

REMUNERATION REPORT

ORDINARY GENERAL MEETING 18-19 APRIL 2019



REMUNERATION REPORT

Banking Group's Remuneration and Incentivisation Policies and Report on the Application of Remuneration and Incentivisation Policies in 2018

This document has been translated from that issued in Italy, from the Italian into the English language, solely for the convenience of international readers. The Italian version remains the definitive version.



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COMPANY BODIES AT 15 MARCH 2019

Banca Generali S.p.A. Governing and control bodies

Board of Directors

Chairman	Giancarlo Fancel	
Chief Executive Officer and General Manager	Gian Maria Mossa	
Board of Directors	Giovanni Brugnoli	Non-executive and Independent Director
	Azzurra Caltagirone	Non-executive Director
	Anna Gervasoni	Non-executive and Independent Director
	Massimo Lapucci	Non-executive and Independent Director
	Annalisa Pescatori	Non-executive and Independent Director
	Cristina Rustignoli	Non-executive Director
	Vittorio Emanuele Terzi	Non-executive and Independent Director

Board of Statutory Auditors

Chairman	Massimo Cremona
	Mario Francesco Anaclerio
	Flavia Minutillo

Secretary of the Board of Directors

Domenica Lista

LETTER OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholders,

It is my pleasure to present the Banca Generali Group's Annual Remuneration Report for 2019.

The policies for the current year have been defined in a way that takes account of the Bank's mission and values, oriented towards inclusion, the enhancement of the diversity of its resources and customer satisfaction, the new strategic plan designed for growth and sustainable development, and the Bank's structure, while also continuing to pursue the ultimate goal of creating value over time for all of our various stakeholders.

An effective remuneration policy allowed us to continue to align the interests of our shareholders and management throughout the year, once again confirming its role as a fundamental tool for attracting, motivating and retaining talented professionals who share and embody our values and are the true distinctive feature of our Bank.

In continuity with the past, but with an eye towards the future and constant improvement, the 2019 Remuneration and Incentivisation Policies will continue to strengthen the bonds between remuneration, risk and profitability, thereby effectively supporting the achievement of the targets set in the three-year plan.

Following the positive impact of the introduction of the first Long Term Incentive (LTI) based solely on Banca Generali shares in terms of loyalty-building for key resources, it was decided to continue down this road this year, setting the value of the short- and long-term variable component of remuneration in accordance with applicable legislation, with the aim of establishing an increasingly clear connection between the Bank's medium-to-long-term objectives and the performance of its top management, in order to facilitate the sustainable growth of the Banking Group over time.

The strategic objectives set by the new three-year plan are ambitious and require renewed focus on excellence, which may only be achieved with the development, engagement, awareness and accountability of all of our people.

Transparency, fairness, merit and a direct link with the company's results remain the pillars of our remuneration policies, because they allow us to continue to enhance our human capital, thus maximising the advantages for all stakeholders involved.

I would like to take the opportunity to thank Directors Anna Gervasoni and Vittorio Emanuele Terzi, the Chairman of the Board of Statutory Auditors Massimo Cremona and Statutory Auditors Flavia Minutillo and Mario Anaclerio for their valuable contributions to the Committee's proceedings.

Kind regards,

Giovanni Brugnoli
Chairman of the Remuneration Committee



Giovanni Brugnoli

Chairman of the
Remuneration Committee






SECTION 1

EXECUTIVE SUMMARY

THE MISSION

Guaranteeing competitive remuneration against sustainable performance and growth.



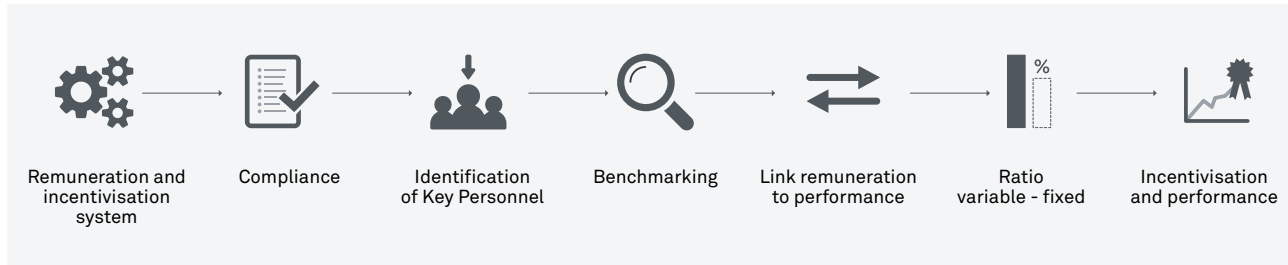
Banca Generali's remuneration policy is aimed at reaching the best possible alignment of the interests of the Banking Group's Shareholders and those of the Management, through careful risk management and the consistent pursuit of long-term goals.

A well-balanced system of remuneration and incentives for the Banking Group's directors and management is key to boosting competitiveness, ensuring a high level of corporate governance and the achievement of medium-/long-term objectives.

Moreover, remuneration, especially with regard to key personnel, is useful in terms of attracting, motivating and retaining people with the talent and skills best suited to the Company's needs.

Summary of remuneration approach

Main Elements of the 2019 Remuneration and Incentivisation Policies



1. Main drivers of remuneration and incentivisation policies



- > Transparency of policies.
- > Remuneration policies consistent with the achievement of sustainable performance and growth.
- > Scrupulous and constant regulatory compliance.
- > Limited application of the principle of proportionality, where envisaged by relevant regulatory provisions and in compliance with the same.
- > Ongoing monitoring of market trends and practices.

2. Compliance with regulations



- > Based on our Remuneration Policy's pillars, on which 2018 projections were based, it is possible to properly define competitive remuneration levels.
- > Delegated Regulation (EU) No. 604/2014 of 4 March 2014 issued by the European Commission.
- > Bank of Italy's "Supervisory Provisions for Banks", Circular Letter No. 285 of 17 December 2013, 25th update dated 23 October 2018.
- > European Directive on Capital Requirements (CRD IV).
- > Regulation implementing Legislative Decree No. 58 of 24 February 1998 (Finance Consolidation Law - TUF);

3. Identification of Key Personnel



- > Remuneration policies have been drawn up with a view to ensuring simultaneous compliance with provisions governing the matter in question introduced by Italian and European laws applicable to the banking sector; the regulatory provisions applicable to issuers and the Corporate Governance Code for Listed Companies.
- > Identification of Key Personnel in line with RTS (Regulatory Technical Standards) issued by the European Commission upon EBA's proposal, in compliance with Bank of Italy's provisions, and transposed in the Commission Delegated Regulation (EU) No. 604 of 4 March 2014.
- > Particular focus on persons falling within the category of Financial Advisors.
- > Limited application of the principles of proportionality, where applicable, with reference to "other banks".

4. Remuneration benchmarking



- > In line with the Bank of Italy's Provisions on identifying "Key Personnel", who exert or could exert a significant impact on the banking Group's risk profile, and therefore warrant the application of the more detailed rules, the Company's Board of Directors, with the support of the Remuneration Committee, carried out a structured self-assessment based on qualitative and quantitative criteria.
- > Participation to the ABI's annual remuneration survey.
- > With regard to Key Personnel, comparative analyses, supported by an independent external advisor; of the practices adopted by a pool of selected competitors.

The Banking Group's remuneration policy has been defined, insofar as financial and credit market practices are concerned, on the basis of the results of the ABI annual salary study, with a view to establishing benchmark indicators for the fixed and variable components of the remuneration of the Group's managers. In addition, the components of the package for Key Personnel were determined also with the support of specific studies conducted by an independent external advisor.

- > Application of parameters aimed at assessing long-term sustainability of company performance, in terms of risks assumed and liquidity required.
- > Application of the economic/financial targets outlined in the budget for the reference year as targets of the MBO systems, where applicable.
- > Performance targets set in the light of the risk-correction measures most appropriate to the activities performed.
- > Reference to economic/financial objectives of the Banking Group and the Assicurazioni Generali Group as targets for the LTI plans.
- > Application of access gates, and malus and claw-back mechanisms.

All types of variable remuneration are correlated with indicators, which aim at appreciating the weighting of risks of the company or Group, and are determined taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to preventing conflicts of interest.

- > Cap Mechanism to ensure compliance with the ratio of total variable to total fixed remuneration.
- > The 2:1 limit is the maximum limit envisaged for 21 members of Key Personnel.

The cap mechanism ensures that the ratio of total variable remuneration paid in a given year (including both up-front and deferred payments) to total fixed remuneration in that same year does not exceed the set ratio. Accordingly, this mechanism, which is applied on a cash basis, also takes account of the effects of bonuses accrued in years prior to the introduction of the cap and of deferred bonuses. For 2019 a motion has been submitted to the General Shareholders' Meeting to increase to 2:1 the ratio of variable to fixed remuneration for determining the remuneration of 21 members of Key Personnel (of whom 13 Network Managers).

- > Confirmation of the bonus pool approach of the Group's 2019 incentivisation system.
- > The system envisages the measurement of both individual and group/bank performances.

Each year, the Board of Directors determines a total bonus pool, in keeping with the remuneration policies to be disbursed provided that the necessary financial stability and liquidity conditions have been satisfied and the requirements for each position have been met.

5. Mechanisms for linking remuneration to performance



6. Ratio of variable to fixed remuneration for Key Personnel



7. Incentivisation system linked to yearly performance







SECTION 2

BANKING GROUP'S REMUNERATION AND INCENTIVISATION POLICIES



1. The objectives of the remuneration policy

Banca Generali Group's remuneration policies are aimed at ensuring the best possible alignment of the interests of the Banking Group's Shareholders and those of the Management, through careful risk management and the consistent pursuit of long-term goals.

It is deemed that a well-balanced system of remuneration and incentives for the Bank's Directors and Managers can boost competitiveness, ensure corporate governance and the achievement of the objectives of the new strategic plan. Moreover, remuneration, especially with regard to Key Personnel, is useful in terms of attracting and retaining people with the talent and skills best suited to the needs and development of the Company.

In this regard, the Banca Generali Group's remuneration policy is determined in compliance with:

- > **the Banking Group's mission ("Being the No.1 private bank, unique by value of service, innovation and sustainability")**, especially with regard to its commitment to generating consistently excellent results for all its stakeholders in both the short and the medium/long term, whilst also ensuring sound and prudent risk management, well-balanced corporate organisation, and the constant pursuit of strategic goals;
- > the Banking Group's values, and more specifically, responsibility, reliability, commitment, innovation and the ability to achieve the targets set out in the strategic plan, to which both the top management team and all the banking group's personnel must always adhere, especially in their endeavours to meet their assigned objectives;
- > **the Banking Group's governance**, as the corporate/organisational model, and internal regulatory framework orienting all business operations towards:
 - scrupulous and constant regulatory compliance;
 - strict **application of the procedures** regulating interaction between management functions, as well as amongst the different company structures;
 - the **implementation, adequacy and streamlining** of existing processes based on the prevailing risk management and control system;
- > the **new strategy** launched with the new three-year plan, the priorities of which are:
 - **sustainability**, viewed as sustainable growth, on the one hand, and as a focus on ESG issues, on the other;
 - **making the most of the Group's people**, by recognising diversity, favouring inclusion and emphasising the contributions of individuals to the organisation's success, including through adequate remuneration, while also discouraging behaviour leading to an excessive exposure to risk.

The resulting remuneration policy supports the mission, values, governance and new strategy, thereby giving rise to an ongoing interaction that leads to constant fine-tuning of remuneration practices on the one hand, and the consolidation of the above-mentioned elements on the other.

Accordingly, against this background, the **primary objective** of the remuneration policies is to adequately reward sustainable performance. Towards such end, any action taken as part of the remuneration policies is informed and shaped by the following principles:

- > **internal fairness** since remuneration must be commensurate with the job description in question, taking due account of the burden of responsibility, and the competence and skill with which related duties are discharged. This applies to all personnel, and is therefore inclusive of top management, it being understood that the remuneration of employees must always be determined in strict compliance with all applicable national and corporate collective bargaining labour agreements;
- > **Competitiveness**: the assigned remuneration must be in line with remuneration levels prevailing on reference markets; towards this end, trends in remuneration levels prevailing in the industry of reference are monitored through general and industry-specific surveys of remuneration practices and the definition of specific benchmarks for key personnel;
- > **Consistency**: meaning the transversal application of similar remuneration policies to comparable levels of job responsibility throughout the Banking Group, taking due account of the type of business and geographical area of reference, as well as other factors

that could impact remuneration levels from time to time. These policies also promote staff development including through intercompany secondments;

- > **Merit-based reward:** to be achieved through a remuneration system that commensurately rewards the results obtained and the level of commitment and effort involved in attaining the same, whilst, at the same time, encouraging unwavering compliance with applicable regulations and procedures, as well as constant and focused risk assessment.

From a regulatory point of view, remuneration and incentivisation Policies are drafted in compliance with regulatory contents and provisions:

- > **Provisions governing remuneration and incentivisation policies and practices** (Circular No. 285 dated 17 December 2013, 25th update dated 23 October 2018), by applying, in certain cases, the principle of proportionality, as defined therein, while taking into account the characteristics, size, risk level and complexity of the business conducted by the Bank and Banking Group. Sections I and II of this document also contain the information provided for in **Article 450 of the CRR** (Reg. EU No 575/213);
- > Article 84-*quater* of the **Rules for Issuers** (Consob Resolution No. 11971/1999) introduced with Consob Resolution No. 18049 of 23 December 2011 which laid down a comprehensive and systematic regulatory framework governing transparency, as required under Article 123-*ter* of the Finance Consolidation Law (TUF). Under the said rules, issuers are required to draw up a detailed report on remuneration, without prejudice to the remuneration-related obligations imposed under industry-specific regulations applicable by reason of the business of the listed corporation.
- > the **Corporate Governance Code for Listed Companies**, most recently updated in July 2018, which requires the approval of a remuneration policy for Directors and Key Management Personnel.

Regulatory
Framework

This document has been therefore drawn up with a view to ensuring **simultaneous compliance** with the regulatory provisions governing remuneration policies within the banking industry, legal provisions and the corporate governance provisions applicable to issuers.

In addition, in order to ensure the consistent implementation of remuneration policies within the Generali Group, the principles and guidelines set out in the Group Remuneration Internal Policy drafted by Assicurazioni Generali in accordance with applicable legislation have been taken into account when preparing this document, without prejudice to the peculiarities dictated by legislation applicable to the banking sector.

2. Target population of the remuneration and incentivisation policies

2.1 Identification of Key Personnel

The Bank of Italy's Provisions refer to "personnel", a category that includes: **i)** all officers of company bodies vested with strategic oversight, management and control responsibilities; and **ii)** all employees and collaborators. In this context, the bank identifies the **Key Personnel** to whom the more detailed rules are to apply. Financial Advisors, with whom the Company has agency contracts, are subject not only to the general principles, but also to the rules laid down in Section IV of the Provisions ("*Remuneration Policy for Special Categories*").

2.1.1 Policy for Identification of Key Personnel

In line with the applicable Provisions, every year the Company's Board of Directors shall carry out a self-assessment, pursuant to the Delegated Regulation (EU) No. 604 of 4 March 2014 and with the support of the Remuneration Committee, for the specific purpose of identifying "Key Personnel", whose professional activity exert or could exert a significant impact on the risk profile of the Bank and the Banking Group, and therefore warrant the application of the more detailed rules.

The process of identifying key personnel is performed by the Bank's Board of Directors on the basis of the Provisions and the Regulation, with the support of the Human Resources Department, which coordinates the activities, with the participation – each in its respective area of responsibility – of the CFO & Strategy Area (Administration Department for the size analyses underlying the assessments of the proportionality principle and Commercial Planning and Control Service for qualitative and quantitative assessments relating to Financial Advisors), Risk Management function (Risk & Capital Adequacy Department) for assessments underlying the analyses of the relevant organizational units, and the General Counsel Area for the necessary support in legal and corporate affairs. The conformity of the process is assessed by the Compliance function (Compliance & Anti-Money Laundering Department).

The Bank identifies and applies additional criteria beyond those established in the above Regulation, where necessary to identify additional persons who assume significant risks for the Bank. In particular, in accordance with the Provisions, additional criteria apply to Financial Advisors authorised to make off-premises offers, with particular regard to the main Network Managers, as indicated below.

The conclusions and findings of the activities coordinated by the Human Resources Department are reviewed by the Remuneration Committee and, on the latter's opinion, submitted to the Board of Directors¹.

Two types of criteria are used, as set out in the Regulation, with the additional criteria applicable to the main Network Managers: **qualitative criteria and quantitative criteria**.

Application of qualitative criteria

Specific analyses regarding the following are performed for the purposes of application of the qualitative criteria set out in Article 3 of the Regulation:

- > the business units to which the various categories of personnel are attributable. In this area, a specific analysis is reserved for identifying the relevant operating/company units (pursuant to Article 142(1)(3) of Regulation (EU) No 575/2013) to which internal ca-

¹ In detail, the results of the process of identifying Key Personnel are detailed and recorded in the Self-Assessment Document prepared by the Bank each year and approved by the Board of Directors.

pital is allocated pursuant to Article 73 of Directive 2013/36/EU, accounting for at least 2% of internal capital;

- > the activities performed by the business units concerned;
- > the identification of the roles and responsibilities assigned to individual staff members in respect of the various business units. This analysis takes account of, *inter alia*, the responsibilities assigned by the internal Regulation, participation in internal Committees and the powers of such Committees, and the powers and delegated authority conferred;
- > the importance of the managerial role, solely in the case of Financial Advisors authorised to make out-of-branch offers and assigned an ancillary managerial role.

Application of quantitative criteria

Key personnel are identified according to quantitative criteria set out in the Regulation considering that according to the Regulation a staff member has a substantial impact on the entity's risk profile where any of the following quantitative criteria is satisfied:

- a) he or she was assigned total remuneration of 500,000 euros or more in the previous financial year;
- b) he or she is among the 0.3% of personnel (rounded to the nearest unit) assigned the highest total remuneration in the previous financial year;
- c) he or she was assigned total remuneration in the previous financial year equal to or greater than the lowest total remuneration assigned to a member of Key Personnel, defined according to several of the qualitative criteria set out in the Regulation.

In this respect:

- > in the case of employees:
 - the Bank includes persons who meet the conditions set out in points a) and b) above among Key Personnel;
 - employees with remuneration of less than 500,000 euros who were assigned total remuneration in the previous financial year equal to or greater than the lowest total remuneration assigned to a top manager or a person meeting one of the criteria set out in Article 3(1), (3), (5), (6), (8), (11), (12), (13) or (14) are included among Key Personnel — or excluded from Key Personnel, in accordance with the applicable provisions — on the basis of an assessment that takes account of qualitative criteria (position within the organisation, power to bind the Bank, responsibility for market and credit risk) and the allocation of internal capital in respect of the operational risk attributable to each employee.
- > In the cases of Financial Advisors:
 - the Bank considers Financial Advisors key personnel if at the end of the previous year they had collected total remuneration (including both the recurring component and incentive) of 750,000.00 euros or more, in accordance with the provisions of Commission Delegated Regulation (EU) No 604/2014, and, where not already included among Financial Advisors with remuneration equal to or greater than the above threshold, Financial Advisors who are among the 0.3% of personnel, rounded to the nearest unit, who were collectively assigned the highest total remuneration in the previous financial year;
 - Financial Advisors with remuneration equal to or greater than 500,000 euros and less than 750,000 euros are subject to specific quantitative criteria (allocation of internal capital for operational risk, risk score assigned by the Network Control Function, possibly complemented by specific evaluations, level of operating losses attributable to each Financial Advisor) and qualitative criteria (position external to the organisational structure, lack of responsibility for market risk or credit risk, lack of power of representation). Where these criteria are met, pursuant to Article 4(4) of the Regulation, the Supervisory Authority is notified of exclusion in application of Article 4(2), in respect of the criterion set out in Article 4(1)(a), in the belief that, despite remuneration equal to or greater than 500,000 euros but less than 750,000 euros, the conditions set out in Article 4(2) have been met and thus the staff member in question may be excluded from members of key personnel;
 - Financial Advisors with remuneration of less than 500,000 euros who were assigned total remuneration in the previous financial year equal to or greater than the lowest total remuneration assigned to a top manager or a person meeting one of the criteria set out in Article 3(1), (3), (5), (6), (8), (11), (12), (13) or (14) are included in or excluded from key personnel, in accordance with the applicable provisions, on the basis of an assessment that takes account of the qualitative criteria mentioned in the foregoing point and the allocation of internal capital in respect of the operational risk attributable to each Financial Advisor.

The Bank has therefore decided not to apply to exclude any staff members with total remuneration equal to or greater than 750,000 euros or among the 0.3% of personnel assigned the highest total remuneration in the previous year from key personnel.

2.1.2 Overview of the findings of the process of identifying key personnel

In application of the process described above, the analysis resulted in the identification of the following as included in the key personnel category in the current year²:

- A) Board of Directors:** non-executive members, including the Chairman (8 members, unchanged on the previous year)
- B) Top Management:** Chief Executive Officer/General Manager (part of the management body in his management function), the Deputy General Manager Wealth Management Markets and Products, Deputy General Manager Former Commercial Networks, Alternative and Support Channels (each also referred to hereinafter as a “DGMs”) (3, unchanged on the previous year);
- C) Other key personnel:** the following were identified as belonging to this category (11 individuals, compared to 10 in the previous year, due to the different classification of the Head of the Human Resources Department):
 - (i) the heads of **key operating/company units:** the Head of the CFO & Strategy Area, the Head of the Finance Department, the Head of the Lending Department, the Head of the Asset Management (“AM”) Area, who also acts as Executive Director of BG FML, the Chief Executive Officers/General Managers of subsidiaries that are relevant operating/company units (currently the General Manager of BG FML) and the Top Management already considered in the previous points;
 - (ii) the persons in charge, directly reporting to the personnel indicated in points (i) and B) above, who are regarded as having an impact on company risk profile due to their activities, autonomy and powers: the Head of the Private Relationship Manager Area (hereinafter “Private RM”) and the Head of the Alternative and Support Channels Area;
 - (iii) the Heads of the **functions listed in point 9)** of the above-mentioned Article 3, who are regarded as having an impact on company risk profile due to their activities, autonomy and powers: the Head of the COO & Innovation Area, the Head of the General Counsel Department, the Head of the Human Resources Department and the Head of the Wealth Management Area.
- D) Managers in charge of company control functions:** the Head of the Compliance and Anti-Money Laundering Department, the Head of the Internal Audit Department and the Head of the Risk and Capital Adequacy Department (3 individuals, compared with 4 in the previous year, due to the different classification of the Head of the Human Resources Department).
- E) Main managers operating in the Bank’s distribution networks:** Sales Managers, Area Managers, Head of Business Development Top Wealth Advisors/Top Private Bankers, Recruiting Manager Italy, Head of Recruiting (13 compared to 14 of the previous year)
- F) Financial Advisors** who at the end of the previous year had collected total remuneration (including both the recurring and incentive components) equal to or greater than 750,000.00 euros, in accordance with the provisions of Commission Delegated Regulation (EU) No. 604/2014. (41 compared with 46 in the previous year).

The assessment process aimed at identifying key personnel resulted in the identification of **79** individuals at the level of the Banking Group (also including Financial Advisors authorised to make off-premises offers), compared to 85 individuals identified the previous year.

2.2 Identification of Key Management Personnel

Pursuant to Consob Resolution No. 18049 of 23 December 2011, the term “Key Management Personnel” is to be construed in line with the definition set forth in Attachment 1 to Consob Regulation No. 17221 of 12 March 2010, as further amended. Against this background, those persons having authority and direct or indirect responsibility for planning, directing, and controlling the activities of the company fall in the category of Key Management Personnel. In line with Company’s corporate policy, this category shall include all the Company’s

² The names or individual identifying information, roles and responsibilities of the personnel in question – and the excluded personnel – are set out in the aforementioned Self-Assessment Document approved by the Board of Directors, together with all the data and information required in accordance with the Supervisory Provisions.

directors (whether executive or otherwise), the acting members of the Board of Statutory Auditors, the members of the Top Management as specified above.

For the intents and purposes of this document, the generic term “managers” must be construed in its technical sense, and therefore, may not be deemed to refer to company directors and acting members of the Board of Statutory Auditors, it being understood that where the context demands, the meaning to be attributed to the said term will be appropriately specified.

2.3 Principle of proportionality

The Bank of Italy’s Provisions apply to all “personnel”, save for the rules detailing the remuneration structure designed solely for Key Personnel. In addition, in application of the principle of proportionality, banks establish their remuneration and incentivisation policies while taking account of their characteristics and size, as well as the risk level and complexity of the business they conduct, so as to achieve the objectives pursued by the regulations.

The regulations divide banking groups into three categories for the purposes of application of the **principle of proportionality**: larger more complex banks, smaller less complex banks and medium-sized banks.

In this classification scheme, Banca Generali falls into the category of medium-sized banks (and is near in size to the lower limit of its class). For these banks, Provisions establish that the more detailed rules, pertaining to Key Personnel, may be applied subject to the percentages, and deferment and retention periods equivalent to at least half of those established, on an increasing scale based on the Bank’s or Banking Group’s features.

3. Bodies involved in defining the remuneration and incentivisation policy

The roles of the various corporate functions involved in defining, approving, implementing and subsequently assessing the remuneration policy are outlined below.

3.1 General Shareholders' Meeting

Pursuant to the Bank of Italy's Provisions, the General Shareholders' Meeting: **i) establishes the remuneration** due to the bodies it appoints; **ii) approves the remuneration and incentivisation policies and shared-based remuneration and incentivisation policies** for bodies with roles of oversight, management and control, as well as the remaining personnel; and **iii) the criteria for determining any amounts to be paid in the event of early termination of the contract or the post**, including limits on such amounts in terms of multiples of annual fixed remuneration and the maximum amount that results from the application thereof. Finally, under the Articles of Association, the General Shareholders' Meeting decides on the proposal to set a limit on the ratio of the variable to fixed component of individual remuneration **in excess of 1:1**, in accordance with Section III, paragraph 1, of the Provisions.

3.2 Board of Directors

The Board of Directors also drafts and submits the remuneration and incentivisation policy to the Shareholders' meeting at least annually and is responsible for the proper implementation of that same policy. It approves the findings of any procedures for the exclusion of key personnel and periodically revises the relevant criteria. Moreover, it bears responsibility for its proper implementation; in detail, it determines: **the remuneration due to directors vested with specific tasks** (including the members of Board Committees); **the overall remuneration of the Chief Executive Officer/General Manager**, any other members of **Top Management**, the **Heads of the main business lines** and the **Heads of control functions**, in line with the provisions of relevant Shareholders' resolutions, with the support of the Remuneration Committee, and after hearing the opinion of the Board of Statutory Auditors in such regard. It also sets the individual performance objectives to be attained by the said company functions.

Within the context of the decisions of the Shareholders' Meeting, it is then the responsibility of the Board of Directors to draw up guidelines for the recruitment and internal placement of personnel belonging to the Company's managerial category and carry out checks to ensure that the remuneration and incentivisation systems applicable to Key Personnel take due account of **risk containment** policies and are consistent with the Company's remuneration policy, long-term objectives of the bank and the Banking Group, corporate culture and overall corporate governance and internal control system. The Board of Directors also ensures that remuneration and incentivisation systems are appropriate to ensuring compliance with the law, regulations and the Articles of Association, together with any codes of ethics or conduct, by promoting compliant behaviour, and for ensuring that personnel are aware of the consequences of violation of the law or of codes of ethics or of conduct.

The Board of Directors also submits to the General Shareholders' Meeting an annual **report** on the implementation of remuneration policies, duly accompanied by an overview of the related **quantitative data**. The Board of Directors is supported in its work by the Remuneration Committee and, for the purposes of a correct application of the principles and criteria envisaged by the regulation, by the relevant company functions, i.e., the Human Resources Department, the General Counsel Department, the Compliance and Anti-Money Laundering Department, the CFO & Strategy Area (Planning and Control Department, Sales Planning and Control Service), the Risk and Capital Adequacy Department.

3.3 Remuneration Committee

Banca Generali has instituted a Remuneration Committee within the Board of Directors. The Remuneration Committee is tasked with assisting the Board of Directors in laying down Company's policies in respect of the determination of the remuneration of the Company's key personnel holding the highest offices and those responsible for control functions. The above-mentioned Committee is currently composed of three non-executive, independent members of the Board of Directors, and is responsible for advising and making recommendations to the Board of Directors on matters pertaining to remuneration.

The Remuneration Committee is afforded unhindered access to any and all the corporate information and functions it may deem necessary or useful for the proper discharge of its assigned tasks. The Committee puts forward advisory opinions and recommendations on matters falling within its purview, on a regular basis, and draws up the minutes of meetings and the reports required to ensure the conduct of the Bank's business.

The current Committee was appointed by the Board of Directors on 12 April 2018 and will remain in office until the approval of the Financial Statements for the year ended on 31 December 2020. The Committee's current composition is described below:

NAME AND SURNAME	OFFICE HELD
Giovanni Brugnoli	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 16, paragraph 1(d) of Consob Regulation No. 20249/2017
Anna Gervasoni	Committee Member Non-executive and independent Director pursuant to the Corporate Governance Code and Article 16, paragraph 1(d) of Consob Regulation No. 20249/2017
Vittorio Emanuele Terzi	Committee Member Non-executive and independent Director pursuant to the Corporate Governance Code and Article 16, paragraph 1(d) of Consob Regulation No. 20249/2017

Tasks of the Remuneration Committee

- I. providing the Board of Directors with non-binding opinions and recommendations on the determination of the remuneration of the Chairman of the Board of Directors, Chief Executive Officer, and any other executive directors, expressing opinions also on the setting of performance objectives linked to the variable component of remuneration;
- II. providing the Board of Directors with non-binding opinions and recommendations on the determination of the remuneration of personnel, whose remuneration and incentivisation systems are decided by the Board of Directors — in accordance with laws and regulations in effect from time to time, as well as with the Remuneration and Incentivisation Policy adopted by the Company — expressing opinions also on the setting of performance objectives linked to the variable component of remuneration;
- III. being consulted on issues concerning the determination of criteria to be applied for the remuneration of all Key Personnel, as defined by the Remuneration and Incentivisation Policy adopted by the Company;
- IV. expressing a position on the results of the process of identifying key personnel, including any exclusions;
- V. periodically assessing the adequacy, overall consistency and concrete application of the remuneration policy applicable to Directors, Key Management Personnel and, on the basis of the information provided by the Chief Executive Officer, all personnel whose remuneration and incentivisation systems are decided by the Board of Directors — in accordance with laws and regulations in effect from time to time, as well as with the Remuneration and Incentivisation Policy adopted by the Company — in addition to submitting its relevant proposals to the Board of Directors;
- VI. monitoring the implementation of decisions adopted by the Board of Directors, also providing the Board with general recommendations on the matter;
- VII. directly overseeing the correct application of rules governing the remuneration of the Heads of corporate control functions, in close collaboration with the body with control function;

- VIII. providing opinions on the determination of severance indemnities to be offered in the event of early termination of the contract or the post (so-called “golden parachutes”); assessing, where necessary, the effects of such termination on the rights accrued under share-based incentive plans;
- IX. expressing opinions, also on the basis of the information received from the competent company functions, on the achievement of the performance objectives to which incentive plans are tied, and on the review of the other conditions established for the disbursal of remuneration;
- X. expressing non-binding opinions and proposals for any stock options plans and shares allotment or other share-based incentive systems, also suggesting the objectives associated with the provision of such benefits and the criteria for assessing the achievement of those objectives; monitoring the evolution and application over time of any plans approved by the General Shareholders’ Meeting on the Board’s proposal;
- XI. expressing an opinion to the Board of Directors of the Parent Company on proposals relating to the remuneration of Directors holding special offices in strategic subsidiaries, pursuant to Article 2389 of the Italian Civil Code, as well as the general managers and key management personnel of those companies;
- XII. preparing all documents to be submitted to the Board of Directors for the relevant resolutions;
- XIII. duly reporting on the activities performed by the company bodies, including the General Shareholders’ Meeting, with the timeliness necessary to allow for due preparation of meetings called to examine matters pertaining to remuneration;
- XIV. participating into the General Shareholders’ Meetings through its Chairman or another Committee’s member;
- XV. ensuring appropriate functional and operational links with the relevant company structures in charge of preparing and monitoring remuneration and incentivisation policies and practices;
- XVI. working with the other Board committees, in particular with the Internal Audit and Risk Committee, which is tasked with assessing that the incentives granted through the remuneration system duly reflect risks and are commensurate with capital and liquidity levels;
- XVII. carrying out any and all other tasks and duties entrusted to the Committee by the Board through specific resolutions.

3.4 Governing Body

Identifying the objectives to be assigned to individual Managers, other than those for which the Board of Directors is responsible as part of the policy determined by the General Shareholders’ Meeting and the parameters identified by the Board of Directors, is the responsibility of the governing body (identified based on the powers assigned), supported by the Human Resources Department, the General Counsel Department, the and Anti-Money Laundering Department, the Planning and Control Department, the Risk Management and Capital Adequacy Department, each for the parts within their respective remit.

The process of assigning the objectives to be met in order to receive variable remuneration and determining the maximum amount of such variable component is formally conducted and documented.

3.5 Board of Statutory Auditors

The Board of Statutory Auditors is tasked with expressing opinions on the remuneration of directors holding special offices, it being pointed out that the said opinions are provided even with regard to the remuneration of the Chief Executive Officer and the General Manager.

The Board of Statutory Auditors also expresses an opinion on the remuneration of heads of control functions.

3.6 Internal Audit Functions

Without, in any event, exceeding the bounds of their respective spheres of competence, the Bank's control functions collaborate to ensure the appropriateness, regulatory conformity and proper implementation of all remuneration policies and practices.

More specifically:

- > the Compliance function, supported by the **Compliance and Anti Money Laundering Department** is tasked, *inter alia*, with verifying that the corporate incentive system is in line with objectives of compliance with applicable regulations, the Articles of Association and the self-regulatory provisions, with a view to appropriately containing the legal and reputational risks that arise, above all, in the course of dealings and relationships with customers. The Compliance function submits the results of its assessments to the relevant company boards, recommending corrective action where appropriate, it being understood that the said results are also reported to the General Shareholders' Meeting on an annual basis;
- > the Risk Management Function, which is performed by the **Risk and Capital Adequacy Department**, contributes, *inter alia*, to ensuring that the remuneration and incentivisation system is consistent with the Bank's risk appetite framework of reference (the "RAF"), including by defining the risk indicators to be used for corrective mechanisms (on an ex ante and ex post basis) and expresses a position on the proper activation of such mechanisms;
- > the Internal Audit function, supported by the **Internal Audit Direction**, is in charge, *inter alia*, of verifying, at least once a year, the compatibility of remuneration practices with approved policies and industry-specific regulations. This function also submits the results of its assessments to the relevant company boards and officers, recommending corrective actions where appropriate, it being understood that the said results are also reported to the General Shareholders' Meeting on an annual basis.

3.7 Human Resources and Other Functions

The **Human Resources Department** provides **technical assistance and prepares the support materials** that inform remuneration policies and their implementation. The Department provides support for the activities performed by the Compliance function (see the previous paragraph), by ensuring, *inter alia*, the consistency of human resource management policies and procedures and the Bank's remuneration and incentivisation systems.

The **Planning & Control Department** and the **Sales Planning & Control Service** are involved in defining remuneration policies, identifying the **quantitative parameters** pertaining to the strategic objectives to which the variable component of remuneration is to be correlated, determining the expense budget, and defining the policies relating to Financial Advisors.

The **Project Governance, Outsourcing and Data Management Department** is involved in identifying the **qualitative parameters** associated with company projects, relating to the strategic objectives to be associated with the variable component.

The Subsidiaries and the other Areas/Departments collaborate by providing access to all data and supporting documents necessary to identifying and monitoring the **qualitative parameters** relating to the strategic objectives to be associated with the variable component.

The **General Counsel Area** and the **Administration Department** also perform an advisory function for their respective areas of responsibility in legal, corporate, accounting and tax matters.

4. Remuneration and mechanisms for linking remuneration to performance

Overall remuneration is made of fixed and variable components which, in the case of certain managers, may include participation in Long Term Incentive plans designed to link remuneration to the long-term performance of the Banking Group and the Assicurazioni Generali Group to which it belongs.

4.1 Ratio of the Variable to Fixed Component of Remuneration

In the above-mentioned Bank of Italy's Provisions, the introduction for Key Personnel of a cap of 1:1 ratio of the variable to fixed component of remuneration is particularly important. The Bank has taken the following measures to ensure that this ratio is maintained:

- > in general, a percentage of variable remuneration less than or equal to this threshold for the above-mentioned personnel;
- > for specific individual company personnel (the Chief Executive Officer/General Manager, Deputy General Managers, Head of the Asset Management Area, Head of the Private Relationship Manager Area, Head of the Alternative and Supporting Channels Area, Head of the Wealth Management Area, COO & Innovation Area, one Sales Manager, nine Area Managers, one Head of Business Development Top Wealth Advisor/Top Private Banker, one Recruiting Manager Italy and one Head of Recruiting), a reasoned proposal for the General Shareholders' Meeting to deviate from the 1:1 ratio of variable to fixed remuneration, **by increasing it up to a maximum of 2:1**. This proposal, submitted by the deadline set by the Bank of Italy, is based on the grounds set out in the specific report, and in particular on the consideration that in a specialist market such as that in which the bank operates, where it must compete with international players, a remuneration package competitive with those of its competitors, for individuals in key roles in its company organisation or managerial roles in its commercial areas, allows the bank to attract and retain individuals with the professionalism and skills suited to the Company's needs and ensure that its business results are achieved, in a manner consistent with applicable regulations.

For the remaining personnel, the ratio of the variable to total fixed components of remuneration is commensurate with the employee's job description and the strategic responsibilities inherent to his or her position within the organisational structure. For the professional areas and executives, it generally does not exceed 40%, but it may reach 100% for certain categories of personnel. In particular, it may reach:

- > the level of 100% (or higher in cases of entry or expiry plans based on net inflow/revenue targets and without guaranteed minimums) for persons operating in operating units of a commercial nature;
- > the level of 100% for "portfolio managers" within the framework of asset management activities, if the assigned results are achieved in full.

Point 8.2 below provides a breakdown of the components of the compensation packages of the other Financial Advisors authorised to make off-premises offers, distinguishing between fixed and variable components.

4.2 Fixed components of remuneration for employees

The fixed components refer to the remuneration of the role, responsibilities and managerial and technical skills of employees used to perform the roles assigned to them, in order to ensure managerial continuity and pursue effective and fair internal remuneration policies that are competitive in respect of the external market.

The fixed component accounts for a sufficient proportion of overall remuneration to attract and retain resources and simultaneously provide adequate remuneration for job responsibilities even in the absence of additional bonuses or other incentives in light of substandard performance, so as to discourage risk-taking in excess of the Company's risk propensity, with a view to meeting short and medium-to-long-term targets.

Among the fixed components of remuneration, the bank has introduced a **Service Allowance** to the configuration of remuneration packages for some managers with supervisory functions, of the HR function, and the manager in charge of the in charge of the Company's financial reports. The allowance is a component of fixed remuneration that is in addition to traditional gross annual remuneration and is tied to some specific roles (the allowance is assigned to compensate a specific role and/or the related responsibilities; it may be renegotiated, with annual or other frequency, according to changes in the specific requirements of the role, but entitlement to collect it ceases if the beneficiary is assigned to a role within the company to which a service allowance does not apply).

The total fixed remuneration provided to personnel includes not only gross annual remuneration, but also service allowances, director's remuneration, housing allowances (or sublease agreements), company collective supplementary pension benefits, health cover, and company life insurance and policies entailing an indemnity in the event of death or permanent disability.

Therefore, a significant portion of fixed remuneration components consists of the benefits package, which represents a significant element in terms of fixed remuneration (about 20% for executives and professional areas, and around 30% for managers). In detail, for managers this includes health cover (which in specific circumstances provided for in internal collective regulations may also be retained following severance), supplementary pension benefits, life insurance, as well as insurance for accidents at work and outside work, and a company car.

The National Collective Labour Agreement for Credit Institutions, supplemented by the Supplementary Company Contract, is applied for executives and professional areas. Social security coverage and pension benefits are therefore uniformly regulated for each different category of staff, in strict compliance with the provisions set forth in applicable collective bargaining labour agreements.

4.3 Variable components of remuneration for employees

Variable components are intended to reward short as well as medium-to-long term results. Performance is assessed — taking due account of the population segment and time-span in question — on the basis of the results attained by individuals and the corporate structures they serve and, with particular reference to top managers, the results achieved by the company/group as a whole.

The aim of the recurring variable components of remuneration and long-term incentives (such as, for example, long term incentive plans, and deferred bonus systems, as defined hereinafter) is to balance directly the interests of the shareholders and those of management.

In addition, the following may be included among the variable components of remuneration:

- > stability pacts, extended notice agreements and non-competition agreements (the latter in respect of the share in excess of one year of fixed remuneration);
- > specific one-off benefits paid upon hiring ("entry bonuses"), together with amounts paid in view of or concurrently with termination of the relationship.

Variable incentive-oriented remuneration linked to the performance of the Bank and the Banking Group is determined taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to avoiding conflicts of interest. These envisage **access gates**, whereby failure to meet pre-set stability targets entails forfeiture of the related bonus, but also to **malus and claw-back mechanisms**, as described below.



Short-term incentives: Management by Objectives and Balanced Scorecards

Short-term variable remuneration is based on the Management by Objectives (MBO), which is consistent with the achievement of the earnings and financial results indicated by the budget for the reference year. The Management by Objectives system is linked to the use of **Balanced Scorecards**.

This tool is intended to translate the strategies set forth in the industrial plan into a set of objectives that, taking due account of company risks, are able to materially influence the banking Group's overall performance. The objectives are assigned to the relevant persons on an annual basis on individual Scorecards. The purpose of this tool is to achieve maximum strategic alignment of management, as all the managerial positions help to create shareholder value by achieving objectives that are both quantitative and qualitative, but are in any event measurable.

The objectives and the relevant targets are defined based on the guidelines, differentiated according to the sphere of work and responsibility attributed to the Manager, and identifying the impact of individual positions on the achievement of the respective targets.

General scope of application

The MBO mechanism is used to define the variable remuneration of the Chief Executive Officer/ General Manager, the Managers and certain Executives. Specifically, for certain corporate functions (Relationship Managers and Asset Managers serving the AM Area, and BG FML) quantitative objectives established in terms of the results carried in the consolidated financial statements of the Banking Group may be replaced by individual quantitative objectives associated with the function discharged within the Group (without prejudice, in any event, to the application of the access gates described below), with a view to measuring performance and risks through variables that are consistent with the decision-making powers vested in each of these managers.

Variable remuneration is tied on a straight-line basis to the degree of achievement of the targets established for individual objectives or the annual and non-recurring assessment of special projects with a significant impact on the development of the business and company performance.

Medium-to-long term incentivisation: Long Term Incentive

Plans currently underway

The **medium-to-long term** variable remuneration provided by Banca Generali, as governed by ongoing plans launched in previous years, consists of long-term plans, launched in each year, based on shares of Assicurazioni Generali, the Assicurazioni Generali Group's Long Term Incentive plans approved from time to time by the competent bodies, the beneficiaries of which are the Chief Executive Officer/General Manager, several key management personnel and other managers identified by virtue of the significance of their roles within the Banking Group, provided that their roles are also significant at the level of the Generali Group. In particular, the 2016 and 2017 LTI plans are currently in progress.

The assignment of shares in connection with the 2016 LTI plan — the performance cycle for which concluded at the end of 2018 — will take place in April 2019 (see Section III of this Report), whereas the assignment of shares relating to the 2017 LTI plan will occur in 2020.

Starting in 2018, in each year the Bank launched plans that provide for remuneration in Banca Generali shares.

2019 LTI Plan

A **new long-term incentive plan** based on shares of Banca Generali, the 2019 Banca Generali Group Long Term Incentive plan (2019 LTI Plan), is in place for 2019.

In accordance with applicable laws and regulations, and with best practice in this area, the

plan aims to pursue the goal of increasing the value of Banca Generali's shares, while also aligning the economic interests of the beneficiaries with those of shareholders.

The plan's goals are thus as follows:

- > to establish a correlation between the variable component of remuneration tied to medium-to-long term objectives and the creation of value for shareholders, with an eye, in any event, to the sustainability of the Group and its actual results;
- > to develop a culture of performance according to a group approach;
- > to contribute to the creation of a balanced mix of fixed and variable components of the Beneficiaries' remuneration;
- > to increase management retention at the level of the Banking Group.

In keeping with market practice and investors' expectations, it is expected that the Shares will be assigned and made available to the beneficiaries over a deferred long-term period, contingent on the achievement of performance conditions by the Banca Generali Group and the Generali Group and verification of achievement of the related access gates, as detailed below.

The Plan is based on the following fundamental aspects:

- > the incentive linked to the satisfaction of objectives is disbursed through the assignment of ordinary shares of Banca Generali S.p.A.;
- > the right to receive the shares is linked to verification of satisfaction of an access gate set yearly by the Board of Directors and constituting a condition precedent in this sense;
- > the overall assessment of performance is based on three Banca Generali Group objectives (with a weight of 80%) and two additional Generali Group objectives (with a weight of 20%), as shown in the tables below.

Beneficiaries

The beneficiaries of the Long Term Incentive (LTI) plan include the Chief Executive Officer/General Manager, the Deputy General Managers, the General Managers of the Banca Generali Group's subsidiaries, the department heads reporting to the Chief Executive Officer and the Deputy General Managers, excluding control functions, which will be identified by the Board of Directors, in view of the significance of the role played within the Banking Group, provided that this role is also significant at the level of the Generali Group.

Plan structure and mechanisms

The Plan states that the number of shares actually assigned is directly correlated with the achievement of the Banking Group Objectives and Generali Group Objectives and to verification that specific access gate conditions have been satisfied.

In light of the use of Banca Generali treasury shares, it was deemed necessary to assign a greater weight to the Banking Group's performance, i.e., 80% for the indicators of the Banca Generali Group and 20% for those of the Generali Group.

A total of six objectives were identified:

- > three Banking Group objectives, tied to objectively measurable indicators, tROE³, Recurring Net Profit⁴ and Adjusted EVA⁵; and
- > three Generali Group objectives, tied to objectively measurable indicators: average net ROE⁶, EPS growth⁷ and relative TSR⁸.

³ With reference to the banking Group, this indicator is the ratio of net profit and average adjusted net equity, with the exclusion of intangible assets.

⁴ With reference to the Banking Group, net recurring profit with the exclusion of extraordinary items (Gains/losses on the Securities Portfolio, Performance Fees, extraordinary component of the contributions to the FITB/BRRD bank rescue funds and, for 2019 only, the income and costs related to the extraordinary transactions completed during that period).

⁵ With reference to the banking Group, the indicator that expresses the creation of value through the adjustment of Recurring Net Profit (as defined below) of the cost of capital element.

⁶ With reference to the Generali Group, the Net ROE, calculated as the ratio of IFRS-compliant net profit and equity (excluding Other Comprehensive Income).

⁷ With reference to the Generali Group, Earning Per Share Growth, the percentage change (compound average) of the EPS with reference to the net result normalised by gains/losses on disposal.

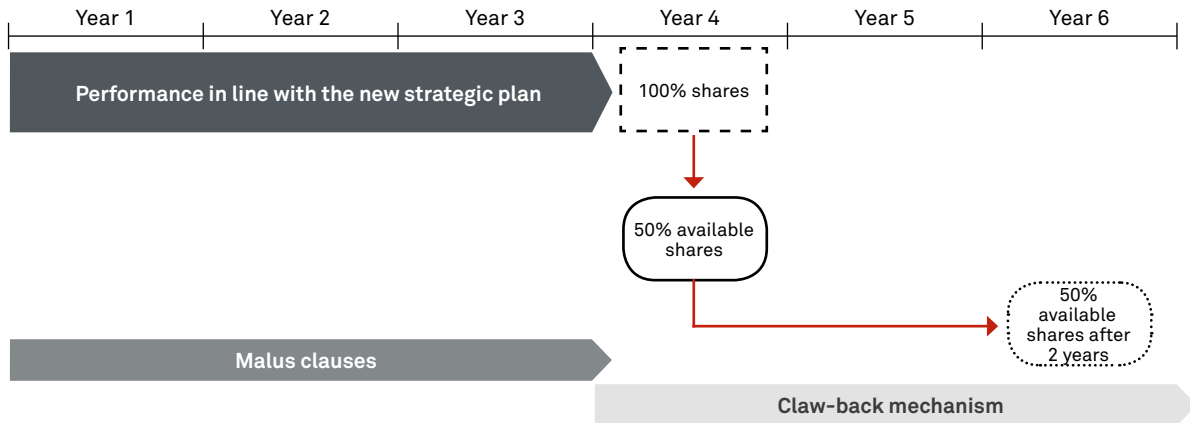
⁸ With reference to the Generali Group, relative Total Shareholder Return, as compared to the following selected list of peers: Aegon; Ageas; Allianz; ASR Nederland; Aviva; Axa; Cattolica; CNP Assurances; Intesa San Paolo; Mapfre; NN Group; Poste Italiane; Powszechnego Zakladu Ubezpieczen; Sampo; Unipol; Uniqa; Vienna Insurance Group; Zurich.

The access gate conditions consist of:

- > two indicators representing the specific access gates for the Banking Group tied to the Total Capital Ratio and Liquidity Capital Ratio, on which the right to assignment of the shares (100%) is contingent; in each year of the plan and at the end of the three-year performance period, the level of achievement of the access gate is assessed;
- > an indicator representing an access gate for the Generali Group linked to the Regulatory Solvency Ratio, on which the right to the assignment of the part of the shares tied to the satisfaction of the Generali Group Objectives (20%) is contingent. In each year of the plan and at the end of the three-year performance period, the level of achievement of the access gate is assessed. The access gate is set in terms of a Regulatory Solvency Ratio of 130%⁹ or the different percentage set by the Board of Directors from time to time¹⁰.

ENTITY	ACCESS GATE & MECHANISM				KPI	KPI WEIGHT
	ACCESS THRESHOLD NOT REACHED		ACCESS THRESHOLD REACHED			
Banca Generali Group	Total Capital Ratio < 13.50% Liquidity Coverage Ratio < 130% No opportunity of assignment maturity		Total Capital Ratio ≥ 13,50% Liquidity Coverage Ratio ≥ 130% Ok to opportunity of assignment maturity		tROE Adjusted EVA Recurring Net Profit	80%
Generali group	Regulatory Solvency Ratio < 130% 20% decrease of assignment maturity <i>If RSR < 150%, the Generali group will consider possible reductions of the number of shares to be assigned.</i>		Regulatory Solvency Ratio ≥ 150%		Average Net ROE EPS Growth rTSR	20%

The plan structure is as follows:



The restrictions on the shares, as indicated above, will remain in effect even after the termination of the relationship with the beneficiary, without prejudice to the power of the Board of Directors, or of a specifically authorised director, to redefine the terms and conditions of all the restrictions indicated above, including on the basis of assessment of the beneficiary's overall remuneration, or of the shares assigned in execution of the various incentive plans. The foregoing is without prejudice to any other retention obligations imposed by the Corporate Governance Code.

⁹ This percentage will be applied to all outstanding incentive plans.

¹⁰ This assessment represents a malus mechanism whereby the number of shares to be definitively assigned may be reduced or completely eliminated (for the share of 20% of the objectives) if the value of the Regulatory Solvency Ratio is below the established threshold. Moreover, the Generali Group's Board of Directors has the power to reduce the number of Shares linked to the Generali Groups' Objectives to be assigned permanently should the Regulatory Solvency Ratio be lower than the soft limit level provided for by the RAF (equal to 150%, and in any case exceeding 130%).

In keeping with market practice and investors' expectations, the shares are to be assigned and vest for the beneficiaries over a total period of six years.

During the vesting period, in each year of the plan and at the end of the three-year period, the Board of Directors assesses the level of achievement of the Banking Group access gates and the Generali Group access gate indicated above.

Once it has been determined that the access gates have been reached, it is then assessed whether the financial objectives of the Banking Group (80% weight) and the Generali Group (20% weight) have been achieved. These objectives, identified and set at the beginning of the three-year plan cycle and kept consistent with the Group's long-term objectives and strategies over time, are represented by tROE, Recurring Net Profit and Adjusted EVA for the Banking Group, and by average Net ROE, EPS Growth and relative TSR, for the Generali Group, in the case of the latter indicator compared with the selected companies in the benchmark.

The performance level is expressed in percent terms on the basis of the achievement of the objectives and is determined in respect of three independent baskets for both groups of objectives. The final results of the individual baskets are calculated using the linear interpolation method. In the specific case of relative TSR, no payment is to be made if the Generali Group is ranked below the first quartile.

The maximum performance level is an overall 175% for members of the Top Management, whereas it is 87.5% overall for the other beneficiaries¹¹.

	40%	+	40%	+	20%	
% LTI Vesting	tRoe		Rec. Net Profit		Adjusted Eva	80% KPI (*) Banca Generali Group
0%	< 30%		≤ 130 million		< 110 million	
Target vesting	33%		135 million		115 million	
Max vesting	≥ 39%		≥ 140 million		≥ 120 million	
	40%	+	40%	+	20%	
% LTI Vesting	Average Net ROE		EPS Growth		rTSR	20% KPI Assicurazioni Generali Group
0%	≤ 10%		≤ 3%		Lower quartile	
Target vesting	11,5%		6%		Median ranking	
Max vesting	≥ 12%		≥ 8%		Top ranking	

Notes: values of reference: final calculation based on linear interpolation in line with the method used in the previous year.

(*) Banca Generali targets are stated net of the one-off component of the contributions to bank rescue funds (FITD/BRRD).

¹¹ The performance targets are 100% for the Top Management (including the Chief Executive Director/General Manager; see paragraph 2.1.2 below) and 50% for the other beneficiaries.

Assignment of shares

The maximum number of shares that may be assigned is determined at the start of the plan.

The potential maximum bonus to be paid in shares corresponds to 175% of the gross annual remuneration of the plan participants for Top Managers and to 87.5% for other Beneficiaries.

Consequently, the maximum number of shares that may be assigned is calculated as the ratio of the maximum amount of the bonus to share value, the latter calculated as the average price of the share during the three months prior to the session of the Board of Directors called to approve Banca Generali's draft financial statements and the consolidated financial statements for the year prior to the start of the plan.

The final assessment of the effective achievement of the defined objectives is conducted at the end of a three-year period. The shares progressively vested in the course of the three years are only assigned at the end of this period. The shares are assigned – provided that the relationship with the Company or other Banking Group company continues at the end of the three-year period of reference – without prejudice to conditions expressly provided for in the plan regulation and without prejudice to a different determination by the Board of Directors or a person delegated by the Board of Directors. Of the shares assigned, 50% are subject to a two-year retention period (as indicated in the chart above).

The plan does not include dividend equivalent mechanisms, in accordance with the law and common practice in the banking sector.

For the purposes of implementation of the Plan, the ordinary shares assigned at no cost to the beneficiaries of the plan will derive, in whole or in part, from the treasury shares that the Company purchases under specific authorisation from the Shareholders' Meeting pursuant to Articles 2357 and 2357-ter of the Italian Civil Code.

If there are factors that may influence the constituent elements of the plan (including, without limitation, extraordinary transactions involving Banca Generali and/or the Banking Group and/or the Generali Group, capital transactions, amendments to the laws or changes in the scope of the Banking Group and/or the Generali Group, compliance with specific industry legislation, changes to long-term strategic plans, etc.), the Board of Directors may make the amendments and additions to the structure of the plan deemed necessary or appropriate in order to maintain its substantive and economic content unchanged, within the limits of the legislation in force from time to time.

In addition, in the event of severe market disruption (such as material changes in macroeconomic conditions or worsening of the financial context), the Board of Directors may reassess the incentivisation system's fairness and overall consistency within the framework of its incentivisation systems.

In accordance with applicable sector legislation, the Company may also pay individual plan beneficiaries — in lieu and in replacement of part or all of the assignment of the shares — a cash payment calculated on the basis of the value of the shares in the month prior to the assignment date, without prejudice to satisfaction of the other relevant terms and conditions of the plan.

Award and actual payment will be subject to **malus and claw-back clauses**.

As resolved by the Shareholders' Meeting with regard to the limit on the ratio of the variable to fixed component of remuneration, the **cap mechanism** provided for in the Remuneration and Incentivisation Policies is applied to Key Personnel, where appropriate.

Stability pacts, extension of notice and non-competition agreements

In specific situations, and mainly for retention purposes, employees, including Key Personnel, and Financial Advisors authorised to make off-premise offers can be required to enter into non-competition agreements (See paragraph 5.2), whose term cannot exceed the

limits provided for by law, stability pacts and extension of notice agreements, in compliance with the Bank of Italy's provisions.

Entry bonuses

On an exceptional basis, so as to attract key figures from the market, specific one-off incentive payments may also be permitted at the time of recruitment. These incentive payments, that are envisaged in exceptional cases only, may be granted exclusively in case of recruitment of new staff, and solely during the first year of service. They are not granted to the same person more than once, whether by the Bank or by another Banking Group company. In accordance with the Bank of Italy Provisions, entry bonuses are not subject to the rules governing the structure of variable remuneration; when they are paid in a lump sum upon entry, they are not considered when calculating the limit on the ratio of variable to fixed remuneration.

Framework Loyalty Programme for the Sales Network

The purpose of the Framework Loyalty Programme is to create a loyalty-building tool aimed at the sales network and to provide incentives for the achievement of the company's objectives, while ensuring that customers receive increasingly strong service, in view of the enhancement of the value of Banca Generali, through participation, following approval from one year to the next by the competent company bodies, in a maximum of eight individual plans that allow participants to accrue the right to payment of a bonus for each individual participation.

Financial Advisors authorised to make off-premises offers and Relationship Managers of Banca Generali who have at least five years of company seniority by 31 December of the financial year before that of reference of the Plan in question may access each Plan.

Individual bonuses will be subject to an increasing period of deferral, as clearly defined in the specific document that governs the Framework Loyalty Programme for the Sales Network, in accordance with applicable provisions.

The Bonus and, more generally, all benefits deriving from the Framework Loyalty Programme will constitute a payment of an extraordinary, discretionary and non-contractual nature and under no circumstances may be considered an integral part of the normal remuneration of each of the Beneficiaries.

During the financial year of reference of each Plan, Banca Generali's Board of Directors will decide whether to submit the settlement of a part of the Bonus, in any event not to exceed 50%, in Banca Generali shares, for approval by the Shareholders' Meeting, on the understanding that the remainder of the Bonus will be paid in cash.

For financial year 2019 it was decided to settle 50% of the bonus in shares (see the Information Document drafted pursuant to Article 84-bis of Consob Regulation No. 11971 of 14 May 1999, as amended and extended) and the related 2019 Network Loyalty Plan, regulated under the Framework Loyalty Programme of Banca Generali.

Disbursement and actual payment will be subject to the **malus and claw-back clauses** set out in the current Remuneration Policy, according to the document governing the Framework Loyalty Programme for the Sales Network.

With regard to Key Personnel, in accordance with the decision of the Shareholders' Meeting concerning the limit on the ratio of the variable to fixed components of remuneration, the "**cap mechanism**" set out in the Remuneration and Incentivisation Policies will be applied, where appropriate, at the Accrual Date of each Plan.

In 2019, Bank personnel (except for key management personnel and key personnel) might be invited to participate in a Generali Group employee share scheme, where approved by the competent bodies of the Parent Company, which would allow employees to purchase Generali shares at beneficial conditions, according to the terms to be indicated in detail in the documentation published by Assicurazioni Generali pursuant to Article 114-bis of TUF (to which the reader is referred).

4.4 Determination of the Bonus Pool

Each year, the Board of Directors determines a total bonus pool, in keeping with the remuneration policies, to be disbursed provided that the necessary capital stability and liquidity conditions have been satisfied and the requirements for each position have been met.

The total bonus pool therefore may not be increased based on the Company's performance, but it may be eliminated if the access gates discussed in the following section are not reached.

4.5 Access gates

For all personnel, the right to receive variable remuneration is linked not only to the results actually achieved¹², but also to the attainment of an access gate, common to all the personnel, and set by the Banking Group with a view to **(i)** linking bonus entitlements to multi-year performance indicators, and **(ii)** taking account of current and potential risks, cost of capital and liquidity required to cover the Banking Group's business operations.

The Banking Group's access gate consists of the following two indicators:

- > **capital ratio:** *Total Capital Ratio*¹³, aimed at measuring the extent of the Bank's capital in relation to the degree of risk of the assets held — minimum target ratio of 13.5%;
- > **Liquidity ratio:** *Liquidity Coverage Ratio*¹⁴, to increase short-term resilience of the liquidity risk profile of the Bank, while ensuring it has sufficient, high-quality liquid assets to overcome any 30-day long acute stress situation — minimum ratio of 130%.

The access gate thus consists of two ratios indicative of the Bank's solidity and liquidity and, accordingly, its capacity to pay out the variable component of remuneration (so-called "sustainability").

An on/off threshold is set for each ratio. The requirement for access to the bonus accrued during the year is that both ratios are above the minimum threshold set when the final earnings figures for the year are recorded. The access gate does not only condition the bonus for the year in question, but also acts as a *malus* mechanism, from one year to the next, the portions of bonuses accrued in previous years and paid out on a deferred basis in subsequent years.

4.6 Deferral and Share-based Variable Remuneration

As a general rule, and without prejudice to the more stringent provisions applicable to Key Personnel and, as specified in greater detail, all employees with a variable remuneration based on the Management by Objectives mechanism and/or on a discretionary basis, and for the Banking Group's main network managers, who accrue, within any given financial year, a bonus **in excess of 75,000.00** euros, are subject to deferral of a portion of their variable remuneration for a period determined, pursuant to the principle of proportionality, as follows:

- > **60%** of the amount will be paid after it has been verified that the access gate has been reached, as described above during the year after the verification by the Board of Directors of the operating and capital solidity results for the year to which the bonus refers;

¹² Or the different conditions on which disbursement is contingent.

¹³ Total Capital Ratio — meaning the Regulatory Capital / Risk Weighted Assets (RWA) (both variables are subject to regulatory disclosure and specified in the explanatory notes to the financial statements, Part F/Information on Shareholders' Net Equity; the figures used for calculation purposes are those reported to the Bank of Italy and drawn from the consolidated financial statements as at the end of the year).

¹⁴ Liquidity Coverage Ratio — meaning the ratio between the stock of [1] high quality liquid assets (that is to say, easily disposed of for cash on the open market, even during periods of tension, and ideally, subject to placement with a central bank) and [2] the sum total of net outflows during the 30 calendar days following a specified stress scenario; the figures used for calculation purposes are those reported to the Bank of Italy and drawn from the consolidated financial statements as at the end of the year.

- > **20%** subject to verification of the results in terms of capital solidity for the following financial year; and the remaining **20%**, after a further year, subject to verification of full satisfaction of capital solidity results.

Any and all deferred bonus instalments shall be deemed to bear interest at the mean 6-month Euribor rate recorded during the calendar year preceding the year in which the related instalment is paid, increased by 0.85 ppt.

In the event of termination of employment or service with companies of the Banca Generali Group, the right to receive portions of bonuses that have not yet been disbursed will be forfeit, without prejudice to cases of retirement, death or permanent disability, a new position within the Generali Group (including a change of contract from employment to agency, as in the case of a Banca Generali Financial Advisor), another working relationship entailing ongoing professional service for the company, or termination of employment by the company due to company reorganisation (without prejudice, in any event, to the possibility of retaining deferred portions within the framework of agreements for the consensual termination of a relationship).

In the event of death or total disability with respect to the agreed employment services, by way of partial departure from the foregoing, any deferred bonus payments due will be paid immediately, without waiting until the access gate conditions for subsequent years are met.

If the actual *bonus* accrued falls below or equals the stated threshold of 75,000.00 euros, it is paid in full after the Board of Directors verifies the P&L results for the year in question and determines that the banking Group's access gate targets have been met.

For **Key Personnel**, **25%** of the variable remuneration linked to short-term objectives will be paid in Banca Generali shares, according to the following assignment and retention¹⁵ mechanism:

- > **60%** of the bonus will be normally paid during the year after that of reference, 75% in cash and 25% in Banca Generali shares, which will be subject to a retention¹⁶ period of one year;
- > **20%** of the bonus will be paid after a further one year from the payment of the first instalment: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;
- > the remaining **20%** of the bonus will be paid after a further two years from the payment of the first instalment: 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;

In calculating the number of Shares to be assigned, a method is applied where: the numerator is defined as 25% of variable remuneration accrued for the actual achievement of targets set for the year of reference, and the denominator consists of the Share price (calculated as the average price of the share over the three months preceding the Board of Directors' meeting called to approve the draft Financial Statements and the Consolidated Financial Statements for the year prior to that in which the cycle in question starts).

If the actual bonus accrued, also by Key Personnel, is below the indicated threshold of 75,000.00 euros, it will be paid in full during the year after that of reference (a portion in cash and a portion in shares) once the Board of Directors has verified the P&L results for the year of accrual and satisfaction of the access gates.

¹⁵ Without prejudice, in any event, to fulfilment of any additional retention obligations pursuant to the Corporate Governance Code.

¹⁶ Period starting at the end of the accrual period for the first portion of shares and at the end of each year after that date for the second and third portions.



Within the banking group, in accordance with the regulations, the particularly high amount used as a benchmark for determining deferral periods and the percentage of shares used to pay the deferred portion¹⁷ is set at 25% of the average total remuneration of Italian high-earners, according to the most recent report published by the EBA (**433,679 euros** in the 2018 EBA report). Where variable remuneration qualifying as a particularly high amount is paid to the persons indicated in paragraph 2.1, point 4, third indent, of the Regulatory Provisions, periods of deferral and payments in financial instruments will be assured, in accordance with the proportionality principle, as required by that same paragraph (overall deferral of no less than 2.5 years and payment in financial instruments of more than 25% for the deferred portion).

Regulation of the share-based payment as part of the incentivisation system

With specific reference to the incentivisation system based on financial instruments, in addition to the information indicated above, and in recapitulation of the Information Document (drafted pursuant to Article 84-bis of Consob Regulation No. 11971 of 14 May 1999, as amended and extended) concerning the incentivisation system based on financial instruments for personnel of the Banca Generali Banking Group, the following should be noted:¹⁸

Recipients

Potential beneficiaries include all the Banking Group's Key Personnel, as defined in paragraph 2.

Reasons for the assignment of shares

In accordance with the Supervisory Provisions set forth in the 7th update of Bank of Italy's Circular No. 285/2013 issued on 18 November 2014, the remuneration package for Key Personnel (as defined above) shall be made up of fixed and variable components.

In this regard, the regulatory framework requires a portion of the variable component of remuneration to be paid in the form of financial instruments. It has therefore been opted to meet this requirement through assignment of Banca Generali S.p.A. ordinary shares.

Share assignment approval procedure and timing

The remuneration and incentivisation policies of the Banca Generali Group are subject to approval by the General Shareholders' Meeting scheduled for 18 April 2019.

With the support of the competent operating functions, the Human Resources Department and the Sales Planning and Control Service will supervise the assignment of the shares, each within its area of responsibility.

¹⁷ The amounts accrued to personnel within the annual management by objectives system normally never exceeded the above amount. In addition, the mechanism adopted by the Bank applies deferral in excess of the minimum level established by the Provisions for mid-sized banks.

¹⁸ These rules apply to all variable remuneration to be paid partly in financial instruments in accordance with the Supervisory Provisions, with the exception of LTI plans (paid in shares only; see paragraph 4.3) and the Loyalty Plan for Financial Advisors (see paragraph 4.3), each of which is subject to a specific set of rules.

The tasks incumbent on the Board of Directors, the Remuneration Committee and the Chief Executive Officer and General Manager in respect of the attainment of targets and the satisfaction of applicable conditions, are addressed in point 3 above.

The mechanism involves the use of a number of treasury shares held by Banca Generali (with the related cost being attributed to the companies served by the beneficiary) as may be required to cover the maximum amount due in monetary terms.

The method applied to determine the number of shares is outlined in this paragraph 4.6 above.

Upon verification of entitlement to the bonus or installation thereof, the shares assigned to each beneficiary will be registered in the latter's accounts with the bank and frozen through to the end of the applicable retention period applicable.

Features of the instruments subject to assignment

Under Banca Generali's Remuneration and Incentivisation Policy, a portion of the variable remuneration (in the various forms of which it is composed) of Key Personnel may be disbursed in the form of assignment of ordinary shares in Banca Generali, provided that all the related targets or other conditions and requirements specified in the Policy itself, have been met. As highlighted in this paragraph 4.6, the assignment of shares will be effected, in accordance with the deferral periods, in 2020, 2021 and 2022, subject to the prerequisites and conditions.

The Shares shall be subject to a retention period of one year from the end of the accrual period. As already specified above in par. 4.6, in the event of termination of employment or service with companies of the Banca Generali Group, the beneficiary forfeits the right to portions of bonuses that have not yet been disbursed, without prejudice to cases of retirement, death or permanent disability, a new position within the Generali Group (including a change of contract from employment to agency, as in the case of a Banca Generali Financial Advisor), another working relationship entailing ongoing professional service for the company, or termination of employment by the company due to company reorganisation (without prejudice, in any event, to the possibility of providing for the retention of deferred portions within the framework of consensual severance agreements)¹⁹.

In the event of death or total disability with respect to the agreed employment services, by way of partial exception to the foregoing, any deferred tranches of shares will be paid immediately, without waiting until the access gate conditions for subsequent years are met.

4.7 Cap mechanism to ensure compliance with the ratio of variable to fixed remuneration

With reference to the observance of the ratio between the fixed and variable remuneration of Key Personnel, a cap mechanism has been established on the ratio of total variable to total fixed remuneration (including all forms of payment or benefit disbursed, directly or indirectly, in cash, financial instruments, or assets in kind not linked to the achievement of individual or company performance results, or the award of which is subject to annual qualitative assessment or other parameters, such as term of service).

The cap mechanism ensures that the ratio of total variable remuneration paid in relation to a given year (including both up-front and deferred payments) to total fixed remuneration in that same year does not exceed 1:1 (or, where expressly authorised, 2:1). Accordingly, this mechanism, which is applied on a cash basis, also takes account of the effects of bonuses accrued in years prior to the introduction of the cap, as well as of deferred bonuses. In the

¹⁹ In the event of severance, the shares will of course be disbursed, by definition, following termination of the working relationship.

event of variable remuneration under loyalty plans or long-term incentivisation (LTI) plans with a duration of more than four years, including the deferral period, for which a provision is set aside during the year to which it refers and payment is deferred until a later year; the cap mechanism always applies on a cash basis at the time of the actual payment, using (i) as the basis of calculation of fixed remuneration that paid during the year of accrual of the provision and (ii) as the variable remuneration attributable to each year the total amount of the variable remuneration attributed to each year of the plan according to a linear pro-rated approach.

This mechanism refers to the variable remuneration instruments assigned starting in the year in which the cap mechanism was introduced. All instalments of variable remuneration accrued in years prior to the introduction of the cap mechanism but not yet paid due to deferral will thus be excluded from the calculation mechanism.

Likewise, if the 1:1 (or, where expressly authorised, 2:1) ratio of variable to fixed remuneration is in future modified in an unfavourable manner for one or more individuals, having regard to the year in which the ratio of variable to fixed remuneration is changed, all shares of variable remuneration accrued in years prior to the year concerned, but not yet disbursed due to deferral, will be sterilised for the purposes of the calculation.

4.8 Malus and claw-back mechanisms

With reference to the variable remuneration, a specific **malus** mechanism applies, under which the variable remuneration is not paid in the event of **i**) proved engagement in behaviour, including behaviour not in accordance with laws, regulations, articles of association, codes of ethics or codes of conduct applied by a bank (hereinafter a “compliance breach”), constituting wilful misconduct or gross negligence to the detriment of customers or the Bank, **ii**) proved engagement in behaviour, including compliance breaches (as defined above), resulting in a significant loss for the Bank, **iii**) disciplinary measures or pending non-routine inspections and **iv**) failure to comply with rules concerning banking transparency and remuneration policies, in accordance with the Supervisory Provisions for Banks. In the event of disciplinary proceedings in progress when variable remuneration is to be paid, payment will be suspended until the disciplinary proceedings are complete. At the end of the proceedings, if the person in question is found to have engaged in the alleged misconduct and is punished accordingly, the malus mechanisms apply.

In addition, all personnel are subject to a **claw-back** mechanism whereby the Bank is entitled to demand the return of variable remuneration up to five years after they are paid in the event of **i**) proved engagement in wilful misconduct or gross negligence, including compliance breaches, to the detriment of customers or the Bank, **ii**) proved engagement in behaviour, including compliance breaches, resulting in a significant loss for the Bank, **iii**) failure to comply with rules concerning banking transparency, anti-money laundering and remuneration policies, in accordance with the Supervisory Provisions for Banks and **iv**) conclusion of disciplinary proceedings with a finding that the person in question engaged in the alleged misconduct and should be punished accordingly. Likewise, the Bank may demand the return of bonuses paid in cases of material errors in figuring the items used to calculate the Group's access gates.

4.9 Prohibition of hedging strategies and disclosure of Transactions

Personnel may not avail themselves of personal hedging or insurance strategies in respect of their remuneration or other aspects that may alter or undermine the effects of alignment with risk inherent in remuneration mechanisms.

Key personnel are required to follow the existing procedure — revised as appropriate to reflect the most recent update to the Supervisory Provisions — to disclose transactions and financial investments involving financial instruments issued by companies of the Banking Group or by the Parent Company of the Assicurazioni Generali Group (including derivatives with such instruments as their underlying) that could affect risk alignment mechanisms and, more generally, the pursuit of the aims of the Provisions.

4.10 Principle of propriety and the containment of reputational risks

Remuneration and incentive structures for sales networks are designed to ensure compliance with the principle of propriety in customer relations, as well as to contain legal and reputational risks, through the implementation of policies entailing the application of specific, formally stated, quantifiable and verifiable rules and parameters (e.g., number of complaints) which have an impact on the right to collect the incentivisation.

Remuneration benchmarking

The remuneration patterns of managers and professionals are monitored, taking due account of trends recorded on reference markets and analysing the fixed and variable remuneration components, availing of the service of external independent consultancy firms. More specifically:

- > with regard to Key Personnel, specific analyses in relation to a group of peers, determined on the basis of Banca Generali's profile, are carried out, including upon request by the Remuneration Committee.
- > the ABI's annual industry-wide study is used for all other personnel.

With reference to **job grading**, a model incorporating Towers Watson job levelling methodology is currently under implementation. The main corporate managerial positions have already been weighted using the aforesaid methodology.

Lastly, the main benefits of the Group's managers, executives and professional areas (specified, where applicable, in their respective supplementary employment contracts) have been established in light of policies defined by the Group to which they belong.

5. Other features of the remuneration system

5.1 Directors' and Officers' (D&O) Liability Insurance

In line with generally accepted best practices on financial markets and taking due account of the features of the Bank's and Group's business operations, on 24 April 2007, the General Shareholders' Meeting authorised the Board of Directors to provide general liability insurance cover to the Company's Directors, the members of the Board of Statutory Auditors and General Manager (D&O Liability Insurance), featuring the following main terms and conditions:

- > duration: 12 months renewable on an annual basis, until the General Shareholders' Meeting resolves to revoke its authorisation;
- > maximum insured amount: 10 million euros per claim/year, for all the insured persons, with sub-limits for claims based on labour law violations;
- > non-applicability of cover in the event of wilful misconduct or gross negligence.

A D&O policy has been contracted by the Parent Company covering the members of the Board of Directors, as illustrated in the document presenting the remuneration policies for 2015, which was extended as of 2016 to all the companies of the insurance group. The policy complies with the requirements as per the Shareholders' resolution of 24 April 2007.

5.2 Early Termination Package

This section sets out the limits, criteria and conditions of disbursement of the economic benefits, if any, that may be granted – in addition to termination indemnity and legal and contractual notice indemnity – in the event of termination of employment or service and/or early departure from office (hereinafter also “severance”).

The Bank defines severance pursuant to the legislation in effect from time to time and according to the following general criteria²⁰ (weighted and balanced in the light of the particularities of each concrete case):

- > length of the relationship;
- > the performance, net of risks, of the person concerned and the said person's individual behaviour;
- > the bank's performance, net of risks and of capital and liquidity levels;
- > the age and other particular conditions of the person concerned;
- > the company's interest in securing consensual termination of the relationship;
- > the reasons for terminating the relationship and risk of litigation in the alternative case of unilateral withdrawal by the Bank.

In the event of early termination of the employment and/or collaboration contract, the benefits that may be accorded to the interested party²¹, in compliance with current provisions of laws and contracts, shall be as envisaged by way of notice in the applicable provisions of laws and/or the national collective labour contract, plus an all-inclusive lump-sum indemnity, if any, for an amount equivalent to a maximum of 24 months of the so-called “Recurring Remuneration”²² (defined as (i) gross annual remuneration increased by the average amount actually collected by way of the short-term component of variable remuneration in the past three years, and (ii), for Financial Advisors, the average of their recurring remuneration²³ of the latest period).

In the event that the positions of Chief Executive Officer and General Manager are filled by the same person, when calculating the amount that may be accorded to the interested party, account shall be taken of the total sum of amounts due by way of gross annual remuneration, compensation for the office of director and the average amount actually collected

²⁰ In cases in which it is not determined by an independent third party (e.g., judge or arbitrator).

²¹ No benefits are granted in the event of withdrawal for cause by the Company or the voluntary resignation/withdrawal (without cause) by the interested party.

²² This amount may not exceed the maximum value of Euros 3.5 million euros.

²³ As defined – for financial advisors acting as agents – in the Supervisory Regulations.

by way of the short-term component of variable remuneration in the past three years for each of the offices concerned.

The use of Recurring Remuneration to calculate the monthly severance payment permits the Bank to quantify severance in a way that takes into account the performance of the person in question over time, since it is this performance, as stated above, that determines the value of the variable remuneration, if any, paid to the said person during the three years prior to termination of the relationship.

In accordance with the Bank of Italy Provisions, where severance is determined according to predefined formulae, within the framework of an agreement intended to settle a current or potential dispute, severance is not considered when calculating the maximum ratio of variable to fixed remuneration set for key personnel. The Bank has thus created the following predefined formula for key personnel (without prejudice to the clarification provided below), in accordance with the laws and regulations in effect from time to time, and subject to the criteria and limits set out above:

Base Amount +/- Corrective Factors

The Base Amount is calculated on the basis of seniority of company service, as follows:

- > Up to 2 years: 7 months of Recurring Remuneration;
- > Over 2 year, up to 6 years 11 months of Recurring Remuneration;
- > Over 6 year, up to 10 years 15 months of Recurring Remuneration;
- > Over 10 year, up to 15 years 19 months of Recurring Remuneration;
- > Over 15 years 22 months of Recurring Remuneration.

In the case of the Chief Executive Officer and General Manager²⁴ only, the Base Amount is calculated according to the following formula: $24 \times (\text{Recurring Remuneration}/12)$.

The Bank may, at its discretion, also decide to apply the predefined formula²⁵ to Financial Advisors with agency contracts with the Bank classified as key personnel. Where applied, the Base Amount for such individuals is equal to the maximum amount set out in paragraph 3 of Article 1751 of the Italian Civil Code, calculated considering Recurring Remuneration, as defined above, as remuneration, in lieu of commissions.

As indicated in the predefined formula, the Base Amount may be reduced or increased²⁶ by a certain percentage as a result of the application to each individual severance package of specific Corrective Factors relating to:

- > The person's average performance over the last three years.
- > The Bank's performance, with particular regard to capital and liquidity levels.
- > Age.
- > Qualification for pension benefits, where applicable.
- > Concrete risk of an adverse outcome at trial (taking account of any information provided by the courts or arbitrators and/or external legal counsel).
- > The person's position/role.
- > Individual behaviour (with particular regard to the presence of any proved compliance breaches).

The Bank has a specific internal document that lays down detailed criteria for applying the Corrective Factors, assigning each a percent weight decreasing or increasing the Base Amount.

Ad hoc Corrective Factors are identified for Financial Advisors²⁷, and duly listed in and regulated by the specific internal document.

²⁴ In line with the provisions applying to all the employees (cf. Note 21 above), the Chief Executive Officer and General Manager may be granted a severance indemnity exclusively in the event of termination of relationship due to withdrawal by the Company without cause or in case of resignation for cause (this specific case includes the event of substantial negative change in the role held).

²⁵ In any event, even where the above predefined formula is not applied, the amount of any severance paid, in addition to notice, will be subject to the maximum limits and general criteria indicated above (in addition to being paid in accordance with the applicable relationship between fixed and variable remuneration, where paid to key personnel).

²⁶ In any event, up to the above maximum limit of 24 monthly instalments.

²⁷ With the aim, *inter alia*, of taking account of the particular nature of the legal relationship (that of agent rather than that of employee) with the persons concerned.

Without prejudice to the maximum limit on severance set out above, the application of the CFs may give rise to an increase of up to +50%²⁸ and/or a decrease of up to -100%²⁹ of the total amount of the severance.

In accordance with the Bank of Italy Provisions, where severance is determined according to the above formulae, within the framework of an agreement intended to settle a current or potential dispute, severance is not considered when calculating the maximum ratio of fixed to variable remuneration.

Severance is paid in accordance with the aforementioned Bank of Italy Provisions in effect from time to time and the Bank's remuneration policies. In particular, where so provided, the payment of the severance benefit is subject to deferral and partly settled in financial instruments³⁰.

Severance is subject to access gates and ex-post corrective mechanisms (malus and claw-back) provided for in severance agreements, covering, *inter alia*, any acts of fraud or gross negligence to the detriment of the bank and the group (and, in any event, defined in accordance with both the regulatory framework and the particular nature and characteristics of severance)³¹.

Non-competition or special confidentiality agreements extending into the post-severance period may also be entered into upon hiring, in the course of employment or upon severance. Consideration for such agreements — which must always be of limited duration — is calculated, pursuant to applicable regulations, in proportion to the duration and geographical scope of the covenant and the potential harm to the Company and/or the Banking Group if the person concerned were to compete with the Company and/or with the Banking Group or were to disclose information that (even where not qualifying as confidential under the law) might also cause harm to the Company and/or the Banking Group, while also taking account of the previous role and responsibilities of the person concerned. In any event, such consideration may not exceed the maximum limit of the amount of recurring remuneration last collected by the person concerned, in proportion to the term of the agreement.

In accordance with the Supervisory Provisions, the consideration for non-competition agreements is not subject to the rules set out in this section in respect of the portion that does not exceed the most recent annual fixed remuneration of the person concerned. In addition, the share of such consideration that for each year of the term of the agreement does not exceed the most recent annual fixed remuneration of the person concerned is not considered when calculating the limit on the ratio of variable to fixed remuneration.

The agreement governing the payment of that sum shall include clauses calling for a general waiver of all rights related in any manner, directly and/or indirectly, to the employment relationship or the office of Chief Executive Officer and the severance thereof, as well as of all rights, claims and/or actions against the company and other Group companies in any capacity directly or indirectly related to the employment relationship or the office of Chief Executive Officer and the definitive, accepted severance thereof. The waiver extends to rights relating to compensation for damages, as well as rights of an economic nature associated with the above relationships and the termination thereof.

²⁸ With the exception of Financial Advisors with agency agreements with the Bank, for which this percentage may be increased by an additional 50%, without prejudice to the maximum severance limit set out above.

²⁹ In particular, the decrease may extend to -100% in the event of failure to reach the Group's access gates or in cases of proved engagement in individual behaviour of sufficient severity to constitute cause for dismissal. In addition, the severance benefit may be reduced in amount or eliminated altogether where the malus and claw-back mechanisms are triggered.

³⁰ For the purposes of severance benefits, share price is calculated as the average prices in the three months prior to the signing of the agreement under which the severance benefits are to be paid (or in the three months prior to the date of termination of the working relationship where the agreements are entered into on an ex-ante basis). Where variable remuneration is paid to the persons indicated in paragraph 2.1, point 4, third indent, of the Circular, in a "particularly high amount" (as identified in the Remuneration Policies), payment thereof will be made in accordance with the criteria specifically indicated in the Remuneration Policies (in terms of deferral period and the percentage of shares devoted to payment of the deferred portion).

³¹ The foregoing is without prejudice to the exceptions and derogations described in Title IV, Chapter 2, Section III, par. 2.2.3 ("Derogations") of Circular 285.

6. Performance indicators and main parameters used

As described above, the variable remuneration is hence linked on a straight-line basis to the degree to which the targets set for each objective are achieved. The Management by Objectives mechanism — and the Balance Scorecard system in particular — which forms the basis of the variable remuneration (hereunder also referred to as “bonus”) of the Managers and certain Executives is based on defining and allocating to each of them specific, well defined objectives, each one of which is attributed a target value, and each with a weighting.

The objectives and the relevant targets are defined based on the guidelines described below, differentiated according to the sphere of work and responsibility attributed to the manager.

A percentage of the variable remuneration, as stated below, is linked to **quantitative objectives** (with possible normalisation of the performance fee component) pertaining to the results of the Banking Group.

In particular, the objectives that may be assigned included, but are not limited to: **Profit and loss account/profitability objectives** such as Fee Income, Cost/Income, Consolidated Net Profit, Return on Risk-Adjusted Capital (RoRAC), Recurring Net Profit, core Net Banking Income, cost control objectives and **commercial development Objectives** such as Net Inflows, Revenues or similar and Fee Growth, complemented by risk-adjustment measures.

These objectives contribute to determining up to 70% of the short-term variable remuneration of the Chief Executive Officer/General Manager, up to 60% of the short-term variable remuneration of the Deputy General Managers, and up to a maximum of 35% of that of the other Managers and Executives. The percentage in question may also be higher for sales personnel for whom commercial development objectives represent function-specific objectives.

This rule does not apply to Managers and Executives serving as Relationship Managers of the Private Relationship Managers, or similar areas. With a view to measuring performance and risks through variables that are consistent with the decision-making powers vested in each of these functions, quantitative objectives established in terms of the results carried in the consolidated financial statements of the Banking Group may be replaced by individual quantitative objectives associated with the individual function discharged within the Group.

The remaining portion of the short-term variable remuneration is linked to the attainment of quantitative and qualitative objectives established in light of the job description of each beneficiary, with a view to ensuring that the related bonuses are based, as far as possible, on performance and risk indicators that are consistent with the decision-making powers vested in each manager.

In particular, in relation to the position filled, the quantitative objectives refer to net inflows, revenues and/or cost objectives for which the manager is responsible based on the company budget for the reference year.

The **qualitative objectives**, which usually set valuation criteria, refer to projects concerning the Banking Group and require the collaboration of all the managers, each one regarding the area within his/her remit, or projects falling under the responsibility of individual departments but which are of general importance.

The exceptions to these general criteria are the objectives assigned to the Manager in charge of the company's financial reports, the Heads of control functions, and the Head of the Human Resources Department, who are not linked to the earnings results of the Bank and/or of the Banking Group.

The short-term variable remuneration of the Chief Executive Officer/General Manager will be linked to quantitative and qualitative objectives, which may be summarised as follows:

- > Quantitative objectives (at least 65% of the total objectives) tied to the new three-year strategic plan and the Bank's business objectives, including, without limitation, objecti-

ves such as the Return on Risk-adjusted Capital (RoRAC), Recurring Net Profit and Core Net Banking Income, in addition to net inflows for commercial activity.

- > Objectives linked to the new strategy (weight of up to **25%** of the total objectives) relating to project initiatives tied to the execution of the banking group's strategy
- > Objectives tied to the development and enhancement of human resources (**10%** of total objectives) relating to people development initiatives within the specific framework of the new strategy (recognition and enhancement of diversity, facilitating inclusion and emphasising the individual contribution to the organisation's success, while also discouraging behaviour that leads to an excessive exposure to risk).

The quantitative and qualitative objectives are formalised in personal Scorecards on an annual basis. Each objective is assigned a “**weight**” indicating its level of priority when compared to the others, as well as **performance levels** (minimum, target and maximum) expressed through appropriate indicators. Expected levels of performance are indicated, for each objective, together with the **minimum gate** to be achieved to qualify for bonus entitlements, the **maximum gate** which results are to be considered over performance, and any and all **caps** on bonuses, where applicable.

With regard to the **criteria for the assessment** of the **performance levels achieved** for bonus assignment purposes, the performance obtained in respect of each objective are **verified** and duly **weighted** in the financial year following the year of reference. The sum of the weighted performance levels achieved in respect of each objective then constitutes the overall performance which serves as the basis for quantifying the bonus due, subject to satisfaction of the pre-established access gates to be met in order to qualify for bonuses (attainment of at least the minimum access gate, with the inclusion of mechanisms preventing certain offsetting effects). The foregoing procedure is designed to ensure a **close correlation between results obtained and bonuses earned**.

The performance levels identified in the objectives are directly linked to the forecasts of the budget approved by the Board of Directors and the achievement of the results, when linked to the P&L results, is verified based on the consolidated financial statements of the Banking Group.

As regards the variable remuneration of most of executives and employees belonging to the professional areas (other than those included in any of the categories specified below), the system used for the calculation of the bonuses, which takes place at annual intervals, is also linked to the performance appraisal process and decided on a discretionary basis, with the exception of the Management by Objectives plan reserved for Relationship Managers who work in the Private Relationship Manager Area, as well as a Management by Objectives plan reserved for asset managers working in the AM Area, and at BG FML.

Variable remuneration linked to long-term performance, and LTIs in particular, are determined in function of objectives established in terms of the results achieved by the Banking Group and the Generali Group for the three-year period of reference. In addition, an assessment of the achievement of access gates is conducted in each year of the plan and at the end of the three-year period.

7. Information on remuneration by role and functions

7.1 Members of the Board of Directors

Board member's remuneration is determined at the time of appointment by the General Shareholders' Meeting, in accordance with Article 2389, Paragraph 1, of the Italian Civil Code, as a fixed sum plus refund of any out-of-pocket expenses incurred in the performance of their duties, also taking due account of industry-specific surveys and analyses.

Non-executive directors (including the Chairman) and independent members of the Board of Directors are entitled only to fixed remuneration, in addition to a refund of out-of-pocket expenses incurred for the performance of their duties, and, accordingly, are not entitled to any form of variable remuneration linked to the attainment of specific objectives. Directors who are not vested with delegated executive powers (including the Chairman) are not entitled to any form of share-based incentives.

Directors who also sit on Board Committees are entitled to additional emoluments — in the form of either a pre-established lump-sum, or otherwise, attendance fees for each Board meeting they attend — over and above the remuneration they receive as Board members, in light of the tasks assigned to the Board Committees in question, and the commitment that membership of such committees entails, especially in terms of attendance at meetings and preparatory activities to be completed ahead of committee meetings; said additional emoluments must be established taking due account of industry-specific surveys and analysis of the remuneration of directors, and more specifically, directors sitting on Board Committees.

The remuneration policy applicable to the Chairman provides for fixed annual remuneration, determined also on the basis of comparative analysis of the remunerative practices prevailing within the industry for such positions.

The policy applicable to the Chief Financial Officer is discussed in the relevant paragraph of this document.

Lastly, it must be pointed out that all Board of Directors' members are covered by D&O liability insurance, as illustrated above.

7.2 Members of the Board of Statutory Auditors

The remuneration of the Chairman of the Board of Statutory Auditors and other members of the Board of Statutory Auditors is set by the General Shareholders' Meeting at the time of appointment and for the whole term of office. Regular members of the Board of Statutory Auditors are **not entitled to any form of variable remuneration**.

They are entitled to refund of the expenses incurred in performance of their duties. The members of the Board of Statutory Auditors also receive further and different remuneration, in addition to their compensation as members of the company's supervisory body, in consideration of the fact that the said Board also discharges the tasks and functions of the Supervisory Board instituted pursuant to Legislative Decree No. 231/2001.

Lastly, members of the Board of Statutory Auditors are covered by D&O liability insurance, as illustrated above.

7.3 Key Personnel

Further to all that has already been illustrated above in respect of the identification of "Key Personnel", the salient features of the remuneration structures applicable to each category

falling within the said classification are indicated below. With reference to the Key Personnel category consisting of Financial Advisors authorised to off-premises offers, reference should be made to point 8 below.

7.3.1 Key Management Personnel

The variable component of Key Management Personnel is established pursuant to mechanisms that not only comply with all the regulatory requirements set forth above, but also provide for (i) the deferred payment of a significant portion of incentive-oriented remuneration; and (ii) a portion of variable share-based remuneration.

Chief Executive Officer/General Manager

The positions of Chief Executive Officer and General Manager are filled by the same person. Total remuneration consists of:

- > a recurring fixed remuneration component as Chief Executive Officer and all-inclusive annual remuneration (RAL) as General Manager;
- > a short-term incentive, linked to the degree to which the performance objectives — expressed in the relevant Balanced Scorecard — are achieved, as well as to the access gate scheme, the bonus deferral scheme and the payment in Banca Generali shares, as well as the malus and claw-back mechanisms. The variable remuneration may reach a maximum of 75% of the RAL (equal to a 60% ratio of the short-term variable remuneration to the total fixed remuneration), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum;
- > a Long Term Incentive, the bonus range for which is set at between 0% and 175% of the fixed component. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

The ratio of the variable to fixed component of the remuneration, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess shall be subjected to the cap mechanism described above.

With regard to the position of the Chief Executive Officer/General Manager, an indemnity and a non-competition agreement have been agreed upon in the event of early termination of the contract, in accordance with the principles set forth in point 5.2 above³².

Moreover, the General Manager enjoys supplementary pension benefits equal to 13% of the RAL and the benefits package provided for the Banking Group's managers.

Deputy General Managers

The remuneration of Deputy General Managers consists of all-inclusive annual remuneration (RAL) and variable remuneration, linked to the degree of satisfaction of performance objectives, expressed in the relevant Balanced Scorecard, the **access gate** scheme and the bonus deferral scheme, the payment based on Banca Generali shares, as well as the **malus and claw-back** mechanisms.

The variable remuneration may reach a maximum of 100% of the RAL (equal to a 85% ratio of the short-term variable remuneration to the total fixed remuneration), if the maximum level of total performance is achieved and does not provide for any guaranteed minimum.

In the presence of recruitment incentives and expiry plans based on net inflows/revenue objectives this amount may be exceeded but in any event it shall not exceed the 2:1 ratio assigned, where applicable.

Moreover, a portion of the variable remuneration may be determined on the basis of a Long Term Incentive plan (LTI). Bonus entitlements under the said LTI range from 0% to 175% of the fixed component of remuneration. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

The ratio of the variable to fixed component of the remuneration of the Deputy General Managers, subject to Shareholders' approval, shall not exceed 2:1; any amount in excess

³² Pursuant to parameters set out in paragraph 5.2 above, the agreement has a term of six months and entails a remuneration equal to six months of fixed remuneration.

shall be subjected to the cap mechanism described above.

Deputy General Managers also enjoy supplementary pension benefits up to a maximum of 13% of the RAL and the benefits package provided from time to time for the Banking Group's managers. The current treatment in the event of severance of employment is based on applicable legislation. Indemnity mechanisms, non-competition agreements or guaranteed minimum clauses in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 5.2 and 4.3 above.

7.3.2 Other Key Personnel

The remuneration of the Managers included in this category consists of an annual gross remuneration (RAL) and a variable remuneration, linked to the degree to which the performance objectives indicated in the relevant Balanced Scorecards are achieved. The principles of **deferral**, payment in Banca Generali shares, achievement of the **access gates**, as well as the **malus and claw-back mechanisms** illustrated above, apply to such variable remuneration.

Depending on the weight and complexity of the job description in question, the variable component of remuneration may reach no more than 80% of annual gross remuneration (RAL) (equal to a maximum 65% ratio of the short-term variable remuneration to the total fixed remuneration) in the case of Banca Generali managers. It may reach 100% of annual gross remuneration (equal to a maximum 85% ratio of the short-term variable remuneration to the total fixed remuneration) for positions in the sales area and/or linked to the asset management business. The variable remuneration for the HR function and the Manager in charge of the company's financial reports is kept to a limited amount in accordance with recent regulations.

In no circumstances, a guaranteed minimum is provided.

In addition, for some of the aforesaid managers the Board of Directors may also extend the variable component of remuneration to include participation in a Long Term Incentive plan. Bonus entitlements under the said LTI range from 0% to 87.5% of the fixed component of remuneration. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

The ratio of the variable to fixed component of the remuneration of those managers shall not exceed 1:1; however, the Shareholders' Meeting has the power to raise the aforesaid ratio to 2:1 for some of these managers, who are also included among Key Personnel (and properly identified under point 4.1 above). Any amount in excess shall be subjected to the cap mechanism described above.

Managers also receive supplementary pension benefits up to 13% of their RAL and the benefit package provided from time to time for the Banking Group managers. The current treatment in the event of severance of employment is based on applicable legislation. Indemnity mechanisms, non-competition agreements or stability pacts in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 5.2 and 4.3 above.

7.3.3 Heads of control functions

The remuneration of Managers falling within this category is made up of annual gross remuneration (RAL) (all-inclusive for Managers) supplemented by a variable component linked to the achievement of the performance objectives specified in the relevant Balanced Scorecards. This component of remuneration is conditional upon the achievement of the **access gates**, and subject to **deferral**, as well as to the **malus and claw-back mechanisms** illustrated above.

According to the weight and complexity of the position filled, variable remuneration may be equal to no more than **33.3%** of RAL, provided the maximum level of performance objectives be attained. No guaranteed minimum is provided for.

The established objectives for the Heads of control functions are consistent with the tasks

assigned and are independent of the results achieved by the Bank; rather, they consist of project and service completion objectives, as well as company sustainability objectives.

Participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

Managers belonging to this category also enjoy supplementary pension benefits equal to 13% of the RAL and the benefits package provided from time to time for the Banking Group's managers.

The current treatment in the event of severance of employment is based on applicable legislation. Indemnity mechanisms, non-competition agreements or stability pacts in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 5.2 and 4.3 above.

7.4 Other staff

7.4.1 Other Managers

The remuneration of the other managers consists of an annual gross remuneration (RAL) and a variable remuneration, linked to the degree to which the performance objectives indicated in the relevant Balanced Scorecards are achieved. This component of remuneration is conditional upon the achievement of the **access gates**, and subject to **deferral**, as well as to the **malus and claw-back mechanisms** illustrated above. According to the weight and complexity of the position filled, variable remuneration may range from a minimum of approximately 20% to a maximum of 80% (which may be increased to 100% in limited cases relating to internal transfers) of the RAL, provided the maximum level of performance objectives has been attained. No fixed guaranteed minimum is provided for.

In addition, for some of the aforesaid managers the Board of Directors may also extend the variable component of remuneration to include participation in a Long Term Incentive plan. Participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

They also enjoy supplementary pension benefits up to 13% of the RAL and the benefits package provided for the Banking Group's managers.

The current treatment in the event of severance of employment is based on applicable legislation. Indemnity mechanisms, non-competition agreements or stability pacts in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 5.2 and 4.3 above.

7.4.2 Other Employees (Executive and Professional Areas)

The remuneration of other employees is regulated pursuant to the collective bargaining labour agreements applicable to credit companies, supplemented by the Supplementary Company Contract with specific regard to remuneration, as well as the Additional Agreements on regulatory and other benefits, entered into on the same date. In addition, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

Some Executives can be assigned a short-term variable remuneration, linked to the degree of satisfaction of performance objectives expressed in the relevant Balanced Scorecards. This component of remuneration is conditional upon the achievement of the **access gates**, and subject to **deferral**, as well as to the **malus and claw-back mechanisms** illustrated above. According to the weight and complexity of the position filled, variable remuneration may range from a minimum of 10% to a maximum of 40% of the RAL, provided the maximum level of performance objectives has been attained. No fixed guaranteed minimum is provided for.

7.4.3 Relationship Managers

Relationship Managers (whether managers or otherwise) serving the Private RM Area and

similar areas are covered under a Management by Objectives Plan.

Their remuneration is accordingly made up of fixed annual remuneration (RAL, all inclusive for managers) and a variable component determined on the basis of the extent to which the performance objectives specified in the relevant Balanced Scorecards have been attained. This variable component of remuneration is conditional upon the achievement of **access gates**, and is subject to **deferral**, as illustrated above.

Variable remuneration may extend to a maximum of **100%** of gross annual remuneration (or higher levels in cases of entry or expiry plans based on net inflow/revenue objectives) and is not subject to any guaranteed minimum.

Participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds and the use of stability pacts and/or non-competition clauses in the event of early severance of employment is widespread. Given that the activity of Relationship Managers involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, any and all business activities on which incentive portions of remuneration may be earned must be conducted scrupulously in accordance with all applicable principles of professionalism and correctness in all customer relations, including with a view to enhancing customer loyalty. Towards such end, alongside traditional targets set in terms of net inflows and revenues, additional targets of propriety and regulatory compliance in all transactions, as well as specific **malus and claw-back mechanisms**, have been introduced.

Managers belonging to this category also enjoy supplementary pension benefits equal to 13% of RAL and the benefits package provided for the Banking Group's managers.

The current treatment in the event of severance of employment is based on applicable legislation. Indemnity mechanisms, non-competition agreements or stability pacts in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 5.2 and 4.3 above.

7.4.4 Portfolio managers

A specific incentive plan based on Management by Objectives has been instituted in favour of employees falling within the category of portfolio managers of the AM Area (whether managers or otherwise) and *BG Fund Management Luxembourg*.

Their remuneration is accordingly made up of fixed annual remuneration (RAL, all inclusive for managers) and a variable component determined on the basis of the extent to which the performance objectives specified in the relevant Balanced Scorecards have been attained. This component of remuneration is conditional upon the achievement of the **access gates**, and subject to **deferral**, as well as to the **malus and claw-back mechanisms** illustrated above.

The variable component of remuneration may reach a maximum of **100%** of the annual gross remuneration. No guaranteed minimum is provided for.

Participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

The current treatment in the event of severance of employment is based on applicable legislation. Indemnity mechanisms, non-competition agreements or stability pacts in the event of early severance of employment, in addition to those currently in place, may be agreed in accordance with the principles laid down in points 5.2 and 4.3 above.

8. Financial Advisors Authorised to Off-Premises Offers

8.1 Information on the Type of Relationship

The Financial Advisors authorised to off-premises offers (hereinafter also “Financial Advisors”), with the exception of Relationship Managers, are linked to the company by an agency contract whereby Financial Advisors are appointed permanently (and without representation) to promote and place in Italy, as part of their advisory service, and in an autonomous manner — on the Company’s behalf and, on the Company’s instructions, also in the interest of third party principal companies — financial instruments and services, banking products and services, insurance products and other products indicated in the contract, and also to provide customer service for customers acquired and/or assigned — with all the due diligence required to achieve company objectives.

The relationship may come to an end (as well as due to the occurrence of termination events provided for by the law) as a result of consensual resolution or a declaration of withdrawal of one of the two parties, in accordance with the notice periods specified, unless a breach of such gravity occurs that prevents the relationship continuing even on a temporary basis.

The Deputy General Manager Commercial Networks, Alternative and Support Channels is responsible for the activities of the Private Banker and Financial Planner Networks, Wealth Management and Financial Planner Agents.

Within the Private Banker and Financial Planner Networks, Financial Advisors are classified according to rising levels of experience as **Junior Financial Planner, Financial Planner, Private Banker, Senior Private Banker** and **Top Private Banker**. The allocation to each one of the categories takes into account both the experience and the assets under management. Coordination of the Financial Advisors is delegated to a second-tier managerial structure consisting of the **District Managers** — responsible for individual local operating points and the related groups of Financial Advisors, who are assisted in some cases by supervisors, the **Executive Managers** — and a first-tier structure, the **Area Managers**. The Financial Advisor network known as **Financial Planner Agents**, who carries out also insurance business on behalf of Generali Group companies, and who reports to a second-tier managerial structure represented by **FPA Managers**, who in turn report to a first-tier managerial structure represented by a **Sales Manager**.

Within the Wealth Management network, individual Financial Advisors are coordinated by a first-tier managerial structure, consisting of **Area Manager - Wealth Management**, assisted by **Deputy Area Manager - Wealth Management**.

These professional posts receive a special remuneration package as part of a common system of rules. The general principles are set out below.

8.2 Remuneration of Financial Advisors and Managers

The remuneration of Financial Advisors — who, unlike employees, serve the Bank pursuant, not to employment contracts, but to independent agency agreements — is by definition subject to fluctuation over time, with the result that past remuneration is no guarantee of future reward in all such cases, and even more so, in respect of temporary entry plans.

The remuneration of Financial Advisors consists of fees of various kinds, which are influenced by the type of activity performed, the range of products placed and the distribution agreements in place with the managing companies.

A Financial Advisor's remuneration is considered business income, which is figured by deducting variable or fixed business expenses (consider, for example, the costs of remunerating the advisor's own employees), and is subject to an entirely different tax treatment from salaries, to which it is not easily comparable.

The remuneration system is established at a general level, for all Financial Advisors belonging to a given category, and is not therefore directly tied to the share of the intermediary's risk profile attributable to the individual Financial Advisor. It has to combine the need to pay the Financial Advisors a remuneration proportionate to the Company's revenues, in line with rates commonly applied in the reference market, with the need to avoid situations of potential conflict of interest.

The remuneration of the Financial Advisors consists of the following main items:

- (i) **sales fees:** the Bank pays the Financial Advisor a portion of the fees paid by the customer at the time the financial products are subscribed. These fees differ according to the various types of product and may vary in relation to the amount paid and/or the client's assets. A fixed percentage of these fees is generally paid back to the Financial Advisors, on the basis of their professional roles and responsibilities;
- (ii) **management and maintenance fees:** advisory and after-sales services rendered to customers are remunerated by way of monthly fees established not only in light of the value of the investments held by the customers in question, but also in function of the type of investment product involved and the professional roles and responsibilities covered by each Financial Advisor;
- (iii) **recurring fees:** these are similar to the previous fees, but relate specifically to the management fees paid by customers for the portfolios managed;
- (iv) **consultancy fees:** these are similar to the above, but refer to the specific consultancy services rendered against payment.

The fees in question are recurring and thus are not regarded as incentives. Given that the most significant aspect of the job description of Financial Advisors involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, all the related professional activities must be conducted scrupulously in accordance with the relevant principles of professionalism and correctness in respect of customer relations, including with a view to building customer loyalty. Towards such end, in addition to conventional objectives in terms of net inflows, objectives of propriety and regulatory compliance have been introduced, with each Financial Advisor being subjected to the obligation to provide customers with adequate after-sales services. The contract regulating the relationship between the Financial Advisor and the Bank therefore includes mechanisms of fee reduction in the case when the Financial Advisor does not carry out this activity as required.

With reference to the remuneration of the direct promotion activities carried out by the Managers, the fees are apportioned in a manner similar to that of Financial Advisors mentioned above; the same general rules apply, with specific percentages, to the calculation of the fees they are entitled to for their promotion activities carried out through their supervision.

Given that, also the activity of Managers involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, all the related professional activities must be conducted scrupulously in accordance with the relevant principles of professionalism and correctness in respect of customer relations, including with a view to building customer loyalty. Towards such end, in addition to conventional objectives in terms of net inflows, objectives of propriety and regulatory compliance have been introduced for Managers as well, with the obligation of ensuring that all Financial Advisors they supervise provide customers with adequate after-sales services. The contract regulating the relationship between the Manager and the Bank therefore include **recurring mechanisms of fee reduction** if the Financial Advisors placed under their supervision do not carry out this activity as required. Moreover, within the framework of a process of gradually increasing the responsibilities of Managers in coordination and supervision activity, there are economic mechanisms aimed at contemplating any **specific risks** that emerge in the area being coordinated, including for the purpose of determining recurring remuneration.

Incentive systems are also provided for the Financial Advisors and Managers, based on identified **individual objectives** for Financial Advisors and group objectives for Managers. These systems focus on net inflows and services and products designed to promote risk di-

verification/containment, with distinctions being drawn on the basis of the various service levels through which the said goals are pursued.

The goals in question must always be achieved while observing the need to maintain **proper relations** with customers and **contain legal and reputational risks**.

All the incentives are paid out only on condition that, on the dates scheduled for the payments, the agency relationship is properly in place, the notice period is not running and all the conditions required for achieving the result objectives set have occurred. Given that the activity involves the pursuit of the best interests of customers in strict compliance with the rules and regulations governing the distribution of investment products and services, any and all business activities on which **incentive portions of remuneration** may be earned must be conducted scrupulously in accordance with all applicable principles of professionalism and correctness in all customer relations, including with a view to enhancing customer loyalty. Towards such end, alongside traditional targets set in terms of net inflows and revenues, additional **targets of propriety and regulatory compliance in all transactions**, as well as specific **malus and claw-back mechanisms**, have been introduced.

The right to collect the bonuses deriving from the aforementioned systems is contingent not only on the actual result achieved, but also on the reaching of the Banking Group's **access gates**, as discussed in point 4.5 above.

Financial Advisors' and Managers' participation in retention and/or loyalty plans (see also paragraph 8.5 below) may also be approved by resolution duly supported by a statement of grounds.

In light of the Bank of Italy's Supervisory Provisions, for the intents and purposes of this document, the remuneration components included under items (i) through (iv) are to be deemed fixed compensation components, whilst bonuses disbursed under incentive programmes and/or stock option plans, where applicable, are to be considered equivalent to the variable salary component of employees.

8.3 Positions Falling within Key Personnel

As mentioned above, the coordination of the Financial Advisors, the Private Banker and Financial Planner Networks is entrusted to **Area Managers**, whereas that of the Financial Advisors of the Wealth Management Area is entrusted to Wealth Management Area Managers.

Managers in these categories are subject to the same remuneration and incentivisation policies and rules outlined above.

However, given the importance of the role of oversight and coordination assigned to Area Managers, these positions are regarded as **Key Personnel**. Accordingly, their variable remuneration, linked to incentive plans, is subject to the same **bonus deferral** schemes, **payment in Banca Generali shares** and **access gates**, as well as **malus and claw-back mechanisms** — specific for this category — illustrated above, as applicable to Key Personnel.

Participation in retention and/or loyalty plans may also be approved for these functions by resolution duly supported by a statement of grounds.

The ratio of the recurring and incentivisation components of the remuneration paid to such individuals, with the approval of the General Shareholders' Meeting, may not exceed **2:1**. any amount in excess shall be subjected to the **cap mechanism** described above.

Moreover, pursuant to the quantitative criteria imposed by the Commission Delegated Regulation (EU) No. 604/2014, a total of 41 Financial Advisors falling into the following categories were included among key personnel, with the provisions set out in paragraph 2.1:

1. Financial Advisors who at the end of the previous year had collected total remuneration (including both the recurring and incentive components) equal to or greater than 750,000 euros and lower than 1,000,000 euros.
2. Financial Advisors who at the end of the previous year had collected total remuneration (including both the recurring and incentive components) equal to or greater than 1,000,000 euros.

Their variable remuneration, linked to incentive plans, is subject to the same bonus deferral schemes, payment in Banca Generali shares and access gates, as well as malus and claw-back mechanisms — specific for this category — illustrated above, as applicable to Key Personnel.

The ratio of fixed to variable components of the remuneration paid to such individuals shall not exceed **1:1**; any amount in excess shall be subjected to the **cap mechanism** described above.

8.4 Additional benefits to the recurring remuneration

The Financial Advisors and Managers benefit from **accident, health and permanent disability insurance** covers and receive social security and termination benefits provided for under legislation. The above package is supplemented by a specific insurance policy covering the costs of **Long Term Care** in the event of serious permanent disability or infirmity.

These measures are aimed at ensuring that, in addition to ordinary remuneration, Financial Advisors and Managers are also provided with a series of protections and insurance covers designed to consolidate their professional relationship with the Bank, whilst also encouraging consistent results over time, in line with the Bank's conviction that these supplementary benefits are conducive to a more effective and relaxed relationship with customers.

8.5 Retention Policies

A number of alternative loyalty-building schemes are used for Financial Advisors, as described below:

- > the **deferred loyalty bonuses**, under which a predetermined amount is invested in a **capitalisation policy** and may be paid out **5 or 7 years after** the recruitment date and on condition that, on the settlement date, the Financial Advisor has maintained his professional relationship with the Banking Group and has achieved a significant objective in terms of the quantity and quality of the assets managed;
- > participation in a **Framework Loyalty Programme** for Financial Advisors provided that they meet certain minimum company seniority requirements and reach annual productivity targets. The Framework Loyalty Programme allows for the accrual of a bonus determined from one year to the next, in respect of the eight plan cycles of decreasing duration, which may only be disbursed at the end of the Framework Programme.

In addition to the above loyalty-building programmes, specific loyalty-building mechanisms may apply to managers.





SECTION 3

REPORT ON THE APPLICATION OF REMUNERATION POLICIES IN 2018



1. Goals pursued through remuneration policies and criteria applied

The Banking Group's Remuneration Policies approved by the Shareholders' Meeting on 12 April 2018 were defined and implemented in accordance with:

- > Circular No. 285 of 17 December 2013, to which Chapter 2, entitled "Remuneration and Incentivisation Policies and Practices" (hereinafter also the "Provisions"), was added in Part I, Title IV, "Corporate Governance, Internal Controls, Risk Management".
- > the provisions of Article 84-quater of the regulation implementing Legislative Decree No. 58 of 24 February 1998 (TUF) concerning rules for issuers;
- > the Corporate Governance Code for Listed Companies, which requires the approval of a remuneration policy for Directors and Key management Personnel.

This document has been thus drawn up with a view to ensuring simultaneous compliance with both the provisions governing remuneration policies within the banking industry and the regulations applicable to Issuers.

The remuneration system was applied on the basis of the Bank's corporate values and objectives, long-term strategies and risk management policies.

The policies adopted by Bank ensures compliance with the regulatory capital requirements set forth in Regulation (EU) No. 575/2013 (CRR) and Circular No. 285 of 17 December 2013, in line with the European Central Bank's recommendations (Letter dated 26 November 2015 concerning variable remuneration policies), and the European Banking Authority (EBA) Guidelines on Sound Remuneration Policies dated 27 June 2016.

More specifically, overall remuneration is made of fixed and variable components, the weight of which is correlated with the strategic weight of the position held, and, in the case of certain managers, includes benefits arising under Long Term Incentive (LTI) plans envisaging long-term performance of the company or group to which it belongs.

All types of variable remuneration, defined both based on incentive plans through objectives linked to the performance of the Bank and the Banking Group, and on a discretionary basis through a process linked to that of performance assessment, are correlated with indicators, which aim at appreciating the weighting of risks of the company or corporate group to which they belong, and are determined taking due account of the risks assumed and the liquidity required to cover ongoing business operations, and with a view to avoiding conflicts of interest based on the following principles.

a) Access gates

In order to (i) ensure that the variable component of remuneration is linked to multi-year performance indicators, as well as (ii) take due account of current and future risks, the cost of capital and the liquidity required to finance the Banking Group's operations, the bonus entitlements of all employees receiving variable remuneration under the Management by Objectives plan, as well as those of all staff receiving bonus on a discretionary basis, together with those of Financial Advisors and network managers serving the Banking Group, shall be subject not only to the actual result attained, but also to the satisfaction of an access gate tied to specific results of the Banking Group.

The Banking Group's access gate consists of the following two ratios: (i) the Total Capital Ratio, measuring the extent of the Bank's capital in relation to the degree of risk of the assets held — minimum target ratio of 13.5%, and the (ii) Liquidity Coverage Ratio, aimed at increasing short-term resilience of the bank's liquidity risk profile, while ensuring it has sufficient, high-quality liquid assets to overcome any 30-day long acute stress situation — minimum ratio of 130%.

The Banking Group's access gate also plays a role in the cycles of the LTI plans, pursuant to the same mechanism and subject to the same thresholds imposed for entitlement to short-term variable remuneration.

Moreover, each cycle of the Generali Group's LTI plans is also subject to a specifically identified access for 2018; in fact, the following values result from the final figures as at 31 December 2018:

- > Total Capital Ratio of the Banca Generali Group: 19.0% (access gate: 13.5%)
- > Liquidity Coverage Ratio of the Banca Generali Group: 393% (access gate: 130%).

As a consequence of those ratios:

- > bonus entitlements have been accrued for the year in question;
- > payment of the 2018 share of the 2016 and 2017 bonuses, which had been deferred in 2018, has come due;
- > accrual of cycles of LTI plans that fall due only upon satisfaction of the access gates for the financial year 2018, and described in greater detail below.

b) Deferral and share-based payment of variable remuneration

A portion of the variable component of the remuneration of all the Banking Group's employees and the main network managers who, during the year, have accrued bonuses in excess of 75,000.00 euros, shall be subject to deferral, differentiated by i) Key Personnel (including main network managers), and ii) all other employees, defined as follows:

Key Personnel: variable remuneration is partly disbursed through assignment of Banca Generali shares, based on the following assignment and retention mechanism:

- a) 60% paid up-front; 75% in cash, and 25% in Banca Generali shares, subject to a retention period of one year;
- b) 20% of the bonus will be deferred by one year: 75% in cash, and 25% in Banca Generali shares, subject to a retention period of one year;
- c) The remaining 20% of the bonus will be deferred by two years: 75% in cash, and 25% in Banca Generali shares, subject to a retention period of one year;

If the actual bonus accrued by key personnel is less than 75,000.00 euros it is paid in full on an up-front basis during the year after that of reference, 75% in cash and 25% in shares of Banca Generali.

Other employees:

- > 60% of the bonus is paid up-front, in cash;
- > 20% of the bonus will be deferred by one year and paid in cash;
- > the remaining 20% of the bonus will be deferred by two years and paid in cash.

In both cases, assignment of shares subject to deferral will be conditional upon verification of satisfaction of access gates.

Upon assignment, the individual deferred bonus instalment to be paid in cash will bear interest calculated at the mean 6-month Euribor rate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85pps.

KEY PERSONNEL

	YEAR OF PAYMENT															TOTAL		
	2017			2018			2019			2020			2021					
	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES
Bonus 2016	60	75	25	20	75	25	20	75	25							100	75	25
Bonus 2017				60	75	25	20	75	25	20	75	25				100	75	25
Bonus 2018							60	75	25	20	75	25	20	75	25	100	75	25

OTHER EMPLOYEES

	YEAR OF PAYMENT															TOTAL		
	2017			2018			2019			2020			2021					
	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES	% BONUS	OF WHICH % CASH	OF WHICH % SHARES
Bonus 2016	60	100		20	100		20	100								100	100	
Bonus 2017				60	100		20	100		20	100					100	100	
Bonus 2018							60	100		20	100		20	100		100	100	

c) Malus and claw-back mechanisms

Variable remuneration earned by all staff under the Management by Objectives plan and/or on a discretionary basis, as well as by network managers and Financial Advisors serving the Banking Group, shall be subject to specific malus and claw-back mechanisms entailing the non-payment and/or the restitution of bonuses already paid, upon the occurrence of certain specific conditions set forth in the approved remuneration policies.

d) Principle of propriety and the containment of reputational risks

The remuneration and incentivisation systems for the distribution networks have also been formalised according to criteria of propriety in dealings with customers and the containment of legal and reputational risks through the inclusion of specific malus and claw-back clauses, which also call for the evaluation of the number of complaints attributable to the activity of each Relationship Manager and each Financial Advisor when determining the bonus accrued, in addition to the assessment of special situations in cases of disciplinary measures, extraordinary inspections and reputational damages.

2. Information on Remuneration by Role and Functions

This section provides a brief overview of remuneration accrued in financial year 2018 in implementation of the remuneration policies approved in respect of:

2.1 Remuneration of Company Directors

The remuneration for members of the Board of Directors, including members of the Board Committees, was determined by following the procedures defined and described in the presentation of remuneration policies for 2018. Non-executive Directors, including the Chairman of the Board of Directors, were not entitled to any form of variable remuneration linked to the attainment of specific objectives nor to share-based incentivisation plans.

The relevant year-end figures — including the information concerning the position of the Chairman of the Board of Directors — are set forth in detail in Table 1 – Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel, to which the reader is referred.

A D&O policy has been contracted covering the members of the Board of Directors, as illustrated in the document presenting the remuneration policies for 2018.

2.2 Remuneration of Members of the Board of Statutory Auditors

The remuneration of the members of the Board of Statutory Auditors was established by the General Shareholders' Meeting at the time of the appointment of the said Board. The members of the Board of Statutory Auditors also receive further and different remuneration, in addition to their compensation as members of the Company's control board, in consideration of the fact that the said Board also discharges the tasks and functions of the Supervisory Board instituted pursuant to Legislative Decree No. 231/2001.

Acting Auditors were not entitled to any form of variable remuneration.

The relevant year-end figures are set forth in detail in Table 1 – Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel, to which the reader is referred.

A D&O policy has been contracted covering the members of the Board of Auditors, as illustrated in the document presenting the remuneration policies for 2018.

2.3 Remuneration of the Chief Executive Officer and General Manager and Other Key Management Personnel

2.3.1 Chief Executive Officer and General Manager

The position of Chief Executive Officer is filled by Gian Maria Mossa.

The remuneration granted for the position of Chief Executive Officer consists of a total fixed remuneration paid of 50.000,00 euros. No short-term variable remuneration is envisaged.

The position of General Manager is filled by Gian Maria Mossa. The remuneration granted to Gian Maria Mossa for the role of General Manager consists of (i) all-inclusive gross annual remuneration of 550,000.00 in 2018; ii) a short-term variable remuneration accrued as a result of the results achieved of 348,790.87; (iii) variable long-term remuneration as indicated below, and (iv) other sundry remuneration and benefits provided for his position of manager of the Banking Group for an overall amount of 152,183.60.

With regard to long-term variable remuneration, Mr Mossa participates in the following LTI plans:

LONG-TERM VARIABLE PLAN IN FAVOUR OF MR. MOSSA

PLAN	SHARES	NO. OF SHARES ALLOCATED			
		MAX. NO. IN THE THREE YEARS	ACCRUED IN 2018	SINCE BEGINNING OF THE PLAN	YEARS ENDED/ REMAINING YEARS
LTI 2016-2018	Assicurazioni Generali	62,581	20,971	61,714	3/3
LTI 2017-2019	Assicurazioni Generali	67,119	17,167	35,163	2/3
LTI 2018-2020	Banca Generali	36,748	10,211	10,211	1/3

The sum of the shares set aside during each of the three years of the cycle will be actually assigned only at the end of the three-year period, following verification of the satisfaction of objectives in the third year.

2.3.2 Other Key Management Personnel for 2018

This personnel category includes:

- > Andrea Ragaini, DGM Wealth Management Markets and Products;
- > Marco Bernardi, DGM Commercial Networks, Alternative and Support Channels.

Their remuneration consists of all-inclusive annual remuneration (RAL), a position-related indemnity, where applicable, a variable remuneration linked to the degree of satisfaction of performance objectives as explained below, and other remuneration and benefits related to the position of Managers of the Banking Group.

The overall fixed remuneration, consisting of the gross annual remuneration (RAL) and the service allowance, where applicable, totalled 461,538.39 in 2018.

Short-term performance-based bonuses, accrued on the basis of results achieved with regard to Key Management Personnel, totalled 288.773,96 euros. The total remuneration of personnel included in this category is also comprised of 126.566,92 euros of other remuneration and benefits provided for the managers of the Banking Group.

With reference to long-term variable remuneration, Key Management Personnel are beneficiaries of LTI plans, as shown below:

LONG-TERM VARIABLE REMUNERATION

PLAN	SHARES	BENEFICIARIES	NO. OF SHARES ALLOCATED			
			MAX. NO. IN THE THREE YEARS	ACCRUED IN 2018	SINCE BEGINNING OF THE PLAN	YEARS ENDED/ REMAINING YEARS
LTI 2016-2018	Assicurazioni Generali	1 (*)	8,761	2,936	8,639	3/3
LTI 2017-2019	Assicurazioni Generali	2	39,662	10,145	20,779	2/3
LTI 2018-2020	Banca Generali	2	29,398	8,169	8,169	1/3

(*) Plan launched when the beneficiary, while classified among key personnel, was not included among Key Management Personnel.

The sum of the shares set aside during each of the three years of the cycle will be actually assigned only at the end of the three-year period, following verification of the satisfaction of objectives in the third year.

2.4 Breakdown of Remuneration by Lines of Business of Key Personnel

In application of Article 450 of the CRR (Reg. EU No. 575/2013), letter g), aggregate quantitative information on remuneration, broken down by lines of business related to Key Personnel, is set out in the Attachment Article 450 CRR, letter g) Aggregate Quantitative Information on Remuneration, Broken Down by Business Area, Concerning “Key Personnel”.

2.5 Breakdown of Remuneration by Category of Key Personnel

A breakdown of remuneration by category of Key Personnel for financial year 2018 is presented in Attachment Article 450 CRR, letter h) Aggregate Quantitative Information on Remuneration, Broken Down by Category of Key Personnel which refers to the remuneration of personnel that, pursuant to the Company’s internal self-assessment process, has been identified as belonging to such category.

More specifically:

- > Top Management: Chief Executive Officer/General Manager, Deputy General Manager Wealth Management Markets and Products, Deputy General Manager Commercial Networks, Alternative and Support Channels;

Other Key Personnel: this category has been determined to include (i) the heads of the material operating/company units (main lines of business): the Head of the CFO & Strategy Area, the Head of the Finance Department (a position filled by two individuals in 2018), the Head of the Lending Department and the Executive Director of BG FML who also holds the position of Head of the AM Area and General Manager of BG FML, and (ii) individuals who report directly to the personnel identified in point (i) above and who, due to their activities, authority and powers are regarded as having an impact on company risk, namely the Head of the PRM Area, the Head of the Alternative and Channels and Support Area, the Head of the COO and Innovation Area, the Head of the General Counsel Area and the Head of the Wealth Management Area, since the activities, authority and powers attributed to them were regarded as having a material impact on the company’s risk.

Managers in charge of control functions: Head of the Risk and Capital Adequacy Department, Head of Internal Audit, Head of the HR Department (position held by 2 persons in 2018) and Head of the Compliance and Anti Money Laundering Department.

Main managers operating within the distribution networks of the Bank and other Financial Advisors identified pursuant to Article 4 of the Delegated Regulation (EU) No. 604/2014: Sales Manager Italy, Area Manager of the Private Banking Division and of the Financial Planner Division, Area Manager of the Wealth Management Division, Head of Recruiting, Head of Business Development and Financial Advisors within the scope.

Members of Key Personnel with remuneration exceeding 1 million euros are a total of 28, of whom 21 in the bracket from 1 to 1.5 million euros, 3 in the bracket from 1.5 to 2 million euros and 4 in the bracket from 2 to 2.5 million.

2.6 Remuneration for Other Employees

Turning to the remuneration of employees not considered Key Personnel, the following is an account of the main aggregates for the professional families Relationship Managers, Managers (managers from the AM Area and BG Fund Management Luxembourg) and other employees.

In particular, in the following figures the fixed portion refers to the gross annual remuneration collected, whereas the variable portion refers to the estimate of variable remuneration based on the management by objectives (MBO) mechanisms and of the discretionary

variable remuneration also linked to the annual evaluation for those not benefiting from MBO mechanisms.

	NO. OF BENEFICIARIES	FIXED REMUNERATION	VARIABLE REMUNERATION
Relationship Manager	59	5,144,416.35	1,310,840.53
Asset Managers	25	2,385,961.66	454,868.01
Other employees	849	32,718,524.01	2,749,654.68

Relationship Manager's variable remuneration does not include entry plans.

3. Information on the Remuneration of Financial Advisors

The remuneration policies applicable to Financial Advisors were consistently implemented, in both qualitative and quantitative terms, as described in the document “Banking Group’s Remuneration Policies” approved by the General Shareholders’ Meeting on 12 April 2018.

Financial Advisors serve the Bank pursuant to an agency agreement providing for, inter alia, variable remuneration directly linked to various types of revenues, on a percentage basis. The said variable remuneration is however recurrent, insofar as it is directly linked to the assets entrusted to each Financial Advisor and the related advisory and placing activities. A small proportion also derives from fees on individual sale transactions. Moreover, Financial Advisors may also qualify for further remuneration under various incentive plans implemented by the company at its discretion, primarily with a view to rewarding excellence in professional performance during the relevant accounting period.

By way of general information, it should be noted that the weight of fee expense in 2018 (almost entirely related to fees paid to Financial Advisors) on overall fee income was as shown in the table below:

	2018
Total payout (with performance fees)	45.2%
Total payout (without performance fees)	47.7%

(*) Payout including provisions for fees related to recruitment incentives.

With regard to the substantially recurrent component of the remuneration of the network, the following factors have been confirmed: (i) the mechanisms aimed at reducing the fees payable to Financial Advisors and their Managers in the event of substandard after-sales services to customers during 2018; (ii) within the framework of a process of gradually increasing the accountability of network managers in coordination and oversight activity, the mechanisms aimed at contemplating any specific risks that emerge in the area being coordinated, including for the purpose of determining recurring remuneration.

Turning to the fee component tied to incentive systems, based on the identification of individual objectives (and group objectives, for Managers), it is confirmed that it accounts on the whole for a modest overall percentage of the Financial Advisors’ total remuneration that rises as a function of the managerial position filled, and that the sales objectives rewarded for Financial Advisors related to net inflows associated with macro-aggregates. The use of such macro-aggregates allows incentivisation policies to be prevented from fostering the distribution of the Group’s products over the products of third parties and from resulting in efforts to sell single products.

More specifically, in the case of Financial Advisors serving in managerial positions at the end of 2018, incentives accounted for about 8% of overall pay-out.

On the other hand, in light of their crucial coordination and supervisory responsibilities, the variable remuneration of Sales Managers and Area Managers determined pursuant to incentive plans has been subjected to both access gates relating to the Banking Group and the partial deferral of bonus payments.

As a result, the aforesaid variable remuneration accrued for 2018 in the amount of 4,403,175 euros overall or such functions was as follows: 60% paid in 2018; 20% will be paid after verification of satisfaction of the access gate for the following year; and the remaining 20%, after a further year, again subject to satisfaction of the access gate applicable for that year.

Financial Advisors and Managers who are found to have wilfully engaged in conduct harmful to the Bank or its customers will lose all entitlements to pay-outs due under incentive plans. Moreover, the Bank reserves the discretionary right to refuse to make bonus pay-outs to Financial Advisors who (i) are subjected to disciplinary measures or pending non-routine inspections; and/or (ii) as a result of their conduct, manifestly occasion reputational harm to the Bank. Furthermore, pursuant to specific provisions, in the event of malfeasance on the part of a Financial Advisor that results in monetary liability for the Bank for any reason or cause whatsoever, the Bank is entitled to claw back bonus payments made during the year in which the malfeasance was committed, as well as the preceding year.

4. Tables

4.1 Tables prepared pursuant to Consob Resolution No. 18049

Table 1:

Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel

Table 2:

Stock Options Granted to Members of the Governing Body, General Managers and Other Key Management Personnel

Table 3A

Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel based on financial instruments other than stock options

Table 3B

Monetary Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel

Layout 7-ter

Table 1 – Shares Held by Members of the Governing and Control Bodies and General Managers

Table 2 – Shares Held by Other Key Management Personnel

4.2 Tables prepared in accordance with the Bank of Italy provisions – 7th update of Circular No. 285 of 17 December 2013, Part I, Title IV, “Corporate Governance, Internal Controls, Risk Management” – Chapter 2, “Remuneration and Incentivisation Policies and Practices” – Section VI – Article 450 CRR (Reg. EU No. 575/213)

Attachment re. Article 450 CRR, Letter g):

Aggregate Quantitative Information on Remuneration, Broken Down by Business Areas, Concerning “Key Personnel”

Annex Article 450 CRR, letter h):

Aggregate Quantitative Information on Remuneration, Broken Down by Category of “Key Personnel”

4.1 Tables prepared pursuant to Consob Resolution no. 18049

Table 1 - Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel

(A)	(B)	(C)	(D)		(1)	
SURNAME AND NAME	OFFICE HELD	PERIOD OF OFFICE	TERM OF OFFICE	NOTES	FIXED REMUNERATION	REMUNERATION AS PER ART. 2389 PARA. 3 IT. CIV. CODE
Fancel Giancarlo	Director/Chairman of BoD	01.01-31.12.18	Approval of 2020 Financial Statements	5	70,000	
Mossa Gian Maria	Director/Chief Executive Officer	01.01-31.12.18	Approval of 2020 Financial Statements	1	42,233	50,000
	General Manager	01.01-31.12.18	3 / 4		
Brugnoli Giovanni	Director	01.01-31.12.18	Approval of 2020 Financial Statements	2	42,233	
Gervasoni Anna						
I) Remuneration in the company preparing the financial statements	Director	01.01-31.12.18	Approval of 2020 Financial Statements	2	42,233	
II) Remuneration from subsidiary and associate companies				7	15,000	
III) Total					57,233	
Lapucci Massimo	Director	01.01-31.12.18	Approval of 2020 Financial Statements	2	42,233	
Pescatori Annalisa	Director	01.01-31.12.18	Approval of 2020 Financial Statements	2	42,233	
Terzi Vittorio Emanuele	Director	01.01-31.12.18	Approval of 2020 Financial Statements	2	42,233	
Rustignoli Cristina	Director	01.01-31.12.18	Approval of 2020 Financial Statements	1	42,233	
Caltagirone Azzurra	Director	01.01-31.12.18	Approval of 2020 Financial Statements		42,233	
Cremona Massimo	Chairman of the Board of Statutory Auditors	01.01-31.12.18	Approval of 2020 Financial Statements	6	73,082	
Anaclerio Mario Francesco	Acting Auditor	01.01-31.12.18	Approval of 2020 Financial Statements	6	50,849	
Minutillo Flavia	Acting Auditor	01.01-31.12.18	Approval of 2020 Financial Statements	6	50,849	
Key Management Personnel	2 Deputy General Managers	01.01-31.12.18			
I) Remuneration in the company preparing the financial statements				3 / 4		
II) Remuneration from subsidiary and associate companies				8	15,000	
III) Total					15,000	

NAME	REMUNERATION COMMITTEE		NOMINATION COMMITTEE		INTERNAL AUDIT AND RISK COMMITTEE		TOTAL
	FIXED REMUNERATION	ATTENDANCE BONUSES	FIXED REMUNERATION	ATTENDANCE BONUSES	FIXED REMUNERATION	ATTENDANCE BONUSES	
Brugnoli Giovanni	13,616	16,000	10,000	22,000			61,616
Gervasoni Anna	10,000	16,000			17,233	24,000	67,233
Lapucci Massimo			13,616	22,000	13,616	24,000	73,233
Pescatori Annalisa	2,767	8,000	7,233	12,000	13,616	24,000	67,616
Terzi Vittorio Emanuele	7,233	6,000	2,767	8,000	13,616	24,000	61,616
Total	33,616	46,000	33,616	64,000	58,082	96,000	331,315

Amounts are reported net of VAT and social security contributions, where applicable.

	(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)		
			NON-EQUITY VARIABLE REMUNERATION								
	ATTENDANCE BONUSES	FORFAIT EXPENSE REFUND	FIXED SALARIES AS EMPLOYEES	REMUNERATION FOR SITTING ON COMMITTEES	BONUS AND OTHER INCENTIVES	SHARING PROFIT	NON MONETARY BENEFIT	OTHER REMUNERATION	TOTAL	FAIR VALUE OF EQUITY REMUNERATION	END-OF-TERM AND SEVERANCE INDEMNITIES
								70,000			
								92,233			
		1,119	550,000		247,432		151,065	8,142	957,758	839,209	
				61,616					103,849		
				67,233					109,466		
								15,000			
				67,233					124,466		
				73,233					115,466		
				67,616					109,849		
				61,616					103,849		
								42,233			
								42,233			
								73,082			
								50,849			
								50,849			
		1,808	461,538		179,242		124,759	17,108	784,455	366,462	
								15,000			
		1,808	461,538		179,242		124,759	17,108	799,455	366,462	

Notes

- 1 Pays back fixed remuneration for the position of Director to the company by which he is employed.
- 2 The following table provides a breakdown of the remuneration received for sitting in Committees, accrued in the reporting year. 3 The item relating to non-monetary benefits and that relating to other remuneration includes the payment of premiums and miscellaneous social security and assistance contributions, as well as other fringe benefits, such as the participation in trips and the use of a company car.
- 4 Total bonuses and other incentives is equal to the total amount of the items 2A, 3B and 4, line III, of the following Table 3B.
- 5 The fixed remuneration for the position of Chairman of the BoD is paid back to the company by which he is employed till 11 April 2018.
- 6 Remuneration for sitting on the Supervisory Body is included (Legislative Decree No. 231).
- 7 Remuneration attributed as Director of Generfid S.p.A.
- 8 Remuneration attributed as Director of Generfid S.p.A., of which 5,000 euro paid back.

It should be noted that the lack of figures implies that no amount has been paid to the persons indicated.

Table 2 – Stock Options Granted to Members of the Governing Body, General Managers and Other Key Management Personnel

SURNAME AND NAME	OFFICE HELD	PLAN	OPTIONS HELD AT YEAR-START		
			NUMBER OF OPTIONS	STRIKE PRICE	EXPECTED VESTING PERIOD
i) Remuneration in the company preparing the financial statements			-		
ii) Remuneration from subsidiary and associate companies			-		
iii) Total			-		

Table 3A – Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel based on financial instruments other than stock options

A	B	(1)	
SURNAME AND NAME	OFFICE HELD	PLAN (1)	TYPE OF FINANCIAL INSTRUMENT
MOSSA Gian Maria	General Manager as of 01.04.2016	LTI 2016-2018 (2)	Ord. shares Ass. Generali
i) Remuneration in the company preparing the financial statements	CEO and General Manager	LTI 2017-2019 (4)	Ord. shares Ass. Generali
	CEO and General Manager	LTI 2018-2020 (5)	Ord. shares Banca Generali
	General Manager from 01.04.2016	BSC 2016	Ord. shares Banca Generali
	CEO and General Manager	BSC 2017	Ord. shares Banca Generali
	CEO and General Manager	BSC 2018 (6)	Ord. shares Banca Generali
ii) Remuneration from subsidiary and associate companies			
iii) Total			
7 Other Key Management Personnel	Wealth Management Markets & products Joint General Manager	LTI 2017-2019 (4)	Ord. shares Ass. Generali
i) Remuneration in the company preparing the financial statements	Wealth Management Markets & products Joint General Manager		
	Deputy General Manager Commercial Networks, Alternative and Support Channels	LTI 2018-2020 (5)	Ord. shares Banca Generali
	Wealth Management Markets & products Joint General Manager	BSC 2016	Ord. shares Banca Generali
	Wealth Management Markets & products Joint General Manager	BSC 2017	Ord. shares Banca Generali
	Wealth Management Markets & products Joint General Manager		
	Deputy General Manager Commercial Networks, Alternative and Support Channels	BSC 2018 (6)	Ord. shares Banca Generali
ii) Remuneration from subsidiary and associate companies			
iii) Total			

Notes:

(1) For LTI plans:

- the date of assignment and the market price at assignment refer to the dates of Shareholders' resolutions approving the plans by the General Shareholders' Meeting of Assicurazioni Generali S.p.A. (2016-2018 LTI Shareholders' resolution dated 28 April 2016, 2017-2019 LTI Shareholders' resolution dated 27 April 2017).
- the date of assignment and the market price at assignment refer to the dates of Shareholders' resolutions approving the plans by the General Shareholders' Meeting of Assicurazioni Generali S.p.A. (2018-2020 LTI Shareholders' resolution dated 12 April 2018).

(2) Number of shares to be assigned in April 2019 at the end of the vesting period of the plan and based on the level of achievement of the objectives set for the three-year period 2016-2018, including a number of additional shares based on the amount of overall dividends distributed in the three-year period (so called dividend equivalent). The overall value of the shares at vesting was reported considering the official price of the share at the date when the Board of Directors of Assicurazioni Generali met and verified the level of achievement of the three-year period objectives and resolved upon the free capital increase.

(3) Number of total non-attributable shares as a result of the performance achieved in 2018.

OPTIONS GRANTED DURING THE YEAR						OPTIONS EXERCISED DURING THE YEAR			OPTIONS EXPIRED	OPTIONS HELD AT YEAR-END	OPTIONS ACCRUED IN THE YEAR
NUMBER OF OPTIONS	STRIKE PRICE	EXPECTED VESTING PERIOD	FAIR VALUE AT ASSIGNMENT DATE	MARKET PRICE OF THE UNDERLYING SHARES AT THE ASSIGNMENT OF OPTIONS	NUMBER OF OPTIONS	STRIKE PRICE	MARKET PRICE OF THE UNDERLYING SHARES AT THE ASSIGNMENT OF OPTIONS	NUMBER OF OPTIONS	NUMBER OF OPTIONS	FAIR VALUE	
(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
FINANCIAL INSTRUMENTS ASSIGNED IN PREVIOUS YEARS AND NOT VESTED DURING THE YEAR			FINANCIAL INSTRUMENTS ASSIGNED DURING THE YEAR				FINANCIAL INSTRUMENTS VESTED DURING THE YEAR AND NOT ASSIGNED	FINANCIAL INSTRUMENTS VESTED DURING THE YEAR AND ASSIGNABLE		FINANCIAL INSTRUMENTS FOR THE YEAR	
NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VESTING PERIOD	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	FAIR VALUE AT ASSIGNMENT DATE	VESTING PERIOD	ASSIGNMENT DATE (1)	MARKET PRICE AT ASSIGNMENT (1)	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VALUE AT VESTING	FAIR VALUE	
							4,062 (3)	61,714	799,174	257,523	
62,010	2017-2019									275,474	
		35,935	765,847	2018-2020	12.04.2018	28,57				234,778	
								501	10,797	2,293	
738	2017-2019							738	16,280	9,968	
		3,052	72,235	2018-2020	12.04.2018	28,57		1,831	44,659	59,173	
			838,081						870,910	839,209	
28,187	2017-2019									125,218	
		28,748	612,677	2018-2020	12.04.2018	28,57				187,822	
								292	6,293	1,335	
379	2017-2019							379	8,361	3,030	
		2,530	59,885	2018-2020	12.04.2018	28,57		1,518	37,024	49,057	
			672,562						51,677	366,462	

- (4) Maximum number of shares potentially attributable at the end of the vesting period (2017-2019) subject to the achievement of the objectives and to the terms and conditions of the plan, also taking into account that, with specific reference to the years 2017 and 2018, the number of shares was calculated based on the year-end results of the objectives achieved in such years. Moreover, as envisaged by the plan rules, the beneficiaries may receive a number of additional shares based on the amount of overall dividends distributed in the three-year period of reference (so called dividend equivalent).
- (5) Maximum number of shares potentially attributable at the end of the vesting period (2018-2020) subject to the achievement of the objectives and to the terms and conditions of the plan, also taking into account that, with specific reference to the year 2018, the number of shares was calculated based on the year-end results of the objectives achieved in such year.
- (6) The information on the financial instruments assigned during the year refer to the overall maximum number of shares attributable at the end of the vesting period (2018-2020), subsubject to the satisfaction of the access gates of the Banking Group.
- (7) The information refers to the position shown in the table. No variables related to other positions are reported, unless they fall in the category of Key Management Personnel.

Table 3B – Monetary Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel

A	B
SURNAME AND NAME	OFFICE HELD
Mossa Gian Maria	CEO and General Manager
i) Remuneration in the company preparing the financial statements	
ii) Remuneration from subsidiary and associate companies	
iii) Total	
Other Key Management Personnel (**)	
i) Remuneration in the company preparing the financial statements	Wealth Management Markets & products Joint General Manager
	Wealth Management Markets & products Joint General Manager
	Wealth Management Markets & products Joint General Manager
	Deputy General Manager Commercial Networks, Alternative and Support Channels
ii) Remuneration from subsidiary and associate companies	
iii) Total	

Notes:

(*) The amount represents the cash portion for BSC 2016, BSC 2017 and BSC 2018.

(**) The information refers to the position shown in the table. No variables related to other positions are reported, unless they fall in the category of Key Management Personnel.

For variable remuneration based on Balanced Scorecards (BSC), upon payment the individual deferred instalment will bear interest calculated at the mean 6-month Euribor rate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85%.

(1)	(2)			(3)			(4)
	BONUS FOR THE YEAR			PRIOR YEARS BONUS			
	A	B	C	A	B	C	
PLAN	PAYABLE/PAID	DEFERRED	DEFERMENT PERIOD	NO LONGER PAYABLE	PAYABLE/PAID	STILL DEFERRED	OTHER BONUSES
BSC 2016 (*)			2018-2019		37,976		
BSC 2017 (*)			2019-2020		52,500	52,500	
BSC 2018 (*)	156,956	104,637	2020-2021				
	156,956	104,637			90,476	52,500	
BSC 2016 (*)			2018-2019		22,117		
BSC 2017 (*)			2019-2020		27,000	27,000	
BSC 2018 (*)	130,125	86,750	2020-2021				
	130,125	86,750		-	49,117	27,000	

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Table 1 – Shares Held by Members of the Governing and Control Bodies and General Managers

SURNAME AND NAME	OFFICE HELD	INVESTEE COMPANY	NO. OF SHARES OWNED AT THE END OF THE PREVIOUS YEAR	NO. OF SHARES PURCHASED	NO. OF SHARES SOLD	NO. OF SHARES HELD AT THE END OF THE CURRENT YEAR
Fancel Giancarlo	Chairman of BoD	Banca Generali	2,039	1,000	-	3,039
Rustignoli Cristina	Director	Banca Generali	1,728	-	-	1,728
Brugnoli Giovanni	Director	Banca Generali	10,000	-	-	10,000
Lapucci Massimo	Director	Banca Generali	1,000	-	-	1,000
Mossa Gian Maria	CEO and General Manager	Banca Generali	14,126	5,874	-	20,000

(1) Changes refer to the payment of bonuses in shares.

Table 2 – Shares Held by Other Key Management Personnel

NO. OF KEY MANAGEMENT PERSONNEL	INVESTEE COMPANY	NO. OF SHARES OWNED AT THE END OF THE PREVIOUS YEAR	NO. OF SHARES PURCHASED (1)	NO. OF SHARES SOLD	NO. OF SHARES HELD AT THE END OF THE CURRENT YEAR
2 (*)	Banca Generali	3,031	5,503	-	8,534

(*) Other Key Management Personnel who have held shares: 1 Joint General Manager Wealth Management Markets & Products and 1 Deputy General Manager Commercial Networks, Alternative and Support Channels.

(1) Changes refer to the payment of bonuses in shares.

4.2 Tables prepared in accordance with the Bank of Italy provisions – 7th update of Circular No. 285 of 17 December 13, Part I, Title IV, “Corporate Governance, Internal Controls, Risk Management” – Chapter 2, “Remuneration and Incentivisation Policies and Practices” – Section VI – Article 450 CRR (Reg. EU No. 575/213)

Annex Article 450 CRR, letter g): Aggregate Quantitative Information on Remuneration, Broken Down by Business Areas, Concerning “Key Personnel”

COMPANY	BUSINESS LINES (*)	NO. OF BENEFICIARIES	FIXED REMUNERATION (**)	VARIABLE REMUNERATION FOR 2016 (***)	NOTES
Banca Generali	Member of the governing body	1	752,184	356,933	(1)
Banca Generali	Control functions	3	485,651	129,125	(2)
Banca Generali	Corporate functions	7	1,648,682	1,095,670	(3)
Banca Generali	Investment Banking	63	32,358,307	13,135,806	(4)
Banca Generali	Retail Banking	2	419,729	193,049	
Banca Generali/BG FML	Asset Management	2	587,665	170,908	

(*) Business lines envisaged by the data collection of the Bank of Italy/EBA.

(**) The item also includes fringe benefits.

(***) The component “2018 variable” is represented by: i) MBO mechanisms applied with the method of the Balanced scorecard (BSC), with application of the deferral mechanism, where applicable and ii) other bonuses/one-off payments.

(1) Information relating to Mr. Mossa, who holds the position of Chief Executive Officer and General Manager.

(2) Information relating to the Head of the Risk and Capital Adequacy Department, the Compliance and Anti Money Laundering Department and the Internal Audit Department.

Information relating to Deputy General Manager Wealth Management, Markets and Products, Head of the CFO & Strategy Area, Head of the COO Area, Head of the General Counsel Department, Head of the Wealth Management Area, Head of Human Resources Department (office held by 2 persons during 2018).

(4) Information on: Vice General Manager Commercial network, Alternative and Support Channels, Head of the Private Relationship Manager Area, Head of the Finance Department (Office held by 2 persons during 2018), and to the following network managers: 2 Sales Manager Italia, 6 Area Manager of the Private Banking Division and of the Financial Planner Division, 4 Area Manager of the Wealth Management Area, 1 head of recruiting, 1 head of Business Development e 45 Financial Advisors.

Annex Article 450 CRR, letter h): Aggregate Quantitative Information on Remuneration, Broken Down by Category of "Key Personnel"

With indication of:

- i) amounts of remuneration for the year broken down by fixed and variable component and number of beneficiaries;
- ii) amounts and forms of the variable component of remuneration, broken down by cash, shares, share-based instruments and other types;
- iii) amounts of existing deferred remuneration, broken down by shares assigned and not assigned;
- iv) amounts of deferred remuneration recognised during the year, paid and reduced based on performance adjustments;
- v) new payments for recruitment benefits and termination indemnities made in the year and number of beneficiaries;
- vi) amounts paid for termination indemnities accrued during the year, number of beneficiaries and highest amount paid to an individual person.

A) Top Management

Banca Generali: Chief Executive Officer (Mr. Mossa); Top Management: General Manager (Mr. Mossa), Wealth Manager Markets & Products Joint General Manager and Deputy General Manager Commercial Networks, Alternative and Support Channels.

COMPANY	PERSONNEL CATEGORY	I) REMUNERATION				II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
		NO. BENEFICIARIES	FIXED (*)	VARIABLE 2018	TOTAL	CASH	SHARES	SHARE-BASED INSTRUMENTS	OTHER TYPES
Banca Generali	CEO	1	50,000	-	50,000	-	-		
Banca Generali	Top Management	3	1,290,289	913,208	2,203,497	703,719	209,490		

With reference to the 2016-2018 LTIP, verification of the level of achievement of the objectives set and satisfaction of the access gates for the third year led to the determination of shares to be allocated for the year of 29,916 shares including a number of additional shares based on the amount of overall dividends distributed in the three-year period of reference (so called dividend equivalent) for Mr. Mossa and 4,188 (including the dividend equivalent) for a manager included in Top Management. The sum of the shares allocated in each of the three years of the cycle will be assigned during 2019, i.e., at the end of the three-year period.

With reference to the 2017-2019 LTIP verification of the level of achievement of the objectives set and satisfaction of the access gates for the second year led to the determination of shares to be allocated for the year of 17,167 shares for Mr. Mossa and 10,145 shares to 2 managers included in Top Management. The sum of the shares set aside during each of the three years of the cycle will be definitively assigned only at the end of the three-year period, following verification of the level of achievement of objectives in the third year.

With reference to the 2018-2020 LTIP verification of the level of achievement of the objectives set and satisfaction of the access gates for the first year led to the determination of shares to be allocated for the year of 10,211 shares to Mr. Mossa and 8,169 shares to 2 managers included in Top Management. The sum of the shares set aside during each of the three years of the cycle will be definitively assigned only at the end of the three-year period, following verification of the level of achievement of objectives in the third year.

B) Other Key Personnel

Heads of key operating/company units (main lines of business): Head of CFO & Strategy, Finance Department (office held by 2 persons during 2018), dLending Department, Executive Director of BG FML who also holds the position of Head of the AM Area and General Manager of BG FML, Persons regarded as having an impact on company risk due to their activities, autonomy and powers: Head of the PRM Area, Head of Alternative and Support Area, Head of the COO Area & Innovation, Head of the General Counsel Department and Head of the Wealth Management Area.

COMPANY	NO. BENEFICIARIES	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
		FIXED (*)	VARIABLE 2018	TOTAL	CASH	SHARES	SHARE-BASED INSTRUMENTS	OTHER TYPES
Banca Generali/BG FML (a)	11	2,473,425	1,233,646	3,707,071	1,011,819	221,827		

(a) The amounts also include i) the compensation and the variable remuneration paid to the Executive Director of BG FML for the position of Head of the AM Area.

III) DEFERRED REMUNERATION (***)		IV) DEFERRED REMUNERATION (***) (***)			V) INDEMNITIES			VI) FOR TERMINATION			
ASSIGNED	NOT ASSIGNED	RECOGNISED	PAID	REDUCED	AT THE START	NO. OF BENEFICIARIES	AT THE END	NO. OF BENEFICIARIES	RECOGNIZED	NO. OF BENEFICIARIES	HIGHEST AMOUNT
-	-	-									
321,826	176,000	321,826									

III) DEFERRED REMUNERATION (***)		IV) DEFERRED REMUNERATION (***) (***)			V) INDEMNITIES			VI) FOR TERMINATION			
ASSIGNED	NOT ASSIGNED	RECOGNISED	PAID	REDUCED	AT THE START	NO. OF BENEFICIARIES	AT THE END	NO. OF BENEFICIARIES	RECOGNIZED	NO. OF BENEFICIARIES	HIGHEST AMOUNT
222,019	134,520	222,019									

With reference to the 2016-2018 LTIP, verification of the level of achievement of the objectives set and satisfaction of the access gates for the third year led to the determination of Assicurazioni Generali shares to be allocated for the year of 16,003 shares (included so-called dividend equivalent) for 2 managers included in Other Key Personnel. The sum of the shares allocated in each of the three years of the cycle will be assigned during 2019, i.e., at the end of the three-year period.

With reference to the 2017-2019 LTIP, verification of the level of achievement of the objectives set and satisfaction of the access gates for the third year led to the determination of Assicurazioni Generali shares to be allocated for the year of 5,462 shares for 2 managers included in Other Key Personnel. The sum of the shares set aside during each of the three years of the cycle will be definitively assigned only at the end of the three-year period, following verification of the level of achievement of objectives in the third year.

With reference to the 2018-2020 LTIP, verification of the level of achievement of the objectives set and satisfaction of the access gates for the first year led to the determination of Banca Generali shares to be allocated for the year of 5,192 for 3 managers included in Other Key Personnel. The sum of the shares set aside during each of the three years of the cycle will be definitively assigned only at the end of the three-year period, following verification of the level of achievement of objectives in the third year.

C) Managers and higher level executives in charge of Control functions

Banca Generali: Head of the Risk and Capital Adequacy Department, Head of Internal Audit, Head of the HR Department (office held by 2 persons during 2018), and Head of the Compliance and Anti Money Laundering Department.

COMPANY	NO. OF BENEFICIARIES	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
		FIXED (*)	VARIABLE 2018	TOTAL	CASH	SHARES	SHARE-BASED INSTRUMENTS	OTHER TYPES
Banca Generali	5	657,023	145,792	802,815	109,344	36,448		

D) Main managers operating in the Bank's distribution networks

Banca Generali: 2 Sales Manager Italia, 6 Area Manager of the Private Banker and Financial Planner Division, 4 Area Manager of the Wealth Management Division, 1 Head of Recruiting, 1 Head of business development Top WA/PB e 45 Financial Advisors.

COMPANY	NO. OF BENEFICIARIES	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
		FIXED (*)	VARIABLE 2018	TOTAL	CASH	SHARES	SHARE-BASED INSTRUMENTS	OTHER TYPES
Banca Generali	59	31,781,481	12,788,845	44,570,325	9,659,277	3,129,568	-	-

(*) For 2018 the fixed remuneration is represented by gross annual remuneration, emoluments, service allowance and fringe benefits.

(**) For 2018 the variable component is represented by: i) MBO mechanisms applied with the method of the Balanced scorecard (BSC), with application of the deferral mechanism, where applicable and ii) other bonuses/agreements/one-off payments.

(***) Assigned"/"Recognised": deferred instalment of the variable remuneration accrued in 2016 and 2016, for which the attainment of the access gate has been satisfied and which will be paid in 2019 to personnel in service.

"Not assigned": deferred portion of variable remuneration relating to 2017. According to the guidelines issued by the EBA, the table gives only the deferred portions referring to the previous years — thus excluding those relating to the reference year.

(****) The portion included in the same item within the tables for the previous year were regularly paid during 2016 according to the terms established under the contracts for personnel in service.

Upon payment, the individual deferred instalment will bear interest calculated at the mean 6-month Euribor rate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85%.

III) DEFERRED REMUNERATION (***)		IV) DEFERRED REMUNERATION (***) (***)			V) INDEMNITIES			VI) FOR TERMINATION			
ASSIGNED	NOT ASSIGNED	RECOGNISED	PAID	REDUCED	AT THE START	NO. OF BENEFICIARIES	AT THE END	NO. OF BENEFICIARIES	RECOGNIZED	NO. OF BENEFICIARIES	HIGHEST AMOUNT
3,250	3,250	3,250					356,000	1			

III) DEFERRED REMUNERATION (***)		IV) DEFERRED REMUNERATION (***) (***)			V) INDEMNITIES			VI) FOR TERMINATION			
ASSIGNED	NOT ASSIGNED	RECOGNISED	PAID	REDUCED	AT THE START	NO. OF BENEFICIARIES	AT THE END	NO. OF BENEFICIARIES	RECOGNIZED	NO. OF BENEFICIARIES	HIGHEST AMOUNT
3,058,907	1,985,312	3,058,907	-	-	-	-	-	-	-	-	-

Compliance Function's Review of the 2019 Remuneration Policies for Compliance with the Applicable Regulatory Framework

Foreword

The Provisions on Remuneration and Incentivisation Policies (ref. Bank of Italy Circular No. 285 dated 17 November 2013— 25th update of 23 October 2018) require the Compliance Function to assess the compliance of remuneration and incentivisation policies with the applicable legal framework, before they are implemented. In accordance with the above Provisions, the Compliance Function's review shall include ensuring that the company incentive system is consistent with the compliance objectives provided for by the law, the Articles of Association and any codes of ethics or other standards of conduct applicable to the Bank, so as to ensure that any legal and reputational risks — and particularly those inherent in relationships with customers — are appropriately contained.

On the basis of the foregoing, the Compliance Function, when defining the remuneration policies for 2019, conducted a preliminary review of the consistency of such policies with the aforementioned Bank of Italy Instructions and internal and external regulations on the subject. In this context, particular attention was paid not only to the legal framework of reference, but also to the underlying process aimed at identifying Key Personnel with special reference to the characteristics linked to the identification of Key Personnel falling within the category of Financial Advisors authorised to make off-premises offers, as well as the process aimed at excluding some Financial Advisors from this category of personnel.

The assessment of the Compliance Function also took into account the provisions of Article 84-*quater* ("Report on Remuneration") of the regulation implementing Legislative Decree No. 58 of 24 February 1998 (the Finance Consolidation Law - TUF) concerning rules for issuers, introduced by Resolution No. 18049 of 23 December 2011 and subsequently amended by Resolution No. 18214 of 9 May 2012. This takes into consideration the fact that the proposed remuneration policies are intended to ensure comprehensive compliance with the provisions governing remuneration policies of the banking sector (Bank of Italy's Instructions) and the regulation governing Rules for Issuers.

Situation identified

From a general standpoint, it must be pointed out that the Bank's remuneration and incentivisation policies are designed to ensure that:

- > a balance is reached between the fixed and variable components of remuneration, while also taking account of the position filled (or a balance between the non-recurring and the recurring components of Financial Advisors' remuneration). In this regard, the policies envisage the implementation of mechanisms designed to ensure compliance with the limits required by law on the ratio of the variable to fixed component of Key Personnel's remuneration;
- > there is an ongoing self-assessment process aimed at identifying the company's "Key Personnel," to whom the more detailed provisions of the Bank of Italy Instructions apply, in compliance with the principle of proportionality. In particular, in accordance with the 25th update to the Bank of Italy Instructions, the Bank has adopted a policy for identifying Key Personnel, which forms an integral part of its remuneration and incentivisation policy;
- > in order to identify "Key personnel", the regulatory technical standards as per Commission Delegated Regulation (EU) No. 604 of 4 March 2014, as further amended, were applied;
- > criteria for calculating the bonus pool are defined;

- > bonus entitlement is tied not only to the actual results achieved, but also, for the parties identified in the remuneration policy, the respect for applicable regulations, the satisfaction of an access gate for the Banking Group with the aim of (i) basing variable remuneration on long-term performance indicators, and (ii) taking account of current and prospective risks, the cost of capital and the liquidity required to undertake the business engaged in within the Banking Group;
- > for all employees with variable remuneration based on the MBO mechanism and/or on discretionary criteria, and for the main network managers rules are defined for deferring the disbursement of variable remuneration until a pre-determined bonus threshold has been met;
- > in accordance with the principle of proportionality, it is established that a portion of variable remuneration be paid in shares;
- > malus and claw-back mechanisms based on criteria of propriety are established;
- > the remuneration of the distribution network is also inspired by criteria of propriety in relationships with customers and containing legal and reputational risks through the use of specific, formally stated, quantifiable and verifiable rules;
- > following the regulatory changes introduced in the 25th update to Bank of Italy Circular No. 285 of 17 November 2013 (prohibition of hedging, disclosure of transactions in financial instruments, severance, etc.) have been complied with.

In addition, the incentive system adopted by the Banking Group:

- > shows a suitable balance between qualitative and quantitative objectives;
- > with reference to the activity of the distribution network, promotes a customer-oriented approach that places the customer's interests and satisfaction of the customer's needs at the centre of the system;
- > does not call for incentives for the distribution of individual products or products of the Group of which the Bank is part;
- > does not envisage the assignment to Heads of corporate control functions of objectives linked to the earnings results of the Bank and/or the Banking Group.

Conclusions

In light of the above and taking due account of the application of the principle of proportionality, the Banking Group's remuneration and incentivisation policies have been found to be appropriate and coherent with the applicable requirements, whether imposed under the legal framework of reference or through voluntary self-regulation.

Trieste, 15 March 2019

Compliance and Anti Money Laundering Department

Review of the compliance of the remuneration practices with the policies

Company	Banca Generali S.p.A.
Process	Remuneration and Incentivisation Policies
Subject of audit	Review of the compliance of the re-muneration practices with the poli-cies approved and regulations cur-rently in force
Audit team	F. Barraco, L. Alemanno
Date	22.03.2019
Report code	BG152019I

Foreword

In March 2008, the Bank of Italy introduced principles and implementing guidelines on the process for the drafting and approval of remuneration policies, compensation structures and transparency. In subsequent years, further guidance and instructions at community level, have outlined in greater detail the policies and best practices to be mandatorily implemented by banks and investment companies. The Bank of Italy has implemented Directive 2010/76/EU of 24 November 2010 (the so-called CRD 3), through the Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups, issued on 30 March 2011. CRD 3 laid down specific principles and criteria to be complied with by banks with a view to implementing, in the interest of all stakeholders, remuneration systems that are performance-based and in line with the long-term corporate strategies and objectives, avoiding excessive risk-taking for the bank and the system on the whole.

On 26 June 2013, Directive 2013/36/EU (CRD IV) introduced new criteria and principles to be applied on remunerations. Among the new provisions, worthy of note is the introduction of a maximum limit of 1:1 for the ratio of the variable to the fixed components of remuneration, and the power granted to the General Shareholders' Meeting for raising the said ratio above the established level, provided that certain conditions are met and in any event, up to no more than 2:1. Moreover, the Directive reinforced the provisions governing ex-post risk-adjustment mechanisms (malus and claw-back) and provided for qualitative indicators tied to the conduct by personnel.

With the approval of the 25th update to Bank of Italy Circular 285/2013 of 23 October 2018, the provisions on remuneration and incentivisation policies and practices have been aligned with the Guidelines issued by the EBA (European Banking Authority) in accordance with CRD IV.

Purpose of the audit

The Internal Audit function verifies, at least once a year, the compatibility of remuneration practices with approved policies and applicable regulations. Any findings are reported to relevant bodies and functions so that they can promptly inform the Supervisory Authority thereof, and implement appropriate corrective measures. The results of the audit are submitted to the General Shareholders' Meeting.

Methodology

The risk-based process-oriented methodology adopted by the Internal Audit Department is in line with the industry best practices and enables the function to express an opinion on the adequacy of the Internal Control System.

The Risk and Control analysis model is developed through the identification of the risks of individual company processes, which are systematically mapped, and the verification during audits of the existence and adequacy of the controls currently implemented on the risks of each process, as well as the preparation of an audit report.

Through this model, the Function:

- > identifies and assesses the inherent/potential risk;
- > assesses the comprehensiveness, adequacy, functionality and reliability of the Control System;
- > determines and assesses the Residual/Net Risk.

For the purposes of the audit, three analysis stages have been identified (Definition of remuneration and incentivisation policies, Implementation of the remuneration and incentivisation policies and Actual payment), with the aim of defining audit approaches and methods within a standardised control framework that is suited to providing the required assurance to the Body responsible for strategic supervision, the General Shareholders' Meeting, as well as to the Supervisory Board.

Outcome

The analysis carried out through the control framework found that the remuneration practices have been correctly defined and are in line with the remuneration policies approved by the General Shareholders' Meeting on 12 April 2018, as well as with applicable regulations.

More specifically:

- > a balance was maintained between the fixed and variable components of remuneration
- > the self-assessment process aimed at identifying "key personnel" was conducted by applying the technical regulatory standards and in accordance with Commission Delegated Regulation (EU) No 604/2014
- > the corporate functions, including control functions, involved in the process showed an effective level of integration and understanding of their tasks;
- > incentivising remuneration is linked to the achievement of an access gate aimed at measuring financial capacity in the light of the risk inherent in the assets held and the short-term resilience of the Bank's liquidity risk profile
- > individual Balanced Scorecards ensure the transparency of information by providing a target record, including a detailed description of the same, any notes and comments, the calculation criteria applicable, the control owner and the source of control, as well as the criteria adopted to reweight them, if needed;
- > malus and claw-back mechanisms based on criteria of propriety are established;
- > the bonuses accrued during the year of reference and previous years have been properly paid;
- > the disclosure and reporting obligations established by Bank of Italy regulations have been fulfilled.

Internal Audit

Remuneration committee's report on activities concerning the remuneration policy

Banca Generali's Remuneration Committee, during the meetings held in 2018 and in the first months of 2019, has performed the tasks it was assigned by the Rules governing the activities of the said Committee.

In detail, with reference to the process for defining and implementing the remuneration and incentivisation policies, the Remuneration Committee (i) participated in the process of reviewing the proper application of the 2018 remuneration policies adopted by the company for its Directors and Key Personnel, whether employed by the company or as professional not linked to the company by an employment contract; (ii) provided consulting support to the Board of Directors for the determination of the remuneration of company officers and criteria for the remuneration of other employees; (iii) expressed its opinion concerning the determination of the criteria for the remuneration of the Chief Executive Officer/General Manager, the professional figures capable of affecting the risk profile of the Bank and the heads of corporate internal control functions; (iv) provided consulting support for assigning the Long Term Incentive Plan in accordance with the provisions set forth by the remuneration policies approved; (v) verified the involvement of the competent company functions in the process of preparing and controlling remuneration and incentivisation policies and practices; (vi) expressed an opinion, on the basis of the information received from the competent company functions, on the achievement of the performance objectives to which incentive plans for Key Management Personnel and heads of control functions are tied, and on the review of the other conditions established for the disbursement of remuneration; and (vii) reviewed the report on the application of approved remuneration policies in 2018. The Remuneration Committee also reviewed: (i) the self-assessment process, aimed at identifying Key Personnel, as defined by supervisory regulations, carried out taking into account the principles set forth in Chapter 2 "Remuneration and Incentivisation Policies and Procedures", in Part I, Title IV "Corporate Governance, Internal Control, Risk Management" of Bank of Italy Circular No. 285 of 17 December 2013, and the EBA's RTSs, as endorsed in the Commission Delegated Regulation (EU) No. 604/2014 issued on 4 March 2014; and (ii) the proposal for remuneration and incentivisation policies for 2019, which it found to be consistent, including with respect to the application of the principle of proportionality, with both the relevant Bank of Italy Instructions and Consob regulations in force. The Committee believes that the policies proposed seek to achieve the greatest possible alignment between the interest of the Banking Group's shareholders and management, including from a long-term perspective, through attentive management of company risks.

The Remuneration Committee

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Banca Generali S.p.A.

Registered office
Via Machiavelli 4 - 34132 Trieste

Share capital
Authorised 119,378,836 euros
Subscribed and paid 116,851,637 euros

Tax code, VAT No. and Trieste register
of companies 00833240328

Company managed and coordinated
by Assicurazioni Generali S.p.A.

Bank which is a member of the Interbank
Deposit Protection Fund Registration
with the bank register of the Bank of Italy
under No. 5358
Parent Company of the Banca Generali Banking
Group registered in the banking group register
ABI code 03075.9



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