



# **REMUNERATION REPORT**

Banking Group's Remuneration and Incentivisation Policies  
and Report on the Application of Remuneration Policies in 2016

## CONFIDENCE EXHIBITION

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*Confidence*, a new series by Michele Alassio, celebrates the tenth anniversary of the stock-exchange listing of Banca Generali, retracing the Bank's path over the decade and highlighting the spirit that drove all those who played a key role in making it a success story on the Italian financial scene.



**TIERPARK**  
Berlin, August 2016

**BANCA GENERALI S.P.A.**

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# CONTENTS

## SECTION 1

<b>EXECUTIVE SUMMARY</b>	7
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## SECTION 2

<b>BANKING GROUP'S REMUNERATION AND INCENTIVISATION POLICIES</b>	11
--	----

<b>1. The Objectives of the Remuneration Policy</b>	12
<b>2. Recipients of the Remuneration and Incentivisation Policies</b>	
2.1 Identification of Key Personnel	14
2.2 Identification of Key Management Personnel	15
2.3 Principle of proportionality	15
<b>3. Bodies Involved in Defining the Remuneration and Incentivisation Policy</b>	
3.1 General Shareholders' Meeting	16
3.2 Board of Directors	16
3.3 Remuneration Committee	16
3.4 Governing Body	18
3.5 Board of Statutory Auditors	18
3.6 Internal Audit Functions	18
3.7 Human Resources and Other Functions	18
<b>4. Remuneration and Mechanisms for Linking Remuneration to Performance</b>	
4.1 Ratio of the Variable to Fixed Component of Remuneration	19
4.2 Fixed Components of Remuneration for Employees	19
4.3 Variable Components of Remuneration for Employees	20
4.4 Determination of the Bonus Pool	23
4.5 Access Gates	23
4.6 Deferral and Share-Based Variable Remuneration	23
4.7 Cap Mechanism to Ensure Compliance with the Ratio of Variable to Fixed Remuneration	25
4.8 Malus and Claw-Back Mechanisms	25
4.9 Principle of Propriety and the Containment of Reputational Risks	26
<b>5. Other Features of the Remuneration System</b>	
5.1 Directors' and Officers' (D&O) Liability Insurance	27
5.2 Early Severance Package	27
<b>6. Performance Indicators and the Main Benchmarks Used</b>	28
<b>7. Information on Remuneration by Role and Functions</b>	
7.1 Members of the Board of Directors	30
7.2 Members of the Board of Statutory Auditors	30
7.3 Key Personnel	30
7.3.1 Key Management Personnel	30
7.3.2 Other Key Personnel	31
7.3.3 Heads of control functions	32
7.4 Other Personnel	32
7.4.1 Other Managers	32
7.4.2 Other employees (upper-level middle managers and professional areas)	33
7.4.3 Relationship Managers	33
7.4.4 Managers of the AM Area, BG Fiduciaria SIM and BG Fund Management Luxembourg	33

<b>8. Financial Advisors Authorised to Make Off-Premises Offers</b>	
8.1 Information on the Type of Relationship	34
8.2 The Remuneration of Financial Advisors and Managers	34
8.3 Positions Falling within Key Personnel	36
8.4 Additional Benefits to the Recurring Remuneration	36
8.5 Loyalty-building Measures	37

### SECTION 3

<b>REPORT ON THE APPLICATION OF REMUNERATION POLICIES IN 2016</b>	<b>39</b>
<b>1. Goals Pursued Through Remuneration Policies and Criteria Applied</b>	<b>40</b>
<b>2. Information on Remuneration by Role and Functions</b>	
2.1 Remuneration of Company Directors	43
2.2 Remuneration of Members of the Board of Auditors	43
2.3 Remuneration of the Chief Executive Officer, General Manager and Other Key Management Personnel	43
2.3.1 Chief Executive Officer and General Manager	43
2.3.2 General Manager	44
2.3.3 Other Key Management Personnel for 2016	44
2.4 Breakdown of Remuneration by Lines of Business Relating to Key Personnel	45
2.5 Breakdown of Remuneration by Category of Key Personnel	45
2.6 Remuneration for Other Employees	46
<b>3. Information on the Remuneration of Financial Advisors</b>	<b>47</b>
<b>4. Tables</b>	
4.1 Tables prepared pursuant to Consob Resolution 18049	48
Table 1 – Remuneration Paid to Members of Governing and Control Bodies, General Managers and Other Key Management Personnel	50
Table 2 – Stock Options Granted to Members of the Governing Body, General Managers and Other Key Management Personnel	52
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	54
Table 3B – Monetary Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel	56
Layout 7-ter – Table 1 – Shares Held by Members of the Governing and Control Bodies and General Managers	58
Layout 7-ter – Table 2 – Shares Held by Other Key Management Personnel	58
4.2 Tables prepared in accordance with the Bank of Italy provisions – 7 <sup>th</sup> update of Circular Letter 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)	60
Annex Article 450 CRR, letter g): Aggregate Quantitative Information on Remuneration, Broken Down by Business Areas, Concerning “Key Personnel”	60
Annex Article 450 CRR, letter h): Aggregate Quantitative Information on Remuneration, Broken Down by Category of “Key Personnel”	62

# COMPANY BODIES

## at 20.03.2017

### BANCA GENERALI S.P.A. ADMINISTRATION AND CONTROL BODIES

Chairman	<b>Giancarlo Fancel</b>	
Chief Executive Officer and General Manager	<b>Gian Maria Mossa</b>	
Board of Directors	<b>Cristina Rustignoli</b> <b>Azzurra Caltagirone</b> <b>Giovanni Brugnoli</b> <b>Anna Gervasoni</b> <b>Massimo Lapucci</b> <b>Annalisa Pescatori</b> <b>Vittorio Emanuele Terzi</b>	Non-executive Director Non-executive Director Non-executive and Independent Director Non-executive and Independent Director Non-executive and Independent Director Non-executive and Independent Director Non-executive and Independent Director
Board of Statutory Auditors	<b>Massimo Cremona</b> <b>Mario Francesco Anaclerio</b> <b>Flavia Minutillo</b>	Chairman
Secretary of the Board of Directors	<b>Domenica Lista</b>	

## 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 2017.*

*The policies for the current year have been defined in a way that takes account of the Bank's structure, its overall values and its mission focused on quality and customer satisfaction, while also continuing to pursue sustainable development and the creation of value in the long term for all of our various stakeholders.*

*An effective remuneration policy allowed us to continue to align the interests of our shareholders and management throughout 2016, thus confirming its role as a fundamental tool for attracting, motivating and retaining qualified professionals who share and embody our values.*

*In pursuit of constant improvement, the 2017 Remuneration and Incentivisation Policies will continue to strengthen the bonds between remuneration, risk and profitability, thereby effectively supporting the achievement of the expected business results in both the short and the long term.*

*The drive to innovate has also led us to introduce a loyalty programme for the sales network this year, which will help us further improve stability over time, through retention mechanisms that reward strong performance.*

*The strategic objectives that we have set are ambitious and require excellent execution, which may only be achieved with the energy, engagement and increased responsibilities of all of our people over time.*

*Transparency, clarity, merit and a close link with results remain the pillars of our remuneration policies, because they allow us to continue to make the best use of our human capital, thus maximising the advantages for all stakeholders involved.*

*I would like to take the opportunity to thank Directors Anna Gervasoni and Annalisa Pescatori, 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*





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# SECTION 1 EXECUTIVE SUMMARY

## THE MISSION

### **Guaranteeing competitive remuneration against sustainable performance and growth**

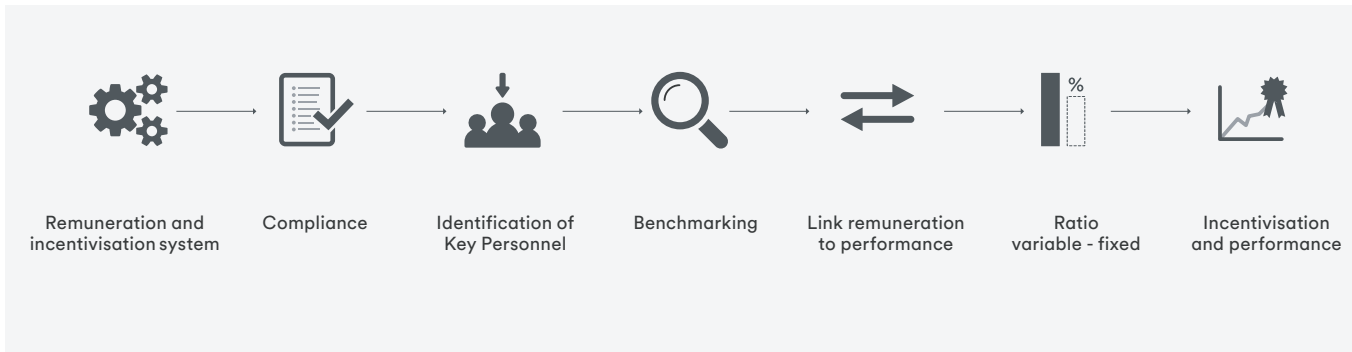
Banca Generali's remuneration policy is aimed at ensuring the best possible alignment of the interests of the Banking Group's Shareholders and those of the Management, through careful risk management and the consistent pursuit of long-term goals.

A well-balanced system of rewards and incentives for the Banking Group's Directors and Management is key to boosting competitiveness and ensuring high-levels of corporate governance over time.

Moreover, remuneration, especially with regards to Key Personnel, is useful in terms of attracting and retaining people with the talent and skills best suited to the company's needs.

# SUMMARY OF REMUNERATION APPROACH

## Main Elements of the 2017 Remuneration and Incentivisation System



### 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.

Based on the respect of our Remuneration Policy's pillars, on which 2016 projections were also based, it is possible to properly define competitive remuneration levels.

### 2. Compliance with regulations



- > Delegated Regulation (EU) No. 604/2014 of 4 March 2014 issued by the European Commission.
- > Bank of Italy's "Supervisory Provisions for Banks", 7<sup>th</sup> Update to Circular Letter No. 285 of 17 December 2013, as amended.
- > European Directive on Capital Requirements (CRD IV).
- > Regulation implementing Legislative Decree No. 58 of 24 February 1998 (Finance Consolidation Law - TUF).

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.

### 3. Identification of Key Personnel



- > In compliance with Bank of Italy's provisions, definition of Key Personnel in line with RTS (Regulatory Technical Standards) issued by the European Commission upon EBA's proposal.
- > 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".

In line with the Bank of Italy's Provisions, the Company's Board of Directors defined a self-assessment based on qualitative and quantitative criteria and with the support of the Remuneration Committee for the specific purpose of 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 aforementioned self-assessment identified a total of 34 persons (including Financial Advisors authorised to make off-premises offers) within the entire Banking Group.

#### 4. Remuneration benchmarking



- > Participation to the ABI's annual remuneration survey.
- > With regard to Key Personnel, comparative analyses of the practices adopted by a pool of selected competitors, supported by an independent external advisor.
- > Implementation of a job grading survey based on Mercer methodology involving key company functions.

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 study, with a view to establishing benchmark indicators for the fixed and variable components of the remuneration of the Group's managers with administrative, commercial or asset-management responsibilities. 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.

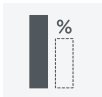
#### 5. Mechanisms for linking remuneration to performance



- > 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.
- > Reference to economic/financial objectives of the Banking Group and the Assicurazioni Generali Group as targets for the LTIP 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 avoiding conflicts of interest.

#### 6. Ratio of variable to fixed remuneration for Key Personnel



- > 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 25 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, as well as of deferred bonuses. For 2016 a proposal 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 25 members of Key Personnel (of whom 14 Relationship Managers).

#### 7. Incentivisation system linked to yearly performance



- > Confirmation of the bonus pool approach of the Group's 2017 incentivisation system.
- > The system envisages the measurement of both individual and banking group 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.



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**SECTION 2**  
**BANKING GROUP'S REMUNERATION**  
**AND INCENTIVISATION POLICIES**

# 1. THE OBJECTIVES OF THE REMUNERATION POLICY

In applying its remuneration policies, the Banca Generali Group aims 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 strategies.

A well-balanced system of rewards and incentives for the bank's directors and top management is key to boosting competitiveness and ensuring high-levels of corporate governance over time. Moreover, remuneration, especially with regards to Key Personnel, is useful in terms of attracting and retaining people with the talent and skills best suited to the company's needs.

With this objective in mind, the Banca Generali Group's remuneration policy is determined in compliance with:

- > **the Banking Group's mission** ("Being the No.1 private bank in terms of service value and innovation"), 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 and commitment**, to which not only the top management team, but 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 banking group's 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 governing functions, as well as amongst the different company structures;
  - **the proper implementation of appropriately designed processes** underlying the prevailing risk management and control system;
- > **ever greater sustainability**, especially through policies prioritising growth that is sustainable over time, and **enhancing the potential of the people** working within the Group by rewarding individual contributions to the organisation's success, including through appropriate remuneration, whilst discouraging conduct conducive to excess risk-taking.

The resulting remuneration policy promotes the aforesaid mission, values, and governance and sustainability objectives, thereby giving rise to a virtuous cycle that leads to constant fine-tuning of remuneration practices on the one hand, and the consolidation of the bank's underlying corporate culture, on the other.

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 guiding principles:

- > **internal fairness**: 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 both to top management and other personnel, it being understood that the remuneration of the latter 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;
- > **coherence**: meaning the transversal application of similar remuneration policies to comparable levels of job responsibility throughout the Banking Group, taking due account of the industrial sector 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;
- > **meritocracy**: meaning a system that commensurately reward the results obtained and the level of commitment and effort involved in attaining the same, which must constantly comply with applicable regulations and procedures, as well as an appropriate risk assessment.

## Regulatory Framework

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

1. the **Provisions governing remuneration and incentivisation policies and practices** (7<sup>th</sup> Update of Circular Letter No. 285 dated 17 December 2013<sup>1</sup>, as subsequently updated), 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;
2. **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 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.
3. the **Corporate Governance Code for Listed Companies**, most recently updated in July 2015, requires the approval of a remuneration policy for Directors and Key Management Personnel.

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

<sup>1</sup> The update was mainly aimed at transposing into the Italian legal framework the reforms introduced by Directive 2013/36/EU (so-called CRD 4), approved on 26 June 2013. The provisions call for the implementation of measures chiefly aimed at: i) the introduction, for Key Personnel only, of a maximum 1:1 ratio of the variable to fixed component of remuneration; ii) the power granted to the General Shareholders' Meeting for raising the said ratio above the level established in the preceding point, provided that certain conditions are met and in any event, up to no more than 2:1; iii) the reinforcement of the provisions governing ex-post adjustment mechanisms for risk (malus and claw-back) and, on the basis of which, the addition to quantitative indicators, tied to the achievement of results, of qualitative indicators, tied to the conduct by personnel; iv) the establishment of limits on variable remuneration where banks fail to observe specific capital requirements; v) the application of regulatory technical standards (hereinafter also "RTSs") issued by the European Commission, by proposal from the EBA, concerning: (i) the qualitative and quantitative criteria for identifying Key Personnel; (ii) the characteristics of the financial instruments to be used for the payment of variable remuneration; vi) the rules regarding remuneration policies applicable, among other persons, to Financial Advisors; and vii) the revision of other rules set forth in CRD III, such as, for instance, clarifications on the option to pay guaranteed variable remuneration, and the updating of public disclosure and reporting obligations.

## 2. RECIPIENTS OF THE REMUNERATION AND INCENTIVISATION POLICIES

**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 Identification of Key Personnel

In line with the applicable Provisions, the Company's Board of Directors shall carry out a self-assessment, in compliance with the provisions set forth in 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 aforementioned self-assessment regards the organisational structure approved by the Board of Directors on 20 March 2017, and effective as of the same date of 20 March 2017.

In this context, the assessment for identifying the Key Personnel was performed by applying the so-called Regulatory Technical standards (RTS) for Identified Staff provided for by the above-mentioned Regulation and complementing Directive No. 2013/36/EU.

Account was also taken of the exchange with the Bank of Italy that began in April 2015 and concluded in July 2016 with the approval by that same Supervisory Authority of the application submitted by Banca Generali for the exclusion from the scope of "Key Personnel" of specifically identified Financial Advisors with remuneration equal to or greater than 750,000 euros.

According to this self-assessment, the above-mentioned category of Key Personnel includes:

- A. **Top Management:** Chief Executive Officer/General Manager and Deputy Managers (Deputy General Manager Wealth Management, Markets and Products, Deputy General Manager Distribution Channels).
- B. **Other Key Personnel:** this category has been determined to include **(i)** the heads of key operating/company units (main lines of business): Head of the CFO & Strategy Area, Head of the Finance Department, Head of the Lending Department, General Manager of BG Fund Management Luxembourg S.A. (hereinafter BG FML), Executive Director of BG FML, also holding the role of Head of the AM Area of Banca Generali; **(ii)** the persons in charge, directly reporting to the personnel indicated in point (i) above, who are regarded as having an impact on company risk due to their activities, autonomy and powers: the Head of the Private Banking Area, the Head of the Financial Planner Area, the Head of the Private Relationship Manager Area, the Head of the Alternative Channels and Support Area; **(iii)** the Head of the functions listed in point 9) of Article 3 of the Commission Delegated Regulation (EU) who are regarded as having an impact on company risk profile due to their activities, autonomy and powers; the Head of the COO Area, the Head of the General Counsel Department.
- C. **Managers in charge of company control functions:** the Head of the Compliance and Anti-Money Laundering Department, the Head of the Internal Audit Department, the Head of Human Resources Department, the Head of Risk Management and Capital Adequacy Department.
- D. **Main managers operating in the Bank's distribution networks:** Sales Managers, Area Managers and Private Banking Managers, Senior Private Banking Recruitment Manager.
- E. Financial Advisors authorised to make off-premises offers who at the end of the previous financial year received an overall remuneration (inclusive of fixed and variable components), excluding remuneration arising from participation in recruitment incentive plans, in excess of 1,000,000.00 euros, in accordance with the provisions of Commission Delegated Regulation (EU) No. 604/2014.

In determining its Key Personnel, the Bank intended to subject certain of its Financial Advisors authorised to make off-premises offers whose remuneration in 2016 exceeded 750,000 euros, to the provisions of Article 4, paragraph 2, of Commission Delegated Regulation (EU) No. 604/2014 in relation to the criterion in point (a) of paragraph 1, of the same article 4, so as to obtain approval from the Bank of Italy in compliance with paragraph 5 of the cited article.



Should such approval be denied, the Financial Advisors in question shall also be placed within the category of Key Personnel.

## 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 Annex 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 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-size 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 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 is in charge of: **i) establishing the remuneration** due to the bodies it appoints; **ii) approving the remuneration and incentivisation policies and share-based payment remuneration plans** for bodies with roles of oversight, management and control, as well as the remaining personnel, in addition to the criteria for determining the compensation to be provided in the event of early termination of the contract or the post (so-called "**golden parachute**"); and **iii) upon proposal, with statement of grounds, submitted by the Board of Directors, setting 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 draws up, submits to the General Shareholders' Meeting and reviews at least annually the remuneration and incentivisation policy. Moreover, it bears responsibility for its proper implementation; in detail, it determines the remuneration due to **directors vested with specific tasks and duties** (including the members of Board Committees), as well as the **overall remuneration of the 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 internal control and corporate governance system.

The Board of Directors also submits to the General Shareholders' Meeting a **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 Legal Department, the Compliance and Anti-Money Laundering Department, the Planning and Control Department, the Risk Management 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 and proposals 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 April 23, 2015 and will remain in office until the approval of the Financial Statements for the year ended on December 31, 2017. It is made up as follows:

NAME AND SURNAME	OFFICE HELD
Giovanni Brugnoli	Chairman of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007
Anna Gervasoni	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007
Annalisa Pescatori	Member of the Committee Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007

### 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 and Chief Executive Officer and any other Executives, expressing opinions also on the setting of performance targets 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 incentive systems are decided by the Board of Directors – in accordance with statutory and regulatory provisions 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 targets 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)** periodically assessing the appropriateness, overall coherence and concrete implementation 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 incentive systems are decided by the Board of Directors – in accordance with statutory and regulatory provisions 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; **V)** monitoring the implementation of decisions adopted by the Board of Directors, also providing the Board with general recommendations on the matter; **VI)** directly overseeing on the correct implementation of rules governing the remuneration of the Head of corporate control functions, in concert with the control body; **VII)** providing opinions on the determination of severance indemnities to be offered in the event of termination in office ahead of the scheduled expiry of the term of appointment or the post (so called golden parachutes); assessing, where necessary, the effects of such termination on the rights accrued and accruing under share-based incentive plans; **VIII)** 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 disbursement of remuneration; **IX)** 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; **X)** 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; **XI)** preparing all documents to be submitted to the Board of Directors for the relevant resolutions; **XII)** 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; **XIII)** participating into the General Shareholders' Meetings through its Chairman or another Committee's member; **XIV)** ensuring appropriate functional and operational links with the relevant company structures

in charge of preparing and monitoring remuneration and incentivisation policies and practices; **XV)** 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; **XVI)** 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 Executives, 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 body responsible for management (identified based on the powers assigned), supported by the Human Resources Department, the Legal Department, the Compliance 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 targets to be met in order to receive variable pay and determining the maximum amount of such variable pay is conducted formally and documented.

### 3.5 Board of Statutory Auditors

The Board of Statutory Auditors is tasked with expressing opinions on the remuneration of directors vested with particular responsibilities, it being pointed out that the said opinions are provided even with regard to the remuneration of 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 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 policy 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;
- > the Risk Management function, supported by the **Risk Management and Capital Adequacy Department**, is responsible for checking the appropriateness of not only the risk indicators of reference but also the related parameters to which performance levels are to be linked when establishing objectives.

### 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.

Remuneration policies are also impacted by input from the **Planning and Controlling Department**, which contribute towards identifying the **quantitative parameters** pertaining to the strategic objectives to which the variable component of remuneration is to be correlated, and determining the expense budget.

Other company departments were involved in identifying and monitoring **qualitative parameters** relating to the strategic objectives to be associated with the variable component.

## 4. REMUNERATION AND MECHANISMS FOR LINKING REMUNERATION TO PERFORMANCE

More specifically, overall remuneration is made of fixed and variable components, which, in the case of certain managers, may include participation in Stock Option Plans and 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:

- a. variable remuneration less than or equal to this threshold for personnel in general;
- b. with regard only to individual and specific company functions (Chief Executive Officer/General Manager, Deputy General Managers, Head of the Alternative and Supporting Channels Area, Head of the COO Area, Head of the AM Area, General Manager of BG FML, Head of the Private RM Area, Head of the Private Banking Area, Head of the FP Area, 2 Sales Managers, 6 Area Managers, 6 Private Banking Managers and a Senior Private Banking Recruitment Manager), a motion, duly supported by a statement of grounds, to be submitted to the General Shareholders' Meeting to depart from the ratio of 1:1 of the variable to fixed component of remuneration, raising the same up to a **maximum of 2:1**. This proposal – 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 sales departments, 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 – was submitted by the deadline set by the Bank of Italy.

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 "managers" within the framework of asset management activities, if the assigned results are achieved in full.

Point 8.2 below provides an itemised 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 must account for a sufficient proportion of overall remuneration to attract and retain executive talent and 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 capabilities, 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 and the executive in charge of accounting records. 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 15% for Executives and Professional areas, and around 25% on average for Managers). In detail, for Managers this includes health cover, 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, stock option plans and deferred bonus systems, as defined hereinafter) is to balance directly the interests of the shareholders and those of management.

Moreover, variable components of remuneration includes stability and non-competition agreements and specific one-off guaranteed payments at the time of recruitment.

As a result, variable 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 incentivisation: 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 **Balanced Scorecard** principles.

This tool is intended to translate the strategies set forth in the Group's 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 variable remuneration is linked on a straight-line basis to the degree to which the individual objectives are achieved. 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 objectives.

#### 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. This rule does not apply to Relationship Managers and Asset Managers serving the AM Area, BG FML and BG Fiduciaria. This is because, 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.

## Medium-to-long term incentivisation: Stock Options and Long Term Incentive plans

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.

In continuity with the previous year, a new long-term incentivisation plan based on shares of Assicurazioni Generali – the Assicurazioni Generali Group Long Term Incentive (LTI) 2017 – will be submitted for the approval of the Shareholders' Meeting of the Parent Company, Assicurazioni Generali. In order to comply with specific industry and country legislation, the rules of the plan for Banca Generali will be adopted with specific adaptations.

In accordance with market practice and investors' expectations, the shares are to be assigned and made available to the beneficiaries over a total period of six years, contingent on the achievement of:

- > Assicurazioni Generali **Group performance conditions** with a weight of no more than 40% and Banca Generali Group performance conditions with a weight of no less than 60%;
- > verification of the achievement of a **minimum Economic Solvency Ratio** by the Assicurazioni Generali Group and satisfaction of **specific access gates by the Banking Group**: the *Total Capital Ratio* and *Liquidity Coverage Ratio*.

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 Assicurazioni Generali S.p.A.;
- > the right to receive the shares is linked to verification of satisfaction of specific access gates, which thus constitute a condition precedent in this sense;
- > the objectives on which settlement of the incentive is conditional are of a financial nature and relate to the Assicurazioni Generali Group and the Banca Generali Group and are defined at the beginning of the three years of the performance period in accordance with the group's long-term strategic plans.

In detail, the maximum number of shares that may be assigned is determined at the beginning of the plan. The maximum potential bonus to be settled in shares corresponds to 175% of the gross annual remuneration of the plan participants for members of the Top Management included in the Assicurazioni Generali Group's Global Leadership Groups (GLGs), whilst it is 87.5% for any other beneficiaries. As a result, the maximum number of shares that may be assigned is determined as the ratio of the maximum amount of the bonus to share value, which is calculated as the average price of the shares during the three months prior to the session of the Board of Directors of Assicurazioni Generali called to resolve on the draft financial statements of the Parent Company and the consolidated financial statements for the year prior to the year of commencement of the plan.

These objectives are identified and set at the beginning of the three-year plan cycle in accordance with the Group's long-term objectives and strategies and are subject to an initial measurement at the end of each year of the cycle. Following this initial measurement, a tranche consisting of the maximum number of shares that may potentially be awarded at the end of the three-year period is set aside (but not allotted to the beneficiaries): in detail, the first tranche consists of 30% of the maximum number of shares that may be allotted, the second of an additional 30% and the third of the remaining 40%.

At the end of the three-year period, a final assessment is then conducted as to the effective achievement of the established objectives (on both an annual and overall three-year basis).

This measurement mechanism combines the need to support the achievement of long-term objectives (by setting targets consistent with three-year strategic plans, assessment on an overall three-year basis and the subsequent holding period) with the need to assess and monitor the achievement of objectives on an annual basis.

With regard to the holding period following the three-year performance period, 50% of the assigned shares is available immediately at the time of assignment (to allow the beneficiaries to pay the taxes associated with assignment), whereas the remaining 50% is subject to a holding period of two years, without prejudice to the obligation of the Directors who participate in the plan to retain an adequate number of shares assigned until the end of the term of office in progress at the end of the holding period.

In addition, as in 2015 and 2016, the plan includes a mechanism for collecting the dividends distributed during the three years of reference ("dividend equivalent"). In particular, if the Shareholders' Meeting approves the distribution of dividends to the Shareholders during the three years of reference, at the end of this period the beneficiaries will receive a number of additional shares determined on the basis of the amount of the total dividends distributed during the three years of reference. The additional shares will be assigned concurrently with and in respect

of the other shares assigned to each beneficiary. They will also be subject to the holding period described above and will be determined on the basis of the value of the share at the time of assignment, calculated as the average for the three months prior to the session of the Board of Directors called on to resolve on the draft financial statements of the Parent Company and the consolidated financial statements for the year prior to the year of commencement of the Plan.

### Plans currently underway

The following long-term plans are currently underway:

- > a stock option plan scheduled to end during 2017 and reserved for Relationship Managers of the Private Banking RM Area, Financial Advisors and Network Managers;
- > an LTI plan, which is reserved for several Managers included in the category of Key Personnel and links the variable remuneration to the achievement of long-term objectives set by the Banking Group or the Assicurazioni Generali Group for the three-year period in question. The Plan is based on the following fundamental aspects:
  - it is rolling and divided into cycles, each of which lasts three years;
  - requires that the incentive deriving from the satisfaction of objectives be settled through the assignment of shares;
  - defines the objectives on which to render the settlement of the incentive contingent at the beginning of the three years of reference of each cycle;
  - establishes the number of shares to be assigned at the beginning of each three-year period.

### Stability and non-competition agreements

In a specific, defined number of 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, whose term cannot exceed the limits provided for by law, and stability 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.

### Framework Loyalty Programme for the 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 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 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 2017 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 the related 2017 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.

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 Date of Accrual of each Plan.

#### 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 financial 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 the bonus is linked not only to the results actually achieved, 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, interest rates and cash flow required to cover the Banking Group's business operations.

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

- > **Capital ratio:** *Total Capital Ratio*<sup>2</sup>, 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 11.6%;
- > **Liquidity ratio:** *Liquidity Coverage Ratio*<sup>3</sup>, 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 105%.

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 the 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 conditions not only the bonus for the year in question, but also, 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%** – provided that the access gate conditions described above are met – in the following financial year, subject to Board verification of the economic results and the adequacy of capital levels for the year in which the said bonus was earned; **20%** subject to verification of the results in terms of capital adequacy 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%.

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 profit or loss results for the year in question and determines that the 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 retention mechanism:

- > 60% of the bonus will be paid up-front during the year after that of reference, 75% in cash and 25% in Banca Generali shares, which will be subject to a retention period of one year;

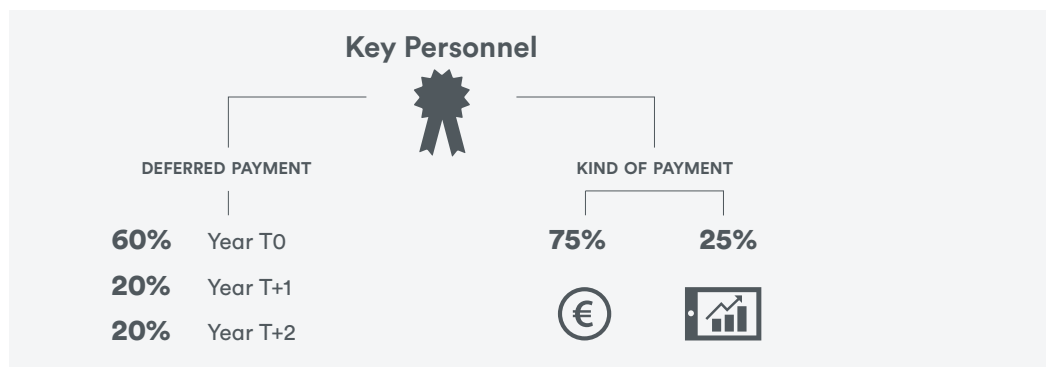
<sup>2</sup> *Total Capital Ratio* – meaning the Regulatory Capital / Risk Weighted Assets (RWA) (both the variables are subject to regulatory disclosure and specified in the notes and comments to the financial statements, Part F/Information on Net Equity; the figures used for calculation purposes are those reported to the Bank of Italy and drawn from the consolidated financial statements as at the end of the year).

<sup>3</sup> *Liquidity Coverage Ratio* – meaning the ratio between the stock of [1] highly 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; account is taken of the consolidated figures forwarded to the Bank of Italy at the end of the financial year.

- > 20% of the bonus will be deferred for one year: 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 deferred by two years: 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 objectives set for the year of reference, and the denominator consists of the share price (calculated as the average price of the stock 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 starts the cycle in question).

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 up-front during the year after that of reference (a portion in cash and a portion in shares) once the Board of Directors has verified the earnings results for the year of accrual and satisfaction of the access gates.



### Regulations on share-based payments

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) concerning the incentivisation system based on financial instruments for personnel of the Banca Generali Banking Group, the following should be noted:

#### Recipients

Potential beneficiaries include all the Banking Group's Key Personnel, as defined in paragraph 2.1, a category that currently covers 34 positions.

#### Reasons for the assignment of shares

In accordance with the Supervisory Provisions set forth in the 7<sup>th</sup> update of Bank of Italy's Circular Letter No. 285/2013 issued on 18 November 2014, the remuneration package for Key Management 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. Banca Generali S.p.A. has therefore opted to meet this requirement through assignment of its 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 **20 April 2017**.

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

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 imputed 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 treasury shares is outlined in this paragraph 4.6 above.

Upon verification of entitlement to the bonus or tranche 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. No dividend rights whatsoever shall be deemed to arise in respect of the shares throughout the retention period.

Taking due account of the assessment conducted by the Remuneration Committee on 17

March 2017, the following day, 20 March 2017, Banca Generali's Board of Directors approved the Company's Remuneration and Incentivisation Policy under which a portion of the variable remuneration is payable in the form of assignment of shares.

#### Features of the instruments subject to assignment

Under Banca Generali's Remuneration and Incentivisation Policy, a portion of the variable remuneration (incentivisation) of Key Personnel may be disbursed in the form of assignment of ordinary shares in Banca Generali pursuant to the procedures set forth in paragraph 4.6 above, provided that all the related targets and conditions specified in the Policy itself, have been met. As highlighted in this paragraph 4.6, the assignment of shares will be effected in 2018, 2019 and 2020, subject to the prerequisites and conditions.

The maximum number of shares that may be assigned is 192,000 (in addition to 232,000 shares relating to the annual Framework Loyalty Programme for the Network, along with the related Information Document).

The assignment of shares is subject to the attainment of the performance targets and the fulfilment of the other conditions specified in this Remuneration and Incentivisation Policy.

Shares shall be subject to a retention period of one year.

In the event of termination of service with the Banca Generali Group for reasons other than retirement, death or permanent disability, re-recruitment by the Generali Group or at the Company's initiative pursuant to corporate restructuring, any and all assigned shares yet to be actually awarded are deemed forfeited.

The cost to the company is limited to the use of the number of treasury shares required to cover the maximum cash amount of the bonus payable in shares, upon fulfilment of applicable conditions.

The dilutory effect on equity is equivalent to the number of treasury shares acquired and assigned.

Voting and dividend rights are unrestricted, although no dividends are payable on assigned shares during the retention period.

## 4.7 Cap Mechanism to Ensure Compliance with the Ratio of Variable to Fixed Remuneration

The company has established a cap mechanism, applicable to its Key Personnel, 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.

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 2015 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

Variable remuneration is subject to a specific malus mechanism, under which bonuses are not paid in the event of **i)** proved engagement in malfeasance or wilful misconduct to the detriment of customers or the Bank, **ii)** engagement in behaviour that resulted in a significant loss for the Bank, or **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 addition, the variable remuneration of all personnel is subject to a claw-back mechanism, under which the Bank may demand the return of bonuses paid during the current year or previous year in the event of **i)** proved engagement in malfeasance or wilful misconduct to the detriment of the customers or the Bank, **ii)** engagement in behaviour that resulted in a significant loss for the Bank, or **iii)** failure to comply with rules concerning banking transparency, anti-money laundering and remuneration policies, in accordance with the Supervisory Provisions for Banks. Likewise, the Bank may demand the return of bonuses paid during the current or previous year in cases of material errors in figuring the items used to calculate the Group's access gates.

## 4.9 Principle of Propriety and the Containment of Reputational Risks

Remuneration and incentive structures for sales staff 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 high-level executives and managers 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 advisors. 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. The group of peers is regularly revised so as to guarantee its consistency. In 2016, the **group of peer** included: Allianz Bank (Allianz Group), Azimut Holding, Banca Fideuram – Intesa Sanpaolo Private Banking (Intesa Sanpaolo Group), Banca Mediolanum (Mediolanum Group), Credit Suisse Italia, Eurizon Capital (Intesa Sanpaolo Group), Fineco Bank (UniCredit Group), UBS Italia, Unipol Banca (Unipol Group);
- > 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 executives, middle managers and employees (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 previous 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 Severance Package

Severance benefits are defined pursuant to the applicable regulatory framework, with the exception of the possibility of an agreement with individual corporate managers, regarding an early termination package in case their relationship is terminated or otherwise modified and subjected to more unfavourable terms, at the Bank's initiative, based on the guidelines illustrated below.

In the event of **early termination of the contract**, the benefits that may be accorded to the interested party, 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 for an amount equivalent to 24 months of the so-called recurring remuneration** (defined as 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).

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

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 shall be extended to rights relating to compensation for damages, as well as rights of an economic nature associated with the above relationships and the severance thereof.

The amount must be paid in accordance with the aforementioned Bank of Italy Provisions, as in effect from time to time, and the Bank's remuneration policies, with particular regard to the provisions concerning the association of compensation with performance objectives, and based on risk and stability indicators, deferred disbursement and payment partly in cash and partly in financial instruments.

## 6. PERFORMANCE INDICATORS AND THE MAIN BENCHMARKS USED

As described above, the variable remuneration is hence linked on a straight-line basis to the degree to which the individual objectives 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 objectives**, each one of which is attributed a **target**, and each with a special **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, they may be assigned from the following:

### 1. Financial performance/profitability objectives

- Operating result
- Net profit
- RORC
- Cost control objective

### 2. Commercial development objectives

- Net Inflows
- Advanced inflows
- Fee growth

These objectives contribute to determining no less than 70% of the short-term variable remuneration of the Chief Executive Officer/General Manager, 35% to 50% 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 net inflow objectives represent function-specific objectives.

This rule does not apply to Managers and Executives serving as Relationship Managers of the Private Banking RM Area and assets managers of the AM Area, BG Fiduciaria and BG FML. This is because, 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 preparing the company’s financial reports, the Heads of control functions, and the Head of the Human Resources Department, that are not linked to the earnings results of the Bank and/or of the Banking Group.

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 threshold** to be achieved to qualify for bonus entitlements, the **ceiling** above 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 results obtained in respect of each objective are verified and duly weighted in the financial year following the year of reference, and the sum of the weighted results achieved in respect of each objective then constitutes the overall performance level 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 the minimum threshold affording access to bonus entitlements). The foregoing procedure is designed to ensure a **direct 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 economic 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 Banking Area, as well as a Management by Objectives plan reserved for asset managers working in the AM Area, BG Fiduciaria and 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 Bank and the Group for the three-year period of reference. In addition, the actual appropriation of the shares is contingent upon annual verification of access gates.

## 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 and/or 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 point 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. Standing members of the Board of Statutory Auditors **are not entitled to any form of variable remuneration**.

Statutory Auditors are entitled to refund of the expenses incurred in performance of their duties.

The members of the Board of Statutory Auditors also receive further remuneration, in addition to their compensation as members of the Company's control board, pursuant to currently applicable regulations, 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 authorise 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 variable 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. Moreover, 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.

An agreement is currently in force with the Chief Executive Officer/General Manager, providing for an indemnity in the event of early termination of the contract, in accordance with the principles set forth in point 5.2 above.

The General Manager also enjoys supplementary pension benefits equal to 13% of the RAL and the benefits package provided for the Banking Group's executives.

## 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 80% of the RAL (subject to increase to 100% for positions in the sales area) 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 (LTIP). Bonus entitlements under the said LTIP 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 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 for the Banking Group's managers. The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract may be agreed subject to compliance with the principles set forth in point 5.2 above.

### 7.3.2 Other Key Personnel

The remuneration of the Managers included in this category consists of an all-inclusive annual 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 strategic weight and complexity of the job description in question, the variable component of remuneration may reach no more than 70% of annual gross remuneration (RAL) (equal to a maximum 55% 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 the Heads of the AM Area, the Private Banking Area, Private Banking RM area and the Financial Planner Area.

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 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 for the Banking Group managers. The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract may be agreed subject to compliance with the principles set forth in point 5.2 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 RAL and the benefits package provided for the Banking Group's managers. The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract may be agreed subject to compliance with the principles set forth in point 5.2 above.

## 7.4 Other Personnel

### 7.4.1 Other Managers

The remuneration of the other managers consists of an all-inclusive annual 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 20% to a maximum of 80% 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 early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract, may be agreed with managers belonging to this category subject to compliance with the principles set forth in point 5.2 above.

#### 7.4.2 Other employees (upper-level middle managers 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, entered into on the same date, on regulatory and other benefits. 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 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. The aforesaid variable component 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.

Given that the most significant aspect of the job description 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 bonuses and/or commissions 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 the RAL and the benefits package provided for the Banking Group's managers.

The current early termination package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination of the contract, may be agreed with managers belonging to this category subject to compliance with the principles set forth in point 5.2 above.

#### 7.4.4 Managers of the AM Area, BG Fiduciaria SIM and BG Fund Management Luxembourg

A specific incentive plan based on Management by Objectives has been instituted in favour of employees falling within the category of Asset Managers of the AM Area (whether Managers or otherwise), BG Fiduciaria SIM 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.

## 8. FINANCIAL ADVISORS AUTHORISED TO MAKE 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 distribution structure is organised hierarchically with two divisions, one of which is specifically dedicated to private customers.

Within the Financial Planner Area, Financial Advisors are classified according to rising levels of experience as **Junior Financial Planner**, **Financial Planner**, **Professional Financial Planner** and **Private Financial Planner**. 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, **Area Managers**, who report to the Head of the Financial Planner Area. This structure operates in parallel to an additional structure consisting of **Financial Advisors** known as Financial Planner Agents, who carry out also insurance business on behalf of Generali Group companies, and who report in certain cases to a second-tier managerial structure represented by a **FPA Manager** and in other cases directly to a first-tier managerial structure represented by a **Sales Manager**, who in turn reports to the Head of the Financial Planner Area.

Within the **Private Banking** Area, individual Financial Advisors are coordinated by a first-tier managerial structure, consisting of **Private Banking Managers** – assisted by supervisors, i.e., **Private Team Managers** – who report to the **Sales Manager**, who in turn reports to the Head of Private Banking Area.

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 The 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 product 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:

1. **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 customer'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;
2. **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;
3. **recurring fees:** these are similar to the previous fees, but relate specifically to the management fees paid by customers for the portfolios managed;
4. **advisory 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 direct promotion activities carried out by 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 commissions they are entitled to for their promotion activities carried out through their supervision.

Given that also the Managers' activity is aimed at meeting the needs 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 propriety in respect of customer relations, 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 **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 diversification/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.

Moreover, given that the most significant aspect of the job description 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 bonuses and/or fees may be earned** must be conducted scrupulously in accordance with all applicable principles of professionalism and propriety 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 4.1 above.

Financial Advisors' and Managers' participation in retention and/or loyalty plans 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 networks of Financial Advisors within the Financial Planner Area is entrusted to **Area Managers**, or a **Sales Manager**, while that of the Financial Advisors within the Private Banking Area is entrusted to one **Sales Manager**, to whom the **Private Banking Managers** report.

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

However, given the importance of the role of oversight and coordination assigned to **Sales Managers**, Area Managers and Private Banking 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 applicable to Key Personnel, illustrated above, as well as **malus and claw-back mechanisms** specifically established for this category.

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, the category of Key Personnel was extended to include the **2 Financial Advisors** whose remuneration in 2016 exceeded 1,000,000.00 euros and who were not beneficiaries of the entry plans concluded in the two-year period 2015-2016.

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

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 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 cover 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 less stressful relationship with customers.

## 8.5 Loyalty-building Measures

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

- a. **stock option plans** related to the achievement of specific objectives;
- b. the **deferred loyalty bonuses**, under which a predetermined amount is invested in a **capitalisation policy** and may be paid out seven years **after 5 or 7 years** of 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;
- c. 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.





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**SECTION 3**  
**REPORT ON THE APPLICATION OF**  
**REMUNERATION POLICIES IN 2016**

# 1. GOALS PURSUED THROUGH REMUNERATION POLICIES AND CRITERIA APPLIED

The Banking Group's Remuneration Policies approved by the Shareholders' Meeting on 21 April 2016 were defined and implemented in accordance with:

- > the 7<sup>th</sup> update to Circular Letter 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". This update, which repealed the Order of March 2011, is largely aimed at adopting the changes introduced by Directive No. 2013/36/EU (known as CRD 4);
- > the provisions of Article 84-*quater* of the regulation implementing Legislative Decree No. 58 of 24 February 1998 (Finance Consolidation Law) concerning rules for issuers, as amended by Consob Resolution No. 18049 of 23 December 2011;
- > the Corporate Governance Code for Listed Companies, updated in July 2015, 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 contemporaneous 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 Letter No. 285 of 17 December 2013, in line with the European Central Bank's recommendations (Letter dated 26 November 2015 concerning variable remuneration policies).

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 corporate 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 access gates 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 11.4%, 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 105%.

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 specific access gate. The Banking Group's ratios, as defined above, have all been achieved for the year 2016; in fact, the following values result from the final figures as at 31.12.16:

- > *Total Capital Ratio* of the Banca Generali Group: 18.4% (threshold: 11.4%)
- > *Liquidity Coverage Ratio* of the Banca Generali Group: 363.4% (threshold: 105%)

As a consequence of those ratios:

- > bonus entitlements have been accrued for the year in question;
- > payment of the 2016 share of the 2014 and 2015 bonuses, which had been deferred in 2016, has come due;

- > accrual of cycles of LTI plans that fall due only upon satisfaction of the access gates for the financial year 2016, 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 (starting with variable remuneration accrued in 2015) is partly disbursed through assignment of Banca Generali shares, based on the following assignment and retention mechanism:

- > 60% paid up-front; 75% in cash, and 25% in Banca Generali shares, subject to a retention period of one year;
- > 20% of the bonus will be deferred for one year: 75% in cash and 25% in Banca Generali shares, subject to a retention period of one year;
- > 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.

The portions of bonuses referring to 2014 will be settled in cash pursuant to the prevailing assignment rules.

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																	
	2015			2016			2017			2018			2019			TOTAL		
	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	
2014 bonus	60	100		20	100		20	100							100	100		
2015 bonus				60	75	25	20	75	25	20	75	25			100	75	25	
2016 bonus							60	75	25	20	75	25	20	75	25	100	75	25

#### Other employees

	YEAR OF PAYMENT																
	2015			2016			2017			2018			2019			TOTAL	
	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
2014 bonus	60	100		20	100		20	100							100	100	
2015 bonus				60	100		20	100		20	100				100	100	
2016 bonus							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 mechanism 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 called 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 2016 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 2016. 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.

In detail, the remuneration of the Chairman of the Board of Directors is paid back to the company by which he is employed.

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 2016.

### 2.2 Remuneration of Members of the Board of 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 2016.

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

#### 2.3.1 Chief Executive Officer and General Manager

The position of Chief Executive Officer was filled by Piermario Motta until 26 March 2016.

The remuneration granted for the position of Chief Executive Officer consists of total fixed remuneration paid of 155,277.79 euros. No short-term variable remuneration has accrued.

In addition, the amounts relating to the discretionary pension benefit policy, totalling 71,750.01 euros, were paid until the date of termination.

The position of General Manager was filled by Piermario Motta until 26 March 2016.

The remuneration granted for the role of General Manager consists of (i) all-inclusive gross annual remuneration of 87,500.01 euros in 2016; and (ii) sundry benefits provided for executives of the Banking Group totalling 107,567 euros. No short-term variable remuneration has accrued. The notice indemnity for termination of employment provided for in the national collective labour agreement was paid in the amount of 276,749.09 euros.

For both positions, the short-term variable amounts accrued in previous years but not yet paid because they are subject to deferral were paid to his heirs in 2016.

With regard to the long-term variable remuneration, in respect of Mr Motta's passing, Assicurazioni Generali and Banca Generali have resolved, each for the parts for which it is responsible, to apply the regulatory provision whereby rights are retained, in the event of decease, in respect of plans involving the assignment of equity incentives based on the actual performance achieved, without the application of the proportional calculation.

The details of the plans that remain open and the accrual of the shares attributable to the year according to the performance achieved are shown below:

### Long-term variable remuneration of Piermario Motta

PLAN	MAX NO. IN THE THREE YEARS	ACCRUED IN 2016	SINCE BEGINNING OF THE PLAN	SHARES ALLOCATED
				YEARS ENDED/ REMAINING YEARS
2014-2016 LTI	105,755	18,129	74,331	3/3
2015-2017 LTI	98,463	20,002	45,777	2/3

The sum of the shares allocated 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 General Manager

The remuneration of Gian Maria Mossa, who has been holding the position of General Manager as of 1 April 2016 is comprised of (i) an all-inclusive gross annual remuneration amounting to 453,846.16 euros in 2016; (ii) a short-term variable remuneration, accrued on the basis of the results achieved and totalling 253,175.22 euros, and (iii) the long-term components specified below, as well as (iv) other emoluments and benefits related to the position of executive of the Banking Group totalling 141,191.87 euros.

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

### Long-term variable remuneration of Mr. Mossa

PLAN	MAX NO. IN THE THREE YEARS	ACCRUED IN 2016	SINCE BEGINNING OF THE PLAN	SHARES ALLOCATED
				YEARS ENDED/ REMAINING YEARS
2014-2016 LTI	31,726	5,439	22,299	3/3
2015-2017 LTI	34,462	7,001	16,023	2/3
2016-2018 LTI	62,581	15,019	15,019	1/3

The sum of the shares allocated 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.

## 2.3.3 Other Key Management Personnel for 2016

This personnel category includes:

- > Andrea Ragaini, who has been holding the position of Deputy General Manager Wealth Management, Markets and Products as of 1 July 2016 and held the position of Head of the Private Banking Relationship Managers Division until 30 June 2016;
- > Stefano Grassi, who has been holding the position of Deputy General Manager Finance & Operations as of 1 July 2016, and was previously Central Manager responsible for the CFO Area;
- > Cristina Rustignoli who was Central Manager responsible for the Governance Area until 30 June 2016;
- > Stefano Insaghi, who was Central Manager responsible for the Banking Area until 30 June 2016 and was appointed Head of the Alternative and Support Channels on 1 July 2016.

Their remuneration consists of all-inclusive annual remuneration (RAL), a position-related indemnity, 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 994,807.77 in 2016.

Short-term performance-based bonuses, accrued on the basis of results achieved, totalled 486,948.98 euros.

The total remuneration of personnel included in this category is also comprised of 209,556.94 euros of other benefits provided for the managers of the Banking Group.

With reference to long-term remuneration, 1 person is a beneficiary of LTI plans, as shown below:

#### Long-term variable remuneration

PLAN	NO. OF BENEFICIARIES	MAX NO. IN THE THREE YEARS	ACCRUED IN 2016	SHARES ALLOCATED	
				SINCE BEGINNING OF THE PLAN	YEARS ENDED/ REMAINING YEARS
2014-2016 LTI	1	21,151	3,626	14,866	3/3
2015-2017 LTI	1	19,693	4,001	9,156	2/3
2016-2018 LTI	1	25,032	6,008	6,008	1/3

The sum of the shares allocated 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.

The information provided above concerns all of 2016 and includes persons who changed positions during the year, entering or leaving positions not considered to constitute Top Management.

## 2.4 Breakdown of Remuneration by Lines of Business Relating to Key Personnel

In application of Article 450 of the CRR (Reg. EU No. 575/213), 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 2016 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 placed in such category.

More specifically:

- a. Top Management: Chief Executive Officer, General Manager, Central Managers until 30 June 2016, Deputy General Managers as of 1 July 2016 following the change in the organizational structure introduced on that date. The managers included in this group represent the Top Management of the Bank and are also Key Management Personnel of the same;
- b. Other Key Personnel: this category has been determined to include (i) the heads of key operating/company units (main lines of business): the Head of the Finance Department, the Head of the Lending Department, Executive Director of BG Fund Management Luxembourg S.A. (hereinafter BG FML) also holding the role of Head of the AM Area of Banca Generali and the General Manager of BG FML; (ii) the persons, directly reporting to the personnel indicated in point (i) above, who are regarded as having an impact on company risk due to their activities, autonomy and powers: these are the Heads of the Private Banking Area, the Financial Planner Area and the Private Relationship Manager Area. This category also includes: the Head of the COO Area, the Head of the CFO Area and the Head of the Alternative and Support Channels Area as the activities, autonomy and powers assigned to this position have been regarded as having a substantial impact on the company's risk;
- c. Managers in charge of control functions: the Head of the Risk and Capital Adequacy Department, the Head of the Internal Audit Department, the Head of the HR Department and the Head of the Compliance and Anti Money Laundering Department;
- d. 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 Financial Planner Area, Private Banking Manager of the Private Banking Area, Senior Private Banking Recruitment Manager and 2 Financial Advisors.

Members of Key Personnel with remuneration exceeding 1 million euros are a total of 14, of whom 11 in the bracket from 1 to 1.5 million euros and 3 in the bracket from 1.5 to 2 million euros.

## 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, BG Fund Management Luxembourg, and BG Fiduciaria SIM) 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 Managers	77	5,133,085.22	1,009,882.72
Asset Managers	28	2,413,452.34	986,328.07
Other employees	788	30,874,821.20	2,361,506.14

Relationship Manager's variable remuneration does not include recruitment incentives.



### 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 21 April 2016.

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 commissions 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 is worth noting that the weight of fees payable for 2016 (almost entirely in favour of Financial Advisors) on overall fees receivable rose compared to figures for 2015.

	2016	2015
Total payout (with performance fees)	48.9%	43.1%
Total payout (without performance fees)	55.0%	53.6%

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 2016; (ii) within the framework of a process of gradually increasing the responsibilities 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 for a relatively 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 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 2016, incentives accounted for about 11% of overall pay-out.

On the other hand, in light of their crucial coordination and supervisory responsibilities, the variable remuneration of Sales Managers, Area Managers and Private Banking 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 2016 in the amount of 6,485,234 euros overall or such functions was as follows: 60% paid in 2016; 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 18049

<b>Table 1</b>	Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel
<b>Table 2</b>	Stock Options Granted to Members of the Governing Body, General Managers and Other Key Management Personnel
<b>Table 3A</b>	Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel Based on Financial Instruments Other than Stock Options
<b>Table 3B</b>	Monetary Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel
<b>Layout 7-ter</b>	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 – 7<sup>th</sup> update of Circular No. 285 of 17.12.13, Part I, Title IV, “Corporate Governance, Internal Controls, Risk Management” – Chapter 2, “Remuneration and Incentivisation Policies and Practices” – Section VI – Article 450 CRR (Reg. UE 575/213)

<b>Annex Article 450 CRR, letter g):</b>	Aggregate Quantitative Information on Remuneration, Broken Down by Business Areas, Concerning “Key Personnel”
<b>Annex Article 450 CRR, letter h):</b>	Aggregate Quantitative Information on Remuneration, Broken Down by Category of “Key Personnel”



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

(A)	(B)	(C)	(D)	NOTES	(1)	
					FIXED REMUNERATION	REMUNERATION AS PER ART. 2389 PARA. 3 IT. CIV. CODE
SURNAME AND NAME	OFFICE HELD	PERIOD OF OFFICE	TERM OF OFFICE	NOTES	FIXED REMUNERATION	REMUNERATION AS PER ART. 2389 PARA. 3 IT. CIV. CODE
Vagnone Paolo	Chairman of the Board of Directors	01.01-14.06.16	ended	1 / 5	15,874	15,874
Motta Piermario	Chief Executive Officer	01.01-26.03.16	ended	1 / 12	8,224	155,278
	General Manager	01.01-26.03.16		3		
Mossa Gian Maria	General Manager	01.04- 31.12.16		3 / 4 / 9		
Donnet Philippe	Director	01.01-14.06.16	ended	1	15,874	
Fancel Giancarlo	Director / Chairman of the Board of Directors	01.01-31.12.16	Approval of 2017 Financial Statements	1 / 5 / 8	35,000	18,361
Brugnoli Giovanni	Director	01.01-31.12.16	Approval of 2017 Financial Statements	2	35,000	
Gervasoni Anna	Director					
I)	remuneration in the company preparing the financial statements	01.01-31.12.16	Approval of 2017 Financial Statements	2	35,000	
II)	remuneration from subsidiary and associate companies			7	15,000	
<b>III)</b>	<b>Total</b>				<b>50,000</b>	
Lapucci Massimo	Director	01.01-31.12.16	Approval of 2017 Financial Statements	2	35,000	
Pescatori Annalisa	Director	01.01-31.12.16	Approval of 2017 Financial Statements	2	35,000	
Terzi Vittorio Emanuele	Director	01.01-31.12.16	Approval of 2017 Financial Statements	2	35,000	
Perin Giovanni Luca	Director	20.04-31.12.2016	Approval of 2017 Financial Statements	1	24,481	
Rustignoli Cristina	Director	23.06-31.12.2016	Approval of 2017 Financial Statements	1	18,267	
Caltagirone Azzurra	Director	23.06-31.12.2016	Approval of 2017 Financial Statements		18,267	
Cremona Massimo	Chairman of the Board of Statutory Auditors	01.01-31.12.16	Approval of 2017 Financial Statements	6	55,000	
Anaclerio Mario Francesco	Acting Auditor	01.01-31.12.16	Approval of 2017 Financial Statements	6	40,000	
Minutillo Flavia	Acting Auditor	01.01-31.12.16	Approval of 2017 Financial Statements	6	40,000	
Key Management Personnel	2 Deputy General Managers and 2 Central Manager	01.01-31.12.16		11		
I)	remuneration in the company preparing the financial statements			3 / 4		
II)	remuneration from subsidiary and associate companies			10 / 7	44,397	
<b>III)</b>	<b>Total</b>				<b>44,397</b>	

## 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:

(1)			(2)	(3)		(4)	(5)	(6)	(7)	(8)
FIXED REMUNERATION			NON-EQUITY VARIABLE REMUNERATION							
ATTENDANCE BONUSES	FORFEIT EXPENSE REFUND	FIXED SALARIES AS EMPLOYEES	REMUNERATION FOR SITTING ON COMMITTEES	BONUS AND OTHER INCENTIVES	PROFIT SHARING	NON-MONETARY BENEFITS	OTHER REMUNERATION	TOTAL REMUNERATION	FAIR VALUE OF EQUITY	END-OF-TERM AND SEVERANCE INDEMNITIES
								31,749		
						71,750		235,252	867,138	
		364,249				134,883		499,132	589,443	
	720	453,846		226,429		141,192	8,716	830,903	571,215	
								15,874		
								53,361		
			44,000					79,000		
			56,000					91,000		
								15,000		
			56,000					106,000		
			52,000					87,000		
			56,000					91,000		
			48,000					83,000		
								24,481		
								18,267		
								18,267		
								55,000		
								40,000		
								40,000		
	5,379	784,808		119,605		152,898	139,776	1,202,466	301,551	
								44,397		
	5,379	784,808		119,605		152,898	139,776	1,246,863	301,551	

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	10,000	12,000	10,000	12,000			44,000
Gervasoni Anna	10,000	12,000			10,000	24,000	56,000
Lapucci Massimo			10,000	12,000	10,000	20,000	52,000
Pescatori Annalisa	10,000	12,000			10,000	24,000	56,000
Terzi Vittorio Emanuele			10,000	12,000	10,000	16,000	48,000
<b>Total</b>	<b>30,000</b>	<b>36,000</b>	<b>30,000</b>	<b>36,000</b>	<b>40,000</b>	<b>84,000</b>	<b>256,000</b>

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

- (3) The item relating to B56:S66 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 provision of a rented apartment, 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.
- (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) Chairman of the Board of Directors as of 23 June 2016.
- (9) Figures refer to FY 2016 and thus include also the period from 1 January to 31 March during which Mr. Mossa held the position of Joint General Manager – Commercial Area.
- (10) Of the remuneration, 4,397 euros are paid back to the company by which he is employed.
- (11) Deputy General Manager Wealth Management, Markets and Products, as of 1 July 2016; Deputy General Manager Finance & Operations, previously Central Manager; 2 Central Managers until 30 June 2016.
- (12) The item other remuneration paid, until the date of termination of office, for the discretionary pension benefit policy. Following the end of office the overall amount accrued was paid for a total of 263,836 euros.

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					
<b>iii) Total</b>					

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

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)	TYPE OF FINANCIAL INSTRUMENT	FINANCIAL INSTRUMENTS ASSIGNED IN PREVIOUS YEARS AND NOT VESTED DURING THE YEAR	
				NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VESTING PERIOD
<b>Motta Piermarino</b>	Chief Executive Officer and General Manager	2011 LTI (2)	Ord. shares Ass. Generali		
i) remuneration in the company preparing the financial statements		2012 LTI (3)	Ord. shares Ass. Generali	18,166	2012-2017
		2014-2016 LTI (4)	Ord. shares Ass. Generali		
		2015-2017 LTI (5)	Ord. shares Ass. Generali	85,162	2015-2017
ii) remuneration from subsidiary and associate companies					
<b>iii) Total</b>					
<b>Mossa Gian Maria</b>	Joint General Manager	2014-2016 LTI (4)	Ord. shares Ass. Generali		
i) remuneration in the company preparing the financial statements	Joint General Manager	2015-2017 LTI (5)	Ord. shares Ass. Generali	29,807	2015-2017
	General Manager as of 01.04.2016	2016-2018 LTI (6)	Ord. shares Ass. Generali		
	Joint General Manager	2015 BSC	Ord. shares Banca Generali	731	2015-2017
	General Manager as of 01.04.2016	2016 BSC (7)	Ord. shares Banca Generali		
ii) remuneration from subsidiary and associate companies					
<b>iii) Total</b>					
<b>Other Key Management Personnel</b>	3 Central Managers	2011 LTI (2)	Ord. shares Ass. Generali		
i) remuneration in the company preparing the financial statements	3 Central Managers	2012 LTI (3)	Ord. shares Ass. Generali	3,674	2012-2017
	1 Central Manager	2014-2016 LTI (4)	Ord. shares Ass. Generali		
	1 Central Manager	2015-2017 LTI (5)	Ord. shares Ass. Generali	17,033	2015-2017
	1 Central Manager	2016-2018 LTI (6)	Ord. shares Ass. Generali		
	3 Central Managers	2015 BSC	Ord. shares Banca Generali	205	2015-2017
	1 DGM and 2 Central Managers	2016 BSC (7)	Ord. shares Banca Generali		
ii) remuneration from subsidiary and associate companies					
<b>iii) Total</b>					

## NOTES:

- (1) 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. (2011 LTI Shareholders' resolution dated 30 April 2011; 2012 LTI Shareholders' resolution dated 30 April 2011; 2014-2016 LTI Shareholders' resolution dated 30 April 2014; 2015-2017 LTI Shareholders' resolution dated 30 April 2015; 2016-2018 LTI Shareholders' resolution dated 28 April 2016).
- (2) At the end of the second performance cycle of the 2011 LTI plan (2014 - 2016), since the three-year objectives established at the time were not achieved, no shares will be assigned in execution of the said plan.
- (3) Maximum number of shares potentially attributable in 2018, at the end of the period of co-investment (2015-2017), subject to the achievement of the objectives set for the 2015-2017 period and to the terms and conditions of the plan.
- (4) Number of shares to be assigned in April 2017 as approved by the Board of Directors of Assicurazioni Generali 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 2014-2016. . The overall value of the shares at vesting was reported considering the official price of the share at 15 March 2017, i.e., 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.



	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	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	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
						23,772			16,391
									9,723
						24,172	74,331	1,056,244	504,816
									925,651
								1,056,244	1,456,581
						7,251	22,299	316,869	108,477
									153,106
	58,826	738,099	2016-2018	28.04.2016	13,56				246,033
							731	21,512	17,927
	2,504	59,533	2016-2018	21.04.2016	26,03		1,502	45,673	45,673
	<b>797,632</b>							<b>384,053</b>	<b>571,215</b>
						6,548			4,515
									1,966
						4,835	14,866	211,246	72,319
									87,491
	23,530	295,235	2016-2018	28.04.2016	13,56				98,412
						377	205	6,021	5,017
	1,643	39,072	2016-2018	21.04.2016	26,03		1,120	31,831	31,831
	<b>334,307</b>							<b>249,098</b>	<b>301,551</b>

- (5) Maximum number of shares potentially attributable at the end of the vesting period (2015-2017) subject to the achievement of the objectives and the to the terms and conditions of the plan, also taking into account that, with specific reference to the years 2015 and 2016, 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).
- (6) Maximum number of shares potentially attributable at the end of the vesting period (2016-2018) subject to the achievement of the objectives and the to the terms and conditions of the plan, also taking into account that, with specific reference to the year 2016, the number of shares was calculated based on the year-end results of the objectives achieved in such year. 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).
- (7) 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 (2016-2018), subject to the satisfaction of the access gates of the Banking Group.

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
<b>Mossa Gian Maria (2)</b>	
i) remuneration in the company preparing the financial statements	General Manager as of 01.04.2016
ii) remuneration from subsidiary and associate companies	
<b>iii) Total</b>	
<b>Other Key Management Personnel (2)</b>	
i) remuneration in the company preparing the financial statements	Central Manager (no. 1)
	Central Managers (no. 2)
	Central Managers (no. 2) and Deputy General manager (no. 1)
ii) remuneration from subsidiary and associate companies	
<b>iii) Total</b>	

## NOTES:

- (1) The amount represents the cash portion for 2015 BSC and 2016 BSC .
- (2) The information refer to both the position shown in the table and the previous ones for which Mr. Mossa was included in the category of Key Management Personnel.
- (3) 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 ate recorded during the calendar year preceding the year in which related instalment is paid, increased by 0.85%.

(1) PLAN	(2) BONUS FOR THE YEAR			(3) PRIOR YEARS BONUS			(4) OTHER BONUSES (6)
	A	B	C	A	B	C	
	PAYABLE/ PAID	DEFERRED	DEFERMENT PERIOD	NO LONGER PAYABLE	PAYABLE/ PAID (5)	STILL DEFERRED	
2014 BSC			2016-2017		60,000		
2015 BSC (1)			2017-2018		52,500	52,500	
2016 BSC (1)	113,929	75,953	2018-2019				
	<b>113,929</b>	<b>75,953</b>			<b>112,500</b>	<b>52,500</b>	
2014 BSC			2016-2017		20,000		
2015 BSC (1)			2017-2018	27,058	14,694	14,694	
2016 BSC (1)	84,912	39,710	2018-2019				
	<b>84,912</b>	<b>39,710</b>		<b>27,058</b>	<b>34,694</b>	<b>14,694</b>	

## LAYOUT 7-ter

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

SURNAME AND NAME	OFFICE HELD	INVESTEES 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 the Board of Directors	(1)	2,039	-	-	2,039
Brugnoli Giovanni	Director	Banca Generali	10,000	-	-	10,000
Lapucci Massimo	Director	Banca Generali	-	1,000	-	1,000
Motta Piermario (*)	Chief Executive Officer and General Manager until 26.03.2016	Banca Generali	18,284	-	-	18,284
Mossa Gian Maria	General Manager as of 01.04.2016	Banca Generali	-	11,893	-	11,893

## NOTES:

(\*) For Motta Piermario only the period in which he held the position was considered.

(1) Movements also includes the payment of shares included in the 2015 bonus.

Table 2 – Shares Held by Other Key Management Personnel

NO. OF KEY MANAGEMENT PERSONNEL	INVESTEES 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
3(*)	Banca Generali	4,394	1,878	-	6,272

## NOTES:

(\*) Other Key Management Personnel who have held shares: 1 Central Manager, appointed DGM on 01.07.2016; 1 Central Manager until 30.06.2016 and 1 Central Manager who held the position until 30.06.2016.

(1) Movements also includes the payment of shares included in the 2015 bonus.



#### 4.2 Tables prepared in accordance with the Bank of Italy provisions – 7<sup>th</sup> update of Circular Letter 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	723,251	0	(1)
Banca Generali	Control functions	3	419,178	93,031	(2)
Banca Generali	Corporate functions	9	1,851,793	718,285	(3)
Banca Generali	Investment Banking	22	12,507,867	7,978,251	(4)
Banca Generali	Retail Banking	2	291,257	120,887	
Banca Generali/BG FML	Asset management	2	563,746	331,783	

#### NOTES:

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

(\*\*) The item also includes fringe benefits.

(\*\*\*) The component “2016 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) several bonuses/one-off payments.

(1) Information relating to Mr. Motta, who held the position of Chief Executive Officer and General Manager until 26.03.2016.

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

(3) Information on: i) until 31.03.2016: Joint General Manager of the Commercial Area who ii) as of 01.04.2016 has held the position of General Manager, iii) until 30.06.2016: Central Manager responsible for the Governance Area, Central Manager responsible for the CFO Area (as of 1.07.2016 DGM Finance & Operations), Central Manager responsible for the Banking Area (as of 1.07.2016 Head of Alternative and Support Channels) and Head of Human Resources; iv) as of 1.07.2016: DGM Wealth Management Markets and Products, DGM Finance & Operations (until 30.06.2016 held the position of Central Manager responsible for the CFO Area), Head of the COO Area, Head of the CFO Area (as of 1.09.2016), Head of the HR Area (as of 1.09.2016).

(4) Information on: Head of the Financial Planner Area, Head of the Private Banking Area, Head of the Private Relationship Manager Area (held by 2 persons), Head of the Finance Department, and the following Network Managers: 2 Sales Managers Italy, 6 Area Managers of the Financial Planner Division, 6 Private Banking Managers of the Private Banking Division, 1 Senior Private Banking Recruitment Manager and 2 Financial Advisors.



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

With indication of:

- amounts of remuneration for the year broken down by fixed and variable component and number of beneficiaries;
- amounts and forms of the variable component of remuneration, broken down by cash, shares, share-based instruments and other types;
- amounts of existing deferred remuneration, broken down by shares assigned and not assigned;
- amounts of deferred remuneration recognized during the year, paid and reduced based on performance corrections;
- new payments for recruitment benefits and termination indemnities made in the year and number of beneficiaries;
- 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. Motta) until 26.03.2016; Top Management: General Manager (Mr. Motta until 26.03.2016 and Mr. Mossa as of 01.04.2016, previously Joint General Manager); Central Managers until 30.06.2016 and DGM as of 01.07.2016 following the change in the organizational structure and as of the said date.

COMPANY	PERSONNEL CATEGORY	NO. BENEFICIARIES	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
			FIXED (*)	VARIABLE 2015	TOTAL	CASH	SHARE-BASED SHARES INSTRUMENTS	OTHER TYPES	
Banca Generali	CEO	1	227,028	-	227,028	-	-	-	-
Banca Generali	Top Management	6	2,028,967	571,079	2,600,046	466,244	104,835	-	-

With reference to the 2014-2016 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, respectively, 18,129 for Mr. Motta, 5,439 for Mr. Mossa and 3,626 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 2017, i.e., at the end of the three-year period.

With reference to the 2015-2017 LTIP, verification of the level of achievement of the objectives set and the satisfaction of the access gates for the second year led to the determination of the shares to be allocated for the year of, respectively, 20,002 for Mr. Motta, 7,001 for Mr. Mossa and 4,001 for a manager 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 2016-2018 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, respectively, 15,019 for Mr. Mossa and 6,008 for a manager 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): Heads of the Finance Department, Lending 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 Private Banking Area (ended service in 2016), Head of the Financial Planner Area, Head of the PRM Area (position held during 2016 by 2 persons), Head of the COO Area (as of 01.07.2016), Head of the CFO Area (position held as of 1.09.2016) and Head of Alternative and Support Area (as of 1.07.2016).

COMPANY	PERSONNEL CATEGORY	NO. BENEFICIARIES	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
			FIXED (*)	VARIABLE 2015	TOTAL	CASH	SHARE-BASED SHARES INSTRUMENTS	OTHER TYPES	
Banca Generali/ BG FML (a)	CEO	11	1,657,019	1,468,368	3,125,387	1,223,545	244,823	-	-

(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.

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 first year led to the determination of shares to be allocated for the year of a total of 4,129 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.



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
-	-	-	-	-	-	-	-	-	-	-	-
169,591	243,809	169,591	-	-	-	-	-	-	-	-	-

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
185,722	432,154	185,722	-	-	-	-	-	-	-	-	-

## 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 (position held by 2 persons in 2016) and Head of the Compliance and Anti Money Laundering Department.

COMPANY	PERSONNEL CATEGORY	NO. BENEFICIARIES	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
			FIXED (*)	VARIABLE 2015	TOTAL	CASH	SHARE-BASED INSTRUMENTS	OTHER TYPES	
Banca Generali/ BG FML (a)	CEO	5	576,448	164,808	741,256	129,106	35,702.02	-	-

(a) Following the change in the organizational structure, as of 1.07.2015, this includes: i) until 30 June 2015, the Head of the Risk Management Service, the Head of the Compliance Service and the Head of the Company Risks Department; ii) as of 1 July 2015: the Head of the Risk and Capital Adequacy Department and the Head of the Compliance and Anti Money Laundering Department.

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

Banca Generali: 2 Sales Manager Italy, 6 Area Managers of the Financial Planner Area, 6 Private Banking Managers of the Private Banking Area, 1 Senior Private Banking Recruitment Manager and 2 Financial Advisors.

COMPANY	PERSONNEL CATEGORY	NO. BENEFICIARIES	I) REMUNERATION			II) AMOUNTS AND TYPE OF VARIABLE COMPONENT (**)			
			FIXED (*)	VARIABLE 2015	TOTAL	CASH	SHARE-BASED INSTRUMENTS	OTHER TYPES	
Banca Generali/ BG FML (a)	CEO	17	11,867,631	7,037,983	18,905,614	3,298,826	915,359	-	-

## NOTES:

(\*) For 2016, the fixed remuneration is represented by gross annual remuneration, emoluments, service allowance and fringe benefits.

(\*\*) For 2016, 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) several bonuses/agreements/one-off payments.

(\*\*\*) Assigned/"Recognized": Deferred instalment of the variable remuneration accrued in 2014 and 2015, for which the attainment of the access gate has been satisfied and which will be paid in 2017 to personnel in service.

"Not assigned": deferred portion of variable remuneration relating to 2015 and 2016.

(\*\*\*\*) 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
-	-	-	-	-	-	-	-	-	-	-	-

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
1,808,139	2,116,617	1,808,139	-	-	-	-	-	-	-	-	-

## BANCA GENERALI S.P.A.

Registered office  
Via Machiavelli 4 - 34132 Trieste

Share capital  
Authorised 119,378,836 euro  
Subscribed and paid 116,643,948 euro

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





**BANCA  
GENERALI**

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