

## 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 (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 ("Rules for Issuers"). This Report will be 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"), Borsa Italiana S.p.A., the Bank's website ([www.bancagenerali.com](http://www.bancagenerali.com)), and the authorised storage service ([www.emarketstorage.com](http://www.emarketstorage.com)).

The Board of Directors has convened you for an ordinary session on 20 April 2017 (first call), and, where necessary, on 21 April 2017 (second call), to submit for your approval, pursuant to Article 114-*bis* of TUF, the adoption of an Incentivisation System for 2017 ("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 in the following categories ("Key Personnel"):

- A) Top Management: Chief Executive Officer/General Manager and Deputy Managers (Deputy General Manager Wealth Management, Markets and Products, Deputy General Manager Distribution Channels);
- B) Other Key Personnel: this category includes: (i) the heads of the relevant operating/company units: the Head of the CFO Area and the Head of the Finance Department, the Head of the Loans Department, the General Manager of BG FML, the Executive Director of BG FML who also holds the post of Head of the AM Area of Banca Generali, Top Management as described in the previous points; (ii) the persons in charge, directly reporting to the personnel indicated in point (i) above, who are regarded as having an impact on company risk profile due to their activities, autonomy and powers: the Head of the Private Banking Area, the Head of the Financial Planner

Area, the Head of the Private Relationship Manager Area, the Head of the Alternative Channels and Support Area; (iii) the Head of the functions listed in point 9) of Article 3 of the Commission Delegated Regulation (EU) No. 604 of 4 March 2014 who are regarded as having an impact on company risk profile due to their activities, autonomy and powers; the Head of the COO Area; and the Head of the General Counsel Department;

- C) Managers in charge of company control functions: the Head of the Compliance and Anti-Money Laundering Department, the Head of the Internal Audit Department, the Head of Human Resources Department, the Head of Risk and Capital Adequacy Department;
- D) Main managers operating in the Bank's distribution networks: Sales Manager, Area Managers, Private Banking Managers, Senior Private Banking Recruitment Manager;
- E) Financial Advisors authorised to make off-premises offers who at the end of the previous financial year received an overall remuneration (inclusive of fixed and variable components), excluding remuneration arising from participation in recruitment incentive plans, in excess of 1,000,000.00 euros, in accordance with the provisions of Commission Delegated Regulation (EU) No. 604/2014.

This Report is 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 on the Incentivisation System, 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 (Gian Maria Mossa). 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:

- 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 a set threshold, it will be paid in full up front 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.

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, on the basis of the Board of Directors’ Report and the Information Document on the 2017

Incentivisation System Based on Financial Instruments, drafted 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 regulations issued by Consob,

resolves:

1. to approve, pursuant to Article 114-*bis* of TUF, the adoption of the 2017 Incentivisation System based on financial instruments for Key Personnel, the terms, conditions and mechanisms of which are described in the relevant information document attached to this Report of the Board of Directors, to which reference is made;
2. to grant the Chairman of the Board of Directors and 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 incentivisation plan based on financial instruments, to which reference is made.”

Milan, 20 March 2017

THE BOARD OF DIRECTORS