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# Report of the Management Board

## Item 2 on the agenda

### Remuneration and own shares:

- c) Proposal for the approval of the criteria for the determination of the compensation to be granted in the event of early termination of the employment agreement or early termination of office

Distinguished Shareholders,

You have been called to this Ordinary Shareholders' Meeting to pass a resolution on the proposal to approve the criteria and the maximum limits for the determination of compensation in the event of termination of the employment agreement, in compliance with the Supervisory Provisions on remuneration (Provisions regarding remuneration and incentive policies and practices, Title iv – Chapter 2, Circular 285 of 17 December 2013 published in the Official Gazette of the Italian Republic on 2 December 2014 and adopted in application of "Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013" (CRD IV), published in the EU Official Journal on 27 June 2013).

In particular, the Shareholders' Meeting is responsible for the approval of the criteria for the determination of the compensation to be granted in the event of early termination of the employment agreement or early termination of office, including the limits established for said compensation in terms of fixed annual remuneration and the maximum amount arising from the application of such limits.

According to the Supervisory Provisions on remuneration, the compensation agreed in view of or upon early termination of the employment agreement or early termination of office for the amount exceeding the provisions of the national collective bargaining agreement concerning indemnity for failed notice, constitutes the so-called "golden parachutes", including any compensation paid according to the non-competition agreement.

If the compensation granted is included in this category, the Group provides for it to be paid according to the methods set for the short-term variable remuneration, for each cluster, in compliance with the requirements of the Supervisory Provisions on remuneration.

For Top Risk Takers not belonging to the Corporate Control Functions at the time of terminating the employment agreement, the compensation exceeding the provisions of the national collective bargaining agreement as indemnity for failed notice is attributed as follows:

- 40% up front at the time of terminating the employment agreement, of which:
  - 20% in cash;
  - 20% in shares, subject to a two-year holding period
- 60% deferred, of which:
  - 20% in cash in the year following the one of termination of the employment agreement;
  - 30% in shares, in equal amounts, in the second, third and fourth year following the one of termination of the employment agreement, subject to a 6-month holding period;
  - 10% in cash, five years following the one of termination of the employment agreement.

For Top Risk Takers belonging to the Corporate Control Functions and for all the remaining Risk Takers (as identified at the time of terminating the employment agreement), the compensation exceeding the provisions of the national collective bargaining agreement as indemnity for failed notice is attributed as

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follows:

- 60% up front at the time of terminating the employment agreement, of which:
  - 30% in cash;
  - 30% in shares, subject to a two-year holding period.
- 40% deferred, of which:
  - 20% in cash in the year following the one of termination of the employment agreement;
  - 20% in shares, in equal amounts, in the second and third year following the one of termination of the employment agreement, subject to a 6-month holding period.

In accordance with the Remuneration Policies, subject to your advisory vote only for the Management Board Members, the General Managers and Key Managers, each deferred portion of this compensation is, symmetrically to the provisions of the Incentive System, subject to an ex post adjustment mechanism - the so-called malus conditions - according to which the relative amount recognised and the number of financial instruments assigned, if any, may be reduced, even to zero, in the year to which the deferred portion refers, in relation to the level of achievement of the minimum conditions set by the Regulator, namely:

1. Common Equity Tier Ratio at least equal to the limit envisaged in the RAF;
2. Net Stable Funding Ratio (NSFR) at least equal to the limit envisaged in the RAF;
3. No loss or positive Income before Tax from Continuing Operations, net of any contribution of profits from the buyback of Bank's own liabilities, from the fair value measurement of Bank's liabilities and from income components arising from accounting policies following changes to the internal model on core deposits.

In particular, if either condition 1 or 2 does not occur individually, the deferred portion is reduced by 50%; if condition 3 is not met, the deferred portion is brought down to zero.

For the Top Risk Takers, in parallel with the provisions for activation of the Incentive System, a fourth condition – in addition to the three mentioned above – is also envisaged, relating to verification of the LCR compared to the RAF limits. For this cluster, if either condition 1 or 2 or that relating to the LCR does not occur individually, the deferred portion is reduced by one third; if condition 3 is not met, the deferred portion is brought down to zero.

The compensation agreed for amounts lower than 80,000 euro is attributed entirely in cash and upfront in accordance with the Remuneration Policies, subject to your advisory vote only for the Management Board Members, General Managers the Key Managers.

Distinguished Shareholders, you are thus requested to approve, with binding resolution, as the maximum limit of the "golden parachute" compensation as just defined, 24 months of fixed remuneration<sup>1</sup>, also including the indemnity for failed notice set by the national collective bargaining agreement, according to the abovementioned terms; the adoption of this maximum limit may imply a maximum payment equal to 3.3 million euro.

3 March 2015

For the Management Board  
The Chairman - Gian Maria Gros-Pietro

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<sup>1</sup> The fixed remuneration includes the gross annual remuneration and any role indemnity and/or remuneration received for the office and not given back to the Bank.