

The image shows the interior of a circular brick building. The walls and ceiling are made of dark red bricks. In the center, there is a circular well with a brick floor. A doorway in the background leads to a dining area with tables and chairs. The lighting is warm and comes from a window in the background.

CORPORATE SOCIAL RESPONSIBILITY IN THE MONTEPASCHI GROUP

Half- Year Report as at 30.06.2012



TABLE OF CONTENTS

Introduction.....	3
Customer focus	3
Human Resources	4
Society and the environment	5
Sustainability ratings.....	9



INTRODUCTION

The report provides a concise overview of the main updates as at 30 June 2012 regarding the Montepaschi Group's activities and performances in the area of corporate social responsibility.

Part of the information contained herein is also published in the Half-Year Financial Report for the purpose of providing interested parties with a single presentation of the Group's activities and results.

Main limitations to the scope of this report

The following activities were excluded from the scope of this report:

- Banca Popolare di Spoleto (disposal of the related shareholding was decided on in July), Montepaschi Ireland and other companies which, owing to size and industry sector, are not considered relevant for the purposes of this report.
- The insurance sector, which is managed by the AXA Group.
- The asset management sector on which the Montepaschi Group has no operational control.

Major events over the half-year period

- New Board of Directors elected: 12 members; Chairman Alessandro Profumo, Chief Executive Officer Fabrizio Viola; 5 Independent directors and 6 non-executives; 2 female directors; average age 53 years.
- Strategy and Sustainability Committee set up to oversee CSR strategy at BoD level.
- Organisational structure of the parent company redesigned and management strengthened with new executives.
- Acceptance of binding offer from 'Cassa di Risparmio di Asti SpA' for purchase of 60.42% shareholding in 'Cassa di Risparmio di Biella e Vercelli SpA' (Biverbanca).
- New 2012-2015 Business Plan launched.

Biverbanca was also excluded (classified as held for sale) and data as at 30.6.2011 was restated for the purpose of a like-for-like comparison.

CUSTOMER FOCUS

In the first half of the year, priority was given to the implementation of actions deemed necessary to raise the level of customer service following an analysis of information collected from the monitoring of customer care and client satisfaction in 2011.

Actions undertaken were aimed primarily at:

- Expanding and optimising customer contacts with a view to increasing loyalty and retention so as to ensure the ongoing ability to listen to and respond to their needs. To this end, a new e-mail was created and made available to customers wishing to send their comments and receive information regarding services.
- Improving the quality of business behaviour of customer relation managers through specific training programs and skills development.

Indicator	30/6/2012	30/6/2011
Acquisition (%)	3.1	2.7
Retention (%)	97.8	97.8
Complaints received	5,070	5,263
Complaints-average response time (days)	18	14
Customer Perception Index (20-100 scale)	78.6	80.6

5,070 new complaints were reported in the first half of the year (-3.7% YoY). The mean time to resolution rose from 14 days as at 30/06/2011 to 18 days due to the increased complexity of claims handled; the trend for the remainder of the year is, nevertheless, expected to be positive owing to the increasing use of simplified assessments of the less problematic cases. The average response time remains below the limits set by the Bank of Italy in its new transparency regulations (30 days).

1,031 applications were received for civil mediation, a legal institution governed by Law Decree 28/2010 which tends to reduce the time and cost of handling claims as well as associated legal disputes.



HUMAN RESOURCES

As at the end of the half-year period, the Group employed 30,422 resources, of which 98% in Italy. Since the start of the year, there have been 108 new hirings and 110 terminations (approximately half of these were voluntary resignation). The average age remained stable at around 44 years, as did gender distribution with female staff accounting for 44.9% of total staff.

The human resource development and management strategy hinges on three essential criteria: renewal ability, sense of belonging, professionalism and motivation. This is as stated in the 2012-15 Business Plan and will be developed according to a "work by objectives" logic which will follow two main guidelines:

- A new work-organisation model providing qualitative and behavioural objectives, applicable to all personnel, as well as the introduction of a merit-based reward system.
- A plan for stronger employee engagement, which will include: 1) the introduction of remuneration systems based on roles and relocations; 2) the strengthening of employee welfare with the introduction of benefits for individuals and families; 3) ongoing corporate climate monitoring.

Indicator	30/6/2012	30/6/2011
Headcount (no.)	30,422	30,453
Turnover (%)*	0.21	0.24
Rate of absence (%)**	5.18	4.50
Employee Perception Index (scale 20-100)***	68.9	69.2
Training per capita (hours)	18.0	25.1
BMPS training costs (Millions of euro)	2.7	2.3
(***) Ratio of voluntary resignations over total headcount (**Days of absence due to illness and injury out of average total number of days worked. (***)Measures engagement-levels of employees assigned to the distribution network in terms of working conditions and instruments available to serve customers.		

The Chairman and CEO of the parent company presented the Business Plan internally through a national roadshow and exchanged ideas with employees regarding strategy, business and operations as well as issues of particular concern to workers. A channel of dialogue and method of engagement which will be kept active and further developed as the year progresses.

Industrial relations are crucial to ensuring employee engagement on aspects regarding organisational change, salaries, work environment, etc. In particular, in the first half of the year, specific agreements were signed for rationalisation of the Mps Branch Network and training plans. Several meetings were also held to discuss the quality of working life, equal opportunities, occupational health and safety and the environmental sustainability of operations.

HR management, development and value creation systems

- The Human Resources and Internal Communications division was set up. The division reports directly to the CEO/GM in order to ensure the utmost focus on these strategic objectives.
- The mapping of managerial positions in the Network and Central Units was completed with the aim of assessing potential and implementing consolidation actions.
- Work continued on the implementation of Professional Career Paths, ie. plans for the development of resources towards new positions, either equivalent in level (horizontal path) or higher (vertical paths). The Professional Career Paths involve approx.1,200 employees.
- The "Self-development Workshop" - aimed at supporting individual aptitudes, reinforcing behaviours, steering professional growth and creating a systematic channel from which to fill the Group's future management positions - carried out specific work sessions which were attended by newly-hired staff and the Network business coordinators.



Training activities involved around 86% of employees (46% in the first half of 2011) for a total of 535,930 hours. On average, therefore, each employee has taken part in 18 hours of training over the six-month period (82% classroom-based and 18% on-line; the webinar was also introduced).

The financial commitment to training within the parent company totalled EUR 2.7 mln, in line with the expenditure incurred in 2011. The main issues dealt with were the quality of front-end business behaviours, credit, life protection and pensions with specific focus being given to the role of the Branch Manager.

SOCIETY AND THE ENVIRONMENT

In carrying out its business activities, the Group takes into account its social and environmental impact in the interest of both the company and the community.

Financial inclusion - *respond to the needs of wide segments of the population at risk of social inclusion.*

The offer is continuously updated in order to provide the more vulnerable sections of society with social benefits in addition to standard products and services.

Key operational measures over the half-year period include:

- Suspension of mortgages and loans and introduction of other benefits for families and businesses experiencing temporary hardship as a result of the economic crisis or natural disasters. As at 30.06.2012, more than 8,000 families had benefitted from this initiative.
- Basic current accounts and banking services, either free of charge or at low cost, for pensioners and people of low economic/financial means (over 2,500 existing accounts at the end of the half-year period).
- Loans at favourable conditions for young people to be used for the purchase of a first home or study purposes.
- Conto Italiano Senza Frontiere (Italian account without Frontiers), a true service model for immigrants (Migrant Banking) including, among other things, zero-cost remittances and very favourable conditions on personal loans. The number of immigrant customers over the six-month period grew to account for 6% of the total customer base. Information on the features of all banking services have been made accessible to immigrant customers through a specific multilingual guide developed by the Italian Banking Association.
- Range of services and a network of specialist skills (in the first half of the year, employees of Institutional Client Centres took part in refresher courses) in order to respond to the banking and financial demands of non-profit organisations (over 9,000 customers at the end of the half-year period).

Indicator	30/6/2012	30/6/2011
Financial inclusion (weaker customer segments)		
-Young customers	627,364	624,297
-Immigrants	305,430	280,468
-Small businesses	386,159	390,940
Social welfare		
-Contributions (millions of euro)	14.5	11.3
-Microcredit (number)	482	470
Corporate sustainability		
-Loans for environmental purposes (millions of euro)	531	619
-Vendor sustainability rating (scale 1-10)	4.6	4.7
Environmental protection		
Energy consumption (GJoule)	488,697	537,998
Paper consumption (T)	2,018	2,108
CO ₂ emissions (T)**	9,331	11,322
**The figure includes "scope 1" and "scope 2" greenhouse gas emissions according to the international GHG Protocol classification.		



Financial education - *contribute to improving financial culture and awareness among young people and consumers in general*

Initiatives implemented over the half-year period included projects carried out in collaboration with consumer groups as part of ConsumerLab (the workshop organised by the Group to address the more relevant issues of the bank-customer relationship):

- BancAscuola - 10 meetings/events in high schools.
- ConsumerLab at home - 9 meetings/debates held at various Group locations with a focus on welfare and pensions as an important component of modern civic education.
- Update of the information guides on key banking services and products.

A financial education module was also set up on the bank's YouTube channel with the launch of the video series "The economy for everyone". Objective: to help the public approach and better understand the terms and instruments used in the banking and financial world.

Social welfare - *support social initiatives.*

EUR 14.5 million was spent in the first six months of the year to contribute directly to the creation and implementation of cultural, scientific, sporting, social and environmental initiatives. Activities were aimed at developing long-term partnerships with proven organisations in order to help support social goals with priority given to the protection of children and to the more general social and economic development of certain areas with a view to affirming the Group as an all-inclusive point of reference for all geographic areas covered.

Contributions were broken down as follows: Sponsorships (80%); funding to local institutions for social projects (13%); donations for charitable purposes (7%).

Other contributions and financial commitments included:

- Funds raised through donations made by customers to specifically set-up current accounts through the branches, ATMs, the use of prepaid cards, internet banking and the e-commerce site available at www.1472.it in addition to other methods. The funds were allocated to various projects of solidarity in both Italy and abroad. Beneficiaries included: the population of Emilia Romagna faced with an emergency situation following the earthquake in May, certain regions of Senegal for the construction of drinking water wells (in collaboration with the international humanitarian organisation, ACRA - Associazione di Cooperazione Rurale in Africa e America Latina), Fabbrica del Sorriso (initiative by the social-purpose NPO "Mediafriends Onlus"), Trenta Ore per la Vita (Thirty hours for life) Onlus (more than 350 thousand euro).
- The cost of staff employed in these activities (approx. 6 FTEs).
- The economic value of advertising expenses, facilities and services made available to non-profit organisations as part of their partnership with the bank (estimated in the region of 300 thousand euro).

Activities in favour of the populations affected by the earthquake in Emilia Romagna in May 2012

- Grants for employees who suffered damage or loss as a result of the earthquake.
- Various measures to ensure the continuity of banking services to customers.
- Suspension of repayments on mortgages and other loans.
- Funding to deal with the immediate expenses for damage caused by the earthquake.
- Proposed mortgages for renovation, reconstruction and safety works on buildings that were destroyed or rendered unusable.

Moreover, essential financial means are provided to individuals and families experiencing temporary financial hardship through the disbursement of microloans. Transactions in the first half of the year remained high with the disbursement of 482 loans totalling approx. EUR 2.2 million.



Corporate sustainability – contribute to the spread of corporate culture and sustainable production processes in terms of social and environmental issues.

- Potential environmental risks were monitored in project financing transactions and process for loans to larger-sized businesses, for total funding volumes of approx. EUR 16 billion. In particular, 60% of transactions analysed by Mps Capital Services resulted as being low risk; in 9 cases, it was necessary to perform specific due diligence.
- Around 700 loans were granted to consumers and businesses for investments and purchases having environmental objectives. A total of EUR 531 million was disbursed over the period (approx. 10-15% of all loans issued in the period): -14% compared to the same period of the previous year, mainly due to uncertainties surrounding legislation for the renewable energy industry, which marked the first half of the year. The product "Tuttofare Natura" was launched, a specific personal loan to finance a wide range of eco-sustainable solutions and purchases.
- The asset management offering has been characterised by the further expansion of the range of "ethical funds" in the catalogue with 80 "traditional funds" being certified as sustainable following specific assessments of the ESG profile (Environment, Society, Governance) of issuers in the Group's portfolio. With the objective of increasing and furthering awareness and practices with regard to "Sustainable Investments", customer relationship managers were provided with specific training in the first half of the year.
- As part of the overall vendor assessment and qualification process, management of CSR issues and performances of 200 companies (corresponding to 60% of total procurement spending) were analysed in conjunction with the specialised company, Ecovadis. As at 30.06.2012, the average CSR rating stood at 4.6 and the ratings for each domain analysed were confirmed to be above the benchmark considered. 71 approved improvement plans with vendors are currently in place. At the end of the six-month period, environmentally sustainable products and services accounted for 3.4% of total supplies.



Banca Mps has signed the Natural Capital Declaration launched at the Rio+20 Earth Summit.

Factors and dynamics affecting natural resources, pollution and climate change raise increasingly urgent and widespread concerns for governments, industries and people, both at global and local level. The financial sector has a major role to play in addressing these problems. Banca Monte dei Paschi di Siena is absolutely aware of this and is committed to keep doing its part by embedding environmental considerations into both its operational practices and relationships with business partners and by joining forces with other financial institutions to pursue what has become a global responsibility.

Fabrizio Viola
(Chief Executive Officer)



Environmental protection – *Reduce consumption of natural resources and the environmental impact of operations.*

Direct environment impacts are monitored through an ad hoc management system compliant with ISO14001. The analysis of such impacts and the identification of continuous improvement actions are primarily based on data from the so-called Carbon Footprint. ie. greenhouse gas emissions (mainly carbon dioxide – CO₂) that arise from energy consumption in operational areas such as facility management, IT, business travel.

Activities over the half-year period included:

- The construction of a 200 kWp photovoltaic plant on the roof of the San Miniato office complex in Siena. The plant will become operational in the second half of 2012 and produce 240.000 kWh per year once it is working at full performance. A further 4 small plants are currently being developed for a total capacity of around 20 kWp.
- A comprehensive plan of structural and process-related initiatives was implemented with a view to furthering paperless document management both in customer correspondence and in-house consumption.
- The launch of a plan for the energy qualification and certification of properties used in operations with expected benefits in terms of lower fuel consumption, lower operating costs and tax reliefs.

In the first six months of the year, 9,331 tonnes of CO₂ were produced (-18% in one year) equal to 312 Kg per employee, confirming the positive trend observed over the last 3 years (-46%).

Carbon Footprint - CO ₂ emissions as at 30/6/2012 (t)			
	Scope 1	Scope 2	Scope 3
PROPERTY AND FACILITY			
-Electricity		84	
-Methane	6.388		638
-Fuel	450		86
BUSINESS TRAVEL			
- Long-term rental cars - company use	806		154
-Own cars	1		
-Long-term rental cars - fringe benefit	1,601		305
-Airlanes			387
-Long-distance trains			135
-Short-term rental cars			1,754
-Employee cars			1,841
-Taxis			17
-Local public transport			60
-Regional trains			28
Procurement of goods and services			
-Paper			335
-IT equipment			0
Total	9.246	84	5.739

Total paper consumption decreased by 4% as compared to the first half of 2011.



SUSTAINABILITY RATINGS

Over the half-year period:

- BMps was, for the fifth consecutive year, included in the Sustainability Yearbook, a catalogue of companies included in the Dow Jones Global Total Stock Market Index, which stand out for their corporate sustainability best practices.
- BMPS stock was, for the tenth consecutive year, included in the FTSE4Good, a set of indices listing companies that stand out for their transparent management and application of sustainability criteria promoted by the FTSE Group, a leading global provider of stock market indices. BMps' rating stood at 84/100, with very positive assessments (8/10) in all areas analysed (environment, society and governance).
- For the seventh consecutive year, the rating agency Oekom confirmed its positive view of the Group's non-financial performance, classifying BMps as "Prime" with an overall score of C. The rating is higher than the worldwide industry average (C-) and qualifies BMPS stocks and bonds for investments by institutional players with total volumes of assets under management at approx. EUR 90 billion.

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