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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 1) ON THE AGENDA - EXTRAORDINARY SESSION

prepared pursuant to Article 125-ter of Legislative Decree no. 58 of 24 February 1998 and article 72 of the CONSOB regulation approved with resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented.

ITEM 1. ON THE AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

REPORT OF THE BOARD OF DIRECTORS PURSUANT TO ARTICLE 125-TER OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998 AND TO ARTICLE 72 OF THE REGULATIONS ADOPTED BY CONSOB WITH RESOLUTION N. 11971 OF 14 MAY 1999

Dear Shareholders,

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

The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. (the "**Bank**" or the "**Company**" or the "**Issuer**") have called you to discuss and resolve upon the following item on the agenda of the extraordinary session of the shareholders' meeting:

1) Proposal to reduce the corporate capital in order to cover the remaining losses ad at 31 December 2016; related amendment to the by-laws and inherent and consequent resolutions.

This explanatory report (the "**Report**") has been drawn up pursuant to Article 72 of the Regulation adopted by Consob resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented (the "**Issuers' Regulation**"), in compliance with the guidelines contained in Annex 3A) of the Issuers' Regulation.

This Report explains, also in light of what represented to the ordinary shareholders' meeting for the approval of the draft financial statement as of 31 December 2016: (i) the patrimonial, economic and financial statements of the Bank as at 31 December 2016, as approved by the Board of Directors on 9 March 2017 (the "**Financial Statement**"), and (ii) the proposal made by the Board of Directors to the Shareholders' Meeting, in extraordinary session, for a voluntary reduction of the share capital to cover the residual losses as at 31 December 2016, also considering the resolutions adopted by the Shareholders' Meeting on 24 November 2016.

1 Consideration on the results for the fiscal year 2016

Here below follows the income statement of the Bank (eur/million).

Reclassified Income Statement				
MONTE DEI PASCHI DI SIENA BANK	31 12 2016	31 12 2015	Change	
			Abs.	%
Net interest income	1.777,3	2.006,7	(229,4)	-11,4%
Net fee and commission income	1.811,1	1.783,3	27,8	1,6%
Income from banking activities	3.588,4	3.790,0	(201,6)	-5,3%
Dividends, similar income and gains (losses) on equity investments	67,2	135,9	(68,7)	-50,5%
Net profit (loss) from trading/ valuation of financial assets	303,4	899,5	(596,1)	-66,3%
Net profit (loss) from hedging	(104,5)	(18,5)	(86,0)	n.s.
Other operating income (expenses)	(11,2)	(3,5)	(7,7)	n.s.
Total Revenues	3.843,3	4.803,3	(960,0)	-20,0%
Administrative expenses:	(2.450,9)	(2.444,5)	(6,4)	0,3%
a) personnel expenses	(1.474,9)	(1.511,2)	36,3	-2,4%
b) other administrative expenses	(976,0)	(933,4)	(42,6)	4,6%
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(53,2)	(62,8)	9,6	-15,2%
Operating expenses	(2.504,1)	(2.507,3)	3,2	-0,1%
Pre Provision Profit	1.339,2	2.296,0	(956,8)	-41,7%
Net impairment losses (reversals) on:	(3.347,5)	(1.682,5)	(1.665,0)	99,0%
a) loans	(3.315,4)	(1.687,6)	(1.627,8)	96,5%
b) financial assets	(32,1)	5,1	(37,2)	n.s.
Net operating income	(2.008,3)	613,6	(2.621,9)	n.s.
Net provisions for risks and charges	43,8	(77,3)	121,1	n.s.
Gains (losses) on investments	(1.139,0)	102,7	(1.241,7)	n.s.
Restructuring costs / One-off costs	(114,7)	(16,8)	(97,9)	n.s.
Risks and charges related to the SRF, DGS and similar schemes	(200,9)	(141,6)	(59,3)	41,9%
DTA Fee	(61,2)	-	(61,2)	n.s.
Gains (losses) on disposal of investments	12,7	1,4	11,3	n.s.
Profit (loss) before tax from continuing operations	(3.467,6)	482,0	(3.949,6)	n.s.
Tax expense (recovery) on income from continuing operations	(223,8)	(27,4)	(196,4)	n.s.
Profit (loss) after tax from continuing operations	(3.691,4)	454,6	(4.146,0)	n.s.
Net profit (loss) for the period including non-controlling interests	(3.691,4)	454,6	(4.146,0)	n.s.
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	(3.691,4)	454,6	(4.146,0)	n.s.
PPA (Purchase Price Allocation)	(31,4)	(38,0)	6,6	-17,3%
Net profit (loss) for the period	(3.722,8)	416,6	(4.139,4)	n.s.

In 2016 the overall incomes of the Bank were approximately Eur 3,843 million, with a reduction from the previous year of 20%.

Examining in details the voices comprised in the aggregated data it emerges:

- The Net Interest Income for 2016 is equal to Eur 1,777 million, below the level registered in the previous year (-11.4%), with a dynamic penalized by the decrease of interest bearing assets and of the related earnings and by the fact that such decrease has been only partially compensated by the repayment of the NSF and the reduction of the cost of funding.
- The Net Fee and Commission Income, equal to approximately Eur 1,811 million, had an increase of 1.6% on the previous year (plus Eur 28 million), mainly due to the recovery of the traditional services of the bank (in particular expenses recovery and payment services) and the non-commercial components (among which the reduction of the cost of the state guarantee accessory to the so-called "Monti Bonds")
- Dividends, similar income and gains (losses) on equity investments equal to approximately Eur 67 million (approximately Eur 136 million as at 31 December 2015);
- The Net profit from trading and the financial assets/liabilities in 2016 is equal to Euro 303 million, with a decrease from the previous year (approximately Eur 596 million) which benefited from the restatement of Alexandria (plus Eur 608 million as at 31 December 2015).

Examining in details the voices comprised in the aggregated data Net Negotiation Result it emerges:

- A net result for the negotiation activities positive for Eur 39 million approximately (with a decrease in respect of the previous year which benefited of the positive result of Alexandria, equal to Eur 608 million);
- The result from assignment/repurchase of receivables and financial assets/liabilities available for the sale is positive for Eur 155 million approximately, while Eur 220 million were registered in 2015;
- The net result of the fair value of the financial assets/liabilities is positive for approximately Eur 109 million, mainly for the decrease of the value of certain bonds (plus Eur 61 million approximately accounted in 2015). Such item in 2016 includes also the negative impact due to the price adjustment of a subordinated bond to the value currently envisaged in the context of the precautionary recapitalization.

The following items contribute to formation of Total Revenues:

- The Hedging activities net result is equal to Eur -105 million approximately (Eur -19 million the result for 2015 approximately) due to the negative impact connected to the ineffectiveness of the interest hedging on subordinated bonds, as a consequence of its mandatory conversion in 2017 in accordance with the provisions of the Law Decree no. 237 of 2016 (as converted into law on 17 February 2017) in the context of the precautionary recapitalization by the State;
- Other operative income/expenses: this item is negative for approximately Eur -11 million, while in 2015 such item was equal to - 4 million.

Management costs: operating expenses

In 2016 the operating expenses of the Bank were equal to Eur 2,504 million, in line with the previous year (-0.1%).

In details:

- Administrative expenses are equal to Eur 2,451 million approximately (slightly higher than 2015). Within such aggregate:
 - Expenses for employees are equal to Eur 1,475 million, with a decrease equal to 2.4% in respect of the previous year, due to the reduction of the employees and for the reduction of the flexible component and other *una tantum* benefits attributed in the second quarter of 2016;
 - other administrative expenses, equal to Eur 976 million, increased for the 4.6% from the previous year, substantially for the accounting in the last quarter of the expenses connected to the recapitalization of BMPS (not implemented) for approximately Eur 37 million, net of which the dynamic year to year would be slightly increased from the previous year.
 - Adjustment on the net value of material and immaterial activities are equal to Eur 53 million, with a reduction of 15.2%.

As a consequence of the above described dynamics, the Gross operating profit is equal to Eur 1,339 million, while Eur 2,296 was registered in the previous year, with a cost /income index equal to 65.2% (52.2% in 2015).

Adjustment of net value for the receivables and financial activities impairment

In 2016, the Bank accounted for receivables and financial activities impairment corrections for Eur 3,348 million approximately, while in 2015 the adjustment amounted to Eur 1,683 mln. Such increase is due to the update of the methodology and the parameters used in the evaluation of the receivables (for approximately Eur 1,868 million), made in the second quarter. In particular, the amendments to the receivables policies, made also in light of the indications contained on the “*Draft guidance to banks on non – performing loans*” published by the ECB in September 2016 and of further internal considerations, interested an amendment to the methodology for the calculation of the “*actualization fund of unlikely to pay exposure*”, the increase of the analytic evaluation threshold of bad loans and unlikely to pay, an update of the haircut of the real estate security interests, the definition of minimum floor for the hedging on the so called “enlarged bad loans”.

The ratio between the corrections made in 2016 and loans to customer expresses a provisioning index of 390 basis point, while a 177 basis point index was registered at the end of 2015, influenced from the significant nonrecurring corrections indicated above.

Consequently, the Net operating profit of the Bank amounts to Eur -2,008 million approximately, while in 2015 a positive result equal to Eur 614 million approximately was registered.

Extra operation profits, taxes and profit year result

The profit result for the period is due also:

- To the provisions for risks and costs fund, as net impairment for approximately Eur 44 million versus the net impairment registered in 2015, equal to Eur 77 million;
- Profit (loss) from shareholdings, write offs for an overall amount of approximately Eur – 1,139 million, due in particular to the impairment of the controlled company MPSCS (in contrast with the +103 eur/million in 2015);
- Restructuring cost/*una tantum cost* equal to – 115 eur/million, due in particular to the provisions for the exodus of the employees pursuant to the agreement with the trade unions of 23 December 2016, while 17 eur/million of 2015 are referred essentially to the termination of the employee agreements;
- Risks and costs connected to the SRF, DGS and similar scheme, equal to approximately Eur - 201 million (-142 million in 2015) of which -57 million and -115 million as contribution due by the Bank to the *Fondo di Risoluzione Unico* and *Fondo di Risoluzione Nazionale* and for the remaining part, equal to Eur -29 million approximately, referred to the ordinary portion of the FITD (DGS, accounted during the third quarter). In relation to the contribution registered in favor of the *Fondo di Risoluzione Nazionale*, the above mentioned amount is represented by two additional yearly payments, requested by the Bank of Italy on 28 December 2016, pursuant to article 25 of the Law Decree No. 237 of 2016;
- *Canone DTA*, equal to approximately Eur -61 million. Such amount has been determined in accordance with the Law Decree No. 59 of 2016, converted into Law No. 119 of 30 June 2016, it represents the lease on the DTA (*Deferred Tax Assets*) capable to be transformed into tax credit for 2016;
- Profits from disposal of investments, positive for 13 million approximately while one million has been accounted in 2015.

As a consequence of the above mentioned dynamics, in 2016 the profit before tax for continuing operation is equal to Eur -3,467 million approximately (while in 2015 a positive value of Eur 482 million was registered).

Taxes on the income due for continuing operations are negative for Eur 224 million approximately (Eur -27 million in 2015), including a partial devaluation of the DTA due for the previous tax losses, for Eur -252 million, applying a methodological evolution in the criterion of esteem of their recoverability (so called probability test). The amount of the depreciation is connected to the tax loss DTA registered in 2016, as a consequence of the presentation of an integrative profit tax declaration including the over costs due to the restatement of the operation so called Alexandria in the financial statements for 2015, as well as those cost already registered in the financial statements as at 31 December 2015.

For the sake of completeness, please note that following the results of the probability test, no DTA on the tax losses emerging from the previous economic situation for an amount of Eur 811 million

have been registered. Considering the partial write-off of the previous year tax losses DTA, the anticipated taxes not registered amount to Eur 1,063 million. Since the utilization of previous tax losses is not limited by time, according to the applicable laws, the economic benefit not registered as at 31 December 2016, corresponding to the related anticipated taxes incapable of being registered, remains potentially capable of being registered in the future tax years should the income generation ability of the Bank be increased in respect of the current budgets.

Considering the net effect of the PPA (Eur -31 million approximately), the operating loss for 2016 of the Bank amount to Eur -3,723 million approximately, while a profit of 417 million was registered in 2015.

2 Assets and liabilities statement, economic statement and Bank financial situation

Please refer to the consolidated interim report as at 31 December 2016 approved by the Board of Directors held on 9 March 2017 which will be made available to the Shareholders in accordance with the applicable provisions of law and will be approved in the Ordinary Shareholders' Meeting.

3 Proposed measures to cover the losses

As it emerges from the income statement of the Bank as of 31 December 2016 (see paragraph 1 above), the Bank registered a loss for the period equal to Eur 3,722,770,706.06.

Please consider that on 24 November 2016 the Extraordinary Shareholders' Meeting approved the cover of the losses for an overall amount equal to Eur 1,636,082,770.63, through the reduction of the corporate capital for the corresponding amount, of which Eur 1,398,720,205.16 resulting from the statement ad at 30 September 2016 and Eur 237,362,565.47 from previous losses (brought to the next year on the basis of the assumed resolution of the meeting held on 14 April 2016).

As a consequence, as at 31 December 2016, an amount of residual losses to be covered equal to Eur 2,324,050,500.90.

Even though the losses are below one third of the corporate capital, the Board of Directors deemed it appropriate to reduce to zero said loss considering that there are no available reserves for the hedging and considering also the amount of the loss for 2016, since as of today it is not envisaged that the results will be able to cover the loss.

In this respect it should also be noted that, although the loss is not of an amount capable to reduce the corporate capital of one third of the corporate capital, this report is drawn up also in light of the indication contained in the scheme provided for the hypothesis pursuant to article 2446 of the Italian Civil Code.

4 Actions that the Issuer intends to take for the recovery of operations and the maintenance of the business as a going concern

4.1 Initiative in place for the recovery of the business

The Bank, once acknowledged on 22 December 2016 the impossibility to complete the capital strengthening transaction presented to the market on October 2016, sent to the ECB a filing for the

extraordinary and temporary financial support for the access to the “precautionary recapitalization”. Subsequently the Bank received from the Ministry of Economy and Finance two letters prepared by the ECB, addressed to the Ministry itself which, apart from confirming the existence of the necessary requirements to access to the “precautionary recapitalization”, in accordance with the applicable legislation evidenced:

- (i) As far as the consolidated data are concerned on the basis of the evidences as at 30 September 2013 the Bank is solvent, fulfilling the minimum capital requirements provided for by Article 92 of the EU Regulation No. 575 of 2013. Pillar 2 requirements on corporate capital are met;
- (ii) The stress test result for 2016 evidenced a shortfall only in the adverse scenario, in the parameter fully loaded CET1 at the end of 2018 equal to -2,44%, to be put in relation with a 8% threshold; this shortfall entails, according to the ECB, in a corporate capital requirements of Eur 8,8 billion, comprehensive of all the components of own funds, as provided for by the applicable legislation.

The “precautionary recapitalization” process provides for the subscription of newly issued shares of the Bank by the State and by the subordinated bondholders, through the mandatory conversion (following the *burden sharing* mechanism) as set forth under the Law Decree no. 237 of 2016, approved by the *Consiglio dei Ministri* on 23 December 2016 and converted into law on 17 February 2017. The completion of the process provides for the preparation of a Restructuring Plan from the Bank and its subsequent presentation to the national authorities (Ministry of Economy and Finance) and the European Commission. The plan shall, amongst other things, meet three conditions necessary for its approval: secure the fact that the bank will be sustainable, minimize the distortion of the competition, distribute the restructuring costs (burden sharing) amongst the shareholders and the subordinated bondholders. On 9 March the Board of Directors of the Bank approved a preliminary proposal of the Restructuring Plan, sent to the competent Authorities in order to begin the discussion for the finalization of the plan and its approval by the Authorities.

In relation to the bad loans portfolio, the Bank is evaluating, amongst other things, certain possible option for the transfer of the entire portfolio or of a significant portion of it or other transactions with the objective to reduce the complexities and the risk profile of the Group, thus enhancing the liquidity position and increasing the financial stability of the Bank.

In relation to the dynamic of the Commercial Direct Deposits of the Group in comparison with the situation as of 31 December 2016 there are no significant variations.

Please be informed that the Bank received from the Ministry of Economy and Finance the decree providing for the concession of the State guarantee in order to allow the Bank to access to the liquidity in accordance with the provisions of Law Decree No. 237 of 2016. The Bank, on 25 January 2017, made two issuance of bonds guaranteed by the State for an overall amount of Euro 7 billion: the first issuance, for an overall amount of Eur 3 billion is due on 20 January 2018, while the second is due on 25 January 2020 for an overall amount of Eur 4 billion. The Issuer is also the initial subscriber of all such bonds guaranteed by the State pursuant to Law Decree no. 237 of 2016. On February 2017 said bonds were fully used both in sales operations or as collateral of loans.

4.2 Maintenance of the business as a going concern

Please refer to the section entitled “Business as a going concern” in the Financial Statement attached to this Report and the paragraph “Business as a going concern” contained in the draft financial statement which will be published for the purposes of the Ordinary Shareholders’ Meeting in accordance with the applicable provisions of law.

5 Amendment to Article 6 of the Articles of Association

Please find below the current version of Article 6 of the Articles of Association, together with proposed amendment evidenced in bold.

CURRENT VERSION	PROPOSED VERSION
Article 6	Article 6
1. The Company’s share capital is EUR 7,365,674,050.07 (seven billion, three-hundred and sixty-five million, six hundred and seventy-four thousand, and fifty point zero seven), fully paid up	1. The Company’s share capital is EUR 5,041,623,549.17 (five billion forty one million six hundred and twenty three thousand and five hundred forty nine point seventeen), fully paid up
2. The Company's share capital is represented by no. 2.932.079.864 (two billion nine hundred and thirty two million seventy nine thousand eight hundred sixty four) ordinary shares with no par value. All shares are issued in dematerialised form. Procedures for the circulation and legitimation of shares are governed by law. Shareholders who did not participate in the approval of resolutions regarding the introduction or removal of constraints on the circulation of shares shall have no right of withdrawal.	<i>(unchanged)</i>
3. Ordinary and preference shares are registered in the name of their holders and are indivisible. Each share entitles to one vote. Preference shares do not entitle to vote in the ordinary shareholders' meetings.	<i>(unchanged)</i>
4. Preference shares are held in one or more deposit accounts managed with the	<i>(unchanged)</i>

CURRENT VERSION	PROPOSED VERSION
<p>Company and the Company shall be the sole authorised depositary. The transfer of preference shares are promptly notified to the Company by the transferring shareholder and determine the automatic at par conversion of preference shares into ordinary shares.</p>	
<p>5. Under no circumstances shall the shareholder that qualifies as a Bank Foundation ("Bank Foundation") under Law no. 461 of 23 December 1998 and Legislative Decree no. 153 of 17 May 1999, as subsequently amended and supplemented, or that is directly or indirectly controlled by a foundation, obtain conversion under its name of the preference shares it holds into ordinary shares.</p>	<p><i>(unchanged)</i></p>
<p>6. In the event of a capital increase with consideration not excluding or limiting the pre-emptive rights of existing shareholders, holders of preference shares shall have a right of preemption on preference shares having the same characteristics.</p>	<p><i>(unchanged)</i></p>
<p>7. The Shareholders' Meeting of 15 January 2004 resolved to increase the share capital of Banca Monte dei Paschi di Siena S.p.A. in support of the issuance of Convertible Preferred Securities by up to 406.846 ordinary shares, as later adjusted by the Shareholders' Meeting of 3 December 2010, and further to the implementation of the reverse stock split of ordinary shares, with effect from 5 May 2014, in compliance with the resolution of the Shareholders' Meeting held on 28 December 2013, and further to the implementation of the reverse stock split of ordinary shares, with effect from 18 May 2015, in compliance with the resolution of the Shareholders' Meeting held on 16 April 2015, with dividend payable as of date of conversion, with no par value, for an amount of up to</p>	<p><i>(unchanged)</i></p>

CURRENT VERSION	PROPOSED VERSION
<p>EUR 176,874,323.76, as adjusted by the Shareholders' Meetings of 15 December 2005 and 3 December 2010. It is understood that (i) the capital increase in support of the issuance will expire on 30 September 2099, (ii) directors will procure that shares are issued to holders of Convertible Preferred Securities by the end of the calendar month following the date of request for conversion, which may be submitted each year in September from 2004 to 2010 and subsequently at any time, no later than the end of the month following automatic conversion (or conversion upon redemption of the Convertible Preferred Securities), so that shares are eligible for dividend payment as of the date of conversion and (iii) directors will file the notarial deed attesting to the increase in share capital with the Register of Companies, within one month from the date of conversion. In response to the requests for conversion of Preferred Securities received as at 30 December 2011, a total of 221,755,923 ordinary shares (before the implementation of the reverse stock split of ordinary shares, with effect from 5 May 2014, in compliance with the resolution of the Shareholders' Meeting held on 28 December 2013), were issued, for an amount of EUR 134,952,651.33.</p>	
<p>8. On 24 November 2016 the Extraordinary Meeting resolved as follows: – to approve the stock split of the outstanding ordinary shares of Banca Monte dei Paschi di Siena according to the ratio of no. 1 new ordinary share with regular entitlement per no. 100 existing ordinary shares; – to optimise the numerical ratios of the above-mentioned stock split transaction, to grant the Board of Directors the power to cancel up to no. 64 ordinary shares of Banca Monte dei Paschi di Siena based on the waiver of the shares to be expressed by an intermediary prepared to purchase them</p>	<p><i>(unchanged)</i></p>

CURRENT VERSION	PROPOSED VERSION
<p>if necessary and carry out a reconciliation service before the execution of the transaction, all of which without modifying the amount of the share capital, and consequently amending the number of shares specified under Article 6, paragraph 2, of the Articles of Association accordingly. All of the above is without prejudice to the fact that, in any case, for the management of any fractions (resti) arising from the stock split, a service shall be made available to the shareholders for the processing of any non-groupable fractions of shares, based on the official market price and without the charging of fees or expenses;</p> <p>– to grant the Chairman of the Board of Directors pro tempore and the Managing Director pro tempore, whether jointly or severally, to the extent permitted by the law, the following: (i) the power to determine, in line with the technical timeframes required and 10 specified by the competent persons and in any case not later than on 30 June 2017, the time when the grouping shall be carried out; (ii) the power to make the subsequent amendments and/or supplements to the Articles of Association after the execution of the grouping, adjusting the numerical values provided for therein, with the explicit prior declaration of approval and ratification, and to file the wording of the updated Articles of Association with the Companies' Register.</p>	
<p>9. By a resolution of the extraordinary shareholders' meeting dated 24 November 2016 the Board of Directors, pursuant to Article 2443 of the Italian civil code, was granted a delegation to increase the share capital for consideration, even in a divisible form, in one or more issues, with the exclusion or limitation of the pre-emptive right (<i>diritto di opzione</i>) pursuant to Article 2441,</p>	<p><i>9. unchanged.</i></p>

CURRENT VERSION	PROPOSED VERSION
<p>paragraph 5, of the Italian Civil Code, for an overall amount up to EUR 5,000,000,000 (five billion) (including any premium), through the issue of no-par value ordinary shares up to the maximum number determined by the Board of Directors according to their issue price, that may be reserved, also by means of specific tranches as determined by the Board of Directors, to retail investors and/or the current shareholders (even by granting the latter with the pre-emptive right (<i>diritto di opzione</i>) or pre-emption right (<i>diritto di prelazione</i>) over one or more tranches of the capital increase) and/or institutional and/or qualified investors (including, among others, funds, foundations etc.) and/or to the holders of financial instruments issued or guaranteed (directly or indirectly) by the Bank, or issued by third parties but convertible into Bank's shares.</p> <p>This delegation may be exercised on or before 30 June 2017, and the Board of Directors shall have the broadest powers to determine from time to time, in 23 compliance within the limits specified above and with the criteria set forth in the shareholders' resolution, terms and conditions of the capital increase, including the entitlement (<i>godimento</i>), the issue price of the shares and the portion of the issue price to be attributed to share capital and share premium; it being understood that the Board of Directors shall determine, in accordance with the terms indicated in the shareholders' resolution, the issue price, including any premium for the new shares to be issued in the context of subscription offers - which may include placements with institutional investors and/or qualified investors and/or cornerstone investors and/or anchor investors - as well as for the shares to be issued in the context of liability management transactions, on the basis of</p>	

CURRENT VERSION	PROPOSED VERSION
<p>the following criteria: (i) the quantity and quality of the demand received from institutional investors and/or qualified investors and, if any, from cornerstone investors and/or anchor investors, and/or (ii) the quantity of the demand received from retail investors, if a tranche is specifically reserved to them, all of the above applying the bookbuilding method and the open price criterion, in accordance with the terms described in the shareholders' resolution. Should it be deemed appropriate in the Bank's interest for the successful outcome of the Capital Increase, the Board of Directors may also take into account: (1) the conditions of the domestic and international securities market; and/or (2) the economic and financial situation of the Bank's and its group and/or the income trend of the Bank and/or the group.</p> <p>For the shares placed by means different from those mentioned above or should the bookbuilding method not determine a price, the issue price may be determined by the Board of Directors with methods other than the bookbuilding, taking into account, if deemed appropriate and among other things, the financial and economic situation of the Bank and its group, the relevant income trend and the prevailing market conditions upon the price determination date.</p>	

6 Clearances from the Authorities

The proposed capital reduction will be subject to the clearances required by law.

7 Assessments regarding the withdrawal right

The resolution proposed below will not trigger the Shareholders' right of withdrawal pursuant to Article 2347 of the Italian Civil Code.

8 Proposed resolutions

In light of all the foregoing, the Board of Directors proposes to adopt the following resolution:

“The extraordinary shareholders’ meeting,

- *Considering the approval on the date hereof of the financial statements of Banca Monte dei Paschi di Siena S.p.A. and the balance sheet as at 31 December 2016 part of said financial statement;*
- *acknowledging the overall loss of Eur 3,722,770,706.06, partially covered for an amount of Eur 1,398,720,205.16, as consequence of the resolution to decrease the corporate capital adopted by the Shareholders’ meeting held on 24 November 2016, and therefore yet to be covered for an amount of Eur 2,324,050,500.90;*
- *considering the Board of Directors’ explanatory report drawn up pursuant to article 125-ter of the Legislative Decree No. 58 of 1998 and article 72 of the Issuers’ Regulation;*
- *considering the Statutory Auditors’ considerations;*

RESOLVE

- *to cover the residual loss for the year 2016 in its entirety, for an amount of Eur 2,324,050,500.90, by virtue of reduction of the corporate capital for the corresponding amount, from Eur 7,365,674,050,07 to Eur 5,041,623,549.17, with no cancellation of shares, since they have no par value; thus reducing the implicit par value in accounting terms of each share, defined as the quotient obtained by dividing the share capital amount by the number of shares, the number of which remains unchanged;*
- *to approve the consequent changes to art. 6 of the Articles of Association in the form below:*
- *‘Article 6:*
 - *1. The Company’s share capital is EUR 5,041,623,549.17 (five billion forty one million six hundred and twenty three thousand and five hundred forty nine point seventeen), fully paid up.*
 - *2. Unchanged*
 - *3. Unchanged*
 - *4. Unchanged*
 - *5. Unchanged*
 - *6. Unchanged*
 - *7. Unchanged*
 - *8. Unchanged*

- *9. Unchanged.”;*
- *to grant severally to the Chairman of the Board of Directors and to the Chief Executive Officer in office pro tempore, within legal limits, any and all powers and faculties, with no exception, that may be necessary or appropriate to implement fully and in every single part the resolutions adopted , as well as to fulfill the formalities necessary to ensure that all the resolutions adopted today are given the regulatory approvals and implement generally all that is necessary for the complete execution of the resolutions, with any and all powers necessary and appropriate for that purpose and should, no excluded and excepted, also including the right to introduce in the resolution itself and in respect of its substance material amendments, supplements or deletions , as may be deemed to be necessary or appropriate, at the request of any competent authority for the authorization or registration.”*

Siena, 20 March 2017

For the Board of Directors

Ing. Alessandro Falciai

Chairman of the Board of Directors

OSSERVAZIONI DEL COLLEGIO SINDACALE SULLA PROPOSTA DI RIDUZIONE DEL CAPITALE SOCIALE A COPERTURA DELLA PERDITA RESIDUA AL 31.12.16

Il Collegio sindacale ha ricevuto dagli Amministratori la Relazione illustrativa del Consiglio di amministrazione sul punto n. 1 all'ordine del giorno della parte straordinaria dell'Assemblea convocata per il prossimo 12 Aprile, redatta ai sensi dell'art. 125-ter del D.lgs. 24 Febbraio 1998 n. 58, come successivamente integrato e modificato (TUF) ed ai sensi dell'art. 72 del Regolamento adottato con delibera Consob n. 11971 del 14 Maggio 1999, come successivamente modificato (Regolamento Emittenti).

Tale Relazione ha lo scopo di illustrare, anche alla luce di quanto verrà presentato all'Assemblea ordinaria in relazione all'approvazione del progetto di bilancio al 31.12.16: (i) la situazione patrimoniale, economica e finanziaria della Banca al 31.12.16, approvata dal Consiglio di amministrazione in data 9.3.17 e (ii) la proposta che il Consiglio di amministrazione formula all'Assemblea degli azionisti, in sede straordinaria, in relazione alla riduzione del capitale sociale a copertura della perdita residua risultante al 31.12.16, avuto riguardo a quanto già deliberato dall'Assemblea degli Azionisti in data 24.11.16.

I Sindaci ritengono che, pur non essendo la citata perdita di entità tale da incidere sul capitale sociale per oltre un terzo, la stessa Relazione degli amministratori debba tenere anche in considerazione, sulla base di consolidati orientamenti giurisprudenziali e della dottrina prevalente, le indicazioni contenute nello schema previsto per le ipotesi di cui all'art. 2446 del c.c..

Ciò premesso, è intenzione quindi di questo Collegio sottoporre all'attenzione degli Azionisti le osservazioni di accompagnamento alla Relazione dell'Organo amministrativo sulla situazione patrimoniale della Società al 31.12.16, in conformità, quindi, a quanto previsto dal citato art. 2446, comma 1, del c.c..

Tale Relazione verte essenzialmente sulla fondatezza delle ragioni che hanno determinato le perdite, sulla natura e sulle caratteristiche delle stesse e sull'esame dei criteri di valutazione adottati.

Dall'esame della complessiva documentazione prodotta dall'Organo amministrativo, il Collegio sindacale osserva quanto segue:

- 1) la Banca non versa nella specifica situazione prevista dall'art. 2446 c.c. (ovvero riduzione del capitale di oltre un terzo in conseguenza di perdite), ma trattasi di una proposta di copertura delle perdite facoltativa da eseguirsi comunque con i presidi e le cautele di cui al menzionato art. 2446 c.c.;
- 2) la medesima ha registrato una perdita di periodo pari a € 3.722.770.706,06. Al riguardo si ricorda che in data 24.11.16, l'Assemblea Straordinaria degli Azionisti ha approvato la copertura della perdita complessiva di € 1.636.082.770,63, mediante abbattimento per un corrispondente importo del capitale sociale, di cui € 1.398.720.205,16 risultante dalla situazione patrimoniale al 30.9.16 ed € 237.362.565,47 da perdite pregresse (riportate a nuovo sulla base della deliberazione assunta dall'Assemblea del 14.4.16). Ne consegue che al 31.12.16 risultano complessivamente perdite residue da ripianare per un importo di € 2.324.050.500,90;
- 3) pur trattandosi di perdita inferiore al terzo, è parso opportuno al Consiglio di amministrazione proporre l'azzeramento della predetta perdita residua, data l'assenza di riserve disponibili per la sua copertura e l'entità stessa, non essendo, allo stato, prevedibile che i risultati di esercizio siano in grado di coprire tale ammontare in futuro. Il Collegio sindacale prende altresì atto:

- a) che la Banca, dopo aver appurato, in data 22.12.16 dell'impossibilità di completare l'operazione di rafforzamento di capitale comunicata al mercato nel mese di Ottobre 2016, ha inviato nel Dicembre 2016 alla BCE un'istanza di sostegno finanziario straordinario e temporaneo per l'accesso alla misura della "ricapitalizzazione precauzionale";
- b) che successivamente la Banca ha ricevuto n. 2 lettere redatte dalla BCE nelle quali viene evidenziato, tra l'altro, che:
 - i. per quanto riguarda i dati a livello consolidato, in base alle evidenze al 30.9.16, la Banca è risultata solvente rispettando i requisiti minimi di capitale previsti;
 - ii. che i risultati dello stress test del 2016 hanno registrato uno *shortfall* nel parametro del CET1 nello scenario avverso che si traduce, secondo BCE, in un fabbisogno di capitale di €md. 8,8;
- c) che il processo di "ricapitalizzazione precauzionale" di cui al punto a) prevede la sottoscrizione di nuove azioni emesse dalla Banca sia da parte dello Stato sia da parte degli obbligazionisti subordinati attraverso la conversione forzata mediante il meccanismo di *burden sharing*;
- d) che in data 9.3.17 il Consiglio di amministrazione ha approvato una proposta preliminare di Piano di Ristrutturazione che è stata inviata alle Autorità competenti per avviare il confronto volto alla finalizzazione del piano stesso e alla sua approvazione da parte delle Autorità;
- e) che, relativamente al portafoglio crediti in sofferenza, la Banca sta valutando, tra le altre, varie opzioni di cessione dell'intero portafoglio o di una porzione significativa dello stesso, ovvero anche altre operazioni, al fine di ridurre la complessità ed il profilo di rischio del Gruppo;
- f) che, infine, la Banca ha ricevuto dal Ministero dell'Economia e delle Finanze il decreto recante il provvedimento di concessione della garanzia dello Stato a sostegno dell'accesso alla liquidità ed ha conseguentemente effettuato, nel mese di Gennaio 2017, n. 2 emissioni per complessivi €md. 7.

Il Collegio sindacale osserva quindi che:

- la Relazione dell'Organo amministrativo e la situazione patrimoniale sono state predisposte sulla base delle norme civilistiche che disciplinano la formazione dei bilanci; essa è altresì uniformata ai principi fiscali e contabili applicabili nell'esercizio di formazione della perdita;
- la proposta dell'Organo amministrativo in ordine alla riduzione del capitale sociale è improntata ai principi di corretta amministrazione e rispettosa dei limiti di legge e delle previsioni statuarie.

Le presenti Osservazioni, unitamente alla Relazione degli Amministratori, vengono depositate in copia presso la Sede legale della Società, affinché gli Azionisti ne possano prendere visione.

Siena, 17 Marzo 2017

IL COLLEGIO SINDACALE