

## REPORT OF THE BOARD OF DIRECTORS TO THE GENERAL SHAREHOLDERS' MEETING

### Approval of a Long-Term Incentive Plan “LTI PLAN 2018”, Pursuant to Article 114-bis of TUF

*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”), the Milan operating offices, Corporate Affairs Service - Via Ugo Bassi 6, 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 “*LTI Plan 2018*”, approved by the Board of Directors during its meeting of 1 March 2018 (“**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 Banca Generali 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, as well as the expected performance according to the Generali Group’s strategic plan.

To achieve these objectives, it was decided to:

- pay 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, the Deputy General Managers, the General Managers of the Subsidiaries, the Heads of Directions reporting to the Chief Executive Officer and the Deputy General Managers — with the exception of the control function — 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, 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 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 Generali Group's Objectives corresponding to objectively measurable parameters, such as the relative Total Shareholders' Return (Relative TSR) or the Return on Equity (ROE), which influence the determination of 20% of the number of Shares to be assigned to each Beneficiary, and two Banking Group's Objectives, also linked to objectively measurable parameters, such as tROE and EVAs, which influence the determination of 80% of the number of Shares to be assigned to each Beneficiary.

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

## 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 granted to the Beneficiaries will be freely available under the following terms and conditions:

- 50% will be immediately available (in order to enable the beneficiaries to bear the tax charges related to the share assignment);
- 50% will be subject to lock-up until the end of the second year after that in which the Shares are assigned to the Beneficiaries.

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 Letter of the Bank of Italy No. 285 dated 17 December 2013 (“**Circular Letter**”) 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 Letter 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.

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, at the offices of Assicurazioni Generali S.p.A. in Trieste, at Via Machiavelli 6,*

- *having regard to the Board of Directors’ Report on this item on the Agenda;*
- *having regard to the Long-Term Incentive Plan “LTI Plan 2018”, 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, 1 March 2018

THE BOARD OF DIRECTORS