

## **Report of the Board of Directors to the General Shareholders' Meeting**

### **Amendments to Article 13 (Shareholders' Meeting) and Article 20 (Board of Statutory Auditors) of the Articles of Association; relevant and ensuing resolutions**

Shareholders,

We have called this Extraordinary Shareholders' Meeting so as to submit to you the motion for the amendment of some clauses of the Articles of Association. More specifically, you are invited to approve amendments to Article 13 (regarding the tasks reserved to the competence of the General Shareholders' Meeting) and Article 20 (regarding the requisites concerning the members of the Board of Statutory Auditors) of the Articles of Association.

The proposed amendments arise from the need to formally bring these articles in line with:

(i) the rules introduced by the Bank of Italy with the 7<sup>th</sup> update of Circular Letter No. 285 dated 17 December 2013 "Instructions on the remuneration and incentive policies and practices of banks and banking groups", and (ii) the provisions of the Organisational and Management Model adopted by Banca Generali by the Board of Directors' resolution of 1 April 2014, for the prevention purposes of Legislative Decree No. 231/01, with special reference to the assignment of functions of the Supervisory Board to the Control Board.

In detail, the amendments aim at bringing Article 13, paragraph 3, of the Articles of Association into line with the provisions set forth in Chapter 2 of the aforementioned Bank of Italy's Circular Letter No. 285/2013, clearly defining the tasks vested upon the Shareholders' Meeting in relation to remuneration and incentivisation. They also introduce into Article 20, paragraph 2, of the Articles of Association a further provision in order to align it to requisites imposed by law to hold the position of member of the Board of Statutory Auditors within a listed bank, and those required to carry out the functions of the Supervisory Board, and the respective reasons for forfeiture of the positions of Auditor and member of the Supervisory Board.

With regard to the approval procedure to which the proposed amendments must be subjected, it must be borne in mind that Order No. 311041 issued by the Governor of the Bank of Italy on 23 March 2007 (that brought amendments to Title III, Chapter I of Bank of Italy Circular No. 229 of 21 April 1999 entitled "Supervisory Instructions for Banks") requires the Bank of Italy to be given advance notice, prior to the relevant resolution of the General Shareholders' Meeting, of any and all motions entailing amendments to the Articles of Association as approved by the Board of Directors. The said motions will be

assessed by the Bank of Italy, which will issue its findings in such regard, prior to shareholders' approval of the related resolutions.

It must also be pointed out that the proposed amendments to the Articles of Association do not vest shareholders with any right of withdrawal within the meaning and for the intents and purposes of Article 2437 of the Italian Civil Code and Article 7 of the Articles of Association insofar as they do not give rise to any of the situations warranting shareholder withdrawal pursuant to applicable regulations.

In light of the above considerations, you are therefore invited to amend the text of Article 13, paragraph 3, and Article 20, paragraph 2, of the current Articles of Association, as highlighted in greater detail in the table below showing in the column to the left the text of the paragraph of the Article of the Articles of Association as currently worded, and in the column to the right the proposed amendment to the said text, that are graphically highlighted:

Current text	Proposed amendments
<p style="text-align: center;">ARTICLE 13</p> <p style="text-align: center;"><i>.....omissis.....</i></p> <p>3. The Shareholders' Meeting shall also approve:</p> <ul style="list-style-type: none"> <li>i) the remuneration policies in favour of supervisory, management and control bodies and employees and outside collaborators other than company employees;</li> <li>ii) plans based on financial instruments;</li> <li>iii) the compensation established in the event of early termination of employment relationship or early termination of the charge, including the limits fixed in that compensation in terms of the annual fixed remuneration.</li> </ul> <p>In relation to the approval of the remuneration policies, the Shareholders' Meeting shall raise the limit of the incidence of the variable remuneration in relation to the fixed remuneration up to a maximum of 2:1. The Shareholders' Meeting shall raise that limit subject to existence of the conditions provided by law for the approval of the decision and according to the majorities provided by applicable law.</p> <p style="text-align: center;"><i>.....omissis.....</i></p>	<p style="text-align: center;">ARTICLE 13</p> <p style="text-align: center;"><i>.....omissis.....</i></p> <p>3. The Shareholders' Meeting shall also approve:</p> <ul style="list-style-type: none"> <li>i) the remuneration <b>and incentivisation</b> policies in favour of <b>strategic</b> supervisory, management and control bodies and <b>other</b> personnel <del>employees and outside collaborators other than company employees</del>;</li> <li>ii) <b>remuneration</b> plans based on financial instruments;</li> <li>iii) the <b>criteria for determining the compensation to be granted established</b> in the event of early termination of employment relationship or early termination of the charge, including the limits fixed in that compensation in terms of the annual fixed remuneration, <b>and the maximum amount arising on the application of said limits.</b></li> </ul> <p>In relation to the approval of the remuneration policies, the Shareholders' Meeting shall raise the limit of the incidence of the variable remuneration in relation to the fixed remuneration up to a maximum of 2:1. The Shareholders' Meeting shall raise that limit subject to existence of the conditions provided by law for the approval of the decision and according to the majorities provided by applicable law.</p>

<p style="text-align: center;">ARTICLE 20</p> <p style="text-align: center;"><i>.....omissis.....</i></p> <p>2. Regular and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations, may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.</p> <p style="text-align: center;"><i>.....omissis.....</i></p>	<p style="text-align: center;"><i>.....omissis.....</i></p> <p style="text-align: center;">ARTICLE 20</p> <p style="text-align: center;"><i>.....omissis.....</i></p> <p>2. Regular and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations, may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office..</p> <p><b>In addition to meeting the requisites required by Law for corporate officers appointed as statutory auditors, Regular and Alternate Auditors should not have been convicted in relation to an offence referred to in Legislative Decree No. 231/01, nor should they have been convicted for any other malicious offence. Similarly, Statutory Auditors should not be committed for trial in relation to the same offences, being the said trial still underway.</b></p> <p><b>Revocation for cause of a Supervisory Board's member by the Board of Directors constitutes grounds for forfeiture of his/her office as Statutory Auditor.</b></p> <p><b>Forfeiture of or revocation from office of a Regular or Alternate Statutory Auditor, including as a result of a failure to satisfy the requisites of professionalism, integrity and independence, also determine the forfeiture of office as Supervisory Board's member.</b></p> <p style="text-align: center;"><i>.....omissis.....</i></p>
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With regard to all of the above, we invite you, should you agree, to approve the proposed amendments to Articles 13 and 20 of the Articles of Association, as illustrated above.

Milan, 18 December 2014

The Board of Directors