Monte Paschi needs the funds to help repay state aid and avert nationalization, and management was pushing for a January stock sale to get ahead of other Italian banks that might need to raise capital. The main shareholder, Fondazione Monte dei Paschi di Siena, vowed to oppose the offering unless it was delayed until after the first quarter to give the investor more time to repair its own finances.

"The future of the bank is more uncertain as the recapitalization is riskier," Anna Maria Benassi, an analyst at Kepler Cheuvreux, wrote in a report to clients from Milan. "However, the delay of the capital increase also means investors who have short positions on the stock need more money to fund them, and some could decide to close these positions."

Speaking at the shareholder meeting before voting began, Profumo, 56, said he had "no communication" to make about media reports, including newspaper Corriere della Sera, that he may resign. "We'll weigh what to do" at the mid-January board meeting, he said, adding that postponing the capital increase may create uncertainty and require the assembly of a new group of underwriters. A group of 10 banks, including UBS AG (UBSN), Citigroup Inc. and Goldman Sachs Group Inc., agreed to back the offering in the first quarter.

Monte Paschi, which has reported six quarterly losses, is cutting costs to return to profit. The lender is targeting net income of 200 million euros in 2015 and 900 million euros in 2017, and to eliminate 8,000 employees, sell new stock and shrink its balance sheet by 25 percent. The bank also plans to pare its sovereign-debt holdings and trading activities and reduce its consumer credit and leasing assets.

Italy isn't interested in nationalizing Monte Paschi and its priority is to return to the public 4 billion euros the bank borrowed by selling bonds, La Repubblica reported today, citing a spokesman for Finance Minister Fabrizio Saccomanni.

Repaying Debt

Fondazione Monte Paschi, which must reimburse about 340 million euros of loans by 2017, has put up its 33.5 percent stake in the bank as collateral. A dozen creditor banks will take ownership of the holding if Monte Paschi shares fall below 12.8 cents, according to a person with knowledge of the transaction who asked to not be identified as the terms are private. Postponing the rights offer gives the foundation more time to find buyers for its shares and repay debt, Chairman Antonella Mansi has said.

"Both points of view were understandable, but only the market's reaction in the coming weeks will demonstrate who was right," said Nicola Trivelli, chief executive officer of Sella Gestioni Sgr in Milan, which manages about 2 billion euros. "The market's expectations were for a capital increase now as that would have secured the bank's position. Should executives opt to leave, that would be dangerous."

Legal Probes

Monte Paschi, engulfed in legal probes of alleged misconduct by former managers, is turning to investors after CEO Fabrizio Viola, 55, agreed to partially reimburse 4.1 billion euros of state aid next year to win European Union support for its restructuring plan.

The EU toughened its bailout conditions after the bank said its accounts didn't reflect earlier losses. In one such transaction, dubbed Santorini, Bloomberg News in January reported how the contract masked losses, prompting Monte Paschi to restate its accounts.

Former managers of Monte Paschi are on trial in Siena for obstructing regulators on a transaction with Nomura Holdings Inc. by allegedly withholding a document that illustrates how the bank hid previous losses. Prosecutors in Siena are also seeking charges against former managers for market manipulation and falsifying market filings.

The bank pays 9 percent annual interest on the bonds it sold to the government in the bailout and must swap the debt for stock if it doesn't have the cash for the annual coupon.
Capital Increase

The request for a different timetable for Monte Paschi's capital increase "has never been an act of mistrust" in the bank's executives, Mansi told reporters in Siena before speaking at Monte Paschi's shareholder meeting. "I've said it a thousand times," she said.

Monte Paschi's capital increase "can't start before May 12" because of technicalities, Profumo said at a press conference after the shareholder meeting. "I'd hoped no further mistakes would be made" with regard to Fondazione Monte Paschi's role in decisions related to the bank, he said.

The postponement of the capital increase may prompt Monte Paschi to screen for alternative plans, including the spinoff or breakup of assets such as Banca Antonveneta SpA, Il Sole 24 Ore (S24) reported yesterday. The delay may also renew interest from France's BNP Paribas SA (BNP) and Credit Agricole SA (ACA) in expanding in Italy, Il Sole said.

Viola took the helm of Italy's third-largest bank in January 2012, after resigning as CEO of Popolare dell'Emilia Romagna, where he spent more than three years. Before joining Popolare dell'Emilia Romagna, Viola led Banca Popolare di Milano Scarl, starting in 2004.

Profumo joined Viola in April 2012 as chairman, replacing Giuseppe Mussari. Profumo's appointment marked his return to the banking industry 19 months after he stepped down as UniCredit SpA (UCG)'s CEO. His 13-year tenure running Italy's largest bank ended after he clashed with shareholders over Libyan investments in the company.

Monte Paschi investors also approved a reverse share split grouping 100 shares into one new one. That will be implemented by June 30, the bank said in a statement after the meeting.