



Banca Generali S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree n. 39,
dated January 27 2010 and article 10 of
EU Regulation n. 537/2014

Financial statements at December 31, 2017

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of Banca Generali S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Banca Generali S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, the statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the the financial position of the Company as at December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree NO. 38/05 as well and art. 43 of Legislative Decree NO. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters**Audit responses**

VALUATION OF GOODWILL

(notes: Part b), information on the balance sheet - assets, Section 12; Part g), business combinations of entities or branches, Section 3).

The entity recorded in the financial statements goodwill/intangible at indefinite life for Euro 62 million.

We focused on this area due to the significance of its amount and the significant judgement and complexity of the evaluation process; the recoverable amount of goodwill is based on the realisation of the assumptions of the plan, discount rates and expected future growth rates and other subjective assumptions.

Our main audit procedures performed in response to the key audit matter regarding the valuation of goodwill, included the following:

- we challenged the reasonableness of the key underlying assumptions of the plan;
- in conjunction with a valuation expert, we assessed and challenged the adequacy of the impairment model adopted;
- in conjunction with a valuation expert, we assessed the key underlying assumptions for the impairment model, in particular the ones related to cash flow projections, discount rates, long term growth rates.
- we verified the clerical accuracy of the impairment model adopted.
- we performed sensitivity analysis of the control model of impairment when key assumptions change;
- we verified the disclosures provided.

VALUATION OF THE PROVISIONS REGARDING THE INDEMNITY OF THE NETWORK

(notes: Part b), information on the balance sheet - liabilities, Section 12).

Provisions for liabilities and contingencies at December 31, 2017 show a balance of Euro 149 million.

The item includes Provisions for termination indemnity of Financial Advisors, which are equal to Euro 61 million and Provisions for termination indemnity of sales network, which are equal to Euro 52 million.

We focused on these items due to the significance of their amount and significant judgement in the evaluation process, based on various assumptions and factors.

Our main audit procedures performed in response to the key audit matter regarding the valuation of the provisions regarding the indemnity to the network included the following:

- we analysed the methodology used by the bank to estimate the provisions and made a comparison with the forecast incentive plans;
 - we tested a sample of items to verify the respect of the Terms of the agreement signed with financial promoters;
 - we tested a sample of items to verify the correct determination of amounts regarding the recorded performance of financial promoters;
 - we verified the electronic tools and files used by the bank to manage the incentives and the calculation of the provisions for liabilities and contingencies;
 - we performed an actuarial review of the approach and assumptions adopted for the evaluations at December 31, 2017;
 - we verified the disclosures provided.
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Key audit matters**Audit responses**

VALUATION OF THE PROVISIONS REGARDING THE RELATIONSHIPS WITH FINANCIAL PROMOTERS AND EMPLOYEES, INCLUDING THE RELATIONSHIP MANAGERS

(note: Part b), information on the balance sheet - liabilities , Section 12).

Provisions for liabilities and contingencies at December 31, 2017 show a balance of Euro 149 million.

The item includes Provisions for legal disputes equal to Euro 18 million and Provisions for staff expenses equal to Euro 15 million.

We focused on these items due to the significance of their amount and significant judgement in the evaluation process, based on various assumptions and factors.

Our main audit procedures performed in response to the key audit matter regarding the valuation of the provisions regarding the relationships with financial promoters and employees, including the relationship manager, included the following:

- we obtained an understanding of the pay-in and pay-out processes and the related key controls, in order to reduce the risk of override of controls by promoters;
- we performed an analysis of the control activities of level II and III performed by the internal control functions;
- we obtained a comprehension of cases and remediation activities performed to avoid the risk of recurrence;
- we tested the effectiveness of key controls on pay-in and pay-out processes ;
- we performed an analysis of the claims register;
- we tested a sample of pending records, in order to verify their ageing and their closing in the period immediately after the closing period;
- we tested the non standard journal entries, defined as records that have been selected by means of the significance of their amount and their exceptional occurrence;
- we performed other substantive procedures, including confirmation requests to legal advisors, promoters and the analysis of the balance of external flows received from product companies;
- we verified the disclosures provided.
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree NO. 38/05, as well as the regulation issued to implement art. 9 of Legislative Decree NO. 38/05 and art. 43 of Legislative Decree NO. 136/15 and, within the terms provided by the law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of Banca Generali S.p.A. on April 23, 2015 to perform the audits of the financial statements of each fiscal year starting from December 31, 2015 to December 31, 2023.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10 and of article 123-bis of Legislative Decree n. 58/98.

The directors of Banca Generali S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Banca Generali S.p.A. as at December 31, 2017, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Banca Generali S.p.A. as at December 31, 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Banca Generali S.p.A. as at December 31, 2017 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 20, 2018

BDO Italia S.p.A.
(signed in the original)
Rosanna Vicari
Partner