

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 2013

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 No. 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. Further confirming the reinforcement of this central role, the Bank of Italy, as illustrated below, commenced proceedings to update the said Supervisory Provisions by launching a public consultation in December 2013.

With subsequent Provision of 30 March 2011, the Bank of Italy transposed Directive 2010/76/EC (so-called CRD 3), issuing the “Provisions Governing the Remuneration and Incentive Policies of Banks and Banking Groups” (hereinafter also “Supervisory Provisions”). In particular, the Directive in question laid down specific principles and criteria to be complied with by banks in accordance with the principle of proportionality, in order 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 and appropriately adjusted 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.

Against this backdrop, in December 2013, the Bank of Italy subjected certain amendments to the Supervisory Provisions to public consultation. The amendments are mainly aimed at

transposing into the Italian legal framework the reforms introduced by Directive 2013/36/EU (so-called CRD 4), approved on 26 June 2013, and initially scheduled to be transposed into Italian legislation by 31 December 2013. The final document has not however been published to date, with the result that the amendments are not yet in force.

The amendments primarily entail:

- the introduction of a maximum limit of 1:1 for the ratio of the variable to the fixed component of remuneration;
- the power granted to the Shareholders' Meeting for raising the said ratio above the level established in the preceding point, provided that certain conditions are met and in any event, up to no more than 2:1;
- reinforcement of the provisions governing ex-post adjustment mechanisms for risks (malus and claw-back mechanisms);
- the establishment of limits on variable remuneration where banks fail to observe specific capital requirements;
- the attribution to the EBA of the power to set regulatory technical standards for: (i) the qualitative and quantitative criteria for identifying the most relevant staff; and (ii) the characteristics of the financial instruments to be used for the payment of variable remuneration;
- the revision of the other rules already contained in CRD 3.

The Bank has, in any event, taken concrete steps to align its remuneration policies with the principles underlying the amendments to be brought to the Supervisory Provisions, without however departing from strict compliance with current regulations, given that, at present, the final contents of the aforesaid amendments are unknown and indeterminable.

Moreover, in order to complete the new regulatory framework that is currently under development, in December 2013, the Bank of Italy launched a public consultation also on certain amendments to the supervisory provisions on the corporate governance and organisational layout of banks, in force since March 2008. Amongst the proposed reforms, this document would require also listed banks to be categorised as "large banks with complex operations."

Against this complicated, changing backdrop, the regulatory framework, in any event, remains firm in establishing 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 with 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, it should be recalled that by Resolution of 23 December 2011, CONSOB laid down systematic rules streamlining currently applicable instructions on transparency and the disclosure of the remuneration of managers of issuers of listed securities. Under the said rules, issuers of listed securities are required, *inter alia*, to draw up a remuneration report, without prejudice to the remuneration-related obligations imposed under industry-specific regulations applicable by reason of the 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.

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 2013, and specifies the emoluments actually paid.

In referring you to the attached document for further details, in accordance with the aforementioned Bank of Italy provisions 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 applicable Supervisory Provisions:

- 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 or standards of conduct 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 applicable 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 2013

Lastly, we remind the attendees that pursuant to the Bank of Italy Order of 30 March 2011, the Remuneration Committee (i.e., Remuneration and Nomination 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 No. 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 (according to the 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 No. 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 and Nomination 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 2013 of the remuneration policies approved by the Shareholders' Meeting on 24 April 2013 and

resolves

- 1) to approve the First Section of the Remuneration Report, which explains the remuneration policy of the Company and Group;
- 2) to entrust the Board of Directors with the implementation of the remuneration policies, with the power to delegate to any of the Board's members all concrete steps to be taken to ensure the implementation of such policies."

Trieste, 1 April 2014

THE BOARD OF DIRECTORS