



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

BRRD - Resolution Plan Operational Continuity

Critical Services Identification, Key Staff and
Processes and Financial Effort

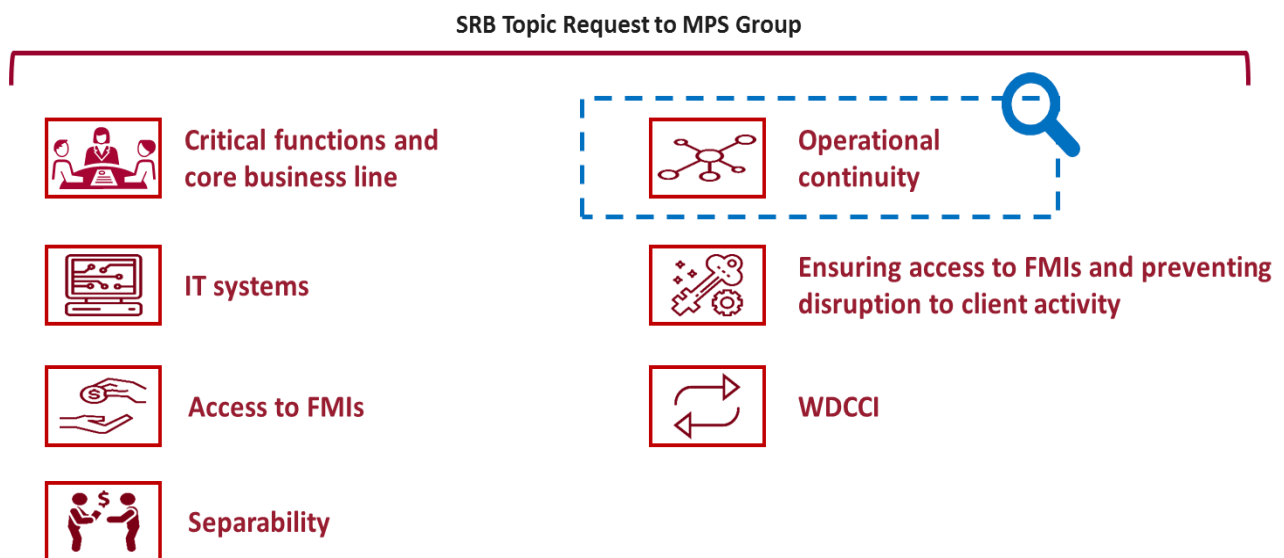
Siena 31st October 2018

TABLE OF CONTENTS

1. PURPOSE	3
2. BACKGROUND	4
3. PHASE 1: CRITICAL SERVICES IDENTIFICATION	5
a. Critical Functions and Service Agreements Recognition & Matching.....	5
b. Critical Services Identification.....	6
4. PHASE 2: KEY OPERATIONAL STAFF AND PROCESSES IDENTIFICATION	8
a. Critical Functions and Processes Recognition & Matching	8
b. Key Staff identification	8
5. PHASE 3: FINANCIAL EFFORT ASSESSMENT	11
6. PHASE 4: RETENTION POLICY RECOGNITION.....	14

1. Purpose

The purpose of this document is to illustrate the methodological approach adopted by the Monte dei Paschi di Siena Group for the identification of the “Critical Services” (Working Priorities A.3 point (i), (ii)) and to provide additional details on the Group Working Technical Notes sent to the Regulator on April 2018, as required by the SRB in the topic of Operational Continuity (Workshop 3rd July 2018 - Chapter 4.2 of WTN - Question (a), (b)).



2. Background

On July the 3rd 2018 the SRB organized a Workshop on 2018 Resolution planning cycle requiring additional details on the Working Technical Notes sent to the Regulator on April 2018.

Related to Operational Continuity, the Resolution Authority requests were::

- a. Do you have an update on the identification of your key operational staff and processes supporting retention of key employees/structures for the continuity of critical services and provide an indicative timeline for the identification?*
- b. Could give a deeper insight on the assessment of financial resources needed to support continuity or mitigate critical service disruption?*

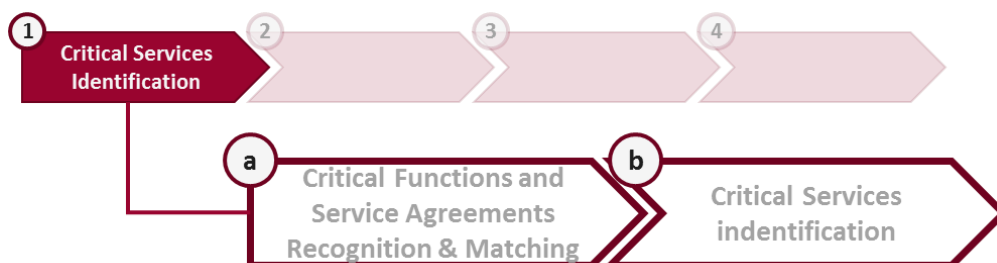
Concerning these questions, the Group carried out an analysis following the phases below:



1. Identification of the Critical Services in order to guarantee the operational continuity in case of Resolution;
2. Identification of the key operational staff & processes aimed to guarantee the above mentioned operational continuity in case of Resolution;
3. Assessment of the financial effort aimed to guarantee the operational continuity of the critical services and key staff in case of Resolution;
4. Recognition of the processes in place by the Group, in order to guarantee the retention of the key staff in case of Resolution.

3. Phase 1: Critical Services Identification

The approach defined by the Group for the identification of Critical Services is developed in the subsequent phases:



a. Critical Functions and Service Agreements Recognition & Matching

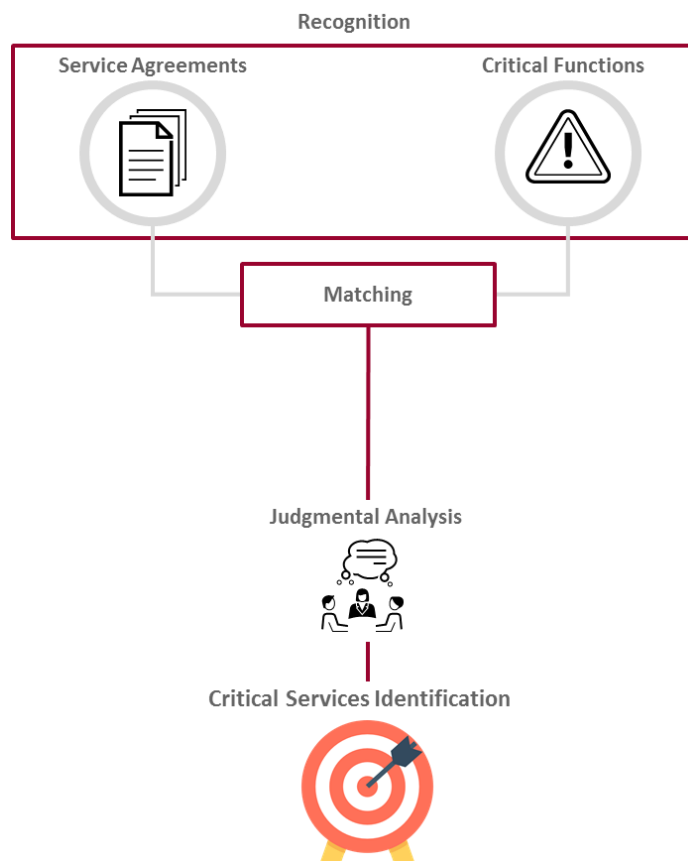
In order to carry out a recognition and matching between Critical Functions and Service Agreements, the Group has defined the following three main steps:

1. Firstly are acknowledged the identified Critical Functions for each legal entity and at the level of Banking Group in accordance with Recovery Plan and Critical Function Report (sent to the SRB on 30 April 2018).
The Critical Function defined by the MPS Group are:
 - Deposits: all Sub-functions (for Banca Monte dei Paschi only);
 - Lending: all Sub-functions (for Banca Monte dei Paschi only);
 - Payment, Cash, Settlement, Clearing, Custody (for Banca Monte dei Paschi only):
 - Sub-functions:
 - Payment services to non-MFIs;
 - Cash services;
 - Securities settlement services;
 - Custody services.
 - Capital Markets (for MPS Capital Services only):
 - Secondary markets/trading HFT (only for MPSCS).
2. Mapping all the Service Agreements shared and external to the Group.
3. The matching between Critical Functions and Service Agreements is conducted according to the following rationales:
 - a. Matching the shared or external Service Agreements provided by a Legal Entity that provides a Critical Function;
 - b. Matching the shared or external Service Agreements received from a Legal Entity that provides a Critical Function;
 - c. Matching the shared or external Service Agreements that regulate a service strictly related to a Critical Function, even if it's provided by a Legal Entity that does not provide a Critical Function (e.g. External Service Agreement between Telecom SPA and COG).

b. Critical Services Identification

The mentioned criteria could be integrated following a **judgment analysis** by an expert aimed at considering further aspects such as, for example, the volume of transactions and the level of substitutability.

The identification of Critical Services can be summarized in the following diagram:



The following table reports for each Critical Service identified (outsourced or not) the contractual source, the service provider, the final customer and the related Critical Function.

Critical Service	Provider	Outsourced/Shared	Customer	Critical Function
Contratto per la fornitura di servizi IT	COG	Shared	GBMPS	All
Master Service Agreement Fruendo	Fruendo	Outsourced	BMPS	Payment, cash, settlement, clearing, custody
			BMPS	Deposits
Master Service Agreement Accenture	Accenture	Outsourced	BMPS	Payment, cash, settlement, clearing, custody
			BMPS	Deposits

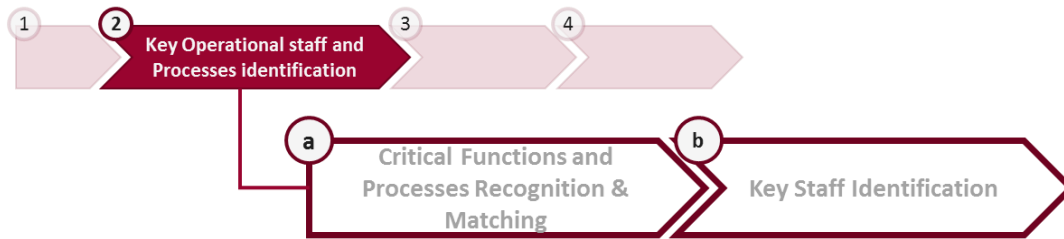
Critical Service	Provider	Outsourced/Shared	Customer	Critical Function
Trasporto e Contazione Valori	B.T.V. SPA	Outsourced	BMPS	Payment, cash, settlement, clearing, custody
Gestione ATM per il Gruppo MPS	Basilichi SPA	Outsourced	BMPS	Payment, cash, settlement, clearing, custody
			BMPS	Deposits
Prestazione di servizi di gestione di carte di pagamento	NEXI SPA	Outsourced	BMPS	Payment, cash, settlement, clearing, custody
Servizio in outsourcing di Corporate Banking Interbancario (CBI)	Basilichi SPA	Outsourced	COG	All
Assistenza Internet Banking e Mobile Banking	Basilichi SPA	Outsourced	BMPS	Payment, cash, settlement, clearing, custody
			BMPS	Deposits
			BMPS	Lending
Servizi di Help Desk Tecnologico	Telecom SPA	Outsourced	COG	All
Contratto 7X24	DCPS SRL	Outsourced	COG	All
Accordo quadro per l'assistenza credito al consumo	B.Services SRL	Outsourced	BMPS	Payment, cash, settlement, clearing, custody
			BMPS	Deposits
			BMPS	Lending
Conservazione digitale immagine degli assegni	INTESA SPA	Outsourced	BMPS	Payment, cash, settlement, clearing, custody
			BMPS	Deposits
Contratto per l'esternalizzazione della fornitura di servizi MPSCS	BMPS	Shared	BMPSCS	Capital Markets - Secondary markets/trading
Contratto per l'esternalizzazione della fornitura di servizi operativi finanziari e di investimento	MPSCS	Shared	BMPS	Capital Markets - Secondary markets/trading
Application Service Providing per sistema di internalizzazione sistemica (DDT)	LIST SPA	Outsourced	MPSCS	Capital Markets - Secondary markets/trading

Source: Internal elaboration

Furthermore, in addition to the methods for identifying the Critical Services illustrated above, it is necessary to include access to the FMIs within the scope of the operational continuity. The list of Critical FMIs and related fees is provided at Chapter 5.b. Therefore, for further details about the Critical FMIs's identification methodology developed by the Group, please refer to "GMPs_BRRD_FMI_Methodological_Note_20181031".

4. Phase 2: Key Operational staff and Processes identification

The Group has complied with this request in accordance with the following phases:



a. Critical Functions and Processes Recognition & Matching

The analysis is developed in the following main steps:

1. The Critical Function Recognition follows the same approach described in Par. 1.a.
2. BCM potential critical Processes and Sub-Processes identification and matching with Critical Functions.
3. Non-BCM potential critical Processes identification and matching with Critical Functions.
4. Identification of BCM and Non-BCM Critical Processes in the perspective of Resolution purposes.

b. Key Staff identification

The Group, if available, has identified the key operational staff for each Critical Process/Sub-Process.

The following table provides Processes, Sub-processes and the quantification of key staff identified.

BCM (In/Out)	Processes	Sub-Processes	Key staff	Critical Function
BCM In	Erogazione ICT	Incident Management	118	All
		Configuration Management	4	All
	Canali di contatto con la clientela	Presidio canale Web e mobile banking	1	Payment, Lending
		Presidio canali ATM e Self Banking	1	Payment, Lending
		Presidio Canali di Internet Corporate Banking (ICB)	1	All
	Business Continuity Management	IT Service Continuity	38	All
		Gestione della Crisi	2	All
	Sicurezza e Ambiente	Gestione dei processi operativi di sicurezza logica	11	All
	Servizi Bancari	Gestione conto corrente	2	Payment, Deposit
		Gestione assegni	1	Payment, Deposit

BCM (In/Out)	Processes	Sub-Processes	Key staff	Critical Function
	Incassi e Pagamenti	Gestione ATM	4	Payment
		Gestione Bonifici Estero	2	Payment, Deposit
		Gestione altri servizi di incasso e pagamento	1	Payment, Deposit
		Gestione Bonifici		Payment, Deposit
		Gestione Incassi Documenti		Payment, Deposit
		Gestione pensioni		Payment, Deposit
		Incasso tributi (F24)		Payment, Deposit
	Logistica e servizi ausiliari	Gestione filiera del contante	5	Payment
	Rapporto con il cliente	Presidio rapporto con il cliente	27	Lending, Payment, Deposit
	Gestione in accentrato della Liquidità Operativa di Gruppo	Funding dei titoli presenti nei portafogli della Proprietà	3	Capital Markets - Secondary markets/trading
		Gestione delle disponibilità liquide e provvista in euro e in divisa	7	
		Rifinanziamento con la BCE	3	
		Monitoraggio Maturity Ladder Bankit	2	
	Finanza	Gestione amministrativa e contabile strumenti finanziari	10	Capital Markets - Secondary markets/trading
		Gestione Ordini su strumenti finanziari c/Proprietà	7	
	Gestione integrazione, validazione e controllo relative ai contratti su Strumenti Finanziari - Post Trading	Gestione dei flussi di liquidità	6	Capital Markets - Secondary markets/trading
		Gestione dei Master Agreement e dei collaterali ad esso connesso	3	
Gestione Adempimenti Portafogli di Proprietà		14		
Gestione Ordini su strumenti finanziari c/Proprietà	Negoziazione ordini c/Proprietà	31	Capital Markets - Secondary markets/trading	
Gestione, trasmissione ed esecuzione degli ordini alla clientela	Gestione operativa e contabile dell'internalizzatore sistematico di Gruppo (DDT)	3	Capital Markets - Secondary markets/trading	
BCM Out	Definizione indirizzi e metodologie in ambito di Connected Borrowers		Lending Processes affect more than one banking structures	Lending ¹
	Definizione indirizzi e metodologie in materia di credito			
	Valutazione connessioni e qualità delle controparti (Rating e Gruppi)			
	Cessione Crediti Non Performing			
	Gestione del credito post-erogazione			
	Gestione e monitoraggio del credito			
	Cessione Crediti Non Performing (UTP)			
	Definizione, trasmissione e monitoraggio delle politiche creditizie			
	Valutazione connessioni e qualità delle controparti (Rating e Gruppi)			
	Concessione del credito a Banche e Istituzioni Finanziarie			

¹ Processes linked to Lending Critical Function only are not regulated by a Service Agreement.

BCM (In/Out)	Processes	Sub-Processes	Key staff	Critical Function
	Concessione del credito da parte delle Filiali Estere			
	Concessione e revisione del credito			
	Definizione indirizzi e metodologie in materia di crediti a sofferenza			
	Definizione indirizzi e metodologie in materia di crediti problematici			
	Determinazione e monitoraggio del valore degli immobili ai fini della Credit Risk Mitigation			
	Gestione Accettazioni bancarie			
	Gestione altri finanziamenti			
	Gestione anticipi			
	Gestione Crediti a Contenzioso			
	Gestione Crediti Agrari			
	Gestione credito su pegno valori materiali (c.d. Monte di credito su pegno)			
	Gestione delle posizioni classificate a Inadempienza Probabile Rischio Anomalo			
	Gestione e monitoraggio operativo del credito Filiali Estere (Correspondent Banking)			
	Gestione finanziamenti a MLT 'SACE - Credit Enhancement'			
	Gestione finanziamenti con funding Banca e/o di terzi (es: fondi CDP/BEI...)			
	Gestione Garanzie Ipotecarie			
	Gestione Garanzie Ipotecarie Immobiliari			
	Gestione Garanzie non Ipotecarie			
	Gestione garanzie per conto terzi			
	Gestione massiva crediti problematici - contenzioso			
	Gestione Mutui			
	Gestione operazioni di Ristrutturazione Finanziaria			
	Gestione passaggi di stato classificativo delle posizioni creditizie			
	Gestione prodotti di finanziamento al consumo			
	Gestione Recupero Crediti a Contenzioso			
	Gestione Sconto Effetti e Crediti sull'estero			
	Gestione scoperti/sconfinamenti: Istruttoria Veloce			
	Passaggio a perdite			
	Passaggio Crediti a Contenzioso			
	Presidio gestione documentale in ambito creditizio			
	Presidio Performance Recupero e Interfaccia piattaforma recupero esternalizzata			

Source: Internal elaboration

5. Phase 3: Financial Effort Assessment

The Group carried out an assessment on the financial resources needed to support continuity or mitigate critical service disruption considering:

- a) The Fees of the Service Agreements identified as critical;
- b) The Critical FMIs' Fees;
- c) An indicative amount of the Key staff's salary;

a. Critical Service Agreements Fees:

Critical Service Agreement	Fees ²	Critical Function
Contratto per la fornitura di servizi IT	€ 320.000.000	All
Master Service Agreement Fruendo	€ 55.088.218	Payment, cash, settlement, clearing, custody Deposits
Master Service Agreement Accenture	€ 39.361.923	Payment, cash, settlement, clearing, custody Deposits
Trasporto e Contazione Valori	€ 17.500.000	Payment, cash, settlement, clearing, custody
Gestione ATM per il Gruppo MPS	€ 13.000.000	Payment, cash, settlement, clearing, custody Deposits
Prestazione di servizi di gestione di carte di pagamento	€ 11.600.000	Payment, cash, settlement, clearing, custody
Servizio in outsourcing di Corporate Banking Interbancario (CBI)	€ 5.400.000	All
Assistenza Internet Banking e Mobile Banking	€ 1.370.000	Payment, cash, settlement, clearing, custody Deposits Lending
Servizi di Help Desk Tecnologico	€ 1.140.000	All
Contratto 7X24	€ 1.050.000	All
Accordo quadro per l'assistenza credito al consumo	€ 700.000	Payment, cash, settlement, clearing, custody Deposits Lending
Conservazione digitale immagine degli assegni	€ 107.000	Payment, cash, settlement, clearing, custody Deposits
Contratto per l'esternalizzazione della fornitura di servizi MPSCS	€ 2.900.000	Capital Markets - Secondary markets/trading

² The reported financial effort refers to the contract in its entirety, not to each individual process or sub-process.

Critical Service Agreement	Fees ²	Critical Function
Contratto per l'esternalizzazione della fornitura di servizi operativi finanziari e di investimento	€ 800.000	Capital Markets - Secondary markets/trading
Application Service Providing per sistema di internalizzazione sistemica (DDT)	€ 560.000	Capital Markets - Secondary markets/trading
Total	€ 470.577.141	

Source: Internal elaboration

b. Critical FMIs' Fees:

FMIs Type/System	FMIs Designation	Fees
Payment System	EBA/STEP2	€ 564.103,65
	BI comp	Fees are debited directly on cash account.
	TARGET 2	Fees are debited directly on cash account.
	EBA euro 1	€ 210.449,31
CSDs and SSS	Clearstream	€ 1.196.830,35
	Monte Titoli	€ 1.284.063,06
	Target 2 Securities	€ 194.567,00
Central Counterparties (CCPs)	Cassa Compensazione e Garanzia	€ 1.734.798,96
	LCH.Clearnet Ltd	€ 1.181.255,01
	Ice Clear Europe Ltd	€ 41.229,91
Trade repositories (TRs)	None Critical FMI for TRs type	NA
Trading venues	MTS Italy (cash & repo) - MR	€ 2.135.151,93
	MTA – MR	Fees are included in those paid to Borsa Italiana.
	MOT/EuroMOT – MR	Fees are included in those paid to Borsa Italiana.
	EuroTLX – MTF	€ 373.939,20
	Aste ECB (€)	No fees paid
	Bloomberg – MTF	€ 199.878,71 ³
	ETF-Plus – MR	Fees are included in those paid to Borsa Italiana.

³ The reported fee is paid by MPSCS only. MTF Charges started on January 2018 for BMPS.

FMI's Type/System	FMI's Designation	Fees
	NYSE Euronext Cash (Paris, Bruxelles, Amsterdam)	NA: fees are applied to the prices of the trades, depending on volumes and underlying.
	SEDEX (Borsa Italiana)	Fees are included in those paid to Borsa Italiana.
	Borsa Italiana Equity – MTF	€ 1.006.300,39
	AIM-MAC – MTF	Fees are included in those paid to Borsa Italiana.
	IDEM – MR	Fees are included in those paid to Borsa Italiana.
	MIV – MR	Fees are included in those paid to Borsa Italiana
	EuroMTS – MTF	€ 50.100,00
	Tradeweb – MTF	€ 945.718,01
	BGC Brokers LP - OTF_BGCO	NA: New trading venue, not relevant at december 2017.
	ICAP WCLK - MTF_IMRD	NA: New trading venue, not relevant at december 2017
Intermediaries	Merrill Lynch International Ltd	€ 3.230.000
	Goldman Sachs Group, Inc.	NA
Other	Citibank	€ 646.757,75
	Systematic Internaliser De@I Done Trading (DDT)	€ 6.100,00
Total		€ 15.001.243,24

Source: Internal elaboration

c. Indicative amount of the Key staff's salary

Referring to BCM processes, the professional category of the Key Staff belongs to “Middle Managers” and “Professional Areas”. The average fixed remuneration level of the Group for the categories above mentioned amounts to € 44.665⁴.

⁴ Cfr. “Group Remuneration report 2018” (<https://www.gruppompis.it/static/upload/201/2018-remuneration-report-sito1.pdf>).

6. Phase 4: Retention Policy Recognition

This Chapter provides an overview of the staff remuneration policies defined by the Group during the 2018 considering a going concern scenario.

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

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

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

In their maximum extent, the remuneration structures consist of a fixed component (as structured and defined by the EBA Guidelines on sound remuneration policies, the "EBA Guidelines"⁵) and a variable component, which may be linked to performance (of the Group, or the individual reference unit), or to other parameters (such as length of service) or it may refer to compensation for the early termination of the employment or office. The combination of the fixed and variable components (the "pay mix") is defined for each subcategory, in compliance with the relevant provisions, in order to discourage behaviour oriented towards an excessive undertaking of risks. For all employees and the Identified Staff of the Group, the maximum impact of the variable component on the fixed component is determined ex-ante.[...]

Without going into the details of the logic used for the definition of fixed and variable remuneration, below are shown the main instruments that are considered relevant also in terms of retention.

[...]As part of the **fixed remuneration** component, the Group envisages for its employees, various interventions that effectively increase its remunerative offer under a structural profile, raising motivation and reinforcing Group identity. More specifically, within the framework of specific joint commissions, new welfare solutions are defined, also on an experimental basis and in any case with a view to overall sustainability (e.g. MP Solidale, Lavoro Agile) while consolidated support instruments - as defined from time

⁵ EBA Guidelines of 27/6/2016; see especially paragraph no. 117, which defines under which conditions a remuneration can be considered as fixed.

to time with the trade unions and approved by the Board of Directors - are confirmed, including those intended for all employees in general, such as:

- a company contribution to Complementary Pension Fund for all employees, which currently stands at 2.5%, calculated for a transitional period from 1/1/2016 to 31/12/2018, based on solidarity measures, on 77% of the items set forth in the CCNL (National Collective Labour Agreement), excluding the thirteenth month's pay;
- the Accident Policy and Health Coverage, the latter not only for employees in service, but also for former employees currently in the Solidarity Fund and retired, including their dependants;
- luncheon vouchers, for professional areas, middle management and managers without a "personalised" contract;
- special conditions for banking transactions (savings, loans, other banking services);

and others granted on an individual basis, such as:

- the provision of sublet accommodation for personal and family use in the event of transfer upon the company's decision, or, alternatively, a commuting allowance;
- a company car for private and business use, with expenses charged to the Bank, for Managers with "personalised" contracts, unit managers (benefit granted on a discretionary and revocable basis), highly relevant roles in the organisation or for other positions with high mobility requirements;
- insurance coverage, including permanent disability from illness and death from illness, for managers.[...]

[...]Within the scope of **variable instruments**, those with a close link with the Group's and unit's performance are largely prevalent in terms of bonus pool and size of the population concerned (to the extent of their possible activation); they provide for:

- objectives that generate a specific link between sustainability, risk and remuneration;
- formalized and transparent activation and delivery conditions;
- ex-ante identification of the bonus pool;
- predefined individual target bonuses (by role or aggregated role).

Their possible application is decided each year on the basis of various factors (surrounding conditions, available resources, etc.) and justified by the Board of Directors in charge of authorising them. The instrument adopted by the Bank for employees in the Professional Areas and for middle managers is the Variable Performance-related Bonus (the "PVR"), envisaged by art. 52 of the National Collective Labour Agreement 19/1/2012 (as renewed by the 31/03/2015 Agreement); introduced within the Group through second level negotiations at the end of 2015, this instrument pursues greater employee involvement and participation targeted to increased operating efficiency and company productivity/competitiveness. In compliance with the supervisory provisions, the PVR will have a variable nature and will be strictly correlated to company results, in terms of liquidity and capital, productivity, profitability and quality, rigorously in keeping with the objectives established in the Business Plan.

The incentive instrument for managers that the Group has conceived to support the sharing of the system of objectives assigned to the Group's operating resources and to focus attention on strategic objectives is the MBO ("Management by Objectives"). The tool, to date never implemented, is built based on the organizational weight of the roles of responsibility, attributed according to the cited Global Grading System method. The criteria for accessing the dedicated bonus pool ("gate") and the performance indicators to be assigned to managers through scorecards (consistent with those assigned to operating personnel in relation

to the PVR), stem from the risk appetite policies (RAF) and are consistent with the overall company operating performance and with the strategic planning objectives. Finally, as is the case for the PVR and in compliance with the Supervisory Provisions, the final bonus of each individual is determined based on the achievement of the Group's objectives ("Gate") and reference unit's objectives and on the individual contribution.[...]

[...]The range of instruments finally include:

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

In some cases, Entry Bonuses can be granted upon hiring, which are sometimes paid for retention purposes, with partially deferred payment (for greater protection of the company interests).

Finally, for the management of critical situations, the above components can be increased, for a limited number of business figures, by other components related to time with the company or role performance (e.g. non-competition agreements and similar instruments).[...]

The variable management instruments - contests, one-off amounts, entry bonuses to be paid on an exceptional basis upon hiring, non-competition agreements for specific business figures following their entry into the role, other components related to time with the company (such as retention bonuses or stability agreements) and lastly any severance pay to be recognised in the case of early termination of the employment relationship - shall be implemented within the scope of the variable remuneration resources provided for in the 2018 personnel cost budget.

The disbursement of such instruments, also to support structural personnel cost savings, takes place on the basis of a pre-established and well documented decision-making process and in line with the regulatory framework in force and taking into account any instructions that may be received from the competent authorities.

For any further details please refer to the Group's remuneration policies "*Group Remuneration report 2018*" (<https://www.gruppomps.it/static/upload/201/2018-remuneration-report-sito1.pdf>).