

“BANCA GENERALI S.P.A.”

Registered offices at Trieste, Via Machiavelli 4 - Italy
Authorised share capital 119,378,836.00 euros, underwritten and paid-up share capital
116,643,948.00 euros

Trieste Register of Companies, Tax Code 00833240328

Bank Register No. 5358

Parent Company of the Banca Generali banking group registered in the Banking Group Register
Company managed and coordinated by Assicurazioni Generali S.p.A.

***Report of the Board of Statutory Auditors to the General Shareholders' Meeting
called to approve the Financial Statements for the year ended 31 December 2016
pursuant to Article 153 of Legislative Decree No. 58/98 and Article 2429, paragraphs
2 and 3, of the Italian Civil Code.***

Shareholders,

We have reviewed the Annual Financial Report for the year ended 31 December 2016, which consists of:

- the Draft Separate and Consolidated Financial Statements of Banca Generali S.p.A. for the year ended 31 December 2016, including the Notes and Comments and detailed accounting statements;
- the Consolidated Directors' Report on Operations, which includes the Annual Report on Corporate Governance and Company Ownership, in accordance with Article 123-bis of Legislative Decree No. 58/1998.

All documents were prepared by Directors and duly forwarded to the Board of Statutory Auditors.

The oversight activity attributed to the Board of Statutory Auditors, pursuant to the law and, specifically, to Article 149 of Legislative Decree No. 58/1998, was conducted during the year in accordance with the code of conduct recommended by the *Roll of Certified Public Accountants and Commercial Experts*, taking also account of CONSOB and Bank of Italy provisions, as well as in accordance with Article 19 of Legislative Decree No. 39/2010.

It bears recalling that the Board of Statutory Auditors currently in service was appointed for the years 2015-2016-2017 through resolution passed by the General Shareholders' Meeting on 23 April 2015.

The Board of Statutory Auditors herewith informs the General Shareholders' Meeting that during financial year 2016, it has conducted the following activities:

- it participated in 14 meetings of the Board of Directors, verifying that the resolutions adopted and implemented were in compliance with the law and the Articles of Association and ensuring

that they were neither imprudent nor gave rise to conflicts of interest not adequately addressed and managed;

- it participated in 13 meetings of the Internal Audit and Risk Committee;
- it participated in 8 meetings of the Remuneration Committee;
- it participated in 14 meetings of the Nomination Committee;
- it participated in 5 meetings of the Supervisory Board, in light of the Board of Directors' Resolution passed on 23 April 2015 which entrusted the Supervisory Board's functions to the Board of Statutory Auditors;
- it participated in 21 regular meetings held to conduct its audits;
- it requested and obtained from the General Manager, the Manager in charge of preparing the company's financial reports or other Company Managers information concerning the transactions of greater importance carried out by the Company, and acknowledged that such transactions were not considered openly imprudent or risky, in potential conflict of interest, in contrast with resolutions adopted by the Shareholders' Meeting or such as to compromise the integrity of the company's assets;
- it exchanged information with the Chairmen of the Boards of Statutory Auditors of the investee companies, as well as the Board of Statutory Auditors of the Parent Company, Assicurazioni Generali S.p.A.;
- it verified, pursuant to Article 114, paragraph 2, of Legislative Decree No. 58/1998, as well as the supervisory instructions issued by the Bank of Italy, the instructions given by the Company to its Subsidiaries and deemed that they were adequate;
- it issued legal opinions, including those relating to the main subjects listed below:
 - remuneration and incentivisation policies;
 - ICAAP and ILAAP processes;
- it verified that its members possessed the independence requisites, as well as its own adequacy in terms of powers, functioning and composition, taking into account the scale, complexity and activities of the Bank. Moreover, it verified that the independent auditors possessed the independence requisites and found that the procedures adopted by the Board of Directors to ascertain its own internal independence compliance were adequate;
- it systematically monitored the functioning of the Internal Control and Risk Management System, stating its observations on the interim and annual reports concerning the activities performed and the programmes to be implemented by different control functions. It also checked the implementation status of the activity plans and ensuing results. The system envisages line checks, risk management and compliance checks, controls against money

launders, and internal audit activity. Business operations and information flows amongst the various parties involved, including the Board of Statutory Auditors, were efficiently coordinated during the year. Moreover, in the year under review, Internal Audit assessed that the internal control and risk management systems were effectively implemented, and put forward certain recommendations and suggestions aimed at improving risk management and control, without, however, highlighting any significant shortcomings. In light of the adoption of the new system of powers and functions, following the untimely passing of CEO Piermario Motta on 26 March 2016, the Board of Directors has carried out the task of overseeing the functionality of the internal control and risk management system: the Head of the Internal Audit function, the Head of the Risks function and the Head of the Compliance function thus report directly to the Board of Directors. Overall, the Internal Control System was deemed adequate as a whole to the current governance system;

- it monitored complaints by investors, without discovering any shortcomings in internal procedures or the Company's organisational layout;
- it verified the general compliance of the Bank with the requirements for correspondence with and notices to the Supervisory Bodies, as well as compliance with industry regulations and the Articles of Associations;
- it assessed and verified the adequacy of the organisational structure with reference to issues falling within the remit of the Board of Statutory Auditors;
- it evaluated and verified the appropriateness of the administrative and accounting system, as well as its reliability in accurately representing operations through the information received by the Manager in charge of preparing the company's financial reports and the Independent Auditors, and information directly obtained from the heads of the respective functions, as well as data arising from examination of company records. With reference to the application of Law No. 262/2005 and the provisions of letter a), paragraph 1, of Article 19 of Legislative Decree No. 39/10, the Board of Statutory Auditors also monitored the processes and activities carried out by the Bank, within the framework of the Financial Accounting Risk Governance activity, aimed at continuously assessing the adequacy of administrative and accounting procedures and the ensuing financial reports. The Annual Report on Corporate Governance and Company Ownership, as per Article 123-bis of Legislative Decree No. 58/1998, illustrates the main features of the Bank's financial reporting risk model, as defined by the Manager in charge of preparing the company's financial reports. The Company's Independent Auditors issued the report mentioned in Article 19, paragraph 3, of Legislative Decree No. 39/2010, in which no

significant shortcomings were highlighted as regards the internal control system applied to the financial reporting process;

- it checked that the Bank adopted regulations, processes and structures suitable for monitoring and overseeing banking-related risks (market risks, credit risks, liquidity risks, interest-rate risks, operating risks, compliance and money laundering risks), as described in the Directors' Report on Operations and Notes and Comments;
- it evaluated the appropriateness of the internal capital adequacy assessment process (ICAAP);
- it evaluated the appropriateness of the internal liquidity adequacy assessment process (ILAAP);
- it verified, in concert with the Independent Auditors, that the foreign and Italian subsidiaries adopted a suitable administrative and accounting system such as to regularly report to the Company's management and Independent Auditors the economic and financial data required to draw up the Consolidated Financial Statements.

We hereby acknowledge that the Company discharged its obligations relating to the prevention of money laundering, with particular regard to Legislative Decree No. 231/2007, as further amended and extended, and the provisions of the Bank of Italy and the company's Financial Information Unit, including staff training, through the Anti-Money Laundering Service, within the Compliance and Anti-Money Laundering Department.

We also acknowledge that the Bank complied with its obligations concerning privacy with respect to the treatment of personal data pursuant to Italian Legislative Decree No. 196/2003 and other applicable laws in force.

In addition, we acknowledge that during the year the Supervisory Board, whose functions are carried out by the Board of Statutory Auditors effective 1 April 2014, monitored the operation and compliance of the Organisational and Management Model, and verified that it has been properly updated and is suitable for preventing over time the commission of the crimes mentioned in the regulation. The work performed showed no irregularities that could be related to the crimes contemplated under the provisions of Legislative Decree No. 231/2001.

We acknowledge that the company adopted, *inter alia*, the following main codes, policies and procedures, which were duly updated during the year:

- internal dealing, setting up the Internal Dealing Register;
- insider information, with the introduction of the Insider Register;
- related party and connected party transactions and transactions of greater importance;
- transactions with parties that have powers of management, administration and control over the bank;

- internal policies governing control mechanisms for activities at risk and conflicts of interest involving connected parties;
- order execution and transmission policy;
- conflict of interest policy;
- internal rules;
- contingency funding plan;
- single risk management policy;
- Risk Appetite Framework;
- fair value policy;
- Group policy on service outsourcing;
- equity investment management policy;
- policy of enhancement of third-party financial instruments;
- inducement policy;
- policy for the classification of customers;
- portfolio investment process;
- compliance policy; Internal Audit policy;
- internal control system policy;
- Internal Code of Conduct;
- policy for managing customer complaints;
- IT security policy;
- succession policy;
- commercial policy.

Furthermore, we acknowledge that the Company adopted the Corporate Governance Code for Listed Companies. In light of the role and responsibilities entrusted to the Bank's Chairman, the Company did not appoint a lead independent director.

We acknowledge that in 2016, the Bank operated in strict compliance with the "*Procedure for Related Party and Connected Party Transactions and Transactions of Greater Importance*", which lays down specific operating rules governing fact-finding procedures, decision-making powers, record-keeping and disclosure obligations; these transactions and relevant information are given in the Directors' Report on Operations and Notes and Comments.

We also acknowledge that in 2016 the company's intra-group transactions were of a financial and commercial nature, and regarded the supply of services, as described in the Directors' Report on Operations and Notes and Comments.

We acknowledge that Banca Generali complies with the Assicurazioni Generali S.p.A.'s tax

consolidation scheme.

We acknowledge that the Directors' Report on Operations and Notes and Comments contain the information regarding the possession of own shares and parent company shares, in respect of which the respective restricted reserves were set aside. The Notes and Comments describe the new prudential regulatory provisions for banks concerning capital requirements. The Bank complies with applicable capital requirements (Common Equity Tier 1, Tier 1, Total Capital Ratio) set forth in the supervisory provisions; detailed information on own funds and capital regulatory requirements and capital ratios is given in the Directors' Report on Operations and Notes and Comments. In order to determine its capital for regulatory purposes, Banca Generali exercised the option to neutralise the capital gains and losses deriving from fair-value measurement of AFS financial assets belonging to the Euro Area government bond segment, as allowed under Bank of Italy's Order of 18 May 2010. This option was envisaged also in Basel 3 new prudential supervisory regime introduced as of 1 January 2014 until the new IFRS 9 becomes effective in 2018.

We acknowledge that the Corporate Governance Report includes the information pursuant to Article 123-*bis* of TUF.

We acknowledge that the Company drew up the Remuneration Policy on the Banking Group's remuneration and incentivisation policies, as well as the report on their implementation.

We acknowledge that the Notes and Comments (Part I) provide information on the share-based payment plans.

In 2016, the Group did not carry out any transaction that qualified as "transaction of greater importance". There were no atypical and/or unusual transactions to be reported in 2016. Nor were such transactions undertaken with parties other than related parties such as intragroup entities or third parties. "Atypical and unusual transactions" are defined as all transactions that due to their significance/materiality, the nature of the counterparties, the subject matter of the transaction (including in relation to ordinary operations), the transfer pricing method and/or timing of occurrence (near the end of the reporting period) may give rise to doubts as to the accuracy/completeness of the information presented in the financial statements, conflicts of interest, the safeguarding of company assets and the protection of minority shareholders. Similarly, in 2016, the Banking Group did not carry out any related party transaction that qualified as "transactions of greater importance". In addition, as thoroughly described in the Directors' Report on Operations, other related party transactions qualifying as "moderately significant transactions" were carried out, besides ordinary or recurring transactions effected at arm's length, the effects of which are analysed in the dedicated section of Notes and Comments.

With reference to social corporate responsibility, the Directors' Report on Operations provides a summary of the 2016 results achieved in the various areas of the Banking Group's social responsibility, restated according to the GVA (Global Value Added) method.

The Company is subject to management and coordination by the Parent Company "Assicurazioni Generali S.p.A." and all related statutory obligations were duly discharged.

In compliance with the resolution passed by the General Shareholders' Meeting on 23 April 2015, the periodic auditing, the review of the Half-year Report, and the audit of the Separate and Consolidated Financial Statements were entrusted to the auditing firm "BDO Italia S.p.A.", whose term of office will expire upon approval of the 2023 Financial Statements. The Board of Statutory Auditors examined the 2016 audit activity plan and periodically exchanged information with the Independent Auditors; the latter did not notify the Board of Auditors of any events, circumstances or irregularities requiring its attention. In 2016, the Independent Auditors verified regular bookkeeping practices and correct assessment of operations in the accounting entries, and that the Financial Statements for the year ended 31 December 2016 reflected the accounting books and records. The Independent Auditors have issued today a clean report with no need for further disclosure on the Separate and Consolidated Financial Statements for the year ended 31 December 2016.

The Independent Auditors have also issued the statement confirming their independence and the absence of the causes of incompatibility contemplated in Articles 10 and 17 of Legislative Decree No. 39/2010.

In the reporting year, no further tasks were entrusted to BDO Italia S.p.A. or other companies belonging to the same network.

The Manager in charge of preparing the company's financial reports and the General Manager issued the statement and attestation of compliance required under applicable regulations in the field of accounting and financial statement disclosure.

The Board of Statutory Auditors nonetheless controlled the general criteria used in preparing the financial statements, as well as their compliance with the law and specific regulations regarding the preparation of financial statements of banking institutions.

The Financial Statements were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and related IFRIC interpretations. Moreover, they were based on the "*Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups*" issued by the Bank of Italy. The Notes and Comments explain the accounting criteria adopted and provide the necessary information as required by current laws, including information on credit risk,

market risk, liquidity risk and operating risk. The Directors' Report on Operations provides information on operations, highlighting developments underway and the potential outlook, and the banking Group's development and reorganisation process in the reporting year. In their Report, Directors illustrate the main risks and uncertainties to which the Company is exposed.

The Chief Financial Officer illustrated to the Board of Statutory Auditors the accounting treatment applied to goodwill and the impairment process performed on intangible assets, and agreed on the related recognition.

In carrying out our supervisory activity, as described above, no other significant facts emerged that need to be reported to relevant Supervisory Bodies or that are worthy of mention in this report.

As concerns the Consolidated Financial Statements of the Banca Generali Group, the Board of Auditors also acknowledges that they were prepared in compliance with Legislative Decree No. 38/2005 and in accordance with the accounting standards issued by IASB and IFRIC interpretations. Moreover, they were based on "*Instructions for Preparing the Financial Statements and Consolidated Financial Statements of Banks and Parent Holding Companies of Banking Groups*" issued by the Bank of Italy. The scope of consolidation remained unchanged compared to the previous year and includes the Parent Company, Banca Generali S.p.A., and its subsidiaries, BG Fiduciaria SIM S.p.A., BG Fund Management Luxembourg S.A. (former GFM) and Generfid S.p.A. The Directors' Report on Operations includes information on the performance of subsidiaries.

We acknowledge that no complaints have been received pursuant to Article 2408 of the Italian Civil Code.

We acknowledge that during the year no complaints were received.

Lastly, the Board of Statutory Auditors has no proposal to submit to the General Shareholders' Meeting pursuant to Article 153, paragraph 2, of TUF.

Having regard to the above, the Board of Statutory Auditors considers that the Financial Statements for the year ended 31 December 2016, as presented to you by the Board of Directors, may be approved by you and expresses a favourable opinion regarding the allocation of the profit as proposed by the Board of Directors.

Milan, 28 March 2017

The Board of Statutory Auditors
Massimo Cremona - Chairman

Mario Anaclerio – Acting Auditor

Flavia Daunia Minutillo – Acting Auditor