

*This is an English courtesy translation of the original documentation prepared in Italian language.  
Please consider that only the original version in Italian language has legal value.*



## **REPORT TO THE ORDINARY SHAREHOLDERS' MEETING**

**12 April 2019**

**Determination of remuneration for members of the Board of Directors and members of the Management Control Committee in accordance with Art. 23 of the text of the Articles of Association approved by a Shareholders' Meeting on the 19<sup>th</sup> October 2018.**

Dear Shareholders,

Following the appointment of the Board of Directors for the financial years 2019-2020-2021 and on the basis of that which shall be submitted to the Shareholders' Meeting under item 3 of the agenda on remuneration of members of the Board of Directors, it is necessary to take steps to determine the remuneration due to members of that body.

In this respect, we underline that in accordance with the provisions of Art. 23, paragraph 1 of the Articles of Association, a Shareholders' Meeting shall establish, when appointing the Board of Directors and in compliance with the regulations in force, the overall remuneration for the members of the Board, inclusive of the Chairman, Deputy Chairman and the members of the committees pursuant to Art. 31 of the Articles of Association and the Board of Directors allocates that total remuneration among its members internally. It will be recalled that in accordance with the combined provisions of paragraph 1 and 4 of Art. 23 of the Articles of Association, that total remuneration excludes the remuneration of members of the Management Control Committee for which the Shareholders' Meeting establishes the remuneration at the time of appointment as a fixed and per capita amount, but higher for the Chairman, for the entire duration of the term of office.

Finally, Art. 23, paragraph 5 of the Articles of Association states that members of the Board of Directors are entitled to the reimbursement of the expenses incurred by reason of their office.

We report that in accordance with Art. 23, paragraph 2 of the Articles of Association, the Board of Directors, on the basis of a proposal from the Remuneration Committee, may establish additional remuneration for Directors invested with particular roles provided for by the Articles of Association as well as for the Chief Executive Officer and directors who may be members of additional internal board committees pursuant to Art. 32 of the Articles of Association, but not for the members (inclusive of the Chairman and the Deputy Chairman) of the committees provided for by Art. 31.1 of the Articles of Association, namely for members of the Risk Committee, the Appointments Committee, the Remuneration Committee and the Related Parties and Connected Persons Committee. As also already reported, in accordance with Art. 31.8 of the Articles of Association, the members of the Management Control Committee may only be members of the Risk Committee and the Related Parties and Connected Persons Committee.

In accordance with Art. 23, paragraph 3 of the Articles of Association, remuneration, including the overall remuneration provided for by the Articles of Association for members of the Board, is determined as fixed sums, with the exception of the amounts due to the Chief Executive Officer and the General Manager, where appointed, that can be established also as variable sums, in accordance with the remuneration policies approved by a Shareholders' Meeting and the applicable laws and regulations.

Finally in this regard we report that in accordance with Bank of Italy provisions on remuneration and incentive policies and practices contained in Circular No. 285/2013, "*any form of variable remuneration is precluded for members of supervisory bodies*" and therefore such variable remuneration is not permitted for members of the Management Control Committee.

Dear shareholders, with account taken of the provisions of the Articles of Association referred to above, you are therefore invited to formulate proposals on the remuneration of the Board of Directors according to the following proposed resolution:

*“The Shareholders propose to establish:*

- 1) € \_\_\_\_\_ as the overall annual remuneration for members of the Board of Directors, inclusive therein of the Chairman, Deputy Chairman and members of the committees formed pursuant to Art. 31 of the Articles of Association, but not members of the Management Control Committee;
- 2) € \_\_\_\_\_ as the specific annual remuneration for each of the members of the Board of Directors who are also members of the Management Control Committee and € \_\_\_\_\_ as the additional annual remuneration for the Chairman of the Management Control Committee, both of these sums being understood as set for the entire duration of the term of office; as part of the overall annual remuneration set in point 1), the Board of Directors shall grant the members of the Management Control Committee who are also (and only if they are such) members and/or chairmen of the “Risk Committee” and/or of the “Related Parties and Connected Persons Committee” (as permitted by Art. 31.8 of the Articles of Association) the same additional remuneration established for the same positions in the “Risk Committee” and/or in the “Related Parties and Connected Persons Committee” and who are not members of the Management Control Committee.

*All of the above is in addition to the reimbursement of expenses incurred in carrying out their duties.”*

February 2019

THE SUPERVISORY BOARD

THE MANAGEMENT BOARD