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

SHAREHOLDERS' MEETING

18 December 2017 (on single call)

EXPLANATORY REPORT BY THE BOARD OF DIRECTORS

CONCERNING ITEM 1) ON THE AGENDA - ORDINARY SESSION

pursuant to Article 125-*ter* of Legislative Decree no. 58 of 24 February 1998,
as subsequently amended and supplemented.

ITEM 1 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

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 attend a meeting to resolve upon the following item on the agenda of the ordinary session of the Shareholders' Meeting:

- **Determination of the number of the members of the Board of Directors for the financial years 2017 - 2018 - 2019**

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As indicated in the Notice of Call, it should be noted that the items on the Ordinary Shareholders' Meeting will be submitted to the Shareholders' discussion and deliberation only subject to the adoption of the resolutions relating to item 2 of the agenda of the Extraordinary Shareholders' Meeting. The relevant resolutions adopted in ordinary session of the Shareholders' Meeting will be effective only after the registration at the Business Register of the deliberation referred to in item 2 in extraordinary session.

That being stated, please note that on the 7th of November 2017 all members of the Board of Directors have resigned, with effect subject to the registration at the Business Register of the resolution of the Extraordinary Shareholders' Meeting referred to item 2 in the agenda of the extraordinary part.

It is therefore necessary to appoint the new Board of Directors for the financial years 2017-2018-2019 and, more specifically, the appointment of the new Board of Directors shall cover the last part of the 2017 financial year, which has not yet been concluded, and the entire financial years 2018 and 2019.

Before passing a resolution on the appointment of members of the Board of Directors as set forth in item 3 of the agenda for this Ordinary Meeting, it is necessary to determine the number of Directors that shall seat in the Board of Directors.

In this respect please note that - assuming the approval of the resolution regarding the changes to the By-Laws set out in item 2 of the agenda of the extraordinary part which states, among other things, the reduction of the maximum number of the members of the Board of Directors from seventeen (17) to fifteen (15), thus within the quantitative limit set out in the Bank of Italy Supervisory Provisions (Circular No. 285, Title IV, Chapter 1 "Corporate Governance" hereinafter the "**Supervisory Provisions**") - pursuant to the relevant provision of the By-Laws (see Article 15, considering the new text that is subject to the approval of the Shareholders' Meeting): *"the Board of Directors is composed of a number of members established by the Ordinary Shareholders' Meeting which cannot be less than nine or more than fifteen."*

It is recalled that the Board is currently composed of thirteen (13) members, as resolved by the Shareholders' Meeting of 12 April 2017, which reduced the number of Directors in office from fourteen (14), as originally determined by the Shareholders' Meeting of 16 April 2015 for the ongoing mandate, to thirteen (13) Directors.

Finally, please note that pursuant to the aforementioned Supervisory Provisions, the Board of Directors, with the contribution of the Nomination Committee, assessed in advance its qualitative and quantitative

composition which, as a result of this assessment, has been considered optimal, as formalized in the *“Orientations of the Board of Directors of Banca Monte dei Paschi in Siena to the Shareholders”* " document, published and made available on the Bank's website among the documentation for the Shareholders' Meeting, that considers the current number of 13 directors was deemed appropriate to ensure an adequate balance between the skills and experiences required by the complexity of the Bank's business and the BMPS Group, considering also that a size of 13 directors would allow presence of an adequate number of independent Directors to ensure the proper composition of the internal Committees (*“Comitati endoconsiliari”*).

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Dear Shareholders, you are therefore invited to adopt the relevant resolution.

Siena, 7 November 2017

For the Board of Directors

Mr. Alessandro Falciai

Chairman of the Board of Directors