



R E P O R T

2010

SUMMARY REPORT
Social responsibility
in the
Montepaschi Group

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Social responsibility in the Montepaschi Group

The Report presents a study of the off-balance-sheet aspects which largely characterised the actions of the Montepaschi Group in 2010, giving substance to the notion of creating sustainable value for the company and for its stakeholders.

It is intended for those who want to know more about our approach to CSR (Corporate Social Responsibility), check the consistency of our operations against our system of values and measure the results obtained. In this sense it is part of a wider communication project, aimed at increasing and enhancing the ethical elements of our image and reputation with stakeholders.

The Report focuses on matters identified as the most significant for evaluating a largely retail operation such as ours, in the current competitive environment of the banking system. It offers a summary of the data shown in the 2010 Social Responsibility Report, drawn up in accordance with the guidelines of the Global Reporting Initiative (GRI-G3).

Both documents, together with further ongoing resources and updates, can be seen in the section entitled “our values” on the www.mps.it website.



The 2009 issue of the CSR Report, together with the Financial Report at 31.12.2009 was a finalist in the 2010 Financial Statements Oscar for Major and Leading Banking and Financial companies.

“The strong point of the annual report was certainly the social report, complete in its full version and especially effective in the information provided in the summary document. Also praiseworthy was the disclosure relating to Intangible Assets”.

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Group figures

3 000 branches,
31,495 employees,
more than 6.2 million customers

Overview

The Montepaschi Group, whose banking business goes back to 1472, is one of the main banking and credit institutions on the Italian banking scene. Apart from its traditional lending activity (short and medium/

long-term loans for households and businesses, leasing, factoring, consumer credit), the bank engages in wealth management activities such as asset management (through its interest in AM Holding), private

banking, investment banking and corporate finance. The group also offers bancassurance and social security products through its strategic partnership with AXA.

THE MAIN CORPORATE OPERATIONS IN 2010

10 February	Extension of the agreement with AXA to the network of Banca Antonveneta branches
16 April	Merger of Banca Personale SpA into Banca Monte dei Paschi di Siena
28 May	Disposal of 22 branches to the Carige Group
11 June	Sale of 50 branches to the Cassa di Risparmio di Firenze
3 December	Merger of Paschi Gestioni Immobiliari Spa and MPS Investments Spa into Banca Monte dei Paschi di Siena
30 December	Agreement with the Banca Popolare di Milano and Clessidra Sgr for the incorporation of, and equity investment in AM Holding which is positioned as the major independent asset management player in Italy.
At the end of 2010	Completion of the real estate enhancement deal (for property used in the business)

The Group's Mission is "to create value for shareholders both in the short and long term, giving priority to satisfying customers, the professional growth of people, and the interests of all the stakeholders".

The Group's Values are: the ethics of accountability, customer focus, readiness for change, an entrepreneurial and pro-active business approach, a drive for

professional skills, team spirit and cooperation.

The Group is active over the whole of Italy and in the main international financial centres:

■ In Italy, where most of its entire turnover is achieved, it can count on a distribution network consisting of almost 3 thousand branches, 256 specialist centres (for small/medium enterprises, public

institutions and private customers), 151 financial offices and over 3,500 ATMs.

■ It is present abroad with 4 branches (London, New York, Hong Kong, Shanghai), 11 representative offices (in the EU "target areas", Central and Eastern Europe, North Africa, India, China) and 3 subsidiary banks under foreign law: MontePaschi Banque in France, MontePaschi Belgium in Belgium

Overview

We want customers and public opinion to recognise that we are an Italian bank; sound, serious and reliable. It is in this sense that we are building our market relationships. The latter are traditionally characterised by a prudent approach, anchored in the real economy of the local areas of the country and oriented towards the customer, with a spirit of innovation.

and MontePaschi Monaco in the Principality of Monaco (the latter is being discontinued).

It has 31,495 employees and over 6.2 million customers, the great majority being retail.

The parent company role is performed by Banca Monte dei

Paschi di Siena SpA. The Bank is included in the FTSE MIB40 (the main benchmark indicator for Italian stock markets) with a market capitalisation of approximately 5.7 billion euros as at 31.12.2010.

Banca Monte dei Paschi di Siena is a strong brand noted for its tradition, solidity and Italian character.

Over the last few years the brand has acquired more positive connotations especially in terms of customer centricity and innovation: the Bank has been recognised as the "Most Innovative Bank of 2010" and awarded the *Premio Cerchio d'Oro dell'Innovazione Finanziaria* (Aifin - Italian Association for Financial Innovation).

The ownership structure at 31.12.2010

The Bank's major shareholders (so-called strategic investors*) own an overall 63.91% of the ordinary capital. 70% of the residual capital is owned mainly by Italian retail investors and employees and the remaining 30% by institutional investors (of these approximately 8% North America, 9% Europe, 5% Italy, 5% UK/Ireland).

* MPS Foundation 45.68%; JP Morgan Chase 5.54%; Axa S.A. 4.56%; Caltagirone Francesco Gaetano 4.81%; Unicoop Firenze 3.32%

Most innovative Bank in 2010

Winner of the "Cerchio d'Oro"
prize for Financial Innovation



REMARKS FROM THE CHAIRMAN

CSR is a corporate factor contributing to the optimisation of the value creation system. What are the strategic priorities of the Montepaschi Group over the next few years?

For the Bank, corporate social responsibility has always been the right way of behaving in the market and in relations with the stakeholders. CSR brings real benefits and for this reason it will continue to be a guiding criterion for our strategies.

Moving from social relations and careful consideration of stakeholders' aspirations, we are stimulated to react quickly to the continuous changes in the macro-economic scene, to respond appropriately to market requirements, to develop our business and grow the value of intangible assets such as our brand and know-how.

With regard to the engagements made by the Bank over CSR, the priorities for the next few years, consistent with international standards, are:

- Further integration of CSR with the Bank's processes and operations and with our relations with stakeholders. The CSR Report must be integrated ever more closely with the Financial Report and all our communications must guarantee maximum transparency and simplicity;
- Seeking trenchant ways of declaring our sustainable nature and so increasing the awareness of end consumers, sustaining communications with consistent practical actions in support of our intentions and the undertakings we make.



Giuseppe
Mussari
CHAIRMAN

The Montepaschi Group has always kept close to families and companies. In a radically changed macro-economic context, how has the relationship with your customers evolved?

The banks are still dealing with the difficulties of a recessionary economic cycle, which particularly punishes those like MPS which base their activity on credit extended to families and companies.

Our Group is managing this contingency and continuing to ply its trade, with discipline, rigour, ability to offer "good" credit and to make ourselves a point of reference for the region and the country. We have put branches centre stage and they will be further strengthened so that they can work in a faster and simpler way, serving the real economy and families. We have had important exchange of views with consumers and companies and shall continue to do this in order to combat the effects of the crisis and to remove the obstacles which impact on this very slow economic recovery and the competitiveness of the productive framework.

The Montepaschi Group is sensitive to environmental issues and has recently strengthened its engagement in that direction with the approval of a new policy by the board of directors. What are the guiding principles?

The new Environmental Policy formalises the extension to all the Group of priorities already dealt with by the Bank since 2002, with a special management system certified under ISO 14001. Within this new value framework, the performance objectives look challenging.

We shall continue to further support the positive trends recorded this year in energy consumption (-6%) and in the corresponding CO2 emissions (-30%), also through increasingly close cooperation with suppliers.

We will also pay careful attention to the development of new "green finance" markets and shall always be reliable and well-prepared partners for Italian firms in this sphere.

AND THOSE OF THE CEO



Antonio
Vigni
CEO

CSR principles impact on the choices of the Montepaschi Group on many fronts. What are the key results achieved in 2010?

In a year characterised by important organisational projects, the CSR objectives have been pursued with our usual determination and have achieved satisfactory results.

The initiatives taken have allowed the Group to consolidate its customer base both in quantitative and qualitative terms: retention at 95.3%, acquisition at 5.7%, a drop in the number of complaints and an improvement in customer satisfaction indices.

Internally, the close attention paid to the environment and working procedures, to training, to development paths and to corporate welfare has led to a very low employee turnover rate and to a promising improvement in the level of overall satisfaction of employees.

These and the other results which we cover in this Report and, in line with international best practices, also in

the traditional financial statements, have also contributed to a further strengthening of our brand's reputation and the consolidation of the BMPS share in the main sustainable finance indices.

The Montepaschi Group has provided support to companies through various facilities and benefits. What actions were taken in 2010?

During the year we have placed the needs of families and firms at the heart of our commercial policies. We have continued to grant credit and we have supported firms in dealing with the effects of the crisis, demonstrating our practical desire to position ourselves as an interlocutor and as a responsible social party in working together for the economic recovery of the country.

In particular we have implemented the special package of financial instruments launched in 2009 to remove the main competitive disadvantages of Italian small/medium enterprises and have extended these policies for the whole of 2011.

The "flagship product" is Time Out, through which we have suspended and deferred loan instalments for many firms in difficulty. We did this rapidly, ahead of similar initiatives taken elsewhere, and with an original approach which the ABI has recognised by awarding us the "Prize for innovation in banking services".

While the debate on the quota of women is still open, the Montepaschi Group recorded further growth during 2010 in the incidence of female personnel. A more feminine Monte dei Paschi?

The enhancement of human capital has always been a determinant factor in our Group culture for gaining a competitive advantage and we are pursuing this objective by constantly improving the quality of working lives, making available to staff instruments such as flexible working hours, changing contracts from full time to part time in various ways and a continuous training process.

In particular, the constant attention paid to the professional development of women is proven by various indicators such as: the steady growth of women on the payroll, passing in the last ten years from 37% to 44.5%, the increase in women in senior roles and the significant percentage of women being promoted.

These results have also been confirmed by the views of potential job candidates and have won for the Bank the special Randstad Global award in the "Work Life Balance" category.



The values of the Group

Ethics of responsibility, customer-orientation, readiness for change, entrepreneurial and pro-active approach, a drive for professional skills, team spirit and cooperation.

Approach to CSR

WE SEE CSR AS THE CORPORATE FACTOR THAT ENCOURAGES US TO CONSTANTLY SEEK THE POINT OF EQUILIBRIUM BETWEEN REGULATORY COMPLIANCE, COMPETITIVE CHOICES, CONSISTENCY WITH OUR SYSTEM OF VALUES AND THE VARIOUS POINTS OF VIEW OF THE STAKEHOLDERS.

Quickly implementing regulatory standards and guidelines and regularly ensuring fullest compliance are the main feature of our CSR approach.

Our aspirations and our commitments to CSR go further in terms of sustainability and competition.

Voluntary principles and rules are formalised through:

- Charter of Values - this is the first benchmark, established in 2000.
- The Code of Ethics - sets forth the corporate values in a compendium

of the commitments which should guide the Group in their implementation, with the constant and careful consideration of stakeholders' expectations.

- Theme Policies - develop the aims of the Group in specific CSR areas and issues.

In carrying out its work, the Group is inspired by, and complies with, external provisions, whether from national or international sources, which can take the shape of principles, binding norms and recommendations, including in particular:

- The self-governance code for companies listed on the Italian Stock Exchange.
- The Code of Conduct for the banking sector.
- Consob Regulation No. 17221 of 12 March 2010 setting out "Provisions regarding transactions with related parties".
- Legislative Decree 231/2001 concerning the administrative liability of legal entities.
- The United Nations Declaration on "finance and sustainability".
- The Global Compact Principles of the United Nations, in matters

The Montepaschi Group observes and supports the CSR principles promoted by the United Nations and the European Commission



Approach to CSR

of human and workers' rights, protection of the environment, the fight against corruption, in line with current international declarations and agreements..

- The European Alliance for CSR, promoted by the European Commission.

From the end of the 90s the Group has undertaken to interpret these guidelines in practical ways with increasingly organic and transparent methods, implementing solutions aimed at

achieving business objectives.

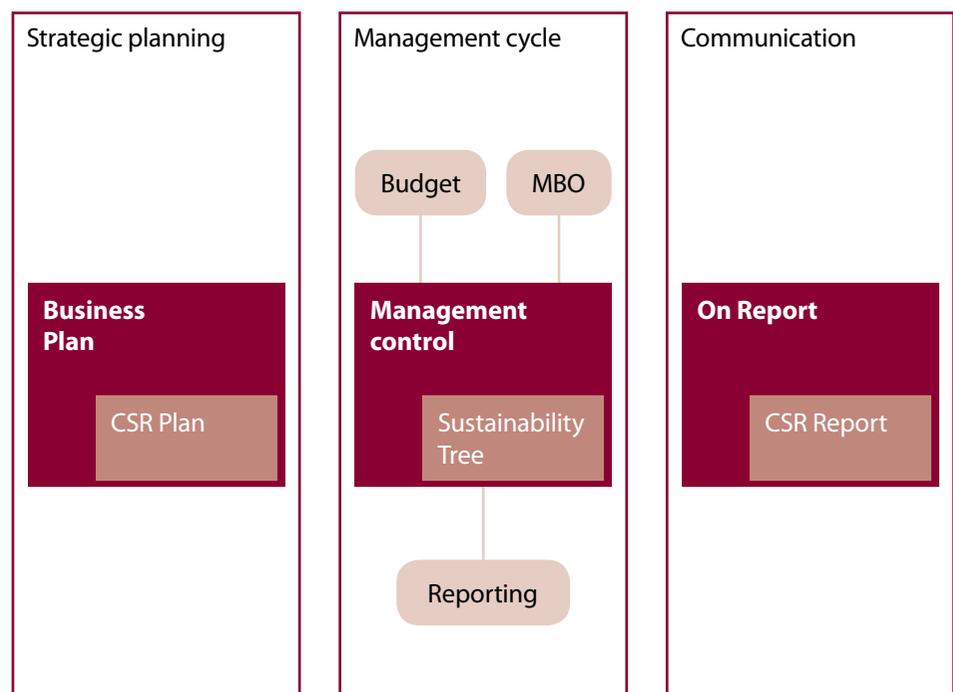
Originally the expected benefit was to the company's reputation. For this reason the strategic and operational coordination of CSR policies was assigned in 2006 to the Communications Department of the Parent Company, where a specialised team of 3 persons is working.

The area reports to the General Manager (the highest executive role in the Bank) and functionally to the Chairman of the BoD. It also supports

the actions of the Committee for Social Responsibility, which is within the Board of Directors and has been dealing with that business since 2004 (3 meetings in 2010). By virtue of these internal reports, our approach to CSR has gradually integrated the reputational aspect with other benchmark parameters such as: the ethical dimension of the business and the other priority expectations of the major shareholders, as well as possible impacts on productivity and management.

We believe that CSR is a corporate factor that can contribute to optimising the Group's overall Value Based Management system.

For this reason we have undertaken the implementation of a measurement and economic valuation model for the most important extra-financial components of the business which lie at the heart of our medium and long-term performance (reputation, compliance, skills development, qualitative and quantitative organisation of resources, motivation and employees' sense of attachment, customer satisfaction, social and environmental commitment, etc): The "Sustainability Tree" (being completed).



Process of integrating the CSR into the Group's Value Based Management system - flow chart

Integrated Reports

The issues addressed in the CSR Report found ample space in the Financial Report of the Group, in line with best international practices



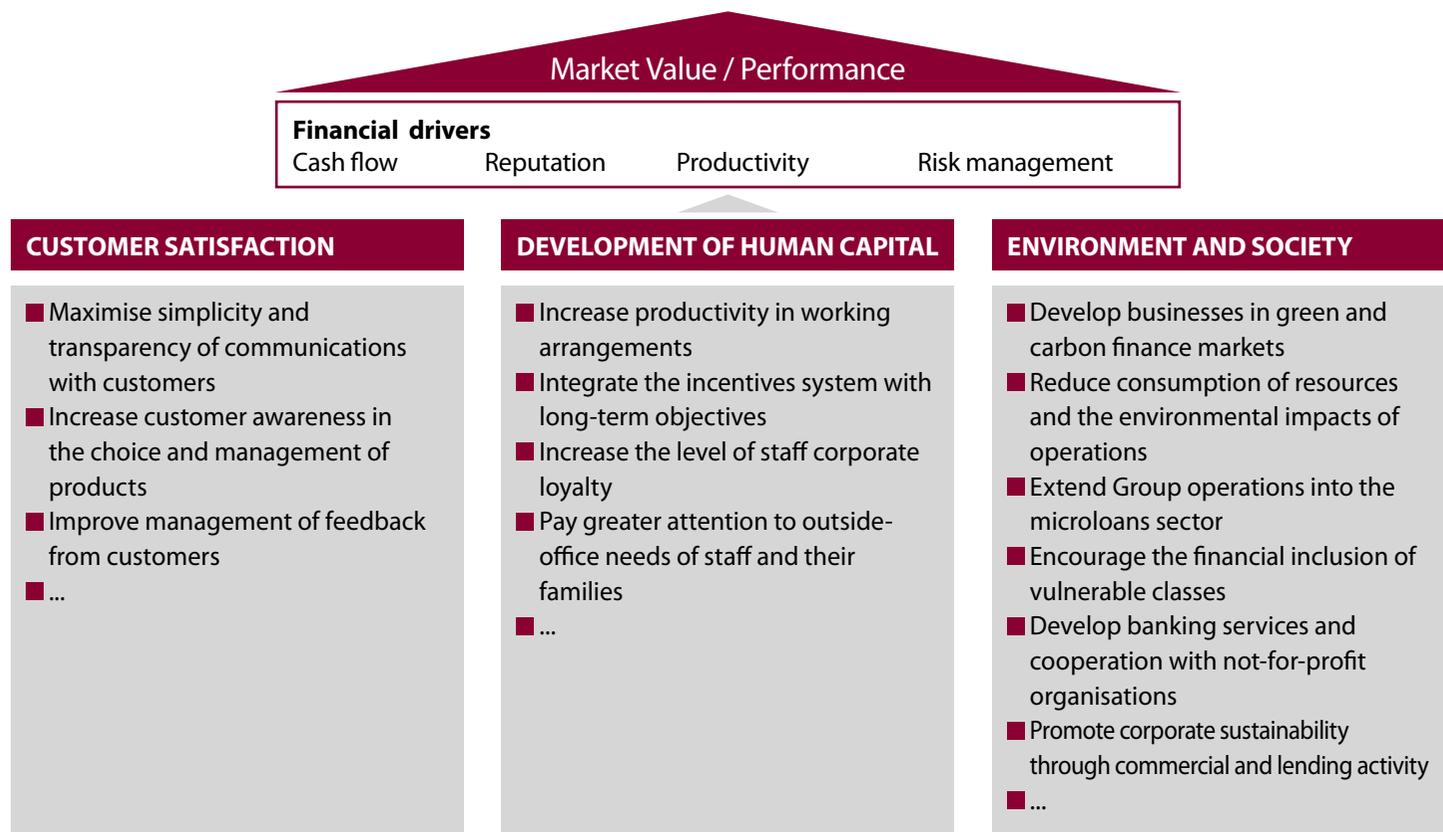


Sustainability Tree

40 extra-financial performance indicators represent the benchmarks for the strategic management of CSR.

Strategy and Performance

The CSR strategy was implemented following the guidelines set out in previous years and centred on the quality of customer service, high quality working conditions, business ethics and attention to the social and environmental impacts of our business.



Strategy and Performance

The main indicators monitored (we show a selection in the table) show generally positive performance and developments.

Areas of responsibility	performance indicators (selection)	2010	2009	Pages in the Report
human resources	■ employee perception index (scale 20-100)	69.2	65.2	37,43
	■ voluntary resignations (%)	0.36	0.45	43
	■ rate of absenteeism ⁽¹⁾	3.88	3.95	43
	■ training, per capita (hours)	48	36	41
	■ women with positions of responsibility (%)	35.1	33.8	43
	■ female personnel (%)	44.5	44.2	43
customers	■ index of customer service level (scale 20-100)	65.9	62.8	36,37
	■ customer retention (%)	95.3	94.1	36
	■ customer acquisition (%)	5.7	5.8	36
	■ complaints (No.) ⁽²⁾	11,141	11,267	36
company	■ microloans (No.)	711	312	54
	■ immigrant customers (%)	5.2	4.7	52
	■ social contributions (millions of euros) ⁽³⁾	43.6	46.4	54
	■ sustainability rating of suppliers (scale 1-10)	4.9	4.7	47
environment	■ per capita energy (toe - tonne of oil equivalent)	1.56	1.63	56
	■ direct emissions of CO ₂ per capita (kg) ⁽⁴⁾	833	1,198	56,57
	■ paper per employee (kg) ⁽⁵⁾	67	62	56,58
	■ purchases of eco-friendly products/services (% of expense)	4	4	46,48
	■ loans in energy & environmental sector (millions of euros)	1,031	379	58

Note:

1) **Rate of absenteeism:** days of absence for illness and accidents out of the total average annual working days

2) **Complaints:** these do not include disputes relating to compound interest and the cloning of credit/debit cards

3) **Social contributions:** these include contributions granted for social purposes in the form of donations and sponsoring

4) **CO₂ Emissions:** these greenhouse gas emissions in "scope 1" and "scope 2" according to the international GHG Protocol

5) **Paper consumption:** the data is estimated on the basis of purchase orders and does not include paper for communications sent to customers; the 2009 data is influenced by extraordinary recourse to warehouse stocks and simultaneous reduction in new purchase orders.

The reactions of the stakeholders, especially the operators in socially responsible financing, were positive. In the latter case the BMPS share, following positive opinions from the major rating agencies specialising in ESG analyses (Environment, Society, Governance):

- was confirmed for the third consecutive year amongst the components of the most important financial indices for sustainability - Dow Jones Sustainability Stoxx and World, FTSE4Good Europe and Global, Ethibel Pioneer and Excellence.
- was included in a new series of sustainability indices offered to the Italian market by the FTSE Group and E-Capital Partners.

- was admitted to the Carbon Disclosure Leadership Index which informs financial markets of the best companies for managing climate change opportunities and risks.

- has met with praise in Europe from institutional investors (Socially Responsible Investors - SRI) which, at 31.3.2010, were found to own overall 2.55% of the parent company's free-float capital.

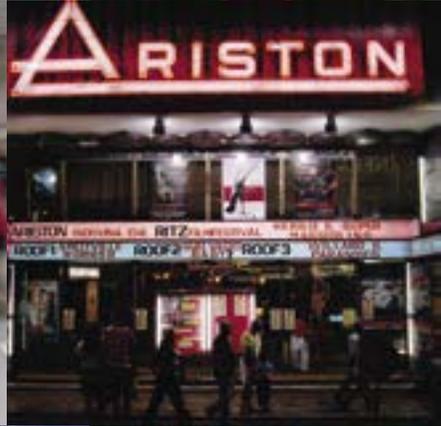
BMPS features in the main sustainability financial indices



FTSE ECPI Italia



CARBON DISCLOSURE LEADERSHIP INDEX



The Bmps stock is confirmed as a key component of sustainability indices



Ranking first among Italian banks according to the Reputation Institute



Our traditional corporate governance system ensures sound and prudent management



The only Italian bank to be admitted in the Carbon Disclosure Leadership Index



We have been providing our support to the UN Global Compact for the last 10 years



Consumer Lab: together with consumers associations to find new ways of relating with customers





Stakeholder engagement

Our exchanges with stakeholders provide valuable input to address CSR priority issues

Key Issues

In a macro-economic scenario characterised also in Italy by an uncertain growth recovery and destabilised by market fall-out linked to the increase in sovereign risks and other international crises, banks have to:

- Continue to cope with overall stagnant profitability and deterioration in the quality of credit.
- Re-establish their credibility in the face of highly critical public scrutiny.
- Contribute to the stability of the financial systems, dealing with increasingly stringent and rapidly evolving rules and practices, especially in terms of capital requirements, risk management and corporate governance.

- Increase management focus on criteria of efficiency and transparency.

Social developments are also increasingly influencing the operations of banks (as drivers of possible risks and opportunities) driving organisational adjustments and product range developments. Demographic trends, migratory flows, employment trends, household consumption, development of communications technology, scarcity of natural resources and climate change are some of them.

Starting with these considerations, supported also by our research and inputs collected from our

stakeholders and from conclusions developed within the multi-stakeholder organisations in which we participate, we have identified the issues on which we think we can most appropriately measure the social responsibility of the Montepaschi Group:

- Control of risks, transparency and market ethics.
- Responsible credit and distribution of financial products.
- Customer satisfaction and the value of reputation.
- Development and enhancement of human resources.
- Sustainability of the supply chain.
- Ability to create value added compared to the traditional social function of banking activity.

Key Issues

■ Management of the environmental impacts of operations and “green finance” markets.

These issues are dealt with in summary form in the following chapters.

For each of these, our policy is described with some of the

solutions sought this year to balance economic performance objectives, ability to remunerate shareholders and the varying expectations of stakeholders. Also dealt with are the main indicators which we have monitored.

Research activity is increasingly supporting the strategic orientation and commercial development of the Group. These studies also cover the main social dynamics occurring in Italy and the associated development that may take place in the banking business.

The subjects analysed in 2010 by the Department of Strategic Planning, Research and Investor Relations include:

- **Demographic trends** - the ageing population is exercising ever-stronger pressure on public expenditure with the potential for a strong impact on the equilibrium of pension and social protection schemes in general; a growing importance is attributed to private pension funds and insurance products designed for personal protection.
- **Migratory flows** - foreign citizens have more than tripled since 2000 and represent 7.5% of the Italian population. The links between immigrants and the banking system are also growing in terms of depth and ease of access, accompanied by a wider range of products and services offered.
- **Employment Trends** - the unemployment rate has risen to 8.6% (26% amongst the young).
- **Household consumption figures** - in the two years 2009 and 2010 disposable income has contracted in real terms by over 3%; financial assets have remained almost stable. In this context banks, in cooperation with the Government and ABI, have launched various initiatives and products to mitigate the impact of the economic crisis on the economic and financial situations of families.
- **The development of renewable energy** - driven by decisions taken in the EU and by increasingly widespread public interest. Banks support is crucial in this sense, through traditional credit instruments and the offering of innovative corporate finance products.
- **Developments in communications technology** - these are changing daily life behaviour and habits, including the ways of accessing banking services (approximately 30% of Italian families use internet banking).

Risks **control, transparency** and business **ethics**

The crisis has revealed the importance of the role of the banks. In terms of sustainability, one of the objectives is to prevent and mitigate the effects of such risks on the real economy. For this, it is necessary to ensure the right approaches to governance, management and control as guarantees of correct and transparent conduct in the market. The Montepaschi Group, by virtue of a traditionally prudent approach

to financial management, consistent with its own Code of Ethics, has:

- Responded quickly to new regulatory requirements in terms of corporate governance and risk management.
- Further strengthened risk management and control systems and the necessary resources to implement them.
- New remuneration policies have been worked out.

This has been done in constant contact with the Bank of Italy, the other appropriate authorities and coordinated in an ABI forum.

These are some of the issues we have found to be of great interest to the market and on which our relations with analysts and investors are based.

THE MAIN INITIATIVES IN 2010 CONCERNED:

Corporate Governance

- Governance mechanisms have been strengthened by the acceptance of the new Consob Regulation “transactions with related parties” and the institution of an Independent Directors Committee with consultative functions in this field. The Committee comprises 3 directors considered independent according to the criteria of the Self-regulation code for listed companies.
- Directors have been provided with information on the main

regulatory innovations for the year (for example, in terms of transactions with related parties and the procedure for the statutory auditing of accounts) and constant updating of relevant issues such as internal controls and risk management.

- The articles of Association have been amended in line with the new regulatory framework for the functioning of the shareholders’ meetings (Legislative Decree 27/2010), introducing various additional solutions to facilitate

shareholders exercise of their rights and participation in Bank meetings

- The self-assessment mechanisms for the operations of the Board of Directors have been further developed, following the institution of the Committee of Independent Directors. Information relative to the corporate governance system is published in the “Report on Corporate Governance”, available in the “investors & research” section of the website www.mps.it.

Risk management and control

- The risk management process has been further strengthened, mainly in relation to the gradual extension to the various companies in the Group of more advanced models for managerial and information purposes; already implemented in the parent company since 2008 for credit risks, (AIRB - Advanced Internal Rating Based) and transactions (AMA - Advanced Measurement Approach), in line with Basel 2 - first pillar.
- Activities aimed at improving the internal models for market and counterparty risks have been pursued.
- There have been further improvements in the self-assessment processes for capital adequacy and in drawing up the relative ICAAP report (Internal Capital Adequacy Assessment Process) in compliance with Basel 2 - second pillar.
- Significant Quarterly data has been disclosed to the market concerning capital adequacy, risk exposure and the relating

Since the first half of 2009 the Risk Management Area, which defines the methods of analysis and measurement of risks incurred, directly reports to the General Manager and it also reports functionally to the BoD and the CFO. This structure, in line with international best practices and standards, is aimed at ensuring greater efficiency and autonomy for the business.

management systems (available in the "investors & research" section on the website www.mps.it) in compliance with Basel 2 - third pillar. During the year the internal procedures for preparing and publishing these disclosures have been reviewed. in order to make them more efficient.

- In compliance with the provisions of the Bank of Italy and Consob, ample additional disclosure on the investments which the market considers as high risk investments has been provided. Specifically, in the financial reports, we have

made available special analyses on the book value of structured credit products owned by the Group (CDOs - Collateralized Debt Obligations, ABS - Asset-Backed Securities and others) and the use of derivative instruments, traded on behalf of customers.



Loans to customers

**Loans scored a +4%, while ensuring
continued caution in the selection of risk**

The asset structure

- A significant asset increase has been achieved with Tier 1 which at 31.12.2010 reached 8.4% (7.5% at the end of 2009).
- The Bank passed the Stress Test designed to assess the overall resistance of the European banking sector and the capacity

of the banks to absorb further shocks to credit and market risks, including sovereign risk. It remains however committed to improving current profitability, to keeping risk levels under strict control and further rationalising the current shareholdings structure,

in line with the business plan and with the general aim of further optimising its overall level of capital.

Remuneration systems

To ensure full compliance with international standards (Financial Stability Board 2.4.2009 and Directive 2010/76/EC) and with the provisions of the Bank of Italy in matters of remuneration, the Bank implemented various initiatives in the 2009-2010 financial period which were approved by the Shareholders' Meeting. Amongst these: the introduction of a medium/long-term incentives system for Top Management; the exclusion from the incentives system of the "control functions" and the "Manager in charge of drawing up the company accounts"; the establishment of an inter-departmental technical body to ensure the involvement of the appropriate company departments in defining the remuneration policies.

However, the provisions put out for "consultation" by the Bank of Italy in December 2010 that will abrogate all existing standards, require further alignment actions by the Bank, which concern:

- The definition of the personnel that falls into the so-called "most relevant category", i.e. all those persons whose professional activity has or could have a significant impact on the risk profile of the firm.
- In the framework of the performance objectives system, increasing the weight of the risk adjusted indicators, i.e. those indicators that can adequately account for risks over a reasonably long time frame.
- The structure of variable remuneration which, especially

for the "most relevant" personnel, must meet certain requirements in terms of pay-mix (fixed v variable), deferral system (payment in at least 3 years) and pay-out (payment in cash/ financial instruments).

The new remuneration policies, in accordance with the implementing standard prepared by the Financial Stability Board, as well as the provisions of the Bank of Italy (now being issued) were approved by the BoD and shall be submitted to the Shareholders' Meeting called for the approval of the 2010 Financial Statements.

Responsible credit and the distribution of financial products

Amongst the most important aspects of our mainly retail positioning are: the accessibility and sustainability of credit, the price structure, cost transparency and other sales conditions as well as guaranteeing protection systems to customers.

In a market context which is still difficult, especially in the fundamentals of the economy, we have:

- Confirmed our support to the families and firms in the greatest difficulty, with specific measures to mitigate the impacts of the crisis.
- Continued to provide credit to customers (about +4% of

our commitments) without abandoning the traditional prudent approach in risk selection. In particular, and in constant observance of the rating models which we have developed in accordance with the provisions of Basel 2, we have sought to blend, as best we can, the objective of optimising the quality of loans (as far as permitted by the current economic situation) with the justified requirements of firms to receive loans in order to continue and further develop their businesses.

- Worked to ensure service conditions capable of further improving the levels of

protection and choice for the customers, including through the adoption of the new rules on transparency and fairness of banking services.

Relative to the above issues, we have taken part in initiatives promoted by the Italian government and those shared with ABI, further intensifying discussions with local institutions and business and consumer associations to identify the most effective operational solutions to implement requirements, while taking into account competitiveness.

The needs of families and firms have been raised in many meetings and debates with stakeholders in the region as well as through the traditional networks of commercial and institutional relations.

Key Issues

THE MAIN INITIATIVES OF 2010 CONCERNED:

Management of the debt of consumers in difficulty

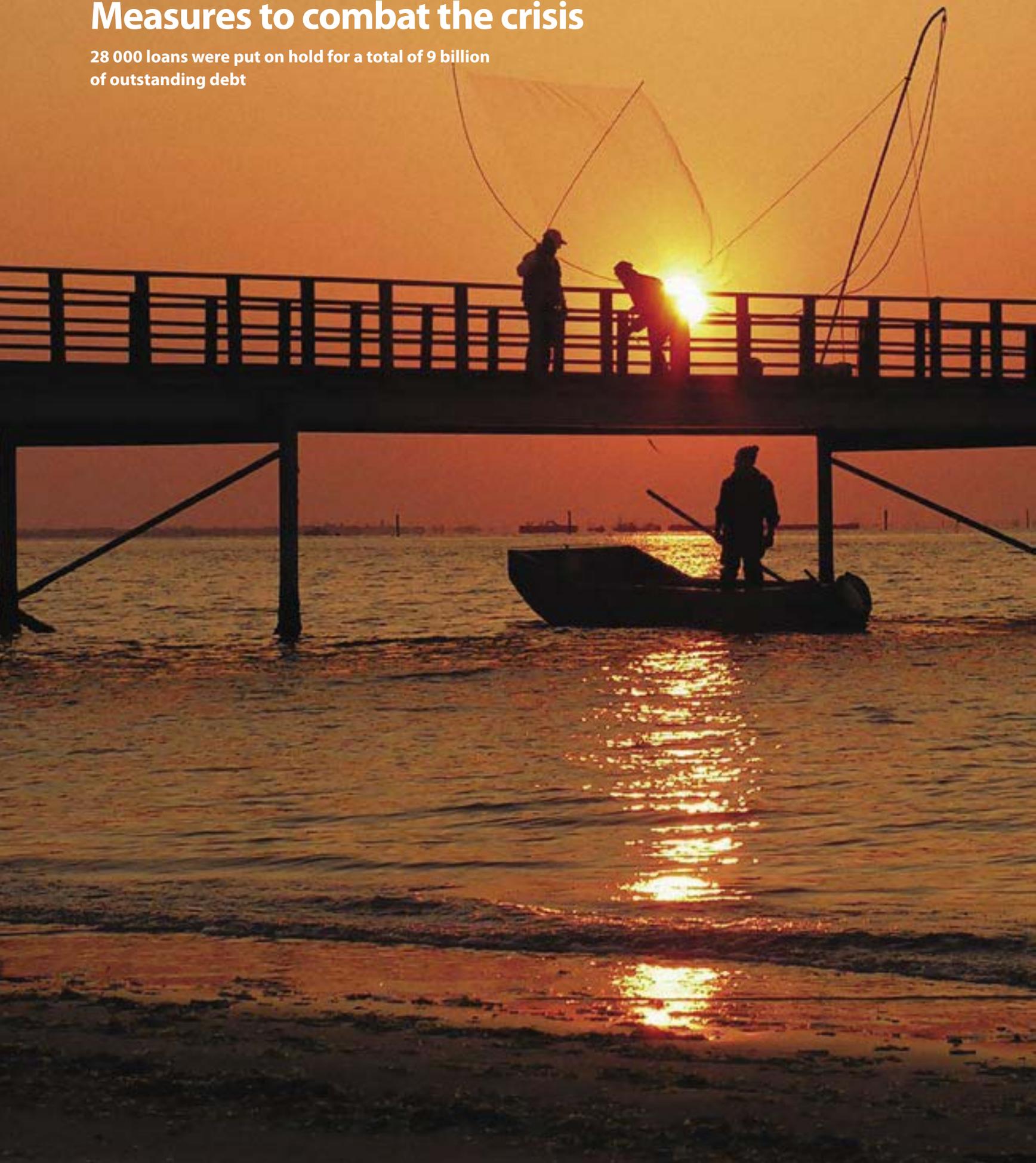
- The “Fight the crisis” programme has continued, now included in the Families Plan promoted by the ABI which has up to now allowed the suspension of payments of over 9 thousand loans for an overall residual debt, as at 31.12.2010, of about 970 million euros. The suspension of the loans, together with other forms of support for customers in temporary difficulty, has especially affected families hit by natural disasters (including the earthquake in Abruzzo and the floods in upper Tuscany and the Veneto).
- We are now advancing funds due to workers on redundancy benefits schemes but not yet paid by the relevant social security body (up to a maximum of 6 thousand euros). Up to now 984 customers have benefited from a sum of 5.9 million euros.
- We allow the free transfer of loans. In 2010 the products “Sostitutuo” and “Sostitutuo Protezione” were chosen by 16,477 customers for an overall amount of approximately 2 billion Euros.

Support to firms in difficulties

- We have continued to offer various facilities to small and medium firms, with particular regard for the most virtuous and socially responsible ones, such as those involved in the Made in Italy promotion programme and the protection of their own work force. Amongst the measures launched there is also a moratorium on payments of instalments for the repayment of principal on loans up to a maximum of 12 months (Time Out), which anticipated the similar “Avviso Comune” initiative established through an agreement between ABI, the Ministry of Economy and Employers’ Associations. Up to now about 19000 loans have been suspended for a residual debt of about 8 billion euros. The support package was extended to the whole of 2011.
- Funds have been made available for loans up to a ceiling of 317 million in the framework of a specific agreement between the Italian Bankers’ Association and the Cassa Depositi e Prestiti (Deposits and Loans Fund) (36 million granted in 2010 in favour of 113 firms).
- Funds have been made available for loans up to a ceiling of 500 million euros to finance companies in the framework of the Fondo Centrale di Garanzia [central guarantee fund] managed by Medio Credito Centrale (in 2010 there were 1,675 transactions for a sum of 450 million euros).

Measures to combat the crisis

28 000 loans were put on hold for a total of 9 billion of outstanding debt



Transparency in services commitments and the simplification of communications and relations with customers

- All the “ABI Patti Chiari” initiatives have been implemented.
- The in-house processes for implementing the MiFID Directive have been optimised, also in response to specific observations made by Consob.
- Product communications have been revised in a “client oriented” perspective and in implementation of the Bank of Italy provisions regarding transparency and simplicity for transactions and financial and banking services. The newly designed current account statement has already reached 3.3 million customers.
- The information sheets attached to current account statements have been supplemented with the appropriate Summary Cost Indicators to allow for a comparison of the various banks offerings.
- In the context of the strategic partnership with AXA, the Charter of Commitments has been drawn up, which sets out the response times within which the insurance Company undertakes to deal with customers request concerning the policies redemptions, before or at maturity, claims and other possible requests.

Risk management and customer support in managing investment products

- The advanced consultancy service for financial investments (Advice) has been implemented. In 2010 around 200 thousand consultancy proposals have been made, which optimise customers choices in terms of responsibility, blending investment objectives, preferred investment horizon,, risk appetite and financial awareness.
- Monitoring, controls and customers support in the management of investment products have been strengthened, especially for particularly complex and risky products or products that impose obstacles or limitations to the investor for the sale of the securities in reasonable time. All the investment products being offered are valued through a quality/quantity methodology which considers the various market risk factors, credit and liquidity/complexity. The same valuation is done for financial instruments purchased directly by customers and managed by us. The risk assessments are available to customers in the information sheets for

the securities being placed.

Customers are kept regularly informed of changes in the risk aspect of their investments to allow them to make timely decisions over any rebalancing of their relative overall risk profile.

- An internal technical customer protection body has been put

in place; it was established to identify and check on companies temporarily in difficulty because of the macro-economic situation, internal or industry-related events, and because of the lack of market information. This is in order to exclude any related financial

instruments from those which can be offered to customers, given their maximum level of risk.

Secure banking services

- Activities have been pursued to combat debit/credit card fraud perpetrated against customers. The fraud prevention system, initially activated only with regard the debit transactions, has been extended also to credit cards with increased monitoring capacity. In 2010 these activities have caused a reduction in the number of applications for repayment due to fraud by about 30% compared to the previous year, and a reduction in the average repayment amount by about 50%.

- There has been further strengthening of on-line protected operations for customers. The solid protection system for on-line banking

services offered to customers, such as for example the use of an identifying certificate and electronic keys in order to access the banking internet platform in a more secure way, have been further supplemented with other protective measures such as:

- "Stai al sicuro" (stay safe) which involves the free despatch of messages in real time for transactions considered at risk (e.g. bank transfers, recharging of mobile phones and prepaid cards).
- "PaschiAvvisa", to keep the customer constantly informed at regular intervals of particular events, such as for example the execution of stock exchange orders or the balance of the current account.

- "La domanda-risposta segreta" (secret question/answer) which recognises the user with on-line provisions effected in anomalous situations.
- "SeiOk" (you're OK) to allow the customer to check the level of safety of his own computer on-line.



In ten years the incidence of female staff increased from 37% to 44.5%



We ensured free portability of mortgages to 16,477 customers for approximately 2 billion



Significant commitment to training: we invested 5.7 million (+32.5%) corresponding to 48 hours per capita (+33%)



Disclosure relating to the placement of funds was supplemented with the relevant ESG rating



Energy consumption reduced by 5.7%



CO₂ emissions reduced by 30%



Customer **satisfaction** and **reputation**

Trust and reputation are particularly important intangible assets for banks. They are an integral part of the products and services we offer and influence customer appreciation considerably, with an effect on the relative levels of general

satisfaction and the rate at which we acquire new customers (5.7%) and customer loyalty (95.3%).

For this reason we give priority to:

- ensuring the quality of service to customers and their degree of satisfaction.

- managing image and reputation in view of the Group's value creation and protection

THE MAIN INITIATIVES OF 2010 CONCERNED:

Customer care and recording customer satisfaction

- We have worked on the Paschi FACE project to improve the bank/customer relationship through the creation of a new management support platform for the Group's Network and the resulting simplification of the various associated organisational and operational aspects.

- The contact centre has recorded very good levels of service both in customer assistance for direct banking services (over 90% of telephone calls taken in 30 seconds) and in operational/sales support (88% of calls taken within

36 seconds).

- There has been further strengthening of complaints management with the aim of reducing outstanding complaints and optimising solution times. During the year 11,141 new complaints have been received (about -1% since 2009); we have managed overall 14,197 (between those outstanding and new), with total expenditure of about 12 million euro. The average solution time was 43 days, recording a progressive managerial optimisation in the second part

of the year: 26 days in the second half; 15 in the fourth quarter.

- The level of customer satisfaction concerning the quality of products and services provided by the Group was checked through periodic surveys carried out on the customers themselves (including the so-called internal customers, i.e. the branch staff) and through an analysis of operational service provision/efficiency indicators. The 2010 analyses indicate an improvement in all the indices monitored compared to the

previous year, for the retail customers of the Parent Company. On a scale from 20 to 100: Care Score Index¹ (65.9; +4.9%), Customer Perception Index² (80.6; +7.5%), Employee Perception Index³ (69.2; +6.1%), Operational Perception Index⁴ (56.7; +4.7%). The Banca Antonveneta data is also largely in line with this. The quality level perceived by corporate

customers of the Parent Company stood at 72.2 (slightly lower the data for the other banks of the Group).

■ Relative to the roles of the branch network and in order to increase loyalty and enhance relations with families and companies, avoiding reputation risks, the weight assigned to the “no-claim” factor, which adjusts the end results,

was increased when setting up the incentives system in 2010; the latter, has also been integrated, by introducing other compliance indicators into the system.

For 2012 a new customer perception indicator is being created, to be inserted in the context of the balanced scorecards.

CONSUMER LAB

Consumer Lab is a real bank/consumer joint “laboratory”. Founded in November 2004, it is intended to prevent possible “financial problems” arising for bank customers. Over the years these activities have intensified, concentrating on questions considered most relevant and offering specific practical solutions.

In 2010, cooperation centred on the following activities in particular:

- The preparation of a Rights and Duties Charter to support customers knowledge and better understanding of the principles and rules which govern relations with the banks.
- The analysis of the social responsibility, transparency and correctness of Group operations in matters like the “cessione del quinto” (salary backed loans to staff). Because of its originality this specific product, Consum.it, was later presented, in agreement with consumers’ associations, in the on-line consumer magazine called Help Consumatori.
- 15 Network meetings were arranged between consumers’ associations, heads of the Regional Departments and managers of the branches, for an exchange of views on “hot” topics in the bank-customer relationship and any specific critical points/points of excellence noted in the relevant region.
- The completion of the “Consumer Lab at your place” project by arranging meetings and debates in 8 Italian cities and opening public stands in the branches. Amongst the subjects most discussed were: loans, consumer credit and in general the financial problems of consumers in the current economic context.



¹ **Care Score Index** - Summarised indicator of the level of service to customers (it is a combination of the three indicators set out below).

² **Customer Perception Index** - the quality perceived by customers: recorded by telephone survey for retail customers (40 thousand valid contacts in 2010) and by on-line questionnaires for corporate clients (3 thousand valid questionnaires in 2010).

³ **Employee Perception Index** - the quality perceived by “internal” customers, i.e. the satisfaction of branch network staff regarding the conditions and instruments available to them to serve customers (5,500 questionnaires compiled in 2010).

⁴ **Operational Perception Index** - operational performance of the Bank and impact on customers (complaints flow, turnover in branches, functioning of the ATMs, etc.).

Handling of complaints

Reduced time to resolve complaints: 15 days in the fourth quarter, well below the 30 day limit established by the Bank of Italy



Dealing with image and reputation

- The brand, or the corporate image and reputation which it represents, is an important driver for customer choice and for the long-term performance of the Group. For this reason it is at the centre of the integrated communications strategy of the Group and supports product marketing. In 2010 in particular:
 - A new institutional advertising strategy was launched, winner of various prestigious prizes.
 - The “1472” brand was launched to emphasise the most distinctive trait of the Group (the date it was founded) in the project of getting closer to local areas and to new generations.
 - A communications campaign at local level was carried out with the aim of consolidating the depth of penetration of the Group in all local socio-economic contexts.
 - The internal directive covering “communications and external relations” has been revised. This is in order to: 1) further increase the efficiency of the organisation and procedures relating to customer communication, to financial markets and to relations with the other stakeholders; 2) to constantly ensure coherence between the value offered by the Group and the image proposed externally.
- The importance and reputation of the brand have been monitored continuously through quantitative and qualitative analyses of the Group’s exposure in the press, on television and, since 2010, on the web, in order to be able to intervene promptly with any necessary protective actions.
- The annual enquiry commissioned to Demoskopoea and centred on “bank customers” targets and “opinion leaders”, confirmed again in 2010 the remarkable strength of the Banca Monte dei Paschi di Siena brand.
- The ethical standards of the Group are held in high esteem by customers and the media.
- Banca Monte dei Paschi di Siena ranked first amongst the Italian banks according to the Reputation Institute (source: Global Reputation Pulse 2010 Report - Bank Industry).
- The initial mapping of the reputation risks to which the Group is most exposed has been completed: the priority for intervention has been given to the provision of investment services to customers and specific indicators have been established to measure and control, involving also appropriate reporting to senior management.
- The reputation risks have been included in the self-assessment processes for capital adequacy and in drawing up the relative ICAAP report (Internal Capital Adequacy Assessment Process) in compliance with Basel 2 - second pillar.



ROSSO 1472

Development and enhancement of human resources

Strategic guidelines

In 2010, in line with the path set out in the 2008-11 Business Plan, the organisational approaches and management of human resources developed in accordance with the following priority principles:

- Completion of the Group reorganisation, through corporate mergers, centralising back office activities and amendments to operational procedures.
- Achievement of efficiency objectives and further personnel reorganisation, with related effects in terms of lower costs on

a structural basis and growth in the “front to back” index.

- Creation and rapid activation of the new management model, which gives sole responsibility to the Banking Parent Company for personnel all along the operational chain, with changes in the relationships between infrastructure functions and branch Network.
- “post-integration” cultural standardisation of the Branches, pursued firstly through the interchange of human resources in responsible roles, the

activation of service models and functional training for their correct application.

- Strengthening of professional skills, with priority given to front end roles, with regular checks on skills, mapping of individual abilities, targeted training and implementation of career paths/development plans to ensure programmed coverage of organisational positions and management turnover.

Changes in staff levels

At 31.12.2010 the Group’s staff stood at 31,495 units, a reduction of 508 units compared to 2009, obtained mainly through:

- Departure of 616 persons, of whom over 255 are senior staff voluntarily choosing the Encouraged Departure and Solidarity Fund plans.
- Hiring of 496 young persons

(1,842 over the last 3 years) mostly assigned to the branch network.

The professional re-training of staff moving from the Central Structures to the Branch network during 2010 (concentrated mainly on the Banca Antonveneta) involved more than 800 units. These were supported

by career path based on structured stages of operational and training experiences, at individual level.

The implementation of human resources development models

In the context of the strategic picture outlined above, the most important achievements during the period concerned:

- The 2009/10 session of the Professional Skills Review (PaschiRisorse), our fundamental planning and monitoring instrument for defining the distinctive skills of each job and checking the levels of suitability of individual persons compared to the profile established, and in support of all the other processes linked to staff growth.
- The implementation of professional paths, which involves altogether about 800 people.
- Increased use of the self-development of abilities workshop in the framework of the staff enhancement project, which aims to support individual styles, in order to strengthen behaviour, guide professional growth and create a structured channel to provide the future management of the Group. The initiative has now reached over 1300 employees.
- The development of the new IT system for Human Resources (Paschi People), with the objective of creating a single and integrated system which, built around the employee and based on planned systems, will ensure maximum transparency, traceability and security for the data of the associated processes (increasing the levels of automation, accessibility and reporting) and better communications with staff.

Training

The investment in training was confirmed as a Group priority again in 2010.

At the start of the year the 2010-12 Training Plan was prepared, which encompasses all the training programmes for the three-year period, in terms of guidelines, objectives, timings, contents, intended audience, means of training (in class and online courses, tutored work experiences),

funding and sustainability (man/days envisaged).

The priority actions of the programme concern:

- The strengthening of levels of professionalism in human resources dealing with credit management (both in terms of risk control and developing commercial opportunities), also through the certification of skills planned for job profiles whether in the branch network or the
- dedicated central structures (the "Credit Academy").
- Developing interpersonal skills, both for those in marketing positions (affluent customers managers, small businesses, etc.) and those in managerial roles, with a view to managing and motivating teams (managers of branches and other coordination roles).

Key Issues

In line with previous Plans, we are continuing to expand the training offered for key roles in the business (branch managers and main branch network positions) and to amend the “qualifying/obligatory” training offered (ISVAP, anti-money laundering, Legislative Decree 231, transparency, privacy, safety at work, Patti Chiari, etc.) in order to comply with applicable laws.

In this context, the following initiatives are of special importance:

- The “maestri di mestiere” initiative which involves a professional tutorship aimed at new recruits with a gradual

“apprenticeship/experience” approach

- Further extension to Group personnel of the Self-development Workshop
- Launch of the “ Knowledge Experience ” project

During 2010 there has been a further increase in the offer of knowledge management tools which continue to meet the favour of personnel, registering an increasing number of accesses.

Overall, the financial commitment was considerable (about 5.7 million):

- The activity involved 91% of staff

- Each employee had an average of about 48 hours of training (65% in class and 35 % on-line).
- The satisfaction expressed by the participants regarding the quality and efficiency of the courses was on average 5.1 out of a maximum of 6.

Labour relations

Dialogue with the Union Organisations, as representatives of the workers, takes place in a climate inspired by principles of probity, transparency and a sense of responsibility for achieving overall results.

In particular, during the year:

- Discussions with Union Organisations of the Banca Monte dei Paschi di Siena and the Banca Antonveneta focussed mainly on implementation of the general

reorganisation plan for the company complementary pension schemes.

- Industrial relations have also involved activities resulting in the signature of specific agreements and establishing various projects meeting the need to rationalise the Group structure with a view to improve efficiency and streamline the organisation.
- This dialogue also takes place within various Joint Bodies on matters relating to the quality of

working relations, professional development (with particular attention to equal opportunity, the climate at the workplace and career paths) workplace safety and environmental impacts of activities.

The quality of working life

The enhancement of human capital, always considered in the corporate culture as a determining factor for gaining competitive advantage, is achieved also through improvements in the quality of employees' working lives, by providing corporate contractual provisions that are additional to or that improve legal provisions and the national contract, such as flexible working hours in terms of starting and finishing times and breaks, conversion of jobs from full time to part time with various possibilities of articulating this in horizontal, vertical and mixed arrangements, paid and unpaid leaves at special times in the personal and family life (maternity, paternity, studies etc). The results obtained can also be seen outside the Bank, as demonstrated for example by the special award of the

Randstad Globe 2011 in the Work-Life-Balance category, "for knowing how to communicate to potential job candidates the image of a firm which

supports its staff in seeking a balance between professional development requirements and the rhythms of daily life".

We undertake to <favour a positive working climate, including through open discussions with union bodies ...> (Group Code of Ethics).

We are monitoring the implementation of this engagement using several indicators, including:

- The Employee Perception Index –Corporate Values section– (+10.5% in one year).
- The rate of absenteeism* (-16.5% since 2008).
- Turnover** by voluntary resignations – still very low– (this year 0.36%; -63% since 2008).
- Work-related disputes against the bank (-5% in one year).

* *Rate of absenteeism**: days of absence because of illness and accidents out of the total average annual working days

** *Turnover***: ratio between the number of voluntary resignations and the overall payroll.

Equal opportunities

Relative to the subject of equal opportunities, in general we recorded further growth in the incidence of female staff; rising to 44.5% from 44.2% in 2009 (Systems estimate 42.6%).

Other positive indicators are:

- Females in positions of

responsibility (35.1%, compared to 33.8 for the previous year), in particular in the branch network.

- Women occupy 30.3% of managerial positions (they represent 4.4% of the total Senior Managers and 31.5% in the middle management category); this figure has risen from 28.8% for the

previous year.

- Promotion of female staff stood at 45.1% of the total (46.5% for the previous year).

Initiatives on the more general issue of "diversity" in the company are under study.



Suppliers' CSR

We are monitoring the social and environmental performance of our major suppliers: 45 improvement plans have been defined

Sustainability of the supply chain

We have more than 23 thousand suppliers for an annual expenditure of about 1.3 billion euros.

Our objective is to seek their cooperation to mutually increase quality standards including through the implementation of auditing-monitoring systems and improvement programmes centred on management of the most significant CSR issues in terms of value creation.

In the context of the overall optimisation of the procurement and logistics systems, the integration of the traditional economic cost/benefit evaluations with social and environmental considerations has been confirmed and further strengthened through implementation of the specific

Group Policy aimed at ensuring sustainability for the entire supply chain management.

The Policy, in force since 2009, commits the Group to:

- Involving the suppliers in cost management and environmental and social performance objectives

- Minimising the environmental impacts of the life cycles of goods and services purchased.
- Preventing any failure to observe corporate ethical standards.

Key Issues

THE MAIN INITIATIVES OF 2010 CONCERNED:

Measuring suppliers' CSR profiles

The application of the procedure for the assessing social and environmental impacts of corporate activities and the relative management and control systems enacted by businesses has been extended to 200 of the Group's main suppliers (equivalent to 50% of total expenditure):

Phase 1 The suppliers involved have taken part in targeted information and debating

seminars organised by the Bank (2 supplier days per year).

Phase 2 They have made available the data and documentary support needed for this assessment through the dedicated internet portal

Phase 3 The ratings, calculated by the specialised company Ecovadis, and the associated strengths and most critical points have been analysed

together with the suppliers, by way of individual meetings.

Phase 4 Suitable improvement plans have been shared, including a possible pilot project to be carried out in cooperation with the Group. Up to now this phase covers 45 businesses.

The selection of products and services on CSR criteria

Several categories of supply have been chosen by market analysis and calls for bids which take account of CSR parameters. Amongst these types of products and services are: energy saving hardware systems, printing on ecological paper, procurement of electrical energy from renewable sources, ecological paper, recycled office materials, etc., for a total expenditure over the year of about 52 million euros (equivalent to 4% of total expenditure).

In particular:

■ The catalogue of "green" products has been further enlarged. About 200 products with environmental quality certificates are available for direct purchase by offices through the e-procurement platform. This platform manages all orders and deliveries of paper, office items and IT consumables. Amongst the "green" items in the catalogue there are in particular almost all

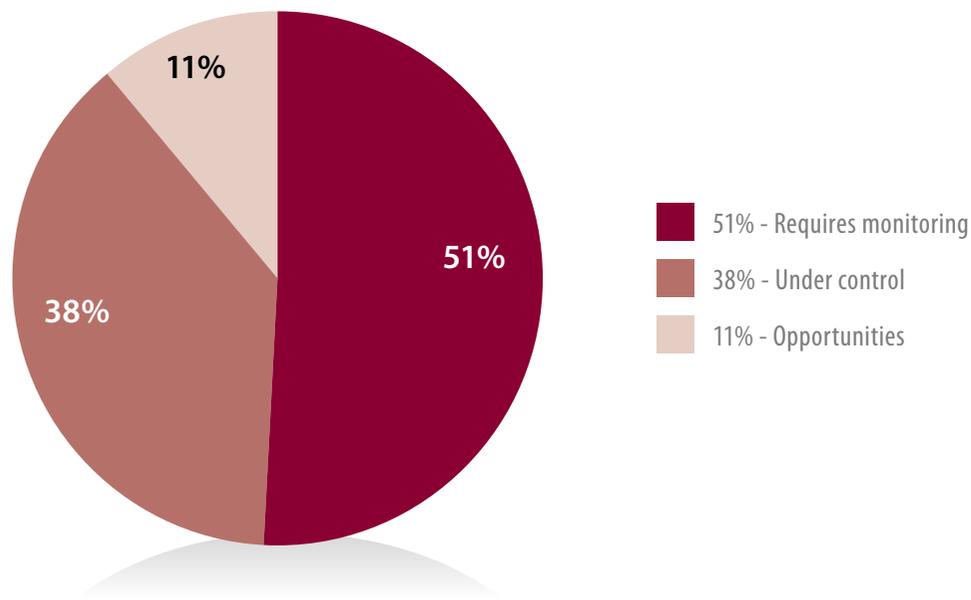
paper products (especially with the brand names PEFC, FSC and, experimentally, also recycled) and the main types of toner used.

■ A new system has been implemented for the assessment and selection of agreed hotels for business travel by staff, which takes into account CSR parameters such as: 1) the distances from the areas concerned (city centre, stations,

Suppliers' sustainability ratings

Assessment methodology and results

Distribution of the ratings: from CSR profiles which require careful monitoring to situations which could represent opportunities for cooperation in mutual improvements



The assessment is part of the Vendor Rating system (which, when running, will be used to manage the qualification process for suppliers), with an impact of 15%.

This now covers 200 suppliers: the average rating is 4.9 on a scale of 1 to 10 (it was 4.7 at the end of 2009); higher than the average values of the universe of firms monitored by Ecovadis (4.6).

The domains analysed:

- Business ethics.
- The product and process environmental performance.
- Protection of workers and development of human capital.
- The sustainability of the supply chain.

The parameters come from widely recognised standards and principles on an international scale (Global Reporting Initiative, UN Global Compact, ISO 26000 Standard).

Sources used: corporate data and documents, public information, exposure in the media and the views of various opinion groups.

Key Issues

metro and bus stops, etc.), also relevant for the estimate of CO₂ impacts; 2) analysis of 16 specific aspects of environmental sustainability.

- A new office cleaning services contract has been drawn up which sets out: 1) the ISO14001 certifications of suppliers; 2) the use of products with the Ecolabel mark; 3) the continuous

training of staff in the safe use of products and associated aspects of environmental sustainability.

The above-mentioned choices have contributed to the achievement of good performances in the management of environmental aspects with regard to internal operations (see the chapter “Added social value and environmental

programmes”). Financial savings of about 10 million are estimated for 2010.

The prevention of any non-observance of company ethical principles

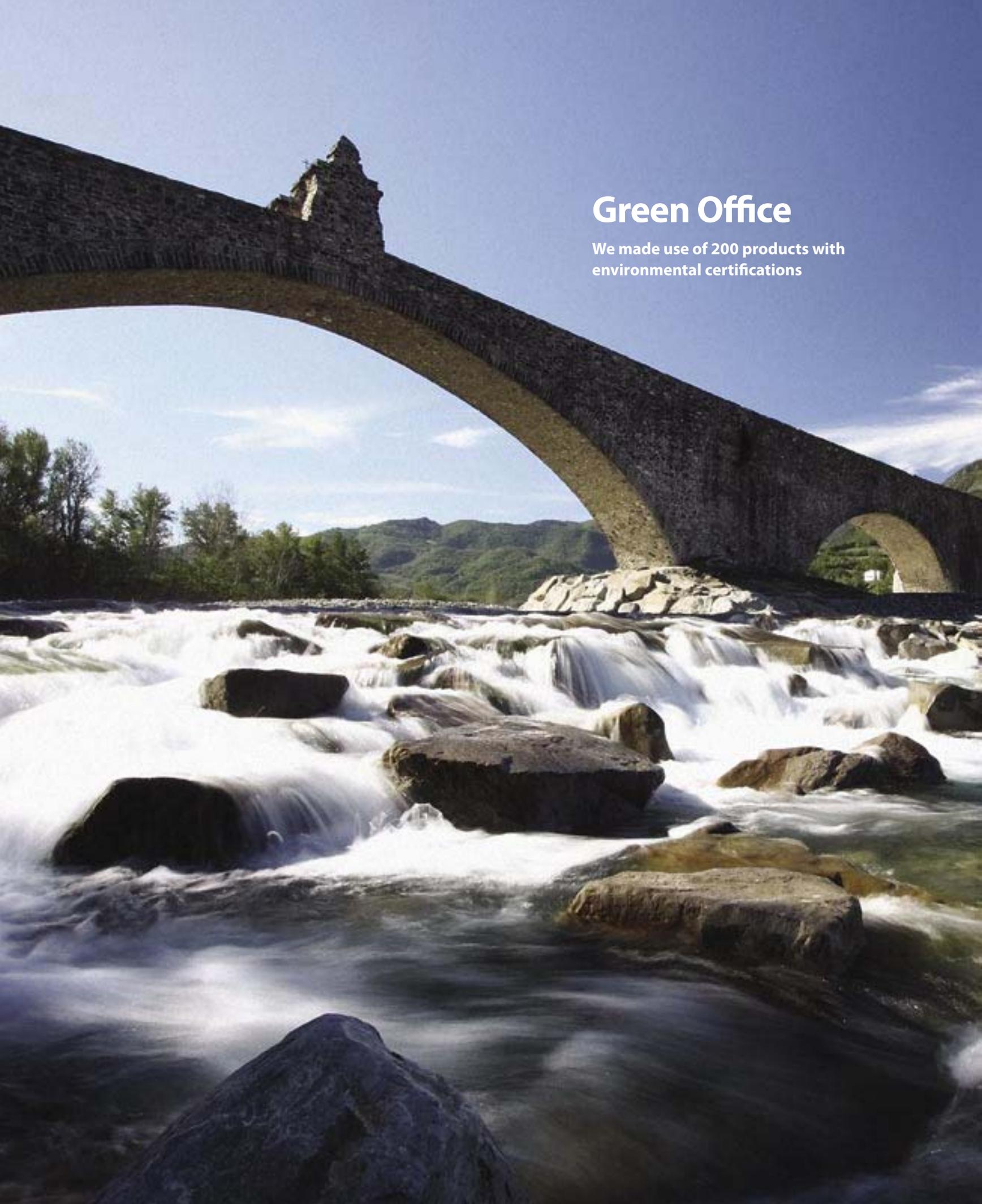
- Minimum standards are in force, as are criteria for the exclusion of products, services and suppliers (goods/services not complying with minimum health and safety requirements and environmental protection; suppliers who do not observe human rights and environmental standards and workers rights).

- The suppliers are also required to sign an undertaking to observe the principles of the SA8000 standard (failing to do so, can result in terminating or not starting a commercial relationship) which are then checked also in the context of the assessment and sustainability ratings prepared by Ecovadis.

We consider that relations with suppliers are generally mutually satisfactory. There are however some cases of dissatisfaction amongst suppliers (7 in 2010).

The Group was chosen as a finalist in important international awards in the “sustainability programmes in supply chain management” prize category.



A large, dark stone arch bridge spans across a river. The river is filled with white water rapids and cascades over several large, dark rocks. The background shows a lush green landscape with rolling hills and a clear blue sky with some light clouds. The bridge has a prominent arch in the foreground and another smaller arch further back. The overall scene is a natural, scenic view of a river in a mountainous area.

Green Office

We made use of 200 products with
environmental certifications

Providing Support to the non-profit sector

Funding to the non-profit
sector tripled (74 million in the year)



Social added value

THE FOLLOWING ARE SOME OF THE INITIATIVES LAUNCHED BY THE GROUP IN 2010, ABLE TO GENERATE ADDED VALUE: COMPARED TO THE TRADITIONAL SOCIAL FUNCTION OF BANKING ACTIVITY:

Anti-crisis solutions for customers in the greatest difficulty

(see the chapter “responsible credit and distribution of financial products”).

Financial education projects

- Basic guides to banking services produced in cooperation with the 15 main Italian consumer associations (Consumer Lab - see chapter “customer satisfaction and reputation”) have been made available through branches, the web and consumer associations. In particular, with the latest publication produced during the year, Consumer Lab has provided savers with an easy guide to awareness of the rights and duties of bank customers.
- The Group has joined the new “L’Impronta Economica” (the economic aspect) financial education programme designed by ABI-PattiChiari for students at Italian secondary schools.

Sustainable and socially responsible investment products

- Through its branches and financial promotion networks the Group is offering customers various investment solutions which link typical financial management objectives with environmental, social, ethical and governance considerations. (Environment, Society, Governance - ESG). Amongst the main initiatives carried out in 2010 in this area, we can list:
- The inclusion in the product catalogue of a specific “Equity Sustainable” segment which currently consists of 16 funds/sicav mostly ethical and concentrating on the green economy markets.
 - The integration of financial disclosure of the main funds/sicav being placed on the market (amounting to approximately 80% of the overall managed portfolio) with an ESG indicator which signals to the Manager, and therefore to the customer concerned, the products which, more than others, invest in securities of corporations and governments who in the discharge of their responsibilities also take into account the environmental and social issues.
 - Cooperation with ANASF and the Forum for Sustainable Finance

Key Issues

in drafting a Manual on socially responsible investments for financial promoters and staff selling financial products.

- The issue of the bank five-year ING Sustainable Protected Growth bond, which, inter alia, provides for the payment at maturity of a variable coupon of

50% of the average rise in the EURO STOXX Sustainability 40 Price Index. This Index consists of the 40 best European companies in terms of sustainability performance.

The policy covering finance for the arms sector (in force since

2001), concerning particularly the operations of banks regulated by Law 185/90, has been scrupulously applied during the year, including gradually running down residual positions managed by Banca Antonveneta before its entry to the Group.

In addition, during the year, the management team of the investment portfolio of Supplementary Pension Funds for employees of the Parent Company has gradually integrated traditional valuations with those of the ESG parameters, for all the different investment lines. The specific ratings periodically provided by the specialised company Vigeo have been used for this purpose for the corporate and governmental securities included in the products and securities investment portfolio of the Funds.

Development of offerings to some disadvantaged categories of customer

- The marketing approach to immigrant customers, “Paschi Senza Frontiere”, aimed at supporting their banking activity and the management of remittances from and to their countries of origin, was extended to operations with other countries (Brazil and Moldavia) in agreement with correspondent banks. Because of these

developments the incidence of immigrant customers has grown in one year from 4.7% to 5.2%.

- Loans granted to not-for-profit organisations increased considerably (74 million Euros, compared to 23.5 in 2009); additional dedicated products and services are currently being developed and careful attention is being paid to the requirements

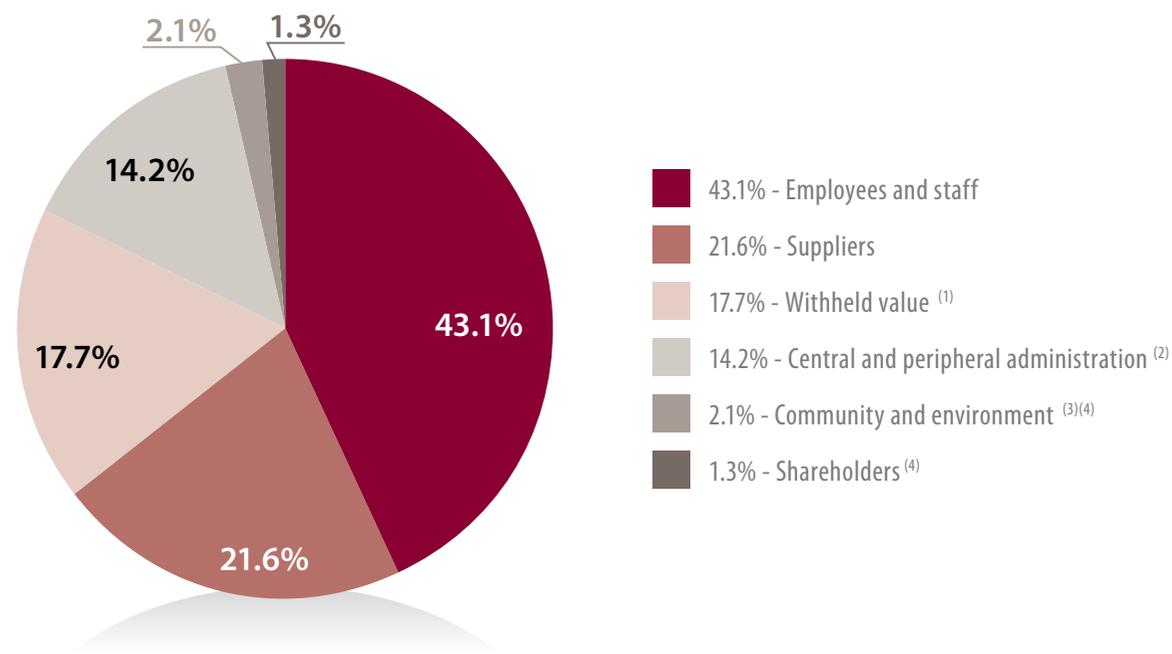
expressed by representatives of this sector.

- Participation of Group banks in the prevention of exorbitant interest rates is increasingly widespread. In 2010 special agreements were signed with local Foundations and Confidi (guarantee consortium) for a total appropriation of 67 million euros (34 million used during the year).

The “social” value added for **economic activity**

Economic Value generated during the year amounted to 5.3 billion euros. This indicator, calculated from Financial Statements data using the new methodology suggested by ABI, gives a measure of the value added, including “social” value, generated by our economic activity, to the substantial benefit of our major stakeholders.

Distribution of Economic Value generated in 2010 *



(*) The resolution of the data shown in the graph does not enable the last items of Value Added Generated to be shown, consisting of “profits allocated to third parties”, for a value of about 1.5 million euros (0.03%).

(1) The item includes the remuneration of the “convertible financial instruments” (Tremonti Bond - art 12 Decree Law 185/2008).

(2) The item includes donations and dividends to the MPS Foundation for initiatives of social utility.

(3) The item mainly consists of the profits allocated to reserves, provisions and impairments/reversals of tangible and intangible assets.

(4) The data is based on the proposed dividend decided by the Board of Directors on 28.3.2011.

Key Issues

Widening the scope of micro-credits

Overall during the year 711 transactions took place, including social loans (for families) and micro-credits for firms (+128% compared to the previous year). In particular:

■ The specialised Group company Microcredito di Solidarietà Spa considerably increased its activity in Siena and in other Tuscan provinces where it now has 42 “counselling centres” (there

were 29 in 2009); 290 loans were granted.

■ The Group’s banks have been working based on the Agreement between ABI and the Italian Episcopal Conference making available funds up to 15 million in support of Italian families who are economically and socially vulnerable. By the end of the year this agreement was renewed and its application was extended

to persons and cooperative societies which want to launch self-employment jobs or small enterprises.

■ A “New-born Fund” has been established for parents of babies born between 2009 and 2011. During 2010, 339 loans were granted for a total of 1.7 million euros.

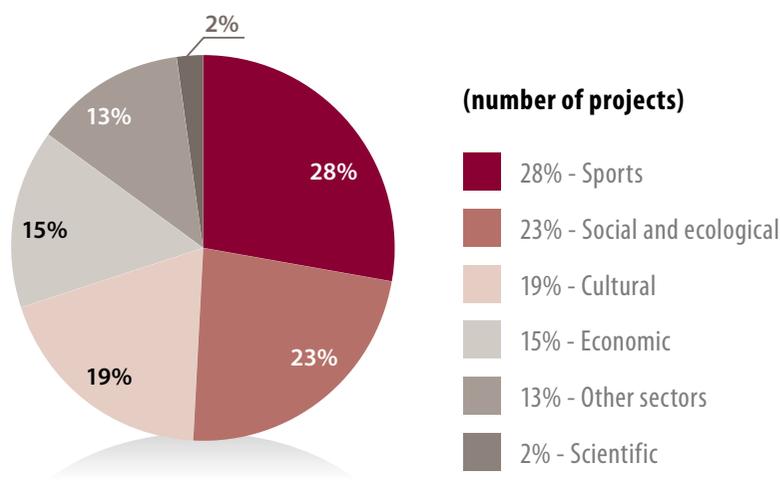
Direct contributions in the provinces

The financial commitment in this field of activity was worth overall about 43.6 million euro, between sponsorships, donations and contributions granted in support of social projects promoted by local bodies. In particular about 800 sponsorships were made for an amount of 35 million.

The Bank has also promoted and taken an active part in various social solidarity fund-raising campaigns. Amongst the beneficiaries were:

■ The MediaFriends “Smile Factory” project

Breakdown of sponsorships, by purpose



■ 14 not-for-profit organisations chosen in Italy in the framework of the traditional MPS Christmas initiative.

■ Unicef, Save the Children, the Haiti population hit by the earthquake.



Microcredit

Intensified operations in support of microcredit: 711 transactions (+128%)

Environmental programmes

THERE HAS BEEN A STRENGTHENING OF THE GROUP'S COMMITMENT TO ENVIRONMENTAL PROTECTION, WITH THE BOARD OF DIRECTORS APPROVING THE NEW ENVIRONMENTAL POLICY

The new Environmental Policy formalises the extension to the whole Group of priority issues which have been dealt with since 2002 in 83% of our operational

offices through a management system under ISO14001 certification.

Within this new framework the performance objectives are

challenging, with regard to internal operations and in relations with the markets.

THE MAIN INITIATIVES OF 2010 CONCERNED:

The management of environmental issues in relation to internal operations

■ The organisational arrangements have been consolidated both at central level and in the branch network, including the gradual integration of environmental management with the departments dealing with the prevention and protection of staff from health and safety risks in the work place. In 2010 the relative certificates were renewed, respectively ISO14001 and OHSAS18001.

■ The control and monitoring system has been strengthened to ensure the efficient application of laws and internal regulations covering environmental management. In 2010 approximately 150 on site

inspections were carried out, both by in-house specialised staff and by the certifying body.

■ Energy savings of 5.7% in one year due to substantial interventions in improving IT facilities and the progressive renewal of heating and air conditioning plants and the constant application of high standards of eco-friendliness when carrying out building or refurbishment of Group branches

■ Greater use of renewable sources for the procurement of electricity (97%; it was 87% the previous year).

■ A reduction in direct greenhouse gas emissions of about 30% compared to 2009 , mainly as a

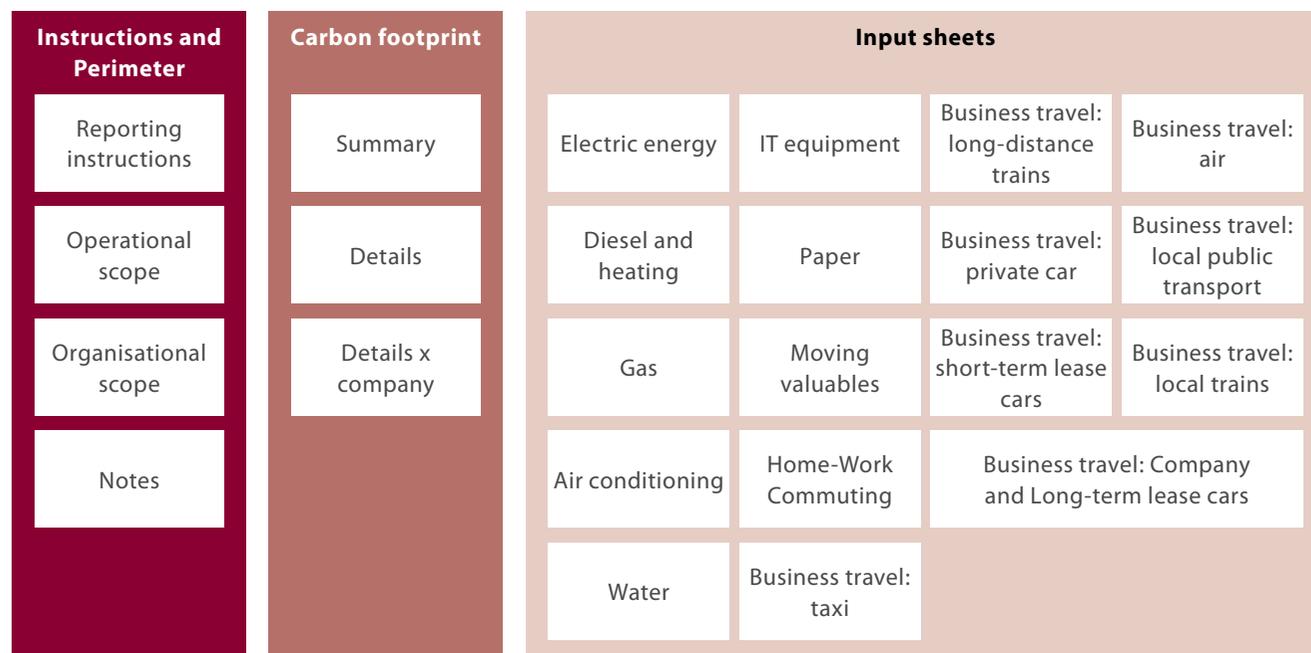
result of the above-mentioned energy efficiency and upgrading measures. In order to further increase our controls over such emissions and their origins, a new specific monitoring and reporting system has been implemented, in line with GHG Protocol standards and compliant with the ISO14064 (Carbon Footprint) standard.

■ The management of consumer materials has been optimised through the introduction of the e-procurement platform and the relative budgeting and checks system which enables better control of expenses and the quantities of consumables used in each office (mainly paper).

■ Greater control of the socio-

Carbon footprint

Management Database (*illustration*)



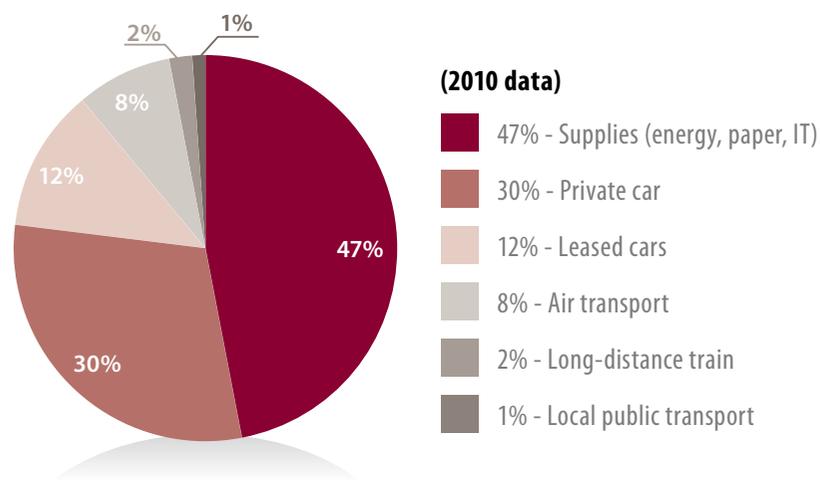
Output (*partial*)

Direct emissions of greenhouse gas	2010	2009
Emissions of CO₂ (t)	25,766	37,633
Scope 1 (t)*	22,838	21,096
Scope 2 (t)**	2,928	16,538
CO₂ emissions per capita (Kg)	833	1,198

* Emissions from heating installations and company cars.

** Emissions associated with the use of electricity

Breakdown of indirect emissions Scope 3



Key Issues

environmental impacts of the supply chain (see chapter "Sustainability of the supply chain").

■ A mobility management project has been started concerning employees' home-work commuting in the main

Italian centres where the Group operates (Siena, Rome, Florence, Padua, Milan, Lecce).

Business development in green finance markets

■ The growing attention paid to problems linked to climate change is driving energy efficiency investments in the building, civil and industrial sectors as well as in the renewable energy sector, creating market opportunities for the Group. Again in 2010 the Group confirmed its strong presence in these business sectors, by granting specific loans for about 1 billion euros (+172% compared to the previous year) and further enlarging the range of offerings, for example with the "TerrAmica" project which has appropriated funds up to 130

million to finance eco-friendly works and projects in agriculture.

■ Research has been carried out in renewable energy and recycling of waste, as areas for possible innovations in product and sales development.

■ A careful analysis has been made of the main aspects of environmental opportunity/risk in corporate banking and project finance activities. In particular, using ordinary credit-worthiness valuation procedures, the rates of potential environmental impact have been recorded as well as the possession of ad hoc

certifications (1,300 at the end of 2010) by companies to which the bank has extended credit lines.

These valuations could be further expanded in the framework of the Group's participation in activities promoted by ABI following a special agreement signed at the start of 2011 by ABI with Confindustria and the Ministry of Economic Development.

The Group is the Italian partner of the Carbon Disclosure Project.

CARBON DISCLOSURE PROJECT

www.cdproject.net

The Carbon Disclosure Project (CDP) is an international not-for-profit organisation whose mission is to facilitate the transparent communication to investors of data from major firms worldwide concerning climate change. Year on year these disclosures are assuming ever-increasing importance for investment decisions. On behalf of over 500 investors worldwide, with a volume of assets under management of 64 billion euros, the CDP each year asks about 3000 corporate issuers for data and disclosures needed to allow them to properly assess the opportunities and risks linked to climate change.



Green finance

Increased operations in the renewable energy sector. Loans granted for 1 billion (+172%)

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A product developed using Fedrigoni paper

With the Ecolabel (registration number IT/011/04/02) European ecological quality trademark:

- 320 gr. Freelifelife vellum white

- 140 gr. Freelifelife cento extra white.

GRUPPOMONTEPASCHI

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Share capital € 4,502,410,157.20 - Reserve: € 12,087,327,795.73

Fiscal Code, VAT number and registration number in the Siena companies register: 00884060526

Monte dei Paschi di Siena banking group - Bank Code 1030.6 Group Code 1030.6

Registered in the Bank of Italy's Register with n. 5274 - A member of the Inter-banking Protection of Deposits Fund

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