

*Courtesy translation: in case of discrepancy between the Italian language original text and the English language translation, the Italian version shall prevail*



**BANCA MONTE DEI PASCHI DI SIENA S.P.A.**

SHAREHOLDERS' MEETING

extraordinary session

14 April 2015 (first call), 15 April 2015 (second call) and 16 April 2015 (third call)

BOARD OF DIRECTORS' REPORT

ON ITEM 5) ON THE AGENDA OF THE EXTRAORDINARY SESSION

drafted pursuant to Article 125-*ter* of Legislative Decree No. 58 of 24 February 1998, as amended, and pursuant to Article 72 of the Regulation adopted by Consob by resolution No. 11971 of 14 May 1999, as amended.

ITEM NO. 5 ON THE AGENDA OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

"AMENDMENTS TO ARTICLES 12, 13, 14, 15, 17 AND 23 OF THE BY-LAWS AND RESULTING COORDINATION OF ARTICLES 24 AND 27 OF THE BY-LAWS"

Dear Shareholders,

You have been called to the Shareholders' Meeting to pass a resolution on the following matter, set forth in item No. 4 on the agenda of the extraordinary session:

"Amendments to Articles 12, 13, 14, 15, 17 and 23 of the By-Laws and resulting coordination of Articles 24 and 27 of the By-Laws."

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**Introduction**

The proposal brought to the attention of the Shareholders' Meeting involves proposed amendments to the By-Laws in relation to the following subjects.

1) Some of the amendments are meant to bring the By-Laws (Articles 13, 17 and 23) into compliance with the Bank of Italy's Supervisory Provisions (Circular 285/2013, hereinafter referred to as the "Supervisory Provisions"), which have been updated as regards "corporate governance" and "remuneration and incentive policies and practices" (Part 1, Title IV, Chapters 1 and 2).

In particular, Chapter 1 "Corporate governance" updates the "Provisions concerning banks' organisation and corporate governance" issued by the Bank of Italy in March 2008, in order to ensure consistency and compliance with the evolution of the International and European rules, principles and guidelines (particularly Directive 2013/36/EU - CRD IV and the 2011 EBA guidelines on internal governance), even coordinating them with the clarifications and application guidelines provided by the Bank of Italy on the basis of experience with actual application.

In brief, the proposed **Corporate Governance** amendments regard the following aspects:

- ✓ *Duties and powers of the Board of Directors (Art. 17, paragraph 2):* implementation of the matters set forth in the By-Laws as the exclusive responsibility, which may not be delegated, of the Board of Directors, particularly with regard to the governance of risks and controls.
- ✓ *Board committees (Art. 17, paragraph 4):* establishment in the By-Laws of the duty (instead of the current "faculty" of the Board) for the Board of Directors to form the 3 special committees: Remuneration Committee, Internal Control Committee and Appointment Committee, specifications on the composition of the committees, express reference - for the definition of the duties of the Committees - to the respective internal regulations as well as supervisory regulations and the Code of conduct for the listed companies in force.
- ✓ *Chairman of the Board of Directors (Art. 23):* introduction of the obligation of the binding proposal of the General Manager and/or the Chief Executive Officer, if appointed, on all decisions for which the Board of Directors is responsible but which are taken by the Chairman when necessary and in urgent cases, and when the Executive Committee is unable to take action, and elimination of the provision according to which the Chairman agrees to the recording of non-enforceability of foreclosure transcriptions.

As regards remuneration policies, it is proposed that Article 13 of the By-Laws, on the responsibility of the shareholders' meeting for the approval of remuneration policies and compensation plans based on financial instruments, be supplemented by incorporating the approval of criteria and limits for calculating compensation to be granted in the case of early termination of the employment relationship or early termination of office ("golden parachute").

Please note that as things currently stand the changes to the By-Laws have been limited as much as possible, so that the proposals regard only mandatory amendments to be incorporated, as required by the regulations referred to above, by the deadline for the approval of the financial statements as at 31 December 2014.

2) The other amendments regard the introduction into the By-Laws of the sole call for shareholders' meetings (Articles 12 and 14), in application of the requirements for listed companies set forth in Article 2369 of the Italian Civil Code in force, so as to facilitate reaching a quorum and therefore also the running of the meeting, especially taking into consideration the currently fragmented nature of the BMPS shareholding body which, *de facto*, makes it necessary to schedule a third call for extraordinary shareholders' meetings.

3) Lastly, an amendment is also proposed to Article 15 of the By-Laws, with reference to the banking license issued by the Italian supervisory authority, to align the By-Laws with the separation of responsibilities between the Bank of Italy and the European Central Bank (ECB), which now authorises banking activities for all Italian banks.

The amendments to the By-Laws submitted to the Shareholders' Meeting for approval are set forth below with respect to each article to be amended.

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#### *Description of the proposed amendments to the By-Laws*

##### ✓ **Article 12 of the By-Laws: convening the Shareholders' Meeting in sole call**

Article 12 of the By-Laws lays out the rules for convening the Shareholders' Meeting.

This amendment introduces the requirement of convening the Shareholders' Meeting in sole call, i.e., the ordinary and extraordinary sessions, in application of Article 2369 of the Italian Civil Code, and therefore requires the elimination of references to subsequent calls.

As a result of this amendment, the ordinary and extraordinary sessions of the shareholders' meeting will be held on the single date set forth in the notice of call.

##### ✓ **Article 14 of the By-Laws: quorum for the ordinary and extraordinary sessions of the shareholders' meeting to be validly convened and to resolve**

Article 14 of the By-Laws addresses participation in the shareholders' meeting and the quorum required for the shareholders' meeting to be validly convened and to resolve .

The introduction of the sole call for shareholders' meeting has required the amendment of the quorum set forth in the By-Laws with regard to the first, second and third call. As a result, in compliance with the provisions of Article 2369 of the Italian Civil Code, it is set forth:

- in paragraph 2 that the ordinary shareholders' meeting is duly constituted irrespective of the portion of share capital being represented by the shareholders in attendance;
- in paragraph 4 that the extraordinary shareholders' meeting is duly constituted and may resolve according to the quorum set forth by law (Article 2369, paragraph 7 of the Italian Civil Code requires at least one-fifth of the share capital for the meeting to be duly constituted and the approval of at least two-thirds of the share capital represented in the meeting to resolve).

✓ **Article 13, paragraph 3 letter e): competences of the shareholders' meeting**

Article 13 of the By-Laws lays out the competences of the Shareholders' Meeting.

The updated Supervisory Provisions concerning remuneration and incentive policies also impacts the role of the Shareholders' Meeting, by expanding its responsibilities with respect to this matter.

In fact, the Provisions establish that the By-Laws must require approval by the ordinary shareholders' meeting of, in addition to the remuneration due to the corporate bodies that it appoints, the following:

- i) remuneration and incentive policies for directors, statutory auditors and other employees;
- ii) compensation plans based on financial instruments (e.g., stock option plans);
- iii) the criteria for calculating compensation to be granted in the case of early termination of the employment relationship or early termination of office, including the limits established for such compensation in terms of annual fixed remuneration, and the maximum amount deriving from their application.

Article 13 of the By-Laws, paragraph 3 letter e) already states the approval of remuneration policies and compensation plans based on financial instruments under the responsibility of the Shareholders' Meeting. That item should be supplemented by incorporating the approval of criteria and limits for calculating compensation to be granted in the case of early termination of the employment relationship or early termination of office ("golden parachute"); we will also take advantage of this occasion to align the wording by specifying that the shareholders' meeting approves remuneration and incentive policies.

✓ **Article 15, paragraph 1 - Reference to the banking license issued by the Italian supervisory authority**

Article 15 of the By-Laws establishes that, subject to removal from office, no BMPS Director shall be entitled, at the same time, to hold the office of director or of member of the board of management or the supervisory board of competitor banks, which do not belong to the BMPS Group, have a banking license issued by the Italian supervisory authority and operate in the markets of bank funding or ordinary credit in Italy.

Following the establishment of the Single Supervisory Mechanism (SSM) beginning on 4 November 2014, the ECB has been given specific prudential supervisory duties regarding banks, resulting in amendments to the supervisory provisions issued by the Bank of Italy, including the "Supervisory Provisions for banks", Circular 285 of 17 December 2013.

In particular, for the purpose of interest here, the rules regarding the authorisation of banking activities were revised to specify the role of the Bank of Italy and of the European Central Bank in the administrative procedure: as specified by the Bank of Italy in the document accompanying the 6th update of the Supervisory Provisions, the Bank of Italy itself is responsible for receiving the application and relative documentation, requesting additional information if necessary, conducting the preliminary check, and directly denying the application if the existence of conditions of sound and prudent management is not confirmed during its examination; the ECB is responsible for evaluating the prerequisites and granting, and if applicable revoking, the authorisation.

Therefore, as regards the reference to the issue of the license by the Italian supervisory authority, it is proposed that the By-Laws be aligned by eliminating the word "Italian".

✓ **Article 17, paragraph 2 - Duties and powers of the Board of Directors**

Article 17 of the By-Laws concerns the powers of the Board of Directors, including a list of matters which, in addition to the matters set forth in Article 2381 of the Italian Civil Code, are the exclusive responsibility, which may not be delegated, of that administrative body.

The Supervisory Provision updates regarding corporate governance also regarded the duties and powers of the administrative body. In particular, the provisions concerning risk governance have been reinforced, taking into account the instructions of Bank of Italy Circular 263/2006 (Title V, Chapter 7).

Therefore, the proposed amendment would introduce the following additional responsibilities, which may not be delegated, of the Board of Directors:

- the definition and approval of risk governance objectives and policies; internal control system guidelines; the policies and processes for the assessment of company assets, verifying their suitability, consistency, functioning, efficiency and effectiveness over time;
- the approval of the accounting and reporting system and general responsibility for setting guidelines for and controlling the information system;
- the appointment of the head of the risk management department (in addition to the appointment of the Managers in charge of Internal Audit and Compliance already set forth);
- decision-making powers for the acquisition and disposal of strategic equity investments, in addition to the decisions relating to equity investments involving changes to the Banking Group already set forth;
- the supervision of the public disclosure and bank communications process,

in addition to other changes that better align the list of matters under exclusive responsibility with the updated supervisory regulations.

The increase in the matters under the exclusive responsibility, which may not be delegated, of the Board of Directors set forth in Article 17 of the By-Laws concerns a change in the consecutive letters whereby such matters are listed, resulting in a purely literal and formal amendment of the By-Laws. This also requires the coordination of the references made in Articles 24 and 27, with the reference to Article 17 paragraph 2 letter d) changing to letter i) and the reference to Article 17 paragraph 2 letter m) changing to letter q).

✓ **Article 17, paragraph 4 - Establishment and composition of the board committees**

Article 17 of the By-Laws also governs the Committees formed within the Board.

The updated Supervisory Provisions on corporate governance also provide precise instructions on the composition and activities of the Committees formed within the Board of Directors. In light of these provisions, amendments to the By-Laws are proposed to bring them into compliance with such principles, by introducing:

- the obligation of the Board of Directors to establish 3 separate special Committees: Remuneration Committee, Internal Control Committee and Appointment Committee (instead of the current “faculty” of the Board to possibly establish them);
- the number of members of the Committees (a minimum of 3 and a maximum of 5), with the specification that they must all be non-executive directors, also establishing that the director elected by the minority shareholders, if applicable, must be a member of at least one Committee;
- the reference - for the definition of the duties of the Committees - to the respective internal regulations as well as supervisory regulations and the Code of conduct for the listed companies in force.

✓ **Article 23, letters c) and d) - Chairman of the Board of Directors: powers in urgent cases and agreeing to the recording of non-enforceability of foreclosure transcriptions**

Article 23 of the By-Laws addresses the role of Chairman.

The Supervisory Provisions on corporate governance dedicate a paragraph to the “Role of the Chairman”, in order to enhance this figure within the Board of Directors by emphasising his or her role as the “guarantor” of the efficiency of board activities.

In that context, the Provisions establish that to effectively fulfil his or her functions the Chairman must have a non-executive role and must not carry out, even *de facto*, operational functions. However, they also specify that this provision still permits the Chairman to be given the power to take decisions which are the responsibility of the board based on the binding proposal of the executive bodies and in urgent cases, reporting on the matter to the board at the next meeting.

Therefore, it is necessary to change Article 23 regarding the powers of the Chairman by introducing the obligation of the binding proposal of the General Manager and/or the Chief Executive Officer, if appointed, on all decisions for which the Board of Directors is responsible but which are taken by the Chairman when necessary and in urgent cases, and when the Executive Committee is unable to take action. This is in order to ensure, in compliance with current regulations, that the Chairman takes on a non-executive role and does not carry out, even *de facto*, operational functions.

For the same reason, the provision according to which the Chairman may agree to the recording of non-enforceability of foreclosure transcriptions is eliminated, since this could be interpreted as an executive power.

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Please note that the proposed amendments to the By-Laws are subject to the authorisation of the Bank of Italy pursuant to Article 56 of Legislative Decree No. 385/1993.

The proposed amendments to Articles 12, 13, 14, 17 and 23 of the By-Laws are transcribed below in the form of a comparison between the current and proposed texts.

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CURRENT BY-LAWS	PROPOSED AMENDMENTS <sup>1</sup>
<p style="text-align: center;"><b>Article 12</b></p> <p>1. Without prejudice to the powers of convocation established by specific legal provisions, the Shareholders' Meeting is convened by the Chairman of the Board of Directors or by the person acting on his/her behalf, as resolved upon by the Board of Directors. The Meeting is convened through notice containing indication of the day, time, location of the meeting and the list of items to be discussed as well as any further data and information established by applicable regulations, to be published in accordance with the time-limits and procedures provided for by law.</p> <p>2. The notice of call may also provide for a second meeting and, if necessary, a third one on different days, should the first or the second meeting be unattended.</p>	<p style="text-align: center;"><b>Article 12</b></p> <p>1. <i>Unchanged.</i></p> <p>2. <del>The notice of call may also provide for a second meeting and, if necessary, a third one on different days, should the first or the second meeting be unattended.</del> <b>The ordinary and extraordinary sessions of the Shareholders' Meeting shall be held in a combined session.</b></p>

<sup>1</sup> This column contains the proposed amendments. It is proposed that the struck-through text be eliminated and that the bold text be inserted.

<p>3. Shareholders that represent, even jointly, at least one fortieth (1/40) of the share capital may request, within the time-limits laid down by law, that the items on the agenda be supplemented, indicating the additional items proposed by them in their request, or may submit resolution proposals on items already on the agenda. In this case, the requesting shareholders must submit a report, according to the time-limits and procedures provided for by law, indicating the reasons for their request and - notwithstanding the provisions of Article 14 - must file the documents concerning their entitlement to participate in the Shareholders' Meeting, together with the request. The Chairman shall ascertain their entitlement.</p> <p>Notice of any supplements to the list of items to be dealt with by the Shareholders' Meeting and of the submission of additional resolution proposals on issues already on the agenda following the request under this paragraph, is given in the same forms required for publishing the notice of call, within the time-limits laid down by law. Any integration to the list of items to be dealt with under this paragraph is not allowed for items upon which the Shareholders' Meeting resolves by law upon the directors' proposal or on the basis of a plan or a report prepared by them other than those provided for by Article 125 ter, para. 1 of Legislative Decree no. 58/98.</p>	<p>3. <i>Unchanged.</i></p>
<p>4. The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his/her absence or impediment, by the person replacing him/her in compliance with para. 2 of Article 23. In the event of absence or impediment of the Chairman, the Deputy Chairman or Deputy Chairmen, the Meeting is chaired by a director appointed by the attendees.</p>	<p>4. <i>Unchanged.</i></p>
<p>5. The Chairman of the Meeting is responsible for ensuring that the meeting is duly constituted and verifying the attendees' identity and entitlement; he/she has the power to guide the discussion, to establish the voting procedures - anyhow by open vote - on individual cases, and to ascertain and proclaim the results of the voting, which shall</p>	<p>5. <i>Unchanged.</i></p>

be registered in the minutes.

After ascertaining that the Shareholders' Meeting has been duly constituted, it shall remain as such, even if some of the attendees subsequently leave for any reason whatsoever.

6. The Chairman is assisted by a secretary proposed by him/her and designated by the attendees; the secretary is responsible for drawing up the minutes of the meeting, which shall report the Meeting's resolutions. The secretary is not necessary whenever the minutes are drawn up by a notary public. The Chairman chooses two scrutineers among the attending shareholders.

### **Article 13**

1. The Shareholders' Meeting is normally convened in Siena; it may also be convened in a location other than the registered office, as long as in Italy.
2. Ordinary Shareholders' Meetings must be held at least once a year, within 120 days of the corporate year end.
3. The ordinary Shareholders' Meeting shall:
  - a) approve the financial statements;
  - b) appoint the members of the Board of Directors and select the Chairman, who shall be under 70 years of age as of the date of appointment, and one or two Deputy Chairmen from among them; remove directors from office;
  - c) appoint the Chairman and the other members of the Board of Statutory Auditors, as well as the Alternate Auditors;
  - d) assign the Statutory audit of accounts, upon the Board of Statutory Auditors' justified proposal, and approve its remuneration;
  - e) establish the remuneration of directors and statutory auditors, according to Article 27, and approve the remuneration policies and compensation plans based on financial

6. *Unchanged.*

### **Article 13**

1. *Unchanged.*

2. *Unchanged.*

3. The ordinary Shareholders' Meeting shall:

a) *Unchanged;*

b) *Unchanged;*

c) *Unchanged;*



<p>instruments in favour of directors, employees and staff – who are not under a contract of employment – of the Bank;</p> <p>f) resolve upon the responsibilities of the directors and statutory auditors;</p> <p>g) resolve upon the acquisition of equity investments in other companies, implying unlimited liability for their obligations;</p> <p>h) resolve upon other matters attributed by law to the Shareholders’ Meeting;</p> <p>i) authorise the implementation of major transactions with related parties falling within the competence of the Board of Directors, in the event that the Board has approved these transactions despite the adverse opinion of the Committee of Independent Directors;</p> <p>j) pass non binding resolutions, at the earliest possible opportunity, on the transactions with related parties which have been already approved by the competent bodies - since they do not fall within the competence of the Shareholders’ Meeting and are not subject to its authorisation - in compliance with the emergency procedure established by the regulations applicable to transactions with related parties, subject to the effectiveness of the resolutions taken by said bodies.</p> <p>4. The Extraordinary Shareholders’ Meeting shall:</p> <p>a) resolve upon mergers, split-ups, early winding-up of the Company or extension of its duration, capital increases, and any other amendments to the Articles of</p>	<p>d) <i>Unchanged;</i></p> <p>e) establish the remuneration of directors and Statutory Auditors, according to Article 27, and approve the remuneration <b>and incentive</b> policies and compensation plans based on financial instruments in favour of directors, employees and staff – who are not under a contract of employment – of the Bank, <b>the criteria for calculating compensation to be granted in the case of early termination of the employment relationship or early termination of office, including the limits established for such compensation in terms of annual fixed remuneration, and the maximum amount deriving from their application;</b></p> <p>f) <i>Unchanged;</i></p> <p>g) <i>Unchanged;</i></p> <p>h) <i>Unchanged;</i></p> <p>i) <i>Unchanged;</i></p> <p>j) <i>Unchanged;</i></p>
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<p>Association;</p> <p>b) resolve upon the appointment and replacement of official receivers, their competence and any other matter assigned to its approval by law.</p>	<p>4. <i>Unchanged.</i></p>
<p style="text-align: center;"><b>Article 14</b></p> <p>1. Shareholders with voting right who provide proof of their entitlement may participate in the Shareholders' Meetings. Shareholders with voting right may be represented by a proxy-holder during Shareholders' Meetings in compliance with the provisions of law. Shareholders with voting right are entitled to grant proxy also by electronic means in compliance with the procedures established by the special Regulation of the Ministry of Justice. The proxy may be electronically notified also using the special section of the Company's website or, as an alternative, by certified electronic mail to a special electronic address according to the procedures stated in the notice of call.</p> <p>2. The Ordinary Shareholders' Meeting is duly constituted on first call when at least half of the share capital is represented, excluding from the calculation shares with no voting rights, and on second call irrespective of the portion of share capital being represented by the shareholders in attendance.</p> <p>3. The Ordinary Shareholders' Meeting resolves by absolute majority of the votes, except for the appointment of the members of the Board of Directors and of the Board of Statutory Auditors, who are nominated according to the procedures referred to in Articles 15 and 26, respectively.</p> <p>4. Subject to the provisions of following paragraph 5, the Extraordinary Shareholders' Meeting:</p> <p>a) is duly constituted on first, second and third call, when more than half, more than one third and more than one fifth of the share capital is represented, respectively;</p>	<p style="text-align: center;"><b>Article 14</b></p> <p>1. <i>Unchanged.</i></p> <p>2. The Ordinary Shareholders' Meeting is duly constituted <del>on first call when at least half of the share capital is represented, excluding from the calculation shares with no voting rights, and on second call</del> irrespective of the portion of share capital being represented by the shareholders in attendance.</p> <p>3. <i>Unchanged.</i></p> <p>4. Subject to the provisions of following paragraph 5, the Extraordinary Shareholders' Meeting,:</p> <p>a) is duly constituted <del>on first, second and third call,</del> when <b>the percentage more than half,</b></p>

<p>b) resolves on first, second and third call according to the majorities provided for by law.</p> <p>5. The Extraordinary Shareholders' Meeting resolves with the favourable vote of at least 60% of the shares with voting rights, irrespective of the call during which it is constituted, when it is called to resolve upon the amendment of this paragraph 5 and following paragraph 7 of Article 14 as well as of paragraphs (1.1) and (1.6) letter a) of Article 15, of Articles 4, 6.4 and 6.5 and, in any case, when the proposal to convert preference shares into ordinary shares is included in the agenda.</p> <p>6. In order to calculate the majority and the percentage of capital required for approval of the resolution, shares for which the voting right cannot be exercised or shares for which the voting right has not been exercised following the declaration of abstention by the party with voting rights due to conflict of interests are not calculated.</p> <p>7. If during an Ordinary Shareholders' Meeting a bank foundation – according to the findings of the Chairman of the Shareholders' Meeting during the course of the meeting and immediately before each voting - is able to vote, on the basis of the shares held by the parties in attendance, by majority of the shares present and entitled to vote, the Chairman takes due note of this situation and debars the bank foundation from voting with respect to the resolution concerning said situation, limited to a number of shares representing the difference plus one share between the number of ordinary shares held by said foundation and the overall amount of ordinary shares held by the remaining parties who are present and entitled to vote when the voting takes place.</p>	<p><del>more than one third and more than one fifth of the share capital required by law for the extraordinary shareholders' meeting in combined session is represented and respectively;</del> b) resolves on first, second and third call according to the majorities provided for by law. <b>with the favourable vote of the majority of the share capital represented at the meeting required by law for the extraordinary shareholders' meeting in combined session.</b></p> <p>5. <i>Unchanged.</i></p> <p>6. <i>Unchanged.</i></p> <p>7. <i>Unchanged.</i></p>
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<p>8. Subject to the provisions of the previous paragraphs, the Ordinary or Extraordinary Shareholders' Meeting passes resolutions, with the favourable vote of the majority of the voting non-related shareholders, when it is called to resolve upon proposals concerning:</p> <p>a) transactions as per art. 13, paragraph 3, letter i) of these Articles of Association,</p> <p>or</p> <p>b) major transactions with related parties falling within the competence of the shareholders' meeting submitted to the Shareholders' Meeting should the Committee of Independent Directors issue an adverse opinion.</p>	<p>8. <i>Unchanged.</i></p>
<p style="text-align: center;"><b>Article 15</b></p> <p>1. The Board of Directors is composed of a number of members established by the Ordinary Shareholders' Meeting which cannot be less than nine or more than seventeen. Subject to removal from office, no BMPS director shall be entitled, at the same time, to hold the office of director or of member of the council of management or the supervisory board of competitor banks, which do not belong to the BMPS Group, have a banking license issued by the Italian supervisory authority and operate in the markets of bank funding or ordinary credit in Italy. In the event that a BMPS director accepts to hold one of the above-mentioned offices, he/she must promptly notify the BMPS Board of Directors which will declare his/her prompt removal from office. Directors' term of office is three years and expires on the day of the Shareholders' Meeting called to approve the financial statements of the most recent financial year of their term. Directors may be re-appointed for a maximum of two consecutive terms after the first one, and are elected according to the list voting system, as follows.</p> <p>(1.1) The Board of Directors is appointed on the basis of lists submitted by the shareholders in accordance with the following paragraphs, in which the candidates are listed by consecutive number. Each list must contain and specifically indicate at least two candidates who meet the independence requirements established by law for statutory auditors and the further independence</p>	<p style="text-align: center;"><b>Article 15</b></p> <p>1. The Board of Directors is composed of a number of members established by the Ordinary Shareholders' Meeting which cannot be less than nine or more than seventeen. Subject to removal from office, no BMPS director shall be entitled, at the same time, to hold the office of director or of member of the council of management or the supervisory board of competitor banks, which do not belong to the BMPS Group, have a banking license issued by the <del>Italian</del> supervisory authority and operate in the markets of bank funding or ordinary credit in Italy. In the event that a BMPS director accepts to hold one of the above-mentioned offices, he/she must promptly notify the BMPS Board of Directors which will declare his/her prompt removal from office. Directors' term of office is three years and expires on the day of the Shareholders' Meeting called to approve the financial statements of the most recent financial year of their term. Directors may be re-appointed for a maximum of two consecutive terms after the first one, and are elected according to the list voting system, as follows.</p> <p>(1.1) <i>Unchanged;</i></p>

<p>requirements established by the Self-regulation Code of listed companies.</p> <p>(1.2) Lists with a number of candidates equal to or above three must include candidates of both gender in alternating order and in equal proportions if there is an even number, in any case, as provided for in the Shareholders' Meeting notice of call, for the purpose of complying with applicable legislation regarding gender balance. The lists shall not include candidates who are 75 years of age as of the date of the Shareholders' Meeting for the renewal of the Corporate Bodies, also in view of the age limits indicated for the office of Chairman of the Board of Directors and for the office of Managing Director, as provided for by Article 13, para. 3 letter b) and Article 18, para. 4, respectively. The lists submitted by the shareholders must be filed at the Company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting on first call, and published in accordance with applicable regulations.</p> <p>Lists with a number of candidates equal to or above three, furthermore, must specifically indicate at least two candidates and, in any case, equal to at least one third of the candidates in the list, who meet the independence requirements established by law for statutory auditors and the further independence requirements established by the Self-regulation Code of listed companies.</p> <p>In the event that this share is not a whole number, it shall be rounded up.</p> <p>(1.3) Each shareholder may submit or contribute to the submission of one list only, in compliance with the provisions of the second paragraph of this article, and each candidate may stand for election in one list only, under penalty of ineligibility.</p> <p>(1.4) Only shareholders that, either individually or together with other shareholders, collectively hold shares representing at least 1% of the Company's share capital with voting rights at the Ordinary Shareholders' Meeting or a different percentage required by applicable regulations are entitled to submit lists. In order to prove ownership of the number of shares required for submission of lists, shareholders who submitted the lists must submit and/or send the documentation proving ownership of the minimum shareholding required to submit lists to the Company's registered office, when filing the lists or at a later date but within the term provided for the publication of the lists. Ownership is determined by taking into account</p>	<p>(1.2) <i>Unchanged;</i></p> <p>(1.3) <i>Unchanged;</i></p> <p>(1.4) <i>Unchanged;</i></p>
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<p>the shares registered to the shareholder on the date on which the lists are filed.</p> <p>(1.5) Each list shall be shall be filed at the Company's registered office, within the deadline for their filing, together with (i) declarations by the candidates in which they accept their candidacy and certify, under their own responsibility, that there are no reasons for ineligibility and incompatibility, as well as the fact that they meet the requirements prescribed for the office as laid down by applicable law and regulations; (ii) declarations by the candidates indicated as independent in the list certifying that they meet the independence requirements pursuant to foregoing para. 1.1; and (iii) the <i>curricula vitae</i> showing the personal and professional characteristics of each candidate, indicating the management and control positions held in other companies. In particular, the candidates must declare that they do not hold the office of director or of member of the council of management or the supervisory board of competitor banks, which do not belong to the BMPS Group, have a banking license issued by the Italian supervisory authority and operate in the markets of bank funding or ordinary credit in Italy. Lists submitted that do not comply with the statutory provisions cannot be voted.</p> <p>(1.6) Each shareholder entitled to vote may vote only one list. The Board of Directors is elected as follows:</p> <p>a) the Directors representing half of the members to be elected - with rounding down to the lower unit in the case of a fractional number – shall be drawn from the list obtaining the majority of the votes expressed, in the progressive order with which they are listed;</p> <p>b) the remaining Directors shall be drawn from the other lists; to this purpose, the votes obtained by the lists shall be divided subsequently by one, two, three, four and so on according to the number of directors still to be elected. The quotients obtained shall be assigned progressively to the candidates of each list according to their related order. The quotients assigned to the candidates of the various lists shall be listed in decreasing order. The candidates obtaining the highest quotients shall be elected.</p> <p>If several candidates have obtained the same quotient, the candidate of the list that has not yet elected a director or that has elected the lowest number of directors shall be elected.</p>	<p>(1.5) <i>Unchanged;</i></p> <p>(1.6) <i>Unchanged;</i></p>
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If none of these lists has elected a director or if all of them have elected the same number of directors, the candidate of the list that has obtained the highest number of votes shall be appointed among these lists. In the event of equal number of votes and quotients, the entire Ordinary Shareholders' Meeting shall hold a new voting and elect the candidate obtaining the simple majority of the votes.

However, also notwithstanding the foregoing provisions, at least one director must be drawn from the minority list which has obtained the highest number of votes and is in no way linked, either directly or indirectly, with the parties that submitted or voted the list ranking first by number of votes.

If, as a result of the voting, at least one third of the directors that meet the independence requirements provided for by previous paragraph 1.1 have not been appointed, the required number of last non-independent directors shall be replaced with independent candidates - drawn from the same lists of the replaced candidates - who have obtained the highest quotient.

The candidate replaced for the purpose of allowing the appointment of the minimum number of independent directors shall in no case be drawn from the minority list which obtained the majority of votes and no way be linked, directly or indirectly, with the parties that submitted or voted the list which obtained the majority of votes. In this case, the non-independent candidate which ranked last but one by quotient achieved shall be replaced.

In addition, if application of the foregoing procedures does not ensure compliance with current regulations on gender balance, the quotient of votes to be assigned to each candidate from the lists shall be calculated by dividing the number of votes obtained by each list by the progressive number of listing of each candidate.

The candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists is replaced by the candidate of the least represented gender who has obtained the highest quotient in the same list as the replaced candidate. If candidates from different lists have obtained the same quotient, the candidate of the list with the highest number of directors, or the candidate from the list with the lowest number of votes or, at a parity of votes, the candidate obtaining the lowest number of votes

<p>from the Shareholders' Meeting during a specific voting, shall be replaced.</p> <p>In the event of application of the above procedures, should the number of Directors necessary to comply with the minimum number of independent Directors and of Directors of the least represented gender not be appointed due to an insufficient number of independent directors or of the least represented gender, the Shareholders' Meeting shall appoint the missing Directors by resolution approved by simple majority on the basis of the candidatures proposed, there and then, primarily by the parties that submitted the list of the candidate or candidates to be replaced.</p> <p>(1.7) With respect to the appointment of the Directors who were not appointed for any reason whatsoever in compliance with the procedure provided for herein, the Shareholders' Meeting shall resolve pursuant to and with the majorities provided for by law, without prejudice to the criteria envisaged by legislation in force and by the Articles of Association with regard to independent directors and gender balance.</p> <p>2. The members of the Board of Directors must meet the requirements provided for by pro-tempore laws and regulations in force.</p> <p>3. In order to replace any Directors terminating their office during their term, the provisions of law shall apply, in accordance with the criteria envisaged by legislation in force and by the Articles of Association with regard to independent directors and gender balance. If the majority of Directors terminates office, the whole Board of Directors shall be deemed to have resigned, with effect from the date it is re-established. Directors may be revoked by the Shareholders' Meeting at any time, subject to the Director's right to compensation for damages, if his/her revocation is without just cause.</p>	<p>(1.7) <i>Unchanged;</i></p>
<p style="text-align: center;"><b>Article 17</b></p> <p>1. The Board of Directors holds all powers of ordinary and extraordinary management in order to achieve the company purpose, with the exception of the powers assigned to the Shareholders' Meeting according to the law, and of any other matter submitted to the Board by the Chairman, the Executive Committee, and the Managing Director or the Managing Directors. Pursuant to Article 2365, para. 2, of the Italian Civil Code, the Board of</p>	<p>2. <i>Unchanged.</i></p> <p>3. <i>Unchanged.</i></p>



<p>Directors resolves upon any mergers as provided for by Articles 2505 and 2505-bis of the Italian Civil Code, the establishment or closing of secondary offices and any adjustments to the Articles of Association in order to comply with regulations.</p> <p>2. In addition to the provisions of Article 2381, para. 4 of the Italian Civil Code, the Board of Directors has exclusive responsibility, which may not be delegated, for:</p> <p>a) drawing up strategic guidelines for the Company and the Banking Group to which it belongs and approving the respective business and financial plans as well as the strategic transactions;</p> <p>b) monitoring the correct and consistent transposition of the guidelines and plans as per a) into the management of the Company and of the Banking Group;</p> <p>c) establishing the Company’s organizational guidelines and approving its organizational structure as well as approving and modifying its main internal regulations;</p> <p>d) drawing up guidelines for the organisation and operation of the Banking Group, by establishing criteria to co-ordinate and manage the subsidiaries belonging to the</p>	<p style="text-align: center;"><b>Article 17</b></p> <p>1. <i>Unchanged.</i></p> <p>2. In addition to the provisions of Article 2381, para. 4 of the Italian Civil Code, the Board of Directors has exclusive responsibility, which may not be delegated, for:</p> <p>a) <del>drawing up</del> <b>defining and approving the business model</b>, strategic guidelines for the Company and the Banking Group to which it belongs and approving the respective business and financial plans as well as the strategic transactions, <b>and providing for their periodic review</b>;</p> <p>b) monitoring the correct and consistent <del>transposition</del> <b>implementation</b> of the guidelines and plans as per a) into the management of the Company and of the Banking Group;</p> <p>c) establishing the Company’s organizational guidelines and approving its organizational structure, <b>monitoring their adequacy over time</b>, as well as approving and modifying its</p>
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<p>Banking Group as well as for the implementation of Bank of Italy's instructions;</p> <p>e) appointing the General Manager, as well as resolving upon his/her revocation, suspension, removal and termination as well as upon the determination of his/her remuneration;</p> <p>f) resolving upon rules concerning the legal and economic conditions of staff, including salary scales and allowances thereof, and any other rule which must be approved according to the law;</p> <p>g) preparing the financial statements and submitting them to the Shareholders' Meeting;</p> <p>h) approving, upon the General Manager's proposal, the appointment of one or more Senior Executives as Deputy General Managers of the Company and indicating from year to year, which one shall be the Acting Deputy General Manager, and taking any measure in relation to their remuneration and legal status;</p> <p>i) approving, upon the Chief Executive Officer's proposal, or, if the latter has not been appointed, the General Manager's proposal, the appointment and revocation of the Senior Executives and of the Executives in charge of the units directly reporting to the Chief Executive Officer or to the General Manager and taking any measure in relation to their remuneration and legal status;</p> <p>j) approving the appointment and the revocation of the Managers in charge of the units directly reporting to the Board of Directors, and taking any measure in relation to their remuneration and legal status;</p> <p>l) approving the appointment and the revocation of the Manager in charge of Internal Audit and Compliance, after hearing the Board of Statutory Auditors;</p>	<p>main internal regulations;</p> <p><b>d) defining and approving risk governance objectives and policies, as well as the process of risk reporting, management and assessment over time;</b></p> <p><b>e) defining and approving the guidelines of the internal control system and verifying its adequacy, consistency, functioning, efficiency and effectiveness in compliance with supervisory regulations in force on the matter;</b></p> <p><b>f) approving the policies and processes for the assessment of company assets and particularly financial instruments, verifying their constant adequacy;</b></p> <p><b>g) approving the accounting and reporting system;</b></p> <p><b>h) taking general responsibility for setting guidelines for and controlling the information system;</b></p> <p>i) <i>Unchanged (letter changes);</i></p> <p><b>j) Unchanged (letter changes);</b></p> <p><b>k) Unchanged (letter changes);</b></p> <p><b>l) Unchanged (letter changes);</b></p> <p><b>m) Unchanged (letter changes);</b></p>
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<p>m) resolving upon the establishment of committees with advisory and proposal-making duties towards the Board;</p> <p>n) approving the acquisition and disposal of equity investments in companies, involving changes to the Banking Group, subject to the provisions of Article 13, para. 3, letter g), and the purchase and disposal of business units;</p> <p>o) approving the budget on a yearly basis;</p> <p>p) resolving on the establishment or the closing of secondary offices;</p> <p>q) resolving on the reduction of share capital in the event of withdrawal by shareholders;</p> <p>r) ensuring that the executive in charge of drafting the corporate accounting documents has the appropriate powers and means to fulfill his/her duties pursuant to the law, and that the administrative and accounting procedures are actually complied with;</p> <p>s) passing resolutions on major transactions with related parties or on minor transactions falling within the discretionary powers of the Board;</p> <p>t) approving major transactions with related parties falling within the competence of the Board of Directors in the presence of an adverse opinion of the Committee of Independent Directors and submitting, to the Shareholders' Meeting, the major transactions with related parties falling within the competence of the Shareholders' Meeting in the presence of an adverse opinion of the Committee of Independent Directors for the purposes of implementing the resolutions as per Article 14, para. 8 of these By-Laws.</p>	<p><i>n) Unchanged (letter changes);</i></p> <p><i>o) Unchanged (letter changes);</i></p> <p><b>p) approving the appointment and the revocation of the Manager in charge of Internal Audit, <del>and</del> Compliance <b>and risk control</b>, after hearing the Board of Statutory Auditors <b>and adopting all measures relating to their legal and economic status</b>;</b></p> <p><i>q) Unchanged (letter changes);</i></p> <p><b>r) approving the acquisition and disposal of <b>strategic</b> equity investments in companies, <b>or those which in any event</b> involving changes to the Banking Group, subject to the provisions of Article 13, para. 3, letter g), and the purchase and disposal of business units;</b></p> <p><i>s) Unchanged (letter changes);</i></p> <p><i>t) Unchanged (letter changes);</i></p> <p><i>u) Unchanged (letter changes);</i></p>
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<p>3. The Board of Directors promptly reports to the Board of Statutory Auditors on the business activities carried out and on the main economic and financial transactions carried out by the Company, also through its Delegated Bodies, and by its subsidiaries; in particular, it reports on any transactions in which the Directors have an interest on their own account or on behalf of third parties. This report is made verbally, at least on a quarterly basis, when the Board of Directors meets or by written notice to the Board of Statutory Auditors. The obligation of each Director to inform the other directors and the Board of Statutory Auditors of any interest he/she may have in a specified transaction of the Company on his/her own account or on behalf of third parties, remains unaffected in compliance with Article 2391 of the Italian Civil Code.</p> <p>4. The following Committees may be established within the Board of Directors, with advisory and proposal-making duties. They are composed mainly of independent directors and their activity is governed by special regulations approved by the Board of Directors:</p> <p>a) a Remuneration Committee that carries out the following tasks:</p> <p>(i) submitting, to the Board, proposals for the remuneration of the Chief Executive Officers and of the other directors holding special offices and monitoring application of the resolutions adopted by the Board;</p> <p>(ii) periodically assessing the criteria adopted for the remuneration of executives with strategic responsibilities, monitoring their</p>	<p><i>v) Unchanged (letter changes);</i></p> <p><i>w) Unchanged (letter changes);</i></p> <p><i>x) Unchanged (letter changes);</i></p> <p><b>y) supervising the public disclosure and bank communications process.</b></p> <p>3. <i>Unchanged.</i></p>
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<p>application and submitting general recommendations on the matter to the Board of Directors;</p> <p>b) an Internal Control Committee with the main function of supporting the Board of Directors in fulfilling its tasks to define the guidelines of the internal control system and assess that the internal control system is adequate, effective and properly functioning;</p> <p>c) an Appointment Committee with the following main tasks:</p> <p>(i) proposing the candidates for the office of director to the Board of Directors in the case provided for by Article 2386, first paragraph, of the Italian Civil Code, if an independent director must be replaced;</p> <p>(ii) submitting proposals to the Board of Directors for the appointment of members of the Executive Committee or for the appointment of the Chief Executive Officer;</p> <p>d) a Committee, exclusively made up of Independent Directors, with at least advisory functions in the field of transactions with related parties.</p>	<p>4. The <del>following</del> Committees <b>required under current regulations</b> <del>may</del> <b>must</b> be established within the Board of Directors, <b>which have with</b> advisory and proposal-making duties. They are composed <b>of 3 or 5 non-executive</b> mainly <del>of</del> independent directors;; <b>if there are directors elected by the minority shareholders, one of them must be part of at least one committee. The committees carry out their activities in compliance with</b> <del>and their activity is governed by</del> special regulations approved by the Board of Directors;, <b>supervisory regulations and the Code of conduct for the listed companies in force. Specifically, the following are established within the Board of Directors:</b></p> <p>a) a Remuneration Committee that carries out the following tasks:</p> <p>(i) submitting, to the Board, proposals for the remuneration of the Chief Executive Officers and of the other directors holding special offices, <b>as well as of the General Manager</b>, and monitoring application of the resolutions adopted by the Board;</p> <p>(ii) periodically assessing the criteria adopted for the remuneration of executives with strategic responsibilities, monitoring their application and submitting general recommendations on the matter to the Board of Directors;</p> <p>b) an Internal Control Committee with the main function of supporting the Board of Directors in fulfilling its tasks to define the guidelines of the internal control <b>and risk governance</b> system, and assess that the internal control <b>and risk governance</b> system is adequate, effective and properly functioning, <b>as well as to approve the company asset assessment policies and processes;</b></p> <p>c) an Appointment Committee with the following main tasks:</p> <p>(i) <del>proposing the candidates for the office of director to</del> <b>supporting</b> the Board of Directors <b>in the process of appointing</b></p>
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	<p><b>directors, proposing</b>, in the case provided for by Article 2386, first paragraph, of the Italian Civil Code, <b>candidates for the office of</b> <del>if an independent director must be replaced;</del></p> <p><b>(ii) supporting the Board of Directors in processes of self-assessment and verification of requirements, as well as of defining top management succession plans;</b></p> <p><b>(iii)</b> submitting proposals to the Board of Directors for the appointment of members of the Executive Committee or for the appointment of the Chief Executive Officer;</p> <p>d) a Committee, exclusively made up of Independent Directors, with at least advisory functions in the field of transactions with related parties.</p>
<p style="text-align: center;"><b>Article 23</b></p> <p>1. The Chairman:</p> <p>a) is vested with general representation of the Company before third parties;</p> <p>b) calls and chairs the Shareholders' Meeting; calls and chairs the Board of Directors' and the Executive Committee's meetings;</p> <p>c) if necessary and in urgent cases, and whenever the Executive Committee is unable to take action, may take decisions with regard to any business or transaction falling under the Board of Directors' competence, with the exception of those reserved to the latter's exclusive authority. Such decisions must be taken upon proposal of the General Manager whenever the matters relate to lending or to personnel, and after consulting the General Manager for other matters. Such decisions must be brought to the attention of the competent body at the first subsequent meeting;</p> <p>d) upon proposal of the General Manager,</p>	<p style="text-align: center;"><b>Article 23</b></p> <p>1. The Chairman:</p> <p>a) <i>Unchanged;</i></p> <p>b) <i>Unchanged;</i></p> <p>c) if necessary and in urgent cases, and whenever the Executive Committee is unable to take action, may take decisions with regard to any business or transaction falling under the Board of Directors' competence, with the exception of those reserved to the latter's exclusive authority. Such decisions must be taken upon <b>the binding proposal of the General Manager and/or Chief Executive Officer, if appointed</b> <del>whenever the matters relate to lending or to personnel, and after consulting the General Manager for other matters.</del> Such decisions must be brought to the attention of the competent body at the first subsequent meeting;</p> <p>d) upon proposal of the General Manager,</p>

<p>promotes and upholds any suits involving the Company, at all levels of jurisdiction and before any Court or arbitrator, with the authority to abandon them, to withdraw from any actions and proceedings, and to accept similar withdrawals from other parties involved. The Chairman agrees to the recording of non-enforceability of foreclosure transcriptions;</p> <p>e) appoints solicitors and attorneys with special power in all law-suits and before any judicial, administrative, special or arbitral court, which may somehow involve the Company;</p> <p>f) grants special powers of attorney to employees or third parties, also for questionings, third-party statements and suppletory or decisory oaths.</p> <p>g) promotes the effective functioning of corporate governance, ensures the balance of powers with special reference to the delegated bodies and acts as interlocutor for the internal control bodies and the internal committees.</p> <p>2. In the case of absence or impediment of the Chairman, the authority and powers conferred upon him/her are exercised by the Deputy Chairman or, if two Deputy Chairmen are appointed, by the Deputy Chairman designated by the Board of Directors during the first Meeting following the Shareholders' Meeting which appointed the two Deputy Chairmen; in the case of absence or impediment of the latter, the Chairman's powers and authority are exercised by the other Deputy Chairman.</p> <p>3. The signature of the Deputy Chairman or, in the case of appointment of two Deputy Chairmen, the signature of the Deputy Chairman designated by the Board of Directors in accordance with the provisions of the foregoing para. 2 or, in the case of absence or impediment of the latter, the signature of the other Deputy Chairman is full evidence of the absence or impediment of the</p>	<p>promotes and upholds any suits involving the Company, at all levels of jurisdiction and before any Court or arbitrator, with the authority to abandon them, to withdraw from any actions and proceedings, and to accept similar withdrawals from other parties involved. <del>The Chairman agrees to the recording of non enforceability of foreclosure transcriptions;</del></p> <p>e) <i>Unchanged;</i></p> <p>f) <i>Unchanged;</i></p> <p>g) <i>Unchanged;</i></p> <p>2. <i>Unchanged;</i></p> <p>3. <i>Unchanged;</i></p>
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Chairman or the Deputy Chairman designated by the Board of Directors, before third parties.	
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With regard to the proposed amendments to Articles 12, 13, 14, 15, 17 and 23 of the By-Laws, the Board of Directors has assessed that the requirements for the right of withdrawal established by current laws have not been met.

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Dear Shareholders,

With respect to the foregoing, we invite you to approve the following proposal:

“The Extraordinary Shareholders’ Meeting,

with regard to the proposals of the Board of Directors

#### RESOLVES

- (a) to amend Articles 12, 13, 14, 15, 17 and 23 of the By-Laws, which will be formulated as follows:

**“Article 12**

1. Unchanged.
2. The ordinary and extraordinary sessions of the Shareholders’ Meeting shall be held in a combined session.
3. Unchanged.
4. Unchanged.
5. Unchanged.
6. Unchanged.

**Article 13**

1. Unchanged.
2. Unchanged.
3. The ordinary Shareholders’ Meeting shall:
  - a) Unchanged;
  - b) Unchanged;
  - c) Unchanged;
  - d) Unchanged;



- e) establish the remuneration of directors and statutory auditors, according to Article 27, and approve the remuneration and incentive policies and compensation plans based on financial instruments in favour of directors, employees and staff – who are not under a contract of employment – of the Bank, the criteria for calculating compensation to be granted in the case of early termination of the employment relationship or early termination of office, including the limits established for such compensation in terms of annual fixed remuneration, and the maximum amount deriving from their application;
- f) Unchanged;
- g) Unchanged;
- h) Unchanged;
- i) Unchanged;
- j) Unchanged.

4. Unchanged.

#### **Article 14**

- 1. Unchanged.
- 2. The ordinary shareholders' meeting is duly constituted irrespective of the portion of share capital being represented by the shareholders in attendance.
- 3. Unchanged.
- 4. Subject to the provisions of following paragraph 5, the Extraordinary Shareholders' Meeting, is duly constituted when the percentage of the share capital required by law for the extraordinary shareholders' meeting in combined session is represented and resolves with the favourable vote of the majority of the share capital represented at the meeting required by law for the extraordinary shareholders' meeting in combined session.
- 5. Unchanged.
- 6. Unchanged.
- 7. Unchanged.
- 8. Unchanged.

#### **Article 15**

1. The Board of Directors is composed of a number of members established by the Ordinary Shareholders' Meeting which cannot be less than nine or more than seventeen. Subject to removal from office, no BMPS director shall be entitled, at the same time, to hold the office of director or of member of the council of management or the supervisory board of competitor banks, which do not belong to the BMPS Group, have a banking license issued by the supervisory authority and operate in the markets of bank funding or ordinary credit in Italy. In the event that a BMPS director accepts to hold one of the above-mentioned offices, he/she must promptly notify the BMPS Board of Directors which will declare his/her prompt removal from office. Directors' term of office is three years and expires on the day of the Shareholders' Meeting called to approve the financial statements of the most recent financial year of their term. Directors may be re-appointed for a maximum of two consecutive terms after the first one, and are elected according to the list voting system, as follows.

- (1.1) Unchanged;
- (1.2) Unchanged;
- (1.3) Unchanged;
- (1.4) Unchanged;
- (1.5) Unchanged;
- (1.6) Unchanged;
- (1.7) Unchanged.
- 2. Unchanged.

3. Unchanged.

#### **Article 17**

1. Unchanged.

2. In addition to the provisions of Article 2381, para. 4 of the Italian Civil Code, the Board of Directors has exclusive responsibility, which may not be delegated, for:

- a) defining and approving the business model, strategic guidelines for the Company and the Banking Group to which it belongs and approving the respective business and financial plans as well as the strategic transactions, and providing for their periodic review;
- b) monitoring the correct and consistent implementation of the guidelines and plans as per a) in the management of the Company and of the Banking Group;
- c) establishing the Company's organizational guidelines and approving its organizational structure, monitoring their adequacy over time, as well as approving and modifying its main internal regulations;
- d) defining and approving risk governance objectives and policies, as well as the process of risk reporting, management and assessment over time;
- e) defining and approving the guidelines of the internal control system and verifying its adequacy, consistency, functioning, efficiency and effectiveness in compliance with supervisory regulations in force on the matter;
- f) approving the policies and processes for the assessment of company assets and particularly financial instruments, verifying their constant adequacy;
- g) approving the accounting and reporting system;
- h) taking general responsibility for setting guidelines for and controlling the information system;
- i) Unchanged (letter changes);
- j) Unchanged (letter changes);
- k) Unchanged (letter changes);
- l) Unchanged (letter changes);
- m) Unchanged (letter changes);
- n) Unchanged (letter changes);
- o) Unchanged (letter changes);
- p) approving the appointment and the revocation of the Manager in charge of Internal Audit, Compliance and risk control, after hearing the Board of Statutory Auditors and adopting all measures relating to their legal and economic status;
- q) Unchanged (letter changes);
- r) approving the acquisition and disposal of strategic equity investments in companies, or those which in any event involve changes to the Banking Group, subject to the provisions of Article 13, para. 3, letter g), and the purchase and disposal of business units;
- s) Unchanged (letter changes);
- t) Unchanged (letter changes);
- u) Unchanged (letter changes);
- v) Unchanged (letter changes);
- w) Unchanged (letter changes);
- x) Unchanged (letter changes);
- y) supervising the public disclosure and bank communications process.

3. Unchanged.

4. The Committees required under current regulations must be established within the Board of Directors, which have advisory and proposal-making duties. They are composed of 3 or 5 non-executive mainly independent directors; if there are directors elected by the minority shareholders, one of them must be part of at least one committee. The committees carry out their activities in compliance with special regulations approved by the Board of Directors, supervisory regulations and the Code of conduct for the listed companies in force. Specifically, the following are established within the Board of Directors:

- a) a Remuneration Committee that carries out the following tasks:
  - (ii) submitting, to the Board, proposals for the remuneration of the Chief Executive Officers and of the other directors holding special offices, as well as of the General Manager, and monitoring application of the resolutions adopted by the Board;
  - (iii) periodically assessing the criteria adopted for the remuneration of executives with strategic responsibilities, monitoring their application and submitting general recommendations on the matter to the Board of Directors;
- b) an Internal Control Committee with the main function of supporting the Board of Directors in fulfilling its tasks to define the guidelines of the internal control and risk governance system, and assess that the internal control and risk governance system is adequate, effective and properly functioning, as well as to approve the company asset assessment policies and processes;
- c) an Appointment Committee with the following main tasks:
  - (i) supporting the Board of Directors in the process of appointing directors, proposing, in the case provided for by Article 2386, first paragraph, of the Italian Civil Code, candidates for the office of director;
  - (ii) supporting the Board of Directors in processes of self-assessment and verification of requirements, as well as of defining top management succession plans;
  - (iii) submitting proposals to the Board of Directors for the appointment of members of the Executive Committee or for the appointment of the Chief Executive Officer;
- d) a Committee, exclusively made up of Independent Directors, with at least advisory functions in the field of transactions with related parties.

## Article 23

1. The Chairman:
  - a) Unchanged;
  - b) Unchanged;
  - c) if necessary and in urgent cases, and whenever the Executive Committee is unable to take action, may take decisions with regard to any business or transaction falling under the Board of Directors' competence, with the exception of those reserved to the latter's exclusive authority. Such decisions must be taken upon the binding proposal of the General Manager and/or Chief Executive Officer, if appointed. Such decisions must be brought to the attention of the competent body at the first subsequent meeting;
  - d) upon proposal of the General Manager, promotes and upholds any suits involving the Company, at all levels of jurisdiction and before any Court or arbitrator, with the authority to abandon them, to withdraw from any actions and proceedings, and to accept similar withdrawals from other parties involved.
  - e) Unchanged;
  - f) Unchanged;
  - g) Unchanged;
2. Unchanged.
3. Unchanged."

with the resulting coordination of Articles 24 and 27 for the references contained in those articles to the letters of Article 17, paragraph 2, as described in the Report.

- (b) to confer upon the Chairman and the Deputy Chairman, jointly or severally, all of the broadest powers to implement the above resolution, including the right to introduce into the resolution all amendments, additions or eliminations, of non-substantial nature, that are deemed necessary or

even only appropriate or which may be requested by the competent authorities at the time of authorisation or registration.

Siena, 4 March 2015

On behalf of Board of Directors  
Alessandro Profumo  
Chairman of the Board of Directors