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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 1) ON THE AGENDA OF THE EXTRAORDINARY SESSION

drafted pursuant to art. 2446 of the Italian Civil Code, article 125-*ter* of Legislative Decree no. 58 of 24 February 1998, as amended and of articles 72 and 74 of the Regulation adopted by Consob by resolution no. 11971 of 14 May 1999, as amended.

ITEM No. 1 ON THE AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

"Resolutions in accordance with Article 2446 of the Italian Civil Code: proposed share capital reduction due to losses; resolutions pertaining thereto and resulting therefrom"

Dear Shareholders,

The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. (hereinafter, the "***Bank***" or the "***Company***" or "***BMPS***") has convened an Extraordinary Shareholders' Meeting to discuss and resolve upon the following item on the Agenda:

***"*Resolutions in accordance with Article 2446 of the Italian Civil Code: proposed share capital reduction due to losses; resolutions pertaining thereto and resulting therefrom"**

This Report ("**Report**") is drawn up pursuant to art. 2446 of the Italian Civil Code and articles 72 and 74, paragraph 1, of the Regulation adopted by CONSOB resolution no. 11971 of 14 May 1999, as subsequently amended ("**Consob Issuers Regulation**"), in accordance with the indications set out in Appendix 3A) to the Consob Issuers Regulation.

The aim of the Report is to illustrate: (i) the financial and economic situation of Banca Monte dei Paschi di Siena S.p.A. at 31 December 2014, approved by the Board of Directors on 4 March 2015 (the "**Financial Statements**") and (ii) the proposal that the Board formulates to the Shareholders' Meeting in relation to the adoption of appropriate measures as a result of the losses that reduced the share capital by more than one-third.

1. Considerations on the results for the 2014 financial year

The global economic outlook in the short and medium term remains rather uncertain, due to the possible effects on the financial markets of the launch of the exit strategy by the Monetary Authorities of some Countries, the impacts of the fall in oil prices on the budgets of producing countries and the risk of a protracted period of stagnation and deflation in the Eurozone and Japan.

In the Eurozone growth remains subdued, with a Gdp estimated by the World Bank at 0.8% and consumer price inflation entering negative territory in December, for the first time since October 2009. Also the two targeted long-term refinancing operations (LTROs) carried out in September and December subject to the granting of loans to enterprises and households have only generated a small expansion. The total amount of liquidity requested from the banking system of the area for these two operations was equal to just over half the maximum lending amount (approximately 400 billion) and this has probably reflected the weak phase of the economy of the area, that has adversely affected the demand for loans.

To counter the risk of deflation and avoid the ensuing strengthening of expectations of a price downward trend and an increase in real interest rates with higher charges for indebted sectors, the Board of the ECB launched a 2-year ABS and Covered Bond purchase programme as well as a plan to purchase securities with a rating lower than BBB- (Greece and Cyprus), though at certain terms and conditions, planning to expand its balance sheet assets to the all-time-highs reached at the beginning of 2012 (EUR 3,000 billion). Furthermore, on 22 January 2015, the Board of the ECB passed an extended plan for the purchase of financial assets – aimed at fulfilling its mandate for price stability – whereby the European Central Bank will purchase sovereign bonds in addition to the programmes already in place for the purchase of private-sector securities, in order to face the risks of too long a period of low inflation.

The monetary policy measures had an immediate impact on the interbank market with the 1-month Euribor touching the new 2015 time-lows, turning even negative (-0.002 bps), and with clear effects on the single currency, with the EUR/USD exchange rate hitting its 10-year lows below 1.16. The 10-year BTP-Bund yield differential closed the year at approximately 135 bps and, in 2015, has already hit its low of 116 bps.

The recessionary phase has severely hit the Italian economy (-0.4% in 2014) and demand factors linked to weak investments, together with a perceived high credit risk for some categories of enterprises, continue to slow down the dynamics of investments (for further information on the bank scenario, please refer to Bank of Italy, January 2015 Economic Bulletin).

Also in the light of the above the Bank reported a loss of EUR 5,436 million for the 2014 financial year. Here below is the reclassified Income Statement of the Bank.

Reclassified Income Statement (Euro mln)				
	31/12/14	31/12/13	Change	
Monte dei Paschi di Siena Bank			Abs.	%
Net interest income	1.724,9	1.476,5	248,3	16,8%
Net fee and commission income	1.642,4	1.582,5	59,9	3,8%
Income from banking activities	**3.367,3**	**3.059,0**	**308,3**	**10,1%**
Dividends, similar income and gains (losses) on investments	115,7	119,4	(3,7)	-3,1%
Net profit (loss) from trading	152,0	(121,3)	273,4	n.s.
Net profit (loss) from hedging	(25,3)	3,6	(28,9)	n.s.
Income from banking and insurance activities	**3.609,7**	**3.060,7**	**549,1**	**17,9%**
Net impairment losses (reversals) on:	**(6.289,3)**	**(2.073,3)**	**(4.216,0)**	**n.s.**
a) loans	(6.100,6)	(2.008,0)	(4.092,6)	n.s.
b) financial assets	(188,7)	(65,3)	(123,4)	n.s.
Net income from financial and insurance activities	**(2.679,6)**	**987,4**	**(3.666,9)**	**n.s.**
Administrative expenses:	(2.555,8)	(2.547,5)	(8,3)	0,3%
a) personnel expenses	(1.570,5)	(1.559,3)	(11,2)	0,7%
b) other administrative expenses	(985,3)	(988,3)	2,9	-0,3%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(91,3)	(66,8)	(24,5)	36,6%
Operating expenses	**(2.647,1)**	**(2.614,4)**	**(32,8)**	**1,3%**
Net operating income	**(5.326,7)**	**(1.627,0)**	**(3.699,7)**	**n.s.**
Net provisions for risks and charges and other operating income (expenses)	(194,0)	(253,6)	59,6	-23,5%
Gains (losses) on investments	(678,2)	(273,1)	(405,1)	n.s.
Restructuring costs / One-off costs	(371,8)	(23,7)	(348,1)	n.s.
Gains (losses) on disposal of investments	27,6	1,7	25,9	n.s.
Profit (loss) before tax from continuing operations	**(6.543,2)**	**(2.175,8)**	**(4.367,4)**	**n.s.**
Tax expense (recovery) on income from continuing operations	1.807,0	626,3	1.180,7	n.s.
Profit (loss) after tax from continuing operations	**(4.736,2)**	**(1.549,5)**	**(3.186,7)**	**n.s.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	(43,9)	43,9	n.s.
Net profit (loss) for the period including non-controlling interests	**(4.736,2)**	**(1.593,4)**	**(3.142,8)**	**n.s.**
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(4.736,2)**	**(1.593,4)**	**(3.142,8)**	**n.s.**
PPA (Purchase Price Allocation)	(38,1)	(39,8)	1,8	-4,4%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	(661,8)	-	(661,8)	n.s.
Parent company's net profit (loss) for the period	**(5.436,1)**	**(1.633,2)**	**(3.802,8)**	**n.s.**

More specifically, at 31 December 2014, the Bank's financial and insurance income was EUR 3,610 million, up by 17.9% compared to the previous year.

An in-depth examination of the single items making up the total highlights that:

- In 2014 interest income was approximately EUR 1,725 million, higher than in the previous year (+16.8%). Worthy of notice in the 2014 financial statements is the negative impact of approximately EUR 147 million attributable to the recalculation of the repayment value of NFIs, occurred at the end of March 2014, which, if excluded, would highlight a 27% annual increase in the Bank's interest income. This increase is due to the lower average amount of financial instruments (benefit of approximately EUR 79 million) and the improved funding/lending spread (approx. +46 bps) affected by the decline in the cost of funding (average borrowing rate -44 bps, mainly for Corporate customers). These events enabled to absorb the decline in interest-bearing loans (-7% in terms of average volumes);

- Net fee and commission income, equivalent to approx. EUR 1,642 million, was up by 3.8% YoY (+ EUR 59.9 million) due to higher revenues from assets under management (mostly placement of AUM products), commission income from payment services and the non-commercial component that was positively impacted by the closure of the "Chianti" transaction.

- dividends, similar income and gains (losses) on investments: approximately EUR 116 million (approximately EUR 119 million at 31 December 2013);

- net profit from trading/valuation/repurchase of financial assets/liabilities at 31 December 2014 was approximately EUR 152 million compared to the net loss of approximately EUR 121 million of the previous year that was affected by non-recurring items the detail of which can be found in the 2013 financial statements.

Financial and insurance income (EUR mln)				
			Chg Y/Y	
	31/12/14	31/12/13	Abs.	%
Net interest income	1.724,9	1.476,5	248,3	16,8%
Net fee and commission income	1.642,4	1.582,5	59,9	3,8%
Income from banking activities	**3.367,3**	**3.059,0**	**308,3**	**10,1%**
Dividends, similar income and gains (losses) on equity investments	115,7	119,4	(3,7)	-3,1%
Net trading income (loss) / valuation of financial assets	152,0	(121,3)	273,4	n.s.
net profit (loss) from hedging	(25,3)	3,6	(28,9)	n.s.
Financial and insurance income	**3.609,7**	**3.060,7**	**549,1**	**17,9%**

A closer look at the key items highlights:

- Net income from trading activities of approximately EUR 5 million;

- gains on disposal/repurchase of loans and financial assets/liabilities available for sale amounted to EUR 169 million (compared to losses of approximately EUR 41 million in the previous year) that can be broken down as follows:

    a) disposal of loans of EUR -37.3 million, EUR 25 million of which are attributable to the block sale without recourse of a doubtful loan portfolio to a securitization vehicle funded by companies of the Fortress Investment Group LLC in the second quarter and at the end of the year;

    b) disposal of available-for-sale financial assets for EUR 216.9 million, mainly attributable to the disposal of AFS securities as well as the sale of certain investments, including Aeroporto Toscano and SIA (reporting total capital gains of approx. EUR 35 million);

    c) negative early settlement of financial liabilities of EUR 10.4 million relating to issues bearing 2015 and 2017 maturities.

- net loss from financial assets and liabilities designated at fair value of EUR 21.9 million, compared to the net profit of EUR 12.8 million recorded in 2013.

Financial and insurance income also includes the net loss from hedging of approximately EUR 25 million profit (a profit of EUR 4 million at 31 December 2013).

In 2014 the Bank also booked net impairment losses on loans of approximately EUR 6,101 million (approximately EUR 2,008 million in 2013), which include approximately EUR 4,644 million of additional adjustments related to the revision of the methods and parameters for classifying and evaluating the entire credit portfolio (wider scope than the one used for the Asset Quality Review).

The ratio of the 2014 impairment losses on loans over total customer loans reflects a provisioning rate of 597 bps, compared to 161 bps at the end of 2013. Excluding the aforesaid non-recurring adjustments, the provisioning rate would be equal to approximately 143 bps.

Net impairment losses on financial assets amounted to approximately EUR 189 million (EUR -65.3 million in 2013) also including the impairment loss on “Istituto per il Credito Sportivo” posted in Q1 of 2014 and the impairment losses on “Fondo Immobiliare Socrate” and “Prelios” posted in Q3.

Consequently, the bank’s financial and insurance result was a loss of approximately EUR 2,680 million (profit of EUR 987.4 million in 2013).

In 2014 the Bank’s operating expenses were approximately EUR 2,647 million (+1.3% YoY).

More specifically:

- Administrative expenses were approximately EUR 2,556 million (+0.3% compared to 2013). A breakdown of the aggregate shows:

    - Personnel expenses amounting to approximately EUR 1,571 million remained basically unchanged compared to the previous year (+0.7%) due to the headcount reduction that offset the increase in costs attributable to the effects of the National Collective Bargaining Agreement (CCNL).

    - Other administrative expenses (net of customer expense recovery) totalled approx. EUR 985 million, basically at the same levels as in 2013 (-0.3%), due to structural cutbacks in

spending that had major impacts especially on rental expenses, facility management and office supplies, sponsorships and events as well as business trips;

- at the end of December, net value adjustments to tangible and intangible assets were approx. EUR 91 million, up by 36.6% YoY mainly due to higher depreciation of real estate following the consolidation of Perimetro (at the end of 2013) and some property write-downs totalling EUR 41 million booked also following the Asset Quality Review.

As a result of the above factors, the bank reported a Net Operating Loss of approx. EUR 5,327 million (loss of EUR 1,627 million in 2013), with a cost/income ratio of 73.3% (85.4% at the end of the previous financial year).

The result for the period was also affected by:

- Net provisions for risks and charges and other operating income/expenses, which showed a negative balance of approx. EUR 194 million at 31 December 2014 compared to EUR -253.6 million recorded in the same period in the previous financial year. The aggregate includes:

  - net provisions for risks and charges amounting to EUR -180 million (EUR -49 million in 2013);

  - other operating income/expenses (net of expense recoveries reclassified in Other administrative expenses) with a negative balance of EUR 14 million (approx. EUR -205 million in 2013).

  - Gains (losses) on investments, showing a net negative balance of EUR 678 million, mainly attributable to the results of its subsidiaries MPS Capital Services and MPS Leasing & Factoring;

  - Restructuring costs/One-off charges, amounting to approx. EUR -372 million mainly due to early retirement incentives/provisions, as per the trade union agreement of 7 August 2014, and, for the remainder, the closure of branches;

  - Gains on disposal of investments EUR 28 million. The amount includes the gain on the sale of the administrative and back-office activities to "Fruendo" and the gain on the sale of properties in London and New York.

As a result of the above, at 31 December 2014 the bank posted a loss before tax from continuing operations of EUR 6,543 million (compared to a loss of EUR 2,176 million in 2013).

Taxes on profit (loss) from continuing operations showed a positive balance of approx. EUR 1,807 million (positive balance of approx. EUR 626 million as at 31 December 2013), which included around EUR 90 million resulting from the benefits of the "economic growth support" (also known as ACE).

The consolidated net result for the period before Purchase Price Allocation (PPA) and the impairment losses on goodwill shows a loss of approximately EUR 4,736 million (EUR 1,593.4 million loss in 2013).

Upon preparing the consolidated financial statements at 31 December 2014, in the light of the worsened economic scenario and the increase in risk premiums on equity investments, goodwill was tested for impairment. This test highlighted the need for a goodwill write-down of approximately EUR 662 million.

Considering the net effect of PPA (approximately EUR -38 million) and the aforesaid impairments (a total of EUR -662 million), the 2014 loss amounts to approximately EUR 5,436 million.

The 2014 loss follows the losses reported in 2011, 2012 and 2013 of EUR 4,644.4 million, EUR 3,122.3 million and EUR 1,633.2 million respectively. Overall, also considering other changes affecting only net equity, such as the elimination of the negative reserves for first time adoption of IAS, the restatements and the incorporation of some subsidiaries, the reserves used in the last 3 financial years to cover losses amount to EUR 9,490 million.

1 Balance sheet, financial situation and income statement of Banca Monte dei Paschi di Siena S.p.A.

Please refer to the Financial Statements at 31 December 2014, approved by the Board of Directors on 4 March 2015 that will be made available to the shareholders within the deadline set by the law.

2 Initiatives that the Issuer intends to undertake to ensure management recovery and to maintain business continuity

2.1 *The 2013-2017 Business Plan*

The 2013-2017 Business Plan, approved by the Board of Directors on 28 November 2013, outlines the strategic and operational policies contained in the Restructuring Plan, approved by the Board of Directors on 7 October 2013 and by the European Commission on 27 November 2013.

The Plan provides for a radical transformation in the "way of banking", anticipating changes currently underway in the banking industry which will alter the Bank's business model. Main objectives up to 2017 concern the achievement of a sustainable level of profitability, the strengthening of capital quality and quantity and the structural rebalancing of liquidity.

2.2 *Operational priorities*

The objectives of the Business Plan call for a complete overhaul of the Group's structure and operating processes, in respect of which a wide plan of investment initiatives and projects was launched, that affect all business areas, complementing and supporting management initiatives.

The mission of the Plan includes:

- the creation of a new distribution model geared towards customer satisfaction, through a more flexible network, with fewer branches but more relationship-oriented and capable of offering greater customer interaction;
- the evolution in the intermediation model with more third-party products offered and a leaner balance sheet, aiming at an expansion of distribution agreements with third parties (consumer credit, leasing), an additional boost to "bancassurance" and innovative solutions to support SMEs;
- improved operating efficiency with initiatives aimed at making the Bank leaner, more productive and "digital" through projects for the upgrade of the IT system and software, the grouping of functional areas that supply administrative services to the Network and initiatives aimed at improving the appeal and security of branches;
- HR enhancement and development with a merit-based approach;
- increasing commercial productivity in the Retail, Private and Corporate segments;
- becoming a reference bank for SMEs;
- improving the quality of the credit portfolio;
- a conservative risk management strategy and rationalisation of the asset portfolio;

the continuation of the incisive action on the renewal of operating and cost management models, for a considerable recovery of efficiency and optimization of the entire operating cost base in a sustainable manner.

2.3 *Summary of progress*

- In 2014, the implementation of the Business Plan was mainly focused on such issues as capital strengthening, credit quality, asset revision, the sales & distribution model and overall efficiency improvements.
- Capital and governance - the EUR 5 billion share capital increase aimed at the partial settlement of the so-called “Monti Bonds” and at strengthening the Bank's capital was successfully completed. The actions supporting the analysis of assets by the ECB were completed (Asset Quality Review).
- Credit - projects for the roll out of the new model for issuing and monitoring credit, as well as the new credit recovery model, continued.
- Commercial - WIDIBA, the new direct bank, commenced operations in the market; the Regata Retail Project (aimed at increasing the managers’ proactivity through on-the-job training, formulating more diversified, effective and sustainable commercial proposals); the transformation of the Bank’s distribution model continued (Programma Banca 2020) and the planning for the redefinition of the product mix for corporate market segments (Corporate Revolution Programme) and for consumer credit (incorporation of Consum.it.
- Operational excellence - implementation of the new Physical Network Security Model and planning to improve the furnishing, reception and appeal of the Bank's branches continued. Paperless processes were consolidated to cut down on costs and increase the quality of the services by digitalizing activities and communications that, to date, have been mainly paper-based.
- Human capital – actions to align headcounts to targets and the cost of labour to the targets in the Business Plan continued through one-off and structural initiatives (Bank Transformation Project); the new talent and performance management model has become fully operational; Corporate welfare policies have been consolidated and enhanced.

2.4 *Going concern*

The macro-economic environment in which the Group operates is still weak, despite a modest improvement, and a number of uncertainties remain with regard to the economic outlook:

- the economy reported slight signs of recovery but manufacturing concerns, especially small/medium-sized firms are still experiencing hardship;
- labour market conditions remain difficult, with unemployment rates still soaring, hindering consumption and savings;
- the credit risk on banks’ portfolios remains very high whilst loan demand for investments is still low.

In particular, the results of the Comprehensive Assessment carried out by the ECB in 2014 highlighted a capital shortfall of EUR 2.1 billion. The bank must cover the shortfall within 9 months starting from 26 October 2014 and, once the shortfall is made good, it must comply with target Total Capital and CET 1 ratios of 10.9% and 10.2% respectively. In order to create a buffer over the mandatory CET1 threshold, the Board of Directors of the Bank resolved to propose a share capital increase of max. EUR 3 billion to the Shareholders’ Meeting.

In addition to the capital strengthening measures envisaged, additional planned managerial actions will be taken to improve the effectiveness of the Restructuring Plan, with particular reference to the commercial productivity of BMPS and acceleration of the Bank's profitability by improving asset quality. These measures will include specific initiatives such as further risk reductions in the financial statements, aimed at increasing BMPS's capital buffer, as well as pro-active management of doubtful loans (portfolio sales, reorganisation of processes and internal teams, commercial agreements/joint ventures with specialised platforms or operators).

In conclusion, the Board of Directors reasonably expects the Bank to continue as a going concern in the foreseeable future, as the uncertainties associated with the current economic context and the results of the Comprehensive Assessment do not raise any doubts as to the Bank's ability to continue operating as a going concern.

3 Proposals concerning the measures required to cover losses and the share capital increase

In brief, the aforesaid financial statements reveal, as regards the separate situation of BMPS, a loss of EUR 5,436,074,652 at 31 December 2014 and a net equity of EUR 4,815,461,246.

The combined effect of the loss for the year, the losses carried forward from previous years (amounting to EUR 1,707,537,553) and the net costs of the share capital increase directly posted to net equity in 2014 (amounting to EUR 176,529,093) gives rise to a total loss to be covered of EUR 7,320,141,297.

After a careful examination of the available reserves and the restrictions on their use, on 4 March 2015 the Board of Directors resolved upon the loss coverage proposal, to be submitted to the Shareholders' Meeting:

Data in Euro

Loss of FY2014	-5.436.074.652
Loss carried forward	-1.707.537.553
Share issue costs	-176.529.093
Total losses to be covered	**-7.320.141.297**

Data in Euro

Proposal to cover losses – Equity reserves available	
Share premium	2.290.530
Merger surplus reserve	540.838.734
Legislative Decree n. 185/2008 art.15 equity reserve	34.056.216
Law 266/2005 equity reserve	11.703.567
Retained earnings reserve	9.565.608
Equity instruments reserve	3.002.406
TOTAL EQUITY RESERVES AVAILABLE	**601.457.061**

Residual loss to be covered	**-6.718.684.236**

The loss remaining after using up the aforesaid reserves is EUR 6,718,684,236. This leads to the integration of the conditions pursuant to art. 2446 of the Italian Civil Code as the share capital of BMPS at 31 December 2014, of EUR 12,484,206,649.08 appears to have reduced by more than one-third.

Furthermore, considering the decision taken by the ECB and the target ratios imposed, the Board of Directors of the Bank resolved to propose to the Shareholders' Meeting to increase the amount of the share capital increase by max. EUR 3 billion instead of EUR 2.5 billion, in order to avail of a buffer over the transitional CET1 ratio threshold requested as part of the SREP (Supervisory Review and Evaluation Process). For more details, please refer to the *ad hoc* report on item 3 on the agenda of this Extraordinary Shareholders' Meeting.

Having regard to the above, the Board of Directors – considering the results expected for 2015, also in relation to the effects that could be achieved by completing the share capital increase operation (of max. EUR 3 billion) proposed to this Shareholders' Meeting - believed that, in accordance with the provisions of art. 2446 of the Italian Civil Code, the coverage of the aforesaid losses by a share capital reduction equal to the amount of the residual loss EUR 6,718, 684, 236, without prejudice to the number of shares provided by art. 6 of the By-Laws, could not be postponed.

4 Amendments to art. 6 of the By-Laws

In relation to the above, here below is the current text of art. 6 of the By-Laws, together with the comparison column relating to the changes proposed shown in bold text:

CURRENT TEXT	PROPOSED TEXT
Article 6	**Article 6**
1. The Company's share capital amounts to EUR 12,484,206,649.08 (twelve billion four hundred eighty-four million two hundred six thousand six hundred forty-nine point zero eight) and is fully paid up.	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.
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.	*2. Unchanged*
3. Ordinary and preference shares are registered in the name of their holders and are indivisible. Each share entitles to one vote. Preference shares do not entitle to vote in the ordinary shareholders' meetings.	*3. Unchanged*
4. Preference shares are held in one or more deposit accounts managed by the Company and the Company shall be the sole authorised depositary. The transfer of preference shares are promptly notified to the Company by the	*4. Unchanged*

transferring shareholder and determine the automatic at par conversion of preference shares into ordinary shares.	
5. Under no circumstances shall the shareholder that qualifies as a Bank Foundation ("Bank Foundation") under Law no. 461 of 23 December 1998 and Legislative Decree no. 153 of 17 May 1999, as subsequently amended and supplemented, or that is directly or indirectly controlled by a foundation, obtain conversion under its name of the preference shares it holds into ordinary shares.	*5. Unchanged*
6. In the event of a capital increase with consideration not excluding or limiting the pre-emptive rights of existing shareholders, holders of preference shares shall have a right of pre-emption on preference shares having the same characteristics.	*6. Unchanged*
7. The Shareholders' Meeting of 15 January 2004 resolved to increase the share capital of Banca Monte dei Paschi di Siena S.p.A. in support of the issuance of Convertible Preferred Securities by up to 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	*7. Unchanged*

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, 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.	
8. By a resolution of the Extraordinary Shareholders' Meeting of 25 January 2013 the Board of Directors was empowered (i) to increase share capital, in one tranche, under exclusion of pre-emptive rights of existing shareholders, pursuant to Articles 2443 and 2441 para. 5 of the Italian Civil Code through the issuance of ordinary shares for an amount of up to EUR 4,500,000,000.00 (four billion five hundred million/00), including share premium if any, at the exclusive service of the exercise of the Bank's right to convert the New Financial Instruments provided for by Law Decree no. 95 of 6 July 2012, converted with amendments by Law no. 135 of 7 August 2012 as subsequently amended; and/or (ii) to increase share capital, in one or more tranches, again in exclusion of the pre-emptive rights of existing shareholders, pursuant to Articles 2443 and 2441, para. 5 of the Italian Civil Code, through the issuance of ordinary shares for an amount of up to EUR 2,000,000,000.00 (two billion/00), including share premium if any, at the exclusive service of the interest payments to be made in shares pursuant to the regulations applicable to the New Financial Instruments as set forth in Law Decree no. 95 of 6 July 2012, converted with amendments by Law no. 135 of 7 August 2012, as subsequently amended. Said power 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. When exercising its delegated powers, the Board of Directors shall be entitled - inter alia	*8. Unchanged*

- to set the date of the dividend pay-out and the price of issuance of newly-issued ordinary shares (including share premium if any) according to the above-mentioned limits, as set out in the Report of the Board of Directors to the Shareholders' Meeting and as required by relevant regulations.	

Now therefore, the Board of Directors intends to submit the following resolution proposal to the Shareholders' Meeting:

"The Extraordinary Shareholders' Meeting,

- *having read and approved on today's date the balance sheet of the Company at 31 December 2014, contained in the 2014 draft financial statements also for the purposes of art. 2446 of the Italian Civil Code;*
- *having taken note of the total loss of EUR 7,320,141,297 reduced to EUR 6,718,684,236 by set off against available reserves totalling EUR 601,457,061.*
- *having taken note of the report pursuant to art. 2446 of the Italian Civil Code and art. 74 of Consob Issuers Regulation, prepared by the Board of Directors;*
- *having taken note of the remarks made by the Board of Statutory Auditors on the financial statements also pursuant to and to the effects of art. 2446 of the Italian Civil Code*

resolves

- *to approve the coverage of the total loss of EUR 7,320,141,297 reduced to EUR 6,718,684,236 by set off against available reserves totalling EUR 601,457,061, by cancelling the share capital by an equal amount which therefore now is equal to EUR 5,765,522,412.60, with no cancellation of shares, since they have no par value, thus reducing the so-called implicit par value of each share in accounting terms, defined as the quotient obtained by dividing the share capital amount by the no. of shares, which number remains unchanged, thus amending the first paragraph of art. 6 of the By-Laws as indicated below;*
- *to approve the consequent changes to art. 6 of the By-Laws in the wording quoted below:*

  "Article 6:

  1. *The Company's share capital amounts to EUR 5,765,522,412.60 (five billion, seven hundred and sixty-five million, five hundred and twenty-two thousand, four hundred and twelve point six zero) and is fully paid up.*
  2. *Unchanged*
  3. *Unchanged*
  4. *Unchanged*
  5. *Unchanged*
  6. *Unchanged*
  7. *Unchanged*
  8. *Unchanged.";*

- *to confer upon 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 widest possible powers to do anything deemed necessary or even appropriate to carry out, either wholly or partly, the resolutions passed,*

and carry out all the necessary formalities to ensure that all the resolutions passed today obtain legal approval and do anything that is deemed fit for the complete performance of the resolution, all the widest powers required for that purpose, with no exception, including the power to add in the resolution and in compliance with its substance, all the amendments, additions and cancellations deemed necessary or even just appropriate or possibly requested by the competent authorities when granting approval and registration".

Siena, 4 March 2015

On behalf of Board of Directors

Alessandro Profumo

Chairman of the Board of Directors