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SOCIAL & ENVIRONMENTAL REPORT MPS GROUP



Corporate Bodies and Officers

BOARD OF DIRECTORS*

Giuseppe Mussari	<i>Chairman</i>
Francesco Gaetano Caltagirone	<i>Deputy Chairman</i>
Ernesto Rabizzi	<i>Deputy Chairman</i>
Fabio Borghi	<i>Director</i>
Turiddo Campaini	<i>Director</i>
Lucia Coccheri	<i>Director</i>
Lorenzo Gorgoni	<i>Director</i>
Andrea Pisaneschi	<i>Director</i>
Carlo Querci	<i>Director</i>
Pierluigi Stefanini	<i>Director</i>

BOARD OF STATUTORY AUDITORS*

Tommaso Di Tanno	<i>President</i>
Leonardo Pizzichi	<i>Standing statutory auditor</i>
Pietro Fabretti	<i>Standing statutory auditor</i>
Marco Turillazzi	<i>Substitute statutory auditor</i>
Carlo Schiavone	<i>Substitute statutory auditor</i>

GENERAL MANAGEMENT

Antonio Vigni	<i>General Manager**</i>
Giuseppe Menzi	<i>Senior Deputy General Manager***</i> (Head of Group Service Centre)
Nicolino Romito	<i>Deputy General Manager***</i> (Head of Private Banking & Wealth Management)
Marco Morelli	<i>Deputy General Manager***</i> (Head of Corporate Banking & Capital Markets)

* Members appointed by the Shareholders' Meeting on April 29th 2006.

** In office since June 1st 2006.

*** In office since June 27th 2006.



Message from the Chairman and General Manager

For *our stakeholders* in general, we start this message by highlighting the fact that we are going through a stage of history requiring us to address major challenges and question many of our benchmarks. We have to be ready for change, possibly far-reaching but, at the same time, it is essential that values continue to be the pole star guiding our progress.



The MPS Group wants to be a leading player in change, as testified by our new, recently launched Business Plan. Although assuring continuity, the Plan in fact impacts our organisational structure and represents a big step forward in our approach to customers and to the market. At the same time, it is clear that results will

live up to expectations only if we remain faithful to the principles driving our mission, i.e. to create value for shareholders and be a point of reference for our stakeholders.

To *our customers*, we emphasize that your centrality is the core around which the MPS Group has developed its biggest projects in the last few years - in an endeavour in which we are committed to achieving excellence in products, services, and relations. To further improve the quality of our offering, in 2005 we carried out an in-depth Customer Satisfaction Survey, which revealed that customers were very satisfied with their relationship with the company. Banca MPS («the Bank») also took part in the «Social Accountability and Consumers» project, co-ordinated by the Italian consumer association Adiconsum and co-financed by the European Commission, aiming to pinpoint the key characteristics of customer-oriented social reporting. In addition, within Consumer Lab, the joint workshop between the Bank and 13 of the foremost Italian consumer associations, a project was created that was among the finalists of the 2005 edition of the Sodalitas Social Award. The project featured the launch of initiatives such as the development of staff training programmes concerning consumer



problems, definition of guidelines for financial product and service contracts and information, and identification of specific products and services for special customer categories (such as the disabled, the elderly, and immigrants).

To *our colleagues*, we state our firm belief that achievement of excellence, in a manifestly competitive scenario, is not possible if we are not willing to bet on and invest in people - the factor that really “makes the difference” in a company. Because of this, we have confirmed our commitment in staff training and development activities, aiming to express the full potential of human resources, to enhance professional know-how and skill. We have done so as part of a process of growing recognition of the tangible contribution made by each member of staff to the company’s results. In action concerning working conditions, we have focused attention not only on health and safety aspects but also on specific, particularly important needs, such as, for example, assuring the full operating self-sufficiency of blind and sight-impaired staff. In addition, we have continued our constructive relationship with trade unions in a phase featuring renewal of the Italian national labour contract for the banking industry and definition of our Business Plan.

To *our shareholders*, we reiterate our awareness that social responsibility is part of the company’s fundamental objective, i.e. to generate substantial profits in an ongoing manner over time. The MPS Group has demonstrated with its numbers - and the 2006 first-half results confirm this - the type and degree of attention given to assuring shareholders maximisation of return on their capital. We want to continue this determined drive towards the achievement of ambitious business targets. It is therefore necessary to lay today’s foundations for tomorrow’s growth, with profit that is sustainable if it is based on the capacity to create value for all stakeholders. The company that acts in a socially responsible manner today strengthens its credibility and wins social consensus, creating a sound base for achievement of satisfying bottom-line results also in the future.

Concrete attention to civil society’s needs is part of the DNA of Monte dei Paschi, also thanks to its historical territorial roots. In this respect a particularly significant result - which we present in this Social & Environmental Report with great satisfaction - is the creation of the company Microcredito di Solidarietà SpA, in which Banca MPS is a shareholder, together with local institutions, and the main voluntary social service organisations of the province of Siena. The company is a response to the widespread need to combat social outcasting and financial exclusion. This initiative was selected as one of the business case studies presented at



the 2nd «European MarketPlace on Corporate Social Responsibility» and is also one of the finalists in the 2006 edition of the Sodalitas Social Award. Development also continued of sustainable finance products and services - from ethical funds (whose assets under management have more than tripled) to offerings at particularly good conditions for certain, particularly deserving categories of customers and businesses.

The environment is increasingly becoming the acid test of the concreteness of efforts to aid sustainability. Nature has a huge ability to absorb the impact of human operations but there are increasing signs that the margins of tolerance in this respect are becoming dangerously slim. Paradoxically, it is evident that, if we want to continue to grow and develop ourselves economically, we have to increase our efforts to maximise efficient utilisation of resources. The MPS Group has chosen to do its part. From the strategic standpoint, we have activated a task force to work on issues concerning implementation of the Kyoto protocol. At the same time, we have implemented approaches enabling us to improve our eco-efficiency indicators, reducing consumption of energy and materials, and also carbon dioxide (CO₂) emissions.

Important and tangible results have thus been achieved on many fronts, and have been recognised as such. MPS stock has in fact confirmed or improved its good position in the most accredited international stock-market sustainability indexes, i.e. FTSE4Good Europe Index, FTSE4Good Global Index, and Ethibel. Furthermore, some of the leading international ethical rating agencies, such as SIRI-Group and Oekom Research, have upgraded their rating of the Group's responsibility profile. We are committed to achieving further improvement.

We end this message by telling you, all of our stakeholders, that this sixth edition of the Social & Environmental Report is the result of progressive expansion of the scope of reporting of Group activities and results. This is a tangible sign of the fact that the MPS Group truly believes in the desirability of answering for its actions in an increasingly complete and transparent manner - submitting its ability to take part in collective creation of economic and social value to the judgement of public opinion.

Handwritten signature of Giuseppe Mussari in blue ink.

Giuseppe Mussari

Handwritten signature of Antonio Vigni in blue ink.

Antonio Vigni

A reader's guide to the report

The MPS Group's Social & Environmental Report reports on socially responsible actions implemented within group companies. It measures the consistency of those companies' action with the Group's stated principles and shared values, in the harmonious pursuit of **three types of sustainability** objective, i.e.

- **economic**, to enhance and consolidate economic performance over time;
- **social**, to act in line with stakeholders' expectations;
- **Environmental**, to minimise the direct and indirect impact of Group activity on the environment, thus helping to protect it.

Our Social & Environmental Report is not only a means of communication. It is in fact also a management tool used by the Group to monitor progress and to involve its stakeholders, increasing their awareness of the projects and initiatives undertaken by Group companies, in order to improve and enhance our socially responsible qualities.

Reporting standards

We have prepared the report taking as our reference the "Social Responsibility Reporting Model for the Banking Industry" ("Modello di redazione del Bilancio Sociale per il settore del Credito") developed by the ABI - the Italian Banking Association - in collaboration with the IBS (Istituto Europeo per il Bilancio Sociale) and the "Sustainability Reporting Guidelines" of the Global Reporting Initiative (GRI - 2002 Edition).

We have also used the guidance given by the "CSR - Social Commitment" approach devised by the Italian Welfare Ministry and - for systematic description of activities with "positive social repercussions" on the community - the London Benchmarking Group (LBG) model.

Group reporting

The Report is a first goal of our project aiming to consolidate the activities and results of all MPS Group companies not only in business terms but also as regards social and environmental aspects. In preparing the present edition of the

Report, we realise that maybe we have not always succeeded in presenting a cohesive single picture of the dimensions and extent of the various Group companies' commitment in relation to corporate social responsibility (CSR). Given all the different aspects discussed, it was in fact sometimes not possible to provide an integrated compendium of all the various activities, initiatives, and results highlighted. In the report the term "Group" or "Corporation" means the combination of companies headed by Banca Monte dei Paschi di Siena SpA, whilst the term "Parent Company" or "Bank" refers specifically to Banca Monte dei Paschi di Siena S.p.A. itself.

Report structure

The Report is organised in the following sections:

- **Group profile**, in which we present the MPS Group, illustrating its history and identity, describing its organisation, and outlining its strategic orientation;
- **Governance and social responsibility**, dedicated to the values, social responsibility principles, and management systems adopted by the Group to govern sustainability issues;
- **Economic performance**, which shows key operating and financial figures and the format highlighting calculation and distribution of value-added generated by Group companies;
- **Social performance**, in which we describe Group companies' social and cultural activities and their active relations with their stakeholders;
- **Environmental performance**, which highlights the various Group companies' environmental commitment and reports on their activities and results achieved in this respect;
- **Objectives and results achieved**, which illustrates, with reference to stated commitments made in the previous year, progress made and goals achieved, as well as indicating the scope of proposed short-term improvements;
- **Data accreditation**, containing the attestation of conformity issued by the auditing firm KPMG;
- **Topic index**, which provides the

page references for topics specifically contemplated by the reporting standards and guidelines applied in preparing the Report;

- **Glossary**, to which reference can be made for the explanation of terminology used in the text.

The Report also features - in the boxes called "The stakeholders' voice" set alongside some facts of initiatives of Group companies - relevant comments and considerations made by people and entities, which, besides having specific competence or special sensibility as regards CSR, have been directly involved and have decided to state their opinion. Some of the main initiatives concerning relations and dialogue with stakeholders are shown in specific "Stakeholder dialogue" sheets.

Nature and characteristics of data

The contents of our Social & Environmental Report have been gathered and elaborated by our "Social & Environmental Reporting Task Force", set up back in 2002 and comprising representatives of the Corporation's various functional areas.

For the present edition of the Report - which refers to the whole MPS Group - Task Force membership has been extended to include representatives of the companies concerned.

Unless otherwise indicated, data refer to Banca Monte dei Paschi di Siena S.p.A. and to companies consolidated as at December 31st 2005, as indicated in the table on page 158. Some of the data are also shown in our Consolidated Annual Report & Accounts, to which reference can be made for further details, in particular, on information concerning operating and financial aspects.

Environmental performance data generally come from direct measurements. Some data have been calculated via analysis based on sampling procedures and via extrapolation.

All data refer to 2005 and, when possible, are compared with those for the previous year. In addition, we also provide qualitative information on significant events occurring in the early months of 2006.

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MPS Group Profile



True to our tradition, open to change and innovation, we aim to be leading players in the Italian and European banking scenario.

Our identity

Our 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 their respective local geographies.

MPS Group Mission, 2000.

Half a millennium of history

1472

Monte dei Paschi di Siena - the world's oldest bank - dates back to 1472, when it was specifically created - basically as a pawnbroker (which is one of the meanings of the Italian word "monte") - under the name of "Monte Pio" by the Magistratures of the Republic of Siena to aid the needier classes of the population at what was a particularly difficult time for the local economy.

Its activity, conceptually continuing the great commercial and money-lending traditions of the city of Siena, fast evolved in the direction of normal banking business, especially after the 1568 and 1624 reforms.

1624

The 1624 Charter or Articles of Association, in particular, introduced enlightened operating approaches, which linked the Monte's activity even more closely with the economy of its local area. Following this reform the Bank also acquired its present name.

On that occasion Ferdinand II, Grand Duke of Tuscany, in fact gave the Monte's depositors a state guarantee, pledging for this purpose the income of the state-owned pastures of the Maremma area. Pastures mean "paschi" in Italian, whence the "Paschi di Siena" part of the name.



Monte dei Paschi gradually extended its activity to increasingly extensive areas of Tuscany and, at the time of Italian unification (a process basically completed in the second half of the 19th century) was one of the soundest national banking organisations, and also an innovator - launching, for example, mortgage loans, a first in Italy at that time.

1907-1930

The Bank expanded beyond the boundaries of its two traditional provinces and started to do business in a growing number of regions (opening branches in Empoli, Florence, Perugia, Naples, and Rome). It took part in the founding of Banca Toscana.

1936

In recognition of its public legal nature, Monte dei Paschi di Siena was officially designated as a public-law bank and equipped itself with new Articles of Association. The latter, albeit with a series of amendments, remained in force until 1995, when the Bank was to undergo further radical institutional transformation.

1946-1989

The Bank consolidated its domestic presence and ventured beyond Italian boundaries, opening branches and offices in the world's key financial centres - New York, Singapore, Frankfurt, and London.

1990-1994

The Bank became the first in Italy to diversify into bancassurance, via Montepaschi Vita. It was active in mutual investment funds, via Ducato Gestioni, also strengthening its presence in medium-/long-term lending via acquisition of Mediocredito Toscano and Istituto Nazionale per il Credito Agrario, which were later to form MPS Banca per l'Impresa. It also acquired controlling interests in foreign banks - in Belgium, Switzerland, and France.

1995

The Italian Treasury Ministry Decree of August 8th 1995 created two entities, i.e. the Fondazione (Foundation) Monte dei Paschi di Siena and the joint-stock company Banca Monte dei Paschi di Siena SpA. The Foundation's statutory mission is the pursuit of social-service and charitable ends,

as well as activities for the common good in scientific research, education, healthcare, and art, above all as regards the City and Province of Siena. It is in effect the direct continuation of the original public-law bank.

The joint-stock entity consists of the banking company, la Banca Monte dei Paschi di Siena which, at the head of the eponymous group, performs banking, financial, and insurance activities.

1999

On June 25th 1999 the Parent Company listed its shares on the Milan Bourse, accomplishing a fundamental step in reinforcement of the Group in terms of competitiveness and size.

2000-2005

Public listing marked the start of a phase of intensive territorial and operating expansion, featuring the following key developments:

- Investments in a number of regional banks with strong local franchises, including Banca Agricola Mantovana (BAM);
- Strengthening of business generation facilities in strategic market segments, via development of product companies: Consum.it in consumer credit; MPS Leasing & Factoring in the banking-related segment; MPS Finance in investment banking, MP Asset Management SGR in asset management, and MPS Banca Personal in private banker services;
- Centralisation in MPS Banca per l'Impresa of activities in the segment of specialised lending for business and of corporate finance services;
- Development of commercial productivity, with the aim of improving the standard of assistance and advice provided to investors and companies, via service models specialised by customer segment;
- Consolidation of activities in some strategically important business, such as the markets of private banking and, following Italian pension reform, of supplementary pension schemes;
- Implementation of an extensive programme for the inauguration of new bank branches in the Group, with the target of having a network of over 2,000 branches by the end of 2006.



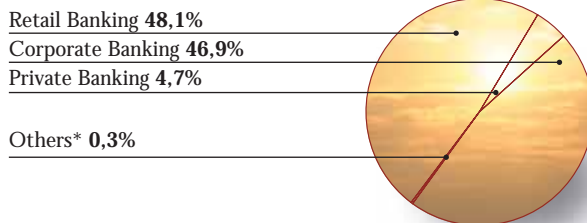
The MPS Group

The MPS Group is active throughout Italy and in the main international financial centres, with operations ranging from traditional banking to asset management and insurance (investment funds, managed discretionary accounts, pension funds, and life insurance policies) and from investment banking to innovative corporate finance (project finance, merchant banking, and financial advisory services), with a special vocation for the retail segment - consumers and small and medium-sized enterprises (SMEs).

With some 27,000 employees, over 1,900 branches, and an extensive combination of sales channels, the Group serves some 4.5 million customers.

The MPS Group has a distinctive feature that is also the result of the strong local franchises of its banking companies. This feature is its ability to combine the pursuit of growth and value creation - the objective of all market-oriented companies - with the traditions, specifics, and constraints typical of its various local franchises and communities of reference.

Contribution to Group net operating profit by commercial segment



* Includes investment banking, corporate centre, and other segments.

Some MPS Group basics	2004	2005
Branches	1.854	1.916
Italian branches	1.824	1.886
International branches and offices	30	30
Employees**	26.706	26.470
Total assets (€ million)	136.426*	153.749

* Measured according to IFRS rules concerning consolidation area.

** Data concerning staff of all Group companies, with exclusion of employees seconded to other companies (minority investments) and cleaning staff.





Our organisation

From the organisational standpoint, the MPS Group is an integrated and multi-market financial, banking and insurance entity, with a structure based on a 4-pillar model, i.e.:

- A **central** organisation for top management and operating co-ordination - the **Corporate Centre** - operating within the Parent Company, Banca Monte dei Paschi di Siena SpA;
- A **production** organisation, consisting of the **product companies**, dedicated to development of specialist financial instruments to be launched in the market;
- A **sales** organisation, consisting of the **business units**, i.e. the bank branch networks of Banca Monte dei Paschi di Siena, Banca Toscana, and Banca Agricola Mantovana, and the private banker network;

- A **service** organisation, consisting of the companies and departments managing information technology, real estate, and other business support services.

Other activities in which the Group is involved - based on a rationale of optimisation of its overall performance - are the insurance business and foreign operations, as well as tax collection companies and services. As regards tax collection, based on Italian Decree Law 203/205 all these activities will be transferred by September 30th 2006 to the new state-owned tax collection companies (Riscossione S.p.A. and Riscossione Sicilia S.p.A.), which will take over tax-collection tasks as from October 1st 2006.

The MPS Group 4-pillar organisational model



The Banking Group and the other subsidiary and associate companies are detailed in the fold-out page starting on page 158 of this Report.

Group Companies

Below we briefly describe the MPS Group's main companies.

Business Units



www.mps.it

Chairman: Giuseppe Mussari
General Manager: Antonio Vigni

Banca Monte Paschi di Siena, at the head of the eponymous banking group, operations - also via its subsidiaries - in the various banking and financial segments, ranging from traditional banking to special lending, asset management, bancassurance, and investment banking.

It is a bank with a strong retail vocation, present with 12,000 employees and over 1,100 branches throughout Italy and in major international financial centres. MPS stock has been listed on the Milan Bourse since 1999 and is part of the S&PMIB40 index.



www.bancatoscana.it

President: Aldighiero Fini
General Manager: Giorgio Olivato

Banca Toscana was born in 1904 as "Piccolo Credito Toscano", a co-operative company created by a committee of townspeople. Today, the Group's Florentine bank, with 4,000 employees, has a commercial network of 432 branches, mainly located in the regions of Central Italy. Its business features a particularly strong focus on the needs of consumers and local economies, with special reference to SMEs.



www.bam.it

President: Emilio Tonini
General Manager: Claudio Pieri

Banca Agricola Mantovana came into being in 1871 as a co-operative credit company providing support to the farming and agrifood industries. With 3,500 employees and a network of 292 branches present in 20 provinces in the regions of Lombardy, Emilia Romagna, Veneto, and Piedmont, it operates extensively in services to households and consumers. It continues to be strongly specialised in traditional banking services for artisan and retail businesses and for local SMEs.



www.mpsbancapersonale.it

President: Pier Giorgio Primavera
General Manager: Vincenzo De Rosa

MPS Banca Personale is the MPS Group's network of private bankers, specialised in services and customised advisory services for managing assets. With some 700 professionals and 130 offices, it serves 100 thousand customers in Italy, gathering assets that in 2005 totalled some € 2.5 billion.

Product Companies



www.mpsbancaimpresa.it

President: Francesco Saverio Carpinelli
Managing Director: Marco Morelli
General Manager: Antonio Attanasio

MPS per l'Impresa, active in corporate lending in general, also offers advisory, capital market, project financing, and private equity services, plus concessional and subsidised loan services. It has over 300 employees and is present - via the Group's commercial network and with 20 of its own facilities - throughout Italy, with loans totalling over € 10 billion.



www.mpsfinance.it

President: Mauro Faneschi
Managing Director: Marco Morelli
General Manager: Fabio Accorinti

Created by the MPS Group to develop structured finance products and services for corporate and retail customers, MPS Finance operates with 200 employees in the Siena and Milan bases. It creates investment and loan, asset management, trading and innovative finance products, plus pension-planning and insurance products, with which it combines risk management, trading, advanced administration and advisory services.



Product Companies



www.mpslf.it

President: **Massimo Bernazzi**
General Manager: **Giorgio Pernici**

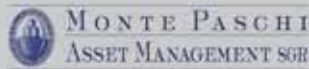
MPS Leasing & Factoring is the MPS Group's bank specialised in the development and marketing of integrated leasing and factoring products for businesses, artisans, and professionals, with respective market shares of 3% (among the top 10 in the sector) and 4.1%.



www.consum.it

President: **Giuseppe Catturi**
General Manager: **Fabio Giannotti**

Founded in 1998, Consum.it is the MPS Group's consumer credit company. It grants specific-purpose and personal loans via the Group's branches. It is enjoying a significant growth trend, with a market share of close to 5%.



www.mpsam.it

President: **Massimo Caputi**
Managing Director and General Manager: **Nicolino Romito**

MP Asset Management SGR, the MPS Group's asset management company, has total assets under management of over € 44 billion. It is active both in collective investment undertakings and, on behalf of the Group's banks, in individual discretionary accounts. With over 500,000 customers and 36 mutual funds (Sistema Ducato), it has a 4% market share.



www.mpsventure.it

President:
Francesco Saverio Carpinelli
General Manager:
Gabriele Cappellini

MPS Venture SGR is the MPS Group company specialised in the management of closed-end investment funds. The company invests in unlisted, small and medium-sized Italian companies active in services, manufacturing and commerce, with attractive growth prospects in both organisational and capital/financial terms. MPS Venture is leader of the sector in Italy, with seven funds managed for a total of € 326 million.



www.mpv.it

President: **Antonio Silvano Andriani**
General Manager: **Emanuele Marsiglia**

The MPS Group's insurance company - active since 1991 - pioneered bancassurance in Italy. It is among the top companies in its sector, with a 9.2% market share, offering solutions for pension-planning, savings, and investment needs.

The Group's insurance business also comprises Montepaschi Assicurazioni Danni (property & casualty insurance) and the Irish company Montepaschi Life.

Service Companies



President:
Ernesto Rabizzi
Managing Director:
Massimo Castagnini
General Manager:
Giancarlo Lunghi

This is the centre for development and management of information and telecommunication systems, as well as for provision of back-office administrative services to the various Group companies. With total computing capacity of some 18,000 MIPS (million instructions per second), it has over 2,200 employees located in 5 centres in Italy.

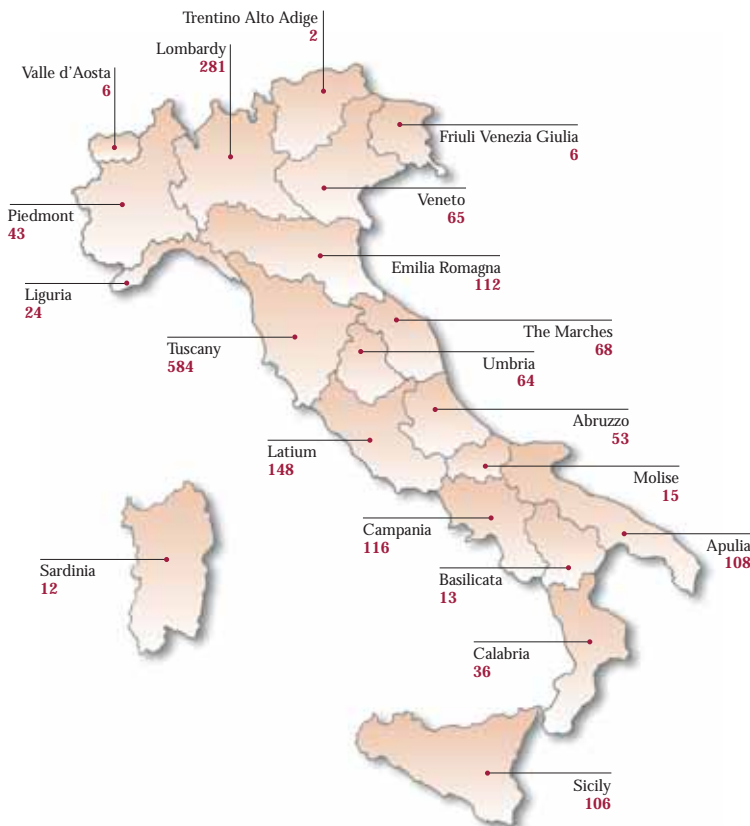


President: **Lucia Coccheri**
General Manager: **Marco Baldi**

Created in 2000, Gestioni Immobiliari manages Group companies' operating and investment properties (over 1.5 million sqm), looking after routine and extraordinary maintenance, refurbishment, and tax and administrative compliance, as well as value enhancement and development initiatives.

Our geography

Group bank branches in Italy



Commercial banks	Branches as at 31.12.2005
Banca MPS	1.138
Banca Toscana	432
Banca Agricola Mantovana	292
Combined market share (% of total bank branches in Italy)	6,0

The international network

The Group's international network consists of branches, representation offices, and subsidiaries. In addition, by virtue of agreements with entities and institutions abroad, it also has operating facilities (Italian and/or customer desks) for the provision of advisory services and banking, financial, and commercial assistance.

	European network	non-european network
Branches	London Frankfurt	New York Honk Kong
Banks	Monte Paschi Banque (France) Banca Monte Paschi Belgio (Belgium)	
Representation offices	Istanbul Bratislava**	Il Cairo Moscow Beijing Shanghai* Tunis Canton Algiers Mumbai** Casablanca**

* Now being transformed into an operating branch.
** Offices opened during the first half of 2006.

In 2005 we continued rationalisation of the network, started in the previous year. The aim of this is to strengthen its role of customer support and assistance.

As regards direct presence, we have defined a plan envisaging maintenance of a direct presence in key international financial centres and redirection of the Group towards the most attractive markets, featuring the highest growth potential. These have been identified in some areas of the Mediterranean, Central & Eastern Europe, and the Far East.

The Group is also present in the main international markets via co-operation agreements with international banking and financial entities. Thanks to these arrangements it is able to provide full support to its customers, in particular in countries such as Spain, Portugal, Poland, Brazil, and Chile.



Strategies and key events in 2005

The aim of our 2003-2006 Business Plan was to enable the MPS Group to:

- Successfully address the competitive scenario's new challenges;
- Maintain its strategic independence;
- Strengthen its position as a premier Italian group with a European orientation;
- Achieve tangible development, both via further internal and external growth and via rationalisation of its existing organisational approach and set-up;
- Generate substantial and enduring growth of shareholder value.

With the goal of improving profit performance - via improvement of commercial productivity, growth of operating efficiency, optimisation of risk management - during 2005 we continued the various strategic initiatives envisaged in the Plan. Half of the some 40 projects initially identified have been completed and the remaining projects are all at an advanced stage.

More specifically, during the year we made progress as follows on the activities highlighted below:

- Completion of nearly all the projects concerning commercial productivity growth, including the definition and roll-out in the networks of service models specialised by customer segment (Retail, Private, and Corporate);
- Implementation of the plan for the opening of new branches;
- Roll-out in the networks of the new lending process for Corporate customers (SMEs and Small Business) based on a rationale consistent with Basel II;
- Reorganisation of operating and administrative functions based on a rationale of efficiency improvement and cost reduction;
- Rationalisation of international activities.

The year's performance

2005 ended with the highest net profit ever achieved in the MPS Group's history (€ 790.2 million), with growth of 42.4% over 2004.

The growth in operating volume (lending + 9%, direct funding + 6.5%, and managed assets + 11.6%) and the progress in the key operating performance indicators (net operating profit up by + 44.2% vs. 2004) are factors showing good continuity in the growth achieved by the Group.

MPS Group's annual results	2004	2005
(€ million)		
Customer loans	76.649	83.526
Direct funding	82.372	87.696
Managed assets	43.421	48.439
Administered assets	62.016	60.417
Net profit	554,8	790,2
ROE (%)	8,6	12,9



2006-2009 Business Plan

On June 26th 2006 the Bank's Board of Directors approved the MPS Group's new Business Plan for the next three years (available on the site www.mps.it, in the "Investors" section). The main objectives are:

- net profit in the range of € 1.4-1.5 billion;
- Cost/Income ratio improving to 51.2% (-13.6% points);
- Tier I ratio of 7.5% and ROE of 18.1%;
- Payout ratio: 65% (but with potential for a significant increase during the plan's time span);
- Volume growth: 2005-09 CAGR = loans 7.5%, funding 5.5%;
- Strengthening of network and streamlining of corporate units;
- Three new business segments: Commercial Banking/Distribution Networks, Private Banking/Wealth Management, and Corporate Banking/Capital Markets;
- Introduction of role of Chief Financial Officer (CFO) - responsible for strategic planning of operations, tax planning, cash management and allocation, and capital and risk management;
- Creation of Group Service Centre to rationalise costs and optimise organisational processes;
- Inauguration of 200 branches and acquisition of 470,000 new customers;
- Headcount reduction (-10%) and tangible improvement in front-office/back-office ratio (+8% vs. 2005);
- Reduction of weight of equity investments and of property portfolio;
- Market leadership in specific individual segments (Wealth Management, Bancassurance, and "Banca della Previdenza" - the "Pension-Planning Bank"), also via use of third-party products;
- Customers and shareholders constant focal points of business rationale.



Governance and Social Responsibility



Corporate social responsibility is a key and distinctive feature of our corporate governance model.

We intend to make our operations even more transparent for stakeholders and to increase return on investment over time, benefiting all shareholders.

Values and principles

Pursuit of sustainability - i.e. acting with respect for the environment, for quality of life, and, more in generally, for the individual as the key focal point - is an ongoing improvement process. In the last few years we at the MPS Group have developed this process with growing conviction, recognising the positive effects that, in a medium-/long-term perspective, it has on the company, particularly as regards better relations with stakeholders.

We started this approach by spelling out the values that have always guided business and individual conduct within the Group. We did this in the form of a "Charter of Values", approved by the Parent Company's Board of Directors in October 2000. The Charter includes, among other values and in particular, the value of the responsibility ethic, meaning the "commitment to service, integrity, transparency, correctness in business dealings and to environmental protection and respect of all individuals". These values were then conjugated in the form of the basic principles guiding the social responsibility policies governing the conduct of Group companies, by means of:

Adoption of house Codes

including:

- Code of Conduct for the Banking & Financial Industry.
- Internal Self-Discipline Code.
- Codes for internal dealing and related-party transactions.
- Code of ethics for asset management.
- House regulation concerning corporate administrative liability under Italian Legislative Decree 231/2001.
- Environmental Policy Charter.

Participation in public statements of commitment

including:

- UNEP FI - An initiative of financial institutions within the UN Environmental Programme.
- UN Global Compact.
- Finance and sustainable development - World Business Council for Sustainable Development.
- Alliance launched by the European Commission for competitive and sustainable enterprise.
- Observance of Social Accountability 8000 principles.



Our values

Responsibility ethic

Act conscientiously at all times, true to the responsibility ethic, which requires constant commitment to service, integrity, transparency, correctness in business dealings and to environmental protection and respect of all individuals.

Customer orientation

Learn to listen to customers and therefore pay increased attention to customer relations, improving the standard of service and customer satisfaction via constant attention to the efficiency and effectiveness of service production and provision.

Readiness for change

Learn to be positive in terms of the future, being open to innovation and flexible in ways of working, whilst exploiting the strengths of tradition.

Entrepreneurship and proactiveness

Be entrepreneurial at all levels of responsibility, forestalling problems, proposing solutions, and accepting accountability appropriate to each person's professional rank.

Passion for professional skills

Become a yardstick in the industry via development of best practices and a concept of professionalism oriented towards development and self-development of key individual and corporate skills.

Team spirit and co-operation

Communicate to maintain and enhance team spirit, thereby improving co-operation, sharing of skills, and the ability to help others. The aim is to be responsible players in order to pursue and aid the success of Banca Monte dei Paschi di Siena, fully respecting its basic ethos.

(MPS Group's Charter of Values, 2000)

Social responsibility principles

Sustainable development

- Proactive approach to sustainable development.

Environment

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

Human rights

- Respect of human rights and championing of their protection.

Labour standards

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

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.

We intend to continue interpreting corporate social responsibility as intensely as have we been doing for over 500 years now. All of us, together, feel this is a moral obligation stemming from our great humanist tradition - but also a firm and enthusiastic individual choice that each of us makes every day.

Governance

Corporate Governance

Within the rules and regulations governing banking group's activities in Italy, Italian Legislative Decree no. 385 of September 1993, 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 its banking group's investee companies.

With regard to the above Act, Banca MPS has adopted a corporate governance model complying with the standards of the Italian Self-Governance Code for Listed Companies (Codice di Autodisciplina delle Società Quotate) (for a full description of the Code reference should be made to the 2005 Consolidated Annual Report & Accounts and to the Corporate Governance Report, both available on the site www.mps.it, in the "Investors" section).

Board of Directors

The Board of Directors was renewed by the Shareholders' Meeting on April 29th 2006, with the number of members being reduced from 16 to 10, 5 of which appointed as proposed by the Fondazione MPS (the Foundation), which owns 49% of capital, and the other 5 by 70 shareholders forming part of a shareholders' pact.

All directors are non-executive and independent:

- Non-executive, insofar as none of them holds executive roles in the bank and, in addition, there is no Managing Director (although this position is envisaged by the Articles of Association);
- Independent, insofar as none of them have significant business dealings with the Bank or its subsidiaries, or equity interests of an entity such as to enable them to exercise control or significant influence over the Bank, and none of them is a close relation of parties in one or more of the above conditions.

Offices held by Members of Board of Directors

Giuseppe Mussari: *born in Catanzaro on 20.07.1962*
President of Fondazione Monte dei Paschi di Siena until April 28th 2006; President of Steering Committee of Cassa Depositi e Prestiti until April 28th 2006; and Director of Associazione Bancaria Italiana (ABI - Italian banking association).

Francesco Gaetano Caltagirone: *born in Rome on 2.03.1943*
Chairman of Caltagirone SpA; President of Caltagirone Editore SpA; President of Il Messaggero SpA; President of Eurostazioni SpA; Director of Cimentas SpA (Istanbul); and Director of Grandi Stazioni SpA.

Ernesto Rabizzi: *born in Gaiole in Chianti (SI) on 20.10.1940*
President del Consorzio Operativo Gruppo MPS; Director of the Università per Stranieri di Siena; and Regional President for Tuscany of the CONI (Italian Olympic Committee).

Fabio Borghi: *born in Massa Marittima (GR) on 9.04.1952*
President of MPS Gestione Crediti Banca SpA and Director of Banca Monte Parma SpA.

Turiddo Campaini: *born in Empoli on 15.10.1940*
President of Unicoop - Firenze s.c.; Chairman & CEO of Finsoe SpA; and Director of MPS Banca per l'Impresa SpA.

Lucia Coccheri: *born in Barberino Val d'Elsa (FI) on 13.12.1950*
President of Paschi Gestioni Immobiliari SpA; President of Sienambiente SpA; Director of Revet SpA.

Lorenzo Gorgoni: *born in Cutrofiano (LE) on 8.11.1942*
Vice President di Monte Paschi Asset Management SGR SpA and Director di Banca Agricola Mantovana SpA.

Andrea Pisaneschi: *born in Florence on 1.10.1959*
Vice President of Montepaschi Vita SpA; Director of Banca Agricola Mantovana SpA; and Director of Intermoneta Sim SpA.

Carlo Querci: *born in Florence on 8.04.1928*
Vice President of Banca Monte Parma SpA; Director of Banca Toscana SpA; and Director of Monte Paschi Banque SA, Paris.

Pierluigi Stefanini: *born in Sant'Agata Bolognese (BO) on 28.06.1953*
Chairman and CEO of Unipol SpA; Director of Unipol Banca SpA; Director of Finsoe SpA; President of Coop Adriatica, and Director of Banca Nazionale del Lavoro SpA.



Directors' remuneration - established by the Annual General Meeting of shareholders - is structured in three components, i.e. annual remuneration (accounting for most of remuneration), meeting attendance fees, and reimbursement of any travel and accommodation expenses. No form of remuneration linked to the Bank's business results or to achievement of given targets is contemplated, not even in the form of stock option plans.

Remuneration of Board members	2004	2005
(€ '000)		
Total remuneration	2.183	3.030
Average remuneration	136	189

In 2005 there were 26 meetings of the Board of Directors, 85% of which took place with attendance of all members.

Committees

By means of specific Board resolutions, the following committees have been set up, with consultative and propulsive functions vis-à-vis the Board of Directors:

- Compensation;
- Internal Audit & Control;
- Corporate Social Responsibility (see the section "Social Responsibility Management - Organisation" on page 29).

No Appointments Committee has been set up. Members of the Board of Directors are elected using the list voting system. Lists can be submitted by shareholders who, alone or together with other shareholders, own total shares accounting for at least 1.5% of ordinary voting stock.

Related-party transactions

The Parent Company has adopted its own code of conduct for transactions with so-called "related parties" (in brief: those who have positions or equity interests enabling them to exercise significant influence over corporate governance). This code has also been adopted, appropriately adjusted for their respective house regulations, by the various subsidiaries. The code has recently been updated to allow for the changes introduced in this respect by the regulatory framework concerning international accounting and financial reporting systems (Regulation EC 2238/2004 of December 19th 2004).

In relation to the above and to statutory requirements, the Board of Directors informs the Board of Statutory Auditors, via regular reports, of any transaction potentially featuring conflicts of interest.

In 2005 transactions between Banca MPS and Group related parties took place based on considerations of mutual economic benefit and in any case at going market rates. The same was also true of transactions concluded with other related parties. None of these transactions triggered market disclosure obligations under Article 71/2 of CONSOB (Italian securities & exchange commission) Regulation no. 11971.

The assignment for independent auditing of individual and consolidated annual and interim accounts is awarded by the Shareholders' Meeting to an outside firm, with which we avoid the onset of any possible kind of conflict of interest.

Since 1996 the assignment has been awarded to KPMG SpA.





Management of price-sensitive information

As regards the subject of market disclosure of price-sensitive information - i.e. information capable of tangibly influencing the price of listed financial instruments - the Parent Company applies a specific house regulation that establishes rules for conduct concerning the confidentiality of corporate information and data.

Internal dealing

As regards the specific internal dealing regulations issued by Borsa Italiana SpA (the company managing the Milan Bourse), the Bank has long adopted its own code of conduct (available on the site www.mps.it, in the "Investors" section). The rules of the code are designed to assure transparency in transactions in the shares and other listed financial instruments of the Parent Company and its subsidiaries, and in products, even if not listed, connected with the same instruments, executed by so-called "Relevant Persons" (i.e. directors, statutory auditors, and general managers, etc.), i.e. by those people who, by virtue of the positions they hold, have the ability to affect decision-making processes and therefore strategic business decisions.

Risk management and internal controls

Risk management

The basic principles featured in the MPS Group's risk management process are based on clear and unequivocal definition of roles and responsibilities between the control functions at various levels.

More specifically:

- The Parent Company's Board of Directors defines the overall degree of risk aversion and thus the operating limits of reference;

- The Parent Company's Board of Statutory Auditors and Internal Audit & Control Committee assess the efficiency and adequacy of the internal controls system, with special reference to control of risks;
- The General Manager assures observance of risk policies and procedures;
- The Corporate Centre's:
 - Risk Committee assesses levels and types of risk and risk/return performance achieved, consequently defining risk management policies;
 - Internal Controls Area defines rules for the internal controls system, constantly checking their application;
 - Risk Management Service defines integrated methods of analysis to measure the combination of risks taken on, in order to assure accurate and constant risk measurement and monitoring.

In 2005 we intensified project work for adoption of advanced methods for the management and measurement of credit, operating, and market risks. Following approval of the new European Capital Requirements Directive (CRD - incorporating the rules of the Basel II Accord), we started consultation with the Italian supervisory authority for regulatory recognition of our internal models, with the aim of adopting advanced systems in the Group right from the first phase of the new regulation's application.

Internal controls

Consistently with the principles and rules of conduct established by the house Self-Discipline Code, our internal controls system functions in compliance with civil-law and supervisory regulations, as well as with other specific regulations concerning the banking industry.

Via application of a specific "Group Controls Regulations", the system - based on careful analysis of business processes - constantly seeks to optimise control mechanisms and functions, with the aim of minimising operating risks.

Via a specific committee the system also applies the dictates contained in the Basel II Accord concerning management of credit, market, and operating risks.



■ Internal Controls Area

The Internal Controls Area acts as the Parent Company's internal auditing unit. It supports the corporate governance action of the Board of Directors and top management. It does not report on a line basis to the head of any operating area and is positioned as a staff unit of the General Manager, with precise mechanisms of functional relations with the Board of Directors and mechanisms of strong operating relations with the Internal Audit & Control Committee and with the Board of Statutory Auditors.

The Area also provides operating direction and coordination for the control activities performed by the various Group companies' audit units, also assessing their consistency with the strategic guidelines of the Board of Directors and top management. These tasks join those already established, i.e. evaluation of the functionality and reliability of the Group's overall internal controls system.

Administrative liability

Legislative Decree 231/2001 - "Regulation of the administrative liability of legal entities, firms, and associations also without a legal personality" - introduced into Italian law a regime of administrative liability for entities for some types of offences, committed in the interest or to the benefit of such entities by natural persons performing functions of representation, administration, or management of such entities or persons subject to their management or supervision.

Specifically, the legislator deemed it appropriate to punish the following offences:

- Illicit receipt or pursuit of public funds, swindle, and computer fraud to the detriment of the State or of a state entity;
- Bribery and corruption;
- Counterfeiting of currency, public credit paper, and government franked documents;
- Corporate crimes (under Law 366/2001 and Law 2623/2005);
- Crimes for the purposes of terrorism or subversion of the democratic order (under Law 7/2003);
- Crimes against the individual personality (under Law 228/2003);
- Crimes and administrative offences of marketing rigging and abuse of privileged information (under Law 62 of April 18th 2005).

In order to prevent perpetration of the crimes and offences indicated above - and consistently with the principles of ethicality, transparency, and correctness underlying the Corporation's activity in relation to the public administration, already comprehensively detailed in house codes of conduct - the Parent Company and its subsidiaries have long endowed themselves with a specific organisation model. The latter - the so-called "231 Model" - envisages a control and disciplinary system able to detect and punish failure to comply with the measures indicated in the Model itself.

In particular, the supervisory function performed by the Parent Company's Internal Audit & Control Committee - whose autonomy and independence are already assured by the fact that it is formed by independent non-executive directors - is further strengthened by attribution to the Committee of specific powers of initiative and control.

During 2005, 250 on-site internal inspections were performed in the Parent Company's commercial network, of which 83 concerning treasury and/or collection/payment services performed for public administrations. During these inspections over 750 checks were performed of operations and documentation (conventions, powers of signature, orders, and financial statements, etc.). The anomalies found, none of which were significant, did not make it necessary to take any substantial action.

Following recent legislative changes, in the early months of 2006 we updated the model accordingly, also activating a specific communication channel in the corporate intranet network and an on-line training course to aid dissemination of these topics among personnel.

Social responsibility management

In recent years the MPS Group has worked on steadily increasing integration of the social and environmental dimensions in all its activities. It has done so with the aim of putting social responsibility principles into practice, continuing its commitment to operations based on effective implementation of the business models and styles most appreciated by stakeholders.

To this end and consistently with more general guidelines, we initiated an action plan, which we also continued in 2005, concerning:

- Strategies and projects;
- Organisation;
- Products;
- Spread of the sustainability culture;
- Measurement and communication of social responsibility;
- Stakeholder relations.

Strategies and projects

CSR activity in the MPS Group has been definitively mapped out at both strategic and operating level.

As regards strategies, an important element - in order to maximise the systematic nature and consistency of the various activities and initiatives in the social and environmental fields - is our Social Responsibility

Strategic Plan. This is a medium-term programme designed to instil corporate responsibility in the Group's planning processes as an indispensable prerequisite for the creation of value over time.

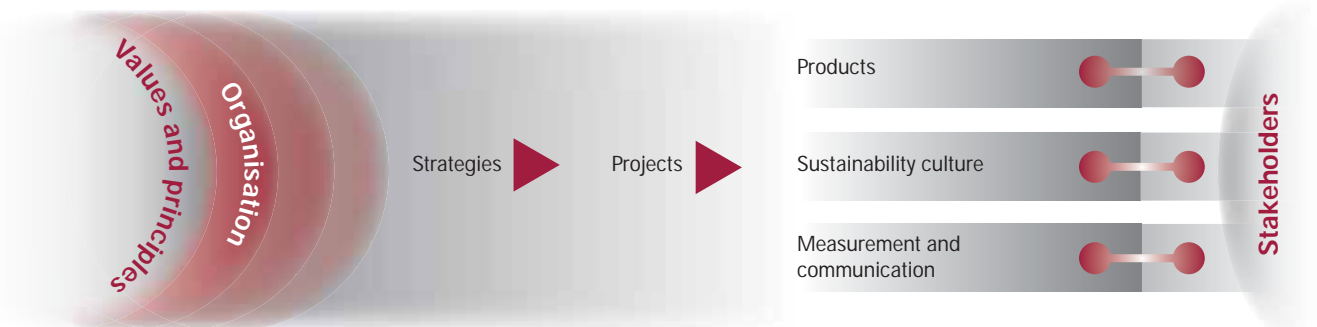
The Plan, in line with the most commonly applied models for CSR management - and consistently with our Business Plan - addresses each of the various areas of the Corporation's responsibility (corporate governance, human resources, customers, community, and the environment) in a modular manner. For each of them it outlines, sequentially, basic guidelines, commitments, objectives and measures that directors, management and corporate facilities are called upon to consider in their work. The intention is to improve the Group's ability

The stakeholders' voice

When, just a few years ago, we started to work on the project that would have later given rise to the Sodalitas Social Award, one decision turned out to be a winner - the idea of rewarding individual corporate initiatives. It was the key to spreading CSR sensibility among Italian companies. We have now entered the next season: today what is asked of companies is not just excellence on an individual front but also regularity of commitment, systematic method, and pervasive solutions. CSR has to set its seal on all activities in the value chain, thus emerging as an innate feature of corporate culture. This is the road taken by MPS and on that road the Siena-based Group is a benchmark for the Italian business panorama.

Prof. Mario Molteni

Università Cattolica del Sacro Cuore





to conjugate the imperative “must-do” of optimisation of business and financial performance with its system of values and stakeholders’ expectations.

At operating level, more than 40 actions have been identified for the 3-year period 2005-2007. These are based on the proposals made - as part of an extensive survey performed via individual interviews and specific theme workshops - by representatives of the various Corporate Centre functions and managers of subsidiary companies. Given the several fronts of action envisaged, actions have been prioritised, identifying those on which to focus immediately. Some of them - also based on foreseeable stakeholder expectations - in fact stand out

for their potential impact on CSR management and on related social aspects and features relating to our reputation.

They are extensive action programmes, designed to achieve progressive improvement in the ethical management of given business processes (for example: implementation of a series of measures to aid achievement of a better balance between employees’ work commitments and their personal/family needs and development of an employee training programme on CSR topics). But there also more circumscribed projects, focusing on specific aspects of social responsibility (for example: definition of guidelines for

SOCIAL RESPONSIBILITY STRATEGIC PLAN

BASIC COMMITMENTS	CSR AREAS	SPECIFIC COMMITMENTS	OBJECTIVES/COURSES OF ACTION	
Continued intense interpretation of CSR	Corporate Governance	Intensify transparency of operations	Achieve good governance through regulation of the conduct of directors and employees	
			Integrate CSR in corporate operations	
	Staff	Enhance the value of people	Support people's professional growth	
			Encourage pursuit of responsible conduct by employees	
	Retail customers	Meet needs professionally and transparently	Improve working conditions	
			Develop commercial relations based on closeness, transparency, and trust	
	Corporate customers	Accompany development, especially of SMEs	Develop socially responsible initiatives for consumers	
			Help to increase corporate market's awareness of opportunity	
	Active championing of CSR	Local & central PA and third-sector (non-profit) customers	Sustain our mission to public service	Develop supplementary propositions to accompany concessional financing
				Develop commercial policies more tightly focused on the specific needs of local administrations and of non-profit organisations
Communities		Promote and defend cultural identity	Make policies for allocating “social sponsorships” and liberalities explicit and transparent	
			Help to spread CSR culture and aid its growth	
Environment		Aid the spread of an environmental culture	Support humanitarian and solidarity initiatives	
	Increase the eco-efficiency of business operations			
			Support implementation of the Kyoto treaty to combat climate change	
	STRATEGY		OPERATING PROGRAMME	

Stakeholder dialogue

Abi - The Italian banking association's Corporate Social Responsibility task force



The Group has been a member right from the start, in 2002, of the all-bank Corporate Social Responsibility Task Force set up by the ABI - the Italian Banking Association - with the aim of working on the matter in depth.

In recent years the ABI has dedicated great attention and interest to CSR in a lively, action-packed scenario - both internationally, with contributions, among others, from the European Commission and UN Global Compact, and nationally, with those of the Italian Labour, Welfare, and Industry Ministries. This has enabled ABI to develop many focused research initiatives (e.g. the Italian CSR Multi-Stakeholder Forum), and projects (e.g. the ABI Energy Consortium) and to fine-tune guidelines for use by member banks to set up their own organisational and operating services and products relating to the environment and CSR. As regards the banking and financial industry, awareness has in fact grown that, in the age of globalisation, the scenario underlying the economy comprises complex environmental and social variables that influence - in terms of economic efficiency - the final result of the banking enterprise which, de facto, is a real junction of a network of relations inside and outside the organisation.

In relation to this - consistently with the desirability of strengthening industry-wide action on such an immediate issue as CSR, the Task Force, over the years, has helped to draft the "Rapporto sulla CSR - Concetti e Strumenti per le Banche" (2002) and to prepare the *Annuario CSR* (the yearbook - 2003 and 2005 editions), as well as the operating guidelines for CSR in banks (2005).

customer-oriented information on financial products and services and development of a Group Code of Ethics).

Implementation of the Plan is supervised by the Corporate Social Responsibility Committee, which regularly checks progress, aided by appropriate reporting and communication systems, both internal and for the benefit of outside stakeholders, with a view to continuous improvement. The Committee handles any changes, recalibration and additions possibly required due to changes in reference scenarios.

Dialogos

Diαlogos

Dialogos is the name of the social responsibility project of Monte Paschi Asset Management SGR, the MPS Group's asset management company. With this initiative, undertaken in collaboration with OSIF (Osservatorio sulla Sostenibilità d'Impresa e della Finanza - Observatory of Corporate and Finance Sustainability), the company set itself the objective of defining basic values and organisational foundations enabling it to practice - consistently and synergistically with its business objectives - the ethical standards and principles of respect for all stakeholders on which its operations have always been based.

In addition, it set up a Stakeholders' Committee, with the task of (a) devising the company's social responsibility strategies and (b) constantly verifying the ethicality of the company's operations, based on policies and rules of conduct governed by and embodied in a specific Code of Ethics (the document is available at the site www.mpsam.it).

The Code, issued by the Board of Directors at the end of 2005, concerns all the company's various areas of responsibility, with special reference to the quality of labour relations, and correctness and transparency in dealings with shareholders, clients, suppliers, and institutions. It pinpoints the rules of conduct to be followed in the specific activity of asset management, also pursuant to the guidelines contained in the self-governance document issued by Assogestioni, the Italian association of asset managers.



The stakeholders' voice

Monte Paschi Asset Management SGR decided to draw on our skills for development of its Corporate Social Responsibility (CSR) programme and, in particular, of its Dialogos project.

Since 2004 OSIF has been able to appreciate the initiatives of the Board of Directors and Management. These led to preparation of the Charter of Values, followed by creation of the Stakeholders' Committee, the meetings of which OSIF attends as an outside observer.

The collaboration with the Stakeholders' Committee led to the company's Code of Ethics. In addition, OSIF has been able to contribute in practical terms, for the second year running, to elaboration of a survey of the level of company employees' satisfaction, the first survey of this type done by an Italian asset management company. We are very pleased with our relations with the company, which we see as intending to continue with determination and consistently in all CSR areas and willing to undertake innovative initiatives and projects.

Elisabetta Murenu

President of OSIF - Osservatorio sulla Sostenibilità d'Impresa e della Finanza

Adequate information and training concerning the Code has been provided to all employees. Its contents have been made known to the various stakeholders, with special reference to outside staff and suppliers, whom are explicitly required to agree with and observe the standards indicated in the Code, or otherwise risk discontinuation of business relations and preclusion of any other opportunity for such relations.

Organisation

In order to achieve proper application of sustainability policies, the basic principles have to be gradually incorporated in organisational set-ups, decision-making processes, and business activities. The fundamental must-do in this respect is the definition of general values-based rules to guide the more specifically operational rules of each functional facility.

To do this we have created specific bodies to oversee and co-ordinate Group activities in the social and environmental fields.

Corporate Responsibility & Logistics Area

The Corporate Responsibility & Logistics Area, which is part of the MPS Group's Corporate Centre, co-ordinates social and environmental policies via the facilities of its Environmental Policies, Health, Security & Privacy Service. It does this by setting up efficient operating systems, promoting activities to heighten staff awareness and train them, and implementing specific initiatives for communication with stakeholders, including preparation of the Social & Environmental Report.

We constantly seek to apply governance models able to assure the best possible balance between profit growth, respect for the environment, and social well-being.





Corporate Social Responsibility Committee

The Committee consists of four members of the Board of Directors, the President of the Statutory Auditors' Committee, and the General Manager and is open to the participation of Group managers and outside advisors. It performs consultative and propositional functions vis-à-vis the Parent Company's Board of Directors for the implementation of initiatives concerning environmental protection, customer satisfaction, people's professional development, and protection of the legitimate interests of all stakeholders. The Committee, set up in October 2004, evolved from the Advisory Board, an external consultative body operational in the years 2001-2003. In 2005 the Committee met 6 times, reviewing proposals and the Group's CSR action plan, and validating implementation progress. It also oversaw preparation of the 2004 edition of the Parent Company's Social & Environmental Report.

MPS Banca per l'Impresa

This is the MPS Group bank specialised in corporate products and that, having gained the distinctive experience of MPS Banca Verde, with which it merged in 2004, has specific skills in loans to the energy, agribusiness, and environmental sectors. Via its Advisory & Environmental Bureau, the company also provides local authorities, businesses, associations, and public and private consortia with assistance and advisory services for the achievement of quality, product, process, environmental and ethical standards and certifications.

Stakeholder Committee of MP Asset Management SGR

The Committee acts in an advisory capacity for top management of the MPS Group's asset management company to assure increasing corporate responsibility and, in particular, the ethicality of the company's investment choices. Committee members, partly from within the organisation, represent the interests of customers, employees, shareholders, and of the community in general.

Tasks of Corporate Social Responsibility Committee

- Identification of the ethical, social and environmental principles to be recommended to the Board of Directors for definition of the MPS Group's corporate social responsibility policies.
- Development of codes of ethics/conduct to be submitted to the Board for approval.
- Review of the CSR Strategic Plan prepared by the relevant functions of Banca MPS and assessment of its consistency with the CSR policies defined, before submittal of the Plan to the Board for approval, indicating priorities and implementation approach.
- Guidance of integration of CSR principles in Banca MPS activities and supervision of operating systems relating to environmental, social, and ethical aspects.
- Supervision of development and preparation of the Social & Environmental Report and of related initiatives for communication of Banca MPS social responsibility.
- Provision, at the Board's request, of opinions on Banca MPS investment and lending choices, assessing their consistency with established CSR policies and their potential social impact and effects on reputation.
- Support of the ongoing growth of the company's CSR culture and its outward promotion, also via membership of associations, organisations, and forums active in the CSR field
- Performance of further tasks assigned to the Committee by the Board.



The members of the Stakeholder Committee, which meets regularly to devise social responsibility strategies and to analyse the company's choices in this field, are:

- Stefano Bellaveglia, in the capacity of representative of Banca MPS, the company's key shareholder. Mr. Bellaveglia died on June 5th 2006;
- Franco Belli (Siena University - Economics faculty) and Francesco Cesarini (Università Cattolica of Milan - Economics faculty), as academic experts of the banking and financial industry;
- Pierluigi Ansuinelli, representative of the company's employees;
- Laura Galli, representative of the Adiconsum consumer association;
- Simona Capece (Siena University), co-ordinator of the Committee's activities;
- Anna Maria Romano (member of the Executive Committee of the FISAC, the Italian trade union federation of insurance and banking workers), advisory member and an expert in trade union matters;
- Massimo Cerniglia (Adusbef - an association protecting users of banking and financial services), advisory member and an expert in legal matters.

On a revolving basis, the Committee also includes, as advisory members, three journalists belonging to the main specialised press publications.



Stefano Bellaveglia the volunteer banker

Stefano Bellaveglia died suddenly in Siena on June 5th 2006, at just 48 years of age, due to a lethal attack of malaria, which he had caught during his last trip to the Congo.

He had returned on May 18th from Kinshasa, where he used to go to work as a volunteer, dividing his time there between the orphanage of the Masina parish and the Kimbondo paediatric hospital. This is the only free hospital in the whole of the Congo, built and managed by the Siena physician Laura Perna, who moved to Africa after her retirement.

He supported this commitment via the non-profit social service organisation "Il Fuoco del Futuro" (The Fire of the Future), which he had founded together with some friends in January 2005 and supported by collecting funds via various initiatives, as well as with the MPS Foundation's contribution.

Here is how representatives and institutions of the Siena community remember him:

"He often confided to his friends that it was impossible to live in the same way as before if one had been in the midst of so many suffering children."

Maurizio Cenni - *Mayor of Siena*

"I knew Stefano as a friend of Africa and above all of children. I was struck by the way in which he had managed to create a very deep relationship with each one of them. He dedicated the same seriousness and passion both to being a banker and being a volunteer - a volunteer like a thousand others in Italy, who went to Africa whenever he could, between one business engagement and another. He believed very strongly in the initiatives' self-sufficiency, in training local operators, he didn't want to provide mere do-gooder assistance. Because of this, very shortly some young people from Kinshasa will arrive in Siena, where they will take part in a cultural project - an attempt to contribute to the development of a future managing class for the country."

Enrico Cecchetti - *A director of the MPS Foundation*

"Besides his managerial qualities, Stefano Bellaveglia's range of human gifts makes the loss of a man who sacrificed himself to the humanitarian cause, living his great generosity to the full, even more serious. Stefano leaves a huge weight, which we must be capable of bearing in memory of his work."

The Board of Directors of Banca MPS

Management systems

Management of key aspects of the Corporation's social responsibility - such as the quality of internal processes and of relations with the public, protection of workers and of their health, and safeguarding of the environment - is based on maximisation of integration and efficiency and, when possible, is rendered compliant with the main certification standards.

The Parent Company was one of the first banks in Italy to create a quality management system and obtained ISO 9001 certification for some customer services in 2002. The tax collection sector, for collection of local taxes, and other Group companies, headed by Banca Toscana and MPS Banca per l'Impresa, have followed similar routes.

The Group's environmental policy has been specifically applied in the Parent Company and in MPS Banca per l'Impresa via the activation and certification of dedicated management systems. Banca MPS obtained ISO 14001 certification in 2003, whilst in already in 2002 the former "MPS Banca Verde" had achieved ISO 14001 certification, and - the first bank to do so in Europe - EMAS (the EU Eco-Management and Audit Scheme) registration. This was joined, in March 2006, by further recognition in the form the "EMAS Flag", awarded to it by the Italian Environment Ministry's Ecolabel and Ecoaudit Committee.

As regards protection of workers and human rights, in recent years the MPS Group's traditional attention to these aspects in the sphere of trade-union relations has been joined also by greater international commitment, via official adherence to the UN Global Compact and the public statement of observance of the principles of the Social Accountability 8000 standard. As regards the latter, in 2004 the former "MPS Banca Verde" was the first bank in the world to obtain SA8000 certification, later extended - as has been the case of all the other attestations achieved - to MPS Banca per l'Impresa.

In addition, in January 2006 we approved two major projects concerning the creation, at Group level, of:

- An Occupational Health & Safety management system, to submit for certification according to OHSAS (Occupational Health & Safety Assessment

Stakeholder dialogue



www.isvi.org



The Bank supported and took part in performance of a survey on "The CSR Manager in Italian Enterprises" launched by the Istituto per i Valori d'Impresa (ISVI - Corporate Values Institute), a non-profit association of representatives of the academic and business world, and by the Alta Scuola Impresa e Società (ALTIS - Upper School for Business & Society) of Milan's Università del Sacro Cuore. This initiative involved over 350 companies, making it possible to take a close look at the various organisational and professional approaches to management of social responsibility activities. The results were presented in February 2006 during a very successful conference.

The survey photographed the state of the art of CSR application in Italy, revealing, among other things, a need for development of CSR management skills. This need is both quantitative, due to the growing requirement for such a figure expressed by all types of companies and qualitative, as regards the need for professionalism capable of effectively and synergistically playing the roles of monitor of change, best-practice professional, and champion of dialogue with stakeholders. It also suggested the desirability of creating a network (CSR Manager Network) able to become a point of reference for this emerging profession, a place for the spread of CSR culture and innovative practices, and a potential bridge with operators elsewhere in Europe and in the rest of the world.



Standard) 18001 and UNI-INAIL guidelines (UNI is the Italian Standards Organisation and INAIL is the Italian Workers' Compensation Authority);

- A management system for business ethics, with the aim of obtaining SA 8000 certification.

Products

Correctness, transparency, and customer orientation are principles that the MPS Group considers fundamental in all activities concerning the design and provision of its products and services. In order to intensify the trust-based relationship with customers, with special reference to consumers and small savers, we seek to enhance our commercial networks' efficiency via the development and application of service models and the spread, among our front-liner staff, of the ability to listen and build relationships.

At the same time we work to achieve the aims of:

- Making products more comprehensible, by rendering information clearer, more transparent, and more precise;
- Improving accessibility to banking products and services, especially for the weaker members of our customer base;
- Successfully meeting customers' expectations and reflecting their social inclinations, marketing appropriate savings and investment products.

For a description of the main MPS Group products and services supporting projects and initiatives having significant social and environmental knock-on effects, readers should refer to the chapters "Society & Community - Socially responsible business initiatives", on page 111, and "Indirect environmental impact", on page 142.

Quality, environment, and ethics management systems - MPS Group Certifications

	Year	Activity
Quality - ISO 9001		
Banca MPS	2002	<ul style="list-style-type: none"> • Retail mortgages. • Direct banking services (Internet and telephone banking). • Treasury and collection/ payment services for local public administrations.
	2004	<ul style="list-style-type: none"> • Training services. • Tax collection services.
Banca Toscana	2000	Foreign intermediation services.
MPS Banca per l'Impresa	2004	Design and implementation of innovative quality, environment, and CSR management systems for businesses and other organisations.
Environment - ISO 14001/EMAS		
Banca MPS	2003	Operating services of the Bank's head office and commercial network (ISO 14001).
MPS Banca per l'Impresa*	2002	Provision of banking and advisory services (ISO 14001 and EMAS).
Ethics - SA 8000		
MPS Banca per l'Impresa*	2004	Provision of banking and advisory services.

* Certifications originally achieved by the former MPS Banca Verde and confirmed in 2005 for the surviving post-merger bank MPS Banca per l'Impresa.

With our savings and investment products we want to meet customers' expectations and reflect their social inclinations.

Sustainability culture

The conditions necessary to ensure that our increasing commitment to corporate responsibility produces the desired results are (a) the spread of the sustainability culture amongst our staff and the other stakeholders of Group companies and (b) their awareness of and participation in the Group's social function.

Social and environmental topics therefore form the subject of extensive internal communication and receive increasing space in corporate training programmes. The aim is to maximise staff involvement and participation also in these areas.

Our house organ "Filo Diretto" ("Direct Line") and our corporate intranet system are the main tools used by the Group for these purposes. The intranet system has long featured a specific "Environment and Sustainable Development" section.

Quality, transparency, the responsibility ethic, environmental friendliness, and enhancement of people's value are just some of the aspects of corporate environmental and social responsibility that, once again in 2005, were the subject of basic and specialist training efforts.

As far as the effort to heighten stakeholders' sensibility is concerned, this takes the form of various types of communication and relational activities. These range from conferences to testimonies during post-graduate and university courses, and to the support and membership of networks, forums and task forces concerning CSR topics.

We intend to promote corporate social responsibility actively, using our skills and our resources - also human and professional. This is what our history, our identity, and being one of Italy's major banking groups teaches us.

Information, news, and announcements play an important role in this activity and are published on the site www.paschiambiente.it ("ambiente" means "environment"), which has now been completed and is about to go on-line.

Support of and participation in the initiatives of various associations and organisations active in promoting development respectful of society and the environment are also especially important in this respect.

The paradigms of value

2005-2010 scenarios for the financial and insurance world: regulatory developments today and characteristics of the insurance market tomorrow.

Rome, October 14th 2005



Since 2002 the Montepaschi Vita Forum has been an important annual appointment for top managers of Italian and European financial and insurance companies to reflect on and discuss key issues relating to the leitmotif of the new paradigms of value. The Forum is an opportunity for stakeholders to share information and dialogue with one another on socially important topics relating to risk management scenarios and prospects. The 4th edition of the event - organised by the MPS Group's insurance unit in conjunction with the ANIA (the Italian Association of Insurance Companies) and the International Association for the Study of Insurance Economics (Geneva Association) - focused on the complex issue of industry regulations, which, at various levels (international, European, and domestic), are having an impact on the financial and insurance industry. The sets of rules undergoing definition in the last few years will in fact have a considerable impact on the competitive scenario. They will help to fix the market's new boundaries, also in terms of strengthening transparency and the trust-based relationship between enterprises, customers, and society. Insurers, by virtue of their role as "risk managers", with social risks certainly not last in this respect (suffice it to consider natural catastrophes and the impact of privatisation of the welfare state on pension provision and healthcare), are, more than others, called upon to invent and find new models and mechanisms focusing on long-term protection of customers' interests.



Paschiambiente.it **the MPS Group's sustainability portal**

The Group's first site fully accessible by the blind and sight-impaired

Construction has been completed of the Internet portal www.paschiambiente.it, the creation of which was decided upon by the Bank's Board of Directors.

The site - implemented in a Group perspective - is totally managed by internal resources and the technical aspects have been managed by MPS.net SpA, the MPS Group company that looks after all e-business services and tools.

The objective - synergistically with the wider corporate communication project - is to trigger the attention and participation of consumers, associations, and those deeply interested in sustainability problems regarding the issues of economic and social growth and environmental protection, presenting specific information, news and detailed studies, also coming from institutions, universities, the press, and specialised magazines.

It is therefore not a commercial site but one intended to heighten attention and to help create a community of people interested in the issues covered, as well as consolidating an image of a group strongly motivated to pursue innovative and advanced solutions.

The site has been created to permit access by the blind and sight-impaired. Practical tests were performed in this respect via definition of surfing routes, execution of which was entrusted to a group of people with various types of disability (i.e. blind, sight-impaired, and physically handicapped), co-ordinated by the Fondazione ASPHI (the English meaning of this Italian acronym is: launch and development of projects to reduce handicaps via information technology).

As regards site accessibility, special attention has been given to preparation of texts, defining orthographical conventions, also based on the systems used by people with the disabilities in question, and using appropriate tools to permit reading of the texts (in the specific case in point, use of a screen reader is recommended, Jaws 4.50.1 for example). Based on tests, it has been ascertained that the site complies with the Website accessibility guidelines defined by the World Wide Web Consortium (www.w3c.org), the international association that sets standards for the Web and the guidelines for accessibility of Web contents.

The portal, based on the Web Accessibility Initiative (WAI), has been given a Triple A accessibility rating and can therefore show the W3C logo.

In 2005 we assured our support for and took part in the activities of the following associations:



www.unepfi.org

UNEP FI is an initiative supported by over 160 institutions in the financial industry - banks, insurers, and asset management companies. It was created in 1992 as part of the UN Environmental Programme, with the aim of developing and encouraging in businesses a balanced trade-off between business/financial growth and environmental protection.



www.unglobalcompact.org

CSR Europe is a network of over 60 European companies aiming to champion the development of socially responsible business practices. On March 22nd 2006 CSR Europe launched the "Alliance for Competitive and Sustainable Enterprise", a manifesto with the patronage of the European Commission, providing terms of reference for companies working on the application and spread of responsible practices, which the Bank promptly endorsed.



World Business Council for Sustainable Development

www.wbcsd.ch

The World Business Council for Sustainable Development (WBCSD) is an international association of 180 companies with the common denominator of commitment to economic growth compatible with the needs of social progress and environmental protection.



www.csreurope.org

The Global Compact - a UN action programme launched by Kofi Annan in 1999 - asks companies to commit to rendering their policies and conduct compliant with 10 universal principles in the areas of human rights, worker protection, environmental protection, and the fight against corruption. Over 2,000 companies throughout the work take part in the Compact, united by their common aspiration to sustainable economic growth that is considerate of stakeholders' legitimate interests and expectations.



www.sodalitas.it

Sodalitas is CSR Europe's Italian partner and works to promote corporate social responsibility and the transfer of a managerial culture to non-profit organisations.



Osservatorio sulla sostenibilità dell'Impresa e della Finanza

www.osif.it

OSIF is a non-profit consortium with the objective of promoting corporate social responsibility culture in the Italian business world.

The Group participates via Monte Paschi Asset Management SGR.

Forum per la Finanza Sostenibile



www.finanzeostenibile.it

Forum per la Finanza Sostenibile is a non-profit association forming part of the EuroSIF European network. Its mission is to promote the culture of sustainable development in the Italian financial community. The Group participates via MPS Banca per l'Impresa.



www.kyotoclub.org

The Kyoto Club, founded in 1998 in the wake of the international protocol launched the year before in the Japanese city of Kyoto, operates in Italy with the support of over 150 members - businesses, government agencies, local administrations, and non-government organisations - united by their common interest in and commitment to ongoing reduction of atmospheric emissions of greenhouse gases, considered to be the main causes of the climate change now being experienced by the Earth.

We intend to promote corporate social responsibility actively by means of our skills and resources.



Measurement and communication of social responsibility

In social responsibility policies as a whole, one of the most important phases is development and management of relevant indicators. It is essential to be able to check the consistency and adequacy of action in relation to stakeholder expectations on an ongoing basis.

Social responsibility is in fact measured by means of special indicators. These are defined both according to a company's specifics and on the basis of practice and international guidelines and rating models. In this respect the pointers provided by the various stakeholders, relating to their rightful expectations - i.e. the data, information, aspects, opportunities, and actions they find most meaningful and important - are all important.

The methodology adopted - based on tried and true monitoring systems - adds an auxiliary information system to conventional business and financial reporting. This consists of a series of indicators able to report on the quantitative and qualitative evolution of a series of key sustainability variables. It does so in parallel with key business performance figures.

Our entire business organisation is involved in the collection and processing of relevant data. This is achieved via assignment and distribution of responsibilities within a network, the core of which is our Social & Environmental Reporting Task Force.

Measurement work is preparatory for another important phase: communication. The Group communicates in various ways, i.e. by taking an active part in CSR conferences and task forces, by collecting and publishing interviews and testimonies, and, basically, via our Social & Environmental Report, the main tool for reporting to and communicating with stakeholders.

Over the years our Social & Environmental Report has steadily extended its scope and, as from 2005, comprises the experiences of all the Group's various companies in the social field. It has increasingly become an opportunity for reflection, analysis, and assessment of overall social and environmental performance, of results achieved, and of future challenges. It has thus also become not only a means of communication but also an important point of reference for management of CSR activities.

Stakeholder dialogue

Social accountability and consumers



The project - co-ordinated by the Italian consumer association Adiconsum, with co-financing by the European Commission, DG Employment, Social Affairs & Equal Opportunities - had the objective of:

- Defining the characteristics of social reporting oriented towards the customer/consumer stakeholder;
- Heightening consumers' sensibility to CSR issues.

More specifically, Adiconsum and a group of consumer associations analysed and assessed the social reports of 21 Italian companies active in banking, insurance, public utilities, and consumer goods manufacturing and retailing, with the aid of identifying good social reporting practices.

For Monte Paschi, participation in the project was an interesting opportunity to find out customer/consumer points of view and expectations concerning its CSR activities and communication approaches utilised thus far. Its report was judged to be "thorough, very substantial, supported by a considerable number of tables and data making the report more credible and information more transparent. The bank has found the courage to talk about expensive "mishaps" in terms of image and demonstrate how their rigorous management permits good recovery".

Further information about the project is available on the site: www.consumoetico.info.

In 2005, within the Group, besides the Parent Company, Banca Agricola Mantovana and MPS Finance also published their reports for the year ending on December 31st 2004.

In addition, MPS Banca per l'Impresa, in connection with its own environmental and ethical/social certifications, published a Social Report specifically relating to the requirements of the SA 8000 standard and its Environmental Statement, validated pursuant to the EMAS Regulation by the accredited verifier and by the Italian Environment Ministry (this communication tool was first adopted by the former MPS Banca Verde in 2002 and, since, 2005, has been adopted by MPS Banca per l'Impresa).

In April 2006 Banca Agricola Mantovana published, in parallel with presentation of its individual Annual Report & Accounts, the fifth edition of its Social &

Environmental Report, thus confirming the attention dedicated to the economic, social, and cultural development of its geographical area of operation.

The above documents are all available on the respective company Websites.

Stakeholder relations

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.

CUSTOMERS

- Service quality and accessibility
- Transparency and clarity
- Customer satisfaction
- Privacy
- Ethical finance products
- ...

STAFF

- Job opportunities ■
- Training and professional development ■
- Remuneration ■
- Equal opportunities and absence of discriminations ■
- Health and safety ■
- ... ■

SHAREHOLDERS AND INVESTORS

- Corporate governance
- Protection of minority shareholders
- Financial performance
- Remuneration
- ...

SUPPLIERS

- Terms of supply ■
- Partnership ■
- Compliance with social and environmental requirements ■
- ... ■

SOCIETY & COMMUNITY

- Investments in the community
- Local development
- Solidarity
- Environmental quality
- Fight against crime
- Research and innovation
- Socially responsible business initiatives
- ...



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.

The ability to listen to stakeholders has always been a distinctive feature of our corporate culture. In recent years we have further intensified relations with stakeholders to improve our understanding of their perception of our social responsibility initiatives. The results of these activities are in fact key factors in the process of continuous improvement of the Corporation's commitment and performance in the social and environmental field.

We develop stakeholder relations in various ways, as described below.

Information and heightening of awareness

This approach concerns the promotion and dissemination of social responsibility practices, also by sharing specific corporate experiences, via use of the various channels of communications targeting stakeholders - the social report, the Website paschiambiente.it, conference activity, participation and management contributions in post-graduate and university courses, support for research and study projects, and support of education and awareness campaigns, etc.

Among the main activities of this type completed recently or currently underway, we highlight the following, inviting readers to refer to the specific sections for more detailed information:

- Research on "The CSR Manager" - page 31;
- The Social Accountability and Consumers project - page 36;
- Participation in Siena University's master course in "Business ethics and responsible consumerism" - page 103;
- Global Compact Italia - page 119;
- Support of the activities of the environmental communication school of Legambiente, and Italian environmentalist association - page 133;
- The information and awareness campaign on responsible use of water - page 137;
- The task force on the "Flexible mechanisms of the Kyoto Protocol" - page 141;
- The "Premio Toscana Eco-efficiente" (Tuscany eco-efficiency award) - page 144.



Listening

The MPS Group has always sought opportunities to exchange ideas and information with stakeholders. It has done so by creating different ways of listening, for different purposes, depending on the stakeholder category concerned and on the topic discussed and analysed.

As far as customers are concerned, our Customer Satisfaction Survey is the finest-tuned tool. We once again used it widely in 2005 to measure the various banking services' standards of quality as perceived by customers (see the "Customers" chapter starting on page 78).

In listening to employees and learning about their aspirations and motivations, important items are initiatives undertaken by Group companies to sound out and check the "company climate" (see the "Staff" chapter, page 58).

Participations in initiatives, conferences, and task forces are further occasions enabling the Group to gather opinions, assessments, and judgements of its work. We believe these to be essential for a constructive debate on programmes and for consideration of possible opportunities for improvement.

As done in the previous edition of the Report, we have once again in this edition opened our doors to considerations made by some stakeholders, ready for their reflections and observations concerning us and presenting them in various parts of the Report.

We communicate our social responsibility so as to build up a frank and limpid dialogue with our stakeholders.

The ability to understand stakeholder expectations is a key prerequisite for business success.

Dialogue

Dialogue - meaning a two-way relationship based on the parties' willingness to exchange and share information for the achievement of reciprocal benefits. Among the Group's main initiatives in this respect in 2005, we highlight the "Consumer Lab" programme (see the "Customers" chapter, page 76) and the project to set up the company Microcredito di Solidarietà SpA (see the "Society & Community" chapter, page 114).

As far as employee stakeholders are concerned, in the MPS Group well-established and distinctive features are the traditional channels of communications consisting of trade union relations. These are always based on mutual recognition of our respective positions and interests and on a constructive exchange of opinions. In addition there are the regular meetings between workers and managers of their respective business units (6-monthly meetings, consultation meetings with workers' official health & safety representatives, and so on).





Economic performance



We feel we have the responsibility of maximising our economic performance to distribute growing value to the benefit of all our stakeholders.

Operating highlights

From the operating standpoint, in 2005 the MPS Group - working with its usual close attention to customers, based on an ethos of good relations and quality service - confirmed the improvement in operating results that had already emerged in the previous year. The considerable increase in profitability (with net operating profit up by +44.2%) was in fact accompanied by across-the-board growth in market share. The driver of this progress was volume growth (total funding +4.7%, loans +9%, and assets under management +11.6%). Net profit for the year rose to € 790.2 million and was the best ever result in Group history, with ROE that, from 8.6% in 2004, grew to 12.9%.

Positive consolidated performance was also reflected in the Parent Company's operating figures in terms both of volume (direct funding +9.7%, customer loans +8.7%, and assets under management +9.6%) and profit (with net operating profit growth of +39.4% over the previous year).

In the following tables we show the Group income statement and balance sheet restated according to operating criteria (for further details reference should be made to the 2005 Annual Report & Accounts, available at our Website www.mps.it). More specifically, as regards the income statement for the two years shown, the main adjustments relate to the grouping of items and reclassifications done to assure clearer interpretation of the performance trend. As regards 2004, in order to permit like-for-like operating comparison, data as up to 31.12.2004 have been restated also on the basis of the new accounting standards (specifically IASs 32 "Financial Instruments: Disclosure and Presentation" and 39 "Financial Instruments: Recognition and Measurement").

MPS Group - Key year-end results	2004	2005
<i>(€ million)</i>		
Financial and insurance income	4.399,9	4.727,5
Net operating profit	760,5	1.096,7
Net profit for the year	554,8	790,2
Direct funding	82.372	87.696
Indirect funding	105.437	108.855
Assets under management	43.421	48.439
Assets under custody	62.016	60.417
Customer loans	76.649	83.526
Cost/Income ratio (%)	70,6	64,8
Operating Cost/Income ratio (%)	68,8	63,3
ROE (%)	8,6	12,9



Income Statement restated according to operating criteria	2004	2005
<i>(€ million)</i>		
Net interest income	2.403,6	2.578,1
Net commission income	1.644,8	1.781,2
Financial and insurance income	4.399,9	4.727,5
Net adjustments for impairment of:		
a) Loans	-528,4	-426,9
b) Financial assets	-4,8	-139,2
Net financial and insurance income	3.866,7	4.161,4
Administrative expenses:	-2.898,0	-2.914,3
a) Personnel expenses	-1.959,8	-1.931,3
b) Other administrative expenses	-938,3	-983,0
Net adjustments to value of tangible and intangible non-current assets	-208,1	-150,4
Operating expenses	-3.106,2	-3.064,7
Net operating profit	760,5	1.096,7
Taxes on income for the year from continuing operations	-152,1	-281,5
Net profit for the year	554,8	790,2

Restated Balance Sheet	2004	2005
<i>(€ million)</i>		
Assets		
Cash and cash equivalents	618	563
Loans and receivables:		
a) Customer loans	76.649	83.526
b) Due from banks	7.218	9.994
Financial assets held for trading	37.305	45.819
Financial assets held to maturity	4.102	4.302
Equity investments	593	703
Reinsurers' share of underwriting reserves	10	12
Tangible and intangible non-current assets	3.319	3.517
<i>of which:</i>		
a) <i>Goodwill</i>	<i>770</i>	<i>740</i>
Other assets	6.612	5.314
Total Assets	136.426	153.749
Liabilities		
Payables:		
a) Customer accounts and securities	89.103	94.279
b) Due to banks	10.239	16.207
Financial liabilities from trading	13.178	17.106
Provisions for specific use:		
a) Provisions for employee severance indemnities	405	403
b) Reserve for retirement benefits	411	549
c) Other reserves	671	586
Other liabilities	6.161	5.383
Underwriting reserves	9.836	11.922
Group portion of shareholders' equity	6.388	7.268
Minority interest in shareholders' equity	35	46
Total Liabilities and Shareholders' Equity	136.426	153.749



Value Added

Value Added is the indicator correlating the operating and financial figures of year-end accounts with the enterprise's social reporting. As such, it provides a level of synthesis able to reflect and quantify the results achieved by the enterprise in its dealings with the various stakeholders. Via reclassification of income statement items, it in fact highlights the wealth created by the company - expressed as the difference between net revenues and consumption of goods and services - and distributed to stakeholders, i.e. to:

- Staff - via payment of salaries, social security charges and other welfare costs;
- Partners and shareholders - via distribution of earnings and dividends;
- Government, entities & institutions - via payment of income and other taxes;
- Community - via donations, liberalities or other actions;
- Corporate system - via the creation of provisions and reserves.

Among the possible formats for calculating Value Added, we have chosen the "Gross Total Value Added" format adopted by the ABI (the Italian Banking Association) in its social-report model for the banking industry - recently updated to allow for the new international accounting and financial reporting standards (IASs/IFRSs) used for preparation of individual or consolidated year-end accounts.

It should however be remembered that the real, actual value added is not only that emerging from the following table. Value Added also comprises qualitative, social, and environmental aspects that generally elude measurement, even although they are equally important keys to understanding the enterprise's "social product".





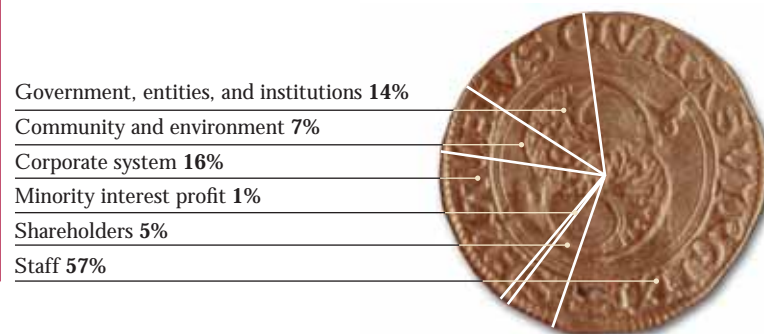
Analytical breakdown of Value Added	2004*	2005
(€ '000)		
Interest and similar income	4.749.777	5.239.366
Commission income	1.590.295	1.970.729
Dividends and similar income	240.713	476.172
Net trading gain (loss)	198.567	-314.129
Net hedging gain (loss)	-	-13.386
Gains (losses) on sale or repurchase of:	26.252	98.314
a) Loans and receivables	-	-3.777
b) Available-for-sale financial assets	28.051	110.880
c) Held-to-maturity financial assets	-1.799	-8
d) Financial liabilities	-	-8.781
Net result of financial assets and liabilities measured at fair value	-	-816
Other operating costs/revenues	414.609	296.888
Profits (losses) of investments	23.224	33.126
Total net revenues	7.243.437	7.786.264
Interest and similar expense	-2.042.771	-2.244.183
Commission expense	-221.722	-195.910
Other administrative expenses (net of indirect taxes, donations, and liberalities)	-922.742	-941.591
Net value adjustments for deterioration of:	-585.774	-609.959
a) Loans and receivables	-581.020	-470.734
b) Available-for-sale financial assets	-2.379	-135.305
c) Held-to-maturity financial assets	-	-
d) Other financial transactions	-2.375	-3.920
Net provisions for risks and charges	-3.197	-46.846
Net adjustments to value of tangible non-current assets	-	39
Net adjustments to value of intangible non-current assets	-	-11.746
Goodwill impairment	-	-29.021
Total consumption	-3.776.206	-4.079.217
Net insurance premiums	3.597.446	3.265.865
Net other insurance income/costs	-4.046.706	-3.587.665
Net insurance income (loss)	-449.260	-321.800
Gross core value added	3.017.971	3.385.247
Net result of fair valuing of tangible and intangible non-current assets	-	-
Gains (losses) on investment disposal	5.945	509
Gross total value added	3.023.916	3.385.756
Depreciation & amortisation	-224.380	-138.720
Net total value added	2.791.954	3.238.963
Personnel expenses	-1.914.116	-1.931.319
Other administrative expenses: indirect taxes	-156.044	-208.069
Other administrative expenses: donations and liberalities	-9.336	-12.444
Income before tax from continuing operations	720.040	1.095.204
Taxes on income for the year from continuing operations	-152.098	-281.544
Profit (loss) of asset disposal groups after tax	-	-
Minority interest profit (loss)	13.112	23.464
Net profit for year pertaining to Parent Company shareholders	554.830	790.196

* With estimates for IASs 32 and 39 and for IFRS 4 (Insurance Contracts).

Distribution of Gross Total Value Added	2004*	2005
(€ '000)		
Shareholders	107.415	162.366
Dividends distributed to shareholders (except MPS Foundation)	107.415	162.366
Staff	1.914.116	1.931.319
Personnel expenses:		
<i>Direct</i>	1.564.754	1.533.666
<i>Indirect</i>	349.362	397.653
Government, entities, and institutions	308.142	489.613
Indirect and equity taxes	156.044	208.069
Income tax	152.098	281.544
Community and environment	165.656	247.035
Donations and liberalities	9.336	12.444
Dividends to MPS Foundation for socially beneficial purposes	156.320	234.591
Corporate system	515.475	531.959
Retained earnings and undistributed reserves	291.095	535.739
Depreciation and amortisation	224.380	138.720
Use of extraordinary reserve	-	-142.500
Minority interest profit	13.112	23.464
	3.023.916	3.385.756

* With estimates for IASs 32 and 39 and for IFRS 4.

% Breakdown of Value Added Distribution (2005)



A scenic landscape of rolling hills at sunset. The sky is a warm, golden-orange color. In the foreground, there is a field of tall, dry grass. A line of cypress trees runs across the middle ground. In the background, a small building is visible on a hillside, surrounded by more cypress trees. The overall atmosphere is peaceful and serene.

Social performance



We intend to continue being one of the companies best able to enhance the value of the individual - his and her qualities and skills - in a setting of equal opportunities for all-comers.

This attitude to people is the decisive factor for their responsible approach to customers and the social environment.

Staff

During 2005 we intensified action to develop and strengthen the professional skills of our human assets.

In this respect - in a scenario where the customer relationship is the key and make-it/break-it aspect of banking business - we devised specific training programmes concerning new service roles. This was done also in view of changes underway in the regulatory framework that impose new approaches to management of the various risks associated with business activities.

In this setting, our primary objectives were:

- Consolidation of the network's efficiency and commercial effectiveness. This became necessary following organisational changes relating to introduction of the new service models, plus consideration both of retraining of staff previously deployed in other activities and of the appreciable level of turnover in the last few years. This goal is achieved by deploying in branches and the SME Centres all new hires coming from basic screening processes and a growing number of resources coming from post-graduate master courses, thus exploiting the freeing-up of staff/professional time generated by reorganisation projects and supporting growth of professional skills. Here, key focal points continue to be (a) the right sizing of individual facilities with respect to commercial and operating activities and (b) needs connected with

implementation of the Branches Plan, which involve - besides quantitative resource requirements - specific professional and training paths, to be carried out in sufficient advance;

- Reining in of costs, achieved via actions designed to have a structural impact on overall levels and on the other more significant cost factors, which, albeit to a varying extent, offer opportunities for rationalisation in all the Group's various realities.





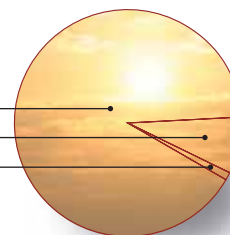
Staff headcount and breakdown	2004	2005
Actual workforce*		
Banca Monte dei Paschi di Siena	12.364	12.413
Corporate Centre	1.131	1.197
Banca MPS Division	11.061	11.071
International business**	172	145
Banca Toscana	3.782	3.783
Banca Agricola Mantovana	2.994	3.024
MPS Banca Personale	216	168
Foreign banks	436	441
Product companies	1.594	1.626
Service companies	2.619	2.556
Tax collection unit	2.401	2.167
Insurance unit	166	165
Other companies	134	127
Total	26.706	26.470
Breakdown by contractual category		
Managers	639	615
Executive middle managers	6.841	7.080
Professional staff	19.226	18.775
Breakdown by age range (%)		
Up to 30 years	11,9	11,8
31- 40 years	31,6	29,5
41-50 years	33,9	34,4
Over 50 years	22,6	24,3
Breakdown by length of tenure (%)c		
Up to 10 years	27,5	28,1
11- 20 years	31,3	30,0
21- 30 years	28,9	28,0
Over 30 years	12,3	13,8
Breakdown by educational qualifications (%)		
University degree	24,9	26,3
High school diploma	66,2	65,1
Other	8,9	8,6

* Data consider inward and outward secondments.

** Foreign branches and representation offices.

Staff deployment in the three commercial banks

Network **91%**
 Corporate Centre **8%**
 Call Centre **1%**



Job creation and security

In 2005, continuing the trend underway for several years now, there was once again a reduction in the overall number of human resources. This is part of a more general and wider ranging process of structural recalibration and of concentration of our individual companies on their respective core businesses.

Turnover

At Group level there were 970 terminations. These were mainly due to the exit of longer-serving employees, also as a result of use of specific pre-retirement facilitation schemes, such as the banking industry's Solidarity Fund and company incentive-based demanning plans, which were taken up by 582 people. At the same time there were 681 hires - mostly young potential high-fliers earmarked almost exclusively for deployment in the network, to strengthen its commercial clout. As regards this, it should be considered that, during 2005, implementation of the Branches Plan (inaugurations and relocations) absorbed some 300 resources.

Turnover	2004	2005
Hires		681
Terminations		970
<i>Data for the whole MPS Group</i>		
Hires - sources and types	973	605
Public examination (a.k.a. open competition)	513	353
Post-graduate courses	32	53
Direct	120	143
Children or widows of deceased employees	15	22
Socially protected categories	56	34
Merger by incorporation	237	0
Terminations - reasons	792	698
Resignation	162	145
Dismissal	7	9
Retirement	66	72
Death	27	24
Acceptance of Solidarity Fund procedure	452	431
Mutually agreed termination	10	3
Expiry of fixed-term employment contracts	68	14
Turnover (%)*	0,73	0,65

*Data relating to employees on the commercial banks' payrolls.
* Ratio of voluntary resignations to total employee headcount.*





Training and skills development

Activities supporting the development and enhancement of people's value - such as training and knowledge management - play a key role in implementation of the Group's general strategies. They are an essential prerequisite for achievement of expected results - both quantitative and qualitative - particularly in the medium-long term.

Training

Our priority objective in 2005 was to grow and consolidate professional qualities, doing this by fostering acquisition of knowledge, development of personal capabilities, and the spread of managerial skills.

In this respect our foremost commitment was to go, above all, for quality in results, as well as quantity. We did so via an effort to revamp training & development content and approaches, using a combination of conventional and innovative channels and structuring training programmes by role.

■ Certification of training quality

In 2004 the Group's Knowledge Management & Training Service achieved ISO 9001 quality certification for training processes - an important step forward in growth based on continuous improvement.

Introduction of a quality management system for the design and provision of training services permitted achievement, in 2005, in an average level of perceived quality - expressed by participants in the various courses via customer-satisfaction questionnaires - of 4.87 out of a maximum score of 6.

Training activity	2004	2005
Total training days		105.741
Per-head training days		5,5
<i>Data referring to the commercial banks</i>		
Total training days	65.963	63.850
Classroom (%)	93	90
On-line (%)	7	10
Provided by in-house tutors (%)	91	71
Per-head training days)	5,3	5,1
Participants (%)		
Managers	2,0	1,2
Executive middle managers	28,9	28,8
Professional staff	69,1	70,0
Training themes (%)		
Development of professional areas and categories (development of role know-how)	77,6	69,5
Organisational development and change management	18,0	15,3
Support of cross-corporate communities (managerial role and skills development)	2,6	10,6
Social and environmental topics	1,8	4,6

Data referring to the Parent Company.



■ Training activity in 2005

Analysis of the overall combination of training activities performed in 2005 in the Parent Company shows that:

- Average per-head training days (5.1 days) remained similar to those of the previous year, with involvement of some 90% in training efforts;
- The objective of involvement of all company roles - which benefited from training specifically structured for each role - can be considered to have been achieved;
- There was a 38% increase in the number of training hours administered on-line, which increased from 7% of the total in 2004 to 10% in 2005;
- The level of participation in on-line training activities also increased, with over 50% of courses completed in 2005. This was the result also of an improved offering and of upgrading of the training platform, which permits an increasingly effective response to individual needs;
- Over 300 employees of the Bank and Group companies attended English courses organised in conjunction with Siena University's Language Centre, with the aim of consolidating and strengthening knowledge of the language to aid increasingly well-informed participation in innovation processes involving our business activities. A co-operation agreement was also set up with the Italian Department of the University of London's Royal Holloway College, which enabled 12 employees to take part in specialised full-immersion courses.

Among the training programmes completed, we highlight - due to their importance and the number of staff they targeted - the following:

- "Enhancing the Value of Human Resources: Investment in Capabilities", with the aim of achieving greater enhancement and development of human resources. 1,794 employees participated in the course with a total of 26,847 classroom hours. The course was intended to launch an extensive, structured process, comprising nine training courses, corresponding to the number of distinctive

capabilities of company roles. It involved professional staff whose enhancement in their respective roles envisaged strengthening of at least one of the capabilities concerned.

- "Banca della Previdenza (Pension-Planning Bank): new regulations and social responsibility in savings". 2,867 employees participated, for a total of 31,958 hours. The objectives were:
 - Development of technical/professional know-how in pension-planning matters and of social consciousness of customer needs;
 - Optimisation of the customer relationship management model, not only in terms of service but also via full-scale care of customers' asset requirements, with the aim of contributing to creation of value for the customer and for the Corporation.

Training of private bankers

"Convergence and distinctiveness to create value"

2005 was a particularly intensive year as regards training in MPS Banca Personale. Activity specifically involved the network of private bankers with provision of over 5,500 training hours.

The leitmotiv of the year's activity was "convergence and distinctiveness to create value". Within the company's overall relaunch plan it was in fact decided to give priority to consolidation and sharing/consensus among employees of the mission and basic values on which to found customer relations and with which to distinguish the new brand.

The activity was developed in three phases. Phase 1, via employee interviews and questionnaires, pinpointed the main features distinguishing the company's tradition, principles, culture, and style of conduct. Phase 2 then featured development of a "values document", which spelt out the company's values system, vision, and mission. Lastly, in Phase 3, the "values document was illustrated to and discussed with employees and private bankers during specific training workshops and events, with the aim of sharing and fine-tuning its contents.



- “Basel II: key novelties and impact on customer relations”. This course was attended by 3,445 employees, for a total of 25,837 hours. It aimed to build awareness of the Basel II Accord’s impact on various company realities, defining action programmes (including training and communication) consistent with the specifics of the various segment types identified.

During the year we also provided three training & development programmes for managers. These courses - closely linked to change-management processes - involved 81 corporate and network managers, with 5-day modules, for a total of 3,240 training hours. They specifically concerned:

- “Retail Customers and Banks: management and development of the commercial networks”. This course, targeting managers active in the Retail and Private Banking segment, aimed to achieve in-depth reflection on the regulatory and commercial aspects of the bank/customer relationship in compliance with the three fundamental principles of: professionalism, good faith, and correctness;
- “Corporate Customers and Banks: the new regulatory and operating framework”. This course, dedicated to managers of the Corporate segment and managed by high-calibre lecturers from the academic world, fostered exchange and debate on high-impact factors triggering change, such as Basel II, new Italian company law, and the financial reporting of non-banking companies under the new international accounting and financial reporting standards (IASs/IFRSs);
- “Enhancing the Value of Human Resources: management and development systems. The course, undertaken with a view to enhancing and developing people in the Group - a stated objective in the Business Plan - triggered and featured intense participation by human resources managers, with in-depth and constructive discussions of management systems oriented towards the development of both people and business.

Skills development

The MPS Group’s significant organisational complexity and the high levels of specialisation achieved within the Group as a whole require careful planning of people’s professional develop in order to:

- Guarantee effective coverage of roles;
- Provide ongoing reinforcement of the skills necessary for enhancement of managerial figures;
- Respond to people’s individual aspirations.

In 2005 we implemented the skills-based human resources management model. This activity consisted of identification of each employee’s know-how and capabilities with the aim of identifying - considering employees’ personal aspirations and consistently with organisational dynamics and the various company roles’ characteristics - appropriate paths for development of individual professional skills and potential.

There was also intensive training activity concerning the model’s modus operandi and on personnel appraisal and enhancement techniques targeting all branch managers and managers of Parent Company and corporate centre units. The aim was to assure the uniformity and consistency of appraisal of individual resources’ skills with respect to those required by the role performed. Special emphasis was placed on measuring the gap and identifying improvement opportunities for each person, together with related growth initiatives (self-development, on-the-job tutoring, professional experiences, and training). In analysing results, special attention was dedicated to “critical” network roles (branch managers, heads of credit analysis & processing units, front-office managers, and SME account managers) and to central functions’ coverage of core skills.

We also continued the so-called “Talents Project”. Launched in 2002 and initially designed to identify, via internal screening, young top-scoring university graduates, over the years the Project’s scope has been extended to cover high-potential staff. This takes the form of regular recruitment - based on highly selective screening criteria - of resources coming from university post-graduate courses, working in conjunction with

Siena University and other premier universities. The Project - which today is implemented by several Group companies - is primarily intended to create an experience and skills-development path, based on professional enhancement, to the benefit of what we consider to be strategic areas, both in corporate units and in commercial networks.

Remuneration and career paths

In 2005 we further refined the bonus system, achieving a tighter correlation between the level/weight of role held, results achieved, and individual bonuses. The utmost objectivity and transparency is assured in assignment of targets, measurement of performance, and calculation of bonuses. Qualitative factors, such as aspects concerning customer satisfaction, have been assigned greater weight among appraisal parameters.

More specifically, the incentive system - featuring (a) a corporate performance bonus for managers and executive middle managers and (b) economic incentives for professional staff categories - is designed to increase the staff motivation and active participation in corporate objectives and strategies.

The system envisages:

- Definition of total corporate “prize money” based on economic compatibility (planned profitability, costs, and operating policies, etc.);
- Definition of the target bonus - as the link between the incentive system and salary market dynamics in the Group’s various business segments - expressed as a percentage of annual gross salary (individual for managers and based on average salary level for executive middle managers and professional staff);
- Identification of the combination of targets, with related percent weights, to whose achievement total “prize money” is linked, according to the following four performance indicators:
 - Economic and financial performance (short-term) - referring to key annual budget targets, i.e. balance sheet, operating, and profit targets for individual functions and, on an integrated basis, consolidated Group profit targets;
 - Market relations (medium-/long-term) - regarding, for central and field functions active in the commercial value chains, customer relationship targets, based on a rationale of retention, increased share of wallet, development of relations, and credit quality;
 - Organisational and project development (medium-/long-term): targets based on progress status of strategic projects defined in the Business Plan, with a view to commercial improvement, enhanced operating efficiency, and so on;
 - Professional growth (medium-/long-term): managerial skills for managers and operating efficiency for the other resources;
- Definition of correlation parameters, in terms of the percent change to be made to total “prize money” when actual results are known, based on differences between results and targets.

During the year we supplemented the incentive system with introduction of a specific additional “prize money” amount, awarded to branches achieving the best results vs. targets set. This initiative aims to heighten staff motivation as regards pursuit of the strategic objective of development of the customer base.

Another element supplementing ordinary remuneration consists of bonuses in the form of stock

Remuneration	2004	2005
Average annual gross salaries (euro)		
Managers	108.490	114.997
Executive middle managers	50.788	52.968
Professional staff	32.272	33.476
Variable component (% of total annual remuneration)		
Managers	* 22,6	23,3
Executive middle managers	* 7,3	7,9
Professional staff	* 3,7	3,8
Additional benefits (euro)	38.920.596	42.635.843
Supplementary pension provision	20.924.276	21.864.739
Health insurance	10.235.897	12.545.875
Accident insurance	4.952.183	4.896.109
Fidelity bonuses	1.574.232	2.147.715
Grants for employees' student children	958.569	988.615
Publications and coins	275.439	192.791

Data referring to employees on the commercial banks' payrolls.

* Data referring to the parent company.



granting linked to achievement of specific targets. In 2005 we assigned as bonuses to employees - for 2004 results - some 6,000,000 Banca MPS ordinary shares.

As regards career paths, in 2005, in the Group's three main commercial banks, there were 2,303 career advancements at various levels (their breakdown by gender is shown in the section "Labour Policies - Equal opportunities" on page 55).

Career advancements	2004	2005
Managers	50	11
Executive middle managers	1.180	962
Professional staff	1.577	1.330
Total	2.808	2.303

Data relating to employees on the commercial banks' payrolls.

Labour policies

The MPS Group is committed to assuring constant compliance with the social accountability requirements established by the international Social Accountability (SAQ) 8000 standard and with current legislation concerning:

- Child labour
- Forced labour
- Health and safety
- Freedom of association and right to collective bargaining;
- Discrimination;
- Disciplinary measures;
- Working hours;
- Compensation.

The above statement of commitment has already been put into practice, within the Group, both in MPS Banca per l'Impresa which had already achieved SA

8000 certification back in 2004, and in Banca MPS, which officially adhered to the standard in 2003 and is working to obtain accreditation, scheduled to be achieved by the end of 2006.

Certification processes have spread awareness in the Group that introduction of a system that is also consistent with the principles of protection of workers' rights - with public commitment being made to the latter by signing the United Nations Global Compact - has to be supported via an effort of constant verification. This verification concerns monitoring of compliance with the provisions made for such matters in the Italian banking industry's national collective contract, supplementary company collective contracts, in Group companies' other company contracts, and in the various house regulations.

Employment contracts and flexibility

The employment contracts offered by MPS Group companies - in compliance with the requirements of national and company collective labour contracts - are normally of the open-term type. There are a few residual first-job training contracts - now no longer envisaged by legislation. Following the innovations introduced by new labour market regulations (Italian Law no. 30 of 14.02.2003 - the so-called Biagi Law) work-entry/back-to-work contracts have also been stipulated, with the aim being for contracts of the professional apprenticeship type. All fixed-term contracts expiring in the period 2004-2005 were transformed into open-term contracts.

Employment contracts and flexibility	2004	2005
Employment contracts (%)		
Open-term	97,9	97,5
First-job training	1,9	1,4
Work-entry/back-to-work	0,2	1,1
Part-time contracts (no.)	1.532	1.545
Overtime working (hours)		
Annual total	840.092	726.661
Weekly average	16.156	13.974
Per-head annual average*	90	83

Data referring to employees on the commercial banks' payrolls.

** Data referring to Parent Company.*

As well as to general working conditions, we also dedicate special attention to employees' quality of life. In this respect, compatibly with company business requirements, and working with trade unions, we constant seek solutions and facilities to aid better compatibility between work commitments and family needs. Action in this respect includes, among other things, application of mechanisms for flexible management of working hours (part-time contracts, start/finish and meal-break times), granting of short and extended leaves of absence at special times of an employee's personal life (death of a relative, marriage, births, adoptions, medical care and consultations, and completion of education, etc.), and protection of working mothers.

As regards staff of foreign nationality hired abroad, the terms of their employment contracts, although they are of course subject to local legislation, as a matter of corporate practice in any case always observe the imperatives of Italian labour regulations, which generally offer workers greater assurance.

Equal opportunities

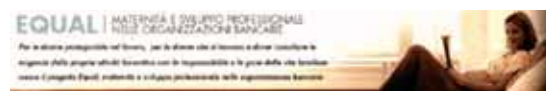
Group companies - also via joint committees and monitoring arrangements with trade unions - follow the equal opportunities question closely and with a sense of responsibility. The aim is to identify possible measures to be taken to assure fair enhanced use of women staff, watching out for any factors that might objectively hinder a woman's profitable employment and professional development.

Equal opportunities	2004		2005	
	Women	Men	Women	Men
Breakdown by gender (no.)	8.981	13.259	9.116	13.039
Manager	15	497	13	481
Executive middle managers	1.000	4.755	1.144	4.831
Professional staff	7.895	7.706	7.897	7.459
Other staff	71	301	62	268
Part-time contracts	1.413	119	1.430	115
Career advancements	1.108	1.700	1.020	1.283
Women/men as % of total	39,5	60,5	44,3	55,7

Data referring to employees on the commercial banks' payrolls.

EQUAL Programme

Motherhood and professional development in banking organisations



By means of a specific project Banca Toscana has introduced, as part of its standard operating practice and under the aegis of the EU EQUAL Programme, forms of support for working mothers' needs for professional updating. These include the possibility for nursing mothers to access the company portal directly from their home and, when they return to work, to benefit from a specific training programme, aided by a tutor.

Socially protected categories

For diversely-able staff we assure conditions for doing their very best in their jobs. As necessary, adjustments - both structural and computer-based - are made to work stations and tools to assure full accessibility and usability.

Mps socially-protected employees	2004	2005
<i>(pursuant to Italian Law 68/99)</i>		
Disabled persons	585	528
War orphans and widows	243	196
Refugees	28	25
Children orphaned due to acts of terrorism and organised crime	2	2
Children of people who died due to work-related reasons	5	5
Children of seriously-disabled war veterans	1	1
Total	864	757

Data referring to the Parent Company.



■ Accessibility programmes

In 2003 - proclaimed by the European Parliament as "Year of the Disabled" - the Group launched a programme to facilitate access to banking services by the diversely able, in the firm belief that:

- The fight against disability forms part of human rights;
- Discrimination and social exclusion are the result of barriers created by society;
- Social inclusion is above all the consequence of positive action.

Via a specially created internal task force, we therefore defined courses of action to provide a tangible response to the various needs of handicapped people, focusing first and foremost on problems concerning staff and customers and launching a series of initiatives to achieve the following objectives:

1. Achieve total elimination of architectural barriers existing at Group bank branches and company offices;
2. Proceed with gradual replacement of ATMs with models accessible, in particular, for the physically disabled and sight-impaired (see Customers chapter on page 73);
3. Ensure the accessibility of on-line and remote banking services (see Customers chapter on page 71, 73);
4. Improve the workstations and working conditions of disabled staff, making enhanced use of their know-how and skills via adequate means and supplying any specific training required.

As regards this last point, the Group established a course of action, leading to the solution of several cases and, at the same time, realised that it was necessary to address the various problems involved in a participatory manner, encouraging collaboration of the workers concerned and building up their spirit of response and confidence.

As regards architectural barriers, Paschi Gestioni Immobiliari SpA - the Group's real-estate management company - has always taken specific relevant regulations (Law 13/1989, Ministry Decree 236/1989, and Law 104/1992) into account when designing and

Emergency and disability

Banca MPS, in conjunction with the AIAS - the Italian association of safety officers - held a conference in Siena, on September 30th 2005, on the subject of "Emergency and Disability". At the auditorium in Viale Mazzini, over 200 safety officers, managers of the Tuscany regional government authorities, of several provinces' fire departments, of Tuscan local health departments and of Italian banking groups, together with representatives of disabled people's associations, trade unions, professional orders, and of the world of universities (Siena, Florence, Pisa, and Bologna) and research demonstrated civil society's interest in a subject that often isn't considered with the due degree of attention.

The conference's objectives were to examine so-called "extended" safety solutions - but also to present concrete proposals to overcome the rigidity of current regulations and social conduct. As regards this, numerous practices were illustrated for the best possible use of people with disabilities, via growth and development of their participation in company life, achieved also via availability of the information technology aids and supports provided by new technologies.

What emerged from the conference was the firm belief in the need to push for widespread, across-the-board commitment in order to eliminate the forms of disparity existing today, which tangibly endanger the exercise of full individual freedom.

Given the conference's success, those attending suggested making it a regular event via organisation of further meetings, to be held annually in Siena, to discuss topics and aspects concerning disability and social exclusion.



constructing the Group's branches and locations. An important result was achieved in 2005 with completion in the complex at the Group's historical headquarters in Piazza Salimbeni of a barrier-free route for the disabled. This experience can now be applied to the Group's long-term programme for other challenging premises, mostly located in historical buildings.

We have naturally paid special attention to problems concerning the accessibility of branches for people with motorial and sensorial disabilities. Action here envisages full accessibility of the self-service area, full internal mobility and usability, with at least one accessible branch counter section (counter with a maximum height of 90 cm), and provision of at least one toilet facility specifically designed for use by the disabled.

- *Action for blind and sight-impaired employees*

As part of the commitments made for total elimination of both architectural and technological barriers, it was decided to upgrade the workstations and align the working conditions of blind and sight-impaired staff in all Group companies via installation of appropriate hardware and software to enable these employees to work on a fully self-sufficient basis.

The action taken consisted of equipping each worker concerned with (i) a personal computer featuring a voice synthesizer able to "read" the texts appearing on the screen and typed on keyboards and (ii) a scanner to scan paper-based documents, transforming their contents into text format, permitting their interpretation via the voice synthesizer.

Each worker concerned is also provided with special training in the use of the instruments provided, in relation to his/her specific psychological and physical characteristics, cultural level, tasks performed, and to any related needs in this respect.

For implementation of the project the Group drew on the professional and technical skills of Bassnet Srl (a company of the Bassilichi Group in which our subsidiary MPS Venture owns an interest). Bassnet is a supplier of outsourced services, which - based on tried-and-true



The stakeholders' voice

ASPFI, the Italian non-profit foundation active in the launch and development of projections for attenuation of handicaps via information technology, met Banca MPS managers a few years ago, in relation to the work of the Italian banking association's Accessibility Team. MPS' interest in and motivations concerning the problem of accessibility, in particular of Web sites, relating to the site it was developing - www.paschiambiente.it - found us undoubtedly ready to co-operate. We started practical testing of the site in March 2004, defining surfing routes (tasks), execution of which was assigned to a group of 5 people representing various types of disability (blindness, sight-impairment, and motorial disabilities). Analysis of the results showed that all tasks had been completed and no situations of non-accessibility had been flagged, even although some suggestions were made to improve usability, which the Bank promptly accepted, implementing the modifications requested.

We hope that MPS will want to extend this test activity to its other sites. We are ready to offer our collaboration to give every possible occasion and opportunity, to people with difficulties, to access all types of information.

Ennio Paiella

Websites manager, ASPFI



know-how of the most advanced technologies as regards accessibility and usability - is able to recommend the best instruments to meet the special needs of people with all types of disabilities.

A total of 73 workers have initially been involved in the programme described.

Listening to workers

For some years now initiatives have been taking shape in a number of Group companies that reveal realisation of the need for a systematic approach to consulting employees to find out how satisfied they are with activities. Given this, and also consistently with the growing industry-wide spread of these practices, they will be given proper consideration.

Management of internal relations must necessarily be based - although via an ongoing exchange of ideas and opinions with trade unions - on listening carefully to employees' aspirations and motivations and on constructive dialogue with employees, with the aim of creating a favourable and proactive company climate.



Stakeholder dialogue

MP Asset Management listens to employees

Since 2004 MP Asset Management SGR, the MPS Group's dedicated asset management company, has activated a specific house procedure for periodical verification - via anonymous completion of specific questionnaires - of its employees' level of satisfaction concerning work environment and relations and the company's objectives and choices. The questionnaire also aims to find out their expectations concerning future prospects relating to their working life. Once again in 2005 the survey was carried out in conjunction with the OSIF - the observatory of the sustainability of enterprise and finance. Criticisms of management were not lacking, but in any case a picture emerged of general satisfaction with and appreciation of working conditions offered, with signs of improvement over the previous year. Another tool for monitoring problems and difficulties in on-the-job activity is electronic mail. Using two dedicated mailboxes, employees are in fact able to send their suggestions and observations directly to the Managing Director and Stakeholder Committee.

Suggestion box in MPS Banca per l'Impresa

For several years now, MPS Banca per l'Impresa staff have had a Suggestion Box at their disposal to make comments and suggestions to management. The application active in the "Ethical/Environmental" section of the company's intranet channel permits anonymity of suggestions, for greater protection of employees. Communications mostly consist of proposals to improve environmental performance, aspects concerning social responsibility, and quality management. Use of the Suggestion Box is also assured for those who do not have access to the intranet channel. These people are able to send an e-mail to the dedicated e-mailbox "eticambiente@mpsbancai mpresa.it", which is then put in the mailbox of the head of the Ethical & Environmental Management System. The latter, together with the workers' SA8000 Representative and with the head of the Quality Management System, is in fact responsible for reviewing communications received and managing any related action.

Disciplinary measures

In the Parent Company, the most significant breaches of the internal disciplinary code occurring in any part of the organisation are examined by a centralised commission assuring fair and uniform treatment.

Disciplinary measures	2004	2005
Dismissals	10	8
Penalties without dismissals*	94	69

Data referring to employees on the commercial banks' payrolls.

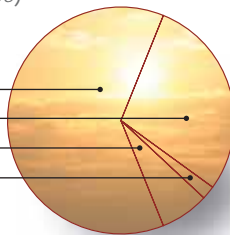
* For example: official reprimand, temporary suspension from service and salary.

Absence from work

In 2005 the days of absence of Parent Company staff - excluding holidays and leaves of absence for various reasons - totalled 171,760. Of this total, days of absence for maternity leave, involving 579 people, amounted to 50,205.

% Breakdown of Absences (2005)

Maternity leave **62%**
 Illness **29%**
 Accidents **7%**
 Other **2%**



Data referring to de the Parent Company.

Legal disputes with employees

As at 31.12.2005, in the Parent Company there were 124 cases, involving 178 employees, pending in the labour sections of the civil courts at the various levels of instance. 19 attempts to reach out-of-court solutions are underway.

Trade union relations

In 2005 debate and discussion with trade unions further progressed, centring round the need for systematic handling of problems concerning human resource management - particularly those stemming from corporate reorganisation projects and other strategic projects envisaged in the Business Plan.

Card-carrying union members among employees

	2004	2005
Confederate unions	14.572	14.549
Independent unions	4.564	4.557
Total	19.136	19.106

Data relating to employees on the commercial banks' payrolls.

In addition, discussion of commercial policies, also in relation to the positions expressed in the national protocol concerning sustainable and compatible development of the Italian banking industry, always took place in a particularly positive atmosphere.

Overall, union relations thus continued to feature labour relations of good quality - an essential prerequisite for effective handling of the ongoing effects of organisational contingencies on people's working conditions. The demonstration of the efficiency of relations is the fact that, in 2005, no conflicts arose such as to cause collective disputes.

With agreement having been reached on the new national collective labour contract for the Italian banking industry, negotiations started with trade unions for renewal of supplementary company collective contracts. In the Parent Company a draft agreement has been signed in this respect. It has already been approved by the Bank's Board of Directors and is now undergoing endorsement by workers' assemblies, specifically convened by trade unions at the various work locations.



Consistently with the relevant principles endorsed in the “Sustainable Development Protocol”, also incorporated in the specific Chapter VIII of the industry’s national collective labour contract - “Social, Health, and Safety Policies” - the Bank’s supplementary company collective contract has modified the articles concerning:

- Health (Article 54), which envisages, among other things, creation of a joint team to review the matter with special reference to architectural barriers and to work processes requiring significant use of video display units (VDUs).
- Corporate Observatory (Article 55), the creation of which is designed to improve relations, with a view to preserving individual personality and, in general, to maintaining a high standard of quality of life in the company, monitoring the career path system, overseeing situations that potentially damage workers’ dignity (such as mobbing), and to observance of labour rights and of fundamental ethical values in the company (corporate social responsibility).
- Membership of joint company bodies (Article 56) concerning task forces delegated to review progress on implementation of environmental policy commitments made by the company or stemming from specific regulatory requirements (urban mobility, for example) and on company status as regards equal opportunities, etc.

Sustainable Development Protocol ABI (Italian Banking Association) - Trade Unions

On June 16th 2004 the Italian banking association (ABI) and the Italian banking industry’s major trade union organisations (Falcri, Fiba-Cisl, Fisa-Cgil and Uilca) signed the “Protocol on Sustainable and Compatible Development of the Banking Industry”, which spells out the fundamental ethical values to be applied by all those who, at various levels, work in companies in the industry.

The protocol highlights the central role of human resources and sets the common objective of enhancement of the value as an indispensable, strategic factor for the enterprise’s development and success. This objective requires effective equal opportunities for professional growth, ongoing training, job mobility, adequate professional performance appraisal standards, quality of work performance and work environments, and effective prevention and action as regards health and safety. The signatories of the protocol also undertake to make active endeavours to assure respect of fundamental human and labour rights and to combat any form of discrimination based on race, nationality, gender, age, disability, and on political and trade-union beliefs. In addition, the protocol reiterates the need for companies to also envisage quality objectives within their incentive schemes. In this respect, staff deployed in sales activities in the network must be provided with clear and exhaustive information and rules concerning conduct in customer relations, also as regards assessment - when selling financial products - of the customer’s “risk propensity” in relation to the products’ characteristics.

Lastly, with the objective of disseminating corporate social responsibility principles and values in the banking industry, the document also provides for creation of a specific joint national observatory with the aim of developing and seeking consensus on issues able to make a positive contribution to promoting corporate “value” and to optimising corporate climate.





Health and safety

As regards worker health and safety, the MPS Group had made specific arrangements in this respect even before Italian Legislative Decree 626/94 (a landmark law concerning occupational health and safety and incorporating several EU regulations). It subsequently formalised, as required by law, creation of the Prevention & Protection Service, which performs the functions envisaged by the decree and by related laws and regulations for all Group companies.

In each company the Safety System features the figures and positions envisaged by law, i.e. the employer (General Manager) and/or his delegate, the Prevention & Protection Service and its manager, Workers' Safety Representatives, managers and executive middle managers, and staff with emergency and first-aid responsibilities, plus relevant local doctors and their co-ordinator.

As far as Workers' Safety Representatives - generally elected by workers following the coming into force of Legislative Decree 626/94 and subsequently renewed - it is worth highlighting the fact that there are a total of 57 of them in the Group.

A figure that the Group has instead decided to introduce, even although not expressly required by law, is that of the Environmental & Safety Officer - a local position for more effective implementation of prevention and safety measures and to follow matters concerning environmental compliance.

All these positions and people are strictly connected and synergistically integrated in the system. They are all called upon to perform an important role - aiming to achieve the common objective of workplace prevention and safety, respecting the health of the population and the integrity of the external environment.

Certification of the MPS Group's Prevention & Protection Service

In compliance with the requirements of Italian Legislative Decree 195/2003, which incorporated an EU directive in Italian law, prevention service staff, as well as having certain educational qualifications, have to be appropriately trained and able to exhibit specific certification of their training, as an indispensable condition for performance of the activity concerned.

To this end, we carefully considered the needs for training in specialist subjects of the Group's prevention service staff, with the aim of developing, consolidating and keeping skills needed for performance of legally required functions constantly up to date.

Training programmes were implemented accordingly, attended by the Prevention & Protection Service Manager and staff of Banca MPS, as well as the specific staff of Banca Toscana, Banca Agricola Mantovana, and MPS Banca per l'Impresa, also so as to prevent the latter from losing their legal requisites in terms of experience. The law in fact requires these figures to possess, as well as skills, appropriate, long-term experience in their roles, differentiated according to educational level and tasks performed.

In December 2005 the Manager and 15 prevention service staff members were recognised and certified by ICPrev Srl - the prevention certification institute of the AIAS (the Italian association of safety officers), the third entity recognised by SINCERT (the Italian national system for accreditation of certification and inspection organisations). ICPrev certified, via examinations and verification of qualifications, that these people meet not only the minimum relevant legal requirements, but also possess the knowledge, experience and personal characteristics that make them professional operators, respectively, in management of the Prevention & Protection Service and in the prevention of professional risks, for performance of the tasks envisaged by Article 9 of Legislative Decree 626/94.



Workplace Health & Safety Management System

At the end of 2005 the project was approved for creation in the Parent Company of a Workplace Health & Safety Management System (WHSMS), conforming with the OHSAS 18001 standard and with UNI-INAIL guidelines - with this system to be implemented, later on, with inclusion of all Group companies in the scope of accreditation.

Introduction of a WHSMS, which joins the many systems already adopted in the Group, was identified as a further opportunity for reducing risks for people and, similarly, damages for the Corporation. Even although accidents in Group companies are almost negligible, the prime objective is to take action on risk factors and, at the same time, improve employees' working and general conditions, seeking to create conditions of real "well-being" in the workplace. Another objective, definitely not secondary, is to optimise the overall organisational and operating approach, assuring systematic uniformity of operating procedures, involving all staff, defining lead functions, documenting responsibility, and identifying the means with which and by when the system can operate in a fully effective manner.

The project is already at an advanced stage and will be completed by the end of 2006 with the procedure for certification of the System.

MPS Group Healthcare Service



In order to meet the health monitoring obligations of Italian Legislative Decree 626/94, the Group Healthcare Service has been active in the MPS Group since 2003. It operates on the basis of a special agreement with Siena University. Given the presence of over 5,000 video-display unit (VDU) workers in the Group, plus

the extent and spread of Group business locations, the Service is structured as a network, drawing on the professionals of some 20 physicians as "territorial doctors", appointed by each of the various Group companies based on the needs of for health monitoring in the zones where their locations are present.

MPSafe



In order to monitor and keep track of the conditions of the over 2,000 workplaces and locations in the Group, the Prevention & Protection Service has devised a specific procedure, called MPSafe. This procedure makes it possible to manage the specifics of the various facilities (operating units, head offices, and territorial locations and services) and to detect problems and cases of non-compliance with actions required by workplace prevention and safety regulations.

The programme operates in the corporate intranet system and manages - via an operating interface structured in several sections - the various situations from the safety and environmental standpoint, highlighting any anomalies and making it possible to notify any non-compliance directly to the relevant company safety functions, whilst also creating a database with the history of the various actions.

The procedure's soundness has been recognised by the Italian safety officers' association (AIAS), which in 2005 designated MPSafe as the best application software for health, safety & environmental management systems.



Lone workers

Italian Ministry Decree 388/2000, which laid down the rules for appropriate organisation of company first-aid arrangements, also established that companies with workers who work in isolated locations must also supply them with a means of communication for fast activation of the Italian National Health Service's emergency system.

Within the commercial network of the Group's banking companies, there are about 100 locations in which there is a person working alone, even if sometimes only temporarily. It should be pointed out that Banca Agricola Mantovana (some 30 such situations) has long adopted measures for these workers, equipping them with a device that signals any emergency conditions to its own Alarm Centre.

The Group has thus launched a project featuring telerescue links, enabling the lone worker to signal his/her state of need or to communicate, via appropriate panic and personal emergency alarm devices, with other parties (Group Alarm Centre). The latter can either intervene directly or ask for intervention by public services (ambulance, fire brigade, and police, etc.) to solve the critical occurrence.

For this purpose the workers concerned are equipped with an effective personal emergency alarm device (in practice this is a system consisting of a GSM alarm base plus a dialler, able to communicate via voice and/or SMS), installing relevant signalling equipment in these workers' locations and defining consequent organisational and operating procedures.

Worker health & safety training

Legislative Decree 626/94 requires that each worker receive sufficient and appropriate health & safety training, with special reference to risks associated with their specific jobs and potentially present in their workplace.

This activity is therefore part of a more general and extensive prevention rationale - based on the company's active role - and on technical preventive strategy centring round risk identification and assessment and consequent remedial action. It is above all designed to instil in Group workers the culture, consciousness, awareness and attention to the issues of safety and management of their own health and safety.

In 2005 a total of 6,535 workers received training in health and safety matters. Some of them received more than one type of training, depending on the specific nature of jobs and on the transversal nature of some tasks in the organisation.

Robbery risk

In 2005 Group banks suffered 123 robberies (vs. 129 in 2004), which fortunately did not cause injury to workers or customers present at the time of the crime, except in one case, in a Banca MPS branch, when an employee was injured, albeit not seriously.

The Group's average robbery ratio, in relation to the average number of branches, is 6.6% (7.1% in 2004). This is lower than the national average of 8.7%.

Our robbery-risk assessment method has been further refined and developed, so as to permit an assessment at

Health & safety training of Group workers			(2005)
Participants	No. of workers trained	Training hours	
VDU operators	1.188	1.188	
Staff for emergencies: - Fire	1.120	8.454	
- First aid	3.827	31.116	
New hires	288	1.440	
Safety staff: managers, workers' safety representatives, safety officers, etc.	112	1.761	
Total	6.535	43.959	



individual branch level and to determine, if required, the protection and security measures to be implemented.

Proof of the commitment and attention with which the Group has long been following the crime problem lies in the numerous "Protocols of Understanding for the Prevention of Crime" signed by the Italian banking association (ABI) with the local prefectures and police and paramilitary police (carabinieri) and applied by the Group banks. Thus far these protocols cover over half the provinces in Italy. The protocols envisage closer co-operation and synergies between banks and the police in the management of critical situations and exchanges of information useful for preventing criminal events.

Anti-robbery security measures are preventively adopted as a matter of routine, via a series of protective actions. As well as on the basis of the provisions of the protocols mentioned above, these are also implemented following comparison with the average level of defence services activated by other banks located in the same places.

Based on the provisions of the national collective labour contract for the banking industry, the Parent Company's top management and company trade union representatives will meet regularly to monitor the status of Group branches' security measures, in order to define proposals to be submitted to the Security Measures Commission. Meetings between the Parent Company's top management and local trade union representatives can also be attended by the Workers' Safety Representative covering the territorial area concerned.

Accidents

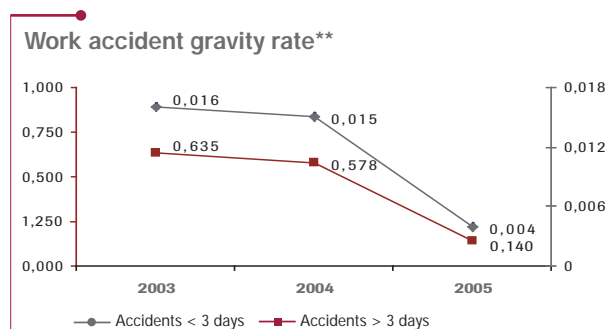
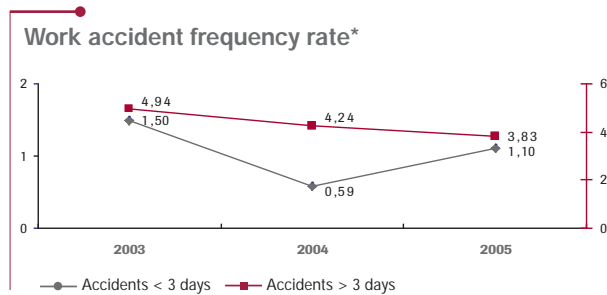
In 2005 work accidents occurring in the Group's largest companies, which employ over 80% of staff, remained fairly limited in terms of number and also as regards their gravity.

Accidents (2005)

Accidents	360
On site	130
In transit*	230
Days lost due to accidents	3.825
On-site accidents	1.317
In-transit accidents*	2.508

Data referring to commercial banks and to Consorzio Operativo Gruppo MPS (Operating Consortium).

* Occurring during home/work journey.



2003 and 2004 data refer to the Parent Company.

* Number of accidents every million hours worked.

** Days lost per accident every thousand hours worked.

Social initiatives

Company Workers' Recreational Clubs (CRAL)

In Italy company workers' recreational clubs (the Italian acronym is CRAL) are intended to aid socialisation, implement social services for educational recreation and promote cultural, artistic, sporting, and tourism activities.

55 clubs are active in the Group's various companies and have some 18,000 members, of which 3,000 retirees. In 2005 the Group granted the clubs a total of over € 500,000.

Staff subsidies and aids

In order to provide employees and their families with moral and material aid, the Group's largest companies provide various types of support, via subsidies, loans, and other types of assistance.

In Banca MPS and Banca Toscana, as well as welfare and pension funds, back in the 1950s, on the initiative of a number of employees, "Mutual Aid Funds" (Casse di Mutua Assistenza) were also set up. Aided by the banks and by members' voluntary payments, in 2005 the Funds paid out contributions for healthcare and for family support of close to € 1,400,000, besides interest-free advances, repayable by instalments, totalling some € 3 million.



CRAL Lupiae
www.crallupiae.it



CRAL Lupiae - the latest of the Group's recreational clubs - has taken on the Latin name of the city of Lecce in the Apulia region in Southern Italy. It is the first "Group" CRAL in the sense that its members come from various MPS companies active in Lecce, including Banca Personale, Consorzio Operativo, Banca MPS, Paschi Gestioni Immobiliari, and MPS Leasing & Factoring. It was only created on January 14th 2005 but already has over 350 members.

The heads of CRAL Lupiae are of course enthusiastic organisers of the usual recreational, sporting and service activities for members, also including management of contractual relations for the company canteen and bar.

But it is members' express wish that CRAL Lupiae feature strong social service commitment. Thus far this intent has taken the tangible form of creation, at Lecce's Fazzi Hospital, of the "CRAL Lupiae Blood Donors' Association", which, in the first year of activity, has made some 50 donations possible.

In December 2005, to commemorate the premature death of 6 colleagues, CRAL Lupiae undertook 6 distance adoptions of children in the Port Louis region, in South Madagascar. This initiative made colleagues want to adopt other children in the same community. CRAL Lupiae looked after the formalities and distance adoptions of another 9 children have already been completed.

The next projects once again relate to solidarity - organisation of a concert to heighten public awareness of and collect funds for the children in Madagascar leprosy hospitals, thus giving tangible help to the many volunteers from the Silent area (the "heel" of the Italian "boot", where Lecce is located) already active there.

CRAL Lupiae also has some dreams tucked away - creation of a company nursery and of a Fair-Trade Buying Group ("gruppo di acquisto solidale" in Italian). If it succeeds in making them come true, it could add some other "firsts" to its position amount the MPS Group's clubs.



Customers

Customer base

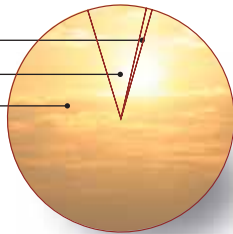
As at December 31st 2005, the active customer base of the Group's commercial banks numbered over 4 million, of which 90.7% Retail customers, 8.6% Corporate, and 0.7% Private Banking customers.

Customer turnover (no.)	2004	2005
Active customers	3.998.312	4.009.146
New customers	205.689	262.691
Lost customers	272.537	251.857
Retention (%)	93,3	93,7
Acquisition (%)	5,1	6,6

Data referring to commercial banks.

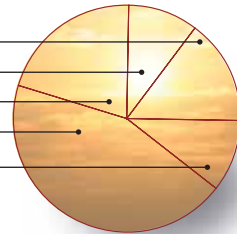
Customer breakdown

- Private **0,7%**
- Corporate **8,6%**
- Retail **90,7%**



Customer breakdown by length of relationship

- 1-3 years **16,3%**
- 4-5 years **10,2%**
- 6-10 years **20,7%**
- 11-20 years **42,7%**
- More than 20 years **10,1%**



In the Retail segment, the so-called Family customers (with assets not exceeding € 25 thousand) form the most numerous category, accounting for over 70%. 45.6% of Retail customers reside in Central Italy, 34.5% in the South and 19.9% in the North.

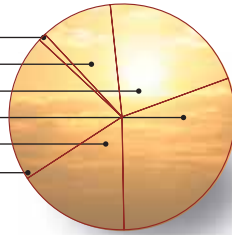
Over 80% of Corporate customers consist of small businesses (up to € 5 million of annual sales) and 12.5% of SMEs (from € 5 to € 50 million of annual sales).





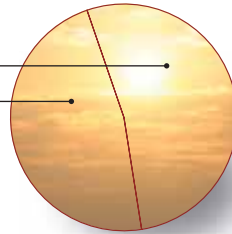
Retail customers by age range

- 0-20 years 1,3%
- 21-30 years 10,1%
- 31-41 years 21,2%
- 41-55 years 30,3%
- 55-65 years 16,2%
- Over 65 years 20,9%



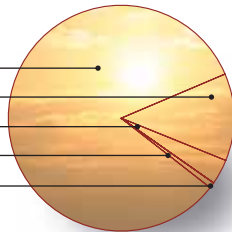
Retail customers by gender

- Men 52,9%
- Women 47,1%



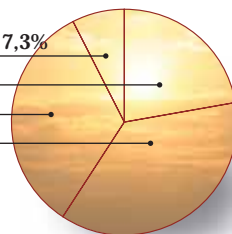
Breakdown of Corporate customers

- Small Businesses 83,1%
- SMEs 12,5%
- Local authorities 3,6%
- Large Corporate 0,2%
- Other 0,6%



Corporate customers by sector

- Agriculture, hunting, forestry & fishing 7,3%
- Public & private utilities 22,3%
- Commerce 33,4%
- Industry 37,0%



Quality and service

In a complex operating environment - featuring not always easy interpretation of economic trends, financial markets' performance, and even of the relationship between banks and investors - the MPS Group has always endeavoured to make the customer the central focal point of its companies' actions, with a relational ethos based on accessibility, closeness, and the transparency and quality of services.

In 2005 we continued the actions launched to increase commercial productivity - mainly aiming to improve the standard of customer service - via platforms specialised by segment.

Commercial platforms		
<ul style="list-style-type: none"> ■ Retail • Affluent • Family 	<ul style="list-style-type: none"> ■ Private Banking 	<ul style="list-style-type: none"> ■ Corporate • Large Corporate e Istituzioni Finanziarie • Small & Medium Enterprises • Small Businesses • Local Authorities and Public Administration

The actions implemented in 2005 for each of the above commercial platforms can be summed up as follows:

- Retail
- **Affluent.** We completed roll-out of the "Carattere" (Character) service model based on a customised and advisory approach to customers using personal financial planning methods and tools. Today the Group has some 2,700 customer managers, dedicated to specialised financial advisory services and using a technological platform that increases the efficiency and effectiveness of interaction with the customer and improves the overall quality of service.
 - **Family.** The dedicated service model - which envisages an offering differentiated by customer sub-segments and the implementation of commercial initiatives using advanced CRM (Customer Relationship Management) tools - was extended to the whole of the Group's commercial network.



- **Branches plan.** In order to improve marketplace coverage and network profitability we have defined a plan to inaugurate branches in high-potential zones. We have already completed approximately half the new openings envisaged in the Group's "2004-2006 Branches Plan", which will end with the creation of a total of some 200 branches.
- **MPS Banca Personale.** The relaunch and reorganisation plan for the private banker network has been updated, with adjustment of objectives for commercial growth, territorial positioning, and strengthening of organisational facilities, in order to accelerate achievement of substantial operating equilibrium.
- **Development of product companies.** The Group continued efforts designed to develop and consolidate the activity of product companies operating in the Retail segment. In bancassurance there was further consolidation of activities in the Life business, whilst in Property & Casualty work started on improvement of the protection product offering. In Asset Management, we continued to extend the platform based on an open-architecture approach, in parallel with rationalisation of the product portfolio. Lastly, in Consumer Credit, the Group completed the process of concentration in Consum.it of consumer finance activities.

Private Banking

The Group strengthened its positioning in the Private Banking market via the inauguration of 10 more specialised offices (Private Centres) and further development of a customised advisory model that, with the support of dedicated technological platforms,

The centrality of customers - the constant focal point of our process of construction of tailor-made offerings - has always been a distinctive feature of MPS Group policies.

aims to optimise customer assets. Roll-out of the new platform in our commercial banks has been substantially completed with upgrading of customer managers' support tools. In addition, private advisory services have also been developed for optimisation of non-financial assets (real estate, investments in works of art, etc.)

Corporate

- **SMEs.** Roll-out to customers was virtually completed of the SME service model - via training of dedicated customer managers, the opening of SME Centres (at the end of the year the Group had about 100 such centres, with over 460 customer managers), and specialisation of the offering.
- **Small Businesses.** Training of specialised customer managers (over 1,600) in the commercial networks was completed and a specific product range for the segment was developed.
- **Local Authorities & Public Administration.** Roll-out of the specialised service model in the Group's commercial banks was completed via assignment of customer portfolios to particularly skilled staff (77 customer managers) and creation of specific facilities (32 Local Authority/PA Centres). Managers' interaction with these customers is supported by CRM Corporate IT tools - already available for Small Business and SME customers - which have been adapted to the needs of local authority and public administration customers.
- **Large Corporate & Financial Institutions.** Within the Parent Company's Corporate Centre the Large Corporate & Financial Institutions Area has been set up, dedicated to centralised management of commercial relations with customers in these segments. As regards this, transfer of positions from the Group's commercial banks is now nearing completion.
- **Product Company Development.** We have defined the guidelines for strengthening of some product companies active in the Corporate segment, in order to improve their market positioning.

Quality certification

In 2002 the Parent Company was one of the first banking companies in Italy to obtain ISO 9001 certification for its quality management system. This certification was renewed in 2005 and relates to the design and provision of the following customer services:

- Retail mortgage loans;
- Direct banking (PaschiHome, PaschiInTel, PaschiInRete, PaschiInAzienda, and PaschiInTesoreria);
- Cash management and collection/payment services for local administrations;
- Staff training;
- Tax collection services.

Via extensive monitoring (over 600 on-site checks performed in 2005), we constantly verify - at the headquarters offices and commercial bank branches - compliance of operations and individual conduct with our house regulations.

Further quality certifications have also been obtained by other Group companies (see the "Social Responsibility Management" chapter on page 31).

Customer closeness and accessibility of banking services

■ Customer care

Our service to customers stands out for our multi-channel offering - which is intended to succeed in meeting people's different needs and preferences according to the type of relationship established with them. Notwithstanding the ongoing growth in the utilisation of remote banking channels for the various transactions, direct contact with branch front-line staff is still extremely important, particularly for small retail savers and investors.

We therefore constantly seek to personalise relations, also using CRM (Customer Relationship Management) tools and techniques, with the aim of:

- Helping the customer to understand his/her real needs;
- Educating the customer to manage his/her investments in a consistent and rational - rather than emotional - manner;
- Being close to customers in their investment choices, orienting them towards preference for medium-/long-term time spans.

As regards CRM, it is right to highlight the major technological and training investments made by the Group in this respect. The aim has been to create an innovative CRM approach, able to provide optimal support to the commercial front in its management of customer relationships and in identification of the alternatives best meeting customers' needs and expectations.

■ Sales and service channels

During 2005 the Group continued to work with the twofold aim of developing and rationalising sales and service channels.

More specifically, it continued implementation of the "2004-2006 Branches Plan". This envisages creation of over 200 new branches and is intended to rationalise the commercial network's distribution and exploit establishments' local geographical potential.

As at December 31st 2005, Italian sales branches totalled 1,886 and were present in nearly all provinces (101 out of 103).

Sales and service channels	2004	2005
Commercial network		
Domestic branches	1.824	1.886
Foreign branches and offices	30	30
Total	1.854	1.916
ATMs		
Inside branches	35	42
Outside branches	1.835	1.945
In shopping malls, railway stations, and airports, etc.	220	240
In companies	117	117
Total	2.207	2.344
Direct banking channels (no. of contracts)*		
Retail segment	495.025	539.764
Private segment	4.638	5.548
Corporate segment	98.382	117.200
Local Authority & PA segment	828	987
Total	598.873	663.499

Data referring to commercial banks.

* Internet, mobile and remote banking (wireline telephone banking contracts are excluded).



Sustainable Building

Paschi Gestioni Immobiliari - Proposals for territorially friendly and ethical buildings

In the age of large-scale urban redevelopment projects, in which entire towns and cities are transformed and rejuvenated and brown-field (ex-industrial) areas are redesigned according to town-planning rules to become liveable neighbourhoods, townspeople have an increasingly deep-felt need for a building approach respectful both of local territory and the environment. "Sustainable" real-estate activity is thus the foremost key to protective and harmonious territorial development.

In the past there has often been a split between the need to build and the need to be territorially friendly. Today there is instead a more pragmatic vision of the synergies that these factors can provide to assure each project's sustainability. And local territory and the environment are increasingly considered to be an opportunity for relaunching economic growth.

Careful management of property assets has enabled certain of them to remain in "good health" for centuries, whereas only today is it fully realised that maintenance, like safety, is an indicator of a culture of caring for things. In the past, maintenance as such was in fact underestimated and there was a habit of taking action only in emergencies.

In this respect, the MPS Group, increasingly involved in this field, believes that ethical operations in the real-estate business can be

- besides a duty consistent with its Environmental Policy and Charter of Values - a sure means of adding value to the business. This is undoubtedly the philosophy of Paschi Gestioni Immobiliari SpA, the Group company providing specialised and real-estate management services. And for quite some time now, in parallel with management, creation and upgrading of the commercial networks' facilities - which has also involved the creation of many new branches - Paschi Gestioni Immobiliari has sought to convey this philosophy also to its partners, treating them not as mere suppliers but as active and proactive participants in an effort to be planned and executed co-operatively.

The company has thus devised a programme of conferences, meetings and workshops, to be held in Italy on the most appropriate occasions, during which to communicate its planning vision and to encourage debate on principles and contents. In doing this, it therefore follows a clear logic in the discussion of topics - from the enhancement of existing property assets to responsible and sustainable building and from bio-architecture to social housing.

After an experience shared with the Milan Polytechnic University and other European banks during the first edition of Expo Italia Real Estate, the first appointment took place in the splendid mediaeval setting of San Gusmè, in the Siena area

(September 2005), followed by that of Tortoli (November 2005) in the newly recognised Sardinian province of Ogliastra, where topics concerned local territory and its attractiveness if it is carefully used rather than exploited.

"Quality and safety in ethical management of buildings" was the title of the conference held in February 2006 at the Viale Mazzini auditorium in Siena. Here discussions centred round the high quality supply standards expected by the MPS Group, in the perspective of an energy-saving focus, use of eco-sustainable materials, and maximum observance of safety regulations and attention to well-being in workplaces. The most recent appointment was the conference on "Real Estate Investments with Strongly Social Purposes", organised in Milan in May 2006 on occasion of the second edition of Expo Italia Real Estate. This featured the participation of all MPS Group companies involved in various ways in the real-estate value chain and addressed topics relating to social housing. During the conference, where Paschi Gestioni Immobiliari stated that, and demonstrated how, property finance and social responsibility can co-exist, other exemplary experiences were presented - such as those of the Fondazione per l'Infanzia Ronald McDonald Italia, the Fondazione Dynamo, the Meyer Hospital, and the former prison (Carcere delle Murate) in Florence.

The MPS Group "Functional Branch"

In creating new operating facilities in various areas, the Group has long set itself the objective of achieving a uniform design process, organisation, layout, and image for its branches by devising a basic standard project, with the definition of uniform distinctive features in terms of the premises' characteristics, requisites, and functional performance.

When the 2004-2006 Branches Plan was defined - envisaging inauguration of a total of 206 branches in a relatively short time - we also devised the MPS Group's "Functional Branch Design", incorporating Paschi Gestioni Immobiliari's experience as regards:

- Eco-sustainability, bio-architecture, and environmental well-being;
- Work done to reduce energy consumption and maintenance costs;
- Procurement of energy from renewable sources and/or sources featuring low environmental impact.

Use of the "Functional Branch Design" means that we apply precise standards and technical specifications and create work areas and customer reception areas that are pleasant and functional, featuring a positive relationship with the environment and reflecting the Corporation's lively and dynamic image. In order to endow the MPS Group's organisational model with uniformity, stand design and economic standards have been adopted. These can be adapted to branches located in different types of buildings, with great flexibility in terms of space, components, and technological equipment. Special attention is of course dedicated to the accessibility problems of people with motorial and sensorial handicaps. In this respect projects envisage full accessibility of the self-service area and usability of internal space, full internal mobility, with the availability of at least one accessible counter window (with a counter of a maximum height of 90 cm) and construction of at least one toilet facility specifically designed for the disabled.

There was also a big increase in the number of ATMs and POS terminals (+ 11.5% vs. 2004), as there was in the private banker network, which totalled 662 private bankers as at the end of 2005.

Call centre activity (numbers)	2004	2005
Incoming calls	1.517.979	1.549.247
Outgoing calls	1.040.852	1.092.239
Customer assistance and information	1.684.405	1.703.026
E-mails handled	13.107	10.340
Appointments made	39.469	91.502
Call-Centre operators	187	158

As specifically regards ATMs, a renewal programme - the so-called "Microcircuit Project" - is underway. This has been made necessary by systems' technological evolution which, on the one hand, offers greater commercial opportunities but, on the other hand, requires evolution towards machines capable of accepting and reading smart cards (i.e. cards incorporating microchips). This in turn is accompanied by needs concerning compliance with physical security standards and accessibility for the various disabled categories, etc.

Alongside the physical proximity of conventional channels, the MPS Group also makes its banking services available via remote channels - Internet, telephone, etc. - enabling customers to access banking operations directly and with total security.

Growth in the number of contracts for use of direct banking channels was particularly dynamic, with overall growth of some 11% over the previous year.

■ Payment systems

As regards remote banking channels, in providing support to retail customers we have dedicated special attention not only to their functional enhancement but also to monitoring and improvement of the quality of service provided.

In 2005 we completed restyling of the Internet Banking site. This involved revision and alignment, for



2005 Microsoft "Innovazione per l'Italia" Award to Consorzio Operativo Gruppo MPS

On October 23rd 2005, at the end of the 42nd edition of the SMAU exhibition, Microsoft SpA - which was celebrating 20 years of business in Italy - organised the "Digital Lifestyle, Digital Workstyle" conference, which attracted an audience of over 1,000 people and more than 100 press and media journalists.

During the event, in the presence of the Microsoft Corporation's chairman, Bill Gates, the "2005 Microsoft "Innovazione per l'Italia" Award was given to each of the four Italian companies that had made the best use of technology for developing new solutions. One of them was the Consorzio Operativo Gruppo MPS (the Operating Consortium), the only banking company among the winners.

The Consortium's award related to the MPS Group's home-banking services, which, via Windows Media Centre, can be used directly from one's TV set at home.

With the solution devised by the Consortium, using the new channel maintains the functions, levels of security, and ease of use typical of the original home-banking system - already recognised by users and analysts as one of the best on the market. The system features a resident digital certificate, specific passwords for giving instructions, account information services and dossiers, bank transfers, transfers between accounts, and payment of utility bills. The development opportunity was also taken to optimise and update some interfaces typical of the integrated multichannel approach created during many years of development.

The specific motivation of the Award was the following: "The Monte dei Paschi di Siena Group provides its services to over 4.5 million customers via over 1,800 branches. Use of Windows Media Center permits access to on-line services, previously created for the Web, using the home TV set and remote control, offering customers an even simpler way of going to the bank".

all Group banks, of graphics and language. Among the Home Banking development projects, we highlight:

- Creation of an application for digital document transmission (transaction notes, current account statements, summaries, statements of payment, etc.) to replace traditional postal dispatch - this is a great success with customers;
- Launch of a new service (called "Accesso Dove Vuoi" - Access Where You Like) which enables a customer to use his/her home-banking system from any location, without the need to have installed his/her digital certificate;
- Completion of migration to the new version of the trading platform, featuring a faster order-entry system and more thorough technical/fundamental analyses.

Once again as regards retail customers, development work and testing were completed for a new electronic payment service developed by the Italian banking association (ABI). The service - called "Bankpass Bollette" ("bollette" is the common word used for utility bills and similar items) - permits dematerialised management of payment notices issued by the various organisations that have signed on for the scheme and payment of the bills concerned using home-banking facilities. At the same time it enables creditor companies to convey - on a low-cost basis - correspondence concerning utility invoicing and to monitor, on-line, the various phases of payment notice dispatch and payment collection.

• *Credit and debit cards*

As at December 31st 2005 the MPS Group's cards issued totalled over 2.1 million, with a 17% increase over 2004.

There was also an increase in charge cards (i.e. lump-sum payment) and revolving credit cards. In addition, among debit cards, attractive growth was achieved by the Krystal prepaid debit card. The card targets above all people who are not current account holders, including juveniles, and companies that prefer to credit their employees' salaries using means other than cheques and cash.

■ Accessibility

In order to improve accessibility to banking services for disabled people, various initiatives were undertaken in 2005, including:

- Launch of a renewal plan for the Group's ATMs (the Microcircuit Project mentioned earlier), which, in the space of a couple of years, will involve a total of some 2,300 terminals. The new machines' features and functionalities will be in line with technological developments and will comply with accessibility requirements (operating shelf at right height for the motorially disabled, Braille-equipped keyboards, socket for earphones, and so forth). Thus far 368 ATMs with these features have been installed. For 50 of them it was necessary to eliminate surrounding architectural barriers to permit fuller usability;



- Creation of a Braille security card (a card containing access codes for giving remote instructions) for use in telephone banking - a first in Italy. In view of the fact that the blind are among the main users of the telephone - a medium that enables them to overcome their disability to a certain extent - the system created permits a wide range of banking operations - both information and instructions - in a self-sufficient and secure manner. This objective is not only commercial but also, and above all, social.

Transparency

With the aim of assuring the utmost correctness in the sale of financial products and real transparency of conditions, in 2005 we once again implemented numerous initiatives, including:

- An official reminder to the networks, via a specific memorandum, to pay always the utmost attention to formal and material regularity with respect to rules and regulations concerning commercial transactions with customers. The reminder particularly highlights rules of conduct and the procedural actions to be performed when making the commercial proposition to customers (proper profiling, identification of the customer's real needs and financial plans, consistent use of the alternatives available in the catalogue, etc.), the procedures to be followed for formalisation of transactions (completeness of documentation supplied, gathering of signatures, and filing, etc.), and after-sales management.

In order to spread awareness among staff of these aspects, all existing regulatory documents are available and easily usable in company intranet systems.

- A training activity, designed to increase and extend staff's awareness of rules and regulations governing dealings with customers. More specifically, the following on-line courses were launched:
 - The new rules for transparency. The aim is to instil knowledge in staff of the purposes of the various transparency instruments that, in compliance with regulations, are made available to the customer, and make them learn the key characteristics and basic information requirements of such instruments;
 - Customer profiling and the new adequacy rules. The aim is to illustrate the main new regulations concerning the control of adequacy of disclosure in life-insurance contracts (ISVAP) (Italian insurance supervisory authority) circular 551/05, their commercial implications, and relevant operating approaches implemented in the MPS Group;
 - Corporate administrative liability (Italian Legislative Decree 231/2001). The aim is to



provide all Group employees with exhaustive information about the regulation in question (which regulates the attribution of liability between a company and its employees concerning actions performed vis-à-vis third parties) and (a) its key principles, rules of conduct, and the consequences of certain actions and (b) the measures taken by Group - in particular the so-called "231 Model", i.e. the set of operating and professional ethical rules defined to reflect the requirements indicated in the decree;

- Revision of the system for controlling appropriateness and profiling customers for the purposes of the requirements of the CONSOB (Italian securities & exchange commission) and the ISVAP. This has been done using the new profiling tool (Single Questionnaire) to control the appropriateness of customer transactions in financial instruments. More specifically, the new questionnaire makes it possible to explain to the customer, with the maximum clarity and transparency, the purposes of the interview as regards the need to know the customer's investment objectives, risk propensity, experience, and financial situation, etc. As well as checking appropriateness, for the customer the questionnaire is an opportunity for the customer to increase his/her awareness of the strict correlation between return and risk inherent to financial instruments;
- Evaluation, by the specialist functions (Risk Management), using quali-quantitative methods, of the intrinsic level of risk of financial products sold in the MPS Group;
- Attention to after-sales activity, following over time the positions of any customers who, due to changes in the issuer/market risk, might hold bonds in their portfolios for which repayment is doubtful. In terms of specific action, we are working on an initiative - called "Valore Bond" (Bond Value) - in which all customers who have bonds with low ratings in their portfolios will be contacted in order to propose that they switch to alternative products.

■ Patti Chiari ("Clear Pacts")

As regards more general actions to improve bank/customer relations, we have dedicated great attention to the Italian banking association's "Clear Pacts" project. In 2005 all the Group's banks once again received confirmation of quality certification of all initiatives related to the project. Implementation of Clear Pacts has been an opportunity for the Group to confirm its attentiveness to the correctness of procedures and conditions, introducing organisational and operating changes to reduce and/or mitigate difficulties and doubts concerning banking services as perceived by customers.

It has also been an opportunity to dedicate greater attention to protecting savings and investments, particularly those of customers less expert in financial matters, and to propose financing solutions to small businesses simply and promptly. The Clear Pacts project has also permitted development of staff's relation-building skills and of forms of community involvement, undertaking information initiatives in secondary schools. Lastly, during the year we started design and creation of the contents envisaged for the 9th "Comparison of Financial Investments" initiative, which aims to enhance the offering's comprehensibility and comparability. Given the initiative's operating contents, it has been included as a project in the wider framework of Retail Risk Management (RRM) activity. The Group is working on RRM via three task forces with the aim of creating, as highlighted earlier, an effective and up-to-date system to control the appropriateness of customers' financial operations.





Services



- On-line record of ATM operation.
- Comparison of current accounts.
- Basic banking service.
- Fixed (i.e. certain) time for availability of sums paid by cheque.

Four services that provide customers with clear rules and simple tools to facilitate understanding of banking products, aid informed choices, and permit easy comparison of several banks' offerings.

Lending



- General policies for assessment of SMEs' borrowing capacity and creditworthiness.
- Average response times for loans to small businesses.

Created to make the policies for the evaluation of SMEs' borrowing capacity and creditworthiness clear and transparent and to encourage entrepreneurs to talk to banks about their plans and investment choices, also offering a comparison of average response times for loan applications.

Investments



- List of low-risk and low-yield bonds.
- Clear information on structured and subordinated bank bonds.
- Comparison of financial investments.

Three new tools at customers' disposal permitting measurement of financial investments' risk, also for investors of small amounts of capital, via comparative statements written in plain language, easy to read and understand.

■ Transparency in the insurance business

2005 was a very busy year for the Group's insurance companies (Montepaschi Vita and Montepaschi Assicurazioni Danni). As regards the new regulations concerning disclosure and appropriateness of the product offered by the intermediary in relation to customer characteristics, Montepaschi Vita radically revised contract documentation for the entire product offering and issued precise instructions to its intermediaries concerning the ways in which the product is sold, which must be appropriate to customer profiles based on set criteria.

Generally speaking, Montepaschi Vita's policy on transparency, disclosure and communication vis-à-vis customers has in fact long pre-empted and gone beyond the requirements of current regulations, doing so via specific initiatives. These relate to provision of further communication to customers concerning segregated insurance assets, in relation to investment lines and significant facts affecting their management, the breakdown of assets within each macro category, and the securities most heavily present.

The internal Product Quality Committee - which checks the clarity and transparency of information given in contract documentation whenever a product or advertising initiative is launched - also continues its activities.

Customer care activities were further developed. The Group's two insurers set up a dedicated Customer Service Bureau, manned by 10 people, for telephone help and handling of correspondence and complaints.

During 2005 the Bureau supplied approximately 71,000 telephone responses, with a 14.5% increase over the previous year, sent 2,650 letters providing information or responding to requests for clarification, and handled 102 complaints.

Monte dei Paschi di Siena works together with consumer associations to achieve more transparent customer relationships.



Bank and customers together with Consumer Lab



Monte dei Paschi's idea is very simple, i.e. create a direct line of communication with consumers.

At a time when the Group has very forcefully re-asserted the centrality of customers, in line with its founding values, an agreement with consumer associations - permitting constructive debate - was a key step forward in consolidation of the trust-based relationship with customers, in the firm belief that transparent terms & conditions and sound products and services are winners.

This led to the birth of Consumer Lab, a joint workshop between Monte Paschi and 13 of the most important Italian consumer associations (Adiconsum, Adoc, Associazione Consumatori Utenti, Casa del Consumatore, Cittadinanzattiva, Confconsumatori, Federconsumatori, Lega Consumatori, Movimento Consumatori, Movimento Difesa del Cittadino, Unione Nazionale Consumatori, Adusbef, and Assortenti).

The objective is to enhance the MPS Group's social responsibility commitment via construction of an ongoing and concrete relationship. Consumer Lab in fact aims for increasing expansion of a new culture in interpreting the relationship between the company and consumers, giving preference to transparency and constant dialogue in order to meet customers' real needs.

Consumer Lab, for which a specific logo has been created, translates into hard facts, services for consumers, and benefits for the Group. The results achieved are undoubtedly evident and major but, by virtue of the project's very nature, are not fully perceivable in the near term.

By way of demonstration of how much it has been appreciated, the project received an award in the Marketing & Communication category of the second edition of the prize "Cerchio d'Oro dell'Innovazione Finanziaria" (Golden Circle of Financial Innovation).

Consumer Lab started work in November 2004, defining a specific protocol of understanding between the parties. It initially defined the methodology to be applied, subsequently opening up full-scale "workshops" in which consumer needs are compared with those of the Bank.

The following three projects were launched:

1. Development of "MPS Group training programmes for network staff" for improved awareness and knowledge of consumer problems;
2. Definition of "Guidelines for customer-oriented contracts", which the MPS Group takes as the basis for contracts relating to financial products and services designed for Retail customers;
3. Identification and design of "Products and services for specific customer categories" (legal immigrants, the disabled, the elderly, etc.).

As regards the first project, an initial communication and awareness-building activity was performed targeting Banca MPS staff, with special reference to tellers. Monte dei Paschi di Siena was the first Italian banking group to include the testimony of consumers in training courses (which in this specific case involved over 3,000 employees).

The project in question, called "The Pension-Planning Bank - new regulations and social responsibility in savings and investments", took the concrete form of two training courses for branch managers, for the Banca MPS commercial network, and for some central facilities (call centre) and aimed to:

- Develop technical/professional knowledge of pension-planning matters and social consciousness of customer needs;
- Optimise customer relationship management, not only in terms of customer service, but also as regards full-scale care of customer asset needs, in order to contribute to creation of value for the customer and for the company.

In the period May-June 2005, some 100 classroom training sessions were held throughout Italy, in which there was an alternation of the testimonies of the various consumer associations belonging to Consumer Lab. The initiative was very much appreciated both by course participants and the associations' representatives.

Important results were achieved also as regards modification of contract documentation. As regards the second project, working with the associations, initial review and revision were performed of the most common financial services (current accounts, credit and debit cards, and mortgages), with the aim of adapting the various types of contract to consumers' needs. The language used was simplified, making it more comprehensible for "non-bankers" and facilitations granted were checked against the levels



requested. Apparently more banal aspects were also considered - such as the size of typeface used to write contracts. This was in fact increased in size compared with basic legal requirements, to permit visually easier reading.

The "Summary document" was also simplified to make it easier to read and, above all, to permit more immediate perception of the economic and legal aspects of contents. In its revised form, this document is also a further means of helping customers in the competitive comparison of banks now underway.

Practical aid was provided to the customer for managing his/her relationship with the Bank, in particular for cases when the relationship becomes problematic. Specific forms were in fact prepared for submittal of contestations to the Bank's Complaints Office and to the Ombudsman. Today the consumer, in submitting a complaint, simply has to fill in the form now made available, indicating only the basic key points of the reason for his/her complaint.

As regards mortgages, given the particular nature of these loans - mainly used for first-home purchases - the associations' suggestions to make the contract match consumer needs as closely as possible were accepted.

Once again in the case of this type of contract, revision of the "Summary document", which in Italy is delivered to the borrower before stipulation of the actual contract, has led to easier reading, so as to enable the consumer - before he/she makes any formal commitment - to make a more careful and easier evaluation of his/her future commitment.

Furthermore, a specific handbook was produced, a guide for knowing what to do and how to access a mortgage loan. It is important to stress that this handbook was not produced for marketing purposes but so as to provide clear information to the consumer, who might be a client of other banks. The overall aim is to foster greater knowledge and awareness in the bank/customer relationship, as considered from the various angles.

As part of the third project other initiatives were completed giving Monte dei Paschi di Siena's activity a special quality. The first of these was creation of a Braille credit card for the blind, with activation of a preferential link with the bank via a toll-free numbers and numerical access codes, making it possible to operate with the utmost security. Equally important and far-reaching is the initiative called "PaschiSenzaFrontiere" - "Paschi Without Frontiers". This intends to facilitate the relationship with foreigners who live and work in Italy. Multilingual, particularly attentive to the problem of remittances to these consumers' countries of origins, PaschiSenzaFrontiere envisages special attention to the needs of this customer category. The offering in fact contemplates reduction of current-account costs (both rates and operations) and of home loans; personal loans; and bank transfers free of charge to the customer's country of origin. Opening of a current account also gives access to special conditions for various products, including professional and personal insurance policies, insurance sureties for renting accommodation, and prepaid/reloadable cards free of charge.

Work is continuing for full accomplishment of all three projects. Considering the needs and difficulties of families, new types of mortgages have been presented aiming to alleviate any financial strain caused by interest-rate increases and specific products making it possible to restructure debt by taking out a cumulative loan to extinguish other commitments outstanding. In addition, various possibilities of action are being assessed for the problem of over-indebtedness, consequent credit recovery, and management of arrears. In order to foster the "bankization" (i.e. use of banks and banking services) of some consumer categories, the costs for some types of current account have been reduced. At its last meeting before publication of this report, the Consumer Lab team, following a proposal made by Banca MPS, expressed its interest and full willingness to validate the customer risk profiling method for financial products.

Consumer Lab does not stop here. A fourth workshop will in fact be started, continuing the constructive co-operation built up with consumer associations. This effort will lead to definition of "guidelines for customer-oriented disclosure and information on financial products and services", to be used as a base by the MPS Group for sale of all financial products and services created for retail customers.



Customer satisfaction

During 2005, for the first time we conducted a Group-wide Customer Satisfaction Survey, with the aim of constructing a model enabling us monitor retail customers' satisfaction on an ongoing basis and, consequently, to further improve services' quality and maximise coverage of our customer base.

Analysis of customer satisfaction - studying the customer's profile, characteristics, and expectations - is in fact a key "need-to-know" step in the ongoing process of improvement of the standard of service provided. It is also a key starting point for the development of lasting and effective relations, also on a one-to-one basis.

The sample of customers covered by the survey was identified in such a way to maximise its representativeness of the retail-banking universe, based on the main variables for the structuring of findings, i.e. geographical location, socio-economic segment, age, length of relationship with the bank, and frequency of contacts, etc.

The survey was performed via telephone interviews administered by the Contact Centres of the Group's commercial banks. The Centres gathered over 12,000 questionnaires, via which customers provided opinions and assessments of all the main aspects of their relationship with the bank: from the counter to products and services (basic, savings & investment, and lending) and to virtual channels.

The questionnaires also enabled us to investigate the level of customer "bankization" and diversification of customers' relationships within the industry, checking the correlation with the appreciation of Group services/products and those offered by competition.

Survey findings were substantially positive. 75% of customers interviewed declared that, on the whole, they were "satisfied" or "very satisfied" with their relationship with the bank. The percentage of customers who stated that they were "dissatisfied" or "very dissatisfied" was just 6%.

Even although this category of dissatisfied customers was fairly limited, further investigations were performed within the Group, defining improvements to be made.

In addition, in order to aid the customer-relations culture's spread and consolidation, the Customer

Satisfaction indicator has been used to define qualitative and quantitative objectives assigned to staff.

From now on customer satisfaction will in fact be monitored annually, becoming a standard benchmark for the appraisal of commercial activities' effectiveness.

Further customer-satisfaction surveys consisted of the regular checks made of the quality of ISO 9001-certified services as perceived by customers. One of these was the one performed by Banca Agricola Mantovana concerning direct banking operations in the Corporate segment (BAMCorporatePlus). The survey involved 15% of active customers, who expressed a very high level of satisfaction (80% of interviewees rated BAM's service as excellent or outstanding) - thus basically confirming the good results also achieved by the Parent Company for the same period of reference.



Stakeholder dialogue

The socio-economic role of wealth in Italy

Since 2004 the MPS Group's Private Banking Area, in conjunction with the Fondazione Censis, has promoted research on the socio-economic role of wealth and affluence in Italy. The objective is to analyse the degree of awareness possessed by entrepreneurial families, professionals, and leading managers as regards the important social and economic role they are recognised as having by virtue of their major potential in terms of capital investment and/or management of personal assets. Information and data for the research were collected via administration of specific questionnaires on occasion of the cycle of conferences called "The Financial World: Scenarios and Prospects" held in the main Italian cities in conjunction with the Progetto Città association. The conferences were attended by some 1,400 guests.

The results of the research were published in 2005, with distribution of a summary on occasion of the same series of conferences, now underway also in 2006.

The main findings show that:

- The main holders of wealth are very much aware of the social value of their work, showing themselves to be sensitive to the question of local communities, to which they feel they belong;
- They are people little inclined towards speculation as an end in itself, and instead have a propensity for quality, the value of security for the family, for fair profit, and professionalism;
- About half the interviewees showed that they were oriented not only towards financial investments but also towards those in real assets, considering both useful for the growth of wealth.

The research - which involved Group banks' private banking customers (and prospects) - not only made it possible to know them better but was also an opportunity for the Group to help heighten the sensitivity of the "strong" figures in the Italian economy to the need to play their role in society with greater awareness and sense of responsibility.

Once again as regards surveys of customer satisfaction in the direct-banking field, Banca MPS checked Retail customers' satisfaction with some changes made to improve remote channels' functionality and usability. A high percentage of customers stated that they were satisfied, particularly as regards home banking's ease of access and surfing (81% of interviewees). Conversely, lower percentages of satisfaction emerged as regards on-line payment and on-line stock market services (around 70%). As far as security is concerned, over 95% of interviewees believed that MPS direct banking services were secure - a fact also supported by recognition given by the site www.osservatoriofinanziario.it, according to which PaschiHome, for over a year now, has been at the top of the ranking of the best home-banking sites in Italy.

In our commercial networks we intend to achieve service approaches based on satisfaction of the real needs of customers and their families, and on transparency and tangibility. This will enable us to achieve high standards of service quality, in the common interest of our customers and our Group.



As far as the Clear Pacts initiative is concerned, analyses performed to find out customers' perception of the project and of the Group's commitment in this respect revealed that over three-quarters of interviewees (some 11,000 customers contacted) considered their bank's adherence to the initiative a decisive factor in their financial choices.

In 2005 a customer satisfaction survey was also carried out for Private Banking customers. The results showed that - although some areas (dedicated services, level of advisory service, and access channels) still feature room for improvement - the overall level of satisfaction was high. This was particularly true of those distinctive features that the Group has always emphasised, i.e. relationship approach and quality, ongoing customer care, and interaction.



Complaints

With the aim of strengthening the trust-based relationship linking Group companies and their customers, specific sections of company internet sites provide information on procedures for managing disputes. By so doing we have achieved more immediate and direct interaction between the customer making the complaint and the Complaints Office.

In 2005 complaints received concerning normal operations - and thus excluding those relating to the My Way and 4You financial schemes, structured products, and capitalisation (i.e. compounding) or interest - numbered 5,100 in the Parent Company, slightly less than in 2004. There was a marked decrease in complaints received by the Group's other two main commercial banks: 2,063 (-46%) in Banca Toscana and 922 (-61%) in Banca Agricola Mantovana.

Complaints were handled, via timely investigations, in full compliance with current regulations. Their analysis did not reveal any particular criticalities or recurrent problems as regards operating processes. Similarly, no significant failings emerged as regards organisational and procedural aspects.

Complaints received *	2004		2005	
Complaints received (number)	Total	%	Total	%
Credit/debit cards and ATMs	1.015	19,3	1.771	34,7
Securities	1.625	31,0	977	19,1
Mortgages	201	3,8	130	2,5
Current accounts/deposits	1.372	26,1	1.085	21,2
Other	1.036	19,8	1.147	22,5
Total	5.249	100	5.110	100
Complaints settled (number)	3.269	--	9.584	--
Amounts paid (€ '000)	2.902	--	2.690	--

Data referring to Parent Company.

** Complaints received in 2005, excluding those concerning the My Way and 4You financial schemes, structured products, and capitalisation of interest.*

■ Financial schemes and structured products

During 2005 disputes concerning structured products were substantially concluded, whilst there was a significant decrease in the flow of complaints concerning the My Way and 4You financial schemes. This was also the merit of the positive performance of the financial securities underlying the schemes, which enabled subscriber customers to appreciate these products' consistency with medium-term objectives.



More specifically, complaints received about the financial schemes - mostly concentrated in the first part of the year - totalled 5,899 (vs. 18,111 in 2004), of which 5,385 were accepted. The objections raised by investors concerned criticalities basically relating to the selling process.

In this respect, the major organisational and operating efforts made permitted elimination of the complaints backlog and timely handling - as per forecasts - of the limited number of objections continuing to arrive. A contributory factor in achievement of this result was undoubtedly the co-operation established some time ago with consumer associations. As regards this, also the specific protocols of understanding have now expired, the ways of working successfully implemented have been maintained and continued to be applied. In addition, given the positive conciliation experience acquired in handling complaints, ongoing forms of co-operation with consumer associations exist, with the aim of seeking agreement on various other questions.

In addition, with a view to dedicating increasing attention to customer complaints, the Group has decided to develop initiatives enabling field networks to provide those concerned with direct guidance and clarification on the financial schemes' various components and, in real time, on the status of the products subscribed.

■ Capitalisation of interest

As regards capitalisation or compounding of interest (the practice general adopted by the Italian banking industry of quarterly capitalisation of interest payable on overdrafts, etc. - also known by the technical name of "anatocism"), in 2005 there were 4,216 contestations by customers in Banca MPS (plus 733 in Banca Toscana and 215 in Banca Agricola Mantovana). They related to the various rulings of the Italian Supreme Court, which on several occasions has ruled that the practice is illegal, after having instead ruled - during more than 20 years until 1999 - that it was valid.

Group banks, although believing their conduct to be consistent with the previous orientation of jurisprudence, have continued - in line with the industry as a whole - to respond to claims made by customers,

advising them of their readiness to examine the various aspects of the question in depth and to ascertain the feasibility of possible initiatives designed to achieve more intensive verification.

Personal data protection and security

Group companies handle and process the personal data of various categories of stakeholders (employees, customers, suppliers of goods and services, directors, and shareholders, etc.) for a variety of purposes and with the use of manual, electronic and remote communication tools. To assure accurate and proper application of privacy regulations - ranging from Italian Law 675/1006 to Italian Presidential Decree 318/1999 and to the present Italian Legislative Decree 196 of June 30th 2003 (the so-called Consolidated Privacy Act) - the Group has set up a specific Privacy Protection Sector. The latter is responsible for managing all compliance actions envisaged by regulations (privacy statement to those concerned, collection and management of consent, notification to the Privacy Guarantor of processing performed, and adoption of minimum mandatory security measures, etc.). The Sector has also undertaken a series of initiatives of a strategic and organisational nature and also relating to strictly operational aspects.

Requests for access to personal data - sent by Group customers pursuant to Article 7 of Legislative Decree 196/2003 - have all been properly and promptly met by the respective companies' internal units, responding to the queries received and providing the information requested in the terms established by law.

In 2005, as regards just the commercial banks - which have contacts with the majority of the Group's customer base - a total of 214 requests for access were received. This figure was in line with that of previous years and indicates consolidation of the tendency of those concerned to look after their personal data - but also of greater expertise of staff responsible for company handling of data and of wider-spread attention by all front-line staff to privacy aspects in their dealings with customers.



The Privacy Protection Sector prepared - by the mandatory deadline date of March 31st 2000 - the first edition of the Data Security Plan envisaged by Presidential Decree 318/99. It also prepared subsequent annual updates of the plan, the last of which as at December 31st 2005, drafted pursuant to the Consolidated Privacy Act (Legislative Decree 196/2003).

The Plan, preparation of which is mentioned in the Annual Report & Accounts, covers the following topics:

- Analysis of risks to which personal-data handling and processing is subject;
- Distribution of tasks and responsibilities within the various units using the data;
- Description of the organisation, physical and virtual measures able to assure the integrity of personal data and security in their remote electronic transmission;
- The training programme of Bank employees in charge of data handling and processing;
- Controls to check effectiveness of security measures applied.

The Corporate Centre has issued a regulation - duly applied by Group companies - concerning the use of company IT (information technology) facilities (personal computers, e-mail, intranet, and Internet) that sets out clear rules to reconcile employees' right to privacy with safeguarding of corporate interests.

On January 1st 2005 the Italian Guarantor for the protection of personal data issued the "Code of ethics and good practice for information systems managed by private parties concerning consumer credit and payment reliability and punctuality". This was endorsed by the

Italian banking association (ABI), by the other industry and trade associations (Assofin, Assilea, and Federcasse), and also by the consumer associations (Adiconsum, Adoc, Adusbef, Codacons, and Federconsumatori).

The Code establishes new and stricter rules, which banks and managers of "private" risk registers have to apply, particularly as regards information to be given to customers and the length of time for which data are preserved. The Group companies concerned have therefore adapted procedures and organisational procedures. These became operational as from April 30th 2005, after the definitive coming into force of the Code. Compliance with and application with the Code has been made obligatory, within their respective operating areas, for all Group staff in charge of data handling and processing.

■ Privacy and Direct Marketing

Ever since the coming into force of privacy regulations, those concerned are provided with a statement of information concerning their personal data, via a form indicating their rights, the purposes and types of data handling and processing, and the categories of parties to which the data can be communicated and asking them, via a statement mirroring the information provided, for their consent to certain types of handling and processing. Besides consent concerning data required to initiate a relationship and sensitive data - for which consent is expressly envisaged - in another section of the form, the customer is asked to give his/her consent to possible communication of data by the company for the purposes of commercial information, market research, and offers of products and services, as well as for verification of the latter's quality.

As regards this, consents given are recorded via a specific IT procedure against the various options considered. When marketing actions are undertaken, Group companies - in order to avoid violating the privacy of the people or companies to be contacted and fully observing the principles of legality and correctness confirmed by the Code for the protection of personal data - take care to check beforehand that those concerned have given their "informed" consent to receipt of these types of propositions.





Security

Video surveillance and access control

During the year substitution continued of obsolete CCTV (closed-circuit TV) video-recording systems with systems using digital technology, enabling police to be able to count on better-quality images for identification of criminals.

In observance of privacy, access to zones subject to surveillance - which now includes nearly all Group branches and locations - is in any case indicated via specific signposts and, in compliance with the ordinance issued by the Privacy Guarantor and incorporated in our house regulation, shots are taken in such a way as not to harm people's dignity and privacy and are then deleted after 7 days.

■ Biometrical access control systems

Observing the regulatory instructions issued by the Privacy Guarantor, we have also increased the number of biometrical systems controlling access by fingerprinting. As regards this, following the issue in September 2001 of a specific house regulation defining rules for taking filming, preserving and using images gathered as part of video surveillance activities, Group companies have endowed themselves with a further document containing a set of rules on access control in their field networks using fingerprinting systems associated with images.

This document provides those in charge of such matters and the functions concerned with guidance and instructions for proper capture, treatment and preservation of this type of personal data, in compliance with the instructions issued by the Privacy Guarantor (with the ordinances dated September 28th 2001 and April 29th 2004).

More specifically, it establishes that use of systems of this type must not be standard practice but has to be considered in relation to situations where a real risk exists relating to factual circumstances, supported by similar assessments made by the authorities responsible for protecting security and by the police. They must be used only when other measures have turned out to be ineffective.

For branches that have experienced robberies and/or that are more exposed than others to the risk of criminal actions, due to their location or to the amounts handled, Group companies - in addition to normal security measures (double doors with release mechanisms and video surveillance systems, etc.) and with the intention of safeguarding the security of people and of corporate assets - have equipped themselves with so-called biometrical access control systems, i.e. based on combined capture of images and fingerprints, which are recorded at source in encrypted form.

At present, 76 such devices are installed in the Group's commercial banks. In view of the effectiveness as a deterrent demonstrated thus far (the branches where they are installed have not suffered any further robberies), their number is set to increase - with this sometimes being requested not only by the police but also by employees or by their representatives.

Given the special nature of the information acquired for security purposes, which relates to the dignity of the people concerned, the Guarantor for the protection of personal data has issued a series of ordinances establishing the rules and defining procedures for legitimate treatment of this particular type of data.

The most recent of these ordinances - specific to banks - is dated October 27th 2005. More specifically, Group companies have complied with the requirement for the Proprietor, before installing new types of equipment, to send the Guarantor, via a specific digitally signed electronic procedure, a request for prior verification pursuant to Article 17 of Italian Legislative Decree 196/2003.

Security of business processes

The overall operating scenario features increasing business complexity, growing interdependence between financial intermediaries, extensive use of technology in business processes, and also new risk scenarios (which now also have the eventuality of attacks of terrorist origin). This has made it necessary to adapt our risk-management approach to present-day reality, also to reflect the rules established by the Basel Committee and by regulations issued by the Bank of Italy.

Besides adaptation of facilities and implementation of risk-mitigation measures - designed to fine-tune



preventive controls and procedures to reduce the damage potentially caused by any event - activities have included preparation of a Business Continuity Plan. The Plan describes the procedures that, following occurrence of a major crisis situation - caused, for example, by prolonged arrest of operations due to non-usability of the site and/or non-availability of infrastructures or essential personnel - immediate restoration and maintenance of the minimum viable level of operation of business processes considered to be critical. In addition,

the Plan also defines the composition and function of the Crisis Units necessary for management of emergencies, indicating related processes, roles, and responsibilities.

An integral part of the Business Continuity Plan is the Disaster Recovery Plan, which has been in place since June 2005 and is designed to restore IT systems and infrastructures if the central EDP Centre is seriously damaged. Design, updating and maintenance of this Plan are part of "business continuity management", responsibility for which is assigned - as per Bank of Italy regulations - to corporate management. The project, which involves all Group banks, will be completed by the end of 2006.

Cisco Systems European Award to MPS Group's Consorzio Operativo

Every year Cisco Systems, world leader in network and telecommunications technologies, organises "Networker" conferences in the various regions of the world with its users.

At the European conference, held in Cannes on December 13th-15th 2005, Cisco Systems assigned its "Innovation Awards". These were awarded for the best European projects implemented during the year in the sectors of information & communication technology and IT security.

An international jury - consisting of market analysts, journalists, and Cisco managers - evaluated the proposals submitted by various countries and identified the winner for each category, among the many companies and institutions taking part, also basing their judgement on the innovativeness of technology used.

For the category "**Best Data Centre Project of the Year**", the MPS Group's Consorzio Operativo (Operating Consortium) was selected as a winner for the project "**Consolidation and Disaster Recovery for High-Performance, Ultra-Available Banking Applications**", with the following motivation: "Faced with the need to implement a sound disaster-recovery solution whilst also optimising the start-up cost of its server and storage infrastructure, the Monte dei Paschi di Siena Group has adopted an architectural approach, implementing a wide range of technologies and services to create an integrated, efficient, and scalable infrastructure able to create a consolidated and virtualised data centre environment".

Microcircuit (Smart Card) Project

As regards payment systems, in Italy too the start is imminent - albeit later than in other European countries - of the spread of "smart cards", i.e. cards containing microchips. Here, the Italian banking association (ABI) launched, quite some time ago - via the "Associazione Microcircuitto" (Microcircuit Association) - a specific programme for migration from magnetic-band to microchip technology of all monetics (plastic and electronic money) equipment (debit and credit cards, POS machines, and ATMs).

Guidelines have been defined, the fundamental objectives of which are to: raise the infrastructure's technological standard in terms of security, improve customer service, and comply with domestic and international circularity and interoperability. This latter requirement is assured by application of EMV standards (EMV is the acronym for Europay, MasterCard, and Visa), which envisage mutual recognition via digital certificates residing in the cards - an authentication method that makes duplication and forgery difficult and, in practice, reduces possible frauds.

Following conclusion of the experimental phase, which took place during 2003 in the cities of Lecco, Alessandria, Prato and Taranto and was carried out by a limited number of banks - including Banca MPS and Banca Toscana - the Italian banking industry adapted

its internal processes and made all the preparations necessary for the gradual start of nationwide migration. As regards this, the MPS Group, via CartaSi (the Italian banking industry's credit card), in September 2005 started issuing its customers with the new single-function chip-based cards.

Since the early months of 2006 the Group has activated a dedicated team to manage the operating "machine" required for gradual migration of the huge number of cards and terminals.

In the next few years migration to smart card technology will involve...

	Italian banking industry*	MPS Group
ATM Terminals	> 39.000	> 2.200
POS Terminals	> 1.007.000	> 60.000
Cards	About 53.000.000	About 2.000.000

* Source: Bank of Italy Report.

- handling of information in all phases, from transmission to preservation;
- Physical - critical parts of the technological infrastructure are located in a secure zone, access to which is limited and protected by appropriate systems;
- Organisational - risks of attacks on the site have been appropriately identified and assessed, defining and assigning related responsibilities. If access control procedures are breached, measures assuring the system's continuity are activated;
- Processes and organisation (business model, order management, standard of service, and efficiency of user relationship management systems);
- Infrastructure (ease of use, accessibility, and functionality).

The need for a gradual start of certification activities concerning the site means that we have postponed extension of certification to two further modules envisaged by the EBTrust standard, i.e. "Ethics" (concerning consistency of the Bank and Group social responsibility policy) and "Web Marketing" (concerning marketing and advertising strategies connected with direct and on-line banking business). Study of the feasibility of this extension is in any case currently underway.

EBTrust certification



As regards the risks connected with use of remote electronic channels, in 2005 we once again dedicated special attention to raising related security standards (during the year there were no cases of hacker attacks on our home-banking systems).

In this respect, certification - achieved since 2002 by the Parent Company Banca MPS - was renewed of compliance of its portal www.mps.it with EBTrust, the standard developed by the certification organisation DNV - Det Norske Veritas for certification of company Websites active in e-commerce, as a guarantee of credibility, reliability and overall ability to operate in e-business. Certification included asseveration of the following features:

- Security:
 - Virtual - the service is protected by adequate technological systems (including confidential

Sustainable finance products and services

MPS Group companies offer many socially-responsible and environmentally-sustainable ways of managing customers' savings and investments. Via such products, financial backing is assured for those who intend to work on projects and initiatives that have significant positive knock-on effects in social and environmental terms.

For a description of these activities, reference should be made to the chapters "Society & Community - Socially responsible business initiatives", on page 111, and "Indirect environmental impact", on page 142.



Shareholders and Investors

As at December 31st 2005 the Parent Company's share capital totalled € 2,025,988,746, divided into shares with a par value of € 0.67 each, the respective numbers of which are:

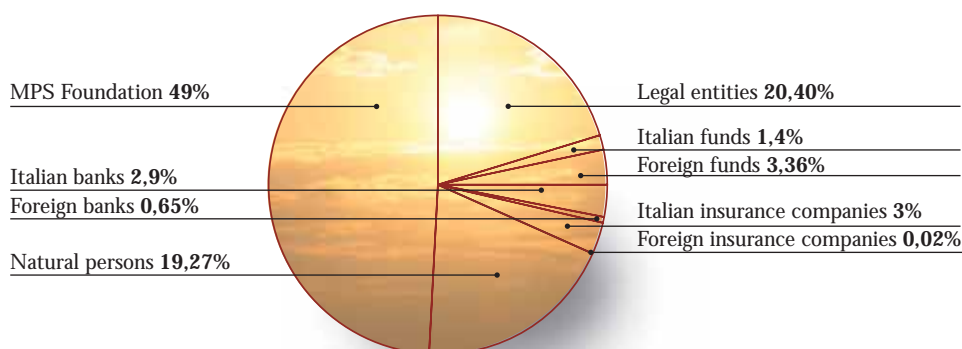
- Ordinary shares = 2,448,491,901;
- Preference shares = 565,939,729;
- Savings shares = 9,432,170.

Preference shares, which do not have voting rights at ordinary shareholder meetings, have preference in the allocation of earnings and reimbursement of capital.

Savings shares, without any voting rights, also have preference in the allocation of earnings and reimbursement of capital.

Since September 20th 1999 the Bank's ordinary shares have been listed on Milan's electronic equity market (Mercato Telematico Azionario) managed by Borsa Italiana SpA, where they are part of the S&PMIB40 index.

Breakdown of shareholders by type



Major shareholders *

	Shares owned (number)	% of share capital with voting rights at Ordinary shareholder meetings	% of share capital with voting rights at Extraordinary shareholder meetings	% of total share capital
MPS Foundation	1.199.761.031 (ordinary)			
	565.939.729 (preference)	49,00	58,57	58,70
	9.194.746 (savings)			
Francesco Gaetano Caltagirone	115.500.000 (ordinary)	4,72	3,83	3,82
J.P. Morgan Securities Ltd - Londra	73.744.239 (ordinary)	3,01	2,45	2,44
Hopa S.p.A.	73.463.100 (ordinary)	3,00	2,44	2,43

* Shareholders who, as at 31.12.2005, directly or indirectly owned voting stock accounting for more than 2% of share capital.

Voting systems and protection of minority shareholders

Ordinary shareholder meetings pass resolutions with the outright majority of those voting, with the exception of appointment of members of the Board of Directors and Board of Statutory Auditors, which is performed using the so-called “list vote” approach.

Extraordinary shareholder meetings pass resolutions with the favourable vote of at least 60% of voting stock.

Following the resolution passed by the Extraordinary Shareholder Meeting on June 14th 2003, the MPS Foundation’s stake in the Bank’s ordinary capital decreased to 49%, with conversion of the remaining stake into preference shares without voting rights. The same resolution also amended the Articles of Incorporation. Based on this, if a banking foundation has the majority of voting stock, the Chairman of the meeting excludes from voting the number of the said foundation’s shares representing the difference plus one between the number of ordinary shares it has lodged and the sum of shares lodged by the other shareholders present and entitled to vote.

On January 22nd 2001 the Bank was notified of the existence of a shareholder consultation agreement, lasting three years, signed on January 14th 2001 by 54 shareholders and binding 69,287,534 Banca MPS ordinary shares, which at that time accounted for 2.93% of share capital. The agreement concerned exercise of votes at shareholders’ meetings and the sale and/or disposal of the Bank’s ordinary stock.

On January 12th 2004 the Bank received confirmation of tacit renewal, for another three years, of this consultation agreement, now involving about 3.24% of ordinary share capital.

MPS share performance and market capitalisation

2005 was a particularly positive year for the main equity indexes (DJ Euro Stoxx + 23.0%, S&P500 + 3.0%, MIBtel + 13.8%, and MIB30 + 13.3%), especially for the MIBBanche (Italian bank sector) index, which notched up performance of + 30.7%.

In this scenario MPS stock ended the year at € 3.95 per share (+ 50.3% vs. December 2004), achieving the best performance among listed Italian banks (and the third best among the main European banks). This confirmed the market’s growing appreciation of the improved operating and profitability performance shown by the Group.

The Bank’s market capitalisation consequently rose to € 11.9 billion, accounting for 1.65% of the Milan Bourse’s total capitalisation (vs. 1.35% in December 2004).

Shareholder remuneration

Against earnings of € 368.7 million, € 397 million were earmarked for remuneration of equity, also via use of the extraordinary reserve.

Reference prices and capitalisation	2004	2005
Per-share price (€)	2,63	3,95
Capitalisation (€ million)	7.913	11.892
Market indicators (€)		
Earnings per share	0,18	0,26
Shareholders’ equity per share	2,14	2,41
Shareholder remuneration (€)		
Dividend per ordinary share	0,086	0,13
Dividend per savings/preference share	0,0924	0,1367

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



Investor relations

In order to oversee correct market positioning and to assure maximum visibility for Group initiatives, as well as the right attractiveness of its shares, we have created specialised facilities dedicated to caring for relations with all shareholders.

Communication with shareholders and investors is an aspect of the utmost importance within investor relations activity, due to the possibility of motivating investment inclinations and influencing choices in this respect.

The Group uses various relational tools and approaches for interacting with these stakeholder categories. Of these, the www.mps.it Web portal, which provides - in an easy-to-use and timely manner - up-to-date and objective news and information, essential for following corporate strategies, programmes and activities more closely. In the dedicated www.mps.it/investors section we in fact publish, also in English, annual reports & accounts, quarterly and midyear interim reports, facts, figures and news concerning corporate governance, performance, and ratings, as well as press releases and presentations relating to corporate events. In order to aid our relationship with shareholders and the main investors, shareholder meeting documents are also made available on the site.

2005 featured particularly intensive investor-relations activity, with the aim of assuring the continuity, thoroughness and transparency of market disclosure of information concerning the Group's operations and strategies. During the year meetings were held with some 200 institutional investors and 20 analysts, with participation also in six international conferences involving about ten Group managers.



Financial ratings

In 2005 the Parent Company's General Manager met several times with rating agencies' representatives to illustrate the Group's strategies and business progress. As regards this, the three main global rating agencies confirmed the ratings already assigned to our short- and medium-/long-term debt.

Moreover, Standard & Poor's also revised its outlook upwards from "negative" to "stable" for Banca MPS and for its subsidiaries Banca Agricola Mantovana and Banca Toscana.

Debt rating		as at 31.12.2005			
Standards & Poor's		Moody's Investors		ServiceFitch Ratings	
Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
	AAA				
	AA+		Aaa		AAA
	AA		Aa1		AA+
	AA-		Aa2		AA
A1+	A+		Aa3	F1+	AA-
A1	A	Prime-1	A1	F1	A+
A2	A-	Prime-2	A2	F2	A
A3	BBB+	Prime-3	A3	F3	A-
B	BBB	Not Prime	Baa1	B	BBB+
C	BBB-		Baa2	C	BBB
D	BB+		Baa3	D	BBB-
	BB		Ba1		BB+
	BB-		Ba2		BB
	B+		Ba3		BB-
	B		B1		B+
	B-		B2		B
	CCC+		B3		B-
	CCC		Caa		CCC+
	CCC-		Ca		CCC
	CC		C		CCC-
	C		CC		C
					DDD
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					D

Ethical ratings

The ratings of ethical rating agencies are very important because they influence the choices of investors and asset management companies as regards investments in companies attentive to environmental friendliness, the social dimension, and corporate sustainability.

Following assessment of the Group's corporate responsibility features by some of the leading international ethical rating agencies, MPS stock is present in the following stock market sustainability indexes and in 2005 achieved the summary scores indicated below.



Dow Jones Sustainability Index World (DJSIW)
www.sustainability-index.com

This index was created in 1999 by Dow Jones, STOXX Limited, and SAM - Sustainable Asset Management, a Swiss research company that is world leader in sustainable asset management. The DJSIW index includes some 300 companies listed on 23 countries' stock exchanges and active in 58 business sectors, with a total market capitalisation of over USD 7,800 billion. With specific reference to the banking sector, the index comprises 27 banks, of which 18 European and, among the latter, just two Italian banks.

SAM's sustainability appraisal, performed in September 2005, confirmed inclusion - for the 4th consecutive year - of MPS stock in the index with a score of 63 (vs. 57 in 2004), set against a sector average of 48 (vs. 42 in the previous year).

Performance

(Data in %)

	MPS score		Average sector score		Top sector score	
	2004	2005	2004	2005	2004	2005
Economic	57	68	50	62	92	92
Social	57	60	28	46	73	85
Environmental	58	59	43	32	84	82
Total	57	63	42	48	84	84

In the most recent revision of the index (September 2006), the rating awarded to Monte dei Paschi was just slightly below the entry threshold set for the banking sector, which has increased by virtue of general improvement in the quality of the companies rated.



FTSE4Good

FTSE4Good Global Index e FTSE4Good Europe Index
www.ftse.com/ftse4good/index.jsp

These indexes were created by the Financial Times and the London Stock Exchange. EIRIS, the British ethical investment research company that handles rating activities, does not issue a summary score but qualitative assessments. The last 6-monthly review (March 2006) confirmed - for the 3rd consecutive year - the positive match between Group operations and the selection criteria applied.

There are 60 banks in the index, of which only 4 are Italian.



Ethibel Sustainability Indices
www.ethibel.org

These are global indexes managed by the eponymous independent Belgian research and consulting firm specialised in socially-responsible investments. They comprise 285 companies selected in the world's main stock markets. With specific reference to the banking sector, in March 2006 30 banks passed Ethibel's screening process and, of these, 4 were Italian. Already included since 2004 among "pioneering" companies in the sustainability field, in March 2006 MPS stock was recognised as "best in class" by virtue of the excellence achieved by the Group in its management of the various aspects of corporate social responsibility, also via constant and constructive stakeholder relations.

Performance

(Maximum score: 6)

	2004	2005
	MPS Score	
Economic	3,80	4,30
Social - internal	4,20	3,63
Social - external	4,00	5,00
Environmental	4,50	5,37



Avanzi SRI Indexes

www.avanzi-sri.org

These indexes were launched in 2005 by Avanzi SRI Research - a financial analysis firm that is leader in Italy in the socially responsible investment sector - to measure “ethical” portfolios’ performance. They include some 190 companies with a high social-responsibility profile, listed in the main equity markets and belonging to all business sectors.



Axia

www.axiaonline.it

Following the last quarterly review (March 2006) of the ethical indexes of Axia Financial Research - an independent ethical and financial rating agency - MPS stock was included, achieving very positive ratings, in the panel of Italian companies featuring the best social-responsibility profiles.



SiRi Company

www.siricompany.com

According to the assessment model of SiRi Company, the world’s number one group of social and environmental rating agencies, the MPS Group’s social-responsibility rating improved over the previous year, with a score well above the sector average.



Oekom Research

www.oekom-research.com

In February 2006 Oekom Research, a German financial rating agency - world leader in the socially responsible investment sector, included the MPS Group among “Prime” companies, placing it 13th in the ranking of 60 banking and financial companies analysed, with a summary score of C+ .



Agenzia Europea di Investimenti (AEI) Standard Ethics

www.aei-standardethics.org

EE- was the rating achieved in April 2005 by MPS, higher than the Italian average (E+), according to the latest Annual Report of Agenzia Europea di Investimenti Standard Ethics, an EEIG (European Economic Interest Grouping) with the mission of promoting CSR and ethical investments based on the principles and guidelines of the UN, OECD, and EU.

Performance

(Data in %)

MPS Score		Average sector score		Top score in sector	
2004	2005	2004	2005	2004	2005
68,1	71,5	21,8	34,1	88,9	85,3

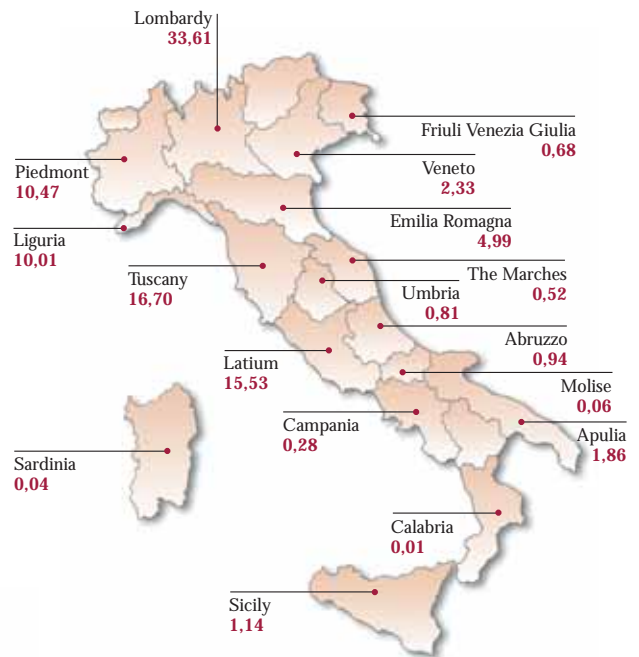
Suppliers

The MPS Group pursues a procurement strategy based on an organised and professional approach to purchasing processes. It develops relationships of mutual benefit, correctness, and transparency with its suppliers, in a perspective of co-operation and substantial operating stability and continuity.

Business dealings with suppliers are managed centrally by a Corporate Centre fund (Group Central Purchasing Service) in order to obtain economies of cost and to assure uniform management in meeting the various Group companies' needs.

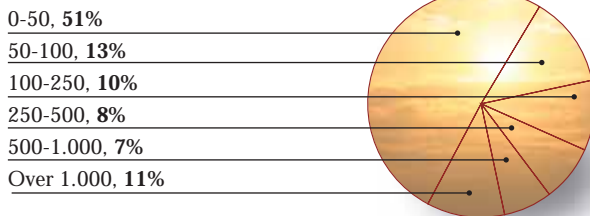
As at December 31st 2005, there were 622 companies registered in the Group's Approved Supplier List, which during the year supplied goods and services for a total amount of € 433 million.

Geographical breakdown of suppliers by amounts billed (data in %)

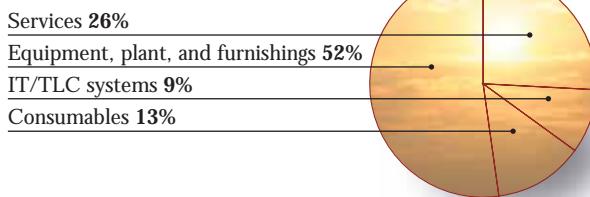


* For procurement and supplies for its foreign locations, the Group generally draws on local companies, whose incidence on total supplier amounts billed is modest.

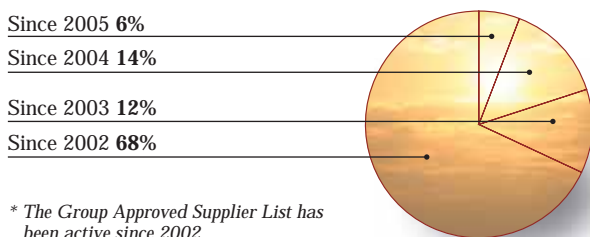
Supplier breakdown by amounts billed (€ '000)



Supplier breakdown by category



Stability of supplier relationships
(Year of inclusion in Group Approved Supplier List)*



* The Group Approved Supplier List has been active since 2002.

Supplier turnover	2004	2005
Active	690	622
New	125	35
Cessations*	44	103
Turnover (%)	6,4	17,5

* The relatively high number of cessations of supplier relationships generally does not depend so much on their deterioration (and in fact no legal disputes with suppliers arose during the period) as on disappearance of reliability requisites or, in some cases, on changes in the Group's operating requirements, or on changes in suppliers' activities.



Supplier selection

Supplier selection processes give preference to suppliers' competence, which is often correlated with management quality, and to their competitiveness. By means of assessment and negotiation activities aimed at achieving the best value for money (price/quality ratio), companies are spurred to innovate - a factor the Group considers essential in order to be able to assure continuity of the business relationship. With suppliers possessing distinctive skills and, in particular, significant technological resources, we set up long-term agreements and, in some cases create full-scale "partnership relationships" to assure ongoing, quality supplies.

In view of the strong regional and local geographical franchise that has always been a distinctive feature of the Group's banks, special attention is given to small local companies - in any case capable of sustaining their standard of competitiveness and growth over time - with the aim of helping to safeguard and aid the development of local socio-economic systems. Therefore, when this is compatible with the need to achieve the best economic terms and product or service quality, the Group tends to draw on local suppliers.

All supplier companies are followed with attention and interest, also as regards their business and financial performance - with special reference to sound balance sheets, satisfactory profitability, growth prospects, and stability of employment levels.

As regards this latter aspect, the Parent Company has acted on several occasions, following difficulties or crises experienced by suppliers, to safeguard jobs, actively

The stakeholders' voice

Bassilichi SpA supplies outsourced technological services to medium-large companies, in particular in the banking industry, paying the utmost attention to social and environmental issues. It applies the philosophy of sharing with its customers any initiative able to develop and assure extensive respect of such aspects.

Within the business relations that have been consolidated over time with the MPS Group, Bassilichi is currently the Group's partner in various initiatives, including the Ecoprint project, for regeneration and re-utilisation of empty toner cartridges, and activities for the spread of information technology, via reassembly of personal computers of a good technological level and their donation to schools, prisons, and communities in developing countries.

The experience acquired from our supply and business relationships with Monte Paschi has increased our sensitivity to social responsibility topics, enabling us to play our role with increasing awareness and consistency also in this respect.

We in fact consider social responsibility to be a categorical imperative, not only because of a choice of ethicality, but because it is a factor of strategic orientation consistent with the aim of a steady equilibrium of all stakeholders' interests and also of strengthening trust surrounding the company. For a young and growing company, like Bassilichi, the Trust factor is a key factor for development.

Marco Bassilichi

Managing Director, Bassilichi SpA

Our procurement policy is based on relationships of close co-operation with suppliers, in the constant quest for mutually beneficial conditions.



mediating to find solutions able to assure continuity of employment. In these circumstances, its decisive involvement has enabled employees at risk to keep their jobs.

Appraisal of the supplier company is performed when the relationship is initiated and then updated, not less than every 24 months, via verification of the statements and attestations provided by the supplier as regards its:

- Economic status (via review of the last two sets of annual accounts);
- Environmental situation (with assessment of replies provided to a specific questionnaire);
- Quality of service or product (via checking of relevant certifications).

Suppliers compliant with certification standards

	Number		% of total suppliers on Approved Supplier List		% of total supplier billings	
	2004	2005	2004	2005	2004	2005
ISO 9001 (certification)	179	198	26,0	31,83	52,5	67,17
ISO 14001, EMAS (certification)	18	20	2,6	3,22	1,0	15,40
SA 8000 (adherence)	428	478	64,0	76,85	86,3	78,86

As regards the above aspects, the Group Central Purchasing Service, having also evaluated the judgements made by function managing the supply relationships, awards scores, the average of which determines the supplier's rating. The weight of this is decisive for inclusion in the Approved Supplier List and is taken into due consideration in the granting of normal credit facilities.

Verification of social responsibility standing

Supplier selection also includes assessment of their policies and practices as regards protection of workers' rights and safeguarding the environment. This aims both to (a) promote responsible behaviour also in these fields among the Group's commercial partners and (b) avoid dealings with parties lacking professionalism or of uncertain standing as regards the social dimension.

Possession of quality certifications (ISO 9001) and environmental certifications (ISO 14001, EMAS) is, for example, a key requisite for assessing the overall level of service provided by the supplier, even though verification of the supplier's social responsibility profile also envisages:

- Investigation of the environmental compatibility requisites of the company's activities, based on information given by the company concerning any possession of a specific and documented policy, internal organisation, procedures and tools to assure constant compliance with regulations and effective management of the company's impact on the ecosystem. As at December 31st 2005, the average environmental quality score of suppliers registered in our Approved Supplier List was 3.66 out of a maximum of 6.
- Analysis of the position taken by the company concerning the ethical and social principles contemplated by the international standard Social Accountability 8000. Specifically, 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.
- Examination of compliance with the guidelines for conduct established by the Group in relation to companies' administrative liability under Italian Legislative Decree 231/2001. As regards this, the supplier is asked to sign an undertaking to observe the rules contained in Monte dei Paschi's "231 Model", on pain of termination of the business relationship in the case of demonstrated breaches of such rules.



As regards compliance relating to the SA8000 standard, certified companies are required to check their suppliers regularly. In this respect, MPS Banca per l'Impresa, in connection with its own environment and social responsibility management system, regularly performs checks on a sample basis. In agreement with the companies concerned, it defines improvement plans to aid steady adaptation of the supplier company to the contractual and working conditions envisaged by the standard.

Business and contractual terms

Suppliers are normally paid, depending on contractual provisions, within 60-90 days after invoice date.

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.

Stakeholder dialogue

Working together for sustainability

This is the name of the project undertaken by MPS Banca per l'Impresa with the aim of heightening the sensibility of its stakeholders - and in particular of suppliers - to questions concerning sustainable growth. As part of the project, besides forms of involvement of staff and customers, the bank has also activated monitoring and constant follow-up of its suppliers, as regards their observance of the SA 8000 standard's principles.

Suppliers are first of all formally asked to adhere to the standard, which is sent to them together with a questionnaire. Answers to the latter are able to indicate the supplier's level of conformity.

When critical situations emerge, the company is asked to arrange meetings with the staff responsible, during which non-compliant aspects emerging are examined. For the supplier these meetings are a useful training and update opportunity as regards the legislative requirements concerning labour relations, health and safety, and equal opportunities, etc. to be considered in its activities.

MPS Banca per l'Impresa also expresses to the supplier its willingness to work co-operatively to solve the problems emerging and proceed with gradual implementation of the actions needed. Over 60 suppliers have been contacted thus far. Of these 11 have undergone on-site checks together with design of an agreed improvement programme. In view of the favourable reception given to the initiative and the appreciation shown by suppliers involved thus far, the bank intends to increase its efforts to complete the round of on-site visits and possibly extend the initiative also to customer companies.



Society & community

For Monte dei Paschi di Siena its bond with local and regional areas - for centuries and until a few decades ago the overriding characteristic of its operations - has moulded its specific distinctive feature. This is virtually unique in the Italian banking panorama, i.e. the fact of being one of the major domestic banking groups and, at one and the same time, operating with the spirit and approach of the neighbourhood bank, the bank close to its customers - always attentive to the needs and growth of the communities and areas of which it forms part.

During the years of expansion, leading the Corporation - also via several acquisitions - to operate in increasingly wide regional areas, extending its presence to new geographies, this feature has also been extended to local realities. Monte dei Paschi has entered the latter to the fullest possible extent, taking an active part not only in local economies and industry systems but also in the various communities' social and cultural initiatives, dedicating attention to and supporting their customs and traditions with sincere interest.

In 2000 this conceptual leitmotif linking today's modern Monte dei Paschi to the original "Monte Pio" founded over half a millennium ago in 1472 - this natural all-embracing reference to the areas where it is active and this desire to make attention to the social dimension a special feature of its policies and strategies - was transposed and spelt out in the corporate mission. The mission in fact establishes that Monte dei Paschi wants to "develop the sense of belonging to the Group, whilst enhancing the value of cultural differences and maintaining the strong franchise of each Group company in the territory where it operates".



Impact on the community

In order to provide a comprehensive and systematic picture of all Group activities having positive social repercussions on the community, we use the reporting model devised by the London Benchmarking Group (LBG). The LBG methodology identifies five main categories of activities aiding community development, differentiated according to their economic and social return both for the business and for stakeholders.

The rationale underlying this model - which also permits benchmarking over time with other companies - is quantification of Group companies' various contributions based on costs actually borne. The model, which can be graphically summarised as a pyramid, makes it possible to measure the benefits and business returns generated by the various activities. The base of the pyramid consists of those directly connected with the core business, whilst those at the top of the pyramid are more closely connected with philanthropic and charitable efforts.

We are active throughout Italy and feel we are citizens with a responsibility for the communities where we operate.

We intend to champion, support and defend multiculturalism - i.e. the many local identities that, thanks to their diversity, are one of Italy's greatest assets.



Role of the MPS Foundation



The MPS Foundation - Fondazione Monte dei Paschi di Siena - was founded on August 28th 1995 following spin-off, by the ex public-law bank, of the banking business to the joint-stock company Banca Monte dei Paschi di Siena SpA.

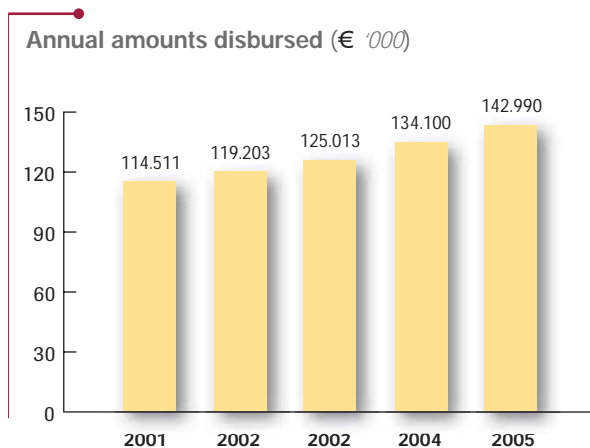
The Foundation is private non-profit entity with full legal capacity, which pursues socially beneficial purposes via management of its assets, totally restricted for this purpose and initially stemming from the original endowment made by the banking company.

The Foundation's primary objective is sustainable and solidaritarian development of the Sienese area and its community, in order to improve the latter's quality of life. This seamlessly continues the original mission, defined in 1622, as willed by the Sienese Magistrature and people: "so that it may have fertile development, governance and rules, with private and public benefit for the City and State of Siena".

The fields in which the Foundation works to accomplish its institutional purposes are:

- Scientific research;
- Education;
- Art;
- Healthcare;
- Aid and charity;
- Enhancement of cultural and environmental heritage and activities;
- Promotion of local economic development.

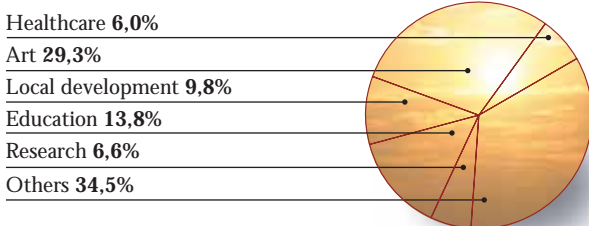
In 2005 the Foundation assigned - for execution of third-party projects with such purposes - € 143 million (greater information is given in the 2005 Mission Report, available at the site www.fondazionemps.it). It also announced that, for 2006, the amounts available for its institutional activity (in practice, the dividend it pays out to the community) will total over € 183 million.



Since 2001 the Foundation has steadily increased the geographical scope of its institutional activities, also turning its attentions to developing countries' populations.

By means of work with organisations active in the field of international co-operation, in 2005 the Foundation's resources used to support action programmes in Third World countries amounted to over € 5 million.

Breakdown of disbursements by category (2005)



BAM Foundation



Fondazione BAM - the BAM Foundation - was founded in 2000 by Banca Agricola Mantovana (BAM) and Banca Monte dei Paschi di Siena with the aim of assuring continuity of the activity performed, as a matter of statutory obligation, by the original co-operative credit bank (banca di credito co-operativo) for the benefit of the Mantuan community.

As per the statute, the Foundation's objective is to contribute to the Mantuan community's progress via four fields of action:

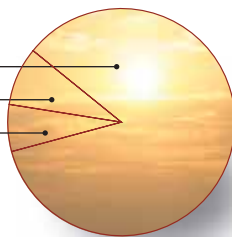
- Protection, restoration and reinstatement, and enhancement of the artistic, historical, cultural and environmental heritage of the area of the province of Mantua;
- Promotion of culture and scientific research;
- Support of implementation of projects and activities in the social field;
- Creation of a Cultural Centre, to promote action in the areas of the local economy, lending and institutions; creation of an Art Gallery to display works by Mantuan artists or by artists who worked in Mantua; and creation of a Numismatic Museum to house collections of Gonzagan and Mantuan coins.

In 2005 the BAM Foundation earmarked close to € 2 million to finance 77 projects presented by third-party entities, cultural associations, and voluntary social service organisations, or for extraordinary contributions and special contributions.

(Greater information on the Foundation's activities is provided in the 2005 Mission Report, available at the site www.fondazione.bam.it).

% breakdown of disbursements by category (2005)

Art and culture **85%**
Social service **8,5%**
Scientific research **6,5%**



Donations

Forms of free support donated in response to expectations or needs expressed by the community, without any business impact.

In 2005, the Group's three main commercial banks decided on disbursement, in the form of donations, of over € 2.5 million for socio-cultural projects.

Many donations supported the various organisations working on social solidarity at local level. Beneficiaries of the main donations included:

- The Meyer Children's Hospital of Florence, which sees in Banca Toscana and MPS Banca per l'Impresa sensitive partners that have followed its activities closely for years, to which in 2005 donations of € 150,000 were made - also using the sums that would normally have been used for Christmas presents - to furnish wards and to purchase sophisticated medical equipment permitting less invasive and more detailed examination of the alimentary tract;
- The Vito Fazzi hospital of Lecce - one of the main national health hospitals in the Apulia region - where MPS Banca Personale's contribution enabled the Anaesthesia Unit to purchase a device to monitor anaesthesia via measurement of "acoustic evoked potentials". This is a piece of state-of-the-art equipment, present for the first time in the Lecce hospital, that permits early recording of reawakening from the comatose state and monitoring of the patient during operations, avoiding reawakening during operations and avoiding unduly deep anaesthesia;
- The non-profit organisation for social purposes Casa del Sole di San Silvestro, in Mantua, for its assistance to and rehabilitation of disabled children of all ages and psychological and social support of their families.



The stakeholders' voice

The "Nuovo Meyer" ("New Meyer") is the hospital that - by virtue of the bio-compatible and design solutions adopted, utilisation of simple, non-toxic materials, and wide use of colour and light - is an absolute novelty in the Italian healthcare panorama. There is no facility, not even the tiniest detail, that has not been conceived for a child and his family - the real front-stage figures of the Children's Hospital.

We feel Banca Toscana to be particularly close to us in our commitment. Also thanks to its generous attention, which joins that of so many citizens, the Meyer is increasingly a "child-sized hospital", where the best medical care and state-of-the-art healthcare technologies go hand in hand with the high quality of hospitality offered to our little patients and their families.

Paolo Morello

President of the Fondazione Meyer

- The Mantua Local National Health Service Department for construction, in Mantua, of the "Il Parco" nursery.

In addition to this, the Parent Company continued its now traditional support of the Siena cancer prevention and research organisation Legatumori Senese and, in the cultural field, of the Sienese Museums system, of the "Maggio Musicale Fiorentino" Foundation, and of the San Carlo theatre of Naples.

Other humanitarian initiatives undertaken also thanks to contributions made by Group companies include:

- Participation in aid for South-East Asian populations hit by the tsunami on December 26th 2004, with almost € 800 thousand collected by the Group and its employees for activities co-ordinated by humanitarian organisations, i.e. UNICEF, Caritas, and also the "Terre di Siena-Tamilnadu-Sri Lanka" Committee formed by institutions and voluntary social service organisations of the province of Siena.
- Co-operation, with disbursement of € 100,000, in projects promoted by the Clinton Foundation for the fight against poverty and AIDS in Africa.
- The "Congo Project - Christmas 2005", launched by Consum.it, the MPS Group's consumer credit company. In the period December 1st 2005-January 6th 2006, the company allocated € 0.50 for each transaction executed by holders of the consumer credit card "M'Honey Card" to creation of a fund for the following projects, with the aim of:
 - Supporting, via the non-profit organisation Amici di Betlemme (Friends of Bethlehem), the "Hesma Letu" health centre on Lake Kivu, with the purchase of medial instruments, laboratory material and X-ray equipment, together with financing for the creation of laboratories and training of physiotherapists, psychologists, and nurses.
 - Contributing, via the order of missionary nuns Suore Missionarie della Dottrina Cristiana, in collaboration with the non-profit social-purpose organisation Missione Cattolica dei Frati Francescani, to construction of a nursery school in Djri, a village just a few kilometres away from Brazzaville. Djri has no social assistance





or care facilities (hospital, schools, etc.) but is a commercial centre for neighbouring villages, which will therefore also be able to benefit from the nursery school.

Thanks to the positive response from customers and the numerous transactions executed in the period, Consum.it collected some € 95,000.

Group companies co-operated with various initiatives to collect funds and donations for organisations and associations involved in humanitarian activities, i.e. UNICEF, for the campaign to buy rehydration salts to treat children suffering from dehydration and dysentery, and UNHCR (the UN refugee agency) for subsistence aid to refugee families, etc.

More direct and specific initiatives to gather funds for humanitarian and social purposes were carried out via the sale of insurance and investment products. Specific examples are the “Sostegno” (Support) policy sold by Montepaschi Vita and the “Operation Smile” credit card issued by the Parent Company, for which reference should be made to the chapter on “Socially responsible business initiatives” on page 117, 118.

Employees' solidarity actions

In 2005 the MPS Group promoted collections of funds among employees for the South-East Asian populations hit by the tsunami. The many direct contributions made were joined by the sum paid by employees to the Italian banking industry's national fund for solidarity projects created by ABI (the Italian banking association) in conjunction with trade unions.

In addition, as regards voluntary social service, as done every year staff were given extraordinary paid leaves of absence to take part in civil rescue and voluntary social service initiatives. Employees confirmed their sensibility as regards blood donations (in the Parent Company alone 7% of staff made a total of 1,600 donations).

Investments in the community

Medium- and long-term forms of support for community development that help to enhance corporate reputation.

Initiatives supporting community development

A number of donations and sponsorships sometimes materialise as part of longstanding partnerships with associations and organisations active in areas where the various Group companies operate. In these cases the disbursements are not extemporaneous or occasional occurrences but, because they are substantially continuous, aid development of communities, for which they are important.

Monte Paschi - also by virtue of the long tradition of support linking it to the Accademia Musicale Chigiana - is particularly sensitive to the activities of organisations and associations promoting musical culture and is a founding member of some of them. As well as the Accademia Musicale Chigiana, these include the “Maggio Musicale Fiorentino” Foundation, the San Carlo theatre of Naples, the Teatro Regio di Parma Foundation, and the Foundation “Festival Pucciniano di Torre del Lago Puccini”.

In addition, it is the main sponsor of some major events, including the “Siena Jazz” festival and the New Year celebrations organised by the Municipality of Siena.

The Parent Company has of course always been in the front line in supporting both the activities of the “Magistrato delle Contrade” - the steering committee of the neighbourhoods (Contrade) into which the city is divided and that, among other things, helps to coordinate the Siena Palio horse race - and protection and conservation of the historical, artistic and cultural activities of the Contrade, together with their social and cultural activities.



The stakeholders' voice

Protection and enhancement of the cultural heritage of the Mantua Diocese - consisting of two cathedrals, three sanctuaries, some 100 holy buildings, and a diocesan museum - require constant synergies in terms of projects, use of human resources, and economic support.

In 2005 the main and most important effort was reinstatement of the full functionality of the Basilica of St. Barbara of Mantua, the court church of the Gonzaga family, designed in the 16th century by Giambattista Bertani, a pupil of Giulio Romano, and recognised as being one of the great European court churches.

The MPS Group and the BAM Foundation, among the institutions most sensitive to co-operation with the Diocese and parishes for cultural purposes, once again particularly distinguished themselves, disbursing conspicuous sums for this project and for other projects agreed upon with the Diocesan Bursar's Office.

Manzoli mons. Giancarlo

Director of the Diocesan Office for Mantua's Cultural Heritage and bishop's delegate for the Diocese's cultural heritage

The constant interest and active participation of Banca Agricola Mantovana in the activities of the Centro Internazionale d'Arte e di Cultura di Palazzo Te (the international art and culture centre of Palazzo Te), of which it is a founding member, are important for the definition and execution of our exhibition and scientific programme. And, as before, we are certain that, on occasion of the next exhibition, dedicated to Mantegna's years in Mantua and due to start on September 16th 2006, BAM's far-sighted support will make a substantial contribution to the event's splendid success.

Enrico Voceri

President of Centro Internazionale d'Arte e di Cultura di Palazzo Te

Tax Collection Services

For many years the Parent Company has directly managed, based on concession licenses from the public administration, tax collection services in 5 provinces (Rome, Siena, Grosseto, Livorno, and Latina), employing a total of some 800 people.

Via the Website www.paschiriscossione.it a large part of the taxpayers in the provinces mentioned above can pay both taxes covered by the concessions and municipal property tax, plus some other local taxes. Banca MPS has achieved ISO 9001 certification for its "Local Tax Services".

Other Group companies are also concessionaires and perform tax-collection services in other regions, e.g. Montepaschi SERIT SpA of Palermo, via concessions in all 9 Sicilian provinces; GERIT SpA in the province of L'Aquila; SORIT SpA of Foligno, in the province of Perugia; and Padana Riscossioni SpA, in the province of Piacenza.

Following the provisions of Article 3 of Italian Decree Law 203/2005, which accompanied the Italian 2006 National Budget Law, as from October 1st 2006 the present concession-based system for national tax collection services is abolished. For this purpose the Italian Inland Revenue and INPS (the national pension & welfare agency) have founded the company Riscossione SpA to which all functions performed thus far by the tax-collector concessionaires will be transferred. The company must acquire an equity interest of not less than 51% in concessionaire companies or the company branches of banks that are directly active in tax collection.

This regulatory measure involves, in Italy as a whole, 42 companies and some 8,500 workers. It obviously also involves Monte Paschi to a significant extent. Monte Paschi in fact started negotiations some time ago with the Inland Revenue and Riscossione SpA, as well as with trade unions, in order to reach a solution satisfactory for all parties concerned

As far as Sicily - an autonomous region - is concerned, it should be pointed out that the Sicilian Regional Government, within its autonomous powers, has set up Riscossione Sicilia SpA, which is moving along the same lines as those adopted at national level.



Support for local economic development

Group companies obviously follow regional economic planning measures and development projects planned by local authorities with great interest, actively intervening in matters concerning concessional, subsidised and low-rate lending for the industrial system (see the section on “Socially responsible business initiatives”, on page 111).

With the aim of strengthening the opportunities and occasions for the Group to contribute to the various geographical areas' economic growth, we have undertaken numerous initiatives in conjunction with other parties - public and private - active at local level, among which we highlight the following:

■ Relations with Local Authorities and Public Administrations

Via an extensive network of local offices (32 offices, with 77 employees), the MPS Group offers financial advisory services and assistance to over 9,000 local authorities and public administrations.

As regards public finance, we have defined an initial ceiling of € 500 million for guaranteed underwriting of bond loans issued by local authorities and agencies - as a new and increasingly used form of funding - as well as setting aside a specific amount for renegotiation of medium-term loans taken out by the same organisations.

Among the other initiatives in this sector, the Group participated, as a member of the Italian banking association (ABI), in the drafting of guidelines for the negotiation of derivative transactions with the public administration. It has also launched specific services for hedging interest rate and foreign exchange risk, active asset & liability management to extract value from financial and property assets, and outsourcing of economically important public services. It has also taken part in debates with local agencies on the question of local finance, giving its patronage to and taking part in numerous conferences organised also in conjunction with the ANCI (the national association of Italian municipalities).

■ Regional Protocols of Understanding

Implementation continued of the measures envisaged in the two protocols of understanding in place with the Tuscany and Umbria Regional Governments to improve access to credit by SMEs, for whom information and training was provided concerning Basel II issues and, in particular, on the prevention and remedying of reversible crisis situations.

In Umbria the Parent Company and Banca Toscana co-operated, in the guise of financial sponsors of ATI Prisma - the temporary grouping comprising all local “confidi” (Italian mutual guarantee associations or MGAs) - with the regional banking industry in implementation of Measure 2.3 “Financial services for businesses” of the Umbria Region's 2000-2006 Single Programming Document (relating to accessing of EU structural funds for industrial and rural areas facing structural difficulties). They undertook to provide financial resources, in addition to public resources, to credit guarantee funds and capital funds for financing Umbria's SMEs.

● *Tuscany Industry Bond*

Among the various actions launched by the Group at regional level, one that stands out - due to some features that are an outright novelty in the Italian banking panorama - is the “Bond di Sistema Toscana”, the “Tuscany Industry Bond”. This is a credit assistance programme - defined in conjunction with Tuscan regional authorities and with Fidi Toscana SpA (the regional finance company set up by the Tuscany regional government in conjunction with municipalities and banks). The Bond envisages issue by Fidi Toscana of an irrevocable, first-call surety covering up to 80% of the principal lent. The scheme also envisages securitisation of the loan portfolio, the pricing of which is strictly correlated with the creditworthiness of the SMEs financed.

The strong interest in this instrument is demonstrated by the over 2,000 applications for loans submitted, amounting to some € 580 million in total, much higher than the maximum ceiling of € 250 million budgeted.



■ Apulia Project

2005 marked the start of the “Apulia Project”, a programme of 16 initiatives to support development in the Apulia area and its industry system. The latter features attractive growth potential, also as regards the prospects of integration of the Italian economy with those of Eastern Europe and Mediterranean countries. The project has a five-pronged thrust:

1. Development of new forms of co-operation between the MPS Group, regional and local agencies, and the local fabric;
2. Incentives and support for businesses, also in the farming industry, to optimise their capital structure, strengthen their competitiveness, and simplify their access to the capital market;
3. Implementation of initiatives to foster businesses’ internationalisation, accompanying them in their commercial and manufacturing expansion;
4. Support to young couples for purchase of their first home;
5. Support for enhancement of the value of property, artistic, and cultural assets and heritage.

These measures, all underway, are the result of Monte Paschi’s special attention to Apulia - a region where it operates via several companies with a network of 108 branches and has over 2,000 employees, playing an important role in the regional economy and society.

■ Local development

As part of implementation, at local level, of the planning documents issued by the Tuscan regional government, the Parent Company signed the Province of Siena’s Local Development Pact, taking part in the latter’s implementation by offering a wide range of services to local businesses and authorities, with the aim of supporting - in a perspective of environmental and social sustainability - the Sienese economy’s growth prospects.

Siena’s agenda for sustainable development



Monte dei Paschi di Siena has adhered to the “Citizens’ Forum” since its creation in 2000. The Forum was formed by the Municipality of Siena to pursue sustainable-development objectives in the area by dialoguing with the population as a whole and with local associations and businesses. May 2006 marked the end of development of the Local Action Plan (LAP). The plan comprises the ideas and projects proposed by the various Sienese realities, presenting them as thought-starters and concrete contributions to make municipal planning even more attentive to the issues of protection of health, security, and the environment.

The LAP is the result of intensive debate and exchange of ideas between Forum members - a difficult but productive “bottom-up” process of participation and consensus, which has revealed a shared vision of Siena in the 21st century.

True to our roots we intend to be the preferential partner of local authorities, the public administration and the so-called “third sector” - the partner that, better than anyone else, knows how to participate in their special mission of public service - and by virtue of our presence provide further assurance for citizens.



■ Confidi (MGA) Project

With a view to more intensive and steadier relations with mutual guarantee associations, we have signed a master agreement with the Central Italian MGA Co-ordination Centre (Coordinamento Confidi Centro Italia - a member of Federconfidi (the MGA federation) and Confindustria (the Italian confederation of industry) - to standardise the various operating conditions in line with the project for concentration of MGAs driven by the sector's reform.

The project aims to create an "MGA Portal" for management of data concerning the operations of the main MGAs belonging to the most representative trade associations.

In 2005 we also signed a convention with Garanzia Italia-Confidi (the MGA of the Sviluppo Italia Group - the Italian national agency for business development and investment promotion) to aid - via use of EU and national credit guarantee funds - access to credit by Southern Italian mainland and island enterprises and by those in the areas of Genoa, Massa, and Piombino.

Relations with the academic world

During the course of their traditional co-operation with the academic world, Group companies provide a tangible response to needs expressed concerning specific educational activities and to the organisation of advanced specialised seminars and courses.

More specifically, in 2005 the Parent Company continued its participation in and support of Siena University's initiatives. This included continued support of the University's decentralised units in Arezzo, Grosseto and Colle Val d'Elsa. In addition, it provided support to Salerno's Science & Technology Park.

It also helped to promote - also via specific donations and sometimes with the direct participation of its own tutors - various post-graduate training & development courses, including:

- MEBS - Master in Economics & Banking - Siena University;
- GINTS - Master in Management of Financial Institutions and New Information Technologies - Siena University;
- E2C - Master in digital economics & e-business - Siena University;
- CIPMI - Course on Control and Innovation in SMEs - Siena University;
- Master in Business Ethics, Consumption and Social Responsibility - Siena University and Unione Nazionale Consumatori Onlus (a non-profit consumer association);
- Master in Communication and Marketing - Publitalia '80 (Milan);
- LOGIC - Master in Logistics and Industrial & Commercial Organisation, Centro Toscano per la Qualità (Tuscan Quality Centre -TQC), Poggibonsi (Siena);
- QPMI - Master in Quality and Organisation of SMEs - TQC, Poggibonsi (Siena);
- Master in Management of SMEs - TQC, Poggibonsi (Siena);
- QCePA - Master in Quality and Product Certification in Agrifood Companies, TQC, Poggibonsi (Siena);
- Master in Investment Companies, Investment Services & Markets - Siena University;
- Master in Merchant Banking - Carlo Cattaneo University, Castellanza (Varese).

The stakeholders' voice

The Master in Business Ethics, Consumption, and Social Responsibility, which is part of the "EconomEtica" Italian inter-university consortium, is intended to develop experts in management of corporate regulatory systems in the public and private sector, able to assure and verify observance of ethical standards in internal relations and those with stakeholders. Monte dei Paschi di Siena has contributed to this initiative's success significantly, not only as a gold sponsor but also by providing important testimonies during training activities, and offering internships to some of our students.

Prof. Mariano Bianca

*Co-ordinator of Master course
Siena University - Arezzo Unit*



Among those achieving certificates in the 2005 edition of the above-mentioned courses, the Parent Group hired 37 resources.

The Job Opportunities section of the www.mps.it sit provides opportunities on the training and master courses organised by the Group and candidates can include their curricula vitae in the corporate database.

■ University dissertations and internships

Monte Paschi dedicates special attention to the university world, not only because it is the humus for developing and growing the new resources it needs, but also because - by taking part in training activities and being available to provide real-life testimonies - it is able to interpret what is known and receive early signals of trends on the topics forming the subjects of education and research programmes.

Monte Paschi, aware of the fact that it is a benchmark for students, intends to demonstrate tangible sensibility to their aspirations and expectations. To do this, as part of specific agreements with Italian universities, once again in 2005 it activated over 100 training internships.

Students are informed by their respective universities' placement offices of the opportunities periodically offered by the Group. Each trainee is assigned a training project, which he/she performs flanked by a company tutor. This ends with preparation of a report, which is then published on the Group's intranet network.



The Computer Science Laboratory

The Laboratory is the result of an agreement between the MPS Group's Consorzio Operativo (Operating Consortium) and the Information Technology Engineering Department of Siena University. The aim is scientific co-operation in the field of management of documental databases, with special reference to their distributed organisation and Internet technologies, giving preference to projects with a strong application content and major potential for technological transfer.

Those eligible to take part in the activities of the Laboratory, which was set up at the end of 2004, are young undergraduates, post-graduate students, and researchers of Siena's Engineering Faculty. Thus far it has been attended by 40 students, who have completed dissertations both for initial degrees and post-graduate specialisations, addressing some interesting case studies in the process. These include:

- Digital terrestrial technology - a payment/home banking system. A group tackled the two possible areas of interest using DT technology - one concerning the payment system applicable and the other concerning creation of a home banking system.
- CiteSeer research engine project. Another group worked on a new type of research engine, creating a duplicate document system, which, as the name implies, detects identical or similar documents in a documental database.
- Log analysis. A system was devised to detect anomalous user behaviour (security breaches) via analysis of a log of messages exchanged in a local network.
- A new access control system - analysis of keying in of passwords. A prototype was created of an access control system based on recognition of a personal "footprint" stemming from the way in which passwords are typed

At present projects are underway concerning the analysis/development of:

- Neural networks applied to grid computing architecture;
- New systems for improved access control;
- Products to improve accessibility for the diversely able;
- Videoconference and e-learning systems;
- New computer-fraud prevention systems;
- Authentication and transfer of credentials between federated sites.

The stakeholders' voice

During the period November 2005-May 2006 I wrote a specialised degree dissertation on the Corporate Responsibility of the Monte dei Paschi di Siena Group. I focused my attention on stakeholder relations and concluded with describing two business case studies concerning projects applying Global Compact principles.

It was an excellent experience to get to know and develop deeper knowledge of aspects concerning CSR, also thanks to the willingness and co-operation of the Environmental Policies Unit's staff, who showed that they were exceptionally skilled in evaluating the opportunities provided by ethical conduct and in planning routes leading towards full integration of corporate responsibility in corporate strategies.

During the last part of my work, I was also able to witness the by no means simple task of collecting, classifying and grouping the facts and figures to be shown in the Report. Banca Monte dei Paschi showed that it has highly functional access to the information required, revealing the existence of a tried and true network of persons of reference within the company, which enabled me to complete my degree dissertation, I hope, well.

Francesco Suma

Student, Università Cattolica del Sacro del Cuore



The association "Rondine - Cittadella della Pace" (Swallow - the Peace Citadel) was born as the result of an idea. To create a "citadel" where war is the condition from which to start to build real experiences of reconciliation and where diversities of religion and ethnics co-habit on the ground of dialogue, debate and contrast, but never of clashing confrontation,

Since 1997 Rondine has been welcoming young people coming from war zones, from East Europe to the Caucasus, and Africa to the Middle East. In their own lands they would be enemies, here they are not, indeed they live, work, and study together. The young people, selected in their countries, attend the university or a post-graduate specialisation course, and follow an educational approach also consisting of prolonged co-habitation. This year one of the young people was offered, with a contribution from the Association and from the Italian Foreign Ministry, the opportunity of an internship in MPS Venture SGR.

Parchiev Zurab, coming from Ingushetia (Russian Federation), and studying at the Economics Faculty of University of Siena's Arezzo Unit for a degree in Economics & Management of SMEs, has sent us his testimony:

"I performed a 390-hour internship with MPS Venture SGR, first of all because I've always been interested in the SME sector, also because the Monte Paschi name has always given me an impression seriousness and soundness, and I've always thought that it could certainly offer me useful experience.

The aim of the internship was to deepen my knowledge of private equity investors' activities. During the period I was assigned two companies with the task of getting information on them and of analysing their operating and financial data, to assess the desirability of the Fund investing in them.

The experience enabled me to put the knowledge acquired during my university course into practice, teaching me how to work in a team, in a young and go-ahead working environment, where I immediately felt welcome and perfectly integrated. It was a valuable opportunity to assess one of the possible professional alternatives that I might undertake at the end of my educational process".

Lelia Della Scala

Rondine - Cittadella della Pace Association



Public enjoyment of Bank's historic and artistic heritage

During the course of its over five hundred years of life, Monte Paschi has acquired and also commissioned numerous works of arts, building up a collection of considerable historical and artistic merit. In 1959 this was further enhanced by the Chigi Saracini collection, kept in the eponymous Palazzo, which is the home of the famous musical organisation Accademia Chigiana. In 2005 the halls hosted "Invitation to Palazzo Chigi Saracini", a highly successful exhibition, visited by over 35,000 people. These visitors were able to discover not only the interesting and precious works and objects in the collection, but also to immerse themselves in the atmosphere of a noble dwelling with mediaeval and renaissance characteristics, belonging to great art patrons and admirers. Equally interesting was the exhibition called "Beyond the Sienese School", set up on the Palazzo's ground floor and displaying some 100 works of 16th and 17th century artists taken out of storage, most of which had never been displayed before.

Our historical "Rocca Salimbeni" headquarters also house Monte dei Paschi's Historical Archive, recognised as being one of the most important in Italy.

In 2005 - as is customary in Italy on the National Open Day for Banks' Historical Buildings - the Group's banks opened the doors of their historical headquarters and art collections (Rocca Salimbeni in Siena, Palazzo Portinari-Salviati in Florence, and Palazzo Strozzi and Palazzo del Diavolo in Mantua, etc.) to over 4,500 visitors. During the year the "Rocca" and its mediaeval halls, in particular, were visited by nearly 5,000 people, of which half on the days when the Palio horse race took place.

Another highlight was the exhibition set up at the Milan branch, in Via Santa Margherita, to enhance and make them accessible to the public, of some recently restored Flemish tapestries and, in December, of some Christmas-related wooden sculptures belonging to Monte Paschi.

Commercial initiatives with a social impact on the community

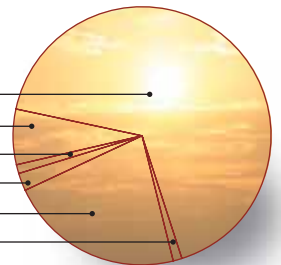
Activities more closely linked to commercial promotion of products and services, aiming to promote brand identity, undertaken in conjunction with local authorities and organisations.

Sponsorships

Once again in 2005 the MPS Group contributed to the success of numerous social and popular events, sponsoring various initiatives and events for a total of over € 26 million.

Sponsorships (2005)

Sport	66,8%
Social & ecological	6,9%
Scientific	0,9%
Economic	2,4%
Cultural (artistic & musical)	21,9%
Various	1,1%



Among the biggest of these were:

- "Festa della Toscana" - "Tuscany Day" - organised by the Tuscan Regional Government to assert the need for widespread commitment to promoting human rights, peace and justice as an intrinsic part of Tuscany's identity;
- The May Day pop concert in Rome;
- "Città Aromatica 2005" in Siena - an unusual music festival combining rock, ethnic music, jazz, and dance;
- Ninth edition of the "Terra di Siena Film Festival";
- FirenzeEstate 2005 - the City of Florence's summer events programme;

Olympics of the Heart



On June 2-5 2005 the second edition of the Olimpiadi del Cuore - "Olympics of the Heart" - took place in the Versilia area. This is a sports and entertainment event, promoted by the Tuscany Region, the Provinces of Massa-Carrara and Lucca, and by various municipalities in the region, which Monte Paschi - agreeing with the event's solidarity aims - supported as main sponsor.

The initiative's entire proceeds went to two organisations particularly active in aiding infants, i.e. the Apuano paediatric hospital, which is working on infantile heart disease in developing countries, and the Fondazione Marco Pantani Onlus, created to aid needy children throughout the world.

- The National Third Sector Forum promoted by the Province of Siena;
- The National Eucharistic Congress of Bari;
- The 2005 edition of the event "Remembering Falcone" (Giovanni Falcone was an anti-mafia judge who was assassinated) promoted by the Fondazione Giovanni e Francesca Falcone;
- UmbriaMusicFest, the international festival of chamber and symphonic music and jazz that takes place in various towns and cities in the Umbria region;
- The Mantua Music Festival;
- The concert of maestro Ennio Morricone, the composer of memorable film music, at the Mandela Forum in Florence.

In the artistic and cultural sphere the Group's activities related to, among others, the following events:

- The exhibition "Siena and Rome - Raffaello, Caravaggio and the protagonists of an ancient bond" held in Siena at the Santa Maria della Scala museum complex, from November 2005 to April 2006;
- The contemporary art exhibition "Burri: artists and matter" organised in Rome, at the Scuderie del Quirinale (the monumental former stables of the presidential palazzo) to commemorate the tenth anniversary of the death of the great Umbrian artist;
- The Florentine celebrations for the 500th anniversary of Michelangelo's "David" sculpture;
- Restoration of various artistic works, including Ghirlandaio's Last Supper at Badia di Passignano, the Convento di San Domenico in Fiesole, and 6 historic tabernacles in Florence;
- The first edition of ContArt (association for the promotion of contemporary art), with the organisation of some major exhibitions in Mantua;
- A cycle of meetings, in Mantua, on the theme "Art and science: in Leonardo's name";
- "Fidelity Meetings - BAM for art and culture" - involving nearly 1,500 customers of Banca Agricola Mantovana in a series of cultural events (concerts, visits to art exhibitions, and conferences, etc.).

Montepaschi Vita For Art



In 2002, to help protect and enhance Italy's artistic and cultural heritage, Montepaschi Vita set up, in conjunction with the Special Superintendence for the Museums of Rome, a sponsorship project called "Montepaschi Vita per l'Arte" - Montepaschi Vita for Art.

The first initiative was restoration of the cycle of frescoes by Vasari adorning the Altoviti Hall in Palazzo Venezia. In 2005 a further initiative was launched, centring round restoration of the cycle of frescoes in the "Love and Psyche" Hall - the work of the Renaissance artist Perin del Vaga - in Castel Sant'Angelo, one of the most important Roman museums, with over 1,600 visitors a day.

During the year, two international exhibitions, i.e. "The Treasure of St. Nicholas of Bari" in Moscow and "DiVine Reflections", which in February 2005 left the Rome exhibition site for an international tour with stops in Russia, the USA, and Japan.



As regards conference activity, the MPS Group continued to be a counterpart attentive to the world of enterprise, organising and sponsoring several conferences on themes of current importance and interest. These involved entrepreneurs, associations, and representatives of industry.

As regards initiatives of a commercial nature, undertaken to facilitate customers' access to Group products and services, we recall:

- The cycle of meetings called "Financial Markets: scenarios and prospects" dedicated to the Group's private banking customers and organised in conjunction with the Associazione Progetto Città, with the participation of the research organisation Censis;
- The cycle of 35 meetings called "International Partners - building success together" dedicated to corporate customers, to present our new service model supporting SMEs' internationalisation efforts.

During the year we also undertook several sponsorships, designed to consolidate and develop commercial and business relations with premier players in the sectors of reference. Events standing out in this respect were the "Prato International Forum of SMEs", the "National Assembly of Confesercenti" (Confesercenti is a confederation representing some 260,000 businesses in commerce, tourism, services and, more recently artisan trades), and "Confindustria 2005 China Project" (Confindustria is the Italian confederation of industry).

The more important events included the presentation, in Rome, of the traditional MET (Monitoring of Economy & Territory) Report, with a conference called "Policies for Enterprises' Competitiveness - Internationalisation and Regional Policies".

As more specifically regards ethical, social and environmental topics, important conferences were those held in: Mantua on "Renewable energy in farming. Biogas - energy crops"; in Florence on "Where is the wind blowing? Banks, businesses and institutions for development of renewable energy sources"; in Mantua, in conjunction with the AIDDA (the association of businesswomen and women managers) on "Ethics and

risk in entrepreneurial choices"; and, once again in Mantua, on "New finance for local development".

Publishing activity featured the creation of various "gift volumes" published with the contribution of the various Group companies. These included "Pio II e il classicismo a Siena" (Pius II and classicism in Siena), "La scultura gotica a Siena e in Toscana" (Gothic sculpture in Siena and Tuscany), "La Galleria Moderna di Palazzo Pitti" (Palazzo Pitti's Modern Gallery), and "Rubens - Eleonora de' Medici Gonzaga e la pittura devota a corte" (Rubens - Eleonora de' Medici Gonzaga and devotional painting at court), among others.

As regards publishing concerning economic subjects, we continued publication of "Studi e Note di Economia" (Economic Studies and Notes) and of "Economic Notes - Review of Banking, Finance and Monetary Economics".

Another highlight was MPS Banca Personale's participation in the publishing project "Quoquo. La gola come ipertesto" (Whithersoever - appetite as hypertext), with publication of a book about food and gourmet itineraries in the Salento area. In addition it participated in the organisation of a meeting on the topic and an exhibition called "Flavours and tables on display at the Provincial Museum of Lecce" (December 17th 2005-January 15th 2006).

Montepaschi Vita For Sport

MONTEPASCHI
VITA PER LO SPORT

By way of confirmation of Montepaschi Vita's attention to sport in general and young people in particular, last year the company launched the "Montepaschi Vita per lo Sport" project. This aims to support and promote youth sports initiatives. Of particular importance is the commitment made to the FIS (Italian fencing association) for the activities of young athletes in the 11-14 years age range - the so-called "first blades". Here the name of the local junior championship event has been changed to "Trofeo Montepaschi Vita" (Montepaschi Vita Trophy) and the "Montepaschi Vita International Trophy" event has been set up. It took place in Siena on October 23rd 2005.

The MPS Group supported the world of sport via the traditional linking of the MPS logo to various sports clubs - Associazione Calcio Siena soccer, Mens Sana Basket basketball and Mantova Calcio soccer, etc. - but also by providing significant support for the amateur and youth sectors. In addition, in 2005, the PalaBAM - a modern and functional sports facility built with the financial contribution of Banca Agricola Mantovana - was inaugurated in Mantua.

The Group also provided support to international events, including: the world road cycling championship in Madrid, the European under-16 tennis championship in Orbetello (Grosseto), and the "Sport Europa 2005" event promoted by the Unione Italiana Sport per Tutti.

The stakeholders' voice

There is an interest that overrides all others - the interest in development of local resources.

To this Banca Agricola Mantovana, Coopsette and the Turra company have dedicated not only energy and investments, but above all passion. As is the case with the PalaBAM - the largest covered facility in the province of Mantua, with seating for 5,000 people, built to accommodate major sporting events, concerts, and tradeshows - of which we are all proud, and rightly so.

Raimondo Montanari
General Manager, Coopsette

Fontanafredda - a 5-Circle company



Fulvio Valbusa, Giorgio Di Centa, Pietro Piller Cottrer, and Cristian Zorzi. Olympic gold-medal winners in men's 4 x 10 km cross-country ski relay race

Discipline, preparation, and ability to overcome challenges - values linked to the sporting world but also universal. They are values which Fontanafredda - a company owned by MPS Tenimenti (the company managing the Group's agri-industrial interests) - shares and for which it decided to participate, with its history and products, in the sporting event par excellence: the Turin Winter Olympics. It in fact decided to sponsor the winter games' toasts and support Turin 2006 by becoming official supplier of Wines & Sparkling Wines. The Olympics were global in their reach but also linked to the area where they took place, like the Fontanafredda brand,

The company was also official supplier to the ninth edition of the Winter Paralympics, which took place on March 10th-19th 2006, support which enabled Fontanafredda to link its brand to an event with a high profile not only in terms of sport but also on the ethical and social level.

For the occasion Fontanafredda dressed seven great wines - expressing the best Piedmontese wine-making tradition - with Olympic labels showing the official logo of Torino 2006.



Compulsory contributions

Activities or contributions that are a compulsory requirement of law, regulation, or contract.

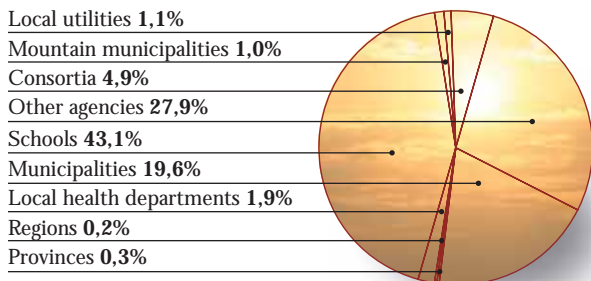
Community support envisaged by Treasury & Cash contracts with local authorities and agencies

As regards Treasury & Cash (i.e. cash management and collection/payment) services, the agreements governing relations with the local authorities and agencies generally require the assignee of the service to provide financial support for initiatives promoted by the authorities and agencies concerned. These disbursements obviously have an impact in the community involved - either cultural (theatre seasons, literary awards, conferences), musical, artistic (art exhibitions) or social and environmental.

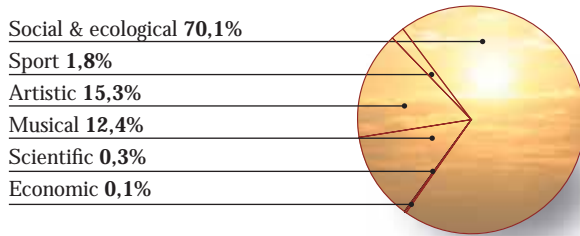
Treasury & cash services	2005
Number of treasury & cash agreements	1.935
Funds handled (€ '000)	43.728.049
Compulsory contributions paid (€)	4.396.318

Data referring to commercial banks.

% breakdown of Treasury & Cash customers (2005)



% allocation of contributions (2005)



Fight against crime

In order to aid the fight against crime and laundering of money linked with illegal activities - and often earmarked for the financing of terrorism - the Group's banks, already equipped with appropriate organisational and regulatory systems and technological aids, have further refined these tools and their use.

More specifically, we have implemented an electronic procedure that, by cross-footing the black list formed by the lists issued by investigatory, supervisory and EU authorities with the Group's general customer detail list and accounting services, assures constant monitoring of banking transactions executed for these purposes.

This means that any initiations of deals and/or movements of funds involving parties included in such lists are flagged by staff and submitted to the relevant unit (Suspect Transactions Assessment Unit) for activation of the necessary measures. These include reporting of suspect transactions to the Italian Foreign Exchange Bureau (Ufficio Italiano Cambi - UIC), freezing of funds, and all other measures envisaged by the authorities' instructions.

In 2005, the Parent Company alone examined 399 internal reports, 292 of which were, as legally required, reported to the Italian Foreign Exchange Bureau.

Support for judiciary investigation

In order to provide effective support for investigations performed by the police and financial authorities, an Investigation Unit has long been active in the MPS Group's Consorzio Operativo (Operating Consortium). The unit's resources work on seeking the data and information required by the authorities responsible for such investigations.



Socially responsible business initiatives

Business activities able to meet expectations both of customers and community and initiatives characterised by strong social and environmental impact.

Disengagement from the arms industry

For years now Monte dei Paschi di Siena has been working on disengagement from financial activities in the arms industry. It has also taken operational action with the aim of not having any links with the financing of arms production and trading in the future.

As regards this, in August 2000 precise instructions were issued to all Banca MPS branches so as to avoid - after completion of flows relating to long-term transactions already defined previously - any transactions relating to the production and sale of arms as per Italian Law 185/1990. In November 2001 this disengagements was also extended to the other Group banks.

The efforts made on this issue are also demonstrated by the fact that, for several years now, no Group company has been present in the lists of banks financing the export, import and transit of arms, as confirmed by the annual reports submitted, in accordance with Law 185/1990, by the Prime Minister to Parliament.

Third Sector project

We dedicate close attention to denominational organisations and to the non-profit, voluntary world in general - to their specific features and needs - by means of dedicated facilities and professional skills.

Here Monte dei Paschi has undertaken the "Third Sector" project - making innovations in the Italian banking panorama and also setting targets of a

commercial nature for dealings with such organisations.

In 2005 the Project specially concerned mapping of this type of customer group and development of an "information dashboard" consisting of an on-line guide to the specific legal and tax aspects associated with such customers. The initiative enables branch staff to gain appropriate knowledge of the sector - a must if they are to meet these customers' financial needs effectively.

■ CESVOT convention

Banca Toscana - as part of a specific convention with Fidi Toscana (Tuscany's regional MGA - mutual credit guarantee organisation) - offers loans and leasing arrangements at particularly good terms to voluntary associations and other non-profit organisations belonging to CESVOT (Centro Servizi Volontariato Toscano - Tuscan voluntary social service centre).

Ethical finance products

The MPS Group is well aware that social responsibility also materialises by moving the levers able to encourage one's customers to develop a culture recognising the opportunity of sustainable growth, as well as the need for attention to the environment and the social dimension. It has therefore developed various finance and investment products that are ethical in their scope and purpose.

■ Ethical funds

Monte Paschi Asset Management SGR, the Group's asset management company, markets the Ducato Ethical System (Sistema Ducato Etico) range of ethical investment products comprising:

- The two mutual funds launched in 2001, called Ducato Etico Geo (an equity fund that invests in all the world's main stock markets, selecting companies that stand out for their CSR commitment) and Ducato Etico Flex Civita (a flexible fund that invests in financial assets issued by countries, organisations and companies that do not conflict with human rights and the environment, allocating 50% of management



and performance fees to the non-profit association Civita, active in the restoration and conservation of artistic assets).

- The Ducato Etico Fix fund, launched in 2004, which invests mainly in the bonds of companies that stand out for their ability to generate value via transparent and sustainable business management.

Ducato Ethical System	2004	2005
Assets under management (€ million)	41,03	133,10
% of total assets under management	0,26	0,82

For the management of these funds, Monte Paschi AM SGR has set up a specific “Ethical Investments Committee” and entered into collaboration with the Swiss company SAM - Sustainable Asset Management, one of the world’s major players in the field of socially responsible investments.

In 2005, based on the guidelines defined by the Stakeholder Committee (see the chapter “Social responsibility management - Organisation, on page 29), the sustainability standards for the selection of investments were pinpointed. In addition, “positive filters” were more tightly focused as regards:

- Accounting systems and financial soundness;
- Process and product strategies;
- Corporate governance;
- Human resources management;
- Consideration of environmental risk;
- Reputation and transparency in relations with customers and other stakeholders.

Furthermore, so-called “negative filters” were introduced to exclude businesses and companies linked with “controversial sectors” from potential investment, also via media-screening analyses designed to monitor these aspects constantly.

Monte Paschi Asset Management publishes on its website (www.mpsam.it) the funds’ breakdown, performance, and other items of information enabling investors to assess the consistency of their investment choices with those stated by the company.

In early 2006 the company decided to allocate part of the management fees of the Etico Fix and Etico Geo funds to finance socially-useful projects, via a specific call for tender open to non-profit associations, local authorities, social co-operatives, and public or private foundations operating with tried-and-true experience in support of important social projects. Candidates eligible for screening are projects targeting socio-economic development (healthcare and educational facilities, creation).

The Ducato Ethical System gives preference to companies that:

- Do not pollute and seek to minimise the environmental impact of their activity;
- Do not exploit under-age labour;
- Respect occupational safety regulations;
- Do not discriminate between workers and assure equal opportunities for all;
- Have no links to experiments involving GMOs (genetically modified organisms);
- Respect the freedom of association and trade union activity;
- Do not operate in morally questionable sectors (arms, pornography, nuclear sector, tobacco, etc.);
- Adopt appropriate and transparent governance models;
- Exclude direct relations with dictatorships and oppressive regimes;
- Do not abuse their market position.

■ Microcredit

Monte dei Paschi has been involved in solidarity lending since 1996, supporting a programme designed to create the right conditions to handle requests coming from people who generally have difficulty in accessing normal bank loans, as they are unable to offer adequate guarantees.

In order to make a policy of “facilitated” lending to the less well-off and needier members of the population possible, Banca MPS joined forces with the “Arciconfraternita di Misericordia ed Istituzioni Riunite di Siena”, a “historic” voluntary association, dating back many hundreds of years, that has always been active in social service.

Its volunteers, consisting in particular of retired bank employees, professional people, and lawyers, etc., are all people variously involved in the social service dimension and particularly suitable to act as tutors and listeners - work that has turned out to be indispensable for the success of microfinancing activities.

The stakeholders’ voice

When the first Social & Environmental Report of Banca Monte dei Paschi di Siena was presented to the public, back in 2000, perhaps the real scope of that forerunner initiative - which seemed to be one of the image-building operations typically done by banks - was not immediately understood.

Over time however, our Misericordia archconfraternity has come to believe that the Social Report can be a formidable tool for measuring - and therefore enhancing - the Association’s services and actions. This particularly applies to those that, although not involving money transactions, nevertheless have an undoubted impact on the quality of life of many people who have benefited directly or indirectly from volunteers’ efforts.

For an institution such as the Misericordia di Siena, the Bank’s Social Report has been a spur to produce its own Report. Albeit with great difficulty, we are preparing it, revealing many intangible and moral “assets” that, without such a means of measurement and reporting, could not have emerged.

It is therefore thanks to the initiative and example of Banca MPS - so deeply and extensively present in the social fabric of our city and of the entire region - that we have been able to acquire this sensibility faster and take the opportunity of making our activity known in greater depth and breadth, earning also in “communicational” terms the significant appreciation that the community has always shown for its important social function.

Mario Marzucchi

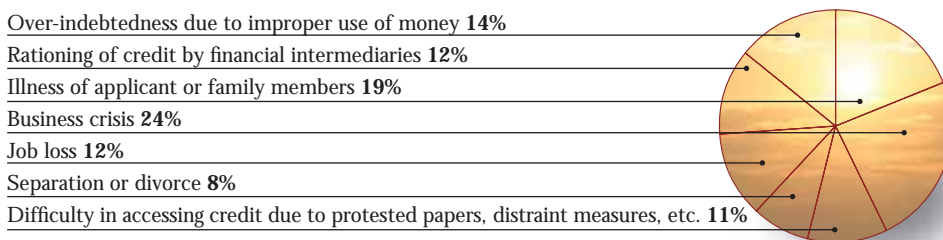
President, Arciconfraternita di Misericordia ed Istituzioni Riunite di Siena

Banca MPS microcredit operations

	2005		Since start of activity	
	No.	Amount (€)	No.	Amount (€)
Anti-usury loans*	100	4.695.906	633	14.226.420
Solidarity microcredit	19	90.911	49	248.000

* A further 450 anti-usury loans - totalling € 9,806,000 - were paid out as part of the agreements in place with MGAs and foundations. Of these, 90 - for a total of € 1,644 million - were paid out following the national anti-usury agreement signed with the Adiconsum consumer association.

Breakdown of anti-usury loans by reason for loan request (2005)





Two initiatives have been implemented over the years, the first of which is active throughout Tuscany, whilst the second is currently active in the provinces of Siena and Grosseto.

- *Anti-usury loans*

The first move dates back to 1996, when Banca MPS stipulated a convention with the Misericordia di Siena archconfraternity for granting small loans (up to a maximum of € 10,000, gradually increased to € 26,000, to be repaid in 6 years) to individuals in difficulty and unable to obtain credit - although being in financial or capital conditions permitting them to commit themselves financially - and who, because of this, risk falling prey to unscrupulous moneylenders

These loans are partly guaranteed by a fund managed by the non-profit organisation Fondazione Toscana per la Prevenzione dell'Usura Onlus, set up with an initial donation of € 250,000 from the MPS Foundation and subsequently increased by contributions from the Economy Ministry, the Tuscany regional authorities, Cassa di Risparmio di Firenze, and by the Federazione Banche di Credito Cooperativo (federation of co-operative credit banks). The endowment currently stands at € 6.8 million.

Given the success of this initiative, in 2002 Banca MPS set up, once again via conventions with the Misericordia archconfraternity, another type of activity, namely, "Solidarity microcredit".

- *Solidarity microcredit*

This consists of a loan - of a maximum of € 7,500 - repayable in up to 60 months monthly instalments, backed by the partial guarantee of a further specific fund, created with donations from the MPS Foundation. It is designed to:

- Help families who are going through critical periods of their lives, also in financial terms, for reasons such as job loss, major extraordinary healthcare expenses, or the cost of their children's education;
- Finance the start-up, conversion and upgrading of small businesses, also in the form of co-operatives;

- Help legal immigrants and prisoners in semi-liberty or who have served their sentence, to enter/return to society;
- Foster the development of independent craft and commercial activities by immigrants and socially "excluded" people.

- *Microcredito di Solidarietà S.p.A.*



Microcredito di Solidarietà SpA is a company and an initiative born to respond to the requests for financial support coming from some "weak" members of the population who have difficulty in accessing ordinary bank lending channels. Monte Paschi intends, in this way, to offer its own contribution to social security and well-being and help attenuate the discomfort caused by loneliness and the inability to communicate needs. The company is therefore a commitment to "sustainability" in terms of the dignity of life as opposed to mere survival.

The project, developed by Banca MPS in its customary style of a company attentive to the quality of its relationship with the community and the areas that it serves, has been developed in conjunction with local

The stakeholders' voice

"Microcredito di Solidarietà" is an exemplary partnership that tackles new social emergencies with an effective support network, coalescing institutions, the bank, and voluntary work, with the contribution of complementary resources and know-how, sometimes centuries old, like those of the Misericordia archconfraternities. An innovative initiative, which we hope will spur on emulation by other banks.

Alessandro Beda
Vice President, Sodalitas



institutions and with the main voluntary social service organisations in the province of Siena.

The initiative was selected among the 120 business case studies presented at the 2nd European MarketPlace on Corporate Social Responsibility, organised by CSR Europe with the European Commission's patronage (Brussels, June 22nd 2006) and was one of the finalists of the 4th edition of the Sodalitas Social Award in the "Socially Responsible Finance" category.

The key features of the initiative are:

- A new company, with share capital of € 1 million, with the shareholders being Banca MPS (40%), the Provincial and Municipal administrations of Siena (15% each), the majority of municipalities in the province of Siena (10% in total), the Dioceses of Siena and Montepulciano (10%) and numerous voluntary associations (10%). The company's assets have been increased by the donation made by some shareholders of a further € 400,000, made available by the MPS Foundation;
- Granting of loans to parties morally able to commit themselves to a project to develop their potential, with the aim of:
 - Overcoming temporary liquidity needs caused by exceptional difficulties experienced by the applicant and/or their immediate family;
 - Participating in vocational courses to aid the return to work or work-entry of disadvantaged people;
 - Meeting other needs that seem worthy in relation to the social purpose.
- Disbursement of the loan and collection of repayment instalments is performed by the Banca MPS branch network. The loans, of a maximum of € 8-10 thousand, are disbursed in less than 10 days at rates well below market rates and without any charge for commission;
- The company operates in the province of Siena with the help of some 30 "listening centres" in agencies, institutions, and voluntary associations, which contact the people concerned and gather the information necessary for evaluation of credit merit by a specific committee and subsequent granting of the loan;

- The initiative goes beyond the traditional models of conventions between banks and voluntary organisations - designed to issue bank loans backed by a credit guarantee fund - to develop a wider concept, featuring true joint social and territorial participation between the bank, the voluntary world, and local agencies. Joint management, plus the sharing of capital, skills, and ideas, adds up to an innovative governance model - a real first in the ethical finance field in Italy.

But the truly revolutionary feature of the initiative is that it questions the dogma of loans founded solely on guarantees and collateral. One of the postulates of Microcredito di Solidarietà's activity is the granting of loans to those who do not have sufficient collateral and are in the socio-juridical condition of being unable to have any hope of having it in future. Because of this, granting of a loan is ultimately based on an assessment of the borrower's morality and on his/her ability to honour in a responsible manner any commitments taken on. The guarantee is therefore... ethical.





■ Products and services for new types of customers

● *Without Frontiers*



The MPS Group offers a structured package of banking products and services - called “Senza Frontiere” (Without Frontiers) for immigrants who live and work in Italy, to aid their full integration in the world of Italian society and work. The package envisages special low-cost conditions for some basic 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) and products such as prepaid-reloadable cards (free of charge), sureties for rental of accommodation (as an alternative to deposits), accumulation plans with a lower entry threshold than the standard level, and insurance policies covering expenses for medical care or for the transfer of a family member.

A particularly distinctive and innovative feature of “Without Frontiers” is the possibility for immigrants to send remittances to their home countries free of charge - made possible by specific agreements with premier foreign correspondent banks. These agreements - which thus far have involved Albania and some North African countries (Morocco and Senegal, etc.) also envisage that the immigrant’s relations receiving transfers executed via the MPS Group can access, at particularly good conditions, current account services offered by the correspondent banks concerned.

The initiative is part of the programme of initiatives envisaged by Consumer Lab, the “workshop” for debate and dialogue set up between the MPS Group and leading Italian consumer associations (see the “Customers” chapter on page 76). The workshop in fact considered and assessed the issue of immigrants’ “bankization”. As shown by the ABI-Cespi study performed at the end of 2004, immigrants’ access to banking services is still very low, i.e. 57%.

A special and novel feature of the initiative is that it is the result of extensive consultation of and dialogue with representatives of immigrant communities and with various public and private institutions working on integration and international co-operation - such as religious and humanitarian institutions, embassies and consulates, ethnical associations, voluntary associations, trade unions, etc.

● *Personal loans*



In the field of personal loans Consum.it, the MPS Group’s consumer credit company, offers some attractive loan packages for (a) university students wanting to undertake post-graduate specialisation or master courses (PRS Master) and (b) workers with fixed-term EBITEMP contracts (EBITEMP is the Italian temporary-work industry/trade-union organisation for temporary working that envisages a national collective labour contract) or with so-called “atypical” (i.e. non-permanent) employment contracts (PRS Fiducia - “fiducia” means “trust” or “confidence”). PRS Fiducia has been created to implement a major agreement with the Province and Chamber of Commerce of Milan, which have set up a guarantee fund to facilitate access to credit facilities for non-dependent atypical employees (who in Italy are defined as “project workers”). Banca Popolare di Milano also signed the agreement. PRS Fiducia makes it possible to apply for loans of up to € 4,000 (increased to € 10,000 for car purchases) simply by presenting one’s atypical work contract at a bank branch. The contract has to have a residual duration of not less than 5 months and the guarantee fund covers 50% of the risk in terms of principal.

- "Devolvement" finance
- "Sostegno" - the "Support" insurance policy



Montepaschi Vita, by combining a single-premium variable life insurance (SPVLI) policy with a humanitarian purpose, has created Sostegno - "Support" - the first "socially useful" insurance policy. It is based on co-operation with the Comunità di Sant'Egidio, a non-profit organisation, dedicated to the aid and care of needy people and those who are not self-sufficient. The initiative was the result of the idea of linking a typical SPVLI policy to a humanitarian purpose, in this case devolving part of the profits on the policies' sale to support of the Community's activities for the elderly in Italy.

At one year since start of sale of the policy, € 45,000 has been devolved to the Community of St. Egidio.

Sostegno's special feature is Montepaschi Vita's direct commitment to a tangible project, as demonstrated by the Community's recent purchase of a building that, after careful refurbishment, will become the first example of "protected accommodation", a building consisting of mini-flats, equipped to accommodate elderly people who are not self-sufficient to a lesser or greater extent. An alternative to the anonymity of geriatric institutions, where the elderly can continue to live as independently as possible, in the warmth of their own home and, at the same time, with the assurance of adequate and continuous care.

In December 2005, the insurance policy was modified, increasing the minimum return contractually guaranteed from 1.50% to 2%.

The stakeholders' voice

I am very happy about Montepaschi Vita's involvement in the Community of St. Egidio's activities for elderly people. Years ago the Community initiated an approach that has produced a wealth of experience and sensitivity, immediately put at the service of others, to beat a mentality tending to exclude people and to create a culture of solidarity and care for those who are old. In this respect we have established relations with municipal authorities, and with social, health, and voluntary services. The fact that we have the support of organisations outside the sector - and in this specific case I refer to Montepaschi Vita's support - demonstrates that our work is yielding good results. Besides helping individual elderly people in difficulty, what we are seeing is the start of a change in attitude to their world - the necessary and much-hoped-for cultural transformation. The partnership with Montepaschi Vita is indicative of the company's special sensibility to the social dimension, which is not just "theory" but takes the form of tangible actions, designed to meet the needs - not only economic - of the society in which it operates. We hope that Montepaschi Vita's example will be followed by other companies and become an attitude for co-operation spreading a culture of social solidarity.

Gianni La Bella

Director - Comunità di Sant'Egidio



- *Operation Smile*



In April 2006 Banca Monte dei Paschi di Siena, Operation Smile (the Italian non-profit foundation for social purposes formed by voluntary medical practitioners that is the Italian offshoot of the original US Operation Smile) and Petit Velo (an Italian association that combines promotion of the love of cycling with the collection of funds supporting solidarity initiatives) signed an agreement to support the mission of the Operation Smile foundation, which performs reconstructive plastic surgery on children and adults in developing countries, where some serious malformations - such as cleft lip and cleft palate - are very common, together with the effects of burns and accidents.

Against issue by the Bank of reloadable multi-branch cards, most of their purchase cost will be devolved to Operation Smile. The Bank has also activated a current account (no. 50000.59 ABI 1030 - CAB 3217) into which donations can be paid for the initiative.

- "Social" sureties

For some years now, Banca Toscana has supported a project called "Protected Areas: professional adaptation of farm workers". The initiative is promoted by Federparchi - the Italian federation of parks and natural reserves - a voluntary association with 120 members (including the bodies managing national and regional parks, and terrestrial and marine reserves, local authorities, and associations). Federparchi manages over 300 environmentally-protected areas. Within the EU EQUAL programme, Banca Toscana issues sureties for requests for advances on financing made by Federparchi to the Italian Ministry of Labour and Social Policies. Banca Toscana's willingness to provide surety for a non-capitalised body has helped to solve specific occupational problems relating to adaptation of farm workers active in hill and mountain zones located within protected areas.

Support for SMEs

Via financing of specific projects and support for various entrepreneurial initiatives, the MPS Group's activities also have positive effects on the social environment, reflecting the magnitude and extent of its commitment. In this respect, the most significant efforts made during 2005 were as described below.

- Organisational service model

We continued to implement and enhance the efficiency of our new service model for Small & Medium Enterprises and for Small Business (with annual sales of less than € 2.5 million). The model is designed to tailor our offering more tightly for individual segments and extend the range of products and services.

Conscious of our role, for our corporate customers we intend to be a respectful partner, attentive to their special features, particularly in the case of SMEs. Working together with them we take on part of the responsibility for successfully transforming any weaknesses into strengths, on the road to growth and global competition.

Our Group has always stood alongside entrepreneurs who believe in their businesses - and we intend to continue doing so.



Stakeholder dialogue

Sustainable development via Global Compact

The MPS Group's cycle of conferences to promote CSR among corporate customers continues



www.globalcompactitalia.org

This is a project initiated by the Italian Foreign Ministry in conjunction with the International Labour Organisation (ILO) to aid the spread among Italian companies of the UN's Global Compact principles. The MPS Group is co-operating with the ILO in holding a cycle of conferences on this topic.

As well as by members of the Group, conferences held to date (some had already been held in 2004 at the MPS offices in Florence, whilst in 2005 they took place in Mantua c/o of Banca Agricola Mantovana and in Rome c/o Banca Toscana) have also been attended by representatives of the ILO, the Foreign Ministry's Directorate General for Development Co-operation, the Industry, Craft & SME Department of the Tuscan regional authorities, and the CSR Unit of the Rome Chamber of Commerce. For the Group the initiative is an important opportunity to meet with corporate customers, trade associations, and trade union organisations and to exchange ideas and opinions with them on topics relating to CSR.



More specifically, to assure ongoing, highly-professional relations, customer companies have been assigned to newly-created, dedicated professional figures, i.e. SME Managers and Small Business Managers. In addition, at local level, branches have been flanked by 106 new physical locations - called SME Centres - manned by these Managers, together with the product companies' specialists, based on a rationale of a geographical "financial community".

The new approach in fact puts at customers' disposal - in an integrated and timely manner - all the skills and distinctive experiences of the Group's various product companies, each highly specialised in its market of reference.

SME-Small Business Centres (no.)

	PMI	Small Business
Centres	106	-
Managers	460	1.600
Customers	43.024	286.460

■ Subsidised loans

In this segment, besides enhancement of resources and monitoring of major public incentives, we highlight the following initiatives.

- *Law 488 (investment incentives for depressed areas)*

Service activities concerning Italian investment incentives were particularly intensive as regards Italian Law 488/1992 and negotiated programming (i.e. integrated planning) instruments. The main sectors involved were tourism and commerce, with a total of 621 projects financed, for investments of some € 1,150 million.



- *Crossing Europe*

Crossing Europe - founded in December 2003 - is the first Italian EEIG (European Economic Interest Grouping) featuring participation of a banking group and chambers of commerce to facilitate access by Italian businesses and organisations to subsidised financing instruments and to the new investment opportunities generated, in particular, by EU enlargement.

The EEIG - a legal entity regulated by EEC Regulation 2173/85 - draws on (a) the MPS Group's expertise in the area of internationalisation and provision of products and services for the corporate world and (b) the expertise of the Chambers of Commerce concerned (Florence, Siena, Mantua, Trieste, and the Apulia Region) as regards the promotion of Italian products. It provides companies - and particularly SMEs - with an organisation able to accompany them with appropriate services and consulting assistance as they penetrate European markets, also helping them to fully access and exploit the financial opportunities and facilitations offered by EU funds.

In 2005 Crossing Europe's activities involved the definition of projects for over € 18 million, for which applications for public contributions of some € 7 million were filed.

- *INAIL (Italian Workers' Compensation & Accident Prevention agency)*

Once again in 2005 the MPS Group confirmed its leading role in management of interest-free loans issued by the INAIL for alignment of SMEs' facilities with occupational health & safety regulations. The Group disbursed 520 loans for a total of € 36.1 million.

- *Insieme per ricostruire (Together to Rebuild)*

This is the name of the initiative devised by Banca Agricola Mantovana in 2005, creating a ceiling of € 20 million for loans, at low-rate conditions, for works to repair weather damage suffered by business operators.

Agevole

Per le imprese dei settori industriali

agevole oggi è più facile accedere ai finanziamenti agevolati e realizzare gli investimenti produttivi grazie ad Agevole. Il pacchetto integrato di servizi finanziari del Gruppo MPS che assiste le imprese dei settori industriali in ogni esigenza:

- aiuta ad ottimizzare la struttura patrimoniale, finanziaria e di cassa, come richiesto dai Banchi.
- permette di effettuare da subito gli investimenti produttivi.
- copre le esigenze di finanziamento integrativo rispetto alle agevolazioni concesse.

Ulteriori informazioni sono disponibili presso tutti gli sportelli delle banche del Gruppo Monte dei Paschi.

Agevole è utilizzabile in relazione a tutti i finanziamenti agevolati dedicati alle imprese appartenenti al settore manifatturiero, compreso l'agglomerato, e al settore dei servizi reali, sia relativi al D.L. 488/92, sia ad altri interventi di sostegno regionali, locali e Comunitari.

Logo of Banca Agricola Mantovana, Banca di Sicilia, Banca Toscana, and MPS.

The "Agevole" (literally = I facilitate) bridging finance package, designed to provide supplementary support for publicly-funded investment projects, is a tool featuring several types of financing aid, from which the company can choose at its own discretion. It takes the form of a commitment issued to the company, after assessment of the latter's application and business plan. The package has recently been revised in the light of new elements introduced by the so-called "Competitiveness Decree".

Smeurint

In 2005 we activated the "Smeurint" databank, developed in conjunction with the research organisation CESTUDI SpA. Via the databank the Group's commercial network provides companies and public administrations with up-to-date information concerning subsidised financing opportunities. More specifically, the application enables them to find out "on demand", or via automatic receipt of messages, about the various Italian and community opportunities available in the regions of specific interest to them.



Impres@Più



The current-account package impres@più is an integrated set of banking and non-banking services for companies, primarily in the Small Business segment.

The product envisages a monthly flat-rate fee at competitive conditions. It is available in four versions with different contents depending on business size.

In the year ending on December 31st 2005, a total of some 64,000 accounts were placed, with a 39% increase vs. 2004.

Welcome Kit

The "Welcome Kit" - designed to capture and retain Small Business customers - features the offer of a 12-month loan at attractive conditions, plus some products/services free of charge, including profiling in the Smeurint databank for access to information on subsidised financing possibilities.

■ Corporate finance

The changing competitive scenario has broadened businesses' needs, triggering demand for new advisory services and assistance alongside traditional bank lending. Consistent with the objective of offering our corporate customers - headed by SMEs and local authorities - an integrated range of loan products and corporate finance services, in October 2004 we founded MPS Banca per l'Impresa SpA (MPSBI).

MPSBI - whose Italian name means "MPS Corporate Bank" - brings together all of the specialist skills developed by the Group into a single company, thereby making them stronger. On the one hand there is its expertise in the field of medium-/long-term loans to industrial, commercial, and environmental companies and in farming credit and, on the other, its skills in advisory, capital-market, project-financing, and private-equity services.

MPSBI undertook numerous initiatives in 2006 in its various business segments, proposing state-of-the-art solutions, able to supplement and round off the conventional loan offering.

Important operations in the infrastructures sector were (i) the "Florence Tramway" - the first project financing deal in the local public-transport sector completed in Italy and (ii) preparation of the tender to execute the project for construction and management of the new Line 5 of Milan's metropolitan railway, with an estimated investment of € 450 million.

MPSBI's activity in the field of Italian national health service infrastructures was also notable, with:

- Award of the concession for works to upgrade and expand Milan's Ospedale Niguarda Ca' Grande;
- Creation and management of the Castelfranco Veneto hospital;
- Asseveration of the economic and financial plan for the project to construct and manage non-hospital facilities at the Nuovo Polo Ospedaliero (new hospital complex) of Thiene (in the province of Vicenza).

In the real-estate sector, a highlight was the award of the tender to acquire 50% of the company that will have the task of redeveloping the former tobacco-manufacturing brown-field site in Florence.



Loans specifically relating to development of alternative energy sources and the field of environmental protection were once again particularly substantial in 2005 (see the chapter “Environmental Performance” - Indirect environmental impact, on page 142).

MPS Banca per l'Impresa		
Loan applications received in 2005		
Industry	applications No.	Amount (€ million)
Farming	670	625
Agri-industry	160	258
Commerce	463	546
Building	206	1,042
Energy & water	40	288
Manufacturing	645	1,298
Shipping	19	202
Services	364	1,330
Tourism	371	684
Others	109	44
Total	3,047	6,317

- *MPS Leasing & Factoring: energy for enterprise*

MPS Leasing & Factoring, Banca per i Servizi Finanziari alle Imprese SpA has been active for over two decades in the specific sector, providing integrated leasing and factoring packages based on a rationale of full servicing of corporate financing requirements.

In 2005 provision of credit facilities to companies and/or investment projects with social and environmental impact totalled approximately € 270 million and mainly related to:

Leasing:

- 7 deals for a total of € 14 million, for investments in medical systems and equipment (CAT, magnetic resonance scanners, etc.);
- 8 deals, totalling € 30 million, for construction of co-generation (CHP - combined heat & power) plants and of microtrigeneration plants for the production of heat, refrigeration and electricity using natural gas;
- Financing of € 45 million for the Ferrovie Nord rail company of Milan to acquire 29 reconditioned locomotives.

Factoring:

- 4 deals, for a total of € 46 million, in the waste-management field;
- 2 deals, totalling € 32 million, relating to construction of high-speed railway sections;
- 3 deals, for a total of € 11 million, relating to vocational training, work-entry, and on-the-job training;
- 2 financing deals of € 13 million to create an electrical railcar link between Favaro Veneto and Mestre;
- A € 2-million deal for construction of a power generation plant.





- *Private equity funds*

The instruments used to solve the equity-structure problems of Italian SMEs - which have always suffered from undercapitalisation and small size - include private equity funds. In the MPS Group these are managed by MPS Venture SGR SpA, the asset management company with the largest number of closed-end funds in Italy.

Private equity funds are closed-end securities funds that gather capital from retail and institutional investors - such as banks, foundations, insurance companies and pension funds - for investment in unlisted companies with high growth potential. The aim of these products is to support companies' growth in the critical phases of their life cycle, and then make a profit on this via stock-market listing of the companies concerned.

In 2005 MPS Venture SGR increased the number of closed-end investment funds from 4 (MPS Venture I, Siena Venture, MPS Venture Sud, and Fondo Ducato Venture) to 7, following authorisation of launch of the Emilia Venture, MPS Venture II and MPS Venture Sud II funds. Of the funds managed, six gather financial resources from qualified investors (for a total amount of € 285 million), whilst Fondo Ducato Venture, with assets of € 41 million, listed since March 2002 on the Milan Bourse, has been subscribed by some 400 private banking customers of the MPS Group.

More specifically, investments made by the funds managed target small and medium-sized companies active in industry, commerce, and services and that stand out for significant projected sales growth and, in particular, for one or more of the following features:

- Attractive growth prospects with management entrusted to an efficient and highly professional management team;
- Possibility of exploiting instruments permitting optimal use of financial leverage;
- Family management in the presence of generation or entrepreneurial changeover;
- A brand or know-how to be exploited in terms of value.

- Technical assistance and advisory services

- *Basel II*

The new Accord on banks' capital adequacy (Basel II), approved by the Basel Committee in June 2004, contains a series of requirements that, as from 2007, will (a) impact calculations of capital absorption - which will be more tightly linked to the entity and type of risks taken on by banks - and (b) introduce major innovations in lending processes, since "risk" tools will have to be used in the day-to-day activity of credit disbursement and monitoring.

As regards this, the Group set up specific task forces in a timely manner to address (a) the issues of methodologies and estimation of risk parameters, (b) questions concerning the lending and organisation process, and (c) technological and IT aspects, in compliance with regulations and the most common market practices. It also made use of its knowledge acquired as a result of participation in international activities and international associations, such as, for example, the Institute of International Finance.

In 2005 - as regards methodologies relating to the lending authorisation decision - work focused on integrating use of the new risk yardsticks introduced by Basel II in the network's operations. More specifically, improvements were made to the "Small Business first loan" procedure, which further increased the standard of service and reduced response times. The "SME first loan" procedure was totally integrated in an IT platform, which guides the manager and analysts in assessment of the customer and assignment of the rating. We also further optimised the performance-tracking management process. The latter - using new indicators and rating model's predictive capabilities - focuses on customers with a medium/high statistical probability of default in the 12 months following the classification's date of reference and, more in general, on positions featuring criticalities to be monitored.

In addition, for several years now the Group has been working on raising awareness of the whole question, providing constructive operating inputs concerning the best procedures and approaches for developing co-operative relations between the financial industry and other sectors, including through specific conferences



and round tables. It has done so with the involvement of trade associations to provide advice and opinions on the new rationale governing bank/enterprise relations.

2005 also featured the launch of a training plan for our SME and Small Business managers and for the staff responsible for assessing creditworthiness in the Group's commercial banks. The plan intends to refocus our business approach in accordance with the new scenarios indicated by Basel II parameters.

- *ANCE project*

"ANCE" is the acronym of the Italian national builders' association (Associazione Nazionale Costruttori Edili). Based on a rationale of provision of information/ advisory support to SMEs and in view of the coming into force of Basel II, we have developed - in conjunction with the ANCE - a diagnostic tool enabling ANCE associates to self-assess the credit rating they would be assigned based on the new creditworthiness criteria that will be applied by the banking industry.

The test is completely new because, besides the traditional quantitative analysis of annual accounts, it also considers companies' qualitative features (internal organisation, experience in sector and management quality, etc.) and the financial and economic characteristics of the operation for which credit facilities are requested.

The initiative is therefore a significant example of social partnership. It aims to put companies in a better position to address the Basel II appointment. The latter triggers considerable fears - but can also be a major opportunity.

The test - tailor-made for building companies - has been rated "excellent" by the European Commission and is available at the ANCE portal (www.ance.it).

In 2005 the first self-assessment tests submitted to Monte dei Paschi produced some interesting pointers. Over 50% of companies were positioned in the top two rating classes, whilst only 8% featured criticalities needing to be addressed in a timely manner.

- *International Partner*



The Group - with the aim of supporting Italy-based companies' internationalisation processes - has elected to combine product-based rationale with facilities and services closer to the corporate world and to companies' needs.

Having devised a new service model and taken the necessary organisational and commercial action, we presented "International Partner" to the market. "International Partner" is a new range of advisory, banking and professional services dedicated to companies with an international vocation, and joins our range of conventional foreign services.

By means of these new services we work alongside the company in realisation of the entrepreneurial idea, from definition to technical assessment of the project and from analysis of financial needs to the search for sources of subsidised and market funding.

The complexity of the activity involved requires multidisciplinary skills (financial, legal, tax, and environmental, etc.). These are activated using a specific network of professionals based in the target countries concerned.

"International Partner" is therefore an innovative service model that marks the evolution from passive assistance to active customised management of the customer relationship. It is based on an advisory approach with the aim of working alongside a company as its fixed partner, bringing considerable benefits in terms of co-ordinating all the phases of the internationalisation process and increasingly setting



the relationship in activities strongly aiding customer retention and loyalty.

It should be highlighted that, as far as investments abroad are concerned, “International Partner” - attentive also to social issues - does not like projects that envisage total delocalisation of Italian manufacturing activities or have mainly speculative objectives, as is typical, for example, of the property sector.

- *Research and innovation*

2005 once again featured significant Group activity relating to scientific research, with major involvement in technical assistance for effective use of related Italian government funding (Research Facilitation Fund and Applied Research Fund). The sectors of special reference in this respect were pharmaceuticals, medical/healthcare, biotechnologies, environment, enhancement of artistic, cultural and environmental heritage, and more innovative industrial segments. More specifically, MPS Banca per l’Impresa analysed 38 projects for an investment programme of over € 96 million.

In relation to the “Integrated Facilitation Packages” (Pacchetti Integrati di Agevolazione) provided for Southern Italian regions, 203 applications were examined for investments totalling € 1,165 million.



As regards assistance in operation of the Italian Industry Ministry’s Technological Innovation Fund, 17 proposals for € 15.3 million of investment were examined. They related to product and process development and innovation programmes in various industrial sectors.

Another important highlight was the agreement signed with Confindustria (the Italian Confederation of Industry) which envisages establishment of a ceiling of € 1.5 billion, usable for the whole of 2006 and spread by region, for loans to associates intending to invest in technological innovation and improved competitiveness (growth in scale and internationalisation).

- *Youth and female entrepreneurship*

In 2005 we paid out 126 loans, totalling over € 5 million, to young entrepreneurs (according to the parameters of Italian Law 44/1986) and to companies owned/run by women (as per Italian Law 215/1992).

In addition to government funds made available since the coming into force of Law 215/1992, we also provided the following products aiding female entrepreneurship.

- *Bellisario Agreement*

We continued activity relating to the agreement that has been in place for several years now between the MPS Group and the Marisa Bellisario Foundation (Marisa Bellisario - 1935-1988 - was a universally-respected, top Italian manager in the field of electronics and computers, a trail-blazer of the “we-can-do-it” attitude and... a woman). The Foundation works, among other things, for the development of female entrepreneurship and the aim of the Agreement is to facilitate the access of women’s businesses to credit at particularly competitive conditions.

Loan applications for investment projects are examined by a special committee (formed by members of the Foundation and by Banca MPS specialists) The committee reviews them, also considering the company’s eligibility in terms of meeting the relevant legislation’s criteria, to establish their possibility of access to the benefits envisaged (outright grants and interest-free loans).



- *Diamo credito alle donne*
(Let's give women credit)

This initiative is the result of the MPS Group's cooperation with the Tuscany regional authorities, the provincial authorities of Siena and Aerobic Toscana Sod (a member of the European Business Innovation Centre - BIC - network born under the aegis of the European Commission). It is a "business animation" project designed to heighten the sensibility of front-line bank staff to the relational problems associated with accessing of credit by businesswomen. As part of the project - in which other banking companies with locations in Tuscany also participate - various activities have taken place within the Group's banks, including shadowing of front-line branch staff by businesswomen or experts in relational dynamics, to deepen understanding of the criticalities tending to emerge between bank staff and women applying for funding for their companies.



Investments and interests in companies active in the social and environmental field

The MPS Group has a longstanding tradition of participation in entities and associations operating at local level to improve the social and economic fabric. In so doing it has always provided financial support and actively contributed, via its own organisation, to achievement of stated purposes. In this respect, it is particularly interested in organisations whose mission includes development of local areas, promotion of social service, and environmental sustainability.

The table below shows the most significant interests owned - in terms of assets and importance of their activity - and is followed by a brief description of a few of them.

- **Istituto per il Credito Sportivo.** Founded in 1957 and based in Rome, this is a public corporate entity that provides credit facilities, in the form of medium-/long-term loans to build, expand, equip, and enhance sports facilities.
- **Fidi Toscana.** Founded in 1975 by the Tuscany regional government and the main banks active in the region, the company facilitates - via credit guarantee funds - access to credit by local SMEs with good growth prospects.
- **Agenzia Sviluppo Lazio.** This development agency for the Latium region was set up in 1999 as a means of implementing regional economic and territorial plans. It is an indispensable operational tool for the upgrading of regional infrastructures and industry as well as for boosting employment levels.
- **Finaosta.** Founded in 1982, the company is active in the Valle d'Aosta area (on the borders with France and Switzerland in Northwest Italy), on the mandate of the Autonomous Regional Government of Valle d'Aosta and directly with its own capital, for the implementation of regional legislation, with the objective of aiding socio-economic development.
- **Siena Ambiente.** This company, in which MPS Banca per l'Impresa owns an interest, is the Sole Manager under concession of waste collection and treatment in the province of Siena and in 41 municipalities of the provinces of Terni, Arezzo, and Grosseto, with a user catchment area of some 300,000 inhabitants.

MPS Group interests in companies and organisations active in the social and environmental field

	Carrying value as at 31.12.2005 (euro)	% equity interest
Financial companies with a social mission	* 91.419.069	
Istituto per il Credito Sportivo SpA	70.502.698	10,81
Fidi Toscana SpA	18.940.811	29,18
Agenzia Sviluppo Lazio SpA	927.491	1,87
Finaosta SpA	763.599	0,56
Non-profit entities**	* 833.613	--
Fondazione Mezzogiorno Tirrenico	538.520	--
Fondazione Mezzogiorno Sud Orientale	162.000	--
Fondazione L.E.M.	103.291	--
Local development companies	* 1.266.046	
Sviluppumbria SpA	694.124	13,78
Grosseto Sviluppo SpA	138.956	15,62
Valdarno Sviluppo SpA	89.621	12,58
BIC - Business Innovation Centres	* 103.583	
Eurobic Toscana Sud SpA	76.747	15,68
BIC Umbria SpA	8.014	0,34
Environmental management companies	* 3.166.217	
Siena Ambiente Sp.A	2.410.487	14,00
AMA International SpA	730.634	12,18
R.E.A. Regional Energy Agency SpA	15.540	3,00
Water management companies	* 2.449.487	
Acque Blu - Arno Basso SpA	1.605.651	8,00
Ombrone SpA	843.836	14,99
Total	99.238.015	

* Total value of interests owned in companies in the category.

** Interests transformed, in 2005, into annual contributions expensed in the income statement. Figures do not include interest in and annual contributions to university units and scientific parks.

- **AMA International.** This company is owned by Azienda Municipalizzata Ambiente SpA of Rome. It is a world leader in integrated systems for the collection, haulage and disposal of domestic and industrial waste. It is active in several foreign countries (including Egypt, Senegal, and Honduras), paying close attention to the habits and customs of local populations, seeking their co-operation to help improve their conditions.

One of the interests that merits special mention, although the stake we own is not particularly large, is the one owned in Banca Popolare Etica - a co-operative bank whose founding principles and corporate purpose are shared by the Group. The bank, founded in 1998, aims to be a point of reference for investors who support the idea of combining responsible money management with socio-economic initiatives based on sustainable-development models, where the generation and distribution of wealth are based on solidarity, civil transparency, and achievement of the common good. Specialised in the non-profit sector and solidaritarian business, the bank finances social co-operations, international co-operation, environmental protection, and civil society.





Farming Companies and agri-industrial businesses

Monte dei Paschi - whose name (remembering that “paschi” means “pastures”) reveals its link with a historical period when its lending activities were based on the guarantee provided by the pastures of the Maremma area - has a longstanding tradition of closeness to the agricultural world. Its attention to the land, environment and local territory has emerged over time with the growing acquisition and conservation of major farming estates. This has led to the recent foundation of MPS Tenimenti SpA, with which Banca MPS has confirmed these ancient links and intends to be present in sectors where the quintessence of quality is sustainable utilisation of natural resources.



www.mpstenimenti.it

President:
Antonio Sclavi

Managing Director:
Roberto Vivarelli

General Manager:
Giovanni Bazzini

MPS Tenimenti comprises the farm estates owned by Monte Paschi, i.e. Fontanafredda, Chigi Saracini, Agricola Poggio Bonelli Srl, and Tenuta Marinella. With 1,300 hectares of land in the regions of Piedmont, Liguria, and Tuscany, it is a major production organisation that pursues development strategies also based on social development of its local areas and production of premium agricultural products.



Fontanafredda

www.fontanafredda.it

Fontanafredda is a hill farm estate of over 100 hectares located in the municipalities of Serralunga d'Alba, Barolo, and Diano d'Alba, in the very heart of the Langhe area in the Piedmont region. The property, previously owned by Victor Emanuel II, the King of Sardinia, later passed to the Count of Mirafiori and Fontanafredda, thanks to whom in 1878 it started its history as a producer of still and sparkling wines. Fontanafredda preserves the testimonies of its past intact, from the hunting lodge to the hamlet and from the spacious cellars to the vineyards, covering some 60 hectares, with average annual production of 6.5 million bottles of wine marketed on the domestic and international markets.



Agricola Poggio Bonelli S.r.l.

www.poggiobonelli.it

The estate, owned by the Piccolomini family since the 16th century, is an ancient farm recently acquired by Monte Paschi. Located to the south of Castelnuovo Berardenga, in the Sieneese Chianti area, it covers over 50 hectares, largely dedicated to specialised vineyards and production of premium olive oil. Agricola Poggio Bonelli Srl, 100% owned by MPS Tenimenti, also manages the farming activities of the Chigi Saracini farms and of Tenuta Marinella.



Chigi Saracini

www.chigisaracini.it

The Chigi Saracini farms, owned since the 13th century by families of the Sieneese nobility, are located in the Castelnuovo Berardenga area in the heart of the Chianti area. They cover an area of 850 hectares, of which 60 are occupied by specialised vineyards and 30 by olive groves, with the rest dedicated to arable crops and forestry.



Tenuta di Marinella

www.tenutamarinella.com

The “Marinella Farm” covers an area of some 300 hectares on the plain between the Magra River, the Gulf of Poets (Golfo dei Poeti) and the hills of the southern part of the Magra Valley in the municipalities of Ameglia and Sarzana, in the province of La Spezia. It is dedicated to extensive crops and pastureland and produces high-quality fresh milk from a herd of 700 pedigree dairy cattle.

Marinella Milk's Braille Pack



Tenuta di Marinella has developed - in conjunction with the La Spezia section of the Unione Italiana Ciechi (Italian Blind People's Union) and Italtapack Cartons of Lacedonia (in the

province of Avellino) - the production of a Braille pack, i.e. a milk carton that, besides providing information, also expresses a strong sense of attention to the social dimension.

The carton created for Marinella Milk gives mandatory labelling information in Braille as well, thus meeting the needs of blind consumers.

The Braille pack won the 2005 edition of the "Oscar dell'Imballaggio" an award organised by the Istituto Italiano Imballaggio (Italian packaging institute) for the most innovative packaging systems.

The stakeholders' voice

Tenuta di Marinella's milk carton featuring product information in Braille is undoubtedly an important and innovative initiative for disabled people - an initiative that the Unione Italiana Ciechi, which worked on it with great conviction via the La Spezia section, can but appreciate.

It is patently evident, however, that Braille text on a milk carton cannot meet all the needs for self-sufficiency of a blind person who goes to supermarket shelves.

We nevertheless hope that this first step will help to stimulate attention and promote concrete actions by companies, so that the availability of products with Braille text is increased as much as possible. In this respect, we hope to see that this little example from Marinella has been followed by many others.

Prof. Enzo Tioli

Vice President - Unione Italiana Ciechi



MARINELLA S.p.A.



Marinella SpA is the MPS Group company dedicated to development and economic enhancement of the southern part of the Magra Valley. It is working on the "Marinella Project", already presented to the various institutions and local communities and currently being assessed by the Italian Service Conference. The aim of the project - observing the principles of environmental and social sustainability - is to undertake economic redevelopment of the entire area and develop a district-based economy via a quality tourism/real-estate offering, which is non-seasonal and able to meet citizens' new expectations.

During the design phase, priority was given to safeguarding the environment and landscape. Environmental-impact and sustainability studies have been performed - producing not only sets of constraints but also suggestions for improvement of the environment. This, in particular, is the case for the new road infrastructure system, which will avoid transit traffic (40% of the total today) having to pass through residential centres and that, with planting of new trees and greenery shields, will improve views and scenery, as well as counterbalancing carbon dioxide (CO₂) emissions.

Magazzini Generali Fiduciari di Mantova



Magazzini Generali Fiduciari di Mantova SpA, with headquarters and an establishment in Suzzara (province of Mantua) and another establishment in Corcagnano (province of Parma), has two modern units for the ageing or "ripening" of hard cheeses, headed by Parmigiano Reggiano (parmesan cheese) and Grana Padano (similar but produced in a slightly different area - the Po Valley). Both establishments are located in Parmigiano Reggiano cheese's zone of origin, with total storage capacity of up to 400,000 wheels of cheese (some 16,000 metric tons) At present the company can count on a customer base consisting of producers of and dealers in Parmigiano Reggiano and Grana Padano cheese, who include some of the best-known players in the industry in Italy. It does business with 50 counterparties.

The Magazzini Generali establishments, in their over 20,000 sqm of covered area, have climate-conditioning systems that assure - in observance of the respective official rules for the two PDO (Protected Designation of Origin) products (Parmigiano Reggiano and Grana Padano) - a constant climate, avoiding fluctuations in humidity and temperature and aiding proper ageing of the cheese until it reaches the ideal stage of ripeness. Preservation of the product is assured by the use of cleaning machines and automatic and manual turning devices. The latter permit checking and correction - by trained, competent and expert staff (there is a team of 34 people, of which 24 directly employed by the company) - of any defects in the ageing process.

The Det Norske Veritas firm has issued UNI ENI ISO 9001:2000 for both establishments that attests perfect control of all business processes and is an assurance of the reliability and safety of the product and service. Magazzini Generali Fiduciari di Mantova SpA has Ministry authorisation to issue, at the request of the owners of the cheese deposited for ageing, deposit certificates and pledge notes. These are documents representing the merchandise and permit easy access to bank advances and loans.



Communication and brand management

With the creation of the Communication Area, all activities relating to external relations, institutional communication, marketing, and advertising - which up to 2004 had been managed by various different functions - were combined in a single specialised unit. The aim of this was to assure systematic management and strategic development of the Group's image. Consistent with Monte Paschi's distinctive identity and values, the Area endeavours to create frank, open and ongoing relationships with the media, opinion makers, the market, the various stakeholders, and the general public.

The Communication Area reports directly to the Chairman of the Board of Directors for institutional activities and to the General Manager for matters relating to operations. It has the task of governing and safeguarding Group image via:

- Direct management of media relations and constant care of problems and opportunities stemming from important news relating to the Group;
- Promotion, co-ordination and execution of communication projects undertaken within the Group;
- Presentation to stakeholders (investors, customers, employees, and institutions) of a single, consistent Group image, whilst respecting the specifics of individual commercial brands.

As regards the market, in 2005 communication efforts took the form of numerous meetings with analysts and institutional investors (see the chapter "Shareholders - Investor Relations", on page 88), with intensification of relations with the press and media in general.

As regards communication relating to promotion of image and brand, in 2005 Monte Paschi once again focused on the value and central role of people. "A bank made of people" is in fact the pay-off of the advertising campaign widely aired in the press and on TV. In the continuity of tradition, it intends to reflect Monte Paschi's lynchpin values, i.e. attention to employees and customers.

Brand management

In order to find out how the "MPS" brand is perceived and to pinpoint the positive values that the public of reference recognises the Corporation as having - to use them as a basis for future communication and brand development strategies - the research firm TNS Infratest was commissioned to perform a specific market survey.

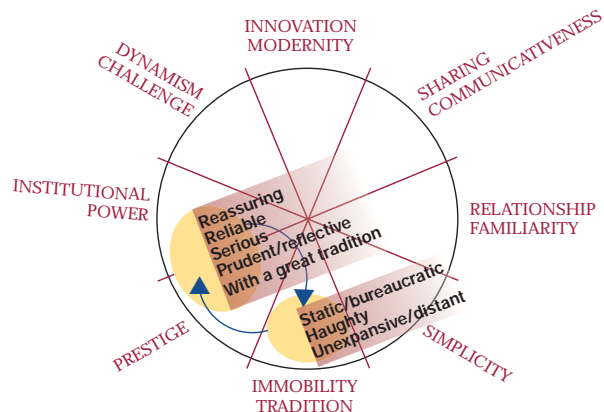
The survey - completed in January 2005 - revealed that "tradition" is a fundamental value for Monte Paschi. It is positively denoted by features such as its centuries of history, its prestige, power, soundness, and prudence. Some not entirely positive aspects were also underlined, i.e. immobility, self-congratulatory attitude, and exclusivity.

Further important elements defining Monte Paschi's identity were also highlighted both by employees and suppliers - who recognised Monte Paschi's ability to build relations and create bonds with the geographical areas where it operates.

Lastly, ethicality emerged as a fundamental value, believed to be pivotal and strongly perceived by top management, fully absorbed by employees, and to a certain extent also noticed by customers who recognise that the bank's people "keep their word". This value

Perceived Image of MPS Group

Survey performed by TNS Infratest, January 2005





translates into: integrity, prudence, support of local communities, cultural and artistic patronage, and loyalty to the customer plus consideration of his/her needs.

As regards overall perception of the brand, it is important to highlight the results of the survey performed by Research International, an international marketing research network, which interviewed a sample of some 2,500 people. It found that Monte Paschi enjoys a strong reputation among the general public and was ranked second among banks.

Media relations

In managing institutional relations, in particular those with business and local media, the Communication Area works in close contact with the Group’s governing and managing bodies, to ensure that key messages conveyed to the outside world are effective, systematic, and timely.

Special attention is dedicated to national and local media and to opinion makers, towards which the Area directs a particularly intensive communication flow and mix, based on the deeply-felt corporate need for visibility and transparency.

Also forming part of these efforts - in tactical/operating terms too - are a variety of institutional and product communication initiatives. These include the presence of Group representatives at conferences, seminars, and round tables; participation in media

events; organisation of conferences; issue of press releases and the giving of interviews, etc.

The good standards of media relations achieved by Monte Paschi are confirmed by the survey performed in October 2005 by Makno & Consulting, a social- and market-research firm, and based on interviews with a sample of journalists from Italy’s main business press publications. The survey revealed that, among major Italian companies, the Group’s press office was one of the best in terms of willingness, quality of information, speed of response, services, and accessibility of senior and top management.

Because of the geographical extent of its organisation in Italy and its strong local franchises, the Group is also a “sensor” particularly attentive to business, social and cultural matters and events. It is therefore a natural counterparty for local needs, including those of local news media.

The Group has developed co-operative relationships with some of the most important Italian publications concerning CSR. These help to heighten the latter’s attention to and interest in initiatives undertaken by the Group in this respect. Their need to keep the public constantly informed becomes a spur to be consistent with programmes announced. Monte Paschi has substantially opened a window on its activities for these particular stakeholders, maintaining a direct line of communication making it possible to pursue achievement of a common objective, i.e. promotion and application of CSR.

Press relations	2005
Press releases	176
Conferences and meetings	15
Articles*	8.200

* Press articles mentioned the MPS Group.





Environmental performance



We intend to continue being a point of reference - not only for the banking industry - for the management of environmental aspects. This means we want to foster - upstream and downstream from our business - the development of environmental consciousness and practices to conserve and respect natural resources - also by promoting, during our normal business dealings, processes and products that have a positive environmental impact.

Management of environmental impact

The MPS Group's business has two types of impact on the environment, i.e.

- Direct - in relation to its operations. This type of impact is mainly produced by our business facilities' normal operations and by employees' business travel. In practical terms this means consumption of paper and of non-renewable resources such as water and energy, generation of waste, and atmospheric emission of greenhouse gases;
- Indirect - caused by the activities of the Group's customers and suppliers, associated with the Group's main function as a supplier of financial resources (loans and capital) and with its procurement of goods and services.

In November 2002, in order to achieve effective management of both types of impact, the Parent Company's Board of Directors drew up a specific Environmental Policy. This obliges the Bank and the MPS Group as a whole to:

- Pursue continuous improvement of environmental performance, progressively reducing their "environmental footprint";

- Develop lending and investment policies that reward processes and products that have a positive impact on the environment;
- Ensure that staff and other stakeholders receive constant information on the Corporation's environmental policy and objectives.

Stakeholder dialogue

Antonio Cederna Environmental Communication School



The Scuola di Comunicazione Ambientale Antonio Cederna, born as a result of the joint efforts of the "La Nuova Ecologia" press publisher and the Centro per lo Sviluppo Sostenibile (Sustainable Development Centre) of Legambiente (an environmentalist association), is based in Rispeccia (province of Grosseto). Here it provides specialised training in CSR, sustainable development, and green marketing. Monte Paschi agrees with the School's objectives. It has supported its activities since its foundation, also with the participation and tutorship of its own representatives at the events and courses held.



The Environmental Management System provides the organisational/procedural basis of reference for implementation of the Policy. Thus far precise guidelines and rules of conduct, in compliance with the main certification standards (ISO 14001 and EMAS) have been systematically applied in the Parent Company and in the subsidiary MPS Banca per l'Impresa (see the chapter "Governance and Social Responsibility - Organisation", on page 31). It is responsible for defining specific policies and for checking effectiveness by means of regular general reviews.

Area Managers are responsible for managing the environmental impact caused by the activities of the branches in their respective areas. Specific Environment & Health Officers are appointed for this purpose to monitor and check the various branches and locations, for constant verification of compliance with legislative and corporate requirements concerning environmental and safety matters.

In 2005, in the light of regulatory changes and of room for improvement also noted by the certification entity, we revised the Environmental Management System. In May 2006 this also led to a 3-year renewal of Banca MPS's ISO 14001 certification. The opportunity was taken to further focus attention on indirect environmental impact, with a view to increasingly extensive consideration of environmental aspects in business operations.

Internal monitoring and control activities were also intensified, with implementation of the dedicated IT procedure (MPSafe) at the various operating locations. In addition, internal environmental auditors performed some 40 audits and area officers performed numerous on-site assessments. The results of these activities revealed some anomalies vs. System requirements. These consisted mainly of failings concerning documentary management of regulatory compliance concerning plant maintenance and waste disposal, plus not always accurate following of surveillance and control activities by the functions having this task.

All anomalies were in any case appropriately addressed and solved.

Reports concerning potential or actual impact of Group locations' operations on the surrounding environment related only to some cases of noisy air-conditioning units. Such circumstances - generally reported by the neighbourhood - were promptly addressed and handled by Paschi Gestioni Immobiliari, which appointed RINA SpA to perform an extensive survey to assess the overall efficiency of such units, also with respect to noise-pollution regulations.

Activities to develop internal skills and spread an environmental management culture were intensified by means of various training and awareness-building initiatives, including:

- Provision, using e-learning techniques, of a basic course on corporate social and environmental responsibility;
- A refresher course for area Environmental & Safety Officers on the topic "Enterprise and Environment", on the operating aspects of the System and on implementation of the MPSafe IT procedure;
- Participation, by the Environmental Policies Sector, in an 8-hour course on the new edition of the ISO 14001 standard and on environmental auditing techniques;
- Participation, by Paschi Gestioni Immobiliari, in a 100-hour advanced course for experts in environmental legislation and in training programmes concerning energy management.

Internal eco-efficiency

The MPS Group, with the aim of increasingly reducing direct environmental impact and making its relevant policies effective - paying attention also to the cost of actions needed -, has implemented various action programmes.

Measurement of performance achieved is carried out using the indicators shown in the main international environmental reporting guidelines. These indicators are quantified annually, based both on direct measurement and on elaboration of representative and reliable estimates.

Environmental performance *	2004	2005
Total energy per employee (TPE)	1,86	1,81
Electricity per employee (kWh)	6.783	6.594
Paper per employee (kg)**	86	89
A4 sheets of paper per employee per day (no.)	42	52
Per-employee daily water consumption (litres)**	113	85
Waste production per employee (kg)**	58	85
Car travel per employee (km)	2.267	2.151
CO ₂ emissions per employee (kg)	2.074	1.430

* The indicators used are in line with the principles shown in the document, produced under the patronage of the UNEP, "EPI Finance 2000 - Environmental Indicators for the Financial Industry" and in the manual "VfU Indicators 2003 - Internal Environmental Performance Indicators for the Financial Industry", produced by the German association VfU (Association for Environmental Management in Banks, Saving Banks and Insurance Companies).

** Data referring to the Parent Company.

The data shown in this part of the report relate to the activities of the three main commercial banks, of MPS Banca per l'Impresa, and of the Consorzio Operativo (Operating Consortium), where over 80% of our staff work. Only in some cases, due to measurement procedures not always sufficiently uniform to assure comparability, do they refer solely to the Parent Company.

Eco-friendly building

Paschi Gestioni Immobiliari SpA, which looks after construction and management (i.e. facility, management, engineering, and building, etc.) of all Group companies' operating locations and facilities has defined new building standards with the aim of standardising and rationalising branch design processes. In doing so, it has introduced further eco-friendliness requirements compared with the previous models used as the basis of reference. In view of the evident synergies between environmental goals and the cost-reduction objectives indicated in the Group's Business Plan, special attention is paid to energy saving and to the eco-preferability of materials used by means of:

- Installation of "intelligent" lighting systems featuring automatic adjustment of the intensity of artificial light depending on the amount of natural light and on the presence of people in premises;
- Adoption of conditioning systems featuring high energy efficiency;
- Installation of devices for annual functioning of heating/conditioning plants and their stoppage during weekends and on public holidays;
- Self-production, when possible, of electricity using renewable sources;
- Uses of doors and windows featuring low thermal dispersion;
- Preference for furnishings produced from natural and/or recycled material, or coming from factories possessing environmental certification of production processes;
- Preference for very durable materials.

We intend to develop environmental sensibility and practices that assure the protection and rational use of natural resources.



www.eu-greenlight.org

The 5-year Green Light Programme was launched in 2000 by the European Commission's Energy & Transport Directorate General. Public and private organisations can take part in it on a voluntary basis, thus committing to improve the quantity and quality of light in workplaces, via installation of lighting systems complying with the best technological standards available. The Group has taken part in the Programme since November 2001 in order to:

- Save energy in an economical manner;
- Improve the quality of workplace lighting to the benefit of both employees and customers;
- Reduce CO₂ emissions.



www.abienergia.it

ABI Energia is a consortium providing energy-related services and is a point of reference for activities concerning optimisation of energy efficiency in the Italian banking industry. The Group has participated in the Consortium since its foundation in 2003 in order to:

- Reduce operating risk associated with energy utilisation;
- Reduce the quantity of energy consumed;
- Reduce energy procurement costs;
- Reduce the environmental impact of energy consumption.

Energy

There is a constant quest at the Group's locations for the structural, plant, and operating solutions best able to optimise energy consumption. Right from the enactment of Italian Law 10/1991 (concerning implementation of the National Energy Plan with special reference to energy saving, rational use of energy, and use of renewable energy sources), the Parent Company created the position of energy manager for its own organisation. As from 2003 the position took on the same functions for the entire Group.

In 2005 our initiatives in the energy field related, in particular, to:

- Continuation of the action envisaged by the European Commission's Green Light Programme. Since November 2001 to date, 148 locations (of which 87 in 2005 alone) have been equipped with the most efficient lighting technologies, for a total of nearly 50,000 sqm (20,000 sqm). Thanks to work done during 2005, annual electricity consumption for lighting decreased from 951,685 kWh to 607,425 kWh, i.e. with a saving of 36% versus the original situation and a consequent cost saving of € 100,000 p.a.;
- Participation in the study and research activity of ABI Energia, the consortium set up by the Italian banking association (ABI) with the aim of contributing to development of energy-saving policies and projects;



- Increase of the equity interest owned in Idroenergia Scrl, the consortium for self-generation of hydropower located in the Valle d'Aosta. As at 31 December 2005, 1,523 Group locations were contractual customers of Idroenergia, with equivalent electricity consumption accounting for over 85% of the total;
- Development of projects for the installation of solar energy panels at Group locations, 6 of which have

been admitted to the “Conto Energia” (energy bill) - the system providing incentives for electricity production via photovoltaic conversion of the solar source set up by the Italian Industry Ministry. The sites include the buildings in Rosia, Poggibonsi and Torrita (province of Siena) and those in Pietrasanta-Focchette (province of Lucca), Lamezia Terme-Sant’Eufemia (province of Catanzaro), and Surbo (province of Lecce);

- A survey designed to audit - with a view to improvement - the present levels of overall efficiency and energy consumption of conditioning plants. In 2005, in conjunction with the control & certification entity RINA SpA, inspections were performed at some 100 Group locations in the Lombardy region;
- Continuation of the work started in 2004 to upgrade and replace conditioning plants in order to improve energy efficiency (work was done at 140 locations in 2005);
- Conversion from heating oil to natural gas of 10 heating systems, with consequent reduction of related atmospheric emissions;
- Development of electronic systems for payment/accounting of energy and monitoring of consumption. In February 2006 the remote electronic billing system (officially called Utility Invoice Processing System) was introduced to automate the payment and accounting registration of electricity bills, centralising control and management of energy costs and consumption. The system will later be used also for other energy sources.

Energy consumption	2004	2005
Electricity (kWh)	147.869.618	143.712.181
from renewable sources (%)**	73	88
Natural gas (m3)*	5.105.358	4.960.402
Heating oil (litres)*	982.183	926.177
Total energy (TPE)	40.550	39.473

* Data calculated based on annual expenditure divided by respect unitary costs

** Data include both consumption of electricity generated by the hydroelectric power stations of the Consorzio Idroelettrica (Hydropower Consortium) and the portion of Enel (Italy's main electricity company) production coming from renewable sources (source: Enel 2004 Environmental Report).

Stakeholder dialogue

Acqua, preziosa liquidità (Water, precious liquidity)

Campaign promoting responsible and informed use of water



The MPS Group is working with the consumer association CittadinanzAttiva on implementation of a campaign to provide information on and heighten sensibility to responsible use of water. The idea, developed with CittadinanzAttiva as part of Monte Paschi's overall relationship with consumer associations /Consumer.Lab), stems from the mutual view of the importance of water and of effective safeguarding of water as a common good which is increasingly scarce and, because of this, increasingly precious. Avoidance of waste of water and limitation of related costs is a must both for businesses who want to “square accounts” and for society in general. Saving water in fact means also saving on the water bill - a not indifferent aspect for a growing number of families today struggling with the challenge of the level of salaries compared with the cost of living. Via this initiative, by means of a frank dialogue between citizen-users and the local water-management entities, an attempt will be made to increase users' awareness of how reduce consumption, how the water bill is structured and how to read it, and of water-management entities' resources and services. During 2006 the campaign, launched on March 22nd 2006 on World Water Day, will involve individuals and companies, adults and children, and institutions and associations, via 16 seminars in 8 Italian cities (Siena, Mantua, Turin, Bari, Florence, Palermo, Bologna, and Salerno).



Consumables

Paper

Paper is the MPS Group's main consumable. It has been preferred to manage paper using an integrated approach covering the product's whole life cycle (purchase, use, and disposal) so as to minimise the overall impact associated with the life cycle.

Management of the end of the paper utilisation cycle features the growing spread of differentiated collection and recycling practices, also via specific agreements with municipal authorities, suppliers, and with the organisations managing local waste-treatment services.

Paper consumption (tonnes)*	2004	2005
Multipurpose paper	641	732
Pre-printed paper	292	286
Continuous forms	132	86
Total paper	1.065	1.103

* Data referring to Parent Company.

As regards the purchase phase, over 70% of paper is obtained from cellulose extracted from sustainable wood forests, processed by factories possessing environmental process certification, i.e. without any use of whitening agents containing elemental chlorine bleach.

During the use phase, the objective of limiting paper consumption is pursued via (a) ongoing development and growing use of electronic supports in normal office activities and internal communications and (b) promotion of widespread use of remote electronic channels in dealings with customers. In 2005 progress was made on the following specific initiatives:

- Installation of equipment for front/back printing of work documents, statements of account, and various types of customer communication documents;
- "Dematerialisation" of statements of account and of other "service" and commercial customer communication documents (Carta Stop - Stop Paper);
- Development of an innovative architecture permitting use of digital signatures for management of collection and payment services performed for the Tuscany regional authorities.

Production of special waste (kg)*	2004	2005
Paper and cardboard	449.216	759.115
Packaging (excluding cardboard)	100.424	201.412
Discarded equipment	7.305	2.977
Toner cartridges	21.891	16.934
Other waste	141.593	78.282
Total waste	720.429	1.058.724

* Data referring to Parent Company.

Stop Paper



In 2005 the "on-line documents" service was rolled out. The service, via activation of a specific communication channel with customers (as part of the Internet banking platform), aims to "dematerialise" banking documents (statements of account, for example) normally sent by post. Customers signing on for the initiative can access such documents - also following e-mail or SMS alerts - in electronic format, which in any case has full legal validity.



Toner

Another consumable widely used in our business activities is toner. In order to minimise production of this type of waste and related disposal costs a number of initiatives were started in 2005, among which we highlight:

- The “Ink” project launched by the Municipality of Mantua, in which the Banca Agricola Mantovana is taking part, sending its used toner cartridges to a specific circuit for their regeneration and subsequent sale;
- The “Ecoprint” project, developed in conjunction with Basilichi SpA, one of the MPS Group’s main suppliers of technological services, with whom an internal system for collection and regeneration of printer toner cartridges was defined, for their subsequent re-inclusion in the Parent Company’s procurement processes.

There are two types of CO₂ sources attributable to our business activities, i.e.:

- Direct - basically consisting of the heating systems used by the various operating units and of staff business travel;
- Indirect - attributable to the processes used to generate electricity purchased and to consumables supplied for operating requirements.

The Group pursues its objective of steadily reducing its CO₂ emissions over time via management of facilities with a view to eco-efficiency and a growing effort to rationalise business travel.

The data show the rightness of the choices made. The considerable increase of use of electricity from renewable sources by Group companies and the significant reduction of direct emissions caused by the use of cars for business travel have in fact enabled the Group to reduce its total CO₂ emissions by 15%.

Climate change

Given the type of activities performed by Group companies, the various individual operating organisations generate very limited atmospheric emissions - in terms both of quantity and potential harmfulness for the environment and human health. Whilst local air pollution can therefore be considered to be negligible, the considerable overall size of the Group’s operations leads us to believe that, taken as a whole, the Group produces a significant quantity of carbon dioxide (CO₂), which, as is well-known, is the main greenhouse gas.

Road transport (km)	2004	2005
Total road transport	49.416.220	46.868.426

CO ₂ emissions (tonnes)	2004	2005
From energy	36.699	23.102
From transportation	8.524	8.056
Total emissions	45.223	31.158

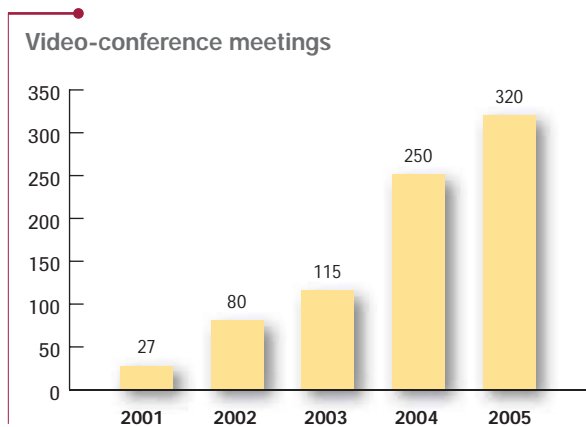
* Methodological note

As no universally recognised standard CO₂ reporting models exist today, the following methods are used to calculate CO₂ production:

CO ₂ source	Coefficient	Method
Electricity consumption	0.504 kg CO ₂ /kWh for 2005 (0.519 for 2004)	ENEL 2004 Environmental Report
Heating-oil consumption	2,68 kg CO ₂ /liter	The GHG Indicator: U.N.E.P. Guidelines for Calculating GreenHouse Gas Emissions for Business and Non-Commercial Organizations
Natural-gas consumption	2,93 kg CO ₂ /t	same
Transportation - petrol-fuelled car	0,185 kg CO ₂ /km	same
Transportation - diesel-fuelled car	0,156 kg CO ₂ /km	same



In recent years there has been an ongoing increase in the number of meetings held via video conferencing - now a beneficial organisational habit. This has been accompanied by development of remote training, via reinforcement of the e-learning platform, and organisation - in part still experimental - of virtual classrooms.



As specifically regards management of problems relating to car-commuter travel, a point to note, in 2005, was Banca Toscana's support of the awareness-heightening campaign undertaken by the Municipality of Florence concerning the issue of sustainable urban mobility. The aim of this was to encourage energy saving also via use of means of transport other than cars. As part of this initiative, Banca Toscana performed an internal survey of mobility of staff in the General Management unit. Based on the information collected in over 200 questionnaires, it was able to identify the means of transport most used and possible alternatives.

Indirect environmental impact

Group companies consider assessment of the risks and opportunities connected with the ways in which corporate customers and suppliers address environmental problems with special interest. Although it is the customer or supplier company that has overall and ultimate control of such aspects, the Group in any case intends to have a positive influence on their management, with the aim of fostering the spread of a strong and enduring environmental culture.

Environmental risk

The environmental risk that the Group is called upon to address is mainly indirect, i.e. it relates to the use that businesses make of the loans given to them and affects both the value and the production approach of the companies concerned. Given this, only meticulous analysis and assessment of this risk is able to provide in-depth knowledge of the "healthiness" of credit facilities. This avoids possible negative repercussions - both monetary (default on loan repayments, reduction of value of collateral, etc.) and in terms of reputation - stemming from failure by a corporate customer to apply a proper environmental management approach.

In addition, assessment of creditworthiness also in terms of a business activity's eco-compatibility is also a spur for companies to operate in a manner totally respectful of the environment.

In this respect, we have developed a number of lending policy guidelines, introducing in credit allocation processes the assessment of variables able to estimate the impact on a business of the many types of environmental risk, also offering assistance to companies for prior evaluation of their environmental problems.

In this field MPS Banca per l'Impresa is the Group's centre of excellence. In 2005 MPS Banca per l'Impresa started applying a specific environmental-risk scoring

model for project financing deals. The model, which has been operational since 2002 for the farming and agri-industry sectors, has been gradually extended to all other business sectors.

Loans subjected to environmental risk assessment *		
	2004	2005
Number	209	661
Amount (€ '000)	676.704	1.837.320

* Data referring to MPS Banca per l'Impresa.

The assessment is based on parameters concerning various aspects, i.e.

- Environmental impact of the applicant's business, defined based on economic sector and related legislative obligations concerning environmental protection;
- Loan amount - as a parameter measuring the possible degree of pervasiveness and damage in an area stemming from the project financed;
- Possession of industry environmental certification, as a key requisite for eco-efficient management of business activities.

Group loans to industries featuring high industrial impact (2005)		
Industry	Amounts (€ million)	% of total loans
Oil	213	0,3
Energy	1.051	1,4
Mining/mineral processing	907	1,2
Iron & steel/metalworking	1.503	2,0
Chemicals and Pharmaceuticals	524	0,7
Infrastructures	1.109	1,5
Transport	1.194	1,6
Papermaking	412	0,5
Textiles	624	0,8
Tanning	269	0,4
Waste disposal	552	0,7
Total	8.358	11,1

The analytical assessment produces a summary rating that indicates, for the company, the possible risk of insolvency based on an estimate of the damage that any adverse environmental events could do to its economic and financial equilibrium. Of the 661 financing applications considered in 2005, about 70% achieved a very good rating, confirming that the Corporation's customer book features low overall environmental credit risk.

During 2005 the Parent Company, working with the subsidiary MPS Banca per l'Impresa, also worked on definition of a specific environmental-risk assessment system for ordinary lending activities, to be linked to the overall internal rating of corporate customers.

In addition, particularly intensive effort was dedicated to monitoring the operating risks of business activities financed and to promoting "sustainability culture" to them, also in relation to Basel II Accord requirements and to legislative innovations concerning environmental protection.

For this purpose, we constantly monitor the level of environmental risk of our loan portfolio. We do this by

Stakeholder dialogue

Kyoto Club

Working Group on Flexible Mechanisms"

The Group has supported and taken part in the activities of the working group created within the Italian Kyoto Club association to work on promoting the so-called "flexible mechanisms" identified by the Kyoto Protocol for limitation of the greenhouse effect. The most important of these are the Clean Development and Joint Implementation mechanisms. These mechanisms, via the implementation of projects to limit emissions of greenhouse gases, enable countries and companies to acquire "credits" for achievement of the objectives set by the Protocol. These credits can also be traded via specific markets set up for the purpose (which include the European Emission Trading market set up pursuant to Directive 2003/87/CE).

The working group has focused its efforts on monitoring and analysing emission-trading developments, informing and heightening the awareness of Kyoto Club associates (businesses and other organisations) on the way in which the mechanism works and related market opportunities.



measuring loans in industries considered by the main European directives to feature high environmental impact.

Besides this, the necessary in-depth investigation was initiated into the risks and prospects facing the financial industry following the coming into force of the Kyoto Protocol and of the European directive 2003/87/CE on emission trading. This also included activation of an internal task force formed as part of the Group's participation in the work of the Kyoto Club.

Monte Paschi Asset Management SGR, the Group's asset management company, has long been following this issue closely. In considering the significant repercussions - both negative and positive - that climate change might have on the value of a company's shares, it has developed macroeconomic and microeconomic studies of the geographical areas most vulnerable in terms of the risk of natural catastrophes. In addition, consideration of companies' environmental policies and approach to management of CO₂ emissions also form part of the wider assessments made by Monte Paschi Asset Management for its range of ethical funds (see the chapter "Society & community - socially responsible business initiatives", on page 111).

In order to further its knowledge of the possible impact of climate change on the value of its portfolio and to encourage companies to pay increasing attention to management of CO₂ emissions, Monte Paschi Asset Management has supported the last two editions of the Carbon Disclosure Project (CDP) (www.cdproject.net). This initiative - launched in December 2000 by the UK foundation Rockefeller Philanthropy Advisors and supported by the United Nations Environmental Programme (UNEP) aims to analyse - in the field of energy and related climate-change problems and opportunities - the policies and strategic and operating choices of the world's largest companies (in terms of market capitalisation). The 2005 edition of the CDP was able to count on the support of over 200 institutional investors (banks, insurance companies, and asset management companies) from throughout the work, for total assets under management of over USD 31 thousand billion.

Environmental products and services

The MPS Group offers various forms of financial support and advisory services to entrepreneurs and investors involved in implementation and management of projects featuring significant environmental effects. Below we briefly describe the most significant initiatives in 2005.

Financial products

MPS Banca per l'Impresa has a specific interest in enhancing the value of investment projects whose purpose or terms of reference relate to improvement of the environmental conditions of a company and the area where it is active.

It is in fact able to offer its customers a wide range of innovative and highly specialised products, which are also available for sale in all the Group's banking companies. The products are:

- *Certihabitat*: for certification of environmental management systems;
- *Ecoturismo*: for environmental quality certification (Ecolabel) of tourism and hotel services;
- *Energia Pulita*: for financing power generation using renewable sources and/or low environmental impact;
- *Energy Save*: for heavy energy users - rationalisation of energy consumption and energy saving;
- *Acqua*: for reduction of water consumption, modernisation and rationalisation of water drawing & pumping, distribution, and recycling networks and systems;
- *Habitat*: for environmental protection and territorial management projects;
- *Casa Verde*: for bio-building projects.

140 investments for the above purposes were financed in 2005, for a total amount of € 338 million.



■ Welcome Energy - finanziamo il fotovoltaico

Also via the agreement signed with Enel.si, the Enel company that markets products and services for electricity and gas to households and companies, the Group has devised a package of products/services to support customers who intend to install solar energy plants.

The initiative was implemented following the Italian Industry Ministry Decree of July 28th 2005, which established the rules for incentives for electricity produced using photovoltaic systems, defining a new system of facilitations, called "Conto Energia" (energy bill), which envisages an incentive, diluted over 20 years, commensurate with the electricity generated by the plant.

■ PRS Ambiente

Consum.it - the Group's consumer credit company - offers a loan product for all environment-related purposes and, in particular, for the purchase and installation of solar energy systems. The loan has been conceived in such a way as to optimise the tax and tariff benefits envisaged by law. It is in fact possible to obtain loans of up to € 50,000, repayable in 10 years, making it possible also to equip large building and to "amortise" the instalments via "sale" to Enel (which is obliged to buy it at official contractual prices) of any surplus electricity produced.

■ Mutuo Verde (*Green Mortgage*)

Banca Agricola Mantovana, in co-operation with the Municipality of Virgilio (province of Mantua), has launched "Mutuo Verde" - Green Mortgage - for the purchase, construction, and refurbishment of residential

buildings using eco-compatible techniques and materials. The financial product refers to a specific operating protocol, which defines the environmental sustainability criteria and factors to be applied in the procedures for validation and verification of the investment.

■ Environmental liability insurance

Montepaschi Assicurazioni Danni, the MPS Group's P&C insurance company, offers farming companies a specific policy for "pollution third-party liability", which, as the name implies, provides coverage against any damage caused to third parties by environmental pollution caused by the farming companies concerned. The policy is marketed jointly with loans covering investments required to enable such companies to obtain ISO 14001 and EMAS certification. Environmental pollution coverage is also contained in the insurance policy "Scudo Più (Shield Plus) marketed to businesses. A last point to highlight is Montepaschi Assicurazioni Danni's participation in the work being done by a pool of insurers to develop insurance products covering damages payable for pollution third-party liability.

Services

■ Project financing

Within the Group's project financing business, environmentally important initiatives specifically relate to:

- Production of energy from renewable sources, via financing for the creation of wind farms:
 - In the province of Foggia, relating to an operation undertaken by EnerTAD SpA - a company active in the production of electricity from renewable sources - for the construction and operation of a plant with capacity of 40 MW and normalised annual output of about 85GWh;
 - in provincia di Agrigento, a sostegno di un intervento della Società Moncada Costruzioni S.r.l., per l'installazione di un impianto di potenza pari a 92,5 MW;
- Integrated water-management services, via co-

●

In our commercial dealings we intend to reward process and products that have a positive impact.



ordination of a complex financing process (€ 70 million in 17 years) to activate an integrated water-management service in the Alto Valdarno water district. This enabled Nuove Acque SpA to be the first Italian company to access the specific funds made available for such purposes by the European Investment Bank. Already in 2004 this won major recognition from the EIB as “European Utilities Public Private Partnerships Deal of the Year 2004”;

- Waste treatment, with assistance for the construction of several waste-treatment and recycling plants, headed by financing of the “Sicilpower” project for construction of an incinerator and heat treatment for solid waste produced in the provinces of Messina and Catania.

■ Research and innovation

Besides the research and innovation described in the chapter “Society & community - socially responsible business initiatives”, on page 125, we highlight the loans granted by Banca Toscana, via conventions with the local branch of Apindustria (association of SMEs) and COFIR (the regional mutual credit guarantee consortium), for investments in applied research and technological innovation relating to environmental production, rationalisation of consumption of energy and other natural resources, and to achievement of environmental and quality certification.

■ Advisory services for environmental certification

MPS Banca per l’Impresa - in order to support businesses and local authorities in their projects to obtain certification according to international environmental standards (EMAS, ISO 14001, and Ecolabel) - has set up a specific unit, featuring specialist skills, to provide tailored advisory and training services, plus technical assistance.

22 environmental certification projects were started in 2005. We particularly highlight MPS Banca per l’Impresa’s participation in the Premio Toscana Ecoefficiente - the Tuscany eco-efficiency award scheme set up by the Tuscan regional government to encourage

The stakeholders’ voice

In Tuscan society and in the globalised world ever-increasing attention is being paid to the environment and to ethics - considered by businesses, public administrations, public and private scientific institutions, schools, and families to be of growing importance when making choices.

“Premio Toscana Ecoefficiente 2005” is the first official recognition given by the Tuscan regional government to the most significant examples of “intelligent” management of environmental and territorial resources and of conservation of environmental heritage within the region. Targeting all those interested in environmental questions, its objective is to gather reports of best practices, make them known and encourage their emulation and improvement, and also stimulate research, quality, and innovation.

The Award - envisaged in the 2004-2006 Regional Environmental Action Plan - has assigned 11 recognitions of excellence, 4 special mentions, and 130 mentions, all able to use the “Toscana ecoefficiente” logo. These awards have been joined by the prizes provided by the sponsors - MPS Banca per l’Impresa and Coop - and by the regional parks entity.

MPS Banca per l’Impresa - committed to supporting economic development reconciling the principles of environmental protection with those of competitiveness and economic efficiency - agreed with the purposes and idea of the Award and willingly took up our invitation to support it in terms of dissemination. It also offered its advisory services for certification free of charge to one of the winners, besides environmental audits to some of the others.

The Marconi nursery and primary school of Florence - winner of the Award for Sustainable Building & Living for its refurbishment and upgrading of the school’s facilities - has thus been able to develop its environmental certification process with the support of MPS Banca per l’Impresa, which has also provided environmental audits for farming and industrial companies in the region - General Beverage Srl, Azienda Agricola San Martino, and Metal Ref Hi Tech Srl.

The co-operation between the Tuscany regional authorities and MPS Banca per l’Impresa - both present in the Technical & Scientific Committee responsible for evaluating the over 200 projects submitted - has been very profitable and has helped to promote environmental best practices.

Paolo Rosati

Regione Toscana - Directorate General of Territorial & Environmental Policies



Product/service	Preferential environmental requisites
Multipurpose paper	<ul style="list-style-type: none"> • Absence of chlorine-based whiteners. • Cellulose extracted from sustainable wood forests. • Production at papermaking factories possessing environmental certification.
Office Equipment	<ul style="list-style-type: none"> • Energy efficiency - compliance with Energy Star standard (Regulation CE 2422/2001). • Absence of substances that erode ozone layer. • Content of hazardous substances compliant with Directive 2002/95/CE. • Limited noise levels. • Electromagnetic emissions within limits set by Italian Legislative Decree 476/1992 reflecting Directive EEC 89/336. • Non-hazardous consumables.
Furnishings	<ul style="list-style-type: none"> • Possession of environmental certification trademarks. • Preference for recycled materials in products and packaging. • Content of hazardous substances compliant with international standards. • Compliance with usage guidelines for video display terminals indicated in Italian Ministry Decree of October 2nd 2000.
Lamps	<ul style="list-style-type: none"> • Compliance with Green Light Programme standards.
Toner	<ul style="list-style-type: none"> • Product coming from recycling and regeneration processes.
Maintenance services	<ul style="list-style-type: none"> • Prevention of risks of dispersion of hazardous substances. • Management of waste produced, preferably including recovery and recycling.
Cleaning services	<ul style="list-style-type: none"> • Use of non-toxic and highly biodegradable products.



best practices in the management of natural and territorial resources. Among other things, MPS Banca per l'Impresa offered its environmental auditing and certification services free of charge to some of the prize-winning companies and organisations.

Eco-friendly purchasing

To a certain extent, our suppliers - via their production processes and in relation to the characteristics of their products and services - can influence the Group's environmental performance.

Our "green" procurement strategy - an integral part of the Group's overall management of suppliers - is implemented via a procedure forming part of our Environmental Management System. The procedure envisages:

- Supplier assessment on the basis of process and industry parameters (see the "Suppliers" chapter, on page 92);
- The purchase of the most eco-friendly products and services, compared with products and services with similar characteristics available on the market.

As regards the latter aspect, consistent with cost-control targets, the environmental requisites we seek in products and the guarantees required in the performance of services include:

- Compliance with relevant environmental regulations;
- Possession of product environmental quality trademarks or certification;
- Attestations of low environmental impact (recyclability, energy saving, reduced hazard, and noisiness, etc.);
- Supply - for all products constituting a potential health hazard and/or harmful to the environment - of the relevant safety schedules.

There are various products and services for which we require precise standards of environmental compatibility and that therefore are part of the factors determining the overall quality of supplies.



Objectives and results achieved



Objectives and results achieved

The Social & Environmental Report reports on our assessment and management of social responsibility activities. It aims to help achieve ongoing growth of the “sustainable business” culture in the Group, fuelled by the setting of specific

improvement objectives for each area considered. Below we summarise the main results achieved in 2005 compared with the objectives highlighted in the last Report, together with objectives to be achieved in the 2-year period 2006-2007.

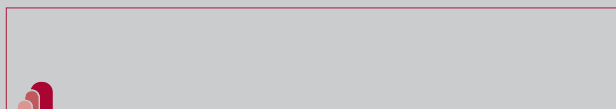
	2005-06 Objectives	2005 Results	2006-07 Objectives
Governance	Implement Social Responsibility Plan.	<ul style="list-style-type: none"> Some of the priority actions have been implemented. 	<ul style="list-style-type: none"> Implement Social Responsibility Plan.
	Extend scope of regulation and orderly organisation for the ethicality of business activities and conduct.	<ul style="list-style-type: none"> The organisational model required pursuant to Italian Legislative Decree 231/2001 has been updated to reflect recent legislative changes concerning corporate offences and white-collar crime. A code of ethics has been issued for asset management activities. 	<ul style="list-style-type: none"> Define a code of ethics for the insurance business. Develop a Group code of business ethics.
	Achieve further development and integration of management systems for quality, environment, health & safety, and ethical business relations.	<ul style="list-style-type: none"> The environmental and ethicality certifications obtained by the ex-Banca Verde have been extended to MPS Banca per l'Impresa. Work has started on development of an occupational health & safety management system complying with the OHSAS 18001 standard. 	<ul style="list-style-type: none"> Achieve OHSAS 18001 certification. Implement, on a group-wide basis, a system for managing business ethicality aspects, in compliance with SA 8000. Extend the Environmental Management System to other Group companies and businesses.
	Upgrade social & environmental reporting.	<ul style="list-style-type: none"> The reporting scope of the Social & Environmental Report has been extended. 	<ul style="list-style-type: none"> Gradually extend reporting scope of some social & environmental indicators to all Group companies consolidated on a 100% line-by-line basis. Improve data-collection methods.
Economic performance	Grow both organically and via external development.	<ul style="list-style-type: none"> About half of the new branches envisaged by the 2004-2006 Branch Plan have been created. 	<ul style="list-style-type: none"> Implement 2006-09 Business Plan.
	Improve economic performance.	<ul style="list-style-type: none"> Operating results improved: <ul style="list-style-type: none"> Increase of profitability (+ 44.2%); Growth of market share; Volume growth (total funding + 4.7%, loans + 9%, assets under management + 11.6%); Highest net profit in Group's history (€ 790.2 million); ROE of 12,9%. 	
	Increase operating efficiency.	<ul style="list-style-type: none"> Commercial network reorganised. Some transaction processes redesigned. Corporate and area management units more effectively sized. Some back-office operating processes centralised. Administrative costs reined in. 	



	2005-06 Objectives	2005 Results	2006-07 Objectives
Stakeholders	Develop stakeholder dialogue programmes.	<ul style="list-style-type: none"> Several activities to increase stakeholder involvement have been developed and implemented, including: <ul style="list-style-type: none"> Co-operation with consumer associations supporting Consumer Lab; Foundation of the company Microcredito di Solidarietà SpA, in partnership with local institutions and the main voluntary social service organisations of the province of Siena. 	<ul style="list-style-type: none"> Develop stakeholder dialogue programmes.
<i>Staff</i>	Strengthen and improve training services.	<ul style="list-style-type: none"> Per-head training was maintained at the previous year's levels. Employee appreciation of training services was good (4.87 out of maximum score of 6). 	<ul style="list-style-type: none"> Strengthen and improve training services.
	Increase spread of "sustainability culture" among staff.	<ul style="list-style-type: none"> Numerous articles on CSR have been published in the Group's house organ. An on-line CSR training course has been made available - but has been used by a limited number of participants. 	<ul style="list-style-type: none"> Improve effectiveness of CSR training.
	Implement projects to achieve better balance between employees' work and personal/family commitments, in an equal-opportunity scenario.	<ul style="list-style-type: none"> Banca Toscana, via implementation of its own specific project, has introduced - as part of its management practice - forms of support to meet working mothers' need for professional updating when they return to work. 	<ul style="list-style-type: none"> Implement social actions for employees, as per the provisions of the Supplementary Company Collective Labour Contract, in order to improve the quality of employees' professional and personal life.
	Continue implementation of action plans to improve workplace surroundings and conditions for disabled staff.	<ul style="list-style-type: none"> A no-barriers route for disabled people has been completed at the historical HQ in Piazza Salimbeni. Work has started on adapting the workstations of blind and sight-impaired staff via installation devices assuring full operational self-sufficiency. 	
	Extend application of the "Paschi Risorse" (Paschi Resources) management model.	<ul style="list-style-type: none"> The human-resources management model, based on competencies, has been implemented in various Group companies and units. 	
<i>Customers</i>	Implement 9th "Patti Chiari" (ClearPacts) initiative called "Branch front-line information on sale and purchase of financial instruments".	<ul style="list-style-type: none"> Implementation of the initiative has started as part of more general retail risk management activities. 	<ul style="list-style-type: none"> Achieve certification for 9th "Patti Chiari" initiative.
	Perform Group customer satisfaction survey of retail and private banking customers.	<ul style="list-style-type: none"> The customer satisfaction was performed as planned, with substantially positive results. 75% of customers interviewed stated that, overall, they were "satisfied" or "very satisfied" with their relationship with the bank. 	<ul style="list-style-type: none"> Improve levels of customer satisfaction.
	Execute the projects planned for Consumer Lab.	<ul style="list-style-type: none"> Activities concerning the first three projects have been completed. The fourth project has been launched. 	<ul style="list-style-type: none"> Develop projects in conjunction with consumer associations.



	2005-06 Objectives	2005 Results	2006-07 Objectives
	Inform companies about CSR and build their CSR sensibility.	<ul style="list-style-type: none"> Two CSR conferences were held attended by the Group's corporate customers. 	<ul style="list-style-type: none"> Inform companies about CSR and build their CSR sensibility.
	Develop service models, plus assistance and advisory approaches for companies intending to make investments using subsidized loan facilities.	<ul style="list-style-type: none"> The various actions implemented include activation of the "Smeurint" databank to provide businesses and public administrations with up-to-date information of subsidized loan opportunities. 	<ul style="list-style-type: none"> Improve accessibility of banking locations and services.
	Co-operate with public administrations to develop and manage local development programmes.	<ul style="list-style-type: none"> Highlights of the various initiatives undertaken were: <ul style="list-style-type: none"> The "Tuscany Industry Bond" - an innovative credit assistance plan designed to aid SME development; The Apulia Project for development of the regional area and industrial fabric. 	
<i>Shareholders & Investors</i>	Improve the Bank's sustainability rating.	<ul style="list-style-type: none"> MPS stock's ethical ratings improved, also with confirmation of its good ranking within the main international sustainability indexes. 	<ul style="list-style-type: none"> Develop investor relations activities centring round CSR.
<i>Suppliers</i>	Upgrade monitoring and control of suppliers' social & environmental profile.	<ul style="list-style-type: none"> The overall quality of suppliers included in the Approved Supplier List improved. MPS Banca per l'Impresa, as part of SA 8000 certification, performed specific checks of over 60 supplier companies. For 11 of them it performed in-depth compliance audits in order to set up mutually-agreed improvement programmes. 	<ul style="list-style-type: none"> Intensify activity to build supplier sensibility and monitor suppliers. Achieve SA 8000 certification for the Parent Company and subsequently extend it to other Group companies.
<i>Society & Community</i>	Increase take-up of ethical funds.	<ul style="list-style-type: none"> Assets under management in the three funds of the Sistema Ducato Etico (Ducato Ethical System) have more than tripled. 	<ul style="list-style-type: none"> Develop operations in the various segments of ethical finance.
	Develop guidelines for sponsorships that objectives have social.	<ul style="list-style-type: none"> Not done. 	<ul style="list-style-type: none"> Develop guidelines for sponsorships and donations that have social objectives.
	Start operations of microcredit company.	<ul style="list-style-type: none"> The company - Microcredito di Solidarietà SpA - was officially set up at the beginning of 2006. 	<ul style="list-style-type: none"> Co-ordinate and improve effectiveness of humanitarian and solidarity initiatives.
	Undertake solidarity initiatives.	<ul style="list-style-type: none"> The Group's three main commercial banks disbursed donations of over € 2.5 million for socio-cultural projects. Various humanitarian fund-raising initiatives were undertaken, also in connection with commercial initiatives. 	



2005-06 Objectives	2005 Results	2006-07 Objectives
Environment Increase integration of environmental training in corporate training programmes.	<ul style="list-style-type: none"> Activities were further intensified to develop internal environmental management skills and culture, via implementation of various training and awareness-building initiatives. 	<ul style="list-style-type: none"> Strengthen stakeholder communication and relational activities concerning environmental topics.
Extend MPSafe procedure to other Group companies.	<ul style="list-style-type: none"> The MPSafe procedure and software for monitoring compliance concerning protection of employee health and safety has undergone substantial revision to make it usable by other companies. 	<ul style="list-style-type: none"> Reduce energy consumption and improve environmental quality of supplies procurement.
Develop products and services to strengthen the Group's commercial proposition in new environment-related markets.	<ul style="list-style-type: none"> Two loan products were launched in the solar energy segment. A task force was activated to work on problems concerning implementation of the Kyoto Protocol. 	<ul style="list-style-type: none"> Develop products and services to strengthen the Group's commercial proposition in new environment-related markets.
Create the position of Mobility Manager (envisaged by the Italian Ministry Decree of March 27th 1998) to define proposals and solutions to assure staff's "eco-efficient mobility".	<ul style="list-style-type: none"> Banca Toscana performed an internal survey of staff mobility to identify the means of transport most used and the possible alternatives to be applied in terms of sustainability. 	<ul style="list-style-type: none"> Develop environmental activities (sustainable urban mobility, for example) in accordance with the provisions of the Supplementary Company Collective Labour Contract.
Steadily spread and extend "Paper Project" for overall rationalisation of paper management.	<ul style="list-style-type: none"> The "Stop Paper" project has been launched to "dematerialise" documental customer communications. Differentiated waste-collection systems have been introduced at numerous branches. 	<ul style="list-style-type: none"> Deepen investigation of factors of social and environmental risk in corporate lending.



Data accreditation



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

**Report of the auditors on the social and environmental report
 Attestation**

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

- 1 We have carried out the compliance procedures and analyses on the social and environmental report of Monte dei Paschi di Siena Group (the “group”) at 31 December 2005, described in paragraph 2 of this report. The aim of the procedures was to evaluate the board of directors’ statement, included in the social and environmental report of the group at 31 December 2005 in the section entitled “A reader’s guide to the report”, that such report was prepared in compliance with the guidelines established by GRI - Global Reporting Initiative - and the Social Report Model for the banking sector issued by ABI - Associazione Bancaria Italiana (the Italian Bankers’ Association), in collaboration with IBS – Istituto Europeo per il Bilancio Sociale (the European Institute for Social Reporting). The preparation of the social and environmental report in compliance with such principles is the responsibility of the parent’s management.
- 2 In order to evaluate the board of directors’ statement referred to in paragraph 1, we have performed the following procedures, in accordance with the International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Information (ISAE 3000) established at an international level by the International Auditing and Assurance Standards Board (IAASB) and in compliance with Research Document no. 1 “Guidelines for the audit of social reports” issued by GBS (Study group for social reporting):
 - verifying that the financial figures and information are consistent with those included in the groups’ consolidated financial statements as at and for the year ended 31 December 2005, approved by the shareholders of the parent company. We have audited such consolidated financial statements and issued our audit report thereon on 13 April 2006.
 - Sample-based analysis of how the processes underlying the generation, recording and management of quantitative data included in the social and environmental report operate. In particular, we have performed the following procedures:
 - interviews and discussions with delegates from parent management and personnel from some group companies in order to obtain an overview of the group’s activity, to gather information on the IT, accounting and reporting systems used in preparing the group’s social and environmental report and to chart the processes, procedures and internal control system used to gather, process and transmit the data of group companies and the individual operating areas and offices of the parent to the office that prepares the social and environmental report;
 - sample-based analysis of supporting documentation used in preparing the group’s social and environmental report to confirm the reliability of the interview-derived information, as well as the effectiveness of processes and their adequacy in relation to business objectives, and that the internal control system correctly manages data and information.
 - Sample-based analysis of the completeness of the qualitative information included in the group’s social and environmental report and its consistency throughout. This activity was carried out in line with the criteria indicated in the above-mentioned principles and guidelines.
 - Verifying the stakeholders’ involvement process, in terms of the methods used, the parties involved and analysis of the minutes summarising the salient features arising from meetings

Milano Ancona Aosta Bari
 Bergamo Bologna Bolzano Brescia
 Catania Como Firenze Genova
 Lecce Napoli Novara Padova
 Palermo Parma Perugia Pescara
 Roma Torino Treviso Trieste Udine
 Varese Verona

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Monte dei Paschi di Siena Group
Report of the auditors on the social and environmental report
 31 December 2005

held with them and comparing them with the information disclosed in the group's social and environmental report.

- Obtaining the representation letter signed by the legal representative of the parent Banca Monte dei Paschi di Siena S.p.A., on the compliance of the social and environmental report with the relevant preparation criteria and on the reliability and completeness of the information and data contained therein.

The social and environmental report of Monte dei Paschi di Siena Group at 31 December 2005 has been prepared presenting financial data and information in accordance with the International Financial Reporting Standards endorsed by the European Union (IFRS). Such social and environmental report presents the prior year corresponding figures for comparative purposes in conformity with the guidelines and principles based on which the report has been prepared. As this is the first year that the group's social and environmental report has been prepared, such data were examined by us to the degree that we considered to be necessary in order to carry out our engagement. Accordingly, our opinion does not extend to the data and information not examined by us.

- 3 Based on the procedures performed, we believe that the social and environmental report of Monte dei Paschi di Siena Group at 31 December 2005 complies with the guidelines and principles referred to in paragraph 1. The financial figures and information included in the social and environmental report at 31 December 2005 are consistent with the figures and information included in the consolidated financial statements of Banca Monte dei Paschi di Siena Group at the same date. Moreover, the other figures and information included in the socio-environmental report at 31 December 2005 are consistent with the documentation we were provided with, and meet the content requirements established by the guidelines and principles on the basis of which the social and environmental report has been prepared.
- 4 We draw your attention to the following matters described in the section entitled "Objectives and results achieved" of the social and environmental report of Banca Monte dei Paschi di Siena Group at 31 December 2005:
 - the group intends to gradually extend the reporting scope of certain social and environmental indicators to all companies consolidated on a line-by-line basis, as required by the relevant guidelines;
 - the group intends to improve the next issues of the social and environment report with further social and environmental information and indicators, fine-tuning their collection methods;
 - the group intends to extend and structure the measurement system of stakeholders' participation and involvement in social responsibility issues, in order to strengthen the participatory aspects of existing relationships with the stakeholders of the main group companies.

Florence, 6 October 2006

KPMG S.p.A.

(Signed on the original)

Massimo Tamburini
 Director of Audit



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Glossary

ABI: Associazione Bancaria Italiana - i.e. the Italian Banking Association.

Anatocism: a rarely-used technical term meaning capitalisation of interest (see "capitalisation of interest").

Annual Gross Salary (AGS): it comprises only items relating to fixed salary.

Asset Management: the management of financial and non-financial investments.

Basel II: the term identifies the work of the Basel Committee for banking supervision, which aims to update international regulations concerning capital adequacy requirements for banks. The objective of the new rules is to increase the international banking industry's stability via greater sensibility to the control of credit, market, and operating risks.

CAGR: Compound Annual Growth Rate - see below.

Capitalisation of interest: also known as compounding of interest - a rule for calculating interest on capital or principal, based on which the interest calculated for a period is added to the original principal, forming the new basis for the calculation of interest in subsequent periods.

Carbon dioxide: a natural gas (chemical formula CO₂), present in the atmosphere, generated by animal and vegetable respiration, volcanic activity, and by combustion of organic material (natural gas, i.e. methane), oil, wood, and paper, etc.

Compound Annual Growth Rate (CAGR): in reality the term means average annual growth rate.

Corporate governance: this all-embracing term indicates the corporate bodies and the rules for their relations with one another (voting rights, hierarchies, etc.). Clear governance rules make a company more transparent and assure more democratic representation.

Corporate Performance Bonus (CPR): this is a performance-based bonus for managers and executive middle managers. Together with the economic incentives envisaged for professional staff it forms the incentive system designed to increase staff motivation and commitment to corporate objectives and strategies.

Corporate social responsibility (CSR): voluntary integration by companies of their social and environmental concerns in their business dealings and in stakeholder relations.

Customer Relationship Management (CRM): the set of strategies and techniques used to manage relationships with customers.

Customer satisfaction: this is a parameter used to benchmark the rightness of a given service offered to the public.

Direct banking: the term used to identify traditional banking services provided via innovative channels such as, for example, PaschiHome (Internet banking service) and PaschiIntel (telephone banking).

EMAS (Eco-Management and Audit Scheme): an environmental management and audit scheme set up by virtue of European Community Regulation 761/2001 that dictates the rules for voluntary adoption of environmental management systems (similar to the ISO 14001) and preparation of the Environmental Statement.

Emission trading: a flexible mechanism for implementation of the Kyoto agreements (see Kyoto Protocol) that introduces an organised system for trading - between countries and/or business - of greenhouse-gas emission credits.

Environmental impact: any modification of the environment - negative or beneficial, total or partial - caused by an organisation's activity, products or services.

Environmental Management System: the part of the management system comprising the organisational facilities, planning activities, responsibilities, practices, procedures, processes, and resources needed to implement, control and correct environmental policy.

Frequency index: according to the UNI 7249/95 standard, the number of accidents reported per million hours worked.

Gravity index: also known as Severity Index - according to the UNI 7249/95 standard, the number of days lost for accidents per thousand hours worked.

GRI (Global Reporting Initiative): a long-term international commitment, the aim of which is to develop and disseminate guidelines for voluntary use in preparation of reports on a company's economic, environmental and social performance and activities.

IAS: International Accounting Standard. International accounting standards are devised by the International Accounting Standards Board (IASB), which aims to develop a single set of globally valid accounting standards to improve transparency and comparability in financial reporting.

Internal dealing: transactions (purchase, sale, subscription or swap) executed in a listed company's shares by the company's directors, statutory auditors, and top managers (designated as "relevant persons") and also by shareholders with shareholdings exceeding 10% of share capital.

Internet banking: a service making it possible to give instructions for banking transactions (purchase/sale of bank securities, bank transfers, and so on) and to access information concerning one's current account and securities portfolio using a personal computer. It also permits on-line receipt of information on the main stock markets' trends and those of individual stocks.



ISO 14001: an international standard concerning "Requirements and guidance for the use of environmental management systems".

Istituto Europeo per il Bilancio Sociale (IBS): this is a scientific and applied research entity whose purpose is research into topics concerning social reporting and the study, investigation and development of corporate culture.

Kyoto Protocol: an international agreement negotiated in Kyoto, in Japan, as part of the United Nations Framework Convention on Climate Change (UNFCCC) that commits industrialised and transitional economies to reduction of their respective greenhouse-gas emissions.

London Benchmarking Group: an organisation to which over 90 major international corporations belong and an important international point of reference for social and environmental reporting, since it has defined a method permitting identification and classification of all company activities supporting the local communities where a company is present.

Merchant bank: a financial company that develops activities for the acquisition and restructuring of other companies, both domestic and international, to aid their business and financial development.

Private banking: financial services for private customers defined as "affluent" or of "high net worth", providing comprehensive management of all their s only items relating to fixed salary.

Retail banking: banking operations primarily relating to consumers, households, and small businesses.

ROE (Return On Equity): This is the ratio between annual net profit and the equity necessary to produce such profit. It expresses the profitability of risk capital invested in the enterprise.

Stakeholders: parties who influence, are influenced by or have an interest in a company's activities - such as staff, shareholders, customers, suppliers, the local and national community, the government, and future generations.

Stock options: contracts via which a company gives its employees the possibility of increasing their income by voluntarily converting the options into shares, and thus into income, at a certain price and on a previously established date. The operation involves establishing a number of shares and the price at which employees can exercise options after a given number of years.

Stock granting: granting of shares free of charge to employees.

Sustainable development: development and growth that meets present needs without jeopardising coverage of future generations' needs.

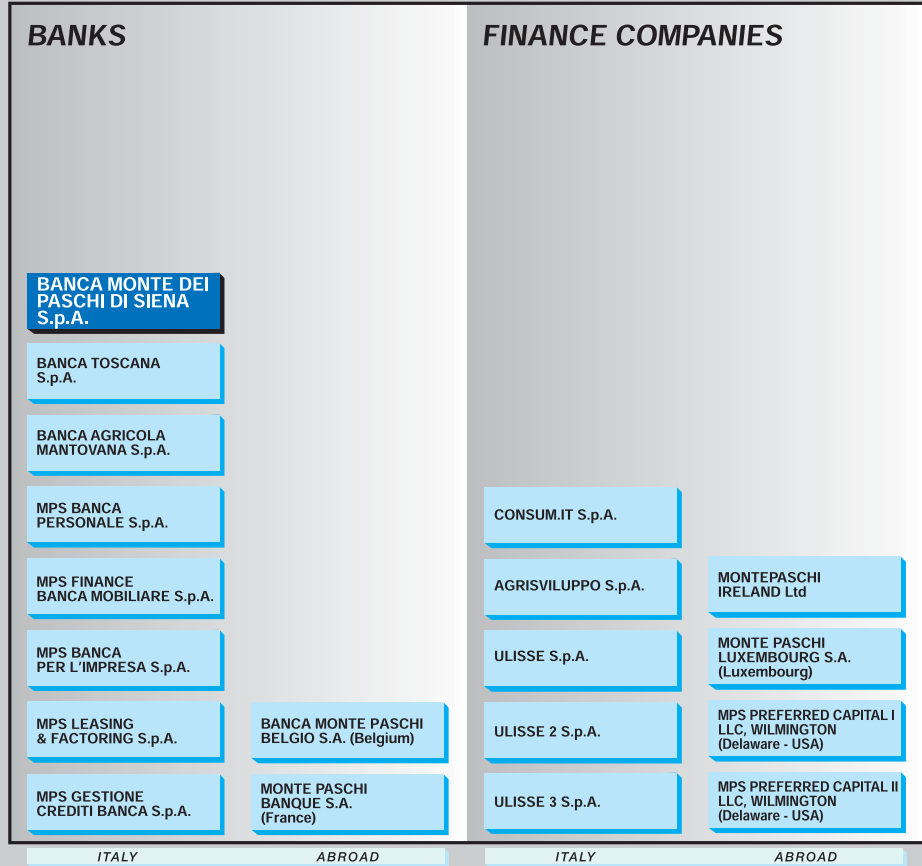
Total Annual Remuneration (TAR): this comprises both annual gross salary (fixed) and items forming variable remuneration (e.g. corporate performance bonus, economic incentives, company bonus, etc.).

TPE (Tonnes of Petrol Equivalent): an energy unit that expresses the thermal energy obtainable from fuels other than petrol, using the latter as the benchmark. It corresponds to about 1,000 cubic metres of natural gas.

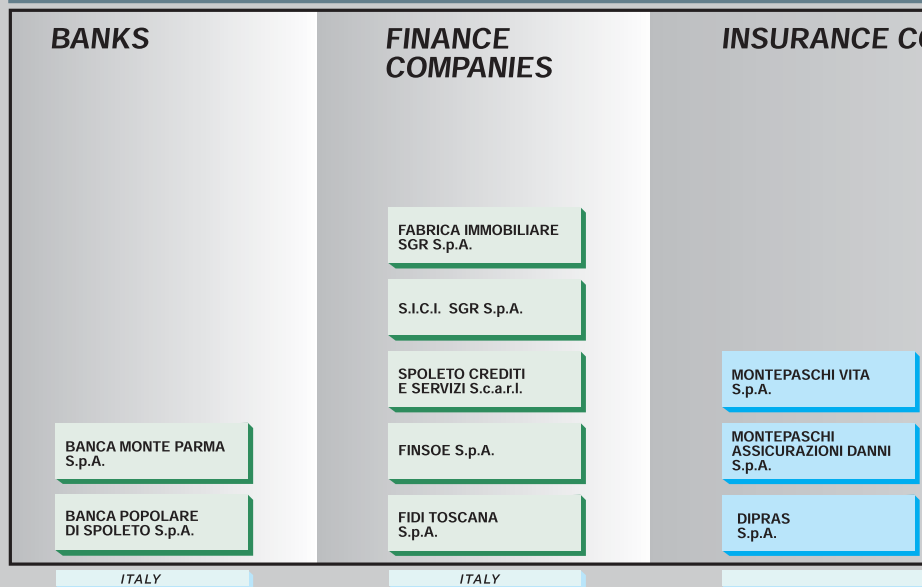
Value added: in the context of the Social Report, value added means the socially important results achieved by an organisation in terms of wealth produced and distributed.



MONTE DEI PASCHI



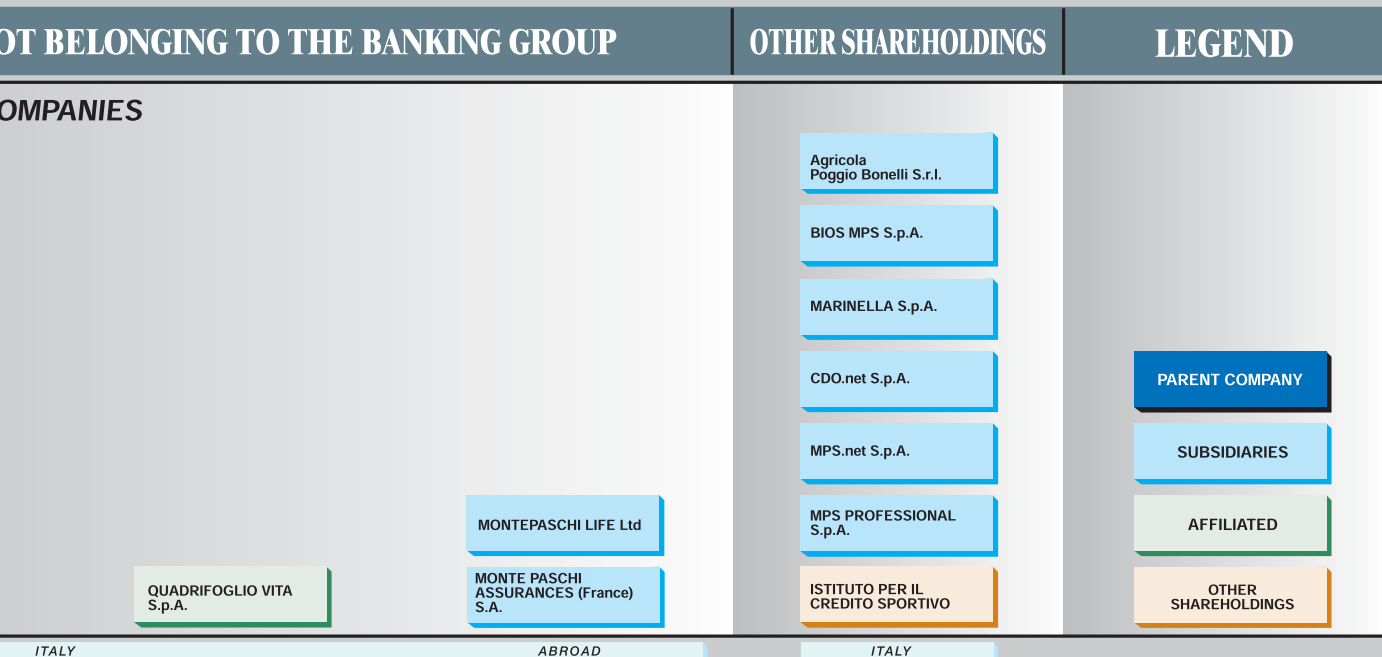
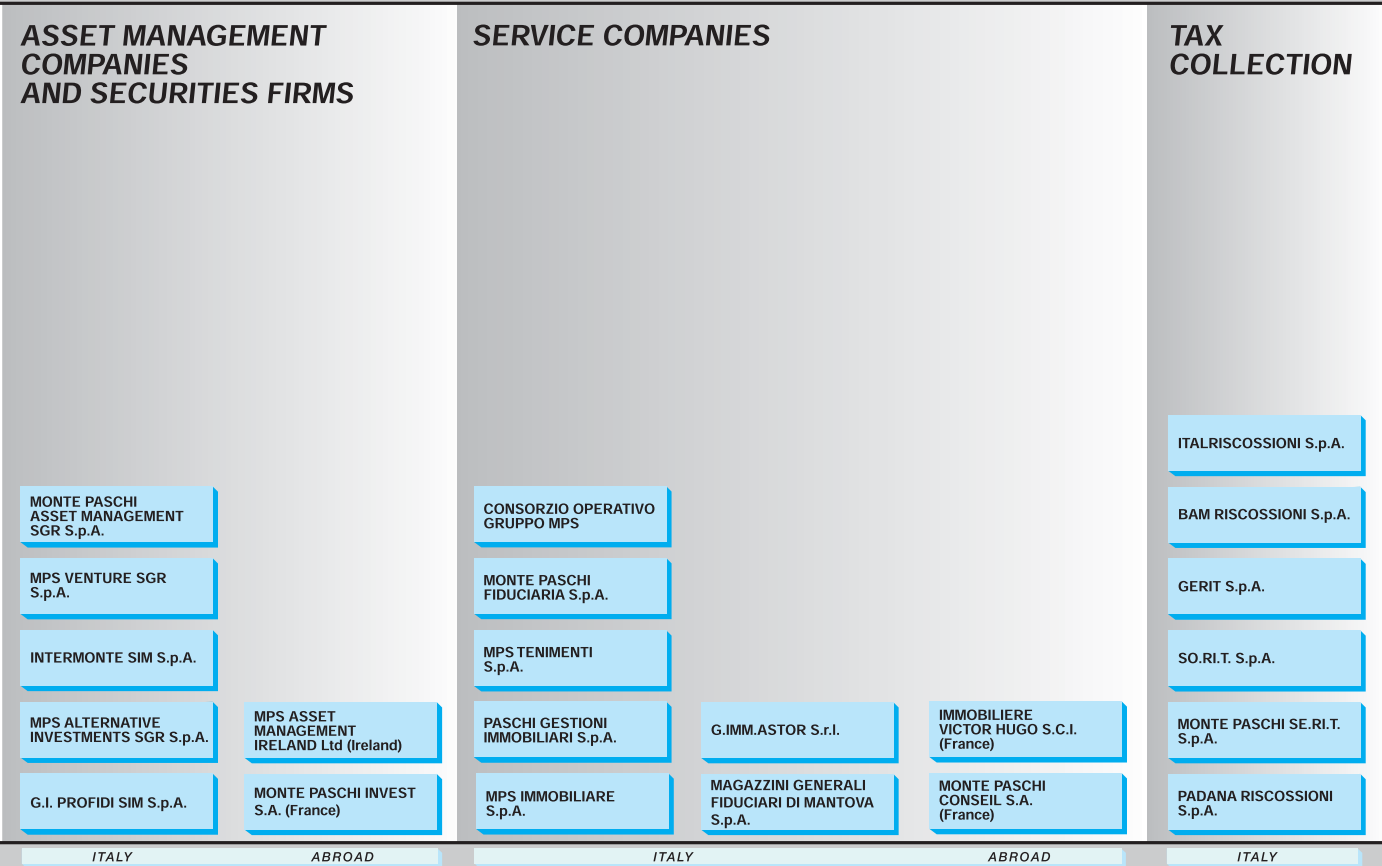
OTHER AFFILIATED AND ASSOCIATED COMPANIES



The chart shows the main companies of the MPS Group. Reference should be made to the Consolidated Annual Report for the full list.

MPS DI SIENA BANKING GROUP

UPDATED AS OF 31-12-2005





Banca Monte dei Paschi di Siena SpA. - Registered HQ: Piazza Salimbeni 3, Siena, Italy - www.mps.it
Share capital: EUR 2.029.771.034,02 fully paid in
Siena Companies Register and tax code no.: 00884060526
Member of Italian Interbank Deposit Protection Fund
Italian Banks Register no. 5274
Monte dei Paschi di Siena Banking Group, registered in Italian Banking Groups Register

Our Commitment to Social Responsibility