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

SHAREHOLDERS' MEETING:

11 APRIL 2019 (on single call)

BOARD OF DIRECTORS' REPORT

CONCERNING ITEM NO. 5) ON THE AGENDA - ORDINARY SESSION

drawn up pursuant to Article 125-ter of Legislative Decree no. 58 of 24 February 1998, as subsequently amended.

APPOINTMENT OF A DIRECTOR FOR THE INTEGRATION OF THE BOARD OF DIRECTORS FOLLOWING CO-OPTATION; RELATED AND CONSEQUENT RESOLUTIONS.

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

Dear Shareholders,

You were convened to this Shareholders' Meeting to resolve upon the following item on the Agenda of the Ordinary Session:

5) appointment of a Director for the integration of the Board of Directors following co-optation; related and consequent resolutions.

It is recalled that, on 12 July 2018 the Board of Directors (hereinafter the "**Board**") of the Bank, on a proposal of the Appointments Committee and by a resolution approved by the Board of Statutory Auditors, co-opted as a director of the Bank, pursuant to Article 2386 of the Italian Civil Code, Mrs. Roberta Casali, to replace Prof. Giuseppina Capaldo, who resigned from her office on 4 May 2018.

In compliance with the provisions of art. 2386 of the Italian Civil Code, Mrs. Roberta Casali, as co-opted Director, remains in office until this Shareholders' Meeting.

You are therefore invited to proceed with the integration of the Board of the Bank, in compliance with Article 15, paragraph 10, of the By-Laws and therefore with the majorities required by law, not applying, for the case in question (election of a director to replace a director ceased to be in office during the latter's term of office), the regulations on the voting list provided for by the By-Laws and by Legislative Decree no. 58/1998 and subsequent amendments ("**TUF**"), without prejudice to the principles of independence and gender balance provided for by applicable law.

In this regard, it is to be noted that on 18 December 2017 the Shareholders' Meeting appointed the current Board, determining in 14 (fourteen) the number of its members and that 10 (ten) directors in office (including the co-opted manager Mrs. Casali) meet the independence requirements set forth by the TUF and by the Corporate Governance Code for listed companies, 5 (five) directors (including the co-opted manager Mrs. Casali), equal to a quota of about 36% of the members, belong to the female gender (less represented).

Therefore, following the appointment of a female director by the Shareholders' Meeting, the minimum requirements required by law and by the By-Laws regarding the number of independent directors (at least one third) and the gender quotas (at least one third) that must be present on the Board of Directors of the Bank in accordance with current legislation, will continue to be fully respected.

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The appointment process follows the provisions of Legislative Decree n. 385/1993 and subsequent amendments ("**TUB**") and the criteria set forth by the Supervisory Provisions of Bank of Italy on corporate governance (Bank of Italy Circular no. 285 of 17/12/2013 - Title IV - Chapter 1, hereinafter the "**Supervisory Provisions**"), as well as the Directive no. 2013/36/EU on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms (so-called "**CRD IV Directive**"), with particular reference to prior identification by the Board, supported by the Appointments Committee, of what is deemed to be the Board's optimal qualitative and quantitative composition, identifying and motivating the theoretical profile (including characteristics of professionalism and possible independence) of the candidates deemed suitable for these purposes.

In this regard, the Board, during the meeting of 12 July 2018 the Board, following to the proposal of the Appointments Committee and with the support of the advisor Spencer Stuart, considering valid and applicable to the composition of the Board in office at that date the guidelines issued by the outgoing Board of Directors - published on the occasion of the Shareholders' Meeting of 18 December 2017 ("**Guidelines of the Board of Directors**") called to resolve upon the renewal of the corporate offices - approved the co-optation of Mrs. Roberta Casali, who resulted to be the candidate meeting the professional profile, the knowledge required and being able to make, with its inclusion in the strategic supervision body, a valid contribution to the composition and operation of the same, respecting the overall qualitative and quantitative current composition and ensuring the gender balance.

Without prejudice to the fact that candidatures may also be presented during the Shareholders' Meeting, in order to facilitate the meeting, Shareholders are invited to file any proposals at the registered office in advance, and indicatively at least 5 (five) days prior to the Shareholders' Meeting. The applications, which shall respect the gender balance, shall be accompanied by a declaration of acceptance of the candidates certifying, under their own responsibility, the absence of causes of ineligibility and incompatibility and the non-existence of situations relevant pursuant to Article 36 of the Law Decree no. 201/2011, converted into Law n. 214/2011 "*Protection of competition and cross-shareholdings in the credit and financial markets*", the existence of the requirements provided for by the legal and regulatory framework, by the By-Laws and any possession of the independence requirements provided for by Articles 147-ter and 148, paragraph 3, of the TUF and the Corporate Governance Code for listed companies, as well as a *curriculum vitae*, in Italian and English language, containing exhaustive information on their professional skills and the list of any administrative and control positions held in other companies. The candidates will also be required to declare that they do not hold the office of member of board of directors, management board ("*consiglio di gestione*") or supervisory board ("*consiglio di sorveglianza*") of competitors, which are not part of the Monte Paschi Banking Group which have a banking license issued by the Supervisory Authority and are active in the markets of bank funding or ordinary credit operations in Italy.

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For the above purposes and in compliance with the Supervisory Provisions on composition of the corporate bodies, please refer to the Guidelines of the Board of Directors made available to Shareholders on the Bank's website www.gruppompis.it - Corporate Governance - Shareholders' Meetings and Board of Directors - at the registered office and the market management company, regarding the size and composition of the Board, referred to the managerial and professional profiles, confirmed in its validity by the Board on the occasion of both the co-optation of the director Mrs. Roberta Casali, and of the annual self-assessment process of the Board ended on 28 February 2019. In fact, during the periodic self-assessment process, the Board expressed its positive assessment about: (i) the adequacy of its size (14 members), (ii) the relationship between executive directors (1), non-executive directors (13) and independent directors (10) and (iii) the mix of professional skills currently present within the Board which represents a good heterogeneity.

It should also be remembered that, as bank representatives, candidates must meet the requirements established not only by the Italian Civil Code, but also by the TUB and by the supervisory regulations. After the appointment by the Shareholders' Meeting, the Board will be convened to carry out its audits for the purposes of the current regulations on the compliance with the fit and proper requirements, as well as the audits for the purposes of the interlocking restrictions.

In this regard it is specified that for the purposes of the "suitability" of the representatives required by Article 26 of the TUB (in transitional regime, pending the issuance of the relevant implementing decrees), in addition to possessing the requirements of honorability (homogeneous for all the representatives), professionalism and independence (graduated according to the principles of proportionality), criteria of competence and correctness (which will be determined by a ministerial implementing decree to be enacted after having heard the Bank of Italy) shall also be met. The new formulation of Article 26 of the TUB (not yet fully in force) provides that the "competence" criterion shall be regulated in a manner "consistent with the position to be filled, with the characteristics of the bank, and of an adequate composition of the body", and the concept of "correctness" – newly introduced in our legal system - concerning "among other things, the business relationships of the representatives, their conduct towards the Supervisory Authority and the sanctions or corrective measures imposed by the latter, the restrictive measures related to professional activities carried out, as well as, any other element likely to affect the correctness of the representative ". It will be up to the to the Italian Ministry of Economy and Finance to establish the limits to the number of offices that can be held, "according to proportionality principles and taking into account the size of the intermediary", as well as "the causes that involve temporary suspension from office and the relevant duration".

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As far as the new regulations concerning the requirements of the new Article 26 of the TUB is still in a transitional regime, pending the issuance of the relevant implementing decrees, the Board during the assessment of the requirements of the new director will also take into account the aforementioned eligibility criteria, as indicated by the European Central Bank.

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With reference to the co-optation of Mrs. Roberta Casali, the Board, taking into account the criteria identified during the qualitative and quantitative self-assessment contained in the aforementioned Guidelines of the Board of Directors (moreover confirmed by the annual self-assessment of the Board with the resolution of 28 February 2019), unanimously resolved that Mrs. Roberta Casali, by virtue of her professional profile and experience gained, having held important offices of responsibility, has a professional profile suitable to hold the role of director of the Bank. Furthermore, on the occasion of the verification of the fit and proper requirements of Mrs. Roberta Casali following her co-optation, the Board, also taking into account the eligibility criteria indicated above, unanimously confirmed on 2 August 2018, that Mrs. Roberta Casali meets the requirements of professionalism, honorability, independence and is compliant with the criteria of competence and correctness.

Taking into account the assessments on the characteristics, requirements, experience, knowledge of Mrs Roberta Casali, already carried out during co-optation and verification of the requirements, the Board proposes to the Shareholder's Meeting the appointment of the co-opted director Mrs Roberta Casali as a director of the Bank. Her *curriculum vitae* is available to the Shareholders on the Bank's website together with the documentation of the Shareholders' Meeting.

This is without prejudice, however, to the possibility for the Shareholders to propose any further candidatures, which may be presented also at the Shareholders' Meeting, in compliance with the criteria and procedures indicated above.

After the proposal of appointment of Mrs. Roberta Casali by the Board of Directors, if the same is not approved by the Shareholders' Meeting, any further candidatures will be put to the vote pursuant to the current Shareholders' Meeting Regulations, without prejudice to the fact that, after the appointment, the Board will be called upon to carry out its audits in order to comply with the requirements of the laws and regulations in force, including the By-Laws, regarding the requirements of bank representatives, as well as the audits for the purposes of the interlocking restrictions.

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Dear Shareholders,

in consideration of the above, we invite you to pass the following resolution for the integration of the Board, consisting of 14 (fourteen) members, as determined by the Shareholders' Meeting of 18 December 2017 and therefore:

- to appoint as a director of the Banca Monte dei Paschi di Siena S.p.A, the director already co-opted, Mrs. Roberta Casali.

The appointed director will remain in office for the remaining period of the current mandate and, therefore, until the date of the Shareholders' Meeting to approve the financial statements for the financial year 2019; the appointed director will receive the annual fee in the *pro-tempore* due measure, as determined by the Shareholders' Meeting of 18 December 2017 for the members of the Board in Euro 65,000, in addition to reimbursement of any expenses incurred for the performance of their duties.

Siena, 11 March 2019

For the Board of Directors

Prof. Avv. Stefania Bariatti

Chairman of the Board of Directors