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

**REPORT
ON CORPORATE GOVERNANCE AND
THE SHAREHOLDING STRUCTURE**

in accordance with Article 123-*bis* of the Consolidated Law on Finance

(traditional administration and control model)

- Issuer: BANCA MONTE DEI PASCHI DI SIENA SPA
- website: www.mps.it
- Year to which the Report relates: 2013
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GLOSSARY

BMPS: Banca Monte dei Paschi di Siena S.p.A. or Issuer or Bank.

Code/Corporate Governance Code: the Corporate Governance Code for Listed companies, approved in December 2011 by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civil Code: the Italian Civil Code.

Board: the Board of Directors of the Issuer.

Issuer: the Issuer of the securities to which the Report refers.

Year: the financial year to which the Report refers.

Montepaschi Group: Monte dei Paschi di Siena banking group.

Consob Issuer's Regulation: the Regulation for issuers promulgated by Consob with its resolution no. 11971 of 1999 (as subsequently amended).

Consob Market Regulation: the Regulation for markets promulgated by Consob with its resolution no. 16191 of 2007 (as subsequently amended).

Consob Related Party Regulation: the Regulation for transactions with related parties promulgated by Consob with its resolution no. 17221 of 12 March 2010 (as subsequently amended).

Bank of Italy Supervisory Provisions for Related Parties: Bankit (Bank of Italy) Circular no. 263/2006, Title V, Chapter 5) on risk assets and conflicts of interest with respect to related parties.

Supervisory provisions concerning banks' organisation and corporate governance: provisions issued by the Bank of Italy on 4 March 2008 and Note issued on 11 January 2012 "Enforcement of the Supervisory provisions concerning banks' organisation and corporate governance"

Report: the report on corporate governance and shareholding structure that companies are required to prepare in accordance with Article 12-*bis* of the TUF.

Consolidated Law on Finance/TUF (*Testo Unico della Finanza*): Italian Legislative Decree no. 58 of 24 February 1998.

Consolidated Law on Banking/TUB (*Testo Unico Bancario*): Italian Legislative Decree no. 385 of 1 September 1993.

1. ISSUER'S PROFILE

Foreword

In light of the provisions of the Corporate Governance Code – 2011 version- and on the basis of the latest format for the “Report on Corporate Governance” provided by Borsa Italiana (January 2013), the Report on Corporate Governance and the Shareholding Structure was prepared, in accordance with Article 123-*bis* of Italian Legislative Decree no. 58 of 24 February 1998 (the “TUF”). The “Report on Corporate Governance and the Shareholding Structure” approved by the Board of Directors, in the course of its meeting of 11 March 2014, is available at the website www.mps.it in the Investors & Research section.

For Banca Monte dei Paschi di Siena S.p.A. (“**BMPS**” or the “**Bank**”), the importance of Corporate Governance goes beyond its traditional technical dimension – i.e., a set of rules and coordinated structures that regulate the relations among shareholders and between shareholders, directors and the top management. Consistently with the Bank’s mission, Corporate Governance is deemed to be the best form of governance of relations with all stakeholders, because it is aimed at:

- ✓ creating both short-term and long-term shareholder value, focusing first and foremost on customer satisfaction, on the professional development of personnel, on the interests of all stakeholders;
- ✓ serving as a reference model in the constantly changing Italian banking environment, affirming the leading domestic position of the Montepaschi Group;
- ✓ developing a sense of belonging to the Group, whilst emphasizing cultural diversity and maintaining the strong roots of each of the Group’s companies in the local community where it is active.

Mission of the Montepaschi Group

The Bank’s corporate bodies act in such a way as to pursue the enterprise’s success in its complexity. Through a fair, transparent corporate governance system and a comprehensive Code of Ethics, BPMS has adopted rules to ensure that all stakeholders’ legitimate expectations are considered and that meeting them is a goal for the company’s leadership.

Corporate Governance System

The corporate governance system as a whole refers to the Corporate Governance Code for Listed Companies.

Compliance with the Code entails clear-cut segregation of duties and responsibilities, the appropriate assignment of powers, the balanced composition of corporate bodies, and it bases its organisational foundations on effective controls, monitoring all enterprise risks, adequate information flows and on corporate social responsibility.

In particular, the adopted administration and control system is of the traditional type, with:

- **Shareholders’ Meeting**, with authority to resolve, *inter alia*, in ordinary or extraordinary session, on the appointment and dismissal of the members of the Board of Directors and of the Board of Statutory Auditors and their compensation and responsibilities, the appointment of the independent auditors, the approval of the financial statements and the allocation of profits, certain extraordinary transactions, share capital increases and amendments to the Articles of Association, without prejudice to the Board of Director’s competence over changes to the Articles of Association required by regulatory provisions;
- **Board of Directors**, tasked with the strategic supervision and management of the Bank;
- **Board of Statutory Auditors**, which oversees compliance with laws, regulations and the Articles of Association, the adequacy of the company’s organisational, control and administrative-accounting systems,

the manner of actual enforcement of the corporate governance rule prescribed by the Corporate Governance Code and the adequacy of the instructions issued by the Bank to subsidiaries in accordance with Article 114, Par. 2 of the TUF.

2. INFORMATION on the SHAREHOLDING STRUCTURE (per Article 123-bis Par. 1 of the TUF)

a) Structure of the share capital (per Article 123-bis Par. 1, Letter a) of the TUF)

The share capital of the Company, which at the date of this Report was unchanged from the date of the last shareholders' meeting, is EUR 7,484,508,171.08, fully subscribed and paid in.

It is represented by 11,681,539,706 ordinary shares without par value. All shares are uncertificated. The circulation and legitimacy procedures are regulated by law.

	no. of shares	% of share capital	listed/unlisted	rights and obligations
Ordinary shares	11,681,539,706	100.00	listed	=

The extraordinary Shareholders' Meeting of 28 December 2013 approved the grouping of the outstanding ordinary shares of the Bank (in the ratio of 1 new ordinary share ranking for dividend for 100 existing ordinary shares), authorising the Board of Directors to cancel up to 6 ordinary shares of the Bank, drawing from the portfolio of ordinary shares held by the Bank itself, without changing the amount of the share capital and with the related proportional reduction in the corresponding negative reserve.

The Shareholders' Meeting also vested the Chairman of the Board of Directors and the Chief Executive Officer, jointly or separately, within the limits of the law, with the power to determine, no later than 30 June 2014, the time when the grouping shall be carried out, be it prior or subsequent to the deadline for subscribing the share capital increase, totalling EUR 3,000 million, resolved by the same Shareholders' Meeting, to be completed no sooner than 12 May 2014 and no later than 31 March 2015. For more details about this operation, please refer to the following paragraph on the issue of the delegated powers to increase the share capital (Paragraph 2, point i)).

Other financial instruments entitling to subscribe newly issued shares:

	listed/unlisted	no. of outstanding instruments	share category for conversion/exercise	no. of shares for conversion/exercise
Floating Rate Equity-Linked Subordinated Hybrid Preferred Securities ("F.R.E.S.H.")	Listed (Luxembourg stock exchange)	€ 28,621,597.64 (total amount)	Ordinary shares pro-rata	13,500,754
New financial instruments	Unlisted	€ 4,071,000,000 (total amount) ^(*)	ordinary shares	(**)

() total value subscribed by the Italian Ministry of the Economy and Finance (MEF) in February 2013; it may be increased if the Bank pays the portion of interest exceeding the profit for financial year 2013, payable in 2014, by an equal nominal value.*

*(**) The Shareholders' Meeting of 25 January 2013 empowered the Board of Directors to increase the share capital of the Bank by a total amount of EUR 4,500 million for the possible conversion of the New Financial Instruments into ordinary shares and/or by a total amount of EUR 2,000 million for the possible issue of New Financial Instruments in view of the payment of interest due. The criteria defined for conversion into ordinary shares are briefly described in the following paragraphs.*

Floating Rate Equity-Linked Subordinated Hybrid Preferred Securities ("F.R.E.S.H.")

With reference to the convertible bonds known as Floating Rate Equity-linked Subordinated Hybrid Preferred Securities (“FRESH”), convertible into BMPS shares, issued in December 2003, no conversion requests were received in 2013.

Consequently, the total number of shares issued in the service of FRESH 2003, as at 31 December 2013, is 221,755,923, amounting to € 134,952,651.33. The Shareholders’ Meeting of 15 January 2004 voted to increase the share capital of Banca Monte dei Paschi di Siena S.p.A. by up to 263,991,528 ordinary shares in support of the FRESH issue, as resolved by the Shareholders’ Meeting of 15 December 2005 and of 3 December 2010.

On the occasion of each amendment to Article 6 of the Articles of Association in concurrence with the issue of new shares in view of requests for conversion of FRESH 2003, the values of the total number of shares issued will be updated.

The request for conversion starting from 30 September 2010 may be submitted at any time, i.e. within the month following the occurrence of the automatic conversion or of the conversion in case of reimbursement of the Convertible Preferred Securities, so that said shares rank for dividend from the date of conversion and the directors, within one month from the conversion date, file a certification of the completed share capital increase for registration in the Register of Companies.

New Financial Instruments

On 28 February 2013, as a result of the Board of Directors’ resolution of 28 November 2012, the Bank issued financial instruments convertible into ordinary shares of the Issuer (the “New Financial Instruments” of “NSF”), in accordance with Article 23-*sexies* of Italian Law Decree no. 95¹ of 6 July 2012, (“Decree 95”), subscribed by the Italian Ministry of the Economy and Finance (“MEF”) for a total amount of EUR 4,071 million.

The New Financial Instruments lack the rights per Article 2351 of the Civil Code and are convertible into shares at the Issuer’s request, with assignment to the MEF of a number of shares equal to the ratio between the nominal value of the NSF and the Theoretical Ex Rights Price (TERP), discounted by 30% and calculated according to the mathematical formula set out in the issue prospectus of the New Financial Instruments, enclosed to the MEF Decree of 21 December 2012 (the “NSF Prospectus”), which takes into account the total value of the Issuer’s shares, calculated as the average closing price in the 5 consecutive trading days prior to the date when the conversion right is exercised, multiplied times the number of shares.

The NSF Prospectus calls for payment of annual interest to be paid in monetary form until the amount of the income for the year is reached, as reported in the latest financial statements approved before the interest payment date as defined in the NSF Prospectus and, if the interest exceeds the income for the year, by the assignment of a number of newly issued ordinary shares to the MEF. The number of shares to be assigned shall be calculated using the formula defined in the NSF Prospectus, which takes into account the amount of outstanding shares multiplied times the ratio of the interest due and the Bank’s Stock Market capitalisation (average in the ten consecutive days preceding the date of the Board of Directors’ meeting that approved the Bank’s draft financial statements).

The NSF Prospectus also provides that the portion of interest, not paid in monetary form, exceeding the income for financial year 2013, payable in 2014, and within the limits of compatibility the European Union regulations on State aid, may be paid by the Bank also by issuing additional NSF for an equal nominal value.

In accordance with Decree 95 and with reference to the New Financial Instruments, the rules pertaining to the mandatory takeover bid prescribed by Articles 106, Par. 1, and 109 of the Consolidated Law on Finance not apply with respect to the MEF.

The other conditions and the additional features of the New Financial Instruments are described in the NSF Prospectus, to which reference is made for more details.

Solely in support of the Bank’s option to convert the NSF into ordinary shares and/or to pay the interest due to the MEF in the form of shares as set out in the NSF Prospectus, the extraordinary Shareholders’ Meeting of 25 January 2013 assigned specific authority to the Board of Directors to increase the share capital according to the terms and conditions set out in the following point i) of this Report.

¹ containing urgent provisions for the revision of public expenditure without changing services to citizens and measures to strengthen the capital of companies in the banking industries, converted, with amendments, by Italian Law no. 135 of 7 August 2012, with subsequent amendments and additions.

Stock granting plans

With respect to the stock granting incentive plans in favour of employees of the Montepaschi Group, implemented through the assignment of BMPS ordinary shares free of charge, reference is made to the communications in accordance with Article 84-*bis* of CONSOB Regulation no. 11971/99 – Disclosure on the allocation of financial instruments to corporate officers, employees or consultants – and to the Report on Remuneration, published in accordance with Article 123-*ter* of the Consolidated Law on Finance and with Article 84-*quater* of the CONSOB Issuers' Regulations.

b) Restrictions to the transfer of shares (per Article 123-*bis*, Par. 1, Letter b) of the TUF)

The Articles of Association have no clauses restricting the transfer of shares. However, Article 6 of the Articles of Association does prescribe that transfers of preference shares shall be immediately notified by the selling shareholder to the Company and leads to the automatic conversion of the preference shares into ordinary shares at equal value.

Moreover, a shareholder qualifying as banking foundation as governed by Italian Law no. 461 of 23 December 1998 and by Italian Legislative Decree no. 153 of 17 May 1998 with subsequent amendments and additions, or that is directly or indirectly controlled by one such party, may never convert preferred shares held by it into ordinary shares.

In any case, upon completion of the sale, in 2012, of the last tranche of preferred shares held by Fondazione Monte dei Paschi di Siena, the Bank's share capital is entirely represented by 11,681,539,706 ordinary shares without par value.

c) Significant equity investments (per Article 123-*bis*, Par. 1, Letter b) of the TUF)

According to the notices received in accordance with Article 120 of the TUF and to the information available up to the date of approval of this report, the following shareholders own, directly or indirectly, more than 2% of share capital represented by shares with voting rights:

<i>Declarant</i>	<i>Direct shareholder</i>	<i>% of ordinary shares</i>	<i>% of voting rights*</i>
Fondazione Monte dei Paschi di Siena	Fondazione Monte dei Paschi di Siena	29.90	30.67
AXA SA (directly and indirectly)	Various group companies	3.73	3.82
J.P. Morgan Chase & Co.**	JP Morgan Securities Ltd	2.53	2.59

* The percentages indicated in this column are calculated with respect to the number of ordinary shares constituting the share capital, net of the shares whose vote is suspended in accordance with Article 2357-*ter* of the Civil Code, second paragraph; the number of said shares is 295,237,070 representing 2.53% of the share capital, of which 1,000 shares owned and 295,236,070 held by BMPS in usufruct.

** JP Morgan Chase & Co indirectly holds, through JPMorgan Securities, bare ownership on 295,236,070 ordinary shares representing 2.53 % of the ordinary share capital; on said shares, usufruct was established in favour of BMPS. The voting right pertaining to said shares, to which the usufructuary is entitled, is suspended since there are no agreements reserving the right to the bare owner, so long as the usufruct right in favour of BMPS exists.

d) Shares with special rights (per Article 123-*bis*, Par. 1, Letter d) of the TUF)

No shares with special control rights have been issued.

e) Employee investments: voting rights exercise mechanism (per Article 123-*bis*, Par. 1, Letter e) of the TUF)

Each employee of the Montepaschi Group holding ordinary BMPS shares deriving from stock granting plans may exercise his/her voting rights at ordinary and extraordinary shareholders' meetings.

f) Restrictions to voting rights (per Article 123-*bis*, Paragraph 1, Letter f) of the TUF)

There are no restrictions to voting rights.

The extraordinary Shareholders' Meeting of 18 July 2013 struck down the 4% maximum limit to direct and/or indirect shareholding for shareholders other than Fondazione Monte dei Paschi di Siena, set out in Article 9 of the Articles of Association. If said limit was exceeded, the Articles of Association prescribed that the voting right relating to the excess shares held would be suspended.

g) Shareholder agreements (per Article 123-*bis*, Par. 1, Letter g) of the TUF)

The Bank has received no communication about the existence of voting or blocking syndicates or shareholder agreements or any form of agreement covering the exercise of rights related to shares or their transfer and per Article 122 of the Consolidated Law on Finance.

h) Change of control clauses (per Article 123-*bis*, Par. 1, Letter h) of the TUF) **and provisions of the Articles of Association regarding takeover bids** (per Article 104, Par. 1-*ter*, and Article 104-*bis*, Par. 1)

BMPS and its subsidiaries have not entered into significant agreements that become effective, are amended or terminated in case of change of control of the stipulating company, with the exceptions provided for specific cases, in the supply agreements stipulated upon the sale of a business unit to Fruendo Srl for the management of activities relating to the auxiliary, accounting and administrative services of the Group.

The Articles of Association of BMPS do not provide for any exemptions to the passivity rule (Article 104 of the TUF) and to the neutralisation rules (Article 104-*bis* of the TUF) prescribed by the TUF for takeover bids.

i) Delegated powers to increase share capital and authorizations to buy back stock (per Article 123-*bis*, Par. 1, Letter m) of the TUF)

✓ **Delegated powers:**

The Shareholders' Meeting, in extraordinary session, passed the following resolutions on the matter of the Bank's share capital increase:

- ✓ on 15 January 2004, the share capital increase to service the issue of Convertible Preferred Securities by a maximum number of 263,991,528 ordinary shares, as amended by the Shareholders' Meeting of 3 December 2010, with dividend rights from the conversion date, without part value, for a maximum amount of EUR 176,874,323.76, as amended by the Shareholders' Meetings of 15 December 2005 and of 3 December 2010, provided (i) that the deadline for said share capital increase is 30 September 2009, (ii) that the directors will issue the shares to the holders of the Convertible Preferred Securities within the calendar month after the date the conversion request, which may be submitted during the month of September of each year from 2004 to 2010 and, thereafter, at any time, or within the month following the automatic conversion or the conversion in case of redemption of the Convertible Preferred Securities, so that said shares have dividend rights from the conversion date; and (iii) that the directors, within one month from the conversion date, shall file a certification of the share capital increase for registration in the Register of Companies. With respect to the requests for conversion of Preferred Securities received at 30 December 2011, a total number of 221,755,923 ordinary shares have been issued, for an amount of € 134,952,651.33.
- ✓ on 25 January 2013, the Board of Directors was accorded authority to (i) increase share capital, in one tranche, with exclusion of the pre-emptive rights, pursuant to Articles 2443 and 2441, Par. 5 of the Civil Code, through the issuance of ordinary shares for an amount of up to EUR 4,500 million including any share premium, at the exclusive service of the exercise of the Bank's right to convert

the New Financial Instruments provided for by Italian Law Decree no. 95 of 6 July 2012, converted with amendments by Italian Law no. 135 of 7 August 2012, as subsequently amended; and/or (ii) to increase capital, in one or more tranches, also separately, with exclusion of the pre-emptive rights of existing shareholders, pursuant to articles 2443 and 2441, Par. 5 of the Civil Code, through the issuance of ordinary shares for an amount of up to EUR 2,000 million, including any share premium, 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 Italian Law Decree no. 95 of 6 July 2012, converted with amendments by Italian Law no. 135 of 7 August 2012, as subsequently amended. Said power may be exercised for a maximum period of 5 (five) years effective as of the date of the above resolution of the Shareholders' Meeting of 25 January 2013.

When exercising each of the powers, the Board of Directors shall be entitled – *inter alia* – to set the dividend date and the issue price of newly-issued ordinary shares (including any share premium) in compliance with the provisions set out in the Board of Directors' Report to the Shareholders' Meeting under the applicable regulations.

- ✓ on 28 December 2013, for the share capital increase by rights issue for a total maximum amount of EUR 3,000 million, including any share premium, to be carried out no earlier than 12 May 2014 (as the starting date of the term for exercising the option right in accordance with Article 2441, Par. 2 of the Civil Code) and no later than 31 March 2015, in tranches, through the issue of ordinary shares ranking for dividend to be offered for option to shareholders, in accordance with Article 2441 of the Civil Code. If the share capital increase is not entirely subscribed within the final date of 31 March 2015 granted for subscription, the share capital shall be deemed to have been increased by an amount equal to the subscriptions obtained at that date, without prejudice to the possible issue of new shares in view of the subscriptions made prior to the aforesaid date. The Board of Directors was vested with all broadest powers to (i) establish the timing of the offer within the aforesaid terms, filing it in the Register of Companies; (ii) determine, in proximity to the start of the period of the option offer pertaining to the share capital increase - the number of shares to be issued, the option ratio and the issue price, including the part to be allocated to capital and the part to be allocated to share premium, taking into account, *inter alia*, for the purposes of setting the issue price, the conditions of the market in general and the performance of the stock, as well as the Company's performance in income, capital and financial terms, and considering the market practice for similar transactions, subject to the provisions of Article 2346, Par. 5 of the Civil Code. The issue price shall be determined, in proximity to the start of the period of the option offer for the share capital increase, by applying, according to market practice for similar transactions, 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 Market price of the trading day prior to said price setting date; (iii) establish the definitive amount of the share capital increase within the maximum limit resolved.

The same extraordinary Shareholders' Meeting of 28 December 2013 approved the repeal of the resolution passed by the extraordinary Shareholders' Meeting of 9 October 2102 vesting the Board of Directors, in accordance with Article 2443 of the Civil Code, with the power to increase the share capital within the limit of EUR 1 billion.

✓ **Stock buy-back:**

There are no existing authorizations by the Shareholders' Meeting to buy back shares in accordance with Article 2357 et seq. of the Civil Code.

The Shareholders' Meeting of 28 December 2013, in ordinary session, resolved to authorize, in accordance with Article 2357-ter of the Civil Code, to dispose, all at once or several times, of the 54,495,378 treasury shares held by the Bank, at the date of the resolution, according to the following terms:

- a) the authorization is granted without time limits;
- b) the disposal of treasury shares may take place:

- in the ways deemed most appropriate in the Bank's best interest by disposal in the Stock Market or at the "blocks" and any and all other forms of disposal allowed by applicable provisions;

- within the scope of exchange, transfer or sale transactions and in case of operations on the share capital or financing transactions implying the assignment or disposal or treasury shares;

- c) the minimum price of the disposal may not be lower by more than 5% compared to the official price recorded by the stock in the trading day prior to each individual transaction; said minimum price shall not be applicable in case of disposal other than sale and, in particular, in cases of exchange, assignment or transfer and in case of operations on the share capital or financing transactions implying the assignment or disposal or treasury shares. In such cases, the price shall be determined with different criteria, in line with the aims pursued on a case by case basis and in compliance with applicable provisions of the law and regulations, taking into account allowed market practices, if the case warrants it.

The treasury shares in the Bank's portfolio, as at 31 December 2013, amounted to 54,495,378; as a result of the sales of treasury shares carried out on the basis of the authorisation granted by the aforesaid Shareholders' Meeting, at 10 March 2014 there were 1,000 treasury shares left.

l) Management and coordination (per Article 2497 et seq. of the Civil Code)

BMPS is not subject to management and coordination in accordance with Article 2497 et seq. of the Civil Code.

* * *

The information required by Article 123-*bis*, Par. 1, Letter i) of the TUF ("*the agreements between the company and the directors ... that provide indemnity in case of resignation or termination without just cause or discontinuation of their term of office due to a takeover bid*") and the information about the Directors' remuneration (per Sect. 8 of the Report) is contained in the Report on remuneration, published in accordance with Article 123-*ter* of the TUF and with Article 84-*quater* of the CONSOB Issuers' Regulations, to which reference is made.

The information required by Article 123-*bis*, Par. 1, Letter l) of the TUF ("*the rules applicable for the appointment and replacement of directors ... and for amendments to the Articles of Association, if different from the applicable provisions of the law and regulations*") is provided in the section of this Report dedicated to the Board of Directors (Sect. 4.1.).

3. COMPLIANCE (per Article 123-*bis*, Par. 2, Letter a) of the TUF)

On 20 December 2012, the Board of Directors of the Bank resolved to adopt the new Corporate Governance Code for Listed Companies of December 2011, publicly available at the website of Borsa Italiana (www.borsaitaliana.it) and at the website of the Bank (www.mps.it).

On that occasion, the Board of Directors acknowledged that the corporate governance model adopted by the Bank is substantially consistent with the principles of the Code and appointed the Chief Executive Officer Fabrizio Viola as Director in charge of the internal control and risk management system.

Neither BMPS nor its strategically significant subsidiaries are subject to non-Italian law provisions that influence the corporate governance structure of BMPS itself.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (per Article 123-*bis*, Par. 1, Letter l) of the TUF)

The Board of Directors consists of a number of members set by ordinary Shareholders' Meetings, but in any case no lower than nine or higher than seventeen.

Under penalty of removal from office, no Director of BMPS may simultaneously serve as a member of the Board of Directors, of the Management Board or of the Supervisory Board of competitor banks, which are not part of the BMPS Group, that have a banking license issued by the Italian supervisory authority and that

are active in the market of bank funding or in the exercise of ordinary credit business in Italy. Any BMPS Director who accepts one of the above positions shall promptly inform the Board of Directors of BMPS, which shall immediately declare his/her removal from office. Directors' term of office shall be three years, expiring on the date of the Shareholders' Meeting convened to approve the financial statements for their last year of office; they shall be re-eligible for no more than two consecutive terms after the first one. For the outgoing Chief Executive Officer or Chief Executive Officers, the limitations of the maximum number of terms shall not apply.

Appointment of the members of the Board of Directors shall take place by a vote from lists of candidates presented by the shareholders, in which candidates are listed by a consecutive number. In each list, at least two candidates, specifically indicated, shall fulfil the independence requirements established by law for statutory auditors and the additional independence requirements prescribed by the Corporate Governance Code for listed companies.

For the purposes of compliance with current gender balance regulations, the lists shall contain candidates of different genders in equal proportion and in alternating order, according to the provisions of the notice of the Shareholders' Meeting. The lists may not contain names of persons who, at the date of the Shareholders' Meeting for the renewal of the Corporate Bodies, are 75 years old or older, having regard also to the age limits prescribed by the Articles of Association for the office of Chairman of the Board of Directors (70) and for the office of Chief Executive Officer (67).

Together with each list, no later than the list filing deadline, the following shall be filed at the registered office of the Company: (i) the declarations whereby the individual candidates accept their candidacy and certify, under their own responsibility, that there are no reasons for ineligibility and incompatibility, and that any requirements prescribed for the office by current laws and regulations are satisfied; (ii) the statements of at least two candidates certifying the existence of the independence requirements; and (iii) the *curricula vitae* describing the personal and professional characteristics of each candidate, with the indication of the administration and control positions held in other companies. In particular, candidates shall undertake that they do not serve as a member of the Board of Directors, of the Management Board or of the Supervisory Board of competitor banks, which are not part of the Montepaschi Group, that have a banking license issued by the Italian supervisory authority and that are active in the market of bank funding or in the exercise of ordinary credit business in Italy. Lists presented without compliance with the Articles of Association may not be voted.

The lists presented by shareholders shall be filed at the registered office of the Company at least twenty-five days before the date set for the Shareholders' Meeting in first call, and disclosed to the public according to current regulations. Each shareholder may individually or jointly present a single list and each candidate may be included in a single list in order to be eligible.

Only shareholders who, individually or jointly with other shareholders, hold a total number of shares representing at least 1% of the Company's share capital with voting rights at ordinary Shareholders' Meeting, or the different applicable percentage prescribed by current provisions. To prove ownership of the number of shares necessary to present the lists, shareholders who have presented the lists, simultaneously with the presentation of the lists, or afterwards but no later than the deadline for the publication of the lists, shall present and/or deliver to the registered office of the Company the documents certifying ownership of the aforesaid minimum number of shares, determined with respect to the shares that are registered in the shareholder's name on the day when the lists are deposited.

Each shareholder entitled to vote may vote for only one list. Lists presented without compliance with the Articles of Association may not be voted.

In accordance with Article 15 of the Articles of Association, directors shall be elected in the following way:

- a) directors representing half the number of those to be elected, rounding down to the nearest integer in case of fractions, shall be drawn from the list that obtains the majority of the votes, in their consecutive order of appearance in the list;
- b) the remaining directors shall be drawn from the other lists; for this purpose, the votes obtained by the lists shall be subsequently divided by one, two, three, four and so on, depending on the number of directors still to be elected. The resulting points shall be progressively assigned to the candidates of each of said lists, in the order respectively provided therein. The points thus attributed to the candidates of the various lists shall be placed in a single decreasing order.

Those who obtain the highest results shall be elected.

If more than one director has obtained the same number of points, the candidate from the list that has not yet had any of its candidates elected, or that has had the smallest number of elected candidates shall be elected.

If none of said lists has yet had a director elected, or if all lists have had the same number of directors elected, the candidate with the highest number of votes shall be elected from these list.

When the lists have an equal number of votes and of points, a new vote by the entire Shareholders' Meeting shall be called and the candidate who obtains a simple majority of the votes shall be elected.

In any case, notwithstanding the above provisions, at least one director shall be drawn from the minority list that has obtained the highest number of votes and that is not connected in any way, even indirectly, with the parties who presented or voted the list that obtained the most votes.

The Articles of Association of the Bank do not provide, for the purposes of the allocation of the directors to be elected, for the exclusion of the lists that have not obtained a percentage of votes equal to at least half the one required by the Articles of Association for presentation of the lists (see Article 147-ter, Par. 1 of the TUF), i.e. at least 1% of the share capital of the Company with voting rights in the Shareholders' Meeting.

If, at the conclusion of the vote, no director fulfilling the prescribed independence requirements has been appointed:

(i) the non-independent candidate who was the last of those elected from the list that obtained the majority of votes shall be replaced by the first candidate, according to the consecutive order of presentation, among the independent candidates of the same list;

(ii) the non-independent candidate who was the last of those elected from the other lists shall be replaced by the person, among the independent candidates presented in the same list, who obtained the highest number of points.

If, at the completion of the vote, only one director fulfilling the prescribed independence requirements is appointed, and said director was drawn from the list that obtained the majority of votes, then the non-independent candidate who was the last of those elected from the other lists shall be replaced by the person, among the independent candidates presented therein, who obtained the highest number of points.

If, at the completion of the vote, only one director fulfilling the prescribed independence requirements is appointed, and said director was drawn from a different list from the one that obtained the majority of votes, then the first, according to the consecutive order of presentation, among the independent candidates of the list that obtained the majority of votes shall be elected as the second independent director, replacing the non-independent candidate who was the last of those elected from the list that obtained the majority of votes.

The candidate replaced to allow the appointment of the minimum number of independent directors may in no case be the director drawn from the minority list that obtained the highest number of votes and that is not connected in any way, even indirectly, with the persons who presented or voted the list that obtained the majority of votes; in this case, the non-independent candidate who was next to last in terms of points obtained shall be replaced.

Moreover, if enforcement of the aforesaid procedures does not allow to comply with current gender balance regulations, the portion of votes to be attributed to each candidate drawn from the lists shall be calculated dividing the number of votes obtained by each list by the consecutive presentation number of each of said candidates; the candidate of the more represented gender with the lowest points among the candidates drawn from all lists shall be replaced by the person of the less represented gender who may be indicated (with the lowest consecutive presentation number) in the same list as the replaced candidate. If candidates from different lists have obtained the same points, the candidate of the list from which the highest number of directors is drawn shall be replaced, or, subordinately, the candidate drawn from the list that have obtained the least number of votes shall be replaced, or, in case of equal number of votes, the candidate who obtains fewer votes at the Shareholders' Meeting in a dedicated vote.

For the appointment of any directors, who for any reasons have not been appointed in accordance with the process described above, the Shareholders' Meeting shall pass resolutions in accordance with the law and with the majorities required by law.

For the replacement of Directors who leave office, the provisions of the law and of the Articles of Association shall apply. If the majority of directors should leave office, the entire Board of Directors shall be deemed to have resigned, effective from the time it was re-formed.

Concerning plans for the succession of Executive Directors, all directors, except the Chief Executive Officer, shall be deemed to be non-executive directors, including those who are members of the Executive Committee, insofar as a Chief Executive Officer has been identified and participation in the Executive Committee does not in fact entail the systematic involvement of its members in the ordinary operations of the Bank. Therefore, the Board has not considered it necessary, as matters stand, to adopt a plan for the succession of the Executive Directors, without prejudice to the authority of the Nominations and

Remuneration Committee to submit proposals to the Board for the appointment of the members of the Executive Committee and, at the indication of the Chairman, of the Chief Executive Officer.

Directors may be dismissed by the Shareholders' Meeting at any time, without prejudice to the director's entitlement to damage compensation, if dismissal takes place without just cause. For amendments to the Articles of Association, the current provisions of laws and regulations shall apply, subject to the provision of the Articles of Association that covers amendments to the Articles of Association required by law, over which the Board of Directors shall have authority, and the qualified quorum of at least 60% of shares with voting rights in case of amendments to the Articles of Association pertaining to Paragraphs 5 and 7 of Article 14, as well as Paragraphs (1.1) and (1.6) Letter a) of Article 15, of Articles 4, 6.4 and 6.5 and in any case in which the proposal to convert preferred shares into ordinary shares is included in the agenda.

In accordance with supervisory provisions pertaining to banks' organizational structure and corporate governance, the Board, both upon renewal of the Board of Directors, and in case of an addition thereto during its term of office, shall initiate the procedures necessary to preventively identify the qualitative and quantitative composition of the Board that is considered optimal, identifying and justifying, with the support of the Nominations and Remuneration Committee, the theoretical candidate profile deemed best suited. After the appointments, the Board shall verify whether the qualitative and quantitative composition considered optimal *ex ante* matches the composition resulting *ex post* from the appointments made by the Shareholders' Meeting or by co-optation.

4.2. COMPOSITION (per Article 123-*bis*, Par. 2, Letter d) of the TUF)

The Board of Directors, consisting of 12 members, was appointed by the ordinary Shareholders' Meeting of 27 April 2012 and shall remain in office until the approval of the financial statements for the year ended 31 December 2014.

Following the removal from office of four directors (one of whom was dismissed by the Shareholders' Meeting and three resigned) during the second half of 2013, the ordinary Shareholders' Meeting, on 28 December 2013, resolved to restore full membership of the Board of Directors by appointing four new directors to replace the removed ones; the new directors shall remain in office until the approval of the 2014 financial statements.

Each member of the Board meets the requirements prescribed by the regulations and by the Articles of Association.

The current composition of the Board of Directors complies with the criteria prescribed by gender balance regulations, since there are three directors of the less represented gender out of twelve appointed for the three-year term of office.

At the ordinary Shareholders' Meeting of 27 April 2012, three lists were presented, of which:

1. List no. 1: Fondazione Monte dei Paschi di Siena holder of 40.77% of the ordinary share capital presented for the Board the candidacies of Alessandro Profumo, Fabrizio Viola, Paola Demartini, Tania Groppi, Angelo Dringoli and Marco Turchi;
2. List no. 2: presented by the shareholder Unicoop S.C. which, together with other shareholders, all participating in a shareholder agreement calling for (i) the presentation of two minority lists, one consisting of five candidates for the Board of Directors (Turiddo Campaini, Alberto Giovanni Aleotti, Michele Briamonte, Lorenzo Gorgoni and Pietro Giovanni Corsa) and one consisting of two candidates for the Board of Statutory Auditors, as well as (ii) the obligation to direct all votes available to the participants in favour of specific decisions concerning the appointment of the Board of Directors and of the Board of Statutory Auditors; the participants held 9.21% of the ordinary share capital;
3. List no. 3: AXA S.a. holder of 3.72% of the ordinary share capital presented for the Board the candidacies of Frédéric Marie de Courtois d'Arcollières, Paolo Andrea Rossi and Alban De Maily Nesle.

It has been declared that there are no connections between the lists.

The vote had the following outcome:

- List no. 1: total votes 3,908,983,210, i.e. 61.711781% of the shares entitled to vote;
- List no. 2: total votes 1,919,363,270, i.e. 30.30134% of the shares entitled to vote;
- List no. 3: total votes 452,258,725, i.e. 7.139885% of the shares entitled to vote;

The following candidates were elected: Alessandro Profumo, Fabrizio Viola, Paola Demartini, Tania Groppi, Angelo Dringoli and Marco Turchi, Turiddo Campaini, Alberto Giovanni Aleotti, Michele Briamonte, Lorenzo Gorgoni and Pietro Giovanni Corsa, Frédéric Marie de Courtois d'Arcollières.

In the course of the same Shareholders' Meeting, Mr. Alessandro Profumo was appointed Chairman of the Board of Directors, Marco Turchi and Turiddo Campaini were appointed Deputy Chairmen of the Board; Mr. Campaini subsequently resigned as Deputy Chairman on 20 December 2012 but retained the office of director until his resignation on 22 October 2013.

The Shareholders' Meeting of 29 April 2013 appointed Mr. Pietro Giovanni Corsa as Deputy Chairman of the Board of Directors.

With its resolution of 28 May 2013, the Board of Directors of Banca Monte dei Paschi di Siena declared the two-month suspension of Mr. Michele Briamonte from Director of the Bank, in accordance with Article 6 of Regulation no. 161/1998 of the Ministry of the Treasury Budget and Economic Planning, after said Director was served notice, on 22 May 2013, of an order by the Judge for preliminary investigations of the Court of Siena, whereby Mr. Briamonte had been banned from exercising his functions in the Board of the Bank. In accordance with the aforementioned Regulation, the possible dismissal of the suspended Director was included among the items in the agenda for the first subsequent Shareholders' Meeting. The Shareholders' Meeting of 18 July 2013 voted to dismiss Director Michele Briamonte.

During the second half of 2013, moreover, Ms. Tania Groppi resigned as Director (13 October 2013) as did Messrs. Frédéric Marie de Courtois d'Arcollières (24 September 2013) and Turiddo Campaini (22 October 2013).

As prescribed by the Articles of Association for cases of additions to the Board of Directors during the term of office, the appointment of new directors was resolved by the Shareholders' Meeting, on 28 December 2013, without applying the list vote criterion. On that occasion, the following persons were appointed as directors for the remaining period of the current term of office: Ms. Marina Rubini (independent, on the proposal of the shareholder Fondazione Monte dei Paschi di Siena) and Ms. Béatrice Bernard (on the proposal of the shareholder AXA s.a.), and Messrs. Marco Miccinesi and Daniele Discepolo (both independent, on the proposal of the shareholder Rinaldi). All new directors appointed by the Shareholders' Meeting had previously been co-opted by the Board of Directors, with a resolution approved by the Board of Statutory Auditors, in accordance with Article 2386 of the Civil Code (Ms. Béatrice Bernard by resolution of 24 September 2013, Ms. Marina Rubini and Messrs. Daniele Discepolo and Marco Miccinesi, by resolution of 14 November 2013).

The process for the aforesaid co-optations and the subsequent appointments by the Shareholders' Meetings took place in compliance with the requirements set by Bank of Italy with its Note of 12 January 2012 "Enforcement of Supervisory Provisions concerning banks' organisation and corporate governance." The Board of Directors, taking into account the consultative contribution of the Nominations and Remuneration Committee, took account, to identify *ex ante* the theoretical profile deemed suitable for candidates to the office, the criteria identified by the Board itself in the course of the qualitative and quantitative self-assessment deemed optimal for the proper operation of the Board, carried out in March 2013 (also with the support of the Nominations and Remuneration Committee). On that occasion, the Board of Directors had manifested a broad consensus on the adequacy of its own dimension, deeming its own competencies to be broadly adequate, with specific focus on the opportunity to enhance, prospectively, typical knowledge and competencies of the banking and credit industry.

Subsequently, the Board verified the match between the qualitative and quantitative composition of the Board deemed optimal and the actual composition resulting from the appointment process.

A brief *curriculum vitae* of each director in office is provided below, described the competence and professional experience accumulated by each of them.

Alessandro Profumo. Graduate of *Università* Bocconi in Milan with a degree in Business Economics. After maturing a significant experience in the fields of credit, finance and consulting, holding positions of responsibility in Banco Lariano, McKinsey, Bain, Cuneo & Associati, Riunione Adriatica di Sicurtà, in 1994 he joined Credito Italiano where he was Central Co-Manager, then General Manager and Chief Executive Officer, remaining in this office with the subsequent merger of the bank into Unicredit and until he left the group in 2010. Mr. Profumo has held many administration and control positions. Currently, he is Chairman of the financial consulting firm Appeal Strategy&Finance, member of the Supervisory Board of the Russian bank Sberbank, Director of Eni and Director of the Together To Go Foundation. Since 2012, he has been a member of the International Advisory Board of the Brazilian bank Itaù Unibanco. Since 2006, he has been a Director of *Università Commerciale* Luigi Bocconi.

He is also a member of the Board and Executive Committee of the Italian Banking Association, and member of the governing council of Assonime.

He has been a member of the Board of Directors of the Issuer since 28 April 2012.

Fabrizio Viola. Graduate of *Università* Bocconi in Milan with a degree in Business Economics. He was General Manager of Banca Popolare di Milano, from September 2004 to September 2008 before being appointed Chief Executive Officer of Banca Popolare dell'Emilia Romagna. In the first part of his career, he worked in major consulting and finance firm; he subsequently joined the asset management sector, in charge of managing some mutual funds of international dimensions. Among the most significant professional experiences was in 1987, when he joined the IMI Group, where he was Director and in charge of the Italian stock portfolio of private and institutional asset management with Sige. He is currently a member of the Board and of the Executive Committee of the Italian Banking Association.

He is the Chairman of the Board of Directors of Banca Widiba SpA of the MontePaschi Group and a member of the Board of Directors of AXA MPS Assicurazioni Vita S.p.A. and AXA MPS Assicurazioni Danni S.p.A.

He has been a member of the Board of Directors of the Issuer since 28 April 2012, formerly General Manager of the Issuer from 13 January 2012, on 3 May 2012 he was appointed Chief Executive Officer.

Marco Turchi. Enrolled in the Register of Auditors. He currently holds the following offices, among others: Sole Director of Alesund S.r.l., Chairman of the Board of Statutory Auditors of Agricola Merse S.r.l., Frati Luigi S.p.a, Crai Toscana Soc. Coop. a r.l. (Etruria Soc. Coop. a r.l.) and Standing Auditor of Bandini S.p.A. Formerly, he was a Standing Auditor of: AGEA from 1999 to 2002, Mediocredito Toscano S.p.a from 1992 to 2001, Unicoop Senese Soc. Coop. a r.l. from 1992 to 1995, Prima SGR S.p.a (2009/2010) and Prima Holding S.p.a. (2009/2010).

He has been a member of the Board of Directors of the Issuer since 28 April 2012.

Béatrice Bernard: A 1985 graduate of the HEC School of Management in Paris, with actuarial studies at the CEA, Chartered Accountant (in the United Kingdom) and Certified Public Accountant (in the United States) in 1995. She has a career of over twenty years in the AXA Group. She was Director of Planning-Budgets-Results of GIE AXA from 2003 to 2007, serving in responsible roles in the production of data for the AXA Group's financial disclosure. She worked on the acquisition and merger of the former Winterthur in 2006/2007. She handled the financial strategy and forecasts of the AXA Group and she was in charge of the Management Control business family worldwide. From 2007 to 2013, she was Director of the Greater Paris Region of AXA France, overseeing the distribution of the entire range of AXA products for private and professional customers in the Paris Region, through three different agency channels: agents, brokers and direct sales force, and managing all related transactions. She is General Manager of AXA MPS Assicurazioni Vita S.p.A. and AXA MPS Assicurazioni Danni S.p.A and a member of the Board of Directors of AXA MPS Financial Lim.

She has been a member of the Board of Directors of the Issuer since 24 September 2013.

Lorenzo Gorgoni. With a degree in Economics and Business, from 1973 to 2000 he was a member of the Board of Directors of Banca del Salento S.p.A. (serving as Chief Executive Officer from 1978 to 1985, Vice Chairman from 1991 to 1993, and Deputy Chairman from 1993 to 2000). From 1988 to 1990 he was Chairman of the Board of Directors of Banca di Bisceglie S.p.A., from 2000 to 2002 he served as Chairman

of the Board of Directors of Banca 121 S.p.A., and until September 2008 he was a member of the Executive Committee of Banca Agricola Mantovana S.p.A.. He is currently a Director of the Italian Banking Association and of Telecom Italia Media S.p.A.. Awards: *Cavaliere del Lavoro* since 1 June 2002. He has been a member of the Board of Directors of the Issuer since April 2003.

Alberto Giovanni Aleotti. A graduate in Business Economics from the University of Florence. From 1997 to the present, his professional experience has been with A. Menarini IFR Srl, as Deputy Chairman of the Board of Directors, and he is a member of the Board of Directors of Pharmafin S.p.A.. He is also Chairman of the Supervisory Board of Berlin Chemie AG. He has been a member of the Board of Directors of the Issuer since 28 April 2012.

Pietro Giovanni Corsa. A graduate of the University of Siena with a degree in Banking Economics. He was Administrative Director of A. Menarini Industrie Farmaceutiche Riunite Spa from 1997 to 2009 and since 2010 he has been General Manager of the Menarini Group for the Management, Administration and Information Technology Area. He has been a member of the Board of Directors of the Issuer since 28 April 2012.

Daniele Discepolo: A graduate of the University of Pisa with a degree in Jurisprudence. Head of the Discepolo law firm, correspondent in Italy of American, British, Swiss, French and Spanish law firms. He is currently the Chairman of the Board of Directors of Risanamento S.p.A. and a member of the Board of Directors of major companies, including Piaggio S.p.A. (where he serves as Chairman of the Risk Control Committee, Lead Independent Director and Data Processor and member of the Remuneration Committee), Artemide S.p.A. (where he serves as the Chairman of the Internal Control Committee and Lead Independent Director), Truostar S.p.A. and Manucor S.p.A.. He is also the Chairman of the Board of Statutory Auditors of Pianoforte Holding, owner of the companies Yamamay e Carpisa, and *pro bono* Director of the Filarete Foundation for Biosciences and Innovation. By appointment of the Ministry of Development, is he the Receiver of Livingston, Meraklon and Valtur. He has been a member of the Board of Directors of the Issuer since 14 November 2013.

Angelo Dringoli. A graduate of the University of Siena with a degree in Economics and Banking. Enrolled in the Register of Chartered Accountants of the province of Siena and in the Register of Auditors; from 1980 to April 2012, he was Full Professor at the University of Siena, Economics Department, where he is currently and Adjunct Professor. Previously, he held the following offices: Statutory Auditor at Cassa di Risparmio di Terni from 1995 to 1998; director at Banca Toscana from 1999 to 2006; member of the Board of Directors of Banca Verde from 2001 to 2004. He has published many highly qualified academic papers on economic and financial topics. He has been a member of the Board of Directors of the Issuer since 28 April 2012.

Paola Demartini. A graduate of the University of Genoa with a degree in Economics and Business. Since February 2012, she has been Professor in the scientific sector SECS – P07 Business Economics, at the University of Rome 3; from 2010 to February 2012 she was Associate Professor of Business Economics at the University of Rome 3; from 1991 to 2009 – Associate Professor of Business Economics at University of Urbino Carlo Bo. She has published many highly qualified academic papers on economic and financial topics. She has been a member of the Board of Directors of the Issuer since 28 April 2012.

Marco Miccinesi: Degree in Jurisprudence. Attorney before the Court of Cassation of Florence, he works in Florence, Milan and Rome in the field of tax law and business consulting. He is full professor of Tax Law at the Department of Jurisprudence of *Università Cattolica del Sacro Cuore* in Milan and Director of the Study and Research Centre in Italian and international Tax Law at the same University. He holds the following offices: Chairman of the Board of Directors of Bi Elle Finanziaria S.p.A., Casa di Cura Eretenia S.p.A., Bonaldi S.p.A., Bonaldi Motori S.p.A. and Bonaldi Tech S.p.A.; Director of: M.T. Manifattura Tabacchi S.p.A., Boeheringer Ingelheim Italy S.p.A., Bidachem S.p.A.; member of the Supervisory Board of A2A S.p.A.; Statutory Auditor of Kedrion S.p.A. and Kedrion Group S.p.A.. He has been a member of the Board of Directors of the Issuer since 14 November 2013.

Marina Rubini: a graduate of *Università Cattolica del Sacro Cuore* in Milan with a Master of Laws degree from

the Northwestern University School of Law in Chicago (Illinois, USA). An attorney, she has collaborated with major law firms in Italy and abroad and serving in the following roles: Head of Legal & Compliance Italy and Southern Europe Cluster at Novartis V&D; Head of Corporate Compliance, Antitrust and Commercial Contracts in the Legal and Corporate Affairs Department of Bayer and Head of the Corporate Area within the Legal Department of Tamoil Italia. Her CV has been included in the database of the Bellisario Foundation “1000 Outstanding Curricula”, a collection of the best curricula of women with outstanding professional careers.

He has been a member of the Board of Directors of the Issuer since 14 November 2013.

For the organization of the Board of Directors, please see the enclosed Table no. 1

✓ **Maximum number of positions held in other companies**

The maximum number of positions held by members of the Board of Directors is also regulated by a dedicated point in the Regulations of the Board of Directors.

Said regulations, revised in 2012, specifies that, indicatively, "holding corporate offices, in six joint stock companies outside the MPS Group other than BMPS, not resulting from the Group's own designation, can be deemed compatible with the effective performance of the duties of a Director of the Bank". In this regard, up to four offices held within the same group count as one; more than four offices count as two.

To this limit is added the maximum number of three offices – barring exceptional cases – in companies of the Montepaschi Group, excluding the Parent Company, or in other companies at the designation of the Group itself.

In light of Consob communication no. 10046789 of 20 May 2010, the Regulations of the Board of Directors specifies that “... said limit of three offices is an adequate safeguard to preserve the directors’ independence from the viewpoint of financial relations with the issuer and its Group, in accordance with the provisions of current regulations and interpretations. The Board of Directors, when making the designations - or the Chairman in case of consultation procedures - shall ensure that said limit is constantly maintained from the substantial viewpoint as well and, with it, that the director's independence is safeguarded.”

The assessment of the maximum number of positions, prescribed by current regulations, takes into account the substance of the positions held, rather than their mere number; therefore, it is based on the type of position held (e.g. executive or non executive director), the nature and size of the company where the positions are held (e.g., listed or unlisted companies), the specific circumstances and, in any case, keeping the Bank’s best interest as the foremost reference criterion.

In its meeting of 11 March 2014, the Board carried out said annual review, in relation to which it resolved to confirm the compatibility of the other corporate offices held by its own members, in addition to office in the Bank, with the effective performance of duties as the Bank's Director.

✓ **Board Induction Programme**

With the current term, a “board induction” programme has been started; it consists of a series of periodic seminars for all members, held by Bank managers or outside professionals on issues including: directors' duties and responsibilities, risks and controls, finance capital and liquidity, credit, sales, organisation and network.

According to the results of the self-assessment, directors’ training and education on technical issues were deemed important, and it was decided that the training plan deserves to continue.

4.3. ROLE OF THE BOARD OF DIRECTORS (per Article 123-*bis*, Par. 2, Letter d) of the TUF)

✓ **Operation**

In 2013, the Board of Directors met 24 times, for an average duration of 4 hours and 24 minutes; in 2014, up to the month of February, 3 meetings were held, with an average duration of approximately 4 hours and 11 minutes. For the remainder of 2014, 11 additional meetings are scheduled.

For each director's percentage of attendance at meetings, please see the table in "Annex no. 1".

Distribution of information is regulated and structured to ensure efficient management and effective controls.

In particular, information is made available to directors and statutory auditors using a dedicated procedure available from the Intranet or extranet on a protected basis, enabling all Directors to review the proposals and annexes and obtain all information necessary to participate in discussions and resolutions concerning items in the agenda of the Board's meetings, in an informed manner, also in accordance with Article 2381, Par. 6 of the Civil Code. More specifically, the Board's documents are made available, mostly at the time the meeting is convened and the related agenda is announced (5 days before the meeting) or in the following days as soon as they are available (in urgent cases or for additions to the agenda, at least 24 hours before the meeting), by uploading them to a "Team Site", accessible by the Directors and Statutory Auditors, through the Internet or the company's Intranet, in any case in a protected environment, accessible through personalised login and password.

The Chairman himself shall ensure that adequate and comprehensive information and documentation is provided on the agenda items for the Board meeting for all components with suitable advance notice, correlated to the importance, relevance and complexity of the individual positions to be examined, always complying with the rule that the documentation shall be made available to Directors and Statutory Auditors sufficiently in advance to enable them to examine and evaluate the proposals in the agenda.

For reasons of confidentiality, it may occur that with respect to a topic that is included in the agenda, Directors receive the documentation at the time of the meeting; in other cases, it has proven necessary to make additions to the information in the course of the meeting, e.g. for the considerations for the various Committees within the Board, which generally meet a few hours prior to the Board meeting.

For reasons of urgency, it may also be necessary to make a decision about an issue not included in the agenda, but discussed as "Any Other Business"; in this case, the consent of all Directors (even absent ones) must be obtained; however, these are exceptional events that never occurred in 2013.

The Board of Directors' meetings are attended by the Secretary, selected among the Executives of the Bank, as prescribed by the Articles of Association.

Certain Bank Executives may be invited by the Chairman to participate in some parts of the meeting, in order to provide more thorough explanations for some agenda items.

All the above is specified and set out in the Board Regulations, the latest version of which was approved in the course of the meeting of 3 May 2012

The Regulations specify that "with reference to the organization of the work of the Board, the Chairman is tasked with directing the work and the debate and leading the discussions with the option of relying on the contribution of Bank Executives or advisors to illustrate specific topics during the meetings of the Board". On this matter, according to the results of the self-assessment, the Directors appreciate the way the Chairman leads the Board's debate, in particular concluding the self-assessment with the statement that "the Chairman has performed his role effectively, obtaining the Directors' appreciation for the authority with which he manages the work of the Board, promoting participation and questions and seeking everyone's contribution".

✓ **Powers of the Board of Directors**

The Board of Directors has all ordinary and extraordinary administrative powers for the achievement of the purpose of the company, not reserved to the Shareholders' Meeting by law or by the Articles of Association; more specifically, the Articles of Association exclusively reserve (Article 17, Par. 2) to the Board certain powers that may not be delegated, including:

- ✓ formulating the strategies and guidelines of the Company and of the banking Group it heads, and approving the related business and financial plans and strategic transactions;
- ✓ oversee the correct and consistent implementation of the aforesaid guidelines and strategic plans into the management of the Company and of the Banking Group;
- ✓ establishing the principles for the Company's general organization and approving its organizational structure, approving and amending its main internal regulations;
- ✓ expressing the general guidelines for the banking Group's organization and operation, establishing the criteria for the coordination and management of subsidiaries belonging to the same banking Group, and for the execution of the instructions imparted by the Bank of Italy;

- ✓ preparing the draft financial statements and submitting them to the Shareholders' Meeting;
- ✓ making decision on the establishment of committees to provide advice and make proposals to the Board;
- ✓ appointing the General Manager and also making decisions about his/her dismissal, suspension, removal, termination from office and about the remuneration due to him/her;
- ✓ ensure that the Financial Reporting Officer has adequate powers and means to perform his/her duties, and that administrative and accounting procedures are enforced.

In compliance with Article 2365 of the Civil Code, the Board is responsible for deciding on mergers in the cases prescribed by Article 2505 and 2505-*bis*, on the establishment and closure of secondary locations and on amending the Articles of Association as required by regulatory provisions. These powers are expressly set out in the Articles of Association.

The Board of Directors of the Parent Company shall make decisions with regard to the transactions of the Issuer and of its subsidiaries (in this case, through the instrument of the "Parent Company's preventive opinion") if the transactions have significant relevance in strategic, economic, capital or financial terms. The above in accordance with the Articles of Association and internal regulations. In particular, with its resolution of 13 November 2012, the Board adopted the "Group Directive for operating governance" which, in close synergy with the other internal regulations, regulates the strategic and operational responsibilities of the Parent Company and of the Group's companies on company processes, their operating mechanisms and the circulation of information flows, in order to assure the achievement of shared objectives, whilst maintaining the legal autonomy of the Group's Companies and applying the principles for their proper management.

With regard to the general operating performance, the Board assesses it on a quarterly basis through the budget review submitted by the Chief Executive Officer.

With the same periodicity, the decision-making bodies submit to the Board a report that examines the exercise of the delegated powers.

Within its scope of operations, in 2013 the Board confronted the following main issues.

On 1 March 2013, it decided to initiate derivative litigation against the previous Chairman of the Board of Directors and the previous General Manager and actions for damages against Nomura International plc and Deutsche Bank AG for the "Alexandria" and "Santorini" transactions. In relation to the above, the Board of Directors decided to include among the agenda items of the Shareholders' Meeting, convened for the approval of the financial statements at 31 December 2012, also the resolutions concerning the aforesaid derivative litigation against the former company officers indicated above. The Shareholders' Meeting of 29 April 2013 passed the resolution to initiate derivative litigation, proposed by the Board and brought before the Court of Florence, against the former Chairman of the Board of Directors, Mr. Giuseppe Mussari, and the former General Manager, Mr. Antonio Vigni for all damages suffered and to be suffered by the Bank in relation to the transaction carried out with Nomura Int. Plc and against the former General Manager Mr. Antonio Vigni for all the damages suffered and to be suffered by the Bank in relation to the transaction carried out with Deutsche Bank AG.

On 28 March 2013, the Board decided to carry out the merger by absorption into BMPS of the two wholly owned subsidiaries Banca Antonveneta S.p.A. and Mps Gestione Crediti Banca S.p.A., within the scope of the powers assigned to it by Article 17 of the Article of Association in accordance with Articles 2365 and 2505 of the Civil Code.

With its resolution of 7 October 2013, the Board approved the 2013 - 2017 Restructuring Plan prepared according to the guidelines agreed with the Ministry of the Economy and Finance and with the European Commission and approved on 27 November 2013 by the European Commission itself.

On 28 November 2013 the Board assessed the organisational and overall structure of the Bank and of the Group and approved the 2013-2017 Business Plan for implementing the strategic and operational guidelines of the Restructuring Plan, which develop along three main directions: achievement of sustainable levels of profitability, strengthening capital quantities and quality, the structural rebalancing of liquidity.

On 28 November 2013, the Board also decided to carry out the merger by absorption into BMPS of Montepaschi Ireland Limited (within the scope of the powers assigned to it by Article 17 of the Articles of Association in accordance with Articles 2365 and 2505 of the Civil Code) and authorized the sale to

Fruendo Srl of the business unit that managed activities relating to the Bank's auxiliary, accounting and administrative services.

On 30 January 2014, the Board approved the plan for the reorganisation of the Parent Company's structures, aimed at strengthening sales and distribution activities and integrating governance functions with business support.

✓ **Self-assessment of the Board**

In line with international best practices and with the provisions of the Corporate Governance Code, of the "Supervisory provisions concerning banks' organisation and corporate governance" issued by Bank of Italy on 4 March 2008 (also taking into account the revision to said provisions, undergoing consultation at the time this Report was prepared) and of Bank of Italy Note 11/01/2012 "Enforcement of Supervisory provisions concerning banks' organisation and corporate governance" and also of its own Regulations, the BMPS Board of Directors carried out the self-assessment of the Board and of its Committee referred to the year 2013 ("Board Review 2013"), relying on the support of the consulting company SpencerStuart, which had already assisted in the self-assessment process for the year 2012. The goal of the work was to carry out a structured review of the size, composition and operation of the Board of the Bank and of its Committees and to identify opportunities for further improvement, in order to best perform its direction and control duties.

The 2013 Board Review 2013 was carried out with the method of direct interviews with Directors, performed by SpencerStuart senior consultants with board consulting experience. This self-assessment method, widely used in international practice, allows for the effective participation of Directors and a thorough analysis of the issues.

The interviews were carried out using an "Interview Guide" agreed beforehand with the Chairman of the Board of Directors and the Nominations and Remuneration Committee; for each issue discussed, Directors were asked to provide a quantitative assessment and a qualitative comment.

In addition, the Board's operating practices were compared with those identified as "Best Practices" in a recent study by SpencerStuart, called "Boardroom Best Practices". The Minute Books of Board of Directors' meetings were also analysed, in order to understand the manner of interaction of the Directors, their debate contributions, the issues discussed and their frequency in the agenda, the duration and periodicity of the meetings.

After completing the analysis, SpencerStuart produced a document that illustrates the main strengths, the proposals for possible actions to undertake in order to develop the Board's improvement areas, and the progress of what had been identified in the previous self-assessment.

In this regard, it should be pointed out that, in view of the results of the self-assessment for the year 2012, certain specific actions were taken:

- Optimal qualitative and quantitative composition of the Board of Directors: certain amendments were made to the Articles of Association, on issues relating to the limit to the number of terms of office, a balance of genders in the lists, age limits at the time of appointment differentiated by type of office (Chairman; Chief Executive Officer; Director);
- Definition of Group strategies: the Strategic Committee was abolished. It was decided that the time for the Board's discussion and approval of the multi-year business plan shall be kept separate from the discussion and approval of the annual budget.
- Plan for the succession of operating managers: start of the managerial continuity Plans, aimed at assuring adequate succession mechanisms to cover critical positions.
- Operating performance: the new architecture and the contents of the top management reporting system, also used by the Board, were defined and implemented.
- Related Party Transactions Committee: the name of the Independent Director Committee was changed to Related Party Transactions Committee, specifying its mission, responsibilities and activities.
- Relations between the Board and management: the interface for Directors was strengthened with regard to requests for additional information and clarification on specific topics.

In 2013, work continued for the review and consolidation of the rules of operation of the Bank and of the Group in terms of governance, policies and operating procedures. The Board was also engaged in certain decisions of an extraordinary nature, first among them the decision to increase the Bank's share capital.

The composition of the Board of BMPS changed as a result of the removal of four Directors from office and the consequence appointment of as many new Directors, which took place in the second half of the year.

The Board of Directors often had to operate in a situation of “urgency”; the Director’s involvement and effort was very intense, as demonstrated also by the frequency and duration of the meetings. It is a widely held opinion among the Directors that the Board's operating mechanisms have been enhanced, in part thanks to the appointment of the new Directors which mostly strengthened the Board of Directors.

The Chief Executive Officer is highly appreciated for his operational management of the Bank, for his thorough knowledge of the business, for his commitment and dedication, and for the information he provided on the exercise of the delegated powers. Together with the Chairman, he illustrates Agenda items clearly and he is willing to provide the additional information requested and to address the Directors’ observations.

The Directors deem that the size of the Board is adequate, for a complex group like the Montepaschi Group, and it allows for appropriate discussion in relation to the complexity and intricacy of the subjects to be examined.

The mix of the Directors’ competencies assures effective mastery over the issues, and the most recent appointments have increased the ability to oversee legal and corporate law matters. Most Directors deem it possible for them to give their best contribution to the decision-making process, although the situation the Bank had to confront did not allow the Board to tackle the most strategic, long-term issues with the necessary attention and thoroughness.

The Directors' education and training on technical issues, such as the evolution of banking regulations and certain specific subjects (e.g. capital allocation, geographical presence of the Bank, investments, risk assessment connected with the business plan, etc.) are deemed important by most Directors.

Overall, the role performed by the Board with regard to the risk identification and management system was appreciated.

There was a wide consensus on the adequacy of the competencies and the composition of the various Committees, considered by the Directors to be a very important operating instrument to further their knowledge of the Bank and to promote preliminary fact-finding work on relevant matters. The members of the Committees have interpreted their roles well and operated with independence and authority, effectively supporting the Board.

With reference to the operations of the Board, the areas most appreciated by the Directors are: the role performed by the Chairman and the management of the Board’s debates; the opportunity for each Director freely to express his/her opinions and actively to contribute to the debate; the recording of the questions and arguments put forth by the Directors in the minutes; the adequacy of the Board’s size and the balance of its structure between executive, non executive and independent directors, and the presence of women; the clarity of the agendas; the continuity and presence of Directors in the Board’s meetings, the clear and comprehensive presentation of the topics by the Chief Executive Officer; the support provided by the Directors to the Chief Executive Officer in presentations to the Board, the recognition and identification of risks by the Board; the organisational solutions and the appropriate actions, consistent with risk management policies.

At the conclusion of the self-assessment process, based on the opinions expressed by the Directors and on the review of international best practices pointed out by SpencerStuart, actions were outlined to be implemented to achieve further growth of the Board of Directors with particular regard to the areas for which the Directors have indicated the possibility of ameliorative initiatives.

The Nominations and Remuneration Committee, in its meeting of 10 March 2014, acknowledged the findings of the Board Review and deemed the overall matter to be relevant also for the purposes of further study by the Board.

The Board examined the results of the self-assessment process for 2013 in its meeting held on 11 March 2014. It expressed its own positive assessment regarding the appropriateness of the size, composition and professionalism, in terms of type and variety of skills and experiences overall, of the operation of the Board of Directors and the Internal Committees.

4.4 DELEGATED BODIES

✓ **Chief Executive Officer**

On 3 May 2012, the Board of Directors appointed the General Manager, Mr. Fabrizio Viola as the Chief Executive Officer of the Bank, granting him the power to submit recommendations and proposals and to execute the resolutions of the Board.

With regard to the powers of recommendation, the Chief Executive Officer submits to the Board of Directors issues concerning: (a) the general guidelines for the operation of the Group, (b) the general criteria for coordination and direction of subsidiary companies, (c) the internal regulations and group directives regarding development and management policies as well as the human resource incentive system, (d) the appointment of one or more Deputy General Managers, one of whom will be a senior deputy general manager, with the definition of their relative functions, mandates, powers and remuneration; (e) the hiring, appointment, definition of the functions, powers and legal and economic status of the Board Members and the structures reporting directly to the CEO and the Financial Reporting Officer.

As part of his autonomous executive powers, the Chief Executive Officer can: (a) open and close branches and offices, unless they are secondary headquarters; (b) resolve to hire, promote, appoint, define the duties, functions and powers and the legal and economic status of the personnel of any level or degree, including the managers (except for the positions reporting directly to the Board or the CEO himself which fall under the authority of the Board), adopt the necessary provisions, authorize waiting periods, order transfers and secondments, assume all precautionary and disciplinary actions including termination, decide on the termination at will (for managers), and define the termination treatment, management of relations with labour unions; (c) make decisions in regard to equity investments freely up to an amount of EUR 4.0 million; (d) authorize expenses within the limits of the budget approved by the Board up to EUR 10 million. No specific powers have been granted in regard to the granting of loans.

✓ **Chairman of the Board of Directors**

The Chairman of the BMPS Board of Directors has received no management mandate by the Board itself, nor carries out a specific role in drawing up the corporate strategies; concurrently, this person does not have the position of chief executive officer, nor is he the controlling shareholder of BMPS.

As indicated in the Regulation of the Board of Directors, the Chairman is responsible for the operation of the corporate governance system and acts as the interlocutor of the internal control organs and the internal committees.

The Chairman of the Board of Directors also has an important role in promoting internal dialectics and ensuring that the powers are balanced, in line with the duties that are attributed by the Civil Code. In particular, with regard to the organization of the Board's work, the Chairman is responsible for managing the work and the debates, conducting the discussions, while having the possibility of obtaining illustrative contributions, during the meetings of the Board, from bank managers or consultants on specific issues. The Chairman of the Board also ensures that the information is circulated and that the appropriate information on the issues set forth under the agenda are provided to all the Directors.

✓ **Executive committee (per Article 123-bis, Par. 2., Letter d) of the TUF)**

Pursuant to Article 19 of the Articles of Association, the Executive Committee is composed of certain members by rights (the Chairman, Deputy Chairman/Chairman, Chief Executive Officer/Officers) and the members of the Board selected by the Board itself in the first meeting held subsequent to the Shareholders' Meeting which approves the financial statements, so that the Committee consists of at least five and at most nine members.

On 3 May 2012, the Board of Directors established its own Executive Committee. Currently, in addition to the members by rights pursuant to Article 19 of the Articles of Association (Alessandro Profumo, Marco Turchi, Pietro Giovanni Corsa and Fabrizio Viola), the following persons are members of the Executive Committee: - Directors Alberto Giovanni Aleotti and Lorenzo Gorgoni. The latter were confirmed by the Board of Directors in its meeting of 14 May 2013.

The powers delegated to the Executive Committee have been attributed based on the resolution of the Board of 15 May 2012 and were implemented subsequently, on 31 October 2012.

The following powers have been granted to the Executive Committee:

- authorization for expenses within the budget approved by the Board, and in any case up to EUR 50 million;
- to bring lawsuits or cross-complaints and to authorize transactions with the court;
- to make decisions regarding the granting of credit up to EUR 250 million (excluding the loans under Article 136 Tub - for which the Board is exclusively responsible - and with “major” related parties);
- to decide upon terminations and administrative/operating decisions regarding equity investments with a book value between EUR 4 million and EUR 20 million, excluding the transactions that involve changes in the Banking Group;
- to make operating decisions that are not under the exclusive responsibility of the Board of Directors pursuant to the Articles of Association;
- to decide upon investments/disposals of real estate up to EUR 20 million.

In 2013, there were 14 meetings with an average duration of 31 minutes. In 2014, in the month of February, one meeting was held which lasted for 29 minutes. 14 meetings have been scheduled for the remainder of 2014, one per month.

Please see “Table 1” attached, for the structure and attendance of the Executive Committee meetings.

✓ **Disclosure to the Board of Directors**

Upon attribution of the autonomous powers of the delegated bodies, the Board established that they must disclose to it, every quarter, the actual exercise of the powers conferred to them.

4.5 OTHER EXECUTIVE DIRECTORS

All the members of the Board of Directors, except for the Chief Executive Officer, are “non-executive directors”; furthermore, there are no directors with managerial responsibilities within the Bank except for Mr. Fabrizio Viola who, in this case as well, is concurrently the Bank’s Chief Executive Officer and General Manager.

4.6 INDEPENDENT DIRECTORS

The Corporate Governance Code, as a point of reference for effective corporate governance indicates that the following are among the duties of the Board of Directors: to assess (i) the independence of its non-executive members, on the basis of substance over form; (ii) the relations that could be or to appear to have the capacity to compromise the autonomy of the non-executive directors’ judgment, based on information provided by the interested parties and in any case at the disposal of the issuer.

The Board has decided that the qualification of non-executive director as an independent director does not express a value judgment, but rather indicates a de facto situation, such as the absence of relations with the issuer or individuals connected to the issuer, that would currently effect the autonomy of judgment and the unbiased appreciation of the management’s work.

All the directors, except for the Chief Executive Officer, are non-executive directors. For six of the Directors, the Board of Directors confirmed the fulfilment of the independence requirements pursuant to Article 147 *ter* and 148 of the TUF and pursuant to the Corporate Governance Code for Listed Companies, the last time during its meeting of 11 March 2014, upon completion of the annual verification of the fulfilment of the requirements of professionalism, trustworthiness and independence of the Directors in office.

The verifications were conducted on the basis of information provided by the interested parties or which were already available to the company.

For the Directors appointed by the Shareholders’ Meeting on 28 December 2013 to supplement the membership of the Board, the latter verified fulfilment of the requirements of professionalism,

trustworthiness and independence in its meeting of 14 January 2014 and ascertained that the independence requirements were fully fulfilled pursuant to Article 147 *ter* and 148 TUF and pursuant to the Corporate Governance Code for Listed Companies, insofar as the Directors Daniele Discepolo, Marco Miccinesi and Marina Rubini.

The current independent Directors sitting on their Bank's Board are Pietro Giovanni Corsa, Paola Demartini, Daniele Discepolo, Angelo Dringoli, Marco Miccinesi and Marina Rubini.

The number of the Bank's independent Directors (six) is therefore higher than the minimum limit of at least one third as indicated in the Corporate Governance Code for issuers belonging to the FTSE-Mib index.

The Board of Statutory Auditors verifies the correct application of the criteria and ascertainment procedures adopted by the Board of Directors for the assessment of its members' independence and will report this in its report to the Shareholders' Meeting convened for the approval of the financial statements for the year ended 31 December 2013.

No meetings attended exclusively by independent Directors, without the presence of other Directors, were held in 2013. However, meetings of the Related Party Transactions Committee, which is composed exclusively of independent directors, were held.

There have been no cases of directors who were qualified as independent directors within the Board's appointment lists and committed to maintaining this status for the entire duration of the mandate, who resigned.

4.7. LEAD INDEPENDENT DIRECTOR

In consideration of the fact that the Chairman of the BMPS Board of Directors received no management mandate from the Board itself, nor carries out a specific role in preparing the corporate strategies or acts as the chief executive officer or the controlling shareholder of BMPS, the BMPS Board of Directors has not appointed an independent director as the lead independent director, since the application criterion 2.C.3 of the Corporate Governance Code does not apply.

5. PROCESSING OF CORPORATE INFORMATION

The Bank's Board of Directors has adopted special internal rules for the handling of corporate information, in order to regulate the flow of this information, in particular the confidential information.

The principles and guidelines for identification of a suitable processes for the handling of confidential information are also set forth in the "Group Directive on Market Abuse" (hereinafter the "Directive"), approved by the Board, in the last updated version, in the meeting of 8 March 2012 as well as the relative operating instructions which define the criteria for the conduct, the organizational rules, procedures and obligations as well as the responsibilities and duties of the organizational structures that are involved, in relation to issues that are significant also for the Montepaschi Group entities.

Furthermore, in order to establish a unified compendium on the issue of market abuses, the Directive also summarizes the provisions under the "Internal Dealing Regulation," approved by the Bank's Board on 29 March 2006 and subsequently amended with the resolution of 28 January 2010 and lastly with the resolution of 8 March 2012; this Regulation is published on the Bank's website www.mps.it/Investor+Relations/ElencoDocumenti

The Directive covers the following issues:

– **Internal Dealing:** disclosure obligations to the public and Consob for transactions carried out with significant individuals, including through an intermediate person, involving the shares of the listed issuers or other financial instruments connected to them.

The Directive summarizes the main point (applicable only to Banca MPS) while the entire area is addressed in the “Internal Dealing Regulation.”

- **Purchase of treasury shares:** defines the procedures for purchasing the shares and the obligation to disclose the program to the market.
- **Recommendations:** regulation on correctness and transparency of studies and research on listed financial instruments.
- **Confidential information:** introduction of the notion of confidential information as an object of disclosure and the obligation to establish the “List of persons with access to confidential information.” The Directive defines the principles and the methodological references for the Group Companies to which this issue pertains.
- **List of persons with access to confidential information:** the obligation of issuers and the entities controlled by them, to establish and manage the list of persons who by virtue of their work or profession or due to the functions incumbent upon them, have access to confidential information. In this context, the areas and rules for application are defined.
- **Abuse of confidential information and market abuse:**
 - introduction of new administrative offences;
 - provision for “safe harbor” specifications and allowed market practices;
 - introduction of the obligation to recognize and inform Consob of transaction which, based on reasonable suspicion, could involve market abuse and/or abuse of confidential information, the so called “suspicious transactions” (Article 187-*nomies* of the TUF).

The obligations set forth under Article 187-*nomies* of the TUF regarding recognition and disclosure of “suspicious transactions, ” are addressed in the aforementioned Directive which defines the principles and methodological references for the Group Companies concerned by this issue and following which they prepared and issued a new internal regulation which defines the functions, duties and responsibilities of the central and peripheral structures.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS

(per Article 123-*bis*, Par. 2., Letter d) of the TUF)

The Board of Directors has appointed the following internal committees which support and assist the Board itself, attributing to them the functions of one or more committees as provided by the Corporate Governance Code and the regulations on transactions with related parties:

- **Nominations and Remuneration Committee**, carries out the functions of both the Nominations Committee and the Remuneration Committee as provided by the Corporate Governance Code as well as the Bank’s Articles of Association.
- **Control and Risk Committee** (formerly the “**Internal Control Committee**”) assists the Board of Directors, with suitable investigations, with valuations and the decisions relative to the internal control and risk management system, as well as the decisions concerning approval of the relative interim financial reports;
- **Related Party Transactions Committee** (formerly the “**Independent Directors Committee**”) provide support on issues regarding transactions with related parties and related individuals.

No function of one or more committees was carried out by the entire Board.

During the meeting of 6 November 2013, upon the proposal of its Chairman, the Board of Directors eliminated the Strategy and Sustainability Committee, which had been established following the board resolution on 25 May 2012.

Following is the composition of the aforementioned committees for the year 2013, the approval date of the relative Regulations, any amendments thereto, their operation and main duties.

7. NOMINATIONS AND REMUNERATION COMMITTEE

In its meeting on 25 May 2012, the Board of Directors resolved to establish the Nominations and Remuneration Committee and assigned to this committee the functions set forth in the Corporate Governance Code and the Articles of Association for the Nominations Committee as well as the Remuneration Committee.

The decision to combine the two previous bodies (the Nominations Committee and the Remuneration Committee) is based on the need to ensure operational accuracy and the efficient functioning of the body as well as economies of scope which can be achieved with a single committee and also the need to contain the relative costs, pursuant to the policy of the Bank.

The combination of the two functions makes it possible to achieve the objectives set by the Corporate Governance Code.

The current regulation of the Nominations and Remuneration Committee was approved by the Board with its resolution of 28 August 2012.

The Committee is composed of four members of the Board of Directors, all of whom are non-executive and most of whom are independent: Pietro Giovanni Corsa; Angelo Dringoli, Marco Miccinesi (who from 28 November 2013 replaced Tania Groppi, who resigned) and Lorenzo Gorgoni. The Committee appoints a Coordinator internally (currently this is Marco Miccinesi), selected from among the independent directors, who is in charge of convoking and sharing the meetings; it also appoints a Secretary, selected from among the Bank's managerial employees. The Committee has ensured that its members have the required accounting and financial skills.

The Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors and the Chief Executive Officer attend the Committee meetings depending on the issues being discussed.

Whenever it is considered appropriate, also in relation to the issues to be discussed, the functions that worked on the report and/or formulated the proposal may be asked to participate in the work of the committee as may one or more representatives of management, as well as other heads of the Bank's functions and third parties. The Committee may employ a external consultants, the expenses for whom are covered by the company based on at budget approved by the Board.

In 2013, the Committee had 14 meetings, with an average duration of approximately 1 hour, for which the minutes were regularly taken by the secretary. On the average, 96% of the members participated in the meetings.

For 2014, no schedule of meetings has been prepared as meetings will be held upon convocation of the Chairman, whenever there are issues that fall under the competence of the Committee to be discussed. In the initial months of 2014, the Committee had two meetings (30 January and 20 February).

✓ **Functions of the Nominations and Remuneration Committee:**

- to propose to the Board the candidates for the office of director in the cases set forth under Article 2386, first paragraph, of the Civil Code, whenever it is necessary to replace an independent director;
- to present proposals to the Board for the appointment of the members of the Executive Committee and, upon indication of the Chairman, the Chief Executive Officer;
- to provide an opinion to the Board regarding the appointment of the Bank's top management and the succession plans, again with regard to the top management, the top management being the general manager, the deputy general managers, the managers of the departments and in any case the managers of the structures who report directly to the Chief Executive Officer;
- to provide an opinion to the Board regarding the process for the succession plans relative to the position of the persons in charge of the Bank's main functions;
- upon indication of the Chairman, this committee submits proposals to the Board, while the interested parties are not present, regarding the remuneration of the managing directors and other

- directors with particular duties, including also any stock option plans or assignments of stocks, which are part of the remuneration;
- upon indication of the Chief Executive Officer, the Committee submits proposals to the Board regarding the remuneration of top management, included therein also any stock option plans or stock assignments;
 - periodically evaluates the criteria adopted for the remuneration of managers with strategic responsibilities;
 - supervises application thereof and provides general recommendations to the Board on this issue;
 - upon the proposal of the Chief Executive Officer, it provides its opinion to the Board regarding the Bank's incentive plans;
 - upon the proposal of the Chief Executive Officer indicates the guidelines for the incentive systems applicable to the subsidiaries;
 - collaborates with the Board to identify the qualitative and quantitative combination considered optimal for correct performance of the functions and verifying that they comply with that in effect at the time of the appointment process.

During 2013, with reference to the aforementioned functions, the main activities carried out by the Nominations and Remuneration Committee concerned:

- opinion in favour of the Board approving the remuneration and incentive policies – “Variable Remuneration for 2013”;
- self-assessment of the Board with the assistance of the SpencerStuart company and the report of the Committee;
- opinion on the appointment of the Online Banking Manager;
- examination of the Remuneration Report, pursuant to Article 123-ter of the Consolidated Law on Finance (TUF).
- appointment of the Senior Deputy General Manager;
- opinion regarding the hiring of the manager for the Administration and Financial Reporting Area;
- organizational model and the related assignment of duties –Legal and Risk Management Area;
- organizational changes and the related assignment of duties in the credit area;
- proposal for nomination of the elected members of the Executive Committee;
- opinion on the appointment of the Financial Reporting Officer
- cooptation all for directors and consequent verification of fulfilment of the qualitative and quantitative composition considered to be optimal for the Board of Directors and the actual situation at the end of the appointment process by cooptation of Mmes Béatrice Bernard and Marina Rubini and Mssrs. Daniele Discepolo and Marco Miccinesi, as directors of the Bank, replacing the former Directors Frédéric Marie de Courtois d'Arcollières, Briamonte, Groppi and Campaini;
- opinion on the remuneration of top management;
- opinion in favour of appointing a Director from Monte dei Paschi Belgium;
- examination of the Bank's Restructuring Plan as communicated by the Chairman of the Board.

8. DIRECTORS' REMUNERATION

It is hereby reiterated that:

- Art. 13 of the Articles of Association establishes that the “ordinary Shareholders' Meeting sets the remuneration of directors and statutory auditors, pursuant to Article 27 and approves the remuneration policies and remuneration plans based on financial instruments for the members of the Board of Directors, the employees and the associates of the Bank who are not related to it through an employment relationship.”
- Art. 27 of the Articles of Association provides that “after receiving the opinion of the Board of Statutory Auditors and upon the proposal of the Remuneration Committee, the Board of Directors establishes the remuneration of the Directors to whom particular duties have been assigned in compliance with the Articles, including those directors who are members of internal committees of

the Board of Directors pursuant to Article 17, paragraph 4, without prejudice to the power of the Shareholders' Meeting to establish the remuneration of the Chairman of the Board of Directors.”

- The Board of Directors has defined a general policy for the remuneration of Directors and the Managers with strategic responsibilities which was approved by the Shareholders' Meeting of 27 April 2012 (agenda item: “Remuneration Report, pursuant to Art. 123-ter of the TUF”).

Regarding the emoluments received by the Bank's members of the Board during 2013 and regarding the information relative to the transparency of the remuneration to the directors and the managers with strategic responsibilities, please see the Remuneration Report pursuant to Article 123-ter of the TUF and part H of the Notes.

9. RELATED PARTY TRANSACTIONS COMMITTEE *(formerly Independent Directors Committee)*

The Independent Directors Committee was established for the first time pursuant to the resolution of the Board of Directors on 10 November 2010 in order to carry out functions in a consulting capacity on transactions with related parties, providing their support to their Board and other functions and/or competent bodies, pursuant to the procedures set forth by Consob (Resolution 17221 of 12 March 2010), in regard to procedures and principles which listed Italian companies or Italian companies with shares that are circulating to a significant degree must adhere to in order to ensure the transparency and the essential correctness of the transactions with related parties.

Following the entry into effect of the Supervisory Provisions of the Bank of Italy regarding risky operations and conflicts of interests with associated individuals (Bankit circular no. 263/2006, Section V, par. 5), the duties and functions of the Committee have been expanded in light of the new competences required by the aforementioned Bank of Italy regulation.

With its resolution of 26 June 2013, following a previous in depth analysis on “related parties,” the Board decided to amend the name of the Independent Directors Committee to the “Related Party Transactions Committee.”

The Committee carries out the activities and duties attributed to it by the internal procedures on transactions with related parties, adopted pursuant to the Consob regulation, and the procedures for deliberations on transactions with associated individuals, adopted pursuant to the Supervisory Provisions of the Bank of Italy.

In its meeting of 25 May 2012, the Board of Directors appointed as members of the Committee the following four directors: Michele Briamonte, Paola Demartini, Angelo Dringoli, Tania Groppi. Following the completion of the term of office of Directors Michele Briamonte and Tania Groppi, with its resolution issued on 28 November 2013, the Board appointed as members of the Committee the Directors Daniele Discepolo and Marina Rubini.

Currently the Committee is composed of: Paola Demartini, Daniele Discepolo, Angelo Dringoli and Marina Rubini. As provided by the supervisory provisions, the Committee is composed exclusively of independent directors.

The Committee appoints its own Chairman (currently Angelo Dringoli), who is in charge of calling and chairing the meetings. The Committee also appoints a Secretary, selected from among the Bank's managers.

A member of the Board of Statutory Auditors participates in the work of the Committee, upon the invitation of the Committee's Chairman. Managers of the Bank may participate depending on the issues discussed, again upon invitation by the Chairman.

For the tasks assigned to it, the Committee may also use the services of independent experts who are not part of the Committee itself, with the expenses borne by the company.

The Regulation which governs the functions and activities of the Committee was updated during the year and approved by the Board of Directors in its meeting of 7 August 2013.

During 2013, the Committee carried out its work over seven meetings, the average duration of which was one and one half hours. Minutes were regularly kept for the meetings by the secretary. 100% of the members participated in the meeting.

For 2014, no schedule of meetings has been prepared as meetings will be held upon calling of the Chairman, whenever there are issues that fall under the competence of the Committee to be discussed. In the initial months of 2014, the Committee held four meetings (on 24 and 31 January; 20 and 25 February).

The main activities carried out by the Committee during 2013 concerned the following:

- examination of periodic reports (quarterly) prepared by the compliance area on transactions with related parties;
- valuation on the functions of the Committee and the roles of the Independent Directors;
- proposal for a modification of the Committee Regulations;
- examination of the results of the quarterly verifications, conducted by the Compliance Area, on a sample of transactions of "minor significance";
- reflections on the activities of the Committee of the amendments relative to the provisions set forth under Article 136 of the TUB;
- periodic report on the activities of the Committee;
- verifications requested by the Committee on a "sample" of concluded transactions;
- examination and issuing of an opinion regarding certain proposals for transactions with related parties and associated individuals;
- examination and issuing of an opinion regarding a proposal, by the compliance function, of review/updating of the Group's internal "policies" regarding transactions with related parties (Consob) and on transactions with associated parties (Bank of Italy).

10. CONTROL AND RISK COMMITTEE

The Bank's Board of Directors, with its resolution of 1 March 2001, established an Internal Control Committee, which was renamed in 2012 the "Control and Risk Committee," in compliance with the provisions set forth in the Corporate Governance Code for Listed Companies.

✓ **Composition and operation of the Committee**

The Committee is composed of four non-executive directors, the majority of whom are independent: Pietro Giovanni Corsa, Daniele Discepolo (who replaced Director Michele Briamonte who stepped down from office), Paola Demartini and Lorenzo Gorgoni. The members of the Committee remain in office until the directors mandate has been fulfilled. The Committee has ensured that its members have the requisite accounting and financial skills. The Board of Directors provides for the replacement of the members of the Committee that step down from office for any reason.

The Committee appoints a Chairman (currently Pietro Giovanni Corsa, an independent director), who calls and chairs the meetings of the Committee, and a secretary, selected from among the Bank's employees in managerial positions.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the latter participates in the works of the Committee. The Chairman of the Board of Directors, the Chief Executive Officer/General Manager and the Director in charge of the internal control and risk management system are invited to participate in the meetings of the Committee.

Whenever the Chairman of the Committee considers it necessary, also in relation to the issues being discussed, managers or employees of the Bank and third parties may be called to participate in the work of the committee.

The activity of the Committee is defined in general by a specific "Regulation" the latest version of which was approved by the Board of Directors with its resolution of 28 March 2013.

As provided by the Regulation, the Committee carries out its duties and functions in support of the Board of Directors, with suitable investigations, in the valuations and the decisions relative to the internal control

and risk management system, as well as the decisions concerning approval of the relative interim financial reports.

In 2013, the Committee carried out its work over a 16 meetings, with an average attendance percentage of 97% and averaged meeting duration of approximately two hours.

For 2014 a schedule of meetings is planned with at least one meeting per month. In the initial months of 2014, the Committee had two meetings (30 January and 20 February).

✓ **Functions of the Control and Risk Committee**

The functions assigned to the Committee and carried out by it during 2013 are specified in detail in the applicable Regulation, the reference internal regulation (Group Directives), the Board resolutions and finally Regulation no. 1 of the Bank " Organization of Banca MPS".

In carrying out its functions, the Committee is entitled to access information and corporate functions as necessary for the execution of its duties as well as to use external consultants, under the terms and conditions established by the Board of Directors.

In particular, the Committee provides its prior opinion to the strategic supervision body on the occasions in which the Board of Directors:

- defines the guidelines for the internal control and risk management system, so that the main risks of the Bank and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, while also determining the level of compatibility of these risks with bank management that is coherent with the strategic objectives that have been set;
- assesses, at least once per year, the adequacy of the control and risk management system against the characteristics of the Bank and the risk profile assumed, as well as its efficacy;
- approves, at least once per year, the schedule of work of the managers of the Compliance, Risk Management and Internal Audit functions.
- describes, in the Report on Corporate Governance, the main characteristics of the internal control and risk management system, expressing its own assessment on its adequacy;
- assesses, after hearing the opinion of the Board of Statutory Auditors, the results presented by the auditor in any comments submitted and the report on the fundamental issues that emerged during the audit.

Furthermore, the Committee assists the Board of Directors to:

- assess, together with the Financial Reporting Officer and after having received the opinion of the auditor and the Board of Statutory Auditors, the correct usage of the accounting standards and their uniformity for the purposes of drafting consolidated financial statements;
- express opinions on the specific aspects inherent in the identification of the main company risks;
- examine the interim reports on the valuation of the internal control and risk management system and the particularly significant report prepared by the Compliance, Risk Management and Internal Audit Functions;
- monitor the autonomy, adequacy, efficiency and efficacy of the Compliance, Risk Management and Internal Audit Functions;
- it may request the internal audit function carry out a verification on specific operating areas, while informing the Chairman of the Board of Statutory Auditors.
- the Committee reports to the Board of Directors, at least every half year on the occasion of the approval of the annual and half year financial statements, on the activities carried out as well as the adequacy of the internal control and risk management system.
- it expresses an opinion prior to the appointment or revocation of appointment of the persons in charge of Internal Auditing, Compliance, Anti-money laundering and Risk Management, as well as insofar as the determination of their remuneration.

In relation to the above, during 2013, the Committee:

- examined the 2012 a report on the activity carried out in the audit plan for 2013 prepared by the Internal Audit Function;
- examined the information flows (audit reports) from the Internal Audit function, which the latter provides to the Committee in a special quarterly report.
- examined the periodic reports prepared by the Internal Audit function on the activity carried out by it and its relative results, on the valuation of the Group control system and the various updates to the system itself, as well as a relative follow-up of the monitoring activity;
- analyzed the disclosures prepared by the Internal Audit function as provided by the specific Supervisory provisions, providing its opinion prior to the addition to the disclosures of the considerations set forth by the Board and the Board of Statutory Auditors, to then be forwarded, pursuant to the law, to the Supervisory Authorities themselves (Consob and Bankit);
- examined the periodic reports prepared by the Compliance Function on the status of the "conformity" of the Bank and the Group and the various updates carried out during the year or on the Group's "conformity" status (quarterly report);
- issued its opinion regarding the schedule of activities within the "Compliance Plan 2013" planned by the Compliance Area;
- examined both the periodic information flows (Risk Report) on the performance of the main corporate risks as well as the Risk Plan 2013 prepared by the Risk Management Function;
- met with the audit firm, Reconta Ernst & Young, regarding the progress of the scheduled work, as well as the Financial Reporting Officer pursuant to Italian law 262/2005, for the necessary information regarding the activities on the preparation of the separate and consolidated financial statements; examined the disclosures to be sent to Consob (Consob Resolution 17297 of 28 April 2010) regarding the activities carried out insofar as the provision of investment services to customers provided by the Control Functions (Compliance, Risk Management and Internal Audit);
- examined specific verifications carried out by the Internal Audit function regarding problems flagged by the Supervisory Authority;
- reported to the Board, at least every six months, on the occasion of the approval of the financial statements and the management report on activities carried out, as well as the adequacy of the internal control and the risk management system.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The "Group Directive regarding the Internal Control System," approved by the Board of Directors in its meeting of 23 November 2008, governs the governance model the of the Montepaschi Group internal control system.

The regulatory framework was designed to be compliant with the legal/regulatory framework, the Group's organisational structure and international and domestic standards and best practices.

The Directive will be updated following the issuing of new provisions by the Bank of Italy on the control system, information system and operating continuity (15th update of Bank of Italy Circular 263/2006) during the first half of 2014).

The following aspects, summarized below, will be defined in the document:

- the governance model
- the guiding principles and components of the control systems
- the roles and responsibilities of the corporate functions within the control systems
- relations with Supervisory Authorities

11.1 GOVERNANCE MODEL

The Montepaschi Group governance model, in line with the provisions set forth by the Supervisory Authority on Corporate Governance, is structured as follows:

- the Board of Directors with strategic and management supervision functions;
- the Executive Committee with executive management functions, according to the powers delegated by the Board of Directors and attributed by the Articles of Association;
- the Chief Executive Officer with executive management functions, according to the powers delegated by the Board of Directors and attributed by the Articles of Association;
- the Director in charge of the internal control and risk management system, appointed in compliance with the Corporate Governance Code for Listed Companies, who is responsible for setting up and maintaining an effective system of internal control and risk management;
- the General Manager with executive management functions. In the event of the absence or impediment of the General Manager, the latter's functions will be carried out by the Senior Deputy General Manager;
- the Board of Statutory Auditors with control function.

11.2 GUIDING PRINCIPLES AND COMPONENTS OF THE CONTROL SYSTEM

The Internal Control System (ICS) is the set of rules, procedures and organizational structures which, through an appropriate processing of identification, measurement, management and risk monitoring, makes it possible to run a healthy, correct company in line with the objectives it has set.

An effective control system is an essential condition for pursuing corporate objectives. The corporate governance rules and the organizational structures must ensure conditions that permit healthy and prudent management. Effective mechanisms of interaction between the corporate functions play a significant role by providing an integrated view of the risks, a dynamic process of adapting the control process to the changes taking place internally and externally.

In the Group model, the components that characterize the control systems are:

✓ **the control environment:** the formalization of the roles and responsibilities in the corporate processes constitutes a necessary condition for an effective corporate control system.

It represents the basis for all the other components, guaranteeing transparency, accountability and compliance with the principles of healthy and prudent management;

✓ **risk control:** the risk governance process consists of the set of activities connected to the identification, valuation, management and monitoring of risks originating from the various operating segments, as well as the definition of management policies for these risks;

✓ **controls structure:** the individual Corporate Functions have structures, rules and instruments appropriate for governance of their activities. In line with the principles of the Group, particular attention is placed on the separation between the business and the control functions, when defining the structure, so as to avoid conflict of interest situations arising including through the use of segregation and disclosure and protection mechanisms;

✓ **information and communication:** the information must be identified, collected and disseminated in the form and within the times that allow each Function to fulfil the responsibilities incumbent upon it. The information systems must also ensure that the obligations imposed by the internal regulations and the provisions of the law are fulfilled.

✓ **monitoring:** the internal control system must be monitored so as to ensure its adequate design and operation on an ongoing basis. Any corrective actions which are necessary must be immediately communicated to the appropriate and competent decision centres. The Internal Audit function provides an assessment of the adequacy and functionality of the control systems to the Corporate Bodies each year.

11.3 THE ROLES AND RESPONSIBILITIES OF CORPORATE FUNCTIONS IN THE CONTROL SYSTEM

Within the Group's model for control systems, the Corporate Functions are separated into Business Functions, Control Functions, and Internal Audit Functions.

Business functions: production, commercial, administrative, operating and support. These Functions are responsible for governing the individual components of the control systems for the processes assigned by the Group Regulations.

The Business Functions define the controls on the processes under their competence for the governance of risk, identifying the oversight activities to be carried out by them. Particular attention is paid to the control systems on the occasion of the entrance of new operating counterparties and at the time that new products/services are launched. The definition of the controls is carried out jointly with the Organization Function and is formalized within the internal regulations. The updating of the controls also falls under the competence of the aforementioned Functions.

Control functions: Functions in charge of overseeing the control systems for specific or risk areas.

Considering the crossover effect and the complexity of the individual control processes, the Group model provides, given the clear assignment of the responsibility of each control function, for the separation of the activities and the duties to the various corporate structures involved, based on the principle of competence. This approach makes it possible to benefit from economies of scope, reducing negative outsourcing and increasing efficacy of the action.

The model adopted consists of the following corporate control functions, in charge of overseeing the internal controls system, for specific risk areas:

- the Compliance Function
- the Risk Control Function
- the Anti Money Laundering Function
- the Validation Function for advanced risk management systems

The Group model also provides for other control functions, that is functions for legislative, regulatory, statutory and self governance which carry out control duties, as follows:

- the Disclosure Reliability Risk Control Function (pursuant to Italian Law 262/05)
- the Planning and Management Control Function
- the Capital Adequacy Control Function
- the Lack of Operational Continuity Risk Control Function
- The Control Function Responsible For Risks Regarding the Health And Safety of the Workplace
- The Control Function in Charge of the Correct Processing of Personal Data.

The Group Directives and Corporate Regulations define: the organisational model, responsibilities, processes, operating mechanisms for reconciliation with the other corporate functions and the information flows to be produced.

For the Group Companies, based on the criterion of proportionality, the activities are assigned to organizational units of the Company or centralized within the Parent Company Functions. The criteria and choices by the individual companies, for various areas, must be coordinated with the respective Parent Company Function, as indicated within the specific directives on the individual issues, following the opinion of the Parent Company's Organization and Internal Audit Functions. In the event of outsourcing from the banking Group or insourcing (centralization of activities), the specific agreements must be drawn up which are in line with the Supervisory Provisions contained within the "Policy regarding the outsourcing of corporate functions" of the Group, together with the relative "service level agreements."

Internal Audit function. All components of the control systems are subject to internal audit, which aims to assess their adequacy, functionality and coherence with the Group's organizational evolution and the external legislative framework. The approach is mainly based on risk.

In this context, the function, which operates in compliance with the international standards for the profession, carries out an independent and objective "assurance" and consulting activity with the Corporate Bodies and Senior Management. To this end, it has access to all corporate information in all company structures. The autonomy and impartiality of the Function are guaranteed by relational reconciliation mechanisms with the corporate bodies; the independence requirements provide an organizational position, which reports directly to the Board, which precludes hierarchic dependence and/or influence (conditioning) by any manager of the operating structures.

Similarly to the Parent Company's organisational model, the Internal Audit function of the Group companies is overseen by independent structures, which are not bound by hierarchical relationships with the managers of the operating structures and which comply with the international standards for the execution of their activities.

Pursuant to the principle of proportionality and in compliance with applicable external laws, the internal audit function or even the entire function can be centralized, in whole or in part, with that of the Parent Company or another Group Company.

11.4 RELATIONS WITH SUPERVISORY AUTHORITIES

The relations with Supervisory Authorities are managed by the individual Companies of the Group and the Parent Company, according to their respective competences.

To this end:

- ▶ the relations as provided by the law or the regulations are drawn up by the Corporate Function which is assigned the relative responsibility/duty. Whenever these relations contain information of an equity, economic, financial nature it is necessary to secure the validation of the Disclosure Reliability Risk Control Function;
- ▶ for issues that are significant in terms of compliance risk, the agreement of the Compliance Function is required;
- ▶ all the reports produced or all the requests received by the Corporate Functions must be immediately communicated to the Internal Audit Function;
- ▶ the Internal Audit Functions of the Group Companies must inform the Parent Company Internal Audit Function whenever requests from the Supervisory Authority generate impacts including at the Group level or involve an issue of significant interest.

11.5 ASSESSMENT OF THE INTERNAL CONTROL SYSTEM

During the course of 2013, the Board was informed of the valuations made by the Audit Function (Internal Audit Area) on the adequacy of the control system and the actions taken to resolve the areas of improvement that were indicated, which are due to the continuation of the various difficulties within the economic and financial framework of a mainly systemic nature (the liquidity crisis, the drop in the value of listed companies, the rating of sovereign states, capital adequacy tensions), as well as relative considerations expressed by the Control and Risk Committee, which considered that the processes and activities carried out by the Area to make this valuation were adequate. In particular, the Board meeting of 17 April 2013 examined the valuation carried out by the Internal Audit Area on the Group's internal control system for the year 2012.

Regular and periodic disclosure is provided by the top management of the company on the areas on which the audit activities were focused.

11.6 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ON THE FINANCIAL DISCLOSURE PROCESS

The methodological model for overseeing the risk of financial disclosure of the Montepaschi Group that is set forth within the "Group Directive regarding implementation of Law 262/2005" and was developed in coherence with the "CoSo Framework" and "COBIT Framework" methodologies, insofar as the IT component, both of which are generally accented references internationally.

This model, which is integrated into the overall Internal Control System, aims to guarantee reliability, accuracy, trustworthiness and timeliness of the financial disclosures and therefore contributes to the reinforcing governance of the controls.

The Montepaschi Group is required to apply the regulatory provisions set forth in Italian Law 262/2005, within both the separate financial statements of the Parent Company and the consolidated financial statements. To this end, the Group companies have implemented the law and the guidelines issued by the Parent Company and have defined the roles, responsibilities and conduct expected for the respective areas of their competence.

11.7 STEPS OF THE EXISTING SYSTEMS IN RELATION TO THE FINANCIAL DISCLOSURE PROCESS

The reference model indicated above and the methodological approach of the Montepaschi Group are based on two fundamental premises:

- the existence of an adequate internal control system at the corporate level able to reduce the risks of error and incorrect conduct in terms of the accounting and financial disclosures (Entity Level Control – ELC);
- oversight and maintenance of adequate processes for financial disclosures, through formalization of the activities and the controls and verification over time of their adequacy and effective application;

The methodological approach was developed according to a succession of macro phases of work that took place prior to releasing the certification, as follows:

- identification of the "sensitive" application perimeter (Companies and Accounts/Processes);
- assessment of the significant administrative accounting processes (1) (Risk & Control Assessment (2)). The processes which are selected are assessed in terms of potential riskiness insofar as financial disclosure;
- valuation of the information system (Information Technology General Controls - ITGC) consists of assessing the overall rules governing the technological infrastructure and information applications supporting the administrative and accounting processes. To this end, the Montepaschi Group opted to hire an independent auditor to carry out the ISAE3402 Certification relative to the assessment of the design in the actual operation of the Service Organization Control System (Group Operating Consortium);
- assessment of the effectiveness/efficacy of the application of the key controls (3) over the reference period carried out by the structure managed by the Financial Reporting Officer and supplemented with ISAE 3402 Type I certification for administrative Accounting Services (macroprocesses: third party finance; proprietary finance, accounting, taxation, supervisory);
- Entity Level Control - ELC. In line with the reference framework, the Montepaschi Group's Internal Control System provides for ongoing verification of the presence of adequate governance systems at the Corporate and the Group levels;
- Management of the Assessment results. Following the assessment and verification activities described above, any actions for mitigation are defined.

(1) The significance of the information is assessed with reference to the possible effect that its omission or incorrect representation could have on the decisions of the individuals it is communicated to through the financial statements.

(2) In the Montepaschi Group, Risk Assessment pursuant to Italian Law 262/05 is placed in the "integrated multi compliance" Area (Operating Risks; Italian Legislative Decree 231/01) .

(3) "Key" controls are those controls the absence or inadequacy of which could in itself have a significant impact on the correct representation of the financial information.

In order to further support the abovementioned process, a secondary certification system has been implemented the purpose of which is to further increase awareness and responsibility of all the involved group structures, both in terms of monitoring of the quality of information produced as well as confirmation thereof to the Financial Reporting Officer.

The information flows containing results of operations carried out are periodically communicated to the Control and Risk Committee and the Board of Directors by the Financial Reporting Officer, in support of the certification of the accounting information.

11.8 INVOLVED ROLES AND FUNCTIONS

Pursuant to the roles and the control process described above, an organisational model has been adopted which involves various function and structures required to perform specific activities and roles.

✓ Information Quality Oversight and Controls Staff pursuant to Italian Law 262/2005

This Staff supports the Financial Reporting Officer in the operating management, updating and monitoring of the compliance process of the Group, pursuant to Italian Law 262/2005. To this end, it carries out autonomous verifications in order to ascertain the efficacy of the controls over the accounting administrative procedures and the effective application thereof.

✓ Internal Audit function

This function interacts with the Financial Reporting Officer in assessing the adequacy of the internal control systems (ELC) and the oversight of the risks relative to the administrative and accounting processes.

This same function provides to the Financial Reporting Officer the information useful in terms of the facts that emerge with reference to the risks and the adequacy of the control systems on the administrative and accounting process.

✓ **Organization Function**

The Organization Area and the Organization Functions of the Group Companies carry out analysis and maintain the documentation (operating regulations) for the Group processes.

✓ **Group Operating Consortium**

The COG-MPS manages, governs, coordinates and controls correct operation of the Group's ICT systems. In order to ensure coherence with the methodologies identified by the D.P. (COBIT) it employs the ISAE 3402 the certification mentioned under point 11.7.

✓ **Local 262 contact persons at the companies that are part of the perimeter**

A Financial Reporting Officer is not in place within each Group Company that is in the 262 perimeter, though there is a local contact person who supports the Financial Reporting Officer. Among the responsibilities of the Local Contact Persons is to provide secondary certification which is formally carried out with a letter of confirmation addressed to the Financial Reporting Officer, upon approval of the structure's own Administrative Body.

11.9 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In line with the Corporate Governance Code for Listed Companies, the Board of Directors, with its resolution of 20 December 2012, appointed the Chief Executive Officer Fabrizio Viola as the Director in charge of the internal control and risk management system; he is in charge of the following areas:

- identification of the main corporate risks, with account taken of the characteristics of the activities carried out by the issuer and its subsidiaries, which he will periodically submit for examination by the Board of Directors;
- execution of the guidelines defined by the Board of Directors, following up on the design, realization and management of the internal control and risk management system and verifying its adequacy and efficacy on an ongoing basis;
- adaptation of this system to the dynamics of the operating conditions and the legal and regulatory environment;
- he will be entitled to request that the Internal Audit function carry out verifications on specific operating areas and compliance of the internal rules and procedures in the execution of corporate operations, while informing the Chairman of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors.
- he shall immediately refer to the Control and Risk Committee (or the Board of Directors) regarding any problems or critical areas emerging within the execution of his own activities or of which he has in any case been informed, so that the Committee (or the Board) is able to take the appropriate action.

11.10 THE INTERNAL AUDIT FUNCTION

The Parent Company's Internal Audit function is assigned to the Internal Audit Area, the mission of which is to verify, independently, the regularity of operations and the status of the risks and to assess the functionality of the overall internal controls system, so as to pursue improvements insofar as the efficacy and the efficiency of the organization.

The Internal Audit Area reports to the Board of Directors, communicates directly the results of the auditing and valuations activities to the Control Bodies and the Chairman of the Board, the Control and Risk Committee and the Chief Executive Officer/Director in charge of the control and risk management system,

and does not depend hierarchically on any operating area. The Function is able to access all the corporate data and all the activities, including the outsourced activities, carried out by the Bank.

The autonomy and independence of this function are insured by mechanisms governing the relations and reconciliation with the Boards that have duties of strategic the supervision, management and control as described below:

- appointment/revocation and definition of remuneration structure for the Head of Internal Audit of the Parent Company by the Board on the advice of the Director in charge of the Internal Control and Risk Management System, in agreement with the Chairman of the Board of Directors, following the favourable opinion of the Control and Risk Committee, having obtained the opinion of the Board of Statutory Auditors;
- determination of the Audit Plan by the Board, based on the report of the Internal Audit Area and following the examination of the control bodies;
- potential activation of internal audits by the Control Bodies, Control and Risk Committee, Supervisory Board 231/2001, the Director in charge of the Internal Control and Risk Management System and the Chairman of the Board of Directors.
- reporting of the activities to the Control Bodies and one report assessing the control system submitted annually to the Board of Directors;
- composition and size of the structure by the Board, based on the report submitted by the Internal Audit Area, following the opinion of the Control Bodies;
- approval by the Board of the guidelines to be followed for management of staff within the Group's Internal Auditing Function (recruitment, training, bonus system) and the economic resources allocated, based on the report of the Internal Audit Area, following the opinion of the Control Bodies.

These aspects are shown in the Regulation which defines the model and the organisational structure of Banca MPS, identifying the responsibilities assigned to the structures.

For the execution of its own duties, the Internal Audit Area has financial resources which are quantified within the annual budget process.

In particular, in 2013 the following amounts were allocated in the budget for this Structure:

- for the realization, updating and development of the technological instruments in support of the audit activities approximately EUR 1 million, within the scope of "Master Plan ICT," containing both the maintenance as well as the development costs, which are estimated and managed directly by the Group's Operating Consortium, with the support of the external companies for specific environments;
- for external consulting on risk management and internal control systems EUR 0.5 million, within the scope of the "Master Plan for Consulting."

The current manager of the Internal Audit Area is Mr. **Fabrizio Leandri**, who was appointed on 29 November 2007 and confirmed on 7 June 2011 by the Board of Directors, after obtaining the opinion of the Internal Control Committee (currently the Control and Risk Committee) and the Board of Statutory Auditors.

During 2013, the Internal Audit function paid particular attention to analyzing and examining in depth the main processes for the management of financial, operating and credit risks. Additional areas on which the overall audit activities were focused included, among other things: the so-called significant "Compliance" issues (provision of investment services, banking transparency, anti money laundering, anti-usury, privacy, etc.), protection of the customers insofar as the marketing of financial products through specific consulting platforms, the operating segment of financial promotions, the adequacy of the incentive system for top management, the corporate information systems, as well as the usual area, which is the commercial network. Overall, 726 audit interventions were carried out, including those carried out within the network in line with the "servicing," agreement of Banca Antonveneta in the period just prior to its incorporation into the Bank. Furthermore, the commitment to the execution of the remote analysis activity, in support of the Corporate Bodies was also significant, as was the participation in various project, as well as the monitoring of the verifications carried out by the Supervisory Authority both in the phase of the "relationship management"

as well as in the implementation of the related clarifications requested and the preparation of the relative replies.

As is usual, the information flows to the Corporate Bodies and Headquarters were insured in compliance with the applicable “corporate governance” rules and the provisions set forth in the Directives for the Internal Control System.

The areas of improvement which were identified during the audit activities were handled by the risk mitigation actions of the corporate functions; operating implementation thereof is the object of systematic monitoring, periodically reported on to the top management.

11.11 ORGANISATIONAL MODEL per Italian Legislative Decree 231/2001

The Organisational Model for risk prevention pursuant to Italian Legislative Decree 231/2001 which has been adopted by the Bank contains an ethics and operating rules the purpose of which is to prevent significant crimes pursuant to the aforementioned Decree. This Model is updated periodically or as necessary, upon occurrence of pre-set cases of necessity such as the recognition up unsuitability of the Model insofar as the prevention of crimes pursuant to Italian Legislative Decree 231/2001, significant changes to the organizational structure/processes and/or the addition of new crimes to the scope of the Decree.

Following the expansion of the group of crimes (environmental crimes, private corruption, etc.) and the organizational modifications that took place within the Bank structures, as well as the developments in jurisprudence and legal doctrine on the issue of Organizational Models, the Bank’s Board of Directors approved, with its resolution issued on 23 October 2013, the new Model for Organization, Management and Control pursuant to Italian Legislative Decree 231/2001, for the Bank, which consists of the following documents:

- Risk Prevention Policy pursuant to Italian Legislative Decree 231/2001
- Group Code of Ethics

The review of Model 231 was carried out with the assistance provided by the consulting firm KPMG which led to the enhancement of the existing setup as well as the realization of a “Special Section” which includes protocols that describe, for each corporate organizational unit, the crimes that could theoretically be committed, the existing controls, the principles of conduct to maintain when carrying out sensitive activities and the references to the internal corporate rules on the issue.

In compliance with the aforementioned Decree, a Supervisory Board 231 is also established (hereinafter the SB 231) which is in charge of supervising the functioning and observance of the organization and management model, as well as to update the model itself (as described in further detail below).

✓ Supervisory Board pursuant to Italian Legislative Decree 231/2001

The Banca Monte dei Paschi di Siena Board of Directors considered it appropriate to establish a special Supervisory Board 231/2001 (hereinafter the SB 231) of a “mixed” nature to which the issue of administrative responsibility pursuant to Italian Legislative Decree 231/2001 will be assigned. This board consists of at least three members, of which two are external professionals and one director with the independence characteristics pursuant to the requirements indicated in the Corporate Governance Code for Listed Companies.

Following the resignation of Professor Tania Groppi, effective from 13 October 2013, the Board of Directors appointed in her place, as a member of the Supervisory Board, Professor Paola Demartini.

Currently, the SB 231 has three members as follows:

- Prof. Giovanni Aspes (coordinator),
- Mr Salvatore Messina, Esq.
- Professor Paola Demartini (independent director).

During 2013, the SB 231 had 10 meetings, with an average duration of approximately 3 hours. Minutes were regularly kept for the meetings by the secretary.

The functions, activities, composition and operational procedures of the SB 231 are governed by a specific regulation approved by the SB 231 in its meeting of 19 July 2012, which was submitted to the approval of the Board of Directors in its meeting of 26 July 2012.

Depending on the issues being discussed, managers or employees of the Bank and third parties may be called to participate in the work of the SB 231. This Board may also use external consultants, the expenses for which will be borne by the Bank.

In the exercise of its functions the SB 231 bases its actions on the principles of independence, autonomy and continuity, and has been given autonomous powers of initiative and control, including the power to request and acquire information at every level and sector of the Bank, through the competent Bank functions.

The SB 231 is in charge of supervising the operation and observing the Bank's organizational and management model pursuant to Article 6, Par. 1, Letter a) of Italian Legislative Decree 231 of 8 June 2001 – “concerning the administrative responsibility of legal entities, companies and associations even if they have no legal personality” – (hereinafter: the “Model”) and to handle the updating of the Model itself.

In fulfilment of its duties, the SB 231 carries out in particular the following activities:

- a) it assesses the adequacy of the Model, that is, its essential capacity to prevent, to the maximum possible extent, conduct which does not comply with the law;
- b) it ensures the effectiveness of the Model, verifying coherence between the actual conduct and the Model, and informs the Board and the Board of Statutory Auditors of any violations of the provisions contained within the Model;
- c) it analyzes the maintenance over time of the requirements of solidity and functionality of the Model, in particular with reference to changes in the environments and newly emerging risks;
- d) updates the Model, presenting its proposals for adjustment to the Board and verifying the implementation and actual functionality of the solutions adopted.

Pursuant to Article 52 of Italian Legislative Decree 231/2007 –the Anti Money Laundering Law- the SB 231 ensures observation of the rules regarding the prevention of money laundering and financing of terrorism and, together with the Board of Statutory Auditors, complies with said Article 52 of Italian Legislative Decree 231/2007.

The SB 231 promotes initiatives for the dissemination of awareness and comprehension of the Model by all the Bank's personnel, it plans and monitors the relative training activities following any modifications and/or significant integrations of the Model adopted.

The SB 231 reports, at least every half year, to the Board on the activity carried out in time for examination of the documentation on the occasion of the approval of the financial statements and the Bank's half year financial statements.

Each year, the Board provides the SB 231 with the financial resources it requires in order to acquire the services and consulting needed for the discharge of its institutional duties. It prepares an annual schedule of verification actions to be carried out, with the assistance of the Bank's Internal Control Functions, which it informs the Board and the Board of Statutory Auditors of.

Pursuant to Article 6, Par. 2, Letter d) of Italian Legislative Decree 231/2001, the SB 231 is required to comply with the disclosure requirements set forth in the Model, particularly regarding the communication of information regarding the perpetration or attempt to perpetrate crimes against Banca MPS or its interests as indicated in the Decree itself, in addition to any violations of rules of conduct as provided in Model 231. For the protection of its full autonomy and confidentiality, the communication can be made directly to the SB 231, through the appropriate channel provided via the Bank's intranet portal or by Email.

The SB 231 is also in charge of providing guidance for the realization and updating of the models for the Montepaschi Group companies and coordinating the relative Supervisory Bodies. During the year the SB

231 received from the various “Supervisory Bodies 231” of the Group Companies periodic reports regarding the controls carried out on the compliance and adequacy of their own Organisational Models 231/2001.

11.12 INDEPENDENT AUDITORS

The Shareholders’ Meeting held on 29 April 2011, upon the proposal made by the control body, granted the mandate to carry out the statutory audit of the accounts to Reconta Ernst & Young, approved the consideration payable to the independent auditor for the entire duration of the mandate and the criteria for any adjustment of this consideration over the course of the mandate. The duration of the mandate is 9 financial years.

11.13 FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS

Italian Law 262 of 28 December 2005 (as currently applicable) “*Provisions for the protection of savings and the governance of financial markets*” with the addition in the TUF of Article 154 *bis* introduced to the corporate organization of listed companies in Italy the figure of the Financial Reporting Officer who is in charge of preparing the company’s financial documentation.

In relation to the provisions of the law, the Bank’s Articles of Association provide that the Board of Directors, upon the proposal of the General Manager and the mandatory opinion of the Board of Statutory Auditors, must appoint a Financial Reporting Officer, to be selected from among the company managers with proven experience in accounting and finance, conferring to this person appropriate powers and means for the exercise of the duties attributed pursuant to the law.

The Financial Reporting Officer prepares appropriate accounting administrative procedures for the drawing up of the financial statements and confirms, with a special report attached to the financial statements and the consolidated financial statements, the adequacy of the internal control system, in relation to the administrative and accounting procedures and the actual application thereof during the period to which the accounting documents refer.

This confirmation is provided also to the Board of Directors.

For the documents, communications and accounting disclosures (including interim) of the Group which are disclosed to the market, this Financial Reporting Officer also prepares a declaration confirming correspondence of the disclosures with the accounting records, the accounting books and the documents.

In implementation of the provisions of the law, the Board of Directors has also approved, through a specific Directive, an internal model for the valuation of the adequacy of the internal control system for administration and accounting and the verification of its efficiency; this model takes as a reference the main frameworks at the international level (Cobit and Coso Reports).

As part of this Directive and for the aforementioned purposes, the Financial Reporting Officer has been vested with appropriate powers and means, including the ability both to organize an adequate structure within his area of activity as well as to prepare specific dedicated budgets, informing the Board of Directors through ordinary human resources and finance operating processes.

The Bank’s Board of Directors, in its meeting of 28 March 2013, appointed Mr. **Bernardo Mingrone**, the Chief Financial Officer as the Financial Reporting Officer beginning 1 April 2013. Beginning 10 June 2013, the Board of the Bank appointed as the Financial Reporting Officer for the preparation of the accounting and corporate documents Mr. **Arturo Betunio**, the Manager of the Administration and Financial Statement Area for the Parent Company.

The Financial Reporting Officer has issued the confirmations and declarations required, while maintaining within his own activity, all those contacts and relations with other external and internal control bodies, such as the Board of Statutory Auditors, the Independent Auditor, the Supervisory Authorities, the Control and Risk Committee, and the Internal Audit Area.

11.4 COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Group Directive on the Internal Controls System prescribes the duties and mechanisms for interconnection of the bodies and the structure of the Parent Company and the Group companies, and formulates the general principles on which the evolution of an effective control system is based.

The mechanisms for reconciliation the various entities involved in the internal control and risk management system are governed, among other things, by the supervisory provisions and other internal regulations.

In addition to this, the Bank has in place reciprocal coordination mechanisms also through cross attendance of the respective meetings.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Board of Directors has examined and resolved on several occasions (13 November 2002, 19 February 2004, 15 May 2006, 25 January 2007, 10 November 2010, 25 November 2010, 26 June 2012, 11 December 2012 and 4 June 2013) on issues inherent in the obligations of bank executives, the interests of Directors, transactions with related parties and with associated individuals, in light of the applicable laws (Articles 2391 and 2391 *bis* of the Civil Code, Articles 136 and 53 of Italian Legislative Decree 385 of 1 September 1993 - TUB, Consob Regulation adopted on the basis of resolution 17221 of 12 March 2010 on transactions with related parties, Bank of Italy Circular 263/2006, addendum no. 9 on risk assets and conflicts of interest involving associated individuals, the Corporate Governance Code for Listed Companies).

With regard to the transactions with related parties, governed by resolution 17221 of 12 March 2010, which was subsequently integrated with amendments brought from the resolution 17389 of 23 June 2010, the “regulation containing provisions regarding transactions with related parties) (the Regulation), which combines in a single regulation provisions regarding the immediate disclosure obligations and the periodic obligations, including, among other things Articles 114 and 154-*ter* of the TUF and in substitutions of rules already provided within the Consob Issuers’ Regulation and implementation provisions of the enabling act attributed by Article 2391-*bis* of the Civil Code, in relation to the essential and procedural correctness of the transactions carried out with related parties, the bank has complied with the provisions according to the terms and conditions described within the “Procedure for transactions with related parties,” published on the Bank’s website. It can be accessed at:

<http://www.mps.it/Investor+Relations/Corporate+Governance/Procedura+in+materia+di+operazioni+con+parti+correlate.htm>.

The transactions between the Bank and the Montepaschi Group companies and with other parties related to the Bank have been set up in compliance with the provisions of the aforementioned “Procedure.” The most significant cases of transactions with related parties carried out by the Bank in 2013 are described in detail in Part H of the notes to the financial statements.

None of those transactions has required compliance with the disclosure obligations pursuant to Article 5 of Consob Regulation 17221/10.

Following the issuing of the Prudential supervisory provision by the Bank of Italy (Circular 263/2006, addendum no. 9 of 12 December 2011) on risk assets and conflicts of interest concerning associated individuals, in implementation of Article 53, Par. 4 of Italian Legislative Decree 385/93 (the Consolidated Law on Banking – TUB) and in compliance with CICR resolution 277 of 29 July 2008, the Bank, through the resolution of the Board of 26 June 2012, adopted the “Deliberative procedures governing transactions with related parties” published on the Bank’s website and accessible at <http://www.mps.it/Investor+Relations/Corporate+Governance/Procedura+in+materia+di+operazioni+con+soggetti+collegati.htm>

The Procedures were also adopted by other Italian banks that belong to the Group, after adapting them as necessary to their particular needs.

For other members of the Group, the Parent Company’s Procedures provide specific instructions and directives that are implemented by the Administrative Bodies.

In its meeting of 11 December 2012, the Board approved the “Internal policies on controls over the risk assets and conflicts of interest involving associated individuals,” which define the rules applicable to the Group, the purpose of which is to ensure continuous compliance with the prudential limits and deliberative procedures and prevent potential conflicts inherent in any relationship with associated individuals.

Following the amendments made to Article 136 of Italian Legislative Decree 385/1993 (the “TUB”) by Italian Legislative Decree 179 of 18 October 2012, converted into Italian Law 221 on 17 December 2012 and the interpretations provided in its regards by the ABI, in 2013 the Bank’s Board of Directors resolved:

- a) to confirm application of the procedure pursuant to Art. 136 TUB in the event of obligations undertaken by the corporate representative, whether directly or indirectly, toward the bank in which he/she carries out functions of administration, direction or control:
 - as a contractor on his own behalf or on an unlimited mandate on behalf of third parties;
 - in the presence of interpolation of a natural or legal person, whether of a fictitious or real nature;
- b) consequently, to apply the procedure set forth in Art. 136 of the TUB for obligations undertaken toward the bank at which the person carries out the functions of administration, direction or control (i) by the representative himself (ii) by the company of which the representative has unlimited liability; (iii) by the joint stock company of which the representative is the sole shareholder (with unlimited liability); (iv) by companies controlled by the representative; (v) by individual companies owned by the representative; (vi) by the spouse of the representative under community property rights; (vii) by the dependent children of the representative, without prejudice to the fact that the representative can indicate other companies or entities in which he has overriding interests, even if indirectly, and which he therefore considers should be prudentially subjected to the law in question.

This procedure was communicated, with the appropriate indications, to the interested structures of the Bank and the Group companies, for coherent application of the law.

For the purposes above, the Bank has put in place, with the cooperation of all the representatives and the other related parties, the necessary requirements for maintaining a complete and updated archive of significant individuals pursuant to the law on transactions with related parties and associated individuals and Article 136 of the TUB. This archive is used on the occasion of the annual preparation of the financial statement information on transactions with related parties and, on an ongoing basis, whenever the companies comprising the Montepaschi Group examined significant transactions in the sense of the aforementioned laws.

With regard to Personal Transactions that fall within the provision of Investment Services (Article 18 of the joint Consob/Bankit Regulation), the Board has defined principles, rules and responsibilities in the specific Group Directive, which outlines the Group’s general rules for ensuring observance of the law by the Significant Individuals, that is those persons who are involved in activities that could give rise to conflicts of interest in the provision of investment services or who have access to privileged or confidential information. The personal transactions carried out by these persons, whether within the Group’s banks or through a third party intermediaries, are filed in a specific electronic “Registry.”

The Shareholders’ Meeting of the Bank made no resolution in 2013 authorizing derogations to the competition prohibition under Article 2390 of the Civil Code, whether in a general or preventive sense.

Also significant in terms of this issue are certain provisions of the Articles of Association which provide for particular information flows in cases of interests of the members of the internal administration, direction and supervisory bodies or which could involve the independence of directors and statutory auditors.

Article 17 of the Articles of Association requires the Board of Directors to immediately inform the Board of Statutory Auditors of any activity carried out and the major financial, economic and equity transactions of the Company, including through its own delegated bodies and the subsidiaries; in particular, the Board must report on transactions in which its own members had an interest on behalf of a third party. The communication is provided, at least quarterly, verbally at Board Meetings or through a written memorandum address to the Board of Statutory Auditors, and notwithstanding the obligation of each Director to inform the other directors and the Board of Statutory Auditors of any interest which, within a specific transaction of the issuer, that director has on his own behalf or that of a third party, under Article 2391 of the Civil Code.

Article 21 of the Articles of Association also requires compliance with the provisions of Article 136 of the TUB, the obligation of the members of the Board of Directors and the Executive Committee to inform the Board itself and the Board of Statutory Auditors on any business in which they have a personal interest or which refers to entities or companies in which they are directors, statutory auditors or employees, unless this is a Group company.

Article 15 and Article 26 of the Articles of Association respectively prohibit directors from taking on the office of a member of the Board of Directors, the Management Board or the Supervisory Board of competitor banks which are active in Italy and not part of the MPS Group and the members of the Board of Statutory Auditors from taking on any other offices with other banks (which do not belong to the Group or are not subject to joint control). Furthermore, the Statutory Auditors are not allowed to take offices in bodies other than the control body within other Group companies, or the companies in which the Bank holds, even indirectly, a strategic equity investment.

Furthermore, following the appointment by the Directors and the Statutory Auditors and subsequently every year, the Board verifies compliance with the provisions of Article 36 of Italian Legislative Decree 201/2011 (converted by Italian Law 214/2011) which introduced a specific prohibition (the interlocking prohibition) for directors, statutory auditors and general managers of companies or groups of companies operating in the credit, insurance and financial market, who are not allowed to take on or exercised similar duties in competitive companies or groups of companies. To this end, the directors and statutory auditors in office are required to provide a specific declaration, with an attachment consisting of a list of the duties covered in other companies or groups of companies operating in the credit, insurance or financial market, accompanied by a certification that the offices held do not give rise to incompatibility pursuant to Article 36, with a detailed explanation of the reasons. The verifications conducted in 2013 did not indicate any significant situations in terms of this prohibition.

13. APPOINTMENT OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three standing members and two alternate members. The appointment of the members of the Board of Statutory Auditors is based on a list presented by the shareholders, composed of two sections, one for the appointment of the standing auditors and the other for the alternate auditors; the number of candidates on the list must be progressive and no higher than the number of members to elect. The lists must include, in the section of the candidates for Standing Auditor, candidates of a different gender than those in the first two positions on the list, as specified in the notice of call of the Shareholders' Meeting, for compliance with the applicable laws on equilibrium between the genders. If the alternate auditors section of these lists has only two candidates, these must belong to different genders.

The list presented by the shareholders must be submitted to the registered office of the Company at least 25 days prior to the date set by the Shareholders' Meeting in first call and disclosed according to applicable laws.

Only shareholders who alone or together with other shareholders own shares representing at least 1% of the Company's share capital with voting rights in the ordinary Shareholders' Meeting are entitled to present lists. Together with each list, within the deadline for submission, the following must also be submitted to the registered offices of the Company:

- (i) information relative to the identity of the shareholders submitting the list;
- (ii) the declarations with which the individual candidates attest that there are no reasons for ineligibility and incompatibility and the existence of the requirements prescribed by the applicable laws and regulations;
- (iii) *curricula vitae* containing the personal and professional characteristics of each candidate, with indication of the administration and control duties covered for other companies.

Upon election of the members of the Board of Statutory Auditors, the following must take place:

- a) the standing auditors will be the first two candidates of the list who will have obtained the highest number of votes and the first candidate of the list who will have come in second in terms of number of votes and who is not connected, even indirectly, with individuals who submitted or voted the list beforehand by number of votes;
- b) the Alternate Auditors will be the first candidate of the list who will have obtained the highest number of votes and the first candidate of the list who will have come in second in terms of number of votes and who

is not connected, even indirectly, with individuals who submitted or voted the list before hand by number of votes;

- c) in the event of an equal number of votes between the first two or more lists, a new vote will be held by the Shareholders' Meeting, based only on the lists that received an equal number of votes;
- d) in the event than an elected candidate is not able to accept the office, the first of the candidates not elected on the list of the candidate who did not accept will replace him or her;
- e) the chairmanship will be held by the standing member from the list that will have come in second in terms of number of votes.

Persons whose situation is incompatible pursuant to the law and who do not possess the requirements as set forth in applicable provisions, notwithstanding the limitations regarding accumulation of offices as established by the applicable law, cannot be elected as statutory auditors, or if they are elected, they will forfeit their position. Statutory auditors cannot hold other positions in banks other than those belonging to the MontePaschi Group and those in which a joint control situation is in place.

The Statutory Auditors are not allowed to take offices in bodies other than the control body within other Group companies, or the companies in which the Bank holds, even indirectly, a strategic equity investment. At least one of the Standing Auditors and one of the Alternate Auditors must be registered with the Register of Auditors and have been auditors for a period no lower than three years. To this end, at least the first candidate of each section of each list must fulfil these requirements.

A maximum number of two standing auditors and one alternate auditor can be appointed, including persons who do not fulfil the requirements above, provided they have a total experience of at least three years in:

- a) the administration or control or management of joint stock companies with a share capital no lower than Euro two million or
- b) the professional activities or university teaching in legal, economic, financial, credit, insurance and technical scientific areas, which are very strictly related to the Company's activities or
- c) managerial functions with public or private entities operating in the credit, financial or insurance sector or which are closely connected to the Company's activities.

In the in the event of death, resignation or forfeiture of the office of Chairman of the Board of Statutory Auditors, until the board is reconstituted and pursuant to Article 2401 of the Civil Code, the Alternate Auditor the elected from the list that was second in terms of number of votes will assume this position. In the event of death, resignation or forfeiture of the office of a Standing Auditor, the alternate auditor belonging to the same list as the standing auditor in question will replace him.

The appointment of Statutory Auditors for the reconstitution of the Board pursuant to Article 2401 of the Civil Code is carried out by the shareholders' meeting based on the relative majority of the votes, subject to fulfilment of the requirements for the necessary representation of minorities in every case.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS

(per Article 123-bis, Par. 2, Letter d) of the TUF)

For the ordinary Shareholders' Meeting held on 27 April 2012, and for the financial years 2012/2013/2014, two lists were presented for the appointment of the Chairman and the other members of the Board of Statutory Auditors, as well as the Alternate Auditors:

➤ **List no. 1**, presented by shareholder Fondazione Monte dei Paschi di Siena nominating the following persons:

(for the office of standing auditor)

- 1) Paola Serpi, born in Siena on 1 March 1965;
- 2) Claudio Gasperini Signorini, born in Siena on 28 March 1966;

(for the office of alternate auditor)

- 3) Stefano Andreadis, born in Tripoli (Lybia) on 14 November 1956.

➤ **List no. 2**, presented jointly by Unicoop Firenze s.c., Finamonte Srl and Mr. Lorenzo Gorgoni (personally and as the special representative of another 58 shareholders), appointing the following persons:

(for the office of standing auditor)

- 1) Paolo Salvadori born in Castelfiorentino (FI) on 21 July 1947;

(for the office of alternate auditor)

- 2) Gianni Tarozzi born in Sabaudia (LT) on 26 September 1964.

The Chairman confirmed that, pursuant to Article 148, Paragraph 2 of Italian Legislative Decree 58/98 (TUF) 144-quinquies of Consob Regulation 11971 of 14 May 1999 as currently applicable (the Issuers' Regulation), the Board of Directors assessed that among the individuals that presented the "minority list" (no. 2 above) and the shareholders that hold, including jointly, the relative majority of the shareholdings-Fondazione Monte dei Paschi di Siena –there are no relations which had not been declared that result in the existence of an association as per the aforementioned the articles of the TUF and the Regulation.

List no. 1 obtained the 4,209,890,074 votes equal to 67.889163% of the shares entitled to vote; List no. 2 obtained 1,661,204,747 votes or 26.788776% percent of the shares entitled to vote.

The number of votes against were 47,601,287 equal to 0.767624% of the shares entitled to vote and 280,371,768 abstained, or 4.521307 % of the shares entitled to vote.

The following persons were elected:

Standing auditors: Paolo Salvadori, Chairman, first on the minority list- standing auditor section; Paola Serpi, first on the majority list- standing auditor section; Claudio Gasperini Signorini, second on the majority list- standing auditor section;

Alternate auditors: Stefano Andreadis, first on the majority list- alternate auditor section; Gianni Tarozzi, first on the minority list- alternate auditor section.

On 28 May 2013, the alternate auditor Gianni Tarozzi resigned from office. On 18 July 2013, the Shareholders' Meeting appointed as an alternate auditor Mr. Franco Michelotti.

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Following is a short *curriculum vitae* for each Auditor, showing the managerial skills and experience acquired.

Paolo Salvadori Holds a degree in business administration. Registered with the Register of Auditors and the Roll of Certified Accountants and Auditors of Florence. A freelance professional since 1973.

Liquidator for Industrie Testi Spa since July 2010; Chairman of the Board of Statutory Auditors of Finimmobiliare Bolsciana SpA, Immobiliare Due Ponti Spa, MA Centro Inossidabili Spa, Piccini Ugo e F.O Spa; member of the board of directors of BP Finanziaria Spa.

Paola Serpi. Registered with the Register of Auditors and the Roll of Certified Accountants and Auditors of Siena since 1989. She has been working as a public accountant at the Studio Serpi since 1989.

She also holds the following offices: Chairman of the Board of Statutory Auditors of MPS Tenimenti Spa; Standing Auditor of the Fondo Pensione Complementare [complementary pension fund] of the employees of Banca Monte dei Paschi di Siena S.p.a. employed since 1 January 1991. From 2008 to 2012 she was the Vice Chairman of Mens Sana Basket Spa.

Claudio Gasperini Signorini. He holds a degree in economics and banking. He is registered with the Register of Auditors and the roll of Certified Accountants and Auditors of Siena since 1995. He has been a public accountant since 1995.

He also holds the following offices: Chairman of the Board of Statutory Auditors of MPS Immobiliare Spa. Standing Auditor of Consorzio Coop. Consumo Sardo, CO.BIO Soc. Coop. Agricola, SAGIM Srl. From 2009 to 2010 he was the Standing Auditor of Eutelia Spa; from 2007 to 2010 he was a member of the Board of Directors of MPS Banca Personale Spa and Chairman of the Board of Statutory Auditors of Toscana Biomarkers Srl and Biofund Spa; from 2012 to 2013 he was the Chairman of the Board of Statutory Auditors of MPS Gestione Crediti Banca Spa.

Stefano Andreadis. Holds a degree in business administration. He is registered with the Register of Auditors and the roll of Certified Accountants and Auditors of Siena since 1985. He is a public accountant.

He also holds the following offices: Sole director of Il Trentunesimo Srl and of D.& D. Srl. Member of the Board of Directors of Prometeo Immobiliare Srl. Managing partner of Logica Service di Betti e C. Snc. Chairman of the Board of Statutory Auditors of Società Agricola Tenuta della Selva Srl. Standing Auditor of Immobiliare Idea Spa and Lega Italiana tumori LILT.

Franco Michelotti: Holds a degree in business administration. He is registered with the Register of Auditors and the roll of Certified Accountants and Auditors of Pistoia since 1984. He has been a public accountant.

He also holds the following offices: Chairman of the Board of Statutory Auditors of Le Professioni di Pistoia Spa; Standing Auditor of B.P. Finanziaria Spa; member of the board of auditors at the Municipality of Prato.

None of the members of the Board of Statutory Auditors is related to other members of the Board of Statutory Auditors, the members of the Board of Directors, the Financial Reporting Officer, the General Manager and the main executive of the company.

The number and the type of duties covered by the auditors is in line with the regulations set by the cumulative limits for members of Control Bodies, as set forth in Title V *bis*, Section V, Item II of Consob Issuers' Regulation.

Please see table 2, attached, for the structure of the Board of Statutory Auditors.

During the 2013, the Board of Statutory Auditors met 56 times and the average duration of the meetings was 2 hours. For 2014, 60 meetings have been planned, of which 11 have already been held (as at the date this Report was approved).

On 18 March 2013, during the specific meeting, the members of the Board of Statutory Auditors ascertained that the requirements of independence incumbent upon them were still in place and they confirmed that no situations that could affect the independence of their judgment existed. The Board therefore recognized for each member that the independence requirements continue to hold, also on the basis of the criteria set forth in the Corporate Governance Code.

Pursuant to the applicable Code (application criterion 8.C.3), which the Bank adopted with its board resolution of 20 December 2012, any BMPS auditor who, on his own behalf or that of third parties, has any interest in a specific BMPS transaction, shall immediately and exhaustively inform the other auditors and the Chairman of the Board of Directors regarding the nature, terms and conditions, origin, and scope of this interest.

In order to adequately carry out its supervisory duties in fulfilment of the principles of correct administration, the Board of Statutory Auditors participated in four shareholders' meetings, 24 meetings of the Board of Directors and 14 meetings of the Executive Committee which were held during the year (with a participation percentage of 100% both for the Board of Directors and the Executive Committee), examining beforehand all the issues discussed in the above venues and, when considered necessary, these arguments were examined in further depth and clarified, including by requesting additional information from the Bodies of the Bank or other competent functions therein.

The Board will verify the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its own members and shall report its findings in a report to the Shareholders' Meeting convened for the approval of the financial statements as at 31 December 2013.

The Board has constantly worked with the Internal Audit Area, whether to receive the necessary assistance for the execution of its own verifications, or as the recipient of all the inspection reports containing the outcomes of the ascertainment that this Function carried out during the year. The Statutory Auditors were thus able to assess the reliability and efficiency of the internal control system adopted by the Bank, not only as a function of its own corporate configuration, but also as a structure overseeing a Banking Group.

Constant and immediate information was also exchanged with the Control and Risk Committee, also thanks to the fact that, as provided in the latter committee's Regulation, the Chairman of the Board of Statutory Auditors or a Statutory Auditor appointed by the latter also participates in the work of this committee.

During 2013, the cooperation with the Supervisory Body pursuant to Italian Legislative Decree 231/2001 continued as part of the activities required of the two bodies pursuant to Italian Legislative Decree 231/2007 on "anti-money laundering."

The Board participated with its representative in most of the meetings of the Control and Risk Committee (16), the Related Party Transactions Committee (7), the Nominations and Remuneration Committee (14) and the Supervisory Body pursuant to Italian Legislative Decree 231/2001 (10).

The Board also paid particular attention that the transactions carried out with individuals with administration, direction and control functions within the Bank and the Group companies were always carried out in compliance with Article 136 of the T.U.B. and the Supervisory Instructions and, in any case,

were the object of a resolution made with the unanimous vote of the Administrative Bodies and all the Statutory Auditors, without prejudice to the obligations set forth under Article 2391 of the Civil Code on Directors' interests.

The Statutory Auditors also verified that the transactions with Related Parties took place in compliance with the criteria of transparency and essential and procedural correctness as indicated in the reference legislation, and that they were concluded as part of ordinary operations on an arm's length basis and according to valuations that were reciprocally convenient and in the interests of the Company.

The Board also supervised the Company's administrative and Accounting System through ascertainties, conducted either directly or through the periodic exchange of information with the audit firm, Reconta Ernst & Young.

As part of its own verification of the independence of the aforementioned audit firm, and with regard to compliance with the applicable laws, the Board of Statutory Auditors did not find any critical aspects and received confirmation in this sense pursuant to the provisions of Article 17, Paragraph 9, Letter a) of Italian Legislative Decree 39/2010.

The Board of Statutory Auditors also carried out the functions of the Committee For Internal Control and Audit as required by the aforementioned Italian Legislative Decree 39/2010, supervising the financial disclosures process and analyzing the contents of the schedule provided by the aforementioned audit firm, verifying adequacy in terms of the size and complexity of said company.

Finally, it is hereby noted that among other things the Statutory Auditors verified the Bank's organisational structure also in terms of the size and characteristic of its corporate purpose. To this end, they conducted special verifications with the top management, the domestic and foreign network, through meetings held with the managers of the various corporate structures.

The Parent Company's Board of Statutory Auditors also exchanged information with the corresponding bodies of certain subsidiaries regarding their systems of administration and control and the general performance of their corporate purpose.

15. RELATIONS WITH SHAREHOLDERS

The Bank has focused over time on establishing a correct relation with the shareholders as a whole. In order to monitor its correct positioning within the market and the attractiveness of its own securities, BMPS has established dedicated corporate structures, in particular:

◆ the Research & Investor Relations Area – Email: investor.relations@banca.mps.it - tel. 0577/296477-293038, fax 0577/295634, which handles relations with the major investors and operators in the domestic and international financial community; Mr. Alessandro Santoni is the manager of this structure.

◆ Corporate and Legal Area – Email: settore.societario@banca.mps.it - tel. 0577/294790, fax 0577/294109; Mr. Riccardo Quagliana, attorney at law, is the manager of this Area.

In order to provide immediate and easy access to information that is significant for its shareholders, the Bank uses its own website, in Italian and English, for the dissemination of online information regarding corporate governance, financial statements and summary data, presentations, ratings, press releases, corporate events and presentations.

In particular, in order to promote the relation with shareholders and major investors, the Bank has inserted the following section into the web site:

<http://www.mps.it/Investor+Relations/Corporate+Governance/Assemblee> in which all useful documentation is published.

Pursuant to Article 135-*undecies* of the TUF, at each Shareholders' Meeting the Bank designates a representative *“to whom the shareholders can confer, within the end of the second day on which the market is open prior to the date set for the shareholders meeting, including in a convocation subsequent to the first, a power of attorney with voting instructions for some or all of the proposals on the agenda. This power of attorney will be applicable only to the proposals in relation to which voting instructions have been given. The power of attorney is provided by signing a special form, the content of which complies with the Consob regulation. The granting of the power of attorney does not involve any expenses for the shareholder ...”*.

On 10 February 2014, a memorandum of understanding was signed by Banca Monte dei Paschi di Siena and the Small Shareholders Associations “Azione MPS” and “Associazione Buongoverno MPS” and the Coordinamento Nazionale delle Associazioni di Piccoli Azionisti [the national coordination of small shareholders association], CONAPA.

The memorandum provides a significant precedent in the relation between Listed Companies and the shareholder base at large, in terms of a fruitful dialogue with small shareholders through the association they belong to.

In compliance with the existing regulatory provisions and the respective institutional and functional autonomies, a joint venue is being planned for the identification of the steps still to be taken, including amendments to the changes to the articles of association aimed at facilitating voting by the employees who are shareholders, as provided by Article 137 of the Consolidated Law on Finance (TUF).

To date, through its home banking system, Banca Monte dei Paschi di Siena can provide its clients with the participation certification not only for its own Shareholders' Meetings, but also for those of all the other Listed Companies.

16. SHAREHOLDERS' MEETINGS (per Article 123-*bis*, Par. 2, Letter c), of the TUF)

The BMPS Articles of Association provide that individuals with a right to vote that can demonstrate their legitimacy according to the procedures set forth within the applicable laws can do so at the Shareholders' Meeting.

Shareholders who, including jointly, represent at least one fortieth of the share capital can request, pursuant to the terms of the law, an addition to the agenda items, indicating in their request the additional issues proposed by them, or present a resolution proposal on issues already on the agenda by delivering a report containing the reasons for the request and the documentation in proof of their legitimation.

Communication will be provided, within the times set by the law and in the same forms prescribed for publication of the notice of convocation, of the additions to the agenda items that the Shareholders' Meeting will discuss and the presentation of the resolution proposals on issues already on the agenda, following the aforementioned request.

The addition to the list of issues to be discussed is not allowed for issues on which, pursuant to the terms of the law, the Shareholders' Meeting will deliberate on the proposals of directors or on the basis of a draft or report prepared by them other than those under Article 125 *ter*, Paragraph 1 of Italian Legislative Decree 58/98.

The Shareholders' Meeting usually meets in Siena; it can also be convened to meet outside the corporate headquarters, provided the meeting place is in Italy.

Persons with a right to vote can be represented at the Shareholders' Meeting provided compliance with the provisions of the law is ensured. Persons with the right to vote are also entitled to grant their power of attorney by e-mail, according to the terms and procedures established by the law.

Notification of the power of attorney by e-mail can take place through the appropriate section of the company's website or, alternatively, by certified e-mail, at the specific e-mail address, pursuant to the terms and conditions established within the notice of convocation. Persons who intend to take the floor at the Shareholders' Meeting are required to fill out the appropriate “request for intervention form” provided for the issues on the agenda, indicating their identification data and then to report to the special “intervention collection” centre, at the entrance to the shareholders assembly room, to deliver the televoter provided to each individual with a voting right or the person delegated by the individual, which contains the identification code of the voter and the relative shares represented.

The Chairman has full powers to manage and coordinate the discussion and will exercise this prerogative in the interest of ensuring the correctness of the vote, establishing, where necessary, that the duration of the work carried out by the shareholders' meeting does not undermine the possibility of participating and casting a vote, while also ensuring that the regular execution of the Shareholders' Meeting is not disturbed. The Chairman establishes the terms and conditions with which to formulate requests for intervention and the maximum duration and order of the interventions. At each Shareholders' Meeting, the Chairman will report regarding the publication of the notice as well as submission to the company's headquarters and Borsa Italiana S.p.A. of the documentation required by the applicable laws, so that it is at the disposal of the public.

Currently, the information concerning the Bank which is significant for its shareholders are available in the sections that have been established for this purpose within the company's web site www.mps.it.

The applicable shareholders' meeting regulation, approved by the Shareholders' Meeting on 29 April 2013, is made available to the public at each Shareholders' Meeting from the company's headquarters and Borsa Italiana S.p.A. while it is also placed within the BMPS website <http://www.mps.it/Investor+Relations/Corporate+Governance/>.

The regulation contains instructions regarding the conduct that is required for an orderly and functional meeting to take place, the correct succession of the interventions and the relative replies, as well as the flow at the meeting venues.

17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

(per Article 123-*bis*, Par. 2, Letter a), of the TUF)

The additional corporate governance practices adopted by the Bank are specified, where they are present, in the previous sections of this report dedicated to the various issues, which you are referred to.

As fully illustrated within the Report, in implementation of the provisions within Italian Legislative Decree 231/2001, the Bank has adopted the organisational model under Article 6 of the aforementioned Decree, updated the last time in the month of October 2013.

18. CHANGES SINCE THE CLOSING DATE OF THE REFERENCE YEAR

The various changes in the Corporate Governance structure as from the closing date of the financial year are indicated within the various relative articles.

Annex no. 1: STRUCTURE OF THE BOARD OF DIRECTORS AND THE COMMITTEES IN 2013

Board of Directors											Nominations and Remuneration Committee		Related Party Transactions Committee		Executive Committee		Supervisory Body 231			
Office	Members	In office from	In office until	List (M/m)*	Exec.	Non-exec.	Independent as per Code	Independent as per the TUF	% attendance in meetings **	Number of other offices ***	****	**	****	**	****	**	****	**		
Chairman	Alessandro Profumo	28/04/2012	(1)	M		X			100	3							X	100		
Deputy Chairman	Marco Turchi	28/04/2012	(1)	M		X			100								X	100		
Deputy Chairman (a)	Pietro Giovanni Corsa	28/04/2012	(1)	m		X	X	X	100		X	100	X	100			X	100		
Chief Executive Officer	Fabrizio Viola	28/04/2012	(1)	M	X				100	3							X	100		
Director	Alberto Giovanni Aleotti	28/04/2012	(1)	M		X			96								X	100		
Director	Béatrice Bernard	24/09/2013	(1)			X			100	3										
Director	Paola Demartini	28/04/2012	(1)	M		X	X	X	100		X	100			X	100			X	67
Director	Angelo Dringoli	28/04/2012	(1)	M		X	X	X	83				X	93	X	100				
Director	Lorenzo Gorgoni	27/04/2003	(1)	M		X			100	1	X	100	X	100			X	100		
Director	Daniele Discepolo	14/11/2013	(1)			X	X	X	100	2	X	100			X	100				
Director	Marco Miccinesi	14/11/2013	(1)			X	X	X	100	1			X	100						
Director	Marina Rubini	14/11/2013	(1)			X	X	X	100						X	100				
Directors who resigned during the financial year under review																				
Director	Michele Briamonte	28/04/2012	18/7/2013	M		X	X	X	100		X	86			X	100				
Director	Frédéric Marie de Courtois d'Arcollières	30/04/2009	24/09/2013	M		X			75											
Director	Turiddo Campaini	27/03/2003	22/10/2013	M		X			71								X	71		

Director	Tania Groppi	28/04/2012	13/10/2013	M		X	X	X	87				X	90	X	100			X	100
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Minimum participation in the capital required for submission of lists for the final nomination: 1%

(1 January 2013 – 31 December 2013)

**Number of meetings held in the period under review
(1 January 2013 – 31 December 2013)**

BOARD N. 24

Cr: N. 16

NRC: N. 14

RPC: N.7

EC: N. 14

SB 231: N.10

NOTES

- * This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m),
- ** This column shows the percentage of participation at meetings of the Board and the committees (no. of presences/no. of meetings held during the period that the individual was in office).
- *** This column shows the number of offices that a director or statutory auditor holds in other listed companies, in regulated markets, including abroad, financial, banking, insurance companies or companies of a significant size. A list of these companies, with reference to each director, is attached to this report, with a specification as to whether the company in which the office is held is part of the group which the issuer is part of, or not.
- **** In this column, an "X" indicates membership of the Board Member in the committee.
- (1) In office until approval of the financial statement for 2014.
- (a) Office of Deputy Chairman assumed on 29 April 2013.

**OFFICES HELD BY BANCA MONTE DEI PASCHI DI SIENA DIRECTORS IN LISTED COMPANIES IN REGULATED MARKETS,
INCLUDING FOREIGN, WHICH ARE BANKING, INSURANCE OR FINANCIAL COMPANIES OR COMPANIES OF A SIGNIFICANT
SIZE**

DIRECTOR	LIST OF OFFICES	COMPANIES BELONGING TO THE MPS GROUP	
		yes	NO
Alessandro Profumo - Chairman	Board Member at ENI S.p.A.		X
	Member of the International Advisory Board of Itaù Unibanco		X
	Member of the Supervisory Board of Sberbank		X
Lorenzo Gorgoni – Director	Board Member at Telecom Italia Media S.p.A.		X
Fabrizio Viola - Chief Executive Officer	Chairman of the Board of Directors Banca Widiba SpA	X	
	Board Member at AXA MPS Assicurazioni Vita SpA		X
	Board Member at AXA MPS Assicurazioni Danni SpA		X
Ms. Beatrice Bernard - Director	General Manager at Axa MPS Assicurazioni Vita Spa		X
	Board Member at AXA MPS Financial lim		X
	General Manager at AXA MPS Assicurazioni Danni Spa		X
Daniele Discepolo – Director	Board Member at Piaggio Spa		X
	Chairman of the Board of Directors of Risanamento Spa		X
Marco Miccinesi - Director	Supervisory Board Member at A2A S.p.A		X

Annex no. 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS 2013
(1 January 2013 – 31 December 2013)

Board of Statutory Auditors							
Office	Members	In office from	In office until	List (M/m)*	Independence as per Code	** (%)	Number of other offices ***
Chairman	Paolo Salvadori	28/04/2012		m	YES		7
Standing Auditor	Paola Serpi	17/11/2009		M	YES		3
Standing Auditor	Claudio Gasperini Signorini	28/04/2012		M	YES		4
Alternate Auditor	Stefano Andreadis	28/04/2012		M			7
Alternate Auditor	Franco Michelotti	18/07/2013 (1)					3
Statutory auditors who resigned during the financial year under review							
Alternate Auditor	Gianni Tarozzi	28/04/2012	28/05/2013 (1)	m			4
Minimum participation in the capital required for submission of lists for the final nomination: 1%							

Number of meetings held in the period under review: no. 56

NOTES

*This column indicates M/m depending on whether the member was elected from a list voted by the majority (M) or the minority (m).

**This column shows the percentage of participation at meetings of the Board (no. of presences/no. of meetings held during the period that the individual was in office).

*** This column indicates the number of offices held, as a director or statutory auditor, by the individual pursuant to art. 148 *bis* of the TUF. The complete list of offices is published by Consob on its own website pursuant to Art. 144- *quingiesdecies* of the Consob Issuers Regulation.

(1) On 28 May 2013, the alternate auditor Gianni Tarozzi resigned from office. On 18 July 2013, the Shareholders' Meeting appointed as an alternate auditor Mr. Franco Michelotti.