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 2023.*

1.1. Approval of the Financial Statements at 31 December 2023. 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 2023, Banca Generali S.p.A. reported a net profit amounting to 314,877,430 euros. In submitting the Financial Statements for the year ended 31 December 2023 for your approval, we propose allocating the net profit for the year as follows:

Net profit for the year		**314,877,430**
allocation to the restricted reserve pursuant to Article 6, paragraph 1(a), of Italian Legislative Decree No. 38/2005		**0**
allocation to the restricted reserve pursuant to Article 26, paragraph 5-*bis*, of Italian Law No. 136 of 9 October 2023		**26,606,553**
allocation to retained earnings		**37,039,857**
allocation per each of the 116,851,637 ordinary shares issued of		
a dividend of 1.55 euro per share, to be paid in May 2024	181,120,037	
a dividend of 0.60 euro per share, to be paid in February 2025	70,110,982	
for a total of		**251,231,020**

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 of each year of the plan, 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 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 2023 the Bank's consolidated net profit amounted to **326.1 million euros**, broken down as follows:

– recurring consolidated net profit: **320.3 million euros**;

– non-recurring consolidated net profit: **5.8 million euros**.

In light of the results reported, it is therefore proposed to the Board of Directors to submit for the approval of the General Shareholders' Meeting the distribution of a dividend equal to the sum of **76.6%** of recurring consolidated net profit and **100%** of non-recurring consolidated net profit, for a total amount of **251.2 million euros**, equal to a **77% payout**, calculated on the consolidated net profit for financial year 2023.

It should be therefore noted that the Board of Directors will propose to the Shareholders' Meeting to allocate the Bank's statutory net profit for 2023, amounting to **314.9 million euros**, as follows:

– **251.2 million euros** to dividend distribution, as per the terms specified below;

– **26.6 million euros** to the non-distributable equity reserve pursuant to Article 26, paragraph 5-*bis*, of Italian Law No. 136/2023 (so-called Windfall Tax for Banks),

– the remaining **37.0 million euros** to retained earnings.

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 2023 will amount to **17.8%** and **19.0%**, respectively, compared to SREP minimum requirements of 8% and 12.30%, respectively.

Based on the provisions of the Dividend Policy currently in force, if the proposal is approved, shareholders will be paid a dividend of **2.15 euros** per share (gross of legal withholdings) for each of the 116,851,637 shares issued by the Bank, as follows:

- **1.55 euros** per share, ex-date 20 May 2024; record date 21 May 2024, and payment date 22 May 2024;
- **0.60 euros** per share, ex-date 24 February 2025; record date 25 February 2025, and payment date 26 February 2025.

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.

Proposal for booking a non-distributable equity reserve pursuant to Article 26, paragraph 5-bis, of Italian Law No. 136 of 9 October 2023 converting Italian Decree-Law No. 104 of 10 August 2023 (so-called Windfall Tax for Banks)

It is worth recalling that Italian Decree-Law No. 104 of 10 August 2023 ("Omnibus Decree"), converted with amendments into Law No. 136 of 9 October 2023 (published in the Italian Official Journal No. 236 of 9 October 2023), introduced, for financial year 2023 only, a tax to be levied on excess profits arising from banks' net interest income. In detail, Article 26 of the said Decree-Law calls for:

- calculating the tax by applying a rate of 40% to the amount of net interest income, recognised in item 30 of the profit and loss account of the 2023 financial statements, which exceeds by at least 10% the corresponding net interest income recognised in 2021 (at individual level);
- a tax cap equal to 0.26% of the risk-weighted assets (RWAs) recognised in the financial statements for the year ended 31 December 2022;
- the option, in lieu of the relevant tax cash out, if the annual shareholders' meeting, when approving the financial statements and allocating net profit for financial year 2023, resolves to book a non-distributable equity reserve of 2.5 times the amount of the tax, drawn from that same net profit (or, if this is not sufficient, from other available reserves). This equity reserve may not be used to distribute dividends, but may absorb any losses and, consequently, is eligible for inclusion in Common Equity Tier 1 (CET1). Should this reserve be subsequently distributed, the Bank will have to pay within 30 days the entire tax due and, in addition, the accrued interest (Article 26, paragraph 5-*bis*, of Decree-Law No. 104 of 10 August 2023).

With reference to the latter point, the Board of Directors of Banca Generali S.p.A., in its meeting of 13 November 2023, already resolved to avail of the option provided for by Article 26, paragraph 5-*bis*, of the aforementioned Decree-Law and opted to allocate the tax to strengthening the Group's capital.

In this regard, it should be noted that this tax, which complies with the cap provided for by the law, i.e., 0.26% of RWAs recognised in Banca Generali's Financial Statements at 31 December 2022, would amount to **10,642 thousand euros**; the non-distributable reserve to be therefore booked upon approval of the Financial Statements at 31 December 2023 shall be **2.5 times** the amount of the tax, for an amount of **26,606 thousand**

euros.

It is therefore proposed to the Board of Directors to submit for the approval of the General Shareholders' Meeting the constitution of a non-distributable equity reserve amounting to **26,606 thousand euros**, through allocation of a corresponding amount of the Bank's net profit for 2023 not distributed to shareholders.

<u>Reserve pursuant to Article 6, paragraph 1(a), of Legislative Decree No. 38/2005</u>

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 trading 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 2023, the restricted reserve amounted to 1,797,112 euros and must therefore be increased, with respect to the amount previously allocated, by 306,744 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 2023, 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 2,920,001;*

– *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 2023;*

2) *to allocate the net profit for 2023, amounting to 314,877,430.00 euros, as follows:*

Net profit for the year		**314,877,430**
allocation to the restricted reserve pursuant to Article 6, paragraph 1(a), of Italian Legislative Decree No. 38/2005		**0**
allocation to the restricted reserve pursuant to Article 26, paragraph 5-*bis*, of Italian Law No. 136 of 9 October 2023		**26,606,553**
allocation to retained earnings		**37,039,857**
allocation per each of the 116,851,637 ordinary shares issued of		
a dividend of 1.55 euro per share, to be paid in May 2024	181,120,037	
a dividend of 0.60 euro per share, to be paid in February 2025	70,110,982	
for a total of		**251,231,020**

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

   i. *1.55 euros per share, ex-date 20 May 2024; record date 21 May 2024, and payment date 22 May 2024;*

   ii. *0.60 euros per share, ex-date 24 February 2025; record date 25 February 2025, and payment date 26 February 2025;*

4) *to book, drawing from the undistributed net profit for the year, a non-distributable equity reserve pursuant to Article 26, paragraph 5-bis, of Italian Law No. 136 of 9 October 2023 converting Italian Decree-Law No. 104 of 10 August 2023 (so-called Windfall Tax for Banks) in the amount of 26,606,553 euros;*

5) *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;*

6) *to increase by 306,744 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;*

7) *to vest the Chair 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 2024 THE BOARD OF DIRECTORS