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

SHAREHOLDERS' MEETING

24 November 2016 (on single call)

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS

CONCERNING ITEM 3. ON THE AGENDA - Ordinary session

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

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ITEM 3. ON THE AGENDA OF THE ORDINARY 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 meeting:

**3) Appointment of a director to complete the board of directors. Connected and  
consequent resolutions.**

Please note that on 14 September 2016, Mr Massimo Tononi resigned from the office of  
Chairman and member of the Board of Directors of the Bank effective from the end of the  
meeting convened to approve the preparatory activities for the implementation of the  
transaction announced to the market on 29 July.

Therefore, you are invited to appoint an additional director to complete the Board of  
Directors of the Bank, in compliance with article 15, paragraph 1, paragraph 1.7 of the  
Articles of Association, and therefore with the quorums required by the law, as in this case  
(appointment of a director in order to replace a director who ceased to hold office) the  
regulations on the list voting system provided for by the Articles of Association and by  
Legislative Decree no. 58/1998 as subsequently amended (the “TUF”) shall not apply,  
without prejudice to compliance with the principles of independence and gender equality  
prescribed by the legislation in force.

In this respect please refer to the explanatory report - drawn up pursuant to Article 125-ter  
TUF - concerning item 2. on the agenda of the ordinary meeting (*“Appointment of a  
director to complete the board of directors following co-option. Connected and consequent*

*resolutions.*") with regard to the minimum requirements provided for by law and the Articles of Association as to the number of independent directors and to gender proportions, the appointment process, the shareholders' submission of possible candidates, the senior officers of the bank.

In accordance with the Supervisory Provisions for banks (Bank of Italy Circular no. 285 of 17 December 2013, as subsequently amended and supplemented) on the composition of corporate bodies, please note that the Board of Directors, during the Shareholders' Meeting held on 16 April 2015, provided Shareholders, by way of a document published and available on the Bank's website ([www.mps.it](http://www.mps.it)) and filed with the registered office and the market management company, the Board's assessment of its qualitative and quantitative composition deemed as optimal when compared to the targets specified in the above-mentioned Supervisory Provisions and the profile (including professional qualifications and, if applicable, independence) of the candidates deemed to be suitable for these purposes, so that the choice of the candidates may reflect the professional competence and the requirements imposed. In this respect, please also refer to the contents of the Report on Corporate Governance and the structure of share ownership pursuant to Article 123-bis TUF, approved by the Board of Directors on 25 February 2016, submitted to the Shareholders' Meeting held on 14 April 2016 and available on the Bank website ([www.mps.it](http://www.mps.it)).

As far as the appointment process is concerned, on a proposal from the Appointment Committee, the Board of Directors considered the criteria identified by the Board for the qualitative and quantitative self-assessment for the proper functioning of the Board, which was carried out on 25 February 2016 with the support of the Appointment Committee. At that meeting, the Board assessed the adequacy of its size, composition and functioning and deemed its structure to be well-balanced, even if varied in terms of expertise and professionalism. The Board also indicated those areas in which expertise could be reinforced, with the banking business given the highest priority.

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The Company has not received any proposed candidates to date.

It being understood that the candidates may be submitted even during at the Shareholders' Meeting, in order to facilitate the conduct of the meeting, the shareholders are kindly invited to submit any proposal in advance at the Company's Registered Office, and approximately at least 5 (five) days prior to the Shareholders' Meeting. Each candidacy may be accompanied by a declaration by the candidate certifying, under their own responsibility, that: there do not exist any causes of ineligibility and incompatibility; they are compliant with the age limits established in the By-Laws; there do not exist any significant situations pursuant to Article 36 "Protection of competition and personal cross shareholdings in the credit and financial markets" of Law Decree No. 201/2011 – converted by Law No. 214/2011; they meet the requirements prescribed by law and by the By-Laws and any independence requirements established by Articles 147-ter and 148, paragraph 3 of Law Decree no. 58 of 24 February 1998 and subsequent amendments (the "Unified Financial Act" or "UFA") and the Self-regulation Code of listed companies. Candidates shall submit a curriculum vitae, in Italian and English, containing detailed information on their professional skills and experience and the list of any management and control positions held in other companies. The candidates will be requested furthermore to declare that they do not hold the office of director or of member of the council of management or the supervisory board of competitor banks, which do not belong to the Monte dei Paschi di Siena Banking Group, have a banking license issued by the supervisory authority which, not being part of the MPS group, is involved in bank funding or ordinary lending in Italy.

The submitted candidates will be voted according to the Shareholders' Meeting Rules, it being understood that, after the appointment of the Director, the Board shall verify the compliance with the regulations currently in force regarding the requirements of integrity and professionalism, and the "prohibition of interlocking directorates".

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Dear Shareholders,

In view of the foregoing we hereby invite you to appoint a director to complete the Board of Directors, confirming and maintaining the overall number of the members of the Board of Directors for the financial years 2015-2016-2017 as determined by the Shareholders' Meeting held on 16 April 2015 at fourteen Directors.

The appointed Director shall stay in office for the remaining period of the current office, i.e., until the date of the Shareholders' Meeting convened for the approval of the financial statements for the 2017 financial year; said Director shall be entitled to receive the remuneration for the members of the Board of Directors established by the Shareholders' Meeting held on 16 April 2015 for the 2015-2016-2017 financial years, to the following extent pro tempore due: EUR 65,000 (sixty-five thousand) as annual remuneration for directors; EUR 15,000 (fifteen thousand) as additional remuneration for the members of the Executive Committee, if any; EUR 400 (four hundred) as attendance fee to be awarded to the each Director for attending the meetings of the Board of Directors and Executive Committee, for each session and excluding plurality fees for meetings held on the same day; reimbursement to the directors of any expenses incurred to carry out their functions.

Milan, 24 October 2016

For the Board of Directors  
Mr Massimo Tononi  
The Chairman of the Board of Directors