MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Protocollo Sisifo: **05C09D8EA8**

Siena, 07/12/2018

FUNZIONI COMPILATRICI:
Settore Capital Planning - Servizio Pianificazione - MPS

Proposta per:
Consiglio Di Amministrazione - MPS

OGGETTO:

Resolution Plan – Documentazione per invio SRB

Indice degli allegati:
1) Allegato 1 – GMPS BRRD Resolution Plan
2) Allegato 2 – GMPS BRRD Separability
3) Allegato 3 - GMPS BRRD Resolution Strategy

1. MOTIVAZIONE

- Come già comunicato a codesto Consiglio di Amministrazione nella seduta del 9 novembre u.s., la Banca ha intrapreso un percorso di adeguamento alla BRRD in ottemperanza alle richieste dell'Autorità di Risoluzione (*Single Resolution Board* o "SRB"), ricevute mediante la *Communication Letter* del 24 aprile 2018 e dal successivo piano, concordato con lo stesso in data 3 luglio 2018.

- In tale contesto viene individuata la necessità di approvare taluni elementi di natura strategica (cfr. Allegato 2 e Allegato 3) che dovranno essere indirizzati a SRB entro e non oltre il 31/12/2018 al fine di ottemperare a quanto previsto dal piano.

- La presente proposta ha, quindi, lo scopo di illustrare i documenti di natura strategica relativi al progetto di adeguamento alla BRRD per il Gruppo Montepaschi e di sottoporre gli stessi ad approvazione, ai fini dell'invio al Regolatore, in ossequio alla *Bank Recovery* and *Resolution Directive* (BRRD).

- La documentazione si compone di:

  - presentazione (cfr. Allegato 1) che illustra in modo completo, ma in forma sintetica, i contenuti dei documenti relativi ai cantieri "*Separability*" e "*Resolution Strategy*";

  - un documento di analisi della *Separability* del Gruppo (cfr. Allegato 2) che identifica tutti gli eventuali ostacoli operativi/finanziari/IT legati alla trasferibilità di qualsiasi attività/entity in caso di risoluzione;

  - un documento di assessment della *Resolution Strategy* (cfr. Allegato 3) che valuta possibili "*Alternative Resolution Strategy*" rispetto alla *Preferred Resolution Strategy*, identificata da SRB nel *bail-in* e comunicata al Gruppo Montepaschi.

2. ELEMENTI CHIAVE DELLA DECISIONE DA ASSUMERE

- In data 15 novembre 2018 è stato presentato a SRB l'approccio adottato dalla Banca in merito alle analisi in ambito resolution *strategy* e *separability*. L'analisi condotta dalla Banca attraverso un modello di *scoring* ha confermato che lo strumento del bail-in, già individuato dal SRB, risulta essere la strategia di risoluzione preferibile (cd. Preferred Resolution Strategy) nell'ottica di garantire una risoluzione ordinata. Tale analisi, unitamente alle conclusioni emerse nell'ambito della separability sono state formalizzate all'interno di un documento da inviare al Regolatore entro il 31.12.2018.

- Sulla base delle richieste di SRB di individuare i principali impedimenti all'applicazione di uno degli strumenti di risoluzione di *separability* (*sales of business, bridge bank e asset separation*) in considerazione di ambiti di natura operativa, IT, legale e finanziaria si evidenzia, in sintesi, che i principali impedimenti rilevati riguardano: (i) l'accentramento presso la Capogruppo dei servizi critici (aspetti operativi) e (ii) le tempistiche necessarie ad una migrazione dei sistemi IT. Si fa inoltre presente che una *Preferred Resolution Strategy* orientata verso il *bail-in* ridurrebbe la necessità di effettuare interventi atti alla rimozione dei suddetti impedimenti.

- Viste le tematiche di natura strategica, si è ritenuto opportuno sottoporre a codesto Consiglio di Amministrazione la documentazione per una sua preventiva approvazione all'invio.

3. INFORMAZIONI RILEVANTI

- Gli interventi richiesti da SRB e concordati durante il *Workshop* del 3 luglio 2018 riguardano principalmente l'identificazione di tutti gli eventuali ostacoli operativi/finanziari/IT legati alla trasferibilità di qualsiasi attività/*entity* in caso di risoluzione ("*Separability*"). In considerazione delle peculiarità necessarie ad assolvere una risoluzione ordinata all'interno del c.d. "*Resolution Weekend*" si elencano di seguito i principali impedimenti emersi dall'analisi di *Separability*:

  - **Impedimenti Operativi**

    Principalmente derivano dall'accentramento presso la Capogruppo dei servizi critici. In particolare, le difficoltà operative possono derivare dalla presenza di servizi forniti in accentrato dalla Capogruppo alle società del Gruppo (i.e. strutture di controllo, servizi contabili e amministrativi); in caso di avvio della risoluzione attraverso uno strumento di *separability*, sarebbe necessario suddividere le strutture accentrate per rendere autonome le società (o i rami di azienda) che vengono separate. Inoltre, le interconnessioni alla base del funzionamento delle funzioni critiche potrebbero essere altresì considerate come ostacoli all'applicazione degli strumenti di risoluzione (i.e. "Assistenza Internet

Banking e Mobile Banking" fornito in *outsourcing* da Bassilichi SPA, la "Prestazione di servizi di gestione di carte di pagamento" fornito in *outsourcing* da Nexi SPA, il "contratto per la fornitura di Servizi IT" fornito dal COG). Ulteriore complessità viene riscontrata per le *Material Legal Entity* ("MLE": MPS Capital Services Banca per le Imprese S.p.A., Monte dei Paschi di Siena Leasing & Factoring S.p.A. e Widiba Wise Dialog Bank S.p.A. e Consorzio Operativo di Gruppo) ove si riscontrano, anche in tal caso, la presenza di servizi accentrati presso la Capogruppo riguardanti, in particolare, le Funzioni di Controllo.

- **Impedimenti IT**

  Le tempistiche necessarie ad una migrazione dei sistemi IT non risultano *compliant* con i tempi richiesti dal SRB che prevede la migrazione dei sistemi informativi nell'arco di un fine settimana (cd. "*Resolution week-end*"). La presenza di FMI (*Financial Market Infrastructures*), inoltre, non immediatamente sostituibili a supporto del funzionamento di *critical functions* e *core business lines* potrebbe essere motivo di ulteriore complessità nell'applicazione degli strumenti di risoluzione (i.e. la piattaforma Target2 è cruciale per i servizi inerenti alla liquidità).

- **Impedimenti Legali:**

  Da tale punto di vista dell'analisi, non emergono particolari impedimenti alla *Separability*. Particolari criticità sarebbero nate qualora fossero stati rilevati, durante le analisi, accordi infragruppo (i.e. "Patti Para-sociali") tra le entità. Tuttavia, nella ricerca di una possibile *Alternative Resolution Strategy*, bisogna considerare che la configurazione come Gruppo bancario, la presenza di MLE, di *critical functions* all'interno delle stesse e/o di *branches* soggette ad impianti giuridici differenti (i.e. extra-EU) potrebbero essere fonte di ritardi nelle tempistiche di esecuzione degli strumenti di risoluzione (i.e. in ottica *sale of business*, la gestione della vendita di più MLE risulta più complessa rispetto alla fattispecie in cui fosse presente una sola MLE).

- **Impedimenti Finanziari:**

  Nessun ostacolo finanziario è stato rilevato. Un punto di attenzione potrebbe riguardare la presenza dell'accordo di liquidità ("*Liquidity waiver*") tra le entità del Gruppo e la Capogruppo. La decadenza dell'accordo, a seguito dell'eventuale entrata in risoluzione dell'ente, potrebbe generare una carenza di liquidità per le società controllate del Gruppo mettendo a rischio la continuità operativa.

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- Coerentemente con quanto sino ad ora riportato ed in ottemperanza a quanto richiesto da SRB, il Gruppo ha condotto un'analisi tesa a valutare la *Preferred Resolution Strategy* (ed una potenziale *Alternative Resolution Strategy*). L'analisi è stata condotta attraverso un modello di *scoring* che somma i risultati rivenienti dai due principali macro driver utilizzati:

  - ***Idiosincratico***: analizza dal punto di vista del Gruppo gli impedimenti alla risoluzione (coerenti con le analisi effettuate in tema *Separability*);
  - ***Macroeconomico***: analizza quelli che potrebbero essere gli impatti dell'applicazione dei *tool* sul sistema finanziario che dovrà gestire gli effetti della risoluzione.

- L'analisi ha confermato che lo strumento del *bail-in*, già individuato da SRB, risulti essere complessivamente la strategia di risoluzione preferibile per il Gruppo Montepaschi nell'ottica di garantire una risoluzione ordinata e compatibile coi tempi indicati dal *framework* regolamentare.

- Si fa presente che il Gruppo Montepaschi ha preventivamente illustrato a SRB il modello di scoring per la valutazione della *Preferred Resolution Strategy*. Per quanto non sia pervenuto un feed-back formale, SRB si è espresso in sede di presentazione con un sostanziale responso positivo circa la metodologia adottata, lasciandosi comunque un periodo di tempo per eventuali approfondimenti.

4. CONDIVISIONI/PARERI PREVENTIVI:

- L'approvazione da parte di codesto Consiglio di Amministrazione del documento di *Resolution Strategy*, e l'eventuale ritorno di SRB circa la solidità della metodologia e dei risultati raggiunti con particolare riguardo alla *Preferred Resolution Strategy* ed all'*Alternative Resolution Strategy* (*sale of business*), potrà permettere di valutare l'avvio delle attività propedeutiche a supportarne l'applicazione.
- I documenti oggi presentati, risultato del lavoro dei relativi omonimi cantieri di progetto (*Resolution Strategy*: Area Pianificazione, CdG e data Governance; *Separability*: Area Organizzazione) sono stati peraltro sottoposti all'attenzione del Comitato Direttivo nella seduta del 5 dicembre u.s.
- La memoria è stata sottoposta al parere preventivo del Comitato Rischi

Valutazione impatti contabili/ fiscali/ segnaletici/ di compliance L.262 (SI-NO):
☑ NO: Non esistono impatti contabili/ fiscali/ segnaletici/ di compliance L.262 che richiedano una preventiva analisi da parte delle funzioni preposte.

Parte Correlata o Soggetto Collegato (SI-NO):

☑ NO: La controparte non è individuata come parte correlata/soggetto collegato, a seguito degli opportuni controlli previsti dalla normativa interna in materia.

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L' Amministratore Delegato

PROPONE

al Consiglio Di Amministrazione di adottare la seguente delibera:

il Consiglio Di Amministrazione esaminata la proposta del 7 Dicembre 2018 redatta dal Servizio Pianificazione avente ad oggetto: " Resolution Plan – Documentazione per invio SRB ", riposta agli atti con il n. ____/2018, su proposta dell' Amministratore Delegato,

raccolto il parere favorevole del Comitato Rischi

DELIBERA

- di approvare i documenti presentati in tema di Resolution Strategy e Seprability
- di dare mandato all'Amministratore Delegato, con facoltà di sub-delega al CFO e al CRO in via disgiunta fra loro di i) inviare i documenti alle Autorità competenti entro il 31 dicembre 2018, ii)

apportare al medesimo set documentale eventuali modifiche formali e non sostanziali che dovessero rendersi necessarie ancorché solo opportune iii) compiere ogni altro atto o attività ritenuta necessaria ancorché solo opportuna, al fine del buon esito della presente delibera.

Allegato File: Allegato 1 - GMPS_BRRD Resolution Plan.pdf
Allegato File: Allegato 2 - GMPS BRRD Separability .pdf
Allegato File: Allegato 3 - GMPS BRRD Resolution Strategy.pdf

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Adeguamento BRRD - Resolution Plan Project - Fase 1

Resolution Strategy e Separability

Presentazione al Consiglio di Amministrazione

18 Dicembre 2018

Direzione Chief Financial Officer – Area Pianificazione

Agenda

Premessa e Obiettivo

PREMESSA

Al fine di ottemperare alle richieste dell' Autorità di Risoluzione (*Single Resolution Board – SRB*), il gruppo ha avviato una progettualità dedicata: *«Adeguamento Bank Recovery and Resolution Directive - Resolution Plan - FASE 1»*.

In tale ambito il Gruppo ha previsto due specifici cantieri dedicati alle analisi di natura strategica:

- il **cantiere «Separability»** propedeutico a rilevare i principali impedimenti di natura legale, finanziari, IT e operativi legati all'applicazione di un *tool* di *separability* (*sale of business, bridge bank, asset separation*);
- il **cantiere «Resolution Strategy» propedeutico a determinare una *«Variant Resolution Strategy»* alternativa alla «*Preferred Resolution Strategy (PRS)*» definita dal SRB ed individuata nel *Bail-In*** *(Rif.:* Lettera del 24 Aprile 2018 del SRB - *«Adoption for the Group Resolution Plan and Summary of the Key Elements for Monte dei Paschi di Siena»)*.

I risultati delle analisi sono stati raccolti all'interno di **due specifici *deliverable** che dovranno essere inviati al SRB entro il 31 Dicembre 2018.**

Visti i risvolti di natura strategica sul Gruppo, **il Progetto ha ritenuto opportuno richiedere l'approvazione al Consiglio di Amministrazione.**

OBIETTIVO

L'obiettivo del documento è **presentare al Consiglio di Amministrazione una sintesi dei principali punti di attenzione** emersi nell'ambito della progettualità *«Adeguamento Bank Recovery and Resolution Directive - Resolution Plan - FASE 1»* **in riguardo ai cantieri «Resolution Strategy» e «Separability»**.

* I *deliverable* oggetto di inoltro al regolatore:
- Cantiere Resolution Strategy: *Documento «GMPS_BRRD_Resolution_Strategy_122018»;*
- Cantiere Separability: *Documento «GMPS_BRRD_Separability_122018».*

Il Resolution Plan nel Gruppo MPS: Le Working Priorities

- Con la lettera del 24 Aprile 2018, pur non evidenziando impedimenti sostanziali alla risolvibilità del Gruppo, il SRB ha ravvisato alcuni profili di miglioramento e raccomanda una serie di *working priorities* (priorità operative) **al fine di implementare tutte le misure necessarie per rendere risolvibile il Gruppo.**

GOVERNANCE

- PREDISPOSIZIONE DI UN PIANO DI COMUNICAZIONE, COERENTE RISPETTO AL RECOVERY FRAMEWORK, VOLTO A REGOLARE LA COMUNICAZIONE CON GLI STAKEHOLDERS DEL GRUPPO PRIMA, DURANTE E POST APPLICAZIONE DELLA STRATEGIA DI RISOLUZIONE

RESOLUTION STRATEGY

FOCUS DEL DOCUMENTO

- **VALUTAZIONE POSSIBILI «VARIANT RESOLUTION STRATEGY» ALTERNATIVA ALLA PREFERRED RESOLUTION STRATEGY DEFINITA DAL SRB AL GMPS ED IDENTIFICATA NEL BAIL-IN**
- VALUTARE UN AUMENTO DEL BUFFER DI PASSIVITA' ELIGIBLE AL BAIL-IN

OPERATIONAL CONTINUITY

- ASSENZA DI CLAUSOLE POST TERMINATION CON IL COG
- MANTENERE GLI ACCESSI A QUEI FMI CHE, IN CASO DI RISOLUZIONE, GARANTIREBBERO LA CONTINUITÀ FINANZIARIA DELLE CRITICAL FUNCTION E DELLE CORE BUSINESS LINE

SEPARABILITY

FOCUS DEL DOCUMENTO

- **IDENTIFICAZIONE DI EVENTUALI OSTACOLI OPERATIVI/FINANZIARI /IT E LEGALI ALLA TRASFERIBILITA' DI QUALSIASI ATTIVITA'/ENTITY IN CASO DI RISOLUZIONE**

IT

- ASSICURARE LA CONTINUITÀ OPERATIVA ATTRAVERSO L'IDENTIFICAZIONE E LA RACCOLTA IN UN REPOSITORY AD HOC DI QUEI CONTRATTI DI SERVIZIO CHE, IN CASO DI RISOLUZIONE, GARANTIREBBERO LA CONTINUITÀ OPERATIVA DELLE CRITICAL FUNCTION

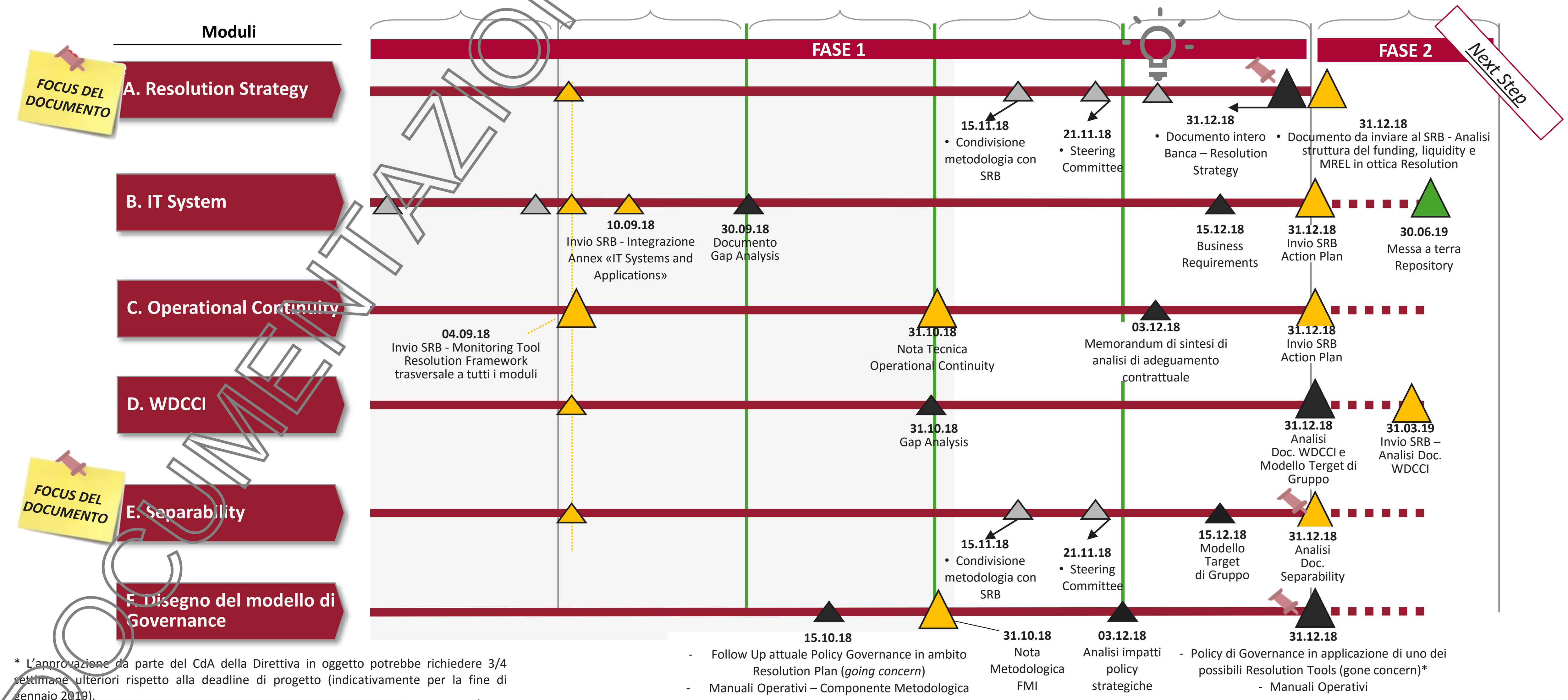
WDCCI/BAIL - IN

- VALUTARE UN EFFICIENTAMENTO DEGLI STRUMENTI DI MONITORAGGIO DELLA LIQUIDITÀ IN CASO DI CRISI E NELL'EVENTUALITÀ DELL'APPLICAZIONE DI UNA POSSIBILE STRATEGIA DI RISOLUZIONE
- ASSICURARE CHE LA CONTRATTUALISTICA CHE REGOLAMENTA LE OPERAZIONI DI RACCOLTA (INFRAGRUPPO ED ESTERNA) DEL GRUPPO NON IMPEDISCA O LIMITI LE STRATEGIE DI RISOLUZIONE

Deliverable oggetto di approvazione CdA del18.12

Il Resolution Plan nel Gruppo MPS: il Piano di Lavoro

- A seguito della ricezione della suddetta lettera il Gruppo ha avviato una progettualità composta dai seguenti cantieri.



* L'approvazione da parte del CdA della Direttiva in oggetto potrebbe richiedere 3/4 settimane ulteriori rispetto alla deadline di progetto (indicativamente per la fine di gennaio 2019).

Today | Deliverable oggetto di approvazione CdA | Principali Deliverable con invio a SRB | Principali Deliverable Interni Banca | Condivisione Work in progress Deliverable | Rilascio IT

Executive Summary (1/2)

- In data 15 Novembre 2018 è stato presentanto al SRB l'approccio adottato dalla Banca in merito alle analisi in ambito ***resolution strategy e separability***. **L'analisi condotta dalla Banca attraverso un modello di scoring ha confermato che lo strumento del Bail-In, già individuato dal SRB, risulti essere la strategia di risoluzione preferibile (Preferred Resolution Strategy - PRS)** nell'ottica di garantire una risoluzione ordinata. Tale analisi, unitamente alle conclusioni emerse nell'ambito della *separability,* ha anche evidenziato che il ***tool «sale of the business»*** **risulti essere la strategia di risoluzione alternativa** per il Gruppo **(Alternative Resolution Strategy – ARS)**.

Resolution tool	Caratteristiche	Strategia (i.e.)	Principali Impedimenti	Principali Impatti Sistemici	Scoring	Ranking
Sale of Business*	Il trasferimento dell'impresa o parte di essa a un terzo.	Reperire un compratore disposto a pagare il prezzo di mercato per l'Ente	**In considerazione del fatto che una Risoluzione ordinata dovrà essere applicabile entro il cd. *Resolution Weekend***, di seguito i principali impedimenti emersi dall'analisi di *separability*: Operativi: l'accentramento presso la Capogruppo dei servizi critici; IT: le dilatate tempistiche necessarie ad una migrazione dei sistemi IT non sono compliant ai tempi richiesti dal SRB (Resolution Weekend). Dal punto di vista finanziario e legale non emergono particolari impedimenti alla Separability	Non si rilevano particolari impatti di natura sistemica	6,32	ARS 2°
Bridge Bank*	Il trasferimento di asset di elevata qualità e alcune passività a una nuova banca, cosicché la nuova entità rimane good bank.	Preservare le Critical Functions e nell'eventualità liquidare a prezzi di mercato		La difficoltà di accedere ai mercati in una situazione di Risoluzione potrebbe minare la continuità operativa delle *Critical Function* del Gruppo e, data le presenza di quote di mercato** comprese tra il 10% e il 20% calcolate su base ragionale, comportare un impatto sul territorio.	6,36	3°
Asset Separation*	Gli asset di scarsa qualità sono trasferiti a una nuova entità (bad bank), lasciando gli asset di buona qualità nello Stato Patrimoniale .	Liquidare gli asset rimanenti all'interno dell'asset management vehicle			7,53	4°
Bail - in	Ricapitalizzazione interna	In assenza di strumenti di capitale sufficienti, applicare tassi di svalutazione maggiori alle passività	Non si rilevano particolari impedimenti all'applicazione del bail-in	La svalutazione degli strumenti del passivo, in particolare quelli detenuti da clientele retail/PMI, comporterebbe un impatto diffuso	5,10	PRS 1°

- Il Gruppo è quindi in attesa di un *feedback* formale da parte del SRB circa la solidità dei risultati raggiunti con particolare riguardo alla *Preferred Resolution Strategy (il Bail-In)* ed eventualmente all' *Alternative Resolution Strategy (il Sales of Business)* così da **poter valutare l'avvio delle attività propedeutiche a supportarne l'applicazione.**

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* Tool inerenti la *separability*. Si precisa che il bail-in non rientra nel perimetro degli strumenti analizzati nell'ambito della separability.
** Quote di mercato determinate in considerazione del valore dei crediti e dei depositi del Gruppo rispetto all'ammontare di sistema (fonti interne + Bankit)

Executive Summary (2/2)

- Come emerso dalla *slide* precedente, i punteggi della *Sale of Business* «6,32» (Identificata come «*Alternative Resolution Strategy*») e della *Bridge Bank* «6,36» (terza nel *ranking* della gerarchia di preferibilità) risultano sostanzialmente vicini. A tal proposito di seguito vengono evidenziati i razionali che hanno determinato tali lievi differenze:

Tool

Scoring	Tool		Scoring
6,32	2° Sale of Business	Bridge Bank 3°	6,36

Analisi di fattibilità

Scoring: Sale of Business 4,21 – Bridge Bank 3,97

Dall'analisi di fattibilità è emerso che, sia nell'ambito «*Sale of Business*» che «*Bridge Bank*», i princiali impedimenti legati all'applicazione di un *tool* di risoluzione hanno riguardato:

- impatti di natura IT legati alle dilatate tempistiche necessarie ad una migrazione dei sistemi IT non compliant ai tempi richiesti dal SRB (entro il cd. «Resolution Weekend»);
- impatti di natura operativa legati alla servizi accentrati forniti dalla Capogruppo alle Material Legal Entities

Si evidenzia che ***Legal Entity* con redditività corrente negativa** e **la mancata emissione della seconda tranche di T2** hanno influito negativamente sul *Sale of Business* a vantaggio del *Bridge Bank.*

La necessità di ripianare perdite o di emettere T2 a tassi alti scoraggerebbe potenziali *buyers*

Il Bridge Bank rileverebbe la banca in risoluzione allo stato in cui si trova circoscrivendo il suo intervento al funzionamento delle critical function e all'accesso ai mercati

Analisi degli Impatti sistemici

Scoring: Sale of Business 2,11 – Bridge Bank 2,39

In linea generale, l'analisi degli impatti sul sistema finanziario generati dall'applicazione del «*Sale of Business*» e del «*Bridge Bank*» non rileverebbe particolari effetti di natura sistemica. Ciò nonostante, occorre precisare che l'obiettivo principale del *Bridge Bank* è quello di manutenere le *critical function* del Gruppo al fine di preservarne il funzionamento e mantenere aperto l'accesso ai mercati (i.e. FMI).

I potenziali *buyers*, avendo già un loro perimetro di *critical function* e un loro accesso ai mercati (i.e. FMI), dovrebbero solo integrare il *business* acquisito nelle proprie strutture, limitando fortemente gli altri impedimenti

Nonostante l'obiettivo del *Bridge Bank* sia manutenere le *critical function* e garantire l'accesso ai mercati (i.e. FMI), ciò risulterebbe comunque di non facile applicazione anche per l'ente ponte, determinando potenzialmente un impatto sistemico (maggiore del *Sale of Business*)

Conclusioni

In conclusione, si evidenzia che, nonostante l'analisi di fattibilità abbia visto una lieve preferenza verso il *Bridge Bank,* la sostanziale assenza di impatti a livello sistemico dati dall'applicazione del *Sale of Business* compensa in modo più che proporzionale i risultati della prima parte di analisi. A tal proposito si evidenzia che la strategia del *Sale of Business* risulterebbe quella ottimale dal punto di vista sistemico anche in confronto al *Bail-in* e all'*Asset Separation*: Sale of Business = 2,11; Bridge Bank = 2,39; Asset Separation = 4,14; Bail in = 4,65.

Le Principali Implicazioni per il Gruppo (1/2)

- L'individuazione di una *Preferred Resolution Strategy* ed eventualmente di un' *Alternative Resolution Strategy*, consentirebbe al Gruppo di focalizzare gli sforzi a supporto delle analisi di *resolvability* verso un'unica strategia (o due al massimo) e, pertanto, ridurrebbe la necessità di effettuare interventi atti alla rimozione degli impedimenti in relazione a diverse strategie ipotizzabili. Di seguito si evidenziano le principali implicazioni derivanti dall'applicazione di uno strumento di risoluzione e, in particolare, dall'applicazione della **Preferred Resolution Strategy (il Bail-In)**.

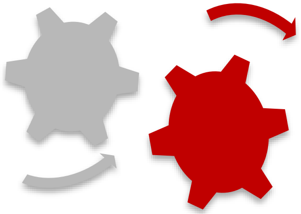
Ambiti di intervento su cui ad oggi il Gruppo sta lavorando

View: Going Concerne

Principali implicazioni per il Gruppo

1. Definire un *work plan* per includere tutte le attività necessarie a **rimuovere gli ostacoli alla *resolvability*** e rendere la *resolution* fattibile;
2. **Promuovere la *resolvability culture* all'interno del Gruppo** sviluppando la consapevolezza non solo al livello del *Board* e del *Top Management*, ma anche in aree differenti;
3. **Preparare e inviare le informazioni richieste dall'autorità di risoluzione** per la predisposizione del piano di risoluzione.

Applicazione Resolution Tool (il Bail In)



Le Funzioni Coinvolte

✓ COO
✓ COG
✓ CFO
✓ HR
✓ CRO
✓ DREI
X CLO
X CCO

View: Gone Concerne

Ambiti da indirizzare

Principali implicazioni per il Gruppo

1. **Definire un *framework* IT e operativo in grado di attivare in qualsiasi momento lo strumento del *bail-in*** nelle more del cd. *resolution weekend (entro 2 gg)*;
2. **Definire un piano di riorganizzazione aziendale** atto a rimodulare i processi, i ruoli e le responsabilità all'interno del Gruppo per garantire il funzionamento del *framework* Banca in una situazione di Bail-In (ad esempio revisione Regolamento 1).

Le Principali Implicazioni per il Gruppo (2/2)

- In considerazione di una *view going concern*, di seguito si illustra un **executive summary dei principali punti di attenzione sin qui emersi dalle analisi in corso di svolgimento, il riferimento al relativo modulo di progetto ed una indicazione delle principali funzioni coinvolte.**

View: Going Concerne

FOCUS Annex A

		CdA*	Owner	Altri Attori
Resolution Strategy	In data 15 Novembre 2018 è stato presentanto al SRB l'approccio adottato dalla Banca in merito alle analisi in ambito resolution strategy e separability. **L'analisi condotta dalla Banca attraverso un modello di scoring ha confermato che lo strumento del Bail-In, già individuato dal SRB, risulti essere la strategia di risoluzione preferibile (cd. Preferred Resolution Strategy)** nell'ottica di garantire una risoluzione ordinata. Tale analisi, unitamente alle conclusioni emerse nell'ambito della *separability* (si veda punto sotto) verranno formalizzate all'interno di un documento ed inviate al regolatore entro il 31.12.2018. Viste le tematiche di natura strategica, si è ritenuto opportuno richiedere l'approvazione del documento in oggetto al Consiglio di Amministrazione del 18 dicembre 2018 prima dell'invio al regolatore.	✓ CdA del 18.12.18	*CFO*	*COO* *COG* *Legale* *HR*
Separability	Sulla base delle richieste del SRB di individuare i principali impedimenti all'applicazione di uno degli strumenti di risoluzione di *separability* (sales of business, bridge bank e asset separation) in considerazione di ambiti di natura operativa, IT, legale e finanziaria si evidenzia, in sintesi, che i **principali impedimenti rilevati riguardano: (i) l'accentramento presso la Capogruppo dei servizi critici (aspetti operativi) e (ii) le dilatate tempistiche necessarie ad una migrazione dei sistemi IT**. Si evidenzia inoltre che una **Preferred Resolution Strategy orientata verso il Bail-In ridurrebbe la necessità di effettuare interventi atti alla rimozione dei suddetti impedimenti.**	✓	*COO*	*CFO* *COG* *Legale* *HR*
IT System	Con l'obiettivo di automatizzare le informazioni richieste dal SRB all'interno di un *repository* unico consentendo a questi ultimi di ricevere le informazioni richieste per la predisposizione del *resolution plan* anche in un'ottica *«at any time»* si evidenzia che: ○ il cantiere ha stimato **tempistiche di messa a terra di medio/lungo periodo: entro il 31.12.2019** l'automatizzazione del reporting ed entro il 31.12.2020** la messa a terra del modello IT alternativo all'attuale *framework* di bilancio propedeutico alla determinazione delle passività *bailinable* entro il cd. *«resolution weekend»*** (entro 2gg); ○ Il contenitore, «Bravo Solution», attualmente già in uso al Gruppo, propedeutico all'archiviazione dei «Contratti di Servizio» considerati critici sarà operativo entro il 30.06.2019. **A partire dai primi giorni del 2019 dovranno essere avviate le attività propedeutiche ad adeguare tale applicativo ai requirements SRB***.**	-	*COG*	*COO* *CFO*
Governance	**Il** documento in corso di predisposizione ha previsto una sostanziale rivisitazione dell'attuale Direttiva interna in materia di piani di risoluzione. Il disegno del **nuovo modello di governance allo stato attuale prevede il coinvolgimento del CdA e del Comitato Direttivo solo su temi di natura strategica** (si veda *resolution strategy* sopra) e l'accentramento dell'intero presidio del processo legato alla predisposizione del set informativo. Ad oggi sono in corso approfondimenti da parte delle strutture preposte al fine di: ○ Valutare il dimensionamento delle strutture coinvolte nell'intero processo inerente la produzione del set informativo richiesto dal SRB; ○ Tenuto conto delle molteplici richieste di natura organizzativa ed operative, individuare una struttura dedicata all'evasione di tali ambiti ed eventualmente a presidio dell'intero processo di raccolta e predisposizione del set informativo (incluso il monitoraggio del MREL).	Entro fine Genn. 2019 ✓	*COO*	*HR* *COG* *CFO* *DREI* *CHCO*

* Coinvolgimento CdA al fine di valutare ed approvare la documentazione proposta prima dell'invio al SRB.

** È in corso a cura del Cantiere una stima dei costi necessari alla messa a terra del set informativo in oggetto e la conferma delle tempistiche proposte.

*** L'attività progettuale in corso prevede la predisposizione dei Business requirements entro il 31/12/2018.

Prossimi Passi

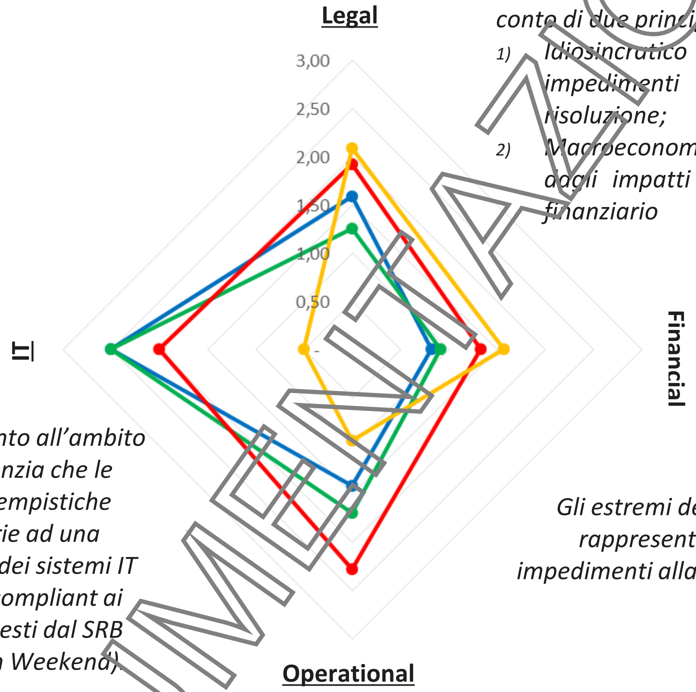
Di seguito i prossimi passi:

- È prevista per il CdA del 18 Dicembre 2018 la richiesta di approvazione dei seguenti *deliverable*:
  - Cantiere Resolution Strategy: Documento *«GMPS_BRRD_Resolution_Strategy_122018»;*
  - Cantiere Separability: Documento *«GMPS_BRRD_Separability_122018»*.
- Entro la fine di Gennaio 2019 verrà sottoposto ad approvazione da parte del Consiglio di Amministrazione la nuova Direttiva di *governance* che mira a regolare i ruoli e le responsabilità del Gruppo nell'ambito delle attività di supporto al *Single Resolution Board* per la predisposizione del *Resoution Plan*.

Annex

Annex A – Resolution Strategy Analysis – Risultati

- A seguito della ricezione delle Working Priorities, nell'ambito del modulo Resolution Strategy, **il Gruppo su specifica richiesta del SRB, ha condotto un'analisi tesa a valutare la Preferred Resolution Strategy (ed una Alternative Resolution Strategy)** da cui sono emersi i seguenti risultati.



Il modello di scoring tiene conto di due principali driver:

1) *Idiosincratico dato dagli impedimenti alla risoluzione;*
2) *Macroeconomico dato dagli impatti sul sistema finanziario*

Con rfierimento all'ambito IT si evidenzia che le dilatate tempistiche necessarie ad una migrazione dei sistemi IT non sono compliant ai tempi richiesti dal SRB (Resolution Weekend).

Gli estremi del grafico rappresentano gli impedimenti alla Risoluzione.

Highlights:

L'analisi condotta dalla Banca attraverso un modello di scoring ha confermato che lo strumento del Bail-In, già suggerito dal SRB, risulti essere la strategia di risoluzione preferibile (cd. *Preferred Resolution Strategy*) nell'ottica di garantire una risoluzione ordinata.

Resolution Strategy - Type of Impediments/Impacts – Final Results

Type of impediments/impacts	Sale of the Business	Bridge institution	Asset Separation	Bail - In
Legal (A.1 - A.2 - A.3)	1,58	1,25	1,92	2,08
Financial (B.1 - B.2 - B.3 - B.4)	0,82	0,92	1,33	1,58
Operational (C.1 - C.2 - D.1 - D.2 - E.1 - E.2)	1,42	1,70	2,28	0,95
IT (F.1 - F.2)	2,50	2,50	2,00	0,50
TOTAL	**6,32**	**6,36**	**7,53**	**5,10**
RANKING	2	3	4	1

Vantaggi:

- L'individuazione di un'unica *Resolution Strategy* consentirebbe al Gruppo di focalizzare le analisi inerenti alla *resolvability* verso una strategia orientata al Bail-In e, pertanto, ridurrebbe la necessità di effettuare interventi atti alla rimozione degli impedimenti agli altri 3 *tool* (soprattutto di natura operativa e IT).

Prossimi Passi:

- Il Gruppo ha presentato al SRB la metodologia sopra descritta ed i relativi risultati, che si è espresso positivamente, lasciandosi comunque un breve periodo di tempo per eventuali approfondimenti. Il Gruppo è quindi in attesa di un *feedback* formale da parte del SRB circa la solidità dei risultati raggiunti con particolare riguardo alla *Preferred Resolution Strategy (il Bail-In)* ed eventualmente all' *Alternative Resolution Strategy (il Sales of Business*) così da poter valutare l'avvio delle attività propedeutiche a supportarne l'applicazione.

Sale of the Business — Bridge Institution — Asset Separation — Bail-In

Annex A – I Driver agli Impedimenti all'Applicazione di un Tool di Risoluzione (1/3)

A Bank Structure

A.1 Legal Structure

La configurazione della legal structure è considerata un elemento di complessità nelle attività relazionate alla Resolution, dovendo preservare tutte le interdipendenze critiche/ critical functions tra la Capogruppo e le subsidiaries. Le MLE al di fuori dell'UE o soggette a differenti normative all'interno dell' UE aggiungono ulteriore complessità all'implementazione della resolution (impatti legali, lenta esecuzione, difficile coordinazione).

- Configurazione dell'ente soggetto a risoluzione come Gruppo Bancario
- Presenza di material legal entity all'interno del perimetro societario ai sensi dell'art 7 della BRRD
- Presenza delle material legal entity al di fuori dell'Unione Europea
- Presenza di material legal entity soggette a differenti impianti giuridici presenti all'interno dell'Unione Europea

A.2 Ownership

Le relazioni di Ownership potrebbero creare ostacoli specifici all' applicazione di ciascun Resolution tool. Ad esempio, i patti parasociali potrebbero impedire/rallentare l' implementazione del resolution.

- Presenza di patti parasociali

A.3 Governance

La Governance del gruppo può ostacolare le attività legate alla Resolution, inoltre la presenza dello stato nella Governance della Banca potrebbe rendere il Gruppo meno appetibile a potenziali compratori (maggiori difficoltà attese nella transazione).

- Presenza di influenza notevole da parte dello Stato

B Financial overview

B.1 Balance Sheet

Nel cluster Balance Sheet è stata valutata la presenza di possibili problematiche impattanti i Resolution Tools. Specificamente nel Balance Sheet del GMPS sono stati individuati come maggiori potenziali impedimenti: la presenza di sufficiente liquidità per affrontare il possibile stress derivante dalle procedure di resolution e la presenza di attività cartolarizzate Multioriginator.

- Configurazione Stato Patrimoniale non coerente con la necessità di garantire all'interno del Framework di Crisis Management l'adeguato apporto di liquidità in caso di risoluzione
- Presence of Multioriginator Securitised assets in the Balance Sheet of the Bank

B.2 Income Statement

Nel cluster Income Statement sono state valutate le specifiche problematiche che potrebbero impattare i Resolution Tools. Specificamente sull'Income Statement del GMPS sono stati individuati come potenziali impediment: profittabilità negativa, a livello individuale e di gruppo e la struttura dei costi (fixed costs).

- Presenza di legal Entity con redditività corrente e prospettica negativa
- Presenza di costi del personale(e altri:es partnership) dell'ente oggetto di risoluzione superiori rispetto alla media dei peers

B.3 Regulatory Requirements

Nel cluster Regulatory requirements l'inadeguatezza (corrente e prospettica) dei requirements di capitale e liquidità su base consolidata e individuale è considerata un forte impedimento all' applicazione di qualsiasi Resolution Tool.

- Inadeguatezza patrimoniale rispetto al fabbisogno corrente e prospettico a livello consolidato
- Inadeguatezza patrimoniale rispetto al fabbisogno corrente o prospettico per le material legal entity
- Inadeguatezza operativa di liquidità rispetto al fabbisogno corrente o prospettico a livello consolidato (LCR)
- Inadeguatezza strutturale di liquidità rispetto al fabbisogno corrente e prospettico a livello consolidato (NSFR)
- Inadeguatezza di liquidità rispetto al fabbisogno corrente e prospettico a livello individuale (La mancata possibilità di misurazione è valutata come insufficienza)

B.4 Funding Plan – MREL - LAC

Nel cluster Funding Pan – MREL – LAC sono state valutate specifiche problematiche impattanti i Resolution Tools. Nello specifico nel caso GMPS sono state individuate come maggiori impedimenti potenziali: La presenza di elevati livelli di asset uncamberance e l'insufficienza dell' interim MREL target.

- Struttura del passivo non coerente con Interim Target MREL
- Livelli di asset encumbrance non coerenti rispetto ai livelli previsti dal Liquidity Crisis Framework in caso di Risoluzione

Annex A – I Driver agli Impedimenti all'Applicazione di un Tool di Risoluzione (2/3)

C Business model and business lines

C.1 Business Model

Il modello di business del Gruppo «Universal Bank» Vs. «Specialized Bank» è ritenuto un forte elemento di complessità nelle attività connesse alle Separability (Asset Disposal, Bridge Bank, Asset Separtion). La tipologia di Business modell è stata indagata con riferimento all'intero Gruppo, alla Capogruppo e alle subsidiaries.

- Configurazione del business model del Gruppo come "Banca Universale"
- Configurazione del business model della Capogruppo come "Banca Universale"
- Configurazione del business model delle subsidiary come "Banca Universale"

C.2 Business Lines

La presenza e numerosità di business lines all'interno del Gruppo è stata assunta come indicatore di complessità associato alle attività di separability che potrebbero rendersi necessarie in caso di esercizio dei tool (Asset Disposal, Bridge Bank, Asset Separtion).

- Presenza di due o più business lines

D Critical functions and core business lines

D.1 Core business lines

La presenza e numerosità di core business lines all'interno del Gruppo è stata assunta come indicatore di complessità associato alle attività di separability che potrebbero rendersi necessarie in caso di esercizio dei tool (Asset Disposal, Bridge Bank, Asset Separtion). Complessità aggiuntiva è ipotizzato nel caso in cui le material legal entities del Gruppo contribuiscano anche loro a Core Business Line di Gruppo.

- Presenza di due o più core business lines
- Presenza di core business lines su altre società del gruppo differenti dalla capogruppo

D.2 Critical functions

La presenza e numerosità di Critical Functions all'interno del Gruppo è stata assunta come indicatore di complessità associato alle attività connesse all'esercizio dei tool di risoluzione. Complessità aggiuntiva è ipotizzata nel caso di presenza di Critical Functions anche all'interno di subsidiaries e nel caso di interconnessioni da Critical Functions.

- Presenza di due o più critical functions
- Presenza di critical function all'interno delle legal entity controllate
- Presenza di interconnessioni tra critical functions

E Interdependencies

E.1 Internal interdependencies

La presenza di internal interdependencies è valutata come fattore di complessità nell'esercizio dei tool. Nello specifoo è stato ritenuto significativo la valutazione circa presenza e tipologia di contratti infragruppo di sostegno finanziario (Waiver Liquidity), Critical Level Agreements, Non Critical Services fornite dalla Capogruppo alle subsidiaries e viceversa.

- Presenza di contratti infragruppo di sostegno finanziario accentrato (Waiver Liquidità)
- Presenza di SLA non critici tra Capogruppo e le Legal Entity (Material e non)
- Presenza di SLA non critici tra le Legal Entity (Material e non) e la Capogruppo
- Sussistenza di SLA critici tra Capogruppo e le Legal Entity (Material e non)(i.e Funzioni di Controllo) (285/Titolo 1/Capitolo 1/Allegato A)
- Presenza di SLA critici tra le Legal Entity (Material e non) e la Capogruppo

E.2 External interdependencies

Coerentemente rispetto alle internal interdependecies anche la presenza di eventuali external interdependencies critiche o meno è stato assunta come driver di compessità nell'esercizio dei tool di risoluzione.

- Presenza di SLA critici tra le Material legal entity e soggetti terzi (i.e Fruendo,Bassilichi)
- Presenza di SLA non critici tra le Material legal entity e soggetti terzi (i. e Servizi di Vigilanza)
- Presenza di fenomeni di concentrazione di passività verso controparti classificate come retail/PMI per le legal entity oggetto di risoluzione

Annex A – I Driver agli Impedimenti all'Applicazione di un Tool di Risoluzione (3/3)

F **Critical IT systems and critical financial market infrastructures**

F.1 **IT Systems**

La complessità realizzativa dell'esercizio dei quattro tool di risoluzione è ritenuto associato alle specifiche aspettative dell'Ente in termini di attività correlate alla migrazione dei dati, al front-end Applications and Backlog Applications replication need.

- Necessità di migrare data set informativi (tempistiche e complessità)
- Necessità di replicare gli applicativi di Front End in caso di modifica all'attuale struttura IT
- Necessità di replicare applicazioni Backlog in caso di modifica all'attuale struttura IT

F.2 **FMI Access**

La presenza di FMI non prontamente sostituibili a supporto del funzionamento delle Critical Functions e delle Core Business lines è ritenuto un elemento di complessità crescente nell'esercio dei tool di risoluzione, in particular modo se associate a Critical Functions.

- Presenza di FMI non prontamente sostituibili a supporto del funzionamento delle Critical Functions
- Presenza di FMI non prontamente sostituibili a supporto del funzionamento delle Core Business Lines

Annex A – I Razionali Sottostanti l'Analisi degli Impatti Sistemici (1/2)

A – Bank Structure

A.1 Legal Structure

Con riferimento alla Legal Structure sono state identificati i drivers in grado di descrivere la capillarità della propagazione degli impatti sul sitema finanziario in termini di entity coinvolte all'interno e all'esterno del'area Euro. A maggior livelli di capillarità e penetrazione della crisi nonchè a maggior coinvolgimenti di controparti non qualificate reail e Sme sono associati scoring maggiori e quindi livelli di severità degli impatti crescenti.

- Presenza di legal entity al di fuori dell'Unione Europea
- Presenza di legal Entity con una market share > 2% in Paesi diversi dall'Italia***

A.2 Ownership

Il tema dell'ownership è stato utilizzato per indagare il grado di coinvolgimento, in caso di esercio dei tool di risoluzione, del segmento retail nella proprietà dell'ente e quindi nella copertura dei costi della risoluzione.

- Presenza del settore retail all'interno del capitale azionario

A.3 Governance

Riguardo al profilo di Governance del Gruppo, la presenza dello Stato tra gli shareholders della Banca è stata identifcata come driver della severity degli impatti finanziari. In questa circostanza, i costi finali della resolution sarebbero assunti in prima persona dai cittadini.

- Presenza della componente statale all'interno del capitale azionario

B – Financial overview

B.1 Balance Sheet

All'interno del cluster balance sheet sono stati individuati drivers in grado di fornire un indicazione in termini di dimensione relativa dell'ente soggetto a risoluzione (in base al posizionamento relativo dell'ente tra i principali player bancari in temini di total asset sono associati livelli di potenziale penetrazione degli impatti crescenti. La concetrazione per area geografico e settoriale delle'Ente è stata anch'essa considerata un fattore associato a maggiore penetrazione degli impatti sul sistema finanziario

- Totale Attivo del gruppo compreso tra i maggiori 20 Gruppi bancari europei per total Asset
- Totale Attivo del gruppo compreso tra i maggiori 10 Gruppi bancari italiani per total Asset
- Concentrazione geografica delle esposizioni creditizie (Esposizione verso soggetti appartenenti ad una determinata regione/Totale delle esposizioni) >20%
- Concentrazione settoriale delle esposizioni creditizie (Esposizione verso singoli settori/Totale delle esposizioni) >20%

B.2 Income Statement

Riguardo al cluster Income statement, la struttura dei costi della banca basati su imprese esterne che effettuano servizi per il Gruppo è stato inteso come driver di potenziali impatti sulla real economy in caso di fallimento della Banca

- Taglio dei costi derivante da potenziale concentrzione industriale

B.3 Regulatory Requirements

La classificazione della Banca come G-SII o O-SII è stata intesa come una proxy di dimensione, complessità e interconnessioni con la real economy. Se la Banca è classificata in una delle due categorie sopra citate, sono ipotizzati crescenti livelli di impatti sul sistema finanziario associati alla resolution.

- Classificazione del Gruppo come categoria Globally Sistemical important Institution(G-SII)
- Classificazione del Gruppo come categoria Other Sistemical important Institution o categorie superiori(O-SIIS)

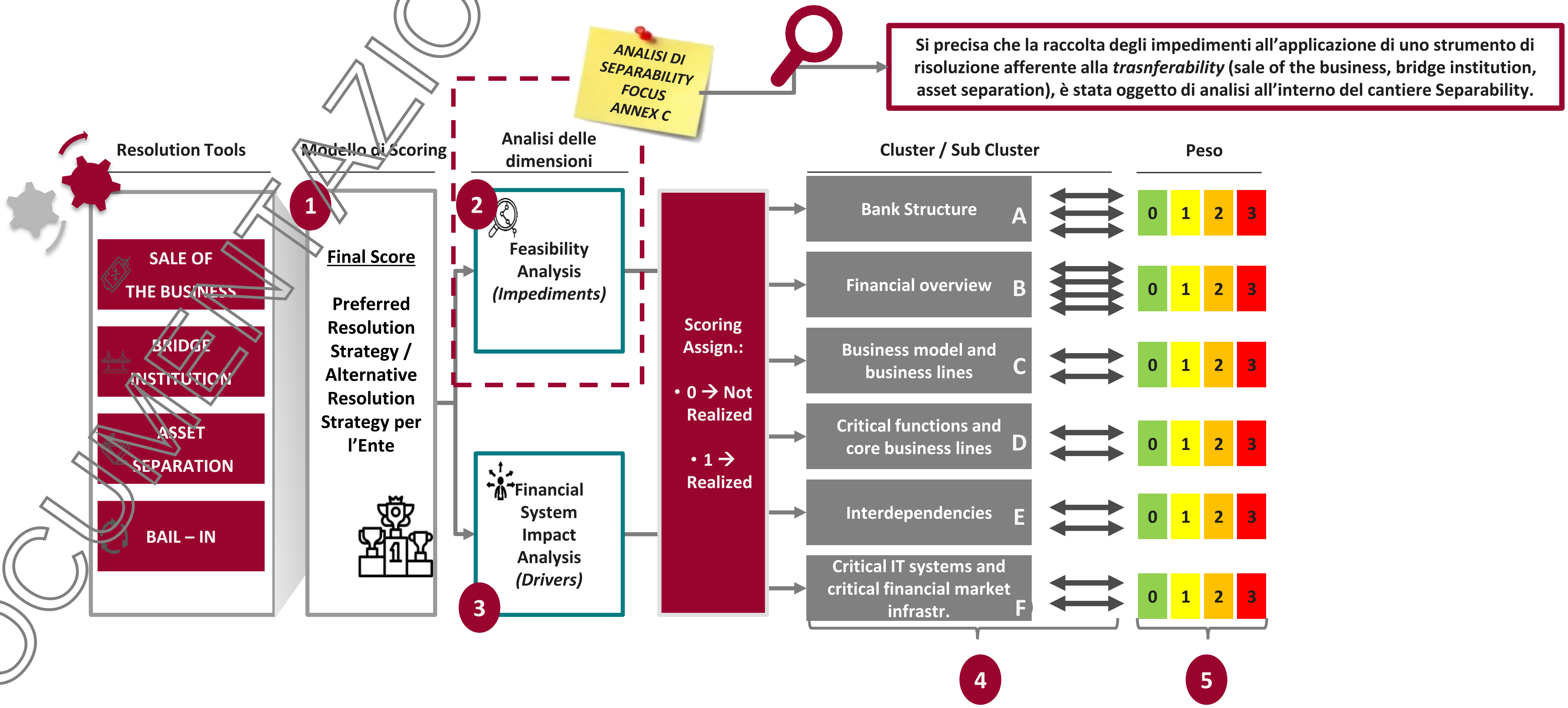
B.4 Funding Plan – MREL - LAC

In merito al cluster MREL / LAC, la composizione delle controparti delle passività potenzialmente abili ad assorbire le perdite associate alla resolution (bailinable) è stato considerato un driver associato a crescenti livelli di conseguenze sul sistema. Crescenti livelli di controparti retail e SME sono associate a maggiori impatti attesi sul sistema finanziario.

- Presenza di strumenti compresi nella LAC concentrati presso controparti retail/SME
- Presenza di strumenti compresi nella LAC concentrati presso controparti Instituzionali

Annex B – Il Processo del Modello di Scoring e l’Intersezione con la Separability Analysis

- Con l’obiettivo di individuare un’ Alternative Resolution Strategy, il Gruppo ha predisposto un modello di calcolo che assegna uno *score* a ciascuno dei Resolution Tools previsti dalla BRRD a livello di Point of Entry (Single o Multiple). Di seguito si fornisce una rappresentazione top-down degli step logici che caratterizzano il modello.



Annex C – Separability Analysis – Overview

1

Contesto

Il SRB all'interno delle richieste afferenti al workshop del 3 luglio 2018 ha richiesto al Gruppo un'analisi propedeutica ad evidenziare i principali impedimenti di natura IT, legale, operativa e finanziaria per l'applicazione dei tool di resolution afferenti alla separability.

2

Obiettivo del SRB

All'interno dell'analisi di Resolvability, il SRB mira ad individuare possibili impedimenti all'applicazione di una Resolution Strategy (PRS o ARS). Laddove dovessero emergere sostanziali impedimenti all'applicazione di un tool di risoluzione, è nei poteri dell'Autorità di Risoluzione chiedere al Gruppo di rimuoverli/adeguarsi.

3

Perimetro

Il Gruppo ha concentrato le proprie analisi alle Material Legal Entities rilevate nell'ambito del Recovery Plan (MPS, CS, L&F, Widiba) ed il Consorzio Operativo di Gruppo. Con riferimento alle Legal Entities rimanenti sono state evidenziate unicamente gli highlights in materia di separability.

L'analisi ha riguardato sia la cessione per intero di una delle Material Legal Entities che la cessione di un ramo e più rami d'azienda afferenti alle Critical Function.

4

Data di Riferimento

I dati di natura finanziaria sono rilevati al 31 dicembre 2017 (in linea con le richieste di approfondimento di cui al workshop del 3 luglio 2018).

Sono stati inoltre riportati i main facts emersi nel corso del 2018.

5

Descrizione Deliverable

Il documento si divide in 3 principali sezione:

1. Una sezione di premessa, dove vengono riportati obiettivi, contesto di riferimento e una descrizione circa la struttura del Gruppo, il business model e l'orgnaigramma.
2. Una sezione dove per ogni società/ramo d'azienda oggetto di analisi (si veda perimetro) sono stati riportati gli impedimenti di natura IT, operativi, finanziari e legali. In tale ambito sono state anche considerate possibili manifestazioni di interesse espresse dal mercato. Di seguito si riportano i principali driver utilizzati nelle analisi:
    - In ambito legale, la presenza o meno di patti parasociali
    - In ambito IT, eventuali impedimenti di natura applicativi e/o tempistiche legate alla migrazione dei sistemi ed i relativi costi;
    - In ambito operativo, la presenza di Accordi quadro in *insourcing* oppure in *outsourcing;*
    - In ambito finanziario, la presenza di eventuali interconnessioni di natura finanziari (ad esempio dati di raccolta infragruppo, garanzie ecc. ecc.).
3. Una terza sezione di sintesi dedicata alle conclusioni.

Annex C – Separability Analysis – Risultati

- Di seguito un *summary* delle conclusioni rivenienti dal cantiere Separability.

Impedimenti

Legal Entities	Critical Function	Legal	Financial	Operational	IT
BMPS	✓ **Depositi** ✓ **Crediti** ✓ **Pagamenti e regolamenti**	Non si riscontra la presenza di impedimenti di tipo Legale a causa dell'assenza di patti Parasociali. Tuttavia la configurazione legale come gruppo, la presenza di Material Legal Entities (MLE) all'interno del perimetro societario, alcune delle quali soggette a differenti impianti giuridici presenti all'interno dell'Unione Europea possono rivelarsi fonti di complessità al fine dell'applicazione degli Strumenti di risoluzione. Infine anche la presenza di influenza notevole da parte dello Stato potrebbe implicare maggiore complessità.	Non si rilevano particolari impedimenti di natura finanziaria per la Capogruppo.	Impedimenti operative potrebbero sorgere dalla presenza di SLA e accordi con terze parti concernenti la fornitura di critical Services. Tuttavia anche la presenza di interconnessioni a supporto delle Critical Functions possono essere considerate impedimenti all'applicazione dei Resolution Tools.	Gli impedimenti IT individuati sono per lo più legati alle tempistiche ed ai costi derivanti dal cambio della struttura IT. Tuttavia anche la presenza di FMI non prontamente sostituibili a supporto delle critical functions e delle core business lines potrebbero aggiungere ulteriore complessità all'applicazione dei Resolution Tools.
MPS CS	✓ **Trading in conto proprio**		Nessun impedimento Finanziario sostanziale si rileva per le MLE. Tuttavia la presenza di un accordo infragruppo di sostegno finanziario accentrato tra le controllate e la Capogruppo potrebbe rappresentare un impedimento in caso di caduta del contratto sottostante, che implicherebbe una carenza di liquidità per le controllate. Esse infatti non potrebbero garantire la continuità operativa all'interno del resolution Tool.	In virtù di ciò che è stato detto sopra, complessità addizionale per le controllate può derivare dalla presenza di SLA critici concernenti le funzioni di controllo, che sono accentrate nella Capogruppo.	
MPS L&F	-				
Widiba	-				
COG	-				In caso di separazione del COG devono essere considerati le tempistiche, i costi e la complessità derivanti dalla migrazione del Data set Informativo.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

BRRD – Resolution Plan

“Separability”

Siena, December 2018

STRICTLY CONFIDENTIAL

TABLE OF CONTENTS

TABLES:

FiGURES:

1. PREFACE

In order to answer to the further requestes received to the SRB (Single Resolution Board), with regards to the 2018 Resolution planning cycle, Gruppo Monte dei Paschi di Siena (hereafter GMPS) has focused on the separability assessment with the objective to update the analysis underlying the identification of the resolution units and analyse the possible impediments to resolution (legal, financial, operational and IT)

The present document is articulated into seven sections, representing the different stages of the Separability Analysis carried out by the Bank.

In particular, the document is composed as follow:

- Section 1 "Object" shows the purpose of the document, introducing the concepts of impediment and separability;
- Section 2 "Key Elements of Separability Analysis" contains a regulatory overview of Resolution Framework and a background section in wich are provided informations about the requests made by the SRB to the Group concerning the Separability Analysis;
- Section 3 "Organizational Group Structure" provides an overview of the organizational Grop's Framework;
- Section 4 "Perimeter of Analysis" describes the perimeter identified, in terms of legal entities considered as material for the analysis of Seprability;
- Section 5 "Possible Separability of Group's Material Legal Entites" provides an overview about each material legal entities. Moreover, it contains the declination, for each Resolution Unit identified in the perimeter indicated in Section 4 and of the impediments that impact the application of the Resolution.Tools both for total separation and partial separation of the legal entity;
- Section 6 "Other legal entities" provides an overview about each not material legal entities, not considered material, in terms of organizational structure, business and impediments to the Separability;
- Finally section, section 7 "Analysis results" contains a summary of the objective, of the methodological approach and of the results of the Separability Analysis;

The analysis is based upon financial figures as of December 31, 2017. Where applicable, relevant facts occurred during 2018 exercise were considered.

2. OBJECT

In order to respond to the request receveid from the SRB in 03/07/18 Workshop, object of the present document is to identify the possible impediments (legal, financial, operational and IT) to the application of the resolution Tools in order to the separabiity of a Legal Entity or one or more Critical Functions of the GMPS.

3. KEY ELEMENTS OF SEPARABILITY ANALYSIS

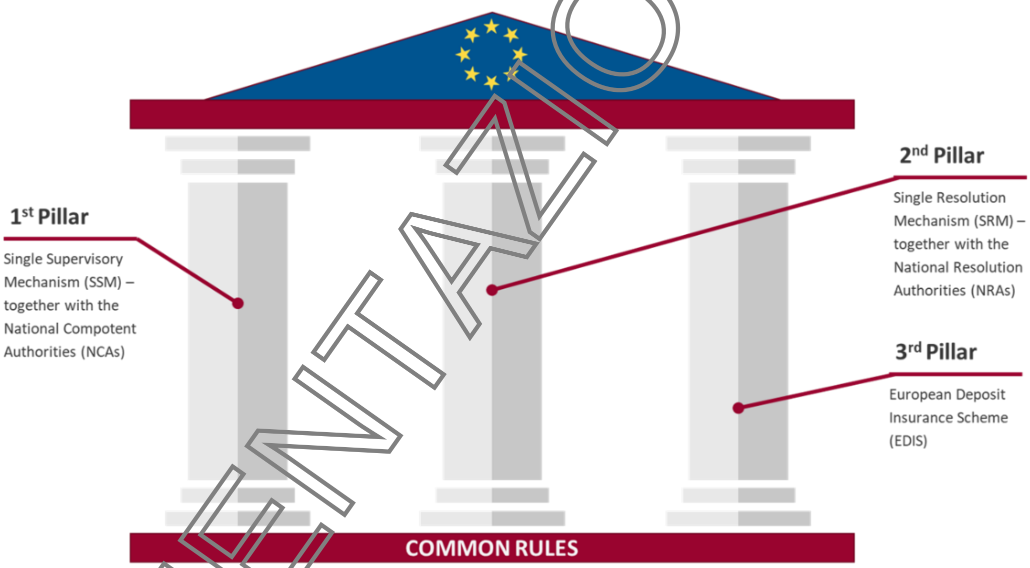
3.1 Regulatory framework overview

In 2014, the EU established an orderly cross-border resolution mechanism via the Bank Recovery and Resolution Directive (BRRD), which provides resolution authorities with comprehensive powers and resolution tools to intervene when a bank meets the conditions for resolution. Resolution authorities have to prepare resolution plans detailing how a bank will be resolved, in a way that achieves the resolution objectives, while ensuring that taxpayers avoid carrying the burden, as was the case in the recent crisis.

The BRRD, the Deposit Guarantee Scheme Directive (DGSD), the European Commission (EC) Delegated Acts, prepared on the basis of Technical Standards drafted by the European Banking Authority (EBA), and the EBA's Guidelines, form a single rulebook for the EU for resolution planning and execution and the application of Deposit Guarantee Schemes (DGSs).

The SRM is one of the pillars of the Banking Union, alongside the SSM. As of November 2014, the SSM is the new system of banking supervision in the Banking Union, comprising the European Central Bank (ECB) and national supervisory authorities of the participating Member States (National Competent Authorities). In respect to the resolution, centralaised decisions making power has been entrusted to the SRB, wich derives its powers from both BRRD and the SRMR.

Figure 1 – Pillars of the Banking Union



Source: Internal elaboration

In the resolution plan it is to be define the preferred resolution strategy, that is determinated on the basis of the analysis of the loss absorbing capacity and separability of the bank, in a scenario based on an idiosyncratic shock. With regard to the separability, the purpose of the analysis is to identify the possible inpediments that could obstacle the application of the Resolution Tools.

3.2 Background

On 31 May 2017, the Group send to the SRB the information *set* composed by "EBA template", "LDR", "Critical Functions Template (CFT)" and "Financial Market Infrastructure Template (FMIT)" with reference date 31 December 2016. In response to the data send by GMPS, the SRB made a request including the "Working Priorities" that the Group has to accomplish in 2018. Therefore, GMPS submitted to the Single Resolution Board on 30/04/2018 the template based on data as at 31 December 2017 composed by "EBA template", "LDR", "Critical Functions Template (CFT)", "Financial Market Infrastructure Template (FMIT)" and "Working Technical Notes" with reference date 31 December 2017.

The Single Resolution Board set up on 03/07/2018 a Workshop with regards to the 2018 Resolution planning cycle. During the Workshop, the SRB made further requests to the Gruppo on the Working Technical Notes send on 30/04/2018.

Following the Workshop, the SRB requested further focus on some area not included in the Working Technical Notes, such as Bail-In and WDCCI, Governance and Separability. The Separability focus has to update the analysis underlying the identification of the resolution units and analyse the possible impediments to resolution (legal, operational, finance and IT).

In particular, below the requestes sent from the SRB to the Group:

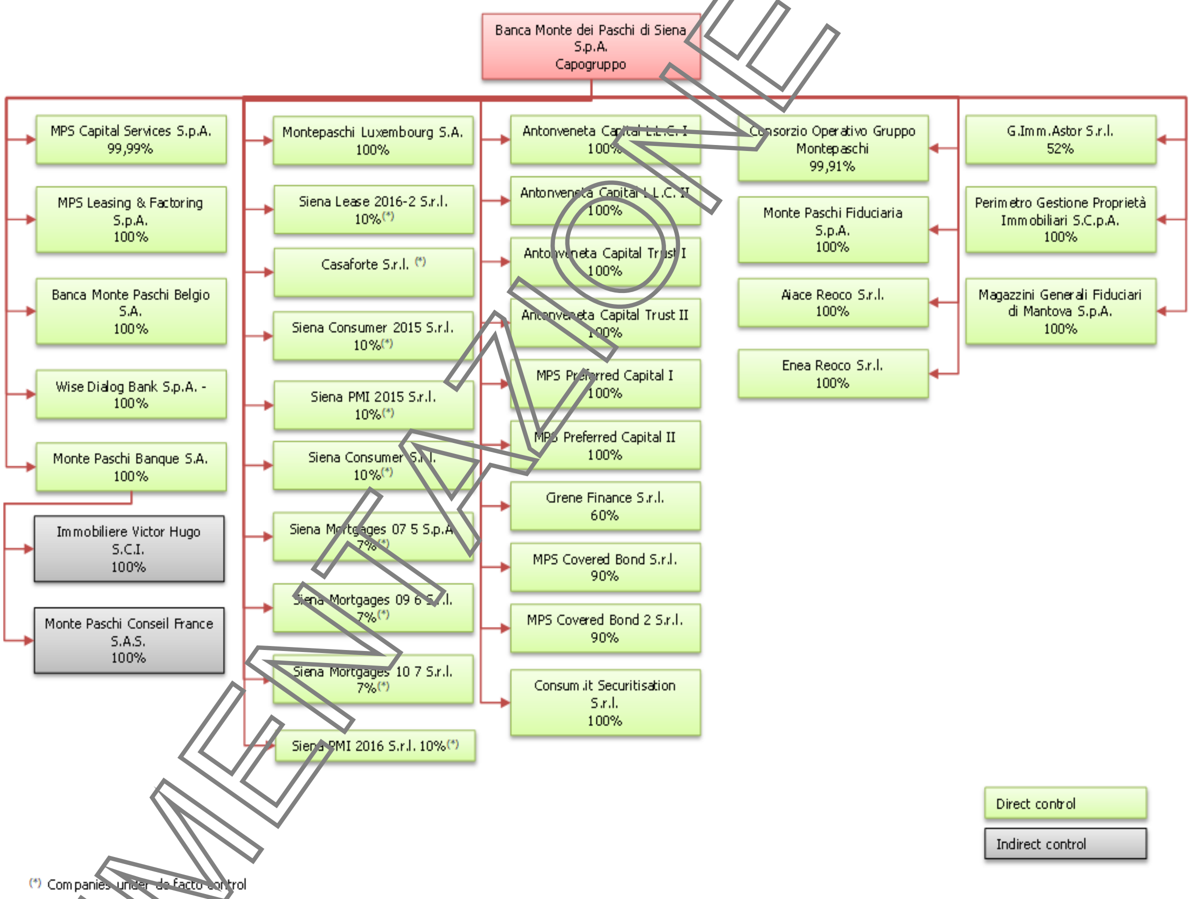
- Do you foresee any operational/financial and legal impediments to the transferability of any asset and liability in case of a resolution? Can you identify the assets pledges to the related liabilities, and how this may impact transferability? Do you foresee any impediments to the selling/transferability of any business activity in case of resolution (such a leasing,factoring,regionalbanks)?
- Would the funding and capital management strategy of the Group be affected in case of transfer of assets and liabilities? Could it be an impediment to such a transfer?
- Could the Bank' s information and IT systems ensure the continuity of Critical Functions, Critical Shared Services and Core Business Lines, in case, for example, of a transfer of assets and liabilities to a purchaser, or to an Asset Management Company or to a bridge bank? Could part of the information from the bank's IT system(s) concerning the transfer of assets and liabilities be identified easily and maintained throughout the whole resolution process?
- Could you please provide in the presentation an overview on the scenarios of separability provided in the annex "Separability"? Also please contextualize such scenarios in the light of a possible target model of the Group post-separation of entities/business/assets, identifying the most feasible solution in terms of costs and timing.
- Please provide (1) the breakdown of the bookvalue of each subsidiary and the associate companies; (2) tailored timeline for the disposal of each subsidiary in light of their specificities; (3) the subsidiaries/associate companies to which bidders have shown their interest and (4) any contractual restrictions as regards to the associate companies that may hinder their sale. Please elaborate on the assets pledged to the related liabilities, and how this may impact transferability?

4. ORGANIZATIONAL GROUP STRUCTURE

The Montepaschi Group is active across Italy and in the major international financial markets with operations centred around traditional retail and commercial banking services and with a particular focus on households and small and medium enterprises. The Group operates through its own specialised companies in all key business areas: leasing, factoring, corporate finance and investment banking. The insurance-pension sector is covered by a strategic partnership with AXA while asset management activities are based on the offer of investment products of independent third parties. The Group combines traditional services offered through its network of branches and specialised centres with an innovative self-service and digital services system enhanced by the skills of the network of financial advisors through Widiba Bank. Foreign banking operations are focused on supporting the internationalisation processes of corporate clients in all major foreign financial markets.

The starting point for the definition of the perimeter of Separability Analysis is the Structure of Group, as showed in the figure below:

Figure 2 – Structure of MPS Group as of 31/12/2017



Source: Internal elaboration

The Group's Companies can be clustered into the following categories:

- Banking Companies;
- Financial Companies;

- Service Companies.

Table 1 – Banking Companies as of 31/12/17

Name	Head Office	% ownership	Date of establishment	Activity
Banca Monte Paschi Belgio S.A.	Bruxelles	100.00%	12/06/1947	Banking
Monte Paschi Banque S.A.	Paris	100.00%	30/09/1969	Banking
MPS Capital Services S.p.A.	Florence	99.98%	21/06/1954	Banking
MPS Leasing & Factoring S.p.A.	Siena	100.00%	03/12/2001	Banking
Wise Dialog Bank S.p.A.	Milan	100.00%	08/11/2013	On-line Banking

Source: Internal elaboration

Mps Capital Services Banca per le Imprese S.p.A. (hereafter MPS CS) and Mps Leasing & Factoring (hereafter MPS L&F) are companies specifically dedicated to the development of specialist financial instruments to be offered to the market. In particular, MPS CS provides customers with solutions to financial and credit issues, focusing its business on medium-long term credit facilities, special-purpose loans, corporate finance, capital markets and structured finance. MPS L&F is the Group's bank specialised in developing an offer of integrated leasing and factoring packages for businesses, artisans and professionals.

Monte Paschi Banque and Banca Monte Paschi Belgium are banks in foreign jurisdictions, operating respectively in France and Belgium, that support commercial trade and investments of Italian companies abroad.

WIse-DIalog-Banking ("Widiba") is the Group's direct bank that integrates a self-service offer with the competencies of MPS's financial advisor network.

The main business areas of Widiba are represented by banking products and services, deposit account, cards and advanced payment systems, customer self-service through the bank's digital channels (innovative interaction through PCs, smartphones, tablets, watches and TV) or in assisted mode with the support of a Financial Advisor. Moreover it provides:

- A fully customisable online platform that relies on a network of 606 Financial Advisors present throughout the country;
- Funding and global advisory services and financial planning through the advanced WISE platform and the skills of the Financial Advisor Network;
- Retail mortgages, credit facilities and personal loans.

Table 2 – Financial Companies as of 31/12/17

Denomination	Head Quarter	% ownership	Date of establishment	Activity
Antonveneta Capital L.L.C. I [1]	Delaware	100,00%	19/12/2000	Tier1 issuer related Spvs
Antonveneta Capital L.L.C. II [1]	Delaware	100,00%	19/06/2001	Tier1 issuer related Spvs
Antonveneta Capital Trust I [1]	Delaware	100,00%	19/12/2000	Tier1 issuer related Spvs
Antonveneta Capital Trust II [1]	Delaware	100,00%	19/06/2001	Tier1 issuer related Spvs
Casaforte S.r.l.	Rome	0,00%	04/10/2001	Securitization's Spv
Cirene Finance S.r.l.	Conegliano	60,00%	24/06/2005	Securitization's Spv
Consum.it Securitisation S.r.l.	Conegliano	100,00%	13/06/2001	Securitization's Spv
Montepaschi Luxembourg S.A.	Luxembourg	100,00%	26/01/2001	Tier1 issuer related Spvs
MPS Covered Bond S.r.l.	Conegliano	90,00%	16/09/2009	Covered bond related Spv
MPS Covered Bond 2 S.r.l.	Conegliano	90.00%	08/02/2012	Covered bond related Spv
MPS Preferred Capital I L.L.C. [1]	Delaware	100.00%	26/01/2001	Tier1 issuer related Spvs
MPS Preferred Capital II L.L.C. [1]	Delaware	100.00%	03/12/2003	Tier1 issuer related Spvs
Siena Consumer S.r.l. [2]	Conegliano	10.00%	30/10/2003	Securitization's Spv
Siena Consumer 2015 S.r.l. [2]	Conegliano	10.00%	19/02/2015	Securitization's Spv
Siena Mortgages 07-5 S.p.A. [2]	Conegliano	7.00%	14/05/2001	Securitization's Spv
Siena Mortgages 09-6 S.r.l. [2]	Conegliano	7.00%	03/09/2001	Securitization's Spv
Siena Mortgages 10-7 S.r.l. [2]	Conegliano	7.00%	11/01/2001	Securitization's Spv
Siena PMI 2015 S.r.l. [2]	Milano	10.00%	11/06/2015	Securitization's Spv
Siena PMI 2016 S.r.l. [2]	Conegliano	10.00%	14/09/2016	Securitization's Spv
Siena Lease 2016-2 S.r.l. [2]	Conegliano	10.00%	12/10/2015	Securitization's Spv

Source: Internal elaboration

Table 3 – Service Companies as of 31/12/17

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[1] Pursuant to Art. 18(2) of Italian Law Decree no. 237/2016 (as converted into law on 17/02/2017 – the "Decree 237"), the Italian Ministry of Economy and Finance enacted, upon consultation with the Bank of Italy, a specific decree published on 28 July 2017 (the "MPS Burden Sharing Decree"), which decree, had the legal effect under Italian law, inter alia, of (i) converting into ordinary shares of the Bank – fully eligible as CET1 instruments and having all the features listed under Art. 19(1) of the Decree 237 – all the Trust Preferred Securities and (ii) cancelling guarantees. Activities aimed at voluntary dissolution and winding up of the TIER 1 issuer related SPVs (including MPS Capital Trust I and II) are ongoing.

[2] Company under de facto control.

Name	Head Quarter	% Ownership	Date of establishment	Activity
Consorzio Operativo Gruppo Montepaschi	Siena	99.91%	28/12/1998	IT
Aiace REOCO S.r.l.	Siena	100.00%	07/04/2011	Management of real estate arising from defaulted credits
Enea REOCO S.r.l.	Siena	100.00%	07/04/2011	Management of real estate arising from defaulted credits
G.Imm.Astor S.r.l.	Lecce	52.00%	16/11/1975	Rental properties
Immobilière Victor Hugo S.C.I.	Parigi	100.00%	06/11/1985	Real Estate management
Magazzini Generali Fiduciari di Mantova S.p.A.	Mantova	100.00%	25/07/1923	Custody and storage for third parties
Monte Paschi Conseil France S.A.S.	Parigi	100.00%	03/08/1976	Financial advice
Monte Paschi Fiduciaria S.p.A.	Siena	100.00%	09/09/1992	Fiduciary and trust services
Perimetro Gestione Proprietà Immobiliari S.c.p.a.	Siena	100.00%	24/07/2009	Administration and management of real estate

The above Service Companies support the Group in technical activities. In particular, the Consorzio Operativo Gruppo Montepaschi (hereafter COG) is the center for the development and management of ICT and telecommunication systems; Aiace Reoco and Enea Reoco provide services in the management of property arising from defaulted assets; Monte Paschi Fiduciaria offers financial and trust services to Group's customers; Perimetro Gestione Proprietà Immobiliari and Immobilière Victor Hugo deal with the administration and management of real estates.

5. PERIMETER OF ANALYSIS

Regarding the entities considered, the Analysis conducted has two different levels of detail: a focus on the Material Legal Entities and a section about the other non material legal entities.

1. Concerning Material Legal Entities considered in the "*Revised MPS Group Recovery Plan*" submitted in Septmember 2018, the legal, financial, operational and IT impediments have been individuated, also for the Consorzio Operativo Gruppo Montepaschi (hereafter COG) that was not included among Material Legal Entities included in the Recovery Plan. The necessary to also consider COG refers to the essential role that COG play supporting the operation of the Material Legal Entities. In particular, the Material Legal Entities Object of the analysis are the following:
   - BMPS – Banca Monte dei Paschi di Siena S.p.A.: It has been considered only the separation of the three critical functions (Deposits, Lending and Payments). The total asset disposal has not been considering;
   - MPS CS – Monte dei Paschi di Siena Capital Services Banca per le Imprese S.p.A.: It has been considered both total asset disposal and separation of the critical function Capital Market – own behalf Treding;
   - MPS L&F – Monte dei Paschi di Siena Leasing&Factoring: It has been considered only the total asset disposal
   - WIDIBA – Wise-Dialog-Banking: It has been considered only the total asset disposal;
   - COG – Consorzio Operativo Gruppo Montepaschi: it has been considered only the total asset disposal.
2. Instead, about the others subsidiaries not material of the Group an overview of the business has been provided and where present, impediments have been indicated.

6. POSSIBLE SEPARABILITY OF GROUP'S MATERIAL LEGAL ENTITIES AND IMPEDIMENTS

Below the Separability Analysis conducted for each material legal entities of the Group. In particular, for each material legal entity it is showns:

- Overview – short description of the main business and the structure of the legal entity;
- Financial data – highlights of the principal accounting items;
- Impediments – focus on the main impediments to the application of the Resolution Tools (Asset Separation, Sale of Business and the Bridge).

6.1 BMPS - BANCA MONTE DEI PASCHI DI SIENA S.P.A.

6.1.1 Overview

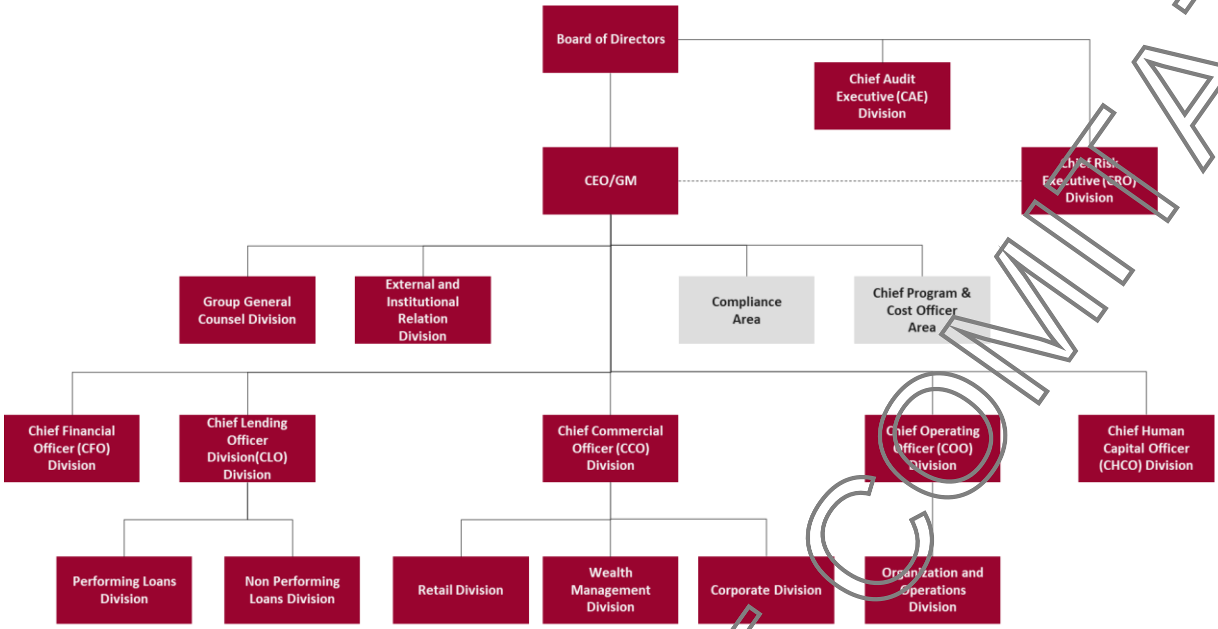
Banca Monte dei Paschi di Siena (hereafter BMPS) and its subsidiaries operate in the different segments of the banking and financial industry, with activities ranging from traditional banking to special purpose loans, assets under management, bancassurance and investment banking. BMPS is the parent company of the Group. The Bank coordinates and controls the Group's companies according to Bank of Italy's instructions and in the interest of the banking group's financial and economic stability (Art. 2497-bis Italian law and Art. 61 Italian low for financial intermediaries).

The Entity consists of three main critical function:

- Deposits;
- Lending;
- Payment, Cash, Settlement, Clearing and Custody.

Through its Head Office, BMPS performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the Board of Directors and in the interest of the Group's stability.

Figure 3 – Organizational chart of the Bank's Head Offices as at 31/12/2017



Source: MPS Group Balance Sheet 31/12/2017

The organisational developments in 2017 were characterised by the completion of initiatives to redefine scopes of responsibility, delineated by the new organisational model approved by the Board of Directors in the 4th quarter of 2016 and, during that period, was limited to the first reporting level and the first step in the organisational reconfiguration of the CCO and CHCO areas.

In addition to completing the deployment of the new organisational model that involved nearly all of the Parent Company's areas of responsibility, although with differing degrees of depth and impacts, other optimisation initiatives were planned and carried out that, for the relevant areas, contributed to developing a framework design consistent with the reference philosophy that was the source of inspiration in terms of focused and clear assignment of responsibilities, simplification of structures and processes, strengthening of governance mechanisms and specialised oversights, as well as organisational suitability in relation to the provisions of supervisory bodies and designed to facilitate the realisation of the Bank's Restructuring Plan agreed with the competent authorities.

6.1.2 Financial Data

Below it is shown an extract of the main financial statement data as of December 31, 2017:

<u>Stock data</u>

Table 4 – BMPS Stock Data at 31/12/2017

Balance sheet data	31/12/2017	31/12/2016	Δ	
	€/mln	€/mln	Absolute	Percentage
Total Assets	129.499,0	144.488,2	(14.989,2)	-10,4%
Cash and cash equivalents	4.083,9	1.069,6	3.014,3	n.s.
- Of which: Loans to customers	71.473,5	85.043,7	(13.570,2)	-16,0%
- Of which: Loans to banks	24.927,4	31.708,[illegible]	(6.781,4)	-21,4%
Finanial asset held for trading	15.922,0	17.691,4	(1.769,4)	10,0%
Holdings	3.079,2	1.942,7	1.136,5	58,5%
Other	1.0013	7.032,1	2.980,9	48,5%
Total Liabilities and Net Equity	129.499,0	144.488,2	(14.989,2)	-10,4%
- Of which: debt to customers	87.087,0	92.040,8	(4.953,8)	-5,4%
- Of which: debt to banks	26.675,3	40.787,4	(14.112,1)	-34,6%
Financial liabilities held for trading	802,5	(3.722,8)	865,4	-23,2%
Profit or (Loss)	(2.857,4)	1241,8	(31)	-25,3%
Net Equity	9.647,5	4.767,3	4.880,2	n.s
Other	4.075,9	4.354,7	(278,8)	-6,4%

The table above highlights a decrease of the Total Asset of the 10,4%, while it shows an increase of the Total Equity attributable to the Capital increase that passed from 7.365,7 mln € to 10.328,6 mln €.

Loans exposure

Table 5 – BMPS, Loans Exposure at 31/12/2017

	Non performing loans	Unlikely to pay	Past due	Total non performing loans	Performing loans	Total customer loans	- Of wich non performing loans under Forbearance	- Of wich performing loans under Forbearance
Gross Amount (2017)	26.198,0	8.731,0	450,6	35.379,6	64.242,4	99.622,0	6.345,6	1.650,3
Adjustment Value	20.606,5	3.405,4	119,2	24.131,1	427,2	24.558,3	2.748,0	66,3
Net Amount	5.591,5	5.325,6	331,4	11.248,5	63.815,2	75.063,7	3.597,6	1.584,0
Coverage ratio	78,7%	39,0%	26,5%	68,2%	0,7%	24,7%	43,3%	4,0%
Percentage of custoemrs loans	7,4%	7,1%	0,4%	15,0%	85,0%	100,0%	-	-
Gross Amount (2016)	23.312,9	11.213,4	1.036,1	35.562,4	70.105,4	105.667,8	6.428,7	1.857,4
Adjustment Value	15.485,0	4.356,6	243,0	20.084,6	539,5	20.624,1	2.290,6	78,1
Net Amount	7.827,9	6.856,8	793,1	15.477,8	69.565,9	85.043,7	4.138,1	1.779,3
Coverage ratio	66,4%	38,9%	23,5%	56,5%	0,8%	19,5%	35,6%	4,2%
Percentage of custoemrs loans	9,2%	8,1%	0,9%	18,2%	81,8%	100,0%	-	-

The table above shows the credit quality as of December 31, 2017. At December 31, 2017, the Bank recorded a net exposure in terms of impaired loans equal to about 11.2 billion euro, down by 27.3% compared to the end of December 2016.

Capital adequacy

Table 6 – BMPS Capital Adequacy at 31/12/2017

Capital adequacy	31/12/2017	31/12/2016
	€/mln / %	€/mln / %
Common Equity Tier 1	10,143	8,2
Own Funds	57,3	57,2
RWA Amount	47,822	51,21
CET 1 ratio	18,09%	8,18%
Tier1 capital ratio	18,09%	8,18%
Total capital ratio	18,25%	11,48%

At 31 December 2017, the Common Equity Tier 1 (CET 1), CET 1 ratio, Tier 1 capital ratio and Total capital ratio increased compared to December 31th 2016. Instead, RWA amount decreased by almost four billion.

6.1.3 Impediments

In the Resolution cycle, impediments can be interpretated as obstacles that prevent the separability because making harder the application of the Resolution Tools. However, before to discussing the impediments that could arise for the Parent Company of the Group – BMPS in a separability scenario, it needs to consider the all legal, financial, operational and IT internal and external interconnections as of 31 December 2017 among BMPS, the other entities of the Group and the outsourcing services provider.

An other impediment to consider is the "expression of the interest by the market". This term refers to the interest that the market expresses about the subsiadiares of the Group. Particullary, in the last two years expressions of interest have not been received from to the Group for BMPS.

6.1.3.1 Legal impediments

A legal impediment can be interpretated as an obstacle that prevent the separability because of intra-group agreements ("Patti Para-sociali").

As showed in the chapter *4 – Organizational Group Structure*, BMPS is the parent company of the Group and for this reason does not have intra-group agreements ("Patti-Para-sociali") that could generate legal impediments.

6.1.3.2 Financial impediments

Before discussing the potential financial impediments, below a short description of the financial interconnections as at 31/12/2017, that could cause Financial impediments.

Financial interconnections

The parent company is responsible for providing financial support to the subsidiaries in order to allow them to fulfill all their obligations. In this regard, the parent company and all the Italian subsidiaries (MPS CS, Widiba S.p.A. and MPS L&F) subscribed binding agreements that imply for the free circulation of funds within BMPS' Group ("Liquidity framework agreements – Accordo quadro per la fornitura del supporto di liquidità infragruppo") without limits in terms of amount and timing. According to the liquidity framework agreements, the parent company will provide the subsidiaries with all the financial resources they need to timely meet their financial obligations through any of the following financial facilities:

- Interbank accounts;
- time deposits;
- REPOs.

Group companies can ask debit or credit mutual accounts with the Parent Company without limit, in order to meet short-term liquidity requirements, while time deposits are met for structural or medium-long term liquidity needs. Finally, if the Group's subsidiaries have a securities portfolio, they can finance with the Parent company via repo transactions.

Financial support agreements also allow for direct lending between Italian subsidiaries with financial surplus and subsidiaries with financial deficit. In any case, intra-group liquidity flows take place under the supervision and direction of the Parent Company's Group Liquidity Management Unit.

In particular, if an Italian subsidiary is hit by a liquidity stress/crisis, unexpected liquidity needs may be satisfied by borrowing from another Group entity debiting intra-group accounts, as instructed by the Parent Company.

The liquidity needs faced by foreign Entities (Monte Paschi Belgio, Monte Paschi Banque) are offset by the liquidity lines granted by the Parent Company and sized according to their balance sheet and business.

These liquidity lines do not prevent the Parent Company from providing additional funding to the foreign Companies, if needed.

If the liquidity situation of a subsidiary causes a crisis/stress situation for the Parent Company, this will be managed by the Liquidity Stress/Crisis Committee, as established in the Regulation 1 - Organization of BMPS Bank.

Financial interconnections

In particular,concerning the financial interconnections, there are two types of financial interconnections:

i. Existing material intra-group exposures and funding relationships, capital flows within the entity or entities;

ii. intra-group guarantees that are in place or that are expected to be in place when Recovery Options could be required.

Regarding intragroup funding, a.1), in the following tables are reported the details regarding the intragroup funding as at 31/12/2017:

Table 7 – Funding intercompany - LIABILITIES Aggregated amount €/mln

	Funding disbursed by							
Funding received by	Banca Mps	Mps Cs	Mps L&F	Mps Belgio	Mps Banque	Widiba	Mps Fiduciaria	Consorzio Mps
Banca Mps		6,453.93	119.71	27.20	69.26	2,062.38	7.96	20.81
Mps Cs	15,528.59		-	-	-	-	-	2.83
Mps L&F	3,836.95	-		-	-	-	-	0.92
Mps Belgio	0.49	19.49	-		0.81	-	-	-
Mps Banque	10.71	1.35	-	0.004		-	-	-
Widiba	6.56	47.97	-	-	-		-	0.67
Mps Fiduciaria	1.01	-	-	-	-	-		-
Consorzio Mps	163.52	0.62	-	-	-	-	-	

Source: Internal elaboration, data as at 31/12/2017

Table 8 – Funding intercompany - DEPOSITS Aggregated amount €/mln

	Funding disbursed by							
Funding received by	Banca Mps	Mps Cs	Mps L&F	Mps Belgio	Mps Banque	Widiba	Mps Fiduciaria	Consorzio Mps
Banca Mps		2,465.95	22.92	15.31	49.42	2,046.37	5.05	-
Mps Cs	11,356.20		-	-	-	-	-	-
Mps L&F	3,811.51	-		-	-	-	-	-
Mps Belgio	0.33	-	-		0.81	-	-	-
Mps Banque	10.71	-	-	0.004		-	-	-
Widiba	2.12	-	-	-	-		-	-
Mps Fiduciaria	-	-	-	-	-	-		-
Consorzio Mps	147.81	-	-	-	-	-	-	

Source: Internal elaboration, data as at 31/12/2017

Table 9 – Funding intercompany - REPOS Aggregated amount €/mln

	Funding Disbursed By							
Funding received by	Banca Mps	Mps Cs	Mps L&F	Mps Belgio	Mps Banque	Widiba	Mps Fiduciaria	Consorzio Mps
Banca Mps		2,456.79	-	-	-	-	-	-
Mps Cs	3,220.76		-	-	-	-	-	-
Mps L&F	-	-		-	-	-	-	-
Mps Belgio	-	-	-		-	-	-	-
Mps Banque	-	-	-	-		-	-	-
Widiba	-	47.97	-	-	-		-	-
Mps Fiduciaria	-	-	-	-	-	-		-
Consorzio Mps	-	-	-	-	-	-	-	

Source: Internal elaboration, data as at 31/12/2017

Table 10 – Funding intercompany - SECURITIES Aggregated amount €/mln

	Funding disbursed by							
Funding received by	Banca Mps	Mps Cs	Mps L&F	Mps Belgio	Mps Banque	Widiba	Mps Fiduciaria	Consorzio Mps
Banca Mps		503.32	-	11.90	19.83	-	2.00	-
Mps Cs	450.00		-	-	-	-	-	-
Mps L&F	20.00	-		-	-	-	-	-
Mps Belgio	-	-	-		-	-	-	-
Mps Banque	-	-	-	-		-	-	-
Widiba	-	-	-	-	-		-	-
Mps Fiduciaria	-	-	-	-	-	-		-
Consorzio Mps	-	-	-	-	-	-	-	

Source: Internal elaboration, data as at 31/12/2017

Table 11 – Funding intercompany - Derivatives Aggregated amount €/mln

	Funding disbursed by							
Funding received by	Banca Mps	Mps Cs	Mps L&F	Mps Belgio	Mps Banque	Widiba	Mps Fiduciaria	Consorzio Mps
Banca Mps		646	-	-	-	0.3	-	-
Mps Cs	485.09		-	-	-	-	-	-
Mps L&F	-	-		-	-	-	-	-
Mps Belgio	-	19.49	-		-	-	-	-
Mps Banque	-	1.35	-	-		-	-	-
Widiba	-	-	-	-	-		-	-
Mps Fiduciaria	-	-	-	-	-	-		-
Consorzio Mps	-	-	-	-	-	-	-	

Source: Internal elaboration, data as at 31/12/2017

Table 12 – Funding intercompany - OTHER Aggregated amount €/mln

	Funding disbursed by							
Funding received by	Banca Mps	Mps Cs	Mps L&F	Mps Belgio	Mps Banque	Widiba	Mps Fiduciaria	Consorzio Mps
Banca Mps		381.87	96.79	-	-	15.71	0.92	20.81
Mps Cs	16.54		-	-	-	-	-	2.83
Mps L&F	5.44	-		-	-	-	-	0.92
Mps Belgio	0.16	-	-		-	-	-	-
Mps Banque	-	-	-	-		-	-	-
Widiba	4.44	-	-	-	-		-	0.67
Mps Fiduciaria	1.01	-	-	-	-	-		-
Consorzio Mps	15.71	0.62	-	-	-	-	-	

Source: Internal elaboration, data as at 31/12/2017

Regarding intragroup guarantees, in the following tables are reported the details regarding the intragroup guarantees as at 31/12/2017

Table 13 – Guarantees intercompany - Financial and Commercial Guarantees issued by third parties € / mln

Guarantees received by	Guarantees issued by: Banca Mps	Mps Cs	Mps L&F	Mps Belgio	Mps Banque	Widiba	Mps Fiduciaria	Consorzio Mps
Banca Mps		-	-	-	-	-	-	-
Mps Cs	-		-	-	-	-	-	-
Mps L&F	-	-		-	-	-	-	-
Mps Belgio	10.00[3]	-	-		-	-	-	-
Mps Banque	-	-	-	-		-	-	-
Widiba	-	-	-	-	-		-	-
Mps Fiduciaria	-	-	-	-	-	-		-
Consorzio Mps	-	-	-	-	-	-	-	

Source: Internal elaboration, data as at 31/12/2017

Table 14 – Guarantees intercompany - Intragroup Financial and Business Guarantees issued against Third Party Benefits € / mln

Guarantees received by	Guarantees issued by: Banca Mps	Mps Cs	Mps L&F	Mps Belgio	Mps Banque	Widiba	Mps Fiduciaria	Consorzio Mps
Banca Mps		1056[4]	-	-	-	-	-	-
Mps Cs	177[5]		-	-	-	-	-	-
Mps L&F	1.76	-		-	-	-	-	-
Mps Belgio	-	-	-		-	-	-	-
Mps Banque	-	-	-	-		-	-	-
Widiba	0.3	-	-	-	-		-	-
Mps Fiduciaria	-	-	-	-	-	-		-
Consorzio Mps	-	-	-	-	-	-	-	

Source: Internal elaboration

[3] *Guarantee issued to third party debtor (transfer of risk from the subsidiary to the parent company).*

[4] of which approx. € 1,047 mln of loans to collateral of Euro system loans to the Parent Company, approx. 9 mln of commercial or financial guarantees issued to third party beneficiaries

[5] Guarantees of the Parent Company towards third-party financial Institutions for derivatives operations of the Subsidiary

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6.1.3.3 Operational impediments

Below the description of the internal operational critical interconnections being between BMPS and the other entities of the Group as at 31/12/2017:

Table 15 – Internal Operational interconnectedness

Entities of the Group which provide the services	Entities of the Group which receive the services	Main Services Provided
MPS Capital Services Banca per le Imprese S.p.A.	**Banca Monte dei Paschi di Siena S.p.A.**	**Supply of the following services**: • Operational and accounting management of the Group systematic internaliser (DDT); • Negotiation of orders with property • Management in a centralized Group Operating Liquidity
Consorzio Operativo Gruppo MPS	**Banca Monte dei Paschi di Siena S.p.A.**	**Supply of the following services**: • Development and maintenance of electronic systems for data elaboration; • Development, supply and maintenance of IT service

Source: Internal elaboration

The services supplied by MPS CS are included in the Contract for the outsourcing of the provision of financial and investment operating services.

Below the description of the external operational critical interconnections being between BMPS and the outsourcing services provided as at 31/12/2017:

Table 16 – External Operational interconnectedness

Provider	Critical Service	Critical Function	Entities of the Group which receive the services
Fruendo	**Master Service Agreement Fruendo**	• Payment, cash, settlement, clearing, custody; • Deposits.	Banca Monte dei Paschi di Siena S.p.A.
Accenture	**Master Service Agreement Accenture**	• Payment, cash, settlement, clearing, custody; • Deposits.	Banca Monte dei Paschi di Siena S.p.A.
NEXI NEXI SPA	**Prestazione di servizi di gestione di carte di pagamento**	• Payment, cash, settlement,clearing, custody	Banca Monte dei Paschi di Siena S.p.A.
Bassilichi SPA	**Assistenza Internet Banking e Mobile Banking**	• Payment, cash, settlement, clearing, custody; • Deposits; • Lending.	Banca Monte dei Paschi di Siena S.p.A.
B.Services SRL	**Accordo quadro per l'assistenza credito al consumo**	• Payment, cash, settlement, clearing, custody; • Deposits; • Lending.	Banca Monte dei Paschi di Siena S.p.A.
INTESA SPA	**Conservazione digitale immage degli assegni**	• Payment, cash, settlement, clearing, custody; • Deposits.	Banca Monte dei Paschi di Siena S.p.A.

Source: Internal elaboration

In case of separation of one or more Parent Company's critical functions (Lending or Deposit and Payments), all the above operational internal and external interconnections, could generate potential operational impediments because of the dissolution of the contracts that regulate the supplying of critical services.

Regarding internal interconnections, i.e. result that there are 184 employees (as of 31/12/2017) of MPS CS that work for BMPS providing specific services and that in order to comply the trade unions procedure from CCNL art 17 par. 7 and art.21, should be reintegrated in MPS CS.

6.1.3.4 IT impediments

Concerning IT interconnections, there could be impediments related to the timing and costs of the migration of the Information Tech System. In particular, transfer operations are guided by the transferor, normally, for layouts and technical logics of releases; in the event that the originator also has to normalise the data, potential problems could result, whose complexity and estimate of effort is difficult to quantify and not included in the present assessment. In a base scenario, costs could be between 3 – 3,5 €/mln, while timing should be between ten and fifteen months.

The quantification of costs and timing refers to hypothesis of a stand-alone operation. More operations carried out at the same time could result in an increase in time and costs that can not be quantified.

6.2 MPS CS - MONTE DEI PASCHI DI SIENA CAPITAL SERVICES

6.2.1 Overview

MPS CS, located in the Corporate Banking operational business, proposes to customers financial and credit solutions. In particular, its business is focused on short and long term loans and corporate finance on capital markets and structured finance. Below the business units:

a) Corporate Finance
   - Project Finance – the business is oriented to infrastructure, renewable energy and utilities sectors;
   - Finance – the business is oriented to real estate/hotellerie and industry;
   - Acquisition Financing – the business is oriented towards Acquisition/Leverage Finance operations, in wich MPS CS generelly is the Mandate Lead Arranger and Facility Agent.

b) Investment Banking: business focus on the placing and issue of bonds;

c) Facilitated Finance: Managing of the public aid to the comprnies

The key commercial activities of the subsidiary are: the specialized lending, the trading on the secondary market and the wholesale funding.

6.2.2 Financial data

Below it is shown an extract of the main financial statement data as of 31 December 2017:

<u>Financial Asset/Liabilities</u>

Table 17 – MPS CS, Financial Asset/Liabilities at 31 December 2017

Items	31/12/2017	30/09/2017	31/12/2017	Δ Q/Q	Δ Y/Y
	€/mld	€/mld	€/mld	%	%
Trading Financial Assets	24.168,4	25.403,0	25.929,3	-4,9%	-6,8%
- Held for Treding	*8.718,0*	*10.101,7*	*9.266,2*	*-13,7%*	*-5,9%*
- Available for Sale	*15.450,4*	*15.301,3*	*16.663,1*	*1,0%*	*-7,3%*
Trading Financial Liabilities	4.476,9	4.201,1	4.971,8	6,6%	-10,0%

The trading financial assets at 31 December decrease by 6,8% compared to December 2016, while compared to September 2017 the decrease is 4,9%, principally related to the trading component of MPS CS (in particular, the decrease was on the debt's *Gouvernmentes instruments).*

Profit and Loss items

Table 18 – MPS CS, Profit and Loss items at 31/12/2018

Items	31/12/2017	31/12/2016
	€/mld	€/mld
Income (Corporate Banking)	1.030	1339
Net profit	(633)	(770)

At 31 December 2017, Corporate Banking had 1.030 €/mln (-29,7 % Y/Y). in particular, 52 €/mln results from management and insurance management (-63,7 % Y/Y), decrease caused by MPS CS.

Capital and shares

Table 19 – MPS CS, Capital and Shares at 31/12/2018

Items	31/12/2017	31/12/2016
	€/mld	€/mld
Own shares	(313,7)	-
Share premium	0,2	-

The own shares item increased of 313,7 €/mln because of the conversion of the issued bond AT1 and T2.

The share premium item decrease of 0,2 €/mln because of the increase of the share capital in November 2017 of MPS CS, totally subscribed by the Parent Company.

6.2.3 Impediments

Below all the legal, financial, operational and IT internal and external interconnections being as of 31th December 2017 among BMP CS, the other entities of the Group and the outsourcing services provider.

In the last two years the Group has not received expression of interest for MPS CS.

For MPS CS, there are two hypothesis of Separation below reported:

- Total asset disposal (It considers the dismission of the entire Legal Entity);
- Partial asset disposal (It considers the separation of the only one critical function that is Capital Market "own behalf Trading")

6.2.3.1 Legal impediments

BMPS has the 99,98% of MPS CS. In case of separability there will not be legal impediment for MPS CS because there are not intra-group agreements.

6.2.3.2 Financial impediments

As discussed at the chapter 6.1.3.2 - Financial impediments, within the Group exist material intra-group exposures and funding relationships, moreover intra-group guarantees are in place also in place or there are to expected to be in place when Recovery Options activation could be required.
In particular, As of 31th December 2017, concerning the intra-group exposures and funding relationship, MPSCS distbursed 6.523,36 €/mln as below showed[6]:

- 2,465.95 €/mln vs BMPS in deposits, current accounts and loans;
- 2,456.79 €/mln vs BMPS and 47.97 €/mln vs Widiba in REPOS;
- 503.32 €/mln vs BMPS in securities. Reminding that there are not multi-originators securities;
- 646 €/mln vs BPMS, 19.49 €/mln vs Mps Belgio and 1.35 €/mln vs Mps Banque in Derivates;
- 381.87 €/mln vs BPMS and 0.62 €/mln vs Consorzio Mps in Other funding.

Instead, concerning intra-group guarantees, below the details as of 31/12/2017:

- 1056 €/mln vs BMPS, of wich approx € 1,047 mln of loans to collateral of Euro system loans to the Parent Compony; approx. 9 mln of commercial or financial guarantees issued to third party beneficiaries.

In the resolution, the liquidity intra-group agreement shall be dissolved and that could cause financial impediment in term of liquidity for MPS CS.

[6] Reference Table 4, chapter 6.1.3.2

6.2.3.3 Operational impediments

Below the description of the internal operational interconnections (critical and not critical) being between BMPS and the other entities of the Group as at 31/12/2017:

Table 20 – Internal Operational interconnectedness

Entities of the Group which provide the services	Entities of the Group which receive the services	Main Services Provided
Banca Monte dei Paschi di Siena S.p.A.	**MPS Capital Services Banca per le Imprese S.p.A.**	**Supply of the following services:** • Consolidated Accounting and IQM; • Compliance; • Centralized post trade processing (Middle-Back Office); • Communication; • Credit recovery; • Finance; • Investigations and reporting to Authorities; • Legal and Corporate Affairs; • Liquidity Risk; • Logistics; • Management litigation and void in bankruptcy; • Management non performing loans; • Post trading: payment and settlement services (MPS in the role of Representative Institution for MPSCS); • Procurement Department; • Rating servicing; • Real estate; • Registry office; • Risk Management; • Servizio prevenzione, protezione ed ambiente; • Shares; • Supervisory reporting; • EIB and CDP Funding - EIB Plafond (co-debtorship contracts) - Funding from EIB through contracts finalized and guaranteed by the Parent Company; • Funding from CDP through contracts finalized by the Parent Company; • Centralized Treasury-ALM; • Long Term Funding - Minimum Reserves. • 54 employee of Banca Monte dei Paschi di Siena S.p.A • The offices of MPS Capital Services Banca per le Imprese S.p.A. (in Florence, Siena, Rome, Milano, Padova) are located in building shared with Banca Monte dei Paschi di Siena S.p.A..
Consorzio Operativo Gruppo MPS	**MPS Capital Services Banca per le Imprese S.p.A.**	**Supply of the following services:** • Development and maintenance of electronic systems for data elaboration; • Development, supply and maintenance of IT services • Setting up and maintenance of integrate network of data transmission

Source: Internal elaboration

Below the description of the external critical operational interconnections being between MPS CS and the outsourcing services provided as at 31/12/2017:

Table 21 – External Operational interconnectedness

Provider	Critical Service	Critical Function	Entities of the Group which receive the services
LIST SPA	Application Service Providing per sistema di internalizzazione sistemica (DDT)	• Capital Markets - Secondary markets/trading	Monte dei Paschi Capital Services Banca per le Imprese S.p.A.

Source: Internal elaboration

In case of separability of BMP CS all the above internal and external operational interconnectedness could cause operational impediments.

In case of total asset disposal of the Parent Company, all the above operational interconnections between MPS CS and BMPS, in terms of services provided by BMPS, could be potential operational impediments, including the 54 employees (as of 31/12/2017) of BMPS that working for MPS CS that in order to comply the trade unions procedure from CCNL art. 17 par. 7 and art.21, should be reintegrated in BMPS. Instead, in the case of one critical function was dismissed, the trade unions procedure from CCNL art 17 c. par. 7 and art.21 have to be apply only for the employees of the critical function object of separability

Concerning Back Office, the total asset disposal could generate operational impediments in terms of higher costs for the services provided from outsourcer. In fact, in this case the Group could not exploit economies of scale and for this reason there will be the necessary to rinegoziate the agreements. Instead, if one critical function was dismissed the impact in term of higher costs will be lower.

Finally, on condition that the Regulatory does not allow derogations, the dissolution of the "Waiver Liquidity" agreement could cause the needs for MPS CS to centralize a system for the supervisory reporting for the liquidity and create a Treasury-ALM section.

6.2.3.4 IT impediments

Concerning IT interconnections, there could be impediments related to the timing and costs about the migration of the Information Technology System. In particular, transfer operations are guided by the transferor, normally, for layouts and technical logics of releases. In the event that the originator also has to normalise the data, potential troubles could result, whose complexity and estimate of effort is difficult to quantify and not included in the present assessment. The quantification of costs and time refers to hypothesis of a stand-alone operation and is reported below.

- In the case of total asset disposal costs and timing are rispectivelly 600 €/k – 800 €/k in six – nine months;
- In the case of disposal of critical function (Capital Market own behalf Treding) costs and timing are rispectivelly 500 €/k – 650 €/k in six – nine months;
- In the case of disposal of not critical function costs and timing are rispectivelly 300 €/k – 400 €/k in six – nine months

Furthermore, More operations carried out at the same time could result in an increase in timing and costs that can not be quantified.

6.3 MPS L&F - MONTE DEI PASCHI DI SIENA LEASING&FACTORING

6.3.1 Overview

MPS Leasing & Factoring (hereafter MPS L&S) as MPS CS is a company specifically dedicated to the development of specialist financial instruments to be offered to the market. MPS L&F is the Group bank specialised in developing an offer of integrated leasing and factoring packages for businesses, artisans and professionals.

Main sales initiatives developed in the market

Commercial initiatives aimed at recovering Italian and foreign funding volumes and commercial flows.

Conversion of BMPS advances on trade receivables into factoring of receivables purchases.

- "Factoring in System": commercial initiative designed to identify Top Corporate and SME customers that use the product with other competitors;
- "Leasing Care": promotional campaign dedicated to Top Corporate enterprises and SMEs in order to incentivise the use of vehicle leasing through a free 6-month insurance policy offer;
- "Factoring Reverse": initiative to identify, within Top Corporate and SME customers, important companies leading their respective sectors to stipulate indirect factoring agreements that would benefit their strategic suppliers and allowing the possibility of payment extensions.

Corcening the Real Estate leasing - with the support of external specialist skills, the goods purchased shall be avaluated by a scoring model that considers the following factors: the type of the goods, their destination use, the evirormental context productive activity and the legal context. The operations that pass this first screening are monitored. Instead, the most risky operations are subjected to appraisals and check.

6.3.2 Financial data

Below it is shown an extract of the main financial statement data as of December 31, 2017.

Loans to customer: composition

Table 22 – MPS L&F Composition Loans to Customer

Items	Valore di Bilancio			
	Non deteriorate	Deteriorati acquisiti	Altri deteriorate	Totale
Financing	75.054.267	54	10.352.	85.406.339

Items	Valore di Bilancio			
	Non deteriorate	Deteriorati acquisiti	Altri deteriorate	Totale
- Financial Leasing	2.761.937	-	860.663	3.622.600
Factoring	816.537	-	67.828	884.365
- Other Financing	13.319.670	37	1.550.055	14.869.762
- In building leasing	178.049		17.113	195.162

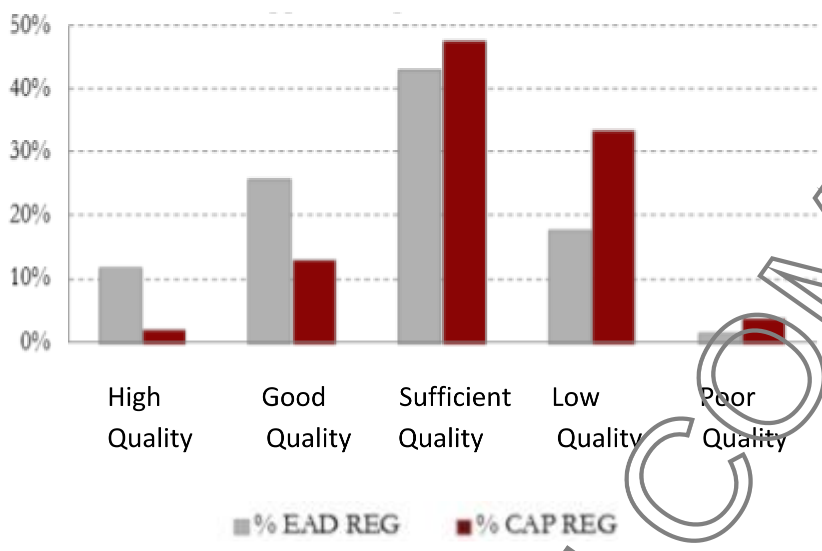
The leasing financial portfolio held number 28.515 financial leasing agreements with several residual debt following indicated:

- 60,3% real estate sector;
- 19,7 % operational sector;
- 11,3 % energy sector;
- 6,3 % registered sector;
- 2,4 % airwaves and railways

The interests income on the financial leasing operation at 2017 was 94,2 €/mln, while at 2016 it was 110,1 €/mln. Instead, the interests expenses are non riportated because the amount is not significant, being under one €/million.

The following bar chart shows the quality credit distribution concerning to Corporate and Retail portfolio. It notices that, as of 31/12/17, the sum between the high quality exposure and good quality exposure is 38% on the total exposure.

Figure 4 – Bar chart on the Total Exposures of the Group



The Parent Company covers the 88,9% of the total exposures of the Group, while MPS CS, MPS L&F e WIDIBA cover the residual 11,1%.
Concerning Credit Risk, The regulatory capital absorbed from the parent Company is (78,5%), followed by MPS CS (13,8%) and finally MPS L&F (7,4%).

6.3.3 Impediments

Below all the legal, financial, operational and IT internal and external interconnections being as of 31th December 2017 between MPS L&F and the other entities of the Group.

In the last two years the Group has not received expression of interest for MPS L&F. Considering that the Entity have not critical functions, it has only considered the total asset disposal.

6.3.3.1 Legal impediments

BMPS has the 100% of MPS L&F. In case of separability there will not be legal impediment for MPS L&F because there are not intra-group agreements.

6.3.3.2 Financial impediments

At 31 December, 2017, concerning the intra-group exposures and funding relationship, MPS LF distbursed 119.72[7] €/mln as below showed:

- 22.92 €/mln vs BMPS in deposits, current accounts and loans;
- 96.79 €/mln vs BPMS in Other.

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[7] Reference Table 4, chapter 6.1.3.2

In case of separability it should necessary consider the articulated and complex operativity concerning intra-group funding.

In the resolution, the liquidity intra-group agreement shall be dissolved and that could cause financial impediment in term of liquidity for MPS L&F.

6.3.3.3 Operational impediments

Below the description of the operational internal interconnections (critical and not critical) being between Widiba and the other entities of the Group as at 31/12/2017. Compared to BMPS and MPS CS, for Widiba there are not external interconnections:

Table 23 – Internal Operational interconnectedness

Entities of the Group which provide the services	Entities of the Group which receive the services	Main Services Provided
Banca Monte dei Paschi di Siena S.p.A.	**MPS Leasing & Factoring**	**Supply of the following services:** • Consolidated Accounting and IQM; • Compliance; • Communication; • Compliance ICT; • Credit recovery; • Finance; • Legal and Corporate Affairs; • M&A; • Procurement Department; • Real Estate; • Registry office; • Risk Management; • "Servizio prevenzione, protezione ed ambiente"; • Shares; • Strategic marketing corporate; • Centralized Treasury-ALM; • Supervisory reporting.
Consorzio Operativo Gruppo MPS	**MPS Leasing & Factoring**	**Supply of the following services:** • Development and maintenance of electronic systems for data elaboration; • Development, supply and maintenance of IT services; • Setting up and maintenance of integrate network of data transmission.

Source: Internal elaboration

In case of total asset disposal the 125 employees (as of 31/12/2017) of BMPS that working for MPS L&F in order to comply the trade unions procedure from CCNL art. 17 par. 7 and art.21, should be reintegrated in BMPS. Differently from the Parent Company and MPS CS, for MPS L&F there are not Back Office activities that could generate operational impediments.

Finally, on condition that the Regulatory does not allow derogations the dissolution of the "Waiver Liquidity" agreement cause the needs for MPS L&F to centralize a system for the supervisory reporting for the liquidity and create a Treasury-ALM section.

6.3.3.4 IT impediments

Concerning IT interconnections, there could be impediments related to the timing and costs about the migration of the Information Technology System. In particular, transfer operations are guided by the transferor, normally, for layouts and technical logics of releases. In the event that the originator also has to normalise the data, potential troubles could result, whose complexity and estimate of effort is difficult to quantify and not included in the present assessment. The quantification of costs and time refers to hypothesis of a stand-alone operation and is reported below.

- In the case of total asset disposal costs and timing are rispectivelly 600 €/k – 800 €/k in six – nine months;
- In the case of disposal of the only one function (Leasing) costs and timing are rispectivelly 450 €/k – 650 €/k in six – nine months;
- Finally, in the case of disposal of the only one function (Factoring) costs and timing are rispectivelly 250 €/k – 350 €/k in five – eight months.

6.4 WIDIBA

6.4.1 Overview

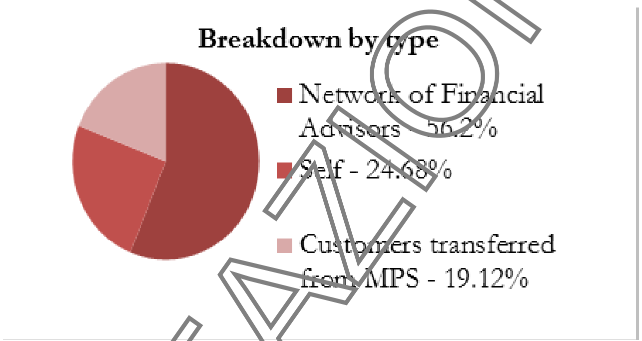
Widiba is the Group's direct bank that integrates an innovative self-service and digital services system offer with the competencies of MPS's financial advisor network.

The main business areas of Widiba are represented by banking products and services, deposit account, cards and advanced payment systems; customer self-service through the bank's digital channels (innovative interaction through PCs, smartphones, tablets, watches and TV) or in assisted mode with the support of a Financial Advisor. Moreover it provides:

- A fully customisable online platform that relies on a network of 606 Financial Advisors present throughout the country;
- funding and global advisory services and financial planning through the advanced WISE platform and the skills of the Financial Advisor Network;
- retail mortgages, credit facilities and personal loans.

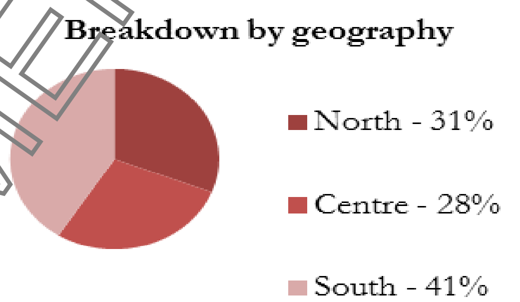
There were roughly 235,000 customers as at 31/12/2017, of which 132,100 in the Financial Advisor Network channel, 58,000 in the self-service channel, and 44,900 customers migrated from the MPS branch network. There were approx. 202,765 customers managed exclusively by Banca Widiba S.p.A.

Figure 5 – Bar chart on the Total Exposures of the Group



Source: Internal elaboration

Figure 6 – Bar chart on the Total Exposures of the Group



Source: Internal elaboration

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6.4.2 Financial data

As of 31/12/2017, Total Funding for Widiba amounted to approximately € 7.5 bn, up € 0.9 bn from the end of December 2016. The annual trend was marked by growth in the direct component as well as the Asset Management component, with a net increase in the customer base of roughly +73,900 from the beginning of the year, including the contribution of the migration into Widiba of nearly 44,900 customers from the MPS branch network. More specifically:

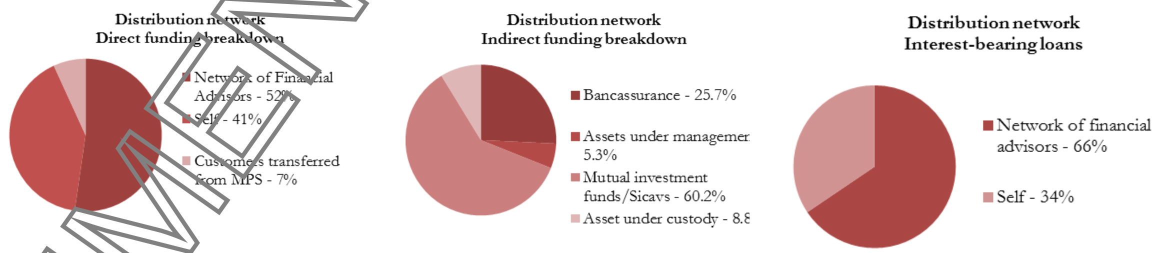
- Direct Funding of € 2.1 bn;
- Indirect Funding, amounting to approx. € 5.4 bn.

Interest-bearing loans to Widiba customers rose from roughly € 44 mln at the end of December 2016 to € 238 mln as at 31/12/2017. This growth refers primarily to the launch of the offer of Widiba mortgages with roughly € 197 mln in new loans since the beginning of the year. The Widiba mortgage (first 100% paperless mortgage in Italy) won two important national awards in the first quarter of 2017 (ABI Innovation Award and AIFIN Cerchio d'Oro Award).

Figure 7 – Widiba Balance Sheet Aggregates

WIDIBA BANK - BALANCE SHEET AGGREGATES							
(EUR mln)	31/12/17	30/09/17	31/12/16	Chg Abs Q/Q	Chg % Q/Q	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt securities issued	**2,148**	**1,821**	**1,563**	**327**	**18.0%**	**584**	**37.4%**
Assets under management	*4,928*	*4,830*	*4,557*	*98*	*2.0%*	*370*	*8.1%*
Assets under custody	*473*	*468*	*538*	*5*	*1.0%*	*-65*	*-12.1%*
Indirect Funding	**5,401**	**5,298**	**5,096**	**102**	**1.9%**	**305**	**6.0%**
Total Funding	**7,548**	**7,119**	**6,659**	**429**	**6.0%**	**889**	**13.4%**
Interest-Bearing Loans to Customers	**238**	**154**	**44**	**84**	**54.4%**	**193**	**438.3%**

Figure 8 – Widiba Balance Sheet Aggregates



Source: Internal elaboration

With regard to profit and losses, as at 31/12/2017 Widiba achieved total Revenues of approx. € 44 mln, up (+ € 2.8 mln; +6.9%) compared to the previous year. The contribution from 4Q17 decreased compared to the previous quarter due to higher non-recurring charges relative to fees for the Financial Advisor Network. A breakdown of the aggregate shows:

- Net interest income as at 31/12/2017 was equal to approx. € 31 mln, up by 8.6% compared to 2016, with a 4Q contribution showing Material growth compared to the previous quarters (+ € 1.8 mln over 1Q, + € 1.4 mln over 2Q, + € 0.9 mln over 3Q). With reference to the components of net interest income, there was a lower lending rate on financial loans offset entirely by a lower cost of Funding and higher volumes. These trends allow for a full recovery of the lower contribution of net interest income deriving from securities lending transactions with customers (due primarily to regulatory changes);
- Net Fees and Commissions as at 31/12/2017, equal to roughly 14 mln, posted an improvement compared to 2016 (+ € 1.8 mln; +15.1%). The quarterly trend in net fees and commissions shows a decline in 4Q solely related to the higher non-recurring charges for the loyalty system for the Financial Advisor Network. Instead, the third quarter was the best of the year in terms of Gross Revenues, due to the positive contribution of fees and commissions on Asset Management and Assets under Custody. With reference to the previous year, there was higher income from placement (due to the positive sales performance of the Financial Advisor Network) and the continuing operations of Asset Management products (higher average volumes under management);
- Operating Expenses rose by 1.7% compared to 31/12/2016, principally due to higher amortisation linked to investments in the Widiba banking platform and global advisory platform (WISE). In fact, personnel expenses were € 0.9 mln higher, more than offset by lower administrative costs of € 2.1 mln. As regards administrative costs, actions to optimise commercial costs continued that allowed growth in the customer base at acquisition costs that were lower than those of 2016;
- Gross Operating Income therefore came to - € 19.0 mln, an improvement of + € 1.7 mln (+8.4%) compared to 31/12/2016;
- Net Operating Income as at 31/12/2017 totaled - € 18.6 mln, a deterioration with respect to 2016 (- € 3.3 mln), which benefitted from write-backs on receivables equal to € 5.4 mln. In addition, there was an extraordinary effect from the write-down of the equity investment in the Voluntary Scheme linked to voluntary participation in IDPF for a total of € 1.8 mln. The quarterly trend of Net Operating Income showed a decrease in 4Q compared to the previous quarter, due mainly to the effect of the trend in Net fee and commission income, discussed above.

Figure 9 – Widiba Profit and Loss Aggregates

WIDIBA BANK - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	31/12/17	31/12/16	Abs.	%
Net interest income	*31.1*	*28.6*	*2.5*	*8.6%*
Net fee and commission income	*13.7*	*11.9*	*1.8*	*15.1%*
Other income	*(0.0)*	*0.0*	*0.0*	*n.s.*
Other operating expenses/income	*(1.2)*	*0.2*	*-1.4*	*n.s.*
Total Revenues	**43.6**	**40.8**	**2.8**	**6.9%**
Operating expenses	*(62.6)*	*(61.5)*	*-1.1*	*1.7%*
Pre Provision Profit	**(19.0)**	**(20.8)**	**1.7**	**-8.4%**
Net impairment losses (reversals) on loans and financial assets	0.4	5.4	-5.0	-92.6%
Net Operating Income	**(18.6)**	**(15.3)**	**-3.3**	**21.3%**

6.4.3 Impediments

Below all the legal, financial, operational and IT internal and external interconnections being as of 31th December 2017 between Widiba and the other entities of the Group.
As for the Parent Company and MPS CS, In the last two years the Group has not received expression of interest for Widiba.

6.4.3.1 Legal impediments

BMPS has the 100% of Widiba. In case of separability there will not be legal impediment for Widiba because there are not intra-group agreements.

6.4.3.2 Financial impediments

Potential financial impacts could be caused of the interruption of the credit line from Widiba to the Parent Company. In particular, as at 31 December, 2017, concerning the intra-group exposures and funding relationship, Widiba distbursed 2,062.38€/mln[8] as below showed:

- 2,046.37 €/mln vs BMPS in deposits, current accounts and loans;
- 0.3 €/mln vs BPMS in Derivates;
- 15.71 €/mln vs BMPS in Other.

[8] Reference Table 4, chapter 6.1.3.2

In the resolution, the liquidity intra-group agreement shall be dissolved and that could cause financial impediment in term of liquidity for MPS L&F.

6.4.3.3 Operational impediments

Below the description of the operational internal interconnections (critical and not critical) being between Widiba and the other entities of the Group as at 31/12/2017. Compared to BMPS and MPS CS, for Widiba there are not external interconnections:

Table 24 – Internal Operational interconnectedness

Principal Services Provided to the Grouptities of the Group which provide the services	Entities of the Group which receive the services	Main Services Provided
Banca Monte dei Paschi di Siena S.p.A.	**Widiba S.p.A.**	**Supply of the following services:** • Consolidated Accounting and IOM; • Audit; • Compliance • Communication; • Finance; • HR; • Logistics; • M&A; • Procurement Department; • Real estate; • Registry office; • Risk Management; • Security; • Servizio prevenzione, protezione ed ambiente; • Shares; • Strategic marketing retail; • Centralized Treasury-ALM; • Supervisory reporting.
MPS Capital Services Banca per le Imprese S.p.A.	**Widiba S.p.A.**	**Supply of the following services:** • Bondo Brokerage Services; • Collection, transmission and negotiation of orders; • Participation in the government primary bond market; • Repos Trading; • REPO with Widiba Customer; • Securities trading; • Trading of Group bond on the secondary market; • Trading Support.
Consorzio Operativo Gruppo MPS	**Widiba S.p.A.**	**Supply of the following services:** • Development and maintenance of electronic systems for data elaboration; • Development, supply and maintenance of IT services; Setting up and maintenance of integrate network of data transmission.

Source: Internal elaboration

Widiba does not have an independent administrative structure because all the activities as Audit, Tax, Compliane, Finance, HR, Logistics, Risk Management, Supervisory reporting and others are carried out by the Parent Company. In case of separation that above inter-dependences will cause operational impediment.

To manage the staff the trade unions procedure from CCNL all'art 17 comma 7 e art.21 have to be apply. In particular, the employees of BPMS that actually work in Widiba should be reintegrated in BMPS. In a resolution hypothesis, it needs to consider that the Financial Prometers could be resign.Finally, on condition that the Regulatory does not allow derogations the dissolution of the "Waiver Liquidity" agreement cause the needs for Widiba to centralize a system for the supervisory reporting for the liquidity and create Treasury-ALM section.

6.4.3.4 IT impediments

Concerning IT interconnections, there could be impediments related to the timing and costs about the migration of the Information Tech System. In particular, transfer operations are guided by the transferor, normally, for layouts and technical logics of releases. In the event that the originator also has to normalise the data, potential problems could result, whose complexity and estimate of effort is difficult to quantify and not included in the present assessment

Finally, concerning costs and timing they will be respectively 1,2 – 1,5 €/mln and seven - ten months.

6.5 COG

6.5.1 Overview

The COG is the centre for the development and management of ICT telecommunication systems. The ownership of the Parent Company is 99,91 %.

6.5.2 Financial data

Below it is shown the amount of the depreciation values as of December 31, 2017:

Figure 10 – COG Balance Sheet Aggregates

Attività/Componenti reddituali	Ammortamento (a)	Rettifiche di valore per deterioramento (b)	Riprese di valore (c)	Risultato netto (a + b - c) 31 12 2017	Risultato netto 31 12 2016
A. Attività immateriali					
A.1 Di proprietà	(131.257)	(24.873)	-	(156.130)	(134.630)
- Generate internamente dall'azienda	(28.964)	(4.473)	-	(33.437)	(28.101)
- Altre	(102.293)	(20.400)	-	(122.693)	(106.529)
A.2 Acquisite in leasing finanziario	-	-	-	-	-
Totale	(131.257)	(24.873)	-	(156.130)	(134.630)

Depreciation is mainly due to software held by the Consorzio Operativo di Gruppo MPS and to intangible asset, all of them have a defined useful life, identified during the PPA process of the ex-subsidiary Banca Antonveneta.

6.5.3 Impediments

Below all the legal, financial, operational and IT internal and external interconnections being as of 31th December 2017 among COG, the other entities of the Group and the outsourcing services provider. BMPS notifies that on the basis of the discussions taking place with a number of counterparties regarding the assessments of BMPS' IT platform (COG), the Bank has decided to select WRM, with Oracle and TAS as technologic partners, as its sole current interlocutor with the purpose of further exploring whether the conditions exist to enable the parties to continue negotiations and possibly formalise a binding offer.
In particular, it needs to consider a double scenario of separability in terms of IT impediments:

1. The Consorzio Operativo continues to provide the IT services to the Group;
2. Another company provides the IT services

6.5.3.1 Legal impediments

BMPS has the 99,91% of COG In case of separability there will not be legal impediment for COG because there are not intra-group agreements.

6.5.3.2 Financial impediments

Before discussing the potential financial impediments, below a short description of the legal and financial interconnections as at 31/12/2017, that could cause Financial impediments.

In particular, At 31 December, 2017, concerning the intra-group exposures and funding relationship, COG distbursed 25,23 €/mln[9] as below showed:

- 20.81 €/mln vs BMPS in other;
- 2.83 €/mln vs BMPS CS in other;
- 0.92 €/mln vs MPS L&F in Other;
- 0.67 €/mln vs Widiba in other.

In the resolution, the liquidity intra-group agreement shall be dissolved and that could cause financial impediment in term of liquidity for COG.

6.5.3.3 Operational impediments

Below the description of the internal operational interconnections (critical and not critical) being between MPS CS and the other entities of the Group as at 31/12/2017:

Table 18 – Internal Operational interconnectedness

Principal Services Provided to the Groupntities of the Group which provide the services	Entities of the Group which receive the services	Main Services Provided
Banca Monte dei Paschi di Siena S.p.A.	**Consorzio Operativo Gruppo MPS**	**Supply of the following services:** • Communication; • Legal and Corporate Affairs; • Logistics; • M&A; • Procurement Department; • Real estate; • Security; • Servizio prevenzione, protezione ed ambiente; • Shares; • Supervisory reporting; • Training.

Source: Internal elaboration

Below the description of the external critical operational interconnections being between COG and the outsourcing services provided as at 31/12/2017:

[9] Reference Table 4, chapter 6.1.3.2

Table 25 – External Operational interconnectedness

Provider	Critical Service	Critical Function	Entities of the Group which receive the services
Bassilichi SPA	Servizio in outsourcing di Corporate Banking Interbancario (CBI)	• All	COG
Telecom SPA	Servizi di Help Desk Tecnologico	• All	COG
DCPS SRL	Contratto 7X24	• All	COG

Source: Internal elaboration

in case of resolution, the dissolution of the contracts that regulate the supplying of critical services could be considered.

6.5.3.4 IT impediments

In the first case "The Consorzio Operativo continues to provide the IT services to the Group", there will not be IT impediments, but it shall be necessary to create new KPI to check and new SLA. In this case timing will be bwìetween two and four months.

Instead, in the second case "Another Company provides IT services" it forecasts a data migration from the entities of the Group to the new company that will manage the dataset.

Concerning costs will be about 3 – 3,5 €/mln, while timing will be between ten and fifteen months.

7. OTHER NOT MATERIAL LEGAL ENTITIES

7.1 Overview

Not material legal entities are indicated in the chapter *4 – Organizational Group Structure* as below:

- Table 1 – Banking Companies;
- Table 2 – Financial Companies;
- Table 3 – Services Companies;

In particular, within Banking Company there are the material legal entities analyzed excepet COG that is classified within Services Companies plus Banca Monte Paschi Belgio S.A. and Monte Paschi Banque S.A.While, within the Financial Companies there are entities wich business focus on Tier1 issuer related Spvs, Securization's Spv and Covered bond related Spv. Finally, within the Services Companies there are entities wich business focus on Management of real estate arising from defaulted credits, Rental properties, Real estate management, Custody and storage for third parties, Financial advice, Fiduciary and trust service, Admistration and management of real estate and finally IT. All the other non material legal entities.

The Restructuring Plan also requires Banca Monte dei Paschi di Siena to streamline the structure of the Group, through the disposal of the whole capital share of its following subsidiaries:

- Monte Paschi Banque ("MP Banque"): Bank has received no offer for the acquisition of MP Banque for which the run-off of subsidiary is ongoing;
- Banca Monte Paschi Belgio ("BMP Belgio"): On the other hand, the Bank has reached an agreement with a company for the sale of BMP Belgio and its subsidiary, which is subject to approval by the National Bank of Belgium and the European Central Bank.

For the others non material legal entities at the current date there is not the necessary to focus on because significant events did not come forward.

Regarding the "Expression of interest", below is reported an extract about the interest that the market expressed for the business line of the Group from 2016:

- In the 2016 BMPS considered the hypothesis to dismiss the Porfolio Management, however, there was not a deal because according to M&A and considering a *on-going* scenario, the operation was not profitable for the Group;
- Between 2015 and 2016, the Bank considered the hypothesis to sell Montepaschi Fiduciaria, however also in this case there was not a deal because according to M&A and considering a *on-going* scenario, the operation was not profitable for the Group.

8. ANALYSIS RESULT

During the analysis it has resulted that in a Resolution Cycle could present several types of impediment to the separability above all for the material legal entities. Following an highlights of the principal impediments:

Table 19 – Highlights of principal impediments

Legal Entities	Legal	Financial	Operational	IT
BMPS	Legal Impediments do not exist because of the absence of intra-group agreements ("Patti Para-sociali") between the entities. However, the configuration as a group, the presence of MLEs within the Group, and precence of branches subject to different laws within the EU and not EU may be sources of complexity in the application of the Tool. Also the significant influence of the State in Bank's Governance could imply additional complexity.	No substantial Financial Impediments are detected for the Parent Company.	Operational impediments may arise from the presence of SLA and third parties agreements concerning the supply of critical services. Moreover, also the interconnections underlying the functioning of Critical Functions could be considered as impediments to the application of the Resolution Tools.	The IT impediments detected are mainly linked to timing and costs related to the change of the IT structure. Moreover also the presence of FMI non promptly replaceable supporting the functioning of critical functions and core business lines may add additional complexity to the application of the Resolution Tools.
MPS CS		No substantial Financial Impediments are detected for the material legal entities. A point of attention may concern the presence of a liquidity agreement among the entities of the Group and the Parent Company. The fall of the agreement could lead to a shortage of liquidity needed by subsidiaries to ensure business continuity.	Given what is above mentioned, additional complexity for the MLEs is implied in the presence of critical SLA regarding control functions, which are concentrated at level of Parent Company.	
MPS L&F				
Widiba				
COG				In the case of separation of the COG are to be considered the timing, costs and complexity deriving from the Data Set migration.

Resolution Strategy Analysis

Siena, December 2018

STRICTLY CONFIDENTIAL

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INTRODUCTION

After Gruppo Montepaschi received on the 24th April 2018 del SRB the communication letter *"Adoption for the Group Resolution Plan and Summary of the Key Elements for Monte dei Paschi di Siena"*, the SRB individuated as preferred Resolution Strategy for the Group Monte dei Paschi di Siena (from now on GMPS) the Bail-In. Therefore, following the receipt of the Working Priorities, as part of the A - Resolution Strategy module, the Group, upon specific request by the SRB, conducted an analysis aimed at evaluating the Preferred Resolution Strategy and an Alternative Resolution Strategy.

1.1 Objective

The document is aimed to individuate the Variant (or Alternative) Resolution Strategy and to test the Preferred Resolution Strategy (defined by the SRB) for the Group MPS, in order to minimize the possible impacts on the market and guarantee a fast and effective resolution for the Group. The GMPS already received a preferred resolution strategy from the SRB, so through this document the objective of the Group is to test whether the suggested preferred resolution Strategy is actually the one which minimizes the impact on the Financial System and is the most feasible in terms of applicability and to detect an Alternative resolution Strategy in case of supervening impossibility of the Preferred Resolution Strategy. The present document is divided into five sections, representing the different stages of the Resolution Strategy Analysis carried out by the Bank.

In particular, the document is composed as follow:

- "*Key Elements of Resolution Strategy Analysis*"- Section 2- contains a regulatory overview of Resolution framework, a brief description of the five Resolution Tools regulated by the Bank Recovery and Resolution Directive (BRRD - DIRECTIVE 2014/59/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014), a summary of the methodological approach and an executive summary of the results deriving from the Analysis undergone.
- "*Evaluation Drivers of Resolution Tools*"- Section 3 - contains the main drivers used in the impediments' analysis/Financial System Impact analysis to the scope of the application of each Resolution Tool and why these drivers have been considered relevant within the analyses.
- "*Evaluation of the Impediments on the Resolution Tools*"- Section 4 - lists for each of the four Resolution Tools, the results obtained among the analyses and supplies an overview of the ranking of the tools.
- "*Conclusions*"- Section 5 - reports a brief summary of the results obtained in the Resolution Strategy Analysis.

2. KEY ELEMENTS OF RESOLUTION STRATEGY ANALYSIS

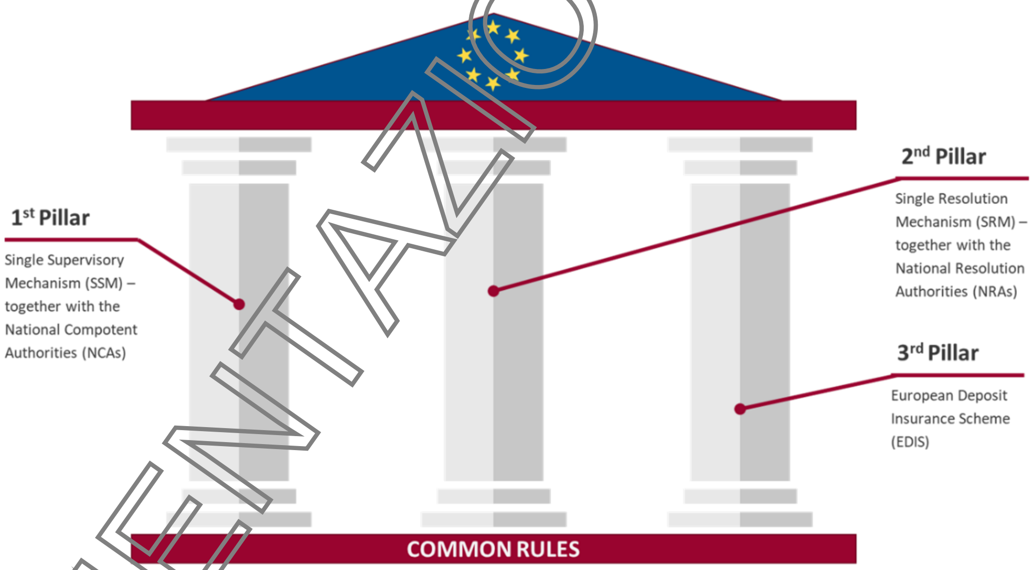
2.1 Regulatory framework overview

In 2014, the EU established an orderly cross-border resolution mechanism via the Bank Recovery and Resolution Directive (BRRD), which provides resolution authorities with comprehensive powers and resolution tools to intervene when a bank meets the conditions for resolution. Resolution authorities have to prepare resolution plans detailing how a bank will be resolved, in a way that achieves the resolution objectives, while ensuring taxpayers avoid carrying the burden, as was the case in the recent crisis.

The BRRD, the Deposit Guarantee Scheme Directive (DGSD), the European Commission (EC) Delegated Acts, prepared on the basis of Technical Standards drafted by the European Banking Authority (EBA), and the EBA's Guidelines, form a single rulebook for the EU to the scope of resolution planning, execution and the application of Deposit Guarantee Schemes (DGSs).

The SRM is one of the pillars of the Banking Union, alongside the SSM. As of November 2014, the SSM is the new system of banking supervision in the Banking Union, comprising the European Central Bank (ECB) and national supervisory authorities of the participating Member States (National Competent Authorities). Under the SRM, centralised decision-making power in respect of resolution has been entrusted to the SRB, which derives its powers from both the BRRD and the Single Resolution Mechanism(SRM).

Figure 1 – Pillars of the Banking Union



2.2 Description of Resolution Tools

In this section we will go through the different Resolution Tools: Sale of the Business, Bridge Institution, Asset Separation and Bail-in.

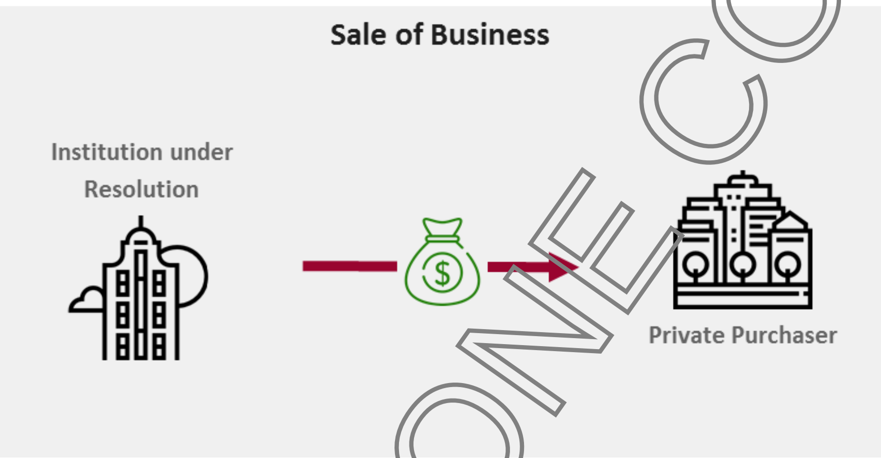
2.2.1 Sale of Business

The Resolution Authorities have the power to transfer, on commercial terms under art.36[1], to a purchaser that is not a bridge institution also by additional transfers[2]:

a) shares or other instruments of ownership issued by an institution under resolution;
b) all or any assets, rights or liabilities of an institution under resolution.

The transfer referred to in point a) shall take place without obtaining the consent of the shareholders of the institution under resolution or any third party other than the purchaser.

Figure 2 – Sale of Business Tool



Source: Internal elaboration

Subject to the Article 37 (7)[3], any consideration paid by purchaser shall benefit:

i. the owners of the shares or other instruments of ownership, where the sale of business has been effected by transferring shares or instruments of ownership issued by the institution under resolution from the holders of those shares or instruments to the purchaser;

---

[1] Valuation in order to resolution
[2] Resolution Authority have the power to carry out additional transfer.
[3] The resolution authority and any financing arrangement acting pursuant to Article 101 may recover any reasonable expenses properly incurred in connection with the use of the resolution tools or powers or government financial stabilization tools in one or more of the following ways:

a) as a deduction from any consideration paid by a recipient to the institution under resolution or, as the case may be, to the owners of the shares or other instruments of ownership;
b) from the institution under resolution, as a preferred creditor; or
c) from any proceeds generated as a result of the termination of the operation of the bridge institution or the asset management vehicle, as a preferred creditor.

ii. the institution under resolution, where the sale of business has been effected by transferring some or all of the assets or liabilities of the institution under resolution to the purchaser.

Moreover, Resolution Authorities may, with the consent of the purchaser, exercise the transfer powers in respect of assets, rights or liabilities transferred to the purchaser in order to transfer the assets, rights or liabilities back to the institution under resolution, or the shares or other instruments of ownership back to their original owners, and the institution under resolution or original owners shall be obliged to take back any such assets, rights or liabilities, or shares or other instruments of ownership. In force to the Article 39 (2) of the BRRD, the purchase of the assets, rights, liabilities, shares or other instruments of ownership, has to respect the following requirement:

a) it shall be as transparent as possible and shall not materially misrepresent the assets, rights, liabilities, shares or other instruments of ownership of that institution that the authority intends to transfer, having regard to the circumstances and in particular the need to maintain financial stability;
b) it shall not unduly favor or discriminate between potential purchasers;
c) it shall be free from any conflict of interest;
d) it shall not confer any unfair advantage on a potential purchaser;
e) it shall take account of the need to effect a rapid resolution action;
f) it shall aim at maximizing, as far as possible, the sale price for the shares or other instruments of ownership, assets, rights or liabilities involved.

For the purposes of exercising the rights to provide services or to establish itself in another Member State, the purchaser shall be considered to be a continuation of the institution under resolution, and may continue to exercise any such right that was exercised by the institution under resolution in respect of the assets, rights or liabilities transferred.

Member States shall ensure that the purchaser may continue to exercise the rights of membership and access to payment, clearing and settlement systems, stock exchanges, investor compensation schemes and deposit guarantee schemes of the institution under resolution.

2.2.2 Bridge Institution

In order to give effect to the bridge institution tool and having regard to the need to maintain critical functions in the bridge institution, Member States shall ensure that resolution authorities have the power to transfer to a bridge institution:

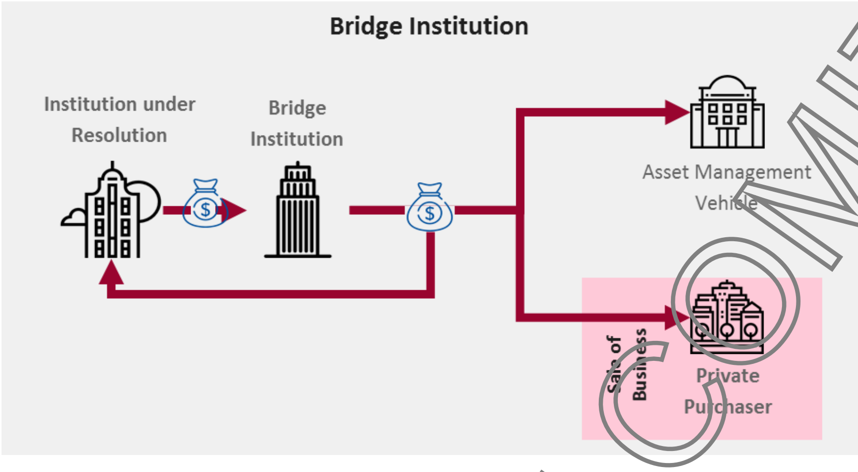
a) shares or other instruments of ownership issued by one or more institutions under resolution;
b) all or any assets, rights or liabilities of one or more institutions under resolution.

The bridge institution shall be a legal person that meets all of the following requirements:

- it is wholly or partially owned by one or more public authorities which may include the Resolution Authority or the resolution financing arrangement and is controlled by the resolution authority;
- it is created for the purpose of receiving and holding some or all of the shares or other instruments of ownership issued by an institution under resolution or some or all of the assets, rights and

liabilities of one or more institutions under resolution with a view to maintaining access to critical functions and selling the institution or entity under resolution.

Figure 3 – Bridge Institution Tool



Source: Internal elaboration

Resolution Authorities have the power to transfer, also through additional transfers to a bridge institution:

a) shares or other instruments of ownership issued by one or more institutions under resolution;
b) all or any assets, rights or liabilities of one or more institutions under resolution.. When applying the bridge institution tool, the resolution authority shall ensure that the total value of liabilities transferred to the bridge institution does not exceed the total value of the rights and assets transferred from the institution under resolution or provided by other sources.

As the same for the "Sale of the business tool" and exception for the art.85[4], the transfer shall take place without obtaining the consent of the shareholders of the institution under resolution or any third party other than the bridge institution, exception for the Article 37 (7), any consideration paid by purchaser shall benefit:

a) the owners of the shares or instruments of ownership, where the transfer to the bridge institution has been effected by transferring shares or instruments of ownership issued by the institution under resolution from the holders of those shares or instruments to the bridge institution;
b) the institution under resolution, where the transfer to the bridge institution has been effected by transferring some or all of the assets or liabilities of the institution under resolution to the bridge institution.

Resolution Authorities may transfer shares or other instruments of ownership, or assets, rights or liabilities back from the bridge institution in one of the following circumstances:

[4] Right to appeal and exclusion of other shares.

a) the possibility that the specific shares or other instruments of ownership, assets, rights or liabilities might be transferred back is stated expressly in the instrument by which the transfer was made;
b) the specific shares or other instruments of ownership, assets, rights or liabilities do not in fact fall within the classes of, or meet the conditions for transfer of shares or other instruments of ownership, assets, rights or liabilities specified in the instrument by which the transfer was made.

For the purposes of exercising the rights to provide services or to establish itself in another Member State, the purchaser shall be considered to be a continuation of the institution under resolution, and may continue to exercise any such right that was exercised by the institution under resolution in respect of the assets, rights or liabilities transferred.

Member States shall ensure that the purchaser may continue to exercise the rights of membership and access to payment, clearing and settlement systems, stock exchanges, investor compensation schemes and deposit guarantee schemes of the institution under resolution.

Without prejudice to Chapter VII[5] of Title IV, shareholders or creditors of the institution under resolution and other third parties whose assets, rights or liabilities are not transferred to the bridge institution shall not have any rights over or in relation to the assets, rights or liabilities transferred to the bridge institution, its management body or senior management.

The main purposes of the management is ensure that a bridge institution be considered to be a continuation of the institution under resolution in respect of the assets, rights or liabilities transferred**,** keeping accesses to the critical functions in order to sell the institution under resolution to private purchaser when there will be good market conditions.

The paragraph 1 of the art. 41 of the BRRD provides that Member States shall ensure that the operation of a bridge institution respects the following requirements:

a) the contents of the bridge institution's constitutional documents are approved by the resolution authority;
b) subject to the bridge institution's ownership structure, the resolution authority either appoints or approves the bridge institution's management body;
c) the resolution authority approves the remuneration of the members of the management body and determines their appropriate responsibilities;
d) the resolution authority approves the strategy and risk profile of the bridge institution;
e) the bridge institution is authorized in accordance with Directive 2013/36/EU or Directive 2014/65/EU, as applicable, and has the necessary authorization under the applicable national law to carry out the activities or services that it acquires by virtue of a transfer made pursuant to Article 63 of this Directive;

[5] Treatment of shareholders and stakeholders in partial transfer case and bail-in tool application

f) the bridge institution complies with the requirements of, and is subject to supervision in accordance with Regulation (EU) No 575/2013 and with Directives 2013/36/EU and Directive 2014/65/EU, as applicable;
g) the operation of the bridge institution shall be in accordance with the Union State aid framework and the resolution authority may specify restrictions on its operations accordingly.

The resolution authority shall take a decision that the bridge institution is no longer a bridge institution within the meaning of Article 40(2) in any of the following cases, whichever occurs first:

a) the bridge institution merges with another entity;
b) the bridge institution ceases to meet the requirements of Article 40(2);
c) the sale of all or substantially all of the bridge institution's assets, rights or liabilities to a third party;
d) at least two years have passed from the last transfer[6];
e) the bridge institution's assets are completely wound down and its liabilities are completely discharged.

The resolution authority may extend the period referred to in paragraph 5 for one or more additional one-year periods where such an extension:

a) supports the outcomes referred to in point (a), (b), (c) or (e) of the previous paragraph; or
b) is necessary to ensure the continuity of essential banking or financial services.

Where the operations of a bridge institution are terminated in the circumstances referred to in point (c) or (d) of paragraph 3, the bridge institution shall be wound up under normal insolvency proceedings.

Subject to Article 37(7), any proceeds generated as a result of the termination of the operation of the bridge institution shall benefit the shareholders of the bridge institution.

2.2.3 Asset Separation

In order to give effect to the asset separation tool, Member States shall ensure that resolution authorities have the power to transfer, also through additional transfers, assets, rights or liabilities of an institution under resolution or a bridge institution to one or more asset management vehicles.

Resolution Authorities may exercise the power to transfer assets, rights or liabilities only if:

a) the situation of the particular market for those assets is of such a nature that the liquidation of those assets under normal insolvency proceedings could have an adverse effect on one or more financial markets.
b) such a transfer is necessary to ensure the proper functioning of the institution under resolution or bridge institution; or

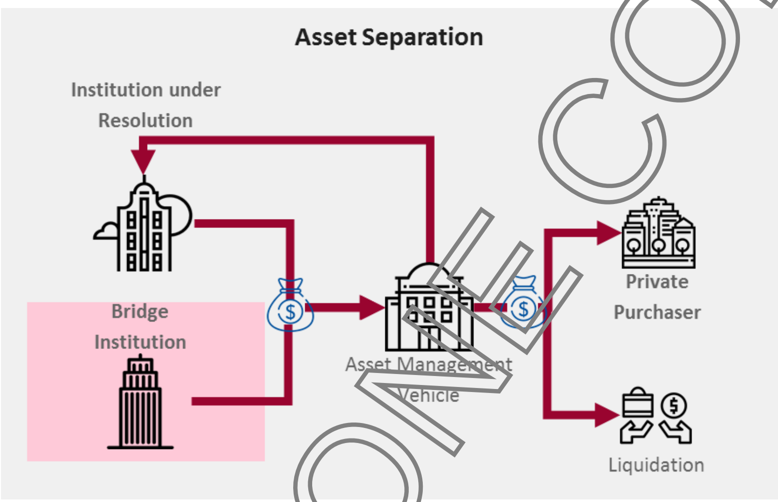
[6] The bridge institution may obtain an extension

c) such a transfer is necessary to maximize liquidation proceeds.

For the purposes of the asset separation tool, an asset management vehicle shall be a legal person that meets all of the following requirements:

- it is wholly or partially owned by one or more public authorities which may include the resolution authority or the resolution financing arrangement and is controlled by the resolution authority;
- it has been created for the purpose of receiving some or all of the assets, rights and liabilities of one or more institutions under resolution or a bridge institution.

Figure 4 – Asset Separation Tool



Source: Internal elaboration

Subject to Article 85, the transfer at the beginning of the chapter may take place without obtaining the consent of the shareholders of the institutions under resolution or any third party other than the bridge institution, and without complying with any procedural requirements under company or securities law.

The asset management vehicle shall manage the assets transferred to it with a view to maximizing their value through eventual sale or orderly wind down. Moreover, Member States shall ensure that the operation of an asset management vehicle respects the following provisions:

a) the contents of the asset management vehicle's constitutional documents are approved by the resolution authority;
b) subject to the asset management vehicle's ownership structure, the resolution authority either appoints or approves the vehicle's management body;
c) the resolution authority approves the remuneration of the members of the management body and determines their appropriate responsibilities;
d) the resolution authority approves the strategy and risk profile of the asset management vehicle.

When applying the asset separation tool, resolution authorities shall determine the consideration for which assets, rights and liabilities are transferred to the asset management vehicle in accordance with the principles established in Article 36 and in accordance with the Union State aid framework**.** Any consideration paid by the asset management vehicle in respect of the assets, rights or liabilities acquired directly from the institution under resolution shall benefit the institution under resolution. Consideration may be paid in the form of debt issued by the asset management vehicle. Moreover, Resolution authorities may transfer, in any period, rights, assets or liabilities back from the asset management vehicle to the institution under resolution in one of the following circumstances:

a) the possibility that the specific rights, assets or liabilities might be transferred back is stated expressly in the instrument by which the transfer was made;
b) the specific rights, assets or liabilities do not in fact fall within the classes of, or meet the conditions for transfer of, rights, assets or liabilities specified in the instrument by which the transfer was made.

Without prejudice to Chapter VII of Title IV shareholders or creditors of the institution under resolution and other third parties whose assets, rights or liabilities are not transferred to the asset management vehicle shall not have any rights over or in relation to the assets, rights or liabilities transferred to the asset management vehicle or its management body or senior management.

The objectives of an asset management vehicle shall not imply any duty or responsibility to shareholders or creditors of the institution under resolution, and the management body or senior management shall have no liability to such shareholders or creditors for acts and omissions in the discharge of their duties unless the act or omission implies gross negligence or serious misconduct in accordance with national law which directly affects rights of such shareholders or creditors.

2.2.4 Bail – in

Resolution Authorities may have the power to apply the bail – in tool, changing the legal entity or taking the same, to meet resolution objectives, as described at beginning, for any of the following purposes:

a) to recapitalize an institution or an entity referred to in point (b), (c) or (d) of Article 1(1) of this Directive that meets the conditions for resolution to the extent sufficient to restore its ability to comply with the conditions for authorization (to the extent that those conditions apply to the entity) and to continue to carry out the activities for which it is authorized under Directive 2013/36/EU or Directive 2014/65/EU, where the entity is authorized under those Directives, and to sustain sufficient market confidence in the institution or entity;
b) to convert to equity or reduce the principal amount of claims or debt instruments that are transferred
    i. to a bridge institution with a view to providing capital for that bridge institution: or
    ii. under the sale of business tool or the asset separation tool.

Inter alia, the purpose referred to in point (a) of Art. 44, paragraph 2, may apply only if there is a reasonable prospect that the application of that tool together with other relevant measures including measures implemented in accordance with the business reorganization plan required by Article 52 will, in addition to achieving relevant resolution objectives, restore the institution or entity under resolution to financial soundness and long-term viability.

Resolution authorities shall not exercise the write down or conversion powers in relation to the following liabilities whether they are governed by the law of a Member State or of a third country:

- covered deposits;
- secured liabilities including covered bonds and liabilities in the form of financial instruments used for hedging purposes which form an integral part of the cover pool and which according to national law are secured in a way similar to covered bonds;
- any liability that arises by virtue of the holding by the institution or entity referred to in point (b), (c) or (d) of Article 1(1) of this Directive of client assets or client money including client assets or client money held on behalf of UCITS as defined in Article 1(2) of Directive 2009/65/EC or of AIFs as defined in point (a) of Article 4(1) of Directive 2011/61/EU of the European Parliament and of the Council (1), provided that such a client is protected under the applicable insolvency law;
- any liability that arises by virtue of a fiduciary relationship between the institution or entity referred to in point (b), (c) or (d) of Article 1(1) (as fiduciary) and another person (as beneficiary) provided that such a beneficiary is protected under the applicable insolvency or civil law;
- liabilities to institutions, excluding entities that are part of the same group, with an original maturity of less than seven days;
- liabilities with a remaining maturity of less than seven days, owed to systems or operators of systems designated according to Directive 98/26/EC or their participants and arising from the participation in such a system;
- a liability to any one of the following:
    i. an employee, in relation to accrued salary, pension benefits or other fixed remuneration, except for the variable component of remuneration that is not regulated by a collective bargaining agreement;
    ii. a commercial or trade creditor arising from the provision to the institution or entity referred to in point (b), (c) or (d) of Article 1(1) of goods or services that are critical to the daily functioning of its operations, including IT services, utilities and the rental, servicing and upkeep of premises;
    iii. tax and social security authorities, provided that those liabilities are preferred under the applicable law;
    iv. deposit guarantee schemes arising from contributions due in accordance with Directive 2014/49/EU.

In exceptional circumstances, where the bail-in tool is applied, the resolution authority may exclude[7] or partially exclude certain liabilities from the application of the write-down or conversion powers where:

- it is not possible to bail-in that liability within a reasonable time notwithstanding the good faith efforts of the resolution authority;
- the exclusion is strictly necessary and is proportionate to achieve the continuity of critical functions and core business lines in a manner that maintains the ability of the institution under resolution to continue key operations, services and transactions;

[7]In exercising this discretion, the Authority reserves due consideration: 1) The principle that losses in the first place is a burden of the shareholders and then, in general, of the creditors of the institution subject to resolution; 2) the level of absorption capacity of losses that occur in the object in question; 3) the need to maintain adequate resources for financing the resolution

- the exclusion is strictly necessary and proportionate to avoid giving rise to widespread contagion, in particular as regards eligible deposits held by natural persons and micro, small and medium sized enterprises, which would severely disrupt the functioning of financial markets, including of financial market infrastructures, in a manner that could cause a serious disturbance to the economy of a Member State or of the Union; or
- the application of the bail-in tool to those liabilities would cause a destruction in value such that the losses borne by other creditors would be higher than if those liabilities were excluded from bail-in.

Where a resolution authority decides to exclude or partially exclude an eligible liability or class of eligible liabilities, and the losses that would have been borne by those liabilities have not been passed on fully to other creditors, the resolution financing arrangement may make a contribution to the institution under resolution to do one or both of the following:

- cover any losses which have not been absorbed by eligible liabilities and restore the net asset value of the institution under resolution to zero in accordance with point (a) of Article 46(1)[8];
- purchase shares or other instruments of ownership or capital instruments in the institution under resolution, in order to recapitalize the institution in accordance with point (b) of Article 46(1)[9].

However, the resolution financing arrangement may make a contribution only where:

- a contribution to loss absorption and recapitalization equal to an amount not less than 8 % of the total liabilities including own funds of the institution under resolution, measured at the time of resolution action in accordance with the valuation provided for in Article 36, has been made by the shareholders and the holders of other instruments of ownership, the holders of relevant capital instruments and other eligible liabilities through write down, conversion or otherwise; and
- the contribution of the resolution financing arrangement does not exceed 5 % of the total liabilities including own funds of the institution under resolution, measured at the time of resolution action in accordance with the valuation provided for in Article 36.

The consideration of the resolution financing may be financing by following way:

- the amount available to the resolution financing arrangement which has been raised through contributions by institutions and Union branches in accordance with Article 100(6) and Article 103[10];
- the amount that can be raised through *ex-post* contributions in accordance with Article 104[11] within three years; and

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[8]where relevant, the amount by which eligible liabilities must be written down in order to ensure that the net asset value of the institution under resolution is equal to zero;

[9] where relevant, the amount by which eligible liabilities must be converted into shares or other types of capital instruments in order to restore the Common Equity Tier 1 capital ratio of either:

(i) the institution under resolution; or

(ii) the bridge institution

[10] Mandatory consideration.

[11] Extraordinary considerations.

- where the amounts referred to (a) and (b) of this paragraph are insufficient, amounts raised from alternative financing sources in accordance with Article 105[12], the 5% limit specified of total liabilities has been reached and all unsecured, non-preferred liabilities, other than eligible deposits, have been written down or converted in full.

Further, the resolution financing may transfer economic accumulated ex-ante resources did not use yet. Moreover, further contributions are allowed when the resolution financing of the Member State has, thank contributions ex-ante obtained, an amount equal to 3% protected deposits of all credit institutions authorized in their territory and the entity holds on consolidate basis asset lower than 900 billion.

Member States shall ensure that institutions meet, at all times, a minimum requirement for own funds and eligible liabilities. The minimum requirement shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. Eligible liabilities shall be included in the amount of own funds and eligible liabilities only if they satisfy the following conditions:

- the instrument is issued and fully paid up;
- the liability is not owed to, secured by or guaranteed by the institution itself;
- the purchase of the instrument was not funded directly or indirectly by the institution;
- the liability has a remaining maturity of at least one year[13];
- the liability does not arise from a derivative;
- the liability does not arise from a deposit which benefits from preference in the national insolvency hierarchy in accordance with Article 108[14].

The minimum requirement for own funds and eligible liabilities of each institution shall be determined by the Resolution Authority on the basis of the following criteria:

- the need to ensure that the institution can be resolved by the application of the resolution tools including, where appropriate, the bail-in tool, in a way that meets the resolution objectives;
- the need to ensure, in appropriate cases, that the institution has sufficient eligible liabilities to ensure that, if the bail- in tool were to be applied, losses could be absorbed and the Common Equity Tier 1 ratio of the institution could be restored to a level necessary to enable it to continue to comply with the conditions for authorization and to continue to carry out the activities for which it is authorized to sustain sufficient market confidence in the institution or entity;
- the size, the business model, the funding model and the risk profile of the institution;
- the extent to which the Deposit Guarantee Scheme could contribute to the financing of resolution
- the extent to which the failure of the institution would have adverse effects on financial stability, including, due to its interconnectedness with other institutions or with the rest of the financial system through contagion to other institutions.

[12] Resolution financing.

[13] For the purposes of letter d), if a liability gives its owner an early repayment right, the maturity of that liability is the first date on which this right accrues.

[14] Classification of deposits in the hierarchy relating to insolvency proceedings.

- Institutions shall comply with the minimum requirements on an individual basis. Each entity satisfies these requirements both on individual basis and consolidated basis, if a Group. The group-level resolution authority and the resolution authorities responsible for the subsidiaries on an individual basis shall do everything within their power to reach a joint decision on the level of the minimum requirement applied at the consolidated level

The decisions taken in accordance with this Article may provide that the minimum requirement for own funds and eligible liabilities is partially met at consolidated or individual level through contractual bail-in instruments.

To qualify as a contractual bail-in instrument the Resolution Authority shall be satisfied that the instrument:

- contains a contractual term providing that, where a resolution authority decides to apply the bail-in tool to that institution, the instrument shall be written down or converted to the extent required before other eligible liabilities are written down or converted; and
- is subject to a binding subordination agreement, undertaking or provision under which in the event of normal insolvency proceedings, it ranks below other eligible liabilities and cannot be repaid until other eligible liabilities outstanding at the time have been settled.

The contractual bail-in is applicable if the liabilities:

- not excluded under Article 44(2);
- not a deposit referred to in point (a) of Article 108;
- governed by the law of a third country; and
- issued; or
- entered into after the date on which a Member State applies the provisions adopted in order to transpose this Section.

Member States shall ensure that, when applying the bail-in tool, resolution authorities assess on the basis of a valuation the aggregate of:

a) where relevant, the amount by which eligible liabilities must be written down in order to ensure that the net asset value of the institution under resolution is equal to zero;
b) where relevant, the amount by which eligible liabilities must be converted into shares or other types of capital instruments in order to restore the Common Equity Tier 1 capital ratio of either: i) the institution under resolution; or ii) the bridge institution;

In presence of bail-in, Resolution Authority take in respect of shareholders and holders of other instruments of ownership one or both of the following actions:

- cancel existing shares or other instruments of ownership or transfer them to bailed-in creditors;
- provided that, in accordance to the valuation carried out under Article 36, the institution under resolution has a positive net value, dilute existing shareholders and holders of other instruments of ownership as a result of the conversion into shares or other instruments of ownership of: i) relevant

capital instruments issued by the institution pursuant to the power referred to in Article 59[15](2); or ii) eligible liabilities issued by the institution under resolution pursuant to the power referred to in point (f) of Article[16] 63(1).

When considering which action to take in accordance with paragraph 1, resolution authorities shall have regard to:

- the valuation carried out in accordance with Article 36
- the amount by which the resolution authority has assessed that Common Equity Tier 1 items must be reduced and relevant capital instruments must be written down or converted pursuant to Article 60[17](1); and
- the aggregate amount assessed by the resolution authority pursuant to Article 46.

When applying the write down or conversion powers, resolution authorities shall allocate the losses represented by the sum of the amounts referred to in points (b) and (c) of Article 47(3) equally between shares or other instruments of ownership and eligible liabilities of the same rank by reducing the principal amount of, or outstanding amount payable in respect of, those shares or other instruments of ownership and eligible liabilities to the same extent pro rata to their value except where a different allocation of losses amongst liabilities of the same rank is allowed in the circumstances specified in Article 44(3).

Member States shall ensure that, when applying the bail-in tool, resolution authorities exercise the write down and conversion powers, subject to any exclusions under Article 44(2) and (3), meeting the following requirements:

a) Common Equity Tier 1 items are reduced in accordance with point (a) of Article 60(1);
b) if, and only if, the total reduction pursuant to point (a) is less than the sum of the amounts referred to in points (b) and (c) of Article 47(3), authorities reduce the principal amount of Additional Tier 1 Instruments to the extent required and to the extent of their capacity;
c) if, and only if, the total reduction pursuant to points (a) and (b) is less than the sum of the amounts referred to in points (b) and (c) of Article 47(3), authorities reduce the principal amount of Tier 2 instruments to the extent required and to the extent of their capacity;
d) if, and only if, the total reduction of shares or other instruments of ownership and relevant capital instruments pursuant to points (a), (b) and (c) is less than the sum of the amounts referred to in points (b) and (c) of Article 47(3), authorities reduce to the extent required the principal amount of subordinated debt that is not Additional Tier 1 or Tier 2 capital in accordance with the hierarchy of claims in normal insolvency proceedings, in conjunction with the write down pursuant to points (a), (b) and (c) to produce the sum of the amounts referred to in points (b) and (c) of Article 47(3);

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[15] Member States shall ensure that the resolution authorities have the power to write down or convert relevant capital instruments into shares or other instruments of ownership of institutions and entities

[16] the power to convert eligible liabilities of an institution under resolution into ordinary shares or other instruments of ownership of that institution or entity referred to in point (b), (c) or (d) of Article 1(1), a relevant parent institution or a bridge institution to which assets, rights or liabilities of the institution or the entity

[17] When complying with the requirement laid down in Article 59, resolution authorities shall exercise the write down or conversion power in accordance with the priority of claims under normal insolvency proceedings.

e) if, and only if, the total reduction of shares or other instruments of ownership, relevant capital instruments and eligible liabilities pursuant to points (a) to (d) of this paragraph is less than the sum of the amounts referred to in points (b) and (d) of Article 47(3), authorities reduce to the extent required the principal amount of, or outstanding amount payable in respect of, the rest of eligible liabilities in accordance with the hierarchy of claims in normal insolvency proceedings, including the ranking of deposits provided for in Article 108, pursuant to Article 44, in conjunction with the write down pursuant to points (a), (b), (c) and (d) of this paragraph to produce the sum of the amounts referred to in points (b) and (c) of Article 47(3).

Before applying the write down or conversion, Resolution Authority shall convert or reduce the principal amount on instruments of the entities under resolution when those instruments contain the following terms and have not already been converted:

a) terms that provide for the principal amount of the instrument to be reduced on the occurrence of any event that refers to the financial situation, solvency or levels of own funds of the institution or entity referred to in point (b), (c) or (d) of Article 1(1);
f) terms that provide for the conversion of the instruments to shares or other instruments of ownership on the occurrence of any such event.

Resolution authorities shall exercise the write-down and conversion powers in relation to a liability arising from a derivative only upon or after closing-out the derivatives. Upon entry into resolution, resolution authorities shall be empowered to terminate and close out any derivative contract for that purpose. However, when a derivate liability has been excluded from the application of the bail-in tool, Resolution Authorities shall not be obliged to terminate or close out the derivate contract.

Resolution authorities shall determine the value of liabilities arising from derivatives in accordance with the following:

a) appropriate methodologies for determining the value of classes of derivatives, including transactions that are subject to netting agreements;
b) principles for establishing the relevant point in time at which the value of a derivative position should be established; and

g) appropriate methodologies for comparing the destruction in value that would arise from the close out and bail-in of derivatives with the amount of losses that would be borne by derivatives in a bail-in.

Resolution Authorities may apply a different conversion rate to different classes of capital instruments and liabilities in accordance to:

- The conversion rate shall represent appropriate compensation to the affected creditor for any loss incurred by virtue of the exercise of the write down and conversion powers;

- When different conversion rates are applied according to paragraph 1, the conversion rate applicable to liabilities that are considered to be senior under applicable insolvency law shall be higher than the conversion rate applicable to subordinated liabilities.

Further, when the bail-tool is applied, it need to draw up a business reorganization plan.

A business reorganization plan shall set out measures aiming to restore the long-term viability of the institution or entity under resolution or parts of its business within a reasonable timescale. Those measures shall be based on realistic assumptions as to the economic and financial market conditions under which the institution or entity will operate. The business reorganization plan shall take account, inter alia, of the current state and future prospects of the financial markets, reflecting best-case and worst-case assumptions, including a combination of events allowing the identification of the institution's main vulnerabilities. Assumptions shall be compared with appropriate sector-wide benchmarks.

A business reorganization plan shall include at least the following elements:

a) a detailed diagnosis of the factors and problems that caused the institution or entity referred to in point (b), (c) or (d) of Article 1(1) to fail or to be likely to fail, and the circumstances that led to its difficulties;
b) a description of the measures aiming to restore the long-term viability of the institution or entity referred to in point (b), (c) or (d) of Article 1(1) that are to be adopted;
c) a timetable for the implementation of those measures.

Measures aiming to restore the long-term viability of an institution or entity referred to in point (b), (c) or (d) of Article 1(1) may include:

d) the reorganisation of the activities of the institution or entity referred to in point (b), (c) or (d) of Article 1(1);
e) changes to the operational systems and infrastructure within the institution;
f) the withdrawal from loss-making activities;
g) the restructuring of existing activities that can be made competitive;
h) the sale of assets or of business lines.

Within two weeks from the date of receipt of the notification referred to in paragraph 8, the management body or the person or persons appointed in accordance with Article 72(1) shall submit an amended plan to the resolution authority for approval. The resolution authority shall assess the amended plan, and shall notify the management body or the person or persons appointed in accordance with Article 72(1) within one week whether it is satisfied that the plan, as amended, addresses the concerns notified or whether further amendment is required.

The plan may be planning the reorganization of the activities, modify operative system, disposal of loss-making activities, restricting of activities that could be critical and finally the sale of business line and activities.

Within one month of the date of submission of the business reorganization plan, the relevant resolution authority shall assess the likelihood that the plan, if implemented, will restore the long-term viability of the institution or entity under resolution. The assessment shall be completed in agreement with the relevant competent authority. If the resolution authority and the competent authority are satisfied that the plan would achieve that objective, the resolution authority shall approve the plan.

Where a resolution authority reduces to zero the principal amount of, or outstanding amount payable in respect of, a liability by means of the power referred to in point (e) of Article 63[18](1), that liability and any obligations or claims arising in relation to it that are not accrued at the time when the power is exercised shall be treated as discharged for all purposes, and shall not be provable in any subsequent proceedings in relation to the institution under resolution or any successor entity in any subsequent winding up.

Where a resolution authority reduces in part, but not in full, the principal amount of, or outstanding amount payable in respect of, a liability:

a) the liability shall be discharged to the extent of the amount reduced;
b) the relevant instrument or agreement that created the original liability shall continue to apply in relation to the residual principal amount of, or outstanding amount payable in respect of the liability, subject to any modification of the amount of interest payable to reflect the reduction of the principal amount, and any further modification of the terms that the resolution authority might make by means of the power referred to in point (j) of Article 63(1)[19].

Member States shall ensure that there are no procedural impediments to the conversion of liabilities to shares or other instruments of ownership existing by virtue of their instruments of incorporation or statutes, including pre-emption rights for shareholders or requirements for the consent of shareholders to an increase in capital.

Member States shall require institutions and entities referred to in points (b), (c) and (d) of Article 1(1) to include a contractual term by which the creditor or party to the agreement creating the liability recognises that liability may be subject to the write-down and conversion powers and agrees to be bound by any reduction of the principal or outstanding amount due, conversion or cancellation that is effected by the exercise of those powers by a resolution authority, provided that such liability is:

a) not excluded under Article 44(2);
b) not a deposit referred to in point (a) of Article 108;
c) governed by the law of a third country, and
d) issued or entered into after the date on which a Member State applies the provisions adopted in order to transpose this Section.

2.3 Background

In order to further advance the resolution plan for Gruppo Monte dei Paschi, the SRB requested to work on "Variant Resolution Strategies" (Working Priority B.3), with the objective of contribute to the operalization of the resolution strategy and to the development of variant resolution strategies. The actions planned by the Bank in order to comply with this request includes:

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[18] the power to reduce, including to reduce to zero, the principal amount of or outstanding amount due in respect of eligible liabilities, of an institution under resolution;

[19] the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for secured liabilities subject to Article 44(2);

- Feasibility and Impact on financial system analysis on the four resolution tools basing on liquidity profile, funding structure, and intra-group agreements: Guarantees, Financial and Commercial Agreements;
- Feasibility and Impact on financial system analysis on the four resolution tools basing on legal, IT, operational, financial impediments and Group interconnections;
- Feasibility and Impact on financial system analysis on the four resolution tools basing on Group Critical Function and Financial Market Infrastructures;
- Analysis regarding Separability, Bail-In, related impacts on current preferred resolution strategy and alternative resolution tools.

The analysis carried out by the Bank has identifyied the resolution impediments, clustered in the following categories:

- Legal;
- Financial;
- Operational;
- IT.

Each impediment has been evaluated for each of the resolution tool following the methodological approach described in the following paragraphs.

2.4 Executive Summary

Starting from the legal, operational, financial and IT impediments identified in a Separability and in a Bail-in view, each of the four resolution tools has been analyzed and evaluated within two different analysis:

a) Feasibility;
b) Impact on financial system;

The impediments/ impacts identified have been divided into six different clusters and fifteen subclusters, derived from the document "The Single Resolution Mechanism" - *«Introduction to Resolution Planning»* - SRB.

The feasibility of the application of a resolution tool has been evaluated considering the timing and the related costs:

- «High» scoring if it significantly undermines the feasibility
- «Medium» scoring if it slightly undermines the feasibility
- «Low» scoring in case it slows down the application of the tool without undermining the feasibility
- «Null» scoring to the impediment in case it does not affect the feasibility of the Tool

The impact on financial system following the application of a resolution tool has been evaluated considering the counterparty involved:

- High: strong impact on Households and SME;
- Medium: secondary impact on Households and SME, high impact on Corporate;
- Low: other counterparty involved

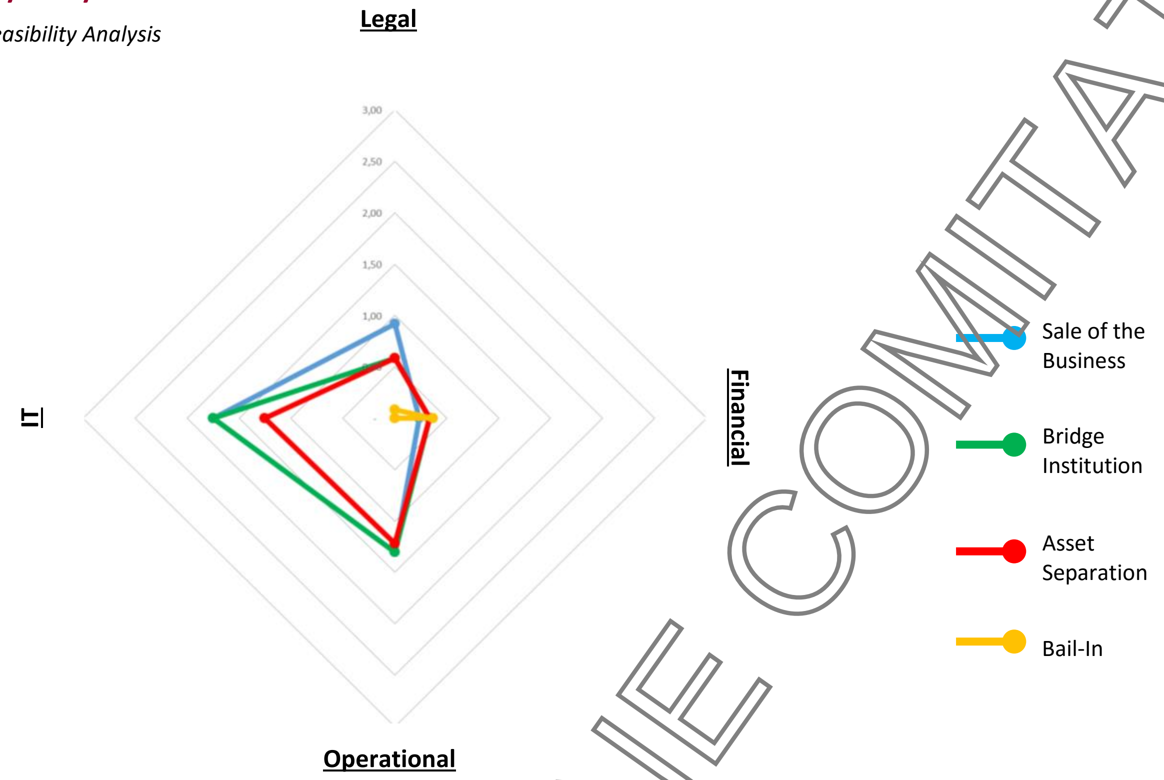
Therefore it has been verified the existence of the impediments/impacts detected and it has been assigned a weight reflecting the severity of the drivers.

The drivers have been classified not only by clusters, but also by type and the results have been presented in two different ways: by a table measuring the single impacts per typology and using a risk radar to highlight in a clearer way the difference between each tool.

Below the representation of the radars; each of them is referring to a different analysis (Separability , Financial System Impacts and Overall Analysis).

Feasibility Analysis

Figure 5- Feasibility Analysis

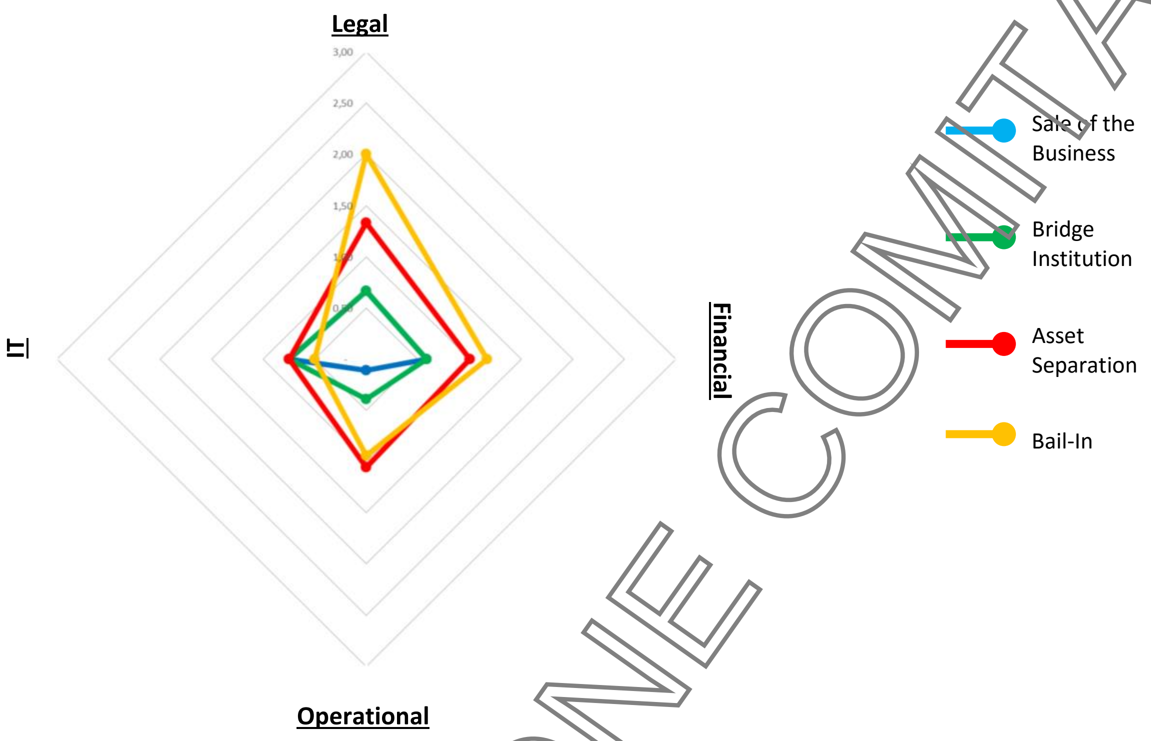


Source: Internal elaboration

Looking at the results, the Bail-in has the lowest scoring for the Legal, Operational and IT type of impediments, while it has the highest scoring in terms of Financial Impediments, in this typology the easiest tool to apply is the Sale of the Business, which in the final ranking is the least preferred strategy in terms of feasibility.

Financial System Analysis

Figure 6- Financial System Analysis

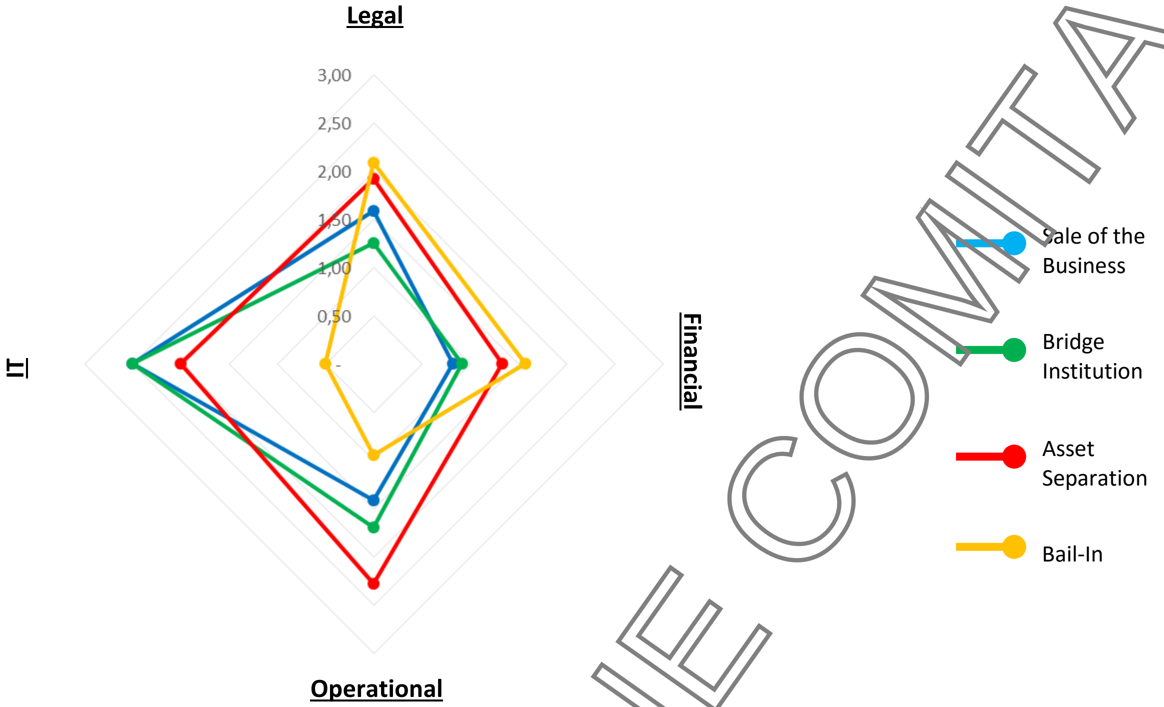


Source: Internal elaboration

Within the Financial System analysis the Sale of the Business in all types of Impediments clusters is preferred, except for the IT type of impacts, in which the preferred tool is the Bail-in, which, in the final ranking is the least preferred strategy in terms of financial system analysis.

Overall Analysis

Figure 7-Overall Analysis



Source: Internal elaboration

The Bail-in is the Preferred Resolution Strategy, having the lowest scoring for Operational and the IT type of impediments, while it has the highest scoring in terms of Legal Impediments, in this typology the most feasible/less impacting tool is the Bridge Institution, which in the final ranking is placed at the third position, while for what concerns the Financial impediments/impacts the preferred tool is the Sale of the business, ranked at the second position.

3. EVALUATION DRIVERS OF RESOLUTION TOOLS

3.1 Methodology

The methodology, identified by GMPS, for the predisposition of the «Resolution Strategy Analysis» is aimed at evaluating a possible alternative to the Preferred Resolution Strategy (PRS). Starting from the four resolution Tools: Sale of the Business, Bridge Institution, Asset Separation and Bail-in, it has been developed a dicotomial scoring model which allows to quantify the impediments for each one of the resolution tools under six different clusters and fifteen subclusters, derived from the document "The Single Resolution Mechanism" - *«Introduction to Resolution Planning»* - SRB.

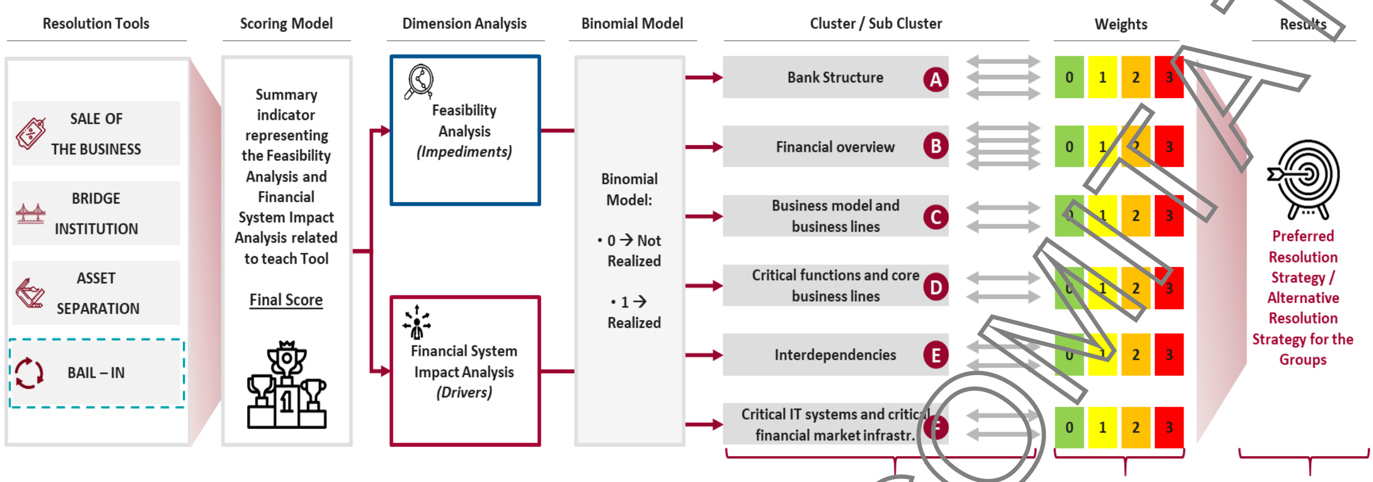
The Group detected the main possible impediments to the possible application of each tool, arising from its charateristics; a value of "1" is assigned if the impediment is realized, otherwise a value of 0 is assigned if the impediment is not realized or it is realized but does not affect the feasibility of the resolution tool.

In correspondence with each impediment is assigned a judgmental weight based on the magnitude of the impediment (high, medium, low). The weights are so determined: «Null» scoring to the impediment in case it does not affect the feasibility of the Tool, «Low» scoring in case it slows down the application of the tool without undermining the feasibility, «Medium» scoring if it slightly undermines the feasibility and «High» scoring if it significantly undermines the feasibility. The weight «Null» corresponds to a scoring of zero, the weight «Low» corresponds to a scoring of one, the weight «Medium» corresponds to a scoring of two, while the weight «High» has a scoring of three. Each cluster will receive a scoring, which will reflect how much the cluster is affected by the impediments, through a weighted average of the dicotomial scorings assigned to each driver times the weight given to each one of the impediments. By doing so, the resolution tool which will receive the lowest scoring will be considered the more feasible for the Group.

The same methodology it has been used for quantifying the impacts on the financial system, but the drivers used are different, as well as the weight assigning method. In this case, indeed there will not be an exstimation of the impediments, but an exstimation of the impacts' drivers.

The Group detected the main possible impacts on financial system caused by the application of one of the tools. A value of 1 is assigned if the impact occurs, otherwise a value of 0 is assigned if the impact does not arise or it realizes but it has no impact on financial system. Therefore this model is aimed at quantifying which drivers impact on the Financial System in case of the application of a resolution tool. Each driver receives a weight basing on its severity, penetration and capillarity. The weights are so determined: «Null» scoring to the driver in case it does not have effects on the Financial System, a «Low» scoring in case it has a low impact in terms of penetration/capillarity and type of counterparties affected a «Medium» score if in case of a medium impact and a «High» score in case of a high impact. The weight «Null» corresponds to a scoring of zero, the weight «Low» corresponds to a scoring of one, the weight «Medium» corresponds to a scoring of two, while the weight «High» has a scoring of three. The scoring for each cluster is obtained by multiplying each impediment for its weight and arithmetically averaging the result.The Resolution tool which will receive the lowest scoring will be considered the less systemically impacting for the Group.

Figure 8 – The Resolution Tool



Source: Internal elaboration

3.2 Evaluation Drivers

The number of evaluation drivers for each cluster is not homogeneous and varies from zero to six. The higher the number of drivers in a cluster, the higher the possible impediments/impacts. For the first cluster, Bank structure, three subclusters have been identified concerning: the Legal Structure of the Bank, Ownership and Governance. The second cluster is divided into four subclusters: Balance Sheet, Income Statement, Regulatory requirements and Funding Plan – Minimum requirement for ownfunds and eligible liabilities (from now on MREL) – Loss Absorbing Capacity (from now on LAC). The third cluster is divided in two subclusters: Business Model and Business Lines as well as the fourth, which is divided in Core business Lines and Critical Functions. The fifth cluster is aimed to individuate the impediments/impacts deriving from the interdependencies, and therefore is divided into Internal and External interdependencies and finally the last cluster is divided in IT Systems and Financial market Infrastructures(from now on FMI) access.

3.2.1 Bank Structure

Legal Structure

Within the sub-cluster "Legal Structure" four impediments to the application of Resolution tools and two impacts on Financial system have been identified.

Feasibility Analysis

The four possible impediments individuated derive from the configuration of the Bank as a Group, the presence of material legal entities within the Group according to the Article 7 of BRRD and its legal configuration under different legislations, inside and outside of the European Union. In fact the drivers that were identified by the Group are aimed at exstimating the additional complexity deriving from the configuration of the Institution as a group, being more immediate to put under Resolution a single entity than a group. The additional complexity implied in having inside the group more than one Material Legal Entity (from now on MLE) is mainly arising in case of Separability tools, having to preserve the critical functions as well as the core business lines and the FMIs. The third impediment detected is aimed at exstimating the highest complexity of the application of one of the tools implied in having foreign subsidiaries such as MPS Belgium and MPS France. These subsidiaries are indeed regulated by different national laws, which may create an additional complexity in case of Resolution. Additional complexity would have been also added in case of presence of material legal entities outside the European Union.

Financial System Impacts

Within the financial system Impacts analysis the drivers identified for the subcluster "Legal Structure" are two. The first one verifies the existence of Legal Entities outside the European Union, which would lead to a greater contagion in case of failure of the Group. While the second driver questions whether the Group has legal Entities with a market Share > 2% in a foreign country, being this driver also associated to greater capillarity and severity in terms of effects on the financial system.

Ownership

Within the sub-cluster "Ownership" one impediment to the application of Resolution tools and one impact on Financial system have been identified.

Feasibility Analysis

For the sub-cluster "Ownership", the only detected driver with an impact on the feasibility of the Resolution tools is the existence of Shareholders agreements, which could restrict/slower the implementation of a resolution tool.

Financial System Impacts

With reference to the financial system impacts analysis, within the "Ownership" subcluster the grade of involvement of the retail and SME sector in the ownership of the Institution has been detected as a driver in case of application of a resolution tool. This variable, indeed is very important to measure the impacts on real economy, helping quantifying the impact on the non-qualified sectors of economy deriving from the application of the tool in the cost of the burden coverage.

Governance

Within the sub-cluster "Governance" one impediment to the application of Resolution tools and one impact on Financial system have been identified.

Feasibility Analysis

The impediment detected is the Significant Influence of the Italian Government on the Bank's governance, which could dissuade a potential buyer from buying the Bank, being an impediment to the Separability tools, which strongly depend on the will of a third party to buy the Bank. The potential buyer, in case of a partial acquisition may not want the Government to interfere on the governance related decisions and therefore give up on buying the Bank.

Financial System Impacts

The Presence of the State among the Shareholders is instead a driver of financial System impacts because of the subjects who would have to bear the losses in case of the application of a resolution tool, indeed all the effects wil be reflected on the State and indirectly on the citiziens.

3.2.2 Financial Overview

Balance Sheet

In the "Balance Sheet" subcluster two impediments to the application of a Resolution strategy and four impacts on the financial system have been detected.

Feasibility Analysis

The first impediment detected is "Balance Sheet configuration not coherent with the Liquidity needs in case of Resolution", which could be an impediment in case of application of a resolution tool because the Bank would be forced to find liquidity in in a short time through market-based financing or by selling assets allegedly at fire sale prices. Another impediment detected is the "Presence of Multioriginator Securitised assets in the Balance Sheet of the Bank", which would imply a higher difficulty in the Resolution process, being these kind of assets particularly time-consuming to break down and therefore they may slower the process.

Financial System Impacts

The first of the four impact's drivers is "Total Asset Ranked among the highest 20 in Europe", it is aimed to test the magnitude and capillarity of the impact on the financial system given by the potential failure of the bank. Indeed, being ranked among the 20 bigger banks in Europe would imply having operations in various countries and therefore an higher number of depositors and stakeholders in the whole continent. To quantify the impact and capillarity it has been introduced another driver "Total Asset Ranked among the highest 10 in Italy" which is aimed to verify whether the Bank is ranked among the biggest 10 in Italy. The third driver is "Geographical concentation of the credit exposures", calculated as exposures toward a single region divided by total exposures. The exposures are considered concentrated if more than the 20% of total exposures are concentrated in a single region. The concentration towards a single region would imply that the region would be particularly damaged by the failure of the Bank and therefore the impact on the real economy in that region would be particularly high. The last driver considered in this sub-cluster is the "sectorial concentration of credit exposures", calculated as exposures toward a single sector divided by total exposures. The exposures are considered concentrated if more than the 20% of total exposures are concentrated in a single sector. If this is the case the sector would be very vulnerable to a possible failure of the Bank.

Income statement

In the "Income statement" subcluster two impediments to the application of a Resolution strategy and one impact on the financial system have been detected.

Feasibility Analysis

The presence of "Legal Entities of the Group with current and prospective negative profitability" can be an impediment to the separability tools, dissuading potential buyers from buying the entity because of the expected negative results. The second impediment driver is instead linked to the cost structure, indeed having costs higher than peers' average would make the group unefficient and could be an impediment to separability tools as well as to Bail-in, because the inefficiency of cost structure reflects on the appetibility of the Bank and in the ease to carry the Bank under a process of insolvency with a shortage of funds.

Financial System Impacts

As impact on the financial system it has been identified "Cost cutting deriving from potential industry concentration", indeed this has, in case of application of a Resolution tool, a strong impact on the real economy, leaving a significant number of people unemployed, as consequence of the cost optimization.

Regulatory Requirements

For the subcluster "Regulatory Requirements" five impediments to the application of a resolution strategy and two impacts on financial system have been detected.

Feasibility Analysis

The capital need satisfaction is analysed under two different perspectives: the Group's capital adequacy in relation with the current and prospective needs on a consolidated basis and the single MLEs' capital adequacy in relation with the current and prospective needs on a single basis. Both these variables are important to allow the feasibility of a resolution tool. Indeed the capital inadequacy strongly affects the eventual recapitalization of an entity and it also makes the legal entity impossible to sell for regulatory reasons. Other variables analysed are the operational and structural liquidity inadequacy, which might be an indicator of liquidity shortage as well as a source of uncompliance with the current Basel III Framework. Finally the last impediment driver is "Liquidity Inadequacy in relation with the current and prospectic needs for the MLEs", which might be an impediment in terms of feasibility of the tools causing a prospective shortage of funds for the legal entities.

Financial System Impacts

In the financial system impact Analysis have been detected as size and relevance indicators the "classification of the Group as a G-SII" or the "classification of the Group as O-SII or higher", being indicators of the systemic relevance of the Bank and therefore indicators of the magnitude of an impact on the financial system.

Funding Plan - MREL – LAC

Within the subcluster "Funding Plan-MREL-LAC" two impediments to the application of a resolution strategy and two impacts on financial system have been detected.

Feasibility Analysis

As impediment to the feasibility of Resolution tools it has been identified firstly the "Liabilities Structure not coherent with Interim Target MREL", being it a new indicator to satisfy, which will be binding for the Group in 2021, the Group will have to be ready to satisfy this additional requirement in order to be compliant with the regulatory framework. As second impediment to the feasibility, an "high level of asset encumberance in relation with the standard levels set by the Liquidity Crisis Framework in case of Resolution" has been considered a factor of additional complexity for the application of a tool because of the fact that a lower level of assets available to face a crisis situation may lead to additional complexity.

Financial System Impacts

In the identification of the financial system impacts' drivers the type of the counterparties holding the LAC instruments issued by the Bank are considered. Indeed a distinction is made between the instruments held by the Retail/SME sector, which in case of Bail-in would lose a big amount of their value, impacting on the less-qualified sector of the economy and the instruments held by institutional counterparties, which could affect indirectly a wide number of people.

3.2.3 Business Model and Business Lines

Business Model

Within the subcluster "Business Model" three impediments to the application of a resolution strategy and one impact on financial system have been detected.

Feasibility Analysis

The feasibility analyisis of business lines has been based on the determination of the configuration of the Bank's business model as a Universal Bank model or focused on a single line of products, a distinction has been made between the Group's Business model, the Bank's business model and the subsidiaries' business model, being them different in terms of functions covered and variety of functions embed in the legal entities. Therefore it will be easier to put under resolution a non universal bank respect to an universal bank in terms of separability.

Financial System Impacts

Among the financial system impact analysis has been evaluated whether the Business model of the Bank is based on the retail/SME sector or not, if so the impacts will be higher for the type of counterparties involved in a possible resolution tool.

Business Lines

Within the subcluster "Business Lines" one impediment to the application of a resolution strategy and one impact on financial system have been detected.

Feasibility Analysis

As factor of additional complexity to the application of a Resolution Tool has been considered the presence of two or more business lines, which would make the application of the tools more complex, with regard to the preservation of critical functions, critical services and FMI.

Financial System Impacts

Among the financial system impact analysis has been evaluated whether the Business lines of the Bank are based on the retail/SME sector or not, if so the impacts will be higher for the type of counterparties involved in a possible resolution tool.

3.2.4 Critical Functions and Core Business Lines

Core Business lines

Within the subcluster "Core Business Lines" two impediments to the application of a resolution strategy and one impact on financial system have been detected.

Feasibility Analysis

In the feasibility analysis the "Presence of two or more core Business Lines" is considered a driver of additional complexity, mostly in the separation tools, where the business lines must be considered in order to assess the separability of the group as well as the "Presence of Core Business Lines on Material Legal Entities other than the Parent Company", which would extend the analysis not only on the Parent Company, but also to the subsidiaries.

Financial System Impacts

Among the financial system impact analysis, it has been evaluated whether the Core Business lines of the Bank are based on the retail/SME sector or not, if so the impacts will be higher for the type of counterparties involved in a possible resolution tool.

Critical Functions

Within the subcluster "Critical Functions" three impediments to the application of a resolution strategy and three impacts on financial system have been detected.

Feasibility Analysis

In the feasibility analysis the "Presence of two or more critical Functions" is considered a driver of additional complexity, mostly in the separation tools, where the critical functions must be preserved to prevent possible impacts on the financial stability and therefore they must be considered in order to assess the separability of the group. The "Presence of Critical Functions within the subsidiaries" would extend the analysis not only to the Parent Company, but also to the subsidiaries. The last driver analyzed is "Interconnections between Critical functions", indeed in case of interconnections the interruption of a critical function, even if temporary would affect the functioning of another critical function and so having significant effects on the Bank and on the financial system.

Financial System Impacts

Among the three financial system impact drivers identified, two or them are aimed to judge the materiality of the critical functions in term of market share and market volume. The higher these variables, the higher impacts will be borne by the financial system. Relevant to the scope of the analysis has also been considered the non sostitutability of critical functions, which depends on the additional supply on the banking market of analogue functions which could replace the critical functions currently conducted by the Bank.

3.2.5 Interdependencies

Internal interdependencies

Among the subcluster "Internal interdependencies" five impediments and no impacts have been identified, furthermore the internal interdependencies subcluster has been split into financial internal interdependencies and operational internal interdependencies.

Feasibility Analysis

The first impediment detected in the feasibility analysis is the presence of intragroup contracts of centralized financial support (Waiver Liquidity), indeed, this agreement makes the Parent Company responsible of supplying liquidity to all the Legal entities of group. In case of a partial sale of the business, the sold legal entity should receive the liquidity from another Entity. Other impediments are considered the presence of non critical SLA between the parent company and the material legal entities and viceversa, although not critical, these contracts may slower the application of a resolution tool. More severe are expected to be the impacts deriving from the presence of critical SLAs concerning the Control Functions, which are centralized in the Group. In case of separability indeed the legal entities should provide themselves with a own control function according to the normative 285/Title 1/Chapter 1/Annex A.

Financial System Impacts

No significant effects on financial system were found deriving from operational and financial internal interdependencies.

External interdependencies

Among the subcluster "External interdependencies" three impediments and one impact have been identified, furthermore the external interdependencies subcluster has been split into financial external interdependencies and operational external interdependencies.

Feasibility Analysis

As feasibility impact it has been identified "The presence of critical SLAs between the MLEs and other subjects" because in case of the application of a resolution tool, the SLAs with third parties may be interrupted, causing the termination of the contract and the same situation is applicable to the non critical SLAs between MLEs and other subjects. Additional complexity may be derived by "Liabilities Concentration towards SME/retail counterparties for the legal Entities under Resolution", which in case of bail-in would be a problem given that the retail/SME counterparties are less qualified and weaker, therefore a higher amount of consequences is produced.

Financial System Impacts

An impact on the financial system may be derived by the "Concentration of Assets/Liabilities towards public counterparties (e.g. Hospitals, City Halls)", because the application of a possible resolution tool may affect the value of the assets/liablities deposited by the public counterparties involved, creating an effect on the counterparty that would be reflected on the "customers" of this public counterparty.

3.2.6 Critical IT Systems and Critical financial market infrastructure

IT Systems

Among the subcluster "IT Systems" three impediments and no impacts have been identified.

Feasibility Analysis

The first and main impediment identified derives from the "Timing and complexity deriving from the need of migrating informative data sets", indeed this procedure can last up to six months and in case of Separation of the "Consorzio Operativo di Gruppo" the Parent company should provide itself with another supplier of Informative Data Sets and so it should transfer to the new supplier all the data concerning. The other two impediments identified concern the need to replicate the front-end/backlog applications in case of change of the current IT Structure. These whole processes are significatively expensive and time consuming.

Financial System Impacts

No significant effects on financial system were found deriving from IT Systems

FMI Access

Among the subcluster "FMI Access" two impediments to the feasibility of the Resolution Tools and two impacts on the Financial System have been identified.

Feasibility Analysis

Concerning the feasibility analysis, the presence of FMI non-promptly replaceable supporting the functioning of Critical Functions is an impediment because the operativity of critical functions should be assured at any time to avoid producing negative effects on the functioning of the Bank, given their particular importance. Same thing, even if less relevant, applies to the functioning of core business lines that should be preserved to ensure the correct functioning of the Bank and to be coherent with the Bank's business model.

Financial System Impacts

Concerning the Financial System Impacts the presence of FMI non-promptly replaceable supporting the functioning of Critical Functions has a significant systemical impact on the Financial system because is crucial to assure the operativity of critical functions at any time to avoid producing negative effects on the system, given their particular importance and their scarce sostitutability. Same thing, even if less relevant, applies to the functioning of core business lines that should be preserved to ensure the satisfaction of the demand of given services from the Market and to be coherent with the Bank's business model.

4. RESULT ANALYSIS

The drivers identified in the previous section have now been reconducted to four clusters, indicating the type of each impediment detected. By doing so it is produced a breakdown on the base of operational categories and it can be therefore evaluated the preponderant type of impediments/impacts' drivers present in the Group on which to focus in the activies aimed to the impediments removal.

Table 1: Recognition Cluster to Type of Impediments

Cluster	Subcluster	Type of impediments			
		Legal	Financial	Operational	IT
Bank Structure	Legal Structure	✓			
	Ownership	✓			
	Governance	✓			
Financial Overview	Balance Sheet		✓		
	Income Statement		✓		
	Regulatory Requirement		✓		
	Funding Plan-MREL-LAC		✓		
Business Model and Business Lines	Business Model			✓	
	Business Lines			✓	
Critical Functions and Core Business Lines	Core Business Lines			✓	
	Critical Functions			✓	
Interdependencies	Operational Internal Interdependencies			✓	
	Financial Internal Interdependencies		✓		
	Operational External Interdipendencies			✓	
	Financial External Interdipendencies		✓		
Critical IT Systems and Critical financial market infrastructure	IT Systems				✓
	FMI Access				✓

The scorings assigned each the subcluster in the presentation of the results also affere to the typology of impediment to which each corresponds. Specifically the scoring of the Legal impediments have been obtained by averaging arithmetically the scoring assigned to the subclusters Legal Structure, Ownership and Governance.

In the tables in the next paragraphs are shown the results of the Feasibility Analysis and the Financial System Analysis. The criteria for the assignation of the colors to the cells containing the results are the following:

From 0 to 0,5 it is assigned the "*green*" color, which conveys a meaning of approximately null impediment, from 0,5 to 1 is assigned the "*yellow*" color, conveying a meaning of low impediment, from 1 to 1,5 it is assigned the "*orange*" color, conveying a meaning of medium impediment, finally from 1,5 to 2 it is assigned the "*red*" color.

4.1 Feasibility Analysis Results

Table 2- Results Feasibility Analysis

Results Feasibility Analysis				
Type of Impediments	Sale of the Business	Bridge Institution	Asset Separation	Bail-In
Legal	0,92	0,58	0,58	0,08
Financial	0,23	0,33	0,33	0,37
Operational	1,31	1,31	1,22	0
IT	1,75	1,75	1,25	0
Total	4,21	3,97	3,39	0,45
Ranking	4	3	2	1

Looking at the results of the Feasibility Analysis, according to the Model, in terms of feasibility, the preferred tool is the Bail-In, to which the lowest scoring is assigned, followed by Asset Separation,Bridge Institution and Sale of Business.

Indeed the Bail-in has the lowest scoring for the Legal, Operational and IT type of impediments, while it has the highest scoring in terms of Financial Impediments, in this typology the easiest tool to apply is the Sale of the Business, which in the final ranking is the least preferred strategy in terms of feasibility.

The results of this analysis show a strong preference towards the application of Bail-in respect to the other strategies. The result of the first best tool is indeed very far from the second best, the Asset Separation which is instead not so far from the third best,the Bridge Institution and the least preferred, the Sale of the Business.

4.2 Financial Systems Impact Analysis

Table 3- Financial System Impacts Analysis

Results - Financial System Impacts Analysis				
Type of Impediments	Sale of the Business	Bridge Institution	Asset Separation	Bail-In
Legal	0,67	0,67	1,33	2,00
Financial	0,58	0,58	1,00	1,17
Operational	0,11	0,39	1,06	0,94
IT	0,75	0,75	0,75	0,50
Total	2,11	2,39	4,14	4,61
Ranking	1	2	3	4

From the table above it is possible to see that, in this scenario, the preferred tool is the Sale of the Business, followed by the Bridge Institution, the Asset Separation and Bail-in.

The sale of the Business is preferred in all types of Impediments clusters, except for the IT type of impacts, in which the preferred tool is the Bail-in, which, in the final ranking is the least preferred strategy in terms of financial system analysis.

The final results shows a strong preference towards the Sale of the Business Tool, followed closely by the Bridge Institution, while the other two tools, the Asset Separation and the Bail-In are far in terms of results from the first two alternatives.

4.3 Final Results (Feasibility Analysis + Financial Systems Analysis)

In the table below are shown the results of the aggregate of the Feasibility Analysis and the Financial System Analysis. The criteria for the assignation of the colors to the cells containing the results are the following:

From 0 to 0,5 it is assigned the "*green*" color, which conveys a meaning of approximately null impediment, from 0,5 to 1 is assigned the "*yellow*" color, conveying a meaning of low impediment, from 1 to 1,5 it is assigned the "*light orange*" color, conveying a meaning of medium impediment, to the scorings from 1,5 to 2 it is assigned the "*dark orange*" color, while from 1,5 to 2 it is assigned the "*red*" color.

Table 4-Results- Feasibility & Financial System

Results - Feasibility & Financial System				
Type of Impediments	Sale of the Business	Bridge Institution	Asset Separation	Bail-In
Legal	1,58	1,25	1,92	2,08
Financial	0,82	0,92	1,33	1,53
Operational	1,42	1,69	2,28	0,94
IT	2,50	2,50	2,00	0,50
Total	6,32	6,36	7,53	5,06
Ranking	2	3	4	1

Looking at the results of the aggregate Analysis, according to the Model, in terms of Feasibility and Financial System Impacts, the preferred tool is the Bail-In, to which the lowest scoring is assigned, followed by Sale of Business, Asset Separation and Bridge Institution.

Indeed the Bail-in has the lowest scoring for the Operational and the IT type of impediments, while it has the highest scoring in terms of Legal Impediments. In this typology of impediments the most feasible/less impacting tool is the Bridge Institution, which in the final ranking is placed at the third position, while for what concerns the Financial impediments/impacts the preferred tool is the Sale of the business, ranked at the second position.

The results of this analysis show a strong preference towards the application of Bail-in respect to the other strategies. The result is indeed very far from the second best, the Sale of the Business, which is instead not so far from the third best the Bridge Institution, instead the least preferred tool, the Asset Separation is by far the last in terms of aggregate of feasibility and financial system impacts and this results is also caused by the fact that the Asset Separation Tool can not be applied singularly, but has to be applied after another tool.

5. CONCLUSIONS

In conclusion, the above described methodology, used by the Bank, has highlighted that the preferred Resolution Strategy is the Bail-In, as previously decided by the SRB, while the alternative strategy to be implemented in case of supervening impossibility of the preferred one is the Sale of Business.

As previously said indeed the results show a strong preference towards the Bail-in tool, while the separability tools present more relevant impediments to the application of the tool/impacts on financial system. Among the separability tools, in fact, the Sale of the Business is slightly preferred than the Bridge Separation, while the Asset Separation is by far the least preferred.