

BOARD OF DIRECTORS' REPORT TO THE GENERAL SHAREHOLDERS' MEETING

Approval of the share-based Incentivisation System

Shareholders,

This Report has been drafted pursuant to Articles 114-*bis* and 125-*ter* of Legislative Decree No. 58 of 24 February 1998, as amended and extended (the Consolidation Law on Financial Intermediation or “**TUF**”), and Article 84-*ter* of the Regulation adopted by Consob Resolution No. 11971 of 14 May 1999, as amended and extended (“**Rules for Issuers**”).

This Report has been made available to the public, under the terms and conditions required by applicable laws and regulations, from the registered office of Banca Generali S.p.A. (“**Bank**”), the Milan operating offices, Corporate Affairs Service - Via Ugo Bassi 6, Borsa Italiana S.p.A., the Bank’s website (www.bancagenerali.com), and through the authorised storage service (www.emarketstorage.com).

The Board of Directors is going to submit for your approval, pursuant to Article 114-*bis* of TUF, the adoption of an Incentivisation System for 2018 (“**Incentivisation System**”), intended for the Key Personnel of the Banca Generali Group (i.e., persons whose activities have or may have an impact on the risk profile of the Bank or the Banca Generali Group).

The Incentivisation System is intended in particular for persons identified as belonging to the category of Key Personnel, pursuant to applicable regulations.

This Report is thus aimed at illustrating the rationale and content of the proposal concerning the aforementioned Incentivisation System. For definitions and an illustration of the content and provisions of the System, reference should be made to the Information Document, drafted in accordance with Article 114-*bis* of TUF and Article 84-*bis* of the Rules for Issuers, made available to the public according to the terms and conditions mandated by applicable legislation.

1. *Reasons for adopting the Incentivisation System*

The Incentivisation System serves the following purposes:

- a) it allows the Bank to comply with the provisions of Bank of Italy Circular Letter No. 285 of 17 December 2013, requiring that part of the variable component of the remuneration package of Key Personnel be composed of financial instruments, contingent on sustainable performance conditions;
- b) it allows better alignment of the interests of the Banca Generali Group’s management and those of its shareholders through attentive management of company risks and pursuit of long-term strategies.

2. *Beneficiaries*

The beneficiaries of the Incentivisation System are the Key Personnel of the Banca Generali Group (the “**Potential Beneficiaries**”).

In detail, at present (without prejudice to future changes), they include Banca Generali's Chief Executive Officer and General Manager.

The other information envisaged in paragraph 1 of Layout 7 of Annex 3A to the Rules for Issuers will be provided at a later date, during the implementation of the Incentivisation System, according to the methods set out in Article 84-*bis*, paragraph 5), letter a), of the aforementioned Rules for Issuers.

3. Methods and clauses for the implementation of the Incentivisation System, with an indication of whether its implementation is contingent on the satisfaction of conditions, and in particular on the achievement of certain results

The Incentivisation System provides that a part (25%) of the variable remuneration of Banca Generali Group's Key Personnel be disbursed through the free award of Shares according to the following allotment mechanism:

- For amounts exceeding the set threshold of 75,000.00 euros:
 - a. 60% of the bonus will be disbursed up front, during the year after the year of reference, 75% in cash and 25% in Shares;
 - b. 20% of the bonus will be deferred for one year: 75% in cash and 25% in Shares;
 - c. the remaining 20% of the bonus will be deferred by two years: 75% in cash and 25% in Shares.
- If the actual bonus accrued is below the above-mentioned threshold, it will be paid in full up front (75% in cash and 25% in shares) during the year after that of reference, once the Board of Directors has verified earnings results during the year of accrual and satisfaction of the access gate.

The award of the bonus (and thus also of the Shares) is contingent on:

- a) achievement of the quantitative and qualitative performance objectives;
- b) achievement of an access gate by the Banca Generali Group, on the basis of the final earnings results for the year;
- c) assessment, at the time of each assignment, of the conditions underlying the "malus" mechanism set out in the Bank's remuneration policies as in effect at the time;
- d) observance of the cap mechanism aimed at ensuring that the ratio of total variable remuneration to total fixed remuneration remains within the pre-determined limits.

4. Support for the Incentivisation System, if any, from the Special Fund for encouraging workers to participate in enterprises, mentioned in Article 4, paragraph 112, of Law No. 350 of 24 December 2003

The Incentivisation System does not receive any support from the Special Fund for encouraging workers to participate in enterprises, mentioned in Article 4, paragraph 112, of Law No. 350 of 24 December 2003.

5. Methods of defining the prices and criteria for determining the subscription or strike prices of shares

Not applicable.

6. Lock-up of shares, with particular regard to the period within which subsequent transfers to the company or third parties are permitted or restricted

The allotment of the portion of the bonus to be paid in Shares will take place when the bonus accrues, whereas the remainder will be settled on a deferred basis, over a total period of two years.

The Shares shall be subject to a retention period of one year from the end of the accrual period.

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

- *having regard to the Board of Director's Report on this item on the Agenda;*
- *having regard to the Information Document on the share-based Incentivisation System, prepared pursuant to Article 114-bis of TUF and Article 84-bis of the Rules for Issuers, to which reference is made,*
- *having regard to Article 114-bis of TUF and Consob's regulatory provisions,*

resolves:

1. *to approve, pursuant to Article 114-bis of TUF, the adoption of the share-based Incentivisation System for Key Personnel, the terms, conditions and mechanisms of which are described in the relevant information document attached to the Board of Directors' Report, to which reference is made;*
2. *to grant the Chairman of the Board of Directors and the Chief Executive Officer, severally and with the express power to sub-delegate, all of the necessary and appropriate powers to effect complete and full implementation of the Incentivisation System, in accordance with the terms and conditions set out in the information document on the share-based incentivisation plan, to which reference is made. In passing all relevant resolutions, the Board of Directors will act on the basis of a non-binding opinion of the Remuneration Committee and — in the cases set out in Article 2389, paragraph 3, of the Italian Civil Code — after considering the opinion of the Board of Statutory Auditors."*

Milan, 1 March 2018

THE BOARD OF DIRECTORS