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

EXTRAORDINARY SHAREHOLDERS' MEETING

14 April 2015 (first call), 15 April 2015 (second call) and 16 April 2015 (third call)

BOARD OF DIRECTORS' REPORT

ON ITEM 4) ON THE AGENDA

drafted pursuant to art. 125-ter of Legislative Decree no. 58 of 24 February 1998, as amended and integrated, and pursuant to art. 72 of the Regulations adopted by Consob by resolution no. 11971 of 14 May 1999, as amended.

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Foreword

Dear Shareholders,

The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. (hereafter the “**Bank**” or the “**Company**” or “**BMPS**”) has convened you, inter alia, to attend the Extraordinary Shareholders’ Meeting in Siena, Viale Mazzini 23, on 14 April 2015 at 9.00 a. m. on first call and, if necessary, on second call on 15 April 2015, same time and same location. If the respective quorum required for the above-mentioned meetings are not met, the Extraordinary Shareholders’ Meeting is convened on third call for 16 April 2015, same time and same location, to discuss and pass resolutions on the following item on the agenda:

“Reverse split of the ordinary shares of Banca Monte dei Paschi di Siena S.p.A. at a ratio of 1 new ordinary share with regular dividend-right every 20 existing ordinary shares; relative amendments to the By-Laws and resolutions pertaining thereto and resulting therefrom”.

This Report of the Board of Directors (the “**Report**”) – drawn up pursuant to art. 125-ter of Legislative Decree no. 58 of 24 February 1998, as amended and integrated (the “**Consolidated Law on Finance**” or “**TUF**”) and pursuant to art. 72 of the Regulations adopted by Consob resolution no. 11971 of 14 May 1999, as subsequently amended (the “**Issuers’ Regulation**”), as well as according to the provisions set out in Appendix 3A) of the Issuers’ Regulation – is aimed at providing the necessary information on the item on the Agenda of the Extraordinary Shareholders’ Meeting.

1. **Details of the transaction**

At present, the Company’s share capital is subdivided into 5,116,513,875 ordinary shares.

As regards the planned Share Capital Increase referred to in item 3) on the Agenda of the Extraordinary Session of the Shareholders’ Meeting (the “**Share Capital Increase**”), this reverse share split proposal, entailing a reduction in the number of outstanding shares, is meant to simplify the administrative management of the shares that will increase in number as a result of the Share Capital Increase.

In an efficient market, a reverse share split does not affect the value of the investment held by the shareholders. In fact, despite the reduction in the number of shares held in the portfolio the shareholders would simultaneously witness an increase in the related

unit value with no impact on the total counter value of the investment, all other things being equal.

Considering the objectives involved and the correlation with the Share Capital Increase, the reverse split proposed at a ratio of 1 new ordinary share with regular dividend rights every 20 existing ordinary shares (the "**Reverse Share Split**") is expected to take place before the Share Capital Increase starts, according to the time schedule and modalities to be agreed with Borsa Italiana S.p.A. and the other competent authorities, in any case, within 30 June 2015 at the latest.

The Reverse Share Split will be carried out pursuant to the legal regulations applicable by the authorised intermediaries belonging to the centralised management system of Monte Titoli S.p.A. and at no charge for the shareholders.

To optimize the ratio associated with the Reverse Share Split, it will be necessary to cancel max. 15 ordinary shares. To this end, the Bank: (i) will fully draw upon the portfolio of the Bank's treasury shares, represented, at the date of this report, by 9 treasury shares, with the related proportional reduction of the corresponding negative reserve; and (ii) before carrying out the Reverse Share Split, it will identify one or more shareholders willing to waive 6 ordinary shares of the Bank and/or an intermediary willing to carry out a reconciliation exercise, without modifying the amount of the share capital.

The shareholders will be assisted with regard to any share fractions that might arise from the Reverse Share Split, based on the official market price, at no additional charge or commission and according to technical modalities that will be communicated during the execution of the transaction.

2. By-Laws Amendments

In the light of the above, the Reverse Share Split requires art. 6, Paragraph 2, of the By-Laws to be amended to acknowledge the total number of shares that are representative of the share capital resulting from the Reverse Share Split. Therefore we suggest amending art. 6 of the By-Laws by adding a new paragraph at the end that reflects the resolution passed by the Shareholders' Meeting in relation to this proposal and that acknowledges the powers conferred to the Chairman and the Chief Executive Officer (powers that can be exercised also separately) to proceed with the ensuing amendments

and/or integrations to the By-Laws after the reverse split has taken place, adjusting the figures included therein.

In relation to the above, here below is the text of art. 6 of the By-Laws assuming approval of the resolution proposals referred to in item 1) and 3) on the Agenda of the Extraordinary Session, together with the comparison column relating to the amendments proposed in item 4) – (the changes are in bold).

CURRENT TEXT INCLUDING THE PROPOSALS SET OUT IN ITEM 1) AND ITEM 3) OF THE AGENDA OF THE EXTRAORDINARY SESSION	PROPOSED TEXT
Article 6	Article 6
1. The Company's share capital amounts to EUR 5,765,522,412.60 (five billion seven hundred sixty-five million five hundred twenty-two thousand four hundred twelve point six zero) and is fully paid up.	<i>(unchanged compared to the text proposed in item 1) on the Agenda of the Extraordinary Session and assuming approval of the same)</i>
2. The Company's share capital is represented by 5,116,513,875 (five billion one hundred sixteen million five hundred thirteen thousand eight hundred seventy five) ordinary shares with no par value. All shares are issued in dematerialised form. Procedures for the circulation and legitimation of shares are governed by law. Shareholders who did not participate in the approval of resolutions regarding the introduction or removal of constraints on the circulation of shares shall have no right of withdrawal.	<i>(unchanged)</i>
3. Ordinary and preference shares are registered in the name of their holders and are indivisible. Each share entitles to one vote. Preference shares do not entitle to vote in the ordinary shareholders' meetings.	<i>(unchanged)</i>
4. Preference shares are held in one or more deposit accounts managed with the Company and the Company shall be the sole authorised depository. The transfer of preference shares are promptly notified to the Company by the transferring shareholder and determine the automatic at par conversion of preference shares into ordinary shares.	<i>(unchanged)</i>
5. Under no circumstances shall the shareholder that qualifies as a Bank Foundation ("Bank Foundation") under Law no. 461 of 23 December 1998 and Legislative Decree no. 153 of 17 May 1999, as subsequently amended and supplemented, or that is directly or indirectly controlled by a foundation, obtain conversion under its name of the preference shares it holds into ordinary	<i>(unchanged)</i>

shares.	
6. In the event of a capital increase with consideration not excluding or limiting the pre-emptive rights of existing shareholders, holders of preference shares shall have a right of pre-emption on preference shares having the same characteristics.	<i>(unchanged)</i>
7. The Shareholders' Meeting of 15 January 2004 resolved to increase the share capital of Banca Monte dei Paschi di Siena S.p.A. in support of the issuance of Convertible Preferred Securities by up to 2,639,915 ordinary shares, as later adjusted by the Shareholders' Meeting of 3 December 2010, and further to the implementation of the reverse stock split of ordinary shares, with effect from 5 May 2014, in compliance with the resolution of the Shareholders' Meeting held on 28 December 2013, with dividend payable as of date of conversion, with no par value, for an amount of up to EUR 176,874,323.76, as adjusted by the Shareholders' Meetings of 15 December 2005 and 3 December 2010. It is understood that (i) the capital increase in support of the issuance will expire on 30 September 2099, (ii) directors will procure that shares are issued to holders of Convertible Preferred Securities by the end of the calendar month following the date of request for conversion, which may be submitted each year in September from 2004 to 2010 and subsequently at any time, no later than the end of the month following automatic conversion (or conversion upon redemption of the Convertible Preferred Securities), so that shares are eligible for dividend payment as of the date of conversion and (iii) directors will file the notarial deed attesting to the increase in share capital with the Register of Companies, within one month from the date of conversion. In response to the requests for conversion of Preferred Securities received as at 30 December 2011, a total of 221,755,923 ordinary shares (before the implementation of the reverse stock split of ordinary shares,	<i>(unchanged)</i>

<p>with effect from 5 May 2014, in compliance with the resolution of the Shareholders' Meeting held on 28 December 2013), were issued, for an amount of EUR 134,952,651.33.</p>	
<p>8. By a resolution of the Extraordinary Shareholders' Meeting of 25 January 2013 the Board of Directors was empowered (i) to increase share capital, in one tranche, under exclusion of preemptive rights of existing shareholders, pursuant to Articles 2443 and 2441 para. 5 of the Italian Civil Code through the issuance of ordinary shares for an amount of up to EUR 4,500,000,000.00 (four billion five hundred million/00), including share premium if any, at the exclusive service of the exercise of the Bank's right to convert the New Financial Instruments provided for by Law Decree no. 95 of 6 July 2012, converted with amendments by Law no. 135 of 7 August 2012 as subsequently amended; and/or (ii) to increase share capital, in one or more tranches, again in exclusion of the preemptive rights of existing shareholders, pursuant to Articles 2443 and 2441, para. 5 of the Italian Civil Code, through the issuance of ordinary shares for an amount of up to EUR 2,000,000,000.00 (two billion/00), including share premium if any, at the exclusive service of the interest payments to be made in shares pursuant to the regulations applicable to the New Financial Instruments as set forth in Law Decree no. 95 of 6 July 2012, converted with amendments by Law no. 135 of 7 August 2012, as subsequently amended. Said power can 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.</p> <p>When exercising its delegated powers, the Board of Directors shall be entitled - inter alia - to set the date of the dividend payout and the price of issuance of newly-issued ordinary shares (including share premium if any) according to the above-mentioned limits, as set out in the Report of the Board of Directors to the</p>	<p><i>(unchanged)</i></p>

Shareholders' Meeting and as required by relevant regulations.	
<p>9. On [DATE OF MEETING] the Extraordinary Shareholders' Meeting resolved to approve the share capital increase by payment by up to EUR 3,000,000,000.00 (three billion/00), including share premiums if any, to performed no later than 30 September 2015, in tranches, through the issuance of ordinary shares, with regular divided rights, offered as an option to the Shareholders of the Company, in accordance with art. 2441 of the Italian Civil Code, providing that if the share capital increase is not fully subscribed by 30 September 2015, deadline set for its subscription, the share capital will be deemed to have increased by an amount equal to the subscriptions collected to that date, without prejudice to the possible issue of new shares for the subscriptions made before the aforesaid date.</p> <p>The same Extraordinary Shareholders' Meeting has also resolved to confer the widest possible powers to the Board of Directors:</p> <p>(i) to establish the timing of the offer in accordance with the above terms, and file it with the Companies' Register;</p> <p>(ii) to establish, close to the start of the period of the offer in option relating to the Share Capital Increase, the number of shares to be issued, the option ratio and the issue price, including the amount allocated to capital and that allocated to the share premium account, determining the issue price by also taking account, inter alia, of market conditions and, more generally, the performance of the security as well as the outlook of the Company and considering market practices for similar transactions and without prejudice to the provisions of art. 2346, paragraph 5 of the Italian Civil Code. The issue price will be determined, close to the start of the period of the offer in option of the Share Capital Increase, applying, according to market practices for similar transactions, a discount on the</p>	<p><i>(unchanged compared to the text proposed in item 3) on the Agenda of the Extraordinary Session and assuming approval of the same)</i></p>

<p>Theoretical Ex Right Price (“TERP” in short) of ordinary shares, calculated according to current methodologies, based on the official Stock Exchanges price of the trading day preceding the price-fixing date;</p> <p>(iii) to establish the final amount of the Share Capital Increase within the max. limit resolved by this Meeting;</p> <p>(iv) to determine any other element that is necessary for the above purposes</p>	
<p><i>(missing)</i></p>	<p>10. On [DATE OF MEETING] the Extraordinary Shareholders’ Meeting resolved:</p> <ul style="list-style-type: none"> - to approve the reverse split of the ordinary shares of Banca Monte dei Paschi di Siena S.p.A. at a ratio of 1 new ordinary share with regular dividend rights every 20 existing ordinary shares; - to optimize the ratio of the reverse share split referred to above, to authorize the Board of Directors to cancel max. 15 ordinary shares of Banca Monte dei Paschi di Siena: (a) drawing upon the portfolio of the Bank’s treasury shares and with ensuing proportional reduction in the corresponding negative reserve; and (b) based on the waiver of the shares that will be expressed by one or more shareholders and/or an intermediary willing to carry out a reconciliation of the transaction, all without changing the amount of the share capital and, as a result, change the number of the shares indicated in art. 6, paragraph 2 of the By-Laws. All of the above without prejudice to the fact that in any case, the shareholders will be offered a service to deal with any share fractions that might arise from the Reverse Share Split, based on the official market price and with no additional charge or commission. - to grant the pro-tempore Chairman of the Board of Directors and the pro-tempore Chief Executive Officer, also separately, within the limits prescribed by legal regulations: <ul style="list-style-type: none"> (i) the power to determine, in accordance with the technical timing required and indicated by the competent

	<p>subjects and, in any case, within and no later than 30 June 2015, the date when the reverse share split takes place; (ii) the power to make the consequent By-Laws amendments and/or integrations upon carrying out the reverse share split, adjusting the ratios set out therein, with explicit early declaration of approval and ratification, as well as to file the updated text of the By-Laws with the Companies' Register.</p>
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The planned amendments to the By-Laws will probably be verified by the competent authorities in accordance with applicable legal regulations.

3. Valuations of the right of withdrawal

This proposal for the reverse split of the Company's ordinary shares does not integrate the cases envisaged for the exercise of the withdrawal right by the shareholders pursuant to art. 2437 of the Italian Civil Code.

4. Resolution proposal

Now therefore, The Board of Directors proposes that the Shareholders pass the following resolution:

"Having read the proposal formulated by the Board of Directors, the Extraordinary Shareholders' Meeting:

resolves

1. *to approve the reverse split of the ordinary shares of Banca Monte dei Paschi di Siena S.p.A. at a ratio of 1 new ordinary share with regular dividend rights every 20 existing ordinary shares;*
2. *to authorize the Board of Directors to cancel max. 15 ordinary shares of Banca Monte dei Paschi di Siena to optimize the ratio of the reverse share split referred to above: (a) by drawing upon the portfolio of the Bank's treasury shares and with ensuing proportional reduction in the corresponding negative reserve; and (b) based on the waiver of the shares that will be expressed by one or more shareholders and/or an intermediary willing to carry out a reconciliation of the transaction before the latter takes place, all without changing the amount of the share capital and, as a result, change the number of the shares indicated in art. 6, Paragraph 2 of the By-Laws. All of the above without prejudice to the fact that in any case, the shareholders will be assisted to deal with any share fractions that*

might arise from the Reverse Share Split, based on the official market price and with no additional charge or commission.

3. *to grant the pro-tempore Chairman of the Board of Directors and the pro-tempore Chief Executive Officer, also separately, within the limits prescribed by legal regulations the powers to:*
 - *determine the date when the reverse share split is to take place, in accordance with the technical timing required and indicated by the competent subjects and, in any case, no later than 30 June 2015;*
 - *make the consequent Articles of Association amendments and/or integrations upon carrying out the reverse share split, adjusting the ratios set out therein, with explicit early declaration of approval and ratification, as well as to file the updated text of the By-Laws with the Companies' Register;*
 - *all the widest possible powers to do what is necessary, or just appropriate, to carry out (fully and in each single part), the resolutions passed, as well as comply with all the formalities required so that all the resolutions adopted today obtain all the approvals required by legal regulations and do, in general, all that is necessary for the full execution of the resolutions, with all the widest powers required for and appropriate to that end, none excluded and with no exceptions including the power to introduce in the resolutions and in line with their substance, all the amendments deemed fit to take account of the new shares issued following the Share Capital Increase or that might be requested by the competent authorities upon granting the necessary authorizations or making the appropriate registrations;*

4. *to consequently amend article 6 of the By-Laws as follows:*

"Article 6:

1. *unchanged compared to the text proposed in item 1) on the Agenda of the Extraordinary Session and assuming approval of the same;*
2. *unchanged;*
3. *unchanged;*
4. *unchanged;*
5. *unchanged;*
6. *unchanged;*
7. *unchanged;*
8. *unchanged;*
9. *unchanged compared to the text proposed in item 3) on the Agenda of the Extraordinary Session and assuming approval of the same;*
10. *On [DATE OF MEETING] the Extraordinary Shareholders' Meeting resolved:*

- *“to approve the reverse split of the ordinary shares of Banca Monte dei Paschi di Siena S.p.A. at a ratio of 1 new ordinary share with regular dividend rights every 20 existing ordinary shares;*
- to optimize the ratio of the reverse share split referred to above, to authorize the Board of Directors to cancel max. 15 ordinary shares of Banca Monte dei Paschi di Siena: (a) by drawing upon the portfolio of the Bank’s treasury shares and with ensuing proportional reduction in the corresponding negative reserve; and (b) based on the waiver of the shares that will be expressed by one or more shareholders and/or an intermediary willing to carry out a reconciliation of the transaction before the latter takes place, all without changing the amount of the share capital and, as a result, change the number of the shares indicated in art. 6, Paragraph 2 of the By-Laws. All of the above without prejudice to the fact that in any case, the shareholders will be offered assistance to deal with any share fractions that might arise from the Reverse Share Split, based on the official market price and with no additional charge or commission.
- grant the pro-tempore Chairman of the Board of Directors and the pro-tempore Chief Executive Officer, also separately, within the limits prescribed by legal regulations:
 - (i) the power to determine, in accordance with the technical timing required and indicated by the competent subjects and, in any case, within and no later than 30 June 2015, the date when the reverse share split takes place;
 - (ii) the power to make the consequent By-Laws amendments and/or integrations upon carrying out the reverse share split, adjusting the ratios set out therein, with explicit early declaration of approval and ratification, as well as to file the updated text of the By-Laws with the Companies’ Register”.

Siena, 4 March 2015

On behalf of Board of Directors

Alessandro Profumo

Chairman of the Board of Directors