



*English translation for courtesy purposes only. In case of discrepancies between the Italian version and the English version, the Italian version shall prevail.*

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

**ORDINARY SHAREHOLDERS' MEETING**

11 April 2024 (on a single call)

**EXPLANATORY REPORT BY THE BOARD OF DIRECTORS**

**CONCERNING ITEM 1) ON THE AGENDA**

pursuant to Article 125-ter of Legislative Decree no. 58 of 24 February 1998,

as subsequently amended.

**INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023, ACCOMPANIED BY THE REPORTS OF THE BOARD OF DIRECTORS, THE INDEPENDENT AUDITORS AND THE BOARD OF STATUTORY AUDITORS. PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023, RELATED AND CONSEQUENT RESOLUTIONS:**

- 1.1) APPROVAL OF 2023 PARENT COMPANY'S FINANCIAL STATEMENTS;**
- 1.2) PROFIT ALLOCATION AND DIVIDEND DISTRIBUTION TO SHAREHOLDERS.**



**REPORT OF THE BOARD OF DIRECTORS PURSUANT TO  
ARTICLE 125-TER OF LEGISLATIVE DECREE No. 58 OF 24 FEBRUARY 1998, AS  
SUBSEQUENTLY AMENDED.**

Dear Shareholders,

you were convened to resolve upon the following **item 1)** on the agenda of the Ordinary Shareholders' Meeting:

**1. Individual financial statements as at 31 December 2023, accompanied by the Reports of the Board of Directors, the Independent Auditors and the Board of Statutory Auditors. Presentation of the Consolidated financial statements as at 31 December 2023, related and consequent resolutions:**

**1.1) approval of 2023 Parent Company's 2023 financial statements;**

**1.2) profit allocation and dividend distribution to shareholders.**

**1.1) approval of 2023 Parent Company's financial statements;**

Pursuant to article 2364 of the Italian Civil Code and articles 13 and 30 of the By-Laws of Banca Monte dei Paschi di Siena S.p.A. (the "**Bank**" or the "**Parent Company**"), the Shareholders' Meeting is called to approve the Bank's financial statements for the year ended on 31 December 2023, which show a EUR 2,021,525,016.72 net profit for the year.

Moreover, the Shareholders' Meeting is presented with the consolidated financial statements of the Monte dei Paschi di Siena Group as at 31 December 2023, which closed with a net profit of EUR 2,051,625,559, of which EUR 2,051,781,237 pertaining to the Parent Company.

It should also be noted that article 26 of Decree Law no. 104 of 10 August 2023 (converted with amendments by Law no. 136 of 9 October 2023) has introduced an extraordinary tax for banks, calculated by applying a rate of 40% on the amount of the interest margin for the financial year 2023 that exceeds the interest margin for the financial year 2021 by at least 10%; the amount of this tax may not exceed a proportion equal to 0.26% of risk-weighted assets as at 31 December 2022. Furthermore, the law provides that, instead of paying the tax, banks may, upon approval of the 2023 financial statements, allocate an amount not less than 2.5 times the tax due to a non-distributable reserve established for this purpose. This reserve qualifies as a suspended tax reserve since, if used in the future for the distribution of profits, the Bank will be required to pay the extraordinary tax, increased, from the payment deadline established in paragraph 4 of Decree Law no. 104 of 10 August 2023, by an amount equal, in annual terms, to European Central Bank's deposit rate.

For the Bank, the tax due is equal to approximately EUR 123,552,481.63 which, if not paid, results in the creation of a non-distributable reserve of no less than EUR 308,881,204.08. The Board of Directors, in order to strengthen the Bank's capital position, resolved to propose to the Shareholders' Meeting to allocate a portion of the net profit for 2023 financial year to the creation of the non-distributable reserve pursuant to art. 26, paragraph 5-bis of Decree Law no. 104 of 10 August 2023. It follows from this proposal, Bank's net profit and net equity are not affected by this tax.

For more detailed information, please refer to 2023 draft individual financial statements approved by the Board of Directors on 29 February 2024, together with the reports of the Board of Directors, the Independent Auditors and the Board of Statutory Auditors, as well as the 2023 consolidated financial statements approved by the Board



of Directors in the same date, together with the reports of the Board of Directors and the Independent Auditors, made available to Shareholders in accordance with the procedures and deadlines prescribed by current laws and regulations and which may be consulted on the [www.gruppomps.it](http://www.gruppomps.it) website, in the Shareholder's Meetings and BoD section at the link:

<https://www.gruppomps.it/en/corporate-governance/shareholders-meeting-and-bod/shareholders-meeting-and-bod.html>

### **Resolution proposal.**

Dear Shareholders, we invite you to resolve on the following:

*'The Shareholders' Meeting of Banca Monte dei Paschi di Siena S.p.A., in ordinary session,*

- *examined the individual financial statements as at 31 December 2023, including the reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors;*
- *having acknowledged the data of the consolidated financial statements as at 31 December 2023 with the related reports submitted by the Board of Directors and the Independent Auditors;*

#### RESOLVES

- *to approve the individual financial statements as at 31 December 2023 of Banca Monte dei Paschi di Siena S.p.A., which closed with a profit of EUR 2,021,525,016.72.*

### **1.2) profit allocation and dividend distribution to shareholders.**

As anticipated on 7 February 2024, the Bank's Board of Directors informed the market about the return to dividend. On 29 February 2024, the Board of Directors resolved to propose to the Shareholders' Meeting the payment of a dividend under the terms and conditions outlined below.

Referring to this proposal to distribute profits to Shareholders, it should be noted that the European Central Bank, in December 2022, considering the successful completion of the capital increase carried out by the Bank during 2022, removed the prohibition on the distribution of dividends, replacing it with the obligation for the Bank to obtain prior authorisation from the Supervisory Authority<sup>1</sup>. Therefore, this proposal remains subject to the European Central Bank's authorisation, to which a specific application has been submitted. The Shareholders, and the market in general, will be promptly informed, through a specific press release, of the completion of the authorisation process by the Supervisory Authority.

It is therefore proposed that the Shareholders' Meeting resolve on the distribution of the net profit for the year 2023, according to the allocation showed below, in compliance with the laws and regulations in force.

In this regard, please note that:

- art. 2430 of the Italian Civil Code states that an amount corresponding to at least the twentieth part of the annual net profits must be deducted from them to constitute the legal reserve, until the latter has reached one-fifth of the share capital;

---

<sup>1</sup>See press release dated 27 December 2022 <https://www.gruppomps.it/en/media-and-news/press-releases/cs-27-12-22.html>



- art. 31 of the Bank's By-Laws states that: *“the net profits resulting from the financial statements are assigned as follows:*
  - a) 10% to the legal reserve, until this reaches the amount of 1/5 of the share capital;*
  - b) to the creation and growth of a statutory reserve for no less than 15% and at least 25% once the legal reserve has reached the amount of 1/5 of the share capital.*

*The residual net profits are available to the Shareholders' Meeting for distribution to shareholders and/or for the creation and growth of other reserves”.*

- art. 6 of Legislative Decree no. 38/2005 states that profits for the year may not be distributed to the extent of the capital gains that are recognised in the income statement, net of the relevant tax burden and other than those relating to financial trading instruments if they result from the financial statements and to foreign exchange and hedging transactions, resulting from the application of the fair value or equity method (paragraph 1, letter a) and that the profits corresponding to such capital gains are recognised in an unavailable reserve (paragraph 2).

Accordingly, it is proposed to allocate the net profit for the year 2023 as follows:

- (i) to legal reserve for an amount equal to 10% of the accrued profit corresponding to EUR 202,152,501.67 pursuant to art. 31 of the By-Laws;
- (ii) to statutory reserve for an amount equal to 15% of the accrued profit corresponding to EUR 303,228,752.51, pursuant to art. 31 of the By-Laws;
- (iii) to unavailable reserve for an amount equal to EUR 52,696,808.33, pursuant to art. 6 of Legislative Decree no. 38/2005;
- (iv) to non-distributable reserve for an amount of EUR 308,881,204.08, pursuant to art. 26 paragraph 5-*bis* of Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023;
- (v) to cover net previous losses for an amount of EUR 354,598,588.77; these net losses are the result of the loss carried forward for EUR 232,747,069.96, following the resolution of the Shareholders' Meeting of 20 April 2023, and the net costs for EUR 121,851,518.81 charged directly to shareholders' equity in application of the international accounting standards IAS/IFRS;
- (vi) to Shareholders, with distribution of a unit dividend of EUR 0.25 for each outstanding share entitled to the payment of dividend, for a maximum total amount of EUR 314,922,426.50;
- (vii) to extraordinary reserve for the remaining profit of EUR 485,044,734.86.

If this proposal is approved by the Shareholders' Meeting, the consolidated capital requirements would show a Common Equity Tier 1 Ratio of 18.1% and a Total Capital Ratio of 21.6%, both amply meeting the requirements of the competent Authorities. These ratios are also well above the thresholds imposed in Commitment no. 2 (Dividend ban) pursuant to the European Commission's Decision of 2 August 2022 concerning *“State Aid S.A. 10345 (2022/N)-Italy; Banca Monte dei Paschi di Siena-Second Amendment to the list of Commitments related to aid granted to Banca Monte dei Paschi di Siena in 2017”*.

Pursuant to the laws and regulations in force, it is proposed that the distribution of the dividend takes place with the following methods and timing:



- ✓ ex-dividend date: 20 May 2024;
- ✓ payment date: 22 May 2024.

Pursuant to art. 83-*terdecies* of Legislative Decree no. 58/1998, as subsequently amended (“**Consolidated Financial Act**” or **TUF**”), those who are shareholders on the basis of the accounting records at the end of the accounting day of 21 May 2024 (record date) will be entitled to receive the dividend.

If this proposal is approved, the net equity of Banca Monte dei Paschi di Siena S.p.A. will be as shown in the table below:

(EUR/million)			
Net Equity	Financial Statements 2023	Changes	Pro- forma Net equity in the 2023 Financial Statements after Shareholders’ Meeting resolutions and dividend payment
Capital	7,453	-	7,453
Reserves	147	1,707	1,854
Valuation reserves	20	-	20
Profit for the year	2,022	-2,022	0
<b>Total</b>	<b>9,642</b>	<b>-315</b>	<b>9,327</b>

### Resolution proposal.

Dear Shareholders, we invite you to resolve on the following:

*“The Shareholders’ Meeting of Banca Monte dei Paschi di Siena S.p.A.*

*following the approval of Separate Financial Statements of the Bank as at 31 December 2023*

### RESOLVES

*to allocate the net profit for the year 2023 as follows:*

- (i) to legal reserve for an amount equal to 10% of the accrued profit corresponding to EUR 202,152,501.67 pursuant to art. 31 of the By-Laws;*
- (ii) to statutory reserve for an amount equal to 15% of the accrued profit corresponding to EUR 303,228,752.51 pursuant to art. 31 of the By-Laws;*
- (iii) to unavailable reserve for an amount equal to EUR 52,696,808.33, pursuant to article 6 of Legislative Decree no. 38/2005;*



- (iv) to non-distributable reserve for an amount of EUR 308,881,204.08, pursuant to the provisions of art. 26 paragraph 5-bis of Decree Law no. 104 of 10 August 2023, converted with amendments by Law no. 136 of 9 October 2023;*
- (v) to cover previous net losses for an amount of EUR 354,598,588.77;*
- (vi) to Shareholders, with distribution of a unit dividend of EUR 0.25 for each outstanding share entitled to the payment of dividends, for a maximum total amount of EUR 314,922,426.50;*
- (vii) to extraordinary reserve for the remaining profit of EUR 485,044,734.86.*

Siena, 20 March 2024

For the Board of Directors  
Avv. Nicola Maione  
Chairperson of the Board of Directors