

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

### **Amendments to Articles 13 (Shareholders' Meeting) and 18 (Board of Directors) 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 Articles 13 (regarding the tasks reserved to the competence of the General Shareholders' Meeting) and 18 (regarding the tasks reserved to the competence of the Board of Directors) of the Articles of Association. The proposed amendments arise from the need to formally bring these articles in line with: (i) the provisions introduced by the Bank of Italy with Order dated 12 December 2011 concerning risk assets and conflicts of interest for banks and banking groups in relation to Associated Parties, as well as the provisions set forth in the Related Party and Connected Party Transaction Procedure, adopted by Banca Generali with resolution of the Board of Directors dated 21 June 2012, pursuant to CONSOB Regulation No. 17221 "Regulation Containing Provisions on Related Party Transactions" of 12 March 2010, as amended by Resolution No. 17389 of 23 June 2011 and in accordance with the aforementioned provisions of Bank of Italy dated 12 December 2011, as well as (ii) amendments introduced with Article 136 of Legislative Decree No. 385/93.

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 Articles 13 and 18 of the current Articles of Association, as highlighted in greater detail in the tables 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 amendments 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>4. In respect of related party transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all related party transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.</p>	<p style="text-align: center;">ARTICLE 13</p> <p style="text-align: center;"><i>.....omissis.....</i></p> <p>4. In respect of <del>R</del>related <del>p</del>Party and <b>Connected Party</b> transactions, pursuant to the procedure adopted by the Company in such regard, the Shareholders' Meeting is vested with the decision-making powers assigned to it under applicable regulations. In emergency situations arising from corporate crises, any and all <del>R</del>related <del>p</del>Party and <b>Connected Party</b> transactions subject, under law, to shareholder approval, may only be effected pursuant to shareholder resolutions passed in accordance with the terms, conditions, procedures and deadlines imposed under applicable regulations and the aforesaid Procedure adopted by the Company.</p>
<p style="text-align: center;">ARTICLE 18</p> <p style="text-align: center;"><i>.....omissis.....</i></p> <p>4. In addition to powers that cannot be delegated pursuant to law, resolutions concerning the following are also reserved to the exclusive competence of the Board of Directors:</p> <p>a) establishing the general management policies, approving the Company's strategic guidelines, plans and transactions, as well as approving the industrial and financial plans of the Company, the transactions of considerable economic, equity and</p>	<p style="text-align: center;">ARTICLE 18</p> <p style="text-align: center;"><i>.....omissis.....</i></p> <p>4. In addition to powers that cannot be delegated pursuant to law, resolutions concerning the following are also reserved to the exclusive competence of the Board of Directors:</p> <p>a) establishing the general management policies, approving the Company's strategic guidelines, plans and transactions, as well as approving the industrial and financial plans of the Company, the transactions of</p>

<p>financial importance, including with related parties;</p> <p>b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement;</p> <p>c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors;</p> <p>d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors;</p> <p>e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Executive in charge of drawing up the company's accounting documents, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and the monitoring of actual compliance with administrative and accounting procedures;</p> <p>f) authorising company representatives and representatives of companies belonging to the Banking Group fulfilling managerial, executive and supervisory roles and other parties identified by law to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases;</p> <p>g) purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company branches; entering into agreements pertaining to joint ventures or strategic alliances;</p> <p>h) approving the organisational structure and any and all amendments to internal rules and policies; carrying out periodic checks to ensure that tasks and responsibilities are clearly and coherently defined within the organisational structure;</p> <p>i) carrying out periodic checks to ensure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly;</p> <p>l) carrying out checks to ensure that the system of information flows is adequate, complete and timely;</p> <p>m) drawing up guidelines for the recruitment</p>	<p>considerable economic, equity and financial importance, including with <b>Related Parties and Connected Parties</b>;</p> <p>b) appointing, when it sees fit, a General Manager, Joint General Managers and Deputy General Managers, assigning their relative powers and deciding upon their retirement;</p> <p>c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors;</p> <p>d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors;</p> <p>e) upon hearing the Board of Statutory Auditors, the appointment and dismissal of the Executive in charge of drawing up the company's accounting documents, the determination of the powers and resources thereof, as well as the supervision of the tasks carried out by the same and the monitoring of actual compliance with administrative and accounting procedures;</p> <p>f) authorising company representatives <b>and representatives of companies belonging to the Banking Group</b> fulfilling managerial, executive and supervisory roles and other parties identified by law to perform transactions or assume obligations of any kind with the Company or to carry out direct or indirect sales and purchases;</p> <p>g) purchasing or selling shareholdings that cause changes in the Banking Group or controlling or associative shareholdings; selling companies and/or company branches; entering into agreements pertaining to joint ventures or strategic alliances;</p> <p>h) approving the organisational structure and any and all amendments to internal rules and policies; carrying out periodic checks to ensure that tasks and responsibilities are clearly and coherently defined within the organisational structure;</p> <p>i) carrying out periodic checks to ensure that the internal control structure is respectful of the principle of proportionality and complies with strategic guidelines, and that internal control functions are afforded a sufficient degree of independence within the organisational structure and are endowed with adequate resources to allow them to function properly;</p> <p>l) carrying out checks to ensure that the system of information flows is adequate,</p>
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<p>and internal placement of Company executives;</p> <p>n) carrying out checks to ensure that the remuneration and incentive systems applicable to persons in top managerial positions within the organisational structure, take due account of risk containment policies and are in line with the bank's long-term objectives, corporate culture and overall internal control and corporate governance system;</p> <p>o) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, the duration, the powers and authority of said committees or commissions at the time they are set up;</p> <p>p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely;</p> <p>q) approving related party transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing related party transactions. The Board of Directors may approve highly significant related party transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning of Article 2364, paragraph 1, subparagraph 5 of the Italian Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related party transactions.</p> <p>The actual discharge of the functions listed in letters h), i), l) and p) above may be delegated, by the relevant organs, to the Managing Director, if appointed.</p> <p style="text-align: center;"><i>.....omissis.....</i></p>	<p>complete and timely;</p> <p>m) drawing up guidelines for the recruitment and internal placement of Company executives;</p> <p>n) carrying out checks to ensure that the remuneration and incentive systems applicable to persons in top managerial positions within the organisational structure, take due account of risk containment policies and are in line with the bank's long-term objectives, corporate culture and overall internal control and corporate governance system;</p> <p>o) creating committees or commissions with control, consultation, recommendatory or coordination functions, also for the purpose of ensuring that corporate governance complies with prevailing recommendations on the matter, establishing the components, the duration, the powers and authority of said committees or commissions at the time they are set up;</p> <p>p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely;</p> <p>q) approving <b>Rrelated Pparty and Connected Party</b> transactions, in accordance with the provisions set forth in the procedure adopted by the Company in compliance with applicable regulations governing <b>Rrelated Pparty and Connected Party</b> transactions. The Board of Directors may approve highly significant <b>Rrelated Pparty and Connected Party</b> transactions, even in disregard of the contrary advice of the independent auditors, provided that the transactions in question are authorised by the Shareholders' Meeting, within the meaning of Article 2364, paragraph 1, subparagraph 5 of the Italian Civil Code, pursuant to a resolution passed with the majorities contemplated in applicable regulations, and in accordance with the procedure adopted by the Company with regard to related party transactions.</p> <p>The actual discharge of the functions listed in letters h), i), l) and p) above may be delegated, by the relevant organs, to the Managing Director, if appointed.</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 18 of the Articles of Association, as illustrated above.

Milan, 18 December 2013

The Board of Directors

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

### **Amendments to Article 13 (Shareholders' Meeting) 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 a clause 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 Shareholders' Meeting). The proposed amendments arise from the need to formally bring this article in line with the provisions of CRD IV (Directive 2013/36/EU), as implemented in Italy.

On today's date, the Bank of Italy has issued a document, which had been open to public consultation through to 12 January 2014, revising the provisions governing remuneration policies and practices that enables the General Shareholders' Meeting to raise up to 2:1 the ratio between the variable and fixed components of the remuneration, provided that such eventuality is expressly contemplated in the Articles of Association. The Bank of Italy document also requires limits imposed by banks on early-retirement packages (so-called golden parachutes) to be subjected to shareholder approval.

In order to enable the General Shareholders' Meeting to make the most appropriate decisions on remuneration policies, whilst also ensuring that specific bank executives are provided adequate incentives that, in light of the bank's core business and performance levels, strike an appropriate balance between short- and long-term variable components of remuneration without however sacrificing the independence required to properly define policies from year to year, it would be useful to incorporate into the Articles of Association clauses allowing for the utmost flexibility on this issue on the same basis as the various other matters regulated under the Articles of Association.

It is accordingly proposed to amend Article 13 of the Articles of Association so as to enable the ratio between the variable and fixed components of remuneration to be raised up to a maximum of 2:1, without prejudice to the independence enjoyed by the General Shareholders' Meeting in establishing the precise ratio within the framework of its remuneration policy decisions.

Given that, in terms of the authorisation procedure to be followed with regard to the above-mentioned motion for amendment, pursuant to the Order No. 311041 issued by the Governor of the Bank of Italy on 23 March 2007 (amending the regulatory framework entrenched in Title III, Chapter I of Bank of Italy Circular No. 229 of 21 April 1999, entitled “Supervisory Instructions for Banks”), prior notice of any and all motions approved by the Board of Directors for submission to the General Shareholders’ Meeting with a view to amend the Articles of Association, must be served on the Bank of Italy which must issue the related verification order within 90 days following such service and before any of the proposed amendments is approved by the General Shareholders’ Meeting, it appears appropriate for this motion for a Shareholders’ Resolution to be approved this very day so as to allow for the related authorisation procedure to be launched and to enable the Bank of Italy to complete its assessments by the applicable deadline.

This motion for a Shareholders’ Resolution is obviously subject to the precedent issue, no later than the date on which the Extraordinary General Shareholders’ Meeting is to be convened, of the order through which the Bank of Italy transposes into Italian banking regulations the Capital Requirements Directive IV (CRD IV), as well as the further condition of the said directive (i) contemplating the possibility for the Articles of Association to enable the General Shareholders’ Meeting to depart from the currently established ratio of variable to fixed components of remuneration at 1:1 and to raise the same up to a maximum of 2:1, and (ii) investing the General Shareholders’ Meeting with authority to approve early-retirement packages (so-called golden parachutes).

It must be pointed out that the proposed amendments to the Articles of Association do not invest 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 considerations illustrated above, you are therefore invited to amend the text of Article 13 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 amendments to the said text, which are graphically highlighted:

Current text	Proposed amendments
<p style="text-align: center;">ARTICLE 13</p> <p style="text-align: center;">.....omissis.....</p> <p>3. The Shareholders' Meeting shall also approve the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees.</p> <p style="text-align: center;">.....omissis.....</p>	<p style="text-align: center;">ARTICLE 13</p> <p style="text-align: center;">.....omissis.....</p> <p>3. The Shareholders' Meeting shall also approve:</p> <p><b>i) the remuneration policies applicable to bodies with oversight, management and control functions, as well as to employees the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees;-</b></p> <p><b>ii) the remuneration plans based on financial instruments;</b></p> <p><b>iii) early-retirement packages, including limits imposed on such packages in terms of years of fixed remuneration. Within the framework of the approval of remuneration policies, the General Shareholders' Meeting is vested with the power to raise the ratio of variable to fixed components of remuneration up to a maximum of 2:1. The General Shareholders' Meeting may exercise the aforesaid power, provided that the conditions contemplated under applicable regulations for the approval of the resolution are met, and that the latter is passed with the majorities established under the regulatory framework.</b></p> <p style="text-align: center;">.....omissis.....</p>

With regard to all of the above, we invite you, should you agree, to approve the proposed amendments to Article 13 of the Articles of Association, as illustrated above.

Milan, 23 January 2014

The Board of Directors