Courtesy translation: in case of discrepancy between the Italian language original text and the English language translation, the Italian text shall prevail

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

EXTRAORDINARY SHAREHOLDERS' MEETING

20 May 2014 (first call), 21 May 2014 (second call) and 22 May 2014 (third call)

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS

ON THE SOLE AGENDA ITEM

drawn up pursuant to article 125-*ter* of Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended, and pursuant to article 72 of the Regulation adopted by Consob in Resolution no. 11971 of 14 May 1999, as subsequently amended.

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Introduction

Dear Shareholders,

You have been called to the Extraordinary Shareholders' Meeting by the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. (hereafter, the "**Bank**" or the "**Company**" or "**BMPS**"), which will take place on first call on 20 May 2014 at 9:30 am in Siena, Viale Mazzini 23 and if necessary, on second call on 21 May 2014, at the same time and location, and if necessary, on third call on 22 May 2014, at the same time and location, to discuss and resolve on the following agenda item:

- Share capital increase with consideration by up to EUR 5,000,000,000.00, including share premiums if any, to be performed by 31 March 2015, in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the shareholders, in accordance with Article 2441 of the Italian Civil Code, upon revocation of the share capital increase with consideration by up to EUR 3 billion resolved by the Extraordinary Shareholders' Meeting of 28 December 2013; related amendments to the Articles of Association and pertinent and consequent resolutions.

* * *

This Explanatory Report by the Board of Directors (the "**Report**") was prepared pursuant to the combined provisions of Article 125-*ter* of Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended (the "**Consolidated Finance Act**") and Article 72 of Consob Regulation no. 11971 of 14 May 1999, as subsequently amended (the "**Issuer Regulations**"), as well as the provisions of Annex 3A of the Issuer Regulations. The objective of the Report is to provide the information necessary on the aforementioned agenda item for the Extraordinary Shareholders' Meeting.

1. Reasons for the proposal

At the end of December 2013, the BMPS Shareholders' Meeting was called to resolve on a share capital increase for a maximum amount of EUR 3,000,000,000.00, including any share premium, to be offered in option to eligible parties in accordance with the law ("**Original Share Capital Increase**"). As explained in detail in the documentation prepared for the Shareholders' Meeting held in December 2013, the Original Share Capital Increase proposal was essential for achieving certain objectives in the BMPS Restructuring Plan, approved by the European Commission on 27 November 2013 (the "**Restructuring Plan**"). Specifically, the Company's expectation was to be able to rapidly carry out the Original Share Capital Increase in order to take advantage of a favourable market window, thereby creating, subject to Bank of Italy authorisation, the conditions for (i) the repayment of nominal EUR 3 billion of New Financial Instruments; and (ii) the cash payment of the 2013 coupon payable in 2014 for the New Financial Instruments, through the issue and simultaneous redemption of New Financial Instruments, without increasing the Common Equity Tier 1.

Following the presentation of an alternative proposal by the shareholder Fondazione Monte dei Paschi di Siena, pursuant to Article 126-*bis* of the Consolidated Finance Act, the Extraordinary Shareholders' Meeting of 28 December 2013 approved said proposal, with a start date (intended as the start date of the exercise period for the pre-emptive rights in accordance with Article 2441, para. 2, of the Italian Civil Code) of the Original Share Capital Increase of 12 May 2014.

As part of the comments formulated on the alternative proposal presented by Fondazione Monte dei Paschi di Siena, the BMPS Board of Directors noted a series of concerns inherent in the delay of the start date of the transactions and related to events and circumstances that could occur in the initial months of 2014. In particular, there were uncertainties regarding the market and the asset quality review and subsequent stress tests (hereafter, collectively defined as the "**Comprehensive Assessment**"), as well as the recourse to the risk capital market by Italian and European banking institutions, with negative effects on the market's capacity to absorb the BMPS offer for the share capital increase, also based on possible resource allocation decisions by institutional investors toward other issuers and/or countries.

On 11 March 2014, the European Central Bank published the "Asset Quality Review Manual", which included the complete framework of instructions regarding the applicable procedures, criteria and methodologies for the asset quality reviews, with significant irregularities regarding loan classification criteria and related hedging. Within the context of said manual and based on available information, for which the analysis and formulation was currently underway by BMPS as at March 2014, the asset quality review could have a negative impact on Common Equity Tier 1 and on the 2014 financial statements (Pillar I), while other effects would not be recognised in said financial statements but would be included in the stress test calculation (Pillar II), whose parameters are expected to be published by the end of April 2014.

The information and instructions in the aforementioned manual, together with the meetings held with the Italian Supervisory Authority, lead the Bank to believe that the Original Share Capital Increase is no longer suitable for achieving the objectives for which it was originally proposed, in consideration of the possible effects of the Comprehensive Assessment, which currently cannot be estimated, thereby compromising, *de facto*, the possibility for BMPS to reimburse the New Financial Instruments for EUR 3 billion, as provided for in the Restructuring Plan.

Furthermore, it should be noted that these findings were shared with the financial institutions that committed to underwrite the Original Share Capital Increase and for which the possibility of reimbursing the New Financial Instruments as a result of the Share Capital Increase, for a total nominal amount of EUR 3 billion along with the cash coupon payment, upon request to the Ministry of the Economy and Finance to defer said payment date, represents an essential element of the transaction consistent with the reasons on which it is based. Following the meetings held, these financial institutions committed to underwrite the New Share Capital Increase (ref. section 2.3 below) on the assumption that a transaction for a greater amount should preclude the risk of the factors that would prejudice the reimbursement authorisation for the nominal amount of EUR 3 billion of the New Financial Instruments as a result of the

New Share Capital Increase, thereby making it more unlikely that the government becomes a Bank shareholder.

Additionally, in accordance with the issue prospectus for the New Financial Instruments, the effective reimbursement value is influenced by the sale price of shares by Fondazione Monte dei Paschi di Siena. On the basis of public data and transactions announced in the market, the reimbursement value of EUR 3 billion for the New Financial Instruments is estimated to be 3% greater than the nominal value following the sales by Fondazione Monte dei Paschi di Siena.

In the above scenario and as shared with the Supervisory Authority, the planned share capital increase in option for EUR 5,000,000,000.00 (the "**New Share Capital Increase**"), and in particular, the increase of EUR 2,000,000,000.00 over the Original Share Capital Increase, subject to revocation of the Original Share Capital Increase, is justified by the opportunity to:

- ✓ provide BMPS with a functional safety buffer for the absorption of the negative impacts that may reasonably be caused by the Comprehensive Assessment and, therefore, allow BMPS to better meet the commitments made in the Restructuring Plan, and
- ✓ align itself with the best practices in the Italian market in terms of the Common Equity Tier 1 Ratio, which should be 13.6% as at 31 December 2013, in terms of CET1 with phased-in value equal to zero, as a result of the New Share Capital Increase and the reimbursement of EUR 3 billion of New Financial Instruments (ref. section 3 below).

On the whole, the transaction is consistent with similar capital strengthening transactions or, in any event, of preparation of the financial statements in advance of the asset quality reviews recently conducted or scheduled for other competitors (share capital increases and/or increase in coverage in the financial statements for certain types of loans).

Finally, depending on the findings of the Comprehensive Assessment, BMPS could benefit from a more robust capital structure as a result of the buffer created by the New Share Capital Increase, and possibly bring forward the full or partial reimbursement of the residual portion of the New Financial Instruments, equivalent to nominal EUR 1.071 billion, beyond the nominal EUR 3 billion envisaged in the reimbursement.

In consideration of the reasons indicated above and in continuity with the Original Share Capital Increase, the Shareholders' Meeting is requested to approve:

1. the revocation of the share capital increase with consideration by up to EUR 3,000,000,000.00, including share premiums if any, to be performed by 31 March 2015, in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the shareholders, in accordance with Article 2441 of the Italian Civil Code and with an initial execution date of 12 May 2014 (as the starting date for the period for exercising the pre-emptive rights in accordance

with Article 2441, para. 2 of the Italian Civil Code), as approved by the Extraordinary Shareholders' Meeting of 28 December 2013;

2. the approval of the share capital increase with consideration by up to EUR 5,000,000,000.00, including share premiums if any, to be performed by 31 March 2015, in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the shareholders, in accordance with Article 2441 of the Italian Civil Code. Should the increase in capital not be fully subscribed by 31 March 2015, representing the term allowed for subscription, the share capital shall be considered to have been increased by an amount equal to the subscriptions collected on said date, without prejudice to the issuance of any new shares as a result of subscriptions made before the aforementioned date.

3. conferring to the Board of Directors the broadest possible powers to:
   (i) establish the timeline of the offer referred to in point 2 above, to be filed with the Register of Companies;
   (ii) upon approaching of the start of the New Share Capital Increase option offering, determine the number of shares to be issued, the option ratio and the issuance price, including the part to be allocated as capital and the part to be allocated as share premium, taking into account – *inter alia* – for the purposes of determining the issuance price, the general market conditions and the share performance, as well as the Company's economic and financial performance and the market practice for similar transactions, without prejudice to Article 2346, para. 5 of the Italian Civil Code. Upon approaching of the start of the New Share Capital Increase option offering, the issue price shall be determined, according to market practice for similar transactions, by applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to current methods, on the basis of the official stock exchange price of the stock exchange opening day prior to the above date of determination;
   (iii) establish the definitive amount of the New Share Capital Increase up to the maximum limit resolved upon at this meeting;
   (iv) decide on any other aspect necessary for the above purposes.

4. the resulting amendment to Article 6 of the Articles of Association in regards to the current paragraph 9.

2. Additional information on the transaction

2.1. Share Capital Increase procedure

The New Share Capital Increase is set up as a share capital increase with consideration to be offered in option to ordinary shareholders of the Company, pursuant to Article 2441 of the Italian Civil Code, for a total countervalue of EUR 5,000,000,000.00, including share premiums if any, to be carried out by 31 March 2015, in tranches through the issuance of ordinary shares with regular dividend rights. Should the increase in capital not be fully subscribed by 31 March 2015, representing the term allowed for subscription, the share capital shall be considered to have been increased by an amount equal to the subscriptions collected on said date, without prejudice to the issuance of any new shares as a result of subscriptions made before the aforementioned date.

Consistent with market practices, the Board of Directors will establish the terms and procedures for the New Share Capital Increase and, in particular:

(i) establish the timeline of the offer in compliance with the above terms, to be filed with the Register of Companies;
(ii) upon approaching of the start of the New Share Capital Increase option offering, determine the number of shares to be issued, the option ratio and the issuance price, including the part to be allocated as capital and the part to be allocated as share premium, taking into account – *inter alia* – for the purposes of determining the issuance price, the general market conditions and the share performance, as well as the Company's economic and financial performance and the market practice for similar transactions, without prejudice to Article 2346, para. 5 of the Italian Civil Code. Upon approaching of the start of the New Share Capital Increase option offering, the issue price shall be determined, according to market practice for similar transactions, by applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to current methods, on the basis of the official stock exchange price of the stock exchange opening day prior to the above date of determination;
(iii) establish the definitive amount of the New Share Capital Increase up to the maximum limit resolved upon at this meeting;
(iv) decide on any other aspect necessary for the above purposes.

2.2. Authorisations from competent authorities

The proposed transaction is subject to authorisation from the competent authorities and, in particular:

(i) Bank of Italy's assessment ruling, in accordance with the provisions of Article 56 of Italian Legislative Decree no. 385/93 (the "**Consolidated Banking Act**"), in relation to the resulting amendments to the Articles of Association;

(ii) Consob approval of the offer and listing prospectus for the shares originating from the New Share Capital Increase, prepared in accordance with Articles 94 et seq. and 113 of the Consolidated Finance Act, and drafted in compliance with the schedules envisaged in European Community regulations.

2.3. Underwriting syndicate

UBS Investment Bank will act as Global Coordinator and Bookrunner, while Citigroup, Goldman Sachs International and Mediobanca – Banca di Credito Finanziaria S.p.A. will act as Co-Global Coordinators and Joint Bookrunners. In addition, Barclays, BofA Merrill Lynch, COMMERZBANK, J.P. Morgan, Morgan Stanley and Société Générale Corporate & Investment Banking will act as Joint Bookrunners for the New Share Capital Increase.

These financial institutions have agreed to modify the pre-underwriting agreement signed on 11 March 2014 for the changes indicated above, and commit to underwrite the subscription of the New Share Capital Increase for any portion that remains unexercised at the end of the offer, up to a maximum amount of EUR 5 billion. The pre-underwriting agreement expires on 30 June 2014 and is subject to the standard terms and conditions for this type of transaction, as well as the condition that the New Financial Instruments are not converted into ordinary shares of the Bank and that the Bank obtains the necessary authorisations to meet the obligations related to the 2013 coupon, payable in 2014, for the New Financial Instruments, without issuing additional shares

The contract duration is consistent with BMPS's intention to initiate the New Share Capital Increase as soon as possible, assuming approval from the Shareholders' Meeting, so as to be able to exploit the current favourable market situation, while avoiding additional uncertainties that may have an impact on the possibility of carrying out the transaction.

2.4. Other forms of placement envisaged

As this is an offer in option, the shares will be offered directly by the Bank and no additional forms of placement are envisaged.

2.5. *Criteria for setting the issue price of the new shares and the assignment ratio*

The issue price of the new ordinary shares will be established by the Board of Directors, in consideration of general market conditions and share performance, as well as the Bank's economic and financial performance and market practices for similar transactions. Upon approaching of the start of the New Share Capital Increase option offering, the issue price shall be determined, according to market practice for similar transactions, by applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to current methods, on the basis of the official stock exchange price on the market day prior to the date of determination.

2.6. *Shareholders who have indicated their availability to subscribe the newly issued shares as well as any unexercised pre-emptive rights*

As at the date of this Report, BMPS has not received any indications from shareholders indicating their availability to subscribe the shares issued as part of the New Share Capital Increase.

2.7. *Period envisaged for executing the transaction*

For the reasons explained in this Report, where the market conditions are favourable and subject to obtaining the necessary authorisations, as at the Report date, the Bank believes that the New Share Capital Increase can be completed by the end of July 2014.

Moreover, in accordance with the Restructuring Plan and the associated commitments, it is necessary that the New Share Capital Increase is carried out in 2014 and, in any event, completed by the first quarter of 2015.

2.8. Dividend rights for new shares

Ordinary shares issued as part of the New Share Capital Increase will have regular dividend rights.

2.9 *Reverse split*

Note that the reverse split of BMPS shares resolved by the Extraordinary Shareholders' Meeting on 28 December 2013 in the ratio of one ordinary share, with regular dividend rights, for every one hundred shares in circulation remains valid. The reverse split will occur prior to the Shareholders' Meeting called to resolve the New Share Capital Increase, according to the approved method and the applicable regulations.

3. Balance sheet, income statement and dilutive effects of the Share Capital Increase

3.1. Balance sheet effects of the Share Capital Increase

As regards capital adequacy, the Group's situation as at 31 December 2013 was as follows:

Regulatory capital (EUR mln)	**(A)**	**(C)**	**(A) - (C)**	**(A) vs (C)**
	31/12/2013	**31/12/2012**	***Change***	***Chg %***
Core Tier 1	8.354	8.237	117	1,4%
Tier 1 capital	8.973	8.841	132	1,5%
Tier 2 capital	3.866	4.446	-580	-13,1%
Items to be deducted	-	-564	564	n.s.
Total regulatory capital	**12.839**	**12.724**	**115**	**0,9%**
Risk Weighted Assets	**84.499**	**92.828**	**-8.329**	**-9,0%**
Core Tier 1 Ratio	9,9%	8,9%	1,0%	n.s.
Tier 1 Ratio	10,6%	9,5%	1,1%	n.s.
Total Capital Ratio	15,2%	13,7%	1,5%	n.s.

As at 31 December 2013, the Group's capital ratios showed an improvement over December 2012, mainly due to the reduction of EUR 8.3 billion of risk-weighted assets (RWA) as a result of a substantial reduction in credit and counterparty risk (EUR -9.2 billion) following the decrease in loans (deleveraging and default slippage), partially offset by a slight increase in other risks (total EUR +0.9 billion). Given the objectives of the New Share Capital Increase, it is estimated that the impact of the full subscription for EUR 5 billion and the reimbursement of EUR 3 billion of New Financial Instruments will have, *ceteris paribus*, an essentially positive effect on capital ratios, based on data as at 31 December 2013.

The BMPS *pro-forma* consolidated balance sheet and income statement as at 31 December 2013 are presented below to represent the effects of the New Share Capital Increase.

The *pro-forma* schedules were prepared in compliance with Consob Communication no. DEM/1052803 of 5 July 2001, and according to the drafting methodologies envisaged in the technical annex to said Communication. The schedules were developed by adjusting the historical data from the consolidated financial statements as at 31 December 2013, prepared in accordance with IAS/IFRS standards and approved by the Board of Directors on 11 March 2014. The *pro-forma* data includes the effects of the share capital increase as though it had occurred on 31 December 2013 for EUR 5 billion. The total expenses for the New Share Capital Increase, including advisory fees, out-of-pocket expenses, and underwriting commissions, are estimated to be EUR 250 million (EUR 181 million net of tax effect), to be recognised as a deduction to the shareholders' equity reserves. Consistent with the provisions of the aforementioned Consob Communication, the income statement effect of the reduction in interest expense was not reflected, which would have been calculated in consideration of the financial means that were made available by the share capital increase of EUR 5 billion.

Assets (in thousands of EUR)

	Assets	31/12/2013	Capital increase	31/12/2013 pro forma
10	Cash and cash equivalents	877.274	2.000.000	2.877.274
20	Financial assets held for trading	19.937.317		19.937.317
40	Financial assets available for sale	23.680.249		23.680.249
60	Loans to banks	9.913.984		9.913.984
70	Loans to customers	131.218.395		131.218.395
80	Hedging derivatives	397.934		397.934
90	Change in value of macro-hedged financial assets (+/-)	159.889		159.889
100	Equity investments	988.841		988.841
120	Property, plant and equipment	2.761.702		2.761.702
130	Intangible assets	1.162.056		1.162.056
140	Tax assets	5.517.129	68.750	5.585.879
150	Non-current assets and groups of assets held for sale and discontinued operations	80.108		80.108
160	Other assets	2.411.029		2.411.029
	Total Assets	**199.105.907**	**2.068.750**	**201.174.657**

Liabilities (in thousands of EUR)

	Liabilities and Shareholders' Equity	31/12/2013	Capital increase	31/12/2013 pro forma
10	Deposits from banks	37.278.667	250.000	37.528.667
20	Deposits from customers	85.346.340		85.346.340
30	Debt securities issued	36.628.753	(3.000.000)	33.628.753
40	Financial liabilities held for trading	17.037.873		17.037.873
50	Financial liabilities designated at fair value	7.988.199		7.988.199
60	Hedging derivatives	3.324.711		3.324.711
80	Tax liabilities	180.448		180.448
90	Liabilities associated with non-current assets held for sale and discontinued	17.821		17.821
100	Other liabilities	3.750.932		3.750.932
110	Provision for employee severance pay	261.371		261.371
120	Provisions for risks and charges:	1.127.312		1.127.312
140	Valuation reserves	(1.055.910)		(1.055.910)
160	Equity instruments carried at equity	3.002		3.002
170	Reserves	1.187.240	(181.250)	1.005.990
180	Share premium	-		-
190	Share capital	7.484.508	5.000.000	12.484.508
200	Treasury shares (-)	(24.532)		(24.532)
210	Non-controlling interests (+/-)	8.214		8.214
220	Profit (loss) (+/-)	(1.439.043)		(1.439.043)
	Total Liabilities and Shareholders' Equity	**199.105.906**	**2.068.750**	**201.174.656**

Income statement (in thousands of EUR)

	Items	31/12/2013	Capital increase	31/12/2013 pro forma
10	Interest income and similar revenues	5.987.364	-	5.987.364
20	Interest expense and similar charges	(3.865.818)	-	(3.865.818)
30	**Net interest income**	**2.121.546**		**2.121.546**
40	Fee and commission income	2.119.572		2.119.572
50	Fee and commission expense	(462.015)		(462.015)
60	**Net fee and commission income**	**1.657.557**		**1.657.557**
70	Dividends and similar income	17.302		17.302
80	Net profit (loss) from trading	70.714		70.714
90	Net profit (loss) from hedging	7.238		7.238
100	Gains/losses on disposal/repurchase of:	(83.895)		(83.895)
110	Net profit (loss) from financial assets and liabilities designated at fair value	10.144		10.144
120	**Net interest and other banking income**	**3.800.606**		**3.800.606**
130	Net impairment losses(reversals) on	(2.823.293)		(2.823.293)
140	**Net income from banking activities**	**977.313**		**977.313**
180	Administrative expenses:	(2.976.705)		(2.976.705)
190	Net provisions for risks and charges	(29.943)		(29.943)
200	Net adjustments to (recoveries on) property, plant and equipment	(81.835)		(81.835)
210	Net adjustments to (recoveries on) intangible assets	(100.849)		(100.849)
220	Other operating expenses/income	82.519		82.519
230	**Operating expenses**	**(3.106.813)**		**(3.106.813)**
240	Gains (losses) on investments	68.512		68.512
260	Impairment on goodwill	-		-
270	Gains (losses) on disposal of investments	1.412		1.412
280	**Profit (loss) before tax from continuing operations**	**(2.059.576)**		**(2.059.576)**
290	Tax expense (recovery) on income from continuing operations	671.877		671.877
300	**Profit (loss) after tax from continuing operations**	**(1.387.699)**		**(1.387.699)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued	(51.224)		(51.224)
320	**Profit (loss)**	**(1.438.923)**		**(1.438.923)**
330	Profit (loss) for the period attributable to non-controlling interests	120		120
340	**Parent company's net profit (loss)**	**(1.439.043)**		**(1.439.043)**

Explanatory notes to the pro-forma accounting schedules

The balance sheet shows the increase in “Cash and cash equivalents” resulting from the share capital increase that was recognised in the relative shareholders' equity item for EUR 5 billion, with the corresponding transaction costs of EUR 250 million (EUR 181 million net of tax effect) shown in shareholders' equity “Reserves”.

“Cash and cash equivalents” acquired as a result of the transaction reduced the item “Debt securities issued” in liabilities and, in particular, the New Financial Instruments, for an equivalent amount.

Transaction costs are shown in “Deposits from banks”, as they are primarily for commissions related to the pre-underwriting agreement (including commissions due for the contract signed in 2013 and not yet paid). The tax effect of EUR 69 million was recognised in “Tax assets”. If the transaction had been carried out at the beginning of 2013, the lower amount of New Financial Instruments would have resulted in lower interest expense as at 31 December 2013. As previously indicated, this was not represented in the *pro-forma* income statement.

3.3. Dilutive effects of the New Share Capital Increase

As the transaction is a share capital increase in option, there are no dilutive effects in terms of share capital ownership percentages for Bank shareholders that decide to subscribe the newly issued shares based on their pre-emptive rights.

The issue price for the new shares, the number of shares to be issued and the relative option ratio has not yet been determined, as they will be fixed closer to the date of the New Share Capital Increase in relation to market performance. Hence, it is not currently possible to determine or formulate an estimate of the dilutive effects on the unit value of shares for shareholders that decide not to exercise their pre-emptive rights, in full or in part. However, given the Bank's capitalisation (equivalent to EUR 2.7 billion as at 16 April 2014) and the amount of the New Share Capital Increase, it is reasonable to speculate that the dilutive effect will be extremely significant.

4. Amendments to Article 6 of the Articles of Association

In light of the above, the following table provides the current version of Article 6 of the Articles of Association, together with a comparison column showing the proposed amendments (presented in bold type). The text does not include technical amendments that will be necessary following the reverse split transaction, in the ratio of 1 new share for every 100 existing shares, resolved by the Shareholders' Meeting of 28 December 2013, which will be carried out prior to the New Share Capital Increase.

CURRENT TEXT	PROPOSED TEXT
Article 6	**Article 6**
1. The Company's share capital amounts to EUR 7,484,508,171.08 (seven billion four hundred eighty-four million five hundred eight thousand one hundred seventy-one point zero eight) and is fully paid up.	*(unchanged)*
2. The Company's share capital is represented by 11,681,539,706 (eleven billion six hundred eighty-one million five hundred thirty-nine thousand seven hundred six) 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.	*(unchanged)*
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.	*(unchanged)*

4. Preference shares are held in one or more deposit accounts managed with the 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.	*(unchanged)*
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.	*(unchanged)*
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.	*(unchanged)*
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 263,991,528 ordinary shares, as later adjusted by the Shareholders' Meeting of 3 December 2010, with dividend payable as of date of conversion, with no par value, for an amount of up to 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	*(unchanged)*

Securities received as at 30 December 2011, a total of 221,755,923 ordinary shares were issued, for an amount of EUR 134,952,651.33.	
8. By a resolution of the Extraordinary Shareholders' Meeting of 25 January 2013 the Board of Directors was empowered (i) to increase share capital, in one tranche, under exclusion of pre-emptive rights of existing shareholders, pursuant to Articles 2443 and 2441 para. 5 of the Italian Civil Code through the issuance of ordinary shares for an amount of up to EUR 4,500,000,000.00 (four billion five hundred million/00), including share premium if any, at the exclusive service of the exercise of the Bank's right to convert the New Financial Instruments provided for by Law Decree no. 95 of 6 July 2012, converted with amendments by Law no. 135 of 7 August 2012 as subsequently amended; and/or (ii) to increase share capital, in one or more tranches, again in exclusion of the pre-emptive rights of existing shareholders, pursuant to Articles 2443 and 2441, para. 5 of the Italian Civil Code, through the issuance of ordinary shares for an amount of up to EUR 2,000,000,000.00 (two billion/00), including share premium if any, at the exclusive service of the interest payments to be made in shares pursuant to the regulations applicable to the New Financial Instruments as set forth in Law Decree no. 95 of 6 July 2012, converted with amendments by Law no. 135 of 7 August 2012, as subsequently amended. Said power may be exercised for a maximum period of 5 (five) years as of the date of the above resolution of the Shareholders' Meeting of 25 January 2013. **1** When exercising its delegated powers, the Board of Directors shall be entitled - *inter alia* - to set the date of the dividend payout and the price of issuance of newly-issued ordinary shares (including share premium if any) according to the above-mentioned limits, as set out in the Report of the Board of Directors to the Shareholders' Meeting and as required by relevant regulations.	*(unchanged)*
9. The Extraordinary Shareholders' Meeting of 28 December 2013 resolved upon a share capital increase with consideration by up to EUR 3,000,000,000.00 (three billion/00), including share premiums if any, to be performed no earlier than 12 May 2014	***Entirely replaced by the following:*** **9. On [•], the Extraordinary Shareholders' Meeting resolved upon a share capital increase with consideration by up to EUR 5,000,000,000.00 (five billion/00), including share premiums if any, to be performed by 31 March 2015, in**

(as the starting date for the period for exercising the pre-emptive rights in accordance with Article 2441, para. 2 of the Italian Civil Code) and no later than 31 March 2015, in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the shareholders, in accordance with Article 2441 of the Italian Civil Code. Should the increase in capital not be fully subscribed by 31 March 2015, representing the term allowed for subscription, the share capital shall be considered to have been increased by an amount equal to the subscriptions collected on said date, without prejudice to the issuance of any new shares as a result of subscriptions made before the aforementioned date. The Extraordinary Shareholders' Meeting also resolved to confer the broadest possible powers on the Board of Directors to: (i) establish the timeline of the offer in compliance with the above terms, to be filed with the Register of Companies; (ii) upon approaching of the start of the Capital Increase option offering, determine the number of shares to be issued, the option ratio and the issuance price, including the part to be allocated as capital and the part to be allocated as share premium, taking into account – *inter alia* – for the purposes of determining the issuance price, the general market conditions and the share performance, as well as the Company's economic and financial performance and the market practice for similar transactions, without prejudice to Article 2346, para. 5 of the Italian Civil Code. Upon approaching of the start of the Capital Increase option offering, the issue price shall be determined, according to market practice for similar transactions, by applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to current methods, on the basis of the official stock exchange price of the stock exchange opening day prior to the above date of determination; (iii) establish the definitive amount of the Capital Increase up to the maximum limit	**tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the shareholders, in accordance with Article 2441 of the Italian Civil Code. Should the increase in capital not be fully subscribed by 31 March 2015, representing the term allowed for subscription, the share capital shall be considered to have been increased by an amount equal to the subscriptions collected on said date, without prejudice to the issuance of any new shares as a result of subscriptions made before the aforementioned date.** **The Extraordinary Shareholders' Meeting also resolved to confer the broadest possible powers on the Board of Directors to:** **(i) establish the timeline of the offer in compliance with the above terms, to be filed with the Register of Companies;** **(ii) upon approaching of the start of the Capital Increase option offering, determine the number of shares to be issued, the option ratio and the issuance price, including the part to be allocated as capital and the part to be allocated as share premium, taking into account – *inter alia* – for the purposes of determining the issuance price, the general market conditions and the share performance, as well as the Company's economic and financial performance and the market practice for similar transactions, without prejudice to Article 2346, para. 5 of the Italian Civil Code. Upon approaching of the start of the Capital Increase option offering, the issue price shall be determined, according to market practice for similar transactions, by applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to current methods, on the basis of the official stock exchange price of the stock exchange opening day prior to the above date of determination;** **(iii) establish the definitive amount of the Capital Increase up to the maximum limit resolved upon at this meeting;** **(iv) decide on any other aspect necessary for the above purposes.**

resolved upon at this meeting; (iv) decide on any other aspect necessary for the above purposes.	
10. The Extraordinary Shareholders' Meeting of 28 December 2013 resolved: - to approve the reverse split of the outstanding ordinary shares of Banca Monte dei Paschi di Siena at a ratio of 1 new ordinary share with regular dividend rights every 100 existing ordinary shares. - in order to optimise the numerical ratios of the above reverse split transaction, to confer on the Board of Directors the power to cancel a maximum of 6 ordinary shares of Banca Monte dei Paschi di Siena, drawing from the portfolio of the Bank's ordinary shares, without changing the total amount of share capital and with relative proportionate reduction of the corresponding negative reserve, consequently changing the number of shares indicated under article 6, para. 2 of the Articles of Association. The above is without prejudice to the fact that, in order to manage any fractional shares resulting from the reverse split transaction, a service for managing any fractional shares that cannot be grouped shall be provided to shareholders, based on official market prices and without additional expenses or fees. - to confer upon the Chairman of the Board of Directors and the Managing Director, jointly or severally, within the limits provided for by law: (i) the power to determine when the reverse split shall be carried out, whether prior to or after the deadline for the subscription of the capital increase resolved upon by the same Meeting, in accordance with the necessary technical timeframe indicated by the competent entities and in any case no later than 30 June 2014; (ii) the power to make any ensuing amendments and/or supplements to the Articles of Association after the reverse split has been effected, to adjust the numerical values provided for therein, taking into account, where necessary, the number of shares issued following execution of the capital increase option resolved upon by the same Meeting, with explicit declaration of approval and ratification made in advance, and to file the text of the updated Articles of Association with the Register of Companies.	*(unchanged)*

5. Comments regarding recourse to the withdrawal right

The approval of the resolutions relative to the amendment of Article 6 of the Articles of Association does not entitle shareholders to exercise the withdrawal right.

6. Resolution proposal

In light of the above, the Board of Directors proposes that the shareholders adopt the following resolution:

"The Extraordinary Shareholders' Meeting, having reviewed the proposal formulated by the Board of Directors

resolves

1. to revoke the resolution of the Extraordinary Shareholders' Meeting of 28 December 2013 for a share capital increase with consideration by up to EUR 3,000,000,000.00, including share premiums if any, to be performed by 31 March 2015, in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the shareholders, in accordance with Article 2441 of the Italian Civil Code, with an initial execution date of than 12 May 2014 (as the starting date for the period for exercising the pre-emptive rights in accordance with Article 2441, para. 2 of the Italian Civil Code),

2. to increase share capital with consideration by up to EUR 5,000,000,000.00, including share premiums if any, to be performed by 31 March 2015, in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the shareholders, in accordance with Article 2441 of the Italian Civil Code. Should the increase in capital not be fully subscribed by 31 March 2015, representing the term allowed for subscription, the share capital shall be considered to have been increased by an amount equal to the subscriptions collected on said date, without prejudice to the issuance of any new shares as a result of subscriptions made before the aforementioned date.

3. to confer to the Board of Directors the broadest possible powers to:

(i) establish the timeline of the offer referred to in point 2 above, to be filed with the Register of Companies;

(ii) upon approaching of the start of the New Share Capital Increase option offering, determine the number of shares to be issued, the option ratio and the issuance price, including the part to be allocated as capital and the part to be allocated as share premium, taking into account – *inter alia* – for the purposes of determining the issuance price, the general market conditions and the share performance, as well as the Company's economic and financial performance and the market practice for similar transactions, without prejudice to Article 2346, para. 5 of the Italian Civil Code. Upon approaching of the start of the New Share Capital

Increase option offering, the issue price shall be determined, according to market practice for similar transactions, by applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to current methods, on the basis of the official stock exchange price of the stock exchange opening day prior to the above date of determination;

(iii) establish the definitive amount of the New Share Capital Increase up to the maximum limit resolved upon at this meeting;

(iv) decide on any other aspect necessary for the above purposes.

4. to approve the following amendments to Article 6 of the Articles of Association regarding the annulment of paragraph 9 of the aforementioned Article 6, replacing it with a new paragraph 9 that contains the resolution referred to in points 2 and 3 above;

5. as a result, to amend Article 6 of the Articles of Association as shown below and without prejudice to amendments resulting from the reverse split transaction resolved on 28 December 2013, after it has been carried out:

"Article 6:

1. unchanged
2. unchanged
3. unchanged
4. unchanged
5. unchanged
6. unchanged
7. unchanged
8. unchanged
9. On [•], the Extraordinary Shareholders' Meeting resolved upon a share capital increase with consideration by up to EUR 5,000,000,000.00 (five billion/00), including share premiums if any, to be performed by 31 March 2015, in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the shareholders, in accordance with Article 2441 of the Italian Civil Code. Should the increase in capital not be fully subscribed by 31 March 2015, representing the term allowed for subscription, the share capital shall be considered to have been increased by an amount equal to the subscriptions collected on said date, without prejudice to the issuance of any new shares as a result of subscriptions made before the aforementioned date.

The Extraordinary Shareholders' Meeting also resolved to confer the broadest possible powers on the Board of Directors to:

(i) establish the timeline of the offer in compliance with the above terms, to be filed with the Register of Companies;

(ii) upon approaching of the start of the Capital Increase option offering, determine the number of shares to be issued, the option ratio and the issuance price, including the part to be allocated as capital and the part to be allocated as share premium, taking into account – *inter alia* – for the purposes of determining the issuance price, the general market conditions and the share performance, as well as the Company's economic and financial performance and the market practice for similar transactions, without prejudice to Article 2346, para. 5 of the Italian Civil Code. Upon approaching of the start of the Capital Increase option offering, the issue price shall be determined, according to market practice for similar transactions, by applying a discount on the Theoretical Ex Right Price ("TERP") of the ordinary shares, calculated according to current methods, on the basis of the official stock exchange price of the stock exchange opening day prior to the above date of determination;

(iii) establish the definitive amount of the Capital Increase up to the maximum limit resolved upon at this meeting;

(iv) decide on any other aspect necessary for the above purposes.

10. unchanged

6. to confer to the Chairman and the Managing Director, even separately, within the limits imposed by law, the broadest powers and rights to execute the approved resolutions, as a whole and in each individual part, as well as comply with all of the formalities necessary so that the resolutions approved today obtain legal authorisation and take all actions necessary for the complete execution of said resolutions, with any and all powers necessary and appropriate, with no exclusions and exceptions, including the power to request that the newly issued shares are admitted for listing, to submit and publish the certifications envisaged in Article 2444 of the Italian Civil Code and the power to submit the text of the Articles of Association with the Register of Companies, updated for the amount of share capital and the number of shares, as necessary, pursuant to Article 2436 of the Italian Civil Code, as well as the right to introduce to said resolution, in line with its substantive meaning, any modifications, additions or deletions that the Chairman and Managing Director believe to be necessary or merely appropriate or that may be requested by competent authorities as part of authorisation and enrolment."

Siena, 18 April 2014

For the Board of Directors

Mr. Alessandro Profumo

Chairman of the Board of Directors