



**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 2022.

- 1.1. Approval of the Financial Statements at 31 December 2022. 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 submitting Banca Generali's Financial Statements for the year ended 31 December 2022 for your approval, we propose allocating the net profit for the year amounting to 226,187,720 euros as follows:

Net profit (loss) for the year	226,187,720
Allocation to retained earnings	33,382,519
Allocation per each of the 116,851,637 ordinary shares issued of	
a dividend of 1.00 euro per share, to be paid in May 2023	116,851,637
a dividend of 0.65 euros per share, to be paid in February 2024	75,953,564
for a total of	192,805,201

The Dividend Policy for the three years covered by the 2022-2024 Strategic Plan and approved by the Bank's Board of Directors on 14 February 2022 allows for the possibility of proposing to the Shareholders' Meeting that approves the Financial Statements the distribution of a portion of the net profit reported in each year of the plan, identified as the sum of the two following components:

- a portion calculated at between 70% and 80% of recurring consolidated net profit;
- a portion calculated at between 50% and 100% of non-recurring consolidated net profit.

To this end, the recurring consolidated profit component — as it is already determined and reported on the market with quarterly frequency — consists of: (i) the consolidated net profit for each year, net of certain variable components such as performance fees and net income from trading of the proprietary portfolio, and (ii) negative and/or positive one-off components not included in the 2022-2024 Strategic Plan.

The actual dividend distribution in the amount indicated was in any event conditional on the maintenance over time of a Total Capital Ratio in excess of the tolerance threshold provided for in the Risk Appetite Framework from time to time.

The Dividend Policy also states that the dividend is to be paid in two coupons with different payment and record dates: the first is to be set by the end of the second quarter of the same year in which the Shareholders' Meeting approves the Financial Statements for each year of the plan, and the second by the first quarter of the year after that in which the Financial Statements for each year of the plan are approved.

In this regard, it should be noted that at the end of 2022 the Bank's consolidated net profit amounted to 213.0 million euros, broken down as follows:

- recurring consolidated net profit: 221.2 million euros;
- non-recurring consolidated net loss: -8.2 million euros.

In view of the foregoing, it was decided not to penalise the proposed dividend to be distributed to shareholders due to the portion of non-recurring net result, amounting to 35.3 million, relating to the tax settlement agreement signed on 19 September 2022 with the Italian Revenue Agency that led to the resolution of the tax dispute involving adjustments to prior years' taxable income (2014-2018), arising from events that occurred in 2008.

In fact, excluding this item, non-recurring consolidated net result amounted to 27.2 million euros.

Applying the guidelines of the Dividend Policy to the non-recurring net result thus adjusted, it is proposed that shareholders receive a total dividend of 192.8 million euros, corresponding to a total payout of 90.5% of the 2022 consolidated net profit, made up of a portion equal to 80% of recurring net profit, equal to 178.4 million euros, and a portion equal to 60% of non-recurring net profit, net of the impact of the aforementioned tax settlement agreement, for an amount of 16.4 million euros.

Given the above considerations, it is therefore proposed to the General Shareholders' Meeting to approve the distribution, for each of the 116,851,637 shares issued, a unit dividend, calculated on the 2022 net profit, equal to €1.65 euros, made up of (i) a recurring portion of 1.51 euros per share and (ii) a portion of 0.14 euros per share relating to the adjusted non-recurring net profit.

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 EU authorities and the Supervisory Authority.

It should be noted that, if the proposal is approved, consolidated **CET1 ratio** and **TCR** at 31 December 2022 will amount to **15.7%** and **16.9%**, respectively, compared to SREP minimum requirements of 8% and 12.30%, respectively, considering that the additional component of the dividend tied to the sterilisation of the tax component has a very limited impact on capital ratios, estimated at approximately 24 bps.

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

- 1.00 euros per share, ex-date 22 May 2023; record date 23 May 2023, and payment date 24 May 2023;
- 0.65 euros per share, ex-date 19 February 2024; record date 20 February 2024, and payment date 21 February 2024.

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 portion of 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 2022, the restricted reserve amounted to 1,490,368 euros and must therefore be increased, with respect to the amount previously allocated, by 158,187.33 euros to be drawn from the retained earnings reserve, and thus without the 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 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 2022, 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 with no par value, and that, as of today, treasury shares total 2,809,497;*

- *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 2022;*
- 2) *to allocate the net profit for 2022, amounting to 226,187,720.00 euros, as follows:*

Net profit (loss) for the year	226,187,720
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Allocation to retained earnings	33,382,519
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Allocation per each of the 116,851,637 ordinary shares issued of

a dividend of 1.00 euro per share, to be paid in May 2023	116,851,637
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a dividend of 0.65 euros per share, to be paid in February 2024	75,953,564
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for a total of	192,805,201
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- 3) *to pay the approved dividend as follows, net of any legal withholdings applicable:*
 - i. *1.00 euros per share, ex-date 22 May 2023; record date 23 May 2023, and payment date 24 May 2023;*
 - ii. *0.65 euros per share, ex-date 19 February 2024; record date 20 February 2024, and payment date 21 February 2024;*
- 4) *to allocate to the retained earnings reserve 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 increase by 158,187.33 euros the reserve pursuant to Article 6, paragraph 1(a), of Legislative Decree No. 38/2005 by drawing the amount from the retained earnings reserve;*
- 6) *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, 8 March 2023

THE BOARD OF DIRECTORS