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**BANCA MONTE DEI PASCHI DI SIENA S.P.A.**

SHAREHOLDERS' MEETING

12 April 2017 (on single call)

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS

CONCERNING ITEM 4) ON THE AGENDA - ORDINARY SESSION

prepared pursuant to Article 125-ter of Legislative Decree no. 58 of 24 February 1998,  
as subsequently amended and supplemented.

#### ITEM 4) ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

REPORT OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLE 125-TER OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

Dear Shareholders,

you were convened to attend a meeting to resolve upon the following item on the agenda of the ordinary session of the shareholders' meeting:

#### **4) Proposal to reduce number of members of the Board of Directors. Inherent and consequent resolutions.**

It has to be reminded that on December 28, 2016 Mr. Christian Whamond has resigned as a member of the Banca Monte dei Paschi di Siena S.p.A. (the "**Bank**") Board of Directors with immediate effect.

The Board of Directors believes that it is not appropriate to replace the resigned Director, and propose to the Shareholders' Meeting to reduce the number of directors from 14 to 13 members.

In this respect, please bear in mind that the Shareholders' Meeting held on 16 April 2015 resolved upon the appointment of the current Board of Directors, composed of 14 (fourteen) members, that eight (8) out of the Directors in charge are independent pursuant to the Legislative Decree No. 58 of 24 February 1998 ("**Consolidated Financial Act**") and the Corporate Governance Code of listed companies and that the male and female gender is represented in the Board by 7 women and 6 men. Therefore the minimum requirements required by law and by the BY-Laws regarding the number of independent directors (at least 1/3) and the gender quotas (at least 1/5) to be represented in the Board of Directors are widely respected.

It has to be reminded also that in the document "Quantitative and qualitative composition of the Monte dei Paschi di Siena Board of Directors ", prepared in the occasion of the appointment of the Board of Directors in April 2015, published and available on the website of the Bank [www.mps.it](http://www.mps.it), at the registered office and the stock exchange management company, the optimal size of the Board has been set in a number between 12 and 14 Directors, its adequacy has been confirmed on the self-assessment of the Board made in March 2016 and in February 2017.

The reduction of the number of the members of the Board shall not affect its adequacy and functioning of the Board, whose composition broadly respect the requirements in terms of gender quotas and independent directors and has diversified professionalism.

Reducing the number of the members of the Board is also in line with the Bank of Italy regulations (Circular no. 285 Supervisory Provisions for Banks Title IV Chapter 1 "Corporate Governance") which prescribes that the number of members of corporate bodies must be appropriate to the size and complexity of the organizational structure of the bank, provided that the composition of the bodies should not be too redundant and that the banks have to set a number of the members of the Board that does not exceed 15 (fifteen). In accordance with those provisions item 2 of the extraordinary Meeting is expected to change the By-Laws decreasing the maximum number of Board members from 17 to 15.

The appointment of a new director in the current contexts and considering the future scenarios of the Bank would add limited contribution and value to the functioning of the current Board, given that, pursuant to

Law No. 15 of 17 February 2017, converting with amendments the Law Decree No. 237 of 23 December 2016, laying down urgent measures for the protection of investors in the banking sector, in the following months the intervention of the State in the share capital of the Bank is envisaged to take place, with impacts on the shareholders, but also on the governance, since the possible appointment of a new Board of Directors.

The decrease of the number of directors, is not only compliant with the Bank of Italy regulations, but also consistent with the current reality and the future of the Bank, with the optimal composition of the Board and with no impact on the governance in place.

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Dear Shareholders,

In view of the foregoing we hereby invite you to approve the reduction of the number of Members of the Board of Directors from 14 (fourteen) to 13 (thirteen) for the remaining period of the current mandate.

Siena, 10 March 2017

For the Board of Directors

Mr. Alessandro Falciai

The Chairman of the Board of Directors