

Mrs. Stefania Bariatti  
Chairperson of the Board of Directors  
Monte dei Paschi di Siena SpA

13<sup>th</sup> of March 2018

CC Margrethe Vestager, European Commissioner for Competition  
Danièle Nouy, SSM, Chair of the Supervisory Board

Dear Mrs. Bariatti,

Bluebell Partners Ltd (“**Bluebell**”), a shareholder of Monte dei Paschi di Siena (“**MPS** or the “**Bank**”) holding twenty-five ordinary shares, intends to submit at the AGM scheduled on the 12<sup>th</sup> of April 2018 a proposal to approve a liability action against the directors, the statutory auditors and the external auditors (Ernst & Young) from time to time in office, who approved<sup>1</sup> and audited MPS financial reports as of 31<sup>st</sup> of December 2012, 31<sup>st</sup> of December 2013, 31<sup>st</sup> of December 2014 and 30<sup>th</sup> of June of 2015 and also certain other parties (Deutsche Bank, Nomura).

The proposal for liability action will be submitted pursuant to article 2393 of the Italian Civil Code, which grants shareholders, without a qualified majority, the right to propose to the assembly such a resolution - even if it is not included in the agenda set by the Board of Directors - for matters related to the fiscal year in connection of which shareholders are called to approve the financial statements. The two key facts which occurred in fiscal year 2017 affecting MPS were:

- a) on 12 May 2017, the committal for trial of former directors and statutory auditors was requested within new criminal proceedings before the Court of Milan no. 955/16 RGNR (General Criminal Records Registry), in which the former representatives were charged with false corporate disclosures (art. 2622 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Law on Finance), with reference to the Bank’s financial statements and half-year reports for the period from and including 31 December 2012 to an including 30 June 2015;

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<sup>1</sup> with the exclusion of the directors who dissented, abstained or were absent as documented by the minutes of the Board of Directors

- b) the legal actions brought against the Bank during the course of 2017 by investors seeking compensation for damages stemming from the purchase of MPS shares on the basis of misleading representations, unlawfully made by the Bank.

The directors' negligent or fraudulent actions and the failure by the statutory auditors to monitor the directors' actions and ensure compliance with law and statutory law, caused significant detriment to MPS capital, associated with or connected to:

1. the false reporting of two *Credit Default Swap* (five billion euro) accounted as government bonds (2012-1H2015) which resulted into requests for damage and restitution to the detriment of MPS capital;
2. the exercise of the statutory powers in two legal proceedings (2013) against a former Chairman, a former General Manager, Deutsche Bank and Nomura without contesting in full their responsibilities and accordingly claiming the damages to MPS capital<sup>2</sup>;
3. the two settlement agreements entered with Deutsche Bank (2013) and Nomura (2015) predicated on knowingly false premises waiving recourse claims with prejudice to MPS capital;
4. the breach of trading risk-limit (Value at Risk or "VAR") set by the Board of Directors and by the European Commission as part of State Aid approval (2013);
5. the incorrect representations made to the Italian Authorities, to the EC and to shareholders to obtain State Aid (2013);
6. the disparagement of misleading information intended to deliberately disguise the false accounting of the Deutsche Bank and Nomura transactions (2012-1H2015);
7. the mis-statement of loans loss provisions (2013, 2013) prior to the 2014 and 2015 Right Offerings;
8. the so-called "*image loss*", as a non-patrimonial loss certainly to be compensated for, because of the many unlawful elements illustrated above.

With regards to point 1), 3), 4), 5) and 8) the tort in question could not have been committed without the conscious and active participation of Deutsche Bank and Nomura. The external auditors (Ernst & Young) should also be liable for failing over such extended

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<sup>2</sup> The Deutsche Bank and Nomura transactions caused a loss to MPS capital of €2,745 million (*source: MPS*). The Directors filed a lawsuit for damages of €1,200 million and accepted a settlement of €661 million

period of time (2012 to 1H2015) - in spite of being informed of the Deutsche Bank and Nomura transactions - to recognize that the audited documents (financial statements or prospectuses, as the case may be) contained misleading data.

It follows that Deutsche Bank, Nomura and Ernst & Young should be held liable for their conducts and their responsibility in the causation of the damage suffered by the Bank, together with directors and statutory auditors.

For the reasons narrated hereinabove, MPS capital suffered a detriment for losses suffered or to be suffered in an amount not lower than 11,633 million Euro (eleven billion and six hundred thirty three million Euro).

In 2017, MPS was ultimately rescued by the State with liquidity aid and a precautionary recapitalization: we are sympathetic to the management's effort to turn around the bank and restore long term profitability, nevertheless we view the position of MPS **extremely precarious, perilous and a threat to financial stability** because of the risk associated to current (and potential) legal liabilities, **which are increasing**.

MPS is currently facing Euro approximately 6.0 bn of legal claims and a material part of it relates directly or indirectly to the above referred subject matters. The legal risk of the Bank is, in our view, underserved and we worry that the low level of profitability may constrain MPS's ability to adequately provision for this risk.

The excessive amount of legal claims is an impediment to any M&A activity as it would be reckless for an acquirer to on-board such monumental level of idiosyncratic risk. These claims makes also virtually impossible for the Italian Authorities to fulfil their commitment under EC Decision C(2017) 4690 final of the 4<sup>th</sup> of July 2017 to re-privatize the Bank in the medium term. Finally, the current lack of recourse impairs the ability of the Bank to enter into out-of-court settlements as a strategy to reduce risk.

**The proposed liability action should be the single most important item on the agenda of the Board of Directors to ensure the survival of the Bank, to avoid nullifying the effort to restore the soundness of the Bank and vilifying the sacrifice of thousands of employees who lost their job (or are going to lose their job) to comply with the strict cost-cutting measures agreed with the EC in July 2017.**

Please allow us to say that to seek compensation for damages made to MPS capital by former directors and statutory auditors should be first and foremost a moral obligation (other than the fulfilment of the duty of care by the Board of Director towards the shareholders).

We hope you see that our proposal goes in the best interest of all MPS stakeholders (i.e. shareholders, debtholders, employees, depositors, customers, taxpayers) including current directors, who at some point - bearing in mind the statute of limitations (five years) which is quickly approaching for certain directors who stepped down in 2013 - could face criticism for not having already proposed such an action at their own initiative, given overwhelming evidence.

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All of that been said, we respectfully ask MPS's Board of Directors:

- (i) to promptly disclose to the market, as part of the information provided to shareholders for the AGM scheduled for the 12<sup>th</sup> of April 2018, that Bluebell has communicated to MPS its intention to submit a proposal for liability action (ex 2393 c.c.) against directors, statutory auditors and external auditors accountable for MPS financial reporting as of 31<sup>st</sup> of December 2012, 31<sup>st</sup> of December 2013, 31<sup>st</sup> of December 2014 and 30<sup>th</sup> of June 2015 and also against certain other parties (Deutsche Bank, Nomura);
- (ii) to make available to shareholders ahead of the AGM the resolution proposed by Bluebell with the enclosed supporting documents, including this accompanying letter;
- (iii) to provide shareholders with a Board's recommendation on the resolution, supported by the opinion of a reputable law firm that was not previously involved in any capacity on the subject matter and has not advised former directors and statutory auditors.

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As you know, institutional investors are advised by proxy agents to vote against any resolution which is not included in the meeting's agenda and is not accompanied by a recommendation (in favour or against it) from the Board of Directors.

In addition, on the 24<sup>th</sup> of November 2017<sup>3</sup> during the parliamentary hearing called to investigate the notable failures of the Italian banking system (starting with MPS), the Ministry of Economics and Finance (MPS's majority shareholder with a 68% stake) stated that in order to decide on a liability actions against former directors, the Treasury would rely on the recommendation submitted by the directors who were going to be appointed on the following 18<sup>th</sup> of December (as you know the Treasury named eleven out of fourteen directors, including the CEO and Chairperson).

We trust you appreciate that such sensitive matter requires careful consideration by all of MPS shareholders in order to fulfil their right to make informed decisions. On the other hand, the Board has the obligation to ensure that such right could be exercised in practice by timely providing the necessary amount of information needed to deliberate.

Should the Board of Directors decide not to accommodate our request, prompting an *impromptu* discussion at the AGM, the resolution will not be passed (given the official position of the majority shareholder, i.e. the Treasury) and the Board should be held accountable for this outcome towards MPS stakeholders including the new Government.

We thank you and the Board of Directors for your consideration,

Your sincerely,

  
Giuseppe Bivona

Tel: +44 (0) 203 826 0102  
+44 (0) 203 826 0100  
[gbivona@bluebellpartners.com](mailto:gbivona@bluebellpartners.com)

  
Marco Taricco

Tel: +44 (0) 203 826 0101  
+44 (0) 203 826 0100  
[mtaricco@bluebellpartners.com](mailto:mtaricco@bluebellpartners.com)

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<sup>3</sup> Mr. Vincenzo La Via, Ministry of Economics and Finance, Director General