Additional information

43 Disclosure regarding the deferred application of IFRS 9 “Financial Instruments”

The Group adopted the temporary exemption from the application of IFRS 9, as provided for in the amendment to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”. The Group qualifies for temporary exemption from application of IFRS 9. In fact, the carrying amount of liabilities for insurance operations (€ 443 billion) is higher than 90% of the carrying amount of total liabilities (€ 476 billion) as of 31 December 2015 (application period required by the principle. Specifically, the liabilities related to insurance operations not included in the scope of IFRS 4 are listed below:

- non-derivative liabilities linked to investment contracts measured at fair value through profit and loss, for which IAS 39 applies (€ 22 billion);
- subordinated liabilities that qualify as own funds pursuant to the Solvency II regulations (€ 9 billion);
- liabilities arising from defined benefit plans of Group companies operating in the Life and P&C segments (€ 4 billion);
- tax liabilities related to insurance operations (€ 4 billion).

The other liabilities, not related to insurance operations, consist mainly of liabilities to banks and bank customers.

The information required by the amendment to IFRS 4 for financial instruments as at 31 December 2018 is provided below.

Change in the fair value of financial instruments included in the scope of application of IFRS 9 with the details of financial instruments that give rise to specific dates for cash flows that consist exclusively of payment of principal and interest.

Change in fair value of financial instruments in scope of IFRS 9

31/12/2018	31/12/2018	Change in the fair value since 31 December 2017
Financial assets managed on fair value basis and held for trading*	**77,459**	**-**
Equities	87	-
Investment funds	8,457	-
Derivatives	1,261	-
Investments back to policies where the risk is borne by the policyholders and pension funds**	63,749	-
Other financial instruments managed on fair value basis	3,905	-
Available for sale financial assets (AFS), held to maturity and loans and receivables***	**339,848**	**-11,134**
Financial assets that give rise on specified dates to cash flows that are solely payments of principal and interest	297,588	-8,199
Bonds	277,472	-8,283
Loans and other debt instruments	18,400	84
Receivables from banks and customers	1,648	0
Other investments	69	0
Financial assets that do not give rise on specified dates to cash flows that are solely payments of principal and interest****	42,260	-2,935
Equities	10,379	-1,722
Investment funds	22,830	-921
Bonds	8,705	-284
Loans and other debt instruments	295	-8
Receivables from banks and customers	49	0
Other financial instruments that do not give rise on specified dates to cash flows that are solely payments of principal and interest	1	0

*,** The fair value change of financial assets measured at fair value through profit or loss is provided in the relative section in the notes.

*** Policy loans and leashold assets are excluded from the scope of SPPI test because in the scope respectively of insurance contracts and leases

**** These assets would be measured as at fair value through profit or loss if IFRS 9 was applied.

The following disclosure is provided on the credit risk of the financial instruments that give rise to specific dates for cash flows consisting exclusively of principal and interest payments; specifically, the carrying amount in accordance with IAS 39 for rating classes of financial instruments that give rise to specific dates for cash flows consisting of exclusively of payment of principal and interest.

Carrying amount by risk rating grade of bonds that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

(€ million)	Carrying amount* (IAS 39)
AAA	24,111
AA	74,599
A	67,643
BBB	118,140
Non investment grade	6,181
Not Rated	4,228
Total	**294,903**

In addition to the bonds presented in the table above, financial assets that envisage cash flows represented solely by principal and interest payments also include mortgages and other loans, term deposits, repurchase agreements (reverse REPO) and receivables from banks and bank customers.

The loan portfolio consists mainly of mortgages with low credit risk (analogous to investment grade); largely guaranteed by collateral, mainly real estate, and primarily managed by Group banks. Furthermore, the credit risk management process includes a careful assessment of the customer's credit rating, whether an individual or corporation.

The counterparty for term deposits is generally assessed by using the highest available rating, where possible, and considering minimum rating requirements, in particular, BBB for Group companies in countries classified as "investment grade", or similar to the sovereign debt rating in countries that have a rating below investment grade.

Repurchase agreements are mainly with bank counterparties with high credit ratings.

The carrying amount of bonds that do not have low credit risk, considered as exposure with a rating lower than investment grade, is € 10,409 mln.

Application of IFRS 9 by Group companies for their separate financial statements

There are no material associated companies or joint ventures that apply IFRS 9.

The main Subsidiaries that have applied IFRS 9 are banking, investment management and asset management companies. Information on their investments and the procedures for applying IFRS 9 are included in their published financial statements.

44 Information on employees

Employees

	31/12/2018	31/12/2017
Managers	1,902	1,816
Employees	52,516	52,339
Sales attendant	16,154	16,958
Others	162	214
Total	**70,734**	**71,327**

The number of employees decreased mainly due to specific reorganization projects in the main countries in which the Group operates and due to disposal of some Group companies during the year (Colombia, Ireland, Netherlands and Panama).

45 Provisions for defined benefit plans

The pension benefits of Generali Group's employees are mainly in the form of defined benefit plans and defined contribution plans.

As for defined benefit plans, participants are granted a defined pension benefits either by the employers or via external entities.

The main defined benefits plans are concentrated in Germany, Austria and Switzerland, while in Italy the provision for Trattamento di fine rapporto (employee severance pay) matured until 1st January 2007 is included in the provisions for defined benefit plan for € 97 million.

The table below shows the movements in the defined benefit plans liability which occurred during the financial year, net of assets legally separate and held solely to pay or fund employee benefits:

Net defined benefit plans liabilities: movements

(€ million)	31/12/2018	31/12/2017
Net liability as at 31 December previous year	**4,001**	**4,298**
Foreign currency translation effects	3	-12
Net expense recognised in the income statement	155	130
Re-measurements recognised in Other Comprehensive Income	-124	-71
Contributions and benefits paid	-185	-171
Changes in consolidation scope and other changes	-128	-172
Net liability as at 31 December current year	**3,722**	**4,001**

The item "Change in consolidation scope and other changes" mainly reflects the classification of the operations in Belgium and related to Generlai Leben as "disposal groups classified as held for sale", in application of IFRS 5.

Part of the Group's defined benefit plans have assets that are designated, but not legally segregated, to meet the pension defined benefit obligations. These are investments backing insurance provisions or policies issued by Generali Group companies, or other investments owned by the Group entities. Consequently, in accordance with IAS 19, these investments are not recognised as plan assets and so cannot be deducted from the defined benefit obligations. However, to assess the net liability for defined benefit plans, these assets should have been netted against the present value of the related pension obligations.

In Germany and Austria, where is allocated approximately 90% of the present net value of defined benefit obligations, the pension guarantee associations, for yearly contributions to be paid by the companies, are liable for the fulfilment of the pension commitments granted in case of company insolvency.

The net defined benefit plans expense of the year recognised in the profit or loss account is represented as follows:

Net defined benefit plans expenses recognised in profit or loss (*)

(€ million)	31/12/2018	31/12/2017
Current service cost	92	83
Net interest	63	66
Past service cost	1	-25
Losses (gains) on settlements	-0	-0
Net expense recognised in the income statement	**155**	**124**

(*) Comparative figures are presented on homogeneous scope, excluding contribution from activities classified as held for sale

The re-measurement of liabilities related to defined benefit plans and plan assets, recognised in Other comprehensive income are detailed as follows:

Re-measurements recognised in Other Comprehensive Income (*)

(€ million)	31/12/2018	31/12/2017
Actuarial gains (losses) from change in financial assumptions	150	-0
Actuarial gains (losses) from change in demographical assumptions	-53	-6
Actuarial gains (losses) from experience	22	41
Return on plan assets (other than interest)	5	36
Re-measurements recognised in Other Comprehensive Income	**124**	**71**

(*) Comparative figures are presented on homogeneous scope, excluding contribution from activities classified as held for sale

The increase in the reference rates at the end of the year, in application of IAS 19 for the determination of the discount rate applicable to the valuation of these liabilities, leads to greater actuarial gains compared to the previous year.

The amounts reported are gross of deferred taxes and deferred policyholders liabilities, where applicable.

The table below shows the movements in the defined benefit obligation during the financial year and the current value of the plan assets:

Present value of defined benefit obligation: movements

(€ million)	31/12/2018	31/12/2017
Defined benefit obligation as at 31 December previous year	**5,116**	**5,313**
Foreign currency translation effects	24	-65
Current Service cost	92	87
Past service cost	1	-25
Interest expense	76	81
Actuarial losses (gains)	-119	-35
Losses (gains) on settlements	-0	-0
Contribution by plan participants	10	9
Benefits paid	-221	-201
Changes in consolidation scope and other variation	-170	-48
Defined benefit obligation as at 31 December current year	**4,808**	**5,116**

The item "Change in consolidation scope and other changes" mainly reflects the above commented changes due to the operations in Belgium and related to Generali Leben classified as "disposal groups classified as held for sale" and defined benefit obligations of the pension plan, reclassified within the defined benefit plan liabilities.

Current value of plan assets: movements

(€ million)	31/12/2018	31/12/2017
Defined benefit obligation as at 31 December previous year	**1,116**	**1,015**
Foreign currency translation effects	21	-53
Interest income	13	14
Return on plan assets (other than interest)	5	36
Gains (losses) on settlements	0	0
Employer contribution	24	25
Contribution by plan participants	10	9
Benefits paid	-60	-55
Changes in consolidation scope and other changes	-42	123
Fair value of plan assets as at 31 December	**1,086**	**1,116**

The item "Change in consolidation scope and other changes" mainly reflects the reclassification of assets backing the defined benefit liabilities of a pension plan reclassified from defined contribution liability, as described above.

The defined benefit plans' weighted-average asset allocation by asset category is as follows:

Defined benefit plans: asset allocation

(%)	31/12/2018	31/12/2017
Bonds	44.4	46.4
Equities	15.5	15.8
Real estate	13.3	12.5
Investment fund units	11.3	11.5
Insurance policies issued by non Group insurers	1.6	2.8
Other investments	13.9	10.9
Total	**100.0**	**100.0**

The assumptions used in the actuarial calculation of the defined benefit obligations and the related periodic pension cost are based on the best estimates of each companies granting defined benefit plans. The main weighted-average hypotheses considered for the value definition of defined benefits plans obligations are summarized in the following table, for the main operating areas:

Assumptions for actuarial calculation of defined benefit plans

(%)	Eurozone		Switzerland		United Kingdom	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Discount rate for evaluation at reporting date	1.9	1.7	0.8	0.6	2.8	2.4
Rate of salary increase	2.8	2.8	1.3	1.3	n.a.	n.a.
Rate of pension increase	2.0	2.0	0.0	0.0	3.1	3.1

The average duration of the obligation for defined benefit plans is 15 years as at 31 December 2018 (15 years at 31 December 2017).

A sensitivity analysis was carried out showing how the defined benefit obligation would have been affected by changes in the discount rate and the most relevant actuarial assumptions on these liabilities:

Defined benefit plans: sensitivity

(€ million) Assumptions	Discount rate for evaluation at reporting date		Rate of salary increase		Rate of pension increase
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase
Impact on defined benefit obligation	-296	327	33	-34	225

To provide an indication of the effect of the defined benefit plans on the future cash flows of the Group, the future expected payments, divided by bands of maturity, are presented below:

Defined benefit plans: expected payments

(€ million)	31/12/2018	31/12/2017
Within the next 12 months	221	238
Between 2 and 5 years	899	954
Between 5 and 10 years	1,159	1,225
Beyond 10 years	4,656	5,083
Total	**6,935**	**7,500**

46 Share-based compensation plans

At 31 December 2018 different incentive plans based on equity instruments granted by the Parent Company and other Group companies are outstanding.

46.1 Share-based compensation plans granted by the Parent Company

Long-Term Incentives (LTI) represent the long-term variable remuneration of Generali which takes the form of multi-year plans, approved from time to time by the competent bodies and may be addressed to directors, managers with strategic responsibilities and other Generali employees; they may be based on cash disbursements or financial instruments.

Generali Group adopted multi-year plans, based on one cycle of three years. Once the cycle reaches its conclusion, participants may be granted a certain number of free shares, again assuming certain targets have been achieved, subject to specific holding/lock up periods.

The plan LTI 2015 has fully accrued its relevant cost component in the first half of the year, coming to a close with the equity instruments assignment upon verification of the Group's performance levels in terms of ROE and relative TSR, as well as threshold levels required in terms of Return on Risk Capital.

The LTI plans 2016 and 2017, currently in progress, may result in shares' granting respectively in 2019 and 2020, subject to the Group performance level (determined by the comparison of ranges of ROE and relative TSR) and the overcoming of the minimum level, where requested, in terms of Economic Solvency ratio.

As far as the lock-up constraint, 50% of the shares are immediately available, the remaining 50% is subject to a two year lock-up period.

Further details are given in the information reports approved at the time by the Shareholders' Meeting and published on the Generali Group website, as well as in the Remuneration Report annually published.

With a structure similar to the last year, a new long-term incentive plan based on Assicurazioni Generali shares – Group Long Term Incentive (LTI) 2018 - has been submitted for the approval of the Shareholders' Meeting.

In line with market practices and investor expectations, shares are assigned and available to beneficiaries over a total time frame of 6 years, subject to the achievement of Group's performance conditions (Return on Equity – ROE - and relative Total Shareholders Return - rTSR) and the achievement of a minimum level of Regulatory Solvency Ratio, as detailed below.

The Plan is based on the following key aspects:
- the incentive connected with the achievement of the targets is paid through the grant of Assicurazioni Generali S.p.A. ordinary shares;
- the right to receive the shares is subject to an entry threshold, defined annually by the Board of Directors and which represents a condition precedent;
- the targets to which payment of the incentive is subject are Group financial ones and are defined at the beginning of the three-year performance period.

In detail, the maximum number of shares that can be assigned is determined at the start of the plan. The maximum potential bonus to be disbursed in shares equals to 175% of the gross fixed remuneration of the plan participants (or a different percentage considered the role of the related beneficiaries); therefore, the maximum number of shares that can be assigned is the result of the ratio of the maximum bonus and the share value, with the latter calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Holding Company and the consolidated financial statements for the year previous to the year of Plan start.

The maximum number of shares that can potentially be assigned to participants at the end of the three years is divided up into three tranches; the first tranche is for 30% of the maximum number of shares to be possibly assigned, the second is for a further 30% and the remaining 40% represents the third tranche, each tranche being subject to certain specific targets as described below.

Once the level of the Regulatory Solvency ratio has been reached, the achievement of the Group's financial targets, represented by the ROE and the relative TSR, compared with the peers part of the STOXX Euro Insurance index, is verified on a yearly and overall three-year cycle basis.

The performance level, expressed as a percentage, is determined by a calculation methodology, based on two independent baskets respectively for the achievement of the ROE and the relative TSR. The final results in each basket, with a 50% weight on the bonus assignable, shall be calculated using a linear interpolation approach. The maximum performance level is 175% overall (or a different percentage considered the role of the related beneficiaries).

During each year of the plan and at the end of the three years, the Board of Directors evaluates the degree to which the Regulatory Solvency Ratio has been achieved as compared with the limit set as 120%, or alternative percentage as may be chosen from time to time by the Board of Directors. On the basis of this evaluation, the number of shares to be accrued annually or definitively granted may be reduced or even zeroed by the Board of Directors if the Regulatory Solvency Ratio should fall below the threshold established.

In any case, no incentive will be paid in the event of a significant worsening of the capital and financial situation of the Company. Any amount disbursed will be subject to claw-back if the performance considered should later be found to be non-lasting or ineffective as a result of wilful misconduct or gross negligence.

Individual tranches of shares are only granted at the end of the performance period and, therefore, at the end of the three years, after verifying the degree to which the targets have been achieved in the third year (i.e. assessment by the Board of Directors on the actual achievement of the targets set, considered both on an annual and overall 3-year basis) and as long as there continues to be an employment/ director relationship in place with the Company or with other companies of the Group as at the grant date. Consequently, save for extraordinary situations as specifically envisaged by the plan rules, and unless otherwise decided by the delegated bodies, any case of termination of the employment/director relationship automatically entails forfeiture of the right to be granted shares.

As regards the holding period, in line with investors requests. at the grant date, 50% of the shares are immediately available (to allow the participants to pay the tax charges connected with the grant), the remaining 50% is subject to a two year lock-up period; subject to the requirement for the directors that participate the plan to maintain a suitable number of shares assigned until term of the office in course at the expiry of the lock-up.

In line with the LTI plans 2015 and 2016, a dividend equivalent mechanism has been introduced on the basis of the dividends distributed during the three-year performance period. In particular, should the shareholders' meeting resolve upon the distribution of dividends in favour of the shareholders during the three-year reference period, at the expiry of such three-year reference period, an additional number of shares determined in relation to the overall dividends distributed during the three-year reference period will be assigned in favour of the beneficiaries. The additional number of shares thus determined shall be assigned simultaneously and in relation with the other shares assigned in favour of each beneficiary, subject to the same restrictions (holding period) mentioned above and determined considering the shares' value at the assignment of the plan, to be calculated as the average price of the share in the three months prior to the meeting of the Board of Directors called to resolve on the draft statutory financial statements of the Parent Company and the consolidated financial statements for the year previous to the year of the Plan start.

The maximum number of shares that can be granted is 11,500,000, accounting for 0.74% of the current share capital.

For additional information related to incentive plans refer to the 2018 Remuneration Report.

In line with the previous plans, the 2018 LTI plan can be treated as an equity-settled share-based payment falling under IFRS 2 scope, which provides a grant date measurement model seeking to capture the value of the contingent right to shares promised at grant date, to the extent that that promises becomes an entitlement of the counterparty, rather than the value of any shares finally delivered.

The condition related to rTSR configures as a market condition, other conditions mentioned above are considered whether as performance or as service condition.

The fair value of the right to receive free shares related to the market condition is estimated at grant date using statistic model which estimates the statistically probable positioning of Group TSR respect to peer group identified in the STOXX Euro Insurance Index.

As regards 2014 plans, the performance level to be assessed was determined by the cross-comparison of ranges of ROE and relative TSR; for each tranche was calculated a fair value for each of the possible RoE intervals according to the reference matrix for the cross-comparison of ranges of ROE and relative TSR.

In order to assess the cumulative cost of the individual plans, for each tranche, the fair value related to the most probable RoE outcome was multiplied by the number of shares that can be assigned based on satisfaction of the vesting conditions. This cost has been allocated over a period of maturity of 3 years (vesting period), with a corresponding increase in equity.

In line with the calculation method applied from 2015, described above and based on an independent assessment of the levels of achievement on the Group's financial indicators, the cost of the plans 2016, 2017 and 2018 was determined by separating the component connected to the relative TSR to the one linked to the ROE.

The evaluation of the bonus right linked to market condition is made by multiplying the fair value of assignable shares (equal to the market price at grant date) with the determined pay-out by applying the linear interpolation of the probable position of rTSR estimated using a statistical model. The linear interpolation method is applied to a range between the maximum pay-out, recognized in the case of the TSR positioning at the first place, and a pay-out zero in the case where the TSR is in the last position with respect to selected peer or has a negative value.

For each tranche of the LTI plan 2018, the table below shows the fair value at the grant date of the bonus right related to the performance level in terms of rTSR:

(%)	Tranche 2018	Tranche 2019	Tranche 2020
Fair value bonus related to market condition	6.47	6.34	6.50

The related cost on overall plan is resulted from the multiplication, weighted for each tranche, of the above mentioned fair value with the number of rights related to the market condition, to be assigned based on the satisfaction of the vesting condition.

A similar calculation was applied to the bonus portion linked to the ROE, identifying the pay-out through the linear interpolation applied to the level of RoE considered most probable. The range applied to the linear interpolation is included between the maximum pay-out, granted in case of a level of RoE equal to or greater than 13%, and a pay-out equal to 0 in case of a level of RoE equal to or lower than 11%.

Finally, the cost related to the recognition of dividends paid during the three-year period (so called dividend equivalent) was estimated by applying an estimated dividend to the expected number of shares to be assigned under the plan, based on the degree of achievement assessed as above described.

The overall cost of the LTI plans 2016, 2017 and 2018, sum of the three components above mentioned, is allocated over a period of maturity of 3 years (vesting period) starting from the first financial year on which the performance levels are assessed, with a corresponding increase in equity.

In addition, last year, during Shareholders' Meeting has been approved a special Stock Plan for the Managing Director / Group CEO.

The Plan involves the free award of a maximum of n. 200.000 ordinary Assicurazioni Generali shares, subject to the following conditions being met:
- the Managing Director/Group CEO continuing to hold his existing n. 200.000 Assicurazioni Generali shares, acquired with his own means, until the end of his current term in office;
- achieving a specific three-year Total Shareholders Return (TSR) target of +72.8%, calculated over the period from July 2016 to July 2019;
- maintaining Economic Solvency Ratio thresholds at 130% or different percentage defined later by the Board of directors
- maintaining the position as Managing Director/Group CEO until the end of the current term (therefore losing all rights in the event of termination of the working relationship for any reason before the end of this term).

Furthermore, the Plan calls for the award of additional shares, determined on the basis of the amount of the overall dividends distributed during the reference period, according to a dividend equivalent mechanism.

The Plan also obligates the Managing Director/Group CEO to retain 50% of the shares awarded to him for free for at least two years, as well as other standard sustainability clauses (e.g. malus, clawback, hedging restrictions) to protect financial solidity and the Group's non-excessive exposure to risk.

The condition related to TSR configures as a market condition, other conditions mentioned above are considered as service condition.

The estimated fair value of the bonus right subject to the performance in terms of TRS was calculated by multiplying the share price at the Plan's approval grant date with the pay-out given linearly interpolating the probable TSR, estimated by applying a statistical model for the possible evolution of the share price in the three years considered.

The relative cost of the overall plan is obtained by multiplying the market value above mentioned (amounting to EUR 2.4) with the number of rights relating to the market condition, assignable on the basis of the achievement of vesting condition; the cost related to the recognition of dividends paid during the three-year period (so called dividend equivalent) was estimated by applying a deemed dividend to the expected number of shares to be assigned under the Plan.

The total cost of the plan, sum of the two components described above, was allocated over a period of accrual of three years in line with the service period required.

The cost associated with all above mentioned outstanding plans recognised during the period amounted to € 66 million. The maximum number of shares that can be granted in relation to mentioned plans is approximately 22 million.

At the reporting date there are no other share-based compensation plans.

46.2 Share-based compensation plans granted by the other Group companies

The main share-based payments granted by the other Group companies are detailed here below.

Share-based compensation plans granted by Banca Generali

At 31 December 2018, Banca Generali's following payment agreements based on own equity instruments were in place:

- the plans launched with respect to the Banca Generali Group's Remuneration and Incentivisation Policy, in effect from time to time, which calls for a part of the variable remuneration of Key Personnel to be paid using Banca Generali's own financial instruments;
- the plans launched in service of the Framework Loyalty Programme 2017-2026, approved by the General Shareholders' Meeting on 20 April 2017 and now in its second annual cycle (2018-2026), which calls for a maximum of 50% of the indemnity accrued to be paid using own financial instruments;
- the new Long-Term Incentive plan based on Banca Generali shares, approved by the General Shareholders' Meeting on 12 April 2018, reserved for the Banking Group's top management.

Share-based payment plans linked to the variable portion of remuneration based on performance objectives

The Remuneration and Incentivisation Policy for the Key Personnel of the Banca Generali Group — adopted in compliance with the Supervisory Provisions currently in force — requires a portion of the variable component of remuneration, both current and deferred, to be paid by allotting Banca Generali's own financial instruments, based on the rules annually submitted for approval to the Bank's General Shareholders' Meeting.

The overall number of shares to be allotted is defined by dividing the 25% portion of variable remuneration payable in the form of shares by the average price of the Banca Generali stock during the three months prior to the meeting of the Board of Directors that approves the Separate and Consolidated Financial Statements for the year prior to that in which the cycle in question begins. However, the number of shares actually allotted to beneficiaries may change based on the assessment of satisfaction of the individual objectives set for the year.

The fair value of Banca Generali stock at the allotment date is equal to the market price reported at the date of the Shareholders' Meeting that approved the Remuneration Policy for the current year.

These plan categories also include any other compensation paid in the form of shares related to:

- ordinary sales incentives and new-recruit plan for Financial Advisors other than the main network managers and employed sales personnel;
- agreements entered into in view or upon the early termination of the work or agency relationship, with regard to the beneficiaries falling within the category of Key Personnel.

At 31 December 2018, there were three active cycles of share-based plans in connection to the Remuneration Policies relating to 2016, 2017 and 2018.

The main features of the share-based plan, linked to 2016 Remuneration Polices and approved by the General Shareholders' Meeting on 21 April 2016, are as follows:

- for the purpose of determining the number of shares to be allotted, the price of reference of Banca Generali shares, calculated as the average official market price during the period 12 December 2015 to 9 March 2016, was determined to be 25.26 euros;
- the fair value of Banca Generali shares at the allotment date was equal to the market price (approximately 26 euros) reported on 21 April 2016, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the shares to be allotted to Key Personnel totalled 72,973, of which 59,377 were allotted to Network Managers, 11,695 to employees, and 1,721 referred to

2 Circolare Banca d'Italia n° 285/2013 "Disposizioni di vigilanza per le banche" - Parte I titolo IV capitolo 2 "Politiche e Prassi di Remunerazione e incentivazione".

the subsidiary BGFML, for a total fair value amounting to approximately 1.7 million euros.

In 2016, a plan for new recruits was also implemented. This plan is subject to long-term deferral and envisages the allotment of ten annual variable instalments to be paid from 2016 to 2025, conditional upon the maintenance of the net inflows contributed at 30 November 2016. Each annual instalment of this plan is also subject to deferral and payment in shares according to the Remuneration Policy from time to time in force, until the year 2028. The shares to be allotted under this plan have been quantified as 18,373, of which 2,847 have already been allotted.

The main features of the share-based plan, linked to 2017 Remuneration Polices and approved by the General Shareholders' Meeting on 20 April 2017, are as follows:

- for the purpose of determining the number of shares to be allotted, the price of reference of Banca Generali shares, calculated as the average official market price during the period 12 December 2016 to 9 March 2017, was determined to be 23.73 euros;
- the fair value of Banca Generali shares at the allotment date was equal to the market price (approximately 25.4 euros) reported on 20 April 2017, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In that cycle, the shares to be allotted to Key Personnel totalled 146,436, of which 98,454 were awarded to Network Managers, 30,973 referred to ordinary incentives and entry bonuses paid to Financial Advisors falling within Key Personnel on the basis of the fee volume accrued, 16,311 to employees, and 4,297 referred to the subsidiary BGFML, for a total fair value amounting to approximately 3.3 million euros.

In 2017, a settlement agreement was also reached with a former Area Manager which, based on the current Remuneration Policy, provided for the granting of a portion of the indemnity, estimated in the amount of 17,591 Banca Generali shares and a total fair value of an additional 0.4 million euros.

The main features of the share-based plan, linked to 2017 Remuneration Polices and approved by the General Shareholders' Meeting on 12 April 2018, are as follows:

- for the purpose of determining the number of shares to be allotted, the price of reference of Banca Generali shares, calculated as the average official market price during the period 28 December 2017 to 1 March 2018, was determined to be 28.57 euros;
- the fair value of Banca Generali shares at the allotment date was equal to the market price (approximately 27.00 euros) reported on 12 April 2018, subsequently adjusted to account for the loss of dividends expected in the deferral period.

In respect of the assessment of the achievement by Key Personnel of the objectives set for 2018, it was estimated that the portion of variable remuneration subject to share-based payment amounted to approximately 118 thousand shares, for a total plan fair value of 2.7 million euros.

In 2018, a settlement agreement was also reached with a former Employee which, based on the current Remuneration Policy, provided for the granting of a portion of the indemnity, amounting to 2,975 Banca Generali shares.

In the reporting period, on the basis of the achievement of the performance objectives set out in the 2015, 2016 and 2017 Remuneration Policy, 121,129 treasury shares were allotted to company managers and network managers, of which 18,895 to employees and 102,234 to area managers and Financial Advisors[3].

In particular, the shares allotted for 2015 and 2016 related, respectively, to the first and second tranches deferred by one year (20%), whereas the shares allotted for 2017 related to the upfront amount (60%).

3 Including former area managers.

(€ thousand)	Date of General Shareholders' Meeting	Bank of Italy's authorisation	Price of allotment	Weighted average FV	Total shares accrued/in the process of accruing	Shares vested	Shares granted in 2018	Shares to be granted	Plan's Fair value (€ million)
Year 2015	23/04/2015	03/06/2015	23.94	29	61.9	61.9	11.5	0.0	2.0
Year 2016	21/04/2016	06/06/2016	25.28	23	90.0	76.5	15.3	28.0	2.1
Year 2017	20/04/2017	03/07/2017	23.73	23	164.0	129.7	94.4	68.7	3.7
Year 2018 - estimated	12/04/2018	11/06/2018	28.57	24	118.5	72.4	0.0	118.5	2.7
Total (*)					**434.4**	**340.4**	**121.1**	**215.2**	**10.5**

(*) Including leaving-incentive agreements.

2017-2026 Framework Loyalty Programme for the Network

The 2017-2026 Framework Loyalty Programme for the Network was approved by the Board of Directors on 21 March 2017 and ratified by the General Shareholders' Meeting on 20 April 2017.

The Framework Loyalty Programme is divided into eight annual individual plans, all set to expire on 31 December 2026 and of decreasing lengths, to be activated following prior authorisation by the General Shareholders' Meeting of Banca Generali.

The indemnities accrued over the term of the Programme will be, in any event, paid out in one tranche, within 60 days from the General Shareholders' Meeting called to approve the 2026 Financial Statements.

For each plan, a portion of the accrued indemnity may be paid out in Banca Generali shares (up to a maximum of 50%), following an assessment of the potential effects at the level of capital ratios and floating capital by the Corporate Bodies (Board of Directors and General Shareholders' Meeting).

Participation in each of the plans envisaged by the Programme is reserved for Financial Advisors and Relationship Managers who have at least five years of company seniority by 31 December of the financial year before the reference year for each Plan.

To be eligible to access the benefits of the plans it is necessary:

- to achieve at the end of the reference year a minimum volume of total AUM and qualified AUM increasing over time and with non-negative net inflows (vesting condition);
- to be regularly employed and not in a notice period on the disbursement date, except when the termination of employment is caused by death or permanent incapacity, retirement or withdrawal from the relationship by Banca Generali not for cause (condition of service).

In the event of death, the indemnities accrued are understood to be permanently acquired, but are payable to the heirs under the same conditions specified for the other beneficiaries.

Finally, the accrued indemnity is commensurate for each individual plan with a rate for verified AUM and is differentiated according to the type of person (Financial Advisor/RM) and service seniority until a cap is reached.

Recognition of the indemnities on the disbursement date is also subject to the Banking Group's access gates being exceeded as defined in the Remuneration Policies applicable from time to time and the rules of propriety.

The number of Banca Generali shares due is determined in the same way as for the share-based payment Plans connected with the Remuneration Policies, namely based on the average price of Banca Generali shares during the three months prior to the meeting of the Board of Directors that approves the draft Separate and Consolidated Financial Statements for the year prior to that in which the annual plan of reference begins.

For the two annual plans launched up to the reporting date, 50% of the indemnity accrued can be paid out in shares.

The accrued indemnity value was determined based on the AUM of the plan's potential beneficiaries at 31 December 2017 and 31 December 2018, respectively, whilst the number of financial instruments to be allotted was determined based on the same reference value as the Banca Generali stock applied for the Remuneration Policies in force in the respective years.

Overall, the total number of shares allotted and in the process of accruing amounted to about 360.5 thousand (334 thousand net of the estimated turnover), for a total value of 4.6 million euros, of which 0.7 million euros already recognised through profit and loss.

(thousands of shares)	Maximum No. of shares	No. of shares net of the estimated turnover	Plan's Fair value (€ million)
2017- 2026 Plan - estimate	207.5	190.9	2.4
2018- 2026 Plan - estimate	153.1	143.1	2.2
	360.6	**334.1**	**4.7**

Long Term Incentive Plan

On 12 April 2018, the General Shareholders' Meeting of Banca Generali approved a new long-term incentive plan for the Banking Group's top management based exclusively on Banca Generali S.p.A. shares (LTI Plan 2018).

The new plan presents characteristics similar to those of the plans that the parent company Assicurazioni Generali activates yearly and are based on the allotment of its own shares. However, this plan is mainly aimed at increasing the value of Banca Generali shares, by strengthening the link between the remuneration of beneficiaries and performance of the Banking Group, without prejudice to the consistency required with the expected results set forth in the Insurance Group's strategic plan.

In light of the above, the new incentivisation plan calls for:
1. allotment to the beneficiaries of Banca Generali shares acquired on the market instead of Assicurazioni Generali shares directly allotted by the latter;
2. increased weight of the Banking Group's objectives, equal to 80%.

The key characteristics of the plan are as follows:
- the maximum number of the shares to be allotted is determined at the beginning of the period of reference using a multiplier of the beneficiary's current remuneration[4] and is divided into three notional instalments, respectively referring to each of the three years of the plan;
- once it has been determined that the access gate[5] conditions of the Banking Group and of the Insurance Group have been met, Banca Generali's Board of Director assesses the attainment of the targets set for the three-year period and determined the exact number of shares that can potentially be allotted for the year in question;
- at the end of the three-year period, after having assessed that the access gate conditions have been met, the total number of shares accrued are paid in one tranche through the free granting to the beneficiaries of own ordinary shares, repurchased on the market (stock granting), provided that the beneficiary's work relationship with one of the Banking Group companies is still in force (service condition);
- 50% of the shares allotted vest immediately upon allotment, whereas the remaining 50% do not vest for an additional two years[6];
- the plan does not include dividend equivalent mechanisms, in accordance with the law and common practice in the banking sector.

The targets triggering accrual of the incentive are broken down into:
- two Banking Group targets (ROE and EVA), weighting for 80% on the overall bonus;
- two Insurance Group targets (Operating ROE and rTSR – relative Total Shareholders' Return compared to a Peer Group), weighting for the remaining 20%.

4 The potential maximum bonus to be paid in shares corresponds to 175% of the gross annual remuneration of the plan participants for top managers and to 87.5% for other beneficiaries.
5 The access gate conditions consist of:
> two indicators representing the specific access thresholds for the Banking Group tied to the Total Capital Ratio and Liquidity Capital Ratio, on which the right to allotment of the shares (100%) is contingent;
> an indicator representing an access threshold for the Generali Group linked to the Regulatory Solvency Ratio, on which the right to the allotment of the part of the shares tied to the satisfaction of the Generali Group Objectives (20%) is contingent.
6 Subject to the requirement that the Chief Executive Officer retain an adequate number of the shares allotted until the end of the term in office in progress on the vesting date.

Performance levels are expressed as percent satisfaction of the target levels linked to each of the four indicators.

The actual percentage of accrual of the shares that can be potentially allotted are therefore calculated individually for each target basket (indicator and relevant weighting) using the linear interpolation between the performances actually achieved and the target levels.

Overall, the total number of shares, either allotted or in the process of accruing, amounted to about 90 thousand, for a total value of 1.7 million euros, of which 0.6 million euros already recognised through profit and loss.

Share-based compensation plans granted by Generali France

At the balance sheet date, there are the following share-based compensation plans granted by Generali France to the employees of Generali France group: twelve stock grant plans approved by the board on 21 December 2006, 20 December 2007, 4 December 2008, 10 December 2009, 9 December 2010, 14 March 2012, 25 June 2013, 7 March 2014, 6 March 2015, 9 March 2016, 9 March 2017 and 1 March 2018.

At 31 December 2018, the number of shares granted amounted to 6,825,897 preferred shares, of which 281,099 related to the plan granted for 175th anniversary of foundation of Parent Company.

With reference to the stock granting plans assigned by Generali France within the scope of IFRS 2, the charge recognised in the profit or loss amounted to € 16.3 million. The plans are considered as cash-settled, for which a liability is recorded on balance sheet equalling € 118.6 million.

47 Contingent liabilities, commitments, guarantees, pledged assets and collaterals

47.1 Contingent liabilities

In the course of the ordinary business, the Group may encounter agreements or transactions which do not lead to the recognition of these commitments as assets and liabilities in the consolidated financial statements according to the IFRS definitions and requirements (contingent assets and liabilities). As at 31 December 2018 the estimate of the contingent liabilities results as of € 3 million, mainly related to some disputes for which the probability of occurrence is not considered as remote, however not sufficiently material to recognise them as liabilities on the balance sheet.

A contingent liability is:
- a possible obligation that arise from past events and whose existence will be confirmed only by occurrence or non occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognized because:
  - (i) it is not probable than an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

47.2 Commitments

Generali Group at 31 December 2018 held outstanding commitments for a total amount of € 8,900 million, related to potential commitments on investments, loans and other commitments.

Because part of these commitments may expire without being called, the amounts disclosed are not indicative of the actual liquidity needs arising from these commitments.

In particular, € 6,108 million represent commitments associated with alternative investments (private equity), mainly allocated in private equity funds which are consolidated line-by-line by the Group. Moreover, € 1,925 million refer to several investment opportunities and, in particular, to real estate investment funds. The potential commitments to grant loans amount to € 342 million, mainly associated to liquidity or funding needs of the customers of the Group's banking operations.

As far as other commitments are concerned, the main part that amounted totally to € 384 million refesr to potential commitments of the German life companies towards a specific German entity in order to protect the policyholders in the local market if the funds already available within the policyholders protection scheme are not sufficient to face the insolvency of one or more insurers.

47.3 Guarantees

The Group's nominal exposure towards third parties amounts to € 332 million, of which € 215 million refer to guarantees provided in the context of the Group's real estate development and € 99 million to sureties normally given by Banca Generali as part of it ordinary business.

Furthermore, the Group in the context of its business operations in some countries receives guarantees provided by third parties, mainly in the form of letters of credit.

47.4 Pledged assets and collaterals

As at 31 December 2018, as already mentioned in the paragraph Assets transferred that do not qualify for derecognition of the section Investments, the Group has pledged € 2,758 million of its assets. In particular, € 1,207 million have been pledged to cover bonds and loans issued, mainly related to the Group's banking and real estate activities, and € 1 million to cover its reinsurance activities. Residual part is related to collateral pledged in relation to transactions in derivatives. Additionally, € 2,331 million has been pledged in repurchase agreements (REPO).

Furthermore, the Group has received financial assets as collateral for € 5,357 million, in particular for transactions in bonds and loans for € 4,143 million and € 632 million to cover Group reinsurers' obligations.

48 Significant non-recurring events and transaction

It should be noted that the Group is completing the sale of some interests held in some Countries considered non-core and non-strategic. For further information, please refer to paragraph Non-current assets or disposal group classified as held for sale in the section Information on consolidation perimeter and Group Companies.

It should also be noted that, in April 2018, the Group completed the sale of its assets in Panama, a Country in which the Group was present through a branch of Assicurazioni Generali S.p.A. mainly active in the Non-life segment.

The consideration for the sale reported in US dollar is equal to 172 million with a consequent gain of € 62 million, net of taxes.

49 Other Information

It should be noted that, pursuant to Law 124/2017 (125), in the course of 2018 the Group received contributions and grants for a total amount of € 8.3 million.

50 Audit and other service fees for the fiscal year

In the table below, drawn up pursuant to the article 149-duodecies of Consob Regulation, are reported the 2018 fees for auditing and other services to Parent company's audit and companies within audit company's network.

Audit and other service fees

(€ thousands)	E&Y Italy	E&Y Network
	31/12/2018	31/12/2018
Parent Company	**9,325**	**562**
Audit fee	1,065	548
Attestation service fees	2,228	14
Other services	6,032	
Subsidiaries	**7,079**	**22,440**
Audit fee	3,057	15,517
Attestation service fees	2,719	5,804
Other service fees	1,303	1,118
Total	**16,404**	**23,002**