ADDITIONAL INFORMATION

43 Information on employees

Employees

	31/12/2017	31/12/2016
Managers	1,816	1,781
Employees	52,339	53,498
Sales attendant	16,958	18,238
Others	214	210
Total	**71,327**	**73,727**

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.

44 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 € 103 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)	31/12/2017	31/12/2016
Net liability as at 31 December previous year	**4,298**	**3,932**
Foreign currency translation effects	-12	2
Net expense recognised in the income statement	130	188
Re-measurements recognised in Other Comprehensive Income	-71	380
Contributions and benefits paid	-171	-191
Changes in consolidation scope and other changes	-172	-12
Net liability as at 31 December current year	**4,001**	**4,298**

The item "Change in consolidation scope and other changes" mainly reflects the classification of the Dutch operations "disposal groups classified as held for sale", in application of IFRS 5. This is combined with the reclassification as defined benefit liabilities of a pension plan, which meet the requirements required by IAS 19, previously treated as a defined contribution liability.

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 88% 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)	31/12/2017	31/12/2016
Current service cost	87	124
Net interest	68	83
Past service cost	-25	-28
Losses (gains) on settlements	0	1
Net expense recognised in the income statement	129	181

(*) 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)	31/12/2017	31/12/2016
Actuarial gains (losses) from change in financial assumptions	0	-387
Actuarial gains (losses) from change in demographical assumptions	-6	-8
Actuarial gains (losses) from experience	41	29
Return on plan assets (other than interest)	36	16
Re-measurements recognised in Other Comprehensive Income	**71**	**-350**

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

The substantial stability compared to the previous year of the benchmark interest rates, as required in application of IAS 19 for the determination of the discount rate applicable to the valuation of these liabilities, determines the absence of actuarial losses during the period, on the contrary to what observed during 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)	31/12/2017	31/12/2016
Defined benefit obligation as at 31 December previous year	**5,313**	**4,928**
Foreign currency translation effects	-65	7
Current Service cost	87	127
Past service cost	-25	-28
Interest expense	81	102
Actuarial losses (gains)	-35	396
Losses (gains) on settlements	0	1
Contribution by plan participants	9	10
Benefits paid	-201	-217
Changes in consolidation scope and other variation	-48	-15
Defined benefit obligation as at 31 December current year	**5,116**	**5,313**

The item "Change in consolidation scope and other changes" mainly reflects the classification of the Dutch operations “disposal groups classified as held for sale”, in application of IFRS 5. This is combined with the reclassification as defined benefit liabilities of a pension plan, which meet the requirements required by IAS 19, previously treated as a defined contribution liability.

Current value of plan assets: movements

(€ million)	31/12/2017	31/12/2016
Defined benefit obligation as at 31 December previous year	**1,015**	**997**
Foreign currency translation effects	-53	5
Interest income	14	15
Return on plan assets (other than interest)	36	16
Gains (losses) on settlements	0	0
Employer contribution	25	22
Contribution by plan participants	9	10
Benefits paid	-55	-48
Changes in consolidation scope and other changes	123	-2
Fair value of plan assets as at 31 December	**1,116**	**1,015**

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

(%)	31/12/2017	31/12/2016
Bonds	46.4	53.4
Equities	15.8	12.3
Real estate	12.5	12.9
Investment fund units	11.5	9.7
Insurance policies issued by non Group insurers	2.8	1.3
Other investments	10.9	10.5
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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Discount rate for evaluation at reporting date	1.7	1.7	0.6	0.6	2.4	2.6
Rate of salary increase	2.8	2.8	1.3	1.3	n.a.	n.a.
Rate of pension increase	2.0	1.9	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 2017 (14 years at 31 December 2016).

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	-322	363	43	-41	261

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)	31/12/2017	31/12/2016
Within the next 12 months	238	211
Between 2 and 5 years	954	862
Between 5 and 10 years	1,225	1,063
Beyond 10 years	5,083	5,029
Total	**7,500**	**7,164**

45 Share-based compensation plans

At 31 December 2017 different incentive plans based on equity instruments granted by the Parent Company and other Group companies are outstanding.

45.1 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.
From 2011 to 2012, the Company adopted multi-year plans, based on two cycles of three years. Once the first cycle reaches its conclusion, if the relevant targets have been achieved, a monetary bonus is disbursed of which a part shall be re-invested in Generali shares. This is then followed by a second cycle, after which, again assuming certain targets have been achieved, participants may be granted a certain number of free shares for each share purchased. Please note that the cost component linked to monetary bonuses of the first cycle is fully accrued in the previous years while the cost component linked to the equity component has full matured at the end of reporting year.
From 2013, Generali adopted new plans based on a single three-year cycle, after which, assuming certain targets have been achieved, free shares, subject to specific lock-up periods, may be granted to the participants.
The plan LTI 2014 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 e Solvency Ratio.
The LTI plans 2015 and 2016, currently in progress, may result in shares' granting respectively in 2018 and 2019, 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 Return on Risk Capital and Solvency ratio.
As far as the lock-up constraint, 50% of the shares are immediately available, 25% is subject to a one-year lock-up period and the remaining 25% to a two year lock-up period, reduced to one year with the extent to the 25% of the equity instruments assigned in relation to LTI 2014 plan.
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) 2017 - 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 Economic Solvency Ratio, as detailed below.

The Plan is based on the following essential 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.

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 the plan approval.

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 Economic 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% (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 Economic Solvency Ratio has been achieved as compared with the limit set as 130%, 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 Economic 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 approval.

The maximum number of shares that can be granted is 12,500,000, accounting for 0.80% of the current share capital.

For additional information related to incentive plans refer to the 2017 Remuneration Report.

In line with the previous plans, the 2017 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 2015, 2016 and 2017 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 2017, 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 2017	Tranche 2018	Tranche 2019
Fair value bonus legato a market condition	4,77	4,77	4,81

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 2015, 2016 and 2017, 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 Solvency 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 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 20 million.

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

45.2 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 2017, the share-based compensation plans granted by Banca Generali are composed of:

- the plans provided in relation to the Remuneration and Incentive Policy of the Banca Generali Group, which since 2015 defines a portion of the variable remuneration of the most important personnel shall be paid through payments based on their own financial instruments;
- the new 2017-2026 loyalty plan, approved by the Shareholders' Meeting of 20 April 2017, which provides for 50% share of the indemnity accrued at the end of the financial year to be provided through own financial instruments.

Two stock option plans reserved respectively to financial promoters and network managers and Relationship Managers (employees) of Banca Generali, approved by Shareholder’s meeting on 21 April 2010. These option plans are already vested and the option exercisable period has expired at 30 June 2017.

Banca Generali remuneration and incentive policy foresees that a portion of variable remuneration to key employees is assigned through payments based on own financial instruments.

Stock option plans designated to Financial promoters, Network managers and Relationship Managers of Banca Generali

The stock option plans approved in 2010 are structured into six tranches with annual accruals, the last of which became exercisable starting from 1 July 2016. On 30 September 2017, the maximum term for the exercise of all options has expired, therefore the plans are considered definitively exhausted.

During the first half of 2017, 418,690 options were exercised, of which 34,429 relating to Relationship Managers. Additional 15,496 options were cancelled due to the termination of the mandate by financial advisors or for failure to exercise by the expiry date. Overall, the options exercised throughout the duration of the plans amounted to 2,364,377 while the cancelled options were 135,623.

Share based payments granted by Banca Generali

	Number of options	Average price of the year
Options outstanding as at 31/12/2016	**434,186**	**10.7**
Granted (*)	0	0.0
Forfeited	15,496	10.7
Exercised	418,690	10.7
Expired	0	0.0
Options outstanding as at 31/12/2017	**0**	**0.0**
Of which exercisable	0	0.0

(*) Excluding shares allocated on the basis of the share based compensation plans linked to the variable component of remuneration related to performance targets, as these plans are not comparable to stock option plans adopted in 2010.

Share based plans linked to the variable remuneration component linked to performance targets

As part of the Remuneration and Incentive Policy applied to the most important Personnel of the Banca Generali Group, applied from 2015, in compliance with the Supervisory Provisions (VII update of 18 November 2014 of Bank of Italy Circular no. 285/2013), it was envisaged that the payment of a portion of the variable component of remuneration, both current and deferred, will be made through the allocation of Banca Generali financial instruments.

The total number of shares to be allocated is determined by dividing the 25% portion of variable compensation payable in shares, by the average price of the Banca Generali share in the three months prior to the Board of Directors meeting approving the parent company and consolidated financial statements for the year prior to the one in which the reference cycle begins. The actual number of shares assigned to the beneficiaries may in any case vary according to the verification achievement of the objectives set at the individual level for each specific year.

The fair value of the Banca Generali share of the shares coincides with the market price of the share recorded at the date of the Shareholders' Meeting which approved the new Remuneration Policy for the current year, the latter considered as a plan’s grant date.

As at 31 December 2017, three cycles were active for plans approved in 2015, 2016 and 2017.

As part of the first cycle linked to the 2015 variable remuneration, approved by the Shareholders' Meeting of 23 April 2015, the shares to be assigned to the most relevant personnel were 68,250, of which 51,960 relating to network managers, 14,578 relating to employees and 1,712 relating to the subsidiary BGFML.

For the purposes of determining the number of shares to be assigned, the reference price of the Banca Generali share, determined as the average of the official stock exchange quotations for the period December 12, 2014 - March 9, 2015, was set at € 23.94. The fair value of the Banca Generali share at the grant date of the shares was determined on the basis of the market price of the share recorded at 23 April 2015, equal to approximately of € 29.4.

The overall fair value of the plan was estimated at around € 2 million, of which € 1.6 million already accounted for in 2015 and € 0.3 million posted during the 2017 financial year.

The second cycle of payments in shares, relating to the 2016 variable remuneration, was approved by the Shareholders' Meeting of 21 April 2016 and presents characteristics substantially similar to those of the previous year, with the only difference being the extension of the payment in shares also to variable remuneration below the threshold of € 75 thousand.

For the purpose of determining the number of shares to be assigned, the reference price of the Banca Generali share, determined as the average of the official stock exchange quotations for the period December 12, 2015 - March 9, 2016, has been set at € 25.26. The fair value of the Banca Generali share at the grant date of the shares was determined on the basis of the market price of the share recorded as at 21 April 2016, equal to approximately € 26.

The fair value of the Banca Generali share at the grant date of the shares was determined on the basis of the market price of the share recorded on 21 April 2016, equal to approximately € 26, adjusted to take account of the loss of expected dividends in the deferment period.

Within this cycle, the shares to be assigned to the most relevant personnel were 94,559, of which 61,947 relating to network managers, 12,564 relating to employees and 1,675 relating to the subsidiary BGFML.

The overall fair value of the plan has been estimated at around € 1.6 million, of which € 1.4 million already accounted for during 2016 and € 0.2 million recognized in the 2017 financial year.

The third cycle of payments in shares, relating to the 2017 financial year, was approved by the Shareholders' Meeting of 20 April 2017, which at the same time resolved to proceed with the repurchase, over a period of 18 months, the amount of own shares to be allocated to assignment to the most relevant personnel.

For the purposes of determining the number of shares to be assigned, the reference price of the Banca Generali share, determined as the average of the official stock exchange quotations for the period December 12, 2016 - March 9, 2017, was set at € 23.73.

The fair value of the Banca Generali share on the grant date of the shares was determined on the basis of the market price of the share recorded on 20 April 2017, equal to approximately € 25.4, adjusted to take account of the loss of dividends. expected in the deferral period.

In relation to the assessment of the achievement by the most relevant personnel of the targets set for 2017, it is estimated that the share of variable remuneration subject to payment on shares amounts to approximately 105 thousand shares, for an overall fair value of the plan of € 2.0 million.

On 14 March 2017, a specific transaction was also signed with a former Area Manager who, on the basis of the current Remuneration Policy, envisage the recognition of a portion of the indemnity, for an amount of 17,649 shares in Banca Generali shares for a fair value a further € 0.4 million.

During the year, with reference to the achievement of the performance targets set out in the Remuneration Policy for 2015 and 2016, they were assigned to managerial staff and network managers 58.124 treasury shares.

In particular, the allocations for the 2015 financial year concerned the first deferred tranche with a deferral of one year (20%), while the allocations for the year 2016, the upfront portion (60%).

In the last quarter of the year, a further 6,784 shares were assigned in relation to a non-competition agreement entered into in the settlement with a former area manager.

Overall, it is estimated that the charge for the year 2017 for payments based on shares linked to the Remuneration Policy amounts to approximately € 2.9 million.

Sales network Loyalty Program 2017-2026

The new 2017-2026 sales network loyalty program was approved by the Board of Directors on 21 March 2017 and subsequently confirmed by the Shareholders' Meeting of 20 April 2017.

The Loyalty Program includes 8 individual annual plans, with a fixed maturity as at 31 December 2026 and a decreasing duration, for plans activated year by year, subject to authorization by the Corporate Bodies of the Banca Generali Group, in compliance with the remuneration policies.

Participation in each of the plans is reserved for Financial Advisors and Relationship Managers who have completed at least 5 years of seniority by December 31st of the financial year preceding the reference year of the individual plans.

In order to adhere to the benefits of the activated plans, it is necessary to:

- reach at the end of the reference year a specific volume of AuM, qualified AuM increasing over time and a positive net inflow;
- be regularly in service within 60 days from approval of the financial statements as at 31 December 2026, except in cases where termination depends on causes of death or permanent disability, retirement or termination by Banca Generali not supported by a just cause (service condition).

In the event of death, the indemnities accrued are definitively acquired but are subject to liquidation by the heirs in the same manner as for the other beneficiaries.

Finally, the indemnity accrued is commensurate with each individual plan to a rate of verified AuM differentiated on the basis of the type of beneficiary involved and length of service until the achievement of a cap.

The recognition of the indemnities at the disbursement date is also subordinated to the exceeding of the access gates of the banking group as defined in the Remuneration Policies in force at the time and to the rules of fairness.

For each plan, the indemnity accrued in part of Banca Generali shares may be disbursed, up to a maximum of 50% of the indemnity accrued, after assessing the potential effects in terms of capital ratios and floating capital, by of the corporate bodies (Board of Directors and Shareholders' Meeting) and of the Regulator.

The number of Banca Generali shares due will be determined in the same manner as for payment plans based on shares linked to the Remuneration Policies, or on the basis of the average price of the Banca Generali share in the three months preceding the Board of Directors meeting in which the parent company’s and consolidated financial statements for the financial year preceding the one in which the reference cycle begins are approved.

For the first annual plan 2017-2026, a 50% component of the indemnity accrued has been disbursed in shares.

The shares at the service of the plan were purchased, authorized also by the Bank of Italy, during the third quarter of 2017.

The value of the indemnity accrued was determined on the basis of the AUMs of the potential beneficiaries of the plan as at 31 December 2017 while the share payable in shares was determined on the basis of the same reference value of the Banca Generali share applied for Remuneration 2017.

The value of the plan as at 31 December 2017, determined in accordance with IFRS2, was estimated at € 2.1 million, of which approximately € 0.2 million relating to 2017.

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: ten 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 and 6 March 2015 and 9 March 2016, and a stock granting plan, reserved to the employees of the Generali France group.

At 31 December 2017, the number of shares granted amounted to 6,617,097 preferred shares, of which 298,733 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 € 18.7 million. The plans are considered as cash-settled, for which a liability is recorded on balance sheet equalling € 116 million.

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

46.1 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). At 31 December 2017 the estimate of the contingent liabilities results as of € 8 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 can not be measured with sufficient reliability.

46.2 Commitments

Generali Group at 31 December 2017 held outstanding commitments for a total amount of € 6,827 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, € 3,853 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, € 1,087 million refer to several investment opportunities and, in particular, to real estate investment funds. The potential commitments to grant loans amount to € 431 million, mainly associated to liquidity or funding needs of the customers of the Group's banking operations.

As far as other commitments are concerned, € 778 million refer 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.

46.3 Guarantees

The Group's nominal exposure towards third parties amounts to € 536 million, of which € 410 million refer to guarantees provided in the context of the Group's real estate development and € 107 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.

46.4 Pledged assets and collaterals

At 31 December 2017, as already mentioned in the paragraph *Assets transferred that do not qualify for derecognition* of the section *Investments*, the Group has pledged € 3,221 million of its assets. In particular, € 1,850 million have been pledged to cover bonds and loans issued, mainly related to the Group's banking and real estate activities, and € 985 million to cover its reinsurance activities. Residual part is related to collateral pledged in relation to transactions in derivatives.

Furthermore, the Group has received financial assets as collateral for € 6,415 million, in particular for transactions in bonds and loans for € 5,109 million and € 804 million to cover Group reinsurers' obligations.

47 Agreements resulting from leasing operations

In the course of the ordinary business, the Group companies normally enter into leasing agreements as lessees. Mentioned agreements are mainly related to use of real estates used for business, company cars and office furniture and equipment. In some cases Group companies acts also as lessor, mainly related to real estates rental through operating lease.

48 Significant non-recurring events and transaction

The Group is completing the sale arrangements of some participations in countries considered as non-core and non-strategic. For more information on this matter refer to the paragraph *Information on consolidation perimeter and group companies.*

In addition, in August 2017, the Group reached an agreement to sell its assets to Panama, a country in which the Group was present through a subsidiary of Assicurazioni Generali S.p.A. mainly operating in the Non-life segment. The transaction, still to be finalised, is subject to approval by the competent authorities.

Moreover, in December 2017, Generali signed an agreement for the sale of the Non-Life portfolio in run-off of a British subsidiary of Assicurazioni Generali S.p.A, transferring liabilities of approximately € 300 million, registering a gain of € 196 million.

49 Other Information

With regard to the claim against Mr. Perissinotto, during the course of 2017, the Court of Appeal of Trieste confirmed the sentence of first instance (rejection of the applications for appeal against the settlement agreement) and the Court of Trieste rejected the compensation requests. The Board of Directors, in the context of an overall cost-benefit assessment (which considered, among other things, the outcome of the disputes, the non-emergence of new circumstances and the costs related to the further prosecution of disputes), resolved to do not challenge these conclusions, which have therefore become final. A similar assessment was carried out by the Board with reference to the judgment against Mr. Agrusti (which ended in 2016 with a rejection), which also passed in judgment.

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 2017 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 31/12/2017	E&Y Network 31/12/2017
Parent Company	**12,654**	**587**
Audit fee	998	553
Attestation service fees	2,629	35
Other services	9,027	
Subsidiaries	**5,877**	**22,985**
Audit fee	2,599	16,462
Attestation service fees	2,805	5,166
Other service fees	472	1,356
Total	**18,530**	**23,572**