

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

Financial Statements at 31 December 2019. Presentation of the Consolidated Financial Statements and the Annual Integrated Report. Directors' Report on Operations, Statutory Auditors' Report and Independent Auditors' Report. Allocation of net profit for the year: relevant and ensuing resolutions.

Shareholders,

Net profit for the year was 248,357,895.00 euros. In submitting the Financial Statements for the year ended 31 December 2019 for your approval, we propose allocating the net profit for the year as follows:

Net profit for the year	248,357,895
allocation to each of the 116,851,637 ordinary shares issued of a dividend of 1.55 euros per share, to be paid from 15 October 2020 to 31 December 2020	181,120,037
a dividend of 0.30 euro per share, to be paid from 15 January 2021 to 31 March 2021	35,055,491
for a total of	216,175,528
allocation to legal reserve	0
allocation to the restricted reserve pursuant to Article 6(1)(a) of Legislative Decree No. 38/2005	1,499,862
allocation to retained earnings	30,682,504

With regard to the aforesaid proposal, it should be noted that, on 27 March 2020, in light of the emergency situation generated by the spread of the Covid-19, the European Central Bank (BCE) adopted a new recommendation on dividend distributions (ECB/2020/19)¹, repealing the previous recommendation dated 17 January 2020 (ECB/2020/1).

In order to strengthen the European banking system's credit capacity and counter the risks of an extended liquidity crisis within the economic system, triggered by restrictions on people's movement and economic activities imposed by various national governments to slow the spread of Covid-19, the ECB's new recommendation urged banks, at least until 1 October 2020, to refrain:

¹ https://www.ecb.europa.eu/ecb/legal/pdf/ecb_2020_19_f_sign.pdf

- from paying out dividends or undertaking irrevocable commitments to pay out dividends for the financial years 2019 and 2020;
- from share buy-backs aimed at remunerating shareholders.

Although the ECB Recommendation does not technically constitute a decision or order from an authority, it is particularly clear in requiring directors, in exercising their entrepreneurial discretion, to review any dividend proposals already made with regard to profit for the year in order to ensure that the company acts in accordance with the guidance provided by the authority.

Consequently, even if the directors were to decide not to amend the already approved dividend policy, no payout could in any event be made before 1 October 2020².

The Bank of Italy has also extended the recommendation to less significant credit institutions subject to its direct supervision and clarified that if such institutions decide not to follow the recommendation they are required to inform the supervisory authority immediately, providing justification for their decision.

It bears also recalling that the dividend policy for the three-year period 2019-2021, approved by Banca Generali's Board of Directors on 8 March 2019, envisages a target payout ratio in the range of 70%-80% of consolidated net profit. It also establishes a quantitative floor of 1.25 euros per share, in line with the risk profile defined by the Risk Appetite Framework (RAF) and with the overall capital adequacy constantly assessed through the ICAAP process.

The distribution of dividends, as set out in the plan, is however contingent upon the maintenance over time of a Total Capital Ratio at the company and consolidated level that exceeds the tolerance thresholds defined from time to time in the RAF, and in any event up to the limit of 100% of consolidated net profit.

In light of the foregoing, Banca Generali believes that the dividend distribution proposal regarding the 2019 net profit is strongly justified by the following elements: 1) the Bank's sound capital and liquidity position including in a stress analysis related to crisis scenarios;

² In this regard, reference should be made to FAQs on *ECB supervisory measures in reaction to the coronavirus* (Section IV) published on ECB's website:
https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200320_FAQs~a4ac38e3ef.en.html

2) the nature and distinctiveness of its business model, that has proved resilient and sustainable over the years, including in very complex contexts; 3) the nature of its lending activity, limited to loans secured by collateral, and the structurally limited exposure to credit risk and non-performing loans; and 4) the willingness to satisfy the interests of the various stakeholders in an already very volatile market scenario.

The proposed dividend provides shareholder remuneration consistent with the Group's sustainable profitability, while also ensuring that the Bank and the Banking Group are adequately capitalised. The above is true both from the perspective of the set of rules known as Basel 3 and the recommendations made by the Bank of Italy and ECB. The individual and consolidated capital requirements determined on the basis of the content of this proposal are indeed well in excess of the mandatory levels set by Community authorities and the supervisory authority.

In this context, the Board of Directors of Banca Generali held on 1 April 2020 therefore resolved to confirm its Dividend Policy for the year 2019, as per the amounts approved on 9 March 2020, while however deciding, in compliance with the aforesaid Recommendations issued by the supervisory authorities, to propose to the General Shareholders' Meeting to defer the dividend distribution to a date after 1 October 2020, provided that the consequences of the Covid-19 epidemic and market conditions allow for it.

In detail, the Board of Directors hereby proposes to pay the approved payout as follows, net of any legal withholdings applicable:

- a dividend of 1.55 euros per share (gross of legal withholdings), payable in the period from 15 October 2020 to 31 December 2020, subject to the Board of Directors' prior verification: that the conditions indicated in the Recommendation ECB/2020/19 are met; of compliance with the supervisory provisions and guidelines applicable from time to time; that Total Capital Ratio at the company and consolidated level continues to exceed SREP's minimum supervisory requirements increased by a 1.2% buffer, and therefore equal to 9.2% and 13.0%, respectively;
- a dividend of 0.30 euros per share (gross of legal withholdings), payable in the period from 15 January 2021 to 31 March 2021, subject to the Board of Directors' prior verification: that the conditions indicated in the Recommendation ECB/2020/19 are met; of compliance with the supervisory provisions and guidelines applicable from

time to time; that Total Capital Ratio at the company and consolidated level continues to exceed SREP's minimum supervisory requirements increased by a 1.2% buffer, and therefore equal to 9.2% and 13.0%, respectively;

As specified above, both tranches will be pay provided that:

- once the health emergency due to the Covid-19 epidemic is overcome, the payment be compliant with the provisions and recommendations of the supervisory authorities in force at the time of payment;
- a Total Capital Ratio at the company and consolidated level exceeding 9.2% and 13.0%, respectively, be maintained.

The assessment of the attainment of the above-mentioned conditions — whose outcome will be promptly disclosed to the market pursuant to the regulatory framework governing disclosures of price sensitive information — will be approved through Board of Directors' resolution, followed by payment to shareholders (in the event conditions are met) or reallocation of the related amounts to reserves (in the event conditions are not met) and subsequent determination of the related amount to the capital for regulatory purposes.

It should also be noted that, pursuant to Article 2357-*ter* of the Italian Civil Code, any treasury shares the Bank may hold at the record dates and outstanding shares for which limits on the distribution of dividends apply under the applicable Remuneration Policies will not be subject to any distributions. The dividends associated with such shares will therefore be allocated to retained earnings.

Pursuant to Article 6, paragraph 1(a), of Legislative Decree No. 38/2005 currently in force, a portion of net profit for the year corresponding to the capital gains recognised in the Profit and Loss Account, net of the related tax charges and other than those associated with HFT financial instruments and exchange and hedging transactions, based on the application of the fair value criterion, must be allocated to a restricted reserve. This reserve is reduced based on the amount of capital gains realised, also through amortisation, or no longer material due to impairment.

At 31 December 2019, the amount to be allocated to the restricted reserve was 1,499,862 euros.

The proposed resolution that the General Shareholders' Meeting is invited to pass by way of approval of the foregoing is provided below:

“The General 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 draft Financial Statements for the year ended 31 December 2019, prepared by the Board of Directors, on the whole and in respect of each of the items included therein, in accordance with the restrictions on reserves provided for by law, and any and all provisions therein proposed;*
- *having acknowledged that, on this date, the authorised share capital of 119,378,836.00 euros is subscribed and paid up in the amount of 116,851,637 euros and is divided into 116,851,637 shares of a par value of 1.00 euro each, and that, as of today, treasury shares total 1,467,579;*
- *having regard to the Directors' Report on Operations, the Board Statutory Auditors' Report and the other documents attached to the draft Financial Statements;*
- *giving the content of the Recommendation issued by the European Central Bank on 27 March 2020 and the Bank of Italy's press release disseminated on the same date;*
- *having therefore agreed on the opinion expressed by the Board of Directors regarding the need to defer the dividend payment on a date after 1 October 2020,*

resolves

- 1) *to approve the Financial Statements for the year ended 31 December 2019;*
- 2) *to allocate the net profit for 2019, amounting to 248,357,895.00 euros, as follows:*

Net profit for the year	248,357,895
allocation to each of the 116,851,637 ordinary shares issued of a dividend of 1.55 euros per share, to be paid from 15 October 2020 to 31 December 2020	181,120,037
a dividend of 0.30 euro per share, to be paid from 15 January 2021 to 31 March 2021	35,055,491
for a total of	216,175,528
allocation to legal reserve	0
allocation to the restricted reserve pursuant to Article 6(1)(a) of Legislative Decree No. 38/2005	1,499,862
allocation to retained earnings	30,682,504

- 3) *to pay the approved payout as follows, net of any legal withholdings applicable:*
 - i. *a dividend of 1.55 euros per share (gross of legal withholdings), payable in the period from 15 October 2020 to 31 December 2020;*

- ii. *a dividend of 0.30 euro per share (gross of legal withholdings), payable in the period from 15 January 2021 to 31 March 2021;*
- 4) *to subject the dividend payment of both tranches to prior verification (i) that the conditions indicated in the Recommendation ECB/2020/19 are met, (ii) of compliance with the supervisory provisions and guidelines applicable from time to time, and (iii) that Total Capital Ratio at the company and consolidated level continues to exceed 9.2% and 13.0%, respectively;*
- 5) *to grant to the Board of Directors the power to assess the attainment of the aforesaid conditions, and subsequently approve the payment to the shareholders or reallocate the related amounts to reserve (in the event conditions are not met);*
- 6) *to allocate to retained earnings any portion of dividends not distributed to treasury shares that the Bank may hold at the record date and to outstanding shares subject to retention pursuant to the Remuneration Policies;*
- 7) *to vest the Chairman of the Board of Directors and the Chief Executive Officer/General Manager, jointly and severally, including through special attorneys-in-fact, with full powers to undertake whatsoever may be necessary or useful to ensure the execution of this resolution."*

Milan, 1 April 2020

THE BOARD OF DIRECTORS