Courtesy translation: *in case of discrepancy between the Italian language original text and the English language translation, the Italian text shall prevail*

Report of the Board
ITEM N. 2 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING ON 12 APRIL 2017.

Dear Shareholders,

You have been summoned to the ordinary Shareholders' meeting to resolve the following argument, item N. 2 on the agenda:

- GROUP REMUNERATION REPORT 2017 Pursuant to Art. 123-ter of the Consolidated Law on Finance.

GROUP REMUNERATION REPORT 2017

Pursuant to Art. 123-ter of Consolidated Law on Finance

Contents

GLOSSARY OF TERMS

English	Italian
Accident Insurance Policy	Polizza infortuni
Article 123-*ter of the Consolidated Law of Finance*	Art. 123-ter del Testo Unico della Finanza
Articles of Association	Statuto
Attendance fee	Medaglia di presenza
Audit and Risks Committee	Comitato Controllo e Rischi
Board of Directors (BoD),	Consiglio di Amministrazione
Board Director	Consigliere
Board of Statutory Auditors	Collegio Sindacale
CEO – Chief Executive Officer	Amministratore Delegato
Chairman	Presidente del Consiglio di Amministrazione
Commercial campaigns	Contest
Company Bonus	Premio Aziendale – ex VAP
Complementary Pension Funds	Fondo di previdenza complementare
Control functions - risk, audit and compliance	Funzioni Aziendali di controllo
Deputy General Manager	Vice Direttore Generale
Deputy Chairman	Vice Presidente del Consiglio di Amministrazione
Direct Fees	Provvigioni dirette
Division Head	Responsabile di Direzione
Employment Fund	Fondo Nazionale per il sostegno dell'occupazione nel Settore del credito (FOC)
Executive Committee	Comitato Esecutivo
Financial Advisors	Promotori Finanziari
Financial Advisory Network	Rete di Promozione Finanziaria
Financial Statement	Bilancio
General Manager	Direttore Generale
Health Insurance Policy	Polizza sanitaria
Identified Staff	"Personale più Rilevante" ai sensi delle Disp. Bankit
Internal Audit Committee	Comitato per il Controllo Interno
Internal Board Committees	Comitati interni al Consiglio di Amministrazione
Internal Remuneration Functional Group	Comitato Operativo Remunerazione
Local market departments	DTM – Direzione Territoriale Mercato
LPO – incentive system	Sistema incentivante - Lavorare per obiettivi

English	Italian
Luncheon vouchers	Buoni pasto
Manager responsible for preparing the Company's financial reports	Dirigente Preposto alla Redazione dei Documenti Contabili
Managers	Dirigenti
Management fees	Provvigioni di gestione
Middle Managers	Quadri Direttivi
Member of the Board (MoB)	Membro del Consiglio
National Collective Labour Agreement	CCNL
Nomination and Remuneration Committee	Comitato Nomine e Remunerazione
Professional Areas	Area Professionali
Related Party Transactions Committee	Comitato per le operazioni con le Parti Correlate
Restructuring Plan	Piano di Ristrutturazione
Salary	RAL – Retribuzione Annua Lorda
Scorecard	Scheda obiettivo
Second Level Agreement	Contrattazione di II livello
Severance packages	Incentivi all'esodo
Shareholders' Meeting	Assemblea
Statutory Auditor	Sindaco Effettivo (Collegio Sindacale)
Trade Unions	Organizzazioni Sindacali

INTRODUCTION

In view of the ongoing instability in the company, the uncertain prospects and limited resources available, it has never been so important to set out adequate remuneration policies, properly structured, since they should be primarily considered as a management instrument, or a factor that can increase the Group's ability to compete on the market. In addition to being an instrument to prevent excessive risk-taking - which relates more closely to incentive practices - more importantly, Group remuneration policies are actually a fundamental tool to attract and retain key resources to carry out the activities, and recognise the merit of those who help protect and increase the value of the corporate assets.

As in previous years, the achievement of operating results that were positive as a whole in 2016, considering the highly adverse environment, was due to the commitment and sense of responsibility of the employees who, once again, ensured that the Group could face its difficulties each day, and maintain a primary position on the market: it is very important for the Bank to organise instruments that, even in pre-emptive sense with respect to the market, allow it to recognise the objective benefits.

Additionally, if it structures its remuneration policies properly, and increases transparency, this will help reinforce the quality of the corporate governance, settle any conflicts of interest and align the interests of the various stakeholders (employees, shareholders and supervisory bodies).

In view of the above, the remuneration policies of the MPS Group for 2017, set out in this document, were mainly defined with the aim of safeguarding the ability of the Group to create value and readjust the economic-capital profile, while taking account of the internal and external restrictions that condition its work.

However, following its failure to complete the capital strengthening on the basis of a market solution, the Bank sent an application to the ECB on 11 December 2016 to access precautionary recapitalisation measures. These measures are governed by Legislative Decree 237/2016, recently converted to law. In accordance with that decree, the Bank, after approval of the Industrial Plan by the Directorate-General for Competition (DG-COMP), will have the right to forcibly convert the subordinated bonds, and inject fresh capital which will allow it to complete its relaunch plan. Approval of the Plan by the DG-COMP will involve application of the commitments by the Bank, which could affect to a significant extent the staff remuneration policies of the Bank.

In any case, in the above mentioned context, the different incentive and loyalty levers envisaged for 2017, described in the following report, will be activated and disbursed only if the related conditions exist and in compliance with the legislations and regulations from time to time applicable, in coherence with any indications from the competent authority.

This Report, drafted in compliance with the disclosure requirements pursuant to art. 123-ter of the Consolidated Law on Finance (TUF) and the requirements under the regulations issued for the banking sector, provides the Shareholders' Meeting with accurate information on the implementation of the Remuneration Policies in 2016 and also a complete overview of the remuneration and incentive policies and practices that the Banking Group intends to adopt in 2017.

The document is available on the Bank's website, at **www.mps.it,** in the section **Investors & Research – Corporate Governance – Shareholders' Meetings.**

SECTION I

1. Objectives of the MPS Group remuneration policies

The Group's remuneration policies, geared towards improving the company performance and creating value over time, entail:

- recognising merit and increasing staff motivation;
- attracting new professionals and encouraging the loyalty of the staff already employed;
- ensuring equality of treatment within the company and external competitiveness;
- encouraging achievement of the short and long term strategic goals, reinforcing the link between salary and performance;
- guaranteeing transparency.

In the pursuit of those goals, in a sustainable manner in line with the long-term Group policies, the Group's remuneration policies comply with the applicable national and international regulatory framework, as well as the internal rules where they are implemented.

2. Rules of governance

The rules of governance and decision-making autonomies regarding remuneration, defined in accordance with the reference legal and regulatory system, are necessary for the correct implementation of the remuneration policies, given they are addressed to all Group personnel based on a consistency approach, although in observance of the different methods of doing business of the individual companies, and extended to all the main management processes which impact remuneration, with a special focus on those that concern "Identified Staff", i.e. "categories of subjects whose professional activities have or can have a significant impact on the Group's risk profile" as defined by the Supervisory Provisions.

The task of defining and implementing adequate remuneration and incentive policies is attributed by the company's Articles of Association to the Shareholders' Meeting and to the Board of Directors. Art. 13 of the Articles of Association assigns the Ordinary Shareholders' Meeting with the faculty to determine the fees of Directors and of Statutory Auditors, to approve the remuneration policies and the equity-based payment plans for Board Directors, employees and associates who do not have employment relationships with the Bank, and to approve the criteria for determining the compensation to be agreed in the event of the early conclusion of the employment contract or early termination of office (including therein the limits set on said compensation in terms of the years of fixed remuneration and the maximum amount resulting from application of said limits).

By contrast, the Board of Directors (art. 17 of the Articles of Association) is responsible for implementing the remuneration policies approved by the Shareholders' Meeting, intervening on the legal and economic status of the General Manager, Deputy General Managers, the Managers of departments reporting directly to the Board itself, the Division Managers and the departments reporting directly to the Chief Executive Officer and the first level Managers of the company control functions.

The Remuneration Committee, set up within the Board of Directors and currently comprising four members, the majority of whom are independent (including the Chairman of the Committee), has the task of expressing an independent judgement regarding remuneration policies and practices and submitting proposals to the Board of Directors regarding the remuneration of Directors who have specific mandates and the remuneration for all those roles cited above whose appointments and remuneration packages are dealt with exclusively by the Board of Directors pursuant to the Articles of Association. The Committee met 19 times in 2016.

Without prejudice to the duties of the Remuneration Committee, the Risk Committee - comprising five non-executive Directors, most of whom are independent (including the Chairman), which helps the Board of Directors to define the guidelines of the internal control and risk management system, and in the assessment of the adequacy and effectiveness of that system - will ensure, through an opinion supporting the Remuneration Committee, that the incentives underlying the remuneration and incentive system of the Group comply with the Risk Appetite Framework.

The Chief Executive Officer, on the authority of the Board of Directors pursuant to art. 22 of the Articles of Association, has decision-making autonomy with respect to the legal and economic status of personnel of all types and levels, with the exception of the Financial Reporting Officer, the Managers of the Company Control Functions and all those roles outlined previously, whose appointment and salary structure are within the exclusive competence of the Board of Directors, as per the Articles of Association.

The Human Resources, Compliance, Risk Management, Strategic Planning and Internal Audit functions, in accordance with their respective duties and using methods to maintain their independence, participate, from the phase of policy definition and planning onwards, and ensure the necessary contribution to ensure that the policies implemented comply with the regulatory framework of reference and the correct functioning of the policies themselves.

Lastly, Human Resources implements the policies from a technical and operative viewpoint, overseeing their coordination at a Group level (individual companies), regarding both the fixed salary component and the variable salary component connected to the incentive system. In consideration of the role performed in the definition of remuneration and incentive policies, and limited to these activities, the function will be incorporated in the company control functions, in accordance with Circular 285.

Duties and responsibilities of the functions involved in the definition and implementation of the remuneration policies of the Group are codified in an internal regulation approved by the Board of Directors which guarantees the alignment between the regulatory provisions of the Bankit Circular 285/2013 and internal authorisations[1].

[1] To that end, also interventions on the legal and economic status of the level II Managers of the Company Control functions, here intended as "higher level staff" pursuant to Title IV, Section II, Paragraph 2 of Bankit Circular 285/2013, shall be dealt with independently by the Board of Directors

3. Compliance

The compliance with the Group remuneration policies to the applicable regulatory requirements and at the same time compliance with the commitments undertaken by the Group towards stakeholders, with particular emphasis on presiding over the qualitative level of the relationship with customers and implementing effective behaviours for the correct management of this relationship, is ensured by the contributions provided by Company Control functions – Compliance, Risk Management and Internal Audit – which alongside with the Human Resources function, participate in the different stages of the process for the implementation of the remuneration policies.

In particular, the Group's Compliance function continuously verifies the coherence of the remuneration policies and practices implemented with the external regulatory framework and annually, in time for the Remuneration Report to be approved by the Shareholders' Meeting, prepares a note for the Remuneration Committee in which it points out any areas that require attention for compliance purposes. In addition Compliance, in agreement with the Human Resources function, defines the set of necessary requirements which the latter must comply with in the process of operational implementation of the remuneration policies.

The Risk Management function safeguards the sustainability of the remuneration policies by monitoring the consistency of the remuneration policies and the subsequent incentive systems with the Group's Risk Appetite Framework (RAF), with regard to which it produces a report to support the Risk Committee and support the Group's Planning function, who draw up the objectives – at consolidated (Gate) and business unit level – assigned for the purposes of the company incentive system.

The Internal Audit function is required to verify, on an annual basis, that the remuneration practices are consistent with the policies approved by the Shareholders' Meeting and the applicable legislation, by bringing the outcomes of the audits conducted to the attention of the highest company body.

The company control functions are also involved in the Remuneration policy definition process through participation in the Remuneration Operational Committee, chaired by the Human Resources function, with the Planning function also participating. The Committee oversees the process of definition and implementation of remuneration and incentive policies, in accordance with the applicable legislative framework, and supports the Remuneration Committee, the Administrative Bodies and the CEO/GM with remuneration and incentive issues. It should be noted that the Internal Audit function participates in the committee as auditor.

The matters dealt with by the Committee also include monitoring the evolution of the regulatory framework and to perform the self-assessment to identify the "Identified Staff".

4. Remuneration of Directors and Statutory Auditors

The gross annual compensation due to Directors for the years 2015-2016-2017 was resolved, at the time of appointment, by the Shareholders' Meeting of 16/4/2015, at a fixed amount of Euro 65,000 (Euro 60,000 in the previous mandate). The Shareholders' Meeting also approved a further Euro 15,000 per year for members of the Executive Committee (not yet established).

The amount of Euro 400 is added to the gross payment for attendance fees for participation in the Board of Directors' meetings, plus the reimbursement of out-of-pocket expenses for travel and lodging costs incurred in the year in carrying out the necessary duties.

At the same meeting, the Shareholders' Meeting established the fee of the Chairman, confirming the gross annual amount of Euro 500,000 – also including the emolument due as Board member. To that end, Mr Massimo Tononi, the Chairman up to 24 November 2016, gave up his 2016 salary, allocating the entire amount to the MP Solidale initiative (the welfare initiative introduced in the company with the second level negotiation, with the aim of encouraging solidarity between colleagues and providing support for serious personal and family situations[2]).

For the Board of Statutory Auditors, the Shareholders' Meeting established gross annual compensation of Euro 100,000 (unchanged with respect to the previous mandate) for the Chairman, Euro 65,000 for Standing Auditors (Euro 60,000 in the previous mandate) and Euro 400 for attendance fees (unchanged with respect to the previous mandate) for participation in Board meetings and Board Committees (with no accumulation of multiple attendance fees for the same day).

The overview of Directors' and Statutory Auditors' compensation is completed by the following:

- the resolution of the compensation of the Deputy Chairman – pursuant to art. 2389 of the Italian Civil Code – passed by the Board of Directors on 17/6/2015, on the proposal of the Remuneration Committee and having consulted the Board of Statutory Auditors, taking into account the commitments and responsibilities assigned to the role, established the gross annual amount of Euro 85,000 (confirming the emolument paid in the previous mandate), which combined with the fees for Director, result in a gross annual amount of Euro 150,000 in total;

- the determination, by the Board of Directors, of the compensation for participation in the committees in the Board of Directors: "Risk Committee" "Committee for Transactions with Related Parties", "Appointments Committee" and the "Remuneration Committee"; in this regard, the resolution of 17/6/2015 established compensation of Euro 30,000 for the Chairman of the Risk Committee, Euro 20,000 for members of said Committee and for the Chairmen of the remaining three Committees and Euro 10,000 for members of the latter.

For the role of Chief Executive Officer, on 17/6/2015, the Board of Directors voted, on the proposal of the Remuneration Committee and the opinion of the Board of Statutory Auditors, to pay Mr Fabrizio Viola - in office up to 19 September 2016 - an annual amount, in addition to the remuneration for the position of General Manager, of Euro 400,000. With reference to the amount received in 2016, it is to be noted that Mr Viola donated, to the MP Solidale initiative, the difference between the compensation for his position as CEO and the amount withheld as a result of the personnel cost reduction measures applied to Bank personnel, also following the provisions of the second level Negotiation agreement of 24/12/2015.

[2] The initiative was carried out by establishing an annual repository of hours of paid absences, with voluntarily input from employees who donate one or more holiday days or percentages of Managers' salaries, to help personnel who belong to the Professional Area and Middle Manager categories who need more holidays than due in order to deal with verified, serious personal and/or family situations.

On 14 September 2016, upon the appointment - taking effect from 20 September 2016 - of Mr Morelli as the Chief Executive Officer, the Board of Directors confirmed the salary of Euro 400,000 for the position of CEO, to which Euro 65,000 is to be added for Director fees. Mr Morelli has given up 50% of his CEO salary as of 1/12/2016 in favour of MP Solidale (see above).

With reference to the remuneration of non-executive Directors, the principle approved at the time by the Shareholders' Meeting that there be no connection with the economic results achieved by the Group and that no incentive plans of any nature are to be assigned to them, is confirmed. This principle is also applicable to the managing bodies of the subsidiaries.

In compliance with the provisions of the European Commission Recommendation 2004/913/EC, no compensation is foreseen in favour of Directors in the event of termination of their office (so-called "golden parachute").

5. Staff remuneration

5.1. General principles

The implementation of staff remuneration policies, approved by the Shareholders' Meeting, is the responsibility of the Parent Company's Board of Directors, with the option to sub-delegate specific matters to the Chief Executive Officer (in accordance with the Articles of Association and prevailing legislation).

The decisions of the Board of Directors and of the Chief Executive Officer in implementing the guidelines approved by the Shareholders' Meeting, always based on the rationale of equity and economic sustainability, pursue the following objectives:

- **attract and retain** highly professional staff;
- **motivate and support the professional growth** of all employees, with a special focus on personnel who hold positions of responsibility, with strategic skills or a high level of potential;
- **ensure coherence between the compensation structure and the value of professional competence,** differentiating between the nature and strategic "importance" of roles, as well as the priority for high business impact positions;
- **differentiate** remuneration according to principles of internal consistency, while attempting to preserve the values of corporate cohesion and togetherness, which are also the cornerstone of the sense of belonging that characterises Group employees.

As regards their maximum scope, the remuneration structures currently in force are made up of a **fixed component** (annual gross base salary - in Italian "RAL"), a **variable component** strictly related to the performance (of the Group, the relevant unit and individual), "**benefits**" and any other compensation such as **incentives for the consensual termination of employment.** The main elements that characterise the salary structure are outlined below.

The combination of the fixed and the variable component (the so-called "**pay mix**") is defined for each sub-category, in compliance with the relevant provisions, in order to discourage behaviour oriented towards an excessive undertaking of risks. For **Managers**, the **maximum weight of the variable component in relation to the fixed** component is established ex-ante.

5.2. Fixed remuneration

The fixed component (salary) is generally intended to remunerate the level of responsibility, experience and competence associated with the individual position.

In particular, for **Managers -** including "Identified Staff" **-** the fixed component is calculated, also based on position and responsibilities, bearing in mind the remuneration levels expressed by the market, and in particular by the subset of internal company units with similar business models and organisational complexity, and in accordance with internal coherence. In particular, the Group uses the Global Grading System method, developed by the international advisory firm Willis Towers Watson, which makes it possible to sort the company roles in decreasing order and compare the different levels of professional skills with those expressed by the market.

For **Middle Management and Professional Areas,** who make up the large majority of the company population (98.8%, of which 59.2% in Professional Areas), the base salary levels for the various categories provided for by the sector-based regulations in some cases are supplemented by initiatives aimed at increasing the value of the managerial and specialist contribution to the Group's activities, as well as reflecting better correlation between the above levels, organisational positions and remuneration.

Fixed recurring components can be added to the annual gross salary, linked for example to the position/role/workplace, with can be revoked if the reason for assigning this extra amount no longer applies. Position-related indemnity is an example of these types of payment.

5.2.1. Control function compensation

The Managers of the Company Control Functions and the **Manager responsible for preparing the Company's financial reports** are assigned a **position indemnity** which may be tied, according to EBA principles, to the fixed salary given that: (i) it is exclusively targeted at remunerating the specific areas of the role held; the assignment right ceases to apply where the beneficiary no longer holds said role (ii) it is determined by the Board of Directors at the start of the year (ex-ante) based on specific evaluation criteria on the basis of the complexity of the role performed (iii) does not depend on and is in no way subject (neither as regards disbursement nor the amount) to company performance. This provision, effective from 2010 as regards Area Managers of the Parent Company, was also extended in subsequent years to the second and third-level Managers of the Company Control Functions.

5.3. Variable remuneration

The variable portion of remuneration integrates the fixed portion and is connected to the short and medium/long term results achieved. Its correlation with performance provides for the implementation of a differentiation and meritocracy mechanism and, no less important, makes it possible to align the interests of the management and employees with those of the Shareholders.

5.3.1. "Core" components

Within the scope of the variable instruments, those with close links to Group and structure performance are the main ones in terms of skills and amount of people involved (to the extent to which they can be activated), and provide for:

- goals that create a real connection between sustainability, riskiness and remuneration;
- formalised, transparent implementation and provision conditions;
- prior identification of the bonus pool;
- individual, pre-determined bonus targets (by Role or aggregations of Roles).

Their initiation will be decided each year on the basis of various factors (context conditions, resources available, etc.) and justified by the Board of Directors which is called to authorise the decision.

The instrument adopted by the Bank for employees who belong to the Professional Area and Middle Manager categories is the **Variable Performance-Related Bonus** (PVR) provided for under article 52 of the Collective labour agreement 19/1/2012 (renewed by Agreement of 31.3.2015), and introduced into the Group with the II level negotiation at the end of 2015 to seek higher levels of involvement and participation by employees and improve the operational efficiency and company productivity/competitiveness. Compared to previous years this instrument combines the Company Bonus and the LPO instrument of the incentive system. In compliance with the supervisory provisions governing remuneration and incentive policies and practices, the PVR has a variable nature and is strictly correlated to company results, in terms of liquidity and capital, productivity, profitability and quality, rigorously in keeping with the objectives established in the Business Plan.

With regard to management, the incentive instrument planned by the Group to transmit the targets assigned to over 25,000 Group operating personnel with respect to the system, and focus everyone's attention on the targets of the Restructuring Plan is the **MBO** (Management by Objectives). The instrument, which has never been activated to date, is constructed starting from the organisational weight of the managerial roles, attributed in accordance with the above-mentioned Global Grading System. The criteria for accessing the bonus pool available ("gate") and the performance indicators to be assigned to Managers through scorecards (consistent with those assigned to operating personnel in relation to the Variable Performance-Related Bonus), stem from the risk appetite policies (Risk Appetite Framework - RAF), and are consistent with the overall company operating performance and with the strategic planning objectives.

Finally, in line with what occurs for the Variable Performance-Related Bonus, and in compliance with the supervisory provisions, the final bonus of each individual is calculated based on the achievement of Group targets ("gate"), unit targets as well as individual contribution.

As regards Managers of the Company Control Functions and the Manager responsible for preparing the Company's financial reports, the Shareholders' Meeting decided to exclude these positions from variable performance-related remuneration in order to avoid potential conflicts of interest.

5.3.2. Other components

The following complete the range of instruments:

- **Contests**, leverage of limited cost and amounts that are effective in supporting business activities, also from the point of view of customer acquisition/retention given that they incentivise commercial initiatives in the networks, in line with customers' financial requirements;
- limited payments of a **one-off** amount to individuals deemed particularly deserving, boosting motivation and engagement; the specific payment, of a small amount, is approved by the Board of Directors and made available to the Chief Executive Officer.

In some cases **entry bonuses** may be agreed at time of hiring, which can also be paid in a number of annual instalments to help protect company interests.

Finally, in order to manage critical situations, other components related to the length of time with the company or role performance can be added to the above components for limited business figures, (e.g. **non-competition agreements** or similar instruments).

5.3.3. Benefits

In addition to the fixed and variable components, the Group envisages various initiatives for its employees that effectively increase its remunerative offer from a structural perspective, raising motivation and reinforcing Group identity. In particular, investments in instruments for personal support are on the rise - as defined periodically with the Trade Unions and approved by the Board of Directors - which include those aimed at the majority of the employees:

- a company contribution to Complementary Pension Funds for all employees, which currently stands at 2.5%, calculated for a transitional period from 1/1/2016 to 31/12/2018, based on solidarity measures, on 77% of the items set forth in the CCNL (National Collective Labour Agreement), excluding the thirteenth month's pay;
- an Insurance Policy and Health Cover, the latter for both active and retired employees;
- luncheon vouchers, for Professional Areas, Middle Management and Managers without a "personalised" contract;
- special conditions for banking transactions (savings, loans, other banking services);

and others granted on an individual basis, such as:

- the provision of sublet accommodation for personal and family use in the event of transfer upon the company's decision, or alternatively, a commuting allowance;
- a company car for private and business use, with expenses charged to the Bank, for Managers with "personalised" contracts, department heads with discretionary allocation that can be revoked, and finally, for particularly significant organisational roles or other positions with high mobility requirements.

5.3.4. Compensation for early termination of employment

Compensation for the early termination of employment, not determined by a competent third party, constitutes severance pay, and is quantified and paid out by the Bank in accordance with the regulatory framework in force at the time, and always in pursuit of the best interests of the Company. The quantification criteria and severance limits provided for by the Shareholders' Meeting are set out in Section II of this document.

As noted in the Press Release of 14/9/2016, the contract of the current General Manager and Chief Executive Officer provides, in the case of termination without just cause by the Bank within three years from the date of hire, payment - in application of the criteria and disbursement procedures established in the Group Remuneration policies, approved by the Shareholders' Meeting, in force at the time, and the rules and regulations in force at the time - of up to 24 months of de facto overall remuneration, to be disbursed subject to waiving all rights to make demands or claims against the Bank and the Group.

There are no other agreements for early termination of employment

5.3.5. Associates not bound to the Bank by employment relationships

The Bank makes extremely limited use of contracts with associates. These types of contracts are reserved for extraordinary requirements (e.g. support for special projects) and for professionals characterised by excellent skills and expertise on specific subjects. The fixed component is determined in relation to the importance of the partnership; if this increases, variable forms of incentive may be provided according to the same methods as those defined for employees.

5.3.6. The remuneration of Financial Advisors (FA)

In 2016, the MPS Group used a network of Financial Advisors and a network of AXA agents with whom it entered into agency agreements without representation, for the distribution of its own products and third party products[3].

With reference to the AXA network of agents, the remuneration structure does not provide for the “non recurring” component deriving from any incentive components, but a “recurring” component only, deriving from payment of the so-called sales commissions for the distribution of products and services.

On the other hand, with respect to the network of Financial Advisors, the remuneration system provides for both an incentive and loyalty “recurring” component and a “non-recurring” component, with the aim of recognising the results reached on the basis of a connection between remuneration and effective short and medium term results, thereby aligning the targets of the Financial Advisors with those of the company with respect to the sustainable growth of the business.

The incentive system of the Network of Financial Advisors is structured in three levels:

- Bonus system;
- Training workshop;
- Top Club.

The Bonus System aims to encourage the entire network to pursue portfolio and profit objectives, identified annually based on the parameters defined in the Commercial Plan and differentiated between Financial Advisors and Manager Financial Advisors.

The Training Workshop is however aimed only at Financial Advisors who excelled in the previous year for the commercial results achieved.

[3] Financial Advisors are agents in financial activities who operate based on a mandate conferred by Widiba; the network of AXA agents are insurance agents who operate as agents in payment services or financial activities, also by mandate received from Widiba.

Finally, the Top Club only includes the best Financial Advisors in the Network, identified each year on the basis of pre-defined quali-quantitative criteria. This is a team of professionals, recognised as opinion leaders in the network who, as part of regular work groups with the Management of the Network of Financial Advisors, pool their personal experiences, helping to identify the most useful operational and commercial solutions for the entire network.

There are also two alternative types of long-term, loyalty systems in addition to the incentive system, which can be accessed in accordance with the types of contracts of the single Financial Advisors, entailing a financial benefit that is to the advantage of all the Financial Advisors and Managers, in the form of (i) an annual allocation to a principal protected life policy in accordance with profitability (ii) a further loyalty system ("No Ordinary Program") introduced in 2015 to benefit the historical Financial Advisors and Managers (i.e. those already working as of 31/12/2014), with a 5-year duration, and aimed at rewarding these parties on the basis of their consolidated activities and the development of sales for the year.

Circumstances and conditions were added to all the loyalty and incentive systems, in addition to operational/compliance risk indicators that condition payment of the amounts allocated exclusively upon fulfilment of said conditions, and in compliance with the terms provided, and involve the loss of all rights and/or financial benefits deriving from the system (with consequent obligation to repay any amounts received based on this system) should they occur within two years of expiry of the relative system.

6. The implementation of remuneration policies in 2016

6.1. Changes in the perimeter of "Identified Staff"

In 2016, the "Identified Staff" perimeter[4] decreased from 202 to 189 positions for the reasons set out below.

In Statement A - Quantitative information regarding the "Identified Staff" (Bank of Italy) - in order to facilitate understanding and to represent all amounts paid, the data is represented on the basis of an unchanged perimeter.

6.2. Remuneration trend

The trend in remuneration levels in 2016 was determined by both the increases of the Collective labour agreements and the effects of extraordinary measures that continued during the year:

- the re-composition of the organisational structure due to the exit of an additional 359 staff, including 40 Managers;
- the labour cost reduction measures, where the agreement signed on 24/12/2015 with the company Trade Unions provide for important elements in the 2016-2018 three-year period[5].

[4]Recorded at the start of the year for 2016 Remuneration Policies.
[5] However, these impacts are less than those made in the 2013-2015 three-year period to reduce the labour costs in effect at the time.

More specifically, suspension of work for 5 or 6 business days (based on the annual gross base salary levels), the reduction of the calculation base used for Employee Severance Indemnity – TFR and for the contribution to the Complementary Pension Fund (lower impact than in the 2013-2015 three-year period) as well as a 2.5% contribution for personnel with a gross annual salary exceeding Euro 150,000, on the salary amount exceeding this amount.

In addition to the aforementioned manoeuvres and provisions of the Collective labour agreement regarding contributions to the so-called FOC (Employment Fund)[6], the following applies to the Managers (i) the above-mentioned voluntary donation to MP Solidale of one or more holiday days [7] (ii) the abolition, introduced in 2013, of holiday entitlement to facilitate the management of "working time" by targets rather than attendance due to the managerial independence that distinguishes this category, with the consequential waiver of unused holiday entitlement and relevant arrears.

The low number of remuneration initiatives in the year, around 150 throughout the whole Group, equal to about 0.6% of employees, concerned primarily critical business individuals, also in terms of retention, and a few selective actions to align positions with similar responsibilities to market values.

As regards the new hires in the Group, the employment agreements of new Managers (9), prepared in compliance with the policies approved by the Shareholders' Meeting, are positioned at median market levels, based on equal organisational positions, also with a view to consistency with internal median levels. More specifically, the employment contract of the new Chief Executive Officer/General Manager, whose remuneration package was established on a similar basis to his predecessor, is structured as follows:

- Annual gross salary, a total of Euro 1,400,000;
- Variable salary, if activated, calculated on an annual basis if certain targets have been met in accordance with the Industrial Plan in effect at the time as approved by the Board of Directors, established in accordance with the "Supervisory provisions with respect to remuneration policies and practices of banks" and the Group Remuneration policies approved by the Shareholders' Meeting at the time;
- Benefits and insurance cover in line with Bank policies;
- Entry pay: Euro 300,000 (three hundred thousand) as compensation to cover the consequences of early termination from the previous job, subject to repayment in the event of resigning without just cause, or termination by the Bank for just cause before one year has passed from hire;
- In the event of employment termination by the Bank without just cause within three years from the date of hire, payment - in application of the criteria and disbursement procedures established in the Group Remuneration policies, approved by the Shareholders' Meeting, in effect at the time, and the rules and regulations in effect at the time - of up to 24 months of de

[6] National Fund to Support Employment
[7] Donation can also be made by the other employees.

facto overall remuneration, to be paid subject to waiver of all demands or claims against the Bank and the Group.

Additionally, with respect to the office of Chief Executive Officer, the payment described in chapter 4 was resolved ("Remuneration of Directors and Statutory Auditors").

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The table below shows the average remuneration levels of the Group regarding the fixed remuneration component for Group employees[8] (staff and organisation charts as at 31.12.2016; amounts in Euro):

GROUP FIXED REMUNERATION

	Staff at 31/12/2016	Average Salary 2016	Staff at 31/12/2015	Average Salary 2015
Top Management	17	427.529	15	455.675
Other Managers	302	123.193	335	124.053
Middle Managers & Professional Area	25.247	44.822	25.381	44.293
Overall total	**25.566**	**45.999**	**25.731**	45.571

Medium annual gross base salary levels of the Group are slightly up due to the impact of the renewal of the Collective labour agreement for Professional Areas and Middle Managers. The managerial level structures are slightly down, falling from 350 to 319.

With reference to the high earners, i.e. those subjects with a total remuneration of at least Euro 1 million on an annual basis (subject to periodical reporting to the supervisory authorities), only one Manager in the entire Group belonged to such category (the previous CEO, due to the amounts matured following the early termination of his employment contract) and in particular in the range of remuneration between 4 mln and 4.5mln.

Below is a table showing Group remuneration broken down by business segment:

GROUP REPORT BY BUSINESS SEGMENT (Fixed salary) (*)

	Staff at 31/12/2016	Σ Remuneration	Average values
Private	19.488	868.750.142	44.579
Corporate	1.170	62.040.299	53.026
Finance	214	12.223.816	57.121
Service & Corporate Centre	4.694	245.266.287	52.251
Overall total	**25.566**	**1.188.280.545**	**46.478**

* Compared to the previous table, this includes, in addition to the annual gross base salary, also fixed revocable remuneration items (e.g. position-related indemnities, company control function indemnities, etc.)

[8] Net of solidarity measures, which on average amount to about 2% of the annual gross base salary.

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Finally, with reference to the Managers of the Company Control Functions (not included in any incentive schemes), moreover all belonging to the "identified staff" perimeter, a **position-related indemnity** was given for the 2016 Financial Year, equal to an average of 17% of their relative annual gross base salaries.

6.3. 2016 variable remuneration

After the 2015 financial year, where the results permitted - albeit to a limited extent - disbursement of the variable planned incentive instruments [9] (Company bonus and LPO), following four years in which the main variable instruments were not activated or in any case disbursed, the Group did not consider it appropriate to activate the variable incentive planned system in 2016, organised into the core planned components (Variable Performance-Related Bonus - **PVR** - for Middle Managers and Professional Areas and "**MBO**" for Managers) described in the 2016 Remuneration Report. Therefore, no disbursements will be made for them. Even where the variable incentive system was activated, both components would have had to achieve - as a prerequisite - a net profit greater than zero. This condition could not be realised following the approval, on 29 July 2016, by the Board of Directors of the Parent Company, of the guidelines of an overall plan aimed at identifying a structural solution to reduce its exposure to the non-performing loans, as per the request by the ECB regarding improvement of the asset quality of the Bank.

In 2016, the Bank also made use of both low cost specific instruments (e.g. **Contest**), effective for motivating and rewarding excellent operational staff (from the Network or the credit branches and in any case not including the "Identified Staff") for specific results attained, as well as limited payments of **One-off** amounts to important personnel deemed particularly deserving, to increase motivation and engagement.

Also with reference to business positions, a strong effort was made to improve the capacity of the Group to retain key resources for the business. In particular, in order to counter the loss of professionals in the private banking sector, in addition to various initiatives aimed at boosting engagement, the use of the contractual instrument known as a **non-competition agreement** continued to be applied.

Consequent to the hiring of 195 employees (including 9 Managers) 16 **entry bonuses**[10] were agreed upon, for an average amount in 2016 of Euro 30,400 (Euro 12,400 not including the amount paid to

[9] With reference to 2015, since the performance thresholds provided for were reached, the following instruments were disbursed in 2016: Company Bonus, formerly "VAP" (to all employees with the exception of Managers), and the LPO incentive system (only to employees belonging to company units who achieved the structural goals specifically assigned). These payments were, as a whole, significantly lower than the initial amounts, with a total amount disbursed amounting to less than 1% of the overall Group personnel costs. The Company Bonus was disbursed, at the discretion of the employee, also in the form of welfare.

[10] Of which one, for the greater protection of the Bank, provides for two payment tranches: one upon hiring and one after 12 months.

the Chief Executive Officer); in addition to the above 3 tranches relating to the entry bonuses agreed in previous years, for an average value during the year of Euro 8,300.

Regarding **consensual employment terminations** concluded during the year, involving 59 Group employees (of which 26 Managers), following verification of compliance of the agreement with the labour legislation and the applicable category contractual provisions, the amounts agreed were defined within the scope of the specific policy approved by the Group and in accordance with the resolutions of the Shareholders' Meeting, aimed at limiting the discretionary factor in determining the amounts to be granted and ensuring equality of treatment. With reference to the "Identified Staff" perimeter, 12 employment relationships were terminated on a consensual basis in 2016, in addition to the Chief Executive Officer[11]; the average incentive paid for the 12 employment terminations (excluding the average cost of the notice[12] of Euro 267,000) amounted to Euro 61,000. These amounts were paid in accordance with the terms and procedures foreseen by law, providing for ex post correction mechanisms, and for two of these with amounts greater than Euro 100,000, with deferred payment partially in financial instruments.

To this end, we should note the termination of employment of the former CEO/GM, Mr Fabrizio Viola, whose payment for the early termination of his employment (and for termination of the office of Chief Executive Officer) was defined in the framework of an in-depth analysis of compliance with internal Bank rules (including the Group Remuneration policies), the criteria to determine the amounts to pay in the event of the early termination of the employment approved by the Shareholders' Meeting, the current National Collective Credit Labour agreement for Managers, and finally, Mr. Viola's individual contract (compromise agreement of 28 November 2013), which, as described in the previous Remuneration Reports, provided that in the event of termination of employment by the Bank without just cause, the Bank would pay the Manager a total gross amount of Euro 2,340,000. In addition to said amount, the termination agreement provided for payment, upon termination of the managerial relationship, of an indemnity equal to the remuneration that would have been due to Mr Viola up to the natural expiry of the office in April 2018, for a gross total of Euro 749,096. The sum of the two amounts, for the portion exceeding the cost of the notice (severance) shall be paid in accordance with the procedures indicated by the Group Remuneration policies, i.e. 40% up front and 60% deferred over the following 5 years; with 50% in cash and 50% in performance shares.

7. 2017 remuneration policies

7.1. The evolution of the regulatory context

As confirmation of the ongoing transformation which characterises the regulatory framework relating to remuneration, together with the publication - in December 2015 - of the "Guidelines on Sound Policies Remuneration Article 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013"[13], the European Banking Authority (EBA) asked the national authorities of the EU to declare - by 30 August 2016 - whether they intended to comply with the new

[11]Settlement with the highest amount recognised during the year.
[12]In any case due by law in the case of free dismissal.
[13] Translated into Italian in June 2016.

policies or not, and to specify by what date it would comply: the response given by the Bank of Italy would indicate that there would be an update of the supervisory provisions by June 2017, which should relate to the aspects of the CRDIV which have not yet been incorporated into Italian law.

With respect to the other new remuneration provisions in the regulatory framework in 2016, the following had the greatest impact on Group activities:

- the issuing, in March, of the **ESMA Guidelines** on remuneration policies pursuant to the UCITS and AIFMD Directives;
- the consequent opening, in July, of the Bank of Italy Consultation on the implementation of Directive 2014/91/EU ("UCITS V") containing proposals to amend the **"Joint Bank of Italy - Consob Regulations"** with respect to the organisation and control of intermediaries who provide investment and asset management services;
- the publication, in September, of the **EBA guidelines**, relating to remuneration policies and practices for the sale and supply of retail banking services and products[14], to protect consumers against the harm that could result from mis-selling incentives by sales staff.

There was more input from the public sector during the year, among which it is worth remembering:

- the Report by the **European Commission** for the European Parliament and Council of Europe «Assessment of the remuneration rules under Directive 2013/36/EU and Regulation 575/2013» and the related (November) proposals to amend the Directive on capital requirements (CRD);
- the Report, dated September 2016, by the **Financial Stability Board,** on the measures to reduce the risk of misconduct, in addition to the announcement of an upcoming consultation on the link between remuneration and conduct;
- the **EBA** Report on the review of the application of the principle of proportionality to the remuneration rules pursuant to Directive 2013/36/EU (CRD) of November 2016.

With respect to variable remuneration, note the communication of December last with which the Chairman of the Supervisory Board of the ECB asked all significant banks to *"adopt a prudent, farsighted approach when making decisions on remuneration policies"* and to *"pay due attention to the potentially negative impact of remuneration policies of the organisation on maintaining a solid capital base".*

7.2. The 2017 "Identified Staff"

The supervisory provisions require the process of definition of the perimeter of "Identified Staff" at Parent Company level (based on the standard EBA criteria pursuant to Delegated Regulation EU no. 604, of 4.3.2014), to be preceded by assessments conducted at individual Group component level, although the Parent Company remains responsible for ensuring the overall consistency of the identification process for the entire Group.

[14]Translated into Italian in December 2016.

The identification process performed, as above, led to a reduction of the perimeter of "Identified Staff", **from 202 positions identified at the start of 2016 to 189 in the new perimeter,** broken down as follows[15]:

	N°		Theoretical Fixed Remuneration
CEO	1	*	400.000
Other managers with executive positions			
Non-executive managers	12		1.790.000
General Manager	1	*	1.400.000
Deputy General Manager	2		1.040.647
Division Heads, Corporate functions, Geographical Area Heads and those who report directly to the corporate bodies	74		16.594.791
Managers and personnel in charge of the internal control functions	21		2.174.232
Other staff who individually or collectively take on significant risks	76		8.382.323
Highly paid employees and collaborators not included in the criteria above	3		664.025
Total	**189**		**32.446.019**

** Mr. Marco Morellil holds the offices of both CEO and General Manager (remuneration regarding the office of Director is not included in the above table)*

The perimeter identified is slightly lower compared to 2016 mainly due to the new organisational structure of the Group, reflecting the exit of certain resources belonging to the category of "employees and collaborators with high earnings not included in the previous categories". Based on the position held and in application of the criteria laid down in the regulatory provisions (Delegated Regulation EU no. 604, of 4.3.2014) the Bank has not included 40 Financial Advisors with agency contracts in this category in consideration that they do not have "a substantial impact on the risk profile of the organisation, taking account of all the risks that the organisation is or could be exposed to".

7.3. Remuneration policies for 2017

7.3.1. The remuneration and bonus systems structure

In compliance with the requirements that the rules on remuneration and incentives impose on the variable remuneration of "Identified Staff", i.e.:

- anchorage to parameters for the measurement of medium/long term performances;

[15] The composition and population of the perimeter are subject to change, due predominantly to organisational and managerial factors. The annual gross salary values shown refer to theoretical annual amounts and therefore do not take account of the work cost reduction provisions contained in the above-mentioned agreement of 24/12/2015, or the relinquishment by management of their remuneration to MP Solidale.

- payment made partially up-front and partially in financial instruments;
- disbursement in a time frame of at least three years;
- the deferred component is subject to malus mechanisms;
- ratio between the variable and fixed remuneration of not more than 100% (ratio 1:1)[16];
- for variable components for particularly high amounts, deferral percentage not less than 60% in no less than 5 years;
- presence of adjustment mechanisms for effective ex-post risks, which include qualitative indicators, tied to the conduct of personnel during their employment with the Bank,

the disbursement of the variable components of the aforementioned perimeter[17] will take place within the scope of the following maximum parameters approved by the Shareholders' Meeting – differentiated by cluster on the basis of the consistency with the EBA identification criteria (senior management, risk takers, quantitative criteria, etc.); the table also shows the malus mechanisms provided for by the Bank:

Identified staff cluster	% max of variable remuneration	Up-Front portion[1]	Deferred portion	Deferred component payment	Adjustment mechanisms to manage risks
1) AD + TOP MANAGEMENT + OTHER MANAGERS REPORTING DIRECTLY TO CEO[2]	100%	40%	60%	Pro-rata payment in **5 years**: **50% in cash and 50%** in **financial instruments**	**MALUS**, verified at the end of each deferral period: - CET1 Ratio > Risk Capacity RAF 2017 - NSFR > Risk Capacity RAF 2017 - RAROC > 0 **CLAW-BACK,** incentives granted and/or paid out are subject to restitution if it emerges that the recipients have contributed to causing damage to the capital integrity, profitability and the financial position or reputation of the Bank or the Group, or in the presence of fraudulent conduct or gross negligence. Such initiatives are provided for also in the case of violation of the obligations imposed by Article 26 of Legislative decree no. 385 of September 1 1993 (the "TUB") (Company representatives) or when the subject is an interested party under the previsions of Article 53, paragraphs 4 and following of the TUB as well as violation of the obligations regarding remuneration and incentives. In the case of Claw-Back, malus mechanisms are automatically activated.
2) RISK TAKERS A + SUPPORT FUNCTIONS	80%	50%	50%	Pro-rata payment in 3 **years**: **50% in cash and 50%** in **financial instruments**	
3) RISK TAKERS B + OTHER STAFF INCLUDED IN THE PERIMETER	60%	50%	50%	Pro-rata payment in 3 **years**: **50% in cash and 50%** in **financial instruments**	

[1] Paid 50% in cash and 50% in financial instruments
[2] Does not include two structures in staff to governing bodies: Staff Regulatory Relationship and Segretary to Statutory Auditors

The **malus and claw-back** mechanisms indicated in the above table are formalised at the time of every initiation of the variable component (opening of the incentive system or termination of employment relationship) or at the time of hiring new employees.

The **amounts in financial instruments** will be paid in the form of performance shares (see paragraph 7.4).

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[16]The limit can be raised – up to 200% - only by means of a shareholders' meeting resolution.
[17]Including therein 12 managerial figures from the Financial Advisors Network.

The "Identified Staff" perimeter also includes subjects belonging to different organisational levels, some of whom may accrue a small bonus, where a split payment in shares or deferred payments would determine insignificant amounts; in light of this, for **all clusters of "Identified Staff", apart from level I** (CEO, Top Management and the other I levels reporting to the CEO), **a bonus threshold of significance**[18] amounting to **Euro 40,000** has been established, below which every payment is made entirely in cash/up front. **This threshold** – in line with the best market practices - **which is not applied if said amount is greater than 50% of the annual gross salary (RAL)** received by the "Identified Staff" member, is deemed appropriate to avoid excessive risk taking on behalf of employees, considering that the Bank has decided to adopt a generally conservative position in the application permitted by the supervisory provisions, both with reference to the identification of the "Identified Staff" perimeter as well as regarding the identification of the maximum theoretical thresholds connected to variable remuneration (see above table).

For all of Managers who are not included in the "Identified Staff" perimeter as well as the rest of the personnel, **the maximum percentage of the variable remuneration is 50% of the fixed component.** However, the Bank reserves the right to deviate from this limit in the case of business figures, which - in the market - show an atypical variable remuneration structure (e.g. remuneration associated with commission income). More specifically, with respect to the **Network of Financial Advisors,** in view of the specific nature of the remuneration system, essentially organised into recurring commissions based on the amounts managed/administered, and non-recurring components from development actions and long-term loyalty programs which are similar to variable types of remuneration, **the maximum ratio** between the variable remuneration /non-recurring remuneration and the fixed / recurring remuneration is equal to 100%, subject to deferral of 50% of the amount over three years, the payment of at least 50% in financial instruments and the subsequent adjustment mechanisms.

7.3.2. 2017 variable incentive instruments

With reference to the variable incentive instruments for 2017 (**PVR** and **MBO**), where the conditions for their activation are re-established, the Board of Directors of the Parent Company will be involved in activating the instruments starting from the following benchmarks:

1. Disbursement stage subject to the existence of all the following Group requirements (known as Gate):
   - ✓ Common Equity Tier 1 > Risk Tolerance RAF 2017
   - ✓ Net Stable Funding Ratio > Risk Tolerance RAF 2017
   - ✓ Profit or loss from current operations before tax[19] >75% of the budget (85% for MBO): (excluding the variable component of the remuneration and any extraordinary element[20] as considered appropriate by the Board of Directors following the proposal of the Remuneration Committee);

[18] This does not apply to Severance where the provisions of Section II apply.
[19] Profit from the reclassified statement of financial position set out in the Consolidated Report on Operations
[20] Extraordinary referring to both positive or negative elements which (i) are not envisaged from ordinary activities of the Company and/or (ii) closely related to company restructuring interventions.

2. Final bonus of each resource based on the achievement Group objectives, the structure[21] they belong to and individual contribution;
3. Performance indicators, which apply at both structural level and at the level of the individual head of the structure, closely connected to the risk appetite framework "RAF", and restricted to the overall performance of the company and the strategic planning objectives;
4. Performance of the structures measured on the basis of specific Scorecards with quantitative parameters. These scorecards include an economic-financial part integrated with risk indicators (known as the synthetic performance indicators), a part connected with compliance factors, and in some cases a section of quality indicators;
5. Performance of the Company Control Functions[22] measured on the specific targets of the functions regardless of the economic results, through specific questionnaires prepared by the Risk Committee and subsequently validated by the Board of Directors;
6. PVR divided into three levels, all (at least) subject to the above-mentioned Gate:
   - ✓ Basic bonus, for a total maximum value of around 30% of the bonus pool. This bonus, in order to standardise company practices, will be distributed uniformly to all the resources who belong to the Professional Area and Middle Manager categories;
   - ✓ Structure bonus, for a total maximum value of around 45% of the bonus pool, with a view to promoting teamwork, subject to specific targets assigned to the structure;
   - ✓ Excellence bonus, for a total maximum value of around 25% of the bonus pool, to be distributed selectively on the basis of the best structure and individual performances; this amount will be disbursed based on merit with an aligned ratio between Network and Head Office.
7. Differentiated MBO for managerial levels with Scorecards with individual Gates, as well as Group Gates for access to the bonus and increasing impact of the qualitative assessment of managerial performance.

These instruments will be activated and disbursed in accordance with the law, including regulatory provisions, in effect at the time, and in accordance with any instructions from the applicable authorities.

In addition, as noted above, PVR and MBO are parameterised against performance indicators measured net of the risks, and in accordance with the measures used for operational purposes by the risk management function; more specifically, the Monte Paschi Group establishes the overall framework reference to determine its risk appetite framework: the objective of the RAF is to ensure constant alignment between the Group's actual risk profile and the risk appetite approved in advance by the Board of Directors, taking into account any risk tolerance levels and in any case within the maximum admissible limits (risk capacity) deriving from regulatory requirements or other restrictions imposed by the Supervisory Authorities.

The RAF is formalised at least annually in a Risk Appetite Statement (RAS), approved by the Board of Directors and set out in a group of key risk indicators defined at Group, Legal Entity and Business Unit level, in accordance with the processes approved internally by the Board. For each indicator risk

[21]In this paragraph, the concept of structure is to be understood as referring to those subject to targets that are specifically assigned and processed/monitored.
[22] Valid for all the resources of those structures with the exception of the Managers from I to III organisational level.

appetite target thresholds are established beforehand, more conservative with respect to the risk tolerance thresholds, which in turn, are more conservative than the risk capacity thresholds.

With reference to the Group "Gate", the 2017 incentive system, where activated, provides for the simultaneous assessment of 3 indicators relating to capital adequacy, medium-long term liquidity adequacy and the achievement of income results with respect to pre-defined budget levels that can all be traced to the Risk Appetite Framework. Finally, the values of the capital and liquidity indicators are calibrated risk tolerance levels RAF, i.e. the thresholds established to ensure, in any case, sufficient margins for the Group to operate, including in stress conditions, within the maximum risk capacity.

The link between the Risk Appetite Framework and the incentive systems is further guaranteed by inclusion of the maximum organisational levels in the performance indicators (see the MBO system) of certain specific RAF indicators defined for the same areas of responsibility.

The incorporation of macro risk and risk-adjusted performance indicators into the staff remuneration and incentive policies, consistent with the RAF, is an additional instrument to promote awareness of the conduct of all resources and cultivation of a healthy risk culture.

7.3.3. Other operational instruments for 2017

The variable managerial instruments - **Contest, One-off, Entry Bonus** to be paid on an exceptional basis upon hire, **non-competition agreements** for specific business figures following their entry into certain Roles, **other functions related to how long they stay in the company**, and finally any **severance** to be paid in the event of early termination of the employment - will be implemented subject to approval of the ordinary variable remuneration in the annual budget under personnel costs.

The disbursement of these instruments, also aimed at achieving structural savings on labour costs, will be made in accordance with the regulatory framework in effect and taking account of any instructions that may arrive from the applicable authorities.

7.3.4. Compensation for the Managers of the company control functions

Managers with responsibilities in company control functions, from the I to the III organisational level, will receive position-related compensation defined ex-ante by 2016, according to the criteria established by the Board of Directors on the proposal of the Remuneration Committee and based on the opinion of the Risk Committee. The extension to other categories besides management categories introduced in 2017 is aimed at making the payment of compensation, related to the role covered, standard, and not to the contractual category to which it is carried out, with a view towards fairness and consistency in the allocation of responsibility.

7.4. Instruments for the payment of variable remuneration

Within the scope of the financial instruments to use as instruments to pay the variable remuneration of the Group "Identified Staff", from 2016 the Bank adopted Performance Shares, synthetic instruments that reproduce the actual performance of the Banca Monte dei Paschi di Siena shares in terms of cash flows. The 2017 Performance Shares Plan will be presented simultaneously for approval by the Shareholders' Meeting, which should be consulted for further details.

The instruments assigned in accordance with the Plan will be attributed to personnel on the deadlines set out in the Group's Remuneration Policies and will be subject to a retention period of two years as regards the up-front portion and one year for the deferred portion, (subject to the verification of the malus conditions).

With reference to the Performance Shares Plan approved in 2016, it is to be noted that the plan provided for the allocation of a certain number of Performance Shares per employee as the variable incentive remuneration component to be assigned following the outcome of annual performance evaluation for 2016, or as mutually agreed in the case of early termination of employment.

However, following the failure to activate the incentive systems linked to the performance programmed for the year, the only allocations of Performance Shares made during the year related to payments for the early termination of employment by three top managers.

During the year, subject to decision of the Board of Directors, 54,676 Performance Shares were accounted for (at an average price of Euro 23.39, taking account of the reverse share split on 28 November 2016), of which 21,870 were allocated up-front; the 32,805 deferred shares will be allocated - subject to verification of the pre-established malus conditions - in 5 annual tranches over a five-year period and paid after one year from their relative allocations.

To that end, the ordinary shares of the Bank were grouped on 28 November 2016, at a ratio of 1 new ordinary share (ISIN IT0005218752) for every 100 ordinary existing shares (ISIN IT0005092165). Therefore the number of performance shares assigned on that date was reduced to the same extent, reflected also in the value of the shares.

8. Remuneration policies in the event of early termination of employment

The Articles of Association provides that the Ordinary Shareholders' Meeting, in addition to establishing remuneration due to Board members, approves the criteria for the determination of compensation to be granted in the event of early termination of employment or termination of office, including limits to the defined compensation in relation to annual instalments of fixed remuneration and the total maximum amount that results from their application.

In consideration of the above it has been deemed appropriate to describe the criteria the Group intends to adopt for the management of cases of this kind in a specific Section of the document.

SECTION II

1. Criteria for the determination of compensation to be awarded in the event of early termination of employment and related limits

As specified in chapter 4 of the first Section "Remuneration of Board Directors and Statutory Auditors", no compensation is foreseen in favour of Directors in the event of termination of their office.

For the Chief Executive Officer/General Manager and other Group Managers, compensation for the termination of employment, when not determined by a competent third party (as for example a judicial authority and/or arbitration and/or conciliation) (**"Severance"**), is quantified and paid out by the Bank in accordance with the regulatory framework in force at the time, in application of the below illustrated criteria, and always with respect and in pursuit of the best interests of the Company.

In particular the Severance can be recognised by the Bank only in the case of termination of employment at company initiative without just cause, and with the exclusion of the possibility of voluntary resignation, and it is determined according to the following main criteria:

- Age and specific personal conditions of the interested party;
- Length of service, with reduction of amount to be paid in the event of short duration of employment;
- Professional contribution provided to the Company, performance in relation to expectations; conduct and alignment to values, in corporate interest and in relation to risk; effective integration in the context and dynamics of the company;
- motivation behind the decision to terminate employment (also with reference to the notions of just cause and justification according to parameters in force at the time) placed in relation to the risk of controversy which the Manager could ascertain in relation to his/her previous employment and related termination, considering, among other things, possible indications provided by competent third parties such as judicial authorities and/or arbitration and/or conciliation.

The above mentioned criteria are, based on the characteristics of each case, carefully considered and balanced between themselves, and always in pursuit of the best interests of the Company.

Overall, the **number of months related to notice and to Severance,** as a rule do not exceed (where agreed within the company, and not determined by a competent third party, as described above), an amount which corresponds to **24 months' salary**.

In very exceptional circumstances (never occurred in the recent past) and when required in the interests of the company, deviations from the above mentioned amount are not excluded provided that the limit of the maximum number of months is granted, at the time of the resolution, as supplementary indemnity according to the collective agreement in force at the time[23]. This may take place, moreover, only following a strict and articulated evaluation process, which includes the issuing of opinions from the relevant company functions (and when necessary external consultants), the formulation of a proposal extensively motivated by the Appointments and Remuneration Committee and approved by the Board of Directors.

The months' salary for notice and for Severance are calculated considering the mandatory criteria of the law and of the collective agreement, thereby enhancing the so-called total remuneration (including fixed remuneration, the average variable remuneration paid in the last three years and the value of benefits in kind)[24], which together, also incorporate the performance demonstrated by the interested party (as reflected in the average variable remuneration), bringing about a reduction, which can be significant, of the overall amount granted in the event of negative performance.

The Severance is paid according to the regulatory provisions from time to time in force and is subject to ex post correction mechanisms (malus and claw-back) to cover any fraudulent behaviour or serious negligence against the Bank and the Group[25].

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[23]Currently between 22 and 29 months' salary, depending on age.

[24]In consideration of the request, formulated in Circular 285, to indicate the limit of Severance also in terms of annual instalments of fixed remuneration, it is to be noted that within the context of the Bank, where practically no variable remuneration has been paid to top management in recent years, global remuneration currently corresponds to fixed remuneration (with the exception of the minimal incidence determined by the valorisation of fringe benefits), with the result that the above mentioned limit of 24 months' salary does not diverge significantly from two annual instalments of fixed retribution. However, in the case – today entirely theoretical – of a Manager who in the three years preceding termination receives a bonus totalling the maximum amount feasible currently determined by the Bank, that is of 100% of fixed remuneration (moreover, % applicable only for a selected number of interested parties, see par. 7.3), the 24 months' maximum severance could incorporate this average bonus, reaching therefore a larger amount in terms of annual instalments of fixed remuneration.

[25] In accordance with the Supervisory Provisions of 18 November 2014: "The rules foreseen in par. 1, 2.1, 2.2.1 and 2.2.2, of this Section II are not applied to golden parachutes referred to in par. 2.2.2, agreed upon in extraordinary operations (for example mergers) or within the process of corporate restructuring, on the condition that they respect the following two conditions simultaneously; i) respond exclusively to a logic of cost containment and rationalisation of the structure of personnel, ii) the amount does not exceed Euro 100,000; iii) clawback mechanisms are foreseen, to cover any fraudulent behaviour or serious negligence against the Bank and the Group".

SECTION III

This section analytically illustrates the remuneration paid or in any case attributed during FY 2016 to Board Directors, Statutory Auditors and Managers with strategic responsibilities (pursuant to Art. 123-ter of the Consolidated Law on Finance), as provided by Art. 84-ter of the Issuers' Regulations as well as data regarding "Identified Staff", pursuant to the Bank of Italy provisions of November 2014.

In this regard it should be noted that the abovementioned Consob Regulation imposes the obligation to record payments made to all parties who held the office of Director, General Manager or Managers with strategic responsibilities during the course of the year, or for a fraction of the year.

Moreover, no stock option plans are active at a Group level.

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Statement A	Quantitative information regarding the "Identified Staff"	Bank of Italy

Table 1 - FEES PAID TO THE DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGER, DEPUTY GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

(pursuant to the Consob Resolution no.11971 of 14 May 1999 and subsequent amendments).

Data with reference to the period 1/1 - 31/12/2016

Name and Surname	Office	Period for which the office was held	Termination of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable pay		Non-monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other incentives	Profit sharing					
TONONI Massimo	**Chairman**	01.01 – 24.11.2016										
(i) Fees in the company that prepares the Financial Statements				11.600 *(1)*	9.005			2.310		22.915		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**11.600**	**9.005**			**2.310**		**22.915**		
FALCIAI Alessandro	**Chairman** **Director**	24.11 – 31.12.2016 01.01 – 24.11.2016	**									
(i) Fees in the company that prepares the Financial Statements				123.089	28.388			2.310		153.787		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**123.089**	**28.388**			**2.310**		**153.787**		
VIOLA Fabrizio	**CEO**	01.01 20.09.2016										
(i) Fees in the company that prepares the Financial Statements				170.257						170.257		749.096 *(2)*
(ii) Fees from subsidiaries and affiliates									59.536 *(3)*	59.536		
(iii) Total				**170.257**					**59.536**	**229.792**		749.096
MORELLI Marco	**CEO**	20.09 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				118.992 *(4)*						118.992		
(ii) Fees from subsidiaries and affiliates									2.131 *(5)*	2.131		
(iii) Total				**118.992**					**2.131**	**121.123**		
BERNARD Beatrice	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.200	10.000			500		88.700		
(ii) Fees from subsidiaries and affiliates									496.000 *(6)*	496.000		
(iii) Total				**78.200**	**10.000**			**500**	**496.000**	**584.700**		
ISOLANI Roberto	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				162.400	34.333			2.310		199.043		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**162.400**	**34.333**			**2.310**		**199.043**		
WHAMOND Christian	**Director**	01.01 – 31.12.2016										
(i) Fees in the company that prepares the Financial Statements				77.800	30.000			2.310		110.110		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**77.800**	**30.000**			**2.310**		**110.110**		

(*)Insurance Policies, LTC, Accident and health, company contribution to pension fund, fringe benefits.

(**) In office until 2017.

1) Chairman Massimo Tononi: the amount presented refers to attendance fees. The fee for the position of Chairman, equal to € 500.000, was entirely donated to the initiative "MP Solidale".

2) Fabrizio Viola: amount paid relating to the termination of the position of Chief Executive Officer, recognized as follows:

- *40% upfront of which 50% in cash and 50% in performance shares*
- *60% deferred of which 50% in cash and 50% in performance shares*

3) Fabrizio Viola: amounts paid by subsidiaries and deposited to Banca MPS SpA.

- *€ 7.268 from AXA MPS Assicurazioni Danni S.p.A. for the office of Director;*
- *€ 7.268 da AXA MPS Assicurazioni Vita S.p.A. for the office of Director;*
- *€ 45.000 da Wise Dialog Bank (WIDIBA) for the office of Chairman.*

4) Chief Executive Officer Marco Morelli: net of the portion amounting to 50% of the fees for the position donated to the initiative "MP Solidale" as of December 2016.

5) Chief Executive Officer Marco Morelli: amounts paid by subsidiaries and deposited to Banca MPS S.p.A

- *€ 1.065 from AXA MPS Assicurazioni Danni S.p.A. for the position of Director;*
- *€ 1.065 from AXA MPS Assicurazioni Vita S.p.A. for the position of Director;*

6) Director Beatrice Bernard:

- *€ 496.000 from AXA MPS Assicurazioni Vita S.p.A. for the position of General Manager*

Name and Surname	Office	Period for which the office was held	Termination of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable pay		Non-monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other incentives	Profit sharing					
BARIATTI Stefania	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.200	30.000			2.310		110.510		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**78.200**	**30.000**			**2.310**		**110.510**		
BIANCHI Fiorella	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.200				500		78.700		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**78.200**				**500**		**78.700**		
BONVICINI Daniele	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.200	30.000			2.310		110.510		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**78.200**	**30.000**			**2.310**		**110.510**		
CALVOSA Lucia	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				76.600	12.361			2.310		91.271		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**76.600**	**12.361**			**2.310**		**91.271**		
CAPPELLO Maria Elena	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.600	31.060			2.310		111.970		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**78.600**	**31.060**			**2.310**		**111.970**		
EGIDI Massimo	**Director**	24.11 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				8.281	1.697					9.975		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**8.281**	**1.697**					**9.975**		
KOSTORIS Fiorella	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				77.400	35.000			2.310		114.710		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**77.400**	**35.000**			**2.310**		**114.710**		
TRUZZOLI Stefania	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.600	14.861			2.310		95.771		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**78.600**	**14.861**			**2.310**		**95.771**		
TURICCHI Antonino	**Director**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.600	35.695			2.310		116.605		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**78.600**	**35.695**			**2.310**		**116.605**		
CENDERELLI Elena	**Chairman of the Board of Statutory Auditors**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				113.600	11.600			2.310		127.510		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**113.600**	**11.600**			**2.310**		**127.510**		
SALVADORI Paolo	**Standing Auditor**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.600				2.310		80.910		
(ii) Fees from subsidiaries and affiliates									53.000 *(7)*	53.000		
(iii) Total				**78.600**				**2.310**	**53.000**	**133.910**		

(*) Insurance Policies, LTC, Accident and health, company contribution to pension fund, fringe benefits.
(**) In office until 2017.

7) Standing Auditor Paolo Salvadori:
- *€ 24.000 from AXA MPS Assicurazioni Danni S.p.A. for the office of Director*
- *€ 29.000 from AXA MPS Assicurazioni Vita S.p.A. for the office of Director*

Name and Surname	Office	Period for which the office was held	Termination of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable pay		Non-monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonus e altri incentivi	Partecipazione agli utili					
GIRELLO Anna	**Standing Auditor**	01.01 – 31.12.2016	**									
(i) Fees in the company that prepares the Financial Statements				78.200	9.600			2.310		90.110		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**78.200**	**9.600**			**2.310**		**90.110**		
VIOLA Fabrizio *(position of General Manager)*	**General Manager**	01.01 – 20.09.2016	***									
(i) Fees in the company that prepares the Financial Statements				1.026.563				32.615		1.059.178		2.340.000 *(8)*
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**1.026.563**				**32.615**		**1.059.178**		2.340.000
MORELLI Marco *(position of General Manager)*	**General Manager**	20.09 – 31.12.2016										
(i) Fees in the company that prepares the Financial Statements				389.694				7.338	300.000 *(9)*	697.032		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**398.694**				**7.338**	**300.000**	**697.032**		
BARBARULO Angelo *(Deputy General Manager)*	**Deputy General Manager (substitute GM)**	01.01 – 31.12.2016										
(i) Fees in the company that prepares the Financial Statements				502.715				27.803		530.518		
(ii) Fees from subsidiaries and affiliates									72.203 *(10)*	72.203		
(iii) Total				**502.715**				**27.803**	**72.203**	**602.721**		
NUCCI Antonio *(Deputy General Manager)*	**Deputy General Manager**	17.10 – 31.12.2016										
(i) Fees in the company that prepares the Financial Statements				98.894				5.058		103.952		
(ii) Fees from subsidiaries and affiliates									2.131 *(10)*	2.131		
(iii) Total				**98.894**				**5.058**	**2.131**	**106.083**		
MANAGERS WITH STRATEGIC RESPONSIBILITY		01.01 – 31.12.2016										
(i) Fees in the company that prepares the Financial Statements				3.848.249				197.271	200.000 *(11)*	4.245.519		1.443.462 *(12)*
(ii) Fees from subsidiaries and affiliates									186.239 *(13)*	186.239		
(iii) Total				**3.848.249**				**197.271**	**386.239**	**4.431.759**		1.443.462

(*)Insurance Policies, LTC, Accident and health, company contribution to pension fund, fringe benefits.
(**) In office until 2017.
(***) The amounts paid are related to the period 1/1/2016-30/9/2016.

8) Fabrizio Viola: amount paid for the early termination of his employment contract, recognized as follows:
- € 1.010.000 paid out upfront
- € 1.330.000 as severance paid out as follows:
  - ✓ 40% upfront of which 50% in cash and 50% in performance shares
  - ✓ 60% deferred of which 50% in cash and 50% in performance shares

9) General Manager Marco Morelli: variable amount paid as entry bonus
10) Deputy General Managers: amounts paid by subsidiaries and deposited to Banca MPS SpA.
11) Managers with strategic responsibilities: variable amounts paid for various reasons (ex. entry bonus, one off payments, etc…).
12) Managers with strategic responsibilities: amounts payable for the early termination of three employment contracts, recognized as follows:
- € 964.792 recognized upfront
- € 478.670 as severance recognized as follows:
  - ✓ 40% upfront of which 50% in cash and 50% in performance shares
  - ✓ 60% deferred of which 50% in cash and 50% in performance shares

13) Managers with strategic responsibilities: of which € 130.239 paid by subsidiaries and deposited to Banca MPS SpA.

TABLE 3A - INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS, NOT INCLUDING STOCK OPTIONS, IN FAVOUR OF MEMBERS OF THE BOARD, STATUTORY AUDITORS, GENERAL MANAGERS, DEPUTY GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITY (pursuant to the Consob resolution n. 11971 of 14 May 1999 and subsequent amendments)
(data refers to period 1/1 - 31/12/2016)

Name and Surname	Office	Plan		Financial Instruments assigned in previous exercises and not vested during the year		Financial instruments assigned during the exercise					Financial Instruments vested during the year and not assigned	Financial Instruments vested during the year and attributable		Financial Instruments relevant to the year
				Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair value at assignment date	Vesting period	Assignment date	Market price at assignment date	Number and type of financial instruments	Number and type of financial instruments	Value at accrual date	Fair value
Viola Fabrizio	**Chief Executive Officer** *(1)*													
(I) Compensation in the company that prepares the Financial Statements		Severance	19/09/2016	-	/ /	4.550.120 *(2)*	1.039.548	19/09/2020 *(3)*	19/09/2016	0,2336	-	-	-	671.078
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total							1.039.548						-	671.078
Betunio Arturo	**Chief Financial Officer** *(4)*													
(I) Compensation in the company that prepares the Financial Statements		Severance	25/11/2016	-	/ /	682.907 *(2)*	171.000	25/11/2020 *(3)*	25/11/2016	0,2504	-	-	-	102.982
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total							171.000						-	102.982
Vicinanza Sergio	**Director Head of Corporate** *(5)*													
(I) Compensation in the company that prepares the Financial Statements		Severance	21/12/2016	-	/ /	3.345 *(6)*	68.335	21/12/2020 *(3)*	21/12/2016	20,4270	-	-	-	50.448
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total							68.335						-	50.448

(1) Terminated employment on 15/10/2016;

(2) Performance shares linked to the performance of MPS Share post reverse share split on 28/11/2016 (ISIN IT0005092165);

(3) Average date recognised;

(4) Terminated employment on 25/11/2016;

(5) Terminated employment on 1/2/2017;

(6) Performance shares linked to the performance of MPS post grouping on 28/11/2016 (ISIN IT0005218752);

TABLE 3B - MONETARY INCENTIVE PLANS IN FAVOUR OF MEMBERS OF THE BOARD, STATUTORY AUDITORS, GENERAL MANAGERS, DEPUTY GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITY (pursuant to the Consob resolution n. 11971 of 14 May 1999 and subsequent amendments)
(data refers to period 1/1 - 31/12/2016)

Name and Surname	Office	Plan	Annual Bonus			Bonus from previous years			Other Bonuses
			Payable/paid out	Deferred	Deferment period	No longer payable	Paid out/to be paid out	Still deferred	
Viola Fabrizio	**Chief Executive Officer** *(1)*								
(I) Compensation in the company that prepares the Financial Statements		Severance 19/09/2016	415.819	623.729	19/09/2019 *(2)*	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A / /	-	-	/ /	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(III) Total			415.819	623.729		-	-	-	-
Betunio Arturo	**Chief Financial Officer** *(3)*								
(I) Compensation in the company that prepares the Financial Statements		Severance 25/11/2016	68.400	102.600	25/11/2019 *(2)*	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A / /	-	-	/ /	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(III) Total			68.400	102.600		-	-	-	-
Vicinanza Sergio	**Director Head of Corporate** *(4)*								
(I) Compensation in the company that prepares the Financial Statements		Severance 21/12/2016	27.334	41.001	21/12/2019 *(2)*	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	
(II) Compensation from subsidiaries and affiliates		Plan A / /	-	-	/ /	-	-	-	-
		Plan B / /	-	-	/ /	-	-	-	-
		Plan C / /	-	-	/ /	-	-	-	-
(III) Total			27.334	41.001		-	-	-	-

(1) Terminated employment on 15/10/2016;
(2) Average date recognised;
(3) Terminated employment on 25/11/2016;
(4) Terminated employment on 1/2/2017.

Chart 7 - *ter* - Table 1: SHAREHOLDING BY MEMBERS OF THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND GENERAL MANAGERS

(31 December 2016)

SURNAME AND NAME	OFFICE	COMPANY IN WHICH STAKE IS HELD	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FINANCIAL YEAR	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE FINANCIAL YEAR UNDERWAY (*)
Falciai Alessandro	Chairman	Banca Monte dei Paschi di Siena SpA	53.954.626	=	=	539.546 [1]
Morelli Marco	CEO	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Isolani Roberto	Deputy Chairman	Banca Monte dei Paschi di Siena SpA	570.000	380.000 [2]	=	9.500
Bariatti Stefania	Director	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Bernard Derouvroy Béatrice	Director	Banca Monte dei Paschi di Siena SpA	3.500	=	=	35
Bianchi Fiorella	Director	Banca Monte dei Paschi di Siena SpA	2 [3]	=	=	=
Bonvicini Daniele	Director	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Calvosa Lucia	Director	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Cappello Maria Elena	Director	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Egidi Massimo	Director	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Kostoris Fiorella	Director	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Truzzoli Stefania	Director	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Turicchi Antonino	Director	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Tononi Massimo	ex Chairiman	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Viola Fabrizio	Ex Chief Executive Officer	Banca Monte dei Paschi di Siena SpA	=	=	=	=

SURNAME AND NAME	OFFICE	COMPANY IN WHICH STAKE IS HELD	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FINANCIAL YEAR	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE FINANCIAL YEAR UNDERWAY (*)
Whamond Christian	Ex Director	Banca Monte dei Paschi di Siena SpA	23.540	=	=	235
Cenderelli Elena	Chairman of the Board of Statutory Auditors	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Salvadori Paolo	Standing Auditor	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Girello Anna	Standing Auditor	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Chersicla Gabriella	Alternate Auditor	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Silvestri Carmela Regina	Alternate Auditor	Banca Monte dei Paschi di Siena SpA	=	=	=	=

[*] *The number of shares expressed takes into consideration the reverse share split (1 new share for 100 existing shares) on 28.11.2016;*

[1] *Shares held through Millenium Partecipazioni srl;*

[2] *Does not consider the reverse share split on 28.11.2016;*

[3] *Shares held through spouse.*

Chart 7 - *ter* - Table 2: Shareholding in MPS held by Managers with Strategic Responsibilities (Consob)
(31 December 2016)

NUMBER OF MANAGERS WITH STRATEGIC RESPONSIBILITIES	COMPANY IN WHICH STAKE IS HELD	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS FINANCIAL YEAR	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD AT THE END OF THE FINANCIAL YEAR UNDERWAY (*)
17 [1]	Banca Monte dei Paschi di Siena SpA	**112.795**	**=**	**=**	**1.133**

[1] Strategic Managers in office as at 31/12/2016: 15	Banca Monte dei Paschi di Siena SpA	112.795	=	=	1.133

* The number of shares expressed takes into consideration the reverse share split (1 new share for 100 existing shares) on 28.11.2016

STATEMENT A - QUANTITATIVE INFORMATION REGARDING THE "IDENTIFIED STAFF"

Personnel	N°	Fixed Remuneration	Variable Remuneration				Severance pay
			Cash	Shares	Instruments connected to shares	Other types	
CEO	1 *(1)*	289.249 *(2)*	-	-	-	-	749.096 *(3)*
Other managers with executive positions	-	-	-	-	-	-	-
Non-executive managers	13	1.378.192	-	-	-	-	-
General Manager	1 *(4)*	1.416.257 *(5)*	-	-	-	300.000 *(6)*	2.340.000 *(7)*
Deputy General Manager (Substitute)	1	502.715				-	-
Division Heads, Corporate functions, Geographical Area Heads and those who report directly to the corporate bodies	35	10.535.701	259.661 *(8)*	-	-	68.179 *(9)*	2.139.585 *(10)*
Managers and personnel in charge of the internal control functions	36	3.605.051 *(11)*	17.575 *(8)*	-	-	36.231 *(9)*	120.000 *(12)*
Other staff who individually or collectively take on significant risks	92	11.809.186	177.425 *(8)*	-	-	171.489 *(9)*	958.085 *(13)*
Highly paid employees and collaborators not included in the criteria above	24	4.209.604	67.875 *(8)*	-	-	102.537 *(9)*	661.693 *(14)*

(1) Mr. Fabrizio Viola, terminated service on 19/9/2016, held both the positions of CEO and General Manager. The same positions are held by Marco Morelli, hired on 20/9/2016.
(2) Total amount, of which €170.257 to Fabrizio Viola and €118.992 to Marco Morelli
(3) Amounts relating to the termination of the position of Chief Executive Officer, recognized as follows:
- *40% upfront of which 50% in cash and 50% in performance shares*
- *60% deferred in 5 years, of which 50% in cash and 50% in performance shares*

(4) see note (1)
(5) Total amounts paid, of which €1.026.563 to Fabrizio Viola and €389.694 to Marco Morelli
(6) Entry bonus corresponded to Marco Morelli on entry into employment with the Bank
(7) Amounts relating to the early termination of Mr. Viola's employment contract, recognised as follows:
- € 1.010.000 paid out upfront
- € 1.330.000 as severance paid out as follows
  - *40% upfront of which 50% in cash and 50% in performance shares*
  - *60% deferred in 5 years, of which 50% in cash and 50% in performance shares*

(8) Total amounts related to 2015 objectives and to one off payments
(9) Includes amounts connected to various allowances and position related indemnities as well as one entry bonus
(10) Total amount, including notice, related to the termination of employment of 5 Managers (maximum amount €655.000)
(11) Includes the position-related indemnity for "Control Functions"
(12) Total amount, including notice, related to the termination of employment of 1 Manager
(13) Total amount, including notice, related to the termination of employment of 3 Managers (maximum amount €412.700)
(14) Total amount, including notice, related to the termination of employment of 2 Managers (maximum amount €354.000)

Dear Shareholders,

in relation to the above we invite you to approve the following proposal:

The Ordinary Shareholders' Meeting,

- having examined the proposals of the Board of Directors within the Report entitled "GROUP REMUNERATION REPORT pursuant to the resolution according to comma 6 of Art. 123-*ter* of the legislative decree n. 58 of 24 February 1998 (Consolidated Law on Finance),

RESOLVES

- to approve the contents of the abovementioned Report and the criteria for the determination of compensation to be awarded in the event of early termination of employment, authorising the Board of Directors to implement the principles contained in the Report.

In accordance with the obligations arising from the Supervisory Regulations, the Shareholders' Meeting must be periodically informed regarding the implementation of the policies adopted.