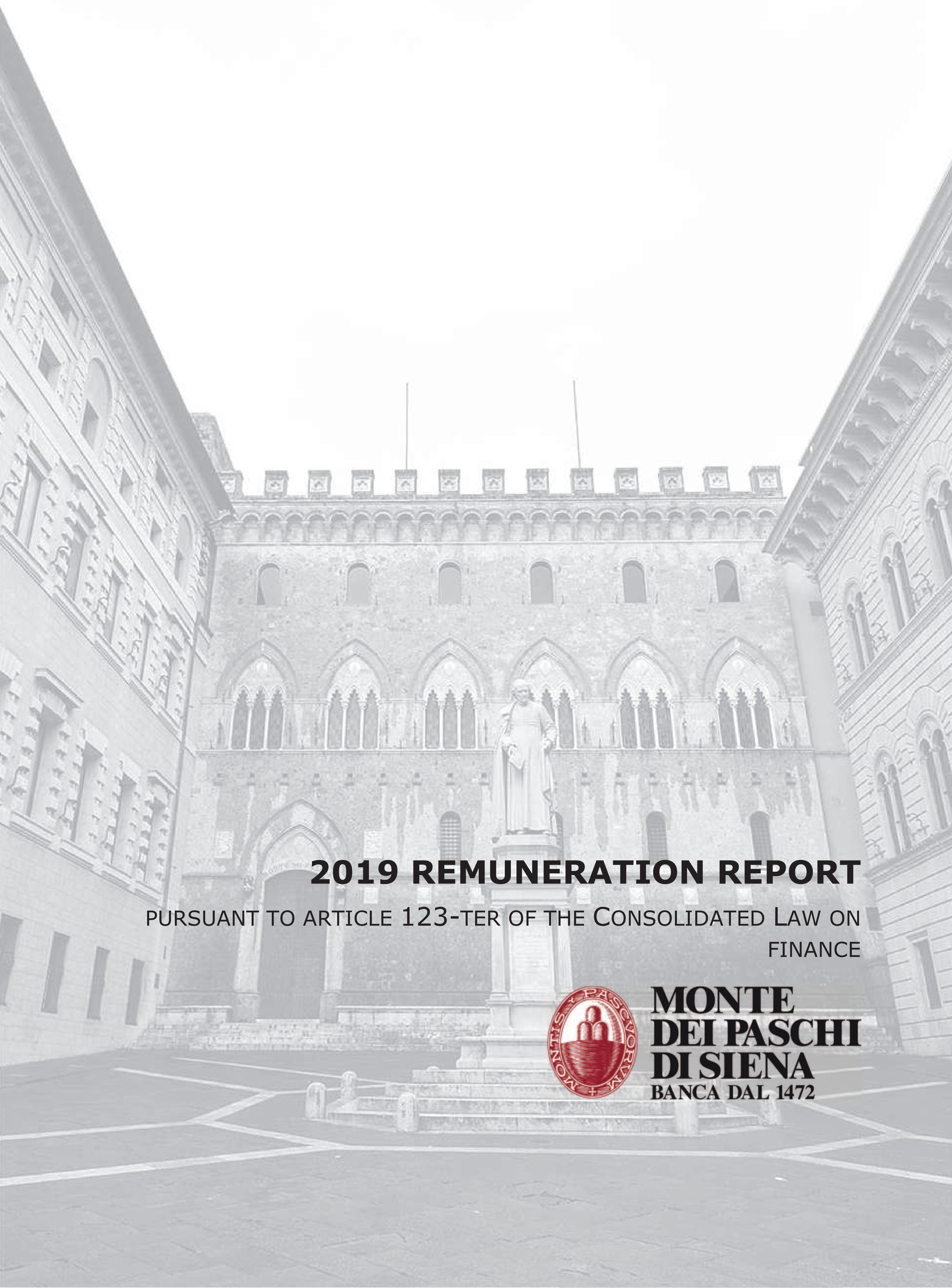


2019 REMUNERATION REPORT

PURSUANT TO ARTICLE 123-TER OF THE CONSOLIDATED LAW ON FINANCE

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Letter from the Chairperson of the Remuneration Committee
Fiorella Kostoris

Dear Shareholders,

This year, for the first time, we decided to open the Remuneration Report with a short introduction in order to take the opportunity to confirm, in our capacity as Remuneration Committee, our involvement in the definition of the remuneration policies of the Montepaschi Group and our commitment to ensuring that they are properly applied.

In 2018 there was a consolidation of the restructuring process and relaunch of our Bank, set out in the business plan for the 2017-2021 five-year period, ending with a net profit for the Group.

Taking account of the corporate framework and the increased attention by Italian and European regulators in remuneration matters, it was considered strategic for the Group to elaborate and implement adequate, correctly structured remuneration policies in order to pursue the goal of sustainability of the company business in the medium-long term, maintain a high level of competitiveness with respect to the market, and facilitate the convergence of interests of the various stakeholders, strengthening company governance.

In pursuing these goals - also in accordance with the recommendations of the Italian Committee for Corporate Governance[1] - attention has been increasingly focused on the principles of equality, transparency and sustainability, and the will to capitalise on merit, correspondence between the performance provided and the quality shown, while simultaneously taking all steps to avoid conflicts of interest and working to create a solid and widespread culture of regulatory compliance and responsible risk management. These elements are also needed to ensure adequate customer protection, to preserve and consolidate their trust in the Group which is fundamental and valuable in the general framework of the current banking situation, and an important instrument to maintain a primary role on the market, improving on the results already obtained.

To achieve this, it is also necessary to develop a work environment that allows employees to express their individual potential and constantly acquire new skills and professional competence to maintain a high level of competitiveness with respect to the outside and attract highly qualified resources for that purpose.

During 2018, the use of analyses and evaluations of organisational positions progressively increased with the constant verification of the level of consistency between

[1] Comprising corporate associations (ABI, ANIA, Assonime, Confindustria) and professional investors (Assogestioni) and Borsa Italiana S.p.A..

remuneration and the complexity of the work performed out by employees, in order to guarantee increasing correspondence between the value of the job performed and the individual qualities of the employee to highlight merit and reinforce employee motivation, also in order to attract and retain employees.

It is therefore clear that the Group's remuneration policies presented in this document are of strategic importance for 2019 to pursue our multiple goals, with the primary objective of safeguarding the ability of the Group to create value and reinforce the economic - equity profile, while also considering the internal and external restrictions that affect its ability to operate, including those laid down in the 2017-2021 restructuring plan, and the recent update of the Bank of Italy Circular no. 285 ("Supervisory Provisions for banks" - 25th update of 23/10/2018).

To this regard we it is necessary to remember the application of the so-called "salary cap" applied to individual remuneration packages based on the commitments assigned by the European Commission following the approval of the Bank's precautionary recapitalisation plan and the definition of target levels for operating costs that are particularly challenging leaving less room for the use of remuneration instruments, especially those relating to variable remuneration.

From this standpoint, in this report, Banca Monte dei Paschi di Siena has integrated and updated the structure and contents applied in the 2018 remuneration policy Group, through constant attention to market trends, best practices and the Group's business requirements, taking into consideration the regulatory developments on the subject and indications from the regulators. Therefore, compared to other years, this report presents a series of new elements, both with respect to the structure of the document and in terms of disclosure and clarity.

To conclude, on behalf of the Remuneration Committee, I would like to thank you Shareholders for your constant willingness to discuss and share the respective requirements and in accordance with the different points of view, and for the time you spend reading our 2019 remuneration policy proposals that we trust you will support with conviction.

With best regards,

Fiorella Kostoris

SUMMARY

Section I

1. REGULATORY DEVELOPMENTS

The Montepaschi Group constantly updates the remuneration policies and practices in accordance with prevailing law. In 2018, this scenario developed further both at European and national level.

With regard to the **national regulatory framework,** on 23 October 2018, at the end of the consultation procedure, the Bank of Italy published the 25th update of the Supervisory Provisions on "Remuneration and incentive policies and practices" pursuant to **Circular no. 285** of 17 December 2013[2] (hereinafter the **"Supervisory Provisions"**).

With that update, the Bank of Italy, in order to align with the guidelines on healthy remuneration policies issued by the European Bank Authority ("EBA") in implementation of articles 74 paragraph 3 and 75, paragraph 2, of Directive 2013/36/EU ("CRD IV") already incorporated with the 7th update of Circular no. 285/2013 and other recent guidelines defined at an international level[3] in accordance with articles 53 paragraph 1 letter d) and 67 paragraph 1 letter d) of the Consolidated Banking Law, fully replaced the First Part, Title IV, Chapter 2 "Remuneration and incentive policies and practices" of Circular No. 285/2013.

This update requires the Banks to:

- submit the remuneration and incentive policies in accordance with the "new" Supervisory Provisions for the approval of the Shareholders' Meeting, called to approve the 2018 financial statements;
- apply, within the time-frame considered by the collective agreements, the new Supervisory Provisions for individual contracts entered into after 1/4/2019;
- to the extent permitted by collective agreements, promptly align individual contracts with the new Supervisory Provisions, and in any case by 1/4/2019 for the members of the strategic supervision management and control bodies, and by 30/6/2019 for the rest of the staff.

With regard to the **European Regulatory Framework,** on which national legislation is also based, the "*Supplementary Guidance to the FSB Principles and standards on sound compensation practices*" published in March 2018, focuses on remuneration practices as a useful instrument to limit the risk and costs resulting from the misconduct of its employees. The lawmakers acknowledge that remuneration is useful for achieving a series of objectives, including the attraction and retention of qualified staff; however, these objectives should not ignore the need to implement remuneration systems that discourage misconduct or other imprudent risk-taking.

As further support to this approach, in November 2018, the FSB published: the "*Recommendations for national supervisors: Reporting on the use of compensation tools to address potential misconduct risk*", again with reference to the risks related to misconduct, defining the measures used by the supervisory authorities to monitor the use of compensation instruments to address the risk of misconduct in financial institutions.

Finally, the EBA published "Guidelines for banks on non-performing loans (NPL)" in March 2018 (known as NPE Guidance) regarding matters relating to remuneration; the guidelines provide that staff and managers involved in the recovery of NPL must have clear objectives and be motivated, at individual level (or group level), to achieve the goals agreed in the strategy and the operating plan.

[2] The new Supervisory Provisions apply to banks and parent companies of banking groups and to investment companies in accordance with the joint Bank of Italy - Consob Regulations on investments services and activities.
[3] Including the "*Supplementary Guidance to the FSB Principles and Standards on sound compensation practices - The use of compensation tools to address misconduct risk*" published by the Financial Stability Board on 9 March 2018.

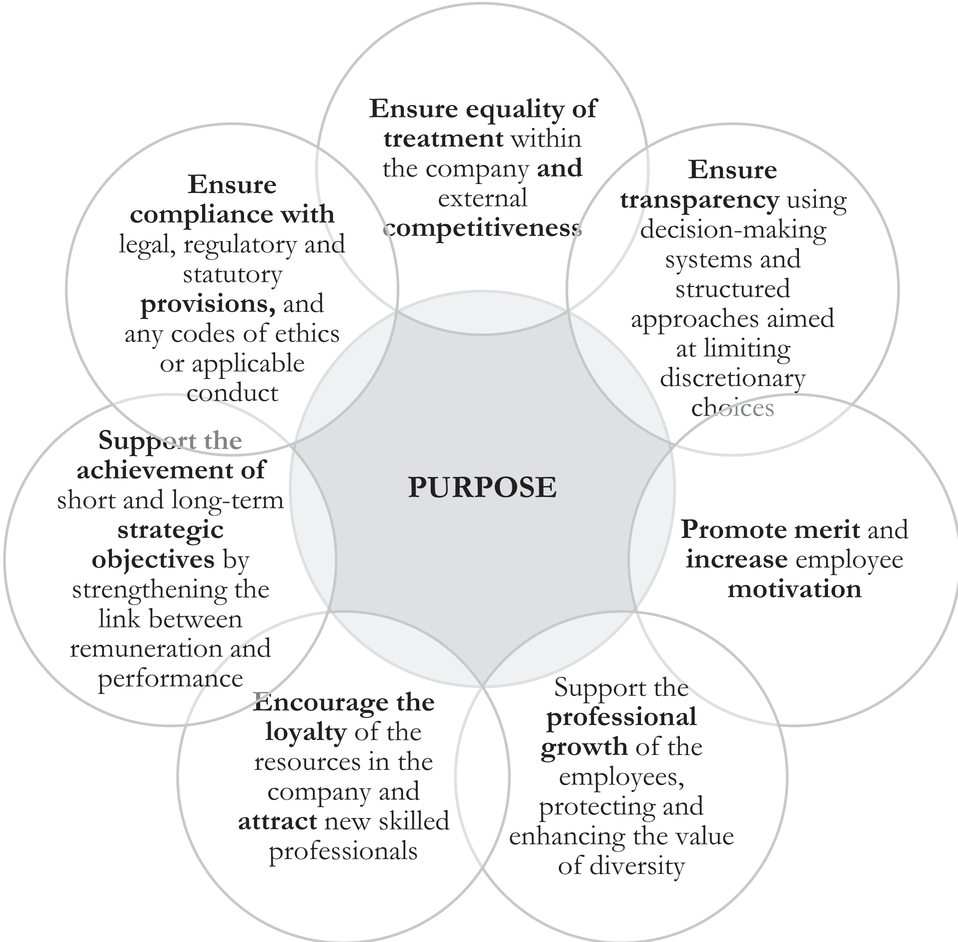
2. MAIN UPDATES IN THE 2019 REMUNERATION POLICIES

The 2019 report in addition to being appropriately updated in consideration of the amended laws and regulatory framework, and revised in its structure and in the details provided in order to be more effective in terms of exposition and transparency. The main updates in the 2019 report compared to the 2018 report are summarised below.

Scope	Summarised description	2018 Policies	2019 Policies	Rationale: New 285 - major groups	Rationale: New 285 - State aid	Rationale: Company initiative
Variable - basic rules	Different deferral % for the Identified Staff ("PPR")	Par. 7.3.1	Par. 10.2.3	x	x	
	Different holding periods for financial instruments	Par. 7.3.1	Par. 10.2.3	x		
	Different way of balancing cash / financial instruments for the cluster II of Identified Staff	Par. 7.3.1	Par. 10.2.3	x		
Variable - claw back	Refers to management of compliance breach process needed to initiate the malus and claw back (in process of approval)	Not explained	Par. 8.2			x
	Definition of minimum application duration of the claw back clauses to Identified Staff and other staff	Not specified	Par. 8.2	x		
Variable - personal hedging strategy	Refers to the verification processes on the absence of personal hedging strategies	Not specified	Par. 8.3	x		
Identified Staff identification	Explanation of the Identified Staff identification process	Not explained	Par. 8.1	x		
	New Identified Staff cluster structure	Par. 7.3.1	Par. 8.1			
Company Control Functions	Exclusion of Human Resources from Company Control Functions	Chapter 2	Chapter 4	x		
	Partial review of the compensation for the Company Control Functions	Par. 5.2.1	Par. 7.2.3 Par. 10.2.2			x
Remuneration policies for fixed remuneration	A more detailed description of the support processes: job levelling and benchmarking, remuneration bands	Par. 5.2	Chapter 7			x
Remuneration policies on variable remuneration	A more detailed description of the instruments that can be used in terms of criteria and processes	Par. 5.3.3	Par. 7.3.4			x
Severance	Description of the formula defined to calculate the severance	Not explained	Section II	x		x

3. PURPOSE

The Montepaschi Group's (the "Group") remuneration policies, geared towards improving company performance, fully compliant with the risk-governance policies and the creation of value over time, are designed to:



In its capacity as parent company, the Monte Paschi di Siena Bank (the "Bank") ensures that the remuneration paid within the various **Group companies** is **in line** with the applicable regulatory framework and the principles set forth in these remuneration policies, while taking due account of the characteristics and peculiarities of each company (thus also gradually applying such principles according to the proportionality principle, where and to the extent applicable) and (with regard to foreign companies) in compliance with locally applicable laws and regulations.

4. GOVERNANCE RULES

The rules of governance and decision-making autonomy 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 them, with 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 remuneration regulatory framework finds its primary source in some provisions of the **Articles of Association** of the Banca Monte dei Paschi di Siena S.p.A. (the "Articles of Association"), which are linked to a specific Group policy approved by the Bank's Board of Directors (the "Board of Directors"). This policy ensures alignment between regulatory provisions and the internal delegated authority and establishes the duties and responsibilities of the functions involved in defining and implementing the Group remuneration policies.

The task of defining and implementing adequate remuneration and incentive policies is attributed by the company's Articles of Association to the **Shareholders' Meeting** (the "Shareholders' Meeting") and the Board of Directors.

Article 13 of the Articles of Association[4] assigns the following power to the ordinary Shareholders' Meeting:

- determine the fees for directors and statutory auditors;
- approve the remuneration policies and the plans based on financial instruments in favour of the board directors, employees, and other business partners who are not bound by employment relationships with the Bank.
- approve the criteria to calculate the remuneration to be agreed in the event of early termination of employment, or early termination of office (including the limits set for said remuneration in terms of annuality of the fixed remuneration and the maximum amount resulting from application of the criteria).

The Supervisory Provisions also attribute to the Shareholders' Meeting of the Parent Company, if provided by the Articles of Association, the responsibility for authorising, within the perimeter of approving the Group remuneration policies, the decision to make any changes to the 1:1 limit (and maximum 2:1) between variable remuneration and fixed remuneration for the Group companies where the staff to whom said decision refers operate, subject to amendment of the Articles of Association.

On the other hand, the **Board of Directors** (Articles 17 and 25 of the Articles of Association and its detailed provisions set forth in the Bank's policy) is responsible for implementing the remuneration policies approved by the Shareholders' Meeting, firstly, as regards:

a) the remuneration of directors who hold special positions (including the Chief Executive Officer and the directors who are members of board committees provided by the Articles of Association), and the General Manager;

b) the provisions on the legal and economic status of the Deputy General Managers, the Managers of the units reporting directly to the Board of Directors or the Chief Executive Officer, the Division Managers, the Manager responsible for preparing the Company's financial reports, the I and II level[5] managers of the Company Control Functions;

[4] Available on the website of the Bank at the address www.gruppomps.it section CORPORATE GOVERNANCE - Governance Model.

[5] The aforementioned internal policy (not the Articles of Association) establishes the Board of Directors' independence in defining the legal and economic status of the II level managers of the Company Control Functions units, here intended as the "higher level" staff referred to in the Supervisory Provisions Section II, paragraph 2.

c) the general rules concerning the legal and economic status of the staff, including base salary and allowances, which like any other rules must be approved in accordance with law.

The **Remuneration Committee**, established within the Bank's Board of Directors and currently composed of five non-executive directors, the majority of whom are independent (including the Chairperson of the Committee), is responsible - also with the support of the Risk Management function, which sees the Chief Risk Manager appropriately involved in the Remuneration Committee meetings - for expressing an independent opinion on remuneration policies and practices and for submitting proposals to the Board of Directors regarding the remuneration and financial treatment of the figures listed above under a) and b), whose remuneration structure falls within the exclusive responsibility of the Board of Directors, as per the Articles of Association and internal policy.

In 2018 the Remuneration Committee met 15 times[6].

Without prejudice to the responsibilities of the Remuneration Committee, the Bank's **Risk Committee,** which is composed of five non-executive directors, the majority of whom are independent (including the Chairperson of the Committee):

- assists the Board of Directors in defining the guidelines for the internal control and risk management system and in assessing the adequacy and effectiveness of this system;
- ensures that the incentives underlying the Group's remuneration and incentive system are consistent with the Risk Appetite Framework ("RAF").

The **Chief Executive Officer / General Manager**, delegated by the Board of Directors, has decision-making autonomy on the legal and economic status of staff of all levels and status, except for the figures mentioned above under a) and b) above, whose remuneration structure falls under the exclusive responsibility of the Board of Directors.

The **Human Resources, Compliance, Risk Management, Planning, Internal Audit and Legal** functions of the Bank, according to their respective responsibilities and in such a manner to ensure their independence, participate in the definition and planning of the policies and provide the necessary support to ensure they are in line with the regulatory framework and that they work properly.

Lastly, the Bank's **Human Resources** function[7] implements the policies from a technical and operational view, overseeing their coordination at Group level (individual companies), regarding both the fixed remuneration component and the variable remuneration component, and ensuring - *inter alia* - consistency between the policies, the human resource management procedures and the remuneration and incentive systems of the Bank.

[6] Information also provided pursuant to Article 450 (1) (a) of EU Regulation 575/2013.

[7] On the basis of the update of the Supervisory Provisions of 23/10/2018, the Human Resources function is no longer considered to be the Company Control Function for remuneration purposes (however, subject to the principles underlying the payment of variable remuneration in the Company Control Functions, and especially the rule whereby variable remuneration should be reduced, also applying to that function). That function "gives support to the compliance function".

5. COMPLIANCE

Compliance of the Group's remuneration policies with the applicable regulatory requirements and at the same time compliance with the commitments undertaken towards stakeholders, with particular emphasis on presiding over the qualitative level of the relationship with customers and implementing effective behaviour for the correct management of this relationship, is ensured by the contributions provided by the Bank's Company Control Functions (Compliance, Risk Management and Internal Audit), which, supporting the Human Resources function, supports the company bodies when planning the remuneration policies and participate in the implementation processes in order to ensure the remuneration policies are in line with the Bank's risk appetite.

The Bank's **Compliance** function:

- continuously verifies the coherence of the remuneration policies and practices adopted according to the external regulatory framework and annually, in time for the remuneration report to be approved by the Shareholders' Meeting;
- prepares a Report for the Remuneration Committee in which it highlights any areas of attention for compliance purposes.
- together with the Bank's Human Resources function, it defines the set of requisites that the fore-mentioned function is required to observe in the practical implementation of remuneration policies.

The Bank's **Risk Management** function safeguards the sustainability of remuneration policies by monitoring their consistency and ensuring they, together with the incentive systems, are in line with the Group's RAF, producing a report to support the Risk Committee. The function also provides adequate support to the Remuneration Committee.

The Bank's **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 applicable legislation, making the Board of Directors and the Shareholders' Meeting aware of the results of the controls carried out.

For the verification of some technical-legal aspects of the remuneration policy the Bank was supported by the legal firm BonelliErede[8].

[8] Information also provided pursuant to Article 450 (1) (a) of EU Regulation 575/2013.

6. REMUNERATION OF DIRECTORS AND STATUTORY AUDITORS

In the meeting of 18 December 2017, the Shareholders' Meeting decided on the annual gross remuneration due, for the 2017-2019 three-year period, to the Directors, the Chairperson of the Board of Directors, the Statutory Auditors and the Chairperson of the Board of Statutory Auditors of the Bank.

The table below summarises the amounts approved.

Role	Gross annual remuneration	Daily allowance (**)
Board of Directors:		
Chairperson	90,000	-
Chief Executive Officer	- (*)	-
Other Directors[9]	65,000	-
Board of Statutory Auditors:		
Chairperson	80,000	-
Statutory Auditors	65,000	-

(*) The Board of Directors, in its meeting of 22/12/2017, owing to the application of the salary cap on the remuneration on the basis of commitments assigned by the European Commission with the approval of the precautionary recapitalisation plan of the Bank (see paragraph 9.3 for more information on the salary cap), no compensation was awarded to the Chief Executive Officer for the position, reserving the right - in the event that, during the current term of office, and therefore before the expected end of the restructuring period, the salary cap obligation were to be removed - to take the appropriate steps envisaged by article 2389, paragraph 3, of the Civil Code if the conditions were met.

(**) As can be seen from the above table no compensation has been envisaged as an attendance fee for the participation in Board of Director's meetings; only an attendance fee of Euro 500 (gross amount) per day was established, starting from date of appointment awarded based on effective presence in the activities of the internal committees of the Board in which the Chairman participates as a permanent guest. Where more than one board meeting is held on the same day, the indemnity is limited to Euro 500 total per day.

In its meeting of 9/2/2018, the Board of Directors approved the annual gross remuneration of the directors for their participation in internal committees of the Board of Directors (Risk Committee, Related Party Transactions Committee, Nomination Committee and Remuneration Committee), or:

Role	Gross annual remuneration	Daily allowance
Risk Committee:		
Chairperson	25,000	-
Other Members	15,000	-
Related Party Transactions Committee:		
Chairperson	15,000	-
Other Members	10,000	-
Nomination Committee:		
Chairperson	15,000	-
Other Members	10,000	-
Remuneration Committee:		
Chairperson	15,000	-
Other Members	10,000	-

[9] Including the Deputy Chairperson.

Finally, the following has been decided for the sole Director of the Bank, member of the Supervisory Board pursuant to Law 231/2001:

Role	Gross annual remuneration	Daily allowance
Supervisory Board 231/2001:		
Independent director	10,000	-

With reference to the non-executive directors and the members of the Board of Statutory Auditors, the principle 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, as had previously been approved by the Shareholders' Meeting, is confirmed. This principle also applies to the subsidiaries.

7. STAFF REMUNERATION

7.1 General Principles

The implementation of staff remuneration policies, approved by the Shareholders' Meeting, is the responsibility of the Board of Directors (with the option to sub-delegate specific matters to the Chief Executive Officer in accordance with the Articles of Association and the laws and regulations in force), which will make its choices in pursuit of the objectives described in the third chapter of this section.

Remuneration, pursuant to Circular no. 285/2013 of the Bank of Italy, refers to 'all forms of payment or benefit, including any allowances paid, directly or indirectly, in cash, financial instruments or services or fringe benefits in exchange for work or professional services by staff to the Bank or other companies in the Banking Group[10].

The remuneration structures are defined in accordance with applicable market practices (see box on 'benchmarking') and comprise a **fixed component** and a **variable component,** a detailed description of which can be found in paragraphs 7.2 and 7.3 below.

The combination of the fixed and variable components (the **"pay mix"**) is established ex ante for each staff sub-category, in compliance with the relevant provisions, in order to discourage behaviour oriented towards an excessive undertaking of risks (see paragraph 10.2.3).

The basic elements that characterise the salary structure are outlined below.

BENCHMARKING

In order to compare the remuneration of the Bank and Group's resources assigned to the various roles with respect to the external market, specific peer groups have been identified:

- for the **top management** positions (Chief Executive Officer and Division Managers), a selection of Italian banks drawn from the **Executive Compensation Survey - Italy** by Willis Towers Watson, similar to the Montepaschi Group in terms of business model and organisational complexity;
- for the positions of responsibility in **General Management and Territorial Area**, the **Financial Services Compensation Survey - Banking Report Italy** by Willis Towers Watson, from which 35 companies in the banking and financial fields were selected;
- for the **Network and operational positions,** the **Retributiva Credito e Finanza survey by ABI** in association with Deloitte Consulting S.r.l. which included 32 of the primary companies/groups in the Italian banking sector in 2018.

7.2 Fixed remuneration

7.2.1 Remuneration definition and policy

Basic **fixed remuneration** reflects the **professional experience and organisational responsibilities** assigned. It is p**ermanent and irrevocable** (i.e. it cannot be unilaterally reduced by the Bank apart from any cases provided by law) but may develop over time (if for example, the job, duties, responsibilities and experience of the resources change, or after a realignment with respect to market parameters).

[10] In accordance with applicable law "marginal payments or benefits given to staff on a non-discretionary basis may not be included, and which form part of a general policy of the bank, and which do not have effects on the bonus plan when taking on or controlling risks".

This component is determined within certain ranges on the basis of **pre-established objective criteria** that do not create incentives to take on risk and do not depend on the Bank's performance.

Regarding the roles of responsibility and other key positions of the Bank, the table levels, provided by applicable laws, in some cases are integrated with interventions aimed at **enhancing the value of managerial and specialist contribution** expressed, seeking an **improved correlation** between the grade of the **position in the organisation** (see box on "Job levelling"), the **associated remuneration levels** expressed by the market and the **fixed remuneration** of the resource.

In general, salary ranges are defined for each grade and updated over time, with midpoint values, percentage breadth, progression (i.e. distance between the grade midpoints) and percentage overlaps between the categories, to guarantee a structured approach to remuneration reviews and to minimise the amount of discretion involved. The position in the applicable category is determined by a series of pre-established factors, including continuous performance and risk culture expressed.

JOB LEVELLING

In order to analyse the positions, the Group engaged the international advisory firm Willis Towers Watson, which uses its proprietary method (the Global Grading System) to create a job levelling system for the main company jobs, which creates a decreasing order of the company jobs.

Every position is assessed based on **the nature and the level of complexity of the contribution made to the business** through quantitative and qualitative factors, including organisational evaluation factors and factors related to risk governance, which allows the specific **grade** to be identified.

Once the grade has been assigned, internal and external equity can be evaluated over time, checking the consistency of the remuneration packages of the resources with the same classification levels, and the external balance can be evaluated by comparing market values. For the top positions (Chief Executive Officer and Division Managers), the comparison with the market is further checked by considering both the grade and the position; this gives a more precise remuneration assessment compared to the applicable market.

Staff who have specific positions, jobs or work in certain sectors may also be assigned **recurring, fixed components:**

- determined ex ante on the basis of specific measurement criteria in accordance with the complexity of the job covered;
- paid to all resources in effectively comparable situations;
- not related to performance, and in any case, not providing an incentive to risk taking;
- not subject to reduction or suspension until the objective condition (position, job, location of office) that determined the attribution of the amount no longer applies or changes considerably;
- in any case, revoked when the person leaves the specific position/job/office that determined the attribution of the amount[11].

A specific type of remuneration related to the position is reserved to the Company Control Functions described in paragraph 7.2.3.

[11] Following the assignment to a new job, the fairness of the overall remuneration structure of the owner will be revalued on the basis of the grade of the new position (as identified on the basis of the Global Grading System described under "Weighting the positions").

7.2.2 Benefits and other compensation

As part of the **fixed remuneration component,** the Group envisages for its employees, various interventions that effectively increase its remunerative offer under a structural profile, enhancing motivation and reinforcing Group identity. The "Welfare MPS" model is consolidated, including through **II level agreements** and the work of **joint committees**, with a view towards economic compatibility and overall sustainability, with the introduction of new projects (for example MP Solidale[12], Lavoro Agile, etc.).

The institutions that support people include the following:

- the **company contribution to Complementary Pension Funds** at a fixed rate of 2.5% of the tax base for the calculation of post-employment benefit purposes for all employees;
- the **Accident Policy and Health Coverage,** the latter not only for employees in service, but also for former employees in the Solidarity Fund and retired, including dependant family members;
- **luncheon vouchers**, with more favourable treatment than the national collective labour agreement, both in terms of amount (Euro 5.29 compared to Euro 1.81 for the national collective labour agreement) and in terms of the staff members who qualify for the benefit (including middle managers at the III and IV remuneration level);
- subsidised **terms for certain bank transactions** (especially loans);

and others granted on an individual basis, in accordance with pre-established, structured allocations such as:

- providing **sublet accommodation** for personal and family use in the event of transfer upon the company's decision, or, alternatively, a **commuting allowance**;
- **company car for private and business use,** with expenses charged to the Bank, for staff members in key roles in the organisation, with high mobility requirements and Managers with "personalised" contracts;
- **insurance coverage, including permanent disability from illness and death from illness,** for Managers.

For the sake of completeness, it is to be noted that, subject to deliberation by the Shareholders' Meeting, included on the agenda of the Meeting to be held to approve the Financial Statements for 2018, in line with company interests, the Bank intends to take out a Directors and Officers liability Insurance policy (D&O Policy) to cover the liability of directors, statutory auditors and other parties described in **attachment 1** to the related Information Report published on the website www.gruppomps.it – Corporate Governance –Shareholders' Meetings and Board of Directors meetings, which should be referred to.

7.2.3 Company Control Function Allowance

The managers of the Company Control Functions[13], up to the third level in the company hierarchy, and the Financial Reporting Manager are assigned position-related allowance to counterbalance the significant responsibilities of the jobs held, while still maintaining independence.

[12] The initiative is implemented through an annual pool of hours of paid leave, to which employees contribute on a voluntarily basis by donating one or more days of holidays or portions of salary by the Executives, for the benefit of the staff in the Professional Areas and Middle Manager categories, who need additional permits with respect to those they are entitled to, in order to deal with serious and confirmed personal and/or family situations.

[13] As defined by the company policy on the basis of the Supervisory Provisions.

This allowance is to be assigned, in accordance with the principles and definitions of the Bank of Italy Circular no. 285/2013, to fixed remuneration as:

- it is determined ex ante on the basis of objective, pre-established and non-discretionary criteria, such as in particular the level of responsibility;
- has a permanent and irrevocable nature as long as the condition that determined it remains (the right of assignment is no longer valid if the beneficiary ceases to hold the position);
- it does not depend on and is not in any way (nor its disbursement or its amount) subordinated to the company and/or individual performance and therefore does not create an incentive to take on risks.

7.3 Variable remuneration

7.3.1 Definition

Variable remuneration includes:

- any payment or benefit where assignment or disbursement depends on performance, in any case measured (income targets, volumes, etc.), or other parameters (for example permanence in the company), not including remuneration relating to early retirement, benefits or pay in lieu of notice established by general employment law as described in paragraph 7.3.2;
- discretionary pension benefits and agreements on remuneration relating to early retirement or early termination of office (known as golden parachutes) described in paragraph 7.3.3 below;
- the other variable components described in paragraph 7.3.4

The relation of the variable component with performance (for forms of variable remuneration that are not linked to different parameters) allows implementation of a **differentiation and meritocracy mechanism** and, no less important, makes it possible to **align the interests of management and employees with those of the Shareholders.**

All variable remuneration instruments:

- are activated to the extent to which there is economic capacity in personnel costs, and more specifically the total annual amount allocated to variable remuneration (so-called “bonus pool”) determined in accordance with the Supervisory Provisions and in particular with the provisions established for banks who benefit from state aid (see Section V paragraph 1 of Circular no. 285/2013)
- are subject to malus clauses (where there are deferral mechanisms in place) and clawbacks upon any occurrence of certain events, as described in paragraph 8.2;
- are designed to incorporate risk-adjusted performance indicators, liquidity and equity, both at company and Group level, also defined, valued and formalised on the basis of the binding instructions of the Risk Management function, appropriately differentiated in accordance with the type of instrument;
- are subject to the rules set out in paragraphs 10.2.3 and 10.2.4 below.

The variable instruments that can be used by the Group for employees are described in the following three paragraphs (7.3.2, 7.3.3 and 7.3.4). The instruments for financial advisors, acting as agents based on mandates granted by the subsidiary Widiba, are described in paragraphs 7.5.2 and 7.5.3.

7.3.2 "Core" components

The variable instruments include first of all (to the limits to which they may be activated) those that can be classified among the core components since they are considered to be incentive instruments in the strict sense. Their potential activation is decided each year on the basis of various factors (surrounding conditions, regulatory and legal restrictions, available resources, etc.) and motivated to the Board of Directors in charge of authorising them on the basis of proposals by the Remuneration Committee and on the opinion of the Risk Committee regarding the consistency of the entire structure with the Risk Appetite Framework.

These instruments closely depend on the performance of the Group and the structure, and provide for:

- **formalized and transparent activation and delivery** conditions established ex ante;
- pre-determined quantitative and qualitative financial and non-financial targets that create a **connection between sustainability, performance, corrected for risk, compliance and remuneration;**
- **ex ante identification and provision of ex post remodulation mechanisms of the "bonus pools"** in correlation to the financial and equity situation of the Bank;
- **pre-defined individual target bonuses** (by role or aggregated role).

The cornerstones of these instruments are as follows:

- there has to be a **Profit** made before disbursing them[14];
- the disbursement phase, subject to the **concurrent fulfilment** of Group requirements ("gates") related to risk adjusted profitability, liquidity and capital requirements. These parameters are duly defined, valued and formalised, also on the basis of the binding instructions of the Risk Management function as part of the possible annual process to activate said instruments. The parameters that can be used to date are as follows:
  - *CET1 Ratio > Risk tolerance RAF*;
  - *NSFR > Risk tolerance RAF*;
  - RAROC > *Risk tolerance RAF.*
- the final bonus for each resource comprises the following:
  - pre-defined **bonus target** by role;
  - **level of achievement of the unit targets**[15] to which the resource belongs, where the **performance of the unit** is measured on the basis of specific pre-defined scorecards with

RAF and RAS

The Risk Appetite Framework aims to ensure consistency on a continuous basis between the Group's actual risk profile and the risk appetite approved ex ante by the Board of Directors, taking into account any risk tolerance thresholds and in any event within the maximum risk capacity limits deriving from regulatory requirements or other restrictions imposed by the supervisory authorities.

The RAF is formalised at least once per year in a Risk Appetite Statement ("RAS") approved by the Board of Directors and developed based on a set of key risk indicators defined at Group, legal entity and business unit level, in accordance with processes approved internally by the Board itself.

Ex-ante target risk appetite thresholds are established for each indicator, which are more conservative than the risk tolerance thresholds, which in turn are more conservative than the risk capacity thresholds.

[14] Reference is made to the "Profit (Loss) for the year attributable to the Parent Company" as recognised in the "Reclassified Income statement" in the "Consolidated Report on Operations".
[15] The performance of the Company Control Functions is measured on the goals of the functions and regardless of the financial results.

quantitative parameters strictly connected to the risk appetite framework (RAF) and restricted by the overall company operating performance and strategic planning objectives, to date set in accordance with those of the 2017 - 2021 restructuring plan;

- **measurement of the individual contribution** upon reaching the pre-established goals.

The variable incentive instruments provided for by the Bank's remuneration policies, which to date have yet to be applied, are diversified by company population:

- for employees who belong to the **Professional Area** and **Middle Manager** categories, the **Variable Performance-Related Bonus;**

VARIABLE PERFORMANCE-RELATED BONUS

The Variable Performance-Related Bonus envisaged by article 52 of the National Collective Labour Agreement 19/1/2012 (as renewed by the 31/3/2015 Agreement) and introduced in the Group through II level negotiations at the end of 2015, aims to achieve higher levels of employee involvement and participation in order to increase operating efficiency and company productivity/competitiveness.

In accordance with the Supervisory Provisions, the Variable Performance-Related Bonus (which to date has never been activated) is modular and strictly correlated to company results in terms of liquidity and capital, productivity, profitability and quality, rigorously in keeping with the objectives established in the 2017 - 2021 restructuring plan.

It is broken down into three components, all subject to the Group gate and the company gates:

1) **Basic bonus** (total value about 30% of the bonus pool): this bonus, with a view to company cohesion, will be distributed equally to all personnel belonging to the professional areas and middle management categories;
2) **Structure bonus** (total maximum value of around 45% of the bonus pool): subject, with a view to teamwork, to the achievement of specific objectives assigned to the structure;
3) **Excellence bonus** (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 share shall be disbursed, with a view to meritocracy and Network/GM consistency, in terms of percentages;

- Management by Objectives (MBO) for the Managers

MANAGEMENT BY OBJECTIVES

Management by Objectives (**MBO**), not used to date, is the incentive instrument that the Group has conceived to support the sharing the of the system objectives assigned to the Group's managerial resources and to focus attention on strategic objectives, using the grade assigned to the positions in accordance with the above-mentioned Global Grading System.

The criteria for accessing the dedicated bonus pool and the performance indicators to be assigned to managers through scorecards (consistent with those assigned to operating personnel in relation to the PVR), stem from the risk appetite policies (RAF) and are consistent with the overall company operating performance and with the strategic planning objectives.

As is the case for the PVR and in compliance with the Supervisory Provisions, the final bonus of each individual is determined based on the achievement of the Group's objectives ("Gate") and reference unit's objectives and on the individual contribution.

7.3.3 Compensation for early termination of the employment

The Articles of Association state 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 number of years of fixed remuneration and the total maximum amount that results from their application.

Remuneration that exceeds the amount of the statutory post-employment benefits and notice[16], which is not determined by a third party with authority on the matter, constitutes **severance** pay and is quantified and disbursed by the Bank in accordance with prevailing law and always in pursuit of the best corporate interests.

The calculation criteria and limits to the remuneration established by the Shareholders' Meeting are set out in Section II of the document, to which reference should be made for appropriate details.

There are no arrangements currently in place that pre-establish fixed ex-ante amounts due in the event of early termination of the employment, or that provide for the payment of amounts that exceed the treatment provided for in the applicable national collective contracts.

7.3.4 Other variable components

Within the scope of variable remuneration, certain instruments, disbursed continuously and functional, according to the case, to protect the Bank's assets if key resources leave the commercial supply chains or to ensure greater stability, keeping strategic resources with high-level skills. More specifically:

a) **Non-compete covenants.**

The non-compete covenant clause is an agreement between the Bank and the employee that limits the right of the employee to carry out professional activities in competition with the Bank

[16] Pursuant to articles 2118 and 2119 of the Civil Code, for permanent employment jobs, the Parties may agree that the period of advance notice for dismissal or resignation envisaged by the national collective labour agreement can be replaced by corresponding compensation.

following termination of the working relationship, providing, if breached, for payment of a penalty.

A consistent monthly payment, pre-established on a fixed basis, is given to the employee for that commitment (as required under article 2125 of the Civil Code), generally while the employment contract is in place[17].

The instrument is used for key figures in the network; more specially, it is given to all private bankers/family officers and their sales managers, with the amounts assigned in accordance with pre-established basis portfolio levels.

The agreement is maintained for the entire period in which the conditions for payment are met.

b) **Staff retainment.**

These are instruments used for staff retention purposes (therefore not linked to performance), and in particular in the following forms:

– **agreement to extend notice period:** this is an agreement whereby the employee undertakes to agree, in the event of resignation, a longer notice period than that provided for under the applicable collective contract[18], for a pre-established fixed amount at a certain percentage of the fixed remuneration;

– **stability pact:** this is an agreement whereby the employee undertakes not to leave the job for a pre-established period in exchange for a pre-established fixed amount determined as a certain percentage of the fixed remuneration and with provision for a penalty to be paid by the employee if he/she breaches the commitment.

Both instruments are used primarily for resources in positions where there are retention risks and for resources with key skills.

The range of variable remuneration instruments also includes the **contests**, i.e. campaigns of limited cost, with low individual amounts, that are effective in supporting business activities, also from the point of view of customer acquisition/retention since they incentivise commercial and productivity initiatives in the operating units, in line with customers' financial requirements. Each time a contest is organised, it must be carefully analysed, also to ensure that it does not constitute an incentive to push the sale of specific products or financial instruments. They will always be implemented in compliance with the rules provided for all the variable remuneration components (see paragraph 7.3.1.) with specific regard also to the regulatory provisions (e.g. MIFID, IDD) and the rules of conduct with respect to the customers. Each initiative provides for exclusion clauses in the event of inadequate individual behaviour such as the presence of disciplinary proceedings or the failure to complete mandatory training.

In exceptional cases, the Bank may use the following instruments:

- **entry bonuses,** granted only for the first year of employment and only if the prudential requirements have been met at the time of hire, also for attraction purposes (not subject to the rules on the organisation of the variable remuneration and not included in the limit to the variable / fixed ratio of the first year's remuneration only where paid in a single solution upon hiring[19]);
- **a one-off payment,** i.e. monetary recognition of a small amount to reinforce the engagement of the individual resources who have been particularly distinguished on an individual level (for example in 2018 there were only 4 one-off payments made with an average value of Euro 5,000, mainly connected to the positive results of significant projects);

[17] The agreements currently in place with the Bank all provide for the payment while the employment contract is in place. However, the payment can be made after the employment contract has ended (to that end, with reference to the Identified Staff, see what is specified in Section II on severance).

[18] More specifically, 6 months instead of the shorter advance notice period provided under the collective agreement (1 month for the Professional Areas and Middle Managers and 3 months for the Managers).

[19] In accordance with the provisions of paragraph 2.1 of Section III of the new Supervisory Provisions.

- **retention bonuses,** or individual disbursements for justified and documented reasons linked to the opportunity to keep the resource in service as an employee for a pre-established period of time and/or linked to a specific event (for example completion of a company restructuring process or an extraordinary transaction).

With the exception of the specifications above relating to the **entry bonuses,** all the remaining amounts pursuant to this paragraph (including payment of the non-compete covenants, but only for the amount that exceeds a year of fixed remuneration[20]), are disbursed in accordance with the rules that apply to disbursement of variable remuneration. In particular:

(i) for employees who are considered to be Identified Staff, the disbursement procedures set out under paragraph 10.2.3 will be followed (i.e. part of the disbursement deferred and part of it in financial instruments, subject to malus and claw back clauses etc.) in accordance with the cluster they belong to;

(ii) for the remaining staff, the payment is made entirely up front in cash, but subject to normal claw back mechanisms (see paragraph 8.2).

These amounts will only be paid if the capital and liquidity levels are sufficient to deal with the Bank's activities.

Discretionary pension benefits are not currently among the instruments that can be set up for Group staff.

7.4 Business partners not bound to the Bank by employment relationships

The Bank makes extremely limited use of business partner contracts. These types of contracts are reserved for **extraordinary requirements** (e.g. support for special projects) and for professionals characterised by **excellent skills and experience** in specific areas.

The fixed component is determined in relation to the importance of the partnership; where the importance of the collaboration increases, variable forms of incentive (including non-compete covenants) may be provided according to the same methods as those defined for employees.

7.5 Remuneration of financial advisors

7.5.1 Indirect sales channels

Starting from 29/12/2017, the Bank began promoting and placing investment products and services to the public through **indirect sales channels,** using qualified financial advisors who are classified as "employees" of the Bank.

The indirect sales channels currently relate to placement of UCITS, insurance investment or portfolio management products.

At present, the remuneration envisaged for this category of individuals (i.e. employees registered in the Register of Financial Advisors, authorised to offer products and services off-premises and with a specific mandate to act on behalf of the Bank) has the same characteristics as that applicable to all employees in general, since there is no commission component attached.

The Bank currently does not use financial advisors operating as agents.

[20] In accordance with the provisions of paragraph 2.2.2 and 2.2.3 of Section III of the new Supervisory Provisions.

In 2018, the MPS Group availed of the following for the distribution of its own products and third-party products.

- a **network of financial advisors**, acting as agents based on mandates granted by the subsidiary Widiba (see paragraph below);
- a **network of AXA agents**[21], operating in accordance with Widiba mandates, with whom an agency agreement without representation was signed. Their remuneration structure does not provide for any non-recurring component arising from incentive components but a **recurring component exclusively** entailing the payment of sales and management commissions for the distribution of products and services;
- a network of **leasing agents** with whom a tied agent contract was signed with the remuneration comprising commission components that can be classified as recurring.

7.5.2 The remuneration of Widiba financial advisors

The financial advisors are linked to Widiba by an agency contract which permanently engages them (and without representation) to:

- independently, on behalf of Widiba exclusively, promote and place in Italy the financial, banking, insurance and welfare instruments and services indicated in the contract;
- assist the customers acquired and/or assigned under the mandate[22].

Widiba's network of financial advisors consists of:

- 1 National Network Manager;
- 563 financial advisors, including:
  - 8 Area Managers, who report directly to the National Network Manager, organised by geographical area, responsible for coordinating the financial advisors reporting to them, for business development in their territory and to achieve the objectives defined by the corporate management;
  - 50 District Managers who support the Area Managers in the activities described above.

The remuneration system for the financial advisors has specific elements that differ from the system in place for employees. Remuneration for advisors, unlike the system used for employees, comprises different types of commission in accordance with the type of activities carried out and the products placed.

The overall remuneration[23] of financial advisors is based on the provisions of the Supervisory Provisions, organised as follows:

- a **recurring** component which can be compared to the fixed remuneration of staff, which is the most stable and ordinary element of the remuneration. This is represented by commission remuneration recognised in relation to the products and services placed and constitutes the ordinary form of remuneration for the agent;
- a **non-recurring** component that can be compared to staff's variable remuneration, providing an incentive to the agents, and essentially comprising long-term incentive and loyalty-building plans. Payment of this component, based on criteria favouring and promoting compliance with the rules of conduct and the interests of the customers served[24] is conditioned upon the achievement of

[21] AXA insurance agents that act as agents for bank products only.
[22] In compliance with current regulatory principles, contractual relationships with the customers that are either acquired by, or assigned to the financial advisor, exclusively take place between the customer and Widiba in any case.
[23] The criteria set out under paragraph 85 of the EBA "Guidelines" are used to value it.
[24] In addition to the long-term strategies and goals of the Group.

specific commercial results established by Widiba, corrected for risks (including legal and reputational)[25].

7.5.3 Focus on the non-recurring component of the remuneration of Widiba financial advisors

The incentive systems in the non-recurring component for financial advisors are in any case funded on a bottom-up basis from the overall gross proceeds obtained by Widiba from customer assistance/management activities (Pay-In). These systems are generally monetary, although non-monetary incentives are also possible (e.g. annual contests assigning prizes in the form of training courses).

These systems, in accordance with the rules, criteria and processes defined for all Group staff, are based on the following principles:

- the non-recurring component is **determined ex-ante** based on **defined parameters;**
- the individual and/or group goals to be realised are defined by ensuring that relations with customers are fair, do not create legal and reputational risks and are aimed at contributing to the diversification/reduction of risk;
- the motivating plans must never give an incentive to take on risk to an excessive extent compared to the level of risk appetite provided under company strategies; more specifically, it must be in line with the reference framework for determining the risk appetite (RAF);
- **gates** relating to the following will be added for:
  - capital and liquidity conditions of the Group;
  - specific access conditions relating to Widiba;
  - operational/compliance risk indicators that condition payment of the amounts reserved also upon the occurrence of the above indicated conditions and in compliance with the terms established. These will cause all rights and/or financial benefits deriving from the system to expire (with the consequent obligation to repay any amounts received under the system) if the indicators materialise within two years of expiry of the system;
- the **performance targets** are identified as follows:
  - by considering the customer as the main priority;
  - by implementing long-term bonus systems aligned with Widiba and Group strategic objectives;
  - based on annual results and their impact over time;
  - including elements that reflect the impact of the performance of the individual and/or the group/ business unit on the creation of value of the company as a whole;
  - assessing the individual performance, not only based on financial criteria, but also based on non-financial criteria (for example risk management, behavioural aspects, compliance with company values) and taking account of the specific nature of the role.
- the **deferral**, in accordance with current regulatory provisions, of payment of the bonus in relation to the risk time horizon it refers to, with the option of applying possible **malus mechanisms.** The malus mechanisms can be implemented with respect to the variable remuneration to be paid or already recognised but not yet paid, for the year in which the non-compliance breach occurred.

[25] Widiba has developed a specific method to assess the overall risk profile of the individual financial advisors based on indicators relating to the following profiles:
- subjective (information and data on the advisor);
- objective (regarding the operations put in place with the customers).

If the variable remuneration affected is not enough to ensure an adequate malus mechanism, the reduction may also be applied to other components of the variable remuneration;

- application of claw backs to the extent legally applicable, to the performance-related bonuses recognised based on assumptions which were subsequently discovered to be incorrect. The situations and circumstances that form the basis for implementing the claw back clauses apply if they occur no later than five years from the payment/disbursement of the related activity/services for financial advisors included in the Identified Staff perimeter and no later than three years for the other advisors;
- addition of **clauses to reduce the bonuses to zero and/or reduce them** in the event of:
  - non-compliant behaviour, disciplinary actions for irregular activities, poor conduct, with special reference to the sale of banking and financial products and services and the failure to honour internal conduct codes, breach of the values;
  - the performance levels of the advisors, considering risk assumed or incurred on assets and any anomalies or critical issues in relations with customers in an effective and anticipated manner.

  These mechanisms can lead to a reduction, also to zero out the entire non-recurring remuneration, especially when results are negative or significantly lower than pre-established targets;
- **prohibition** for beneficiaries of the bonuses **to use personal hedging strategies** or insurance on remuneration or other aspects that could alter or invalidate the effects of risk alignment inherent in the remuneration mechanisms (see paragraph 8.3).

Where given to financial advisors who are classified as Identified Staff, the non-recurring remuneration is disbursed in compliance with the rules described herein for the IV clusters in paragraph 10.2.3.

These systems aim to encourage the network to pursue portfolio and profit objectives, identified annually based on the parameters defined in the Commercial Plan.

MAIN BONUS AND LOYALTY-BUILDING SYSTEMS OF THE NETWORK OF FINANCIAL ADVISORS AT WIDIBA

- **Fidelity plans** in favour of advisors who do not receive bonuses from economic proposals or other loyalty bonuses.
- **Bonus System:** that includes short-term (1 year) productivity and quality objectives, also linked to a minimum funding amount;
- **Extra Management Fee:** attributed to financial advisers from other networks, paid on pre-established deadlines for the achievement of pre-set targets with potential allocation of a higher bonus rate if the ratio of sales commissions and management fees accrued at a specific time to total funding achieved is greater than or equal to a set percentage.
- **Productivity Bonus - Quality Bonus:** included among the additional benefits referred to in the agency agreement.
- **Recruiting Bonus:** for financial advisors who participated in the recruitment process of other advisors hired in the network.

LIMIT OF VARIABLE AND FIXED RATIO FOR FINANCIAL ADVISORS included in the Identified Staff perimeter

The maximum ratio between variable and fixed remuneration is 1:1(*) for Identified Staff. However, members of the Widiba bodies can raise that ratio to 2:1 for the sole benefit of Widiba financial advisors who are included in the Identified Staff perimeter in order to retain, hire and attract key resources for the business.

This increase is:

i) linked to the specific remuneration of these subjects;

ii) in line with market practice as adopted by the main competitors (who have already brought the maximum variable / fixed ratio to 2:1);

iii) consequently aimed at preserving Widiba's competitiveness in the market and supporting both the attractiveness and retention of financial advisors through competitive remunerations.

The aforementioned increase in the variable / fixed ratio is not likely to have any impact, now or in the future, on the Group's and Widiba's ability to continue to comply with all prudential rules, also considering that the plans (loyalty and/or incentive) relating to the non-recurring components of the remuneration always contain consolidation and payment conditions linked to the achievement of the Bank's business and budget objectives (targets in terms of funding, assets under management, stock increases and Bank profitability) identified over time and, predominantly, on the basis of multi-year periods.

After approval of the Group's 2019 remuneration policies, Widiba may proceed with its own shareholders' meeting (amendment of the Articles of Association, approval of the 2:1 ratio) following completion of the regulatory procedure (assessment procedure pursuant to Supervisory Provisions).

(*) As regards the relationship between variable and fixed remuneration for multi-year assessment systems that do not renew annually, the Bank applies the aforementioned EBA Guidelines (see specifically paragraph 18912 of the EBA Guidelines).

The disbursement of the incentive plans described above is subject to I level controls carried out every month by the Human Resources function. There will also be a strengthening of II level controls during the year.

8. FOCUS ON CERTAIN KEY PROCESSES

8.1 Identification of Staff whose professional activities have or may have an impact on the Institution's risk profile ("Identified Staff")

In accordance with the provisions of the Supervisory Provisions, in June 2018, the Bank adopted a specific company Directive "Group Directive on the identification of Identified Staff", with criteria and procedures summarised below and forming an integral part of this remuneration policy; the Directive is subject to the approval of the shareholders' meeting along with the policy.

The staff, whose professional activities may have a significant impact on the risk profile of the entity, is identified annually on the basis of a structured and formalised assessment defined on the basis of the Regulatory Technical Standards (EU Delegated Regulation 604 of 4/3/2014) especially with respect to "qualitative criteria" (article 3) and "quantitative criteria" (article 4) described therein.

The process is developed with the contribution of the Risk Management, Compliance, Audit, Planning Legal and Organisation functions under the responsibility and guidelines of the Human Resources Function.

Within the perimeter of the process guidelines:

- the **Risk Management** function provides the applicable elements with special reference to the qualitative criteria of the above-mentioned Regulatory Technical Standards pursuant to criteria 10[26], 11[27], 12[28] and 13[29];
- **Planning** identifies and provides the findings relating to the allocation/distribution of the internal capital, pursuant to criteria 5[30] of the above-mentioned Regulatory Technical Standards, both at Group level and for the Group companies classified as "Credit Institutions" under the perimeter of Directive 2013/36/EU (article 73);

[26] "10) is the head or a member of a committee in charge of managing a risk category pursuant to articles 79 to 87 of directive 2013/36/EU that is not credit risk or market risk".

[27] "11) in relation to the exposures to nominal amounts of credit risk for a transaction corresponding to 0.5% of the primary tier 1 capital of the entity and equal to at least 5 million euros, the member:

a) is responsible for initiating the proposals to grant loans or organise credit products that could produce these exposures to credit risk; or
b) has the power to adopt, approve or veto the decisions regarding those exposures to credit risk; or
c) is a member of a committee that has the power to make the decisions from letter a) or b)".

[28] "12) in relation to an entity in which the exception is not applied for small transactions relating to the trading portfolio pursuant to article 94 of EU Regulation no. 575/2013, the member:

a) has the power to adopt, approve or veto decisions on transactions on the trading portfolio that meet one of the following thresholds in total:
   (i) if the standardised method is applied, the own funds requirement for market risk that represent at least 0.5% of the primary tier1 capital of the entity;
   (ii) if the internal model method is approved for regulatory purposes, at least 5% of the internal limit of the value at risk of the entity for the exposures of the trading portfolio at the 99th percentile (unilateral confidence interval); or
b) is a member of a committee that has the power to make the decisions pursuant to letter a)"

[29] "13) has managerial responsibility for a group of members of the staff who have the individual power to commit the entity to transactions and one of the following conditions is met:

a) the sum of those powers is equal to or higher than the threshold pursuant to point 11), letter a) or b) or point 12), letter a), point i);
b) if the internal model method is approved for regulatory purposes, these powers are equal or higher than 5% of the internal limit of the value at risk of the entity for the exposures of the trading portfolio at the 99th percentile (unilateral confidence interval). If the entity does not calculate a risk value at the level of that member of staff, the limits of the risk value of the staff under this person are summed".

[30] "5) has the general responsibility of managing the risks in an operational/company unit in accordance with article 142, paragraph 1, point 3 of (EU) Regulation 575/2013 where internal capital was distributed in accordance with article 73 of directive 2013/36/EU representing at least 2% of the internal capital of the entity ("operational unit/ key company")".

- the **Organisation** function oversees the development of the Group organisational model, and reports any significant changes to it, monitoring criteria 9[31], 10 and 14[32] of the aforementioned standards in particular;
- the **Human Resources** function identifies the members of staff with responsibility in the relevant operational / company units identified during the assessment process and processes the data pursuant to articles 4 ("quantitative criteria") and 5 ("calculation of the remuneration attributed") of the above-mentioned Regulatory Technical Standards;
- the **Compliance** and **Legal** functions support the various functions involved in the proper interpretation and application of the prevailing laws;
- the **Internal Audit** function controls the identification process and its results, including any exclusions therein.

The Group companies, classified as Credit Institutions, carry out their own self-evaluations at individual level, with the support of the Parent Company where required. Group companies that are smaller and less complex which therefore do not fall under the provisions of the Directive 2013/36/EU, are included in an identification process on a consolidated basis, delegating the consolidating entity to apply the identification process at an individual level. The Parent Company is in charge of ensuring the overall consistency of the identification process for the entire Group.

There is a structured evaluation process for **financial advisors** based on qualitative and quantitative criteria aimed at identifying the parties whose activities could have a substantial impact on its risk profile. The following criteria are considered to this end:

- contribution to the risk to Widiba and the Group and verification of the contribution to the results on a prospective basis;
- analysis of the responsibilities, the level and the individual authorisations provided for;
- amount and structure of the remuneration received.

With regard to the **financial advisors** operating as agents, there is a structured process to identify the advisors classified as Identified Staff on the basis of both qualitative and quantitative criteria.

With reference to the **qualitative criteria**, the process includes the National System Manager and the Area Managers as Identified Staff, included in accordance with the qualitative criteria pursuant to article 3, no. 3 of the Regulation.

With regard to the **quantitative criteria,** the process provides for automatic inclusion in the Identified Staff category of financial advisors whose total remuneration amounted to or was higher than Euro 750,000 the previous year (article 4 paragraph 5 of the EU delegated regulation 604/2014).

On the other hand, a structured evaluation process assesses whether there is a substantial impact on the risk profile for financial advisors whose remuneration is higher than the amount described in the criteria pursuant to article 4 paragraph 1 letter b of the aforementioned Regulation 604/2014, but less than Euro 1,000,000, or not. A specific calculation based on an algorithm that takes account of a series of indicators and parameters that represent the degree of riskiness of the activities of the financial advisors is applied[33]. Upon completion of that process, an overall numerical score is defined for each financial advisor with a specific risk level attached (known as the **"gross risk profile"**).
In order to ensure a risk evaluation that is proportional to the operations and the impact of the individual financial advisor with respect to the overall network, starting from the gross risk profile (based on

[31] "9) heads a function in charge of legal affairs and finances, including taxes and budgeting, human resources, remuneration policies, information technology or economic analyses".
[32] "14) in relation to the decisions to approve or prohibit the introduction of new products, the member:
a) has the power to make those decisions; or
b) is a member of a committee that has the power to make those decisions".
[33] Including, for example, the existence of any complaints or claims, judgements expressed following audits, evaluations made by customers, number of orders given by different customers with the same title or mark, any transactions in securities that were not right for the customer, any anomalous movements on the current account of the financial advisor, etc.

qualitative parameters), the overall risk profile is calculated by weighting with two quantitative corrective-type parameters for the individual financial advisor:

- the value of the total portfolio managed;
- the number of customers managed.

Widiba has defined the following thresholds over which exclusion may not be requested for financial advisors authorised to work through indirect sales channels:

- a total risk profile evaluation higher than "medium-low";
- over 150 million, value of the overall portfolio managed;
- number of customers higher than 2% of the total of the entire network of financial advisors of Widiba.

The results of the Identified Staff identification process are examined by the **Remuneration Committee.** With regard to any exclusions, the Chief Executive Officer of the Parent Company decides whether to submit potential exclusions from the Identified Staff to the Remuneration Committee for subsequent proposal to the Board. Once the Remuneration Committee obtains the opinion of the Risk Committee, it submits the proposal of approval of the perimeter to the Board, including any proposals for exclusion.

The perimeter identified each year is **updated every quarter by the Human Resources** function following new hires/exits from roles, or in the case of any significant organisational changes or significant changes to the internal capital distribution on the basis of what was reported by the designated Parent Company functions.

The staff identified is divided into five clusters through an analysis of the qualitative and quantitative criteria pursuant to the above-mentioned Regulatory Technical Standards.

Cluster	Type of roles included in the cluster
I Cluster	Non-executive directors of the Group companies
II Cluster	Chief Executive Officer, Chief Audit Executive, Chief Risk Officer, Chief Operating Officer, Chief Human Capital Officer, Chief Commercial Officer, Chief Lending Officer, Chief Financial Officer, External Relations and Corporate Department Manager, Group General Counsel Manager, Compliance Area Manager, *CEO* Widiba and Managing Director of the Consorzio Operativo
III Cluster	Top management (apart from the CEO of Widiba and Managing Director of the Consorzio Operativo included in Cluster II), Managers reporting directly to Chiefs, Division heads of the companies, Parent Company Area Managers, Territorial General Managers, Head of Territorial Lending, Heads of II level Company Control Functions, Managers of the Legal, IT, Human Resources and Planning Functions of the companies
IV Cluster	Area Managers and Widiba financial advisors
V Cluster	Other staff who individually or collectively take on significant risks

8.2 Compliance breach management process

The malus and clawback correction mechanisms will be applied in the event of compliance breaches, which refer to:

- conduct that does not comply with the law, regulations or articles of association or any codes of ethics or conduct that could apply to the Bank, resulting in a significant loss for the Bank or for customers;

- other conduct that does not comply with the law, regulations or articles of association or any codes of ethics or conduct that could apply to the Bank, in the cases they may provide for;
- breaches of obligations pursuant to article 26 or when the party is an interested party, according to article 53 paragraphs 4 et seq. of the Consolidated Banking Law or obligations on remuneration and incentives;
- fraudulent behaviour or gross negligence to the damage of the Bank.

The Bank is currently processing a specific procedure for the assessment of compliance breaches along with the consequent application of ex post correction mechanisms. This procedure, which will be approved within the first half of the current financial year, is aimed at discipling, *inter alia*, the following:

(i) the duties of the various functions and company bodies in the different phases of identifying and assessing any compliance breaches;

(ii) the times and procedures for that process;

(iii) the application procedures of the resulting malus and clawback measures, affecting variable remuneration, also differentiated on the basis of an assessment of the degree of "materiality" of the compliance breaches, to be conducted in accordance with certain pre-established criteria. The procedures in question will also govern the effects of any disciplinary proceedings on the application of the ex post correction mechanisms, providing in general for the suspension of payments due if there are disciplinary proceedings in place, up to conclusion of the disciplinary proceeding and the internal proceeding of assessment of the compliance breach.

The times defined by the Bank for the exercise of the claw back clauses (that will then be reflected in the above-mentioned procedure) are:

- 5 years from disbursement of the variable remuneration for Identified Staff;
- 3 years from disbursement of the variable remuneration for the remaining staff;

8.3 Verification process to assure absence of hedging strategies

The principles and criteria of the Supervisory Provisions provide - also in order to avoid any possible behaviour that defies the law - that the bank ensures that its staff are not remunerated, or do not receive payments or other benefits through vehicles, instruments or procedures that do not comply with the Supervisory Provisions. To that end, the staff may not rely on personal hedging strategies or insurance on remuneration or other aspects that could alter or invalidate the effects of alignment with the risk inherent in the remuneration mechanisms.

In order to ensure that this prohibition is complied with, the Bank has provided for the following:

- the Company Control Functions, Compliance and Internal Audit Functions, in association and with the support of the Human Resources function
  - define and update the operating processes to carry out the activities needed for that end;
  - identify the types of transactions and financial investments that are directly or indirectly carried out by the Identified Staff that could affect the risk alignment mechanisms, and more generally, the pursuit of the purposes of the regulations;
  - carry out **sample checks** on internal custody and administration accounts **at least for Identified Staff;**
- the Identified Staff are required to **communicate the transactions and financial investments** carried out that fall under the categories defined above;

- the Identified Staff, through specific agreements, **are required to communicate the existence or the activation of custody and administration accounts with other intermediaries.**

The Bank takes account of the information received when adjusting the staff remuneration and incentive systems, with special regard to the risk alignment mechanisms and the financial and income position of the bank (for example duration of the deferral period, malus and clawback systems, etc.).

9. IMPLEMENTATION OF REMUNERATION POLICIES IN 2018

9.1 Changes in the Identified Staff perimeter

In 2018, the "Identified Staff"[34] perimeter decreased from 260[35] to 257 positions following the application of the process set out in paragraph 8.1. above. The request for exclusion from the Identified Staff perimeter of Widiba financial advisors, sent to the competent authorities on 29/6/2018 and reported in last year's Report, was accepted.

Statement A - Quantitative information on the remuneration of the "Identified Staff" (Bank of Italy) reports the data on a like for like basis in order to facilitate the understanding and representation of all the amounts paid.

9.2 Remuneration trends

The trend in remuneration levels in 2018 was impacted by, aside from increases based on the National Collective Labour Agreement, the effects of extraordinary measures that continued during the year, or:

- reorganisation of the organisational structure, primarily due to the termination of the work contracts of 361 resources, including 45 managers;
- the labour cost limitation measures, defined by the agreement signed on 24/12/2015 with the company trade unions in place for the 2016-2018 three-year period. The elements with the biggest impact[36] on the above-mentioned agreement include the following:
  - the suspension of work for 5 or 6 working days in accordance with each employee's annual gross basic salary level;
  - the reduction of the calculation base used for the post-employment benefits and the contribution to the Complementary Pension Fund (lower impact than in the 2013-2015 three-year period);
  - a contribution of 2.5% for staff with an annual gross basic salary of higher than Euro 150,000 on the portion of the salary exceeding this amount.

For **Managers**, in addition to the above-mentioned manoeuvres and the provisions of the national collective labour agreement on contribution to the "FOC[37], there is also the following:

- the above-mentioned voluntary donation to Corporate MP of one or more days holidays or percentages of wages[38];
- restructuring, introduced in 2013, of the holiday entitlement (to facilitate management of working time in relation to targets rather than attendance, in consideration of the managerial independence that distinguishes this category, with the consequential waiver of any unused holiday entitlement).

The limited initiatives on fixed remuneration carried out during the year (roughly 180 in the entire Group, equal to 0.8% of the employees at the beginning of the year) regarded, also in terms of retention, critical figures for the business. The interventions were distinguished by high selectivity and alignment with the

[34] Identified for the 2018 Remuneration Policies.
[35] Perimeter not including requests for exclusion submitted to the competent authorities.
[36] In any case, this impact is lower than that recorded in the 2013-2015 three-year period for the personnel cost limitation measures in force at that time.
[37] National Fund to Support Employment.
[38] Donation also possible by other employees.

values of the first quartile or the median expressed by the market for positions with similar responsibility. In some cases, specific stability commitments were also established.

As regards the new hires in the Group, the employment agreements for managerial positions (only 2 compared to an average of 9 in the previous three-year period), prepared in compliance with the policies approved by the Shareholders' Meeting, were positioned at around median market levels, based on equal organisational positions, also with a view to consistency with internal median levels.

The table below shows the average remuneration levels of the Group regarding the recurring remuneration component for employees[39] (staff and organisational charts as at 31/12/2018 and 31/12/2017; amounts in Euro):

Employees	Number of employees as at 31/12/2018	Average remuneration as at 31/12/2018	Number of employees as at 31/12/2017	Average remuneration as at 31/12/2017
Managing Director and Top Management	19	276,471	19	371,599
Other Managers	263	118,232	260	125,556
Middle Managers and Professional Areas	22,847	45,512	23,184	45,084
Total employees	**23,129**	**46,528**	**23,463**	**46,241**

Average remuneration levels in the Group were up slightly in 2018 (+0.6%), mainly due to remuneration increases from the provisions of the national collective labour agreement for Professional Areas and Middle Managers, and limited remuneration actions. On the other hand, there is a clear reduction in the overall managerial structures, where the internal restructuring implemented during the year made an impact[40].

With reference to high earners, i.e., those individuals whose total remuneration amounts to at least Euro 1 million per year (moreover subject to periodic reporting to the supervisory bodies), in the entire Group only two Widiba financial advisors surpassed that threshold (and therefore, operating as agents on the basis of a specific mandate; in the Euro 1 million - Euro 1.5 million remuneration bracket[41]).

Below is a representation of the remuneration of Group employees by business segment:

Customer segment	Number of employees as at 31/12/2018	Sum of remuneration as at 31/12/2018	Average remuneration as at 31/12/2018
Private	16,636	737,022,213	44,303
Corporate	1,072	56,792,505	52,978
Finance	236	13,495,809	57,186
Service and Corporate Centre	5,185	268,843,021	51,850
Total Employees	**23,129**	**1,076,153,549**	**46,528**

9.3 Application of specific regulatory restrictions

On 4 July 2017, the European Commission approved the Bank's precautionary recapitalisation plan which, *inter alia*, required the Group to make a series of commitments as of 4 July 2017 and until the end of the restructuring period (31/12/2021). Among these is the Group commitments to apply severe executive remuneration policies and, specifically, to ensure that total individual remuneration does not exceed the average employee salary at the beginning of the plan in 2016, multiplied by ten (salary cap).

[39] Net of solidarity measures, which on average amount to approx. 2% of the annual gross basic salary.
[40] Top management remuneration levels influence application of the above-mentioned salary caps starting from 4/7/2017 (see also paragraph 9.3).
[41] Information pursuant to article 450 (1) (i) of Regulation (EU) no. 575/2013.

The Bank continues to ensure application of this commitment with respect to the current Chief Executive Officer / General Manager and other top management figures.

The 2018 remuneration policies were also defined and applied to ensure compliance with the specific provisions for Banks and banking groups that benefit from State aid[42].

9.4 2018 variable remuneration

In 2018, in order to contribute to the achievement of the cost targets provided for under the above-mentioned commitments assigned by the European Commission with approval of the Bank's precautionary recapitalisation plan, the variable bonus plan systems, described as the core components of the Variable Performance-Related Bonus for Middle Managers and Professional Areas, and MBO for the Managers described in paragraph 7.3.2. were not implemented. As a result, there was and will be no disbursement in relation to these systems.

The Bank used specific targeted instruments with a low impact on costs in 2018 (contest, see paragraph 7.3.4) effective in motivating and rewarding excellent resources (in the network, managers of non-performing loans and other resources in the credit supply chain; not including Identified Staff).

Disbursement of **one-off payments** was extremely limited (4) for critical employees considered particularly worthy, and also in light of the significant results of their project, to reinforce their motivation and engagement.

In addition, to protect the Bank's interests in cases of departures of key resources from the private banking supply chain, it continued to make use of **non-compete covenants.**

There were also **94 extensions of the advance notice period agreements** made in 2018, and **1 stability pact** (with 4 contracts made in favour of Identified Staff).

No **retention bonuses** were given in 2018.

No **entry bonuses** were given for the 108 new hires completed during the year (including 2 managers). 3 tranches for entry bonuses agreed previously were paid during the year. These amounts, disbursed within a year from the date of employment, had an average value of Euro 3,000.

With regard to the **remuneration paid for the early termination of the employment contract,** within the scope of 66 consensual employment contract terminations completed during the year (including 33 managers), **28 amounts exceeding the advance notice cost** were paid. In this area, in 2018, with reference to Identified Staff only, 19 employment relationships were terminated consensually - again as part of the ongoing company restructuring process, and to meet cost reduction objectives and resource streamlining needs; 11 amounts exceeding the notice cost were paid; the average incentive paid for these terminations (excluding the average cost of the advance notice due by law, equal to Euro 203,000), was Euro 72,000. These amounts were disbursed in accordance with the terms and methods laid out by regulations in force and in any event no incentive paid out surpassed the amount of Euro 100,000. These amounts, disbursed in compliance with current legislation and the contractual provisions for the category, were defined within the perimeter of specific policies adopted by the Board of Directors and consistent with the resolutions of the Shareholders' Meeting, aimed at limiting discretion when determining the amounts to be granted and guaranteeing equal treatment.

Within the scope of reorganising the **foreign division** provided for in the restructuring plan, incentives for the early termination of employment contracts for 34 employees with foreign employment contracts were paid in addition to the above. All the terminations were agreed in accordance with prevailing law and with specific local laws.

In view of the above, with reference to the **treasury share plan** approved by the Shareholders' Meeting in 2018 and the performance shares plan approved by the Shareholders' Meeting in 2017, both to serve

[42] Article 93 of Directive 2013/36 EU (CRD IV); Bank of Italy Circular no. 285/2013 - 25th update Section V.

severance payment requirements, in view of the amounts paid out in the previous two years for such terminations (which always took place as part of the ongoing company restructuring process, and based on cost reduction and resource streamlining requirements), since a single severance payment of higher than the relative exemption threshold of Euro 100,000 had never been made, it was not necessary to use the above-mentioned balance between cash and financial instruments; therefore no use was made of the two plans mentioned.

To provide the complete picture, in the 2016 plan:

- 21,870 shares were paid in 2018, allocated up front;
- 5,340 were paid from the original 32,806 deferred shares, and 1,220 were written off following application of the malus clauses. Therefore, 26,246 performance shares are accounted for, with 6,560 allocated, to be paid in 2019; 19,686 will be allocated annually, subject to the verification of pre-established malus conditions - over a five-year time horizon and paid one year after the relative allocations.

With regard to Widiba financial advisors who are Identified Staff, the percentage of the variable component to be paid in financial instruments, equal to 226,633,03, will be assigned after approval of the Widiba performance shares plan.

10.REMUNERATION POLICIES FOR 2019

10.1 2019 Identified Staff

The perimeter identified on the basis of the process described in detail in paragraph 8.1 has increased compared to 2018 (295 compared to 260 indicated in the "2018 Remuneration Report") confirming a rigorous identification process both at Group level and at the level of the individual companies. Certain organisational changes in the Group's structure have had an impact, leading to a more widespread allocation of the internal capital.

The staff included in the perimeter are shown in the table below, broken down by identification criteria:

Criteria to identify the Identified Staff (EU Regulation 604/2014)	No.	Theoretical Fixed Remuneration
Article 3 paragraph 1 - Chief Executive Officer of the Bank	1 (*)	-
Article 3 paragraph 2 - Other Directors with executive roles	0	-
Article 3 paragraph 2 - Non-Executive Directors	26	-
Article 3 paragraph 3 - General Manager of the Bank	1 (*)	466,250
Article 3 paragraph 3 and 9 - Division Heads, corporate functions, geographic areas and those who report directly to the corporate bodies	91 (**)	16,731,409
Article 3 paragraph 4 and 7 - Managers and personnel in charge of the internal control functions	28	3,543,248
Article 3 from paragraph 5 to 15 - Other staff who individually or collectively take on significant risks	120 (***)	10,021,271
Article 4 - Highly paid employees and business partners not included in the criteria above	29	6,779,227
Overall total	**295**	**37,541,405**

(*) Mr Morelli holds the offices of both CEO and General Manager.

(**) Includes CEO/Managing Directors/General Managers of the Group companies.

(***) Not including staff with internal control duties identified in accordance with criteria 3 paragraph 7 already included in the previous cluster.

Continuing with the policy adopted in the last two financial years with respect to the Widiba financial advisors who have a total remuneration for 2018 of less than Euro 750,000, the Bank believes that it does not have to include 43 financial advisors in the perimeter in 2019, compared to the 41 exclusions indicated in 2018. Even through these advisors fall within the 0.3% of personnel with the highest total remuneration of the Group, due to the role covered and in application of the criteria laid out in regulatory provisions (EU Delegated Regulation no. 604/2014 and updated by Circular 285), they do not have a substantial impact on the entity's risk profile, taking into account all the risks to which the entity is or could be exposed; this assessment was made on the basis of the specific criteria described in paragraph 8.1..

10.2 Remuneration policies for 2019

10.2.1 Fixed remuneration components

Company actions on the fixed remuneration component will continue to be characterised, also in view of the cost restrictions set by the restructuring plan and the above-mentioned commitments, by strong selectivity and high "prioritisation" requirements. In this scenario, increasingly based on finding the best distribution of the resources available, the above-mentioned benchmarking, job-levelling and remuneration categories defined for each grade will act as the guidelines (see paragraphs 7.1 and 7.2.1).

Of note is the agreement signed with the company trade union organisations on 31/12/2018 which, starting from 1/4/2019, will align the basic post-employment benefit calculation, also valid for the extra company security benefits, with the provisions of the National Collective Labour Agreement, so it will have a lower impact on the employees compared to the 2016-2018 three-year period.

10.2.2 Compensation for managers of Company Control Functions

Position-related remuneration defined ex-ante in accordance with pre-defined criteria differentiated by each organisational level and job responsibility is assigned to figures with responsibilities in the company control functions, from organisational level I to III, with further characteristics illustrated at paragraph 7.2.3.

10.2.3 Variable components in the remuneration of the Identified Staff - basic rules

In accordance with the legal requirements relating to the variable remuneration paid to the Identified Staff, the remuneration policies of the Bank provide as follows:

- payment of variable remuneration partly in cash and partly in financial instruments subject to retention periods, balancing percentages between the two differentiated components differentiated by Identified Staff cluster;
- deferral of the variable remuneration for different percentage amounts and time periods (as indicated below) in accordance with the relative amount (i.e. depending on whether it is a "particularly high amount" or not, as indicated above) and the position of the beneficiary;
- the determination of the "particularly high amount" of the variable component as Euro 433,680, equal to the lower amount between:
    - 10 times the overall average remuneration of Bank employees (i.e. 10 x Euro 46,528 = Euro 465,280);
    - 25% of the overall average remuneration of Italian high earners as resulting from the most recent report published by EBA[43] (i.e 25% of Euro 1,734,720 = Euro 433,680);
- the application (as long as the Bank is a beneficiary of State aid) of deferral percentages that are higher than those provided for in other banks, as indicated therein;
- limitation of the ratio between variable and fixed remuneration at a value that does not exceed 100% (ratio 1:1)[44];
- the deferred component being subject to the ex post correction mechanisms (malus and clawback) described in paragraph 8.2.

[43] *EBA* Report from May 2018 "Benchmarking of remuneration practices at union level and data on high earners".
[44] Except for what was illustrated above at paragraph 7.5.3 with reference to the Widiba Financial Advisors.

More specifically, disbursement of the variable components to the Identified Staff will be made in accordance with the following parameters subject to approval by the Shareholders' Meeting:

1) **% Limit to the variable/fixed ratio:**

Cluster	Number of persons	max % of variable to fixed
I Cluster	27	-
II Cluster	11	100%
III Cluster	99	80%
IV Cluster	11	100% (*)
V Cluster	147	60%
Total	**295**	

(*) The members of the Widiba bodies can raise that ratio to 200% for the sole benefit of financial advisors who are identified as Identified Staff in accordance with applicable law.

2) **Percentage balance between cash and financial instruments of the variable component[45]:**

Amount	Cluster	Cash	Financial instruments
All the amounts	II Cluster[46]	48%	52%
	III Cluster	50%	50%
	IV Cluster		
	V Cluster		

3) **Percentage deferral of the variable component differentiated by type[47]:**

Since the Bank is currently classified as a bank that benefits from State aid, the deferral percentages of the variable remuneration must be defined - as noted above - to a higher extent than those established for the other Banks. Therefore, the Bank's policy provides for increases in the deferral percentages of the variable remuneration. These increases are differentiated according to the different types of variable remuneration so as to take account the different motives, characteristics and purposes of the various components.

Amount	Cluster	Incentive variable (**)	Severance	Other variable components
Particularly high amount (> Euro 433,680)	II, III, IV and V	70%	At least 62%(*)	At least 62%(*)
Other amounts	II Cluster	60%	At least 52%(*)	At least 52%(*)
	III Cluster	50%	At least 42%(*)	At least 42%(*)
	IV Cluster			
	V Cluster			

(*) Any increase in the percentage indicated will be evaluated on a case by case basis, also considering the Bank's situation at the time of payment/agreement, the state of progress of the restructuring plan, the amount of the transaction to be paid. Furthermore, in the case of severance pay, convenience for the bank to conclude a transaction with the employee will also be taken into account.
(**) Including the non-recurring component of the financial advisors.

[45] Above the materiality threshold indicated by cluster in this paragraph where present.
[46] For cluster II (which includes the Chief Executive Officer and the managers of the main business areas, company functions and geographic areas, and also those who report directly to the bodies with strategic supervisory, management and control functions), the provisions of the update of Bank of Italy Circular no. 285/2013 apply: "If the percentage of financial instruments is higher than 50% of the total variable remuneration, the part in financial instruments to defer is higher than the part in up-front financial instruments".
[47] To be defined for the Group at values higher than those normally provided for by other banks since State aid is given (see Section V of Circular No 285/2013 of the Bank of Italy).

4) **Years of deferral and holding periods:**

Cluster	Years of deferral	Years between evaluation and payment of the first portion	Up-front component holding period	Deferred component holding period
II Cluster	5	1	2	1
III Cluster	3			
IV Cluster				
V Cluster				

5) **Malus mechanisms,** that operate if a compliance breach is found (more detail in paragraph 8.2) and entailing the verification, at each disbursement, of the simultaneous fulfilment of the following conditions, verified at the date closest to the disbursement itself:

Malus
CET1 Ratio > Risk capacity RAF 2019
NSFR > Risk capacity RAF 2019
RAROC > 0

6) **Clawback mechanisms** operating if a compliance breach is found (more detail in paragraph 8.2).

The Identified Staff include parties who belong to multiple and differentiated organisational levels, some of whom may accrue a small bonus, whose split payment in shares or deferred payments would determine insignificant amounts. In view of the above:

- a **threshold of significance of the variable component**[48] of **Euro 40,000** per year has been established for the III and V clusters of the Identified Staff, and below which every payment is made entirely in cash / up-front;
- for the IV Cluster (**Widiba financial advisors**), the aforementioned threshold is **raised to Euro 70,000** per year, since their average remuneration is higher on the whole, against lower risk taking;
- there is no **threshold of significance of the variable component** for the II cluster of Identified Staff (so that any amount paid as variable remuneration is subject to deferral and balancing in money and shares).

These thresholds, which are not applied in the case that the above-mentioned amount is greater than 50% of the gross annual basic salary received by the Identified Staff member, are deemed appropriate to avoid excessive risk taking by employees, considering that the Bank has decided to adopt a generally prudent 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).

Lastly, the amounts in financial instruments will be paid in the form of treasury shares (see paragraph 10.2.7) subject to shareholders' meeting resolutions approving their plan of use to service the severance payments for the Montepaschi Group staff, with authorisation to make orders transferring their own shares pursuant to article 2357 and 2357-*ter* of the Civil Code[49].

[48] The threshold does not apply to severance pay, for which the provisions set forth in Section II apply.
[49] The Widiba financial advisors who are Identified Staff in the Group are an exception to this, and the provisions of paragraph 10.2.7 apply to them.

10.2.4 Variable components in the remuneration of the remaining personnel - basic rules

For all of the **other personnel** not included in the Identified Staff perimeter, the **maximum percentage of the variable component in relation to the fixed component** is **50%.**

The malus and claw back rules pursuant to the paragraph above also apply to staff who are not included in the Identified Staff perimeter (if there are any deferred payments).

The Bank does not apply said limit in the case of business figures, who - on the market - have an atypical variable remuneration structure (e.g. remuneration associated with commission income). With regard to the **Widiba** network of financial advisors, given the specificity of the relative remuneration system, essentially divided into recurring fees based on volumes managed/under administration and non-recurring components, please refer to paragraph 7.5.2 and paragraph 7.5.3.

10.2.5 Variable incentive instruments in 2019

In view of the financial constraints resulting from the Bank's restructuring plan, it is deemed that the conditions for activating the Performance Related Bonus and MBO systems in the current year are not present.

Even if the conditions were met, prevailing law rules out the possibility of defining said systems during the course of the year.

10.2.6 Other variable management instruments in 2019

The variable instruments for management purposes are:

- **contest, one-off payment, retention bonus, entry bonus,** to be paid on an exceptional basis upon hire, in accordance with the terms and conditions described in paragraph 7.3.4;
- **non-compete covenants** for specific business figures after they start their jobs in accordance with the terms and conditions described in paragraph 7.3.4;
- other attributions linked to permanence with the company (such as **extended notice agreements /stability pacts**) in accordance with the terms and conditions described in paragraph 7.3.4;
- any **severance** to be recognised in the event of early termination of employment contracts according to the terms and conditions described in Section II below.

These instruments will be implemented within the scope of the overall provided for 2019 payroll for variable components (bonus pool), determined in accordance with the regulations of the supervisory provisions and with the rules established with respect to banks that benefit from state aid (see section V, paragraph 1 of Bank of Italy Circular no. 285/2013).

The disbursement of these instruments, also functional to assure structural savings on labour costs, is undertaken on the basis of specific, pre-established and well documented decision-making processes, in accordance with the current regulatory framework[50] and taking into consideration any indications that may be received from the competent authorities.

[50] With payment being made, among other things, only if compatible with capital and liquidity levels sufficient to cope with the Bank's activities and subject to clawback mechanisms (including Identified staff) as per par. 8.2.as well as, in the case of deferral, malus mechanisms envisaged in paragraphs 10.2.3. and 10.2.4.

10.2.7 Financial instruments to service variable remuneration payment

On the basis of the Supervisory Provisions in the Bank of Italy Circular no. 285/2013, the Group is required to use shares or related instruments to pay a percentage of any variable remuneration disbursement to Identified Staff (see paragraph 10.2.3), (known as balancing). Obligations that may arise in 2019, for which, in view of the remuneration policies defined for 2019 may refer exclusively to possible severance pay, the Bank will use its treasury shares, subject to approval by the Shareholders' Meeting of a plan for the use of treasury shares, information regarding which is provided in the informational report published on the website www.gruppomps.it – Corporate Governance – Shareholders meeting and BoD.

Widiba (based on a resolution of the relative competent bodies) may use - within the scope of financial instruments to be used for the payment of the variable remuneration of the financial advisors included in the Group's Identified Staff - treasury shares or in any event financial instruments linked to the value of treasury shares. Widiba may use instruments index-linked to their value and on which the interested parties may have, with their actions, a more direct and immediate impact. These instruments will be converted, with the methods and timing defined by legislative and regulatory provisions, into a specific value in cash correlated with the performance of Widiba shares. The value of such financial instruments shall be calculated based on an appraisal (conducted on a half-yearly basis) by an independent third party.

SECTION II: CRITERIA FOR THE DETERMINATION OF COMPENSATION TO BE AWARDED IN THE EVENT OF EARLY TERMINATION OF EMPLOYMENT AND RELATED LIMITS

As specified in chapter 6 of Section I "Remuneration of directors and statutory auditors", no pre-determined compensation is foreseen for directors in the event of termination of their office.

Payments for employment termination, in addition to the post-employment benefits established by general law on the work relationship and advance notice (by law and collective labour agreement), and not determined by a competent third party such as a judicial authority and/or arbitration authority (the **severance**), is quantified and paid out by the Bank in accordance with the regulatory framework in force at the time, in application of the criteria described below, and always with respect and in pursuit of the best interests of the Company.

Severance pay can only be given by the Bank in the case of a termination of employment at the company's discretion without just cause, and not in the case 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;
- performance (not including risks) and the liquidity and capital levels of the Bank;
- professional contribution provided to the Company and performance of the beneficiary (not including risks) in relation to expectations; individual conduct and alignment to values, in the corporate interest and in relation to risk; effective integration in the context and dynamics of the company;
- reasons for the decision to terminate employment (also with reference to the notions of just cause and justification according to parameters in force at the time) in relation to the risk of dispute which the employee may initiate as regards 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 among themselves, and always in pursuit of the best interests of the Company.

Overall, **the number of months related to notice and to severance payment, 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 (and never occurred recently for the Identified Staff), when required in the interests of the company, deviation from the above-mentioned amount is not excluded within the limit represented by the maximum number of months due, at the time of the resolution, as supplementary indemnity according to the collective agreement in force at the time. This may only take place 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 by the Remuneration Committee and approved by the Board of Directors.

The number of months related to notice and severance pay are calculated considering the mandatory criteria of the law and the collective labour agreement, i.e. 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)[51], which together also incorporate the performance demonstrated by the interested

[51] Considering the request, formulated in the Supervisory Provisions, to set out the limits of severance also in terms of the annual payments of fixed remuneration and maximum amount resulting from their application, it should be noted that:

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.

If, after a careful assessment of the cost/benefit ratio in the broader area of the individual negotiations, it is considered useful to pursue the goals regarding the payment of severance pay, this [52]is generally calculated in accordance with the following formula:

Requirements:

1. Both at Group level and the level of individual companies, compliance with the limits on the variable distributions provided by the Supervisory Provisions in application of article 141 of the CRDIV Directive, or if these limits are not complied with, presence of a positive *Maximum Distributable Amount*;
2. No compliance breaches for the potential beneficiary (see to that end, paragraph 8.2) which is serious enough to justify dismissal from the job[53];

- 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 value of fringe benefits), with the result that the above-mentioned limit of 24 months' salary does not diverge significantly from two annual payments of fixed remuneration. However, in the case – today entirely theoretical – of a manager who in the three years preceding termination receives a bonus totalling the maximum feasible amount, currently determined by the Bank (for a selected number of interested parties, see paragraph 7.3), at 100% of the fixed remuneration, the 24 months of maximum severance could incorporate these average bonuses, reaching therefore a larger amount in terms of annual payments of fixed remuneration;
- the maximum amount resulting from the application of the afore-stated limits is equal to the highest contractual monthly remuneration recognised from time to time, multiplied by the maximum number of recognisable monthly payments (possibly increased by the number of months of duration of the non-compete clause, in the applicable cases).

[52] Subject to the exception provided for under paragraph 2.2.3, Section III of the new Supervisory Provisions upon the occurrence of which - in compliance with the provisions of the above-mentioned Supervisory Provisions - the provisions regarding severance pay pursuant to this Section II do not apply.

[53] If a less serious compliance breach is found, the severance pay will be reduced (at a different percentage on the basis of the degree of materiality of the compliance breach) according to the provisions of the internal procedure on compliance breaches at the approval stage (see paragraph 8.2).

Factors determining the number of months to be awarded:

Evaluation factors	Criteria	Number of months
Company seniority	Up to 2 years	0
	Up to 6 years	1
	Up to 10 years	2
	Up to 15 years	3
	Over 15 years	5
Relevance and complexity of the position covered (*grade*)	Up to Grade 12	0
	Grades 13 and 14	1
	Grades 15 and 16	2
	Grades 17 and 18	3
	Grade 19 and over	5
Age	Up to 40	0
	Up to 45	1
	Up to 55	2
	Over 55 and until pension entitlement	1
	Beyond the right to a pension	0
Individual performance	Low	-2
	Average	2
	High	6
Risk of legal disputes	None/low	0
	Medium	2
	High	4
Performance of the Bank, net of risks, with specific reference to the liquidity and capital levels of the Bank, in line with the RAF for the period	YES	0
	NO	-2
Impact on the contractual remuneration of being subject to a salary cap	Irrelevant	0
	Low	1
	Medium	2
	High	4

In consideration of the presence of State aid, all the parameters indicated above have been defined with a view towards containing costs and calculating them in a prudential manner.

With regard to staff who have foreign employment contracts, the formula will be applied to the extent that it is compatible with the specific local regulations that apply.

In compliance with the Supervisory Provisions, severance pay, where calculated on the basis of the formula indicated above, within the scope of an agreement aimed at settling a current or potential dispute, will not form part of the calculation of the maximum ratio between the variable and the fixed remuneration.

A **non-compete clause,** agreed upon with the individual managers for the period subsequent to employment termination, may be added to the aforementioned limits, should they reflect an actual and demonstrable business interest (subject to the provisions of the paragraph below). This payment is determined in compliance with article 2125 of the Italian Civil Code - based on the perimeter of the enforced restrictions set forth in the agreement (in terms of subject matter, duration and territory) and, in all cases, it may not exceed, as a maximum limit, the amount of the total annual remuneration paid to the manager calculated on the basis of the duration of the agreement.

In accordance with the Supervisory Provisions, the non-compete clause:

- is not subject to the provisions of this Section for the amount that does not exceed the last yearly fixed remuneration payment to the beneficiary;

- on the other hand, is subject to the provisions of this Section for the amount that exceeds the last yearly fixed remuneration, but is excluded from the calculation of the limit to the ratio between the variable and fixed remuneration for the portion that, for each year the agreement lasts, does not exceed the last yearly fixed remuneration payment to the beneficiary.

The severance is paid with a method consistent with the regulatory provisions applicable at that time and subject to ad hoc ex-post correction mechanisms (malus and claw back), which are set forth in the exit agreements to cover, inter alia, against fraudulent or gross negligent misconduct that may be detrimental to the Bank and the Group[54] (and, in any way, defined consistently, on the one hand, with the regulatory framework and on the other with the peculiar nature and characteristics of the severance).

[54] In accordance with the Supervisory Provisions – Section III – paragraph 2.2.3 Exceptions: "The rules provided by paragraphs 1, 2.1, 2.2.1 and 2.2.2 of this Section do not apply to:

- golden parachutes pursuant to paragraph 7.3.3 agreed as part of extraordinary transactions (for example mergers) or company restructuring processes provided that they fulfil both the following conditions:
  - they respond exclusively to a logic of containment of company costs and rationalisation of staff;
  - they do not exceed Euro 100,000;
  - they provide for clawback mechanisms that at least cover fraudulent behaviour or gross negligence to the damage of the Bank;
- redundancy incentives, also related to extraordinary transactions (for example mergers) or company restructuring processes and not paid to identified staff provided that the following conditions are fulfilled:
  - they respond exclusively to a logic of containment of company costs and rationalisation of staff;
  - they encourage people to agree to support the measures provided for by law and collective contracts, for all employees;
  - they do not produce ex ante distortive effects on staff behaviour;
  - they provide for clawback mechanisms that at least cover fraudulent behaviour or gross negligence to the damage of the Bank".

SECTION III

This section analytically illustrates the remuneration paid or in any case assigned in 2018 financial year to the Directors, Statutory Auditors and Managers with strategic responsibilities (pursuant to article 123-*ter* of the TUF), as set forth in article 84-*ter* of the Issuers' Regulations, as well as data regarding the Identified Staff, pursuant to the Supervisory Regulations.

In this regard, it should be noted that Consob imposes the obligation to report payments made to those subjects who have held, during the year or a fraction thereof, the office of Director, General Manager or Managers with strategic responsibilities.

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

List of the information included in this Section:

Tables	Contents	Authorities
Table 1	Remuneration paid to the Members of the Board, Statutory Auditors, General Managers, Deputy General Managers and other Managers with strategic responsibilities.	Consob
Table 3A	Remuneration plans based on financial instruments, other than stock options, for members of the Board of Directors, the General Manager, the Deputy General Managers and other Managers with strategic responsibilities.	Consob
Table 3B	Monetary incentive plans in favour of Members of the Board, Statutory Auditors, General Managers, Deputy General Managers and Managers with Strategic responsibilities.	Consob
Schedule 7-*ter*	Shareholdings of the Members of the Board of Directors and Statutory Auditors, General Managers, Deputy General Managers and Managers with Strategic responsibilities.	Consob
Statement A	Quantitative information on the remuneration of "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).
Dati riferiti al periodo 1/1 - 31/12/2018

Name and Surname	Office	Period for which office was held	Termination of office	Fixed remuneration	Remuneration for the participation in committees	Non equity variable pay		Non monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other	Profit sharing					
BARIATTI Stefania	**Chairperson**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				90,000.00	20,000.00 *(1)*	-	-	2,250.00	-	112,250.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**90,000.00**	**20,000.00**	**-**	**-**	**2,250.00**	**-**	**112,250.00**	**-**	**-**
TURICCHI Antonino	**Deputy Chairman**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00 *(2)*	25,000.00 *(2)*	-	-	2,250.00	-	92,250.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**25,000.00**	**-**	**-**	**2,250.00**	**-**	**92,250.00**	**-**	**-**
MORELLI Marco	**CEO**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				-						-		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				-		-	-		-	-		
CAPALDO Giuseppina	**Director**	1.1 - 04.05.2018										
(i) Fees in the company that prepares the Financial Statements				22,208.00	8,542.00 *(3)*	-	-	2,250.00	-	33,000.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**22,208.00**	**8,542.00**	**-**	**-**	**2,250.00**	**-**	**33,000.00**	**-**	**-**
CAPPELLO Maria Elena	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	30,861.00 *(4)*	-	-	2,250.00	-	98,111.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**30,861.00**	**-**	**-**	**2,250.00**	**-**	**98,111.00**	**-**	**-**
CASALI Roberta	**Director**	12.07 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				30,694.00	6,208.00 *(5)*	-	-	1,526.00	-	38,428.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**30,694.00**	**6,208.00**	**-**	**-**	**1,526.00**	**-**	**38,428.00**	**-**	**-**
GIORGINO Marco	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	32,070.00 *(6)*	-	-	2,250.00	-	99,320.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**32,070.00**	**-**	**-**	**2,250.00**	**-**	**99,320.00**	**-**	**-**
KOSTORIS Fiorella	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	25,000.00 *(7)*	-	-	2,250.00	-	92,250.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**25,000.00**	**-**	**-**	**2,250.00**	**-**	**92,250.00**	**-**	**-**

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

(1) Stefania Bariatti, amounts recognised for the participation in board committees:
(2) Antonino Turicchi, fixed remuneration deposited to MEF
Amounts recognised for the participation in board committees:
€ 10,000 for the participation in the "Nomination Committee"
€ 15,000 for the participation in the "Remuneration Committee"
(3) Giuseppina Capaldo, amounts recognised for the participation in board committees:
€ 5,125 for the participation in the "Nomination Committee"
€ 3,417 for the participation in the "Related Party Transactions Committee"
(4) Maria Elena Cappello, amounts recognised for the participation in board committees:
€ 12,069 for the participation in the "Nomination Committee"
€ 14,653 for the participation in the "Risk Committee"
€ 4,139 for the participation in the "Remuneration Committee"
(5) Roberta Casali, amounts recognised for the participation in board committees:
€ 6,208 for the participation in the "Risk Committee"
(6) Marco Giorgino, amounts recognised for the participation in board committees:
€ 19,139 for the participation in the "Risk Committee"
€ 12,931 for the participation in the "Remuneration Committee"
(7) Fiorella Kostoris, amounts recognised for the participation in board committees:
€ 12,069 for the participation in the "Remuneration Committee"
€ 12,931 for the participation in the "Related Party Transactions Committee"

Name and Surname	Office	Period for which office was held	Termination of office	Fixed remuneration	Remuneration for the participation in committees	Non equity variable pay		Non monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other	Profit sharing					
LANCELLOTTI Roberto	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	16,208.00 *(8)*	-	-	2,250.00	-	83,458.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**16,208.00**	**-**	**-**	**2,250.00**	**-**	**83,458.00**	**-**	**-**
MAIONE Nicola	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	20,000.00 *(9)*	-	-	2,250.00	-	87,250.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**20,000.00**	**-**	**-**	**2,250.00**	**-**	**87,250.00**	**-**	**-**
PETRUCCIOLI Stefania	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	27,070.00 *(10)*	-	-	2,250.00	-	94,320.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**27,070.00**	**-**	**-**	**2,250.00**	**-**	**94,320.00**	**-**	**-**
PIAZZOLLA Salvatore Fernando	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	10,000.00 *(11)*	-	-	2,250.00	-	77,250.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**10,000.00**	**-**	**-**	**2,250.00**	**-**	**77,250.00**	**-**	**-**
RICCABONI Angelo	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	27,069.00 *(12)*	-	-	2,250.00	-	94,319.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**27,069.00**	**-**	**-**	**2,250.00**	**-**	**94,319.00**	**-**	**-**
SANTORO Michele	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	15,861.00 *(13)*	-	-	2,250.00	-	83,111.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**15,861.00**	**-**	**-**	**2,250.00**	**-**	**83,111.00**	**-**	**-**
VALERIO Giorgio	**Director**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	11,223.00 *(14)*	-	-	2,250.00	-	78,473.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**11,223.00**	**-**	**-**	**2,250.00**	**-**	**78,473.00**	**-**	**-**

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

(8) Roberto Lancellotti, amounts recognised for the participation in board committees:
€ 6,208 for the participation in the "Risk Committee"
€ 10,000 for the participation in the "Remuneration Committee"
(9) Nicola Maione, amounts recognised for the participation in board committees:
€ 10,000 for the participation in the "Remuneration Committee"
€ 10,000 for the participation in the "Related Party Transactions Committee"
(10) Stefania Petruccioli, amounts recognised for the participation in board committees:
€ 4,139 for the participation in the "Nomination Committee"
€ 8,792 for the participation in the "Risk Committee"
€ 4,139 for the participation in the "Related Party Transactions Committee"
€ 10,000 for the participation in the "Organismo di Vigilanza" Committee
(11) Salvatore Piazzolla, amounts recognised for the participation in board committees:
€ 10,000 for the participation in the "Nomination Committee"
(12) Angelo Riccaboni, amounts recognised for the participation in board committees:
€ 15,000 for the participation in the "Risk Committee"
€ 12,069 for the participation in the "Related Party Transactions Committee"
(13) Michele Santoro, amounts recognised for the participation in board committees:
€ 5,861 for the participation in the "Remuneration Committee"
€ 10,000 for the participation in the "Related Party Transactions Committee"
(14) Giorgio Valerio, amounts recognised for the participation in board committees:
€ 11,223 for the participation in the "Nomination Committee"

Name and Surname	Office	Period for which office was held	Termination of office	Fixed remuneration	Remuneration for the participation in committees	Non equity variable pay		Non monetary benefits (*)	Other remuneration	Total	Fair value of the equity remuneration	Severance pay
						Bonuses and other	Profit sharing					
CENDERELLI Elena	**Chairperson of the Board of Statutory Auditors**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				80,000.00	-	-	-	2,250.00	-	82,250.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**80,000.00**	**-**	**-**	**-**	**2,250.00**	**-**	**82,250.00**	**-**	**-**
SALVADORI Paolo	**Statutory Auditor**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	-	-	-	2,250.00	-	67,250.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**-**	**-**	**-**	**2,250.00**	**-**	**67,250.00**	**-**	**-**
FANTINI Raffaella	**Statutory Auditor**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				65,000.00	-	-	-	2,250.00	-	67,250.00		
(ii) Fees from subsidiaries and affiliates										-		
(iii) Total				**65,000.00**	**-**	**-**	**-**	**2,250.00**	**-**	**67,250.00**	**-**	**-**
MORELLI Marco *(ruolo di Direttore Generale)*	**General Manager**	1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				466,249.94				22,578.40		488,828.34		
(ii) Fees from subsidiaries and affiliates												
(iii) Total				**466,249.94**	**-**	**-**	**-**	**22,578.40**	**-**	**488,828.34**	**-**	**-**
DEPUTY GENERAL MANAGERS		1.1 - 30.04.2018										
(i) Fees in the company that prepares the Financial Statements				310,833.30				17,191.53		328,024.83		882,000.00 *(15)*
(ii) Fees from subsidiaries and affiliates									18,547.95 *(16)*	18,547.95		
(iii) Total				**310,833.30**	**-**	**-**	**-**	**17,191.53**	**18,547.95**	**346,572.78**	**-**	**882,000.00**
MANAGERS WITH STRATEGIC RESPONSIBILITY		1.1 - 31.12.2018										
(i) Fees in the company that prepares the Financial Statements				4,724,171.19		-		252,944.16		4,977,115.34		381,000.00 *(17)*
(ii) Fees from subsidiaries and affiliates									353,814.92 *(18)*	353,814.92		
(iii) Total				**4,724,171.19**	**-**	**-**	**-**	**252,944.16**	**353,814.92**	**5,330,930.27**	**-**	**381,000.00**

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

(15) Total amount, including notice for the early termination of employment of 2 Managers

(16) Amounts paid by subsidiaries and deposited to Banca MPS SpA

(17) Total amount, including notice for the early termination of employment of 1 Manager

(18) of which €303,815 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 - 31/12/2018)

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
(I) Compensation in the company that prepares the Financial Statements		Plan A	/ /	-	/ /	-	-	/ / -	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total							-						-	-
(I) Compensation in the company that prepares the Financial Statements		Plan A	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total							-						-	-
(I) Compensation in the company that prepares the Financial Statements		Plan A	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan B	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
		Plan C	/ /	-	/ /	-	-	/ /	/ /	-	-	-	-	-
(III) Total							-						-	-

No plans activated or paid out

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 - 31/12/2018)

No plans activated or paid out

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	
(I) Compensation in the company that prepares the Financial Statements		Plan A	/ /	-	-	/ /	-	-	-	-
		Plan B	/ /	-	-	/ /	-	-	-	-
		Plan C	/ /	-	-	/ /	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	-	/ /	-	-	-	-
		Plan B	/ /	-	-	/ /	-	-	-	-
		Plan C	/ /	-	-	/ /	-	-	-	-
(III) Total				-	-		-	-	-	-
(I) Compensation in the company that prepares the Financial Statements		Plan A	/ /	-	-	/ /	-	-	-	-
		Plan B	/ /	-	-	/ /	-	-	-	-
		Plan C	/ /	-	-	/ /	-	-	-	-
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	-	/ /	-	-	-	-
		Plan B	/ /	-	-	/ /	-	-	-	-
		Plan C	/ /	-	-	/ /	-	-	-	-
(III) Total				-	-		-	-	-	-
(I) Compensation in the company that prepares the Financial Statements		Plan A	/ /	-	-	/ /	-	-	-	-
		Plan B	/ /	-	-	/ /	-	-	-	-
		Plan C	/ /	-	-	/ /	-	-	-	
(II) Compensation from subsidiaries and affiliates		Plan A	/ /	-	-	/ /	-	-	-	-
		Plan B	/ /	-	-	/ /	-	-	-	-
		Plan C	/ /	-	-	/ /	-	-	-	-
(III) Total				-	-		-	-	-	-

Chart 7 - ter - Table 1: SHAREHOLDING BY MEMBERS OF THE BOARD OF DIRECTORS, BOARD OF STATUTORY AUDITORS AND GENERAL MANAGERS (31 dicembre 2018)

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 (*)
Bariatti Stefania	CHAIRPERSON	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Morelli Marco	CEO	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Turicchi Antonino	DEPUTY CHAIRMAN	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Cappello Maria Elena	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Casali Roberta	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Giorgino Marco	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Kostoris Fiorella	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Lancellotti Roberto	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Maione Nicola	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Petruccioli Stefania	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Piazzolla Salvatore Fernando	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Riccaboni Angelo	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Santoro Michele	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Valerio Giorgio	DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Capaldo Giuseppina	EX DIRECTOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Cenderelli Elena	CHAIRPERSON OF THE BOARD OF STATUTORY AUDITORS	Banca Monte dei Paschi di Siena SpA	=	=	=	
Salvadori Paolo	STANDING AUDITOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Fantini Raffaella	STANDING AUDITOR	Banca Monte dei Paschi di Siena SpA	72	=	=	72
Monarca Daniele Federico	ALTERNATE AUDITOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=
Silvestri Carmela Regina	EX STANDING AUDITOR	Banca Monte dei Paschi di Siena SpA	=	=	=	=

Chart 7 - ter - Table 2: Shareholding in MPS held by Managers with Strategic Responsibilities (Consob) (31 December 2018)

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 (*)
24	Banca Monte dei Paschi di Siena SpA	1,404	[1]	=	=	1,275

Of which in office as at 31/12/2017

17	Banca Monte dei Paschi di Siena SpA	246		=	=	246

[1] *of which 123 held by family members*

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)*		-	-	-	-	-
Other managers with executive positions	-	-	-	-	-	-	-
Non-executive managers	26	1,686,101	-	-	-	-	-
General Manager	1 *(1)*	466,250	-	-	-	-	-
Deputy General Manager	2	348,286	-	-	-	-	882,000 *(2)*
Division Heads, Corporate functions, Geographical Area Heads and those who report directly to the corporate bodies	89	15,854,614	704,546 *(3)*	-	68,308 *(4)*	-	1,991,018 *(5)*
Managers and personnel in charge of the internal control functions	27	3,824,120 *(6)*	11,667 *(7)*	-	-	-	233,000 *(8)*
Other staff who individually or collectively take on significant risks	87	7,068,613	48,908 *(7)*	-	-	-	193,788 *(9)*
Highly paid employees and collaborators not included in the criteria above	28	5,310,136	291,728 *(3)*	-	128,031 *(4)*	-	929,270 *(10)*

(*) *Does not include the amount of €422.656, including notice, related to the termination of the employment of 4 Managers, which took place before the definition of the Identified Staff perimter reported in this table, previously included in the Identified Staff perimeter, (max amount €216.250)*
(1) Mr. Marco Morelli holds both the positions of CEO and General Manager;
(2) Total amount, including notice, related to the termination of employment of 2 Managers (max amount €443,000);
(3) Amounts relating to the non-recurring component of total remuneration awarde to the Financial Advisors within the Identified Staff perimeter and, on a residual basis, attributions linked to stability pacts with the company;
(4) Amounts relating to the non-recurring component of total remuneration awarde to the Financial Advisors within the Identified Staff perimeter;
(5) Total amount, including notice, related to the termination of employment of 7 Managers (max amount €431,745);
(6) Includes the position-related allowance for "Control Functions";
(7) Attributions linked to stability pacts with the company
(8) Total amount, including notice, related to the termination of employment of 1 Manager;
(9) Total amount, including notice, related to the termination of employment of 2 Managers (max amount €128,788);
(10) Total amount, including notice, related to the termination of employment of 3 Managers (max amount €523,810);