

GRUPPOMONTEPASCHI

REPORT 2007



The Social Responsibility of Montepaschi Group

GRUPPOMONTEPASCHI



Administrative and audit bodies

BOARD OF DIRECTORS

Giuseppe Mussari Chairman

Francesco Gaetano Caltagirone Deputy Chairman

Ernesto Rabizzi Deputy Chairman

Fabio Borghi Director

Turiddo Campaini Director

Lucia Coccheri Director

Lorenzo Gorgoni Director

Andrea Pisaneschi Director

Carlo Querci Director

Pierluigi Stefanini Director

BOARD OF STATUTORY AUDITORS

Tommaso Di Tanno President

Leonardo Pizzichi Standing statutory auditor

Pietro Fabretti Standing statutory auditor

Carlo Schiavone Standing statutory auditor

Marco Turillazzi Standing statutory auditor

GENERAL MANAGEMENT

Antonio Vigni General Manager

Giuseppe Menzi Senior Deputy General Manager

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

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



Letter to stakeholders

capacity for distributing added value not just to shareholders but also to all other categories of stakeholders, as the 2007 Social Responsibility Report so effectively demonstrates.

We want to maintain and boost this capacity: that is the profound meaning of the strategic choices we brought to fruition and undertook during the year, aimed at further strengthening the size, efficiency, competitiveness and profitability of the Montepaschi Group.

The cold figures in the report take on a different value when they are read in light of how we met the needs of the community and of our employees; of how we operated with regard to the environment, or how we related to suppliers, in any case seeking growth for the company and a suitable return on the capital invested in it.

The layout and wording of the document, in full compliance with the guidelines of the Global Reporting Initiative, is the result of a constant dialogue with the unions, with consumer groups, with the main companies in the tertiary sector, and with national and international analysts.

Their contributions helped prepare a Social Responsibility Report that represents our work clearly, measurably, and non-self-referentially. A representation useful for a transparent and correct interpretation of the choices and *personalities* of the Montepaschi Bank and Group.

We are especially proud of this result, and in particular of the comparative approach that produced it, because it enabled us to discover potential areas for improvement, thereby giving ourselves a means of focusing our attention even more closely to translate them into opportunities for creating value.

Our objective is to move towards an ever greater convergence between economic and social deeds; to this end, we recently approved two major initiatives: the Code of Ethics and the Strategic Plan for Social Responsibility.



The Code of Ethics was created by bringing together and highlighting in a comprehensive official document, together with our Charter of Values, the set of standards, behaviours and *sensitivities* that have always characterised the genetic heritage of our corporate identity.

Development of the Strategic Plan for Social Responsibility – which increasingly accompanies and integrates into the Group’s “industrial choices” in the medium-long-term view – reflects constant communication with all of our stakeholders.

The Social Responsibility Report spells out in detail the major results and progress achieved last year as well, and we refer to it for those aspects.

MPS Bank and the entire Group remain committed to pursuing constant improvement, in a context in which awareness of corporate social responsibility is increasingly viewed not just as a necessary condition for the sustainable development of our communities and regions but also as an essential strategic choice.



Introduction to the report

PURPOSE AND STRUCTURE

This is our eighth annual report on corporate social responsibility (CSR), the third for the Group.

The Report was overseen by the Committee for Corporate Responsibility of the Banca Monte dei Paschi di Siena parent company (hereinafter “Parent Company” or “Bank”) and was approved by its Board of Directors on 10 April 2008.

It describes the financial and other activities which marked the Montepaschi Group’s commitment in 2007 to objectives of sustainable growth, to be achieved through greater integration in social contexts, paying attention to the demands of stakeholders and of society in general.

It reports on the successes and the necessary improvements, addressing all stakeholders – shareholders, customers, employees, union representatives, investors and financial analysts, institutions, social organisations, consumer groups, local communities, the media – who want and are entitled to know more about our situation, so that they can make a more informed judgment of it and be able to make more knowledgeable choices.

The Report most likely does not fulfil all the information needs of such an eclectic public, with highly varied expectations and interests. That is why we are committed to developing specific communications and direct reports as well.

The contents were chosen with reference to the guidelines of the Global Reporting Initiative (G3). Compared to the previous year, we have expanded the set of indicators and the relative reporting perimeter, with a guidelines application level of B+ (for more detail, cf. “Index according to the Global Reporting Initiative – G3”).



We also took into account the indications in the model proposed by the Italian Banking Association (ABI) for “reporting to stakeholders” and in the draft-version supplements to the Global Reporting Initiative.

Most of all, we sought out and considered the viewpoints of various stakeholders, including ABI, AIAF (Italian Association of Financial Analysts), Sodalitas, Forum for Sustainable Finance, the fifteen consumer organisations with which we have cooperated since 2004 through the Consumer Lab, the University of Siena, and ethical rating agencies. And we compared notes with the Parent Company’s union organisations, sharing the Report’s preparation method and content, with particular attention to the topics of personnel management policies and environmental sustainability.



These are all consultation and participation mechanisms that we count on in order to continue to improve.

STAKEHOLDERS' INSTRUCTIONS FOR THE REPORT

- Increase the Report's objectivity
- Clarify the relationship between deviations with respect to objectives and future objectives
- Make due reference in the text to the data shown in the appendix and to additional available information, for example on the Internet site
- Clarify the relationship between values, identity markers, CSR policy and strategy
- Give a more in-depth description of intangible activities
- Increase stakeholder participation in activities and in drafting the Report
- Explore fundamental topics such as corporate reorganisations, personnel restructuring measures, transparency and ethics in customer relations, environmental protection

REPORT SCOPE

Unless otherwise indicated, the Report refers to the Montepaschi Group as a whole, as shown in the Consolidated Annual Report.

It does not include the activities of the insurance segment (AXA MPS Assicurazioni Vita and AXA MPS Assicurazioni Danni), which fall under the



Introduction to the report

AXA Group as part of a strategic partnership defined during the year, or those of Biverbanca, acquisition of which was completed in December.

It contains qualitative and quantitative information for 2007 and comparisons with previous years. It also describes significant measures carried out in the first part of 2008.

DATA QUALITY AND MEASUREMENT SYSTEMS

To improve the efficiency and quality of the reporting, and to support better integration of the CSR into corporate processes, beginning with this edition the Report follows the preparation schedules and methods of the regular Annual Report.

Hence there is no ad hoc data collection and processing system; rather, the same sources and computer platforms are used that feed the accounts and the Board of Directors' economic report, like general accounting, the customer database, the personnel management system, the suppliers' registry, and the procurement system.

Other indicators for which there is currently no Group-level centralised management are taken from direct surveys of the various corporate and geographic entities.

We conducted many in-house interviews in order to get up-to-date information and to be able to understand and explore them.

Some data have been estimated, in the absence of direct measurement.

This is duly indicated in the text, as are the adjustments made necessary on the data published in the previous report.

For ease of reading, the detailed data are given in the "Report in Numbers" appendix.



THIRD-PARTY VERIFICATION

We assigned KPMG to check the information contained in this Report. This activity was coordinated as indicated in their report, and it provided us with many suggestions for improvement, both in the reporting process and for effective application of CSR.

The Report can be read and downloaded from the www.mps.it site, where it is also possible to request hardcopies, leave comments and suggestions, and find more information about CSR.



Montepaschi Group profile

The Montepaschi Group is a group of companies active in all banking and financial sectors.

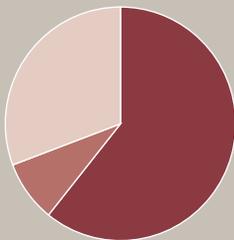
It operates primarily in Italy through more than 2,000 branches and a well-developed system of distribution channels.

It serves more than 4.3 million customers, mostly retail (private individuals and small companies account for 97.8% of the total).

Structural indicators	2007	2006	2005
Employees	24,109	24,262	26,470
Customers	4,273,177	4,144,099	4,120,651
Revenues *	4,968.2	4,877.5	4,320.8

* Margin of financial and insurance items (millions of €)

Business sectors



60.8%	Commercial Banking & Distribution Network
8.5%	Private Banking & Wealth Management
30.7%	Corporate Banking & Capital Markets



Featured in this report

- The new Strategic Plan for Social Responsibility
- The Group's Code of Ethics
- "Hot topics" in the bank-customer relationship
(MiFID Directive, cost of services, financial inclusion, family debt)

And much other information on the Montepashì Group's non-financial activities, performance and improvement objectives.

Sustainability indicators	2007	Change from 2006
Value added (millions of €)	4,239	+15.6%
Customer retention (%)	94.9	+1.40bp
Complaints (n.)	4,312	-9.26%
Personnel turnover (%)	0.88	-0.02bp
Training per capita (days)	6.97	+60.23%
Female personnel (%)	42.8	+1.00bp
Community contributions/gross profit (%)	4.24	+1.28bp
Energy consumption per capita (TEP)	1.81	-2.16%
CO ₂ emissions per capita (kg)	883	-22.81%
Renewable energy sources (millions of €)	223.7	+71.42%

bp = basis point (percentage points)



Contents

IDENTITY AND VALUES	15
CORPORATE GOVERNANCE AND RESPONSIBILITY	19
Audit systems and their independence	25
Risk control and management	27
Integrity and responsibility	29
Treatment of corporate information	32
Relations with shareholders and investors	32
STRATEGY AND ORGANISATIONAL DEVELOPMENTS	35
2007-2009 Strategic plan for social responsibility	39
FINANCIAL AND MARKET ACTIVITIES	43
Economic performance	43
Market value	44
Rating	45
NONFINANCIAL ACTIVITIES	47
CUSTOMER SERVICE AND QUALITY RELATIONSHIPS	51
Customer profile	51
Distribution and relationship channels	52
Relations management	58
Transparency and honesty	64
Social themes and socially responsible finance	73



PERSONNEL DEVELOPMENT	81
Personnel profile and occupational dynamics	81
Development strategies and models	83
Training	85
Compensation, incentives and contributions	88
Complementary pension funds	90
Work environment	91
Social programmes	96
PARTICIPATION IN THE SUSTAINABLE GROWTH OF COMMUNITIES	99
Innovation and development of infrastructure and production	99
Contributions to the social quality of communities	103
THE ENERGY ISSUE AND ENVIRONMENTAL PROTECTION	111
Management and verification systems	111
Resource use and polluting emissions	113
Environmental risk	118
Financial initiatives for environmental protection	119
QUALITY OF PROCUREMENT PROCESSES	123
Management and verification systems	123
Qualification and selection	125
THE REPORT IN NUMBERS	129
REPORT ACCREDITATION	148
INDEX ACCORDING TO THE GLOBAL REPORTING INITIATIVE (G3)	151

Identity and values





Identity and values



Our origins go back to 1472, when the “Monte Pio” was established at the behest of the Courts of the Republic of Siena for the purposes of aiding the city’s disadvantaged, combating usury and supporting the growth of the local economy.

Clearly these purposes were oriented towards assistance in the public interest; since 1995 this has been the prerogative of the foundation of the same name, which is the main shareholder in Banca Monte dei Paschi di Siena. The bank has been listed on the Milan Stock Exchange since 1999.

More information about the history behind Monte dei Paschi di Siena can be found on the www.mps.it site under “The Bank”.

CHARTER OF VALUES OF THE MONTEPASCHI GROUP

- An ethic of responsibility
- Customer-oriented
- Attention to change
- Entrepreneurial and pro-active spirit
- A passion for professional skills
- A spirit of teamwork and cooperation

The Charter of Values is available on the www.mps.it site under “Our Values”.

Our identity is based on solid values in keeping with our origins and a long history as a public institution.

The market and the public in general recognise us as an institution with strong traditions, a strong involvement in our community, that is also capable of



Identity and values

innovating and performing its social function responsibly.

Together with the quality of our customer service, in which we have invested heavily, these are the characteristics with which we want to stand out in the field of banking, on which we build our corporate communication and develop our brand, and which guide our strategy.



An Italian Story since 1472

Of course, we need to behave consistently in our everyday activities in order to ensure that we are viewed as a reliable reference by customers and other stakeholders.

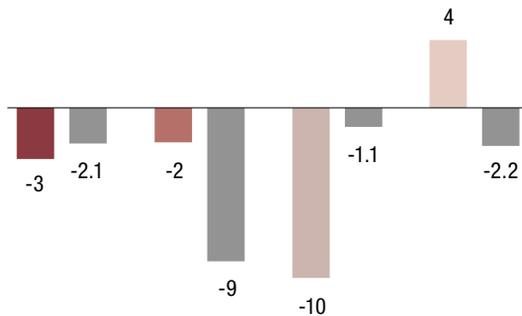
Through specific market studies, we regularly monitor how well our brand is known, how the company is viewed and what its reputation is, both qualitatively and quantitatively. In this regard, and including in relation to possible future developments of international accounting standards in the area of “intangibles,” we want to use comparable yardsticks to measure the economic value of the brand as an important indicator of our potential for growth. The first work in this area is now under way.

Our reputation is something we monitor as part of our overall monitoring of risks, with margins for improvement so that we can more quickly detect any deviations in corporate action from the affirmed values and principles of self-regulation.

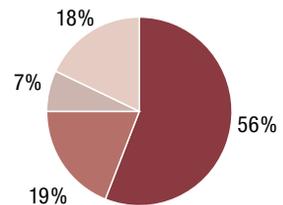


IMAGE OF THE MONTEPASCHI GROUP 2007 Demoskopia Survey – Public opinion

Scores (Scale of -100 to +100)



Significance of image factors



- Customer care
- Brand value
- Products
- Social value
- Benchmark with respect to main competitors

It is sustained through relations with the media to ensure proper communication of the company's deeds, and it is defended by patents and the relative oversight systems from possible undesired associations with other brands, in Italy and abroad.

Corporate governance and responsibility





Corporate governance and responsibility



Our mission is to create value for shareholders in the short and long term through a satisfying return on the capital invested.

We are committed to doing this responsibly, in the interest of the company, the stakeholders, and the community in general through organisational approaches and corporate governance marked by legal compliance and standards of sound and prudent management.

MONTEPASCHI GROUP MISSION

- To create value for shareholders, giving priority to satisfying customers, to the professional growth of individuals, and to the interests of all stakeholders.
- To be a point of reference in the constantly evolving world of Italian banking by affirming the leadership position of the Montepaschi Group as Italy's foremost Group.
- To develop a sense of belonging to the Group, while at the same time making the most of cultural differences and keeping each company firmly rooted in the area in which it works.

This is our approach to “corporate governance”: keeping faith with our values by behaving at all levels so as to ensure transparency, integrity and honesty in our everyday activity; ensuring a dynamic process of development by operating according to the highest standards in order to achieve sustainable performance, aware of the social significance of the activity.

For the Parent Company, we have chosen a traditional system of administration and control characterised by the presence of:

- a Board of Directors, responsible for policy and strategic oversight;
- a Board of Statutory Auditors that oversees compliance with laws, regulations and statutes regarding proper administration, organisational appropriateness, and administrative/accounting auditing of the company;



Corporate governance and responsibility

- the General Meeting of shareholders, competent to decide in ordinary or extraordinary session on, among other things, appointment and removal of the members of the Board of Directors and the Board of Statutory Auditors and their compensation and responsibilities, approval of the annual report and appropriate of profits, mergers, demergers, capital increases and on any amendment to the articles of association and appointment of the auditing firm.

The system is based on the principles indicated by the self-governance code of listed companies issued by the Corporate Governance Committee of Borsa Italiana S.p.a., with special attention to: a clear distinction in roles and responsibilities, an appropriate balance of powers, the balanced makeup of corporate bodies, effective controls, defence against all corporate risks, the adequacy of information flows, and the company's social responsibility.

The Annual Report on Corporate Governance is available on the www.mps.it site under "Investor relations". The following are some aspects of this report.

Among the most important facts for this year:

- various measures to further increase the levels of reporting between the strategic oversight body (Board of Directors), management (Top Management) and audit (Board of Statutory Auditors and Internal Audit Committee);
- mechanisms to reinforce the executive audit functions (internal audit, CFO, risk management, compliance);
- development of internal controls consistent with the instructions of Basel 2, to improve governance and control of risks and their consequent containment;
- establishment of a compliance office for better management of compliance risks;
- organisational and operational upgrade to European Directive MiFID (2004/39/EC) to raise levels of protection for investors and market transparency.



OWNER AND SHAREHOLDER STRUCTURE AT 31.12.2007

Banca Monte dei Paschi di Siena's share capital at 31.12.2007 amounted to 2,031,866,478.45 Euros, wholly paid in, represented by 3,032,636,535 shares with a face value of 0.67 Euros, including:

- 81.03% ordinary
- 18.66% preferred (with limited voting rights)
- 0.31% savings (no voting rights)

At the end of the year, the Bank's market value was approximately 11 billion Euros.

The float was 32%.

Of the Bank's ordinary capital, 64.67% is held by six strategic shareholders holding more than 2% of the capital:

- Monte dei Paschi di Siena Foundation 49%. A foundation in which the main local public authorities hold a stake, it pursues public-interest purposes for the sustainable development of the Siena area and region (information on the Foundation's activities is available on the www.fondazionemps.it site);
- Caltagirone Group 4.70%. Active in the major works sector, cement, real estate, finance and publishing;
- Hopa 3%. An investment holding company that invests in companies with strong potential to create value and satisfy its own shareholders in the medium-long term (in early 2008 Hopa reduced its shareholding to below 2%);
- Unicoop Firenze 2.99%. A consumer cooperative operating in retailing and distribution in Tuscany;
- Axa S.A. 2.52%. A primary French insurance group, with which we have a strategic partnership;
- Carlo Tassara S.p.A. 2.46%. A holding company specialising in metals transformation, energy and construction.

Employees hold 3.34%.



Corporate governance and responsibility

The share of retail investors (19.30%) is significant, while the remaining shares are held by institutional investors, mainly foreign (11.67%). With about 1% of the float, these include about ten socially responsible investors, primarily North European; these are investors who consider criteria of good governance, environmental and stakeholder relations when making financial choices.

We should also note that:

- by statute, no partner, with the exception of the conferring institution (the Foundation) may exercise voting rights in the General Meeting representing more than 4% of the ordinary capital;
- there is a three-year shareholders' agreement, established in January 2007 by 50 shareholders holding 3.34% of the Bank's capital by which they control 2.71% of the shares with voting rights; the agreement is intended to stabilise the company structure by guaranteeing prior consultation of the meetings and a special procedure in the case of sale of shares with restricted transferability.

Participation and protection of minority shareholders

The democratic participation of shareholders is ensured through measures such as:

- each share equals one vote;
- the limitation on the voting power of the Foundation, which can participate in the general meeting for a number of shares less by at least one unit than the total shares held by the other shares present.

BOARD OF DIRECTORS

Appointed on 29 April 2006, it will remain in office until approval of the 2008 annual report. It consists of 10 non-executive directors (there is no managing director, no executive committee, and none of them has management duties in the organisation). Nine of them are also independents (the Chairman, based on the provisions of the Self-governance Code, is not among them, since he was previously head of the Foundation), i.e., not associated with the company to the point of affecting the independence of judgment and assessment of



management's work. Elected by roll-call vote, the directors' qualifications and skills are communicated to the shareholders prior to appointment for the appropriate evaluation.

We believe that other commitments and offices in other companies are compatible and not in competition with their duties for the Bank. Assessment and self-assessment of the Board's work is positive also because of the high number of meetings held starting with the date of installation, and the always high rate of participation (average attendance of 85.5%).

Directors' interests and operations with correlated parties

There is a code of behaviour in effect for operations with "correlated parties" (referring to those in positions or with shareholdings that enable them to exert significant influence over corporate governance). Again this year, none of these operations involved market reporting obligations under Consob Regulation 11971.

Compensation

Figures on the compensation for Directors and top management in Banca Monte dei Paschi di Siena are given in the Annual Report on Corporate Governance, available on the www.mps.it site in the "Investor Relations" section.

It should be noted that no form of variable compensation associated with the company's economic performance, or with achieving certain objectives, is provided for the members of the Board, this avoiding any short-term orientation in their work.

COMMITTEES INTERNAL TO THE BOARD

Of the committees indicated in the Self-governance Code, the compensation committee and the internal audit committee have been set up within the Board. However, there is no appointment committee: in this regard, list voting is in effect, with a quorum of 1% of the share capital for presenting lists. The reader is referred to the Annual Report on Corporate Governance for information on the committees' roles, activities and how they interact with the Board.



Corporate governance and responsibility

Other significant committees include: strategy, communication, social responsibility.

Social responsibility committee

It is composed of four directors and consults with and makes proposals to the Board for measures aimed at safeguarding the environment, customer satisfaction, professional development and protection of the interests of all stakeholders.

DUTIES OF THE SOCIAL RESPONSIBILITY COMMITTEE

- Identifying the main ethical, social and environmental principles for formulating the CSR policies of the Montepaschi Group
- Formulating ethical and behavioural codes
- Examining the CSR strategic plan, setting priorities and conditions of implementation
- Directing integration of CSR principles into activities
- Overseeing the Montepaschi Group's annual report and significant CSR communication measures
- Giving opinions on investment and loan choices, assessing their consistency with CSR policies and their potential social and reputation fallout
- Supporting the continuing growth of the corporate ethic in terms of CSR and its promotion outside

It supports the Board's efforts in formulating CSR policies, assessing significant risks and opportunities for the company and the relative performances.

The following are members: Carlo Querci (coordinator), Turiddo Campaini, Lucia Coccheri, Andrea Pisaneschi.

The President of the Board of Statutory Auditors and the Managing Director also participate in the committee.

In 2007 it met three times to discuss topics such as: the code of ethics, CSR strategy, the Annual Report on social responsibility.



Audit systems and their independence

The system of controls consists of three levels: the Internal Audit Area, the Internal Audit Committee, and the Board of Statutory Auditors.

INTERNAL AUDIT

Principles, roles and duties for internal audit activities are defined through special Group Regulations.

The Parent Company's Internal Audit Area, in concert with the audit offices of the Group's various companies, is responsible for overall management of these activities. This is based on an annual plan that sets objectives (measurable if possible), implementation conditions, schedules and frequency of checks. The plan is validated by the Internal Audit Committee and approved by the Board of Directors; it is subject to periodic reporting.

This year, 799 inspection checks were conducted in the Group's commercial banks (+22% over 2006).

During the year, several operations were conducted on audit methods and procedures to reinforce the independence of the audit offices and their autonomy with respect to the Board of Directors and the Internal Audit Committee, including in response to new laws, in particular the Savings Act (amendments implementing Law 262/05, the finance consolidation act to strengthen the effectiveness of controls and increase protection for minority shareholders), the European MiFID Directive and the Bank of Italy provisions regarding compliance oversight.

There was also significant technological development, with computerisation of activities.



Corporate governance and responsibility

PREVENTION OF CORRUPTION AND MONEY-LAUNDERING (LEGISLATIVE DECREE 231/2001)

Legislative Decree 231/2001 concerns the administrative liability of companies for the commission of any crimes, in particular fraud, corruption, extortion, the laundering of proceeds from illicit activities, and the funding of terrorist activities.

Since 2004 there has been a special organisational model in force, which calls for:

- rules and procedures to prevent such crimes;
- processes for managing and controlling financial resources in at-risk activities;
- an oversight body (the Internal Audit Committee) to ensure that the model functions properly and is constantly updated;
- employee training;
- reporting systems and sanctions.

This year's activities included:

- update of the internal directive, taking into account newly covered crimes, including violation of occupational safety and health standards (Law 3 August 2007, n. 123);
- implementation of Legislative Decree 231/2007 on money-laundering and terrorism funding, which now applies more stringent controls on financial intermediaries in terms of their identity, operations and consequent risks from customers and from possible new relationships;
- ordinary audit programmes were checked, including through specific investigations of certain especially sensitive activities;
- 1,012 suspected cases of money-laundering were detected; of these, 681 were reported to the FIU (Financial Information Unit, set up this year in the Bank of Italy). There were 537 such cases in 2006;
- support for investigations by the judiciary in 296 cases reported by the banking system as being at high risk for money-laundering;
- 22,720 hours of training given to 8,467 employees.

There were no disciplinary sanctions applied to employees, and the legal



proceedings undertaken mainly involved failure to notify the FIU in some twenty cases.

The Group was the subject of a case study as part of a research project under the auspices of the European Commission: RARE - Rhetoric and Realities: Analysing Corporate Social Responsibility in Europe. Carried out by Transparency International and involving meetings and interviews with company representatives.

BOARD OF STATUTORY AUDITORS

The current Board of Statutory Auditors was renewed on 29 April 2006 and will remain in office until approval of the 2008 Annual Report. The quorum for presenting appointment lists is set at 1% of the share capital.

AUDIT COMPANY

We have independent relations with the audit companies, assigning tasks and consulting services to affiliated companies only with the approval of the Board of Statutory Auditors. This year, the fees paid by Banca Monte dei Paschi di Siena to companies belonging to the network of audit companies for these services amounted to 790,233 Euros.

Risk control and management

An effective organisational approach to controlling risks is an essential condition for pursuing corporate objectives.

Responsibilities and processes were defined in 2007 with a special Group Directive that takes into account recent regulatory changes in this area coming from the European Union (MiFID Directive), the Basel Committee, the Bank of Italy and Consob, with the objective of containing risk, ensuring financial stability, and behavioural honesty and transparency in providing services.



Corporate governance and responsibility

During the year, risk management and measurement methods and processes were reviewed, especially those associated with investment services and legislative compliance.

With regard to credit and operational risks, internal systems and processes were adapted to the expectations of Basel 2, and, as the first in the sector to do so, at the end of the year we consequently asked the Bank of Italy for regulatory recognition of advanced methods for calculating our initial equity in relation to the actual level of risk exposure (ICAAP – Internal Capital Adequacy Assessment Process). This will contribute to improving our general capacity to allocate human, technological and financial resources and, by using internal ratings for controlling credit risk, to better protect loans, increase awareness in management and rationalise mitigation and control processes, thereby improving the Group's stability.

New controls were developed over the accounting process (the so-called “entity-level control”) to implement the new provisions of the Savings Act.

In the wake of the well-known subprime loan problems, a manual was prepared in concert with the Bank of Italy for managing liquidity crises; it calls for monthly “stress analyses” and an assessment of the impacts on the Group's financial balance in the presence of unfavourable market conditions.

Decisions on risk management are made by the Parent Company, whose Board of Directors, at least once a year, defines the Group's propensity for and tolerance of risk, exercising general oversight over this activity. Principles and systems for managing varying types of risk are defined through individual directives.

To date there is one for operational risks (which includes among its various indicators the number of complaints and personnel turnover) and one for credit risks.

Risks to reputation were also dealt with in 2007, starting with those relating



to customer portfolio products and management, as part of the process of adapting to the MiFID Directive, and assessment of the environmental risk of credit, already present in project finance, was extended to relations with large companies.

Management of risks of noncompliance is in the regulation phase: these risks are understood as the likelihood of incurring judicial or administrative sanctions, significant financial losses or damages to reputation as a consequence of violations of mandatory standards (laws or regulations) or self-regulation (articles of association, codes of ethics, behaviour, governance, etc.,).

Other risks (market, reputation, strategic, etc.) will be dealt with soon.

More information about risk management is available on the www.mps.it site in the “Investor Relations” section.

Integrity and responsibility

COMPLIANCE

Compliance with contractual provisions and legal requirements is a prerequisite in this business, and we check it constantly. In the wake of specific instructions from the Bank of Italy on 12 July 2007, we established an office dedicated to this (the Compliance Office), defining the operational relationships between the control and process systems involved and laying out a plan of action that make compliance a key aspect for defending and nurturing the company’s value.

At the end of 2007 the Parent Company had a total of 4,655 legal disputes under way, primarily with customers.

There are 28 other administrative proceedings under way for the entire Group, primarily over violation of money-laundering legislation (including 25 failures to report suspected cases to the competent body).



Corporate governance and responsibility

We posted expenditures for fines and penalties totally 3,742,506 Euros, almost all associated with a tax-related challenge from the Inland Revenue (approximately 3.5 million).

With regard to the Bell matter (the company controlled by Hopa, involved in a fiscal determination by the Inland Revenue in Milan in relation to transfer of the shareholding to Telecom), the Montepaschi Group, while declaring the lack of substantive grounds for the technical claims in the notice of fiscal determination, considering the possible damage to its reputation and the costs of the foreseeable long administrative and/or judicial process in the dispute, has decided to participate together with the other partners and former partners of Bell in the proposed settlement, with an understanding having been reached in January 2008, with an outlay of some 12 million Euros.

CODE OF ETHICS AND SOCIAL RESPONSIBILITY

We believe that good conduct is good for the company, increases its ability to generate value for itself and its stakeholders, and is essential for gaining and maintaining credibility, reputation and consensus.

Therefore, compliance with legal requirements and controls is not enough. We need to focus on ethics and on a strong concept of self-regulation.

We therefore wanted to equip ourselves with a Group Code of Ethics, to spell out principles, models and standards of behaviour that must always guide us in every activity, in internal relations, in relations with the marketplace and with stakeholders, and vis-à-vis the environment, by ensuring that the company's social responsibility and outlook are expressed both internally and externally, becoming an integral part of corporate processes and choices.

The Code was drawn up by the Committee for Corporate Social Responsibility and approved by the Parent Company's Board of Directors on 10 April 2008.



WE FOLLOW THE PRINCIPLES OF SOCIAL RESPONSIBILITY PROMOTED BY:

United Nations



European Union

Communication n. 136 of 22 March 2006



For its drafting we chose a shared process to which all corporate offices contributed and in which the union and consumer organisations, brought together in the Consumer Lab (for information on the Consumer Lab, cf. “Customer Service and Quality of Relationships”), participated.

The Code will be made operational within the Group’s system during 2008.

Both the positive and negative results of its implementation will be checked constantly by the Committee with support from internal audits as key indicators of corporate performance.

The Code will be made public and its adoption promoted among affiliates, investee companies, business partners, consultants and associates and will be a factor in the assessment of current and future relationships.



Treatment of corporate information

We promptly report facts that are significant for the market.

In implementation of the Savings Act, we follow precise rules to ensure correct representation of these facts to the markets and to investors. There are operational instructions and specific computer applications for managing price-sensitive information and abuses of privileged information, and for monitoring operations on the financial instruments of the bank and of its subsidiaries and affiliates by significant people (directors, auditors, top management). If they exceed 5,000 Euros per year, these operations must be reported to the Bank's Administration Office. In 2007, there was one, by a director.

Relations with shareholders and investors

Our policy on relations with the financial community, inspired by the principles of equity and transparency, is aimed at providing every shareholder and investor with information that is not just clear and complete but also accessible and timely, going beyond compliance with market standards.

Communication includes mandatory reporting and news on the Group's strategies and objectives, and on organisational and corporate dynamics.

We provide constant updates through our Internet site, including in English, and – the first among Italian banks to do so – we have made our annual reports available in Xbrl format, the new international standard for the



communication of financial information.

We also dedicate numerous opportunities for information and dialogue to the financial communities; there was a marked increase in these during the year.

In this regard, 2007 saw the Investor Relations teams interacting proactively with the financial community, marketing another acceleration in activities aimed at the market in keeping with what was done in 2006. These were the most significant:

- participation in 8 conferences arranged by the leading international brokers;
- 34 meetings with shareholders (1 with actual or potential bond holders) in the main financial markets.

In all, there were meetings with some 270 investors (including investors met more than once) in 10 different countries.

Strategy and organisational developments





Strategy and organisational developments



During 2007, the Bank's business developed according to the strategic guidelines of the 2006-2009 Industrial Plan.

Plan objectives:

- to develop the organisational model and distribution network to boost business capacity and quality;
- to raise productivity by reorganising personnel and containing operating costs;
- to actively manage credit risks and to improve the profitability and solidity of the equity structure.

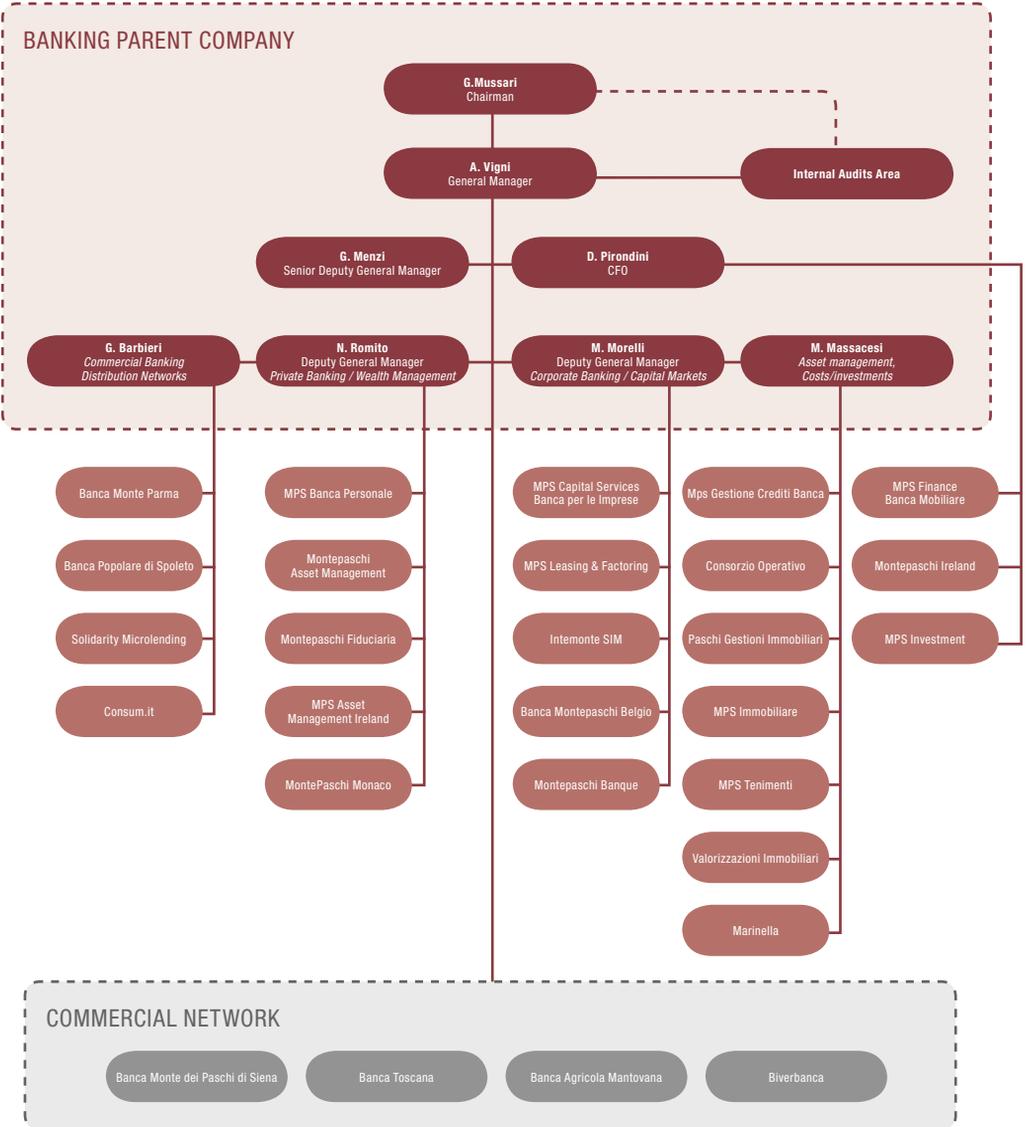
The results achieved up to now are very positive, and in 2007 again confirm the solid growth of our operating bases (customer portfolio, revenues and investments), in the presence of a strong revision of the commercial structure and of the product/service companies, aimed at developing and concentrating activities in the core business.

Major legal-entity operations were conducted, including:

- partnership with the AXA Group to enhance competitive positioning in the insurance and complementary retirement sector (October 2007);
- creation of MPS Capital Services Banca per le Imprese ("Capital Services" for short), the Group's new company specialising in banking services for companies and institutions (October 2007);
- acquisition of 55% of Biverbanca - Cassa di risparmio di Biella e Vercelli, from Intesa Sanpaolo (December 2007);
- purchase of AXA Stock Brokerage Company to strengthen the regional financial promotion network (February 2007);
- the decision to reorganise the savings management business by selling off 66% of MP Asset Management and a partnership with an industrial partner and a financial partner, achieving for the first time in Italy a separation between production and distribution in order to mitigate possible conflicts of interest, as called for by Bank of Italy (operation under way);



Strategy and organisational developments



Organisational structure of the Montepaschi Group at 31.12.2007



- the decision to create a new company for loan collection through a partnership with an industrial partner and a financial partner (operation under way).

We operated in a scenario characterised by a growing concentration of banks in the country, with a need to seek additional revenue and cost synergies in order to be more efficient and compete in the marketplace.

We therefore reached an agreement with Banco Santander for the acquisition of Banca Antonveneta, which will enable us to play the role of the third leading banking hub in Italy, reinforcing our retail market penetration in the north. This is a complex operation that will require an increase in capital: on 6 March 2008, the General Meeting of Banca Monte dei Paschi di Siena authorised the Board of Directors to increase the share capital by payment up to five billion Euros, to be offered as an option to all shareholders, and up to one billion Euros through the issue of ordinary shares to be reserved in subscription to a company in the JP Morgan Group, with exclusion of the right of option. A new 2008-2011 Industrial Plan was also formulated and approved by the Board of Directors on 10 March 2008 (the Plan is available on the www.mps.it site in the “Investor Relations” section).

MONTEPASCHI GROUP 2008-2011 INDUSTRIAL PLAN

Siena, 11 March 2008 – The Parent Company’s Board of Directors has approved the new Group Industrial Plan for the 2008-2011 period.

AN HISTORICAL TRANSFORMATION

- Antonveneta as part of a broad restructuring of the entire MPS Group
- Rationalization of the distribution network via the integration of Banca Agricola Mantovana, Banca Toscana and Antonveneta into MPS (preserving the brands’ value), with Antonveneta as new bank focused on North-East

SIGNIFICANT VALUE CREATION FOR THE SHAREHOLDERS

- Expected synergy generation from the integration of Antonveneta and the Group restructuring equal to €732m, of which 35% from revenue enhancement and 65% from cost savings



Strategy and organisational developments

- Efficiency enhancement: cost/income at 47% in 2011 (-14 bp vs 2007)
- Net income 2011 equal to €2.2 billion, with a 10.5% CAGR 07-11
- Expected ROE of 12.8% by 2011
- Dividend policy: average pay-out of 50% over the Business Plan horizon
- Tier I target above 7% as of 2011
- Asset quality under control

NEW BUSINESS PATH BASED ON CLEAR GUIDELINES

- Rationalisation of the distribution structure on territory
- Further optimisation of the product platform and specialization for the client
- Continuation of the diversification strategy of the distribution channels (innovative channels, financial advisory)
- Optimisation of capital use and profitability
- Disposal of non-core assets

Hence innovation and growth in size to promote efficiency and profitability. A growth that is sustainable, that makes it possible to create lasting value for shareholders by service to customers, in the interests of other stakeholders.

We also reprogrammed the strategic agenda in social responsibility in this direction, formulating a medium-term (2007-2009) plan that will have to support corporate objectives through increasing integration of stakeholder interests into our business. The Plan was checked by the Corporate Committee for Social Responsibility and approved by the Parent Company's Board of Directors.

Various corporate offices participated in its preparation and are responsible for its implementation, taking into account:

- assessments by specialised rating agencies (criteria and outcomes of their assessments were analysed in depth at a special meeting with SAM Sustainable Asset Management, as part of the updates to the Dow Jones Sustainability Index);
- indications from institutions;
- international bodies;
- audit and certification companies;



- the expectations of stakeholders, either stated or based on a reading of the social dynamics;
- trends and challenges affecting our industry;
- risk-opportunity analyses;
- good practices.

This report discusses them, describing the main activities carried out in 2007.

2007-2009 Strategic plan for social responsibility

Objectives	2007	2008	2009
CORPORATE GOVERNANCE			
Development of corporate governance principles	Task force set up. CSR included in Report at 31.12.2007.		
Implement a Group Code of Ethics	The Code has been prepared. It will be made operative in 2008.		
STRATEGIC MANAGEMENT			
Analysis of reputation risks	Analysis begun of risks on products and customer portfolio management, implementing the MiFD.		
Analysis of CSR risks and opportunities			
Analysis and enhancement of intangible activities			
Protection and development of quality certifications	Centralised protection of quality systems. Integrated quality and environmental management in the Parent Company.		
Internal training/communication in CSR	Internal communication channels used for basic information and updates on activities.		



Strategy and organisational developments

Objectives	2007	2008	2009
COMMUNICATION AND STAKEHOLDERS			
Development of involvement in CSR	Meetings with unions and consumer organisations on the Code of Ethics, CSR and environment Report.		
Preparation of intangibles report			
Brand assessment			
Promotion of social value and reputation	CSR focused advertising carried out.		
ETHICAL FINANCE			
Formulation of ethical investment criteria			
Support for small and micro-enterprises	Service model reorganisation Participated in MAC (capital market for small businesses) startup.		
Development of ethical funds offer	Began study for specialised funds in the energy-environment sector.		
Development of non-standard and microloan customers	Defined line of "customised" offers Issued 215 microloans for 6.8 million (+34%).		
CUSTOMERS			
Definition of a "Contract with customers"	The Contract is operative on a pilot scale: calls for refunds for unmet promises of service.		
Shared marketing guidelines			
Development of customer satisfaction	Satisfaction levels raised. More in-depth analysis in the Parent Company (care score proj.).		



Objectives	2007	2008	2009
HUMAN RESOURCES			
More communication on policies and management	Increased number of indicators in the CSR Report. Greater disclosure to financial operators.		
Improve the work/family balance	Feasibility checks done to activate services for children (company day-care centres) and on sustainable mobility.		
Enhanced listening systems			
Integrate objectives with sustainability factors			
COMMUNITY			
Guidelines for community involvement	"Policy" prepared, pending approval.		
ENVIRONMENT			
Guidelines and improved eco-efficiency	Improvement programme formulated. Meetings with unions undertaken.		
Reduction in energy consumption	Consumption reduced 2.2%.		
Development of sustainable mobility systems	Feasibility checks done. Activity started up in 2008.		
Define energy and climate policy	Task force set up. Objectives include: prepare "policy", develop offer, etc.		
Increase business renewable resources and for energy savings	Made 386 loans for 223 million (+70% over 2006).		

Financial and market activities





The Group's foremost responsibility is to create value for shareholders, primarily by establishing a solid and lasting relationship with the customer based on the quality of services offered, and to distribute value to all stakeholders by paying salaries to employees, sustaining the savings achieved, and meeting our fiscal responsibilities.

Economic performance

Economic performance was extremely positive in 2007.

The year's net profit represents the best result in the history of the Group (1,437.6 million Euros). In the last four years, profit has grown exponentially from 554.8 million in 2004, increasing by 160%. The proposed dividend per ordinary share is 0.21 Euros (0.17 in 2006 and 0.13 in 2005), with a payout (dividends distributed/profit for the year) of 45%.

Positive business results were achieved by making use of the far-reaching reorganisations carried out starting in the second half of last year.

The main income components were up, with net receipts from banking (4,459 million) up by 6.1% compared to 2006 and a net operating result of 1,477.6 (+6.7%).

Operating volumes are up considerably (investments +13.1%, direct revenues +17.8%, savings flows +15%, loan disbursement +22%, leasing contracts +31.5%) as are the respective market shares.

Very good results also in terms of profitability: the cost/revenue index dropped to 58.4%, while the ROE (return on investment) rose to 19.8%.

More information on economic performances can be found in the consolidated financial statements available on the www.mps.it site under the "Investor relations" section.



Financial and market activities

Our stakeholders benefited from these results. We produced total value added of approximately 4.2 billion Euros (+15.6% from 2006), distributing 78% of that to stakeholders as dividends from the profit realised, stipends to employees, taxes to the state, and donations.

This figure does not include additional economic value and positive effects that our business is capable of creating in society, which is more difficult to quantify.

We refer to impacts on employment in client companies and among suppliers, especially those for whom we are an important business contact; to coverage of employee pension plans; and to contributions towards the development of the areas where we operate.

And there are also the investments in innovation, development and motivation of human capital, relations with customers, energy efficiency, and in general that complex of business activities that we call non-financial but which have such an impact on our capacity for creating value.

These activities are described in the following chapters.

Market value

Two-thousand-seven was a generally difficult year, given the main share indexes (DJ Euro Stoxx +3.5%, S&P 500 +3.7%, Mibtel -8.8%, S&P/Mib -7.7%) with an especially negative second quarter in the wake of the crisis associated with American subprime loans, which led to sell-offs mainly in the financial segment (MibBanche -14.6%, DJ Euro Stoxx Banks -10.7%).

At the end of the year, MPS stock was worth 3.68 Euros (- 25.6% from the start of the year), after having hit a maximum of 5.34 Euros on May 22 and a minimum of 3.61 Euros on November 21, the result also of the general market correction in the second half. The daily volumes traded in this stock averaged 11 million shares, with peaks of 148 million in November (after announcement of the agreement with Banco Santander for acquisition of Banca Antonveneta) and minimums of 3.2 million in August.

In terms of market multiples, at year end the stock was worth ten times the profits expected in 2008 and 1.4 times the net equity per share in 2007.



Rating

Below are the valuations by the main rating agencies on short- and medium-long-term debt, Compared to last year, only Moody's rating changed on long-term debts and deposits (up from A-1 to Aa3).

In April, Standard & Poor's had moved the outlook for the Group's commercial banks from stable to positive, acknowledging the progressive improvement in overall profitability.

Agency	Short-term debt 31/12/2007	Long-term debt 31/12/2007
Moody's Investors Service	P - 1	Aa3
Standard & Poor's	A - 1	A
Fitch Ratings	F - 1	A+

In November, the same agency revised the outlook for Banca Monte dei Paschi di Siena downward from positive to negative, as a consequence of the announced agreement with Banco Santander for acquisition of Banca Antonveneta, while confirming the long- and short-term ratings.

THE H&H WEBRANKING RANKING

MPS'S ONLINE FINANCIAL COMMUNICATION IN FOURTH PLACE AMONG ITALIAN BANKS

Banca Monte dei Paschi di Siena rose to 20th place among Italian companies with the greatest capitalisation (fourth among banks) in the ranking done this year by Hallvarsson & Halvarsson Webranking based on evaluations by more than 300 financial operators (analysts, investors, journalists) regarding the completeness and usability of the corporate information available on Internet sites. The overall judgment obtained was 55, up decisively (47 in 2006 and 39.5 in 2005).

Three strengths:

- The new site's overall structure has been improved in terms of navigability and organisation of content, especially on the first page.
- The CSR section (a topic of increasing importance) is well presented
- The Media section's organisation has been improved and the content enhanced

Improved areas include:

- Interactive functions
- Corporate Governance content
- Information on the stock

Nonfinancial activities





Nonfinancial activities



Economic performances reveal what we have done, but they are inadequate for understanding our potentials, our margins for growth.

Studies in fact indicate that in order to predict the future performance of a company it is important to know how it manages nonfinancial or intangible activities that are usually not present in company reports and are associated with the areas of sustainability and social responsibility.

We want to continue investing in these activities, certain of the returns in productivity, risk reduction, cost containment, operating and market results and image, and hence in terms of overall value.

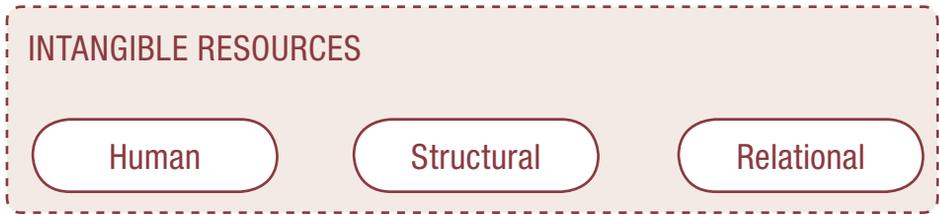
We refer to our approach and to the corporate governance model, projected over the long term, as described in the “Corporate Governance” chapter, and to aspects of our business that affect our stakeholders, their involvement, their interests and those of the company in general, which we describe in the following chapters.

In other words, strategic resources, including:

- human – the corporate culture, the know-how and experience of employees and managers, internal relations;
- relational – relations with the market and the stakeholders, especially with regard to customers and their satisfaction, brand awareness and dissemination, and external communication processes;
- structural – support for productivity and the capacity to innovate, such as organisation, the efficiency of processes, information systems and models of know-how development.



Nonfinancial activities



Themes	Pages
Personnel structure (age, education, seniority)	81-82, 138-139
Turnover	82, 141
Compensation and incentive measures	88-89, 140
Professional skills	83-85
Equal opportunity and diversity	94-96, 141
Training - activity and costs	85-87, 139-140

Themes	Pages
Innovation	53-55, 73-76
Technological applications	53-55
Investments in technology	53-55, 135
Knowledge sharing and exchange systems	85-87

Themes	Pages
Customer portfolio	51, 131-132
Customer loyalty	51, 135
Customer satisfaction	61-62
Identity management	15-17
Usability of Web site	55-56, 69
Network of relations with stakeholders	7
Media presence	132

We find that our commitment to focusing on nonfinancial activities is considered by more and more people as a parameter for assessing our results and the validity of our programmes.

That is why we are interested in communicating this and in opening up to constructive dialogue with our stakeholders. In utilising accepted codes and measuring systems to pursue the most complete and effective integration of these activities into our operations, putting financial and nonfinancial performances in closer relation to each other.



That is why we are participating in the project promoted by the European Commission, “Corporate responsibility and market valuations of financial and nonfinancial performances” (www.csreurope.org).

SUSTAINABILITY RATINGS



Ftse4good - Included in European and worldwide indices



Ftse4good Environmental Leaders Europe 40 - Among the 40 companies with the best environmental performance in Europe



Ethibel - Included in the Pioneer and the Excellence Registers.



Dow jones sustainability index - 2007 rating: 64 (61 in 2006). Below the minimum points for inclusion in the worldwide index (66) but above the average for the sector (48). Included in the Sustainability Yearbook 2008 of SAM Sustainable Asset Management with a position in the top 15% of the 2500 companies evaluated this year.

More information is available on the ww.mps.it site in the “Our values” section.

Customer service and quality relationships





Customer service and quality relationships



Keeping the focus on the customer is the cardinal rule in our strategy.

The reduction in time and space separating the customer from the bank, the ability to provide an offer of absolute quality, transparency and inclusivity – these are the yardsticks by which we measure our progress.

In an increasingly competitive context, we are committed to creating and developing relationships of trust and reciprocity, and lasting satisfaction.

Being at the customer's service to meet their needs and preferences, always behaving honestly and transparently, being prepared and capable of innovating, and credible.

Customer profile

Our customers number 4.67 million in all, and that figure is growing. In particular, our commercial networks involve almost 4.3 million relationships (some 130,000 more than in 2006), and of these 97.8% are with retail customers (private individuals and small businesses, with incomes of up to 2.5 million Euros). Of these, 65.5% are part of the family segment (with assets of no more than 25,000 Euros), concentrated mainly in central and southern Italy (79.1%). The corporate clientele (63,240 companies) consists mainly of small and medium enterprises (80.1%). Loyalty levels are high, with 56.3% of relationships in existence for more than 10 years. The retention rate (94.9%) is up slightly, as is the ability to acquire new customers is up 1.2 points (8.3% this year), especially among the young. These figures are higher than the average for the industry. Among the products most in demand among new customers: prepaid cards and loans. The traditional bank account is less in demand. Especially popular with the more active customers are debit cards and collision insurance policies, whereas current accounts, securities and bonds and, to a lesser extent, mutual funds, are marking time. The data are given in detail in the "Report in Numbers" chapter.



Customer service
and quality relationships

Distribution and relationship channels

We present our business offer and maintain relations with customers through a complex system of distribution and relationships.

We boosted the network of branches by opening 98 new ones. There are now 1,989 branches in Italy (35 abroad), which were joined this year by Biverbanca's 105 branches.

An essential factor in this is physical proximity, with 70% of customers living less than 5 kilometres from the branch.

The sales network is also supported by 139 financial promotion offices and 216 specialised centres (113 dedicated to SMEs, 37 to institutional services, and 66 for private customers).

ATMs (Automatic teller machines) number 2,405, and this number is increasing as well. For now there are 57 ATMs equipped to issue cheques and cash.

We have made major investments in improving service by boosting the numbers and skills of staff, especially in the smaller branches, and by making use of both direct contacts and contact through virtual (or remote) channels, with an eye towards integrating them.

DEDICATED STAFF

There are 14,458 people working in the branches (+718 from the start of the year). The back office/front office relationship has fallen further (25%; it was 32% in 2006 and 42% in 2005). The turnover of branch staff is monitored, although difficult to manage, as it is often the source of customer dissatisfaction.

Contact centre staff number 131 (115 in 2006) and the network of financial



promoters has reached 709 (plus the 333 with AXA Stock Brokerage Company, the company recently taken over from the AXA Group).

The commitment to training was significant: 1,051,412 hours in all (990,412 in the commercial networks, 9,500 for contact centre employees and 51,500 for promoters).

VIRTUAL CHANNELS

A growing number of customers is choosing alternative channels to access our banking and information services.

There are many measures under way to develop them further, including: the “branch of the future,” the “digital signature” (described in the next paragraph) and “integrated multichannel access.”

At no additional cost, the latter gives the customer access, with a single contract and a single approach (www.bancainfinita.it), to all the services of the various virtual channels (Internet, fixed and mobile phone).

In 2007 these virtual channels grew by an average of 28.4%, with some 935,000 contracts in effect at the end of the year.

The Internet platform is the most used, both by retail customers and companies: 36.8% and 94.5%, respectively, of the holders of an Internet banking contract used it during the year.

This platform is evolving from an operational tool into a relationship means, thanks to the new services offering greater value for customers, like “documents online” that provides a “real time” account statement and other communications relating to current accounts and securities, with consequent savings on mailing costs for the bank and for customers.

The contact centre conducted more than 1.9 million operational and informational transactions (+4% over 2006), and also set up a consulting service for the branches: “the network Island”.



Customer service and quality relationships

The contact centre, then, is increasingly becoming a tool for assisting customers, including internal customers (branch operators), as well as a key aid to sales, with an increase in direct contacts (at least once a year for 60.9% of retail customers; the figure was 59% in 2006).

TECHNOLOGICAL AND COMPUTER INNOVATION

In the last two years investments in information technologies and systems have almost doubled: 1,400 new applications for a total project outlay of 142.8 million, and costs in 2006 on the order of 11% of total operating costs. Under a new agreement with IBM, we plan to increase the efficiency of the computer systems and improve the relative production processes, with estimated savings of 48 million over the next six years.

The most significant innovations are applied to customer services and security. In particular:

- significant upgrades to the new compliance regulations, the European MiFID directives (criteria and rules for the sale of financial instruments) and SEPA (unification of payment systems), which will continue into 2008;
- design of a new computer data management platform applied to optimising customer relations;
- anti-fraud systems and tools for maintaining the activity and operability of the computer systems;
- digital signature – using a USB key, customers can purchase products and services at the branch or online, enabling the bank to reduce the costs of handling hardcopy contracts, increase operating efficiency and expand the commercial offer online. The key is actually both a signature device and an electronic access to virtual channels;
- the branch of the future – which encompasses several innovative solutions: a physical layout that promotes relations; digital marketing systems; an interactive touch-screen window; and the possibility of making full use of multiple channels. This project, made possible by the partnership with Microsoft, is on trial in three branches, the intention being to extend it progressively to the network;



- the solar ATM – with the first installation at the tourist port of Scarlino (GR) of an evolved ATM with photovoltaic panels and a connection to the Wi-Fi network. A solution that could be useful in other cases and places not served by the power grid or by fixed telephone and data transmission systems.

Investments in communication were also especially significant, with technological developments in the various information channels.

Internal, with the new electronic monthly, *Filo Diretto 30*, which supports the weekly newsletter, *Filo Diretto 7*; Corporate TV, already active in the financial promotion network (MPS BP Channel) and coming soon to the Group (MPS Channel).

And external, with the Parent Company's new Internet site, which won the Interactive Key Award, a national award conceived by the Media Key publishing group, for communication accessibility and usability and online financial services.

Design of the Group's Internet portal (a key service tool to support operations) is also under way.

ACCESSIBILITY

We are committed to making our facilities and services easier to access for the disabled. We are eliminating architectural barriers and giving ATMs new functions, made possible by technological developments, that meet accessibility requirements:

- operation surface at an adequate height for the motor-disabled (conditions already met at about 70% of ATMs);
- Braille keypad and earphone plug-in (standard requirements for new installations, already applied at 1,700 ATMs);
- software updates with voice synthesis to allow visually impaired customers to use the hardware. The activity that we had planned to complete this year got off to a late start and will be carried out in 2008 in collaboration with the Italian Union of the Blind's Institute for Research, Training and Rehabilitation.



Customer service and quality relationships

Also for the visually impaired, there is a security card available (a card containing access codes to conduct operations remotely) in Braille, for using the bank's telephone services. An innovative experiment in Italy.

The new site, www.mps.it, online since march 2007, was developed according to WAI (Web Accessibility Initiative) guidelines to overcome the barrier to using the Internet encountered by people with physical-motor and vision problems, the elderly and those who do not have advanced technological tools. The Xhtml and validation of Web page accessibility were handled by the Sogno Telematico social coop.

SECURITY

Anti-fraud systems

We prevent computer fraud and identity theft (phishing) by investing heavily to ensure the highest levels of security and confidentiality in using bank services via the Internet. In this regard our site complies with the Ebtrust quality standards conceived by the DNV certification body.

The critical parts of the technological infrastructure are in a secure area, and access to services is limited and protected by systems capable of preventing interception and leaks, such as:

- certificate contained in the customer's computer (and hence recognised by the bank);
- personal password, even single-use, to access services from potentially unsecure computers;
- customer profiling based on his "behaviour" (browser and operating system used, source of connection, type of operations conducted);
- identification of operations that violate the customer's profile.

These initiatives have made it possible to keep to just a few instances the cases of phishing conducted against our customers by the extraction of Internet services access credentials.

To further enhance customer protection security measures, efforts have begun aimed at monitoring the connections made in order to identify any abnormal



access. We also introduced the “Be Safe” service, which can be activated free of charge by the customer; it sends a notification for every transaction conducted on the customer’s account to enable prompt identification of unrecognised transactions, making it possible to block the transaction.

These activities are part of an overall project to prevent computer and other types of fraud; its objectives include:

- increasing corporate awareness of the problem;
- discouraging illicit activities by increasing the risks for those guilty of abuse;
- tightening internal controls;
- developing the necessary computer media for prompt detection of abnormal cases.

The project will end in late 2008, affecting the most critical operational areas such as management of accounts, loans, securities and cash services.

Operational continuity

In implementation of specific Bank of Italy standards, we have for some time now adopted organisational measures, procedures and rules to ensure continuity in banking services, even in critical situations, preventing and reducing the scale of potential damages caused for example by the prolonged shutdown of offices, interruptions in infrastructure, absence of essential personnel, virus attacks, intrusions, malicious acts and disasters.

In this regard, our banks have formulated special “continuity plans” to ensure the immediate restoration and maintenance of the minimum activity vital to key corporate processes.

Disaster recovery plans are in place to quickly reboot computer systems in the event of serious damage suffered by the central electronic centre.

Information on these topics is available to all employees on the company’s intranet. Personnel training at both the managerial and operational levels is key: in 2007, 89 people were involved in specific courses for a total of 356 hours.



Customer service and quality relationships

As called for by the Bank of Italy, this year we revised the continuity plans and conducted checks on the disaster recovery plans for the electronic centres in Siena and Florence.

There have been no security-system malfunctions that would jeopardise the continuity of customer services.

Robbery risk

In 2007 we had 178 robberies, an increase of some 55% over 2006 and an incidence of 9 per 100 branches, in line with the national average.

The phenomenon is on the rise for both Banca Monte dei Paschi di Siena and for Banca Toscana; Banca Agricola Mantova experienced a slight decrease.

For high-risk branches, in addition to the standard security measures called for by the ABI accords (man-trap door, video surveillance cameras, etc.), there are access-control systems using biometric technology, i.e., based on taking both the image and the fingerprint. These systems are used according to legislation on the protection of privacy.

Relations management

We find that bank customers are increasingly mature, demanding and selective; they want personalised services and at the same time have a broad range of offers to choose from that are easily accessible through modern distribution channels.

This translates into business opportunities that we want to seize by taking a different approach to customer service, based on a segmentation that takes into account two dimensions equally: the traditional one of breakdown by income level, as well as the one relating to the scale of needs, to identify customer clusters that are more homogeneous and at the same time mobile,



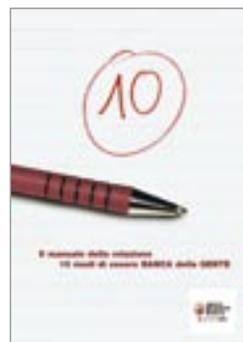
so that we can better support customers as their needs change, possibly even anticipating the changes.

We are therefore focusing on strengthening our relationship with the customer, on regaining negotiating capacity, with quality services that leverage the price factor of the product or service offered as the result of the commercial or non-commercial relationship.

In this direction, we have stipulated behavioural references, our ways of relating with customers. There are 10 of them, and we have put them together in a Manual, to serve as a working guide to building quality, communicating it to the marketplace, and transferring it to the customer.

10 WAYS TO BE A BANK

- The value of a welcome: a **WELCOMING** bank
- Knowing the customer: a bank that **KNOWS YOU**
- Professionalism and adherence to standards: a **COMPETENT** bank
- The approach to the customer: a **PRO-ACTIVE** bank
- Recovery of negotiating ability: a bank that is **AWARE** of the value of what it offers
- A response to every need: a **CUSTOMER-SIZED** bank
- Attention to future needs: a **FARSIGHTED** bank
- Caring for the relationship over time: a bank that **WINS THE CUSTOMER'S LOYALTY**
- A point of reference for the community: a bank that is **PRESENT**
- Our story: **an Italian Story since 1472**



CRM

CRM (Customer Relationship Management) is a cornerstone of business development. Given its significance, this activity is handled by an office that reports to the General Manager.

Its activities involve:

- knowledge of customers, with analysis and information systems to identify and develop ad hoc business offers;



Customer service and quality relationships

- interaction with customers, including by developing tools that support the sales network in gathering and making use of customer responses;
- customer satisfaction, for the constant monitoring and improving of customer satisfaction.

The main achievements this year:

- design of a new computer data management platform applied to optimising customer relations;
- creation of a single archive of potential customers;
- development in collaboration with Prometeia of tools for identifying and analysing local client companies to support sales and marketing planning;
- construction of the database needed for analysis of price dynamics and in the commercial network, and identification of profitability recovery margins for products;
- extension of satisfaction surveys to client companies and trial application of the Care Score model to retail customers.

QUALITY

We constantly seek quality in marketing processes and functions by applying management and control models according to ISO 9001.

The certified services include:

- personal loans;
- operations via remote channels;
- financing and cash flow for local institutions;
- staff training;
- foreign services;
- loan collection.

As part of the “quality and service” project, the product production and distribution system was revised to ensure the necessary quality in the customers’ interests. Each product is carefully examined before it can be included in the sales catalogue.



CUSTOMER SATISFACTION

The areas for attention revealed by the 2006 survey, especially customer dissatisfaction with the cost/benefit ratio of investment products and current accounts and with expected consulting support, were dealt with as part of task forces on pricing and adoption of the European MiFID directive, as described in the “transparency and honesty” paragraph.

For the third year in a row we surveyed our retail customers’ satisfaction through an expanded telephone survey (32,000 interviews; 14,000 in 2006).

Overall satisfaction was up (78%; +3% compared to 2006), but the number of unsatisfied customers also rose (7.1% of those interviewed). The summary satisfaction index, on a scale of -1 to +1, nonetheless rose from 0.47 to 0.50. Almost 70% of those interviewed would recommend one of our banks to a friend or relative.

For better or worse, the main factor determining customers’ opinion is the professional and human qualities of branch personnel.

Exploration of the reasons customers end their relationships with the bank point to more favourable conditions and costs at other banks, and logistical matters (change in residence or place of work) as the most common causes.

There were fewer cases of “critical incident” (11%). This is a phenomenon which customer satisfaction programmes and those aimed at preventing the risk of customer departure should obviously help alleviate.

We also tried out the “Care Score” method on the Parent Company’s retail customers to measure the various dimensions of customer satisfaction:

- perceived quality, which was determined by combining the results of the aforementioned telephone surveys with indications collected through various local encounters;
- the quality provided on site, through direct checks. There were 400 assessments done in our network (200 branches, each visited twice) and 150 branches of other banks, to get the necessary terms of comparison;



Customer service and quality relationships

- operational performances, through internal data;
- the quality perceived by branch personnel who participated in an ad hoc survey (1,280 questionnaires collected via Internet, May-September 2007).

By summarising these indicators, we get the overall level of “customer orientation”: the so-called Care Score Index (CSI). This made it possible to check our positioning in the market and in local areas, with margins for improvement in terms of operational performance and quality actually delivered. We are already working in these areas with specific programmes aimed mainly at overcoming the operational difficulties of the branches, which often risk jeopardising service quality.

For the first time, we conducted a customer satisfaction survey among small and medium enterprises, asking them to fill out a special questionnaire on the Internet.

More than 70% of the respondents said they were satisfied with their relationship with the bank. Almost 90% of them would recommend our banks to others. Proximity and the cost of the service are the main criteria for choosing a bank.

The improvements expected are:

- greater professionalism in the relationship and less rigidity and slowness;
- faster responses on loans and financing;
- greater perception of the quality/price ratio of foreign services;
- more quality and consulting on investments.

More information is available on the www.mps.it site in the “Our values” section.

COMPLAINTS

If the customer is dissatisfied with our service, and problems arise in the relationship that cannot be resolved through the branches, the customer can file a complaint in various ways: by fax, registered letter with acknowledgement of receipt, or online form. Information about this is available at the branches and on the banks’ Internet sites.

Complaints are handled with sensitivity and constitute opportunities for



improvement, to overcome conflicts and regain the customers' trust and satisfaction. We analyse the causes in order to overcome them and prevent the associated critical issues.

We have sought to improve the efficiency of complaint follow-up and monitoring and the quality of the relative data by using a new computer procedure.

In concert with consumer organisations, we handle dispute settlements (complaints not accepted or not settled in terms satisfactory to the customer) for amounts up to 50,000 Euros. A joint commission was set up for this purpose that will operate for the entire Group beginning in 2008.

This year we received 4,312 complaints (-9% from 2006; there were 6,438 in 2005) in relation to normal bank operations. We handled 4,270 of them with an average resolution or response time of 51 days. This is less than the maximum 60 days called for by ABI Regulations. The associated disbursements were reduced by almost 35%.

Additional protests from customers involved:

- the sale of structured products (BtpTel and BtpStrike) and financial plans (the My Way and 4 You cases) – phenomena which are basically over and now attributable to ordinary management, with residual complaints for the plans (2,261 vs 3,337 in 2006). In this regard, a few customers turned directly to legal means to resolve the disputes, with judgments (184) favourable to us in 70% of the cases;
- the cloning of debit/credit cards – a system problem on which the Interbank Fund for Consumer Protection has intervened;
- compound interest (quarterly capitalisation of interest) – we received an additional 580 protests (+7.4%). This phenomenon cannot be ignored. It is basically attributable to the fact that the Court of Cassation has ruled against this banking practice since 1999, contrary to what it had done in the twenty years before that. There were 92 court rulings on this for 2007, 71 of them unfavourable to the Group.



Customer service and quality relationships

In disputed cases, i.e., those in which the complaint cannot be satisfactorily settled or when the response comes after the deadline (60 days), the customer can turn to the Banking Claims Court, set up in the 1990's by the banks themselves to handle disputes as an alternative to ordinary justice (more information is available at www.conciliatorebancario.it).

One hundred twenty-six of the Group's customers (148 in 2006) asked the bank Ombudsman to intervene.

Transparency and honesty

This year there were many changes in the market and in relations among banks, consumers and companies, with a growing need for trust, in a context still marked by the recent critical corporate events (in Italy, the cases of Parmalat, Cirio, etc.) and financial events (derivatives, subprime loans).

There were many new laws and regulations (MiFID Directive, implementation of the Savings Act, the Bersani decree, etc.) and interventions by oversight authorities that put more constraints on banking and insurance operations and led financial intermediaries to adopt greater transparency and honesty to protect savers and investors.

The Group quickly adapted and sought to create something more.

We continued to invest in internal training, and we simplified the offer to promote transparency and people's financial education, participating in the Clear Contracts developments (more information on this project promoted by the ABI is available on the www.pattichiari.it site) and cooperating with consumer organisations towards goals of concerted self-regulation.



CONSUMER LAB, BRINGING BANKS TO CUSTOMERS



Less distance between the customer and the bank, simpler, easier-to-understand language, practical solutions for avoiding misunderstandings. This is the approach initiated in 2004 by the Consumer Lab, the laboratory bringing together the Montepaschi Group and fifteen of the most important Italian consumer organisations. In its third year, the Consumer Lab – the first of its kind in the Italian banking system -- achieved significant results.

The most recent one was the conclusion of the first complete cycle – of three planned – of training meetings that had consumer organisations and branch owners working together, in a new way for the banking sector, to “shorten the distances” between customer/consumer and the bank by identifying practical solutions to be applied in the daily dialogue between operator and customer. Consumer representatives and some 300 Montepaschi Group employees, all branch managers -- that number will rise to 1,100 once the third cycle is completed – participated in the cycle of 15 meetings.

Again this year the Consumer Lab dealt with very up-to-the-minute and sensitive topics such as family overindebtedness and the loan issue. Ethically proper behaviours were promoted among consumer credit operators, with proposals for protecting consumers calling for the preparation of a customer guide, with a sort of Ten Commandments to prevent and ward off overindebtedness. In regard to the loan issue, a range of solutions was formulated and presented to the interested parties, including the possibility of renegotiating current loans at zero cost.

Financial education was another important aspect of the work done with the consumer organisations. The Consumer Lab has in fact produced many informational guides for customers of the Montepaschi Group and for consumers reachable through the network of the 15 organisations involved. How to read an account statement, what a person needs to know before taking out a loan, and new features in the bank-customer relationship introduced by the European MiFID Directive were just some of the matters dealt with up to now. Other reports that will certainly interest savers are being prepared: a guide to securities statements, with a facilitated lexicon of structured financial instruments and a guide to public incentives for the promotion of renewable energy sources and energy savings. The Montepaschi Group is focusing decisively on this latter topic.

But consumers were also given a chance to have an impact on employee “training,” both by participating directly in corporate courses focusing on topics of social security and savings (more than 3,000 sales and marketing personnel involved) by meeting with managers and employees in the sales network as alluded to above.

Consumer Lab, created to deal with the critical issues associated with the sale of certain products, has today become a major asset for the Montepaschi Group, as the main barometer of consumer/customer expectations.



Customer service and quality relationships

It has in fact made it possible to deal in advance with hot topics that are extremely important for the bank-society relationship, dealing specifically with the code of ethics, the annual statement and the Group's social responsibility programmes, by stimulating and innovating products and processes, enabling the Group to offer higher standards of protection and to better inform customers about their rights.

A positive experience made possible by the willingness of the parties to deal directly and constructively with one another, which is helping the Group significantly to achieve its objectives of excellence in customer relations.

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

In addition, beginning in early 2008, a genuine “Contract with the Customer” will bind us to keeping three promises of quality on popular products and services upon penalty of reimbursement to the dissatisfied customer.

CONTRACT WITH THE CUSTOMER

1. Notification service for overdrawn accounts. Free SMS notification service of overdraft on accounts indicated by the customer when signing the contract.
Five Euros reimbursed in the event of failure to notify.
2. Response to a personal loan application in less than 24 hours (from customer's application to approval/denial of the loan).
Promise in effect on ordinary personal loans, Prs Casa, Prs Master, Prs Ambiente.
Ten Euros reimbursed in the event of failure to notify.
3. Working ATM. Promise relating to the ATM withdrawal and account withdrawal function.
In the event the ATM is not working, 3 Euros is reimbursed so long as the customer makes a withdrawal from a non-Group ATM within 5 hours from the time of the non-working ATM.

Reimbursement is requested by filling out an online form or by calling the toll-free number of our Contact Centre, or by contacting the branch directly. Our reply comes within 5 business days. If positive, the relative credit to the account will be confirmed; otherwise the reasons for rejection of the request will be given.





KNOWING AND ASSISTING THE CUSTOMER

The MiFID – European Directive 2004/39/EC – went into effect on 1 November 2007 and set new regulations for the financial markets and operators, in order to increase protection for investors and transparency in the markets. The transparency rules introduced include the criterion of “best execution,” meaning that financial instruments have to be purchased in the manner and place most convenient for the customer. To achieve this, banks will need to know the customer better, understand his needs and attraction to risk, to best serve his interests by guiding his investment choices in the best possible way.

This is a complex challenge for us and for the sector as a whole.

Despite the lack of complete secondary legislation and precise rules, we have developed the commercial platforms with an eye towards consulting – the consulting model was unified for retail and private customers and in support of financial promotion – in order to bring procedures, operating instruments and controls into compliance with the directive, investing in computer systems and training (13,786 people trained in the classroom for a total of 53,612 hours).

In particular, backed by experience as part of the ninth Clear Contracts initiative – compared financial investments – we revised the form and questionnaire our branches use to understand and categorise customers based on their investment objectives, financial experience and situation, and propensity for risk. We did this by consulting with the consumer organisations, with which we also developed a specific informational guide for customers.

We will carefully check that the instructions given have been carried out correctly and effectively, constantly asking the branches to communicate with customers in the best possible way.

This is to maximise our interests and those of our customers, avoiding and reducing risks to our reputation associated with phenomena such as: improper sales methods and prices, complexity of products and services and the relative contracts, inadequacy of the risk of portfolios or individual products in relation to customers’ socio-behavioural profiles.



Customer service and quality relationships

Handling conflicts of interest

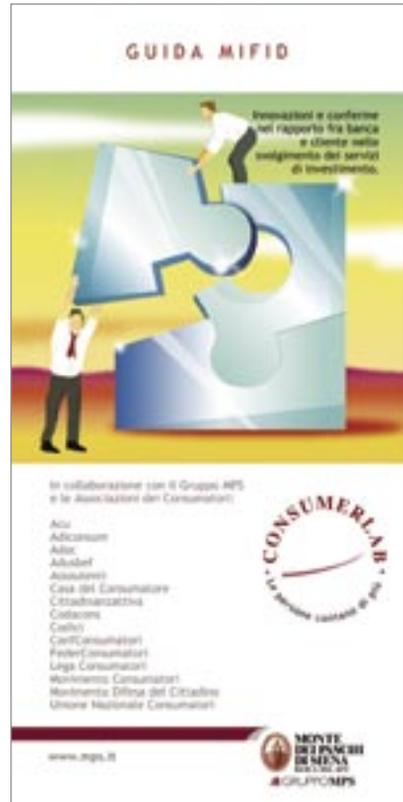
Based on the new rules introduced by the European MiFID Directive and the recommendations of the Bank of Italy, and with an eye towards greater autonomy for asset-management companies, the Group is pursuing strategic reorganisation of the Asset Management division, which calls for transferring 66% of MPS Asset Management to one industrial partner and one financial partner. The purpose of the project is to offer an asset-management company to the market that has an independent proprietary organisation capable of developing specialised know-how in high-value-added products.

The Group's conflict-of-interest policies have been updated to the new standards introduced by the MiFID, making the marketing initiative increasingly transparent and "on the customer's side."

In particular, for new savings products managed as investments, the return to customers in nonmonetary form of the investment commissions on funds selected by the managers has been guaranteed.

In 2007, development of the "open architecture" approach was continued through the further enhancement of the offer of third-party products to ensure customers access to the best investment opportunities (as of the end of 2007, third-party funds accounted for 26% of all funds allocated).

Going beyond the guarantees already offered by implementation of the MiFID, the asset-management company has for some time had a specific code of





ethics governed by an independent committee representing the interests of the stakeholders.

As for financial promotion, specially monitored by MPS Banca Personale, it is noteworthy that the broad range of third-party products has been expanded even further, making available to its own promoters more than a thousand funds and variable-capital investment companies worldwide, without favouring any particular investment company, thus avoiding possible conflicts of interest.

Marketing and advertising

Marketing is constantly involved in developing products and services suited to meet constantly changing customer needs.

Marketing communications are based on principles of truthfulness, transparency and completeness.

We follow the “Advertising Self-governance Code.” In 2007, one of the Group’s companies incurred a 7,600 Euro administrative sanction for an advertising message involving the costs and operating conditions of some online banking services, considered deceptive by the Competition and Market Authority.

Privacy

Information regarding the Group, its customers and others, such as employees, suppliers, directors and shareholders is treated confidentially in compliance with privacy laws.

We updated the security planning document to 31 December 2007, prepared according to Legislative Decree 196/03, regarding:

- analysis of risks in personal data processing;
- duties and responsibilities;
- organisational, physical and logical measures to ensure the integrity of personal data and the security of their online transmission;
- the training of new hires (2 classroom hours) and constant updating of employees assigned to process data (40-minute online course).



Customer service and quality relationships

There were 283 requests from interested parties to access their personal data in our possession, all duly satisfied, as were the questions received from the Privacy Authority (8 in 2007).

COST OF BANKING SERVICES

In terms of legislative compliance, we adapted to the so-called Bersani decrees by zeroing out the cost of closing out current accounts and transferring securities, ensuring loan portability and the possibility of paying it off before term, without penalties.

The Group also complied with the Clear Contracts “Account Change” initiative to give clear information and simple and fast tools for closing out the current account and transferring the associated services to a new one.

We also equipped ourselves to offer payment services according to European standards (SEPA – Single Euro Payment Area), with savings on costs in doing bank transfers from and to other countries.

In recent years, the current account has been the subject of special reports by the European Commission and memos from the Bank of Italy, which pointed to the Italian current account as the most expensive in Europe, with 120 Euros as the average annual cost as against 77 for the Euro Area.

The average cost of our current accounts is now about 116 Euros.

ABI intervened to note that “the prices considered by the European Commission involve packages of services and hence are not comparable to those of simple services, like the current accounts in other countries. Not to mention factors such as taxation or the use of cash, which in Italy are more burdensome than in the rest of Europe. For that matter, the total revenues per each customer of banks in Italy are equal to 1,732 Euros as against a European average of 1,813, as indicated in previous studies by the Commission itself.”

In addition, it should be said that the “package account” proposal, contrary



to what the Antitrust Authority declared when it pointed to it as a means of making the “unaware” customer pay account costs greater than for those of a traditional current account, does not penalise the Group’s customers. On the contrary, the total cost of these products (fixed + variable) is lower than for an ordinary account, both for an average level of transactions (100 transactions annually) and for more intense use (200 transactions annually). And this is true whether we make the comparison truly comparable (by adding to the ordinary account the cost of the ancillary products, which in the package account are included in the fee) or whether we consider the current account by itself.

This year, we acted on pricing by formulating innovative current account solutions at dynamic prices, which change as the customer’s characteristics and behaviour change:

- Costomeno - a “package” with a total monthly fee that drops down as far as zero as the assets in question and the number of products and services included increase;
- Contomolto - two current accounts (transactional and deposit) for the price of one. The deposit account is free of charge, and the stamp tax is paid by the bank; it also has a higher yield in the event that additional services are activated.

Customers can also open a current account online with a very modest fee (15 Euros a year), with contract signing via Internet.

We have simplified the account statement to make the relative operating conditions clearer.

Customers of the Internet services, and obviously also of the branches, have available a tool for checking the prices of various products so as to facilitate informed choices.

CRITICAL ISSUES FOR THE SYSTEM

Derivatives

In the latter part of the year, the banking system was affected by some critical



Customer service and quality relationships

issues involving the not-always-appropriate use of derivatives: risky financial instruments whose price/yield derives from price/yield parameters of other “underlying” primary financial instruments, including indexes, interest rates, foreign currencies, raw materials.

The Montepaschi Group’s activities in OTC (Over The Counter: an unregulated market in which negotiations and sales of securities occur outside the stock market) derivatives with customers, begun in 2002 in the wake of a special decision by the Board of Directors, basically involve operations conducted for purposes of covering the rate, exchange and commodity risk.

The products offered to customers generally have a series of common properties that characterise most of the operations. In particular, the negotiated products:

- are not speculative in nature;
- are associated with an underlying position while remaining contractually and administratively separate from it;
- even in the presence of not strictly plain vanilla positions (defined as structured), nonetheless present limited elements of complexity;
- are not characterised by financial leverage.

In the context of all the OTC derivative positions with customers relative to operations conducted only with counterparties belonging to large enterprises, SMEs, organisations and institutions, and small business, we note in summary that:

- the customers involved (some 5,000) and the contracts stipulated represent a limited portion of all of the Group’s operations with customers;
- the total net fair value of these products is positive for the Group (and negative for customers) for an amount equal to 35 million Euros. The result is essentially determined by options on foreign exchange deals, whose performance has to be placed in relation to the dynamics of the Euro-dollar exchange rate.

Parmalat

Negotiations were concluded in February 2008 to put a definitive end to



disputes relating to the period preceding the Group's declaration of insolvency (December 2003). The Parmalat Group thereby relinquished all revocatory and compensatory suits already brought to to be brought against the Montepaschi Group.

Under this agreement, the Montepaschi Group will pay Parmalat a total of 79.5 million Euros and 500,000 Euros to the Extraordinary Commissioner for Companies under Extraordinary Administration.

Settlement agreements were also reached with the Commissioner of extraordinary administrations of the Parmatour Group and Parma Associazione Calcio and other companies of the former Parmalat Group still under extraordinary administration. The agreements call for the Extraordinary Commissioner to relinquish all suits brought and to be brought and payment by the Montepaschi Group of 9.5 million Euros to the Extraordinary Administration of Parmatour and 500,000 Euros to the Extraordinary Administration of Parma Associazione Calcio.

Social themes and socially responsible finance

FINANCIAL INCLUSION

We have seen how our country's social and demographic dynamics and labour policies are exposing difficulties in accessing basic banking products and services among a growing portion of the population.

The figures are significant (3.7 million immigrants, 5 million insecure workers, 7 million low-income people).

In this regard as well the banking system has responded, so that today 67% of immigrants have a current account and 70% of the banks operate in



Customer service and quality relationships

micro-lending.

These efforts pursue profit-making objectives but also pursue the country's interest in greater integration and social security and a higher quality of life.

This year, we developed our offer further by formulating a range of solutions for young people, foreigners, project workers and fixed-term workers.

Among other things, this “customised” offer features:

- the On-Off property loan, which allows interruption of payments and the accruing of interest during the inactive period, for a maximum of three consecutive monthly instalments and four times during the course of the repayment plan. The contracting party can also get a reduction in the interest rate when his job becomes open-ended;
- the prepaid Spider card, with an annual fee of just 10 Euros and without having to open a current account, lets the holder make almost all banking transactions, withdraw from our branches free of charge, and pay household utilities. Bank transfers and salaries can be credited to it, and it can be used at very low cost for Internet and telephone services;
- the Senza Frontiere (“Borderless”) account – dedicated to foreign residents, includes many services at preferential conditions. It targets specific needs, selected through dialogue with the representatives of their communities and with the institutions that protect their rights and interests (church and humanitarian institutions, embassies and consulates, ethnic associations, volunteer groups, etc.). It allows free transfers of funds to the countries of origin and, thanks to agreements with primary foreign correspondent banks (in Albania, Morocco and Senegal), the family members of immigrants can also enjoy preferential conditions on current account services. More than 150,000 customers come from countries with high emigration rates (+10.9% since 2006), accounting for 3.8% of the total customer base. There are 131,000 open accounts (6.2% of the total) and 24,300 loans taken out (7% of the total). These figures put the Montepaschi Group in the forefront in Italy for immigrant services but do not exhaust our commitment, which



this year saw the refinement of the service model and the training of 1,418 marketing employees through an online course focusing on the unique characteristics of immigrant customers, their needs and how to relate to them. And obviously in terms of the technical aspects of the offer, which we are developing further, including with credit services for businesses.

News as well for other marginalised segments of society: the elderly, micro-enterprises and the tertiary sector.

For the elderly, we offer a pension loan (PrestiSenior): by mortgaging the property they own, they can get a 20-year loan or annuity so they can more confidently face the problems that come with old age and be better able to help their children and loved ones, with the possibility of “redemption” by the heirs, thus safeguarding the family assets (which is not possible in the case of “bare ownership”).

With Prs Ten Silver, seniors can get personal loans up to 40,000, and loans guaranteed by the transfer of one-fifth of the pension will soon be possible as well.

Various efforts have been made to support small and micro enterprises, in the context of an overall reorganisation of the specific service model, with particular attention to the specific problems of access to credit through incentive and pricing policies and the development of systems for evaluating credit worthiness that also include qualitative aspects.

Among the new products: Prs Microbusiness, a consumer credit solution that provides loans of from 1,500 to 25,000 Euros quickly, bypassing the often long processing times of ordinary loans. We are also participating in SMOAT (Sistema Microcredito Orientato Assistito Toscano – Tuscan Assisted Oriented Microloan System), a risk fund promoted by the Tuscany Region to provide financial assistance and services to businessmen who, lacking adequate collateral to access ordinary bank credit, want to start up a new business. In 2007 SMOAT issued 103 small loans (up to 15,000 Euros), contributing to



Customer service and quality relationships

the creation of 118 new jobs. The Group had 14 operations, but we plan to do many more in future.

In the tertiary sector, we are involved with a specific service model and databases for effective management of financial needs, risk profiles and relations with subjects generally considered “atypical” by the banking system. The commercial offer provides a current account with fee fixed for two years, including management costs, with basic associated services (Internet and telephone operations, prepaid cards, credit line for advances on verified contributions) and others at preferential conditions (e.g., collection of association dues and donations). It is also possible for our customers to make donations to such institutions by zero-cost automatic deduction.

More information on our products is available at our www.mps.it site.

MICROCREDIT

In the microcredit sector, we operate without profit objectives. We do this mainly in Tuscany, as part of the fight against usury with loans guaranteed 50% by the Tuscan Foundation for the Prevention of Usury, and through Microcredito di Solidarietà, a financial company in which the Parent Company has a 40% interest, the rest being held by Sienese public, religious and volunteer institutions (www.microcreditosolidale.eu).



This year we issued 215 small loans to the disadvantaged and needy for a total of about 6.8 million. The impact of the activities of Microcredito di Solidarietà is up, with more than 50% of total operations and geographic expansion into Arezzo Province.

The social problems dealt with include: the economic difficulties of small businessmen, illness, immigration, overindebtedness.



FAMILY DEBT

Various responses have been devised to deal with the problems some families have in repaying home loans given the unfavourable evolution in the economic and financial scenario.

We were among the first in Italy to apply the “loan portability” package called for by the new legislation, with a specific product (SostiMutuo), either fixed-rate or variable, aimed at replacing loans taken out with other banks, taking over as the new creditor (the so-called loan surrogate).

As a response to calls for a restructuring of payments, we interpreted current laws in a way favourable to customers, allowing borrowers to revise the main financing conditions already agreed to, with no administrative or bank costs: from extending the due date to revision of the type of rate. Of these approaches, extension of the payback period is especially effective, making it possibly to significantly reduce the amount of the loan payments by as much as several hundred Euros.

In addition, all renegotiation options are possible simply through an exchange of correspondence involving no notary or procedural costs, partly because of the decision by the Group’s banks to waive recovery of expected costs, equal to 250 Euros per case. The Group has also committed itself to giving the customer a definite answer within ten business days from submission of the application.

Consumer organisations have expressed interest and appreciation for these solutions.

Our marketing strategy also calls for:

- offering less risky products, favouring the fixed-rate loan in this phase, with benefits in terms of less likelihood of insolvency and overall complexity of the loan;
- a variable-rate loan with a cap limiting the effects of rate hikes, setting the maximum level of the instalment right from the start.



Customer service and quality relationships

But home mortgages are not the only problem families face in terms of indebtedness. Consumer credit is in fact growing constantly; this is a sector that contributes to boosting consumption and hence to recovery of the economy as a whole, but it also has a responsibility not to promote excessive recourse to debt in relation to the real ability of families to earn income and pay their debts.

Our specialised company, Consum.it, in cooperation with consumer organisations, has been working in this regard on promoting awareness and on formulating possible solutions to reduce the problem (among other things, customers are not being offered loans with deferral of the first payment).

For example, for those with more than one loan in their portfolio, perhaps through various intermediaries, we offer a personal loan called “Prs Una” that consolidates multiple outstanding debts into a single payment, with a consequent improvement in cash flow: the new payment is indeed lower than the sum of the payments of the refinanced loans.

ETHICAL FINANCE AND INVESTMENT TRACEABILITY

We are involved in creating credit and investment policies that will ensure that savings are always used properly, honestly and for useful, sustainable purposes.

The “traceability of money” and the transparency of financial processes are a complex topic. Here are some aspects of our business that are significant in this regard, but obviously they do not exhaust the topic.

- in keeping with the principles of Basel 2, the management of credit to companies is always oriented towards finding a balance between financial support and risk profiles;
- we measure the environmental risk of loans to projects and companies with high polluting potential (cf. “The energy question and environmental protection”);
- we cooperate with other banks, institutions and oversight authorities to



- contribute to preventing the laundering of proceeds linked with illegal activities and the funding of terrorist activities;
- through our subsidiary MP Asset Management, we manage investment funds, providing up-to-date information on products, portfolios and performance, to enable our current and potential customers to handle their own investments with greater awareness. This information is available on the www.mpsam.it Internet site, in the “Notices to funds participants” and in Monitor magazine. We also apply an active-shareholders policy, requiring the issuers in our portfolio to comply with the highest standards of corporate governance;
 - we respond to the ethical preferences of savers/investors by offering a range of socially responsible funds: the DucatoEtico system, whose investments are directed at companies that meet a broad range of sustainability criteria, both positive and negative. More information is available on the www.mpsam.it site and, only for the subscribers of these funds, also through a specific report, Dialogos;
 - we avoid involvement in financing and brokering operations attributable to the production of and trade in arms. In fact, in 2000 we decided to get out of the armaments sector, and for some years now we have not appeared in the registry of loans to the arms trade kept by the Prime Minister’s Office each year pursuant to Law 185/1990. This does not exclude the possibility of providing general financial services to companies that in some way operate in that sector not connected to specific purposes or projects. For these types of projects, the Group’s investments as of the end of 2007 totalled 25.7 million;
 - in operations abroad, the risks of corruption and fraud are not particularly high. Our activity in countries with high rates of corruption is in fact modest: 211 million in loans (570 million in 2006), mostly of a commercial nature, concentrated mainly in Algeria, Egypt and Iran; and in countries with preferential tax systems, 680 million in transactions (1,700 million in 2006), mainly financial, in Hong Kong, Singapore, and to a lesser extent in the Philippines and elsewhere.

Personnel development





Personnel development



We are committed to ensuring safe, wholesome and satisfying work conditions and environments where employees are treated fairly and with respect, supported in their professional development and rewarded for good performances.

Personnel profile and occupational dynamics

The Montepaschi Group employs 24,167 people (the actual workforce is 24,109, not taking into account those assigned to outside companies and cleaning personnel), almost all open-ended (96.8%) and residing in Italy (97.5%); 6.3% are part-time.

Their average age is 41.9 – in line with the objectives of gradual rejuvenation of resources (it was 42.7 at the end of 2005, the baseline for the 2006-2009 Industrial Plan) – with 44.2% of employees under age 40. Consequently we find a relatively low average time in service (39.9% have been with the company for less than 10 years). The proportion of female personnel has grown constantly since the start of the Industrial Plan (42.8% as against 41.1% at the end of 2005), as has the proportion of university graduates (28.8% compared to 26.3% at the end of 2005).

The data are given in detail in the “The Report in numbers” chapter.

During the year the number of personnel on payroll dropped by 181 units, taking the total decrease since the start of the Industrial Plan to 2,375 people, 2,084 of them attributable to the sell-off of the tax preparation business. This decrease was accompanied by a significant internal shuffle in favour of the



Personnel development

marketing network, which has grown by 1,680 units since the start of the Industrial Plan (+718 since the start of the year) as a result of the following measures:

- substantial exits of high-level senior personnel (some 1,000 of the total 1,900 terminations) achieved by implementing the “technical mechanisms” of Encouraged Departure and the Solidarity Fund and focused mainly on central positions. In this context, and consistent with the objectives of the Industrial Plan, the mandatory Solidarity Fund was also activated through a special agreement with the unions; this affected some 260 people belonging only to the Group’s central offices, all meeting the requirements for retiring on pension and numerically superfluous in terms of the target sizes of the offices themselves;
- new hires (about 1,600) of young people with high potential, most of them going into the network, in relation to regional expansion programmes (the so-called “Branch Plan”) and targeted reinforcement of the other commercial entities (first and foremost the specialised centres for businesses and private customers);
- assignment to the network of more than 750 people from the central offices after they were “freed up” by the organisational integration projects defined in the Industrial Plan. The necessary vocational readjustments were achieved through specific retraining courses, individually structured around sequences of operational and training experiences.

The back office - front office ratio consequently dropped to about 25%, compared to 42% at the end of 2005.

There were 207 voluntary resignations, with a low turnover (0.88%), in line with 2006.

Given these restructuring and reorganising operations affecting companies belonging to it, the Group operates in compliance with national contractual provisions that call for advance notification of the unions and for consultation and negotiation, to be carried out with certain deadlines (50 days unless otherwise agreed between the parties).



Development strategies and models

In 2007 personnel management continued in compliance with the guidelines of the 2006-2009 Human Resources Office and Policies Development Plan,” with the objective of enhancing people’s skills, their professional quality and their motivation, key factors for dealing with the Group’s strategic priorities.

In particular, through policies and tools based on approaches differentiated for families and professional communities, the utmost attention is paid to:

- raising the levels of professionalisation of front-line resources, with specific reference to the ability to manage the relationship with the customer and to a proactive approach to the customer;
- ensuring the best coverage of critical roles for the businesses, through professional, training and career approaches, with specific attention to young people;
- formulating plans for the constant development and renewal of management, starting with the formulation of a new model of behaviours functional to achieving the Plan’s objectives and with a complete systematic mapping of managerial qualities;
- implementing specific reorientation and retraining programmes for resources “freed up” by the reorganisation projects, to further improve the relationship between front-office and back-office roles.

At the management level, these strategic guidelines take the form of a new model for the development of human resources. The main achievements this year involved:

- operational implementation of PaschiRisorse, the tool for surveying distinctive job skills and periodically checking the suitability of individuals with respect to the established profiles. The skills check, to be conducted at least every six months, in 2007 involved some 11,500 employees of the Parent Company (professional areas and management personnel), with final delivery of the results to the employee by his manager. In order to



Personnel development

make this essential part of the process more effective and ensure that the interview between manager and employee was marked by constructive and motivational dialogue, this phase was preceded by training sessions for all Bank resource managers;

- boosting technical and managerial skills and professionalism through the training described in the following paragraph;
- formulation of the model for developing excellent resources, aimed at expanding the understanding of everyone's individual potential, with a focus on the young, in order to guide their professional development and create a channel for sourcing the Group's future management.

In addition, for the employees of the Group's three commercial banks, the so-called "professional tracks" were implemented according to the corporate supplemental contracts and in compliance with the organisational dynamics and organic analysis of individual aspirations.

There are two types of professional tracks aimed at supporting at the planning stage the growth of network resources towards certain "target positions":

- vertical, regulating the approach to the "target role" through sequences of roles and supporting operational experience and training courses;
- horizontal, to promote skills integration in joint roles within the same production cycle.

In 2007 the professional tracks got under way at Banca Toscana and Banca Agricola Mantovana, as did the second edition at Banca Monte dei Paschi di Siena which, in addition to repeating (extending them to the "private cycle" as well) the network tracks envisioned by the 2006 edition, introduced for the first time the horizontal tracks for the central offices, starting experimentally with offices in the Banking Parent Company and the Group Operating Consortium.

Development plans were also implemented for positions with a high business impact above Management Grade 2 level. This measure is aimed at ensuring programming coverage for significant positions of responsibility in the network and specialised professional positions in the central offices, and at



identifying a reservoir of resources to be moved with appropriate training into management positions.

As part of a specific “managerial model,” the managerial qualities of some 450 managers were completely mapped, as a tool for supporting the relative “continuity plans” for adequate coverage of positions of responsibility and the development of appropriate programmes for “strengthening management. The crux of the model: managerial balance. The distinctive value and hallmark of corporate culture, defined as the ability to act with the “right measure of things,” with an eye towards sustainability and structural meaning of the results to ensure solid, continuous development.

Around this, 4 macro-skills were identified (innovation, leadership, vision, accomplishment) that should always characterise the qualities of a manager, so that it is possible to carry out the Group’s strategies.

Training

The training we have conducted for some years in compliance with the ISO 9001 quality standard, making use where possible of available funding, supports the management policies and developments described above.

The objectives pursued in 2007 include the following:

- design, creation and publication on the corporate Intranet (viewable by all personnel) of an integrated training system structured by individual positions, and scheduling of individual training consistent with the development policies and skills (know-how and capabilities) called for by “Paschi Risorse”; also based on specific agreements with the unions;
- regarding technical-professional aspects, we aimed at strengthening the key skills of network resources with an eye towards specialisation. This was done in particular with targeted programmes for those responsible for relations with small and medium enterprises, retail-affluent and specialists



Personnel development

in foreign business, to improve the capacity to manage the relationship proactively and the customer service capacity;

- with regard to the managerial component, we focused on increasing central capabilities (leadership and team management), especially in the network (branch managers). The activity focused primarily on branch managers, with completion of the courses in Leadership Development;
- greater communication with personnel regarding available training (classroom and online), including through systematic illustration on FiloDiretto7;
- monitoring – for purposes of constant improvement – of the effectiveness of the courses, not only by surveying participants' customer satisfaction but also by introducing entrance tests and final exams on the skills acquired (for the main courses on technical and professional disciplines).

The economic commitment to training was significant: about 6 million Euros (+17% compared to 2006).

The activity involved 82% of personnel (-1% from 2006), for a total of 162,382 days (+54% from 2006). On average, then, each employee involved in the training process participated in seven days of training during the year (4.35 in 2006), rising to 10 per employee in the commercial network.

The training commitment covered by ISVAP (Institute for Oversight of Private Insurance and Public Interest) Regulation n. 5, which calls for, among other things, "certification" of insurance intermediaries through special training, contributed to this intensified activity. More than 6,000 Group employees received this certification during the year.

There was also a significant training commitment associated with adaptations to the MiFID Directive (13,786 people trained in the classroom for a total of 53,612 hours).

The incidence (and widespread familiarity) of the online courses increased considerably (29% as against 9% in 2006). Each month there is an average of



more than 100 registration requests for online courses in the Parent Company alone.

Overall appreciation of the training is very positive. In relation to 1,600 courses, the evaluation forms filled out by the participants showed an overall perceived quality index of 5.03 out of a maximum of 6.

The data are given in detail in the “Report in Numbers” chapter.

INTERNAL COMMUNICATION

We have various internal communication tools for ensuring prompt availability and constant updating of useful information at all levels, for the sharing and socialisation of corporate events and to promote effective synergies and cooperation among the various parts of the organisation.

The main ones are the weekly electronic newsletter FiloDiretto 7, and the monthly electronic in-depth magazine FiloDiretto 30.

Company television is already working in the financial promotion network (MPS BP Channel) and under way on a trial basis for the Group (MPS Channel).



Personnel development

Compensation, incentives and contributions

Average compensation levels for Group personnel are in line with the industry's: the 2007 reduction in personnel costs in fact reflects the structural effects of the staff reorganisation efforts implemented beginning in the previous year, with the departure of very senior, high-level resources, which was compensated by the hiring of high-potential young people, which led to a slight reduction in average compensation in the professional areas and for management staff.

Total Annual Compensation (TAC) consists of the fixed part (GAC – Gross Annual Compensation) and the “incentive” (APB – Annual Performance Bonus) and “productivity” (APV) variables.

According to contractual provisions, the APB is determined by an incentive system based on the correlation between level/weight of the position held, results achieved and individual bonus, aimed at raising the motivation level of personnel and involving them in corporate objectives and strategies. In particular, each year during programming the objectives forms are made out, containing the expected performance levels and indicators, weighted according to responsibilities and managerial options available at the various organisational levels. The objectives also include general qualitative factors involving the relationship with customers (in terms of loyalty, development and customer satisfaction) and/or the implementation of strategic projects called for by the Group's industrial planning, so that the medium- and long-term vision becomes important.

In 2007, because of the very positive economic results, we saw a hike in the overall ceiling available to the incentive system. Consequently, the incentive paid to managers and administrative staff had an impact on overall compensation equal to 30% and 9.2%, respectively; the economic incentive given to the professional areas averaged 4.4% of the TAC. At all levels,



bonuses were higher than the averages in 2006, especially for network professionals with high business impact.

Another component of the variable compensation (APV), given in most of the Group's companies, is associated with corporate productivity indicators and has two components: monetary and stock, through the assignment of ordinary shares in Banca Monte dei Paschi di Siena. This year some 12,400,000 shares were assigned free of charge.

In 2007 we continued applying the compensation model for managers designed and developed in order to better differentiate compensation levels according to the contribution made in achieving results by business and by level/weight of the organisational positions.

Other contributions totalling some 51 million are given to employees primarily for supplemental pensions and health care coverage (supplemented this year with the Long Term Care policy – as expressly called for by contract in anticipation of the provisions in the agreement to renew the national collective bargaining contract (CCNL) that ensures an annuity in the event of permanent loss of self-sufficiency in carrying out basic acts of everyday life).

Employees with a fixed-term contract or part-time contract are given the same benefits provided for employees with open-ended and full-time contracts. For part-time contract employees, the benefits attached to compensation are generally proportional to the hours worked.



Complementary pension funds

The Group's companies have set up complementary pension systems for their employees, which operate according to various mechanisms.

For example, in the Parent Company, pension management is conducted through two closed contractual funds:

- the Corporate Pension Fund reserved for employees hired before 31 December 1990;
- the Complementary Pension Funds for employees hired since 1 January 1991.

The former in turn has two sections: one a defined service (supplementing the basic pension) and the other a defined contribution (with individual capitalisation). This fund's assets also come from the company's contributions, which for the Defined Contribution Section is 2.5% of the compensation base used for determining the Employee Severance Indemnity (TFR).

The Fund for employees hired since 1 January 1991 also ensures pension services supplemental to the mandatory basic system and receives a contribution from the Bank at 2.5% of the basic compensation used in determining the TFR.

The movable assets of the two Funds are managed according to various lines of investment, including an ethical character, chosen respectively by 4% (2.7% in 2006) and 5.7% (4.4% in 2006) of those registered.



Work environment

We are committed to promoting a positive, satisfying work environment for all, including through constant dialogue with the unions.

In terms of employment, the contractual relationships are normally full-time and open-ended. In recent years, under Legislative Decree 276/03 (and subsequent additions and amendments), hires of young resources through special selection procedures were made primarily in the form of a professional apprenticeship contract, for which the Group's companies, in keeping with the supplemental contracts, ensure forms of "indemnities" aimed at compensating for the hardships deriving from assignments to work sites away from the city of residence. In any case, the selections made in 2007 were made on a geographical basis for the purpose of better inclusion of the new hires with the Group's network.

We measure job quality and satisfaction in various ways.

Among the positive signs:

- a low turnover rate (0.88%, in line with 2006);
- fewer hours of overtime (59 hours per capita; 64 in 2006).

However, we do see increases in absences for illness and accident (this year, 9.7 days per capita, compared with 6.9 in 2006) and in the number of disciplinary measures (64, up from 52 in 2006).

Disputes also increased, with 217 labour disputes (190 in 2006), almost all against the company and involving 419 employees, having mainly to do with:

- establishment of the employment relationship;
- request for a higher grade;
- compensation differences;
- harassment and professional downgrading;
- dismissal;
- supplemental pension.



Personnel development

RELATIONS WITH THE UNIONS

The work of the various joint bodies with the unions is continuing (among other things, committed to the sharing of the content of this Report), with particular attention to topics such as: quality of the employment relationship, professional development (with primary focus on equal opportunity, internal climate and career tracks), safety and environmental impacts.

In implementation of the specific contractual provisions in this regard, and with reference to the Parent Company, dialogue continued on the “Work Organisation Protocol” signed with the unions on 21 November 2002, on the reorganisation/restructuring projects envisioned by the Group’s Industrial Plan and on the relative personnel policies.

These projects led to a strengthening and rationalising of the distribution network in quantitative and qualitative terms, and reorganisation of the centre of governance, with a consequent streamlining of the central offices, with obvious consequences for personnel. The relative dialogues with the unions have been concluded, in most cases with the signing of specific agreements.

Serious dialogue with the unions also gave all of the Group’s employees a choice as to application of the TFR, in light of the new legislation in this area.

LISTENING AND DIALOGUE

Internal relations must be based on attentively listening to the employees’ aspirations and motivations, including through constant communication with the unions, and on constructive dialogue with them, for the purpose of achieving a favourable and open corporate climate.

There is a need for a more organic approach to consulting employees, in order to check how satisfied they are with their work. We are considering this, in order to further develop the ways in which we relate.

These include:

- as part of the Paschi Risorse management model, surveying the career



expectations of all employees and their observations regarding the set of skills and developmental track suggested by their manager;

- the possibility of sending personal comments and considerations by e-mail to the mailbox of the FiloDirtetto7 newsletter.

QUALITY OF WORKING LIFE

The Group has always considered the development and motivation of human capital, developed by improving the employees' quality of life, to be of primary importance and a key factor in competitive advantage.

Our commitment is to best reconcile the company's objectives and needs and the employees' personal and family needs, in an atmosphere of flexibility in human resources management.

In this direction, there are various provisions in the company's contracts that are additional to and improvements on the provisions required by law and by national contract:

- flexibility in hours and in organisation of the job (work day start, break and end time, part time, with horizontal, vertical and mixed forms);
- paid and unpaid leave at special times in personal and family life (death of a spouse, wedding, births, adoptions, medical treatment and visits, completion of studies);
- hire of family members of deceased employees.

Solutions involving childhood services and sustainable mobility are also under study.

EQUAL OPPORTUNITY AND DIVERSITY

By setting up specific joint commissions and monitoring centres with the unions, the Group closely and responsibly follows the issue of equal opportunity, to identify possible measures for ensuring equal development of female personnel, looking out for any factors that might represent an objective impediment to their professional growth in the work environment.



Personnel development

In recent years we have seen increasing numbers of women in responsible positions, especially in the network:

- women account for 42.8% of the work force;
- they hold 22.2% of managerial positions (managers and administrative personnel). Specifically, 23.5% are administrative personnel and 3.2% are managers;
- in 2007, 42.3% of promotions went to women;
- 93% of part-time jobs belong to women.

Working mothers returning from maternity leave undergo a special vocational updating phase.

With regard to the handicapped (1,099 persons), there is a commitment to ensure the conditions for better inclusion in the workplace; if necessary, appropriate adaptations are made to work stations and tools, both structural and in terms of computers, that ensure full accessibility and usability. At the end of the year some 75% of the work stations of visually impaired employees had been renovated, with new technological facilities, certified by the Italian Union for the Blind, to make the best possible use of e-mail and Internet access. The works programme will be completed in early 2008 in the Parent Company and will gradually be continued in the other companies of the Group as requested by the interested parties.



HEALTH AND SAFETY

The Prevention and Protection Office oversees health-care activities for employees and other more technical activities (including in compliance with Leg. Dec. 626/94) of identification, assessment and constant monitoring of safety risks in workplaces (with specific reference to robbery-prevention measures, for the Parent Company, the “Safety Project” was started up on a trial basis after a specific protocol was signed with the unions).

It does this through a management system that complies with the OHSAS 18001 (Occupational Health and Safety Assessment Series) quality standard. At year’s end we obtained the relative certification for Banca Monte dei Paschi di Siena and the companies in the Group responsible for managing real estate (Paschi Gestioni Immobiliari) and computer systems (Consorzio Operativo di Gruppo).

Employees responsible for safety are qualified (those assigned to the Office have taken suitable training courses, the effectiveness of which has been certified by the Prevention Certification institute (ICPrev) and work in constant communication with the worker safety representatives (RLS).

In this regard, this year two task forces were set up with the RLS: the first involved protecting workers in particular conditions (the so-called “lone workers”) by equipping them with an automatically activated medical alert device connected to the nearest branch, ready to intervene if necessary; the second was aimed at developing a more effective method for identifying so-called “video-terminalists” that takes into account the provisions of the national collective bargaining contract and current legislation in this area.

We attribute the utmost importance to training. In 2007, 8,592 people were involved in courses on: risk management (including the risk of robbery) and fire emergencies, first aid, and the prevention of problems associated with using video terminals.



Personnel development

We assess risks in all of the Group's facilities and activities relating to safety conditions on the job, environmental health, ergonomics, and the psychological impacts of robberies. In order to locate and keep under control situations existing in the workplace, we make use of a special computer procedure (MpSafe) currently in use in the Parent Company and soon to be extended to the rest of the Group.

With regard to protecting occupational health, we conduct careful monitoring through the Group's Health Service. With an eye on prevention, the Service has conducted medical exams on 1,065 employees, with 82 specialist visits and 294 on-site inspections. Our objective is to increase employee information on specific health risks in the banking business (stress, posture problems, etc.).

Social programmes

We support socialising and solidarity among employees.

Some 1,600 employees belong to the Group's recreational clubs (57 as of the end of 2006). These were in fact created to promote socialising, provide social services and educational recreation, promote cultural, artistic, sports and tourist activities. This year we contributed more than 496,000 Euros to them.

In addition, we participate significantly in employee pension funds, supplemental pensions and health expenses, and, in order to provide moral and material support to employees and their families, most of the Group's companies offer them subsidies, loans and other types of assistance (subsidies for employees' handicapped children, students, etc.).

The work of the Mutual Assistance Funds is fundamental in this regard. Set up within Banca Monte dei Paschi di Siena and Banca Toscana at the initiative of some employees, these Funds, with support from the banks and members'



voluntary payments, they make major contributions towards protecting health (advances for dental treatments, hearing aids, glasses and other health-related causes) and the family (wedding expenses, subsidies for handicapped children, birth and adoption, scholarships, obtaining diplomas and degrees, etc.).

In 2007 these contributions amounted to 4,045,600 Euros.

Also significant is the “ecological contribution” that MPS Capital Services has for some years been paying to its employees to buy electrical cars and bicycles and for public transit passes (some 16,500 Euros distributed among 84 people). We are considering extending this measure to other companies in the Group.

Participation in the sustainable growth of communities





Participation in the sustainable growth of communities



Through our extensive network of branches, we are an integral part of the communities in which we operate. That is why it is in our interest to contribute to the social and economic growth of the country and of the local systems we serve.

We do this by cooperating locally with institutions, manufacturers and the tertiary sector through an integrated offer of banking services, participation in company capital and disbursements aimed at generating benefits for the community.

Innovation and development of infrastructure and production

The Group has worked on various fronts:

- development of new products and services aimed at supporting companies in all phases of their life cycle (start-up, research and innovation, development of new markets, including foreign), helping them manage the associated financial risks;
- cooperation with key actors in public spending in developing local economies and building infrastructure and major works of public and environmental interest;
- operations in capital markets and investments in quality enterprises with growth potential whose corporate purposes include local development, social promotion and environmental sustainability.



Participation in the sustainable growth of communities

Unfortunately, for the moment we cannot offer a systematic and exhaustive representation of the resources applied and the value consequently created for the community and the enterprises, since we do not have the necessary measurements. This is one of our objectives.

We will therefore restrict ourselves to describing the main activities carried out.

THE MONTEPASCHI GROUP AND SOUTHERN ITALY

The context

- During the 2003-2006 period, Southern Italy's GDP rose by 1.4%, less than in the Centre-North (+3.7%) and far less than other late-developing areas in the European Union and in the so-called new entrants (Slovenia, Romania, etc.);
- In 2006 the per capita GDP was 57.4% of that in the Centre-North; since 2000 this difference has tended to diminish, albeit slowly (about 1% in 6 years);
- The South's enterprises find it difficult to implement innovation and qualitative development processes in sectors that are less subject to competition from emerging countries;
- Since 2003, investments by the credit system in Southern enterprises have grown more than in the rest of Italy.

The Group's support

- The Group's presence in the area has increased, with average market share going from 4.2% in 1998 to 9.9%, partly as a result of the Antonveneta acquisition;
- Credit investments grew by 12% in the 2003-2006 period;
- Considerable support and innovative corporate finance services for growth in size, innovation and globalisation:
 - 2 dedicated sources of private equity, with total assets of some 50 million;
 - various loans (including in pools) for acquisitions by companies in the South;
 - project financing in crucial fields such as water, infrastructure and energy.

PRODUCTS AND SERVICES FOR BUSINESSES

Different offers for companies and institutions: from management of corporate liquidity to management of financial risks; structured, approved, facilitated and specialised loans (leasing, factoring, consumer credit); insurance products.

Information on our products is available at our www.mps.it site.

Research and development of new products and services and marketing



initiatives have been directed at consolidating the role of reference banking partner.

New initiatives include:

- in accord with Confindustria, the setting of a ceiling of 500 million to promote technological innovation and competitiveness for medium-size enterprises and increase the use of alternative energies, making use of specific financial instruments (called “Innovation and Development” and “Welcome Energy: Let’s Finance Photovoltaic”) at particular advantageous conditions for companies. This allocation will be active for all of 2008 and can be added to other instruments identified by a special conciliation table, also used for monitoring joint activities in the region;
- the formulation of a systematic offer (effective beginning in 2008) for the agricultural sector, with credit solutions aimed at promoting and developing quality production.

PROJECT FINANCING AND REGIONAL DEVELOPMENT

Attentive to the needs of communities and their inhabitants, again this year we demonstrated our desire to participate as leading players in developing the country’s infrastructure by using the best project-financing techniques and a constant search for public and private relationships and partnerships. In other words, we use approaches and process that we like to call “community models.”

Research and innovation, development and energy performance, public health and services were the main target areas:

- we signed the memorandum of understanding between the Tuscany Region and the banks which formalises the credit activities we are committed to in order to contribute to implementing the 2006-2010 Regional Development Plan;
- we managed facilitated financial instruments, following the processes and procedures for access by companies to the loans called for by: Law 488 relating to support for areas with backward economies; ministerial funds for research and technological innovation;
- the main project financing operations include: financing for wind farms in



Participation in the sustainable growth of communities

southern Italy with an overall increase in the operability of the renewable energy sector (see “Energy Issue and Environmental Protection” chapter); participation in remodelling and expansion of the Niguarda Hospital complex in Milan; financing of the road upgrade programme in the Flegrea area in Campania;

- we participated with a 1 million Euros ceiling in the Lazio health system, acquiring without recourse and definitively the credits held by suppliers of goods and services against the local health agencies and hospitals in the Region; This contributed to lessening the Region’s deficit and allowed timely payment of commitments to its health-care suppliers.

LOCAL PARTICIPATION COMMITTEES

Banca Agricola Mantovana set up five “Local Participation Committees” in the Mantova area. Objective: to promote local relations between banks, companies and their representatives, organisations in the tertiary sector, to formulate concerted efforts to develop economies and the community’s social quality.

FINANCIAL MARKETS AND INVESTMENTS

In the financial markets as well we paid a certain amount of attention to small enterprises and to those performing functions with a high level of social and environmental interest:

- through private equity activity, we supported the start-up and development of unlisted companies with strong growth potential; The Group’s MPS Venture Sgr manages seven closed equity funds for a total of 396 million;
- we are among the leading promoters of the MAC (alternative capital market), a trading system run by Borsa Italiana Spa reserved for professional investors, designed to facilitate access by small enterprises to risk capital. The MAC has been operational since September 2007;
- investments include some 170 million Euros invested in shares in companies active in the social and environmental areas, with a strong incidence (32%) in the renewable energy sector (see “Report in Numbers” chapter).



Contributions to the social quality of communities

We participate in the effort of civil and humanitarian institutions and organisations to protect basic economic and social rights.

This year our direct contribution to the communities totalled about 53.8 million Euros, equal to 4.2% of gross profit (+1.3 percentage points from 2006).

These contributions are made in various forms, including:

- contributions in the public interest or to charity. Or generous economic contributions made at the proposal of the company's various bodies not for purposes of image, and programmes in favour of humanitarian and solidarity projects through fundraising supported by marketing activity;
- sponsorship of cultural, artistic, scientific and sports programmes, etc. These contributions are a fundamental marketing tool for achieving Group communication objectives.

Social objectives are also pursued through:

- bank products and services on behalf of society's disadvantaged and needy (see "Customer service and quality of relationships" chapter);
- cooperation with local institutions for the sustainable growth of the area's production and infrastructure (cf. above).

We have an organised system for managing these activities, with procedures that regulate the conditions and times for applying for, defining and evaluating contributions.

The criteria for selecting goals and beneficiaries include:

- evaluation of the seriousness of the applicant and its reputation;
- examination of the project and its consistency with Group policies;
- assessment of the potential social impacts of the project.



Participation in the sustainable growth of communities

USEFULNESS AND SOCIAL IMPACT OF CONTRIBUTIONS

The grants made by the Montepaschi Group contribute to the social goals of many non-profit organisations, with extremely positive consequences in terms of general significance and interest, such as culture and health. One measurement, albeit approximate and partial, of these consequences can be seen in the following summary report of the activities of some of the main beneficiaries:

- The Sienese Museum Foundation coordinates the activities of 35 museums in Siena Province, giving the public access to historic, cultural and archaeological treasures as well as collections of scientific and ethnographic interest. In 2007 alone nearly 430,000 people visited the Sienese museums.
- The International Centre for Art and Culture of Palazzo Tè in Mantova – established in 1990, it is recognised reference in the contemporary cultural panorama. It holds exhibitions of international significance of ancient and modern architecture and art: 33 exhibitions to date, with some 2,670,000 visitors.
- The Meyer Paediatric Hospital Foundation – supports the activities of the Florence hospital of the same name, on the international cutting edge in the treatment of childhood diseases, with 210 beds, including 50 in the day hospital, 7 operating rooms and 9 diagnostic rooms. The hospital is also home to 25 regional paediatric centres for complex and rare diseases.
- Operation Smile Italia Foundation – established in 2000, it is part of the international network created in 1982 in the United States that brings together doctors and paramedics who volunteer to operate on children with serious malformations of the face such as harelip, cleft palate, and the aftermath of burns and trauma. In 2007 Operation Smile made possible 8,479 operations of this type worldwide.

In addition, no grants were made to movements or organisations with a purely political purpose.

Participation in promotional and marketing programmes or in programmes promoted by political parties and union organisations is also defined in compliance with current laws, and in the utmost transparency (978,800 Euros granted in 2007).

DONATIONS

We paid out, as donations, some 7.7 million Euros for many projects and activities of a social and cultural nature.



There were many beneficiaries. The largest contributions went to organisations working in research and in the medical and hospital services, social assistance and humanitarian programmes. These include: The Italian Multiple Sclerosis Foundation, Doctors Without Borders, the Italian Cancer Research Foundation, Legatumori, the Don Gnocchi Foundation, Telefono Azzurro, the UN Refugee Agency, The Meyer Foundation of Florence, the V. Fazi Hospital of Lecce.

Culturally, our by now historic ties were confirmed with the following: the Sienese Museums, the Teatro San Carlo Foundation of Naples, the Florentine Musical May Foundation, the International Centre for Art and Culture of Palazzo Tè of Mantova, the Toscana Life Sciences Foundation.

TRANSFER FUNDING

We are involved in various cause-related marketing projects; we collect funds by placing financial products and pass on the funds to good causes.

The main initiatives this year included:

Dialogos – Voices of Solidarity

For the second consecutive year, some of the commissions for managing the ethical funds of the MP Asset Management Group, “Ducato Etico Fix” and “Ducato Etico Geo,” were assigned to projects of social interest through a public contract notice. In 2007, a total of 195,000 Euros was assigned to:

- Open Family Association, for the project “Social Supporter: street education approaches for youths in Le Lame” aimed at reducing the number of dropouts in the Le Lame neighbourhood of Bologna, to get kids back into vocational training, facilitate improved self-esteem and support youth programmes;
- Association Fiori di Strada Onlus, for the “Keep Off the Grass” project, which will be carried out in Bologna for the purpose of combating the trade in women for sexual exploitation, finding them on the street with a mobile unit, offering to listen to them, providing comfort and health care, and setting up a telephone assistance unit and a safe house;



Participation in the sustainable growth of communities

- Association Les Cultures for the “Access, quality and prevention” project. The project will be carried out in cooperation with the Nigerien NGO, AFAA, for the purpose of improving the health conditions of 34,000 people who live in the rural community of Tabelot in Niger, facilitating access to health facilities, treatment and essential drugs, improving the quality of the equipment and services offered, and preventing the main childhood diseases, AIDS and malaria;
- Association of Missionary Daughters of San Girolamo, for the “San Girolamo Ranch – Food Processing” project, aimed at providing vocational resources for the job placement of individuals under household arrest in the city of Assemini, in Cagliari Province. Planned activities include: workshops for acquiring vocational and other skills, increasing job and social opportunities and raising the awareness of those involved towards social promotion.

Civita

The Ducato Etico Flex Civita fund of the Group’s MP Asset Management company pays a part of its commissions to the Associazione Civita, whose purpose is to protect and develop Italy’s historic, artistic and environmental patrimony. In 2007, 77,420 Euros was turned over to the Association.

“Operation Smile” prepaid card

In 2006 we also supported the humanitarian mission of Operation Smile, a non-profit foundation of volunteer doctors that works in the world’s poorest countries to correct serious facial malformations through reconstructive plastic surgery. The Parent Company issued a special rechargeable prepaid card costing 6 Euros, 4 of which was turned over to Operation Smile.

Beginning in May, 2006, bank employees and customers purchased some 6,720 cards, raising some 27,000 Euros.

Ethical health-care cards

Banca Toscana features rechargeable prepaid cards combined with and in support of the assistance efforts of various organisations working in the health field, assigning them 8 of the 10 Euros in activation cost plus 0.50 cents for each recharge operation.



This year, a total of 50,000 Euros was collected for:

- Tutti i Cuori di Rossana, a non-profit involved in treating children with congenital heart diseases;
- Tuscan Tumour Association, which provides free in-home care for tumour patients;
- Meyer Foundation, involved in protecting children's health;
- Calcit, an association that assists the terminally ill;
- Association Lapo, active in preventing and treating neurological and psychiatric diseases in children.

Carta Sport- Gazzetta Running

A rechargeable prepaid card dedicated to sports fans and a concrete way to help the differently abled who want to be part of the world of sports. One percent of the total amount spent with this card, or a total of 8,000 Euros, was turned over this year to Special Olympics Italia, part of the international programme that involves more than a million mentally retarded kids and adults in sports training and athletic competition.



Participation in the sustainable growth of communities

SPONSORSHIPS

We support sports, music, art and charity programmes to promote our products but above all to associate our image with socially positive goals.

This year we sponsored many initiatives, for a total of nearly 40 million Euros. Another 6.4 million was given to institutions for which we do cash accounting, as a contribution for their promotional efforts in the cultural, musical, artistic, social and environmental fields.

The biggest contribution went to sports, with some 25 million for professional football and basketball in Siena (AC Siena, Mens Sana Basket) with which we have traditionally been associated and which are a major social catalyst for the city.

Some 40% of the remainder went to the cultural sector and 16.5% to social programmes.

Information on the main programmes is available on the www.mps.it site under “Eventi e Concorsi”.



OLIMPIADI DEL CUORE (OLYMPICS OF THE HEART)

Undeniably significant was the Group's support as principal sponsor and partner for the "Olympics of the Heart," an event conceived by the noted journalist and TV announcer Paolo Brosio, to raise funds on behalf of institutions involved in treating and assisting children in difficulty, the main beneficiary of which in 2007 was the Meyer Paediatric Hospital Foundation.



The formula is a simple, winning one: sports and shows for solidarity. The Olympics consist of two events a year (lasting three days each), during which a series of famous people engaging in sports and athletic games, competing among themselves and with ordinary people for the aforementioned goals.

For 2007, we decided to increase our commitment even further by taking an active part in organising events and programmes; we also involved our customers and staff directly and throughout the year in this important solidarity project.

All of the Group's branches were involved in selling the "Products of the Heart": seven bank and insurance products for which the banks contributed one Euro for each purchase to the Olympics of the Heart. In all, some 60,000 Euros was raised, in particular in support of the Multidisciplinary Unit for Diagnosis and Therapies of Congenital Defects and Foetal Pathologies of the Paediatric Hospital.

The energy issue and environmental protection





The energy issue and environmental protection



We take our impact on the environment seriously. The objective is to contain the associated operating costs and contribute to the community for a better quality of life.

The quality and availability of energy are a priority for the country and for global objectives. The Montepaschi Group wants to do its part.

The market shows that it appreciates what we are doing. This year the MPS stock was included in the Ftse4good Environmental Leaders Europe 40, the new London Stock Exchange and Financial Times index consisting of shares in European companies with the best environmental performances.

Management and verification systems

We are committed to managing in an organised and increasingly efficient fashion those activities that may have positive or negative impacts on the environment: in our everyday “official” operations, in operating buildings and technical plants, in relations with customers and suppliers.

The reference principles are contained in the Environmental Policy (the document is available on the www.mps.it site in the “Our Values” section), which adopts the specific guidelines of the United Nations and the European Union and guides our management.

First and foremost, of course, is compliance with laws. And that is no small matter, considering the varied nature of our country and the constant evolution



The energy issue and environmental protection

of even local legislation. In any case, on average we are subjected to very few sanctions: this year, for the Parent Company, they amounted to 4,425 Euros, primarily for late payments of the urban waste taxes.

In addition, Banca Monte dei Paschi di Siena and MPS Capital Services have for years operated according to ISO 14001, through models and procedures that have already been integrated into the Parent Company as part of overall quality management for the purpose of exploiting the relative synergies and organisational and procedural savings.

Based on our improvement plans, a major part of this management is the monitoring of activities and performances.

In this sense, starting this year we are cooperating with the union organisations in a specific joint task force in the common conviction that it is possible to do more to contain resource use, save energy, and manage waste in the most sustainable way possible, by pursuing concrete objectives that must become the common heritage of all employees.

Training and greater involvement of employees is key to this. We have done something, but much remains to be done: the Parent Company's Intranet features an "Environment" channel, with ample information on activities, including simple, practical recommendations for contributing to making them more eco-friendly; for all employees, the online catalogue features a new course on environmental management; one hour on this topic is provided in the training for new hires; specialised programmes are also directed at the RAS (some twenty contacts for the environment and safety working in the commercial network, to whom operational duties have been assigned).



Resource use and polluting emissions

Consumption of energy, water and paper, waste and emissions are measured regularly but in different ways: energy and water data accompany the bills for these expenses; paper use is noted automatically by the data on shipments to offices; waste is quantified based on the mandatory disposal logs and the data are managed manually; atmospheric emissions are estimated based on energy consumption and the kilometres travelled by employees on business trips.

Hence there is no uniform information system, and the data are of inconsistent quality.

In 2008 we plan to make progress in this direction. In fact, a new platform will be in operation for the electronic recording of expense invoices and the relative consumption data on water, methane and electricity.

ENERGY AND POLLUTING EMISSIONS

Energy costs (about 28.5 million Euros) account for 2.4% of all administrative expenses. The relative consumption levels are considerable and the source of carbon dioxide (CO₂) and other air pollutants.

In 2007 we used 40,295 ETP (Equivalent Tonnes of Petroleum: a conventional unit of measure indicating the quantity of energy produced by the combustion of a tonne of petroleum) of electrical and thermal energy, equal to a per capita consumption of 1.81 ETP (-2.2% from 2006). The rate of use of electricity from renewable sources is 96%, because of the further expansion of coverage of the supply service by Consorzio Idroenergia, which sources their electricity from hydroelectric plants.

Work-related trips by car by employees are also dropping steadily, with 1,799 km per capita (-13.6% from 2006), due partly to a growing use of car rental services (about 5 million km in all).



The energy issue and environmental protection

Consequently, CO₂ emissions have dropped to very low levels (883 kg per capita; -22.8% from 2006), as have those of other pollutants, also produced by heating plants and transport, such as nitrogen oxides and sulphur, (-19.5% and -36% from 2006, respectively). Also under control are refrigerant gases recently banished by law, and their gradual elimination.

The data are given in detail in the “Report in Numbers” chapter.

The good performances achieved are the result of energy management programmes which the responsible Group company, Paschi Gestioni Immobiliari, has been running for years, for the purpose of combining economic efficiency and environmental protection.

The latest initiatives include:

- some 100 new branches and 21 remodelled branches have been done with layouts, furnishings, engineering and lighting systems that comply with the criteria of the so-called “performance model,” with special attention to energy efficiency;
- the efficiency-raising plan for heating and air conditioning plants is being continued with the conversion to methane of another 13 boilers powered by fuel oil (now residual), the replacement of obsolete plants with high-efficiency heat pumps and latest-generation cooling systems (46 projects), the elimination of numerous fancoils in inefficient air treatment units.

In what is now standard fashion for us, we continued to work on the installation of:

- infrared presence detectors for timed lighting of service areas;
- annual programmers to start up heating and air conditioning units that avoid turning on for variable holidays;
- lighting fixtures compliant with the European standards introduced by the Green Light programme.



In addition, we used “constant” diagnoses and ad hoc surveys (11 were done in 2007) of waste and potential savings using an advanced data management system, which will be boosted in 2008.

Other measures for containing emissions, especially those associated with transport, consisted of:

- a new rule on business travel and a central information system for verifying and optimising it;
- substantial development of the videoconferencing systems (there are 79 in the Group) and their use (2,000 meetings, compared to 379 in 2006);
- a major increase in online training courses (29% compared to 9% in 2006).

The 2008 programmes include:

- installation of a photovoltaic plant in the head office complex in Siena, in the S. Miniato district;
- improved efficiency of night-time lighting and interior lighting in the same complex;
- installation of a photovoltaic plant in the Messina branch (there are 4 more in the network).

Also under study are solutions for sustainable mobility, which was the focus of the ABI task force on corporate social responsibility and is the subject of specific dialogue with the unions.



The energy issue and environmental protection

CONSUMABLES

Paper is the main material consumed by our business. This year we used 2,080 tonnes of it, down sharply from 2006 (-9.6% on a per capita basis).

Photocopy paper for printouts and photocopiers is the biggest single item (59% of the total). This is also down (42 sheets per capita, compared to 48 in 2006).

Its quality is good ecologically, since it was produced without the use of bleach-based whitening agents.

We are assessing the technical feasibility of using recycled paper in ordinary processes, as part of a broader look at the potentials of “buying green.”

Hence performances are good, and we plan to improve them by making people more aware.

We are also raising awareness among our customers, for example by offering them electronic management of invoicing (for corporate customers) and correspondence. To date, 104,000 customers have joined the Online Document programme (+41% since 2006) and have reached a total of 4 million correspondences done online for the transmission of forms, statements, etc.

Toner is the other consumable that we use a great deal of in our business. In 2006, through a partnership with Bassilichi Spa (one of the leading suppliers of technological services for the Montepaschi Group), we instituted a system for the regeneration and reuse of printer cartridges in all our offices in Italy, with major savings expected. The system went into full effect with the conclusion locally of the necessary supply contracts for the collection and transport of the waste (more than 20,000 cartridges refilled in 2007).

In terms of paper waste management, we estimate coverage of the differentiated collection systems currently functioning locally at 20%. Our prime objective is to increase their efficiency, in cooperation with the cleaning companies and city agencies, and greater employee involvement. For 2008 we plan to increase the branches involved in this activity to 35%.



WATER USE

We use water primarily for health-sanitary purposes and only minimally for the operation and cooling of air conditioning plants.

This water comes almost exclusively from local water systems. There are just a few wells that we use to irrigate green areas and for cooling systems.

Consumption is moderate: 95 litres per capita per day (111 in 2006); but we plan to reduce this further: in 2008 we will in fact have more precise data monitoring, and solutions are under study for the larger property complexes.

Waste water, similar to domestic water, flows into the public sewerage systems, since virtually all of our offices are located in cities.

PROTECTION OF BIODIVERSITY

The Montepaschi Group is the owner of certain agricultural holdings in areas of high landscape and environmental value, in Piemonte, Liguria and Tuscany, covering some 1,250 hectares in all. These are top-quality producers (Fontanafredda, Chigi Saracini, Agricola Poggio Bonelli, Tenuta Marinella), characterised by sustainable local development.



The energy issue and environmental protection

Environmental risk

When we finance projects and businesses with a high potential for pollution, we are careful to evaluate the associated environmental risks to increase the level of protection and the quality of the loan.

In project financing, it is not enough for us to know that the project's environmental impacts have been checked according to legal procedures (environmental impact assessment), which today is mandatory in many cases (not just large infrastructure); financing contracts actually require the customer to make specific commitments to comply with environmental laws.

When we finance companies for amounts greater than 5 million Euros, through our subsidiary MPS Capital Services, we apply an environmental filter that considers:

- the hazardousness of the activity and the legislative requirements in the sector;
- the scale of the activity, as an approximation of the extent of potential harm to the environment;
- whether the customer holds environmental certifications.

The summary judgment that emerges constitutes one of the factors determining the overall credit risk.

In 2007, the environmental compatibility of 6.6 billion in loans (+50% compared to 2006) was evaluated, with positive outcomes in about 86% of cases.

Starting this year, loans to large companies with revenues of more than 500 million are also being evaluated environmentally: the rating assigned to them takes into account the qualitative aspects of the operational risk, such as potential environmental harm produced by the activity, and, positively, whether they hold environmental certifications.

As we said, we evaluate the risk as well as proper control over environmental



impacts to improve the quality of our involvement in order to guarantee the invested capital. We provide for the necessary security and protection, but we do not use exclusionary criteria; this is obvious from the composition of our investment portfolio, with 11.9% of credits invested in high-environmental-impact sectors (steel/metallurgy and energy foremost among them).

Environmental risk is a concern of ours in terms of investments as well. For this the Group's asset-management company, MP Asset Management, has for some years participated in the Carbon Disclosure Project, the UN-supported programme that provides constant updates on investments and strategies in energy and climate change by the world's largest companies (www.cdproject.net), highlighting the associated risks and opportunities.

This information proves useful for the asset-management company in managing common funds, especially with regard to the ethical line. The investment choices made in fact favour companies that do not pollute or in any case have solid policies for managing and controlling environmental risks. This year the evaluation yardsticks were partially revised to include a special focus on the sustainability of the issuers' sustainability policies.

Financial initiatives for environmental protection

In 2007 our involvement in the so-called "green finance" markets again focused on the energy sector.

In fact we are seeing that climate change is a reality.

Measures to combat it include the spread of renewable energy sources and energy savings.



The energy issue and environmental protection

In recent years, technological developments and specific public incentives have pushed investments in these areas even in Italy.

The Montepaschi Group sees this as a business opportunity that fits in well with its commitment to sustainability. That is why, as a continuation of the environmental programmes that have characterised its efforts for some time, it has developed a specific plan of action with the objective of promoting clean energy at all levels and ensuring the necessary financial support for families, institutions and companies that want to achieve this.

The Group's efforts have been far-reaching, with the results summarised below:

- strategic investments in leading Italian companies in the renewable energy sector, such as Sorgenia and Alerion, for a total of 55 million;
- project financing with a total of 1,200 MW so far installed thanks to the contribution from the subsidiary MPS Capital Services, for the promotion of electricity from renewable sources, with solid leadership in the wind sector (in 2007 new wind farms were financed in Basilicata, Campania and Sicily for 240 MW and a 2MW photovoltaic plant in Puglia);
- formulation of a family of products for individuals, companies and institutions that includes medium-long-term loans, leasing and personal loans at advantageous rates, with terms and ancillary services (including insurance policy to cover any damages to the plant) geared to the specific nature of the investments and the customers.

More information on our products is available at our www.mps.it site.

- promotion and facilitated offer of these products through agreements with primary operators in the sector: in 2007, there were 386 operations totalling 223 million (+70% compared to 2006), equal to about 1.3% of all loans issued;
- activation of specific ceilings, including those in agreement with Confindustria (totalling 500 million, to be used for innovative company projects and for the dissemination of renewable sources) and with the Tuscany Region (150 million allocated by Banca Toscana and MPS Leasing & Factoring for projects to develop renewable sources and for energy savings among enterprises).



The results are good, but we believe that, considering the complexity of the issues at stake, there is a pressing need for a substantial commitment in terms of training and updating for the corporate positions involved, so that the marketing is effective.

Some things have already been done:

- in 2006, in cooperation with the Kyoto Club Association, a workshop was held entitled “The new markets for green finance in light of ratification of the Kyoto Protocol” which drew some twenty people representing the various institutions;
- the informational notices on products have been joined by a focus on energy, to enable marketing reps to better understand the sales motivations and financial and other needs of the customers. And a real “guidebook” is being prepared.

It is also necessary to promote effective relations on the scene with the institutions and various interested organisations.

The potential developments are therefore significant. For this reason an internal task force was set up, coordinated by the marketing departments, which will report to general management on developments.

Also needed is greater awareness by people and companies, especially small companies, about the economic and tax benefits, opportunities and technical and administrative procedures associated with carrying out these measures.

In this area, with the sponsorship of ENEA and the National Grid Manager, we collaborated with consumer organisations in the Consumer Lab on preparing a Guide to government incentives complemented by the Bank’s products. The Guide will soon be available at our branches.

Quality of procurement processes





Quality of procurement processes



The Group is committed to developing honest, transparent relations with its suppliers. They are selected based on merit, organisational solidity and sustainability, and the best quality-price ratio.

We ask them to follow high standards of conduct. They must be reliable in business, respect the rights of their workers, invest in quality and responsibly manage environmental and social impacts.

Management and verification systems

We work with more than 19,300 companies, including 72% small local ones.

The services we assign to them range from car rental to computer systems, from maintenance to energy supply.

Relations with suppliers are generally handled by the companies and corporate offices that make use of the relative services.

The strong attachment to the land that has always set us apart leads us to pay special attention to small, local enterprises that demonstrate potential and competitiveness, promoting their growth in order to develop the reference social and environmental system.



Quality of procurement processes

Suppliers who work for the entire Group or in any invoice large amount with us are dealt with centrally.

In addition to management of the entire procurement process with regard to marketing and negotiation, the office dedicated to this has also been given responsibility for selecting suppliers and managing relations with them.

For this purpose, a “suppliers’ registry” was set up long ago; it lists companies that, in addition to providing an excellent price-quality ratio, demonstrate that they are particularly sensitive to and responsible towards the environment, society, safety, rights and job protection.

Many of them are “historic” and with them there is a relationship of trust and mutual cooperation, especially with those having specific skills and qualified technological resources.

There are 656 companies in the registry (for a total of 504 million in supplies of goods and services).

During the year, 118 were added, while 56 were eliminated for having received an inadequate evaluation or because they were no longer of interest to the Group.

A vendor rating process is being established to develop more effective yardsticks for measuring and verifying the guaranteed performances, in order to make the supplier selection and qualification process increasingly efficient.

Also under study is a platform that makes it possible to bring together in a single database the various computer systems currently in use.

CONTRACTUAL CONDITIONS

Suppliers are normally paid according to contractual conditions within 60-90 days of the date of issue of the invoice.



If a supplier does not meet the contractual conditions, a penalty may be applied, determined on a case-by-case basis in relation to the magnitude of the hardship and damages caused, but in any case with an attempt to reach an appropriate agreement. There were no legal disputes again in 2007.

Qualification and selection

The qualifying process calls for an initial check of the desired standards when the relationship is initiated, and subsequent updates at least every two years.

Evaluations involve:

- business status (by examining the last two annual reports);
- the quality of the service or product (including by verification of any certifications);
- environmental policy (by means of a special questionnaire).

In regard to these aspects, and considering the judgments of the office with which the supplier has the relationship, the company receives a rating whose weight is decisive for purposes of inclusion in the registry, and it is taken into due consideration in ordinary appointment processes.

In 2007 there was a significant expansion and consolidation of agreements with the companies chosen to build and set up new branches. This is an especially burdensome and crucial service for the Bank's operations and achieving the strategic objectives of the Group.

Among other things, these agreements called for the furnishings be chosen in line with the principles of "buying green" that we are developing further, favouring quality and eco-compatibility in processes and materials.

Centralisation of cleaning services was also undertaken. This was a complex operation which, although causing some local interruptions and lower service



Quality of procurement processes

quality in relation to the necessary transfers of contractual appointment, will, when completed, make it possible to achieve higher and more uniform standards, as well as a more extensive and effective management of the selective collection of paper and other solid urban waste.

Check of responsibility profiles

For some time we have been following a process for identifying and containing social, environmental and corporate-governance risks present in the supply chain, for the purpose of promoting supplier behaviours in line with our CSR policy, and avoiding relations with suppliers of limited professionalism or uncertain social profile.

This process applies to all proposed supplier appointments and calls for:

- a check of whether the supplier holds quality and ethical-environmental certification. The registry currently has 273 suppliers (206 in 2006) that are ISO 9001 certified (63% in terms of turnover) and 42 (37 in 2006) that are ISO 14001 certified (16% in terms of turnover);
- an in-depth examination of the requirements of environmental compatibility for the firm's activities based on information released by the firm relating to: policy, organisation, procedures and tools used to ensure proper and effective management of its own impacts. This leads to a score of from 0 to 6, the minimum accepted value being 3. The current average value for suppliers in the registry is 3.7;
- analysis of the position taken by the firm regarding the principles of the Social Accountability 8000 standard. The supplier is invited to issue a statement of acceptance of the standard as a necessary condition for being included and/or staying in the registry (96.3% of suppliers have already done so);



- examination of compliance with our directive on corruption and administrative liability pursuant to Leg. Dec. 231/01. The supplier must sign a commitment to comply with it, on penalty of interruption of the relationship if it is found to have violated the directive. As of now, 79% of suppliers have accepted it.

The report in numbers





1. Performance and value creation*

1.1. CAPITALISATION AND STOCK MARKET INDICATORS

	2007	2006	2005
Price (Euro)	3.68	4.91	3.95
Capitalisation (millions of Euros)	11,125	14,828	11,892
Profit per share (Euro)	0.48	0.30	0.26
Price/book value (Euro)	1.40	2.00	2.41
Dividend per ordinary share (Euro)	0.21(*)	0.17	0.13
Dividend/profit (%)	45(*)	57	50

(*) The data are based on the dividend proposal decided by the Board of Directors meeting of 20.3.2008

1.2. ECONOMIC AND FINANCIAL VALUES AND PROFITABILITY INDICATORS

Values in millions of Euros	2007	2006	2005
Economic values			
Financial and insurance income	4,968.2	4,877.5	4,320.8
Primary net receipts from banking per employee	0.185	0.173	0.154
Net operating income	1,477.6	1,384.4	912.8
Net profit for the period	1,437.6	910.1	753.4
Financial and operating values			
Group net equity	8,649	7,775	7,232
Total assets	161,984	158,556	153,767
Direct funding	113,347	93,976	87,696
Indirect funding	100,342	99,079	108,855
↳ of which: assets under management	47,264	47,966	48,439
↳ of which: assets under custody	53,077	51,113	60,417
Customer loans	106,322	91,941	83,526
Profitability indicators			
Cost/Income ratio (%)	58.4	59.6	64.8
ROE (%)	19.8	13.3	12.9

* The data in this section are taken from the "Reclassified operating statements" attached to the Consolidated Annual Report at 31.12.2007; refer to this also for the reasons behind any recalculations of the data at 31.12.2006



The report in numbers

1.3. DISTRIBUTION OF GROSS VALUE ADDED

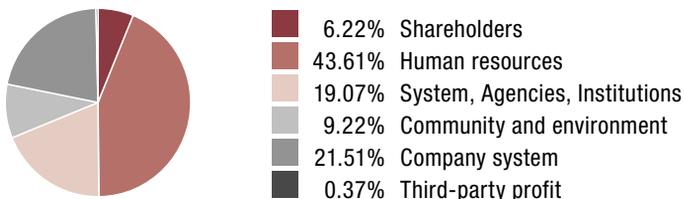
Values in thousands of Euros	2007	2006	2005
Shareholders	263,636	212,570	162,366
↳ Dividends distributed to Shareholders (excl. MPS Foundation)	263,636(*)	212,570	162,366
Human resources	1,848,924	1,861,573	1,828,856
↳ Direct personnel costs	1,526,922	1,547,250	1,447,888
↳ Indirect personnel costs	322,002	314,323	380,968
System, agencies, institutions	808,337	731,941	453,480
↳ Indirect and financial taxes	204,948	203,032	201,836
↳ Tax on operating profit	603,389(**)	528,909	251,644
Community and environment	390,684	317,167	247,035
↳ Grants and donations	14,097	11,577	12,444
↳ Dividends to the MPS Foundation in the public interest	376,587(*)	305,590	234,591
Corporate System	912,047	523,365	501,990
↳ Reserves and undistributed profit	974,836	391,932	498,956
↳ Depreciation & amortisation	114,711(**)	131,433	145,534
↳ Use of extraordinary reserve	-177,500	-	-142,500
Third-party profits	15,641	19,838	23,464
Total	4,239,269	3,666,454	3,217,191

Refer to the model proposed by the ABI for calculation and distribution of gross value added

(*) The data are based on the dividend proposal decided by the Board of Directors meeting of 20.3.2008

(**) The data also include businesses being divested

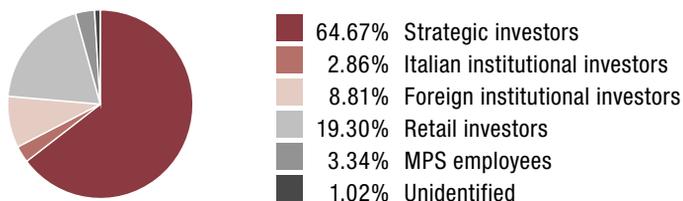
Distribution of gross value added





2. Corporate governance and responsibility

2.1. OWNERSHIP AT 31.12.2007



2.2. BoD AND MAIN COMMITTEE MEETINGS

	2007	2006	2005
BoD meetings	29	36	26
Main committees	17	49	74

2.3. ASSIGNMENTS TO FIRMS BELONGING TO THE NETWORK OF AUDITING COMPANIES

Values in Euros	2007	2006	2005
Amounts billed	790,233	573,063	667,108

Data referring to Banca Monte dei Paschi di Siena

2.4. FINES AND PENALTIES

Values in Euros	2007	2006	2005
Fines and penalties	3,742,506(*)	260,563	294,222

Data referring to the commercial banks

(*) Includes a tax-related challenge by the Inland Revenue for more than 3 million Euros



The report in numbers

2.5. ANTI-MONEY-LAUNDERING

	2007	2006	2005(*)
Suspected operations	1,012	896	399
Reports to UIF	681	537	292

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

2.6. PRESENCE IN THE MEDIA

	2007	2006	2005
Articles (*)	20,097	13,538	8,200
Press releases	262	279	176
Conferences and meetings	20	13	15

(*) Press articles mentioning the Montepaschi Group

2.7. INVESTOR RELATIONS

	2007	2006	2005
International conferences	8	8	6
Activities with analysts	34	61	20
Meetings with investors	270	421	200

3. Customer service and quality relationships

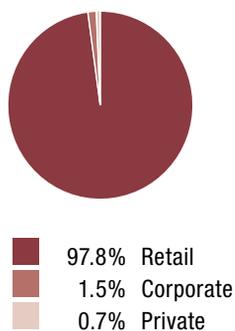
3.1. CUSTOMER PROFILE*

	2007	2006	2005
Active customers	4,273,177	4,144,099	4,120,651

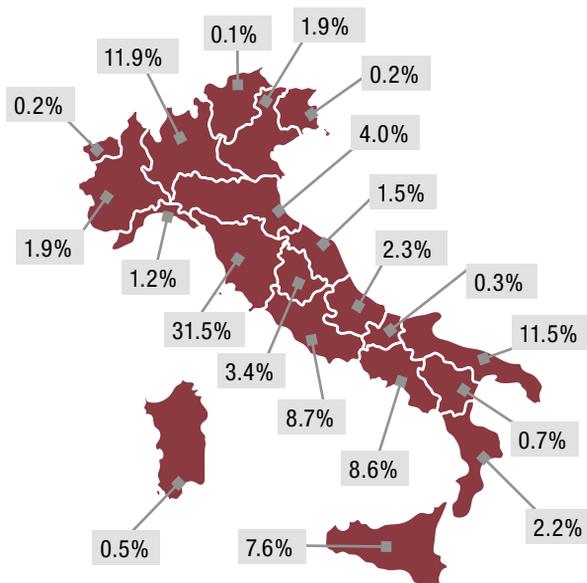
(*)The data and their graphic representations do not include unshared relations managed directly by Consum.it equal to 397,591 in 2007



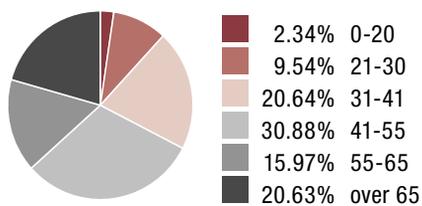
Distribution by customer segment



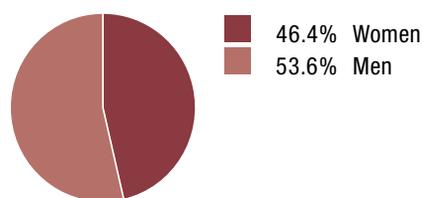
Geographic distribution



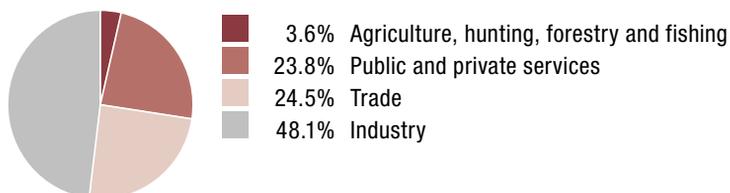
Retail customer distribution by age bracket



Retail customer distribution by sex



Business customer distribution by business sector





The report in numbers

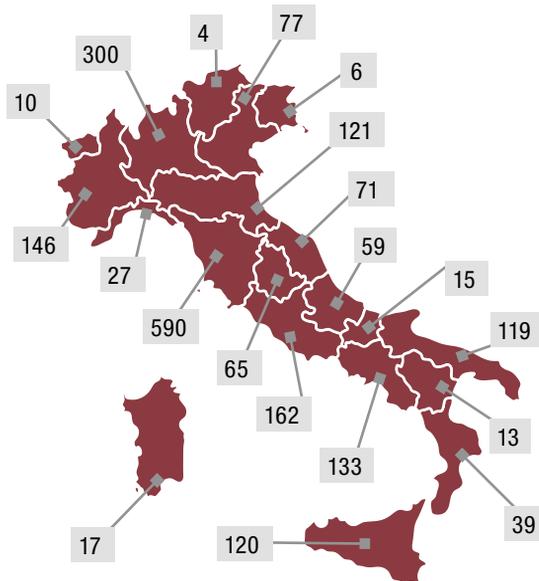
3.2. DISTRIBUTION AND RELATIONSHIP CHANNELS

Distribution network

	2007	2006	2005
Branches	2,129	1,939	1,892
↳ Italy	2,094(*)	1,903	1,862
↳ Abroad	35	36	30
Promoter offices	139	139	138
ATMs	2,405	2,233	2,179

(*) Including the 105 branches of Biverbanca after completion of the acquisition in December 2007

Branches in Italy



Remote channels

	2007	2006	2005
Contracts	934,413	727,998	663,499
Operations through contact centre	1,970,000	1,888,405	1,703,026



Technological innovation

	2007	2006	2005
Investments in computer technologies (thousands of Euros)	142,800	103,700	72,600
ICT costs per employee (thousands of Euros)	n.a.	14.3	13.8
ICT Costs/operating costs (%)	n.a.	11.1	11.2

Contacts with customers

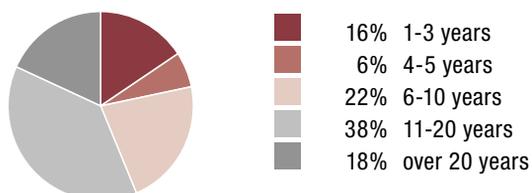
	2007	2006	2005
Call centre activity(*)	4,335,000	2,384,551	2,743,328
Call centre employees	131	115	158
Customers contacted(%)	60.8	59.2	47.7

(*)Telephone calls made and received, e-mails answered, operations conducted

3.3. LOYALTY AND TURNOVER

	2007	2006	2005
Retention (%)	94.9	93.5	93.5
Acquisition (%)	8.3	7.1	6.5

Customer distribution by length of relationship





The report in numbers

3.4. CUSTOMER SATISFACTION

	2007	2006	2005
Satisfaction index	0.50	0.47	0.47

Scale from -1 to +1

Data referring to retail customers

3.5. COMPLAINTS

	2007	2006	2005
Banking activity (*)	4,312	4,752	6,438
↳ <i>Securities</i>	888	1,287	2,282
↳ <i>Loans</i>	337	238	192
↳ <i>Current accounts/deposits</i>	1,440	1,240	1,607
↳ <i>Other</i>	1,647	1,987	2,357
Complaints settled	4,270	5,414	10,126
Amounts paid (thousands of Euros)	4,436	6,767	3,980
Financial plans	2,261	3,337	5,899
Compound interest	580	540	5,178

(*) Does not include complaints involving the cloning of credit/debit cards, since the phenomenon is not attributable to bank procedures

3.6. PRODUCTS AND PROGRAMMES WITH HIGH SOCIAL IMPACT

Credit to small enterprises (revenues up to 2.5 million Euros)

	2007	2006	2005
Investments (millions of Euros)	14,013	14,944	13,270
% of total investments	19.2	21.9	21.6

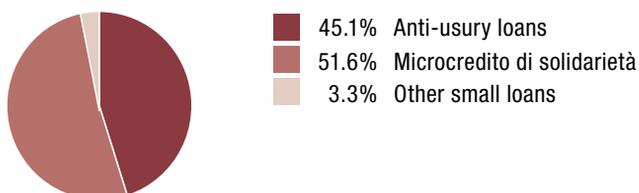
Data referring to the commercial banks



Microcredit

	2007		2006		2005	
	Number	Euros	Number	Euros	Number	Euros
Loans	215	6,779,364	123	5,054,338	119	4,786,817

Distribution of loans by number



Investments in socially active companies

Values in Euros	2007	2006	2005
Financial companies with social mission	101,288,645	95,392,673	91,419,069
Renewable energy producers	55,342,921	45,554,981	35,296,340
Water management companies	7,500,918	7,465,267	2,449,487
Environmental management companies	5,120,672	3,057,647	3,166,217
Bio-technological research	800,000	800,000	-
Regional development companies	894,547	788,768	1,266,046
Non-profits	700,520	700,520	833,613
Microcredit	400,000	400,000	-
BIC –Business Innovation Centre	96,318	74,127	103,583
Total	172,144,541	154,233,983	134,534,355



The report in numbers

3.7. ETHICAL FINANCE AND TRACEABILITY

Ethical funds

	2007	2006	2005
Managed assets (millions of Euros)	72	98	133
% of total assets managed	0.5	0.64	0.82

Activities in countries with high corruption rates(*)

Values in millions of Euros	2007	2006
Loans granted	211	570

(*) Countries with a corruption perception index ≤ 3 according to the classification proposed by Transparency International

Activities in countries with preferential tax regime

Values in millions of Euros	2007	2006
Loans granted	680	1,659

4. Personnel development*

4.1. SIZE OF WORKFORCE AND EMPLOYMENT TYPES

	2007	2006	2005
Payroll	24,167	24,348	26,542
Actual workforce(**)	24,109	24,262	26,470
↳ <i>Italy</i>	23,513	23,670	25,884
↳ <i>Abroad</i>	596	592	586
Open-ended contracts (%)	96.8	97.0	97.5(*)
Other contracts (%) (***)	3.2	3.0	2.5(*)
Part time (n.)	1,515	1,513	1,545(*)

(*) Data referring to the commercial banks

(**) Aggregate considering postings to and from other companies

(***) Job training, full-time employment, fixed-term and apprenticeship

* The data shown in tables 4.2 to 4.11 refer to the main companies of the Montepaschi Group, equivalent to 98% of personnel



4.2. COMPOSITION

Values expressed in %	2007	2006	2005
Grades			
Managers	1.9	2.2	2.3
Administrative	29.1	28.2	26.7
Professional areas	68.9	69.7	70.9
Age brackets			
00-30	13.8	14.1	11.8
31-40	30.4	31.2	29.5
41-50	33.5	33.8	34.4
Over 50 years	22.4	20.9	24.3
Length of service			
00-10	39.9	38.3	28.1
11-20	25.8	28.5	30.0
21-30	21.9	22.9	28.0
Over 30 years	12.5	10.3	13.8
Education level (*)			
University graduate	28.8	27.5	26.3
High school graduate	64.4	64.9	65.1
Other	6.8	8.3	8.6

(*) Data referring to the commercial banks

Employees registered with the Unions

	2007	2006	2005
Total	20,250	19,778	19,382

4.3. TRAINING

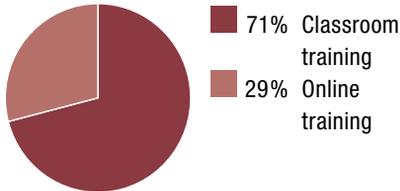
	2007	2006	2005(*)
Training per capita (days)	6.93	4.35	5.1
Training cost (Euros)	5,559,375	5,037,550	3,274,441

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

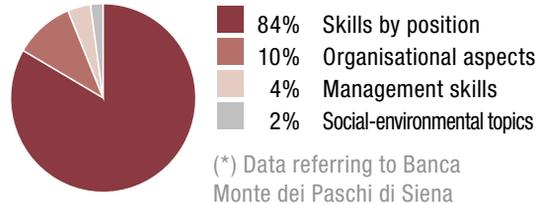


The report in numbers

Distribution by delivery mode



Distribution by subject area(*)



4.4. COMPENSATION

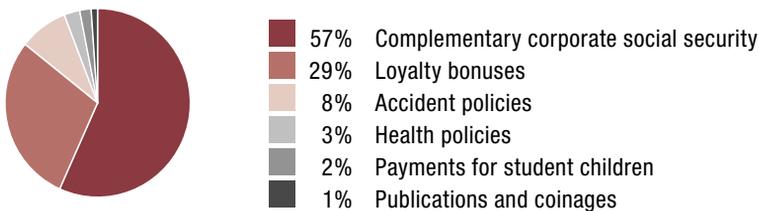
	2007	2006	2005(*)
Average gross annual compensation (Euros)			
Managers	116,381	109,117	108,539
Administrative	50,370	50,715	50,252
Professional areas	32,005	32,116	31,935

	2007	2006	2005(*)
Variable component (% on total annual compensation)			
Managers	30.0	25.1	23.3
Administrative	9.2	8.9	7.9
Professional areas	4.4	4.1	3.8

	2007	2006	2005(*)
Supplemental contributions (Euros)	50,929,978	46,854,241	42,635,843

(*) Data referring to the commercial banks

Distribution of supplemental contributions





4.5. EQUAL OPPORTUNITY AND DIVERSITY

Female personnel in managerial position and career advancement

Values expressed in %	2007	2006	2005(*)
Female personnel	42.8	41.8	41.1
Managers	3.2	3.7	2.6
Administrative	23.5	21.7	19.1
Promotions	42.3	41.0	44.3

(*) Data referring to the commercial banks

Compensation of female personnel (*)

Values expressed in %	2007
Managers	94
Administrative	86
Professional areas	91

Handicapped personnel

	2007	2006	2005(*)
Handicapped	1,099	1,128	528

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

(*) Percentage relationship between average compensation of female personnel and of male personnel

4.6. TURNOVER

	2007	2006(*)	2005
Hires	806	887	681
Terminations	980	971	921
Turnover (%) (**)	0.88	0.90	0.65
Turnover by grade			
↳ <i>Managers</i>	0.86	n.a.	n.a.
↳ <i>Administrative</i>	1.07	n.a.	n.a.
↳ <i>Professional areas</i>	0.80	n.a.	n.a.
Turnover by sex			
↳ <i>Men</i>	1.00	n.a.	n.a.
↳ <i>Women</i>	0.70	n.a.	n.a.

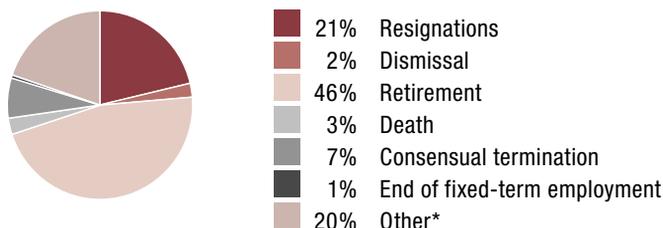
(*) Excluding Tax Collection, except for the 72 units who transferred to Banca Monte dei Paschi di Siena

(**) Ratio of voluntary resignations to total workforce



The report in numbers

Distribution of terminations by type



(*) Change in perimeter, sale of division, transfers to other companies in the Group

4.7. OVERTIME

Values expressed in hours	2007	2006	2005(*)
Total for year	666,296	755,644	726,661
Weekly average	12,813	14,532	13,974
Per capita per year	59	64	83(**)

(*) Data referring to the commercial banks

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

4.8. ABSENCES

	2007	2006	2005(*)
Per capita days of absence (**)	9.7	6.9	8.6

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

(**) Illness and accident, excluding maternity

4.9. JOB-RELATED ACCIDENTS

	2007	2006	2005
Accidents	123	118	128
Days lost due to accident	2,626	2,212	981
Frequency index (*)	3.91	3.56	4.14
Seriousness index(**)	0.084	0.067	0.032

The data were recalculated with respect to those in the 2006 report because of the expanded perimeter

(*) Number of accidents per million hours worked

(**) Days lost due to accident per thousand hours worked



4.10. DISCIPLINARY MEASURES

	2007	2006	2005
Dismissals	6	9	8
Non-dismissal(*)	58	43	69

(*) For example: admonishment, temporary suspension from service or from compensation

4.11. LEGAL DISPUTES

	2007	2006	2005(*)
Cases under way	217	190	124
↳ <i>Against the bank</i>	206	184	<i>n.a.</i>
↳ <i>Brought by the bank</i>	11	6	<i>n.a.</i>
Employees involved	419	413	178

Data referring to the commercial banks

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

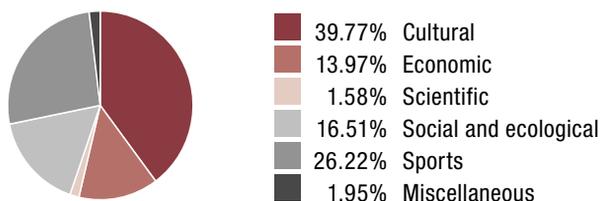
5. Sustainable growth of communities

5.1. CONTRIBUTIONS TO THE COMMUNITY

Values in thousands of Euros	2007	2006	2005
Total contributions (*)	53,796	38,093	38,430
% of gross profit	4.24	2.96	4.46
Sponsorships	39,698	26,516	25,985

(*) Includes donations and contributions to agencies for social purposes, sponsorships

Distribution of sponsorships by purpose(*)



(*) Does not include contributions for AC Siena football and Mens Sana basketball, equal to approx. 25 million Euros



The report in numbers

6. The energy issue and environmental protection*

6.1. CO₂ EMISSIONS

	2007	2006	2005
CO ₂ emissions (t) (*)	19,629	25,037	30,965
↳ from energy consumption (%)	63.2	67.0	72.4
↳ from highway transport (%)	36.8	33.0	27.6
CO ₂ emissions per capita (Kg)	883	1,144	1,421

The emissions coefficients are taken from "Guidelines of the Environment Ministry for monitoring and communication of greenhouse gases" (DEC/RAS/854/05), emission factors database www.sinanet.apat.it and Enel Environmental Report 2006

(*) Does not include emissions associated with use of rental cars, equal to approx. 910 t in 2007

6.2. OTHER ATMOSPHERIC EMISSIONS

	2007	2006	2005
NO _x emissions (t)(*)	46.3	56.7	63.5
NO _x emissions per capita (kg)	2.1	2.6	2.9
SO ₂ emissions (t)(**)	9.5	14.7	23.6
SO ₂ emissions per capita (kg)	0.43	0.67	1.08

The emissions coefficients are taken from the emission factors database www.sinanet.apat.it

(*) Does not include emissions associated with use of rental cars, equal to approx. 4.2 t in 2007

(**) Does not include emissions associated with use of rental cars, equal to approx. 0.1 t in 2007

6.3. ENERGY CONSUMPTION

	2007	2006	2005
Electricity (kWh)	149,160,568	148,387,318	143,712,181
↳ from renewable sources (%)	96	94	88
Electricity per capita (kWh)	6,710	6,781	6,594
Methane (m ³)	3,973,269	4,734,659	4,960,402
Fuel oil (litres)	667,428	1,094,778	926,177
Total energy (TEP)	40,295	40,565	39,473
Total energy per capita (TEP)	1.81	1.85	1.81

* The data in this section refer to the commercial banks, MPS Capital Services and Consorzio Operativo di Gruppo.



6.4. PAPER CONSUMPTION

	2007	2006	2005
Total paper (t)	2,080	2,265	1,103(*)
Ecological paper (%)	67	71	74(*)
Paper per capita (Kg)	94	104	89(*)
A4 paper (sheets per capita per day)	42	48	52

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

6.5. WATER CONSUMPTION

	2007	2006	2005
Total water (m ³)	475,213	543,407	498,687
Water per capita per day (litres)	95	111	102

Data estimated based on costs

6.6. JOB-RELATED TRAVEL

Values in km	2007	2006	2005
Trips by car (*)	39,996,150	45,568,319	46,868,426
Trips by car per capita	1,799	2,082	2,151

(*) Does not include use of rental cars (approx. 5 million km travelled in 2007)

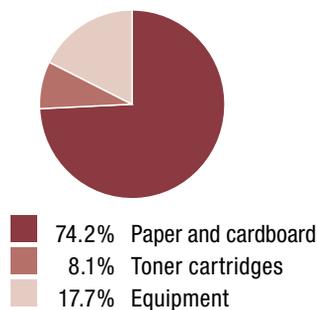
6.7. SPECIAL WASTE PRODUCTION

	2007	2006	2005(*)
Total waste (kg)	684,540	753,351	884,414
Waste per capita (kg)	35	39	71
Waste sent for recovery (%)	75.9	64.8	78.4

Data are estimated and refer to the commercial banks.

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

Distribution by type





The report in numbers

6.8. OPERATIONS IN HIGH-IMPACT SECTORS

	2007	2006	2005
Investments (millions of Euros)	10,520	9,304	8,358
Incidence in total investments (%)	11.9	11.2	11.1

6.9. LOANS SUBJECT TO ENVIRONMENTAL RISK ASSESSMENT

	2007	2006	2005
Operations	922	2,083	661
Amounts (thousands of Euros)	6,687,097	4,318,879	1,837,320

Data referring to MPS Capital Services

6.10. LOANS IN THE RENEWABLE ENERGY SECTOR

	2007	2006	2005
Operations	386	130	41
Amounts issued (thousands of Euros)	223,735	130,582	102,223
% of total loans issued	1.28	0.91	0.76

7. Quality of procurement processes

7.1. MAGNITUDE OF SUPPLIES – GENERAL DATA

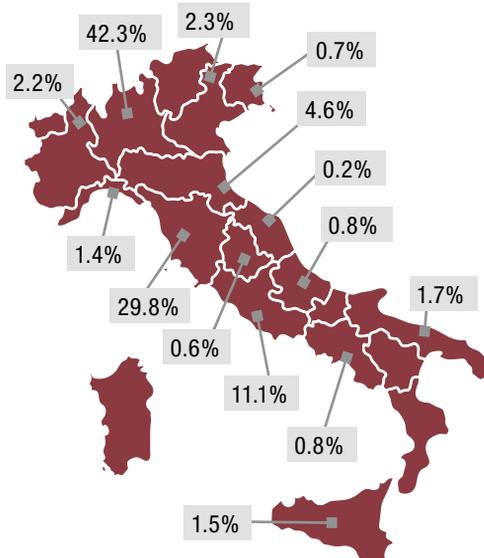
	2007	2006	2005
Total expenditures (thousands of Euros)	2,573,878	2,576,816	2,543,253
Number of suppliers	19,393	19,383	18,608
Small suppliers (%) ^(*)	72.4	73.1	76.0

^(*) Suppliers with billing to the Group under 10,000 Euros

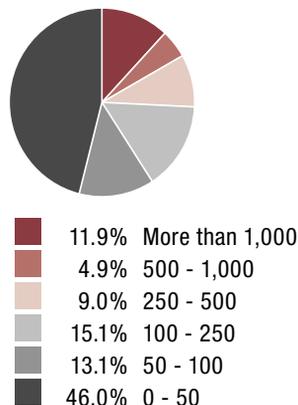


7.2. PROFILE OF SUPPLIERS IN THE GROUP'S REGISTRY

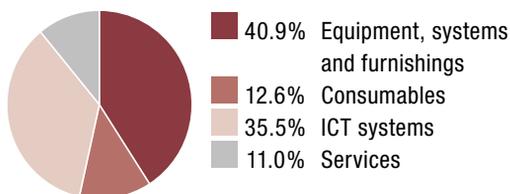
Geographic distribution



Distribution by billed amount (thousands of Euros)



Distribution by type of supply



Turnover

	2007	2006	2005
Turnover (%)	8.5	3.0	17.3

Suppliers compliant with certification standards

	2007		2006		2005	
	n	%(*)	n	%(*)	n	%(*)
ISO 9001 certifications	273	63.2	206	67.4	198	67.2
ISO 14001 certifications	42	16.7	37	17.7	20	15.4
SA 8000 members	607	96.3	499	98.1	478	78.9

(*) Incidence in terms of amounts billed to the Montepaschi Group



Report accreditation



KPMG S.p.A.
Revisione e organizzazione contabile
Piazza Vittorio Veneto, 1
50123 FIRENZE FI

Telefono 055 213391
Telefax 055 215824
e-mail it-fmsauditaly@kpmg.it

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

Review report on the corporate social responsibility report

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

- 1 We have carried out the review of the corporate social responsibility report of the Monte dei Paschi di Siena Group (the "group") at 31 December 2007, prepared, as described in the "Introduction to the report" paragraph, in compliance with the "Sustainability Reporting Guidelines" established in 2006 by the GRI - Global Reporting Initiative. Such corporate social responsibility report is the responsibility of the parent's directors. Our responsibility is to issue this report based on our review.

- 2 We have carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Information", issued by the International Auditing and Assurance Standards Board ("IAASB"), carrying out the following procedures:
 - verifying that the financial data and information included in the "Performance and value creation" paragraph of the "The report in numbers" section of the corporate social responsibility report are consistent with those included in group's consolidated financial statements as at and for the year ended 31 December 2007, approved by the Board of Directors on 20 March 2008, and on which we issued our audit report pursuant to article 156 of Legislative decree no. 58 of 24 February 1998 dated 3 April 2008;
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the corporate social responsibility report operate. In particular, we have performed the following procedures:
 - interviews and discussions with management delegates of Banca Monte dei Paschi di Siena S.p.A. and personnel of Paschi Gestioni Immobiliari S.p.A. and Monte Paschi Asset Management SGR S.p.A. to gather information on the IT, accounting and reporting systems used in preparing the corporate social responsibility report, and on the processes and internal control procedures used to gather, combine, process and



Monte di Paschi di Siena Group
Review report
on the corporate social responsibility report
31 December 2007

- transmit the data and information of the various group companies to the office that prepares the corporate social responsibility report;
- sample-based analysis of supporting documentation used in preparing the corporate social responsibility report to confirm the effectiveness of processes and their adequacy in relation to the objectives described, and that the internal control system correctly manages data and information;
 - analysing the completeness of the qualitative information included in the corporate social responsibility report and its consistency throughout;
 - verifying the stakeholders' involvement process, in terms of methods used and completeness of persons involved, and analysis of the minutes of the meetings or of any other information available, with regard to the salient features identified;
 - obtaining the representation letter signed by the legal representative of Banca Monte dei Paschi di Siena S.p.A. on the compliance of the corporate social responsibility report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.
- 3 The corporate social responsibility report presents the prior year's figures and information for comparative purposes, in conformity with the guidelines based on which the report has been prepared, with respect to which reference should be made to our report dated 29 May 2007.
- 4 A review is less in scope than an audit carried out in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on the corporate social responsibility report. Based on our review, we are not aware of any material modifications or integrations that should be made to the corporate social responsibility report at 31 December 2007, referred to in paragraph 1, for it to be in conformity with the guidelines governing its preparation set out in the "Introduction to the report" paragraph.

Florence, 11 April 2008

KPMG S.p.A.

(Signed on the original)

Andrea Rossi
Director of Audit

Index according to the Global Reporting Initiative (G3)





Index according to the Global Reporting Initiative (G3)



PAGES

PROFILE

1. Strategy and analysis

1.1	Statement by the President and General Manager	3-5, 39-41
1.2	GC8 Principal impacts, risks and opportunities	19, 24-33, 39-41, 47-49, 99-109

2. Organisation profile

2.1	Organisation name	10, 160
2.2	Principal brands, products and/or services	10, 35-37
2.3	Operating structure	35-37
2.4	Main office	15, 160
2.5	Countries of operation	10, 52
2.6	Ownership and legal form	21-22, 131
2.7	Markets served	10, 133-134
2.8	Organisation size	10, 43, 129, 134
2.9	Significant changes	19-20, 27-31, 35-39
2.10	Recognitions/awards received	45, 49

3. Report parameters

Profile

3.1	Reporting period	6
3.2	Publication date of previous report	6
3.3	Reporting frequency	6
3.4	Contacts and addresses for information in the Report	160
<i>Report objective and perimeter</i>		
3.5	Process for determining the contents	6-7, 39
3.6	Report perimeter	7-8, 36
3.7	Limitations on Report objective or perimeter	7-8
3.8	Information on other affiliated companies	n.a.
3.9	TecnData measurement techniques and calculating bases	8-9



Index according to the Global Reporting Initiative (G3)

	PAGES
3.10	Changes with respect to previous Report 7-8
3.11	Significant changes with respect to previous Report 7-8
	Index of GRI contents
3.12	Reference table 153
	Report accreditation
3.13 GC7	External attestation 148
4.	Governance, Commitments, Involvement
4.1	Governance structure 19-20, 22-24, (RCG 5, 13-14, 19, 22, 25, 34)
4.2	Indicate whether the Chairman also plays an executive role 22, (RCG 13-14)
4.3	Independent and/or non-executive directors 22, (RCG 13-14, 19-20)
4.4	Mechanisms for making recommendations to the BoD 22, (RCG 7, 36)
4.5	Link between directors' compensation and performance 23, 41
4.6	Conflicts of interest 23, 26-27, (RCG 17-18, 34)
4.7	Directors' qualifications 22-23, (RCG 12-13)
4.8	Mission, values, codes of conduct and principles 15, 19, 26, 30-31, 79
4.9	Procedures for identifying and managing economic, environmental and social performances6, 24-29, 39, 47-49
4.10	Process for assessing BoD performance 23, (RCG 23-25)
	Commitment to outside initiatives
4.11	Method of applying the precautionary principal or approach 19-20, 27-29
4.12	Adoption of external codes and principles in the economic, social and environmental spheres 6-7, 31, 60, 70, 119, 126
4.13	Participation in industry associations 7, 70
	Stakeholder involvement
4.14	List of stakeholders involved 7
4.15	Principles for identifying stakeholders to be involved 7, 40-41



PAGES

4.16	Activities for involving stakeholders	7, 32-33, 39-41, 61-62, 65-66, 92-93, 112
4.17	Key aspects and critical issues emerging from stakeholder involvement and relative actions	7, 61-62, 65-66, 91-93

ECONOMIC PERFORMANCE

	Management and verification policies and systems	20-21, (BC 13-19; RG 10-11)
	Economic performance indicators	
EC1	Economic value directly generated and distributed	43-44, 130
EC2	Financial implications and other risks and opportunities associated with climate change	118-121, 146
EC3	Coverage of obligations assumed when pension plan was formulated	90, (BC 126-132, 172)
EC4	Significant loans received from the government	n.a.
	Market presence	
EC6	Policies, practices and percentage of spending concentrated on local suppliers	123
EC7	In loco hiring procedures	81-82, 91-92, (CE 13)
	Indirect economic impacts	
EC8	Development and impact of investments infrastructure and services of public interest	99-109, 120, 143, 146
EC9	Indirect economic impacts	44, 73-79, 119-121, 123-127

ENVIRONMENTAL PERFORMANCE

	Management and verification policies and systems	111-112
	Raw materials	
EN1	GC8 Raw materials utilised	116-117, 145
EN2	GC8 Percentage of materials utilised deriving from recycled materials	116-117



Index according to the Global Reporting Initiative (G3)

	PAGES
Energy	
EN3 GC8	Direct energy consumption by source 113-115, 144
EN4 GC8	Indirect energy consumption by source n.a.
EN5 GC8	Energy savings 113-115, 144
EN6 GC8	Products and services for energy efficiency or based on renewable energy 119-121, 146
Water	
EN8 GC8	Water consumption by source 117, 145
Biodiversity	
EN11 GC8	Lands owned, leased or managed in protected areas 117
EN12 GC8	Description of major impacts on biodiversity n.a.
Emissions, discharges, waste	
EN16 GC8	Greenhouse gas emissions 113-114, 144
EN17 GC9	Other indirect greenhouse gas emissions 113-114, 144
EN18	Reduction of greenhouse gas emissions 113-115, 144
EN19	Emissions of substances harmful to the ozone layer* 144
EN20	Other atmospheric emissions 113, 144
EN21	Water discharges n.a.
EN22	Waste production and disposal methods 116-117, 145
EN23	Total number and volume of polluting spills n.a.
Products and services	
EN26	Impacts of products and services 116-117, 119-121, 146
EN27	Recycling rate for products sold n.a.
Compliance	
EN28	Sanctions and penalties 111-112
Transportation	
EN29	Impact of transportation for business and for staff travel 113-114, 144-145



PAGES

SOCIAL PERFORMANCE

	Management and verification policies and systems	83-85, (CE 13)
	Labour policies and work conditions	
LA1	Distribution of personnel by type, contract and region	81-82, 138-139
LA2	Turnover by age, sex and region	91-92, 141
LA3 GC3	Benefits provided only for full-time workers	89
	Industrial relations	
LA4 GC3	Degree of coverage of collective bargaining contracts	92-93, 139
LA5	Minimum notice period for operational changes	82
	Occupational health and safety	
LA7	Job-related accidents and illnesses	95-96, 142
LA8	Education and prevention programmes for serious diseases	95-96
LA9	Formal agreements with unions regarding health and safety	92, 95-96
	Training and instruction	
LA10 GC6	Personnel training *	85-87, 139-140
LA11 GC6	Programmes for skills development and career advancement *	83-85
	Diversity and equal opportunity	
LA13	Distribution of personnel by sex and other diversity indicators (e.g., handicap)	94-95, 141
LA14	Ratio of men's to women's salaries	141

HUMAN RIGHTS

	Management and verification policies and systems	(CE 13, 15)
	Investments and provisions	
HR1 GC1	Operations with human rights considerations *	78-79, 138
HR2 GC1,2	Suppliers evaluated with regard to human rights	126-127, 147
	Non-discrimination	
HR4 GC1,6	Cases of discrimination *	91-92, 143



Index according to the Global Reporting Initiative (G3)

		PAGES
	Freedom of association and collective bargaining	
HR5	GC3 Risks for the freedom of association and collective bargaining	n.a.
	Child labour	
HR6	GC5 Use of child labour	n.a.
	Forced labour	
HR7	GC4 Use of forced labour	n.a.
 IMPACTS ON SOCIETY		
	Management and verification policies and systems	(CE 20-21)
	Community	
SO1	Management of impacts on the community	41, 99-109
	Corruption	
SO2	GC10 Corruption analysis and monitoring	26-27
SO3	Personnel trained in corruption prevention	26
SO4	Measures taken in the wake of corruption cases	26-27
	Political contributions	
SO5	Positions on public policy and lobbying	99-100
	Compliance	
SO8	Sanctions for noncompliance with laws or regulations	29-30, 131
 PRODUCT LIABILITY		
	Management and verification policies and systems	(CE 14)
	Consumer health and safety	
PR1	Health and safety of products and services	56-58
	Labelling of products and services	
PR3	Information on products and services	60, 64-66
PR5	Customer Satisfaction	61-62, 136



PAGES

	Marketing and communication	
PR6	Laws, standards and voluntary codes in the area of marketing and advertising	69
PR7	Non-compliance	69
	Compliance	
PR9	Sanctions for noncompliance with laws or regulations *	62-64, 136

* partially reported indicator

All core indicators have been reported; additional indicators have been reported only if considered relevant.

Legend:

n.a.	Indicator not applicable or not relevant for our business
BC	Consolidated financial statements at 31.12.2007 (www.mps.it)
RG	Annual Management Report at 31.12.2007(www.mps.it)
RCG	Corporate Governance Report 2007 (www.mps.it)
CE	Code of ethics (www.mps.it)
GC	Principals of the Global Compact (www.unglobalcompact.org)

I veri valori non sono in vendita.



MPS
per il
sociale

Viviamo la responsabilità
di rispondere ai bisogni
della persone e meritare la loro fiducia.
Ce lo indicano i nostri valori
da più di 500 anni.
Tutti noi, insieme, sentiamo
questo impegno verso la società.



MONTE
DEI PASCHI
DI SIENA
BANCA DAL 1472

GRUPPOMPS

www.mps.it

Banca Monte dei Paschi di Siena
Communications Affairs
Csr Unit
Piazza Salimbeni, 3
53100 Siena

Tel. (+39)0577 - 299654/5/6

0577 - 294661

Fax (+39)0577 - 296017

csr@banca.mps.it

www.mps.it

Graphic design: Milc Srl

Printing: Fratelli Pozzoni, Cesano Bergamasco

Made using Fedrigoni paper

With European Ecolabel brand (reg. n. IT/011/04):

- Freelifelife vellum white 320 gr

- Freelifelife cento extra white 140 gr

GRUPPOMONTEPASCHI

Banca Monte dei Paschi di Siena S.p.A. - Registered HQ: Piazza Salimbeni, 3, Siena, Italy - www.mps.it

Share Capital € 2,031,866,478.45 full paid in Siena Companies Register and Tax code n. 00884060526

Member of the Italian Interbank Deposit Protection Fund. Italian Register of Banks n. 5274

Gruppo Bancario Monte dei Paschi di Siena, registered in the Italian Central Registered of Banking Groups.

Our Commitment to Social Responsibility