**ILLUSTRATIVE REPORT**

**OF THE BOARD OF DIRECTORS OF BANCA GENERALI S.P.A.**

**CONCERNING ITEM 1 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

***"Financial Statements at 31 December 2020.***

***(a) Approval of Financial Statements at 31 December 2020. Presentation of the Consolidated Financial Statements and the Annual Integrated Report. Directors' Report on Operations, Statutory Auditors' Report and Independent Auditors' Report.***

***(b) Allocation of net profit for the year. Relevant and ensuing resolutions."***

*(Prepared pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and extended, and pursuant to Article 84-ter of the Regulations adopted with Consob Resolution No. 11971 of 14 May 1999, as subsequently amended and extended)*

Shareholders,

In 2020, Banca Generali S.p.A. reported a net profit amounting to 289,207,237 euros. In submitting the Financial Statements for the year ended 31 December 2020 for your approval, we propose allocating the net profit for the year as follows:

| | |
|---|---|
| **Net profit for the year** | **289,207,237** |
| **use of retained earnings** | **96,403,165** |
| **allocation per each of the 116,851,637 ordinary shares issued of** | |
| - a dividend of 2.70 euros per share, to be paid between 15 October and 31 December 2021 | 315,499,420 |
| - a dividend of 0.60 euros per share, to be paid between 15 January and 31 March 2022; | 70,110,982 |
| **for a total of** | **385,610,402** |

In detail, in accordance with the Recommendation issued by the ECB on 15 December 2020 (ECB 2020/62) and endorsed by the Bank of Italy with regard to less significant directly supervised institutions this proposal calls for:

1. distributing cash dividends for a total of 385,610,402, equal to 3.30 euros per share (gross of legal withholdings) per each of the 116,851,637 shares issued and accounting for a 70.5% payout, calculated on the cumulated consolidated net profit for the years 2019 and 2020. Dividends consist of an ordinary payout, calculated on the 2020 net profit, up to a maximum amount of 289,207,237 euros, and an extraordinary payout of euro 96,403,165 drawn from previous years' retained earnings;
2. paying dividends as follows:
    a. 2.70 euros per share to be paid between 15 October and 31 December 2021;
    b. 0.60 euros per share to be paid between 15 January and 31 March 2022;
3. subjecting the payment to: *(i)* the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; *(ii)* a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively;
4. authorising the Board of Directors to verify whether the above conditions have been met, and thus to pay out to the shareholders (if the said conditions have been met) or reallocate the amounts concerned to equity reserves (if the said conditions have not been met).

The proposal, which aims to compensate for the effects due to the cancellation of the 2019 dividend payment, envisages a payout of 70.5%, calculated on the cumulated consolidated net profit for the years 2019 and 2020. It is therefore fully in line with the Dividend Policy currently in force, which calls for an annual payout in the range of 70%-'80% of consolidated net profit and a quantitative floor of 1.25 euros per shares up to 100% of the consolidated net profit.

In this regard, on 15 December 2020, in response to the ongoing emergency situation resulting from the spread of COVID-19, the European Central Bank (ECB) issued a new recommendation on dividend policies (ECB 2020/62), superseding that of 27 July (ECB 2020/35), which had resulted in the cancellation of the 2019 dividend coupons. On 16 December, the recommendation was also extended by the Bank of Italy to less significant credit institutions subject to its direct supervision.

In detail, the aforementioned Supervisory Authorities recommended banks until 30 September 2021:

– to refrain from distributing dividends related to financial years 2019 and 2020 (including reserve distributions);

– to refrain from buying-back treasury shares;

– to limit any distribution of dividends and share buy-backs to below 15% of the cumulated profit for 2019-2020 and not higher than 20 basis points of the CET1 ratio;

– to exercise extreme prudence even with regards to variable remuneration policies.

In light of the above, Banca Generali believes that the dividend distribution proposal regarding the 2020 net profit, with partial use of retained earnings is strongly justified by the following elements: 1) the Bank's sound capital and liquidity position including in a stress test related to crisis scenarios; 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; 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. In fact, the individual and consolidated capital requirements determined on the basis of the content of this proposal are well in excess of the mandatory levels set by Community authorities and the Supervisory Authority.

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 date and outstanding shares for which limits on the distribution of dividends apply under the applicable Remuneration Policies will not be paid any dividend. The dividends associated with such shares will therefore be allocated to retained earnings.

Finally, it should be pointed out that at 31 December 2020, due to disposals and reductions of accrued capital gains, the restricted reserve previously recognized can be reduced to 1,581,693 euros, through reallocation to retained earnings, with no need to allocate a portion of the net profit for the year.

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

"*The Ordinary Shareholders' Meeting of Banca Generali S.p.A.,*

– *having regard to the draft Financial Statements for the year ended 31 December 2020, prepared by the Board of Directors, on the whole and in respect of each of the items included therein, with the limits posed on reserves by the applicable laws in force;*

– *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 1,767,676;*

– *having regard to the Directors' Report on Operations, the Board Statutory Auditors' Report and the other documents attached to the draft Financial Statements;*

– *having regard to the tone of the European Central Bank's recommendation issued on 15 December 2020 and the Bank of Italy's press release issued on the same date;*

– *having therefore agreed upon the Board of Directors' assessment regarding the deferral of the payment of the dividend to a date after 30 September 2021*

*resolves*

*1) to approve the Financial Statements for the year ended 31 December 2020;*

2) *to distribute, as extraordinary dividend, the retained earnings amounting to euro 96,403,165.00;*

3) *to entirely distribute, as ordinary dividend, the net profit for 2020, amounting to euro 289,207,237.00;*

4) *to allocate the amounts mentioned in point 2) and 3) above, equal to euro 385,610,402.00, as follows:*

| | |
|---|---|
| **Net profit for the year** | **289,207,237** |
| **use of retained earnings** | **96,403,165** |
| **allocation per each of the 116,851,637 ordinary shares issued of** | |
| - a dividend of 2.7 euros per share, to be paid between 15 October and 31 December 2021 | 315,499,420 |
| - a dividend of 0.60 euros per share, to be paid between 15 January and 31 March 2022; | 70,110,982 |
| **for a total of** | **385,610,402** |

5) *to pay the approved payout as follows, net of any legal withholdings applicable:*

   i. *a dividend of 2.70 euros per share (gross of legal withholdings), to be paid between 15 October 2021 and 31 December 2021;*

   ii. *a dividend of 0.60 euros per share (gross of legal withholdings), to be paid between 15 January 2022 and 31 March 2022;*

6) *subjecting the payment to: (i) the absence of the limits and conditions set forth by the European Central Bank and the Bank of Italy that could conflict with or limit the aforementioned dividend payment, while ensuring, in any event, compliance with the supervisory regulations and guidelines applicable from time to time; (ii) a Total Capital Ratio at the company and consolidated level that continues to exceed the SREP minimum requirements plus a 1.7% buffer, thus equal to 9.7% and 13.5%, respectively;*

7) *to authorise the Board of Directors to verify whether the above conditions have been met, and thus to pay out to the shareholders or reallocate the amounts concerned to reserves (if the said conditions have not been met);*

8) *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;*

9) *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, 5 March 2021 THE BOARD OF DIRECTORS