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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 5) 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 5 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 compensation of the members of the Board of Directors**

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In addition to the appointment of the Board of Directors resolved upon item 3, it is necessary to determine the compensation for the members of the Board of Directors for the financial years 2017 - 2018 - 2019, and, more specifically, in the present case, for the last part of the 2017 financial year, which has not yet been concluded, and the entire financial years 2018 and 2019.

Please note that - pursuant to Articles 13 and 25 of the By-Laws in the proposed new wording - the members of the Board of Directors are entitled to receive annual fees and attendance fees for the participation to the meetings of the Board of Directors, up to an amount which is determined by the Shareholders' Meeting, and to the reimbursement of expenses incurred in performing their duties.

For the financial year 2017, the remuneration will be recognized in the measure "pro tempore".

Please note that the Shareholders' Meeting of 16 April 2015 had determined the remuneration for the members of the Board of Directors for the financial years 2015 - 2016 - 2017 in the following measures: annual compensation of the Directors Euro 65,000; additional remuneration for members of the Executive Committee, if constituted, Euro 15,000; the amount of attendance fees to be recognized to the members of the Board of Directors for the participation to the meetings of the Board of Directors and the Executive Committee Euro 400 for each session and without aggregation of multiple fees for meetings held on the same day; reimbursement to the Directors of any expenses incurred in the performance of their duties.

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

Siena, 7 November 2017

For the Board of Directors

Mr. Alessandro Falciai

Chairman of the Board of Directors