



**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 2021.

- 1.1. Approval of the Financial Statements at 31 December 2021. Presentation of the Consolidated Financial Statements and the Annual Integrated Report. Directors' Report on Operations, Statutory Auditors' Report and Independent Auditors' Report.*
- 1.2. 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 Regulation adopted with Consob Resolution No. 11971 of 14 May 1999, as subsequently amended and extended)

Shareholders,

in 2021, Banca Generali S.p.A. reported a net profit amounting to 342,247,370 euros. In submitting the Financial Statements for the year ended 31 December 2021 for your approval, we propose allocating the net profit for the year as follows:

Net profit for the year	342,247,370
Allocation to retained earnings	114,386,678
allocation per each of the 116,851,637 ordinary shares issued of	
a dividend of 1.15 euros per share, to be paid in May 2022	134,379,383
a dividend of 0.80 euros per share, to be paid in February 2023	93,481,309
for a total of	227,860,692

This proposal confirms the dividend policy for the 2019-2021 three-year period, approved at the time by the Board of Directors of Banca Generali, which set the target of a Payout Ratio in the range of 70% to 80% of consolidated net profit, with a quantitative floor equal to a dividend of 1.25 euros per share, in line with the risk profile defined within the Risk Appetite Framework (RAF) and the overall capital adequacy continuously monitored through the ICAAP process.

The distribution of dividends, in the amount indicated, was also contingent upon the maintenance over time of a Total Capital Ratio 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.

With regard to the foregoing, it bears underlining that the overall dividend proposed, amounting to approximately 227.9 million euros, is equal to a payout ratio of 70.5% of the consolidated net profit for 2021.

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 be noted that, in the event the proposal is approved, consolidated TCR and CET1 ratio at 31 December 2021 will amount to 17.4% and 16.3%, respectively.

In addition, liquidity ratios confirmed the Group's solidity, with LCR at 378% and NSFR at 222%. At year-end 2021, the leverage ratio was 4.6%.

Furthermore, the possibility of distributing the dividend in two separate tranches has again been proposed, with a view to having a dividend distribution mechanism that is more flexible over time.

If approved by the General Shareholders' Meeting, the payment will therefore be as follows:

- 1.15 euros per share, ex-date 23 May 2022; record date 24 May 2022, and payment date 25 May 2022;
- 0.80 euros per share, ex-date 20 February 2023; record date 21 February 2023, and payment date 22 February 2023.

The sums paid will be subject to the ordinary tax regime for dividend distribution.

It should also be noted that 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

subject to any distributions. The dividends associated with such shares will therefore be allocated to retained earnings.

In addition, due to the decision to realign the tax value of intangible assets with their book values pursuant to Article 110, paragraph 8-*bis* of Decree Law No. 104 of 14 August 2020, as added by Article 1, paragraph 83, of Law No. 178 of 30 December 2020 (2021 Budget Law), a tax restriction must be placed on the reserves in the financial statements in an amount equal to the greater values subject to realignment, net of substitute tax, to which the tax-suspended reserve rules for revaluation balances apply.

The greater book values for which realignment was carried out amounted to 32,811,233 euros, for a total substitute tax due of 984,337 euros.

It is therefore proposed that the Shareholders' Meeting ratify the Company's decision and restrict a corresponding portion of the retained earnings reserve amounting to 31,826,886 euros.

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.

On 31 December 2021, due to sales and reductions of the capital gains accrued, the amount of the restricted reserve previously recognised may be reduced by 729,410 euros by reallocating it to the retained earnings reserve, and thus without the need to allocate a portion of the 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 considerations is provided below:

"The General Shareholders' Meeting of Banca Generali S.p.A., held in ordinary session,

- *having regard to the draft Financial Statements for the year ended 31 December 2021, 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 2,219,262;*
- *having regard to the Directors' Report on Operations, the Board Statutory Auditors' Report and the other documents attached to the draft Financial Statements;*

resolves

1) *to approve the Financial Statements for the year ended 31 December 2021;*

2) *to allocate the net profit for 2021, amounting to 342,247,370.00 euros, as follows:*

<i>Net profit (loss) for the year</i>	<i>342,247,370</i>
<i>Allocation to retained earnings</i>	<i>114,386,678</i>
<i>Allocation per each of the 116,851,637 ordinary shares issued of</i>	
<i>a dividend of 1.15 euros per share, to be paid in May 2022</i>	<i>134,379,383</i>
<i>a dividend of 0.80 euros per share, to be paid in February 2023</i>	<i>93,481,309</i>
<i>for a total of</i>	<i>227,860,692</i>

- 3) *to pay the approved payout as follows, net of any legal withholdings applicable:*
- i. *1.15 euros per share, ex-date 23 May 2022; record date 24 May 2022, and payment date 25 May 2022;*
 - ii. *0.80 euros per share, ex-date 20 February 2023; record date 21 February 2023, and payment date 22 February 2023;*
- 4) *to allocate to retained earnings any portion of dividends not distributed to treasury shares that the Bank may hold at the record date and of outstanding shares subject to retention pursuant to the Remuneration Policies;*
- 5) *to restrict a corresponding portion of the retained earnings reserve amounting to 31,826,886 euros overall, pursuant to Article 110, paragraph 8-bis, of Decree-Law No. 104 of 14 August 2020, as added by Article 1, paragraph 83, of Law No. 178 of 30 December 2020;*
- 6) *to reduce by 729,410 euros the reserve pursuant to Article 6, paragraph 1(a), of Legislative Decree No. 38/2005, by reallocating it to the retained earnings reserve;*
- 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, 9 March 2022

THE BOARD OF DIRECTORS