MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

COMMUNICATION PURSUANT TO ARTICLE 114 PAR. 5 OF LEGISLATIVE DECREE NO.58/1998

INFORMATION PROVIDED UPON REQUEST OF CONSOB

Siena, 10 April 2015 – Following the communication dated 11 February 2015 and the publication of the Bank's 2014 annual report, the following information is being provided in response to CONSOB's written request dated 9 April 2015 pursuant to Article 114, par. 5, of Legislative Decree No. 58/1998 (the "**CFA**"). Citing the Decision of the European Central Bank of 10 February 2015, CONSOB has required the Bank to provide the following supplemental information to the Report of the Board of Directors drafted pursuant to Article 125-*ter* of the CFA and Article 72 of the CONSOB Regulation enacted with resolution No. 11971 dated 14 May 1999, concerning the proposed rights issue for up to Euro 3 billion, which was submitted for approval to the Bank's Extraordinary Shareholders' Meeting scheduled for the following dates: 14 April 2015 (on first call), 15 April 2015 (second call) and 16 April 2015 (third call).

1. Description of the results of the supervisory review, details underlying the SREP score and the ECB's reasoning in support of such conclusion.

With reference to the conclusion of the Supervisory and Evaluation Process (SREP), on 10 February 2015, the ECB communicated to the Bank the results of the SREP, through which the ECB – by exercising the powers granted to it within the framework of the Single Supervisory Mechanism – analysed the risks of the credit institutions, their governance and their financial situation. The ECB assigned the Group an overall unfavourable SREP score, based on high credit risk, mainly due to, *inter alia*, a trend of deterioration of non-performing loans.

In particular, in addition to the trend of non-performing loan deterioration and the weaknesses linked to the Bank's broader loan origination, classification and recovery process, the unfavourable score was also due to additional factors, such as difficulty in reaching an adequate level of profitability and in generating capital, as well as high operational risk mainly owing to the high exposure to reputational and legal risks due to the Bank's involvement in several judicial proceedings. The ECB also identified liquidity risks and risks related to the Bank's exposure to sovereign debt.

Moreover, as disclosed to the public on 11 February 2015, upon conclusion of the SREP, the ECB required that the Bank, following the completion of the rights issue submitted to the Extraordinary Shareholders' Meeting for approval, maintain at all times a 10.2% Common Equity Tier 1 Ratio and a 10.9% Total Capital Ratio. In light of these new target ratios, the Board of Directors approved a rights issue of up to €3 billion, an increase over the €2.5 billion originally included in the Capital Plan approved in November 2014, and it began to implement the measures described in paragraph 2(b) below.

2(a). Description of the prudential requirements: certain large exposure exceeding regulatory limits, identity of the relevant counterparty and Bank's deductions on the issue.

The Bank exceeded the regulatory limit for "large exposures" of 25% of regulatory capital with respect to its exposure to one counterparty, Nomura, due in part to a decrease in total capital at 31 December 2014 following additional financial losses recorded for the year then ended, as well as to an increase in the exposure itself as a result of changes in interest rates, spreads, etc.

At the end of the period ending on 31 December 2014, Group's exposure to Nomura as a percentage of regulatory capital was 34.68% on a consolidated basis, while the exposure of the Bank and certain subsidiaries, on a stand-alone basis, was 35.55%.

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The Bank is currently considering measures to reduce the value of the exposure to fall within regulatory limits.

2(b). Description of the prudential requirements*:* measures for reducing non-performing and restructured loans and strategic options that are being evaluated by the Bank and its advisors.

With regard to non-performing and restructured loans, following the publication of the qualitative findings of the asset quality review, the Group began a process of reorganizing its Credit Department ("*divisione crediti*"). Actions taken, or to be taken, include: (i) creating portfolio manager and asset manager roles, who, along with real estate sector experts and personnel dedicated to managing doubtful and other non-performing loans, will work to increase efficiency in credit recovery; (ii) reinforcing management of the division with additional hires; (iii) increased use of dedicated companies to handle the management and resale of the Bank's real estate owned properties in order to earn an improved value from loans subject to legal proceedings; and (iv) outsourcing the management of non-performing loans with low nominal value through a competitive bid procedure.

Furthermore, following the publication of the results of the comprehensive assessment, the Bank appointed UBS and Citigroup as financial advisors in order to evaluate all of the Bank's strategic options, which may include, *inter alia*, a merger with a financial or strategic partner.

Such strategic options, which are being pursued in addition to the Euro 3 billion rights issue that has been submitted for approval to the Extraordinary Shareholders' Meeting to be held on 14-16th April 2015 and the restructuring and disposal activities undertaken as part of the Capital Plan, are aimed at enabling the Group to improve its profitability and generate capital organically, as well as improve its capital position, credit quality and credit risk profile, in order to address the issues raised by the ECB in the context of the SREP. Moreover, a merger has been recommended by the ECB in its Decision of 10 February 2015.

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The Bank intends to pursue such potential strategic options and will communicate any related developments in accordance with current regulations.

3. Updates related to the decision of completion of preliminary investigations pursuant to Article 415-bis of the Italian Code of Criminal Procedure issued by the *Procura della Repubblica* before the Court of Milan

With regard to the decision issued pursuant to Article 415-bis of the Italian Code of Criminal Procedure following completion of preliminary investigations by the prosecutor of Milan, the Bank acknowledges that it is among the subjects being investigated for administrative offenses within the scope of Legislative Decree 231/2001, in connection with alleged crimes committed between 2009 and 2010. The Bank also acknowledges that Nomura has been named as a subject in the same investigation and it reiterates its full confidence in the work of the panel of investigating judges, which confirmed the allegations that lead the Bank, in March 2013, to bring an action for damages against Nomura and the Bank's former management, on the basis of the same allegations that, if confirmed, will also result in criminal liability.

Finally, the Euro 308 million pre-tax loss which, according to the aforementioned decision of the Milan prosecutor, resulted from the restructuring of the Alexandria notes and which relates to 2009, has been subject to restatement in the Bank's 2012 Consolidated Financial Statements by amending the initial book value of the financial liability representing the repo in the context of the open balances (so called *"saldi aperti"*) accounting method adopted.
For further details please refer to the chapter "Restatement of prior period accounts - IAS 8" of the 2012 Consolidated Financial Statements.

This communication will be available at www.mps.it

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