
- A trust for disadvantaged parties, on which parents or guardians of disabled people, drug addicts, alcoholics, and other people needing care, can depend for management of care costs.

RESPONSIBLE MANAGEMENT OF RELATIONS WITH BUSINESSES

Small enterprises are the backbone of the Italian economy. We serve them with our products and services, to support their business, start-up, research and innovation, and development of new markets at home and abroad,



helping them to manage associated financial risks.

To do this we have dedicated facilities and resources (108 specialist centres with 682 staff members).

In recent years we have further developed our support for enterprises to help them get ready for the new rules for accessing credit and checking their capital adequacy, as introduced by the international Basel 2 Accord.

In doing so, we have co-operated with institutions, such as the Tuscan regional authorities, mutual credit guarantee associations, and trade associations, whilst also investing in internal trading (with the involvement of 3,500 people in 2006).

Once again in 2006, we believe we were reliable partners of local authorities for communities' economic development. With 34 specialist centres and 95 staff members, we analyse the needs of local areas, taking part in various discussions of agreements based on consultation for economic planning and investments in SMEs. One important initiative is the "Tuscany industry bond", an innovative credit assistance plan, defined with Fidi Toscana (Tuscany's regional mutual credit guarantee association) and Tuscan regional authorities, which so far has paid out € 250 million.

As usual, we managed tools for facilitated financing, including:

- Grants for companies in depressed economic areas, under Italian Law 488
- Government ministry funds for research and technological innovation.

In this latter area, we have made an agreement with the Italian National Research Council (Consiglio Nazionale delle Ricerche) to support applied research, as a key factor for the growth of Italian businesses' competitiveness, based on practical involvement of trade associations.

With our products we want to contribute to national sustainability objectives, financing Italian companies' endeavours to assure safe and salubrious workplaces (in 2006, based on a convention with the INAIL (the Italian worker compensation and accident prevention agency), we financed 485 projects for a total of € 23 million) and



improve their energy efficiency and environmental compatibility (readers should refer to the "Environment" chapter).

Another area where we acted with great determination was that of internationalisation, supporting Italian enterprises in their business challenges abroad. To do this we have developed a full commercial proposition and a specific service and advisory model (called "International Partner"). The most significant initiatives included creation, in agreement with the ICE (the Italian foreign trade bureau) of a service charter. The charter enables companies, at very favourable conditions and to an unlimited extent, to get information on criticalities and opportunities in the various foreign markets and to access our financial tools and services at special conditions.

As regards this, it is important to note International Partner's attention to the social impact of activities that it assists. In this respect, it does not like projects envisaging total delocalisation of Italian activities or that have mainly speculative objectives, typical, for example, of the property sector.

In financial markets too, we have a certain degree of attention for small enterprises and for those performing functions of major social and environmental usefulness:

- We manage the largest number of private equity funds, i.e. closed-end securities investment funds that invest in the start-up and growth of high-potential unlisted companies (€ 326 million of total assets). New instruments launched in FY2006 by MPS Venture SGR included Emilia Venture, a fund dedicated to small business (with minimum sales of € 5 million), thus specialised in a market segment ignored to date by other players
- We are among the promoters of the MAC (Mercato Alternativo del Capitale = alternative equity market), This is a trading system reserved for professional investors and that will facilitate small companies' access to venture capital
- We have equity interests in entities and organisations whose mission includes territorial development, social promotion, and environmental sustainability. The main investments have an overall value of € 108 million.

Staff



Staff

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



The success of our business depends on the quality and commitment of the people working with us.

If we are capable of enhancing and using their value, this will have a positive impact on customer relations – and therefore on our performance and competitiveness.

Our approach to staff management is managerial. Our intention is to ensure, in an equal-opportunities framework, maximum levels of involvement and motivation, with constant attention to the quality of internal relations and of corporate culture and climate.

Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Strengthen and improve our training & development offering | We invested over € 5 million, providing an average of 4.35 days of training per head. Professional paths have been activated to cover key/critical positions, by means of specific training | Publish our human resources management policy |



| 2006 Objectives | Accomplishments | 2007 Objectives |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Improve effectiveness of CSR training | <u>Activity not performed</u> The objective is confirmed | Develop CSR training programmes |
| Implement social initiatives for employees | <u>Activities underway</u> Task forces and joint commissions with trade unions have been set up to work on topics such as: equal opportunities, internal climate, and CSR, with the aim of improving on-the-job and personal quality | Take actions to improve the balance between work commitments and private and family life (crèches, sustainable mobility, health protection, etc.) |
| Achieve OHSAS 18001 certification for management of occupational health and safety | <u>Activities underway</u> The management system has been devised and is currently being tested | Achieve OHSAS 18001 certification |
| | | Development systems to gather/monitor staff's opinions, suggestions, satisfaction, and complaints |
| | | Identify sustainability factors to be incorporated in staff management by objectives |

Management and control systems

Our people strategy (FY2006-09 Development Plan for Human Resources Policies and the HR Function) defines the management tools and policies that must underpin the four areas on which we intend to continue concentrating, i.e.

- Increase employees' professional and managerial standards, with special reference to interpersonal skills
- Assure optimal coverage of roles critical for the business, by means of appropriate professional, training, and career paths, with special attention to young staff members
- Secure management continuity by defining expected behaviour and monitoring managerial qualities available
- Convert and retrain, with a view to further development of the front office, employees who made themselves available for this following the organisational review started this year.

In management terms, the key points to note are that:

- We have defined a new human resources development model that centralises planning and monitoring of professional growth, with the aim of enhancing the sense of belonging, standard of service, and responsibility ethic
- With the "PaschiRisorse" (= Paschi Resources) system, we take stock of employees' know-how and abilities, checking the match with their respective roles' characteristics. This serves as a basis, taking individual aspirations and organisational trends into account, to define growth paths for each employee
- Training activity is performed on a quality basis (and has ISO 9001 certification)
- Employees are kept up to date on corporate policies and activities and are involved



in knowledge exchange and sharing initiatives. In 2006 for this purpose we also activated a specific intranet channel (Human Resources & Training) and a weekly electronic newsletter (FiloDiretto7 – “filo diretto” means “direct line”)

- Internal relations centre round constant dialogue with trade union organisations. During 2006 we worked, in particular, on the new supplementary company-level collective labour contracts and on the implications for staff of the new business plan. As from 2007 we will also be exchanging thoughts on the environment and corporate social responsibility
- Hiring takes place on a territorial basis, based on a rationale of more efficient introduction and integration of new hires.

Staff profile and employment trends

24,348 people work in the MPS Group (the actual effective workforce count is 24,262 without considering those seconded to outside companies and cleaning staff). Most of them have open-term contracts (97%) and reside in Italy (97.5%). 6.3% of them are part-timers.

The average age of staff is 41.6 years and decreasing steadily (42.7 years in 2005). The top management team, of which two thirds have been changed, has an average age of 49 years. 45.3% of employees are under-40s.

Service tenure is relatively low (38.3% of employees have been with us for less than 10 years). The incidence of female staff is growing continuously (and is now 41.8%) as is that of university graduates (27.5%).



In 2006 the employee headcount was reduced by 8.3%. This was primarily a result of transfer to the tax collection business (2,084 people) to the Italian Inland Revenue. This operation – made necessary by legislative reform of the national tax collection system – featured our involvement in work with trade union organisations to find the best solution for the staff concerned, according to their particular regulatory and monetary attributions and hiring 72 of them in Banca Monte dei Paschi di Siena.

WE WANT TO ENHANCE OUR PEOPLE AND THEIR QUALITIES AND SKILLS IN AN EQUAL- OPPORTUNITIES FRAMEWORK

Other important operations were:

- Centralisation of call centre activities
- Merger by incorporation of the MPS.net and MPS Professional companies in Banca Monte dei Paschi di Siena
- Restructuring of the Parent Company (General Management unit of the MPS Group) and of the field branch network.

Once again in these cases, related work problems were settled in agreement with trade union organisations with the aim of preserving and enhancing, compatibly with corporate needs, the on-the-job professional skills of the staff involved. In this respect, there were no conflicts such as to cause collective disputes.

Employment trends also feature substantial internal rebalancing of resources in favour of the field network, with a net increase of 960 people and improvement of the back-office/front-office ratio to 32% (vs. 42% in 2005). This was the result of the following initiatives:

- Major exits of long-tenure and high-grade personnel (550 heads out of a total of 930, of which 130 managers) supported by demanning incentives and the Italian



banking industry's Solidarity Fund

- Hiring of 820 young potential high-fliers, almost all of whom have been deployed in the field network, to support territorial expansion programmes and reinforcement of specialist commercial units
- Transfer of some 350 people from central units to the field network.

This latter initiative is being accompanied by individual retraining paths, management of which – handled by a specifically created unit – envisages the following steps:

- Analysis of the professional profiles, preferences, and propensity to change of each of the employees concerned, also via individual interviews
- Agreement of a development plan
- Deployment in the new activity and assessment of effectiveness of training and integration in the role assigned.

There were 206 voluntary resignations, with turnover that therefore remained very low (0.9%).

Skills development and management

Learning and development are indispensable in continuously changing scenarios. We therefore regularly review our training & development programmes and professional paths, based on quality processes (our training activities have ISO 9001 certification). We want to assure that our employees always have the skills they need



to operate successfully.

PaschiRisorse is the tool we use to pinpoint, monitor and develop internal skills. In addition, its utilisation aids a constant exchange of notes between unit heads and their staff members, as a fundamental occasion for motivation and growth. It features:

- Mapping of company roles and of the skills required
- Verification of the skills available and analysis of their adequacy for the roles mapped
- Definition of a training & development package to cover the margins for growth that emerge.

In 2006 we completed verification of roles/skills coverage in Banca Monte dei Paschi di Siena, also starting this activity in the Group's other main companies.

In addition, in Banca Monte dei Paschi di Siena we have activated professional paths – for coverage of key/critical positives – via specific development action (on-the-job tutoring and classroom and on-line courses). This initiative, which will shortly be extended to other Group companies as well, is important from the management standpoint because it permits conjugation of corporate needs (coverage of roles, enhanced use of employees, etc.) with individual expectations as regards professional growth and career.

We pay particular attention to:

- The management community, to identify tomorrow's managers, appropriately strengthening their managerial capabilities
- High-potential "outstanding resources" (including those graduating from master's courses organised in co-operation with Siena University), for whom we are designing a new system of identification, management, and development of related growth paths.



MASTER'S COURSES ORGANISED IN CONJUNCTION WITH SIENA UNIVERSITY

MEBS - Master in Economics & Banking

GINTS - Master in Management of Financial Institutions and New Information Technologies

CIPMI - Master in Control and Innovation in SMEs

In 2006, 36 of those graduating with master diplomas were hired by Banca Monte dei Paschi di Siena.

In order to promote and disseminate CSR topics, we also support the master's course in the Ethics of Business, Consumption, and Social Responsibility.

TRAINING

In FY2006 we increased our training effort as regards:

- Technical and professional aspects, with the aim of developing commercial staff's relational and service capability
- The managerial segment, to increase, above all in the field network, strategic abilities, such as leadership and vision.

We invested more than € 5 million, providing 105,532 training days (4.35 days per head on average) in line with activity in 2005.

91% of courses took place in the classroom (and the remaining 9% on the intranet platform). 87% of courses had internal trainers whilst 12% were provided on a joint basis.

83% of employees took part, showing high levels of appreciation. Their overall score for the courses, out of a potential maximum score of 6, was 5.01, with a score of 4.97 for on-the-job usefulness.

The most significant training courses were:

- Basic courses, focusing on finance, credit, foreign transactions, and human resources, attended by approximately 7,000 employees
- Specialist training concerning the operating repercussions of the Basel 2 Accord
- A top-management development session on innovation and vision
- English language courses, involving 518 people.

Remuneration and pension plans

Remuneration is a key factor in rewarding employees for their contribution to corporate results. It also envisages a variable component based on individual performance.

Targets are assigned transparently, and methods for measuring results and calculating bonuses are also transparent. This assures the informed and responsible participation of all employees in corporate objectives and strategies.

The incentive systems attaches importance to the achievement of targets for the creation of economic/financial value but, to a growing extent, also to the qualitative aspects of performance – such as those relating to customer satisfaction and professional growth. We are currently developing a new compensation model for managers. Taking criteria



of internal equity into account, greater emphasis will be given to their contribution to results according to business area and the level/weight of the position held.

In FY2006 the variable portion of total compensation averaged 24.3% for managers, 8.5% for executive middle managers, and 4% for professional staff. The critical network roles were the ones mainly rewarded, i.e. branch managers and their deputies, and line managers.

The variable portion also includes stock grants. This is intended to further motivate employees in the pursuit of corporate objectives, increasing the sense of participation. In 2006 7,900,000 Banca MPS ordinary shares were assigned on a bonus basis.

In addition, we also contribute substantially to supplementary pension provision (€ 24.5 million) and healthcare coverage of employees (€ 14 million). We also recognise their loyalty, rewarding long internal careers (€ 1.8 million).

PENSION PROVISION

Pension provision for employees takes the form of two private occupational funds:

- Cassa di previdenza aziendale (company pension fund)
- Fondo pensione complementare (supplementary pension fund).

The “Cassa” is in turn split into two funds, one defined-benefit and the other defined-contribution. The latter is also fuelled by company contributions equivalent to 2.5% of salaries.

The “Fondo” is a defined-contribution fund and is reserved for employees hired since 1991. This non-profit fund assures pension benefits supplementing those of the mandatory system. It is fuelled by company contributions (once again equivalent to 2.5% of salaries) and by contributions payable by employee members, with minimum contributions of 0.50%, which members can voluntarily increase to 10%.



The two instruments’ assets are managed according to various investment lines, also including one of an ethical nature, currently chosen by 2.7% and 4.4% respectively of Cassa and Fondo members.

Workplace environment

We are committed to assuring satisfactory working conditions and workplaces, with the aim of contributing to employees’ quality of life. We work on preventing and we follow, with a sense of responsibility, situations potentially harmful to workers’ rights and dignity. We do so in collaboration with trade union organisations, verifying constant observance of relevant contractual requirements and of international labour ethics standards, as contemplated by the UN Global Compact and by the Social Accountability 8000 standard. As regards the latter, we recall the fact that, in 2004, MPS Banca per l’Impresa was the first bank in the world to obtain SA8000 certification.

We note some positive signs

- We have a low turnover rate (0.9%)
- There has been a decrease in overtime working (64 hours per head in 2006), in absences due to illness and accidents (6.9 days per head in 2006 vs. 8.6 days in 2005), and in disciplinary measures (52 vs. 77 in 2005).

.... but also criticalities, with 190 labour disputes (nearly all actioned against us) concerning 413 employees, largely relating to problems highlighted by staff in the tax-collection companies (199) concerning supplementary pension provision.



QUALITY OF WORKING LIFE

Compatibly with business requirements and in agreement with trade union organisations, we try to achieve a better match between work and family needs, by means of:

- Flexible working hours (part-time, start/finish and meal-break times during the working day)
- Paid short and extended leaves of absence at special times in employees' personal lives (death of a close relation, marriage, births, adoptions, medical treatment and consultations, and completion of academic studies)
- Protection of working mothers.

EQUAL OPPORTUNITIES AND DIVERSITY

Equal hiring and development opportunities are given to female staff. Together with trade union organisations, we watch out for any criticalities and factors that may be hindrances in this respect, identifying improvements to be made. For working mothers returning after maternity leave, we assure a professional refresher programme.

A few figures:

- Women account for 41.8% of our workforce
- They hold 20.4% of managerial positions (managers and executive middle managers)
- In 2006 they accounted for 41% of promotions
- 93% of part-time employees are women.

For disabled staff (1,128 people) we create conditions enabling them to do their best in their jobs, also by means of work stations and tools that are more accessible for them. As regards this, we have started an action plan for blind and sight-impaired staff, who will be equipped with IT systems (i.e. screen readers) permitting voice

or Braille translation of documents visualised on the screen, thus permitting use of electronic mail and intranet access.

HEALTH AND SAFETY

Our Protection & Prevention Service manages activities concerning care of employee health and those of a more technical nature, concerning identification, assessment, and constant monitoring of workplace safety risks.

It does so with qualified internal staff (members of the Service team have undergone appropriate training, the effectiveness of which has been attested by the Italian prevention certification institute – ICPrev) and via constant interaction with trade union representatives. As regards this latter aspect, in 2006 a joint task force was set up for agreement on and verification of health protection activities (at least every six months), with special reference to aspects concerning accessibility for the disabled and prolonged/repeated use of video display units (VDUs).

We give the utmost importance and support to training. In 2006, 2,550 people were involved in courses on: management of fire risks and emergencies, first aid, and prevention of problems connected with VDU utilisation. We also performed about 100 evacuation simulations.

We evaluate risks in all Group facilities and activities concerning occupational safety conditions, environmental hygiene, ergonomics, and the psychological impact of bank robberies. In order to monitor and keep track of current situations in workplaces, we use a specific IT procedure (MPSafe) plus the collaboration of 25 district contact points.

As regards occupational healthcare, we perform careful monitoring via the Group Healthcare Service. In 2006, based on a preventive rationale, the Service performed medical check-ups of some 1,400 employees and 135 specialist consultations. We intend to improve the standards of coverage of these activities. To do this, during 2006 we worked on safety organisation and processes, making them



compliant with the requirements of the OHSAS 18001 standard (Occupational health and safety assessment series). We count on undergoing related independent audits and certification in the second half of 2007.

LISTENING AND DIALOGUE

Management of internal relations is based on constant interaction with trade unions, to which the majority of staff (about 80%) belong.

Together with unions we want to find out employees' viewpoints on the company's social responsibility, so as to improve. To do this we have set up specific joint bodies.

Employees' expectations, together with their aspirations, worries, and motivations also emerge as a result of the ability to listen and dialogue that the various human resource managers seek to create in everyday activities, with the aim of creating a favourable and propositive corporate climate.

In this regard, as part of PaschiRisorse activities, each employee records his/her professional aspirations on a specific form together with comments on the appraisal expressed by his/her superior.

Observations and comments can thus be freely made, and can also be sent to the mailbox of the weekly newsletter FiloDiretto7.

Conversely, thus far we have not performed an extensive company climate survey. This type of survey has, however, been performed by MP Asset Management.



Social initiatives

We support sociality and solidarity among employees.

In 2006, Group banks' contributions to the activities of employees' 57 recreational clubs, present throughout Italy with 15,626 members, totalled € 445,000.

As stated earlier, we play a significant role in pension funds, supplementary pension provisions, and employees' healthcare expenses.

This year we have also extended to professional staff and executive middle managers an insurance policy already provided for managers. This policy, of the long-term care type, assures an annuity in the case of permanent loss of self-sufficiency in terms of performing the basis acts of everyday life.

We also provide moral and material aid to employees in the forms of subsidies, loans and other forms of assistance – for the disabled, for workers who are also studying or who have children that are studying (over € 900,000 in 2006).

In this respect there is above all the work of the "Mutual Aid Funds" (Casse di Mutua Assistenza), which, thanks to the contributions of employee members and to corporate contributions, in 2006 once again came into play with over € 4 million for healthcare (expenses for hearing aids and dental devices, etc.) and family support (wedding expenses, contributions for births and adoptions, educational subsidies, and aid for the care of the disabled, etc.).

Another important item is the "ecological grant" that MPS Banca per l'Impresa gives to its employees for the purchase of bicycles and electrical vehicles and for public-transport season tickets (€ 30,000 distributed to 93 people). We are considering extension of this measure also to other parts of the Group.

Suppliers



Suppliers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



We believe that our suppliers' activities count a great deal in our performance. We work with over 19,000 companies, of which over 70% are small and local. The services assigned to them range from car hire to IT systems and from maintenance to electricity supply. This gives an idea of the complexity of procurement management and how important the supply chain is in economic management of the company and as regards our overall impact on society and the environment. Because of this, we establish stable business relationships, always seeking mutually beneficial conditions. Our choice of suppliers is guided by quality and price, but we also require integrity and respect for their workers' rights and for the environment. We consider certified companies on a preferential basis.

Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Develop awareness-building and auditing of suppliers | Audits were performed and improvement programmes undertaken with 17 suppliers | Increase supplier audits |
| Achieve SA8000 certification | <u>Activity not performed</u> Feasibility will be assessed by a new organisational unit responsible for quality certifications (see 2007 objectives in chapter on "Corporate Governance and Business Ethics") | Build suppliers' awareness of implementation of the Group Code of Ethics |



Management and control systems

Supplier relations are generally handled by the companies and company facilities using the services concerned.

Suppliers who work for the entire Group, with whom the conditions exist for long-term relationships, or who in any case bill us for major amounts, are handled centrally and are part of the so-called “approved suppliers list”. The aim is to achieve cost savings and assure operating uniformity in meeting the needs of the Group’s various businesses.

594 companies are included in the approved suppliers list. In 2006 they supplied goods and services for a total amount of € 451 million.

BUSINESS AND CONTRACTUAL TERMS

Suppliers are normally paid, depending on contractual provisions, within 60-90 days after invoice date. At present, we do not have a system monitoring actual payment times but plan to activate one as soon as possible.

If a supplier does not respect contractual conditions, a penalty may be applied. Penalties are defined on a case-by-case basis in relation to the entity of inconvenience and damage caused, but in any case seeking, whenever possible, to reach appropriate agreement. In 2006, as has been the case for several years now, there were no disputes.

WE ESTABLISH STABLE BUSINESS RELATIONSHIPS WITH OUR SUPPLIERS, SEEKING MUTUALLY BENEFICIAL CONDITIONS

QUALIFICATION AND SELECTION

We choose suppliers according to merit, verifying their ability to assure timely deliveries that comply with agreed terms. What counts for us are suppliers’ soundness and organisational sustainability, the price, quality, and delivery of supply, with preference, when possible, for long-term agreements.

We also consider local availability of the service offered. Because of this, we often give preference to small local businesses, with a positive knock-on effect on employment (for 25% of suppliers in our register, over 10% of their annual profits come from business with us) and on the general healthiness of the economies where we operate.

The supplier qualification process envisages initial checking of the standards requested when the business relationship is initiated and subsequent checks at least every two years thereafter.

Assessments concern:

- Economic status (via review of the last two sets of annual accounts)
- Quality of service or product (also via checking of relevant certifications)
- Environmental policy (via a specific questionnaire)

For the above aspects, and considering the assessment of the function managing the supply relationship, the supplier receives a rating, which is decisive for inclusion of the company in our approved suppliers list. It is also taken into account in processes for the granting of normal credit facilities.



Suppliers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



Verification of standing in terms of responsibility

Our suppliers have to demonstrate commitment to taking their responsibilities seriously and with integrity.

For this reason, we have defined a process for identification and limitation of social, environmental, and corporate-governance risks present in the supply chain. The aim is to promote supplier conduct in line with our CSR policy, avoiding dealings with parties lacking professionalism or uncertain in terms of their social profile. This process is applied to all assignment proposals and envisages:

- Verification of possession of quality and ethical/environmental certifications. At present our register features 206 suppliers with ISO 9001 certification (67% in terms of supplier sales to us) and 37 with ISO 14001 certification (18% in terms of sales to us)
- Investigation of the environmental compatibility requisites of the company's activities, based on information given by the company concerning: policy, organisation, procedures and tools to assure correct and effective management of its environmental impact. The outcome is a score from 0 to 6, with a minimum acceptable score of 3. The present average score of suppliers in our approved suppliers list is 3.78 (vs. 3.66 in 2005)
- Analysis of the position taken by the company concerning the principles of the Social Accountability 8000 standard. The supplier is asked to issue a formal declaration of adherence to this standard, as a necessary condition for the supplier's initial and/or continuing inclusion in the approved suppliers list (84% of suppliers have already done so)
- Examination of compliance with our directive concerning corruption and administrative liability. The supplier has to sign an undertaking to observe the directive, on pain of termination of the business relationship in the case of demonstrated breaches of its rules.



Suppliers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



With some suppliers – at present only those serving MPS Banca per l'Impresa – we perform actions of control, awareness-building, and assistance to help them meet the regulatory obligations concerning employment relationships, health and safety, and equal opportunities, etc. These activities are required under the rules of SA8000 certification and to date have involved 17 suppliers, out of 117 assessed.

Community



Community

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



We are an active presence throughout Italy. Our nearly 2,000 branches are an integral part of the communities where we operate.

With our financial services we already generate social benefits – and it is in our interest to contribute to the growth of the local economies where we are present.

The bond with a territory and its communities is, for Monte dei Paschi di Siena, a question of tradition. The fact of having been born as “Monte Pio” to help the needy, fight usury, and support rural development in the area, has in fact coloured the long history of a bank that, today, still maintains very close relationships with local economies and with their economic and social needs.

Thus far we have done a great deal, above all for the territory of the Siena area and Tuscany – but we believe can make an even greater contribution.



Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prepare guidelines for sponsorships having social purposes | <u>Activity underway</u> The objective is confirmed | Devise guidelines for initiatives concerning involvement in communities' social progress (beneficiaries, objectives, and measurement of results) so as to increase their effectiveness and depth |
| Perform solidarity initiatives | Donations totalling some € 8 million were made and funds raised via various marketing campaigns linked to humanitarian projects | Confirm a contribution to the community at a level of around 3% of gross profit |
| | | Raise funds of € 1 million for humanitarian purposes |

Management and control system

We have major community investment programmes. Our support is mainly given via the MPS Foundation, our main shareholder, to which we allocated FY2006 earnings amounting to € 305 million (for information on the Foundation's activity, visit the website www.fondazionemps.it).

We also act directly by means of:

- Donations
- Sponsorship of social, scientific, and cultural initiatives
- Fund-raising for Italian and international humanitarian and solidarity projects
- Products and services designed for the weaker and more disadvantaged members of the community (as highlighted in the "Customers" chapter)
- Participation in territorial planning measures and support of industrial and business growth, also with forms of low-cost financing (once again reference should be made to the "Customers" chapter)

Involvement in the community is an integral part of our corporate culture and organisation. We evaluate worthy initiatives on the basis of considerations such as:

- The beneficiary's name in terms of awareness and its reliability
- The social relevance of the initiative and its impact on the territorial area
- Its potential in commercial and reputational terms.

This year we have centralised co-ordination of sponsorship, whilst also allowing bank branches a certain autonomy of action, so as to leverage their closeness to local problems and requirements.



In 2007 we intend to upgrade our action, devising more effective tools to measure, manage, and control activities in this field.

Contribution

In 2006 our direct contribution to the community totalled more than € 38 million, equivalent to 2.9% of gross profit.

DONATIONS

We made donations totalling some € 8 million for numerous social and cultural projects and activities.

In the social field, the main beneficiaries included:

THE LINK WITH A TERRITORY AND ITS COMMUNITIES IS A QUESTION OF TRADITION

- The new Meyer Children’s Hospital of Florence for the furnishing of facilities and purchase of medical equipment
- The non-profit association “Il Fuoco del Futuro” (“The fire of the future”) for its humanitarian activities in the Congo and other developing countries
- Lega Italiana per la Lotta contro i Tumori (an Italian association working on cancer prevention and research and cancer-related medical assistance).

In the cultural field, we confirmed our now historical links with the Siense Museums system, with the “Maggio Musicale Fiorentino” Foundation, with the San Carlo theatre of Naples, and with the International Art and Culture Centre of Palazzo Tè in Mantua.



“DEVOLVEMENT” FINANCE

We are involved in various cause-related marketing projects, meaning that, via the sale of financial products, we raise funds for devolvement to good causes:

In 2006 the main initiatives in this respect included

Dialogos – voci di solidarietà (“voices of solidarity”)

Part of the management fees of the ethical funds “Fix” and “Geo” is allocated to socially useful projects, via a public tender process. In 2006 a total of € 225,000 was assigned to:

Dialogos

- Associazione Viale K of Ferrara for its “Giano” project, which aims to combat the difficulties faced by and social exclusion of the poor
- Movimento di Cooperazione Educativa (“Educational Co-operation Movement”) for its “Berimbau co-operation network” project, which aims to give employment/income opportunities to 25 young people in Brazilian shanty towns.
- Associazione Italiana Donne per lo Sviluppo – AIDOS (“Italian Women for Development Association”), to create two “reproductive health” advisory bureaus for Palestinian women in refugee camps in the Gaza Strip area.

Sostegno – the “Support” insurance policy

Part of proceeds from the sale of a simple life insurance product goes to the Community of St. Egidio. Thus far the initiative has collected € 50,000 (with about 1,000 policies sold), used to help build “protected accommodation” to assist elderly people who are no longer self-sufficient, to a greater or lesser extent, as an alternative to going to a geriatric institution.





“Operation Smile” prepaid card

The card supports the humanitarian mission of Operation Smile, a non-profit foundation of voluntary medical practitioners, which is active in the world’s poorest countries to perform reconstructive plastic surgery to correct serious facial malformations. Banca Monte dei Paschi di Siena has issued a special prepaid, reloadable card at the cost of € 6.00/3 years, of which € 4.00 are devolved to Operation Smile. Thus far bank employees and customers have purchased 6,420 cards, making it possible to collect € 25,680 thousand.



M’Honey Card

This is the consumer credit card that, for some years now, we have been marketing in the Christmas season, linking it to humanitarian projects. In 2006, with allocation of € 0.50 for each transaction completed using M’Honey Card, we raised € 100,000 to contribute to the work of a number of organisations involved in medical and scientific research and in the solidarity field.



Sport- Gazzetta Running Card

This is a prepaid reloadable card targeting sports enthusiasts and is a tangible way of helping disabled people who would like to be closer to the world of sport. A percentage of what is spent using the card is given to non-profit associations who help disabled people to take up a sport.



Another two initiatives have recently been launched by Banca Toscana. These link prepaid card operations to the humanitarian work of “Tutti I Cuori di Rossana” (= All Rossana’s Hearts), a non-profit organisation working on the care of children with congenital heart disorders, and to the Associazione Tumori Toscana, the Tuscan cancer association, which provides home care,

WE HAVE GIVEN OVER € 38 MILLION TO COMMUNITIES TO SUPPORT THEIR SOCIAL AND HUMANITARIAN AIMS



free of charge, to cancer sufferers. The two organisations will receive € 8.00 of the € 10.00 activation cost and € 0.50 for each card reload.

SPONSORSHIPS

We support sport, music, art, and charity initiatives to promote our products – but above all to link our image to purposes that are positive in social terms.

In 2006, we sponsored, as usual, numerous initiatives, for a total amount of over € 26 million. A further € 4 million was given to local authorities for whom we perform treasury and collection services as a contribution to their promotional efforts in the cultural, musical, artistic, social, and environmental fields.

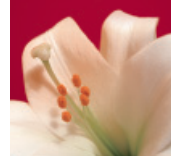
Sport and culture were the largest beneficiaries, receiving respectively 70% and 20% of the total.

Information on the main events is available on our www.mps.it website in the “Events and competitions” section.

Among the most important initiatives, we highlight “Olimpiadi del Cuore” – “Olympics of the Heart”. We have for many years been the lead sponsor of this event, invented by the well-known Italian TV journalist and presenter Paolo Brosio. Its aim is to raise funds for the Fondazione Ospedale Pediatrico Meyer (the foundation managing the Meyer Children’s Hospital in Florence) and for other non-profit organisations involved in the care of children in difficulty, to which the initiative’s proceeds and participants’ direct donations will go. During 2007 there will also be the “I Prodotti del Cuore” – “Products of the Heart” – campaign. Under this banner we will be promoting some of our products with a high ethical/social profile (ethical funds and the young people’s current account Conto Giovani Più, etc.) allocating € 1.00 for each sale to the Olimpiadi del Cuore committee for related social purposes.



Environment



Environment

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



We believe that careful consideration of our environmental impacts, both direct and indirect, contributes to more efficient management of the business, making it more sustainable and competitive in the long term.

Climate change is a reality. We too want to do our part, supporting in an increasingly incisive manner the investments of families, local administrations, and companies that want to improve their energy efficiency and quality.

Since 2002 we have had an environmental policy applicable to internal operations and to commercial operations (the document is available on the www.mps.it website in the “Our Values” section).

Objectives and accomplishments

| 2006 Objectives | Accomplishments | 2007 Objectives |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| Reduce energy consumption and approve environmental quality of purchasing | <u>Activities underway</u> Energy consumption increased by 2.7%. Conversely, the portion of electricity coming from renewable sources increased | Reduce energy consumption by 3% and achieve 100% of energy consumed from renewable sources |



| 2006 Objectives | Accomplishments | 2007 Objectives |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Strengthen communication and relations with stakeholders concerning environmental issues | <u>Activities underway</u> We have initiated discussions on environmental sustainability with trade unions and consumer associations | Implement actions to involve employees and build their awareness |
| Develop environment-related activities (sustainable urban mobility, for example) as envisaged by the supplementary company collective labour contract | <u>Activities underway</u> A task force has been set up with trade union organisations to examine the status implementation of our corporate policy and agree on improvement actions | Define sustainable mobility programmes |
| Develop the Group's offering in the new environmental markets | 130 loans totalling € 130.5 mn have been made in the renewable energy sector. Product innovation related to photovoltaic and biomass energy | Define a corporate policy to support efforts combating climate change |
| Extend the environmental management system to other Group companies and businesses | <u>Activity not performed</u> Feasibility will be assessed by a new organisational unit responsible for quality certifications (see 2007 objectives in chapter on "Corporate Governance and Business Ethics") | Increase volume and business scope in the renewable energy sector |

Management and control systems

Our activities have two types of impact on the environment, i.e. direct and indirect.

Direct impact relates to operations (consumption of paper, water and energy and generation of waste and greenhouse gases). Indirect impact instead relates to customer and supplier activities (environmental risk of operations and businesses financed, improvements of eco-efficiency encouraged by tailored loans, the pollutant activities of suppliers or of products purchases, and so on).

To manage such impacts effectively, we have defined guidelines that we apply via specific management and control systems, certified in about 60% of activities (ISO 14001 in Banca Monte dei Paschi di Siena and also EMAS in MPS Banca per l'Impresa). An important part of environmental management is monitoring of performance, based on our improvement programmes.

We have centralised management of these processes in the Organisation Area, with the aim of integrating them in activities to a greater extent and of steadily extending their scope of application. We are currently developing a new environmental action plan, for which we have started internal consultations and verification with stakeholders.

As regards the latter aspect, we have set up task forces with consumer associations and trade union organisations to review the status of implementation of our corporate environmental policy and agree on improvement actions.

Training and greater involvement of employees continues to be one of our core objectives.



Eco-efficiency in consumption of resources

Energy, water, and paper consumption and waste and emissions are regularly measured. We have implemented various action programmes to achieve more efficient management.

ENERGY SAVING

In 2006 we consumed 40,565 TPE (ton petroleum equivalent) of energy (of which 88% consisted of electricity alone), up by 2.7% vs. 2005. Impact on the environment and P&L incidence is such as to make us view energy saving and quality as priorities. Because of this, we are involved in numerous initiatives:

- We design new bank branches and major refurbishments according to construction standards (the so-called “high-performance branch”) centring round energy saving
- We have taken part in the European Commission’s Greenlight Commission, doing work on 212 locations in five years (64 in 2006) to upgrade them to the most efficient lighting technologies. These efforts have permitted a 35% average reduction in lighting consumption
- Computers and printers have long been aligned with the highest energy standards
- 94% of electricity used by us is produced from renewable sources. We in fact purchase electricity mainly via the Consorzio Idroenergia (= hydropower consortium), which generates electricity using hydroelectric facilities, with considerable limitation of greenhouse gas emissions
- We install, where feasible, solar panels in our branches (4 in 2006)
- We are also adapting air conditioning systems for greater energy efficiency. In 2006 this was done at 100 branches (140 in 2005)
- We are completing a plan for conversion of boilers from heating oil to natural gas and LPG, with consequent reduction of pollutant emissions (12 projects completed in 2006)

- We monitor consumption with the aid of remote electronic billing systems. These are already active for electricity and will be developed for natural gas in 2007.

GREENHOUSE GAS EMISSIONS

Given the importance of climate problems, emission of greenhouse gases (and in particular of carbon dioxide – CO₂) is a key indicator for measuring our impact. CO₂ is produced by our heating systems and by staff business travel (direct emissions). Also attributable to the company is the CO₂ developed in the power stations from which we purchase electricity (indirect emissions).

Present emission levels total 24,947 tons – down by 20% vs. 2005 and by 45% in the last three years. This major reduction is due to the decrease in business travel using company and personal cars (about 3%) but above all to extensive use of renewable energy. In addition, we have also increased use of video conferences - 379 in 2006 – more than tripling the number since 2002.

WE VIEW ENVIRONMENTAL PROBLEMS AND CLIMATE CHANGE WITH CONCERN AND A SENSE OF RESPONSIBILITY – AND WE WANT TO DO OUR PART

CONSUMABLES

Paper is the main consumable in our business (2,265 tons in 2006). Because of this, we try to use it carefully.

71% of paper used is environmentally compatible, i.e. is obtained from cellulose extracted from sustainable wood forests, processed by factories possessing environmental process certification, i.e. without any use of toxic agents.

When using paper, the objective is to limit consumption. We do this with growing use of electronic supports in office activities and internal communications, whilst also promoting widespread use of remote channels in customer dealings (thus far 73,441 have signed on for the on-line document project, with over 2 million items of correspondence, forms and statements of account made available solely on electronic



supports). Nearly all offices are equipped with front/back printers.

We have experienced a marked reduction in consumption of photocopier paper (down from 52 to 48 sheets per person).

We endeavour to recycle as much paper as possible. To do this we have implemented various differentiated waste collection projects.

Toner is the other consumable of which we make wide use in our activities. In 2006 we implemented "Ecoprint", a partnership with Basilichi SpA (one of the MPS Group's main suppliers of technological services) for the collection, reconditioning, and reutilisation of printer cartridges at all our Italian locations (with over 7,500 cartridges recycled during the year).

USE OF WATER

We use water for hygienic purposes and for the cooling of air conditioners and electrical transformers, seeking to promote responsible use also in the community. We have committed to monitoring and limiting water consumption, which in 2006 amounted to 111 litres per head/day.

As from 2007 we intend to improve the quality of monitoring, assigning plant maintenance engineers the task of regular metre reading.



WATER, PRECIOUS LIQUIDITY

In 2006 we implemented, in conjunction with the civic organisation Cittadinanzattiva, an information and awareness-building campaign concerning responsible use of water, targeting citizens in general and young students. We launched the campaign on "World Water Day" (March 22nd 2006) so as to highlight consistency at local level with global programmes. "Water for everyone" is one of the most pressing development



objectives of our times. The campaign involved eight cities (Bari, Mantua, Turin, Palermo, Florence, Siena, Bologna, and Salerno) where a total of 18 seminars were held, with the aim of:

- Stimulating new awareness in terms of individual behaviour able to safeguard water, as a common and limited asset
- Giving citizens practical information (water cycle and use, how to read the water bill, and simple ways of reducing consumption) to increase their awareness of the importance of using water responsibly
- Encouraging dialogue between city residents and the local institutions responsible for water management.

The seminars took place at our locations and in secondary schools, with some 2,000 attendees. We estimate that the event and the information provided reached over 10,000 city residents.



Environmental credit risk

When we finance or invest in companies and projects with high pollution potential, we are careful to assess associated environmental and economic risks.

To protect the value of project financing operations, it is not enough to know that the project's environmental impact has been verified according to legally established procedures (Environmental Impact Assessment), mandatory today in many cases (and not only for major infrastructures). Customers are also contractually liable for any breaches of environmental regulations.

We monitor the level of environmental risk of our loan book by measuring loans in economic sectors rated as having high environmental impact by the main European directives. At 2006 year-end the total value of credit facilities accorded was € 9.3 billion (11.2% of total loans), with 18% allocated to the steel/metalworking sector and 15% to the energy sector.

In financing enterprises – the business segment handled on a specialised basis by MPS Banca per l'Impresa – we apply an environmental filter that considers:

- The hazard level of the business and the legislative obligations of the sector concerned
- Business size, as an approximation of the extent of possible environmental damages
- Possession of environmental certifications.

The synthetic assessment emerging from this is one of the key factors for determining the overall credit risk.

This year we have assessed the environmental compatibility for loan applications totalling € 4.3 billion. The outcome was very positive in over 70% of cases.

In managing mutual investment funds, with special reference to the ethical range,

we give preference to companies that do not pollute or that in any case have environmental-risk management and control policies.

CLIMATE CHANGE

We view climate change with concern and a sense of responsibility, recognising that the financial sector can play an important role in addressing associated criticalities.

In 2005 the Kyoto Protocol came into force. This commits signatory countries to reducing total greenhouse gas emissions to at least 5% less than 1990 levels by the end of 2012. From this stem obligations for companies, in sectors such as energy and farming, with major economic impacts and legal/tax implications, together with operating risks in financial markets.

We intend to deepen our knowledge of such risks and of their relevance for the Group.

As part of this process, in 2006 MP Asset Management once again took part in the Carbon Disclosure Project – the initiative supported by the UN that provides a constant update on the commitments and strategies concerning energy and climate change of 2,000 of the world's major companies (www.cdproject.net), highlighting associated risks and opportunities.



THE KYOTO PROTOCOL AND EMISSION CREDIT MARKETS

An opportunity for the banking and financial industry

In order to limit the risks connected with climate change, it is necessary to keep global warming to within a 2 degrees Celsius increase of the average temperature versus the pre-industrial age. This means that, by 2030, developed countries must cut their greenhouse gas emissions by 40% vs. 1990 levels.

The Kyoto Protocol is a first step forward for a policy of reduction of climate-changing emissions. It commits industrialised countries and transition economies to achieve overall reduction of their emissions by 5%, vs. 1990 levels, in the period between 2008 and 2012.

There are two types of possible action:

- Internal, such as greater use of renewable sources and national measures to restore energy efficiency, which, however, in Italy pay the price of high marginal implementation costs
- External, via the so-called flexible mechanisms

These latter measures, introduced by the Kyoto Protocol, are particularly appropriate for addressing a global phenomenon, such as the greenhouse effect. Limitation of emissions is in fact effective regardless of the place where it is achieved, thus enabling countries and companies to take effective action where related costs are lower. This generates emission credits/ certificates, which can already be traded in various financial markets, i.e. in Holland (European Climate Exchange), Germany (European Energy Exchange), France (Powernext), Norway (Nordpool), Austria (Energy Exchange Austria) and, as from April 2007, also in Italy.

Development of these markets and of derivatives associated with them is undoubtedly an opportunity for the banking and financial industry. Also of great interest for the industry are the opportunities for financing projects or companies active in industries able to generate greenhouse gas emission credits/certificates, both via the aforesaid flexible mechanisms and via more focused action in the renewable energy sector.

As regards the latter point, it is important to note that, in March 2007, the European Union set itself the objective of achieving a 20% renewable-energy utilisation rate, in line with the commitments already made by other countries, such as the USA, China, and India.

It is therefore easy to foresee strong development of this sector, with major investments expected. An increasingly evident trend, given the ongoing accentuation and urgency of criticalities relating to climate change and to the fact that conventional energy sources are running out.

Massimo Orlandi

President of the Kyoto Club

Products for the protection of the environment

In 2006 our efforts in the so-called “green finance” markets focused on renewable energy sources.

We recognise that:

- Energy production and use are the main sources of greenhouse gas emissions
- The energy industry accounts for 40% of them – but the ongoing growth in electricity demand is such as to indicate doubling of related emissions by 2030
- Measures to be implemented include development of renewable energy, i.e. energy stemming from natural resources with endless potential and production of which is



- not associated with pollutant emissions
- Renewable energy includes hydroelectric, solar, wind, geothermal, and biomass energy. Today these sources – excluding hydroelectric energy, which has been very widespread since the 1980s – account for only 2% of global requirements. As regards this the EU's target is to achieve a 20% level by the end of 2020, meaning that major investments in the sector are expected
- Financial institutions can play an important role in promoting and developing the renewable-energy market.

With our products we want to complement government action, to contribute – competitively and with a sense of responsibility – to the investments of families, administrations, and companies that want to improve their energy efficiency and quality.

In this respect, we much appreciated the incentives package included in the Italian 2007 National Budget Law, which we are committed to supplementing with our loans.

In 2006 we completed 130 deals for a total of € 130.5 million, accounting for 0.9% of total loans paid out by the Group.

Financing for the wind segment was particularly significant, with some € 76 million granted, between project financing (in the regions of Tuscany, Sicily, Apulia, Campania, and Basilicata) and leasing arrangements.

We are also focusing on solar energy (Welcome Energy and the Enel. si convention are among the main initiatives) and on biomass energy.

As regards the latter, we have launched a new product targeting farming and agri-industrial companies (Biogas) and stipulated an agreement with the National

WE HAVE FINANCED CLEAN-ENERGY INVESTMENTS FOR € 130.5 MILLION



Confederation of Co-operatives (Confederazione Nazionale delle Cooperative) for the financing of units to produce biogas energy.

Via specific agreements with Energia SpA (today called Sorgenia), we also finance energy-saving projects – and we participate in the working table on energy saving recently set up by the Italian Environment Ministry.

In Tuscany, in co-operation with regional authorities, we have set up a fund to support companies' investments in renewable-energy thermal and electrical plants, energy-saving projects, and related R&D projects.

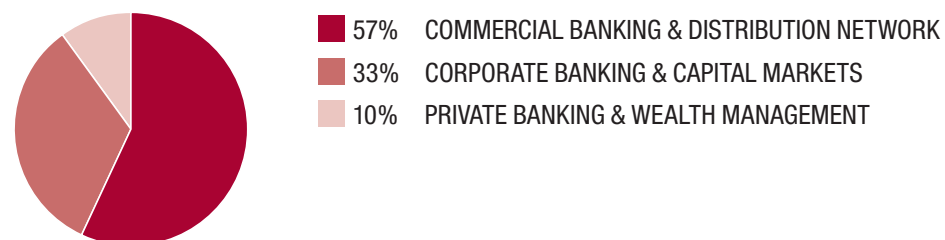
More detailed information on our products is available on our website www.mps.it.

The report in numbers



1. Performance and value creation*

1.1. BUSINESS SEGMENTS



1.2. MARKET CAPITALISATION AND STOCK MARKET INDICATORS

| | 2006 | 2005 | 2004 |
|-----------------------------------------------|--------|--------|-------|
| Per-share price (€) | 4.91 | 3.95 | 2.63 |
| Market capitalisation (€ mn) | 14,828 | 11,892 | 7,913 |
| Earnings per share (€) | 0.30 | 0.26 | 0.18 |
| Equity per share (€) | 2.00 | 2.41 | 2.14 |
| Dividend per ordinary share (€) | 0.17 | 0.13 | 0.086 |
| Dividend payout ratio (dividend/earnings) (%) | 57 | 50 | 51 |

* The data reported in the rest of this section are a summary of those shown in the "Restated Operating Statements" included in the Management Report accompanying consolidated year-end financial statements as at 31/12/2006, to which reference should be made for all further details. Reference should also be made to the same report & accounts for the reasons for restatement of data as at 31/12/2005



The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



1.3. INCOME STATEMENT & BALANCE SHEET HIGHLIGHTS AND PROFITABILITY INDICATORS

| (€ million) | 2006 | 2005 | 2004 |
|-------------------------------------------------|---------|---------|---------|
| Income statement highlights | | | |
| Financial and insurance income | 4,772.1 | 4,320.8 | 4,399.9 |
| Net operating profit | 1,279.0 | 912.8 | 760.5 |
| Net profit for the year | 910.1 | 753.4 | 554.8 |
| Balance sheet & operating highlights | | | |
| Equity | 7,775 | 7,232 | 6,388 |
| Total assets | 158,556 | 153,767 | 136,426 |
| Direct funding | 93,976 | 87,696 | 82,372 |
| Indirect funding | 99,079 | 108,855 | 105,437 |
| ↳ Of which: assets under management | 47,966 | 48,439 | 43,421 |
| ↳ Of which: assets under administration | 51,113 | 60,417 | 62,016 |
| Customer loans & advances | 91,941 | 83,526 | 76,649 |
| Profitability indicators | | | |
| Cost/Income ratio (%) | 60.9 | 64.8 | 70.6 |
| ROE (%) | 13.3 | 12.9 | 8.6 |



The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006

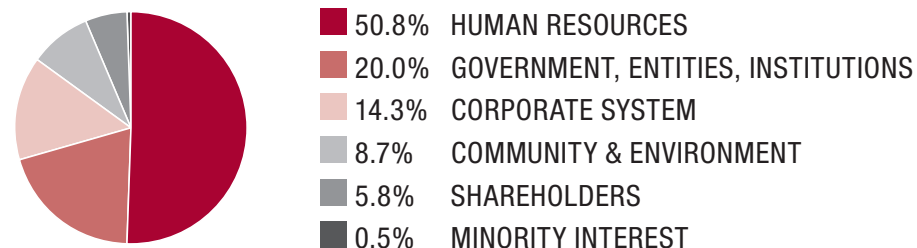


1.4. DISTRIBUTION OF GROSS VALUE ADDED

| (€ million) | 2006 | 2005 | 2004 |
|----------------------------------------------------------------|------------------|------------------|------------------|
| Shareholders | 212,570 | 162,366 | 107,415 |
| ↳ Dividends distributed to shareholders | 212,570 | 162,366 | 107,415 |
| Human resources | 1,861,573 | 1,828,856 | 1,914,116 |
| ↳ Direct staff expenses | 1,547,250 | 1,447,888 | 1,564,754 |
| ↳ Indirect staff expenses | 314,323 | 380,968 | 349,362 |
| Government, entities, and institutions | 731,941 | 453,480 | 308,142 |
| ↳ Indirect and equity taxes | 203,032 | 201,836 | 156,044 |
| ↳ Income taxes | 528,909 | 251,644 | 152,098 |
| Community and environment | 317,167 | 247,035 | 165,656 |
| ↳ Donations and liberalities | 11,577 | 12,444 | 9,336 |
| ↳ Dividends to MPS Foundation for socially beneficial purposes | 305,590 | 234,591 | 156,320 |
| Corporate system | 523,365 | 501,990 | 515,475 |
| ↳ Retained earnings and undistributed reserves | 391,932 | 498,956 | 291,095 |
| ↳ Depreciation & amortisation | 131,433 | 145,534 | 224,380 |
| ↳ Use of extraordinary reserve | | -142,500 | |
| Minority interest profit | 19,838 | 23,464 | 13,112 |
| Total | 3,666,454 | 3,217,191 | 3,023,916 |

Gross value added has been calculated using the model recommended by the ABI (Italian banking association)

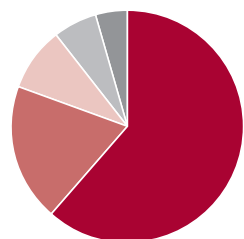
Gross value-added breakdown





2. Governance

2.1. OWNERSHIP STRUCTURE



- 62.14% STRATEGIC INVESTORS
- 19.30% RETAIL INVESTORS
- 9.00% ITALIAN INSTITUTIONAL INVESTORS
- 5.09% NOT IDENTIFIED
- 4.47% FOREIGN INSTITUTIONAL INVESTORS

2.2. MEETINGS OF BOD AND MAIN COMMITTEES

| | 2006 | 2005 | 2004 |
|-----------------------------|------|------|------|
| BoD meetings | 36 | 26 | 33 |
| Meetings of main committees | 49 | 74 | 62 |

2.3. REMUNERATION OF DIRECTORS AND GENERAL MANAGER

| (Amounts in euro) | 2006(*) | 2005 | 2004 |
|------------------------|-----------|-----------|-----------|
| Chairman | 483,780 | 416,420 | 420,600 |
| General Manager | 412,347 | 2,015,052 | 1,135,021 |
| Directors (average) | 141,041 | 111,358 | 118,512 |
| Total BoD remuneration | 1,410,409 | 1,781,736 | 1,896,193 |

(*)Data refer to the BoD elected on 29/04/2006



2.4. ASSIGNMENTS AWARDED TO SUPPLIERS CONNECTED WITH THE INDEPENDENT AUDITOR

| (Amounts in euro) | 2006 | 2005 | 2004 |
|-------------------|---------|---------|---------|
| Amounts billed | 573,063 | 667,108 | 801,133 |

Data refer to Banca Monte dei Paschi di Siena

2.5. FINES AND PENALTIES

| (Amounts in euro) | 2006 | 2005 | 2004 |
|---------------------|---------|---------|--------|
| Fines and penalties | 223,138 | 125,542 | 55,787 |

Data refer to Banca Monte dei Paschi di Siena

2.6. ANTI-MONEY LAUNDERING

| | 2006 | 2005(*) | 2004(*) |
|-------------------------------------------------|------|---------|---------|
| Suspicious transactions | 896 | 399 | 223 |
| Reports made to Italian Foreign Exchange Bureau | 537 | 292 | 137 |

(*) Data refer to Banca Monte dei Paschi di Siena

2.7. MEDIA PRESENCE

| | 2006 | 2005 | 2004 |
|--------------------------|--------|-------|------|
| Articles (*) | 13,538 | 8,200 | n.a. |
| Press releases | 279 | 176 | n.a. |
| Conferences and meetings | 13 | 15 | n.a. |

(*) Press articles in which the MPS Group was mentioned



2.8. INVESTOR RELATIONS

| | 2006 | 2005 | 2004 |
|--------------------------------------------|------|------|--------|
| Participation in international conferences | 8 | 6 | 6 |
| Activities with analysts | 61 | 20 | - |
| Meetings with investors | 421 | 200 | 200(*) |

(*) The figure also includes activities with analysts

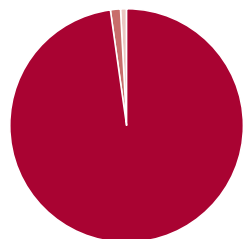
3. Customers

3.1. CUSTOMER PROFILE

| | 2006 | 2005 | 2004 |
|----------------------|-----------|-----------|-----------|
| Active customers (*) | 4,144,099 | 4,120,651 | 4,118,225 |

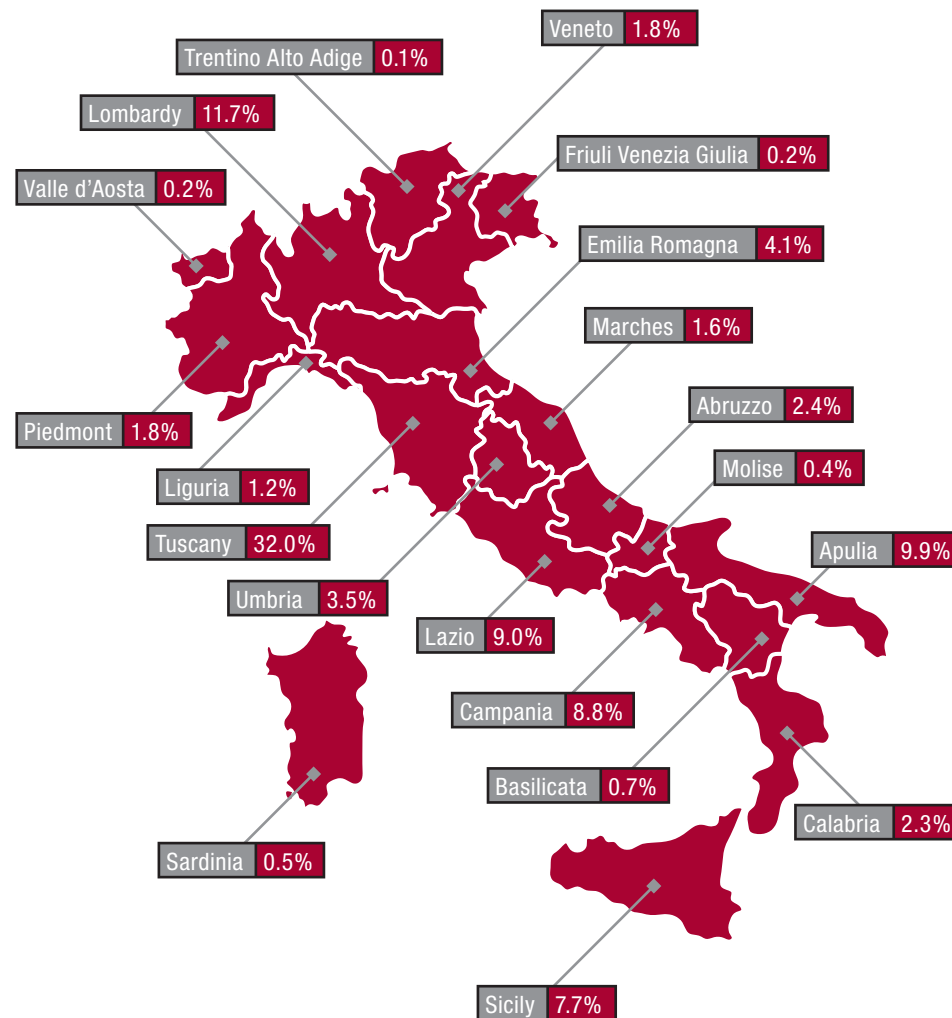
(*) Data and subsequent charts do not include stand-alone customer relationships managed directly by Consum.it, which numbered 387,000 in 2006

Customer breakdown



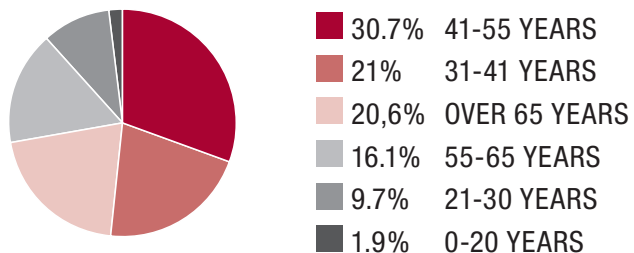
- 97.8% RETAIL
- 1.5% CORPORATE
- 0.7% PRIVATE

Geographic breakdown

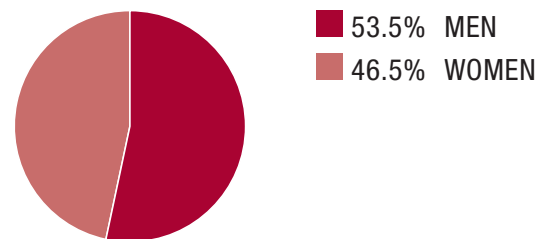




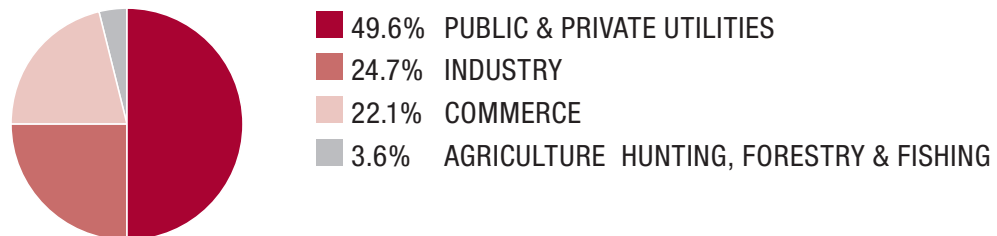
Breakdown by age



Breakdown by gender



Corporate customers Breakdown by economic sector

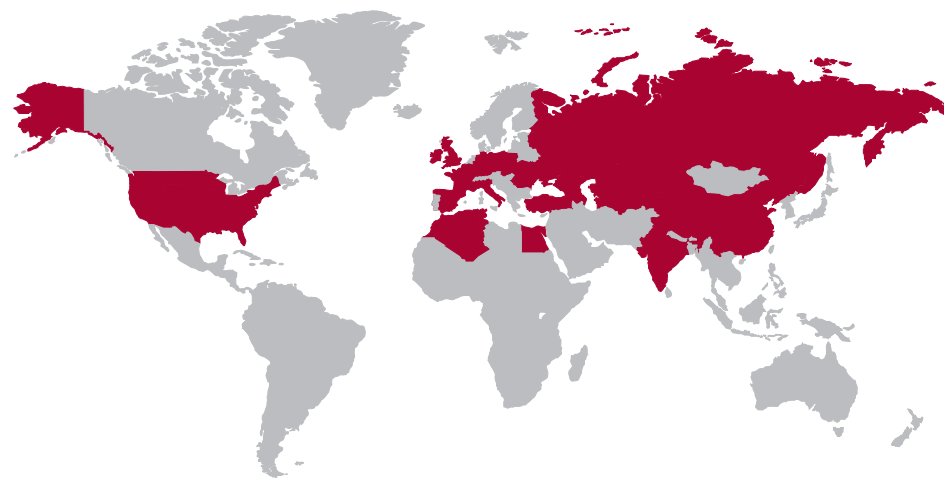


3.2. SALES AND CONTACT CHANNELS

Sales network

| | 2006 | 2005 | 2004 |
|------------------------|-------|-------|-------|
| Bank branches | 1,939 | 1,892 | 1,854 |
| ↳ Italy | 1,903 | 1,862 | 1,824 |
| ↳ Abroad | 36 | 30 | 30 |
| Private banker offices | 139 | 138 | 159 |
| ATMs | 2,233 | 2,179 | 2,207 |

Global presence





The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006

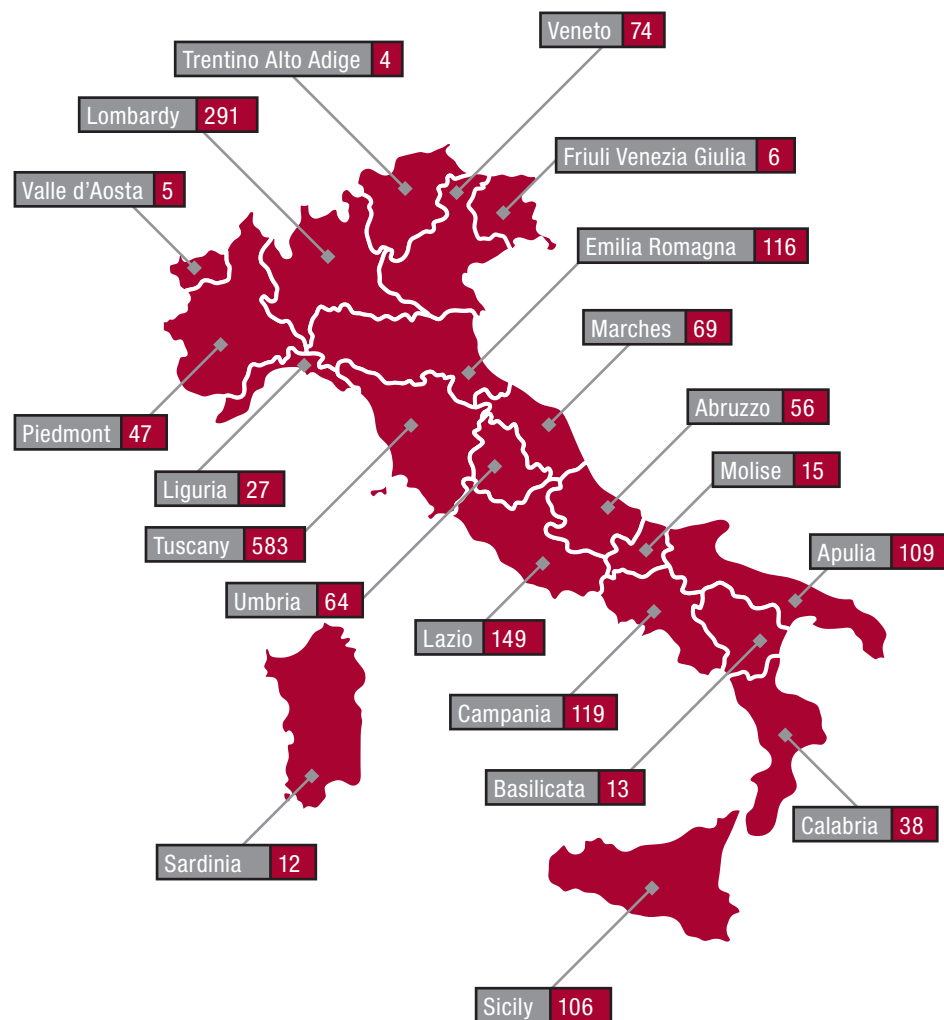


The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



Italian bank branches



Direct banking (i.e. remote) channels

| | 2006 | 2005 | 2004 |
|------------------------|-----------|-----------|-----------|
| Number of contracts | 724,896 | 663,499 | 598,873 |
| Number of transactions | 1,888,405 | 1,703,026 | 1,684,405 |

Technological innovation

| (Amounts in euro) | 2006 | 2005 | 2004 |
|---------------------------------------|---------|--------|--------|
| Investments in information technology | 103,700 | 72,600 | 72,100 |
| Cost per employee | n.a. | 13.8 | 13.2 |

Customer contacts

| | 2006 | 2005 | 2004 |
|-----------------------------------------|-----------|-----------|-----------|
| Call centre activities (*) | 2,384,551 | 2,743,328 | 2,611,407 |
| Number of call centre operators | 115 | 158 | 187 |
| Customers contacted (%) | 59.2 | 47.7 | 33.4 |
| Customers per commercial staff resource | 318 | 351 | n.a. |

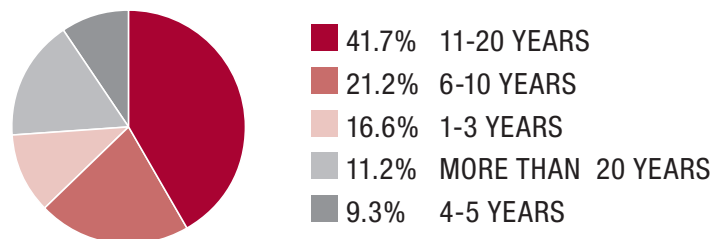
(*) Outgoing and incoming telephone calls, e-mails handled, appointments fixed

3.3. RETENTION AND TURNOVER

| % of totals | 2006 | 2005 | 2004 |
|-----------------|------|------|------|
| Retention (%) | 93.5 | 93.5 | 92.0 |
| Acquisition (%) | 7.1 | 6.5 | 4.9 |



Customer breakdown by length of banking relationship



3.4. CUSTOMER SATISFACTION

| | 2006 | 2005 | 2004 |
|--------------------|------|------|------|
| Satisfaction index | 0.47 | 0.47 | nd |

Index scale from -1 to +1

Data refer to retail and private customers

3.5. COMPLAINTS

| (Number) | 2006 | 2005 | 2004 |
|----------------------------|-------|--------|--------|
| Banking business: | 4,752 | 6,438 | 10,019 |
| ↳ Securities | 1,287 | 2,282 | 3,062 |
| ↳ Mortgages | 238 | 192 | 269 |
| ↳ Current/deposit accounts | 1,240 | 1,607 | 2,272 |
| ↳ Other | 1,987 | 2,357 | 4,416 |
| Complaints settled | 5,414 | 10,126 | 5,074 |
| Amounts paid (€ '000) | 6,767 | 3,980 | 3,766 |
| Compounding of interest | 540 | 5,178 | 2,346 |
| Financial plans | 3,337 | 5,899 | 18,111 |
| Insurance business | 123 | 102 | 138 |



3.6. PRODUCTS AND ACTION FEATURING MAJOR SOCIAL IMPACT

Loans to small businesses

| | 2006 | 2005 | 2004 |
|-------------------|--------|--------|------|
| Loans (€ million) | 14,944 | 13,270 | nd |
| % of total loans | 21.9 | 21.6 | nd |

Ethical funds

| | 2006 | 2005 | 2004 |
|----------------------------|------|------|------|
| Assets managed (€ million) | 98 | 133 | 41 |
| % of total assets managed | 0.64 | 0.82 | 0.26 |

Microcredit

| | 2006 | 2005 | 2004 |
|-------------------------|-----------|-----------|-----------|
| Anti-usury loans | | | |
| Number | 91 | 100 | 93 |
| Amount (euro) | 4,922,638 | 4,695,906 | 3,507,949 |
| Microcredits | | | |
| Number | 22 | 19 | 24 |
| Amount (euro) | 98,700 | 90,911 | 124,367 |



Investments in companies active in the social sphere

| (Amounts in euro) | 2006 | 2005 | 2004 |
|-------------------------------------------|--------------------|-------------------|-------------------|
| Financial companies with a social mission | 95,392,673 | 91,419,069 | 47,131,174 |
| Water management companies | 7,465,267 | 2,449,487 | 4,511,566 |
| Waste management companies | 3,057,647 | 3,166,217 | 3,589,974 |
| Biotechnological research | 800,000 | - | - |
| Territorial development entities | 788,768 | 1,266,046 | 1,431,293 |
| Non-profit entities | 700,520 | 833,613 | 867,173 |
| Microcredit | 400,000 | - | - |
| BIC –Business Innovation Center | 74,127 | 103,583 | 103,583 |
| Total | 108,681,001 | 99,238,015 | 57,634,763 |

4. Staff

4.1. STAFF HEADCOUNT AND TYPES OF EMPLOYMENT RELATIONSHIP

| | 2006 | 2005 | 2004 |
|---------------------------|--------|----------|----------|
| Actual workforce (**) | 24,262 | 26,470 | 26,706 |
| ↳ Italy | 23,670 | 25,884 | 26,098 |
| ↳ Abroad | 592 | 586 | 608 |
| Open-term contracts (%) | 97.0 | 97.5(*) | 97.9(*) |
| Other contracts (%) (***) | 3.0 | 2.5(*) | 2.1(*) |
| Part-timers (no.) | 1,513 | 1,545(*) | 1,532(*) |

(*) Data refer to the commercial banks

(**) Aggregate that includes inward and outward secondments

(***) Training, introductory full-time, fixed-term, and professional apprenticeship



4.2. BREAKDOWN

| % of totals | 2006 | 2005 | 2004 |
|-----------------------------------|------|------|------|
| Contractual category | | | |
| Managers | 2.2 | 2.3 | 2.4 |
| Executive middle managers | 28.2 | 26.7 | 25.6 |
| Professional staff | 69.7 | 70.9 | 72.0 |
| Age ranges (years) | | | |
| Up to 30 | 14.1 | 11.8 | 11.9 |
| 31-40 | 31.2 | 29.5 | 31.6 |
| 41-50 | 33.8 | 34.4 | 33.9 |
| Over 50 | 20.9 | 24.3 | 22.6 |
| Length of tenure (years) | | | |
| Up to 10 | 38.3 | 28.1 | 27.5 |
| 11-20 | 28.5 | 30.0 | 31.3 |
| 21-30 | 22.9 | 28.0 | 28.9 |
| Over 30 | 10.3 | 13.8 | 12.3 |
| Educational qualifications | | | |
| University degree | 27.5 | 26.3 | 24.9 |
| High school diploma | 64.9 | 65.1 | 66.2 |
| Other | 8.3 | 8.6 | 8.9 |

Employees who are card-carrying trade union members

| | 2006 | 2005 | 2004(*) |
|--------------|---------------|---------------|---------------|
| Total | 19,778 | 19,382 | 19,136 |

(*) Data refer to the commercial banks

* Data shown in the tables from 4.2 to 4.11 refer to the MPS Group's main companies, accounting for 98% of staff.



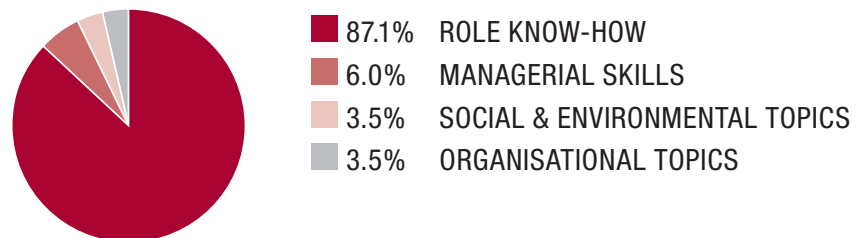
4.3. TRAINING

| | 2006 | 2005 | 2004 |
|--------------------------|-----------|--------------|--------------|
| Per-head training (days) | 4.35 | 5.5(**) | 5.3(*) |
| Training costs (euro) | 5,037,550 | 3,274,441(*) | 2,464,757(*) |

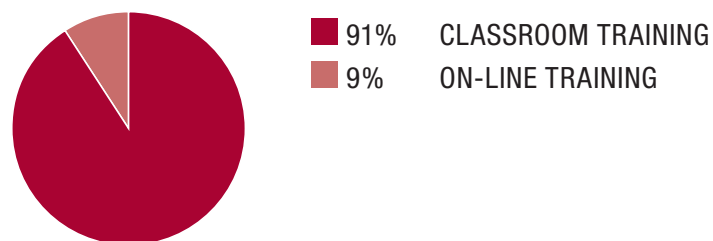
(*) Data referring to Banca Monte dei Paschi di Siena

(**) Data referring to the commercial banks

Breakdown by training topic



Breakdown by training medium



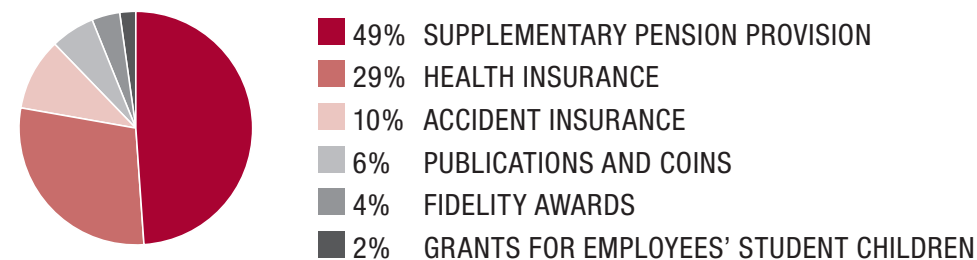
4.4. REMUNERATION

| | 2006 | 2005(**) | 2004(**) |
|---------------------------------------------|------------|------------|------------|
| Average annual gross salaries (euro) | | | |
| Managers | 114,209 | 114,997 | 108,490 |
| Executive middle managers | 53,117 | 52,968 | 50,788 |
| Professional staff | 33,583 | 33,476 | 32,272 |
| Variable component (%) | | | |
| Managers | 24.3 | 23.3 | 22.6(*) |
| Executive middle managers | 8.5 | 7.9 | 7.3(*) |
| Professional staff | 4.0 | 3.8 | 3.7(*) |
| Total additional benefits (euro) | 46,854,241 | 42,635,843 | 38,920,596 |

(*) Data referring to Banca Monte dei Paschi di Siena

(**) Data referring to the commercial banks

Breakdown of additional benefits





The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



4.5. EQUAL OPPORTUNITIES AND DIVERSITY

Female staff in managerial positions and share of career advancements

| % of totals | 2006 | 2005(*) | 2004(*) |
|-----------------------------|------|---------|---------|
| Female staff | 41.8 | 41.1 | 40.4 |
| ↳ Managers | 3.7 | 2.6 | 2.9 |
| ↳ Executive middle managers | 21.7 | 19.1 | 17.4 |
| Career advancements | 41.0 | 44.3 | 39.5 |

(*) Data refer to the commercial banks

Disabled staff

| | 2006 | 2005(*) | 2004(*) |
|--------------------------|-------|---------|---------|
| Number of disabled staff | 1,128 | 528 | 585 |

(*) Data refer to Banca Monte dei Paschi di Siena

4.6. TURNOVER

| | 2006 | 2005(*) | 2004(*) |
|-------------------|------|---------|---------|
| New hires | 923 | 605 | 973 |
| Terminations | 743 | 698 | 792 |
| Turnover (%) (**) | 0.90 | 0.65 | 0.73 |

(*) Data refer to the commercial banks

(**) Expressed as the ratio between voluntary resignations and total headcount

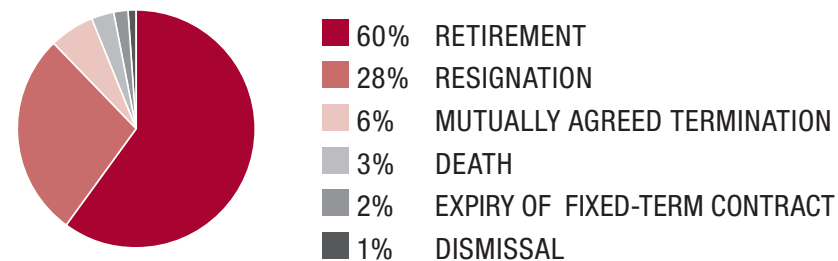


The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



Breakdown of terminations by type



4.7. OVERTIME WORKING

| Number of hours | 2006 | 2005(*) | 2004(*) |
|----------------------------------|---------|---------|---------|
| Annual total | 755,644 | 726,661 | 840,092 |
| Weekly average | 14,532 | 13,974 | 16,156 |
| Annual per-head overtime working | 64 | 83(**) | 90(**) |

(*) Data referring to the commercial banks

(**) Data referring to Banca Monte dei Paschi di Siena

4.8. ABSENCES

| | 2006 | 2005(*) | 2004(*) |
|-------------------------------|------|---------|---------|
| Per-head days of absence (**) | 6.9 | 8.6 | 8.0 |

(*) Data refer to Banca Monte dei Paschi di Siena

(**) Illness and accidents and with exclusion of maternity leave



The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



4.9. ON-THE-JOB ACCIDENTS

| | 2006 | 2005 | 2004(*) |
|----------------------------------|-------|-------|---------|
| Number of accidents | 130 | 130 | 90 |
| Total days lost due to accidents | 2,112 | 1,317 | 1,161 |
| Frequency index (**) | | | |
| Up to 3 days | 0.85 | 1.10 | 0.59 |
| More than 3 days | 3.09 | 3.83 | 4.26 |
| Gravity index (***) | | | |
| Up to 3 days | 0.002 | 0.002 | 0.001 |
| More than 3 days | 0.063 | 0.048 | 0.061 |

(*) Data refer to Banca Monte dei Paschi di Siena

(**) Number of accidents every million hours worked

(***) Days lost due to accidents every thousand hours worked

4.10. DISCIPLINARY MEASURES

| | 2006 | 2005 | 2004 |
|---------------------------------|------|------|------|
| Dismissals | 9 | 8 | 10 |
| Penalties without dismissal (*) | 43 | 69 | 94 |

(*) For example: reprimand, temporary suspension from service and salary



The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



4.11. LEGAL DISPUTES

| | 2006 | 2005(*) | 2004(*) |
|--------------------|------|---------|---------|
| Lawsuits underway | 190 | 124 | 109 |
| ↳ Actioned vs. MPS | 184 | nd | nd |
| ↳ Actioned by MPS | 6 | nd | nd |
| Employees involved | 413 | 178 | 189 |

Data referring to the commercial banks

(*) Data referring to Banca Monte dei Paschi di Siena

5. Suppliers

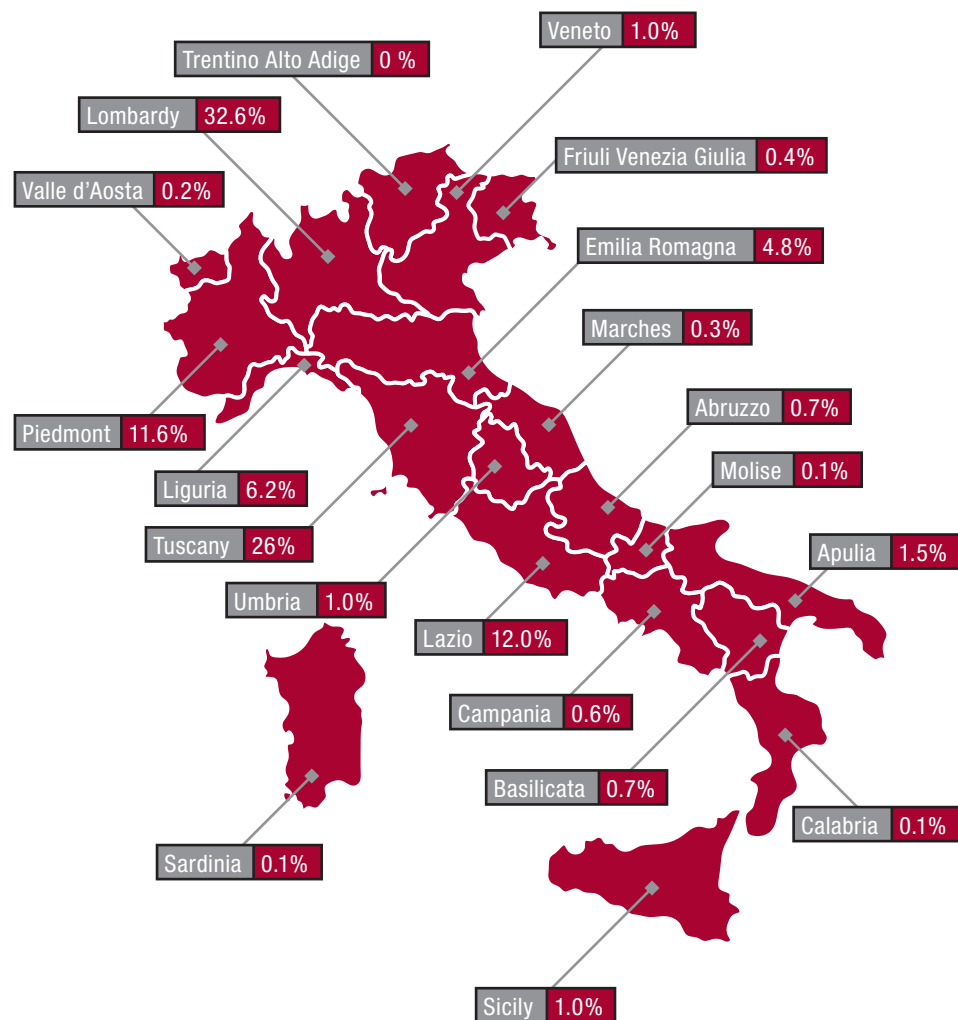
5.1. MAGNITUDE OF PROCUREMENT EXPENDITURE – GENERAL DETAILS

| | 2006 | 2005 | 2004 |
|----------------------------|-----------|-----------|-----------|
| Total expenditure (€ '000) | 2,576,816 | 2,543,253 | 2,257,748 |
| Number of suppliers | 19,383 | 18,608 | 19,678 |
| Small suppliers (%) (*) | 73.1 | 76.0 | 77.5 |

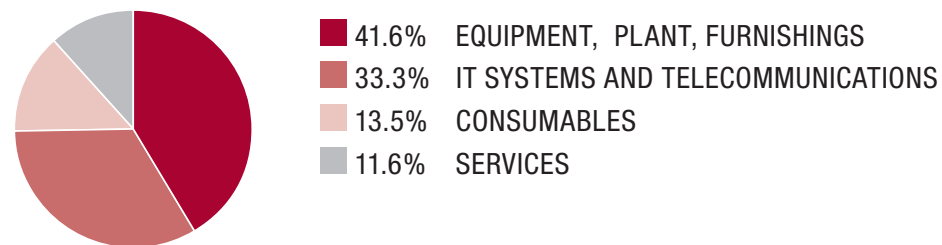
(*) Suppliers billing the Group for less than € 10,000 p.a.



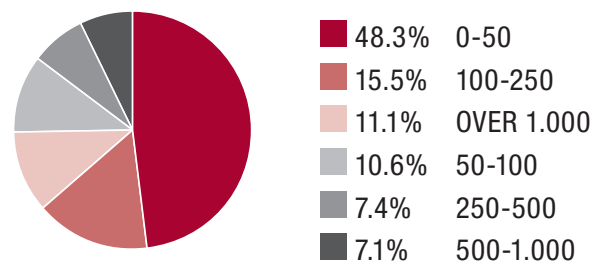
5.2. PROFILE OF SUPPLIERS INCLUDED IN GROUP APPROVED SUPPLIER LIST



Breakdown by supply type



Breakdown by amount billed (€ '000)



Turnover

| | 2006 | 2005 | 2004 |
|--------------|------|------|------|
| Turnover (%) | 3.0 | 17.3 | 6.6 |



The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



Suppliers compliant with certification standards

| | 2006 | | 2005 | | 2004 | |
|--------------------------|------|------|------|------|------|------|
| | n | %(*) | n | %(*) | n | %(*) |
| ISO 9001 certifications | 206 | 67.4 | 198 | 67.2 | 179 | 52.5 |
| ISO 14001 certifications | 37 | 17.7 | 20 | 15.4 | 18 | 1.0 |
| SA 8000 acceptances | 499 | 98.1 | 478 | 78.9 | 428 | 86.3 |

(*) % in terms of total amount billed to the MPS Group

6. Community

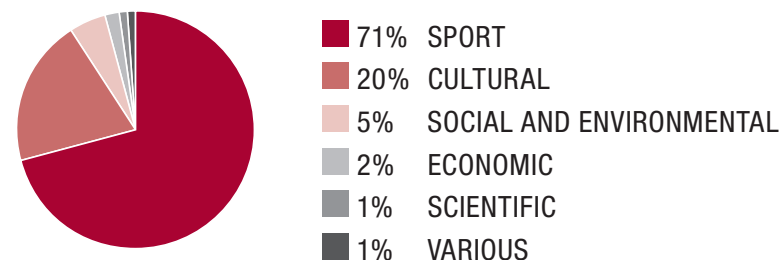
6.1. CONTRIBUTIONS TO THE COMMUNITY

| € '000 | 2006 | 2005 | 2004(*) |
|--------------------------|--------|--------|---------|
| Total contributions (**) | 38,093 | 38,430 | 21,902 |
| % of gross profit | 2.96 | 4.46 | 7.00 |
| Sponsorships | 26,516 | 25,985 | 20,148 |

(*) Data referring to Banca Monte dei Paschi di Siena

(**) The figure includes donations, contributions to local authorities for social purposes, and commercial and institutional sponsorships

Breakdown of sponsorships by purpose



7. Environment*

7.1. CO₂ EMISSIONS

| | 2006 | 2005 | 2004 |
|---------------------------------------------|--------|--------|--------|
| CO ₂ emissions (tons) | 24,947 | 31,158 | 45,223 |
| ↳ From energy consumption (%) | 69.3 | 74.1 | 81.2 |
| ↳ From road transport (%) | 30.7 | 25.9 | 18.8 |
| CO ₂ emissions per employee (kg) | 1,140 | 1,430 | 2,074 |

Emission coefficients are based on GHG Indicator-UNEP Guidelines and the Enel 2005 Environmental Report

* Data in the Environment section refer to the commercial banks, to MPS Banca per l'Impresa, and to the Operating Consortium.



The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



7.2. ENERGY CONSUMPTION

| | 2006 | 2005 | 2004 |
|---------------------------------|-------------|-------------|-------------|
| Electricity (kWh) | 148,387,318 | 143,712,181 | 147,869,618 |
| ↳ From renewable sources (%) | 94 | 88 | 73 |
| Electricity per employee (kWh) | 6,781 | 6,594 | 6,783 |
| Natural gas (m ³) | 4,734,659 | 4,960,402 | 5,105,358 |
| Heating oil (litres) | 1,094,778 | 926,177 | 982,183 |
| Total energy (TPE) | 40,565 | 39,473 | 40,550 |
| Total energy per employee (TPE) | 1.85 | 1.81 | 1.86 |

7.3. PAPER CONSUMPTION

| | 2006 | 2005 | 2004 |
|---------------------------------------------|-------|----------|----------|
| Total paper (tons) | 2,265 | 1,103(*) | 1,065(*) |
| Ecological paper (%) | 71 | 74(*) | 72(*) |
| Paper per employee (kg) | 104 | 89(*) | 86(*) |
| Photocopier paper (sheets per employee/day) | 48 | 52 | 42 |

(*)Data refer to Banca Monte dei Paschi di Siena

7.4. WATER CONSUMPTION

| | 2006 | 2005 | 2004 |
|---------------------------------|---------|---------|---------|
| Total water (m ³) | 543,407 | 498,687 | 596,176 |
| Water per employee/day (litres) | 111 | 102 | 122 |

Data estimated on the basis of expenditure



The report in numbers

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



7.5. BUSINESS ROAD TRAVEL

| Figures in km | 2006 | 2005 | 2004 |
|-------------------------|------------|------------|------------|
| Car travel (*) | 45,568,319 | 46,868,426 | 49,416,220 |
| Per-employee car travel | 2,082 | 2,151 | 2,267 |

(*) Figure does not include use of hired cars (about 4 million km travelled in 2006)

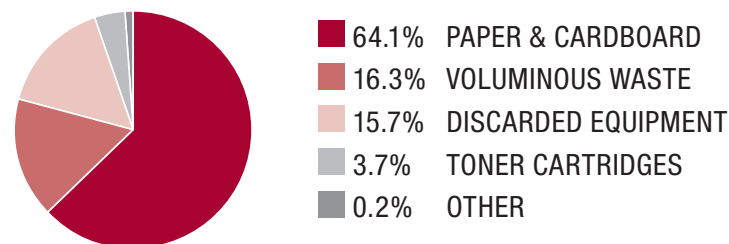
7.6. GENERATION OF SPECIAL WASTE

| | 2006 | 2005(*) | 2004(*) |
|------------------------------|---------|---------|---------|
| Total waste (kg) | 753,351 | 884,414 | 720,429 |
| Per-employee waste (kg) | 39 | 71 | 58 |
| Waste sent for recycling (%) | 64.8 | 78.4 | 66.4 |

Data are estimated and refer to the commercial banks. Their fluctuation is due to major reorganisation of activities and of waste collection and management services during the periods monitored

(*)Data refer to Banca Monte dei Paschi di Siena

Breakdown of waste by type





The report in numbers

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7.7. OPERATIONS IN SECTORS FEATURING HIGH ENVIRONMENTAL IMPACT

| | 2006 | 2005 | 2004 |
|------------------|-------|-------|-------|
| Loans (€ mn) | 9,304 | 8,358 | 4,163 |
| % of total loans | 11.2 | 11.1 | 11.7 |

7.8. LOAN APPLICATIONS SUBJECTED TO ASSESSMENT OF ENVIRONMENTAL CREDIT RISK

| | 2006 | 2005 | 2004 |
|------------------------|-----------|-----------|---------|
| Number of applications | 2,083 | 661 | 209 |
| Total amounts (€ '000) | 4,318,879 | 1,837,320 | 676,704 |

Data refer to MPS Banca per l'Impresa

7.9. LOANS IN THE RENEWABLE ENERGY SECTOR

| | 2006 | 2005 | 2004 |
|---------------------------|---------|---------|--------|
| Number of deals | 130 | 41 | 29 |
| Amounts paid out (€ '000) | 130,582 | 102,223 | 79,860 |
| % of total loans paid out | 0.91 | 0.76 | 0.69 |



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(Translation from the Italian original which remains the definitive version)

Review report on the corporate social responsibility report

To the board of directors of
 Banca Monte dei Paschi di Siena S.p.A.

- 1 We have carried out the review of the corporate social responsibility report of the Monte dei Paschi di Siena Group (the "group") at 31 December 2006, prepared in compliance with the "Sustainability Reporting Guidelines" established in 2006 by the GRI - Global Reporting Initiative. The preparation of the corporate social responsibility report is the responsibility of the parent's directors. Our responsibility is to issue this report based on our review.
- 2 We carried out our work in accordance with the criteria established for review engagements by "International Standards on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standard Board (IAASB), carrying out the following procedures:
 - verifying that the financial data and information included in the "Performance and value creation" paragraph of the "The report in numbers" section of the corporate social responsibility report are consistent with those included in the reclassified management schedules shown in the directors' report on the group's consolidated financial statements as at and for the year ended 31 December 2006, approved by the Board of Directors on 22 March 2007 and by the shareholders in their meeting held on 27 April 2007;
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the corporate social responsibility report operate. In particular, we have performed the following procedures:
 - interviews and discussions with management delegates of Banca Monte dei Paschi di Siena S.p.A. and personnel of other group companies to gather information on the IT, accounting and reporting systems used in preparing the corporate social responsibility report, and on the processes and internal control procedures used to gather, combine, process and transmit the data and information of the various group companies to the office that prepares the corporate social responsibility report;

KPMG S.p.A., an Italian limited liability share capital company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Società per azioni
 Capitale sociale
 Euro 6.728.400,00 i.v.
 Registro Imprese Milano e
 Codice Fiscale N. 00709600189
 R.E.A. Milano N. 0129807
 Part. IVA 00709600189
 Sede legale: Via Vittor Pisani, 25
 20124 Milano MI



Monte dei Paschi di Siena Group
 Review report
 on the corporate social responsibility report
 31 December 2006

- sample-based analysis of supporting documentation used in preparing the corporate social responsibility report to confirm the effectiveness of processes and their adequacy in relation to the objectives described, and that the internal control system correctly manages data and information;
- analysing the completeness of the qualitative information included in the corporate social responsibility report and its consistency throughout;
- verifying the stakeholders' involvement process, in terms of methods used and completeness of persons involved, and analysis of the minutes of the meetings or of any other information available, with regard to the salient features identified;
- obtaining the representation letter signed by the legal representative of Banca Monte dei Paschi di Siena S.p.A. on the compliance of the corporate social responsibility report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on the corporate social responsibility report.

- 3 As required by guidelines referred to in paragraph 1, the corporate social responsibility report presents the prior year's figures and information for comparative purposes. As disclosed in the corporate social responsibility report, the directors changed the comparative figures relating to the social and environmental report of the previous year, with respect to which reference should be made to our attestation report dated 6 October 2006. The methods used to recalculate the prior year corresponding figures are described in the directors' report on the group's consolidated financial statements, to which the corporate social responsibility report makes reference. We have examined such methods to the extent necessary for the purposes of our engagement. Moreover, the corporate social responsibility report at 31 December 2006 presents, for comparative purposes, consolidated management figures as at and for the year ended 31 December 2004 and consolidated management figures as at and for the years ended 31 December 2004 and 2005 which had not been presented in the social and environmental report of the previous year. Considering that the first social and environmental report of the group was that at 31 December 2005, the figures as at and for the year ended 31 December 2004 and the additional comparative figures included in the report at 31 December 2006 for the first time have been examined by us to the extent



Review Report

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



*Monte dei Paschi di Siena Group
Review report
on the corporate social responsibility report
31 December 2006*

necessary for the purposes of our engagement. Accordingly, our report does not extend to the comparative figures and information which we have not examined.

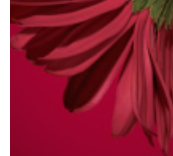
- 4 Based on our review, we are not aware of any material modifications or integrations that should be made to the corporate social responsibility report referred to in paragraph 1, for it to be in conformity with the guidelines governing its preparation.
- 5 As disclosed in the corporate social responsibility report at 31 December 2006 among the group's objectives, the group intends to further improve its internal corporate social responsibility reporting standards and procedures and extend the reporting scope of certain social and environmental indicators to all companies consolidated on a line-by-line basis.

Florence, 29 May 2007

KPMG S.p.A.

(Signed on the original)

Rodolfo Curti
Director of Audit



Topic index according to G3 guidelines

SOCIAL RESPONSIBILITY IN MPS BANKING GROUP - REPORT 2006



Topic index according to G3 guidelines

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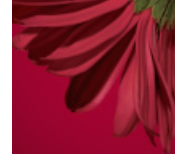
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All “core” indicators have been covered in the report, whilst “additional” indicators have been covered only when considered relevant.

* Indicator only partly reported.

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