

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

Long-term incentive plan for 2020 pursuant to Article 114-bis of TUF: assignment of powers; relevant and ensuing resolutions.

Shareholders,

This Report has been prepared pursuant to Articles 114-*bis* and 125-*ter* of Legislative Decree No. 58 of 24 February 1998 (Consolidation Law on Financial Intermediation or “**TUF**”), as amended and extended, and Article 84-*ter* of the Regulation adopted by Consob Resolution No. 11971 of 14 May 1999, as amended and extended (the “**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**”), at Borsa Italiana S.p.A., on the Bank’s website (www.bancagenerali.com), and through the authorised storage mechanism (www.emarketstorage.com).

Pursuant to Article 114-*bis* of TUF, the Board of Directors intends to submit for your approval the adoption of a Long-Term Incentive Plan “2020 LTI Plan”, approved by the Board of Directors during its meeting of 9 March 2020 (“**Plan**”).

This Report is therefore aimed at illustrating the rationale and content of the proposal concerning the aforementioned Plan. For definitions and an illustration of the content and provisions of the Plan, reference should be made to the Plan Information Document, drafted in accordance with Article 114-*bis* of TUF and Article 84-*bis* of the Rules for Issuers and made available to the public according to the terms and conditions mandated by applicable legislation. Accordingly, the terms commencing with a capitalised letter and not otherwise defined in this Report, shall be defined as specified in the aforesaid Information Document.

1. Reasons for adopting the Plan

The Plan, in line with applicable regulations, as well as the best practices (including the recommendations of the Corporate Governance Code), intends to pursue the objective of increasing the value of the Bank Shares (“**Shares**”) meanwhile aligning the economic interest of its Beneficiaries to those of the Shareholders. The Plan has the following objectives:

- to determine a connection with the component of variable remuneration linked to the medium-long term objectives and the value creation for the shareholder, taking into account the Group’s sustainability and the results actually achieved;
- to develop the culture of performance in accordance with the Group’s philosophy;

- to contribute to the creation of a balanced mix between fixed and variable elements of the Beneficiaries' remuneration;
- to obtain the management's loyalty at Banking Group's level.

In particular, the Plan aims to reinforce the link between the remuneration of Beneficiaries and the performance of the Bank and the Banking Group, ensuring consistency with the expected performance according to the Generali Group's strategic plan.

To achieve these objectives, it was decided to:

- pay a component of the variable remuneration in the form of Shares and only at the achievement of specific Objectives;
- link the incentive to the Share value resulting from the average price of the Shares in the three months prior to approval, by the Board of Directors, of the draft financial statements and the consolidated financial statements for the previous financial year;
- define a three years' time vesting period;
- provide for specific malus and claw-back clauses.

2. Recipients

The Beneficiaries of this Plan are the Chief Executive Officer/General Manager of the Bank, the Deputy General Managers, the General Managers of the Subsidiaries, the Area/Direction Managers reporting to the Chief Executive Officer/General Manager and the Deputy General Managers, as well as other Managers — with the exception of the control functions — who will be identified by the Board of Directors, at his sole discretion, upon launching the Plan or during the Plan's three year period (2020-2022), taking account of the role they have in the Banking Group and provided that such role is significant also for the Generali Group ("**Beneficiaries**").

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

The Plan envisages the free assignment of a number of Shares or, in place of shares, of a Cash Settlement, directly correlated to the satisfaction of specific Objectives, i.e., performance indicators at the level of both the Banking Group and the Generali Group, as indicated in the Participation Form.

Four objectives have been identified:

- two Banking Group's Objectives, linked to objectively measurable parameters, namely tROE and Adjusted EVA, which influence the determination of 80% of the number of Shares to be assigned to each Beneficiary; and

- two Generali Group's Objectives, also linked to objectively measurable parameters, namely the Relative TSR and the Net Holding Cash Flow, which influence the determination of 20% of the number of Shares to be assigned to each Beneficiary.

The number of Shares to be allocated is directly linked to the level of achievement of the Objectives. In detail, at the end of the three-year period commencing on the date of the launch of the Plan, a final assessment is conducted as to the effective achievement of the established Objectives.

The shares actually accrued will be allocated according to the following scheme:

- (i) at the end of the three-year performance period, allocation of 50% of the Shares accrued on the basis of the results achieved, subject to a lock-up period of one year¹;
- (ii) the remaining 50% of the Shares accrued will be subject to an additional two years' deferral², during which the portion accrued may be reduced to zero if the Banca Generali Banking Group Gates set in the Plan are not reached, or if a malus event occurs, and provided that the Relationship with the Banking Group continues as at that date; any Shares allocated will be subject to a lock-up period of one year³.

Even in the event that the Objectives are reached, the Bank shall not assign the Shares to the Beneficiaries, if the specific gates of the Banca Generali Banking Group linked to the Total Capital Ratio and the Liquidity Coverage Ratio are not satisfied. Furthermore, the Bank shall not assign the portion of Shares subject to the achievement of the Generali Group's Objectives, if the Generali Group's specific gate linked to the Regulatory Solvency Ratio is not reached.

¹ The Beneficiary may nonetheless alienate only a number of Shares equivalent in value to the amount of tax charges borne by the Beneficiary in respect of the assignment.

² Where the value of the Shares accrued to beneficiaries belonging to the categories set out in paragraph 2.1, point 4(3), of the Circular qualifies as a "particularly large amount" (as identified in the Remuneration Policies), the award of the deferred portion will comply with the criteria specifically indicated in the Remuneration Policies in effect from time to time (applying in particular to a deferral period of 2.5 years from the end of the performance period).

³ The Beneficiary may nonetheless alienate only a number of Shares equivalent in value to the amount of tax charges borne by the Beneficiary in respect of the assignment.

4. Support for the Plan, 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 Plan receives no support whatsoever 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 Shares assigned to the Beneficiaries will be subject to a one-year lock-up period commencing on the date of assignment⁴. This is without prejudice to a different determination of the Board of Directors that is more favourable for Beneficiaries, and without prejudice to the provisions set forth in the Circular of the Bank of Italy No. 285 dated 17 December 2013 (“**Circular**”) and applicable regulations.

The lock-up period will begin on the date on which the Shares are registered on the current account in the name of the Beneficiaries at the Plan Administrator.

After the expiry date of the periods in which shares are locked up, as described above, further lock-up periods may be applied to Shares (pursuant to subsequent resolutions by the Board of Directors), in compliance with the recommendations of the Corporate Governance Code.

These Shares shall not be transferred to third-parties – and therefore may not be sold, assigned, exchanged, carried forward, or otherwise be transferred to any living person – until the end of the above-mentioned time periods, unless authorised by the Board of Directors, which may also order the Shares to remain in custody.

In the event of termination of the Relationship, the Board of Directors may redefine, without prejudice to compliance with the Circular and the applicable regulations, the terms and conditions of all of the above-mentioned lock-up periods, possibly also considering the overall remuneration of the interested Beneficiary, or also by referring to Shares granted in execution of other incentive plans.

⁴ The Beneficiary may nonetheless alienate only a number of Shares equivalent in value to the amount of tax charges borne by the Beneficiary in respect of the assignment.

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

“The Ordinary Shareholders' Meeting of Banca Generali S.p.A., held in ordinary session, in Trieste, at the office of Notaries Public Paparo and Dado at Via San Nicolò 13,

- *having regard to the Board of Directors' Report on this item on the Agenda;*
- *having regard to the Long-Term Incentive Plan “2020 LTI Plan”, 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 the regulatory provisions issued by Consob;*

resolves:

1. *to approve, pursuant to and for the intents and purposes of Article 114-bis TUF, the adoption of the Plan reserved to executive directors, top managers and managers of Banca Generali S.p.A. and/or companies belonging to the Banca Generali Group, subject to the terms, conditions and procedures set forth in the related Information Document attached to the Director's Report to which reference is made;*
2. *to confer on the Board of Directors the broadest powers to implement the Plan, including, without limitation, authority to: determine and draw up any and all related implementing provisions; (ii) identify the beneficiaries of the Plan and set performance targets; (iii) determine the number of Banca Generali S.p.A. shares available for assignment as well as the number of Shares to be granted to each beneficiary; (iv) effect the aforesaid Share assignment or disbursements of the cash settlement; (v) discharge any and all formalities and submission, filing, disclosure and/or other obligations or requirements as may be necessary or useful to properly administer and implement the Plan and the Plan rules with the broadest powers to delegate all or some of the aforesaid powers and authority to the Chief Executive Officer pro tempore.”*

Milan, 9 March 2020

The Board of Directors