

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

Remuneration Policies: Banking Group's Remuneration Policies and Report on the Application of Remuneration Policies in 2012

Shareholders,

We hereby remind you that, with a view to reinforcing minimum standards of organisation and corporate governance, and ensuring “sound and prudent management” (Article 56 of Legislative Decree 385/1993), by provision 264010 of 4 March 2008, entitled “Supervisory Provisions Concerning Banks' Organisation and Corporate Governance”, the Bank of Italy established a regulatory framework under which corporate governance is to play a central role in defining corporate strategies and risk assessment and management policies within the banking and financial industry.

One of the objectives that the Bank of Italy wished to pursue with the aforesaid provision is the definition of remuneration mechanisms consistent with the risk management policies and long-term strategies.

With subsequent Provision of 30 March 2011, the Bank of Italy transposed Directive 2010/76/CE (so-called CRD 3), issuing the “Provisions governing the remuneration and incentive policies of banks and banking groups” (hereinafter also “Supervisory provisions”). The so-called CRD 3 Directive sets forth specific principles and requirements that banks must comply with so as to ensure that: remuneration systems are properly designed and implemented; potential conflicts of interest are effectively managed; the remuneration system takes due account of current and prospective risks, the degree of capitalisation, as well as liquidity levels of each intermediary; transparency towards the market is maximised; and oversight by regulatory authorities is reinforced.

The proposed Italian text is aimed at promoting — in the interest of all stakeholders — the implementation of remuneration systems that are in line with long-term corporate objectives and strategies, linked to corporate performance but appropriately corrected to reflect all risks, commensurate with the capital and liquidity levels required to cover ongoing business operations, and in any event, designed to avoid distorted incentives that could lead to regulatory violations and excessive risk-taking by individual banks and within the whole system.

The above-mentioned regulation also envisages that:

- (i) in addition to establishing the remuneration of the members of the corporate organs, the Ordinary Shareholders' Meeting shall also approve the remuneration policies applicable to bodies and functions of oversight, management and control, as well as to personnel;
- (ii) the Shareholders' Meeting itself shall be provided information on the procedures through which remuneration policies were applied and implemented (so-called "information after the fact").

At the same time, by Resolution of 23 December 2011, CONSOB laid down systematic rules streamlining currently applicable instructions on transparency and the disclosure of the remuneration of management level executives of issuers of listed securities. Under the said rules, issuers of listed securities are required, *inter alia*, to draw up a report on remuneration, without prejudice to the remuneration-related obligations imposed under industry-specific regulations applicable by reason of the industrial sector in which the listed corporation operates.

Lastly, the framework of reference outlined above includes recommendations set forth in the Corporate Governance Code for Listed Companies that your Company has voluntarily adopted, and that entrench the principles contained in the Recommendations issued by European authorities regarding the content of remuneration policies and the process through which they are defined.

It should also be noted that, in its Circular of 13 March 2013 ("2012 Accounts: Valuation of credit assets, remuneration policy, distribution of dividends"), the Bank of Italy provided guidelines on the issue of remuneration policies, specifying the terms for the proper implementation of Provisions of 30 March 2011 for banks closing financial year 2012 with a loss or a negative risk-adjusted operating margin. In this regard, Banca Generali does not fall within the scope of the two cases outlined above; therefore, the Circular does not apply with reference to the payment of the variable component of remuneration in 2012.

In light of all of the above, we therefore call your attention on the attached Remuneration Report, made up of two sections: the first illustrates the remuneration policy of the Company and the Group, while the second highlights the procedures through which the said policy has been implemented in the financial year 2012, and specifies the emoluments actually paid.

In referring you to the attached document for further details, in accordance with the aforementioned Bank of Italy Instructions and CONSOB regulations, you are invited to approve the contents of the first section of the Report which, as noted above, illustrates the remuneration policies adopted by the Company and the Group, as well as the

procedures followed for the adoption and implementation of the said policies, it being understood that the second section is provided to ensure compliance with statutory reporting obligations towards the Shareholders' Meeting.

In such regard, it must further be borne in mind that, pursuant to the Bank of Italy's Supervisory Instructions, referenced above:

- in defining remuneration policies, due account was taken of the compliance function's assessment of compatibility of the said policies with the regulatory framework of reference, with specific emphasis, *inter alia*, on the extent to which the Company's incentive system is in line with objectives of compliance with regulations, the Articles of Association, as well as any and all other codes of ethics, rules of conduct, or standards that the bank is required to comply with, above all with a view to appropriately containing the legal and reputational risks associated, in particular, with customer relations;
- the internal audit function was called upon to verify, at least once a year, the extent to which remuneration practices are compliant with the approved policies and the Supervisory Instructions.

The attached document also provides a summary of the results of the aforesaid checks which confirm (i) the compatibility of the Banking Group's remuneration policies for 2013 with the regulatory framework of reference, and (ii) the operating compliance of remuneration practices with regulations and the remuneration policies approved by the Shareholders' Meeting on 24 April 2012.

Lastly, we remind the attendees that pursuant to the Bank of Italy Order of 30 March 2011, the Remuneration Committee is required to report to corporate bodies, including the Shareholders' Meeting, on the activities undertaken by the said committee in respect of remuneration policies and that such report is also included in the attached document.

An outline draft of the resolution that the General Shareholders' Meeting is invited to pass by way of approval of the aforesaid proposal is provided below:

"The Shareholders' Meeting of Banca Generali S.p.A., held in ordinary session, at the offices of Assicurazioni Generali S.p.A. in Trieste, Via Trento 8,

- having regard to the Order of the Bank of Italy of 30 March 2011;

- having regard to Article 123-*ter* of Legislative Decree 58 of 24 February 1998;

- having regard to Article 84-*quater* of CONSOB Resolution 11971 of 14 May 1999, as amended and extended;
- having regard to Article 6 of the Corporate Governance Code for Listed Companies (new text approved in December 2011 by the Corporate Governance Committee);
- having examined the Remuneration Report prepared pursuant to Article 123-*ter* of Legislative Decree 58 of 24 February 1998 and the Provision of the Bank of Italy dated 30 March 2011, including Section 2;
- having acknowledged the results of the checks carried out by the internal audit and compliance functions;
- having acknowledged the activities undertaken by the Remuneration Committee in such regard;
- having heard the favourable opinion of the Board of Statutory Auditors,

acknowledges

the contents of the Second Section of the Remuneration Report on the implementation in 2012 of the remuneration policies approved by the Shareholders' Meeting on 24 April 2012 and

resolves

- 1) to approve the First Section of the Remuneration Report, which explains the remuneration policy of the Company and Group;
- 2) to place the Board of Directors in charge of implementing the remuneration policies, allowing the same to appoint one or more of its members to concretely implement such policies.”

Trieste, 28 March 2013

THE BOARD OF DIRECTORS