

# REPORT ON CORPORATE GOVERNANCE AND COMPANY OWNERSHIP

*PURSUANT TO SECTION 123-BIS OF LEGISLATIVE  
DECREE 58/1998*

## REPORT ON OPERATIONS

PART 2

ANNUAL FINANCIAL REPORT  
AS OF 31 DECEMBER 2009

BOARD OF DIRECTORS  
8 MARCH 2010



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# INDEX

<b>Contents</b>	74
<b>Section I</b>	67
1.1 Organisation of the Company	67
<b>Section II</b>	69
1. Information on Company Ownership Pursuant to Article 123-bis of TUF) at 4 March 2010	69
1.1 Structure of the Share Capital (Pursuant to Article 123-bis, Paragraph 1, Letter A), TUF)	69
1.2 Restrictions on the Transfer of Securities (Pursuant to Article 123-bis, Paragraph 1, Letter B), TUF)	69
1.3 Significant Equity investments in Share Capital (Pursuant to Article 123-bis, Paragraph 1, Letter C), TUF)	69
1.4 Securities Bearing Special Rights (Pursuant to Article 123-bis, Paragraph 1, Letter D), TUF)	70
1.5 Shares Held by Employees: Mechanism for the Exercise of the Voting Rights (Pursuant to Article 123-bis, Paragraph 1, Letter E), TUF)	70
1.6 Restrictions on Voting Rights (Pursuant to Article 123-bis, Paragraph 1, Letter F), TUF)	70
1.7 Shareholders' Agreements (Pursuant to Article 123-bis, Paragraph 1, Letter G), TUF)	70
1.8 Change of Control Clauses (Pursuant to Article 123-bis, Paragraph 1, Letter H), TUF)	70
1.9 Directors' Severance indemnities in the Event of Resignation, Dismissal Or Severance As A Result of A Takeover Bid (Pursuant to Article 123-bis, Paragraph 1, Letter I), TUF)	70
1.10 Appointment And Replacement of Members of the Board of Directors And Amendments to the Articles of Association (Pursuant to Article 123-bis, Paragraph 1, Letter L), TUF)	70
1.11 Powers to increase the Share Capital And Authorisation For the Acquisition of Treasury Shares (Pursuant to Article 123-bis, Paragraph 1, Letter M), TUF)	70
1.12 Direction And Coordination (Pursuant to Article 2497 et Seq. of Civil Code)	71
<b>Section III</b>	73
1. Compliance With the Corporate Governance Code of Listed Companies And Further information (Pursuant to Article 123-bis, Paragraph 2, Letter A), TUF)	73
2. Board of Directors	73
2.1 Appointment And Replacement of the Board of Directors (Pursuant to Article 123-bis, Paragraph 1, Letter L), TUF)	73
2.2 Composition of the Board of Directors (Pursuant to Article 123-bis, Paragraph 1, Letter D), TUF)	75
2.3 Role of the Board of Directors (Pursuant to Article 123-bis, Paragraph 2, Letter D)	78
2.4 Functioning of the Board of Directors	80

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<b>3.</b>	<b>Delegated Organs</b>	<b>82</b>
3.1	Managing Director	82
3.2	Chairman of the Board of Directors	84
3.3	Report to the Board	85
3.4	Other Non-Executive Directors	85
3.5	Non-Executive And independent Directors	85
3.6	Lead independent Director	87
<b>4.</b>	<b>Handling of Corporate information</b>	<b>87</b>
4.1	Handling of Confidential information	87
4.2	Internal Dealing	88
<b>5.</b>	<b>Board Committees</b>	<b>89</b>
5.1	Internal Control Committee	89
5.2	Remuneration Committee	91
<b>6.</b>	<b>Directors' Remuneration</b>	<b>92</b>
<b>7.</b>	<b>Internal Control System</b>	<b>94</b>
7.1	Internal Control System Features	94
7.2	Main Features of the Company's Risk Management and internal Control Systems Related to the Financial Reporting Process (Pursuant to Article 123-bis, Ph 2, Letter B of TUF).	97
7.2.1	Foreword	97
7.2.2	Key Characteristics of the Existing Risk Management And internal Control System As It Relates to the Financial Reporting Process	97
7.3	Organisational Model Pursuant to Legislative DeCree 231/2001	99
7.4	Independent Auditors	100
7.5	Manager in Charge of the Company's Financial Reports	100
<b>8.</b>	<b>Directors' interests and Related-Party Transactions</b>	<b>102</b>
8.1	Related-Party Transactions	102
8.2	Obligations of Company officers And Executives Pursuant to Legislative Decree No.136 of Tub	103
<b>9.</b>	<b>Board of Statutory Auditors</b>	<b>104</b>
9.1	Appointment of the Board of Statutory Auditors	104
9.2	the Board of Auditors	105
<b>10.</b>	<b>investor Relations</b>	<b>107</b>
<b>11.</b>	<b>Shareholders' Meetings (Pursuant to Article 123-bis, Paragraph 2, Letter C), TUF)</b>	<b>107</b>
11.1	Procedures Governing the Conduct of Shareholders' Meetings	107
11.2	Regulations of the Shareholders' Meeting	108
<i>Annex 1: Board of Directors' And Committees' Structure</i>		111
<i>Annex 2: Statutory Auditors' Structure</i>		113
<i>Annex 3: Other Provisions of the Corporate Governance Code</i>		114

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## GLOSSARY

**Code:** The Corporate Governance Code of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

**Civil Code:** the Italian Civil Code.

**Board:** the Board of Directors of the Issuer.

**Issuer:** the issuer of securities to which the Report refers.

**Period:** the financial period to which the Report refers.

**Instructions to the Market Rules:** the Instructions to the Rules for the Markets organised and managed by Borsa Italiana S.p.A.

**Rules for the Markets:** the Rules of the Markets organised and managed by Borsa Italiana S.p.A.

**Consob Rules on Issuers:** the Regulation on issuers issued under CONSOB resolution No. 11971 of 1999 (as subsequently amended and extended).

**Consob Rules for Markets:** the Regulation on markets issued under CONSOB resolution No. 16191 of 2007 (as subsequently amended and extended).

**Report:** the Report on Corporate Governance and Company Ownership that the companies have to prepare pursuant to article 123-bis of the TUF.

**TUF:** the Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance).

**TUB:** Legislative Decree No. 385 of 1 September 1993 (Consolidation Law on Banking).

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In the interest of ease of reading, the Report is structured as follows:

- a first section providing summary information on the Company's goals and organisation;
- the second section contains the information on company ownership, as required pursuant to article 123-bis of the TUF;
- a third section containing more detailed information on the organisation and concrete functioning of structures and bodies contemplated in the Code.

Save where otherwise specified, the information contained in this Report is updated as at the date of its approval by the Company's Board of Directors (8 March 2010).

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## SECTION I

### 1. Issuer Profile

#### 1.1 Organisation of the Company

A proper corporate governance system must be based on certain key elements, such as the central role of the Board of Directors and Top Management, the proper management of conflicts of interest, transparency in the disclosure of corporate decisions, and an efficient internal control system.

As a public limited company subject to Italian law, and a bank subject to Legislative Decree No.35 of 1 September 1993 and related implementing provisions (TUB), Banca Generali has set up a governance system firmly grounded on the said principles.

Against this background, with a view to reinforcing minimum standards of corporate organisation and governance, and ensuring “healthy and prudent management” (article 56 of the Consolidation Law on Banking – TUB), by Order No. 264010 of 4 March 2008, entitled “Supervisory Provisions on the corporate organisation and governance of banks”, the Bank of Italy established a regulatory framework under which organisation is to play a central role in strategic corporate policy-making and risk assessment and management within the banking and financial industry.

In adapting its organisational structure to the changed legal framework, Banca Generali pursued the following objectives: (i) a clear definition of functions and responsibilities; (ii) the appropriate balancing of delegated powers; (iii) the balanced composition of corporate organs; (iv) an integrated and effective internal control system; (v) comprehensive risk assessment and management; (vi) a compensation structure in line with risk-management policies and long-term corporate strategy; (vii) adequate reporting systems and information flows.

Banca Generali’s organisational structure is made of the following main corporate boards and officers:

- A. Board of Directors;
- B. Chairman of the Board of Directors;
- C. Managing Director;
- D. Remuneration Committee;
- E. Internal Control Committee;
- F. General Shareholders’ Meeting;
- G. Board of Statutory Auditors.

Other corporate boards and officers include the General Management, and persons invested with powers of representation pursuant to the provisions of the Articles of Association.

The Company’s organisational structure is based on the classical model of corporate governance. Responsibility for the strategic supervision of the company lies solely with the Board of Directors (the “Board”).

The Board of Directors is appointed by the Shareholders’ Meeting, for a three-year term. The Board of Directors shall elect, from amongst its members, a Chairman, and if it deems fit, a Vice Chairman, and may also appoint one or more Chief Executive Officers, determining the powers and responsibilities thereof. The Board of Directors can also appoint a General Manager, one or more Joint General Managers and one or more Deputy General Managers, who together constitute the General Management.

Responsibility for company management lies with the Chief Executive Officer and General Management.

Appointed Committees may act solely in a consultative and advisory capacity.

The Remuneration Committee expresses opinions and submits non-binding proposals to the Board, pertaining to the remuneration packages of the Chairman of the Board, the Chief Executive Officer and General Manager; it periodically also assesses the policies used to determine the remuneration packages of key Company executives, with strategic responsibilities. The Internal Control Committee is tasked with assisting the Board of Directors in laying down guidelines for the internal control system; expressing an opinion on the appropriateness of the internal control system and monitoring the proper and uniform application of accounting policies

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within all group companies. The committee also issues an opinion on the timetable of operations submitted by the independent auditors and monitors the effectiveness of the auditing process. The General Shareholders' Meeting (the "Shareholders' Meeting") passes resolutions expressing the intentions of the shareholders. Resolutions approved by the Shareholders' Meeting pursuant to statutory provisions and the Articles of Association are binding on all the Company's shareholders, including those abstaining or dissenting.

Responsibility for internal control lies with the Board of Statutory Auditors, appointed by the Shareholders' Meeting, for a three-year term. The Board of Statutory Auditors is not responsible for auditing the Company's accounts, a task entrusted to Independent Auditors duly registered with the specific professional rolls set by the Italian market regulator, CONSOB. The Independent Auditors are bound to monitor the proper bookkeeping of the Company's accounts, during the course of the financial year, and to ensure that the Company's books faithfully reflect management trends. The Independent Auditors are also in charge of checking that the figures carried in the annual and consolidated financial statements present a true and fair account of the Company's books and that all accounting documents are compliant with applicable regulations. The powers and operating procedures of the corporate organs are governed by law, the Articles of Association and the resolutions approved by the relevant organs.

The Articles of Association are available at the Company's registered office and can also be consulted on the Company's website ([www.bancagenerali.com](http://www.bancagenerali.com)) under section "*Corporate Governance*" – "*Corporate Governance System*".

## SECTION II

### 1. Information on Company Ownership (Pursuant to Article 123-bis of TUF) at 4 March 2010

#### 1.1 Structure of the Share Capital (Pursuant to Article 123/bis, Paragraph 1, Letter a), TUF)

Banca Generali's subscribed and paid up share capital, as shown in the following table, amounts to Euro 111,313,176.00, divided into 111,313,176 ordinary shares of a par value of Euro 1.00 each.

	No. of shares	% of share capital	Listed (specify on which markets)	Rights and obligations
			Listed on MTA organised and managed by Borsa Italiana S.p.A. – STAR segment	All the rights contemplated under the Italian Civil Code and Articles of Association
Ordinary shares	111,313,176	100		

Banca Generali holds 459,667 treasury shares, which it acquired in order to implement the approved Stock Granting Plans. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Italian Civil Code.

The Extraordinary Shareholders' Meeting of 18 July 2006 approved a capital increase, in one or more tranches, in the maximum nominal amount of Euro 5,565,660.00 to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers" and the "Stock Option Plan for Banca Generali S.p.A.'s Employees". For further information on the aforesaid share-based incentive plans, see part I of the Notes to the Banca Generali's financial statements for 2009 and the Press Release issued on 17 September 2007, drawn up pursuant to CONSOB resolution No. 15915 of 3 May 2007, regarding the granting of financial instruments to company managers, employees and collaborators, pursuant to the Plans submitted for approval to the corporate organ in charge of the implementation thereof prior to 1 September 2007, available for consultation on the company's website ([www.bancagenerali.com](http://www.bancagenerali.com)) under the section "Investor Relations" – "Financial press releases".

#### 1.2 Restrictions on the Transfer of Securities (Pursuant to Article 123-bis, Paragraph 1, Letter b), TUF)

Apart from the current regulatory provisions on the ownership of shares in banks, there are no other restrictions on the transfer of shares in the Company, other than those indicated below, and pertaining to:

- the Stock Granting Plan reserved for specific financial advisors provides that should the recipient intend to sell all or some of the granted shares, the said recipient must first inform Banca Generali thereof, since the latter retains the right to indicate a third-party purchaser at the same terms and conditions and at the market price.

#### 1.3 Significant Equity Investments in Share Capital (Pursuant to Article 123-bis, Paragraph 1, Letter c), TUF)

The Company's shares are administered through the centralised electronic securities management system of Monte Titoli S.p.A. of Milan.

Shareholders holding more than 2% of the Company's voting stock, directly or indirectly and including through third party intermediaries, trust companies and subsidiaries, as per the Shareholders' Register and the notices received pursuant to law as at 4 March 2010, are indicated in the table below:



Declarant	Direct shareholder	% of ordinary stock	% of voting stock
Assicurazioni Generali SpA	Assicurazioni Generali SpA	62,304	62,304
Assicurazioni Generali SpA	attraverso la controllata INA Assitalia S.p.A.	1,034	1,034
Assicurazioni Generali SpA	attraverso la controllata Alleanza Toro S.p.A.	2,124	2,124
Assicurazioni Generali SpA	Totale diretto ed indiretto	65,462	65,462
Egerton Capital	Egerton Capital	2,040	2,040

#### *1.4 Securities Bearing Special Rights (Pursuant to Article 123-bis, Paragraph 1, letter d), TUF)*

No securities bearing special rights of control have been issued.

#### *1.5 Shares Held by Employees: Mechanism for the Exercise of the Voting Rights (Pursuant to Article 123-bis, Paragraph 1, Letter e), TUF)*

There are no specific mechanisms for the exercise of the voting rights attendant to the shares held by employees pursuant to current Stock Option and Stock Granting Plans.

#### *1.6 Restrictions on Voting Rights (Pursuant to Article 123-bis, Paragraph 1, Letter f), TUF)*

Pursuant to article 10 of the Company's Articles of Association and article 23 of the Rules adopted by the Bank of Italy and by CONSOB with the Provision dated 22 February 2008, Shareholders with voting rights may attend the Meeting provided that:

- they can provide legal proof of their entitlement to vote;
- the notice from the intermediary responsible for keeping the accounts regarding the shares, in replacement of the deposit giving entitlement to attend the Shareholders' Meeting, has been received at the company's registered office at least two days prior to the date set for the first call of the Meeting, or by such other deadline specified in the notice of calling, in accordance with applicable statutory provisions.

Moreover, the Company's ownership structure at 4 March, 2010, indicates that:

- Banca Generali holds 399,667 treasury shares, which it acquired in order to implement the approved Stock Granting Plans. The voting rights attaching to the said shares have been suspended pursuant to section 2357-ter of the Italian Civil Code.

#### *1.7 Shareholders' Agreements (Pursuant to Article 123-bis, Paragraph 1, Letter g), TUF)*

Non risulta alla  
The Company is not aware of the existence of any significant shareholders' agreements within the meaning of article 122 of the Financial Consolidation Law (TUF).

#### *1.8 Change of Control Clauses (Pursuant to Article 123-bis, Paragraph 1, Letter h), TUF)*

The Company has not entered into any significant agreements that enter into force, undergo amendments or are terminated in the event of a change of control of the contracting party.

#### *1.9 Directors' Severance Indemnities in the Event of Resignation, Dismissal or Severance as a Result of a Takeover Bid (Pursuant to article 123-bis, Paragraph 1, Letter i), TUF)*

Provision has been made to cover the Managing Director's severance indemnity, in the amount of 175,000.000 per year (or 25% of his annual salary), payable by way of premium on a life insurance policy featuring the Chief Executive Officer himself as the direct recipient. If the relationship is terminated (not due to the Chief Executive Officer's resignation or for just cause attributable to the Chief Executive Officer) before the agreed term expires, the Chief Executive Officer will be paid an indemnity currently equal to one year of the fixed remuneration.

The Issuer has not entered into any other agreements with directors, providing for severance indemnities payable in the event of resignation or dismissal without just cause, or severance as a result of a corporate takeover bid.

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**1.10 Appointment and Replacement of Members of the Board of Directors and Amendments to the Articles of Association (Pursuant to Article 123-bis, Paragraph 1, Letter l), TUF)**

For information on the appointment and replacement of Directors and the rules governing changes to the Articles of Association, see Chapter 2 - Board of Directors, Section III, paragraph 2.1 of this Report.

**1.11 Powers to increase the Share Capital and Authorisation for the Acquisition of Treasury Shares (Pursuant to Article 123-bis, Paragraph 1, Letter m), TUF)**

The Board of Directors has not been empowered to increase the share capital within the meaning of section 2443 of the Italian Civil Code.

Pursuant to sections 2357 et seq. of the Italian Civil Code, on 18 July 2006, the ordinary shareholders' meeting authorised Banca Generali to acquire 667,800 ordinary shares issued by Banca Generali SpA, of face value of euro 1.00 each, in order to allow for the implementation of a Stock Granting Plan reserved for the CEO and the General Manager, and approved by the Board of directors on 24 May 2006, entailing the assignation, free of charge, of no more than 667,880 ordinary shares in Banca Generali, of a face value of euro 1.00 each, the said acquisition being made subject to the following terms and conditions:

- a) within the limits of the distributable profits and reserves as per the last approved financial statements, at a unit price per ordinary share ranging between no less than the par value of the share, that is to say, euro 1.00 and no more than euro 17.20;
- b) within the imperative time period of eighteen months following the related shareholders' resolution;
- c) the corresponding unavailable reserve is established pursuant to section 2357-ter of the Italian Civil Code;
- d) should the treasury shares be acquired following the listing of Banca Generali shares for trading on the Electronic Share Market (MTA) organised and managed by Borsa Italiana S.p.A., pursuant to article 132 of Legislative Decree No. 58/1998 and article 144-bis, paragraph 1(b) and (c) of the Rules on Issuers set forth in CONSOB resolution No. 11971 of 14 May 1999 as further amended and extended, the related transactions are effected in accordance with operating procedures established under the organisational and management rules of the markets themselves, so as to ensure that all shareholders are subjected to equal treatment. Accordingly, the acquisitions may be made exclusively, and even several times, on regulated markets organised and managed by Borsa Italiana S.p.A., in accordance with the latter's operating procedures which do not allow for the direct matching of buy orders with pre-established sell orders.

Again pursuant to section 2357-ter of the Italian Civil Code, the same shareholders' meeting also authorised the Company to assign, free of charge, to the CEO and General Manager, the aforesaid shares, by the deadlines and in accordance with the terms and conditions set forth in the Stock Granting Rules approved by the Board of Directors on 24 May 2006.

At 31 December 2009, in conjunction with the aforementioned resolution, the Company held 389,596 treasury shares.

Pursuant to sections 2357 et seq. of the Italian Civil Code, on 23 April 2008, the Stock Granting Plan put in place by merged company Prime Consult SIM for its managers and financial advisors, which the Company took over following the merger, provides for a bonus issue in three tranches of a maximum of 1,397,532 ordinary shares of Banca Generali with a par value of 1.00 euro per share. To complete the implementation of the Stock Granting Plan, the General Meeting authorised the purchase of 197,532 ordinary shares of Banca Generali (the difference between the number of treasury shares already held for this purpose and the number needed to complete the assignment of shares under the Stock Granting Plan) at 1.00 euro per share, pursuant to Article 2357 et seq. of the Italian Civil Code. The plan must be implemented:

- a) within the limits of the distributable profits and reserves as per the last approved financial statements, at a unit price per ordinary share ranging between no less than the par value of the share, that is to say, euro 1.00 and no more than 5% (five percent) of the reference price of the stock on the market day preceding the day on which each acquisition is made;
  - b) within the imperative time period of eighteen months following the related shareholders' resolution;
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- c) the corresponding unavailable reserve is established pursuant to section 2357-ter of the Italian Civil Code;
- d) acquisitions are made, pursuant to Article 132 of TUF and Article 144-bis paragraph 1, letter b, of the Rules on Issuers, with the operating procedures set forth in the organisational and operating rules on the markets themselves, so as to ensure equal treatment for all shareholders. Accordingly, the acquisitions shall be made exclusively, including in several tranches, on regulated markets organised and managed by Borsa Italiana S.p.A., pursuant to operating procedures established by the latter which do not allow for the direct matching of buy orders with pre-placed sell orders.

Again pursuant to section 2357-ter of the Italian Civil Code, the same shareholders' meeting also authorised the Company to assign the said shares, free of charge, to the beneficiaries of the aforesaid Stock Granting Rules, by the deadlines and in accordance with the terms and conditions set forth in the Plan.

At 31 December 2009, in conjunction with the aforementioned resolution, the Company held 10,071 treasury shares.

#### *1.12 Direction and Coordination (Pursuant to Article 2497 et seq. of Civil Code)*

Banca Generali is part of the Assicurazioni Generali Group.

The Company is subject to management and coordination by its Parent Company, Assicurazioni Generali S.p.A., within the meaning and for the intents and purposes of section 2497 of the Italian Civil Code. Assicurazioni Generali exercises its management and coordination powers by, inter alia, making recommendations to the Shareholders' Meeting of Banca Generali in respect of appointments to Banca Generali's Board of Directors; imparting instructions on the composition of the administrative organs of the Company and its subsidiaries; laying down the deadlines and procedures for drawing up the Generali Group's budget and strategic plan in general; issuing guidelines and instructions on the disclosure of operations and accounting information, in order to ensure the consistence, timeliness and correctness of the information disclosed by or regarding the Generali Group; issuing guidelines in respect of third parties, or atypical and/or unusual transactions requiring certain categories of transaction to be subjected to prior authorisation from Assicurazioni Generali's Board of Directors.

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## SECTION III

### 1. Compliance with the Corporate Governance Code of Listed Companies and Further Information (Pursuant to Article 123-bis, Paragraph 2, letter A), TUF)

Banca Generali S.p.A. (the “Company”) was admitted for listing on the electronic share market (MTA) managed by Borsa Italiana S.p.A. in November 2006, and on such occasion adopted the Code<sup>1</sup>, having determined that bringing its corporate governance system (and that is to say, the framework of rules, principles and procedures making up a company’s management and internal control system) in line with the international best practices of business administration on which the Code is based is a basic pre-requisite for achieving the Company’s goals.

These goals in fact include not only the creation of value for shareholders and customer satisfaction, but also the quest for excellence in terms of the transparency of decision-making processes, the efficiency of internal control systems and the probity and rigour in third party and intercompany transactions and/or transactions entailing a potential conflict of interests, as well as constant professionalism, probity and respect in all relationships with shareholders, customers and, in general, all the Company’s stakeholders. Fully aware that no corporation can hope to boost its reputation for reliability without implementing effective and efficient operating rules and procedures, the Company also adopted the Code of Ethics of the Generali Group that sets forth the basic ethical principles to be rigorously followed throughout the Group (the “Code of Ethics”)<sup>2</sup>, such as, for instance the principles of professionalism and the enhancement of human resources, the protection of the health of workers, free enterprise and competition, transparency and correctness of information disclosed.

The Code is available to the public on the Borsa Italiana website: [www.borsaitaliana.it](http://www.borsaitaliana.it).

### 2. Board of Directors

#### *2.1 Appointment and Replacement of the Board of Directors (Pursuant to Article 123-bis, Paragraph 1, Letter I), TUF)*

Pursuant to Article 15 of the Articles of Association, the Company is managed by a Board made up of no less than 7 (seven) and no more than 12 (twelve) members, appointed by the Shareholders’ Meeting after determination of the number of members. Members of the Board of Directors hold office for a maximum of three financial years. Their term ends on the date of the meeting called to approve the financial statements of the last financial year of said term and they are eligible for reappointment. In the case of appointment during the period of office, the mandate of the newly appointed members will expire with that of members already in office.

Board members must possess the legal requisites also, within the limits established by law, in terms of independence. It should be recalled that the TUB sets precise integrity and professionalism requirements for banks’ directors.

Since the Company is an Italian bank, in compliance with article 26 of Legislative Decree No. 385 of 1 September 1993 and related implementing provisions (Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998), its Board members are selected on the basis of very high standards of professionalism and competency and must have acquired, on the overall, at least three years’ experience (i) as a company director, corporate officer or high level executive; (ii) in professional practice in the banking, financial, real estate, insurance sectors or other fields pertinent to the Company’s business; (iii) in academia, especially in the fields of law or economics; (iv) as a senior civil servant with public undertakings specialising in the banking, financial, real estate, insurance sectors, or with public administrations, bodies or undertakings that are not directly involved in the aforesaid sectors, provided that the job description pertaining to the position held, entailed the management of economic and financial resources. The persons appointed as Chairman of the Board and Chief

<sup>1)</sup> March 2006 edition.

<sup>2)</sup> A copy of the Code of Ethics is available at [www.bancagenerali.com](http://www.bancagenerali.com) section “Corporate Governance”- *Corporate Governance System – Company Regulations*.”

Executive Officer, must have acquired at least five years' experience in the above fields and/or positions.

Moreover, pursuant to the provisions of article 26 of Legislative Decree No. 385 of 1 September 1993 and article 147-quinquies TUF, Board members must meet the requirements of personal integrity imposed on members of supervisory organs under Regulation No. 162 issued by the Ministry of Justice on 30 March 2000, as well as the requirements pertaining specifically to bank executives, under Regulation No. 161 issued by the Ministry of the Treasury, Budget and Economic Planning, on 18 March 1998.

Members of the Board of Directors are appointed on the basis of lists of candidates. Those shareholders who alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company by current applicable regulations, are entitled to submit a list. As established by CONSOB pursuant to Article 144-quater of its Rules for Issuers, this percentage is currently 2.5%. The appointment mechanism based on the so-called voting lists ensures transparency as well as timely and adequate information on the personal and professional profiles of the candidates for directorships.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter term being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree no. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list. The lists must contain a number of candidates no higher than the number of members to be elected, listed by progressive number with a specific indication of the candidates who meet the statutory requirements of independence. Each candidate may appear on only one list, upon penalty of ineligibility.

The lists submitted by shareholders must be filed at the registered office and published in at least one newspaper with national circulation, at least fifteen days prior to the date set for the Shareholders' Meeting in first call. Should the outgoing Board of Directors submit its own list, the same must be lodged with the Company's registered office and published in at least one national daily newspaper, at least twenty days prior to the scheduled date of the Shareholders' Meeting at first call.

Together with each list must be filed information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; exhaustive information on the personal and professional features of the candidates included in the list; a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; the declarations filed by each candidate, in which each candidate accepts his/her nomination and also certifies, under his/her own responsibility, the inexistence of causes of incompatibility and of ineligibility, possession of the requisites of integrity and professionalism which prevailing laws require for the office of director of the Company, as well as those of independence, if applicable, provided by the law and by the codes of conduct promoted by companies managing regulated markets or by trade categories, to which the Company adheres.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree No. 58 of 24 February 1998, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list.

Should only one list be submitted, all the members of the Board of Directors shall be appointed from the said list. Should, on the other hand, two or more lists be submitted, the first candidates

on the list obtaining the greatest number of votes, equal to eight ninths of the number of members of the Board of Directors determined by the Shareholders' Meeting — with rounding down in the case of split number — will be elected Board members. The remaining directors will be taken from other lists, not linked in any way, not even indirectly, with the shareholders who submitted or voted for the list which gained the highest number of votes, and to this end the votes obtained by said lists will subsequently be divided by one, two, three and so on, according to the number of directors to be elected. The ratios obtained in this way will be progressively assigned to the candidates of each of the lists, according to the respectively established order of said lists. The ratios thus attributed to the candidates of the various lists will be set out in a single decreasing list. In the event of votes being equal between two or more lists, the younger candidates will be elected until all the posts to be assigned have been filled.

Should it emerge that, at the end of voting, a sufficient number of independent Directors, within the meaning of applicable regulations, has not been elected, the director bearing the highest serial number in the list that obtained the greatest number of votes, and who does not meet the requirements of independence, shall be replaced by the next candidate on the same list, who does meet the said requirements. If necessary, this procedure shall be repeated until all the vacancies of independent directors on the Board, have been filled. Should it not be possible to cover all the vacancies on the Board, even after following the procedure mentioned above, the Shareholders' Meeting shall proceed with the appointment of the remaining directors, at the proposal of the shareholders in attendance and by resolution approved by simple majority.

The Board of Directors has not set up any internal committee to examine proposed appointments to the Board, finding no need for the same. This decision was based on the fact that the current regulatory framework, together with the Articles of Association that impose the mechanism based on voting lists, provide for sufficient transparency of the procedure for the proposal and selection of candidates.

If during the term of office one or more Board members should leave office for whatsoever reason, they will be replaced according to the procedures established by law. If the leaving director was taken from the minority list that had obtained the greatest number of votes, replacement will occur with appointment of the first eligible candidate taken from the same list as the leaving director and willing to accept office or, where this is not possible, with the appointment of the first eligible candidate who is willing to accept office, and taken, in serial order, from the list to which the first unappointed candidate belonged. The term of the replacement director shall expire together with the term of the directors in office at the time of the replacement Director's appointment to the Board.

Where it is not possible to proceed as described above, either because of too few candidates being presented on the lists or as a result of non-acceptance of appointments, the Board of Directors shall co-opt, within the meaning of article 2386 of the Italian Civil Code, a director selected by the Board in accordance with the criteria established under law. The director thus coopted shall remain in office through to the next Shareholders' Meeting that shall either confirm or replace him following the ordinary procedures and with ordinary majorities, in departure from the list-based voting system mentioned in Article 15 of the Articles of Association.

The Board of Directors is required to appoint a Secretary who need not necessarily be a Board member.

Amendments to the Articles of Association are regulated pursuant to applicable regulations.

## *2.2 Composition of the Board of Directors (Pursuant to Article 123-bis, Paragraph 1, Letter d), TUF)*

The Shareholders' Meeting of 21 April 2009 established that the Board of Directors would be made up of ten members and appointed a new Board through the list voting system.

The term of the Board of Directors shall expire on the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2011.

The table provided in Attachment 1 lists the members of the Board of Directors as of 31 December 2009, other information about them and Board and Committees meeting attendance.

All the Directors were elected unanimously from the only list presented by the controlling shareholder Assicurazioni Generali S.p.A., during the General Shareholders' Meeting convened



to renew the Board of Directors. The list was made up of the 10 elected candidates. All Company Directors are fully aware of the duties and responsibilities attaching to their office and actively participate in initiatives designed to help them deepen their knowledge and grasp of Company operations and dynamics, so as to enable them to make fully informed decisions. Summary information on the personal and professional profiles of the Company's Directors is provided below, with an indication, as recommended in paragraph 1.C.2 of the Code, of the directorships and auditorships held by the same in other companies listed on regulated markets, including overseas, as well as in financial institutions, banks, insurance companies or large corporations other than Group companies.

**Giovanni Perissinotto.** Born in Conselice (Ravenna), on 6 December 1953, he graduated in Economics through the University of Trieste in 1977. Certified Public Accountant as from 1978, Giovanni Perissinotto started working at the Generali Group in 1980, first in Brussels and then in New York where he held the post of Financial Director. In 1988 he was assigned to the Group's Head Office in Trieste, where he held key executive positions in various operating sectors (Administrative Secretariat, General Affairs, Administration and Finance). In 1998, he was appointed General Manager of Assicurazioni Generali, and as from 2001, Chief Executive Officer. He currently holds chairmanships and directorships in various Generali Group companies as well as in other companies outside the Group, as specified below:

Pirelli & C. S.p.A.	Non-executive Director
Intesa Sanpaolo S.p.A.	Non-executive Director

**Giorgio Angelo Girelli.** Born in Milan on 26 July 1959, graduated in Business Management at the *Università Commerciale* Luigi Bocconi, in Milan in 1983. He developed his professional career in consulting companies such as Arthur Young & Co. and Roland Berger & Partner Inc, where he became partner. In 2000, he joined the Banca Generali Group, serving as Chief Executive Officer of Banca Generali. He is also director at other Group companies (BG SGR, BG Fiduciaria, Generali Fund Management) and companies of the Generali Group.

**Paolo Baessato.** Born in Venice on 24 July 1951, Paolo Baessato graduated in Law through the University of Ferrara in 1976 and then earned an MBA through SDA Luigi Bocconi of Milan in 1980, before going on to specialise in International Finance and Credit through the same school. After working at several overseas branches of Banco Ambrosiano Veneto S.p.A. (in Argentina and Brazil), he was assigned to the Head Office of the said bank, as Head of the Controlled Risks Department. He continued his professional career within the Intesa Group and was appointed Head of the Finance and Administration Department. He currently sits on the Boards of a large number of banking and financial institutions, as specified below.

Banca di Trento e Bolzano S.p.A.	Non-executive Director
Finanziaria BTB S.p.A.	Non-executive Director
Nextra International Sicav	Non-executive Director
Obiettivo Nord Est SICAV	Non-executive Director
Sudameris S.A.	Non-executive Director
Sorin S.p.A.	Non-executive Director
Moneta S.p.A.	Non-executive Director
Cassa di Risparmio di Venezia	Non-executive Director
SETEFI	Non-executive Director

Amerigo Borrini. Born in Trieste on 6 August 1948, Mr Borrini graduated in Economics and Commerce through the University of Trieste in 1972. He is registered with the professional rolls of financial advisors instituted pursuant to law, and is also a member of AIMR and AIAF. He currently serves as Head of the Finance Department at Assicurazioni Generali, a company he joined in 1967 and within which he embarked on his professional careers, first as a financial analyst and then as an asset manager, before being appointed Chief Executive Officer of different Generali SGR companies. Mr Borrini also sits on the Boards of other companies, as specified below.

Premuda S.p.A.	Non-executive Director
Autovie Venete	Non-executive Director
Perseo S.p.A.	Non-executive Director
Net Engineering International S.r.l.	Non-executive Director
Graafschap Holland N.V. Diemen	Non-executive Director
Transocean Holding Corporation (USA)	Non-executive Director

Fabio Buscarini. Born in Ancona on 6 February 1948, Fabio Buscarini graduated in Sociology through the University of Trento in 1975. In 1969 he joined Assicurazioni Generali as an Inspector. In 1990 he became the Assicurazioni Generali Insurance Agent for the Ancona area, and from 2002 to 2004, served as Central Manager and later as General Manager. Currently Chief Executive Officer and General Manager of INA Assitalia S.p.A.. He also holds key positions in various Generali Group companies as well as in other companies as specified below.

Cartiere Burgo Group S.p.A.	Non-executive Director
Impre Finanziaria d'Impresa S.p.A.	Vice President

Andrea de Vido. Born in Treviso on 13 November 1955, Andrea de Vido graduated in Economics and Commerce through the University of Venice in 1978. After working overseas (in Stockholm and New York) with primary financial consultancies (Scandinavian Institute for Administrative Research) and major banks (Bank of America), he founded Finanziaria Internazionale Holding S.p.A. in 1980. The said company, of which he has been CEO since 1982, specialises in structured finance, corporate finance, asset management and M&As. He also holds directorships in other companies, as specified below:

Abbacus Commerciale Finanziaria S.p.A.	Executive Director
Agorà Investimenti S.r.l.	Chairman and non-executive Director
Agenzia Italia S.p.A.	Executive Director
Banca Credinvest S.A.	Chairman
Cadorfin S.r.l.	Sole Director
David S.p.A.	Sole Director
Eurholding S.p.A.	Chairman and executive Director
Ferak S.p.A.	Executive Director
Finanziaria Internazionale Holding S.p.A.	Executive Director
Finanziaria Internazionale Alternative Investment SGR S.p.A.	Chairman and executive Director
Finanziaria Internazionale Securitisation Group S.p.A.	Chairman and executive Director
Finleasing S.r.l.	Sole Director
Finitalia Investimenti S.r.l.	Sole Director
Finvest Fiduciaria S.p.A.	Chairman and executive Director
Finint Finanziaria S.r.l.	Sole Director
Finint Partecipazioni S.r.l.	Sole Director
Gabetti Property Solutions S.p.A.	Non-executive Director
Garbuio Immobiliare S.r.l.	Chairman
Garbuio S.p.A.	Chairman



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Matala Investimenti S.r.l	Sole Director
Medcentro S.p.A.	Sole Director
Marco Polo Holding S.r.l	Chairman and executive Director
Rete S.p.A.	Chairman and executive Director
Securitisations Services S.p.A.	Chairman and executive Director
Sipi Investimenti S.p.A.	Chairman and executive Director
Sviluppo Industrial Parks S.r.l.	Chairman and executive Director
Thesee Limited	Non-executive Director
Urvait Service S.r.l.	Sole Director
Networking European Infrastructures Partners - NEIP II S.A., SICAR	Chairman and Non-executive Director

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Attilio Leonardo Lentati. Born in Milan, on 26 March 1937, Mr Lentati graduated in Economics and Commerce through the Luigi Bocconi Business School of Milan. He has also served as General Manager and Chief Executive Officer at RAS S.p.A., and currently holds directorships in other companies, as specified below.

Sofipa SGR S.p.A. – Gruppo Bancario UniCredit	Vice President
I-Faber S.p.A. – Gruppo Unicredit	Chairman

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Angelo Miglietta. Born in Casale Monferrato (AL) on 21 October 1961, graduated in Business Management with a major in Corporate Finance at the Università Commerciale Luigi Bocconi in Milan. He is currently a full professor of Corporate Economics, Faculty of Law, at the University of Turin and the Secretary General of the Fondazione Cassa di Risparmio di Torino. He is enrolled in Italy's Register of Auditors and is a Technical Consultant for the Court of Milan and member of the Board of Directors and Board of Auditors for listed and non-listed companies operating in the financial, banking and insurance sectors, as indicated below.

Esprinet S.p.A.	Non-executive Director
S.I.P.A S.p.A	Non-executive Director
Nuova Tagliamento S.p.A	Non-executive Director
Intercontabile Srl	Chairman
Realty Vailog S.p.A	Non-executive Director
F21 SGR S.p.A	Non-executive Director
BLMP Srl	Chairman
SOIMFI Srl	Acting Auditor
Astor Finanziaria Mobiliare Srl	Acting Auditor
Valtidone S.p.A	Chairman of the Board of Statutory Auditors
Finwire S.r.l.	Alternate Auditor
Ponte S.p.A.	Acting Auditor
Cogetech S.p.A.	Chairman of the Board of Statutory Auditors
E.ON Italia S.p.A.	Acting Auditor
E. ON Energia S.p.A.	Acting Auditor
Cogemat S.p.A.	Chairman of the Board of Statutory Auditors
Sisal S.p.A.	Chairman of the Board of Statutory Auditors
FBH S.p.A.	Chairman of the Board of Statutory Auditors
BSL S.p.A.	Chairman of the Board of Statutory Auditors
Atlantia S.p.A.	Acting Auditor

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Aldo Minucci. Born in Reggio Calabria on 4 July 1946, Aldo Minucci graduated in Law through the University of Trieste in 1970. He joined Assicurazioni Generali in 1971, at the Tax Consultancy Department of which he became Executive Manager in 1983. He continued his career within the company becoming Deputy General Manager, a post he holds to this day. Mr Minucci also sits on the Boards of other companies, as specified below.

Acegas – APS S.p.A.	Non-executive Director
Gemina S.p.A.	Non-executive Director
Aeroporti di Roma S.p.A.	Non-executive Director
Intesa Previdenza SIM S.p.A.	Non-executive Director
Intesa Vita S.p.A.	Non-executive Director
Telecom Italia S.p.A.	Non-executive Director
Telco S.p.A.	Chairman

Ettore Riello. Born in Forte dei Marmi (LU) on 1 April 1956, Ettore Riello earned his degree at the age of twenty-three in Business Administration at the Ca' Foscari University in Venice. In March 2000 he acquired the entire family Group through an alliance with the American Carlyle investment fund; the corporate reorganisation that followed led to the creation of a single company - Riello S.p.A. — for which Ettore Riello has served as President since 2000. Mr Riello currently sits on the Boards of other companies, as specified below.

Riello S.p.A.	Chairman of the Board of Directors and Chief Executive Officer
Riello Group S.p.A.	Chairman of the Board of Directors and Chief Executive Officer
Riello International S.p.A.	Chairman of the Board of Directors
Palladio Finanziaria S.p.A.	Non-executive Director
Maglificio Miles S.p.A.	Non-executive Director
Fit Service S.p.A.	Non-executive Director
Verona Fiere	Chairman and executive Director

Cristina Rustignoli, Manager of the Legal Affairs and Compliance Department of Company, serves as Secretary to the Board.

The “Rules on the Functioning of the Board of Directors of Banca Generali S.p.A.” (the “Board Rules”), which were approved by the Board of Directors at their meeting on 16 February 2007 and amended on 24 June 2009 in accordance with section 1.C.3 of the Rules and Article 15, paragraph 3 of the Articles of Association, establish the maximum number of corporate positions a Director of the Company may hold, as indicated in the following table:

	Listed Companies			Financial or insurance companies and banking institutions			Large companies <sup>3)</sup>		
	Total director's positions	of which executive positions	Auditor	Total director's positions	of which executive positions	Auditor	Total director's positions	of which executive positions	Auditor
Executive Directors	5	0	0	5	0	0	5	0	0
Non-executive Directors	7	2	2	7	2	2	7	2	2

<sup>3)</sup> Società aventi un numero di lavoratori subordinati non inferiore a duecento da almeno un anno

The Board Rules further provide that, in determining the total number of companies in which appointees to the Company's Board hold directorships or auditorships, no account may be taken of companies belonging to the Company's Group. Appointments to the corporate organs of several companies belonging to a single corporate group, other than the Company's Group, are, in practice, generally considered as a single appointment (article 5.4 of the Board Rules). The table in Attachment 1 also specifies the number of corporate positions each Director holds in the aforementioned companies on the basis of the criteria indicated in the Board Rules.

### *2.3 Role of the Board of Directors (Pursuant to Article 123/bis, Paragraph 2, Letter d)*

The Board of Directors, made of the 10 members, plays a central role in the Company's corporate governance system.

The Board of Directors, charged with strategic supervision and policy definition, is vested with full powers of ordinary and extraordinary management of the Company. It has the authority to deliberate on all matters pertaining to the corporate purpose that are not reserved to the exclusive competence of the Shareholders' Meeting. The Board is also the only corporate organ empowered to pass resolutions also on the setting up or closure of secondary offices, and for appointing the Board members invested with powers of corporate representation and signature, as well as on mergers, in the cases permitted under law, on the amendment of the provisions of the Articles of Association that may be incompatible with new imperative regulatory requirements.

Pursuant to paragraph 1.C.1, (a), (b) and (f) of the Code, article 18 of the Articles of Association invests the Board with broad decision-making powers susceptible of significantly impacting the life of the Company and the Group, including, in particular, the power to define the general operating guidelines and approve the Company's strategic, industrial and financial plans, as well as transactions that could have a significant impact on the Company's equity or economic or financial position, including transactions with related parties; the power to define the Company's general organisational layout, approve and amend internal rules and regulations, as well as set up advisory or coordinating committees or commissions.

In particular, pursuant to the Articles of Association, save in the emergency situations contemplated in article 18, paragraph 9 of the same, the Board alone is invested with decision-making powers in respect of: a) establishing the general management policies, approving the Company's strategic, industrial and financial plans and the transaction of considerable economic, equity and financial importance, including those with related parties; 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; c) appointing the Internal Auditor, after having heard the opinion of the Board of Statutory Auditors; d) appointing the Compliance Manager, after having heard the opinion of the Board of Statutory Auditors; 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 monitoring of actual compliance with administrative and accounting procedures; 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; 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; h) approving the organisational structure and any and all amendments to internal rules and policies; carrying out specific checks to ensure that tasks and responsibilities are clearly and coherently defined within the organisational structure; 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; l) carrying out checks to ensure that the system of information

flows is adequate, complete and timely; m) drawing up guidelines for the recruitment and internal placement of Company executives; n) 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, duration, powers and authority of said committees or commissions at the time they are set up; p) ongoing monitoring to ensure that the system of information flows amongst corporate organs is adequate, complete and timely.

In its capacity as leader of the Banking Group, the bank's Board of Directors is also assigned exclusive competence over resolutions concerning the purchase and sale of shareholdings by subsidiaries belonging to the banking group, as well as the establishment of the criteria for coordinating and managing the banking group companies and for implementing the instructions issued by the Bank of Italy in the interest of group stability.

Moreover, pursuant to the current regulatory framework governing companies providing investment services, the Board of Directors is also tasked with drawing up corporate policies, measures, processes and procedures aimed at containing risks and ensuring financial stability as well as sound and prudent management. The Board of Directors is consequently in charge of: (i) identifying the Company's risk levels, profile, goals and strategies, defining corporate policies as well as policies of the business risk-management system and periodically checking that the same are properly implemented and in line with the development of business operations; (ii) ensuring that the compensation and reward structure does not increase corporate risks and is in line with long-term strategies; (iii) defining and approving the general outline of the Internal Capital Adequacy Assessment Process, and ensuring that the same is adjusted, where necessary, by the deadlines imposed under prudential supervisory provisions for banks.

Moreover, the "Board Rules" provide, *inter alia*, that:

- i) pursuant to paragraph 1.C.1 (b) of the Code, the Board is bound to evaluate the appropriateness of the Company's organisational, administrative and accounting layout, in light of the information received from the competent corporate organs (article 8.3 of the Board Rules). The Board periodically deliberates on the bank's organisational structure and assesses the functions aimed at guaranteeing the accurateness and efficiency of the bank's administrative and accounting system. It also defines the guidelines governing the organisational and administrative structures of the bank's subsidiaries;
- ii) that, pursuant to paragraph 1.C.1, (b) of the Code, the Board is bound to evaluate the appropriateness of the internal control system. In such regard, the Board shall periodically check that the internal control system is in line with the principle of proportionality and the strategic guidelines, and that the corporate control functions are independent within the organisational structure and are endowed with adequate resources to allow them to function properly (Article 8.3 of the Board Rules); furthermore, the Board of Directors approved a Group-wide conflicts-of-interest policy that establishes procedures for handling such conflicts;
- iii) the Board is bound to assess general management trends, with special emphasis on potential conflicts of interests and periodically comparing results against expectations, in accordance with the provisions of article 1.C. 1(e), of the Code (article 8.3 of the Board Rules). The Board periodically assesses the Company's and the Group's operations, compares the results with budget forecasts and analyses any differences;
- iv) since the Company is also the Parent Company of the Banking Group, the Company's Board is further vested with decision-making powers in respect of the acquisition and disposal of participating interests, as well as the policies for the coordination and management of Group companies and compliance with Bank of Italy instructions, with a view to ensuring the stability of the Group. The Board approved Group Rules that establish guidelines for interaction and information flows among Group companies.

Pursuant to paragraph 1.C. 1(c), of the Code, article 18 of the Articles of Association further empowers the Board to delegate its powers, subject to the obligation binding especially any and all such delegates, to report to the Board of Directors as well as the Board of Statutory Auditors, at least every quarter, in respect of the management trends and business activities of the Company and its subsidiaries, expected future developments, transactions susceptible of exerting

a significant impact on the equity, economic and financial situation of Banca Generali and its subsidiaries, with specific reference to the transactions in which either the Company's Directors or third parties have an interest, or transactions influenced by the party exercising management and coordination powers over the Company, and decisions pertaining to lending policies.

#### *2.4 Functioning of the Board of Directors*

Pursuant to Article 17 of the Articles of Association, Board meetings are to be held — in general — on a monthly basis.

As said, on 16 February 2007, in order to ensure that the Board's operating procedures comply with the principles entrenched in the Code and the new supervising instructions issued by the Bank of Italy, the Board approved the Operating Rules of the Board of Directors (the "Board Rules").

Such regulations (amended during the Board meeting held on 24 June 2009 to bring them into line with the above-mentioned provisions issued by the Bank of Italy) *inter alia* envisage that:

- (i) pursuant to article 1.C.2 of the Code, appointments to Board may only be accepted after the appointees have determined that they are in a position to devote the time required to ensure the diligent performance of their tasks and duties as Board members, especially in light of the number of directorships or auditorships they may hold within other corporations listed on regulated markets (including overseas) and in financial institutions, banks, insurance companies and large corporations, as well as their other professional activities (article 5.2 of the Board Rules);
- (ii) in order to enable Board members to make informed decisions and choices, the Chairman shall ensure that all of them are provided timely information on the items placed on the agenda of Board meetings (article 4.3 of the Board Rules);
- (iii) even if management decisions have already been determined, guided or in any event influenced by a person or party exercising management and coordination powers in respect of the Company or by persons or parties acting pursuant to a shareholder agreement, each Board member shall be bound to exercise decision-making powers in total autonomy and independence, making decisions that are reasonably likely to result — as a priority objective — in the creation of value for all the shareholders, in the medium-to-long term (article 7 of the Board Rules);
- (iv) pursuant to article 1.C.1(g) of the Code, the Board is bound to express, on an annual basis, its opinion on the appropriateness of its size, membership, and operations and those of any and all Board Committees, as well as on the appropriateness and effectiveness of the Board Rules (article 10 of the Board Rules).

In compliance with the said provision, and the provisions of the Order issued by the Governor of the Bank of Italy on 4 March 2008, during the Board meeting held on 24 February 2010, the Board approved the "Self-assessment Report of the Board of Directors of Banca Generali S.p.A." (the "Self-assessment") drawn up taking due account of the outcome of the consultation forwarded by the Chairman of the Board of Directors to all Directors requesting the latter to express their opinions, on a voluntary basis and in strict confidence, on a series of matters related to the size, membership and operations of the Board of Directors, as well as the size and operations of the Board Committees, and expressed the following opinion:

"The Board of Directors of Banca Generali S.p.A.,

- having considered, first and foremost, the size of the administrative organ that seems commensurate with the dimensions and operations of the Company, and also in keeping with the Company's role as Parent Company of the banking group of the same name, insofar as it allows for adequate monitoring and management of the Group's business operations and trends;
- having considered, secondly, the membership of the same administrative organ, which may be deemed appropriate, in light not only of the inclusion of a sufficient number of directors meeting the requirements for independence, but also thanks to the wide variety of professional competencies featured on the Board of Directors, allowing for an authoritative and knowledgeable approach to the various matters that the Board of Directors is called upon to deal with from time to time, as well as the prevalence of non-executive directors who act as a

- counterweight in respect of executive directors and the bank's top management in general;
- having considered the efficient functioning of the administrative organ which is regulated by specific Rules in addition, obviously, to applicable statutory and regulatory provisions;
  - having examined, as a panel body, the answers to the questionnaires that each Board member filled in, individually on a confidential basis;
  - bearing in mind the considerations set forth by the Independent and non-executive Directors; expresses a clean opinion, with nothing to report on:
    - the size and functioning of the Board of Directors of Banca Generali S.p.A., as well as any and all delegated organs and/or Board committees set up;
    - the ability of Board members to properly discharge their assigned tasks and functions, in terms of professionalism, time available, and where applicable, independence;
    - the appropriateness and effectiveness of the provisions contained in the Rules of the Board of Directors.

The Board meetings are held periodically and in general, once a month in compliance with the statutory requirements and pursuant to a schedule of works defined on an annual basis. In 2009, Banca Generali's Board met 15 times. The meetings lasted about 1 hour and 50 minutes on average. In the year underway a total of 12 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The attached table sub 1 provides information on the attendance of Directors at the Board meetings held in 2009. Absentee Directors provided justification for non-attendance.

In accordance with the Board Rules and to encourage the development of mechanisms for the free flow of information amongst and within corporate bodies, the information flows towards corporate bodies and officers are regulated pursuant to a specific internal company Circular, duly approved by the Board of Directors. The aforesaid Circular lays down the timetable, procedures and contents of the information to be provided to the corporate bodies and officers in question, and identifies the persons and parties bound to submit appropriately exhaustive reports on a periodic basis and/or upon request. The formal rules governing the structure of information flows (in particular towards the Board of Directors and Board of Statutory Auditors) officially establish the consolidated reports already in use at the bank, which are typically systematic and well organised in terms of form and content. These reports satisfy the necessity of providing a timely flow of information to the Board with regard to the exercise of powers delegated. They are revised on an ongoing basis as necessitated by legislation or operations. The preferred method for ensuring a flow of information towards Directors and Statutory Auditors is by making written documents available in a timely manner, especially reports, explanatory notes, memoranda, presentations, reports prepared by the bank's organisational units, other public and non-public documentation and accounting documentation intended for publication. The information reported through the procedures set forth above shall be supplemented (and where necessary for reasons of confidentiality, replaced) by oral explanations provided to the Chairman, the Executive Directors or members of the Bank and/or the Banking Group's top management, either at Board meetings or at informal gatherings open to Board members and members of the Board of Statutory Auditors, organised for the specific purpose of allowing the latter to discuss and acquire deeper insight into issues of interest in terms of the Bank's operations. Apart from matters over which the Bank's Board of Directors is vested with exclusive powers of decision and approval pursuant to law and the Articles of Association, reports to the members of the Board of Directors and the Board of Statutory Directors, shall focus primarily on: (i) general business performance and foreseeable developments, with an indication of departures from previous forecasts; (ii) activities undertaken, with specific reference to transactions that could have a particularly significant impact on the company's balance sheet, income statement and/or cash flow, related-party transactions, and atypical, unusual or innovative transactions, and the risks associated with each of the above; (iii) the internal control system and the level of Bank's exposure to all significant types of risk; (iv) any and all other activities, transactions or events deemed worthy of the attention of the Board of Directors and the Board of Statutory Auditors. In addition to the activities dealt with in the various chapters of this Report, in discharging its tasks pursuant to the Articles of Association and the supervisory regulations governing banking in Italy, the Board of Directors, also:



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- a) periodically passed resolutions pertaining to the Company's organisational layout, with specific emphasis on corporate functions involved in providing services to the entire banking group headed by the Company;
  - b) in respect of related-party transactions having considerable economic, strategic and financial significance, on 11 May 2009 passed a resolution approving the merger of Banca BSI Italia into Banca Generali S.p.A effective 1 January 2010, after transferring Banca BSI Italia's portfolio management business unit to BG SGR S.p.A.;
  - c) passed resolutions in respect of the internal control system of the Company and the other entities making up the banking group headed by the Company, as specified in greater detail in the chapter entitled "Internal Control System", below;
  - d) examined general business trends, on a quarterly basis, especially in light of information received from the Chief Executive Officer, as well as carried out quarterly comparisons of results achieved against expectations and forecasts.
  - e) determined, as proposed by the Remuneration Committee and after hearing the opinion of the Board of Statutory Auditors, the compensation of the Chief Executive Officer and Directors serving on sub-committees;
  - f) approved specific rules for related-party transactions (details provided in the "Related-Party Transactions" section of this Report).

With reference to Article 2390 of the Italian Civil Code, the Shareholders' Meeting of 21 April 2009 authorised the Directors to become members of the Board of Directors and hold positions in the companies indicated in their respective curriculums provided at the time of appointment or in other companies in the groups to which those companies belong.

### 3. Delegated Organs

The Board of Directors has delegated executive powers to the Chief Executive Officer, Giorgio Angelo Girelli. Another Board member was found to qualify as an Executive Director, as a result of his Chairmanship of a subsidiary, invested with delegated powers on an individual basis (and more specifically, Amerigo Borrini, Chairman of the Board of Directors of the subsidiary BG Fiduciaria SIM S.p.A.).

#### 3.1 Managing Director

Pursuant to article 18, paragraph 5, of the Articles of Association, the Board may, within the limits imposed under law and the Articles of Association themselves, delegate the powers not strictly reserved to its competence pursuant to statute, to one or more Chief Executive Officers, establishing the powers and term in office, of the same.

On 21 April 2009, the Board of Directors accordingly vested the Chief Executive Officer, Giorgio Angelo Girelli with the powers specified below, which were subsequently updated by the Board of Directors on 17 December 2009, following the merger of the subsidiary Banca BSI Italia into Banca Generali:

1. to oversee the implementation of Board resolutions by Company Management;
  2. to prepare, the strategic guidelines to be approved by the Board in respect of the bank's strategic planning and to lay down the guidelines to be followed by the General Manager;
  3. to determine and orient, within the framework of the guidelines established by the Board of Directors, the Company's human resources management policies and to directly oversee the Company's internal control, corporate and legal affairs, human resources, external relations and investor relations departments;
  4. at the behest of the General Manager, where applicable, to examine and issue opinions on any and all transactions and business to be submitted for approval to the competent decision-making organs;
  5. to liaise with any and all public authorities and bodies, the Bank of Italy, the Italian market regulator CONSOB, as well as any and all national and international entities and organisations, to effect any and all transactions with the Public Debt Office, the Italian investment organisation known as Cassa Depositi e Prestiti, the Bank of Italy, the manager of
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the electronic securities administration system, Monte Titoli, the Italian Inland Revenue Service, the Italian state railways, the Post Office, customs, energy and other utilities companies, and any and all other bodies, undertakings and corporations in general, making collection of any and all securities, monies and other receivables, and issuing valid receipt in respect of the same;

6. to represent the Company before any and all offices of the Financial Administration and to effect any and all tax filings and related formalities; to resist tax assessments and audits and to settle tax disputes;
7. to ensure the Company's assets and financial resources meet any and all applicable regulatory requirements;
8. to forward to the Board, at the General Manager's request, his own opinions, proposals and recommendations regarding the strategic plan, the annual budget, the draft and consolidated financial statements;
9. to represent the Company at the shareholders' meetings of other companies and entities, exercising all the related rights and issuing all the related proxies for participating in the said general meetings;
10. to open and close, in the Company's name and on the latter's behalf, current and securities deposit and management accounts of any nature, sort, type or kind whatsoever, with banks, post offices or other authorised custodians, to make deposits subjected to central management by the Bank of Italy as well as with bodies specialising in the administration of securities, negotiating and stipulating any and all related contractual terms and conditions;
11. to bring, defend and resist legal action at any and all instances and degrees, before any and all national, Community or foreign ordinary, administrative and taxation courts, including appellate jurisdictions, and with the right to retain and dismiss counsel, make filings and motions, lodge complaints and claims, as well as withdraw the same, authorise appearance as the injured party in criminal proceedings, initiate insolvency proceedings as well as to proceed at arbitration and file quitclaim and/or settle any and all disputes up to the maximum amount of € 150,000.00 per dispute, without prejudice, however, to the provisions set forth in the following subparagraph in respect of lending;
12. to process and authorise the write-off of bad debts and to totally or partially write off any and all loans granted, with the consequent waiver of any and all guarantees acquired, as well as to issue any and all authorisations for the cancellation, subrogation, restriction, reduction and/or postponement of mortgages and/or liens and/or guarantees in rem, up to the threshold of € 50,000.00 per transaction, net of interest and expenses, in light of: the full exhaustion of any and all avenues of recourse for obtaining relief either individually or together with other creditors, or the futility of legal action for debt recovery in consideration of the economic and financial situation of the debtors or the out-of-court settlement of disputes to Company's satisfaction;
13. to foreclose loans and collect any and all monies or amounts due to the Company, issuing full redemptory receipt therefore;
14. to sign and execute any and all deeds necessary or useful for the registration of trademarks, patents and distinctive markings, with any and all the competent administration bodies;
15. to set up, transfer or shut down secondary offices, representative offices and branches;
16. within the framework of the budget approved by the Board, to cover the Company's current expenses;
17. within the framework of the approved budget and up to the threshold of € 200,000.00 for each individual asset, to acquire, dispose of, barter or otherwise exchange or transfer real estate and personal property, including personal property subject to registration, to collect amounts due by way of prices and to delegate, in whole or in part, the payment thereof, as well as the power to authorise payment by instalments with or without mortgage guarantees or hypothecation;
18. within the framework of the approved budget, to negotiate and enter into, amend and terminate lease agreements, tender agreements as well as agreements for rental, maintenance, supply, insurance, carriage, loan for use, security and transport services for cash and cash equivalents, brokerage, intermediation, advertising, agency and deposit



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- services, as well as to enter into commitments for the supply of tangible assets, the acquisition of intangible assets, and the procurement of services rendered by third parties or consultants or other professionals, up to the ceiling of € 200,000.00 per transaction, it being understood that, in the case of multi-year transactions the aforesaid ceiling shall apply on a per annum basis, provided that the said multi-year transactions do not extend over more than three years, save in the case of finance leases and/or loans for use, and further provided that the aforesaid thresholds shall not apply to contracts with ordinary utilities companies providing essential services (electricity, telecommunications, etc), or payments required pursuant to law;
19. to enter into agreements and commit the Company to expenditure in connection with advertising and/or promotional initiations up to the ceiling of € 200,000.00 per contract and/or commitment;
  20. to book as losses, any and all liabilities incurred by the Company as a result of mistakes made by employees, up to an amount of no more than € 50,000.00 per transaction;
  21. to establish guidelines for the granting of discounts, facilitations, reductions, etc. to customers, within the limits laid down by the Board from time to time;
  22. to approve loans within the limits imposed under lending rules and regulations, from time to time;
  23. to forward proposals for loans that exceed the limits of his powers, processing any and all related deeds and documents;
  24. at the behest of the General Manager, and always within the framework of the pre-established budget and the guidelines issued by the Board of Directors in respect of company executives, to enter into, amend and terminate the employment contracts of individual employees, as well as to make decisions regarding the promotion, subjection to disciplinary measures and dismissal of the same;
  25. within the limits of his delegated powers or with the approval of the relevant corporate organ, to operate the Company's accounts and effect any and all withdrawals in general, drawing the related cheques or other negotiable instruments, up to the extent of actual deposits;
  26. to endorse and issue receipt for any and all securities, including, regardless of form, bills of exchange, cheques, money orders, securities and the like, as well as bills of lading and other deeds representing documentary credit, and equity and debt securities, and any and all other financial instruments and commercial paper in general;
  27. within the limits of his delegated powers or with the approval of the relevant corporate organ, to approve loans, agreements for the rendering of any and all types of banking services, financing, exemptions from liability in the case of the loss, theft and/or destruction of securities and cheques, personal guarantees, including performance bonds, payment bonds, suretyships, and commitments to honour bills of exchange;
  28. to issue demand drafts;
  29. to execute cash withdrawals and advance notices of cash withdrawals on management accounts held with the Bank of Italy, and on the centralised treasury accounts mentioned in the Bank of Italy form 144 dir.;
  30. to execute the transactions contemplated under Bank of Italy forms 145, 146, 147 and 148 dir.;
  31. to sign, on the behalf and in the name of the Company, any and all ordinary correspondence and deeds pertaining to the exercise of delegated powers;
  32. to concretely implement the provisions of subparagraphs (h), (i), (l) and (p) of Article 18 of the Articles of Association;
  33. to exercise any and all powers conferred on him by the Board on an ad hoc or ongoing basis;
  34. to delegate to third parties who need not necessarily be Company employees, the completion of specific tasks or categories of tasks that fall within the scope of the powers conferred on him pursuant to the foregoing points, establishing, in advance, the limits to the powers thus delegated.
- The aforesaid powers must be exercised in compliance with the general guidelines established by the Board of Directors and in accordance with strategic corporate policies adopted by the Group. Pursuant to article 22 of the Articles of Association the Chief Executive Officer is invested with full powers to represent and sign on behalf of the Company in respect of any and all the powers invested in him.
- Furthermore, in compliance with current regulations governing the provision of investment
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services, in light of his delegated powers and pursuant to the guidelines approved by the Board of Directors, the Chief Executive Officer is in charge of:

- • implementing the company policies and company risk management system policies defined by the Board of Directors;
- checking the ongoing appropriateness of the risk management system;
- defining the information flows aimed at ensuring that corporate organs are kept abreast of significant management events;
- clearly defining the tasks and responsibilities of corporate structures and functions;
- ensuring that all the staff concerned are given timely notice of corporate policies and procedures;
- implementing the Internal Capital Adequacy Assessment Process (also referred to as ICAAP), ensuring that it is in line with the strategic policies and guidelines drawn up by the Board of Directors and meets the requirements imposed under the prudential supervisory rules for banks.

On at least a quarterly basis, the delegated bodies will report to the Board of Directors and to the Board of Statutory Auditors on management performance and on the activities performed by the Company and by its subsidiaries, on the business outlook, on the most significant economic, financial and equity transactions implemented by the Company and its subsidiaries, as well as on decisions on the matter of credit disbursement and management, on which a report containing global figures must be provided.

### *3.2 Chairman of the Board of Directors*

The Chairman of the Board of Directors was appointed by the Board on 21 April 2009.

The Bank of Italy Order of 4 March 2008 highlights the importance of the role of the Chairman of the Board of Directors who is in charge of promoting internal debate, ensuring the balance of powers, including with regard to the Chief Executive Officer and the other executive directors, as well as discharging coordination and supervisory functions with a view to ensuring not only the smooth functioning of the Board of Directors and the Shareholders' Meeting, but also the proper flow of information.

According to the Bank of Italy, in order to effectively discharge this key function, the Chairman must play a non-executive role and must be free from operating responsibilities.

In compliance with the aforesaid requirements of the Bank of Italy, the Rules governing the Proceedings of the Board of Directors specifically regulates the procedures through which the Chairman is to discharge his coordination and oversight functions aimed at ensuring the smooth functioning of the Board of Directors and the constant flow of information amongst Board members.

Therefore, In addition to the powers vested by law and the Articles of Association, on 21 April 2009 the Board has vested its Chairman, Giovanni Perissinotto, with powers to coordinate the activities of the Company's corporate organs, oversee the implementation of the resolutions approved by the Shareholders' Meeting and the Board, ensure the prompt and proper execution of the decisions made by the Chief Executive Officer, monitor business operations and compliance with strategic policy guidelines, as explained below:

- i) monitoring general business operations and laying down management policies in concert with the Chief Executive Officer;
- ii) laying down general guidelines for routine business operations;
- iii) overseeing relations with public bodies, shareholders and managing the Company's public relations in general;
- iv) promoting and coordinating the Company's communications strategies, enhancing the Company's public image and managing the Company's press and media relations;

Moreover, under article 18, paragraph 9 of the Articles of Association, the Chairman of the Board is vested with exceptional emergency decision-making powers pertaining to all matters falling outside the scope of the powers delegated to the Chief Executive Officer and not reserved to the sole and exclusive competence of the Board as a whole, under imperative statutory provisions. The Board will be informed of such decisions at the next board meeting.

Pursuant to article 22 of the Articles of Association, powers of representation and signature before the Courts, public authorities and third parties, are vested in the Chairman of the Board of Directors

### *3.3 Report to the Board*

The Chief Executive Officer reports periodically to the Board of Directors with regard to activities carried out. Specifically:

- usually, on a monthly basis:

- (i) on any and all transactions that could have a particularly significant impact on the balance sheet, income statement or cash flow of the company or any of its subsidiaries;
- (ii) on decisions pertaining to lending policies and, in general, on credit trend;
- (iii) on property investments;
- (iv) on the performance of sales and inflows;

- on a quarterly basis:

- (i) on the general state of operations, the outlook for the Company and Group and comparisons with budget forecasts.
- (ii) on activities carried out by the Company and the Group with related parties;
- (iii) on the Internal Control System;
- (iv) on the type and performance of managed products;

- every four months:

- (i) on activities associated with evaluating conformity;

- on a half-yearly basis

- (i) on the situation of litigations;
- (ii) on the need to update reserves or provisions

### *3.4 Other Non-executive Directors*

Pursuant to the Code, another Board member was found to qualify as an Executive Director, as a result of his Chairmanship of a subsidiary, invested with delegated powers on an individual basis. Amerigo Borrini, Chairman of the Board of Directors of the subsidiary BG Fiduciaria SIM S.p.A..

### *3.5 Non-executive and Independent Directors*

Pursuant to the Rules governing the Proceedings of the Board of Directors (Article 12.4), the Board must be primarily made up of non-executive directors.

In accordance with the provisions of paragraph 2.C.1 of the Code, for the intents and purposes of the Board Rules, executive directors are defined to include:

- i) the Chief Executive Officers and Chairmen of the Company or a strategic subsidiary thereof, in the case where the same are personally vested with delegated powers or play a specific role in shaping corporate policy and strategy;
- ii) Directors who also serve as executives within the Company or within a strategic subsidiary thereof, or even within the Parent Company, in the case where the position also involves Banca Generali;

Within the meaning of the definitions set forth above, the Company's Board at 31 December 2009 was made up of three executive and seven non-executive directors. The said situation still prevails to date.

In compliance with the recommendations set forth in the Code, the number and acknowledged expertise of the Company's non-executive Directors lend their opinions decisive weight in the Board's decision-making process.

Non-executive Directors help ensure that Board resolutions are always in keeping with the interests of the Company. By contributing their specialist know-how, non-executive Directors help ensure that Board members are in a position to make informed decisions reached after due reflection. The Board Rules require that non-executive Directors meet at least once a year without the other Directors.

In compliance with this requirement, Banca Generali's Independent Directors met separately on 17 December 2009, to discuss the following matters:

- verification of the "non-executive" status of Directors;

- role and activity of non-executive Directors;
- functioning of information flows towards the Board of Directors.

Four non-executive Board members are also independent within the meaning of the Code (paragraph 3.C.1) which is also reflected in article 13 of the Board Rules, pursuant to which, a Director may not, as a general rule, be considered independent in the following cases (although the same are not to be deemed imperatively applicable):

- a) directly or indirectly, including through subsidiaries, trust companies and third party intermediaries, controls the Company or is in a position as to exert a significant influence over the same, or is party to a shareholder agreement under which one or more parties are afforded control of or a significant influence over the Company;
- b) is, or has been in the preceding three financial years, a key executive of the Company or a strategic subsidiary thereof, or a company subjected to common control with the Company, or a company or body that, even together with others on the basis of a shareholder agreement, controls the Company or is in a position as to exert a significant influence over the same;
- c) directly or indirectly (for instance through subsidiaries or companies in which he serves as a key executive, or professional partnerships or consultancy firms in which he is a partner), maintains or has maintained in the previous financial year, significant commercial, financial or professional relationships with: (i) the Company, or one of its subsidiaries or one of its key executives; (ii) a person or party that, including together with others on the basis of a shareholder agreement, controls the company, or — in the case where the said party is a body corporate or legal entity — with the key executives thereof; or is or has been an employee of the aforesaid persons or parties, during the current or previous three financial years;
- d) currently receives or has received in the previous three financial years, from the Company or a subsidiary or corporate parent thereof, significant compensation in addition to the “fixed” emoluments due to non-executive Directors of the Company, including as part of stock option or other plans linked to corporate performance;
- e) has been a Director of the Company for more than nine years during the past twelve years;
- f) is an Executive Director in another company in which an Executive Director of the Company also holds a directorship;
- g) is a shareholder or Director of a company or entity belonging to the network of the company or firm appointed as the Company’s Independent Auditors;
- h) is a close family member of a person in one of the situations described above.

For the intents and purposes of the above, the “key executives” of a corporation or entity shall include: the Chairman of the entity, or the Chairman of its Board of Directors, as well as the entity’s legal representatives, executive directors, managers and executives with strategic responsibilities.

The Board Rules (Article 14), pursuant to the Code (paragraph 3.C.6), require the Company’s Independent Directors to meet at least once a year, without the presence of other Directors.

In compliance with the said requirement, Banca Generali’s Independent Directors met separately on December 16, 2009, to discuss the following matters:

- appropriateness of the number of Independent Directors;
- identification of the criteria for determining whether or not the requirements of independence are met;
- functioning of the reporting system and information flows towards the Board of Directors;
- transactions with Subsidiaries.

Moreover, in light of article 3.C.4 of the Code, the Board Rules require the Board to examine, at the time of the appointment of any independent directors and, in accordance with the policies and procedures set forth in the same Board Rules, any and all the information and declarations submitted by appointee independent directors, or otherwise acquired by the Board, with a view to ensuring that the requirements for independence have been fully met, and to further check, on a yearly basis, that the said independent directors continue to qualify as such.

The Board Rules also require the Chairman to ensure that the Board of Statutory Auditors is placed in a position to independently verify the outcome of the aforesaid checks, as recommended in article 3.C.5 of the Code.

In compliance with the said provisions, at the time of each appointment, the Board of Directors

checked that each of the directors who had declared themselves independent, in fact, fully met all the statutory requirements of independence. Moreover, on 24 February 2010, during the annual check of satisfaction of independence requirements, the Board of Directors, acting as a panel, determined that the following directors met all independence requirements: Paolo Baessato, Attilio Leonardo Lentati, Angelo Miglietta and Ettore Riello. This check was carried out in light of the requirements imposed under sections 147-ter, paragraph 4 and 148, paragraph 3, of Legislative Decree 58/1998 as well as the parameters indicated in the application criteria of article 3 of the Code.

On 24 February 2010, the Board of Statutory Auditors, after examining the documentation provided, confirmed the results of the checks performed by the Board and determined that the criteria and procedures used to evaluate the independence of the independent Directors had been correctly applied.

### ***3.6 Lead Independent Director***

The Company has not appointed a lead independent director within the meaning of article 2.C.3 of the Corporate Governance Code of Listed Companies, although the current Chairman of the Company's Board, Giovanni Perissinotto, also serves as the Chief Executive Officer and sits on the Executive Committee of the Company's Parent Company, Assicurazioni Generali S.p.A..

This is because the Company feels that Mr Perissinotto's directorship and role within Assicurazioni Generali S.p.A. does not entail potential conflict of interests or unchecked concentration of corporate decision-making powers. As a matter of fact, within Banca Generali, Mr Perissinotto is devoid of any responsibility whatsoever in respect of business operations and corporate management, and is tasked only with overseeing and monitoring the implementation, by the Board, of the resolutions passed by the Shareholders' Meeting, and compliance by delegated corporate officers and organs with the provisions of Board resolutions.

Mr Perissinotto, therefore, serves as an outside observer, monitor and supervisor tasked primarily with ensuring that Company Management scrupulously complies with strategic corporate guidelines and policy.

## **4. Handling of Corporate Information**

### ***4.1 Handling of Confidential Information***

Article 4 of the Code requires the members of the Board of Directors and Board of Statutory Auditors to treat as confidential any and all the documents and information of which they may become aware in the performance of their duties, and to comply with all the Company's procedures for the internal management and public disclosure of the said documents and information.

In accordance with these provisions, and pursuant to article 114 and article 115 bis of the Finance Consolidation Law (TUF) as well as articles. 66 et seq. and 152 bis et seq. of CONSOB Regulation (the "Rules on Issuers"), on 18 July 2006, the Board, upon request of Chief Executive Officer, approved the rules of conduct to be followed in the management and public disclosure of inside information (the "Code on Inside Information").

A copy of the "Code on Inside Information" is available on the website [www.bancagenerali.com](http://www.bancagenerali.com), section "Corporate Governance"- *Corporate Governance System – Company Regulations*".

The Code on Inside Information is aimed at regulating the obligations of persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries. More specifically, the Code on Inside Information sets forth specific provisions for the handling of corporate information, with a view to: (i) preventing the abuse of information and market manipulation; (ii) regulating the handling and processing of inside information, as well as (iii) establishing the disclosure, both within the company and to the public, of documents and information pertaining to the Company and/or its subsidiaries, with specific reference to inside information. The Code on Inside Information is also designed: (i) to ensure the timely, complete and adequate processing of inside information, with a view to

avoiding asymmetrical information; and (ii) to protecting the market and investors through adequate disclosure of the events involving the Company, with a view to enabling investors to make informed investment decisions.

The essential elements of the Code on Inside Information are summarised below.

Inside Information means information of a precise nature which has not been made public relating, directly or indirectly, to the Company and which, if it were made public, would be likely to have a significant effect on the prices of the financial instruments issued by the Company.

The procedures set forth in the Code on Inside Information must be followed by the members of the Board of Directors and the Board of Statutory Auditors, and the employees of the Company and its subsidiaries as well as any and all insiders, and that is to say, persons who, by virtue of the exercise of their employment or profession or by virtue of their official functions, have access on a regular or an occasional basis to inside information pertaining to Banca Generali and/or its subsidiaries (the “Insiders”).

In handling the confidential information of which they may become aware in the course of their duties, company executives and insiders are bound to exercise the utmost confidentiality and implement any and all suitable precautions so as to allow the said information to be circulated within the Company and amongst subsidiaries without any breach of the confidentiality thereof.

The aforesaid persons are barred from issuing interviews to the press and media, or in general, any declarations containing Inside Information not included in documents already disclosed to the public. Any and all relationships with financial analysts and institutional investors entailing the disclosure of Inside Information must take place solely through the Investor Relations department, following authorisation from the Chief Executive Officer, whose responsibilities include the procedures for managing Inside Information pertaining to the Company and its subsidiaries, relations between the Company and institutional investors as well as press relations, availing for such purpose of the support and assistance of the Public Relations department.

The Board of Directors has appointed the Head of the Public Relations Department to act as the referee (the “Referee”) who, with the support of his/her direct collaborators, liaises with the media, prepares the drafts of the press releases pertaining to Inside Information regarding the Company or its subsidiaries, and, in concert with the Legal Affairs and Compliance Department of the Banking Group, ensures proper compliance with public disclosure obligations, by proceeding with the publication of the press releases pertaining to Inside Information, following approval by the Company’s Chief Executive Officer. Only persons specifically authorised for such purpose by the Chairman of the Board of Directors of Banca Generali (or in the case of the absence or unavailability thereof, the Chief Executive Director) may meet with market operators in Italy and abroad.

The Company has also set up the Register of Insiders, within the meaning of article 115-bis TUF, establishing procedures for the maintenance of the said Register and appointing the Head of the Banking Group’s Legal Affairs and Compliance Department to maintain and update the same.

#### *4.2 Internal Dealing*

In accordance with the provisions of Article 114, paragraph 7 of the Consolidation Law on Financial Intermediation, as well as Articles 152-sexies et seq. of the Rules on Issuers, on 18 July 2006, the Board of Directors approved a code of conduct in respect of internal dealing (the “Code on Internal Dealing”) which was subsequently amended by Board resolution of 20 February 2008.

The said Internal Dealing Code defines “Relevant Persons” (which include, in particular, the members of the Board of Directors and the Board of Statutory Auditors of the Issuer, persons performing managerial responsibilities within the Company as well as the independent auditors), and persons closely associated therewith, who are bound to give notice to the Company, CONSOB and the public, any and all Significant Transactions involving shares issued by the Issuer or other financial instruments thereto related, that they may effect, including through third party intermediaries.



The Internal Dealing Code identifies as significant transactions any and all purchases, sales, subscriptions, exchanges or barter of Banca Generali shares or financial instruments linked to shares, effected, including through third party intermediaries, by Relevant Persons and Persons closely associated with Relevant Persons.

On the other hand, the definition of Significant Transactions excludes transactions:

- (i) amounting, on the overall, to no more than 5,000.00 (five thousand/00) euros per calendar year, taking into account, for the purposes of determining whether or not the said threshold has been exceeded, all the transactions effected during the twelve months immediately following the date of the last transaction;
- (ii) effected free of charge, such as gifts and legacies, and the assignment free of charge of shares and subscription rights as well as the exercise of any and all such rights deriving from stock option plans, it being understood that, in all the cases contemplated in this point, any subsequent re-sale must be deemed to fall within the scope of the Code;
- (iii) effected between Relevant Persons and Persons closely associated with Relevant Persons;
- (iv) effected by the Company and its subsidiaries.

The Internal Dealing Code also contains rules governing the management, handling and disclosure of information pertaining to the said transactions.

Pursuant to the Internal Dealing Code, no Significant Transactions (as defined in the Code) may be effected during the 30 days immediately preceding the scheduled dates of any and all Board meetings called (i) to examine the draft separate and consolidated financial statements or half-yearly reports; and (ii) to formulate the proposal for the distribution of dividends, and within the 15 days immediately preceding the scheduled dates of the Board meetings called to examine the quarterly reports as at 31 March and 30 September of each year. The aforesaid Code, furthermore, empowers the Board of Directors to further prohibit or restrict purchases, sales, exchanges or other transactions entailing a transfer of title in shares issued by the Company or in financial instruments linked to the said shares, by the said relevant persons, including through third party intermediaries, during specific periods of the year and/or on occasions marking specific events in the Issuer's corporate life.

The Board of Directors has appointed the Head of the Legal Affairs and Compliance Department to implement the provisions of the Code.

## 5. Board Committees

The Code sets forth a recommendation for listed companies to set up certain Committees within their Boards of Directors, to be assigned responsibility for certain specific matters.

The roles of these Committees, set up for the purposes of improving the functioning of the Board, are primarily consultative and recommendatory.

In particular, the Code recommends the setting up of an Internal Control Committee and a Remuneration Committee, whilst leaving it up to individual companies to decide whether or not they also need a Nomination Committee.

As already noted, the Board did not deem it necessary to set up a specific Nomination Committee insofar as current regulations and the provisions contained in the Articles of Association — in particular, the appointment mechanism based on voting lists — seem sufficient to ensure transparency in the selection and presentation of the candidates.

On the other hand, the Board set up both the Internal Control Committee and the Remuneration Committee, requiring the same to be made up entirely of non-executive directors.

### 5.1 Internal Control Committee

The Board of Directors has set up, within the Board itself, an Internal Control Committee invested with consultative and recommendatory functions in respect of internal controls.

Appointees to the Internal Control Committee must not only be non-executive directors, but must also meet the further requirement of independence as defined in the Corporate Governance Code, which also requires STAR-segment listed companies, such as Banca Generali, as well as companies controlled by the latter (paragraph 8.P.4), to ensure that, in all cases where the Board

of Directors is made up of between nine and fourteen members, at least three of the said members qualify as Independent Directors.

The current Remuneration Committee was appointed by the Board of Directors on 21 April 2009, and is made up as follows:

Name and Surname	Office held
Angelo Miglietta	Chairman Non-executive and Independent Director
Attilio Leonardo Lentati	Member of the Committee Non-executive and Independent Director
Ettore Riello	Member of the Committee Non-executive and Independent Director

The Board of Directors has determined that Angelo Miglietta and Attilio Leonardo Lentati have accumulated appropriate experience in accountancy and finance.

Ms Cristina Rustignoli, the Board Secretary, also serves as Internal Control Committee secretary. The functioning of the Internal Control Committee is regulated by specific rules (the “Internal Control Committee Rules”) approved by the Board on 27 November 2006 and subsequently amended during the Board meeting of 20 February 2008.

The Committee plays a consultative and recommendatory role towards the Board on internal control matters, and more specifically, assists the Board in laying down the guidelines of the internal control system, periodically checking the appropriateness and effectiveness of the same and ensuring that the Company’s main risks (credit, financial and operating risks) are promptly identified and suitably managed, in concert with the specific corporate departments involved. The Committee is tasked with ensuring that the Board is provided with adequate information to make informed assessments and decisions in respect of the internal control system, the approval of the financial statements and half-yearly reports as well as in dealing with independent auditing firms. In this context, the Internal Control Committee:

- 1.1. assists the Board in carrying out the tasks incumbent on the latter pursuant to the Corporate Governance Code of Listed Companies, in respect of the internal control system;
2. assesses the work programme prepared by the persons responsible for Compliance, Internal Audit and Risk Management and receives their periodic reports for further submission to the Board for its approval;
3. assesses, together with the company executive in charge of drawing up the Company’s corporate accounting documents and the independent auditors, the proper and uniform application of accounting policies throughout all Group Companies, for the purpose of drawing up the consolidated financial statements;
4. assesses the proposals put forward by auditing firms to obtain the audit engagement, within the framework of the Company’s procedures for appointing the independent auditors in charge of certifying the consolidated financial statements and half-yearly reports, with specific reference to the subject-matter of the appointments and the related economic terms and conditions;
5. assesses the work programme for carrying out the audit and the results thereof as set out in the auditors’ report and their letter of suggestions;
6. monitors the effectiveness of the auditing process;
7. reports to the Board of Directors on its activity and the adequacy of the internal control system at least once every six months, at the time the annual and half-yearly accounts are approved, expressing its opinion on matters delegated to it;
8. at the request of the Chief Executive Officer, expresses opinions on specific aspects pertaining to the identification of the main corporate risks, and the conception, setting up and management of the internal control system;
9. expresses an opinion on proposals to adopt or amend the “Code on Transactions with Related Parties”, especially in the case of amendments pertaining to the approval and



10. conclusion of Transactions with Related Parties by the Company or its subsidiaries; may be consulted in respect of specific “Significant Transactions with Related Parties” within the meaning of the “Code on Transactions with Related Parties” approved by the Board of Directors;
11. may be consulted on specific transactions directly or indirectly entailing a conflict of interests;
12. advises, upon request, the Chief Executive Officer, the Head of the Compliance Department, the Head of the Internal Audit Department and the Head of the Risk Management Department on issues or questions that must be dealt with before being submitted to the Board of Directors for its information and/or approval;
13. performs the other duties entrusted to it by the Board of Directors;
14. undertakes whatsoever may be required pursuant to the resolution establishing its powers and responsibilities, and whatsoever may be necessary or useful for implementing the said resolution.

Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration.

Committee meetings are generally held at least four times a year and, in any event, with the timeliness necessary to allow a full treatment and discussion of any and all matters on which the Committee may be requested or required to report of the Board of Directors.

Apart from Committee members, the Chief Executive Officer (to whom the Head of Internal Control reports), and the Chairman of the Board of Statutory Auditors shall attend Committee meetings. At the invitation of the Committee Chairman, Committee meetings may also be attended by other senior company executives, the Head of the Compliance Department, the Head of the Internal Audit Department, the Head of the Risk Management Department, Heads of other corporate departments, the executive in charge of drawing up the company’s accounting documents and any and all other persons whose presence may be useful.

In 2009 the Internal Control Committee met eight times, for an average of approximately one hour each time. In the year underway a total of 7 Board meetings are scheduled; from the beginning of the year to the date of this Report, three have been held.

The main activities carried out by the Committee during the year are listed below.

In its meeting on 17 February 2009, the following aspects were examined:

- (i) report concerning a significant event that happened within a subsidiary;
- (ii) annual report by the Compliance Department;
- (iii) annual report by the Internal Audit Service;
- (iv) presentation of the 2009 internal control activities plan;
- (v) presentation of the Internal Audit Rules;

In its meeting on 6 March 2009, the following aspects were examined:

- (i) check of the adequacy of the accounting policies followed in preparing the financial statements;
- (ii) report within the meaning of article 2.2.7 of the Internal Control Committee Rules;
- (iii) report on the internal control system and assessments carried out at Banca Generali's investee companies;
- (iv) report within the meaning of article 2.2.7 of the Internal Control Committee Rules;

In its meeting on 7 May 2009, the following were examined:

- (i) periodic report on the activities undertaken by the Internal Audit Service;
- (ii) update on Compliance assessment of operations processes carried out by back office departments;

In its meeting on 22 June 2009, the following aspects were examined:

- (i) periodic report on the activities undertaken by the Compliance Department;

In its meeting on 23 July 2009, the following aspects were examined:

- (i) meeting with the Supervisory Board;
- (ii) check of the adequacy of the accounting policies followed in drawing up the interim financial statements;
- (iii) periodic report on the activities undertaken by the Internal Audit Service;
- (iv) report within the meaning of article 2.2.7 of the Internal Control Committee Rules;

In its meeting on 21 September 2009, the following were examined:

- (v) response to the inspection report prepared by the Bank of Italy;
- (vi) periodic report on the activities undertaken by the Compliance Department;

In its meeting on 2 November 2009, the following aspects were examined:

- (i) periodic report on the activities undertaken by the Internal Audit Service;

In its meeting on 16 December 2009, the following aspects were examined:

- (i) progress on commitments made following inspection by the Bank of Italy;

All the Committee meetings, the proceedings of which were duly recorded in minutes, were attended by all Committee members, save for the meetings of 6 March, 7 May, 21 September, 2 November and 16 December 2009, which were attended by only two of the Committee members. The attached table sub 1 provides information on the attendance rate of each member at the Committee meetings.

The Internal Control Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks.

### 5.2 Remuneration Committee

Banca Generali's Board of Directors has also set up, within the Board itself, a Remuneration Committee tasked with assisting the Board in laying down Company policies in respect of the remuneration of the Company's directors, officers and top management.

The current Remuneration Committee was appointed by the Board of Directors on 21 April 2009, and is made up as follows:

Name and Surname	Office held
Attilio Leonardo Lentati	Chairman of the Committee Non-executive and Independent Director
Angelo Miglietta	Member of the Committee Non-executive and Independent Director
Andrea de Vido	Member of the Committee Non-executive Director

Ms Cristina Rustignoli, the Board Secretary, also serves as Remuneration Committee secretary. In compliance with the provisions of paragraph 7.P.3 of the Code, all three members of the Remuneration Committee are non-executive directors and a majority of them are also independent.

The Committee's responsibilities include advising and making recommendations and proposals to the Board of Directors on matters pertaining to remuneration. More specifically, the Remuneration Committee is entrusted with the following tasks and responsibilities:

1. submitting non-binding opinions and recommendations to the Board of Directors in respect of the remuneration packages of the Chairman of the Board and Chief Executive Officer: The Committee's opinions and recommendations must be based on the independent judgement of its members, who must take into account, inter alia, the following considerations: (i) the significance of the role played by corporate officer involved within the Company's organisational structure; (ii) the contribution of the said corporate officer to the Company's performance; (iii) the economic results attained; (iv) the attainment of specific pre-set targets established by the Board of Directors;
2. monitoring the proper implementation of the decisions made by the Board in respect of submitted proposals and recommendations;
3. submitting an opinion to the Board in respect of the amount of the remuneration of Board members entrusted with special duties, or appointed to specific positions pursuant to the Articles of Association;
4. submitting, after consultation with the Chief Executive Officers non-binding opinions and recommendations in respect of the remuneration packages of General Managers, based on the

independent judgement of Committee members in light of: (i) the responsibilities and risks attendant to the tasks and duties of the General Managers in question; (ii) results obtained as compared against pre-set targets; and (iii) additional services rendered beyond the sphere of normal duties and tasks;

5. periodic assessment of the remuneration policies applied to key management personnel, monitoring the proper application of the said policies on the basis of information provided by the Chief Executive Officers, and submitting general recommendations to the Board in respect of the same;
6. submitting non-binding opinions and recommendations on stock option and share granting plans;
7. submitting the report on activities undertaken, as well as notices, and reasoned opinions, proposals and recommendations to the Board with the timeliness necessary to allow the Board to take cognisance of the same and make informed decisions;
8. any and all other tasks and duties entrusted to the Committee by the Board through specific resolutions.

The procedures governing the functioning of the Remuneration Committee are set forth in the Remuneration Committee Rules approved by the Board of Directors on 27 November 2006.

Committee meetings are generally held at least once a year and, in any event, with the timeliness necessary to allow for a full treatment and discussion of any and all matters on which the Committee may be requested or required to report to the Board of Directors.

Apart from Committee members, the Chairman of the Board of Statutory Auditors shall attend Committee meetings. Upon invitation, non-members may also attend Committee meetings so as to provide assistance with regard to specific items placed on the agenda.

Directors do not take part in Committee meetings at which recommendations in respect of their own compensation are drawn up for submission to the Board of Directors.

Remuneration Committee members are appointed for a period that is coterminous with the term of the Board, and are entitled to annual remuneration.

In 2009 the Remuneration Committee met four times. On average, the meetings lasted approximately one hour. In the year underway a total of 3 Board meetings are scheduled; since the beginning of the year as at the date of this report, no meeting was held.

The main activities carried out by the Committee during the year are listed below.

In its meeting on 17 February 2009, the following aspects were examined:

- (i) the compensation of the Chief Executive Officer and General Manager;
- (ii) proposal for the definition of objectives and performance levels to be assigned to the Chief Executive Officer for 2009 and explanation of the method for calculating the related bonus;
- (iii) proposal for the definition of 2009 objectives and performance levels to be assigned to the General Manager and explanation of the method for calculating the related bonus;
- (iv) description of the application of the Management by Objectives philosophy to executives of the Banca Generali Group in 2009;

In its meeting on 6 March 2009, the following aspects were examined:

- (i) presentation of compensation policies to be presented to the Shareholders' Meeting;
- (ii) definition of compensation, objectives and performance levels to be assigned to the Vice Deputy General Manager and Vice General Manager for 2009 and explanation of the method for calculating the related bonus;

In its meeting on 11 May 2009, the following items were examined:

- (i) check of the 2008 targets assigned to Chief Executive Officer and General Manager, and consequent determination of their variable compensation;

In its meeting on 7 October 2009, the following aspects were examined:

- (i) presentation of new incentive plans for the sales network;
- (ii) extension of existing incentive plans.

The meetings, the proceedings of which were recorded in minutes, were attended by all the Committee members. The attached table sub 1 provides information on the attendance rate of each member at the Committee meetings.

The Compensation Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks.

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## 6. Directors' Remuneration

Pursuant to article 1, paragraph

1.C.1 d) of the Corporate Governance Code of Listed Companies and article 20 of the Articles of Association, the remuneration due to Directors entrusted with specific tasks shall be determined by the Board of Directors in consultation with the Board of Statutory Auditors.

By Board resolution of 27 November 2006, approved pursuant to article 7.P.3 of the Code, the Board set up the Remuneration Committee tasked with, inter alia, making recommendations to the Board in respect of the remuneration packages of Chief Executive Officers and other Board members entrusted with specific tasks (see, below, "Remuneration Committee").

Bank of Italy Order No. 264010 of 4 March 2008 also requires banking sector operators to adopt and implement compensation mechanisms that are in line with risk-management policies and long-term strategies. Towards such end, under the new regulations, in addition to establishing the remuneration due to the members of the corporate organs it appoints, the Ordinary Shareholders' Meeting must also approve the compensation policies applicable to directors, and employees, as well as outside consultants and collaborators other than employees. The Ordinary Shareholders' Meeting held on 21 April 2009 approved the above policies. At the next Shareholders' Meeting, a report will be provided on the implementation of the compensation policy.

Through its compensation policy Banca Generali seeks to achieve an optimum balance between the interests of the shareholders and the Banking Group's management, both from a short-term perspective, by maximising the creation of shareholder value, and in the long-term, through careful management of business risks and the pursuit of long-term strategies. The remuneration package consists of fixed components and variable components. The variable component of the remuneration relative to the fixed component increases in percentage terms the greater the strategic importance of the position to which the remuneration refers (this does not normally exceed 10% for the professional areas and middle managers; for top managers responsible for commercial operating units it may reach at most 60%, when the objective results assigned have been achieved in full). It is for this reason that the main managerial and professional functions are evaluated and "weighted", in accordance with the HAY points mechanism. This weighting system enables effective mechanisms to be adopted for monitoring the remuneration dynamics, also with reference to the markets in which the company operates.

The fixed components serve to remunerate the managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.

The aim of the recurring variable components of remuneration and long-term incentives (such as stock option plans, stock granting schemes and deferred bonus systems), on the other hand, is to balance directly the interests of the shareholders and those of management.

A Management by Objectives mechanism, consistent with the achievement of the operating and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Managing Director and Executives. The Management by Objectives system is linked to the Balanced Scorecards principle. The variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives are achieved, with a minimum access threshold.

The Managing Director's remuneration consists of a recurring fixed remuneration and a variable remuneration, linked to the degree to which the performance objectives are achieved. This may reach at most 70% of the fixed emolument if the objectives are exceeded in appreciable terms and does not provide for any guaranteed minimum.

Further information on the emoluments received by Board members and the General Manager during the course of the financial year, is provided in Part H of Banca Generali's Financial Statements for 2009.

For information on the overall remuneration received by key management personnel – such as Stefano Grassi and Giancarlo Fancel, Deputy General Managers – see Part H of the Explanatory Notes to Banca Generali's Financial Statements for 2009.

Pursuant to article 7.C.2 of the Code, the compensation due to non-executive directors may not be

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linked to the Company's performance, and non-executive directors may not participate in share-based incentive plans. Non-executive directors are paid a fixed fee as established by the Shareholders' Meeting.

In order to motivate executive directors and key managers to strive to attain strategic corporate objectives, in accordance with the provisions of articles 7.P.2 and 7.C.1 of the Code, on 24 May 2006, Banca Generali approved a Stock Granting Plan for the Chief Executive Director and the General Manager, with a view to bring their personal interests in line with the goal of creating value for the Company. The Plan awards the Chief Executive Officer, Giorgio Girelli, a maximum number of 389,596 ordinary shares in the Company of a face value of € 1.00 each, or such lower number of shares that — on the basis of Offer Price — amount, on the overall, to no more than € 4,000,000.00, whilst also awarding the General Manager, Piermario Motta, a maximum of 278,284 ordinary shares in the Company of a face value of € 1.00 each, or such lower number of shares that — on the basis of Offer Price — amount, on the overall, to no more than € 3,000,000.00.

The shares shall be assigned within 5 years following the commencement of trading of shares in the Company on the electronic share market, and provided that, at the time of assignation, the assignee still serves the Company as a Director or employee (save in the event where the relationship was terminated by the Company for reasons other than wilful misconduct or gross negligence on the part of the assignee). On 1 April 2009, General Manager Piermario Motta was granted the shares he was eligible to receive.

Furthermore, in order to provide information that is as complete as possible, it must be pointed out that, on the same date, 24 May 2006, the Board approved two stock option plans, both subjected to the condition precedent of the commencement of trading of shares in the Company on the electronic share market (such condition precedent having been met on 15 November 2006): (i) the first of these is reserved to employees of Banca Generali Group companies, whilst (ii) the second is reserved to Banca Generali's financial advisors, area managers and business managers.

In order to cover the aforesaid Stock Option Plans, on 18 July 2006, the Company's Extraordinary Shareholders' Meeting approved a capital increase, in one or more tranches, in the maximum nominal amount of € 5,565,660.00, through the issue of a maximum number of 5,565,660 ordinary shares of a face value of € 1.00 each, as follows:

- a) an issue in the maximum nominal amount of € 4,452,530.00, represented by a maximum number of 4,452,530 ordinary shares of a face value of € 1.00 each, with specific exclusion of the option rights afforded to shareholders pursuant to section 2441, paragraph 5, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", reserved to the financial advisors of Banca Generali Group, all of the above in one or more tranches, with the last being effected no later than 30 May 2011;
- b) an issue in the maximum nominal amount of € 1,113,130.00, represented by a maximum number of 1,113,130 ordinary shares of a face value of € 1.00 each, with specific exclusion of option rights afforded to shareholders pursuant to section 2441, paragraph 8, of the Italian Civil Code, so as to cover the "Stock Option Plan for Banca Generali S.p.A. Employees", reserved to Banca Generali employees, all of the above in one or more tranches, with the last being effected no later than 30 November 2012.

The price of the aforesaid options shall be determined at a whole number reflecting the arithmetic mean of the listed prices of shares in the Company on the electronic share market from the date of assignment of the stock options to the same day of the previous month.

The exercise of the options is subject to the attainment of overall targets and, in the case of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers", even personal targets.

Pursuant to the applicable Rules, the Delegated Organs awarded:

- 2,540,136 option rights in application of the "Stock Option Plan for Banca Generali S.p.A.'s Financial Advisors and Network Managers";
- 829,000 option rights in application of the "Stock Option Plan for Banca Generali S.p.A. Employees".

In total, 3,369,136 stock options were awarded pursuant to the aforesaid Plans.

Lastly, as a result of the merger of Prime Consult SIM S.p.A., as of 31 December 2002, the

Company has assumed the merged company's commitments under the stock granting plan approved by the latter on 13 June 2001 in favour of its network managers and financial advisors. Beneficiaries of the plan include: (i) financial advisors in the exclusive service of Prime Consult as at 1 October 2000; (ii) former Prime Consult network managers; (iii) financial advisors falling within the aforesaid categories in the period between 1 October 2000 and 31 December 2001. The shares were issued in three tranches, to persons who met or maintained specific individual targets. The Delegated Organ awarded, free of charge, 1,402,474 Banca Generali ordinary shares.

## 7. Internal Control System

### 7.1 Internal Control System features

The bank's Board of Directors adopted an organisational model for the Group's internal control system, under which so-called second and third control functions are centralised within the Parent Company.

This was made to meet the need for managerial as well as technical-operating coordination that is as deep-reaching as the strong strategic coordination of group companies, achieved through the presence of representatives of the Parent Company on the governance and control bodies of subsidiaries.

As required pursuant to the Italian Civil Code and the supervisory regulations for banks and, as recommended in the Corporate Governance Code, the Bank has adopted an internal control system capable of continuously monitoring typical business risks.

The internal control system is a structured set of organisational functions, procedures and rules of conduct aimed at ensuring sound and proper corporate governance in line with pre-set targets, through adequate processes for identifying, measuring, managing and monitoring the main business risks. The system forms an integral part of the Company's operations and entails the involvement of all corporate structures and sectors, each of which is called upon to ensure constant and continuous risk monitoring, within the limits of its specific sphere of competence.

Within this framework, Banca Generali has set up an internal control system, fully compliant with the provisions of article 8 of the Code and, moreover, specifically designed to ensure healthy and prudent corporate management of the bank and the group, whilst at the same time reconciling the attainment of corporate targets, the proper and timely monitoring of risks and appropriate operating procedures.

Banca Generali S.p.A.'s Internal Control System was most recently updated by the Board of Directors on 24 January 2008 (with effect as of 1 March 2008) with a view to bringing the same in line with new regulations introduced through the provisions for the implementation of MiFID in Italy. The Internal Control System was revised again by the Board on 24 February 2010. Those changes will take effect as from 1 April 2010.

Pursuant to the said provisions and applicable supervisory regulations, it is made up of:

- (i) *checks involving the business line*: systematic or periodic checks on samples of information, carried out by the heads of individual operating units with a view to ensuring the proper completion of the transactions effected by the same production structures, or incorporated into procedures, or performed as part of middle/back-office processes;
- (ii) *risk management checks*: checks carried out by the heads of individual operating units and by the Risk Management Department, as part of the process of determining risk measurement methods, with a view to ensuring compliance with the thresholds assigned to the various operating departments, as well as in order to maintain the operations of individual production units in line with the risk/return targets set for specific types of risk (credit risk, market risk, operating risk);
- (iii) *compliance checks*: checks carried out by the Compliance Department on the conformity of transactions with statutory requirements, orders and instructions imposed under supervisory authorities and the Company's self-imposed rules of conduct;
- (iv) *internal auditing*: checks carried out by the Internal Audit Service with a view to



ensuring, also through on-site inspections, the propriety of the Company's operations, risk trends, the overall functioning of the internal control system, whilst at the same time identifying abnormal trends, breaches of procedure and regulations, as well as assessing the effectiveness of internal checks and balances.

The Company's Internal Control system is structured to ensure proper disclosure of information and adequate oversight of all the Group's activities, with a view to promoting fairness and transparency, in both form and substance, whilst also ensuring the efficiency, traceability and auditing of transactions, and more in general all management activities; the reliability of accounting and management data; compliance with laws and regulations, and the protection of the integrity of the Company's assets, especially in order to prevent fraud against the Company and the financial markets.

The key principles underlying the Company's Internal Control System include:

- the separation of roles in the performance of the main tasks involved in individual production processes;
- the traceability and constant visibility of choices;
- objective decision-making with regard to individual operating processes.

Responsibility for the Internal Control System, pursuant to applicable regulations, resides with the Board of Directors that is in charge of:

- (i) establishing the guidelines, strategic orientation and risk management policies pertaining to the internal control system;
- (ii) approving the bank's organisational structure, ensuring that tasks and responsibilities are clearly and properly assigned, and periodically checking the adequacy and effectiveness of the said structure, further ensuring that the main corporate risks are identified and appropriately managed, that the Company's control structures are endowed with sufficient autonomy and independence within the Company's organisation as well as with adequate resources to ensure the proper functioning thereof.

The Board of Directors also carries out periodic assessments of the functioning, effectiveness and efficiency of the internal control system, taking timely corrective action in case of shortcomings and/or anomalies in the performance of the checks themselves.

The Chief Executive Officer defines operating policies and related risk control procedures, identifying and evaluating, including on the basis of management trends and departures from forecasts, any and all factors giving rise to risks, and assesses the functioning, effectiveness and efficiency of the internal control system, promoting the updating of the same as may be necessary or useful, from time to time.

Pursuant to supervisory regulations, internal control functions must be independent of other operating functions, and report directly to the Board of Directors and Board of Statutory Auditors, on a periodic basis, in respect of the outcome of its activities.

On 25 September 2003, the Board of Directors appointed Francesco Barraco head of the Internal Control Department and Head of the Internal Audit Department, with effect as from 1 October 2003. The appointment took place before the Company's shares began trading on the MTA (Italy's electronic share market). Therefore, his remuneration was determined based on the resolutions in force at that time and in line with best market practice.

In keeping with Banca Generali's organisational model, the internal auditing department is vested with a dual role: (i) an institutional role arising from the fact that the Company is the parent company of a banking group and involving the direct auditing of all the Group's operating and managerial processes, whilst also developing control models, methods and tools; (ii) a service role under which the Company's internal auditing department undertakes internal auditing activities for other Group companies, pursuant to outsourcing arrangements.

The auditing method on which internal auditing activities are based, is defined under the Internal Audit Rules (approved by the Board of Directors on 23 February 2009) and the supervisory model, also approved by the Board of Directors and constantly implemented in light of developments in oversight compliance and best auditing practices (COSO Report, professional standards).

Pursuant to applicable regulations, on 24 January 2008, the Board of Directors appointed Paolo Rupil to head the Compliance Service as of 1 March 2008.

On 24 June 2008, the Board of Directors approved the Banking Group's Compliance Policy and

related Compliance Rules (subsequently amended by Board resolution of 27 January 2010), ordering the timely notification thereof to all subsidiaries, with a view to ensuring that the said Policy and Rules are fully implemented throughout the banking group.

On 27 August 2008, the Board of Directors appointed Antonino Fici to head, with effect as of 1 September, the Risk Management Service.

As already noted, in compliance with the Code's recommendations regarding internal control, on 27 November 2006, the Board set up within itself, an Internal Control Committee in charge of completing all the preparatory activities required for the Board to properly undertake its internal control tasks (for further information, see "Internal Control Committee", above).

Moreover, with regard to risks, the Chief Executive Officer may also avail of the advice of the Risks Committee established by Board resolution of 23 September 2008 with a view to coordinating the banking group's risk management and control system, and identifying and implementing appropriate risk containment measures.

As recommended by the Code, article 16 of the Board Rules requires:

- the Board to assess the adequacy of the internal control system in light of the Company's features. This is done on the date of the presentation of both interim and annual reports by the Company's internal control units. The Board of Directors feels that the Company's current internal control system is, on the overall, appropriate in light of the size, structure and requirements of Banca Generali and the banking group of which it is the parent company.

- the Board of Directors approves the internal control activity plan annually.

- the Director to whom the Internal Audit department reports on an operating basis, to undertake the following tasks in addition to his/her regulatory duties, and that is to say:

1. identify the main corporate risks, taking due account of the business operations of the Company and its subsidiaries, and submit periodic reports on the same to the Board of Directors and the Internal Control Committee;
2. implement the guidelines laid down by the Board of Directors in designing, setting up and managing the internal control system, and constantly monitor the overall adequacy, effectiveness and efficiency of the same, whilst also adapting the said system to changes in operating conditions and in the applicable statutory and regulatory framework;
3. to recommend to the Board, after hearing the opinion of the Internal Control Committee, the appointment, dismissal and remuneration of a person in charge of internal control.

- the person in charge of Internal Control:

1. is tasked with monitoring the constant adequacy, full functionality and effective operation of the internal control system;
2. is not to be assigned responsibilities for any operating department and not to be hierarchically answerable to the head of any operating department, including the administration and finance department;
3. is to be afforded direct access to any and all the information that may be useful for the performance of his duties;
4. is to be endowed with adequate resources for the performance of his assigned duties;
5. answers to the Internal Control Committee, the Board of Statutory Auditors, the Board of Directors and the Chief Executive Officer. In particular, he/she reports on risk management procedures and compliance with risk containment plans, expressing an opinion on the appropriateness of the Internal Control System for determining an acceptable overall risk profile;
6. has a budget to refer to for completing his/her tasks and activities.

As part of his/her activities concerning the management and coordination of the Group of which Banca Generali is the parent company, the person in charge of internal control also exercises:

- a) strategic control over the development of various business areas in which the Group operates, and the risks arising from the range of business activities conducted. This type of control is aimed at monitoring the expansion of the business operations of group companies, and their policies in terms of mergers, de-mergers and acquisitions. Strategic coordination is ensured primarily through presence of a certain number of persons appointed by the Bank's Board of Directors, on the Board of Directors of group companies;
- b) operating control aimed at ensuring that the income statements, cash flow and balance sheets



- of both, individual group companies and the group as a whole, are appropriately balanced. These checks are carried out preferably through the drawing up of plans, programmes and budgets (for each group company and for the group as a whole) and by analysing the quarterly performance, interim results and annual financial statements of each group company and the group as a whole, duly broken down by specific business sector, and with regard to the entire group. Operations are coordinated by the Planning and Control Department which liaises with the corporate bodies/functions of each of the subsidiaries;
- c) technical-operating control aimed at assessing the profiles of the various risks incurred by the group as a whole as a result of the business operations of individual subsidiaries.

## *7.2 Main features of the Company's Risk Management and Internal Control Systems Related to the Financial Reporting Process (Pursuant to Article 123-bis, Paragraph 2, Letter b of TUF).*

### *7.2.1 Foreword*

The risk management and internal control systems as they relate to the financial reporting process adopted by the bank (the "System") are part of the broader Internal Control and Risk Management System described in the previous section.

The System handles internal control and risk management in an integrated manner in order to identify, assess and manage financial reporting risk (the Group's exposure to the risk of error resulting in the failure to present a true and fair view of assets, liabilities, profit or loss and financial position in its annual financial statements, half-yearly report or any other financial disclosure).

The System is thus intended to guarantee the reliability, accuracy and timeliness of financial reports. To this end, the bank created a financial reporting risk model consisting of principles and rules that aim to guarantee an adequate administrative and accounting system, in part by ensuring the availability of procedures and instructions.

The manager in charge for the Company's financial reports works within this framework. The Executive is charged by Italian Law No. 262 of 28 December 2005 ("Law 262") with the critical task of ensuring the reliability of accounting documents and availability of adequate administrative and accounting procedures for listed companies based in Italy.

The Executive is responsible for defining the methodological and organisational aspects of adopting the financial reporting risk model within the Company and Group to the extent of the powers and means granted to him/her under paragraph 4 of Article 154-bis of the TUF.

The model adopted by Banca Generali is based on generally recognised frameworks that have been accepted by international accounting firms and control bodies as benchmarks and recommended by the industry's main associations. The Company chose the financial reporting risk model as a reference framework. The financial reporting risk model adopted is based on a process developed by the Company in accordance with the following reference frameworks:

- (i) the CoSO (Committee of Sponsoring Organisation of the Treadway Commission). Internal Control – Integrated Framework, released in 1992, defines guidelines for assessing and developing an internal control system. In the CoSO Framework, the model refers to the component of the internal control system concerning the processes of collection, processing and publication of financial information flows (financial reporting).
- (ii) COBIT (Control Objective for IT and Related Technology, built by the IT Governance Institute based on the CoSO Framework), provides specific guidelines for IT and can be used together with ITIL (Information Technology Infrastructure Library, a framework already used by the Group) and ISO/IEC 27001 (International Organisation for Standardisation/Information Electrotechnical Commission).

Within the Group, the financial reporting risk model has been extended to companies identified as relevant in the context of the model ("Companies within the Scope of Application"). In particular, the Companies within the scope of analysis area adopt a financial reporting risk model that is consistent with the model used by the Company so as to create a uniform system throughout the Group. The models are then changed as indicated by Banca Generali's manager in charge of the Company's reports.

### *7.2.2 Key characteristics of the existing risk management and internal control system as it relates to the financial reporting process*

In this section, the key characteristics of the financial reporting risk model adopted by Banca Generali are summarised, with particular reference to: (a) phases of the model; (b) departments/employees involved in the model and their respective roles; (c) information flows.

#### *(a) phases of the financial reporting risk model*

The different phases of the financial reporting risk model were defined by the Company based on the reference framework (CoSO Framework). In detail, the model may be divided into the following phases: (i) identification and assessment of financial reporting risks, (ii) identification and assessment of controls for mitigating identified risks

##### *(i) identification and assessment of financial reporting risks:*

to identify and assess financial reporting risks, the Company identifies the relevant companies and significant information (consolidated accounts and company-wide processes), considering both quantitative and qualitative elements. Companies within the scope of analysis are those that, in considering the relationships between the assets, revenues and profit or loss of the individual companies and consolidated balances, exceed specific limits established by best market practice (in 2009, such companies accounted for nearly all of consolidated assets). In relation to the consolidated accounts, significance is determined based on the guidelines generally used in audit procedures. Processes are considered significant and therefore subject to analysis if, from an accounting perspective, they have a potential impact on the consolidated accounts. All processes involved in period-end reporting are included in the scope of processes to be analysed. Each process is assigned an analysis priority based on quantitative elements. Lastly, qualitative elements referring to the companies' risk profiles, which are based on both internal and external factors, are added to the scope of analysis. The scope of analysis is revised at least annually or when warranted by changes in the Group's structure.

Each risk is evaluated to determine its level of significance based on its inherent risk (or gross risk), which does not consider the mitigating effect of controls associated with it. The assessment of gross risk is based on a combination of (i) the probability that the event, that could potentially cause an administrative or accounting error, will occur during a specific timeframe, and (ii) the impact that such event could have on accounting and financial data and, consequently, on the presentation of a true and fair view of assets, liabilities, profit or loss and financial position. The probability is determined by the frequency of controls and how they are carried out, while the impact is measured based on the priority of the analysis process, as described above. The result of the assessment process can be either "high", "medium" or "low". Furthermore, as part of the assessment, control objectives are established in accordance with best market practice. Each control objective is associated with a specific financial assertion (existence or occurrence, completeness, valuation or allocation, presentation and disclosure, rights and obligations).

##### *(ii) identification and assessment of controls for mitigating identified risks*

The financial reporting risk model includes the following types of controls: (i) company-level; (ii) process-level; (iii) information technology.

The structure of the controls is designed so as to allow adequate identification and assessment and is based on four main characteristics:

- (a) time of execution: controls can be either preventative or after-the-fact;
- (b) the execution procedure: manual, automatic or semi-automatic;
- (c) nature (i.e., structural characteristics): authorisation, reconciliation, management review, etc.;
- (d) frequency (i.e., time interval of controls): weekly, monthly, quarterly, etc.

Control analyses include a phase in which the adequacy of the design is evaluated and a phase in which the actual application is evaluated according to specific methods for each type of control. If during these phases shortcomings are identified in the management of financial reporting risk, the appropriate corrective measures or actions are determined. The implementation of corrective measures or actions is constantly monitored by the manager in charge of the Company's financial reports.

##### *(i) Company-level controls*

The goal of company-level controls is to ensure the existence of an organised, formal company structure designed to reduce the risk of improper conduct through adequate governance systems,

standards of conduct based on ethics and integrity, efficient organisational structures, clarity in the assignment of powers and responsibilities, adequate risk management policies, employee disciplinary systems, efficient codes of conduct and fraud-prevention systems. Adequacy assessments focus on ensuring the existence and dissemination of the appropriate tools (such as policies, codes, rules, service rules, etc.) used to identify rules of conduct applicable to company employees. The next phase involves evaluating the actual application of the aforementioned rules.

(ii) Process-level controls

Process-level controls are carried out at a more detailed level than company-level controls and are aimed at mitigating financial reporting risk through controls included in the Company's operating processes. Assessments of control adequacy are carried out by identifying company processes, determining the key controls used to manage financial reporting risk and evaluating the appropriateness of such controls in mitigating this risk. Efficiency assessments involve verifying the actual and correct execution of controls and the adequacy of related documentation.

(iii) Controls on Information Technology (IT)

IT controls focus on processes associated with managing and handling information stored in the computer systems used to create the financial statements. Specifically, analyses are performed on controls concerning software purchases and maintenance, physical and logical security management, application development and maintenance, data completeness and accuracy, IT risk analysis and information system management. As for the applications used to create the financial statements, in relation to business processes as well as period-end reporting, analyses focus on evaluating the adequacy of controls as they pertain to the key best practices and reference frameworks used and ensuring that controls remain functional according to standardised methodologies. The analyses also evaluate the efficiency of the main automatic controls performed by applications as part of major processes;

(b) the functions involved in the model, their roles and information flows

Consistent with the internal control and risk management system adopted by the Company, the financial reporting risk model engages its corporate boards and operating and control units in an integrated management approach based on the various levels of responsibility so as to guarantee the model's ongoing adequacy.

The Board of Directors, with the support of the Internal Control Committee, ensures that the model enables the identification, assessment and control of major risks, at both the Company and Group level, through the definition of strategies and general internal-control and risk-management guidelines. In compliance with applicable legislation, the Board also ensures that the manager in charge of the Company's financial reports has the necessary means and powers to perform the duties assigned to him/her under Italy's Law 262.

The manager in charge of the Company's financial reports is responsible for implementing, maintaining and monitoring the financial reporting risk model in compliance with the strategies defined by the Board. Accordingly, he/she is responsible for evaluating the adequacy and use of administrative and accounting procedures and their ability to present a true and fair view of the assets, liabilities, profit or loss and financial position of the Company and Group. In fulfilling these responsibilities, the manager in charge of the Company's financial reports is supported by a special unit (Law 262 Organisational Unit) that is charged with the task of coordinating all activities necessary for the correct performance of the duties assigned to him/her. The Unit also serves as a point of reference for the entire Group as regards the management of administrative and accounting risks through guidance and coordination activities.

Banca Generali's Internal Regulations and Procedures Service is responsible for mapping the administrative and accounting processes of the Company and Group and ensuring that the information and documentation pertaining to them is kept up-to-date.

The Internal Audit Service periodically evaluates the efficiency of procedures and controls included in these processes and supports the Law 262 Organisational Unit in its assessment of the risks and related controls within the Group's administrative and accounting processes.

Compliance Service is responsible for checking and assessing the appropriateness and effectiveness of administrative and accounting processes, with a view to ensuring compliance with any and all applicable regulatory provisions governing the performance of any and all the

banking and investment services offered by the Banking Group, especially so as to minimise the risk of non-conformities.

Process Owners (managers of the Company's and Group's Organisational Units) are appointed by Top Management and are in charge of managing one or more major processes in accordance with Law 262. They are responsible for ensuring that the documentation system put in place by the Group's dedicated units is consistent with actual operations. This is achieved by promptly communicating changes that have been made and implementing corrective actions designed to address any shortcomings found.

Furthermore, if key activities and/or controls that are the responsibility of a department other than the Process Owner's are identified within a process, a Sub-Process Owner is appointed with the duty and responsibility of ensuring that operations are consistent with company procedure. This is achieved by identifying, formalising and continuously updating the portion for which he/she is responsible.

The Company also developed – through a special circular related all Group companies – a documentation system that ensures that all boards, departments and employees with specific tasks within the internal control and risk management system work together to complete their respective duties.

The activities, information and documents included in the financial reporting risk model are managed using computer applications that are shared with other control units.

The manager in charge of the financial reports of the Company reports to the Board of Directors on a regular basis as to the activities carried out and key decisions made in exercising his/her functions.

### *7.3 Organisational Model Pursuant to Legislative Decree 231/2001*

Legislative Decree No. 231 of 8 June 2001 introduced the principle that corporations may be held liable for specifically listed offences committed or attempted in their interest and/or for their benefit by individuals entrusted with corporate representation, administration and management, or individuals subjected to the management or oversight of one of the latter. The same Decree provides for exemption from this form of liability in the case of entities which have adopted and effectively implemented organisational and management models designed to prevent the aforesaid offences.

The adoption of an Organisational and Management Model (hereinafter the “Model”) is not an obligation or duty, but a right, that the Company has decided to exercise in order, not only to restructure and formalise, where necessary, a system of preventive checks aimed at preventing conduct entailing administrative liability for the Company pursuant to the Decree, but also to ensure the Company's own integrity, and to boost the effectiveness and the transparency of corporate operations.

On 19 June 2006, the Board of Directors approved the Company's Organisational and Management Model, drawn up in light of the Company's specific operating conditions and requirements. The model was most recently updated on 4 November 2009 to align it with current legislation. A copy of the Model is available on the website [www.bancagenerali.com/About us/Corporatestructure/BancaGenerali](http://www.bancagenerali.com/About us/Corporatestructure/BancaGenerali).

Apart from meeting all the necessary formal requirements, the Model fully achieves, even in substance, the aforesaid main goal underlying its adoption. The Model is made up of a structured set of principles, rules, provisions and organisational layouts pertaining to the management and oversight of business operations, and is contained in an illustrative document that sets forth the general rules that make it impossible for the offences to be committed without fraudulently violating the model.

In accordance with the provisions of the aforesaid Decree, the task of supervising compliance with the Model and updating the same, must be entrusted to an independent and qualified body set up within the entity, and endowed with autonomous powers of initiative and oversight.

The Company has therefore set up a panel to act as a Supervisory Board (reporting to the Board of Directors), defining the tasks and functioning thereof. The Company has opted to appoint to the said Supervisory Board, persons who hold positions within the Company's organisational structure, that, for technical and/or organisational reasons, enable them to make meaningful

contributions to performing the tasks and attaining the goals of the Supervisory Board. Accordingly, the Board has decided that the Company's Supervisory Board shall consist of a panel made up of a non-executive Director, the Head of the Legal Affairs Department and the Head of the Internal Audit department, as per the following table:

Name and Surname	Office held
Aldo Minucci	Chairman
Francesco Barraco	Internal Auditor
Cristina Rustignoli	Head of the Legal and Compliance Department

In carrying out its tasks, the Supervisory Board is to avail of the support of other corporate departments, especially the Compliance Department.

#### **7.4 Independent Auditors**

In light of the regulatory framework following the entry into force of the Italian Legislative Decree 303/2006, the Ordinary Shareholders' Meeting held on 24 April 2007 extended the appointment of the auditing firm Reconta Ernst & Young S.p.A., appointed with the resolution passed at the Shareholders' Meeting of 18 July 2006, to the date of approval of the financial statements for the year ending 31 December 2014. As a consequence of this extension, the total number of consecutive years subject to auditing is nine, and therefore the extension is in accordance with the provisions of article 159, paragraph 4 of Italian Legislative Decree No. 58 of 24 February 1998, as amended by the law No. 262 of 28 December 2005, and the recent Legislative Decree No. 303 of 29 December 2006, published in the Official Journal on 10 January 2007.

#### **7.5 Manager in Charge of the Company's Financial Reports**

Article 154-bis of Legislative Decree No.58 of 24 February 1998, introduced by Law No. 262 of 28 December 2005, requires *inter alia*:

- a) the Manager in charge of the company's financial reports to issue a written statement attesting that any and all notices and information the Company discloses on the market in respect of its annual and/or interim financial reports corresponds to the documentary results, books and accounting records;
- b) the Manager in charge of the company's financial reports and the relevant administrative bodies appointed for such purpose, to issue a joint statement to be attached to the annual financial statements, the condensed half-yearly financial statements and, where applicable, the consolidated financial statements, attesting that adequate accounting and administrative procedures were properly applied during the period of reference and that the Company's financial statements reflect its actual books and accounting records, and provide a true and fair view of the balance sheet, profit and loss account and cash flow statement of the company and the Group;
- c) the Board of Directors to oversee the appropriateness of the powers and resources made available to the Manager in charge of the company's financial reports and the proper implementation of "administrative and accounting procedures".

Pursuant to Article 23, paragraph 3 of the Articles of Association, the Board of Directors, after consultation with the Board of Statutory Auditors, shall appoint and dismiss the Manager in charge of the company's financial reports, in compliance with Article 154-bis of Legislative Decree No. 58 of 24 February 1998, establishing the powers and resources of the same.

Paragraph 4 of the same Article provides that the said Manager shall be selected from amongst the company executives in possession of the following professional qualifications:

- suitable professional experience for a suitable length of time or, in any event, of no less than three years, in activities of administration, management or control or professional activities in the banking, insurance and financial sectors; or
- specific know-how in the field of financial reporting and auditing, in respect of listed issuers or their subsidiaries and in the management or oversight of related administrative procedures,

acquired over at least five years of experience in positions of responsibility for operating structures within the company, the group or other comparable corporations or entities in terms of business sector and organisational structure.

The said Manager must furthermore meet the requirements of integrity imposed under regulations governing the assumption of corporate offices. Loss of the requisite of integrity determines fall from office.

On 24 January 2007, pursuant to the Articles of Association, and taking into consideration the opinion of the Board of Statutory Auditors, the Board of Directors appointed Giancarlo Fancel to serve, as of 1 February 2007, as Manager responsible for the company's financial reports, within the meaning of Article 154-bis of Legislative Decree 58/1998, after having ensured that he was fit and proper for such appointment within the meaning of article 24 of the Articles of Association, and determining the powers and resources to be made available to him for the discharge of his assigned duties.

Giancarlo Fancel is the Vice Deputy General Manager in charge coordinating the Planning & Control, Administrative and Organisation Department, Organisation, Finance and Risk Management Department tasked with ensuring the proper and timely preparation of the Company and the banking group's accounts, as well as discharging related accounting and regulatory formalities, and drawing up financial reporting and tax compliance guidelines and policies in line with corporate strategies and targets.

Following the entry into force of Legislative Decree No. 195 of 6 November 2007 which implemented the Transparency Directive (2004/109/EC) and amended article 154-bis of Legislative Decree 58/1998, on 20 February 2008, the Company's Board of Directors revised the powers and responsibilities invested in Giancarlo Fancel as Manager in charge of the company's financial reports, in which capacity he is required:

- (iv) as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree 58/1998, to ensure that any and all notices and information the Company discloses to the market in respect of its annual and/or interim financial reports, are accompanied by a written statement issued by him, and attesting that the said notices and information corresponds to the documentary results, books and accounting records;
- (v) as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree 58/1998, to draw up suitable administrative and accounting procedures for the preparation of the annual and consolidated financial reports as well as any and all other financial notices;
- (vi) as Manager in charge of the company's financial reports, within the meaning of Article 154-bis of Legislative Decree 58/1998, to certify, in a specific report drawn up in accordance with the form established by the Italian stock-market regulator CONSOB and attached to the annual financial statements, the condensed half-yearly financial statements and the consolidated financial statements, the appropriateness and proper application of the procedures mentioned in the preceding point, during the period of reference of the financial statements in question, further attesting that the latter provide a true and fair view of the balance sheet, profit and loss account and cash flow of the issuer and all the companies making up the reporting entity;
- (vii) to certify that the documents were drawn up in accordance with the international accounting principles applicable within the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002;
- (viii) to certify that the Directors' report on operations attached to the annual financial statements and the consolidated financial statements includes a reliable analysis of the business trends, operating result and financial situation of the issuer and all the companies making up the reporting entity, as well as a description of the main risks and uncertainties to which the latter are exposed;
- (ix) to certify that the interim Directors' report on operations attached to the condensed half-yearly financial statements includes a reliable analysis of the information mentioned in article 154-ter, paragraph 4, of Legislative Decree 58/1998;
- (x) to assume any commitment, including of an economic nature, and undertake whatsoever else that may be necessary for discharging the tasks mentioned in 154-bis of Legislative Decree 58/1998;
- (xi) for the purposes of discharging the tasks and/or exercising the powers mentioned in article



154-bis of Legislative Decree 58/1998, to avail of the support and collaboration of other corporate functions (including the Internal Audit Department) should intervention by the latter be deemed necessary or even merely useful towards such end.

In order to fully comply with the article in question, in early 2007, the Company launched an initiative known as the FARG – Financial Accounting Risk Governance Project, the management of which was entrusted to a project-specific structure charged with centrally coordinating all the related activities and supporting project-related worksites specifically established for such purpose. The previous section *“Main features of the Company's risk management and internal control systems related to the financial reporting process”* provides further information on FARG.

## 8. Directors' Interests and Related-Party Transactions

### 8.1 Related-party Transactions

Pursuant to the provisions of section 2391-bis of the Italian Civil Code and the recommendations contained in the Code, on 18 July 2006, the Board approved the rules of conduct to be followed in the case of Transactions with Related Parties and the procedure for complying with the obligations imposed under article 150 TUF governing the conclusion, including through subsidiaries, of transactions in which a director has an interest on his own behalf or on behalf of a third party, and that is to say related-party transactions, with a view to ensuring transparency and substantive and procedural propriety in all such cases (the “Code on Related-party Transactions”).

More specifically, the Code in question regulates the conclusion of transactions with counterparties falling within the scope of “related party” within the meaning of IAS/IFRS 24 pursuant to which a party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
  - (i) controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and associates);
  - (ii) has an interest in the entity that gives it significant influence over the entity;or
  - (iii) has joint control over the entity;
- (b) the party is an associate of the entity;
- (c) the party is a joint venture in which the entity is a venturer;
- (d) the party is a member of the key management personnel of the entity or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

The Code on Transactions with Related Parties sets forth specific provisions regarding decision-making powers, the obligation to provide grounds for decisions and the documents to be prepared. First and foremost, the Code defines a “Transaction with Related Parties” as a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. It then identifies three categories of Transactions with Related Parties:

- (i) Ordinary Transactions with Related Parties, that is to say, usual and typical transactions that are a normal feature of the Company's routine business, as well as transactions between the Company and/or Interested Companies and other related parties not exceeding € 5,000,000.00 (five million/00) a year;
- (ii) Extraordinary Transactions with Related Parties, that is to say transactions that are not part of the Company's routine business within the meaning of point (i);
- (iii) Significant Transactions with Related Parties, that is to say, the extraordinary transactions that, in light of their subject-matter, amount, procedures or time of completion, could have an impact on the Company's equity or the completeness and correctness of the information, including accounting information, pertaining to Banca Generali.



The Code then goes on to establish that all resolutions pertaining to Transactions with Related Parties are, as a general rule, reserved to the sole competence of the administrative organ of the Company and/or its subsidiaries involved in the transaction (collectively, the “Interested Companies”).

Furthermore, the Code provides that no “Significant Transaction with Related Parties” involving Interested Companies other than Banca Generali, may be effected without prior authorisation from the Company’s Board.

For the purposes of the aforesaid authorisation and in compliance with the recommendations set forth in the Code, the Company’s administrative organ must be adequately informed about (i) the nature of the relationship, (ii) the operating procedures of the transaction, (iii) the terms and conditions, including the time and amounts involved in the transaction; (iv) the assessment procedure followed, (v) the interests and grounds underlying the transaction as well as (vi) any risks arising from the transaction, for the Interested Company and/or Banca Generali.

Should, one or more of the counterparties to the transaction subject to Board authorisation, be related to one or more members sitting on the Board making the decision, or, in any event, should one or more members of the said Board hold an interest, even if only potential or indirect, on their own behalf or on behalf of third parties, the said Board members shall be bound to make timely and full disclosure thereof to the Company’s administrative and internal control organs, specifying the nature, origin, extent and terms of the interest they hold.

The Code on Transactions with Related Parties, moreover, provides, that in the case of Ordinary Transactions with Related Parties, the related decision-making and executive powers could be delegated to one or more members of the administrative organ of the Interested Company, under joint or sole signature, in derogation of the said administrative organ’s competence over such matters, it being however understood that no such delegation may be made to persons holding an interest, including if only potential or indirect, on their own behalf or on behalf of third parties, in the conclusion of the said transaction and in the case where the transaction falls within the scope of article 136 of the Banking Consolidation Law (Testo Unico Bancario - TUB).

Should, the nature, value or other features of Transactions with Related Parties, so warrant, in order to avoid the risk of the transaction being effected at terms and conditions other than arm’s length terms, the competent administrative organ shall avail of the advice of independent experts, with acknowledged professionalism and experience in respect of the matters involved in the decision, who must be required to show that they are in fact independent and free from conflicts of interest with regard to the transaction. During the year, business with Related Parties was conducted in compliance with above provisions. Primarily as concerns the two major transactions (the merger of Banca BSI Italia into Banca Generali following the transfer to BG SGR of a division organised by BSI Italia to handle portfolio management and the merger of Generali Investments Management into subsidiary Generali Fund Management), the Board of Directors sought the advice of an independent expert.

Lastly, the Code on Transactions with Related Parties requires the Company’s Board to disclose, in its report all Transactions with Related Parties effected during the financial year, including through Interested Companies other than the Company. Towards such end, Interested Companies, other than the Company are required to forward to Banca Generali’s Board, within seven calendar days following the end of each calendar quarter, a summary note indicating (i) executive activities and developments regarding Transactions with Related Parties authorised by the competent administrative organ or effected in exercise of powers delegated as described above; (ii) any and all initiatives launched; (iii) any and all projects launched; (iv) any and all difficulties or problems encountered, as well as (v) any and all other useful information regarding the said transactions.

In light of, inter alia, the information received pursuant to the preceding paragraph, the Company’s Board of Directors shall submit to the Board of Statutory Auditors, in a timely manner and in any event, at least on a quarterly basis, a report on the Transactions with Related Parties effected during the quarter, including through Interested Companies, as well as on the ongoing performance — at the end of the quarter — of Transactions with Related Parties which, by their very nature, must be implemented over time or periodically. More specifically, the Board’s report shall focus on the interests underlying Transactions with Related Parties, the nature of the relationships with counterparties, as well as the operating procedures (including the terms and

conditions, including economic terms, governing performance), and on the assessment procedures followed.

The Company's Board of Statutory Auditors shall monitor compliance with the provisions of the Code and shall submit a report in such regard to the Shareholders' Meeting mentioned in section 2429, paragraph 2, of the Italian Civil Code.

Lastly, the adoption and/or amendment of the Code on Related-party Transactions, especially amendments of the procedures for the approval and performance of transactions with related parties effected by the Company or its subsidiaries, are subject to the opinion of the Internal Control Committee set up within the Board of Directors and made up entirely of independent directors (see, below, "Internal Control Committee").

The Code on Related-party Transactions can be viewed on the corporate website ([www.bancagenerali.com](http://www.bancagenerali.com)), section "*Corporate Governance – Corporate Governance System – Governance Policies*"

### ***8.2 Obligations of Company Officers and Executives Pursuant to Legislative Decree No.136 of TUB***

With regard to the obligations binding on company officers and executives of banks and companies belonging to banking groups, it must be borne in mind that pursuant to Article 136 of the Consolidation Law on Banking (Legislative Decree No. 385/1993), the said persons are barred from assuming obligations and/or effecting trading transactions of any nature or kind whatsoever, directly or indirectly, with the bank or banking group companies. By the same token, company officers and executives charged with administrative, managerial and control functions within a banking group company, may not effect any of the said transaction with the companies within which they discharge such functions, or any loan transactions whatsoever with another company or bank belonging to the same banking group as the company or companies within which they serve. This prohibition may be lifted only by Board resolution passed unanimously as well as with the approval of all the members of the control body, and the prior consent of the Parent Company in the case of transactions to be effected with any of the companies belonging to the banking group.

Pursuant to law No. 262 of 28 December 2005 "Provisions for the protection of investors and for regulating financial markets", the requirement of prior consent was extended to obligations entered into with: (a) companies controlled by officers and executives of the bank or other Group companies; (b) companies where such persons perform administrative, management and control functions; (c ) companies controlled by or that control those companies.

However, pursuant to the amendments introduced by Legislative Decree No. 303 of 29 December 2006, "Coordination with Law No. 262 of 28 December 2005, of the Consolidation Law on Banking and Credit and the Consolidation Law on Financial Intermediation", the scope of Article 136 of Legislative Decree No. 385/1993 was narrowed with the lifting of the requirement of prior Board authorisation for obligations entered into between companies belonging to the same banking group, or between banks belonging to the same banking group, in the case of transactions effected on the inter-bank market.

In order to constantly monitor situations that could give rise to potential conflicts of interest, Banca Generali has adopted the specific measures and precautions listed below: (i) at the time of their appointment, all company officers and executives are directly and personally made aware of the contents of the regulations in question, through a summary brochure of the obligations arising under the current regulatory framework as well as a "Personal Data Sheet" to be filled in by company officers and executives, specifying the positions they hold and the relationships relevant for the intents and purposes of Article 136 of the Consolidation Law on Banking; (ii) custom-designed purpose-specific software is used to record all the information contained in the personal data sheet, as most recently updated; (iii) regulatory compliance is monitored with a view to preventing conflicts of interest (by subjecting transactions effected by persons invested with powers of business administration, management or control, using the monies, assets or guarantees of the Bank or group companies, to specific assessment by the Bank's governing and control bodies) – through specific computerised processes that prevent the transactions in questions from being completed unless all related regulatory procedures and formalities are strictly complied with.

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## 9. Board of Statutory Auditors

### *9.1 Appointment of the Board of Statutory Auditors*

The Board of Statutory Auditors consists of three regular and two alternate Auditors, whose functions, duties and terms of office are defined by the law.

Pursuant to Article 20 of the Articles of Association, regular and alternate Auditors must possess the requisites required by law and are eligible for reappointment. Those whose situations are incompatible pursuant to law and persons who serve as company directors or officers in other companies beyond the thresholds established under applicable regulations, may not be appointed to the Board of Statutory Auditors, and if so appointed, will fall from office.

Auditors are appointed on the basis of lists of candidates, in accordance with the procedures set forth below.

Those shareholders who, alone or in conjunction with other shareholders represent the percentage of share capital envisaged for the Company to submit lists of candidates for appointment of the Board of Directors, are entitled to submit a list. Currently, the percentage is 2.5%. Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) may contribute to the submission of only one list. In the event of breach, account will not be taken of the relative backing given to any of the lists.

The lists are made up of two sections: one for the appointment of the regular Auditors and the other for the appointment of the alternate Auditors. The lists contain a number of candidates no higher than the number of members to be elected, listed by progressive number. Each candidate may appear on only one list, upon penalty of ineligibility. Together with each list and within the term established for the filing of lists, the shareholders submitting the lists must also file at the registered office, certification attesting their ownership of their respective shareholdings, and (i) information pertaining to the identity of the shareholders submitting the lists, with an indication of the percentage of share capital they jointly hold; (ii) exhaustive information on the personal and professional features of the candidates included in the list; (iii) a declaration by shareholders other than those who, even jointly, hold a controlling interest or relative majority stake, attesting the absence of associative relationships with the latter; (iv) the declarations in which each candidate accepts nomination and also certifies, under his own responsibility, the inexistence of causes of incompatibility and of ineligibility, as well as possession of the requisites of integrity and professionalism which prevailing laws require for the office of Auditor of the Company.

The lists, signed by the person submitting them, must be filed at the Company's registered office and published in at least one national daily newspaper, at least fifteen days prior to the date set for the Shareholders' Meeting in first call. In the case where, by the aforesaid deadline, submission has been made of only one list or only of lists submitted by shareholders associated amongst themselves, the relevant statutory and regulatory provisions shall apply.

Each shareholder (as well as (i) shareholders belonging to the same group, the latter being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of article 2359 of the Italian Civil Code, and each subsidiary controlled by, or under the common control of the said party or (ii) shareholders who have entered into the same shareholders' agreement within the meaning of article 122 of Legislative Decree No. 58 of 24 February 1998 as further amended, or (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and/or regulatory framework) shall be entitled to vote for only one list.

The first two candidates on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes from amongst the lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes, shall be deemed elected regular

Auditors; the first candidate on the list obtaining the highest number of votes and the first candidate on the list obtaining the highest number of votes and submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes, will be elected alternate Auditors. In the case where only one list is submitted, the entire Board of Statutory Auditors is appointed from the said list.

Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Statutory Auditors and the Chairman thereof, by majority of the votes cast, in accordance with law.

In the event of votes being equal between two or more lists the younger candidates will be elected until all the posts to be assigned have been filled.

The first candidate on the list obtaining the highest number of votes, from amongst those lists submitted and voted by shareholders who are not associated, not even indirectly, with the shareholders who submitted and voted for the list obtaining the highest number of votes on the overall, shall be elected Chairman of the Board of Statutory Auditors. In the event of votes being equal between two or more minority lists, the provisions of the previous paragraph will apply. In the event of submission of a single list, the first candidate specified therein will take the chairmanship.

In the case of the death, resignation or forfeiture of an acting Auditor, the first alternate Auditor belonging to the same list as the replaced Auditor will succeed him. Such alternate shall be appointed for a period coterminous with the term of the other acting Auditors in office at the time of his appointment. Should the outgoing Auditor be the Chairman of the Board of Auditors, his replacement on such Board shall also assume the Chairmanship of the Board of Auditors. In the case where it is not possible to proceed as indicated above, the term of the entire Board of Statutory Auditors shall be deemed to have expired in full with immediate effect, and accordingly, a Shareholders' Meeting must be called to pass resolutions on the appointment of a new Board of Statutory Auditors pursuant to the voting list system aforementioned.

The members of the Board of Statutory Auditors must be selected from amongst persons who have acquired, on the overall, at least three years' experience:

- a) professional activities or permanent university teaching in legal, economic, financial and technical/scientific subjects strictly pertinent to the Company's business activities;
- b) senior management functions in public entities or public administration operating in sectors strictly pertinent to the Company's activity,

In such regard, article 20 of the Articles of Association provides that: (i) fields and sectors closely related to the Company's business activities shall include all those mentioned in point (a) above pertaining to banking, and economic sectors closely related thereto; (ii) economic sectors closely related to banking shall include the credit, parabanking, financial and insurance sectors.

## **9.2 The Board of Auditors**

Banca Generali's current Board of Auditors which was appointed by the Shareholders' Meeting of 21 April 2009, and extended as regards an alternate Auditor, by Shareholders' Resolution on 23 November 2009, is to remain in office through the date of approval of the financial statements for the year ending 31 December 2011.

The table provided in Attachment 2 lists the members of the Board of Statutory Auditors as of 31 December 2009, other information about them and Board meeting attendance.

The Shareholders' Meeting of 21 April 2009 unanimously elected the members of the Board of Statutory Auditors from the only list presented by controlling shareholder Assicurazioni Generali S.p.A. The list contained the nominees that were elected, as follows: Acting Auditors (Giuseppe Alessio Verni, Angelo Venchiarutti and Corrado Giammattei) and Alternate Auditors (Alessandro Gambi and Luca Camerini). Following the resignation of Acting Auditor Corrado Giammattei on 8 May 2009, Alternate Auditor Alessandro Gambi took his place as Acting Auditor. In accordance with Article 20 of the Articles of Association, the appointment will remain in effect until the date the financial statements at 31 December 2011 are approved. The Shareholders' Meeting of 23 November 2009 decided, by majority vote (in consideration of the only list presented and the provisions of Article 20 of the Articles of Association), to add one Alternate Auditor to the Board of Statutory Auditors, namely Anna Bruno.

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A summary profile of the members of the Board of Statutory Auditors, is provided below.

Giuseppe Alessio Verni. Born in Trieste on October 5, 1964, Giuseppe Alessio Verni graduated in Economics from the University of Trieste in 1989. He is registered with the rolls of Certified Public Accountants and Commercial Experts of Trieste, as well as the list of Certified Auditors, the rolls of the Technical Consultants to the Civil Court of Trieste and the rolls of Auditors of Cooperative Societies. Within the framework of his professional activities, he has acquired experience in the field of accounting, business administration, finance, taxation and tax litigation, and as a valuer of corporations and extraordinary corporate transactions. Since 1993, he acts as an Official Receiver with the Civil Court of Trieste. He has held the office of Director of the Roll of Certified Public Accountants of Trieste for the three years from 2000 to 2003 and was elected to the current Board of the Roll of Certified Public Accountants and Commercial Experts of Trieste. He is currently the Chairman of the Boards of Statutory Auditors of Banca Generali and S.Alessandro Fiduciaria S.p.A. and is also a Statutory Auditor of Assicurazioni Generali and another listed company.

Alessandro Gambi. Born in Ferrara on 17 May 1965, he graduated in Economics from the University of the same city in 1989: he is registered with the Roll of Certified Public Accountants and Commercial Experts of Trieste, in the list of Certified Auditors since 2000 and with the rolls of the Technical Consultants and Experts since 1999. He works almost exclusively in business, corporate and tax consulting. He also acts as an expert on Article 2343 of the Italian Civil Code with regard to extraordinary transactions. He is currently the Chairman of the Boards of Statutory Auditors of BG SGR S.p.A, and is also a Statutory Auditor of BG Fiduciaria Sim S.p.A.

Angelo Venchiarutti. Born in Rome on 20 September 1956, Angelo Venchiarutti graduated in Law from the University of Trieste in 1981. He earned a doctorate in Civil Law in May 1983, was appointed Associate Professor of Comparative Private Law in 1999 and subsequently tenured Professor of Private Law. He currently holds various positions with the University of Trieste where he has conducted a large number of university and other courses. He is also involved in research, and has published a large number of papers on civil law, comparative private law and commercial and insurance law. He does not serve as an acting or alternate member on the Board of Statutory Auditors of any other listed company.

Luca Camerini. Born in Trieste on 8 October 1963, Luca Camerini graduated in Economics from the University of Trieste in 1988. He is registered with the rolls of Certified Public Accountants of Trieste as well as the list of Certified Auditors. He has had his own practice since 2008.

He serves as Acting Auditor with various Generali Group companies.

Anna Bruno. Born in Trieste, Italy on 16 October 1967, Anna Bruno obtained her diploma in Accounting and Business and is registered with the Roll of Certified Accountants and Expert Auditors of Trieste and the Institute of Certified Auditors. She serves as an Acting and Alternate Auditor at various Generali Group companies.

The Board of Statutory Auditors met 25 times in 2009. The average attendance of Auditors at Board of Directors' meetings in 2009 was 93.33%. A total of 22 meetings are planned for 2010. To date, seven meetings have been held since the beginning of the year.

On 21 April 2009, following its appointment, the Board of Statutory Auditors assessed the independence of its members. On 17 December 2009, the Board assessed the independence of its recently appointed member Anna Bruno.

In carrying out the aforesaid assessments, the Board of Statutory Auditors applied all the criteria recommended in the Corporate Governance Code in respect of the independence of Directors. Any Auditor who holds any interest, whether on his own behalf or on behalf of others, in any transaction effected by the Company, must give timely and exhaustive notice of the nature, origin and terms of the said interest, to the other Auditors and the Chairman of the Board of Directors. A similar notice must be given to Auditors who are in any of the situations set out in Article 136 of TUB (see section entitled "*Obligations of Company Officers and Executives Pursuant to Article 136 of the TUB*").

The Board of Statutory Auditors has monitored the independence of the independent auditors, in terms of both compliance with the relevant requirements, and the nature and volume of non-auditing services rendered to the Company and its subsidiaries by the said independent auditors and entities belonging to the same network.

In performing its duties, the Board of Statutory Auditors coordinated its efforts with the control units (*compliance, internal audit and risk management*) and the Internal Control Committee.

## 10. Investor Relations

Banca Generali feels that it has a specific interest — as well as a duty towards the market — to engage in ongoing dialogue, based on a mutual understanding of roles and responsibilities, with its Shareholders, in general, as well as with institutional investors, such dialogue being placed within the framework of procedures for the public disclosure of corporate information and documents.

In particular, the Company avails of Shareholders' Meetings to provide Shareholders with information on the Company and its prospects, obviously, in compliance with the regulations governing inside information, and therefore, whenever necessary, by simultaneously disclosing the same information to the market.

The Company Secretariat liaises with Shareholders on a day-to-day basis through the Shareholder Relations and Management Division, set up within the Legal and Compliance Department.

On the other hand, the Investor Relations Department that reports directly to the Chief Executive Officer, is in charge of liaising with institutional investors.

### INVESTOR RELATIONS

Giuliana Pagliari

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[Investor.relations@bancagenerali.it](mailto:Investor.relations@bancagenerali.it)

The Company uses its website to allow the public to consult constantly updated information regarding the Company, its products and services.

Apart from a presentation and historical overview of the Company and the Group, the website hosts the most significant documents pertaining to Corporate Governance, all the press releases on the main corporate events as well as financial and accounting data.

The website also presents the Calendar of Events indicating the dates of meetings of Corporate Organs, such as Shareholders' and Board meetings called for the approval of the draft annual financial statements, the consolidated financial statements, the half-yearly and quarterly reports, as well as for making decisions in respect of purely financial matters.

In order to ensure the transparency and effectiveness of the information disclosed to the public, the site is constantly updated.



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## 11. Shareholders' Meetings (Pursuant to Article 123-bis, paragraph 2, letter C), TUF)

### *11.1 Procedures Governing the Conduct of Shareholders' Meetings*

The procedures governing the conduct of Shareholders' Meetings are regulated by the Articles of Association and the Regulations of the Shareholders' Meeting.

The condition of shareholder implies acceptance of the Memorandum of Association and of the Articles of Association.

The Shareholders' Meeting is the body that expresses the Company's will through its resolutions. Resolutions adopted by Shareholders' Meeting in compliance with the law and these Articles of Association are binding on all shareholders, including those who are absent or dissenting.

The Shareholders' Meeting may be held at the registered office or at another venue, provided that it is in Italian territory. The Shareholders' Meeting is convened by the Board of Directors, and is called through notice published in the Official Journal of the Italian Republic or in the "Il Sole 24 Ore" newspaper, by the terms set forth in applicable legislation. The Shareholders' Meeting is called whenever the administrative body deems necessary and advisable or upon request of the Board of Statutory Auditors or of the shareholders, in accordance with the law, or in the other cases in which call of the Shareholders' Meeting is obligatory pursuant to law. The ordinary Shareholders' Meeting must be called at least once a year within 120 days of closure of the financial year. This deadline may be extended to 180 days where certain legal conditions are met.

In the cases provided by law, those shareholders who, alone or in conjunction with others, represent at least one tenth of the share capital, are entitled to request call of the Shareholders' Meeting. Those shareholders who, alone or in conjunction with others, represent at least one fortieth of the share capital, are entitled to request, in compliance with laws in force, integration of the list of items on the agenda.

The notice of call may specify the date of a second or third call, in the event that the Meeting does not prove to be legally constituted.

Shareholders with voting rights may attend the Meeting, provided that they prove their entitlement according to the procedures established by law and that the notice of the intermediary who keeps the accounts relating to the shares and which replaces the deposit of shares to prove entitlement to attend the Meeting, is received by the Company, at the registered office, at least two days prior to the date established for the meeting in first call or within the different term that may be specified, in accordance with the provisions of the law, in the notice of call.

Shareholders may be represented by others in the Shareholders' Meeting in accordance with the provisions of the law.

Legal provisions are observed with regard to the validity of Shareholders' Meetings and their resolutions.

Ordinary and extraordinary Shareholders' Meetings are attributed all the powers to which they are respectively entitled pursuant to current regulations. The Ordinary Shareholders' Meeting shall establish the remuneration due to the organs it appoints. The said Shareholders' Meeting may provide for a lump-sum amount covering the remuneration of all company directors, including those invested with specific tasks, such lump-sum amount being subject to distribution amongst individual directors pursuant to the determinations of the Board of Directors. 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.

Under the Article 18 of Association the Board of Directors is exclusively qualified to deliberate on matters pertaining to the setting up or closing down of secondary offices, indication of which Directors may represent the Company and use the company signature, mergers, in the cases permitted by law, amendments to the provisions of the Articles of Association that no longer comply with new and mandatory regulatory provisions.



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### *11.2 Regulations of the Shareholders' Meeting*

Pursuant to article 23 of the Board Rules, the Company encourages Shareholders to attend all Shareholders' Meetings.

The Board shall report to the Shareholders' Meeting in respect of completed and scheduled activities and shall ensure that all Shareholders are provided adequate information on all pertinent matters so as to enable them to make informed decisions about the items placed on the agenda of Shareholders' Meetings.

In compliance with the recommendations of the Code, the Shareholders' Meeting of 3 October 2006 approved its own Regulations, setting forth the procedures to be followed in order to ensure orderly proceedings. The Regulations of the General Shareholders' Meeting are available for consultation at the Company's registered offices as well as on its website, under the section *"Corporate Governance-AGM-Attending the AGM"*

The said Regulations are aimed at regulating the proceedings of ordinary and extraordinary Shareholders' Meetings, and ensuring the proper and orderly functioning of the same and, in particular, the right of each shareholder to take part and express an opinion on the items under debate. The Rules, therefore, constitute a valid tool for ensuring the protection of the rights of all the Company's shareholders and the proper approval of shareholders' resolutions.

In particular, pursuant to provisions contained in the Regulations of the General Shareholders' Meeting, shareholders with the right to speak have the right to speak on each one of the issues placed up for discussion and make proposals on them. Entitled shareholders intending to take the floor must request the same from the Chairman, after the debate is opened following reading of the item on the agenda in respect of which the entitled shareholder in question wishes to speak, but before the Chairman declares the debate on such item closed. Such request must be made by the raising of hands, unless the Chairman orders written requests to be submitted. In the case where requests to take the floor are made by the raising of hands, the Chairman shall grant the floor to the person who first raises his hand; in the case where it is not possible to determine precisely which person was the first to raise his or her hand, the Chairman shall grant the floor in accordance with the order established by the Chairman himself, at his sole discretion. In the case where written requests to take the floor are required, the Chairman shall grant the floor in accordance with the order in which requests to speak were received. The Chairman and/or, on his invitation, the Directors and the Statutory Auditors, respond to persons with the right to speak according to their areas of expertise or when deemed useful by the Chairman, after the speech of each one or after all speeches have been given on each item of the agenda, according to the procedure laid down by the Chairman. Persons with the right to speak have the right to make one speech on each item on the agenda, except for a reply and a statement of vote, each of a duration of no more than five minutes. The Chairman, taking into account the issue and the importance of the single items on the agenda, announces the period of time available for the speech of each person with the right to speak, normally not less than five minutes and not exceeding ten minutes. When such period of time has expired, the Chairman may invite the person with the right to speak to conclude within another five minutes.

Trieste, 8 March 2010

THE BOARD OF DIRECTORS



## Annex 1: BOARD OF DIRECTORS' AND COMMITTEES' STRUCTURE

Board of Directors										Internal Control Committee		Remuneration + Committee	
Office held	Member	In office from	In office until	List (M/n)	Exec.	Non-exec	Indep. as per Code	Indep. as per TUF	Number of other appointments (%)	Member	(%)	Componente	(%)
Chairman	Giovanni Perissinotto	21.04.09	31.12.11	M(*)		X(**)			80	2			
Managing Director	Giorgio Girelli	21.04.09	31.12.11	M(*)	X				100	/			
Director	Fabio Buscarini	21.04.09	31.12.11	M(*)		X			73.63	2			
Director	Amerigo Borri	21.04.09	31.12.11	M(*)	X				86.67	6			
Director	Paolo Baessato**	21.04.09	31.12.11	M(*)		X	X(***)	X(***)	80	7			
Director	Andrea de Vido	21.04.09	31.12.11	M(*)		X			80	13		X	100
Director	Attilio Leonardo Lentati	21.04.09	31.12.11	M(*)		X	X	X	86.67	2	X 88.88	X (Chairman)	100
Director	Aldo Minucci	21.04.09	31.12.11	M(*)		X			66.67	5			
Director	Angelo Miglietta	21.04.09	31.12.11	M(*)		X	X	X	100	20	X (Chairman)	100	X 100
Director	Ettore Riello	21.04.09	31.12.11	M(*)		X	X	X	60	4	X 50		

(\*) Majority list is the only list presented.

(\*\*) The Chairman, as required by the Bank of Italy's provisions, does not have any operating power within the company.

(\*\*\*) With reference to Paolo Baessato, it is noted that on 24 February 2010 the Board of Directors found that the same complies with the independence requisites, taking into account the fact that the company Intesa Sanpaolo has not held any equity investments in Banca Generali SpA since 30 July 2009.

## DIRECTORS WHO LEFT DURING THE REFERENCE YEAR

Board of Directors										Internal Control Committee		Remuneration Committee	
Office held	Member	In office from	In office until	List (M/n)	Exec.	Non-exec.	Indep. as per Code	Indep. As per TUF	Number of other appointments (%)	Member	(%)	Member	(%)
Director	Alfio Noto	16.11.06	21.04.09	-		X	X	X	80	/	X (Chairman)	100	X 100

## NECESSARY QUORUM TO PRESENT LISTS FOR THE LATEST APPOINTMENT

2.5%

Number of Meetings held during reference year	Board of Directors	Internal Control Committee	Remuneration Committee
	15	8	4

## Annex 2: STATUTORY AUDITORS' STRUCTURE

Board of Statutory Auditors							
Office held	Member	In office from	In office until	List (M/n)	Indep. As per Code	(%)	Number of other offices
Chairman	Giuseppe Alessio Verni	21.04.09	31.12.11	M(*)	X	100	11
Acting Auditor	Angelo Venchiarutti	21.04.09	31.12.11	M(*)	X	80	5
Acting Auditor	Alessandro Gambi(**)	08.05.09	31.12.11	M(*)	X	100	14
Alternate Auditor	Luca Camerini	21.04.09	31.12.11	M(*)	X		11
Alternate Auditor	Anna Bruno	23.11.09	31.12.11	(***)	X		25

(\*) Majority list is the only list presented.

\*As of 8 May 2009, Alessandro Gambi replaced the Acting Auditor Corrado Giammattei who had resigned from office.

(\*\*\*) Elected by majority vote pursuant to the Articles of Associations, lacking any lists.

## LEAVING AUDITORS DURING REFERENCE YEAR

Acting Auditor	Corrado Giammattei	21.04.09	08.05.09	M(*)	X	----	19
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NECESSARY QUORUM TO PRESENT LISTS FOR THE LATEST APPOINTMENT	2.5%
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Number of Meetings held during the reference year	25
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### Annex 3: OTHER PROVISIONS OF THE CORPORATE GOVERNANCE CODE

	YES	NO	Summary of the reasons for any differences from the recommendations
Proxy system and transactions with related parties			
Has the BoD granted proxies and defined:			
a) limits	X		
b) methods of execution	X		
c) and information release schedules?	X		
Is the BoD to examine and approve transactions of particular economic and financial importance (including transactions with related parties)?	X		
Has the BoD defined guidelines and standards for identifying "significant" transactions?	X		
Have the standards and guidelines been described in the report?	X		
Has the BoD defined specific procedures for assessing and approving transactions with related parties?	X		
Are these approval procedures for transactions with related parties described in the report?	X		
Procedures for the most recent appointment of Board Members (21 April 2009) and Auditors (21 April 2009)			
Were the candidates for Director recorded at least ten days in advance?	X		
Was sufficient information provided with the candidacies for Director?	X		
Was an indication of independent-status qualifications included with the candidacies for director?	X		
Were the candidates for Auditor recorded at least fifteen days in advance?	X		
Was sufficient information provided with the candidacies for Auditor?	X		
Shareholders' Meetings			
Has the company approved Regulations of the General Shareholders' meetings?	X		
Are these rules (or indications as to where they are available) included with the report??	X		
Internal Control			
Has the Company appointed the persons to be in charge of internal control?	X		
Are these people free of hierarchical connections to heads of operational units?	X		
Company unit in charge of internal control (as per Article 9.3 of the Code)	Responsabile del Servizio <i>Internal Audit</i>		
Investor relations			
Has the Company appointed a head of <i>investor relations</i> ?	X		
Company unit and contact info (address/phone/fax/e-mail) of the head of investor relations	Investor Relations: dott.ssa Giuliana Pagliari, Via Ugo Bassi n. 6, Milano, Tel. + 39 02 60765486, Fax +39 02 69 462 138 Investor.relations@bancagenerali.it		