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

**SHAREHOLDERS' MEETING**

Extraordinary session

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

**BOARD OF DIRECTORS' REPORT**

**ON ITEM 2) ON THE AGENDA OF THE EXTRAORDINARY SESSION**

drafted pursuant to art. 125-ter of Legislative Decree no. 58 of 24 February 1998, as amended and integrated

## ITEM No. 2 ON THE AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

### “RESOLUTIONS CONCERNING THE FAILURE TO RE-ESTABLISH VALUATION RESERVES”

Dear Shareholders,

this Report (the “**Report**”) is drawn up pursuant to art. 125 of Legislative Decree no. 58/98 (“Consolidated Law on Finance-TUF”). In this Report all amounts are stated in Euros.

**1.** The aim of this Report is to illustrate the proposal that the Board of Directors formulates to the Shareholders' Meeting in relation to the decision not to re-establish reserves subject to tax deferral: (i) that were used to cover losses for the year and (ii) posted to share capital, in respect of which a reduction was proposed pursuant to art. 2446 of the Italian Civil Code as per item 1) on the agenda of this Extraordinary Shareholders' Meeting.

#### **2. Use of reserves subject to tax deferral.**

**2.1** Upon approving the 2012 financial statements, the Ordinary Shareholders' Meeting of 29 April 2013 resolved to cover the loss for the period using reserves that (i) must be re-established under the provisions of the Civil Code and/or (ii) are untaxed until distribution, as detailed in the table below.

**2.2** Upon approving the 2014 financial statements the meeting of the Board of Directors of 4 March 2015 resolved to propose the use of reserves that must be re-established under the provisions of the Italian Civil Code and that are subject to tax deferral to the Ordinary Shareholders' Meetings to partly cover the loss for the 2014 financial year, as shown in the table below.

*Amounts in Euros*

	Equity reserves	Amount reduced/to be reduced	Equity reserves to be restored pursuant to Civil Code	Amount in tax deferral regime
<b>FY 2012 Loss covered – Equity reserves reduced</b>	Law n. 218/90 equity reserve	163.793.855	163.793.855	156.077.186
	Legislative Decree n. 185/2008 art.15 equity reserve	112.315.775	112.315.775	112.315.755
	Law 266/2005 equity reserve	45.379.016	45.379.016	45.379.016
	Merger surplus reserve	670.414.940	-	79.011.583
<b>Proposal to cover FY 2014 losses - equity reserves available</b>	Legislative Decree n. 185/2008 art.15 equity reserve*	34.056.216	34.056.216	34.056.216
	Law 266/2005 equity reserve*	11.703.567	11.703.567	11.703.567
		<b>1.037.663.369</b>	<b>367.248.429</b>	<b>438.543.323</b>
* Reserves separately recognized after the merger of MPS Immobiliare in Banca Monte dei Paschi di Siena, pursuant to tax regulation				

**2.3** As regards the above statements, it is worth noting that, as regards profits earned in the future, no distributions will be possible until the reserves which the Italian Civil Code requires to be restored are re-established or definitely reduced by amount previously used (EUR 367, 248, 429). Conversely, the tax constraint of EUR 438,543,323 linked to the tax deferral regime would still apply to a corresponding share of future profits, unless the Extraordinary Shareholders' Meeting resolves not to restore them, thus foreseeing their complete write-off.

**2.4** We draw attention to the proposal by the Board of Directors to this Shareholders' Meeting through the subject in item 1) on the agenda of the extraordinary session concerning the share capital reduction pursuant to art. 2446 of the Italian Civil Code, as the total loss to cover, after using available reserves, exceeds the share capital by one-third. In particular, considering that the residual loss is EUR 6,718,684,236 against a share capital of EUR 12,484,206,649.08 at 31 December 2014, the Board of Directors resolved to propose a share capital reduction equal to the amount of said residual loss to the Shareholders' Meeting. Once such a reduction is resolved by the Shareholders' Meeting, the share capital of BMPS at 31 December 2014 will amount to EUR 5,765,522,412.60.

Note that the share capital in respect of which the Board of Directors resolved the proposed reduction is also the result of the previous use of EUR 1,394,808,532 reserves subject to tax deferral as shown in the table below.

<b>A) Monetary revaluation reserves:</b>	
- Acquisition reserve re: Banca Popolare Siciliana (Law no. 576/75 and Law no. 72/83)	4,495,559
- Acquisition reserve re: MPS Credito Fondiario (Law no. 576/75, Law no. 72/83 and Law no. 413/91)	22,906,670
- Acquisition reserve re: Banca Toscana (Law. 218/90)	4,223,613
- Acquisition reserve re: Banca Popolare Marsica acquired by Banca Toscana (Law no. 408/90)	1,216,087
- Revaluation of acquisition reserve re: Banca Toscana	49,036,833
- Revaluation of acquisition reserve re: Padana Immobiliare acquired by MPS Immobiliare	13,598
- BMPS (as per Law 576/75)	4,691,523
- BMPS (as per Law 72/83)	150,148,328
- BMPS (as per Law 413/91)	377,948,053
- BMPS (as per Law 342/00)	560,033,097
- BMPS property revaluation reserve (Law 266/05)	82,655,853
<b>B) Re-investable capital gains as per Law 169/83 (listing of investee Banca Toscana)</b>	137,439,318
<b>TOTAL RESERVES SUBJECT TO TAX DEFERRAL</b>	<b>1,394,808,532</b>

As regards the topic of item 1) on the agenda of the extraordinary session of this Shareholders' Meeting, it is worth noting that once the proposal to reduce the share capital pursuant to art. 2446 of the Italian Civil Code is resolved upon, it will be necessary for the same Extraordinary Shareholders' Meeting to make the decisions relating to the reserves subject to tax deferral previously offset against share capital.

## 2.5 Resolution proposal

Dear Shareholders,

In relation to the above, we kindly invite you to approve the following proposal:

“The Extraordinary Shareholders' Meeting,

having examined the proposal formulated by the Board of Directors,

### RESOLVES

- a) to definitely reduce and not to re-establish the reserves used to cover the loss for the 2012 financial year and those used to partly cover the loss for the 2014 financial year (the latter ones after approval by the Shareholders' Meeting convened to approve the 2014 draft financial statements), by EUR 367,248,429 as regards the reserves that the Italian Civil Code prescribes to re-establish and/or by EUR 438,543,323 the reserves subject to tax deferral.
- b) that the share capital reduction pursuant to art. 2446 of the Italian Civil Code, submitted in item 1) on the agenda of the extraordinary session of this Shareholders' Meeting, be first and finally set off against that part of the share capital made up of reserves subject to tax deferral and amounting to EUR 1,394,808,532. Consequently, the Company will not re-establish reserves subject to tax deferral (allocated to share capital in accordance with previous resolutions) nor will it re-establish the tax deferral constraint on the residual share capital or share capital arising from future increases.

Siena, 4 March 2015

On behalf of Board of Directors

Alessandro Profumo

Chairman of the Board of Directors