

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

Authorisation to buy back and dispose of treasury shares in service of remuneration policies; assignment of powers; relevant and ensuing resolutions.

Shareholders,

This illustrative report (the “**Report**”) was prepared in compliance with Annex 3, Layout 4, of Consob Regulation adopted through resolution No. 11971 of 14 May 1999, as further amended and extended (“**Rules for Issuers**”), and was approved by the Board of Directors of Banca Generali S.p.A. (“**Banca Generali**” or the “**Company**”). Pursuant to Articles 2357 and 2357-ter of the Italian Civil Code and Article 132 of Legislative Decree No. 58/1998, as further amended and extended (“**TUF**”), the Board submits to you for examination and approval a motion for authorisation to buy back no more than 577,644 ordinary shares in Banca Generali, and the subsequent disposal of the same, following the revocation of the previous authorisation dated 20 April 2017. At present, the aforesaid shares represent 0.494% of the Company’s share capital.

1. **FOREWORD**

The Board of Directors first points out that, pursuant to the provisions set forth in Articles 2357 and 2357-ter of the Italian Civil Code, as well as those under Article 132 of TUF, the Shareholders’ Meeting held on 20 April 2017 authorised the buy-back, in one or more tranches, of a maximum of 411,354 ordinary shares for a period of 18 months, commencing on the date of the aforementioned Meeting (and ending on 20 October 2018).

The previous authorisation called for, *inter alia*, the disposal of the treasury shares for the following purposes:

- the share-based payment of a portion of Key Personnel’s variable remuneration, in accordance with applicable laws and regulations, in particular the Supervisory Provisions issued by the Bank of Italy on 18 November 2014 concerning remuneration and incentivisation policies and procedures (cf. Bank of Italy Circular No. 285 of 17 December 2013, Supervisory Provisions for Banks, Title IV, Chapter 2, “Remuneration and Incentivisation Policies and Procedures”; or the “**Circular**”);
- the assignment to the beneficiaries of Banca Generali’s Network Loyalty Plan of a bonus upon the achievement of pre-set objectives, to be paid in shares for a portion not exceeding 50%.

The Board of Directors announces that the aforementioned authorisation has been fully executed by buying back the maximum amount of 411,354 shares throughout 2017.

In light of the above, and considering the shares needed to implement the Bank's remuneration policies and incentivisation plans in 2018, the Board of Directors deems it appropriate to propose that the Shareholders' Meeting issue a new authorisation, for a similar period of 18 months, commencing on the date of the relevant resolution.

The following is an overview of the terms and conditions of the buy-back and disposal of treasury shares of the Company, which the Board of Directors submits to you so that the relevant authorisation can be issued by the Ordinary Shareholders' Meeting convened on 12 April 2018 (first call) and, if need be, on 13 April 2018 (second call) at the offices of Assicurazioni Generali S.p.A. in Trieste, Via Machiavelli 6.

2. GROUNDS UNDERLYING THE MOTION FOR AUTHORISATION TO BUY BACK AND DISPOSE OF TREASURY SHARES

The Remuneration Policies of the Banking Group headed by Banca Generali (the "**Banca Generali Group**"), which were drawn up in compliance with the Supervisory Provisions set forth in the Circular and will be submitted to the Shareholders' Meeting for approval, require a portion of the variable component of remuneration, including any emolument to be granted in view or in the event of early termination of the professional relationship or the position held, be paid by assigning financial instruments in service of the following.

Share-based incentivisation system

Remuneration policies require that the remuneration package for the personnel identified by the Bank as key personnel ("**Key Personnel**") pursuant to applicable regulations be made of fixed and variable components and that, in accordance with applicable regulatory provisions and principle of proportionality, 25% of the accrued variable remuneration be paid by assigning Banca Generali's ordinary shares.

This provision also applies to subjects, other than those mentioned above, who are identified as Key Personnel by subsidiaries that are required to adopt specific remuneration policies in compliance with local and/or industry regulations.

Early severance package

Within the framework of remuneration policies, early severance packages can be defined in case of early termination of the professional relationship or the position held. With regard to Key Personnel, the Circular mainly subjects this mechanism to the regulatory provisions governing the

variable component of remuneration and, in particular, envisages, inter alia, that a portion of the consideration to be granted in view or in the event of early termination of the professional relationship or the position held be paid by assigning financial instruments.

Banca Generali S.p.A. has opted to implement this provision through assignment of its ordinary shares.

Long-term incentivisation plan called 2018 LTI Plan

In implementation of remuneration policies, it has also been decided to submit for approval to the Shareholders' Meeting the adoption of a long-term incentivisation plan, based exclusively on shares, called *2018 LTI Plan*, which provides for the assignment to the beneficiaries of a number of Banca Generali shares upon the achievement of certain objectives.

2018 Network Loyalty Plan as part of Banca Generali S.p.A.'s Framework Loyalty Programme

In implementing the Framework Loyalty Programme for Financial Advisors and Relationship Managers, approved by the Shareholders' Meeting on 20 April 2017, which governs the 2018 Network Loyalty Plan to be also submitted to the Shareholders' Meeting, it is provided that a part of the accrued bonus, not exceeding 50%, be settled in Banca Generali shares.

In short, this authorisation is therefore aimed solely at endowing the Company with the resources necessary to implement the aforesaid short- and long-term incentivisation plans and loyalty plans (the "**Plans**"), as well as the payment, in compliance with the applicable legislation, of the compensation agreed upon in view or in the event of early termination of the professional relationship.

3. MAXIMUM NUMBER, CATEGORY AND NOMINAL VALUE OF THE SHARES COVERED UNDER THE MOTION FOR AUTHORISATION, IN LIGHT OF THE PROVISIONS OF ARTICLE 2357, PARAGRAPH 3, OF THE ITALIAN CIVIL CODE

The buy-back for which authorisation is requested may be effected in one or more tranches, and refers to Company's ordinary shares of a nominal value of 1.00 euro each.

In light of the maximum number of shares that could potentially be allotted within the above-mentioned Plans (equal to 630,000 shares), and considering the number of shares already held by the Company and purchased in previous years (472,575 treasury shares, of which 420,219 currently restricted for use for prior years' remuneration policies and loyalty plan, and 52,356 currently available), the maximum number of ordinary shares in respect of which the Board of Directors requests the said authorisation stands at 577,644 shares of a nominal value of 1.00 euro each.

The buy-back will be carried out within the limits of distributable profits and unrestricted reserves, as per the latest duly approved Financial Statements.

Pursuant to Article 2357-*ter* of the Italian Civil Code, as per Legislative Decree No. 139/2015, and to Bank of Italy Circular No. 262/2015, the value of the treasury shares purchased will be recognised in the Balance Sheet of the 2018 Financial Statements as a reduction to net equity in Item 170 of Liabilities.

It must be also borne in mind that as at 31 December 2017, Banca Generali held 472,575 treasury shares, or 0.404% of the Company's share capital, and that Banca Generali's subsidiaries hold no shares in their Parent Company. As a result, even if the authorisation is availed of to the fullest extent, the number of treasury shares held by the Company would, in any event, fall well within the limit imposed under Article 2357, paragraph 3, of the Italian Civil Code.

4. TERM OF THE AUTHORISATION

Authorisation to buy back treasury shares is sought for a period of eighteen months following the date on which the related resolution is approved by the General Shareholders' Meeting.

Authorisation to dispose of treasury shares, whether already held by the Company or to be purchased for the purposes detailed above, is sought without any limitation whatsoever in terms of time, given that there are no regulatory constraints in such regard, and that it appears well-advised to afford management the freest hand possible, including in terms of time, with regard to the disposal of treasury shares.

5. MINIMUM AND MAXIMUM PRICE

The minimum purchase price of ordinary shares cannot be lower than the nominal value of the share, equal to 1.00 euro. The maximum purchase price cannot exceed 5% of the reference price of the stock on the trading day preceding the day on which each buy-back is made.

However, in order to assess the maximum impact of the buy-back of treasury shares on Own Funds, the Company will buy back the aforementioned shares at a price not exceeding 41.298 euros per share, corresponding to the closing price of Banca Generali S.p.A.'s stock on 19 March 2018, prudentially increased by 50%.

With regard to the grounds underlying the motion for authorisation, and in particular with reference to the disposal of shares, the said disposal will entail the assignment of treasury shares, free of charge, to Key Personnel of Banca Generali and its subsidiaries as payment — provided that all regulatory requirements and conditions have been met — of the variable component of remuneration, and as settlement, pursuant to applicable legislation, of the compensation agreed

upon in view or in the event of early termination of the professional relationship or the position held, and to the beneficiaries of the 2018 LTI Plan and the beneficiaries of the 2018 Network Loyalty Plan, provided, obviously, that any and all conditions, whether regulatory or imposed under the plans, have been met. It must be pointed out that the aforesaid assignment can be also made by granting treasury shares already held by the Company.

6. BUY-BACK AND DISPOSAL PROCEDURES

Pursuant to Article 144-*bis*, paragraph 1(b), of the Rules for Issuers, the treasury shares shall be purchased in accordance with the operating procedures set forth in the organisational and operating rules of the markets themselves, so as to ensure equal treatment for all Shareholders. Accordingly, the buy-back shall be made exclusively, including in several tranches, on the regulated market 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 predetermined sell orders.

As described in point 5 above, the disposal of shares will entail the assignment of treasury shares, free of charge, to Key Personnel of Banca Generali and its subsidiaries, and the beneficiaries of the Plans, provided, obviously, that all regulatory requirements and plan provisions have been met.

The buy-back and disposal of treasury shares shall be performed in compliance with the provisions set forth by EU Regulation No. 596/2014 and the Commission Delegated Regulation No. 1052/2016, where applicable.

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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 General Shareholders' Meeting of Banca Generali S.p.A., held in ordinary session, at the offices of Assicurazioni Generali S.p.A. in Trieste, at Via Machiavelli 6,

- *having regard to Articles 114-bis and 132 of Legislative Decree No. 58 of 24 February 1998, as further extended and amended;*
- *having regard to Articles 2357 and 2357-ter of the Italian Civil Code;*
- *having acknowledged that the number of shares in Banca Generali currently held by the Company and its subsidiaries fall well within the limit imposed under Article 2357, paragraph 3, of the Italian Civil Code;*

- *having regard to the Board of Directors' Report on this item on the Agenda;*
- *having regard to the Financial Statements for the year ended 31 December 2017, that have just received Shareholder approval;*
- *having heard the favourable opinion of the Board of Statutory Auditors;*

resolves

1) *to revoke, to the extent not executed, the previous authorisation of 20 April 2017, and to authorise, within the meaning of Articles 2357 and 2357-ter of the Italian Civil Code, the buy-back of no more than 577,644 ordinary shares issued by Banca Generali S.p.A., of a nominal value of 1.00 euro each, as well as the disposal, in one or more tranches, of the treasury shares, including those purchased upon implementation of this resolution, subject to the following terms and conditions:*

- a) *the authorisation is limited to acquisitions to be effected for the purposes specified;*
- b) *the minimum purchase price of ordinary shares cannot be lower than the nominal value of the share, equal to 1.00 euro. The maximum purchase price cannot exceed 5% of the reference price of the stock on the trading day preceding the day on which each buy-back is made; in any event, the Company shall purchase the aforementioned shares at a price not exceeding 41.298 euros per share, corresponding to the closing price of Banca Generali S.p.A.'s stock on 19 March 2018, prudentially increased by 50%;*
- c) *authorisation for buy-back is granted for eighteen months as of the date of approval of this resolution, whilst authorisation for disposal is granted without any time limit whatsoever, and can be exercised in one or more tranches, in order to enable the achievement of the specified objectives;*
- d) *the buy-back will be carried out within the limits of distributable profits and unrestricted reserves, as per the latest duly approved Financial Statements;*
- e) *treasury share buy-back will be made, pursuant to Article 144-bis, paragraph 1(b), of the Rules for Issuers, in accordance with the operating procedures set forth in the organisational and operating rules of the markets themselves, so as to ensure equal treatment for all Shareholders. Accordingly, the buy-back 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 predetermined sell orders;*

2) *to determine that Banca Generali S.p.A.'s treasury shares and the shares purchased as per resolution in point 1 above may be granted, in whole or in part, without any time limit whatsoever and free of charge, to the personnel identified by Banca Generali S.p.A. as falling within the category of Key Personnel pursuant to the applicable laws and regulations and those identified as Key Personnel by subsidiaries that are required to adopt specific remuneration policies in compliance with local and/or industry regulations, the beneficiaries of the 2018 Network Loyalty Plan and the beneficiaries of the long-term incentivisation plan called 2018 LTI Plan — provided that any and all regulatory requirements and conditions have been duly met —, as well as for the purposes of the payment of the variable component of remuneration — provided that any and all regulatory requirements and conditions have been duly met — and the consideration agreed upon, in compliance with applicable legislation, in view or in the event of early termination of the professional relationship or the position held;*

3) *to authorise the Chief Executive Officer, with powers of sub-delegation to:*

- *proceed with the execution of this resolution, also by, inter alia, identifying the reserve funds to compose the negative item in equity, as contemplated under Article 2357-ter of the Italian Civil Code, in accordance with legal provisions, as well as to also use treasury shares that, at present, are already held by the Company, for the purposes specified herein;*
- *establish the procedures, timetable and all the executive and other terms, with a view to ensuring the optimal execution of this resolution, effecting for such purpose any and all related assessments and checks, and proceeding with any and all related formalities, filings and submissions, without exclusion or exception whatsoever."*

Milan, 20 March 2018

THE BOARD OF DIRECTORS