# REMUNERATION REPORT:

BANKING GROUP'S REMUNERATION POLICIES AND REPORT ON THE APPLICATION OF REMUNERATION POLICIES IN 2013

BANCA GENERALI

# Remuneration Report: Banking Group's Remuneration Policies and Report on the Application of Remuneration Policies in 2013

# Section I - Banking Group's Remuneration Policies

## 1. *Remuneration Policy Objectives and Regulatory Framework of Reference*

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

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

In compliance with applicable regulations, as of 2010, remuneration policies have been updated in light of the recommendations issued by the Governor of the Bank of Italy in respect of "*remuneration and incentive systems*" pursuant to Order No. 321560 of 28 October 2009, with a view to harmonising the incentives of managers and the main network managers, and accordingly, ensuring that the new principles are uniformly applied to all the Banking Group's personnel. In the following years, the remuneration policies were drawn up in line with the "Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups" (hereinafter also the "Provisions") of 30 March 2011, which transposed into the Italian regulatory framework the Capital Requirement Directive 3 (hereinafter "CRD 3") introducing harmonised rules at EU level in respect of remuneration and incentive mechanisms for banks and investment companies. In particular, the Directive requires banks to comply with specific principles and criteria so as to ensure that (i) remuneration systems are properly designed and implemented; (ii) potential conflicts of interest are effectively managed; (iii) the remuneration system of each intermediary takes due account of current and prospective risks, as well as the capital and liquidity levels; (iv) transparency towards the market is maximised; and (v) oversight by Regulatory Authorities is reinforced. The proposed Italian text was aimed at promoting — in the interest of all stakeholders — the implementation of remuneration systems that are in line with long-term corporate objectives and strategies, linked to corporate performance but appropriately corrected to reflect all risks, commensurate with the capital and liquidity levels required to cover ongoing business operations, and in any event, designed to avoid distorted incentives that could lead to regulatory violations and excessive risk-taking by individual banks and within the whole system.

In this general context, in December 2013, the Bank of Italy subjected to public consultation certain amendments to the Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups (hereinafter also referred to as the "Consultation Document"). The amendments are 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, which was scheduled to be fully transposed into the Italian legal framework by 31 December 2013. Bearing in mind that the final deadline for submitting comments was 12 January 2014, at present, the final version of the document is awaiting publication. The amendments proposed in the consultation document primarily involve:

- the introduction of a maximum limit of 1:1 for the ratio of the variable to the fixed component of remuneration;
- the power granted to the 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;
- reinforcement of the provisions governing ex-post adjustment mechanisms for risks (malus and claw-back): to the currently envisaged quantitative indicators, tied to the achievement of results, qualitative indicators were added, tied to the conduct by personnel;
- the establishment of limits on variable remuneration where banks fail to observe specific capital requirements;
- the attribution to the EBA of the power to set regulatory technical standards (hereinafter RTS) on: (i) the qualitative and quantitative criteria for identifying the most relevant staff; and (ii) the characteristics of the financial instruments to be used for the payment of variable remuneration. The RTSs were approved by the European Commission on 3 March 2014, through a specific Regulation. The said Regulation is currently pending before the European Parliament and Council (which must approve it within 1 month, extendable by a further 2 months), following which, it will be published in the Official Journal of the European Union and enter into force in all member States on the 20th day following the date of publication;
- the revision of other rules set forth in CRD 3, such as, for instance, the option to pay guaranteed variable remuneration, and the updating of public disclosure and reporting obligations.

Pending the publication and entry into force of the final document, the Bank has already launched the process of alignment with the amendments to be brought to the Provisions.
Towards such end, as indicated in certain specific passages, account was also taken of the fact that, when the Provisions are promulgated, the Bank of Italy will provide indications regarding the deadlines for the amendment of contracts, as well as define the transitional regulations for the portion of the provisions subject to the RTSs issued by EBA.

Lastly, to complete the new regulatory framework currently under preparation, in December 2013, the Bank of Italy also subjected to public consultation proposed amendments to the Supervisory Provisions on the Corporate Governance and Organisation of Banks (March 2008). Amongst other things, under the aforesaid proposed amendments, the category of "large banks with complex operations" is to include also listed banks. In light of the possible delay in the publication of the aforesaid amendments, it must be pointed out that, as formulated at present, the above-mentioned amendment would deprive Banca Generali of the option of applying the principle of proportionality, and would accordingly subject it to the more stringent regulations imposed on large banks.

Against this background, following the changes brought to the Corporate Governance Code for Listed Companies at the end of 2011, the scope of the remuneration policies defined by the Board of Directors has

been extended to include all the members of the said Board which, as before, shall also continue to determine the remuneration policies applicable to Key Management Personnel.
Also at the end of 2011, through Resolution No. 18049 of 23 December 2011, Consob laid down a comprehensive and systematic regulatory framework governing transparency, as required under Article 123-*ter* of the Finance Consolidation Law (TUF), with a view to simplifying and streamlining previously prevailing provisions on the matter. Under the new framework, issuers are required to draw up a detailed remuneration report, without prejudice to their other reporting obligations imposed with regard to remuneration, pursuant to industry-specific regulations applicable by reason of the industry within which the listed company operates. This led to the need to coordinate the provisions pertaining to remuneration, issued by the two distinct Regulatory Authorities.

In light of the above, the remuneration policies set forth in this document have been defined in accordance with the proposed amendments to "Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups" issued by the Bank of Italy on 30 March 2011, as well as the requirements imposed under Article 84-*quater* of the implementing provisions of Legislative Decree No. 58 of 24 February 1998 (Finance Consolidation Law) regarding the statutory framework governing issuers, as amended pursuant to the aforesaid Consob Resolution No. 18049 of 23 December 2011.
In fact, this document has been drawn up with a view to ensuring contemporaneous compliance with both the provisions governing remuneration policies within the banking industry (Bank of Italy's Provisions in force from time to time) and the regulations applicable to issuers (Consob No. Resolution 18049).

All remuneration policies must be imperatively in line with the following factors:

- the Banking Group's mission, 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 instruments of incorporation and Articles of Association which must be considered as laying down 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 management 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 a growth sustainable over time, and enhancing the potential of the Group's personnel by rewarding individual contributions to the

organisation’s success, including through appropriate remuneration, whilst discouraging conduct leading to excess risk-taking.

The resulting remuneration policies in turn promote the aforesaid mission, values, 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.

Accordingly, one of the primary objectives of the remuneration policy is to adequately reward sustainable performance. Towards such end, all remuneration policies are 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 attendant burden of responsibility, and the competence and skill with which related duties are discharged. This applies to all personnel without distinction, and is therefore inclusive of top management, it being understood that the remuneration of employees must always be determined in strict compliance with all applicable national and corporate collective bargaining labour agreements;
- competitiveness: the assigned remuneration must be in line with remuneration levels prevailing on reference markets; towards this end, trends in remuneration levels prevailing in the industry of reference are monitored through general and industry-specific surveys of remuneration practices;
- 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. This also encourages staff to broaden and diversify their work experience through intercompany secondments;
- meritocracy: to be achieved through remuneration structures that commensurately reward the results obtained and the level of commitment and effort involved in attaining the same, whilst, at the same time, encouraging unwavering compliance with applicable regulations and procedures, as well as constant and focused risk assessment.

## 2. Persons to Whom Remuneration Policies Apply

In accordance with currently applicable supervisory provisions, the Bank of Italy’s Provisions apply to all “personnel”, save for the rules detailing the remuneration structure designed solely for Key Personnel. Moreover, in application of the principle of proportionality, banks are permitted to apply the Provisions in a manner commensurate with their features, size, and complexity of operations, bearing in mind the criteria entrenched in the said Provisions. The principle of proportionality is applied at two levels: (a) generally, with the related regulations being applied in a manner commensurate with the features of each bank and job description; and (b) specifically, with a view to identifying the banks bound to also comply with more detailed rules. Banks have been accordingly divided into three categories: large banks, small banks and other banks, as determined on the basis of the Supervisory Review Evaluation Process (SREP). Pursuant to SREP and pending the publication of the amendments to the supervisory provisions on the corporate governance and organisational layout of banks, the Banca Generali banking group must be classified as a medium-sized institution within the category of “other banks”. For these banks, the consultation document provides that the more detailed rules, pertaining to so-called risk takers – apart from the provisions regulating agreed early-retirement packages which will, in any event, continue to remain in force — may be applied subject to the percentages, and deferment and retention periods equivalent to at least half those established, on an increasing scale in function of the bank’s features.

As indicated above, the Bank of Italy Provisions refer to “personnel”, a category that includes (i) all officers of company bodies vested with strategic oversight, management and control responsibilities; (ii) all employees and collaborators, and (iii) personnel serving external sales networks. More specific rules apply to those members of the aforesaid Key Personnel, who are subject to the application of more detailed rules.

The Consob provisions apply to company Directors, General Managers and other Key Management Personnel.

## *2.1 Identification of Key Personnel*

In line with the Bank of Italy’s Provisions, the Board of Directors of the Company carried out a self-assessment with the support of the Remuneration and Nomination Committee for the specific purpose of identifying “Key Personnel” who could exert a significant impact on the bank’s risk profile, and therefore warrant the application of the more detailed rules.

Pursuant to the aforesaid Bank of Italy Consultation Document, Key Personnel must be necessarily identified on the basis of the Regulatory Technical Standards (RTS) issued by the European Banking Authority, insofar as they are automatically applicable in EU member States without the need for express transposition. Even though, as noted above, the RTSs have not yet entered into force — with the result that their application is not compulsory to date — the Bank has, in any event, conducted its own in-house analysis to identify risk takers on the basis of the qualitative and quantitative criteria set forth in the RTSs. The Key Personnel specified below was identified in a manner that not only complies with the Provisions currently in force, but also takes account of the EBA’s criteria as formulated at present.

According to this self-assessment, the above-mentioned category of Key Personnel includes: the Chief Executive Officer and General Manager, the other member of the General Management (Joint General Manager and Joint General Manager for the Sales Area), the Central Managers, the Area Managers, the managers of the main business lines, the managers in charge of control functions, including the head of the Resources Department, as well as the main network managers. In detail, the Board of Directors identified the following categories of staff as “Key Personnel” who exert or could exert a significant impact on the bank’s risk profile:

a) Key Managers: Chief Executive Officer and General Manager, other members of the General Management and Central Managers (Area Managers);

b) the managers of the main business lines or company functions, directly reporting to the Chief Executive Officer, General Manager or Joint General Managers (if not included among Key Managers): the head of the AM Division, the head of the Private Banking Division, the head of the Financial Planner Division and the head of the Resources Department. This category does not include managers/middle executives in charge of External Communications, Strategic Planning, and Investor Relations, although they report directly to the Chief Executive Officer/Joint General Managers, given that the said functions do not significantly impact the bank's risk profile. For the same reasons the heads of other functions who report directly to other members of the General Management are not included except for the functions listed in the preceding points. For the other companies of the Banca Generali Group: General Manager of Generali Fund Management (hereinafter also GFM);

c) upper-level middle managers and managers in charge of control functions: the head of Company Risk Department and Internal Audit, heads of Risk Management, Compliance and Anti-Money Laundering Services;

d) other risk takers: (i) managers (other than those listed above) who, from time to time, are members of the Credit Committee which has decision-making powers and Banca Generali's Risk Committee: at the date of this document: the head of the Credit Department, and (ii) other managers of important business lines: the head of the Finance Department; other risk takers do not, however, include employees vested with limited delegated operating powers in respect of loans and finance, given not only the low-levels of their decision-making autonomy, which is subject to pre-established ceilings, but also their answerability to their direct managers who qualify as "Key Personnel" in one of the foregoing categories;

e) main managers operating in the Bank's distribution networks: Sales Manager Italy, Area Manager, Private Banking Manager, Project Manager Italy and Insurance Trainee Manager.

### *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 laying down provisions on related party transactions, 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. In line with corporate policy, this category includes all the Company's directors (whether executive or otherwise), the acting members of the Board of Statutory Auditors, the members of the General Management and the Central Managers.

For the intents and purposes of this document, the generic term "executives" 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.

## ***3. The Decision-making Process Followed in Defining Remuneration Policies***

A variety of company functions and bodies bear responsibility for the determination, approval, implementation and subsequent assessment of remuneration policies which, moreover, depending on the corporate positions to which they apply, may be informed by input from specific functions.

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

### *3.1 General Shareholders’ Meeting*

Pursuant to the Bank of Italy Provisions, the General Shareholders’ Meeting is in charge of:

(i) establishing the remuneration due to the bodies it appoints;

(ii) approving the remuneration policies and compensation plans based on financial instruments, to be implemented in favour of company directors, employees, and outside collaborators other than company employees.

The Board of Directors also resolved to submit to Shareholder approval — at the next General Shareholders’ Meeting convened for 23 April next at first call and 24 April next at second call — a motion to amend the Articles of Association with a view to investing the General Shareholders’ Meeting itself, in accordance with the provisions of the cited consultation document, with powers to depart from the 1:1 ratio of the variable to the fixed component of remuneration, pursuant to a decision duly supported by a statement of grounds. This motion is to be submitted to the aforesaid General Shareholders’ Meeting for approval, subject to the issue of the verification order by the Bank of Italy, in the case where, as at the date of the General Shareholders’ Meeting in question, the repeatedly cited proposals to amend the Supervisory Provisions on Remuneration are in full force and effect.

### *3.2 Board of Directors*

The Board of Directors bears responsibility for the proper implementation of the remuneration policies approved by the General Shareholders’ Meeting, and more specifically 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, members of General Management, the Central Managers, and the heads of control functions, in line with the provisions of relevant Shareholders’ resolutions, with the support of the Remuneration and Nomination Committee, and after obtaining the opinion of the Board of Statutory Auditors in such regard. It also sets the performance targets to be attained by the said company functions, on an individual basis.

Within the context of the Shareholders’ Meeting’s decisions, 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 incentive systems applicable to persons in top managerial positions within the organisational structure 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 an annual report on the implementation of remuneration policies, duly accompanied by an overview of the related quantitative data. The Board of Directors is supported in its work by the Remuneration and Nomination Committee and, for the purposes of a correct application of the principles and criteria envisaged by the regulation, of the relevant company functions, i.e., the Resources Department, the Governance and Company Risks Area, the Planning & Control Department, the Planning and Sales Control Service, the Risk Management Service and the Compliance Service.

### 3.3 *Remuneration and Nomination Committee*

The Remuneration and Nomination Committee, composed of three non-executive, independent members of the Board of Directors, is responsible for advising and making recommendations and proposals to the Board of Directors on matters pertaining to appointments and remuneration.

The current Committee was appointed by the Board of Directors on 24 April 2012, and is made up as follows:

| Name and Surname | Position (as of 8 March 2013) |
|---|---|
| Paolo Baessato | Chairman of the Committee<br>Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007. |
| Fabio Genovese | Member of the Committee<br>Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007. |
| Ettore Riello | Member of the Committee<br>Non-executive and independent Director pursuant to the Corporate Governance Code and Article 37, paragraph 1(d) of Consob Regulation No. 16191/2007. |

More in detail, with regard to remuneration, the Remuneration and Nomination Committee has the following tasks:

1. submitting non-binding opinions and recommendations to the Board of Directors in respect of the remuneration packages of the Chairman of the Board and Chief Executive Officer. The Committee's opinions and recommendations must be based on the independent judgment of its members, who must take into account, *inter alia*, the following considerations:
   a) level of responsibilities in the corporate organisational structure;
   b) impact on business results;
   c) profit and loss results achieved by the Company;
   d) achievement of specific targets set by the Board of Directors;
2. expressing non-binding opinions and proposals on the general principles for determining the remuneration payable to Key Management Personnel, upon prior proposal from the Chief Executive Officer, according to an independent assessment based on the following criteria:
   a) level of responsibility and risks associated with the performed functions;
   b) results achieved in relation to the objectives;
   c) activities carried out to meet commitments of an exceptional nature;
3. periodically assessing the adequacy, overall consistency and practical application of the general policy adopted by the company for the remuneration of executive directors, directors holding special offices and key management personnel, relying for the last named task on the information provided by the Chief Executive Officer; monitoring the implementation of decisions adopted by the Board by

verifying the actual achievement of results and objectives; formulating general recommendations on the matter to the Board of Directors;

4. providing opinions on the determination of the criteria for the remuneration of professionals in a position to impact the Bank’s risk profile, and directly overseeing the proper application of the said criteria;
5. providing the Board of Directors with non-binding opinions and recommendations on the determination of the variable remuneration of company top management, as well as managers tasked with internal audit and risk management functions;
6. expressing a qualitative judgment on the activities undertaken by the General Manager and the Manager in charge of preparing the company's financial reports and, after consulting with the Internal Audit and Risk Committee, by the heads of the internal control and risk management functions;
7. 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, assessing, where necessary, the effects of such termination on the rights accrued under share-based incentive plans;
8. providing assessments — albeit without overstepping the bounds of their sphere of competence — on the attainment of performance objectives underlying access to incentive plans, and monitoring the evolution and implementation of approved plans, over time;
9. performing preliminary activities in the event the Board of Directors decided to adopt succession plans for Executive Directors;
10. 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 in time of any plans approved by the General Shareholders' Meeting on the Board’s proposal;
11. 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;
12. providing the Board of Directors with reports, recommendations and opinions, duly supported by grounds, as well as a report on the Committee’s activities, with the timeliness necessary to allow for due preparation of Board meetings called to pass resolutions on matters pertaining to remuneration;
13. ensuring appropriate functional and operational links with the relevant company structures in charge of preparing and monitoring remuneration policies and practices;
14. working with the other Board committee, i.e. the Internal Audit and Risk Committee, in order to evaluate the incentives created by the remuneration system;
15. carrying out any and all other tasks and duties entrusted to the Committee by the Board of Directors through specific resolutions;
16. reporting to the shareholders on the exercise of its own functions, ensuring in particular its participation at the Shareholders' Meeting through its Chairman or any other Committee's member.

The Remuneration and Nomination 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.

### *3.4 Chief Executive Officer*

Identifying the objectives to be assigned to individual Managers, other than objectives reserved for the Board of Directors, as part of the policy determined by the Shareholders' Meeting and the parameters identified by the Board of Directors is the responsibility of the Chief Executive Officer, supported by the Resources Department, Corporate Governance and Risks Area, Planning & Control Department, Sales Planning & Control Service, Risk Management Service and Compliance Service for the parts within their respective remit. The process of assigning the targets to be met in order to receive variable remuneration and determining the maximum amount of such variable component 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 special 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 internal control functions shall collaborate to ensure the appropriateness, regulatory conformity and proper implementation of all remuneration policies and practices.

More specifically:

• the Compliance function is tasked, *inter alia*, with verifying that the corporate incentive system is in line with objectives of compliance provided for by 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 Shareholders' Meeting on an annual basis;

• the Internal Audit function is in charge, *inter alia*, of verifying, at least once a year, the compatibility of remuneration practices with approved policies and industry-specific regulations. This function also submits the results of its assessments to the relevant company boards and officers, recommending corrective action where appropriate, it being understood that the said results are also reported to the Shareholders' Meeting on an annual basis;

• the Risk Management function 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 Resources Department provides technical assistance and prepares the support materials that inform remuneration policies.

Remuneration policies are also impacted by input from other corporate functions, i.e., the Planning & Controlling Department and the Sales Planning & Controlling Service, 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.

## *4. Mechanisms for Linking Remuneration to Performance*

The remuneration system is designed on the basis of the bank's corporate values and objectives, long-term strategies and risk management policies.

More specifically, overall remuneration is made of fixed and variable components, the weight of which is correlated with the strategic weight of the job description in question, and, in the case of certain managers, may include benefits arising under Stock Option Plans and Long Term Incentive Plans designed to link remuneration to the long-term performance of the company or the corporate group to which it belongs.

Short-term variable remuneration is based on the Management by Objectives mechanism which rewards the attainment of the economic and financial results budgeted for the financial year in question, whilst medium-to-long term variable remuneration is provided through specific tools such as Stock Option Plans and Long Term Incentive Plans, as described in greater detail below.

The indicators used in both cases are selected with a view to properly weighting the risks faced by the company and the corporate group to which it belongs.

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 based on the principles described below.

### *4.1 Access Gates*

The variable component of the remuneration of Key Personnel (including the Chief Executive Officer, the General Manager, and Key Management Personnel) and other managers, as well as all employees qualifying for variable remuneration under incentive plans based on the Management by Objectives and/or on a discretionary basis, and the Banking Group's network managers and Financial Advisors, is linked not only to the results actually achieved, but also to the attainment of an access gate, common to all the aforesaid personnel, and set by the Banking Group with a view to (i) linking bonus entitlements to multi-year performance indicators, and (ii) taking due account of current and potential risks, interest rates and the cash flow required to cover the Banking Group's business operations.

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

a) Capital Ratio: *Total Capital Ratio*[1], aimed at measuring the extent of the Bank's capital in relation to the degree of risk of the assets held — minimum ratio of 11.4%;

b) Liquidity ratio: *Liquidity Coverage Ratio*[2], to increase short-term resilience of the liquidity risk profile of the bank, while ensuring it has sufficient, highly 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, accordingly, its capacity to pay out the variable component of the remuneration of the Company's executive personnel and all employees (so called "sustainability").

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

As indicated above, the access gate also represents a condition for access to bonuses that accrue in application of incentive plans reserved for all Network Managers and Financial Advisors.

### *4.2 Deferral of Variable Remuneration*

As a general rule, and without prejudice to the more stringent provisions applicable to Key Managers and specified in greater detail below, the 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, is subject to deferral 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 bonuses were 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 financial solidity results of the Banking Group.

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 target has been met.

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 related instalment is paid, increased by 0.85%.

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[1]*Total capital ratio* — meaning the Regulatory Capital / Risk Weighted Assets (RWA) (both the variables are subject to regulatory disclosure and specified in the explanatory notes to the financial statements, Part F/Information on Shareholders' 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).

[2]*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. The said ratio, proposed under the regulatory evolution known as Basel 3, is indicative in nature (first application on the basis of figures as of 31 March 2014), and account is taken of the consolidated figures forwarded to the Bank of Italy at the end of the financial year).*

In the case where the amendments currently set forth in the consultation document on remuneration were to enter into force during the course of the financial year, and consequently (i) the principle of proportionality is applicable only subject to the percentages, and deferment and retention periods specified in the consultation document or otherwise identified on the basis of specific criteria, and (ii) a portion of the variable remuneration must necessarily be liquidated in the form of financial instruments, the aforesaid provisions, if mandatory, would apply to the company functions identified as risk takers (with a variable component of remuneration in excess of €75,000.00 per year, bearing in mind that the framework described below with regard to Key Managers is already in line with the more stringent regulations), without prejudice to departures that may be permitted during the transition phase, especially with a view to ensuring the ongoing validity of contracts currently underway.

Should, during the course of the financial year, in addition to the aforesaid amendments, the proposed changes to the Bank of Italy Order regarding corporate governance also enter into force, making it impossible for the Bank, as a listed company, to apply the principle of proportionality as per current practice, the more stringent provisions applicable to risk takers under the new regulatory framework shall be applied to the aforesaid company functions (with a variable component of remuneration in excess of €75,000.00 per year, bearing in mind that the framework described below with regard to Key Managers is already in line with the more stringent regulations), without prejudice to departures that may be permitted during the transition phase, especially with a view to ensuring the ongoing validity of contracts currently underway.

### *4.3 Malus and Claw-back Mechanisms*

The variable component of the remuneration of all employees qualifying for variable remuneration under incentive plans based on the Management by Objectives and/or on a discretionary basis, and the Banking Group's network managers and Financial Advisors, is subject to not only a specific malus mechanism entailing forfeiture of bonuses in the event of malfeasance or wilful misconduct to the Bank's detriment, but also express provisions entitling the Bank to claw-back bonus payments made during any year in which the beneficiary was found to have engaged in malfeasance or wilful misconduct to the Bank's detriment, as well as the year immediately preceding the year in question.

### 4.4 *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 (eg., number of complaints) which have an impact on the right to collect the variable component of remuneration.

## 5. Salient Features of the Remuneration System

As outlined above, the remuneration package consists of fixed components and variable components. The remuneration patterns of high-level executives and managers are monitored, taking due account of trends recorded on reference markets, using the HAY point-factor job evaluation method.

### *5.1 Fixed Remuneration Components*

Based on this method, the fixed components refer to the remuneration of the position, 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.

A significant portion of fixed remuneration components consists of the benefits package, which represents a significant element in terms of the fixed remuneration (about 15% for middle managers and professional areas, and around 25% 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 middle manager grades 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.

### *5.2 Variable Remuneration Components*

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, as well as, in the case of high-level executives, the results achieved by the company/group as a whole.

The ratio of the variable to the fixed remuneration components must be commensurate with the employee’s job description and the strategic responsibilities inherent to his or her position within the organisational structure: as a general rule, this ratio ought to range from no more than 20% for middle management and professional-level positions, to about 100% for sales staff (although this ceiling may exceed, if no guaranteed minimum is provided for, in the case of recruitment incentives and benefits based on inflows/revenue objectives without a guaranteed minimum), as well as for asset managers within the AM Division and Generali Fund Management, whose variable remuneration could well account for 100% of overall remuneration, if all assigned target results are achieved. When reaching the overall maximum ratio of 100% for some position participation in Long Term Incentive Plans could be added.

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) is to balance directly the interests of the shareholders and those of management.

The above mentioned Management by Objectives mechanism, consistent with the achievement of the earnings and financial results indicated by the budget for the reference year and with indicators reflecting the weighting of business risks, is used for the Managing Director, the General Manager, as well as for all managers. The Management by Objectives system is linked to the Balanced Scorecards principle with a view to translating the strategies set forth in the Group's industrial plan into a set of operating objectives that decisively impact the Group's overall performance. The objectives, defined to reflect the strategic goals set forth in the Group's industrial plan mentioned above, are assigned to the relevant managers 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 shareholders value by achieving objectives that are both quantitative and qualitative, but are in any event measurable. These objectives permeate down through the business and the impact of individual positions on the achievement of the respective objectives is identified.

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 described below, differentiated according to the sphere of work and responsibility attributed to the manager.

The Management by Objectives Plan for Relationship Managers operating within the Private Banking Division and for asset managers within the AM Division and Generali Fund Management is based on measurable quantitative targets defined in line with the earnings and financial results budgeted for the financial year in question.

Incentives linked to results over the long term, include:

- stock options plans for employees, Financial Advisors and Network Managers, introduced when Banca Generali's ordinary shares were listed on the electronic share market (MTA);
- a stock option plan reserved for *Relationship Managers* of the Private Banking Division, Financial Advisors and Network Managers.

Moreover, some managers have been included in the *Long Term Incentive Plan* (hereinafter LTIP).

The system, the use of which is in line with the most widespread practice at the international level, is aimed at pursuing value growth objectives, while also aligning the economic interest of LTIP participants with that of the Shareholders. This tool aims to reinforce the relationship between the remuneration of management and expected performance according to the three-year plan (absolute performance), as well as the relationship between remuneration and value generation in relation to a group of peers (relative performance).

This tool is also subject not only to access gates, with the result that failure to meet pre-set stability targets entails forfeiture of the related bonus, but also to *malus* and claw-back mechanisms.

On an exceptional basis, so as to attract key figures from the market, specific one-off incentive payments may be permitted, at the time of recruitment. These exceptional incentive payments may be granted only in case of recruitment of new staff, and solely during the first year of service.

### *5.3 Ratio of the Variable to the Fixed Component of Remuneration*

As noted above, in December 2013, the Bank of Italy subjected to public consultation certain amendments to the Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups. The most significant proposed change entails the introduction of a cap of 1:1 on the ratio of the variable to the fixed component of remuneration.

Even though the proposed amendments, aimed at transposing into the Italian regulatory framework specific provisions set forth in the European Directive, known as CRD 4, are not yet in force or effect in Italy, pending formal transposition, in order to ensure compliance with the aforesaid cap on the ratio between the two components of remuneration just in case the said amendments were to enter into force during the financial year underway and the said cap were to apply even to previously approved remuneration policies (without prejudice to any and all transitional provisions designed, primarily, at ensuring the ongoing validity of contracts already underway), the bank has contemplated:

a) adopting, for general application through the corporate structure, a specific cap mechanism designed specifically to ensure compliance with the 1:1 ratio of the overall variable component to the overall fixed recurrent component of remuneration (this latter component being intended as inclusive of any and all payments and benefits liquidated directly or indirectly in cash, financial instruments or kind, and not linked to the attainment of individual or corporate targets or subject to the satisfactory outcome of an annual qualitative assessment, but excluding marginal benefits or payments disbursed to staff on a non-discretionary basis).

   The cap mechanism ensures that the percentage of overall variable remuneration liquidated in any given financial year does not exceed the ratio of 1:1 to the manager's overall fixed recurrent remuneration for the same financial year. If the ratio is exceeded, the variable component of remuneration will be reduced until the ratio is met.

   The mechanism is to apply to variable remuneration and incentives earned as of the performance observation period during which the capped ratio may be introduced;

b) submitting to the General Shareholders' Meeting for approval a motion, duly supported by a statement of grounds, to depart from the 1:1 ratio of the variable to the fixed component of remuneration, raising the same up to a maximum of 2:1, on an exceptional basis and with regard only to a few company functions (Key Managers — save for the Manager in charge of preparing the company's financial reports, in the event where this post is held by a Key Manager — the Sales Manager for Italy, 6 Area Managers, 7 Private Banking Managers, a relationship manager). This motion has been forwarded to the Bank of Italy, as required under the consultation document, by the deadlines set forth in the same. In support of the motion, it must be pointed out that, in defining and implementing its remuneration policies, Banca Generali has always sought to strike the best possible balance between the interests of the Banking Group's shareholders and management, respectively, by carefully managing corporate risks and pursuing long-term strategies. In fact, a well-balanced system of remuneration and incentives for the bank's directors and management is key to boosting competitiveness and ensuring high-levels of corporate governance over time, Moreover, a compensation package that is competitive compared to that of competitors, in particular for key managers within the organisational chart or in managerial sales positions, enables the company to attract and retain highly experienced professionals endowed with the specialist skills required to meet the company's needs.

Even the remuneration of these figures will be subject to the cap mechanism described above, to ensure compliance with the aforesaid threshold.

### *5.4 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:

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

### *5.5 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 severance package in case their relationship is terminated or otherwise modified and subjected to more unfavourable terms, at the Bank's initiative.

In the event of early severance, 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 a maximum amount equivalent to 24 months of 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).

Since 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 termination 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 termination 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 termination thereof.

The aforesaid amount must be paid in accordance with the Bank of Italy provisions, with particular regard to provisions governing the connection between performance compensation and risks, the deferral of disbursement and the payment of compensation partly in cash and partly in financial instruments.

### *5.6 Reference Policies*

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

Moreover, the main benefits of the Group's managers, 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.

## *6. Reasons Underlying Variable Remuneration Structures, Performance Indicators and the Main Benchmarks Used*

The variable remuneration was hence linked on a straight-line basis to the degree to which the individual objectives are achieved. The Management by Objectives mechanism, which forms the basis of the variable component of the remuneration (hereunder also referred to as the bonus) of managers and Chief Executive Officer, is based on defining and allocating to each manager specific objectives, each one of which is attributed a target, 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 pertaining to the results of the Banking Group. In detail:

- Net inflows of the Banca Generali Group;
- Cost income;
- Consolidated net profit;
- Operating Profit;
- Return on Risk Capital (parameter that illustrates the ratio of operating profit to risk capital, where the second value represents the amount of own capital that the bank will have to commit to cover the risks it is exposed to).

These objectives contribute to determining no less than 80% of the short-term variable remuneration of the Chief Executive Officer and General Manager, and 15% to 35% of the short-term variable remuneration of the other managers.

The rule linking variable remuneration to the attainment of quantitative objectives established in terms of the results carried in the consolidated financial statements of the Banking Group in favour of individual quantitative objectives could, in certain circumstances, not be applied in respect of Relationship Managers serving the Private Banking Division and assets managers of the AM Division and Generali Fund

Management, with a view to ensuring that the bonuses of the said Relationship Managers are based, as far as possible, on performance and risk indicators that take due account of the decision-making powers vested in each Relationship Manager.
The remaining portion of the short-term variable remuneration is linked to the attainment of quantitative and qualitative targets 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 take due account of the decision-making powers vested in each manager.
In particular, in relation to the position filled, the quantitative objectives refer to the inflows, revenues and/or cost objectives for which the executive 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 managers responsible for the control functions, and the head of the Resources Department, who — in keeping with the Order of the Governor of the Bank of Italy — are not linked to company or group earnings results.
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 middle 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 a Management by Objectives plan reserved for Relationship Managers who work in the Private Banking Division, as well as a Management by Objectives plan reserved for asset managers working in the AM Division and Generali Fund Management.

Variable remuneration linked to long-term performance, especially the bonuses payable under the LTIPs, shall be determined in function of objectives established in terms of the results achieved by 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. 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 disbursed through the assignment of shares;
- defines the objectives on which to render the disbursement 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.

## 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 paragraph 1 of article 2389 of the Italian Civil Code, as a fixed sum plus reimbursement of any expenses incurred in the performance of their duties.

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 may, accordingly, in no event qualify for any form of variable remuneration linked to the attainment of specific objectives. Directors who are not vested with delegated executive powers (including the Chairman) may in no event be deemed entitled to any form of share-based incentives.

Directors who also sit on Board Committees are entitled to additional emoluments — in the form of either a pre-established lump-sum, or otherwise, attendance fees for each Board meeting they attend — over and above the remuneration they receive as Board members, in light of the tasks assigned to the Board Committees in question, and the commitment that membership of such committees entails, especially in terms of attendance at meetings and preparatory activities to be completed ahead of committee meetings, it being understood that the said additional emoluments must be established taking due account of industry-specific studies 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 on the basis of comparative analysis of the remunerative practices prevailing within the industry for such positions. 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. Acting 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 and different remuneration, in addition to their compensation as members of the company's supervisory body, in consideration of the fact that the said Board also discharges the tasks and functions of the Supervisory Board instituted pursuant to Legislative Decree No. 231/2001.

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

### *7.3 Key Personnel*

Further to all that has already been illustrated above in respect of the identification of "Key Personnel", the salient features of the remuneration structures applicable to each category falling within the said classification are indicated below.

#### *7.3.1 Key Managers*

The variable component of Key Managers 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 (over 60% of the total) of variable remuneration; and (ii) a portion of variable remuneration to take the form of grants of shares.

#### *Chief Executive Officer and General Manager*

As explained above, the positions of Chief Executive Officer and General Manager are filled by the same person.

The Chief Executive Officer's remuneration consists of a recurring fixed remuneration and a short-term variable remuneration, linked to the degree to which the performance objectives expressed in the relevant Balanced Scorecard are achieved. This may reach at most 80% of the fixed emolument if the maximum level of total performance objectives is achieved. No guaranteed minimum is provided for. This component of remuneration is conditional upon the achievement of the access gate, and is subject to deferral, as well as to the malus and claw-back mechanisms illustrated above.

The General Manager's remuneration consists of an yearly gross remuneration (RAL) and a short-term variable remuneration, linked to the degree to which the performance objectives, expressed in the relevant Balanced Scorecard, are achieved. This may reach a maximum of 60% of the RAL, if the maximum level of total performance is achieved. No guaranteed minimum is provided for. This component of remuneration is conditional upon the achievement of the access gate, and is subject to deferral, as well as to the malus and claw-back mechanisms illustrated above.

As the positions of General Manager and Chief Executive Officer are filled by the same individual, the overall short-term variable remuneration payable to the same — and linked to the degree of satisfaction of the performance objectives expressed in the relative Balanced Scorecard — may in no event exceed 70% of the sum total of the Chief Executive Officer's fixed remuneration and the General Manager's yearly gross remuneration (RAL). In this case the objectives should be construed as equally divided between General Manager and Chief Executive Officer.

In line with the Remuneration Policies and in compliance with the sector-specific regulations in force from time to time, the Board of Directors, upon hearing the Remuneration and Nomination Committee, may also consider whether or not it is in the Company's interest to grant the Chief Executive Officer and General Manager a further bonus of no more than 20% of recurrent compensation, with a view to rewarding the attainment of particularly significant, pre-established, and measurable targets. This additional bonus must also comply with all the criteria set forth above.

Moreover, a portion of the variable remuneration is 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.

In the case where the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the Chief Executive Officer and General Manager — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures shall not exceed 2:1, it being understood that the said ratio shall be maintained below that threshold pursuant to the cap mechanism described above.

An agreement is currently in force with the Chief Executive Officer, providing for an indemnity in the event of early termination in that post, as well as for an early-severance package in accordance with the principles set forth in point 5.5 above.

The Chief Executive Officer and General Manager is also covered by D&O liability insurance, as illustrated above.

In his capacity as General Manager, he also benefits from supplementary pension benefits equal to 13% of RAL, the benefit package for the Banking Group's managers and a sub-rental agreement in Milan.

*Joint General Manager*

The Joint General Manager's remuneration consists of an yearly gross remuneration (RAL) and a short-term variable remuneration, 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 malus and claw-back mechanisms. The variable remuneration may reach a maximum of 50% of the fixed remuneration, if the maximum level of total performance is achieved. No guaranteed minimum is provided for.

Moreover, a portion of the variable remuneration is 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.

In the case where the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without

prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the Joint General Manager — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures, shall not exceed 2:1, it being understood that the said ratio shall be maintained below that threshold pursuant to the cap mechanism described above.
The Joint General Manager also enjoys supplementary pension benefits equal to 13% of the RAL and the benefits package provided for the Banking Group's executives. The current early-severance package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination may be agreed subject to compliance with the principles set forth in point 5.5 above.

*Joint General Manager of the Sales Area*

The remuneration of the Joint General Manager of the Sales Area consists of an yearly gross remuneration (RAL) and a short-term variable remuneration, 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 malus and claw-back mechanisms. The variable remuneration may reach a maximum of 100% of the fixed remuneration, if the maximum level of total performance is achieved. No guaranteed minimum is provided for.
Moreover, a portion of the variable remuneration is 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.
In the case where the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the Joint General Manager of the Sales Area — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures, shall not exceed 2:1, it being understood that the said ratio shall be maintained below that threshold pursuant to the cap mechanism described above.
An agreement is currently in force with the Joint General Manager of the Sales Area, providing for an indemnity in the event of early severance, in accordance with the principles set forth in point 5.5 above.
The Joint General Manager of the Sales Area also enjoys supplementary pension benefits equal to 13% of the RAL and the benefits package provided for the Banking Group's executives.

*Central Managers*

The remuneration of Central Managers consists of yearly gross remuneration (RAL) and short-term variable remuneration, 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, the malus and claw-back mechanisms, which:

- as regards the Central Manager, in charge of preparing the company's financial reports pursuant to Article 154-*bis* of Legislative Decree No. 58/1998, may reach a maximum of 50% of the fixed emolument, if the maximum level of total performance is achieved. No guaranteed minimum is provided for. The objectives in question pertain to project-specific objectives and professional performance, given that, pursuant to applicable Bank of Italy regulations, no component of the remuneration for this functions may be linked to value creation for the Bank.

  Moreover, a portion of the variable remuneration is 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.

  In the case where the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration will have to be in line with that indicated in the regulation that will be issued. Any higher ratio will be subject to the cap mechanism described above;
- as regards the Central Managers, with responsibility for the Banking Area, as well as the Corporate Governance and Risks Area, may reach a maximum of 50% of the fixed emolument, if the maximum performance objectives are reached. No guaranteed minimum is provided for.

  Moreover, a portion of the variable remuneration is 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.

  In the case where the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the above-mentioned Central Managers — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures, shall not exceed 2:1, it being understood that the said ratio shall be maintained below that threshold pursuant to the cap mechanism described above.

Central 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-severance package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination, may be agreed subject to compliance with the principles set forth in point 5.5 above.

### *7.3.2 Heads of the Main Business Lines or Company Functions, Reporting Directly to the Chief Executive Officer, General Manager or Joint General Managers*

The remuneration of the Managers included in this category consists of an yearly gross remuneration (RAL) and a variable remuneration, linked to the degree to which the performance objectives indicated in the relevant Balanced Scorecards are achieved. This component of remuneration is conditional upon the achievement of access gates, and is subject to deferral, as well as the malus and claw-back mechanisms illustrated above. Depending on the strategic weight and complexity of the job description in question, the variable component of remuneration may range from no less than 30% to no more than 60% of yearly gross remuneration (RAL) in the case of Banca Generali managers, and up to 100% of yearly gross remuneration for the heads of the AM Division, the Private Banking Division and the Financial Planner Division.

In no circumstances, a guaranteed minimum is provided.

Objectives for the head of the Resources Department are similarly also established in terms of project-specific objectives and professional performance, in accordance with applicable Bank of Italy regulations.

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

In the case where participation to a LTIP and/or another Plan and the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the above-mentioned Managers — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures, shall not exceed 1:1, it being understood that the said ratio shall be maintained below that threshold pursuant to the cap mechanism described above.

Managers also receive supplementary pension benefits of up to 13% of their RAL (up to 16.5% if they come from other Generali Group companies) and the benefit package for the Banking Group managers. The current early-severance package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination may be agreed subject to compliance with the principles set forth in point 5.5 above.

### 7.3.3 *Managers and Upper-level Middle Executives in Charge of Control Functions*

The remuneration of managers and upper-level middle executives falling within this category is made up of yearly 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 variable component of remuneration is conditional upon the achievement of access gates, and is subject to deferral, as well as 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 guarantee minimum is provided for.

In the case where the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration will have to be in line with that indicated in the regulation that will be issued. Any higher ratio will be subject to the cap mechanism described above.

In accordance with the above-mentioned Bank of Italy Provisions, the objectives assigned to managers and upper-level executives in charge of control functions are project-specific and related to general job performance.

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

Managers belonging to this category also enjoy supplementary pension benefits equal to 13% of the RAL and the benefits package provided for the Banking Group's managers. The current early-severance package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination may be agreed subject to compliance with the principles set forth in point 5.5 above.

#### 7.3.4 *Other Risk Takers*

The remuneration of the Managers included in this category consists of an yearly gross remuneration (RAL) and a variable remuneration, linked to the degree to which the performance objectives indicated in the relevant Balanced Scorecards are achieved. This variable component of remuneration is conditional upon the achievement of access gates, and is subject to deferral, as well as 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 30% to a maximum of 60% of the RAL, provided the maximum level of performance objectives has been attained. No guarantee 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.

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

In the case where participation to a LTIP and/or another Plan and the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the above-mentioned Managers — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures, shall not exceed 1:1, it being understood that the said ratio shall be maintained below that threshold pursuant to the cap mechanism described above.

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-severance package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination may be agreed with managers belonging to this category subject to compliance with the principles set forth in point 5.5 above.

## *7.4 Other employees*

### *7.4.1 Other Managers*

The remuneration of the other managers consists of an yearly gross remuneration (RAL) and a variable remuneration, linked to the degree to which the performance objectives indicated in the relevant Balanced Scorecards are achieved. This variable component of remuneration is conditional upon the achievement of access gates, and is subject to deferral, as well as 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 50% 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.

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

In the case where participation to a LTIP and/or another Plan and the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the above-mentioned Managers — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures, shall not exceed 1:1, it being understood that the said ratio shall be maintained below that threshold pursuant to the cap mechanism described above.

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-severance package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination may be agreed with managers belonging to this category subject to compliance with the principles set forth in point 5.5 above.

### 7.4.2 *Other Employees (Upper-level Middle Executives 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 of 10 June 2010 with specific regard to remuneration, as well as the Additional Agreements on regulatory and other benefits, entered into on the same date. Moreover, participation in retention and/or loyalty plans may also be approved by resolution duly supported by a statement of grounds.

### 7.4.3 *Relationship Managers*

Employees falling within the category of Relationship Managers (whether they are managers or otherwise) and serving the Private Banking Division are covered under a Management by Objectives Plan.

Their remuneration is accordingly made up of fixed annual remuneration (RAL - yearly gross remuneration 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 subject to both the above-mentioned deferred payment and access gates.

The variable component of remuneration may reach a maximum of 100% of fixed remuneration. In certain cases, the latter cap may be potentially exceeded, if there are recruitment incentive plans. No guaranteed minimum is provided for.

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 incentive portions of remuneration may be earned must be conducted scrupulously in accordance with all applicable principles of professionalism and correctness in all customer relations, including with a view to enhancing customer loyalty. Towards such end, the following were introduced: (i) alongside with traditional targets set in terms of inflows and revenues, additional targets of correctness and regulatory compliance in all transactions, as assessed through the number of complaints pertaining to the activities effected by individual Relationship Manager with a view to determining the accrued bonus; (ii) a *malus* mechanism whereby, in addition to the above, bonuses will not be paid if evidence of gross professional negligence or misconduct were to emerge. Furthermore, the Bank reserves the right in any event to withhold bonuses at its discretion in the event of:

- the commencement of disciplinary proceedings or pending non-routine inspections against a Relationship Manager;
- glaring reputational harm occasioned to the Bank as a result of the conduct of a Relationship Manager,

(iii) a claw-back clause under which the Bank reserves the right to claim restitution of all bonuses paid in any given year in respect of which evidence of professional misconduct were to emerge, as well as the sum total of bonuses disbursed in the previous year.

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

In the case where participation to a Plan and the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to previously approved remuneration policies — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the above-mentioned Relationship Managers — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures, shall not exceed 1:1, it being understood that the said ratio shall be maintained below that threshold pursuant to the cap mechanism described above. The aforesaid principle will not apply only to one Relationship Manager the ratio of the variable to the fixed components of whose remuneration may reach 2:1 – provided that the necessary preconditions are met and all related procedural formalities duly discharged – on the basis of a specific agreement entered into at the time of the said Relationship Manager's recruitment and scheduled to expire upon verification of the results for the financial year 2015.

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-severance package meets applicable regulatory requirements. Severance benefits accruing in the event of early termination may be agreed with managers belonging to this category subject to compliance with the principles set forth in point 5.5 above.

#### 7.4.4 *Managers of the AM Division and Generali Fund Management*

A specific incentive plan based on Management by Objectives has been instituted in favour of employees falling within the category of Managers of the AM Division (whether managers or otherwise) and Generali Fund Management.

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

The variable component of remuneration amounts to a maximum of 100% of fixed remuneration. No guaranteed minimum is provided for.

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

## 8. *Financial Advisors*

### *8.1 Information on the Type of Relationship*

The Financial Advisors are linked to the company by an agency contract whereby the Financial Advisor is appointed permanently (and without representation) to promote and place in Italy, as part of his/her 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 sales structure is organised hierarchically with a separate division dedicated specifically to private customers.

Within the Financial Planner Division, 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 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 Sales Head of the Financial Planner Division.

Within the Private Banking Division, individual Financial Advisors are coordinated by a first-tier managerial structure, consisting of Private Banking Managers, who report to the Sales Managers, who in turn report to the head of Private Banking Division.

Moreover, two further functions were added, that of Project Manager Italy and that of Insurance Trainee Manager, respectively.

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

### *8.2 Remuneration of Financial Advisors and Managers*

The Financial Advisors' remuneration consists of various kinds of fees. The fees paid to the Financial Advisors vary according to the work carried out, range of products placed and distribution agreements in place with the product companies. The remuneration system 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 is fully variable and consists of some main items:

(i) sales fees: the bank pays the Financial Advisor a portion of the fees paid by the customer at the time the financial products are subscribed. These fees differ according to the various types of product and may vary in relation to the amount paid and/or the client's assets. A fixed percentage of these fees is generally paid back to the Financial Advisor, on the basis of a sliding scale taking due account of professional roles and responsibilities;

(ii) management and maintenance fees: after-sales services rendered to customers are remunerated by way of monthly commissions established not only in light of the value of the investments held by the customers in question, but also in function of the type of investment product involved and the professional roles and responsibilities covered by each Financial Advisor;

(iii) recurring fees: these are similar to the previous fees, but relate specifically to the management fees paid by customers for the portfolios managed;

(iv) consultancy fees: these are similar to the above, but refer to the specific consultancy services rendered against payment.

The fees mentioned in points (ii), (iii) and (iv) are recurring.

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 (i) objectives have been redesigned to take account of performance not only in the more conventional terms of inflows, but also in respect of correctness and regulatory compliance in customer relations, with all Financial Advisors being subjected to a contractual 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 reduction in their recurring fees in the event of non-compliance; (ii) the disciplinary framework has been reinforced to allow for the suspension of the recurring remuneration due to any Financial Advisor whose agency agreement with the bank has been revoked or suspended for cause.

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

Given that, as in the case of Managers, 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, 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, the objectives set for Managers have also been redesigned to take account of performance not only in the more conventional terms of inflows, but also in respect of correctness and regulatory compliance, with all Managers being subjected to a contractual obligation to direct the Financial Advisors placed under their supervision to provide customers with adequate after-sales services. The contract regulating the relationship between the Manager and the bank therefore includes mechanisms of 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. Once again, in this case, contractual provision has been made for appropriate adjustments to be made to the remuneration of the Managers concerned.

”Ordinary” 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 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.

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.

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.

In addition, any and all business activities on which incentives may be earned must be conducted scrupulously in accordance with the relevant principles of professionalism and correctness in respect of customer relations. Towards such end: (i) a malus mechanism has been implemented, entitling the Bank to withhold bonus payments due under incentive plans, in the event of malfeasance or wilful misconduct by the beneficiary against the Bank or its customers. Moreover, the Bank reserves the discretionary right to refuse to make bonus payouts 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. In addition, an assessment of the number and the economic value of complaints received in respect of the activities undertaken by each Financial Advisors shall be carried out to define the bonus; (ii) 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.

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

In the case where the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document are promulgated and enter into force during the financial year underway, including with regard to Financial Advisors — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of Financial Advisors and Network Managers will be capped at 1:1 (with the exception contemplated in the following point).

### *8.3 Remuneration and Incentives of Area Managers, Sales Managers and Private Banking Managers*

As mentioned above, the coordination of the networks of Financial Advisors within the Financial Planner Division is entrusted to Area Managers, while that of the Financial Advisors within the Private Banking Division 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, in light of the crucial role of the oversight and coordination tasks assigned to Sales Managers, Area Managers, and Private Banking Managers, their variable remuneration under ordinary incentive plans are subject to the same deferral policies applicable to bonuses, in addition to access gates applicable to

Banking Group's managers who accrued a bonus of over 75,000.00 euros during the financial year. Up to 40% of the bonuses of the managers in question may be deferred for a period determined pursuant to the principle of proportionality, as follows: 60% of the total is paid in the following financial year, after verification of the results for the year in which the said bonuses were earned; 20% subject to verification of full satisfaction of all the access gates established for the following financial year; and the remaining 20%, after a further year, again subject to verification of full satisfaction of all applicable Banking Group's access gates.
If the actual bonus of one of the parties in question falls below the stated threshold of 75,000.00 euros, it is paid out in full once the results for the year in question and the achievement of the access gates of the Banking Group have been verified.
Participation in retention and/or loyalty plans may also be approved for these managers by resolution duly supported by a statement of grounds.
In the case where the regulations transposing into the Italian legal framework the so-called CRD 4 as contemplated in the repeatedly cited consultation document, are promulgated and enter into force during the financial year underway, including with regard to Financial Advisors — without prejudice to the application of any and all transitional regulations that may be introduced, as well as taking care to safeguard contracts already underway — the ratio of the variable to the fixed components of the remuneration of the above-mentioned Managers — upon satisfaction of the necessary preconditions imposed and upon completion of all related procedures, shall not exceed 2:1. This choice is chiefly justified in light of the phase of strong development currently underway in the financial advisory sector, in which Banca Generali is one of the main players, with top levels of productivity in terms of per capita net inflows an AUMs .

### *8.4 Additional Benefits to the Standard Remuneration*

The Financial Advisors and Managers benefit from accident, health and permanent disability insurance covers and receive social security and early severance 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 covers designed to consolidate their professional relationship with the Bank, whilst also encouraging consistent results over time, in line with the Bank's conviction that these supplementary benefits are conducive to a more effective and relaxed relationship with customers.

### *8.5 Personnel Retention Policies*

A number of alternative retention 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, specifically targeted to new Financial Advisors, under which a predetermined amount is invested in a capitalisation policy and may be paid out seven years after the recruitment date and on condition that, on the settlement date, the Financial Advisor has maintained his

professional relationship with the Banking Group and has achieved a significant objective in terms of the quantity and quality of the assets managed;

c) a form of additional and differentiated social security coverage is extended to qualifying Financial Advisors and Managers, with entitlements subjected to scaling on the basis of annual performance in terms of results, and maturing upon retirement, provided that the Financial Advisor or Manager remains with the Bank through to retirement.

# Section II – Report on the Application of Remuneration Policies in 2013

## *1. Goals Pursued Through Remuneration Policies and Criteria Applied*

As illustrated in the document entitled "*The Banking Group's Remuneration Policies*" approved by the General Shareholders' Meeting on 24 April 2013, Banca Generali's remuneration policies for financial year 2013 were aimed at striking the best possible balance between the interests of the shareholders and management of the Banking Group, respectively, in line with the latter's mission, with specific reference to the objective of constantly delivering excellent results for stakeholders in the short, as well as medium-to-long term, whilst at the same time, ensuring sound and prudent risk management, a balanced business model and the alignment of strategic goals.

The 2013 remuneration policies have been defined and implemented in accordance with the "Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups" issued by the Bank of Italy on 30 March 2011, as well as the requirements imposed under Article 84-*quater* of the implementing provisions of Legislative Decree No. 58 of 24 February 1998 (Finance Consolidation Law) regarding the statutory framework governing issuers, as amended pursuant to Consob Resolution No. 18049 of 23 December 2011. This document has been thus drawn up with a view to ensuring compliance with both the provisions governing remuneration policies within the banking industry (Bank of Italy Instructions) and the regulations applicable to Issuers (Consob Resolution No. 18049).

The remuneration system was applied on the basis of the bank's corporate values and objectives, long-term strategies and risk management 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, included benefits arising under Long Term Incentive 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 attainment of the related targets, but also to the satisfaction of access gates tied to specific performance objectives set forth by the Banking Group, as a whole.

The Banking Group's access gate consists of the following two ratios: (i) the Total Capital Ratio, 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 9%, and (ii) the Liquidity Ratio, aimed at measuring the Bank's ability to overcome more or less severe liquidity crises in the near and long term — minimum target ratio of 50%.

The above-mentioned remuneration policy, approved by the General Shareholders' Meeting for the year 2013, provides for each ratio to have an on/off threshold. The requirement for access to the bonus accrued during the year is that both ratios are above the minimum threshold set when the final earnings figures for the year are recorded. The access gate does not only condition the bonus for the year in question, but also, from one year to the next, the portions of bonuses accrued in previous years and paid out on a deferred basis in subsequent years.

The Banking Group's access gate also plays a role in the cycles of the LTIPs, 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 LTIPs is also subject to a specific access gate. The Banking Group's ratios, as defined above, have all been achieved for the year 2013; in fact, the following values result from the final figures as at 31 December 2013:

*Total Capital Ratio* of the Banca Generali Group: 14.8% (threshold: 9%)

*Liquidity Ratio* of the Banca Generali Group: 109.4% (threshold: 50%)

As a consequence of those ratios:

- bonus entitlements have been accrued for the year in question; and
- payment of the 2013 share of the 2011 and 2012 bonuses, which had been deferred in 2013, has come due, with respect to the gate for the Banking Group only;
- accrual and/or payment of LTIP cycles that fall due only upon satisfaction of the access gates for the financial year 2013, and described in greater detail below.

b) Deferral of variable remuneration

A portion of the variable component of the remuneration of all employees, the main Network Managers and Financial Advisors operating within the Banking Group who, during the year, have accrued bonuses in excess of €75,000.00, shall be subject to deferment for a period of time that, in application of the principle of proportionality, has been defined as follows: 60% — provided that the Banking Group's access gates described above are met — in the following financial year, subject to Board of Directors' verification of the earnings results and the adequacy of capital levels for the year in which the said bonuses were earned; 20%

subject to verification of the results in terms of capital adequacy of the Banking Group for the following financial year; and the remaining 20%, after a further year, subject to verification of full satisfaction of financial solidity results of the Banking Group.
Upon payment and in accordance with the provisions of the remuneration policies, the individual bonus 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 percentage points.

c) Malus and claw-back mechanisms
Variable remuneration earned by all staff under the Management by Objectives plan, 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 incentive 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.

e) Payment of a portion of variable remuneration in the form of financial instruments
A portion of the variable remuneration of Key Managers, as indicated in detail below, is to be paid in the form of financial instruments, which, in accordance with the proportionality principle, have been identified as shares of the parent company, Assicurazioni Generali S.p.A.

## *2. Information on Remuneration by Role and Functions*

This section provides a brief overview of remuneration accrued in financial year 2013 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 Remuneration and Nomination Committee and the Audit and Risk Committee, was determined by following the procedures defined and described in the presentation of remuneration policies for 2013. Non-executive Directors, including the Chairman of the Board of Directors, were not entitled to any form of variable remuneration.
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.

## 2.2 *Remuneration of Members of the Board of Statutory Auditors*

The remuneration of the members of the Board of Statutory Auditors was established by the General Shareholders' Meeting at the time of the appointment of the said Board. 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.

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

### 2.3.1 *Chief Executive Officer and General Manager*

Piermario Motta serves both as Chief Executive Officer and General Manager. The Chief Executive Officer's remuneration is comprised of (i) a fixed component totalling 250,000 euros and (ii) a variable component which, in light of corporate performance in 2013, amounted to a total of 150,000 euros for the portion relating to the position.

The General Manager's overall remuneration consists of (i) an all-inclusive gross annual remuneration of 750,000 euros and (ii) a variable component which, in light of the results achieved, in 2013 accrued in the amount of 150,000 euros for the portion relating to the position.

In terms of long-term variable remuneration, Piermario Motta (i) has accrued, under the 2011 LTIP, a cash bonus of €633,917 (divided into equal parts for his service as Chief Executive Officer and General Manager, respectively), which must, under the terms of the plan in question, be invested between 15% and 30% in shares in Assicurazioni Generali; (ii) is a beneficiary of the 2012 LTIP under which he is entitled to a cash incentive, maturing in the financial year 2014, which must also be invested in shares; (iii) is a beneficiary of the 2013 LTIP under which he may be entitled to receive a free stock grant at the end of the three-year performance period, subject to the attainment of specific pre-set performance targets and thresholds. At the end of the performance period — and subject to the attainment of the related targets, as well as the other terms and conditions regulating the LTIP in question, Piermario Motta will potentially be entitled to no more than 130,407 shares. In light of the targets achieved and the access gates satisfied, 29,062 shares were set aside for financial year 2013.

In addition, the value of the sub-lease agreement from which the General Manager benefits for lodging in Milan amounted to 94,319 euros in 2013.

### 2.3.2 *Other Key Management Personnel for 2013*

The remuneration of the Joint General Managers and Central Managers, Area Managers (Key Management Personnel) consisted of (i) an all-inclusive annual remuneration (RAL) and (ii) a variable remuneration, linked to the degree to which the performance objectives were achieved, as described below.

With regard to Joint General Managers, a description is provided below of the remuneration packages of Giancarlo Fancel, Joint General Manager who, until 31 August 2013, was also the Manager in charge of preparing the company's financial reports within the meaning of article 154-*bis* of Legislative Decree No. 58/1998, and of Gian Maria Mossa, Joint General Manager for the Sales Area, who, as of 9 July 2013, has been placed in charge of developing and reinforcing the bank's sales on the market. More specifically, the remuneration of the Joint General Managers is made up of: (i) a fixed component totalling €419,231, (ii) variable components that, in light of the results attainted, amounted, on the overall, to €286,667, or 68.38% of the fixed component of remuneration, in 2013, as well as (iii) € 486,000, partly already disbursed and in part yet to be paid, by way of a one-off incentive limited to the first year of service. Giancarlo Fancel's variable remuneration reflects the sum of two different types of incentive, the first of which is tied to objectives related to his position as Manager in charge of preparing the company's financial reports within the meaning of Article 154-*bis* of Legislative Decree No. 58/1998.

In terms of long-term variable remuneration, the Joint General Manager (i) has accrued, under the 2011 LTIP, a cash bonus of €86,019 which must, under the terms of the plan in question, be invested between 15% and 30% in shares in Assicurazioni Generali; (ii) is a beneficiary of the 2012 LTIP under which he is entitled to a cash incentive, maturing in financial year 2014, which must also be invested in shares; (iii) is a beneficiary of the 2013 LTIP under which he may be entitled to receive a free stock grant at the end of the three-year performance period, subject to the attainment of specific pre-set performance targets and thresholds. The Joint General Manager of the Sales Area is also a beneficiary of the 2013 LTIP. At the end of the performance period — and subject to the attainment of the related targets, as well as the other terms and conditions regulating the LTIP in question, the two Joint General Managers will potentially be entitled to no more than 75,636 shares. In light of the targets achieved and the access gates satisfied, 16,856 shares have been set aside for financial year 2013.

The remuneration of Central Managers, Area Managers inclusive of the heads of the Corporate Governance and Risks Area, the CFO Area and the Banking Area, is made up of (i) a fixed remuneration totalling € 565,631, (ii) a variable remuneration that, in light of the results attained, amounted, on the overall, in 2013, to €258,800, or 41.84%, 47.96% and 46.80%, respectively, of the fixed components of remuneration accrued by the heads of the Governance Area, the CFO Area and the Banking Area.

In terms of long-term variable remuneration, the Central Managers (i) have accrued, under the 2011 LTIP, a cash incentive of €174,640 which must, under the terms of the plan in question, be invested between 15% and 30% in shares in Assicurazioni Generali; (ii) are beneficiaries of the 2012 LTIP under which they are entitled to a cash incentive, maturing in financial year 2014, that must also be invested in shares; (iii) they are beneficiaries of the 2013 LTIP under which they may be entitled to receive a free stock grant at the end of the three-year performance period, subject to the attainment of specific pre-set performance targets and thresholds. At the end of the performance period — and subject to the attainment of the related targets, as well as the other terms and conditions regulating the LTIP in question, the Central Managers (save for the Head of the CFO Area who was appointed to that post on 1 September 2013) will potentially be entitled to no more 48,902 shares. In light of the targets achieved and the access gates satisfied, 10,898 shares have been set aside for the financial year 2013.

Central Managers are also recipients, as at 31 December 2013, of a total of 20,500 option rights to subscribe to Banca Generali ordinary shares, as part of the Stock Option Plan for employees introduced when Banca Generali shares were admitted for trading on the electronic share market (MTA), organised and managed by Borsa Italiana S.p.A.

### 2.4 *Breakdown of Remuneration by Business Area*

A breakdown of remuneration by Business Area for financial year 2013 is presented in *Annex 1, paragraph (f) Breakdown of Aggregate Quantitative Information on Remuneration by Business Area.* The aforesaid information pertains to the remuneration of managers and other employees (upper-level middle executives and professional areas) who, by reason of their roles and job descriptions, are entitled to variable remuneration within a framework based on Management by Objectives.

The Business Areas in question include:

- Control Functions: compliance, anti money laundering, internal audit, risk management and human resources management functions.
- Operating/Administrative Functions: functions pertaining primarily to operations, loans, marketing, organisation and IT, finance, and administration and planning/control;
- Relationship Managers: Private Banking Division sales employees;
- Managers of the AM Division and Generali Fund Management: Managers working in the AM Division and Generali Fund Management.

### 2.5 *Breakdown of Remuneration by Category of Key Personnel*

A breakdown of remuneration by category of Key Personnel for financial year 2013 is presented in *Annex 1, paragraph (g) Breakdown of Aggregate Quantitative Information on Remuneration 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) Key Managers: Chief Executive Officer, General Manager, Joint General Managers and Central Managers (Area Managers);

b) the managers of the main business lines or company functions, directly reporting to the Chief Executive Officer, General Manager or Joint General Managers (if not included among Key Managers): the Head of the AM Division, the Head of the Private Banking Division, the Head of the Resources Department, the Head of the Financial Planner Division, the Head of the Marketing and Product Development Department, the Head of the Business Development and Network Support Department. This category does not include managers/middle executives in charge of External Communications, Strategic & Financial Market Analysis, Strategic Planning and Investor Relations functions even though they report directly to the Chief Executive Officer/Joint General Managers, given that the said functions do not significantly impact the bank's risk profile. For the other companies of the Banca Generali Group: General Manager of Generali Fund Management (hereinafter also GFM);

c) managers and upper-level middle executives in charge of control functions: the Heads of the Corporate Risk Department, Internal Audit, Risk Management, Compliance and Anti-Money Laundering Services;

d) other Risk Takers: the managers (other than those specified above) who from time to time sit on Banca Generali's Loans Committee and Risk Committee (as of the date of preparation of policies: Heads of the Administrative Department, Organisation and IT System Department, Finance Department and Loans Department), as well as (ii) other managers in charge of important business lines (the Head of the Relationship Manager Department within the Private Banking Division). Other Risk Takers do not, however, include employees vested with limited delegated operating powers in respect of loans and finance, given not only the low-levels of their decision-making autonomy, which is subject to pre-established ceilings, but also their answerability to their direct managers who qualify as “Key Personnel” in one of the foregoing categories;

e) main managers operating in the Bank’s distribution networks.

## 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 24 April 2012.

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, to a large extent, recurrent, insofar as it is directly linked to the assets entrusted to each Financial Advisor and the related placing activity, although a small proportion also derives from fees on individual sale transactions. Moreover, Financial Advisors may also qualify for further remuneration under various incentive plans implemented by the company at its discretion, primarily with a view to rewarding excellence in professional performance during the relevant period.

By way of general information, it is worth noting that in 2013 the weight of fee expense (almost entirely in favour of Financial Advisors) on overall fee income, including in performance fees linked to market performance, increased compared to figures for 2012.

| | Total payout (with performance fees) | Total payout (without performance fees) (*) |
|---|---|---|
| 2012 | 41.7% | 48.6% |
| 2013 | 44.1% | 49.7% |

(*) *Excluding data of the former Generali Investments Luxembourg*

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 2012; (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 incentive 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 capacities at the end of 2013, incentives accounted for nearly 10% of overall ordinary remuneration.

On the other hand, in light of their crucial coordination and supervisory responsibilities, the variable remuneration of Area Managers and Private Banking Managers determined pursuant to incentive plans has been subjected, as of 2010, to both access gates *relating to the banking group* and the partial deferment of bonus payments.

As a result, the aforesaid overall variable remuneration accrued for 2013 in the amount of 3,382,943 euros for such functions was paid as follows: 60% in 2013; 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.

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

# 4. *TABLES*

### *4.1 Tables prepared pursuant to Consob Resolution No. 18049*

| | |
|---|---|
| TABLE 1 — | Remuneration Paid to Members of the Governing and Control Bodies, General Managers and Other Key Management Personnel |
| TABLE 2 – | Stock Options Granted to Members of the Governing Body, General Managers and Other Key Management Personnel |
| TABLE 3A – | Incentive Plans For Members of The Governing Body, General Managers and Other Key Management Personnel Based on Financial Instruments Other than Stock Options. |
| TABLE 3B – | Monetary Incentive Plans for Members of the Governing Body, General Managers and Other Key Management Personnel |
| Form 7-*ter* – | Table 1 Shares Held by Members of the Governing and Control Bodies and General Managers<br>Table 2 Shares Held by Other Key Management Personnel |

### *4.2 Tables prepared pursuant to the instructions of the Bank of Italy — Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups – Annex 1*

| | |
|---|---|
| Annex 1, paragraph (f) of the Bank of Italy Provisions: | Breakdown of Aggregate Quantitative Information on Remuneration by *Business Area*. |
| Annex 1, paragraph (g) of the Bank of Italy Provisions: | Breakdown of Aggregate Quantitative Information on Remuneration by Category of "*Key Personnel*" |

# TABLE 1 - REMUNERATION PAID TO MEMBERS OF THE GOVERNING AND CONTROL BODIES, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

| (A) | (B) | (C) | (D) | | (1) | | | | | (2) | (3) | | (4) | (5) | (6) | (7) | (8) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Fixed remuneration | | | | | | Non-equity variable remuneration | | | | | | |
| Surname and name | Office held | Period during which office was held | Term of office | Notes | Fixed remuneration | Offices as per Article 2389 para. 3 of the Italian Civil Code | Attendance bonuses | Lump-sum expense refund | Fixed salaries as employees | Remuneration for sitting on committees | Bonuses and other incentives | Profit sharing | Non-monetary benefits | Other remuneration | Total | Fair value of equity remuneration | End-of-term and severance indemnities |
| **VAGNONE Paolo** | Chairman of the Board of Directors | 01.01 - 31.12.13 | Approval of 2014 financial statements | 1 / 8 | 35.000 | 35.000 | | | | | | | | | 70.000 | | |
| **MOTTA Piermario** | CEO | 01.01-31.12.13 | Approval of 2014 financial statements | 1 / 7 | 35.000 | 250.000 | - | - | | | 426.859 | | 3.893 | | 715.752 | 81.736 | |
| | General Manager | 01.01-31.12.13 | ………… | 6 / 7 | 0 | - | - | 620 | 750.000 | - | 506.106 | - | 291.947 | 7.093 | 1.555.765 | 81.736 | |
| **AGRUSTI Raffaele** | Director | 01.01-30.09.13 | terminated | 1 | 26.178 | | | | | | | | | | 26.178 | | |
| **ANACLERIO Mario Francesco** | Director | 01.01-31.12.13 | Approval of 2014 financial statements | 3 | 35.000 | | | | | 32.000 | | | | | 67.000 | | |
| **BAESSATO Paolo** | Director | 01.01-31.12.13 | Approval of 2014 financial statements | 3 | 35.000 | | | | | 52.000 | | | | | 87.000 | | |
| **BRUGNOLI Giovanni** | Director | 01.01-31.12.13 | Approval of 2014 financial statements | 3 | 35.000 | | | | | 30.000 | | | | | 65.000 | | |
| **DONNET Philippe** | Director | 15.10-31.12.13 | Approval of 2014 financial statements | 1 | 7.479 | | | | | | | | | | 7.479 | | |
| **GENOVESE Fabio** | Director | 01.01-31.12.13 | Approval of 2014 financial statements | 3 | 35.000 | | | | | 20.000 | | | | | 55.000 | | |
| **GERVASONI Anna** | Director | 01.01-31.12.13 | Approval of 2014 financial statements | 3 | 35.000 | | | | | 32.000 | | | | | 67.000 | | |
| **MIGLIETTA Angelo** | Director | 01.01-31.12.13 | Approval of 2014 financial statements | | 35.000 | | | | | | | | | | 35.000 | | |
| **RIELLO Ettore** | Director | 01.01-31.12.13 | Approval of 2014 financial statements | 3 | 35.000 | | | | | 18.000 | | | | | 53.000 | | |
| **ALESSIO VERNI' Giuseppe** | Chairman of the Board of Statutory Auditors | 01.01-31.12.13 | Approval of 2014 financial statements | | | | - | - | - | | | | | - | - | | |
| I) remuneration in the company drafting the financial statements | | | | | 40.000 | | | | | | | | | | 40.000 | | |
| II) remuneration from subsidiary and associate companies | | | | 4 | 5.000 | | - | - | - | | | | | - | 5.000 | | |
| III) Total | | | | | 45.000 | - | - | - | - | - | - | - | - | - | 45.000 | - | - |
| **VENCHIARUTTI Angelo** | Acting Auditor | 01.01-31.12.13 | Approval of 2014 financial statements | | | | - | - | - | | | | | - | | | |
| I) remuneration in the company drafting the financial statements | | | | | 30.000 | | | | | | | | | | 30.000 | | |
| II) remuneration from subsidiary and associate companies | | | | 5 | 7.500 | | - | - | - | | | | | - | 7.500 | | |
| III) Total | | | | | 37.500 | - | - | - | - | - | - | - | - | - | 37.500 | - | - |
| **GAMBI Alessandro** | Acting Auditor | 01.01-31.12.13 | Approval of 2014 financial statements | | | | | | | | | | | | - | | |
| I) remuneration in the company drafting the financial statements | | | | | 30.000 | | | | | | | | | | 30.000 | | |
| II) remuneration from subsidiary and associate companies | | | | | | | - | - | - | | | | | - | - | | |
| III) Total | | | | | 30.000 | - | - | - | - | - | - | - | - | - | 30.000 | - | - |
| **Key Management Personnel** | 2 Joint General Managers and 3 Central Managers | 1.1.-31.12.13 | ………… | | | | | | | | | | | | - | | |
| I) remuneration in the company drafting the financial statements | | | | 6 / 7 | - | | | 22.792 | 984.862 | | 1.212.226 | | 193.917 | 17.972 | 2.413.797 | 148.055 | |
| II) remuneration from subsidiary and associate companies | | | | 2 | 29.000 | - | - | - | - | - | - | - | - | - | 29.000 | | |
| III) Total | | | | | 29.000 | - | - | 22.792 | 984.862 | - | 1.212.226 | - | 193.917 | 17.972 | 2.442.797 | 148.055 | - |

## TABLE 1 - REMUNERATION PAID TO MEMBERS OF THE GOVERNING AND CONTROL BODIES, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

**NOTES**

1 Pays fixed compensation as Director back to the company by which he is employed.

2 Remuneration received as Director of the subsidiary GFM SA and paid back to the company by which he is employed and 2013 remuneration attributed by Generfid.

3 The following table provides a breakdown of the remuneration for sitting on Committees, accrued in the reporting year.

| Name | Remuneration and Nomination Committee | | Audit and Risk Committee | | Total |
|---|---|---|---|---|---|
| | Fixed remuneration | Attendance bonuses | Fixed remuneration | Attendance bonuses | |
| Anaclerio Mario Francesco | | | 10.000 | 22.000 | 32.000 |
| Baessato Paolo | 10.000 | 10.000 | 10.000 | 22.000 | 52.000 |
| Brugnoli Giovanni | | | 10.000 | 20.000 | 30.000 |
| Genovese Fabio | 10.000 | 10.000 | | | 20.000 |
| Gervasoni Anna | | | 10.000 | 22.000 | 32.000 |
| Riello Ettore | 10.000 | 8.000 | | | 18.000 |
| Total | 30.000 | 28.000 | 40.000 | 86.000 | 184.000 |

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

Up to 24 April, remuneration received for sitting on the Remuneration and Nomination Committee included exclusively a fixed component amounting to 10,000 euros.

Afterwards, it also included an attendance bonus of 2,000 euros for each meeting, up to a maximum of 12,000 euros.

4 Remuneration attributed as Chairman of the Board of Statutory Auditors of Generfid SpA.

5 Remuneration attributed as Chairman of the Board of Statutory Auditors of BG Fiduciaria SIM SpA.

6 The item relating to non-monetary benefits and 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.

7 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.

8 The fixed remuneration for the position of Chairman of the BoD is paid back to the company by which he is employed.

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 | | | 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 | 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 |
| **Motta Piermario** | Chief Executive Officer and General Manager | | | | | | | | | | | | | | | |
| **Key Management Personnel** | 2 Joint General Managers and 3 Central Managers | | | | | | | | | | | | | | | |
| I) remuneration in the company drafting the financial statements | | 15/12/2006 | 54.000 | 9,503 | 2009-2014 | | | | | | 33.500 | 9,809 | 17,75 | | 20.500 | |
| II) remuneration from subsidiary and associate companies | | | | | | | | | | | | | | | | |
| **III) Total** | | | 54.000 | | | | | | | | 33.500 | | | | 20.500 | |

## TABLE 3 A – INCENTIVE PLANS FOR MEMBERS OF GOVERNING BODY, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL BASED ON FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS

| | | | Financial instruments granted in previous years and not vested during the reporting year | | Financial instruments granted during the year | | | | | Financial instruments vested during the reporting year and not assigned | Financial instruments vested during the reporting year that can be assigned | | Financial instruments for the reporting year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | B | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| Surname and name | Office held | Plan(5) | Number and type of financial instruments | Vesting period | Number and type of financial instruments | Fair value at assignment date | Vesting period | Assignment date (5) | Market price at the assignment date (5) | Number and type of financial instruments | Number and type of financial instruments | Value at maturity date | Fair value |
| **Motta Piermario** | Chief Executive Officer and General Manager | LTIP 2010 (1) | | | 16.256 | 55.534 | 2010-2015 | 24.04.2010 | 16,72 | | | | 11.107 |
| I) remuneration in the company drafting the financial statements | | LTIP 2011 (2) | | | | | | | | | | | |
| | | LTIP 2012 (3) | | | | | | | | | | | |
| | | LTIP 2013-2015 (4) | | | 120.347 | 685.643 | 2013-2015 | 30.04.2013 | 14,01 | | | | 152.365 |
| (II) remuneration from subsidiary and associate companies | | | | | | | | | | | | | |
| **(III) Total** | | | | | **136.603** | **741.177** | | | | | | | **163.472** |
| **Other Key Management Personnel** | | | | | | | | | | | | | |
| I) remuneration in the company drafting the fina | 1 Joint General Manager and 2 Central Managers | LTIP 2010 (1) | | | 3.728 | 12.736 | 2010-2015 | 24.04.2010 | 16,72 | | | | 2.547 |
| | 1 Joint General Manager and 3 Central Managers | LTIP 2011 (2) | | | | | | | | | | | |
| | 1 Joint General Manager and 3 Central Managers | LTIP 2012 (3) | | | | | | | | | | | |
| | 2 Joint General Managers and 2 Central Managers | LTIP 2013-2015 (4) | | | 114.931 | 654.785 | 2013-2015 | 30.04.2013 | 14,01 | | | | 145.508 |
| (II) remuneration from subsidiary and associate companies | | | | | | | | | | | | | |
| **(III) Total** | | | | | **118.659** | **667.521** | | | | | | | **148.055** |

**NOTES:**

1 Maximum number of shares that may potentially be assigned at the end of the co-investment period (2013-2015), provided that plan objectives are achieved and subject to the terms and conditions of the plan.

2 This table has not been prepared with data relating to the 2011 LTIP since the latter has only had monetary effects; the reader is therefore referred to table 3B.

3 This table has not been prepared with data relating to the 2012 LTIP since the latter will only have monetary effects in 2014; the reader is therefore referred to table 3B.

4 Maximum number of shares that may potentially be assigned at the end of the vesting period (2013-2015), provided that plan objectives are achieved and taking into account that, with specific reference to 2013, the number of shares has been calculated based on objectives actually reached in that year.

5 The assignment date and the market price at the assignment date refer to the dates on which the General Shareholders' Meeting of Assicurazioni Generali S.p.A. approved the plans (2010 LTIP — Shareholders' resolution of 24 April 2010; 2011 LTIP — Shareholders' resolution of 30 April 2011; 2012 LTIP — Shareholders' resolution of 30 April 2011; 2013-2015 LTIP — Shareholders' resolution of 30 April 2013).

## TABLE 3B - MONETARY INCENTIVE PLANS FOR MEMBERS OF THE GOVERNING BODY, GENERAL MANAGERS AND OTHER KEY MANAGEMENT PERSONNEL

| A | B | (1) | (2) | | | (3) | | | (4) |
|---|---|---|---|---|---|---|---|---|---|
| | | | Bonus for the year | | | Prior years bonus | | | |
| | | | A | B | C | A | B | C | |
| Surname and name | Office held | Plan | Payable/paid | Deferred | Deferment period | No longer payable | Payable/paid (5) | Still deferred | Other bonuses (6) |
| **Motta Piermario** | | | | | | | | | |
| I) remuneration in the company drafting the financial statements | General Manager | BSC 2011 | | | 2013-2014 | | 79.247 | | |
| | Chief Executive Officer and General Manager (1) | BSC 2012 | | | 2014-2015 | | 39.800 | 39.800 | |
| | Chief Executive Officer and General Manager (1) | BSC 2013 | 180.000 | 120.000 | 2015-2016 | | | | |
| | Chief Executive Officer and General Manager (1) | LTIP 2011 (3) | 633.917 | | | | | | |
| (II) remuneration from subsidiary and associate companies | | | | | | | | | |
| **(III) Total** | | | **813.917** | **120.000** | **0** | **0** | **119.047** | **39.800** | |
| | Chief Executive Officer and General Manager (1) | LTIP 2012 (4) | | | | | | 1.000.000 | |
| **Other Key Management Personnel (2)** | | | | | | | | | |
| I) remuneration in the company drafting the financial statements | 1 Joint General Manager and 3 Central Managers | BSC 2011 | | | 2013-2014 | | 53.340 | | |
| | 1 Joint General Manager and 3 Central Managers | BSC 2012 | | | 2014-2015 | | 56.948 | 56.948 | |
| | 2 Joint General Managers and 3 Central Managers | BSC 2013 | 355.280 | 190.187 | 2015-2016 | | | | 486.000 |
| | 1 Joint General Manager and 3 Central Managers | LTIP 2011 (3) | 260.659 | | | | | | |
| (II) remuneration from subsidiary and associate companies | | | | | | | | | |
| **(III) Total** | | | **615.939** | **190.187** | | | **110.287** | **56.948** | **486.000** |
| | 1 Joint General Manager and 3 Central Managers | LTIP 2012 (4) | | | | | | 290.850 | |

**NOTES:**

1 The 2012 and 2013 BSCs and 2011-2013 LTIP (end of the first three-year period), as well as the 2012-2014 LTIP (potential target estimate) refer to the position of Chief Executive Officer for 50% and General Manager for 50%.

2 Other Key Management Personnel refers for 2013 to the 2 Joint General Managers and the 3 Central Managers, whereas in the tables regarding FY 2012 it referred exclusively to the 2 Vice General Managers in office.

3 The indicated amount will have to be invested by the beneficiaries in a variable percentage between 15% and 30%, in shares in Assicurazioni Generali. The beneficiaries will have the opportunity to accrue, at the end of the co-investment period (2014-2016), up to 2 free shares per each purchased share, provided that plan objectives have been achieved and subject to the terms and conditions of the plan.

4 The amount shown has not as yet accrued and thus is an estimate of the target incentive that might become payable at the end of the performance period (2012-2014), provided that plan objectives have been achieved and subject to the terms and conditions of the plan. The amount shown, which can be exceeded in the event of over-performance, where accrued, will have to be invested by the beneficiaries in a variable percentage between 15% and 30%, in shares of Assicurazioni Generali. The beneficiaries will have the opportunity to accrue, at the end of the co-investment period (2015-2017), up to 2 free shares for each purchased share, provided that plan objectives have been achieved and subject to the terms and conditions of the plan.

5 With reference to prior years bonuses, it should be recalled that the last deferred portion of bonus attributable to the former CEO, Mr. Girelli, in the amount of 98,564 euros, is still to be paid.

6 The other bonuses refer to personnel recruited during the year and refer to amounts paid within one year from recruitment.

With regards to variable remuneration based on the Balanced Scorecards (BSC) system, the individual deferred instalment will bear, upon payment, an 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%.

## FORM 7-*TER* – TABLE 1. SHARES HELD BY MEMBERS OF THE GOVERNING AND CONTROL BODIES AND GENERAL MANAGERS

| Surname and name | Office held | Investee Company | No. of shares owned at the end of the previous year | No. of shares purchased | No. of shares sold | No. of shares owned at the end of the current year |
|---|---|---|---|---|---|---|
| **Motta Piermario** | CEO and General Manager | Banca Generali | - | 5.000 | - | 5.000 |

## FORM 7-*TER* — TABLE 2. SHARES HELD BY OTHER KEY MANAGEMENT PERSONNEL

| No. of Key Management Personnel | Investee Company | No. of shares owned at the end of the previous year | No. of shares purchased (1) | No. of shares sold | No. of shares owned at the end of the current year |
|---|---|---|---|---|---|
| **5*** | Banca Generali | 8.181 | 46.500 | 43.970 | 10.711 |

2 Joint General Managers and 3 Central Managers

**NOTES:**

(1) The figure includes shares relating to the exercise of the stock option plan of 15/12/2006.

## ANNEX 1_F) BREAKDOWN OF AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATIONBY BUSINESS AREA

**A) CONTROL FUNCTIONS**

Banca Generali: Internal Audit Department, Risk Management Service, Corporate Governance and Company Risks Area and Resources Department

| Company | No. of beneficiaries | Remuneration | | |
|---|---|---|---|---|
| | | Fixed | Variable 2013 | Total |
| Banca Generali (*) | 12 | 882.878 | 353.069 | 1.235.947 |

(*) the following are included: i) the Head of the Corporate Governance and Risks Area, who until 30 April 2013 has held another role; ii) from 1 May: the Head of the Corporate Risks Department and Anti Money Laundering Service within the Corporate Governance and Risks Area; iii) for the pertinent portion, the two persons who during the year subsequently held the role of head of the Compliance and Network Control, within the Corporate Governance and Risks Area

**B) OPERATING/ADMINISTRATIVE FUNCTIONS**:

Banca Generali: Operations Department, Loans Department, Sales Department, Information Systems Organisation and Coordination Department, Marketin and Product Development Department, Business Development and Network Support Department, Finance Department, Administration Department, Planning & Control Department, Public Relations Department, Strategic Analysis and Financial Markets Service, Investor Relations Service, Financial Advisory Service.

| Company | No. of beneficiaries | Remuneration | | |
|---|---|---|---|---|
| | | Fixed | Variable 2013 | Total |
| Banca Generali (*) | 22 | 2.345.159 | 1.070.218 | 3.415.377 |

(*) the following were included: i) until 30 April 2013, the Head of Internal Regulations and Procedures Service, within the Organisation Department, who then assumed a different role; ii) the Head of the Bank Area, who until 30 April 2013 has held another role; iii) the Head of the CFO Area, who until 31 August 2013 has held another role; iv) from 1 July 2013 the Head of the Financial Advisory Service.

**C) RELATIONSHIP MANAGERS**

Sales personnel of the Private Division.

| Company | No. of beneficiaries | Remuneration | | |
|---|---|---|---|---|
| | | Fixed | Variable 2013 | Total |
| Banca Generali (*) | 65 | 4.859.628 | 1.484.580 | 6.344.208 |

(*) the figure also includes from 1 October 2013 the Head of the Private Division who replaced the person previously in charge, who from 1 September 2013 has held another role.

**D) ASSET MANAGERS**

Managers of the AM Division of Banca Generali and Generali Fund Management.

| Company | No. of beneficiaries | Remuneration | | |
|---|---|---|---|---|
| | | Fixed | Variable 2013 | Total |
| Banca Generali | 15 | 1.337.941 | 676.639 | 2.014.580 |
| GFM | 13 | 1.091.849 | 468.055 | 1.559.904 |

The "variable 2013" component refers to 2013 bonuses (BSC MBO) on an accrual basis

## ANNEX 1_G) BREAKDOWN OF AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION BY CATEGORY OF *"KEY PERSONNEL"*

**with indication of:**

**i)** Breakdown of remuneration for the year by fixed and variable component and number of beneficiaries;
**ii)** Breakdown of amounts and forms of the variable component of remuneration by cash, shares, share-based instruments and other types;
**iii)** Breakdown of amounts of deferred remuneration by attributed and currently not attributed portions;
**iv)** Amounts of deferred remuneration assigned during the year, paid and reduced through mechanisms of results adjustment;
**v)** New payments for recruitment benefits and termination indemnities paid in the year and number of beneficiaries;
**vi)** Amounts paid for termination indemnities accrued during the year, the number of beneficiaries and the highest amount paid to an individual person.

### A) KEY MANAGERS

Banca Generali: Chief Executive Officer: data refer to Piermario Motta. With reference to prior years bonuses, it should be recalled that the last deferred portion of bonus attributable to the former CEO, Mr. Girelli, in the amount of 98,564 euros, is still to be paid; Key Managers: General Manager, Joint General Manager (who has held the position of Vice Deputy General Manager until 30 April 2013); Joint General Manager of the Sales Area (who joined the company on 9 July 2013); Head of the Corporate Governance and Risks Area (who has been previously Head of the Legal and Compliance Department up until 30 April 2013); Head of the CFO Area (who has been Head of the Private Division up until 31 August 2013); Head of the

| Company | Personnel category | No. of beneficiaries | i) Remuneration | | | ii) Amounts and type of variable component * | | | | ii) Deferred remuneration (**) (*** | | iv) Deferred remuneration (***) (****) | | | v) Indemnities | | | | vi) For termination | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Fixed | Variable 2013 | Total | Cash | own | Share-based instruments | Other types | Authorised | Not authorised | Attributed | Paid | Reduced | At the beginning | No. of beneficiaries | At the end | No. of beneficiaries | Attributed | No. of beneficiaries | Highest amount |
| Banca Generali | CEO | 1 | 250.000 | 466.959 | 716.958 | 466.959 | - | - | - | 19.900 | 79.900 | 19.900 | - | - | - | - | - | - | - | - | - |
| Banca Generali | Key Managers | 6 | 1.734.862 | 1.759.085 | 3.493.946 | 1.759.085 | - | - | - | 209.435 | 327.034 | 209.435 | - | - | - | - | - | - | - | - | - |

With reference to the 2013-2015 LTIP, the assessment of the level of achievement of pre-set objectives and the satisfaction of access gates for the first year was the base for calculating the number of shares to be allocated for the year, respectively in the amount of 29,062 euros for the CEO and 27,754 euros for Key Managers The sum of the shares set aside during each of the three years of the cycle will be definitively attributed only at the end of the three-year period, following verification of the level of satisfaction of objectives in the third year.

### B) HEADS OF THE MAIN BUSINESS AREAS OR COMPANY FUNCTIONS, REPORTING DIRECTLY TO THE CHIEF EXECUTIVE OFFICER, THE GENERAL MANAGER AND THE JOINT GENERAL MANAGERS

Banca Generali: Head of the AM Division, Head of the Financial Planner Division (formerly Sales Departement up until 30 November 2013), from 7 October 2013 Head of the Private Division (up until 31 August 2013 the position had been held by the current Head of the CFO Area, included in point A), Head of the Resources Department, Head of the Marketing and Product Development Department, and Head of the Business Development and Network Support Department This category does not include the executives/managers in charge of Investor Relations, Public Relations, Strategic Planning and Strategic Analysis and Financial Markets whom have been found to exert only a reduced impact on the bank's risk profile.
For the other companies of the Banca Generali Group: General Manager of GFM.

| Company | No. of beneficiaries | i) Remuneration | | | ii) Amounts and type of variable component * | | | | ii) Deferred remuneration (**) (*** | | iv) Deferred remuneration (***) (****) | | | v) Indemnities | | | | vi) For termination | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Fixed | Variable 2013 | Total | Cash | own | Share-based instruments | Other types | Authorised | Not authorised | Attributed | Paid | Reduced | At the beginning | No. of beneficiaries | At the end | No. of beneficiaries | Attributed | No. of beneficiaries | Highest amount |
| Banca Generali | 6 | 646.333 | 564.891 | 1.211.224 | 564.891 | - | - | - | 69.958 | 133.721 | 69.958 | - | - | - | - | - | - | - | - | - |
| GFM | 1 | 193.004 | 100.000 | 293.004 | 100.000 | - | - | - | 39.357 | 59.950 | 39.357 | - | - | - | - | - | - | - | - | - |

### C) MANAGERS AND UPPER-LEVEL MIDDLE EXECUTIVES IN CHARGE OF CONTROL FUNCTIONS

Banca Generali: Head of the Internal Audit Department, Head of Risk Management, Head of Compliance (a position held in different times by two different resources) and from 1 May 2013: Head of the Corporate Risks Department and of the Anti-money Laundering function

| Company | No. of beneficiaries | i) Remuneration | | | ii) Amounts and type of variable component * | | | | ii) Deferred remuneration (**) (*** | | iv) Deferred remuneration (***) (****) | | | v) Indemnities | | | | vi) For termination | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Fixed | Variable 2013 | Total | Cash | own | Share-based instruments | Other types | Authorised | Not authorised | Attributed | Paid | Reduced | At the beginning | No. of beneficiaries | At the end | No. of beneficiaries | Attributed | No. of beneficiaries | Highest amount |
| Banca Generali | 6 | 354.952 | 117.644 | 472.596 | 117.644 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

### D) OTHER RISK TAKERS

Banca Generali: the executives and managers (other than those specified above) who sit on Banca Generali's Loan Committee and Risk Committee (the Heads of the Administrative Department, the Information Systems Organisation and Coordination Department, the Finance Department, the Lending Department), as well as other managers in charge of important business lines (the Head of the Relationship Manager Department within the Private Division). Other risk takers do not, however, include employees vested with limited delegated operating powers in respect of loans and finance, given not only the low-levels of their decision-making autonomy, which is subject to pre-established ceilings, but also their answerability to their direct managers who qualify as "Key Personnel" in one of the foregoing categories. With reference to prior years bonuses, it should be recalled that the last deferred portion of the bonus attributable to the manager who up until 31 August 2012 has held the position of Chairman of BG SGR, Mr. Costanzo, in the amount of 38,790 euros is still to be paid.

| Company | No. of beneficiaries | i) Remuneration | | | ii) Amounts and type of variable component (*) | | | | ii) Deferred remuneration (**) (*** | | iv) Deferred remuneration (***) (****) | | | v) Indemnities | | | | vi) For termination | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Fixed | Variable 2013 | Total | Cash | own | Share-based instruments | Other types | Authorised | Not authorised | Attributed | Paid | Reduced | At the beginning | No. of beneficiaries | At the end | No. of beneficiaries | Attributed | No. of beneficiaries | Highest amount |
| Banca Generali | 5 | 722.723 | 272.313 | 995.035 | 272.313 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

### E) MAIN MANAGERS OPERATING IN THE BANK'S DISTRIBUTION NETWORKS

Banca Generali: 2 Sales Managers Italy, 7 Area Managers of the Financial Planner Division and 8 Private Banking Managers of the Private Banking Division

| Company | No. of beneficiaries | i) Remuneration | | | ii) Amounts and type of variable component (*) | | | | ii) Deferred remuneration (**) (*** | | iv) Deferred remuneration (***) (****) | | | v) Indemnities | | | | vi) For termination | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Fixed | Variable 2013 | Total | Cash | own | Share-based instruments | Other types | Authorised | Not authorised | Attributed | Paid | Reduced | At the beginning | No. of beneficiaries | At the end | No. of beneficiaries | Attributed | No. of beneficiaries | Highest amount |
| Banca Generali | 17 | 6.951.356 | 5.000.284 | 11.951.640 | 4.977.489 | 22.795 | - | - | 872.268 | 1.888.806 | 872.268 | - | - | - | - | - | - | - | - | - |

***)** For 2013, the variable component is made up of MBO mechanisms applied using the Balanced Scorecard (BSC) method, the deferment mechanism where applicable, and the 2011-2013 instalments of the Long Term Incentive Plan (closing of the first three-year period).
****)** 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%.
*****)** Deferred instalment of the variable remuneration accrued in 2011 and 2012, for which the attainment of the access gate has been verified and which will be paid in 2014.
******)** The portions included in the same item in the tables relating to the previous year have been duly paid in 2013, in accordance with the contractually agreed terms.

## Compliance Function’s Review of the 2014 Remuneration Policies for Compliance with Applicable Regulations

Foreword

The Provisions on Remuneration and Incentivisation Policies within Banks and Banking Groups (Bank of Italy Order of March 2011), as well as proposed amendments to the same subjected by the Bank of Italy to public consultation in December 2013 and aimed at transposing into the Italian regulatory framework the reforms introduced through Directive 2013/36/EU (CRD 4), require the compliance function to assess the compliance of remuneration policies with the applicable legal framework, before they are implemented. In accordance with the above Regulations, the compliance function's review includes ensuring that the company incentive system is consistent with the compliance objectives provided for by the law, the Articles of Association and any codes of ethics or other standards of conduct applicable to the bank, so as to ensure that any legal and reputational risks — and particularly those inherent in relationships with customers — are appropriately contained.

On the basis of the foregoing, the compliance function, when defining the remuneration policies for 2014, conducted a preliminary review of the consistency of such policies with the aforementioned Bank of Italy Instructions and internal and external regulations on the subject. In this context, care was taken to assess the extent to which the said policies would continue to comply with the reforms to be introduced upon conclusion of the aforesaid public consultation.

The assessment of the compliance function has also taken into account the provisions of Article 84-*quater* of the regulation implementing Legislative Decree No. 58 of 24 February 1998 (the Finance Consolidation Law) concerning rules for issuers, as amended by CONSOB Resolution No. 18049 of 23 December 2011. This takes into consideration the fact that the proposed remuneration policies are intended to ensure comprehensive compliance with the provisions governing remuneration policies of the banking sector (Bank of Italy’s Instructions) and the regulation governing rules for issuers (CONSOB Resolution No. 18049).

In undertaking this assessment, due account was taken of the fact that, to complete the new regulatory framework soon to enter into force, in December 2013, the Bank of Italy also subjected to public consultation proposed amendments to the Supervisory Provisions on the Corporate Governance and Organisation of Banks (March 2008). Amongst other things, under the aforesaid proposed amendments, the category of “large banks with complex operations" is to include also listed banks. This change, considered in light of the amended version of the Provisions on Remuneration and Incentivisation Policies, would deprive Banca Generali of the option of applying the principle of proportionality, and would accordingly subject it to the more stringent regulations imposed on large banks. In light of the delay in the publication of the final document, for the intents and purposes of this compliance assessment, account has been taken of the aforesaid change to the extent to which the Bank's remuneration policies already make provision for adjustments to accommodate the proposed amendments, if and when they are approved and enter into force.

<u>Situation identified</u>

From a general standpoint, and taking due account of the considerations set forth above, it must be pointed out that the Bank's remuneration and incentivisation policies are designed to ensure that:

- a balance is reached between the fixed and variable components of remuneration, while also taking account of the position filled. In this regard, in the event the consultation documents are finalised without further changes and become binding also with regard to contracts already underway, provision has been made for the implementation of specific mechanisms designed to ensure compliance both with the limit of 1:1 on the ratio between the variable and fixed components of remuneration, and to the extent the law allows, the higher limit of 2:1;
- there is an ongoing self-assessment process aimed at identifying the company's "Key Personnel," to whom the more detailed provisions of the Bank of Italy Instructions apply, in compliance with the above-mentioned principle of proportionality. For the intents and purposes of identifying the aforesaid persons, account was taken of the Regulatory Technical Standards issued by the European Banking Authority and approved by the European Commission, although they are not yet in force pending approval by the European Parliament;
- bonus entitlement is tied not only to the actual results achieved, but also, for the parties identified in the remuneration policy, the respect for applicable regulations, the satisfaction of an access gate for the Banking Group with the aim of (i) basing variable remuneration on long-term performance indicators, and (ii) taking account of current and prospective risks, the cost of capital and the liquidity required to undertake the business engaged in within the Banking Group;

- rules are defined for deferring the disbursal of variable remuneration until a pre-determined bonus threshold has been met;
- in accordance with the principle of proportionality, it is established that a portion of variable remuneration be paid in shares;
- malus and claw-back mechanisms based on criteria of propriety are established;
- the remuneration of the distribution network is also inspired by criteria of propriety in relationships with customers and containing legal and reputational risks through the use of specific, formally stated, quantifiable and verifiable rules.

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

- shows a suitable balance between qualitative and quantitative objectives;
- with reference to the activity of the distribution network, promotes a customer-oriented approach that places the customer's interests and satisfaction of the customer's needs at the centre of the system;
- does not call for incentives for the distribution of individual products or products of the Group. Incentive-generating targets for Financial Advisors refer exclusively to the gathering of inflows from products and services 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;
- does not envisage the assignment of financial objectives for corporate control functions.

<u>Conclusions</u>

In light of the above, as well as of the progress achieved so far in the transposition into the Italian regulatory framework of the Provisions contained in CRD 4, and taking due account of the principle of proportionality, the Banking Group's remuneration and incentivisation policies have been found to be not only appropriate and coherent with the applicable requirements, whether imposed under the legal framework of reference or through voluntary self-regulation, but also well-suited for adaptation to the proposed reforms, if and when the same enter into force as formulated to date and become binding.

Trieste, 28 March 2014 Compliance Service

INTERNAL AUDIT

AUDIT REPORT

# EXECUTIVE SUMMARY

<table>
<tr><td>COMPANY</td><td colspan="2">BANCA GENERALI</td></tr>
<tr><td>PROCESS</td><td colspan="2">REMUNERATION POLICIES</td></tr>
<tr><td>PROCESS OWNER</td><td colspan="2">Resources Department<br>Planning and Control Department<br>Sales Planning and Control Service<br>Compliance Service<br>Risk Management Service</td></tr>
<tr><td>SUBJECT OF INQUIRY</td><td colspan="2">Review of the compliance of the remuneration practices with applicable regulations and the policies approved by the General Shareholders’ Meeting</td></tr>
<tr><td rowspan="4">OPINION</td><td colspan="2">TYPE OF RISKS: Compliance, Strategic, Operating</td></tr>
<tr><td rowspan="2">AUDIT SYSTEM</td><td>DESIGN: 5 - Satisfactory</td></tr>
<tr><td>FUNCTIONING: 5 - Satisfactory</td></tr>
<tr><td colspan="2">RISK MANAGEMENT SYSTEM: 5 - Satisfactory</td></tr>
<tr><td>AUDIT TEAM</td><td colspan="2">F. Barraco, L. Alemanno</td></tr>
<tr><td>DATE</td><td colspan="2">27 March 2014</td></tr>
</table>

## Foreword

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

## Purpose of the audit

the Internal Audit function verifies, *inter alia*, at least once a year, the compatibility of remuneration practices with approved policies and applicable regulations. The results of the audit are submitted to the General Shareholders' Meeting on an annual basis.

## Methodology

The methodology followed in analysing and assessing the procedures followed in discharging tasks related to the remuneration process is based on auditing best practices, International Standards for the professional practice of Internal Auditing, and the oversight framework outlined in the Supervisory Model adopted. The audit involves a scale of 5 levels of evaluation of the Control System and the Risk Management System. The strategic, operating and compliance risk management system was analysed together with the system designed to monitor operational correctness, transparency, clarity of information, propriety and correctness of transactions and traceability of checks and decision-making processes.

The audit entailed a preliminary assessment phase involving interviews with the main functions involved in the process. At a later stage, documentary evidence was acquired in respect of an appropriate sampling of Balanced Scorecards, with a view to adequately separate the various phases of data collection, analysis and control. The results were reported to the internal structures involved in the process.

## Outcome

The outcome of the audit revealed that remuneration practices are compliant with applicable regulations and the remuneration policies approved by the General Shareholders' Meeting on 24 April 2013. The structure of the risk management system with regard to the process was found to be more than adequate, quite like the operating procedures followed by control and oversight functions.

The Bank's remuneration policy was found to be in line with the regulatory framework and is subject to constant updating to ensure compliance with changing statutory and supervisory requirements, including the reforms to be introduced in the near future, where necessary, with the assistance and advice of leading consulting firms. Moreover, with regard to the overall activities undertaken in respect of the remuneration process:

- the weighting mechanisms and other tools used to determine overall remuneration (inclusive of both fixed and variable components) were found to fall within established parameters;
- balance between the fixed and variable components has been observed. It bears emphasising that there is a minimum threshold for access to a bonus, below which the mechanism completely excludes payment of the variable component;
- the variable component of remuneration has been subjected not only to a deferment mechanism, but also to malus, claw-back and penalty clauses in the event specific risks were to emerge. With regard to these latter aspects, it must be pointed out that within the framework of identifying and determining the remuneration disbursed, focus was specifically placed on compliance by all beneficiaries with Internal Code of Conduct;
- the corporate functions involved in the process evinced a satisfactory level of integration and understanding of their tasks;
- individual Balanced Scorecards ensure the transparency of information by providing a detailed record of individual targets, complete with a full and precise description of the same, notes and comments, if any, the calculation criteria applicable, person carrying out the control and the oversight structure.

Internal Audit

## Remuneration and Nomination Committee's Report on Work Relating to the Remuneration Policy

Banca Generali's **Remuneration and Nomination** Committee, during the meetings held since the year-start, has performed the tasks it was assigned by the Rules governing the activities of the said Committee.

In detail, with reference to the process for defining and implementing the remuneration policies, the Remuneration and Nomination Committee (i) participated in the process of reviewing the proper application of remuneration policies in 2013 adopted by the company for its directors, employees and outside collaborators other than company employees, (ii) provided consulting support to the Board of Directors for the determination of the remuneration of company officers and criteria for the remuneration of other employees; (iii) expressed its opinion concerning the determination of the criteria for the remuneration of professional figures capable of affecting the risk profile of the Bank and the heads of internal control functions; (iv) provided consulting support for assigning the Long Term Incentive Plan in accordance with the provisions set forth by the remuneration policies approved; (v) verified the involvement of the competent company functions in the process of preparing and controlling remuneration policies and practices; (vi) expressed an opinion, on the basis of the information received from the competent company functions, on the achievement of the performance objectives to which incentive plans for key managers are tied and on the review of the other conditions established for the disbursal of remuneration; and (vii) reviewed the report on the application of approved remuneration policies in 2013.

The **Remuneration and Nomination Committee** also reviewed: (i) the self-assessment process, aimed at identifying Key Personnel, as defined by supervisory regulations, carried out taking into account the principles set forth in the regulatory technical standards of the European Banking Authority soon to be adopted; and (ii) the proposal for remuneration policies for 2014, which it found to be a) consistent, including with respect to the application of the principle of proportionality, with both the relevant Bank of Italy Instructions and CONSOB regulations in force, and b) taking due account of the progress achieved so far in transposing into the Italian regulatory framework the provisions set forth in Directive 2013/36/EU (so-called CRD 4), potentially well-suited for adaptation to accommodate even the proposed organisational reforms, as formulated to date.

In accordance with the orientation of applicable supervisory regulations, the Committee believes that the policies proposed seek to achieve the greatest possible alignment between the interest of the Banking Group's shareholders and management, including from a long-term perspective, through attentive management of company risks.

Milan, 1 April 2014 REMUNERATION AND NOMINATION COMMITTEE