

**Banca Generali S.p.A. Board of Directors' Report Within the Meaning of Section 2501-
quinqües of the Italian Civil Code, Regarding a Significant Related Party Transaction by a
Subsidiary Company**

Shareholders,

This report sets forth the executive phase of an overall reorganisation of the Banca Generali group, involving the subsidiary Banca BSI Italia and aimed at concentrating all portfolio management operations within the group's asset management company (SGR), on the one hand, and all group banking operations within a single company, on the other.

It must be borne in mind that, for reasons set forth in greater detail below, in respect of this sector, the Company's Board of Directors made a strategic organisational decision involving several of the banking group's companies: the merger of Banca BSI Italia S.p.A. into Banca Generali S.p.A., to be implemented after the Business Unit that handles portfolio management operations has been conferred on BG SGR S.p.A. by way of capital contribution reflected in a reserved capital increase of the latter.

As you are aware, the merger of the subsidiary Banca BSI Italia was disclosed to the market in general terms on 12 March 2009, together with the financial statements for the year ended 31 December 2008.

In order to concretely implement the aforesaid decision, the corporate procedure for the merger must now be launched with the approval of the related resolutions.

Accordingly, we submit for your approval, the merger project pursuant to which, after spinning off the Business Unit bringing together all its portfolio management operations, Banca BSI Italia S.p.A. is to be merged into Banca Generali S.p.A.

Pursuant to the estimated timetable for the completion of the aforesaid transactions:

- (i) the subsidiary Banca BSI Italia S.p.A. (having completed all the related corporate formalities and obtained all the required authorisations) is expected, as its first business of the day, with effect as of 1 January 2010, to confer all its portfolio management operations organised into a single Business Unit, on BG SGR S.p.A., against a reserved increase in the latter's share capital;
- (ii) the second item of business of the day, immediately following the transaction mentioned in point (i) above, is to entail the merger of Banca BSI Italia S.p.A. into Banca Generali S.p.A. with effect as of 1 January 2010.

General Section

1. Objectives

As you are aware, the Banca Generali group's business model places a strong emphasis on private banking, identified as a high-growth sector.

Consequently, in 2006, the Generali Group launched a project aimed at bringing together all its Italian private banking operations under a single company. Concrete implementation of the aforesaid project was launched with the acquisition, effective as of 1 July 2006, of full ownership of Banca BSI Italia S.p.A., on which Banca Generali subsequently (i.e. with effect as of 1 January 2007) conferred the Business Unit set up to bring together all its private banking operations. As a result of these two transactions, Banca Generali currently holds full ownership of Banca BSI Italia which manages € 7.7 billion through 232 private bankers and 65 relationship managers. The project progressed further when, effective as of 1 October 2008, the subsidiary Banca BSI Italia acquired full ownership of Banca del Gottardo Italia S.p.A. which was then merged into its sole shareholder with effect as of 1 January 2009.

As a result of the aforesaid transactions, the Banca Generali Group currently operates in the private banking sector through its subsidiary Banca BSI Italia.

The merger of Banca BSI Italia (hereinafter also referred to as Banca BSI) into Banca Generali, is expected to yield a variety of benefits, and more specifically, making it easier:

a) to extract even further advantages from operational synergies with Banca Generali, and the Generali Group in general. There can be no doubt that, especially in times of turmoil and low consumer confidence in financial institutions, the Generali brand will provide significant leverage for maintaining and even expanding the customer base. The private banking division's distribution channels will continue to be highly specialised, without any change in the current distinction between relationship managers (who are company employees) and private bankers (financial advisers serving the company under agency contracts), an arrangement which has so far worked well in terms of customer service and acquisition. Moreover, other already existing distinctions, both product-specific and, more generally, based on customer-service levels, will also remain unchanged.

b) for the private banking division to focus on its core tasks, i.e. customer service and acquisition, with all governance, staff and operating functions being covered directly by Banca Generali, and no longer outsourced.

c) for Banca BSI Italia to achieve significant reductions in its current operating costs as a separate, independent bank. Cost reductions, expected across the board from company management through to information technology, are estimated at about € 3-4 million per year, at full regime. Account must also be taken of inter-company VAT which, pursuant to new regulations, must be applied to all services outsourced to Banca Generali, and is estimated at about € 1.3 million per year. Cost management is, in fact, one of the Banca Generali Group's top priorities during the

current financial crisis, with special emphasis on minimising all costs that do not affect business development, customer-service levels or the required internal controls. If the current economic crisis fails to dissipate in the near future, cost-cutting could well prove key to financial intermediaries in offsetting the negative impact of sluggish financial markets on their revenues, and consequently, maintaining an adequate level of profitability.

The transactions mentioned above — i.e., the acquisition of Banca BSI Italia in 2006, the endowment of the latter with the Business Unit comprising all private banking operations in 2007, and lastly the acquisition (and subsequent merger) of Banca del Gottardo Italia in 2008 — were all effected in implementation of a decisive and strategic policy decision by the Banca Generali Group with regard to the private banking sector. While results in terms of growth have been satisfactory so far, there is still ample room for further expansion in the sector. Placing all private banking operations under a single corporate umbrella graced with the Generali brand, is almost certainly bound to give rise to promising growth opportunities, especially in the currently prevailing economic environment. The steps taken in this direction are therefore perfectly in line with the long-standing strategic policy and are aimed at promoting and accelerating the attainment of the growth objectives pursued by the latter.

Bringing all core private banking operations under the Banca Generali would therefore open the door to: (i) eliminating an entire corporate structure, together with the attendant organisational costs; (ii) generating operating synergies in respect of various corporate-administrative tasks; (iii) optimising operating costs, thanks especially to efficiencies arising from the concentration of all line activities and support services, and boosting the quality of related processes; (iv) enhancing the effectiveness of internal controls; and (v) terminating all outsourcing contracts under which the parent company currently provides services to its subsidiary.

For the reasons enunciated at greater length below, the purposes set forth above would be best served if, after its merger with Banca BSI Italia, Banca Generali were to be structured in accordance with the following guidelines:

- (a) transfer of all Banca BSI's operating and internal control functions to the corresponding departments within Banca Generali, so as to boost efficiency and effectiveness, including in terms of oversight;
- (b) streamlining of corporate governance, and coordination of sales networks, to be achieved by investing Banca Generali's General Manager with direct responsibility for both the Retail division (comprising Banca Generali's current network of financial advisers) and the Private Banking division served by the private bankers and relationship managers that make up the sales force of Banca BSI Italia in its present shape and form;
- (c) streamlining at both the administrative and IT levels, since, once IT migration procedures have been completed, the merger between Banca Generali and Banca BSI Italia would allow the latter to eliminate its software platform.

The transaction is also expected to yield significant synergies in terms of human resources.

As underlined above, the Board of Directors feels that the merger of Banca BSI Italia should proceed only after the latter spins off the Business Unit comprising all its portfolio management operations.

The aforesaid spin-off will allow the group's Italian asset management company to take over all of Banca BSI Italia's current portfolio management operations. It would be advisable for the subsidiary to approve the transfer, within the meaning of article 58 of Legislative Decree No. 385/1993, of the aforesaid Business Unit (together with all relevant contractual relationships) to BG SGR, especially since the latter operates as the group's asset management company (SGR), the core business of which is to handle all the Banca Generali banking group's retail asset management services, with a view to securing benefits in terms of both reduced costs and enhanced efficiency. The aforesaid transaction could be effected through an increase in BG SGR's share capital, reserved for subscription only by Banca BSI Italia against conferment on BG SGR of the Business Unit comprising all of the Banca BSI Italia's portfolio management operations, together with any and all related contracts and human resources.

2. Impact of the transaction on the bank's and the banking group's development strategies

The merger of Banca BSI Italia into Banca Generali does not entail any change in the Banking Group's sales strategy which is primarily aimed at:

- establishing an integrated group covering distribution as well as the professional production and selection of financial products, supported by a banking platform allowing for an authentic consulting relationship with its reference customers;
- providing consulting services supported by diversified offerings including a wide range of asset management, insurance and administration products designed to comprehensively cover all customer requirements;
- developing, as a corollary to the aforesaid concept, an open-ended product structure designed to offer the best asset management products at the international level, overcoming, from the very outset, any potential conflict of interest arising from the marketing of products to a captive-only customer base;
- lastly, segmenting customers and customising product offerings, thanks to highly skilled staff trained specifically to serve affluent customers through specialist distribution channels.

Whilst promoting the aforesaid goals, the merger is also designed to reinforce the strengths of each of the banks involved, as far as possible. The organisational streamlining resulting from the merger would not in any way undermine the High Net Worth Individual (HNWI) division, since all the current categorisations in terms of logistics, marketing and service levels, are to remain unchanged. In this context, about 300 operators (inclusive of both Financial Advisers and

Relationship Managers serving under employment contracts) are to continue to remain part of the Private Banking division, which would operate pursuant to its own specific marketing policies.

But that is not all. Strategic policy is currently subject to in-depth review aimed at ensuring that any and all merger-related streamlining will fall in line with the current business model, and allow for offerings to be tailor-made to suit the typical requirements of affluent and top customers, on the basis, for instance, of feedback from dedicated teams carrying out both back-office and marketing activities, with a view to providing adequate differentiation in terms of service levels and product features.

Lastly, there can be no doubt that the Private Banking division is bound to benefit, in marketing terms, from the brand-awareness resulting from its direct use of the “Generali” name.

3. Legal aspects of the overall transaction

It has been established that the legal instrument best suited to implementing the project outlined above, on the overall, consists in effecting two corporate transactions, one immediately following the other, entailing, more specifically:

A) A divisible increase, in kind, of the share capital of the subsidiary BG SGR S.p.A., within the meaning of sections 2440 and 2441 of the Italian Civil Code, reserved for subscription by the subsidiary Banca BSI Italia against conferment of the Business Unit bringing together all of its portfolio management operations, on BG SGR S.p.A. The aforesaid increase shall therefore not bear the right of option contemplated in section 2441, paragraph 4, of the Italian Civil Code.

B) The merger of Banca BSI Italia S.p.A. into Banca Generali, within the meaning of sections 2501 et seq. of the Italian Civil Code.

The transaction described in point (A) above, is to be completed subject to the provisions of section 2343-*ter* of the Italian Civil Code, introduced by Legislative Decree No. 142 of 4 August 2008 (in implementation of Directive 2006/68/EC which amends Directive 77/91/EEC as regards the formation of public limited liability companies and the maintenance and alteration of their capital). Pursuant to the aforesaid statutory provision, the report mentioned in section 2343, paragraph 1, of the Italian Civil Code, is not required in the case of capital contributions in kind or receivables, provided that, for the intents and purposes of determining the share capital and share premium, if any, the said contributions in kind or receivables are recognised at their fair value as determined by an adequately trained, experienced and acknowledged expert independent of both the contributing party and the company, in accordance with generally accepted valuation standards and principles no more than six months prior to the contribution in question.

Contributions in assets or receivables effected pursuant to the aforesaid provisions must be accompanied by documentary evidence bearing witness not only to the fair value of the contributions in question, but also to the fact that the same was determined in compliance with all applicable statutory requirements. The aforesaid documentary evidence must be attached to the related deed.

In compliance with the above-mentioned statutory provisions, the subsidiary Banca BSI Italia appointed as its expert the accounting firm KPMG S.p.A., which amply meets all the statutory requirements of independence and acknowledged professionalism.

Since BG SGR is subject to consolidated supervision within the meaning of article 65 of Legislative Decree No. 385/1993, the conferment of the Business Unit by way of capital contribution will be announced through the publication of a notice to such effect in the Official Journal of the Republic of Italy, in accordance with provisions set forth in article 58 of Legislative Decree No. 385/93, and Title III, Chapter 5, Section II, of Bank of Italy circular No. 229 of 21 April 1999.

With regard to the transaction described in point (B) above, the merger of Banca BSI Italia into Banca Generali will be completed pursuant to and within the meaning of sections 2501 *et seq.* of the Italian Civil Code.

The merger is to be concluded on the basis of the balance sheets of the two companies at 30 June 2009, prepared in accordance with the provisions of section 2501-*quater* of the Italian Civil Code.

Pursuant to article 57 of the Rules for Issuers, the information document contemplated under article 70, paragraph 4 of the same Rules, must be filed with CONSOB.

Upon approval by the Bank of Italy pursuant to article 57 of Legislative Decree No. 385/93 and Section II, Chapter IV, Title III, of Bank of Italy circular No. 229 of 21 April 1999, the merger project will be lodged with the Office of the Registrar of Companies of the place where the companies involved in the merger maintain their registered offices.

Should the aforesaid approval process not be completed within the 120-day period contemplated in section 2510-*quater* of the Italian Civil Code, the merger between the two companies must take place on the basis of their respective balance sheets updated as at 30 September 2009.

In addition to being formally served on each of the companies involved, upon approval by the Bank of Italy, the merger project will be lodged with the Office of the Registrar of Companies of the place where the said companies maintain their respective registered offices, at least thirty days prior to the scheduled date of their respective Extraordinary Shareholders' Meetings, as required pursuant to section 2501-*ter* of the Italian Civil Code.

Given that, at the time the merger is completed, the share capital of the merged company will be entirely owned by the sole merging shareholder (Banca Generali), the simplified merger procedures provided for by Article 2505 of the Italian Civil Code (*Mergers of Wholly Owned Companies*) apply to the transaction; therefore a share swap ratio does not have to be determined, nor is it necessary to request the appointment of one or more experts pursuant to Article 2501-*sexies* of the Italian Civil Code.

In filing for approval of the planned merger, Banca Generali S.p.A., BG SGR and Banca BSI Italia S.p.A. also intend to submit a joint request to the Bank of Italy for authorisation and prior

advice.

The transaction will be effected only after all the required authorisations have been obtained.

Upon completion of the transaction (assuming that in the meanwhile the disposal of the 85% stake in Simgenia SIM as well as the merger of the Luxembourg-based management companies, are approved), the “Banca Generali” banking group — registered with the Register of Banking Groups as of 31 December 2000 pursuant to order under serial No. 2442 issued by the Bank of Italy, Trieste branch, on 26 April 2001 — shall be made up of the parent company Banca Generali S.p.A., which will hold:

(i) 100% ownership of the following companies:

- BG Fiduciaria S.p.A. Società di Intermediazione mobiliare, with registered offices in Trieste, at Via Machiavelli 4;

- BG Società di gestione del risparmio S.p.A., with registered offices in Trieste, at Via Machiavelli 4;

- S. Alessandro Fiduciaria S.p.A., with registered offices in Milan, at Piazza S. Alessandro 4; as well as

(ii) a 51% stake in:

- BG Investment Luxembourg S.A. (by then re-named Generali Investment Management S.A.), with registered offices at no. 5, Allée Scheffer, L-2520 Luxembourg.

However, even after the transaction is completed, Banca Generali S.p.A. will remain subject to control, management and coordination by Assicurazioni Generali.

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Part A

Conferment by Banca BSI Italia of the Business Unit incorporating all of its portfolio management operations, on BG SGR, against an increase in the latter's capital reserved in its favour

1A. Definition of the Business Unit subject to transfer

Banca BSI Italia has included all of its portfolio management operations in the Business Unit earmarked for transfer, and therefore, inclusive of any and all the assets, liabilities and contractual relationships thereto pertaining and consequently, collectively constituting, within the meaning of section 2112, paragraph 5, of the Italian Civil Code, the Business Unit reflected, in terms of its constituent items and book value, in the related pro-forma balance sheet as at 31 December 2008, adopted as the point of reference hereof and attached hereto as schedule “A”.

With regard to the above, it must be pointed out that in order to properly identify the items to be included in the Business Unit earmarked for conferment, the subsidiary prepared a pro-forma balance sheet as at 31 December 2008 already reflecting the equity movements generated by the merger of Banca del Gottardo Italia into Banca BSI Italia which took effect as of 1 January 2009.

The pro-forma accounts of the Business Unit earmarked for conferment accordingly also reflect the portfolio management operations of the merged company Banca del Gottardo Italia.

The Business Unit earmarked for conferment is comprised of portfolio management operations regulated pursuant to agreements under which the customer entrusts the asset manager with assets for the purpose of investing the same in units of mutual funds/SICAVs, and/or stocks/bonds traded on Italian and foreign markets, even if denominated in foreign currencies, as well as both spot and forward currency trading.

More specifically, the pro-forma Business Unit includes:

- (a) all portfolio management contracts underway with customers as at 31 December 2008;
- (b) all staff specifically assigned to servicing the aforesaid asset management contracts, as of the date on which the asset contribution enters into force, and currently numbering 11 employees;
- (c) the outsourcing agreement entered into with Banca Generali for back-office services pertaining to the securities held pursuant to portfolio management contracts;
- (d) assets under management as of the date on which the asset contribution enters into force, net of cash balances which, as of 31 December 2008, amounted to € 1.2 billion;
- (e) bank accounts used for managing the cash balances of individual asset management positions as at the date on which the conferment takes effect, and reflecting, at 31 December 2008, a book value of € 44.3 million;
- (f) the portion of goodwill and intangible assets attributable to the Business Unit and arising from the acquisition of Banca del Gottardo Italia, calculated in function of the proportion of total assets under management represented by the assets subject to conferment, and amounting to € 8.8 million.

2A. Nature of the related-party status and other relationships underway

Both the companies involved in the conferment transaction are subject to the direct and full control of Banca Generali S.p.A.

Upon completion of the conferment transaction, Banca BSI Italia will become a shareholder in BG SGR, but despite the resulting change in the direct ownership layout of the recipient company BG SGR, Banca Generali S.p.A.'s position of control over all the companies involved in the transaction will basically remain unaltered. Upon completion of the merger of Banca BSI Italia into Banca Generali, as illustrated in Part B below, the latter will once again acquire full and direct ownership of BG SGR.

With regard to the business and other relationships linking the parties involved, the following points are worthy of note:

Relationships between Banca BSI Italia and Banca Generali:

- interbank current account borrowing and lending relationships with Banca Generali;
- interbank relationships entailing the short-term use of deposits for swap transactions with the parent company Banca Generali;

- securities brokerage, administration and custody relationships with Banca Generali;
- agreement under which Banca Generali undertakes to act as placement agent for Banca BSI Italia's asset management services;
- agreement under which BSI Italia undertakes to distribute Banca Generali's banking products;
- agreements for business services outsourced to Banca Generali;
- staff seconded to and from the parent company Banca Generali.

Relationships between Banca BSI Italia and BG SGR:

- agreement under which Banca BSI Italia engages in the placement of BG SGR's funds and discretionary accounts (GPF);
- investment consulting agreement entered into with the associate company BG SGR for consultancy services focusing on portfolio management policies.

Relationships between BG SGR and Banca Generali:

- interbank current account relationships with Banca Generali;
- agreements with Banca Generali for the placement of UCITS and discretionary accounts (GPF);
- agreements for services outsourced to Banca Generali;
- investment consulting agreement with the parent company Banca Generali.

3A. Risks to which the banking group may be exposed as a result of the transaction

Since both transactions involve companies that already belong to the banking group, the latter is not expected to be exposed to any additional or particular risks as a result of the transaction.

4A. Determination of the amount of the capital increase and the issue price

The issue price was determined on the basis of a valuation of both the Business unit to be conferred by Banca BSI Italia S.p.A., and the recipient company BG SGR S.p.A.

The aforesaid valuation was effected pursuant to international best practices as applied to similar transactions within the industry.

The valuation entailed a meticulous examination of all relevant publicly available data, including, in particular:

- BG SGR's and Banca BSI Italia's financial statements for the years ended 31 December 2006, 2007 and 2008;
- the Balance Sheet of Reference of the "pro-forma" Profit and Loss Account pertaining to the Business unit for the year ended on 31 December 2008, prepared pursuant to IAS/IFRS;
- the economic-financial forecasts for BG SGR and the Business unit during the period 2009-2011;

- the expected movements in volumes resulting from the asset management contracts included in the Business unit as well as those held by the BG SGR;
- publicly available information (such as financial statement data, stock prices, number of outstanding shares, economic and financial forecasts and stock-price movements predicted by the main financial analysts) required to apply market-based methods, such as Comparable Pricing Analysis, and determine the stock-market multiples appropriate in the case at hand.

The main method used was the Excess Capital variant of the Dividend Discount Model (“DDM”) designed to estimate the value of a company or Business Unit on the basis of the future cash flows attributable to shareholders. Supported by the most highly regarded authoritative commentators on corporate valuation, this method is widely used by valuers especially in the case of companies operating in the financial sector. The Stock Market Multiples variant of the Market Multiples Method was adopted for control purposes. The valuation criteria used are described below:

1. *Dividend Discount Model – Excess Capital*

The Dividend Discount Model is used to value a company or a Business Unit on the basis of predicted future dividends. The Excess Capital variant of the aforesaid DDM, used in this instance, is designed to express the economic value of a company or Business Unit as the sum of the following factors:

- current value of future cash flows generated within a specific time planning period and available for distribution amongst shareholders, without falling short of the minimum market capitalisation threshold established pursuant to the instructions imparted by the Bank of Italy, taking due account of the nature and expected movements in the value of assets;
- current value of a perpetual annuity defined on the basis of a sustainable dividend in the years following the initial or explicit planning period, in line with a pay-out ratio (dividend/net profit) reflecting profitability at a sustainable regime of operation. This value is hereinafter also referred to as the Terminal Value.

As formulated above, this method is particularly useful for valuing an entity operating in the financial sector, since:

- (i) it places greater emphasis on the capability of the company under valuation to generate cash flows for its shareholders;
- (ii) it takes optimal account of the capitalisation levels “absorbed” through operations related to the company’s core business, by drawing a distinction between the equity of the company under valuation and the capital in fact required for business operations, in light of the underlying risk profile.

The DDM method is based on the following formula:

$$W = \sum_{i=1}^n \frac{D_i}{(1+k_e)^i} + \frac{TV}{(1+k_e)^n}$$

where:

= capital of the company under valuation;
 = cost of own capital;
 e
 = cash flows potentially available for distribution in the nth year of the
 i explicit planning period;
 = explicit planning period (expressed in number of years);
 = residual value or Terminal Value deemed equivalent to the current
 V value of the perpetual annuity represented by a sustainable dividend in
 the years following the explicit planning period;

The cost of own capital was determined in application of the Capital Asset Pricing Model, on the basis of the current interest structure prevailing on the market and within the industry in question; in particular, the value “ke” represents the nominal rate of return on risk-free investments, increased by a premium for the specific risk taking due account not only of the risks besetting the industry in question, but also those specifically linked to the operations undertaken by the Business unit.

The cost of own capital is calculated pursuant to the following formula:

$$k_e = R_f + \beta \times (R_m - R_f)$$

where:

Rf = rate of return on risk-free investments on the basis of the gross return of the ten-year Italy Benchmark as at 29 April 2009 (about 4.3%);
 β = Beta coefficient indicating the risk level of a specific stock compared to the stock market on the whole. More specifically, the beta coefficient is derived from a sample of comparable listed companies taking as the reference point the mean value of about 1.38 (asset management companies) (source: Bloomberg);
 Rm - Rf = premium, that is to say, differential return, expected by investors for investing in stocks rather than in risk-free investments, in this case, about 5%.

On the basis of the above, the cost of own capital of BG SGR and of the Business Unit is estimated at about 11.15%.

The Terminal Value of the Company and the Business Unit subjected to valuation is rather peculiar insofar as due account must necessarily be taken of the following factors: (i) the long-term growth rather to be applied to the result for the period and (ii) the minimum level of capitalisation, which is also affected by a growth dynamic.

Accordingly, in order to determine the Terminal Value, one must, above all, define the expected sustainable dividend, which in the present case, is determined by applying the following formula:

$$g = ROE * (1 - \text{payout ratio})$$

where:

(g) = expected long-term growth rate after the explicit planning period (2.0%). This rate must be compared with the long-term nominal growth rate of the economy on the whole, since it is prudentially assumed that in the long term, all sectors and the individual companies operating therein will converge towards general economic growth rate;

ROE = Profitability sustainable over the long term;

E

Pay = Dividends/Net profits;

out ratio

(1- Pay) = Percentage of profits reinvested to finance the growth of management operations (also known as plowback ratio).

On the basis of the above formula, if ROE levels and long-term growth rates are above zero, the sustainable dividend must necessarily be a fraction of the result of the period, since a part of the same must be used to finance future growth through increases in Equity.

The net sustainable result, used to calculate the long-term sustainable dividend, is determined on the basis of net revenues in the last year of the explicit period, increased by long-term sustainable growth rate.

Consequently, Terminal Value may be expressed as follows:

$$TV = \frac{D_{n+1}}{k_e - g}$$

where

D_{n+1} = expected sustainable dividend following the explicit planning period;

k_e = cost of own capital, as calculated above;

(g) = expected growth rate following the explicit planning period.

On the basis of the Excess Capital variant of the DDM method, BG SGR is valued at between € 50.2 million and € 55.5 million, and the Business Unit organised to be conferred by BSI Italia is valued at between € 11.7 million and € 14.1 million.

2. Market Multiples

The Market Multiples method consists in valuing the company or Business Unit on the basis of the implicit value the stock market assigns to entities comparable to those under valuation.

With regard to this method, account was taken of the median value of a sample of thirteen

listed companies operating in the asset management sector.

The method was applied using not only the mean stock prices of the comparable companies during the previous three months, but also their balance-sheet and income-statement figures. The data used were sourced from the official financial statements and by-laws of the companies in question, as well as from *Bloomberg* (source: IBES for forecasts).

Account was taken of the following multiples of the comparable companies:

- Goodwill (GW) / Assets under Management (“AuM”);
- Price/Earnings (“P/E”) 2010.

In the case at hand:

- the GM/AuM multiple was applied to the assets managed by the entities under valuation as at 31 December 2008 (the comparable companies analysed feature a median GW/AuM value of 0.88%).
- the P/E 2010 multiple was applied to the profits forecast for 2010 and adjusted for the return (after taxes) arising from the identified Deficit/Excess Capital (at the EURIBOR rate). The value thus obtained was increased by the Deficit/Excess Capital described above (the comparables analysed feature a median P/E 2010 of 10.78% and a NAV/AuM of 0.10%).

On the basis of the Market Multiples method, BG SGR is valued at between € 48.5 million and € 54.0 million, and the Business Unit to be conferred by Banca BSI Italia is valued between € 11.0 million and € 13.3 million.

The results of the valuations are summarised in the tables below:

BG Sgr	Max. Value € mln	Min. Value € mln	Central value € mln
Main method			
Dividend Discount Model – Excess Capital (DDM – Excess Capital)	55.5	50.2	52.6
Control methods			
Market methods: Market Multiples	54.0	48.5	

Banca BSI Business Unit	Max. Value € mln	Min. Value € mln	Central value € mln
Main method			
Dividend Discount Model – Excess Capital (DDM – Excess Capital)	14.1	11.7	12.8
Control methods			
Market methods: Market Multiples	13.3	11.0	

The results of the individual valuation methods applied — as summarised in the document entitled “Value indications pertaining to the Banca BSI Italia’s Portfolio Management Business unit and BG SGR S.p.A.”, issued on 6 May 2009 by the firm KPMG and currently filed in the company’s records — the current economic values attributable to the Business Unit organised by Banca BSI Italia to bring together all its portfolio management operations and to BG SGR stand at the central values of the range determined by the main method (DDM Excess Capital variant) and, that is to say, as indicated in the above tables, € 12.8 million and € 52.6 million, respectively.

Briefly put, the valuations described above indicate that the individual entities earmarked for conferment are to be valued at:

- the overall amount of € 12,800,000.00 in respect of the Business Unit comprising all of Banca BSI Italia S.p.A.’s portfolio management operations;
- the overall amount of € 52,600,000.00 in respect of the recipient company BG SGR S.p.A.

The number of shares that the recipient company BG SGR S.p.A. is to issue to cover the contribution in question was determined on the basis of the aforesaid valuations as follows:

Number of shares to be issued by the recipient company BG SGR S.p.A. to cover the conferment of Banca BSI Italia S.p.A.’s Business Unit	315,133
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For the asset contribution to be completed, BG SGR must therefore approve a share capital increase in the maximum overall amount of € 1,575,665 — after rounding down by 0.40 euro to eliminate decimal fractions of euro from the share capital — by means of the issue of no more than 315,133 ordinary shares, with regular dividend entitlement, and reserved in full to the contributing company Banca BSI Italia S.p.A.

As a result of the aforesaid capital increase, the recipient company BG SGR S.p.A.’s share capital would rise from € 6,475,000.00 to € 8,050,665.00.

Since the contribution in question is to be completed between entities under common control, it would be best for the same to be booked at the difference between the assets and liabilities of the contributed Business Unit as at 31 December 2008, i.e. € 9.5 million, especially since this accounting method would also allow the books to adequately reflect the restructuring of the Banca Generali Group’s portfolio management operations.

In light of the above, therefore, the overall issue price of the shares of the recipient company BG SGR S.p.A. is to be determined as the difference between the assets and liabilities of the conferred Business Unit, equivalent to no more than € 9,500,000.00. Given that, on the basis of the aforesaid valuations, BG SGR is to issue 315,133 new shares with a par value of € 5.00 each, to be reserved to Banca BSI Italia S.p.A., the issue price per share would amount to € 30.146 reflecting a share premium of € 25.146 per share.

5A. Estimated timetable for the transaction

The transaction is to be completed once the relevant corporate bodies of the companies involved pass the required resolutions and obtain the necessary authorisations, and it is estimated

that the transaction could take effect as of 1 January 2010, at 00.00.01, as the first business of the day.

Banca BSI Italia will subsequently be merged into Banca Generali.

6A. Information on amendments to the Articles of Association

As a result of the transaction, BG SGR S.p.A.'s share capital will be increased from the fully paid-up amount of € 6,475,000.00 to the fully paid-up amount of € 8,050,665.00 through the issue of no more than 315,133 shares with a par value of € 5.00 each.

The subsidiary BG SGR will therefore have to amend article 5 of its Articles of Association, accordingly. The transaction entails no other amendments to the Articles of Association.

7A. Effects on the balance sheet, profit and loss account and cash flows

BG SGR's acquisition of Banca BSI Italia's Business unit, will undoubtedly entail effects for both the companies involved.

In income-statement terms, the positive effect of the Business Unit on Banca BSI's gross profits, is expected to rise from € 4 million in 2009 to € 5.5 million in 2011. The said contribution is expected to be transferred in full to BG SGR, with no reduction whatsoever in assets under management, given that quality levels in terms of service and managerial capabilities are bound to remain unchanged, if not improve, since both the companies involved belong to the same corporate group.

The aforesaid positive impact will however be partially offset by the retrocession of commissions payable, normally effected between the asset manager (in this case, BG SGR) and the distributor (in this case Banca BSI Italia) and established at 65%, equivalent in the case at hand, to € 3.7 million for 2010 and € 4.1 million for 2011. Net of the said retrocession, the positive impact of the acquisition on BG SGR's gross profits, is expected to amount to € 1 million in 2010 and € 1.4 million in 2011.

Movements in Banca BSI Italia's Profit and Loss Account following the transfer of the Business Unit

	2010		2011	
	BSI	BSI after transaction	BSI	BSI after transaction
Interest margin	14.5	13.6	16.2	15.2
Service margin	24.5	22.5	24.2	22.0
Net banking income	39.0	36.1	40.4	37.2
Structural costs	-37.6	-35.8	-39.7	-37.9
Operating Profit	1.4	0.3	0.7	-0.7
Provisions	-8.8	-8.8	-9.3	-9.3
Profit/loss before taxation	-7.4	-8.4	-8.6	-10.0
Profit / loss for the year	-6.4	-7.3	-7.4	-8.6

Movements in BG SGR's Profit and Loss Account following the acquisition of the Business Unit

	2010		2011	
	BG SGR	BG SGR after transaction	BG SGR	BG SGR after transaction
Interest margin	0.8	1.7	0.9	2.0
Service margin	14.8	16.9	14.7	16.9
Net banking income	15.6	18.5	15.6	18.8
Structural costs	-11.0	-12.6	-10.9	-12.3
Operating Profit	4.6	5.9	4.7	6.6
Provisions	0.0	0.0	0.0	0.0
Profit/loss before taxation	4.6	5.9	4.7	6.6
Profit / loss for the year	2.9	3.8	3.0	4.2

The net effect on the consolidated accounts, on the other hand, is expected to consist in the cost-savings generated through integrated operating and administrative procedures. While savings in terms of administrative costs are not expected to be significant initially, when fully implemented about 6 FTEs could be eliminated, generating savings of over € 500,000 in 2011, since the salaries and benefits of the staff in question are relatively high.

8A. Effects on Regulatory Requirements

1. *Effects on BG SGR*

The table below provides an overview of the composition of BG SGR's individual capital for regulatory purposes prior to the contribution of the Business Unit, estimated on the basis of figures as at 31 December 2008, and upon completion of the said transaction.

Individual capital for regulatory purposes (€ thousand)	31/12/2008	31/12/2008
	BG Sgr	BG sgr after the contribution
Tier 1 capital		
Share capital	6,475	8,051
Additional paid-in	12,525	20,449
Reserves + retained earnings (losses)	(1,618)	(1,618)
Net profit for the period	10,740	10,740
Dividends for pay-out	(10,740)	(10,740)
Goodwill	0	(4,933)
Intangible assets	(415)	(4,272)
Total	16,967	17,677
Tier 2 capital	0	0
Deductions: Equity investments	(110)	(110)
Total capital for regulatory purposes at 31/12	16,857	17,567

As indicated in the table above, the improvement in the recipient company BG SGR's capital for regulatory purposes arising from the conferment of the Business Unit by Banca BSI Italia, as a result of the capital increase covering the said conferment and related share premium reserves totalling € 9.5 million will be partially offset by the absorption of additional intangible assets and goodwill pertaining to the conferred Business Unit and totalling € 8.9 million.

The table below provides an overview of the composition of BG SGR's capital requirements prior to the contribution of the Business Unit, estimated on the basis of figures at 31 December 2008, and upon completion of the said transaction.

Capital and capital requirements (€ thousand)	31/12/2008	31/12/2008
	BG Sgr	BG sgr after the contribution
Total capital for regulatory purposes	16,857	17,567
Requirements for other liabilities	3,348	3,348
Excess capital	13,509	14,219
Minimum capital required	1033	1033

As indicated in the table above, the contribution entailing the conferment of the Business Unit is expected to result in an improvement of € 0.7 million in the recipient company BS SGR's capital requirements, as a result of the increase in the capital for regulatory purposes.

2. Effects on Banca BSI Italia

The table below provides an overview of the composition of BG SGR's individual capital for regulatory purposes prior to the contribution of the Business Unit — estimated on the basis of figures as at 31 December 2008 as well as the assumption that the merger of Banca del Gottardo took effect on the same date — and upon completion of the said transaction.

Individual capital for regulatory purposes (€ thousand)	31/12/2008	31/12/2008	31/12/2008
	Banca BSI	Banca BSI pro-forma after the merger	Banca BSI after the contribution
Tier 1 capital			
Share capital	80,235	80,235	80,235
Additional paid-in	0	0	0
Reserves + retained earnings (losses)	10,821	10,417	10,417
Net profit for the period	(18,782)	(18,782)	(18,782)
Dividends for pay-out	0	0	0
Treasury shares	0	0	0
Goodwill	0	(31,352)	(26,419)
Negative reserve AFS securities	(528)	(528)	(528)
Intangible assets	(1,077)	(9,658)	(5,801)
Total	70,669	30,332	39,122
Tier 2 capital			
Subordinated loan	35,334	15,166	19,561
Revaluation reserve	0	0	0
Portion attributable to positive reserve AFS securities	0	0	0
Other items	(75)	(75)	(75)
Total	35,259	15,091	19,486
Tier 3 capital			
Subordinated liabilities not included in Tier 2 capital	481	481	481
Total	481	481	481
Total capital for regulatory purposes at 31/12	106,409	45,904	59,089

As indicated in the table above, upon completion of the conferment of the Business Unit, the conferring company Banca BSI Italia's capital for regulatory purposes will undergo an improvement when compared to pro-forma figures, as a result of the reduction in the intangible assets and goodwill pertaining to the Business Unit and conferred to BG SGR pursuant to the transaction.

The table below provides a breakdown of Banca BSI Italia's individual solvency ratio both prior to the conferment of the Business Unit — and based on pro-forma figures as at 31 December 2008 reflecting the completed merger of Banca del Gottardo — and after the contribution of the Business Unit.

Capital and solvency ratios (in thousands of euro)	31/12/2008	31/12/2008	31/12/2008
	Banca BSI	Banca BSI pro-forma after the merger	Banca BSI after the contribution
Total capital for regulatory purposes	106,409	45,904	59,089
Credit and market risks	22,538	31,185	31,185
Estimate of operational risk	3,231	3,231	3,231
Total capital requirements, net of 25% reduction	19,327	25,812	25,812
Excess capital	87,082	20,092	33,277
Credit/market risk weighted assets	241,584	322,647	322,647
Tier 1 capital / weighted assets	29.3%	9.4%	12.1%
Capital for regulatory purposes / weighted assets	44.0%	14.2%	18.3%

As indicated in the table above, upon completion of the conferment of the Business Unit, the conferring company Banca BSI Italia's total capital ratio will improve compared to pro-forma figures, rising from 14.2% to 18.3% and, in any event, offering broad leeway for further developing the bank's business.

9A. Impact in terms of organisational structure and information technology

The transaction in question — entailing the acquisition by BG SGR S.p.A of the Business Unit comprising all of Banca BSI Italia S.p.A.'s portfolio management operations, as of 1 January 2010 — will be preceded by significant changes in IT systems as well as organisational and process-related adjustments.

All BG SGR's collective asset management and fund asset management operations are currently conducted using the IT platform and back-office services supplied by IntesaSanpaolo S.p.A. (hereinafter also referred to as "ISP"), under outsourcing agreements.

For various strategic and technical reasons, the databases are to be migrated from the ISP platform to that of the information-technology outsourcer CSE S.c.a r.l., already in use at both Banca Generali and Banca BSI (as well as, previously, Banca del Gottardo Italia S.p.A.).

The main reasons for this migration are summarised below:

- The CSE platform allows for service levels that meet the expectations of Banca BSI Italia's asset management customers, especially in respect of products of crucial importance to private banking clients, such as discretionary accounts.

- CES has undertaken to comply with the timetable for the project, even though the related work schedule partially overlaps with that drawn up for the merger between Banca Generali and Banca BSI;
- CSE seems more flexible than ISP when it comes to customisation and variants of all kinds, especially since the latter's group-level information-technology services seem to be still fully engaged in handling the remaining workload resulting from M&As within its own banking group.

The migration to the new software platform will entail:

- a) the migration of BG SGR's current portfolio management operations from ISP to CSE systems (deadline 31 October 2009);
- b) the transfer of discretionary accounts from Banca BSI's CSE system to BG SGR's new CSE system (deadline 1 January 2010);
- c) the continued use of the ISP platform for BG SGR's collective asset management (funds) operations on a temporary basis;
- d) the re-commencement by BG SGR of handling in-house the back-office and administrative services currently provided by ISP for products processed on its own IT platforms.

As a result, the project will feature two main dates and two main phases, which may be summarised as follows:

A) targets to be reached by 31 October 2009:

- the preparation of the new CSE platform for BG SGR with all the related settings and the resolution of the shortcomings identified during joint analysis with ISP (for the handling and subsequently migration of portfolio management operations);
- the mapping of activities outsourced to ISP and the subsequent reconfiguration of BG SGR's in-house processes to handle the same (including by outsourcing certain activities to the parent company);
- the reconstitution of an appropriately sized customer back-office within SGR and selection of the staff required;
- re-design of organisational processes, especially in the operations and administration area, with a view to boosting efficiency;
- the outsourcing of certain new administrative activities to appropriately sized Banca Generali entities and the required staff training;
- training of BG SGR's staff in the use of CSE's front-office and back-office software applications;
- the conjunction of complaints and BG SGR's mandatory registers (currently managed jointly by ISP) as a result of the use of two different computer systems with different products (portfolio and fund management);

B) targets to be reached by 1 January 2010:

- the migration of Banca BSI's discretionary accounts operations from CSE-BSI systems to CSE-BG SGR systems.

Once all asset management operations have been brought together under a single umbrella, the organisational structures of both BG SGR and Banca Generali will be further fine-tuned so as to maximise the benefits in terms of process efficiency and cost effectiveness that can be gathered through additional inter-company synergies, both as a result of the in-house management of several currently outsourced ISP activities and the spin-off of Banca BSI's portfolio management operations.

* * *

Part B

Merger of the subsidiary Banca BSI Italia S.p.A. into the parent company

1B. Illustration of the merger and reasons underlying the same, with specific reference to the operating objectives of the companies involved in the transaction, and the ways and means through which they are to be achieved

1. *Companies involved in the merger*

Banca BSI Italia – Società per Azioni, with registered offices in Milan, in Piazza S. Alessandro, no. 4, enrolled with the Register of Companies of Milan under no. 01129040281 (hereinafter also referred to as “BSI Italia”).

Banca BSI Italia, enrolled with the Register of Credit Companies under no. 5513, is a fully owned subsidiary of Banca Generali S.p.A. — the parent company of the homonymous Banking Group enrolled with the Register of Banking Groups.

BSI Italia engages in all core banking activities and is also authorised to provide investment services.

As at 31 December 2008, BSI Italia held stakes of 0.50% and 0.05% in CSE and GBS respectively. Moreover, as a result of the transaction mentioned under point (A) above, when the merger takes effect, BSI Italia shall hold 315,133 ordinary shares with a par value of € 5.00 each in the share capital of BG SGR S.p.A.

Lastly, at 31 December 2008, Banca BSI Italia held 78,000 shares in its parent company Banca Generali, including 60,000 to cover the company Chairman's stock-option plan as well as 2,143 shares in its indirect parent company Assicurazioni Generali S.p.A., to cover the cash flow related to the buy-back of fractions of non-tradable Assicurazioni Generali shares, generated through capital increases effected free of charge.

At 31 December 2008, the company's equity amounted to € 71,745,621; its fully paid-up share capital of € 80,235,162.00 is subdivided into 15,549,450 ordinary shares with a par value of € 5.16 each. Reserves and losses carried forward totalled € 10,292,951. The loss for the year amounted to € 18,782,492.

As per the balance sheet at 31 December 2008, the company's capital for regulatory purposes totalled € 106,409 thousand. Its solvency ratio was 44.05%, with a minimum capital requirement of € 19,327 thousand and excess capital of € 87,172 thousand.

Banca Generali – Società per Azioni, with registered offices in Trieste, at Via Macchiavelli, no. 4, enrolled with the Register of Companies of Trieste under no. 00833240328 (hereinafter also referred to as “Banca Generali”).

Banca Generali, enrolled with the Register of Credit Companies under no. 5358 and parent company of the homonymous Banking Group enrolled with the Register of Banking Groups, is a subsidiary of Assicurazioni Generali S.p.A.

Banca Generali engages in all core banking activities and is also authorised to provide investment services.

At 31 December 2008, Banca Generali held full ownership of the following companies.

Company name	Registered office	% stake held
- Simgenia S.p.A.	Trieste	100.00%
- BG Fiduciaria SIM S.p.A.	Trieste	100.00%
- BG SGR S.p.A.	Trieste	100.00%
- Banca BSI Italia S.p.A.	Milan	100.00%
- BG Investment Luxembourg S.A.	Luxembourg	100.00%
- Sant'Alessandro Fiduciaria S.p.A.	Milan	100.00%

Lastly, at 31 December 2008, Banca Generali held 697,146 treasury shares to cover stock-granting plans in force, and 44,188 shares in its parent company Assicurazioni Generali to cover a stock-option plan in favour of the Chief Executive Officer.

At 31 December 2008, the company's equity amounted to € 184,116,219; its fully paid-up share capital of € 111,313,176.00 is subdivided into 111,313,176 ordinary shares with a par value of 1.00 euro each. Reserves and retained earnings totalled € 60,775,263. Net profit for the year amounted to € 12,027,780.

As per the balance sheet at 31 December 2008, the company's capital for regulatory purposes totalled € 171,179 thousand. Its solvency ratio was 17.28%, with a minimum capital requirement of € 79,244 thousand and excess capital of € 91,935 thousand.

2. *Reasons for the merger*

The reasons for the merger are analytically illustrated under headings 1 and 2 of the General Section.

3. *Check of requirements imposed under applicable regulations – article 57 of CONSOB (Italy's stock exchange authority) Regulation No. 11971/1999*

With regard to Article 57 of CONSOB Regulation No. 11971/1999 (hereinafter "Rules for Issuers"), the merger of Banca BSI into Banca Generali falls within the scope of letter b) of paragraph 3 of such article, which states that the document that must be submitted to CONSOB for the purpose of the declaration of equivalence required by letter d) of paragraph 1 must include an information document as specified in paragraph 4 of Article 70; such document must be published in cases of mergers that exceed the significance criteria prescribed by CONSOB pursuant to such article, according to the procedures and time limits specified therein.

The regulation applies in cases where at least one of the criteria shown in the table below (data from 31 December 2008) exceeds 25%.

	Separate	Consolidated
a - Total assets of merged company/total assets of issuer	26.84%	24.43%
b - Pre-tax result and extraordinary items of merged company / pre-tax result and extraordinary items of issuer as per consolidated financial statements	-227.50%	-212.81%
c - Equity of merged company/equity of issuer as per consolidated financial statements	38.97%	37.98%

Amounts in millions of euro		
Assets - Bsi	994	994
Assets - BG	3,702	4,068
Pre-tax result and extraordinary items of merged company	-25	-25
Pre-tax result and extraordinary items of issuer	11	12
Equity of merged company	72	72
Equity of issuer	184	189

2B. Accounting treatment of the merger

The merging company (Banca Generali) will assume the assets and liabilities of the merged company (Banca BSI Italia) as of the effective date of the merger, which, unless otherwise specified in the merger deed, is anticipated to be 1 January 2010.

The merger involves the absorption by parent company Banca Generali of Banca BSI Italia, a wholly-owned subsidiary, and is therefore excluded from the scope of IFRS 3.

Banca Generali, as merging company, will have to account for the difference between the value of its investment in the merged company carried in the balance sheet and the equity of the merged company.

As shown below, when, as in the present case, the amount of the investment reported in the

balance sheet is greater than the equity of the investee company, this difference is referred to as goodwill.

Recording of goodwill			
	Pro-forma equity of merged company at 31/12/2008, net of share adjustment by parent and IFRS 2	Value of investment in balance sheet of merging company	Goodwill
Banca Bsi Italia	71,114,753	102,155,168	31,040,415

The amount of Banca BSI Italia's equity that was used to determine the goodwill was taken from the bank's pro-forma balance sheet at 31 December 2008, which was prepared as if the effective date of the merger of Banca del Gottardo was 31 December 2008. In other words, Banca BSI's equity included the goodwill arising from the merger of Banca del Gottardo into Banca BSI Italia. Banca BSI Italia's equity was further adjusted to take into account the shares of parent company Banca Generali held and the elimination of the liability arising from the stock-option plan made available to the bank's Chief Executive Officer, for which the shares were purchased.

Therefore, the merger will result in goodwill of € 31,040,415, calculated as the difference between the value of the merging company's equity interest in Banca BSI Italia shown in the balance sheet (€ 102,155,168) and Banca BSI's pro-forma equity; since the combination involves entities under common control and is therefore excluded from the scope of IFRS 3, the amount will be recorded as a reduction to the merging company's equity.

As the date the merger is expected to become effective is 1 January 2010, the amount of goodwill could change depending on the amount of Banca BSI Italia's profit (loss) for 2009. At any rate, the amount will be subtracted from equity.

3B. Date from which transactions of the merged company will be reflected in the financial statements of the merging company

Since Banca Generali wholly owns Banca BSI Italia, the proposed merger will be carried out using book values in accordance with Article 2505 of the Italian Civil Code, with no need to establish a swap exchange ratio or cash settlement payable to the sole shareholder, Banca Generali.

The share capital of the merging company will therefore not be affected, as it owns the entire share capital of the company being absorbed. Following the merger, the merging company's interest in Banca BSI Italia will be eliminated.

The merger is anticipated to become effective pursuant to Article 2504-*bis* of the Italian Civil Code on 1 January 2010, as it will take place immediately after the conferment referred to in Part A of this Report. The effective date will be specified in the merger deed, on the basis of the option provided in the second paragraph of Article 2504-*bis* of the Italian Civil Code.

As for the effects referred to in point 6 of Article 2501-*ter* of the Italian Civil Code, the merged company's results will be reflected in the financial statements of the merged company starting 1 January 2010.

On the effective date of the merger, Banca Generali (based on data as at 31 December 2008), will acquire ownership of all equity interests held by Banca BSI Italia and, pursuant to Article 2357 of the Italian Civil Code, of 78,000 treasury shares and 2,143 shares issued by parent company Assicurazioni Generali S.p.A.

4B. Tax effects of the merger on the companies involved in the merger

Pursuant to Article 172 of Italian Presidential Decree 917/86, the tax neutrality system applies to the merger, meaning that the merger will not generate IRES (Italy's corporate income tax) or IRAP (Italy's regional tax on production activities) liabilities for Banca Generali or the merged company.

5B. Organisational structure

1. Main office structure

Effective 1 January 2010, as the first transaction of the day, Banca BSI Italia will transfer the Business Unit organised to undertake portfolio management services to BG SGR. Immediately thereafter, as mentioned above, Banca BSI Italia will be merged by absorption into Banca Generali. One special aspect of this initiative will be the creation and organisation of the Private Banking Division in order to pursue the business objectives mentioned in the introduction.

The arrangement of the new Division will have a strong focus on organisational and operational issues, while also attempting to seize the opportunities for efficiency gains and savings presented by transactions of this nature.

Including the current Banca BSI Italia into the Private Banking Division of Banca Generali will permit the bank to achieve extensive process optimisation and streamlining, as exemplified by:

1. a significant decrease in activities devoted to configuring and managing IT applications by administrative units (due to the elimination of the Banca BSI Italia platform);
2. the simplification of the data processing stage and subsequent controls (checking and balancing) by back offices;
3. the elimination of the need for Banca BSI Italia to outsource the following to Banca Generali:
 - the delivery of orders to capital markets;

- all securities settlement operations;
- all foreign payment system operations;

and the discontinuation of the related activities;

4. the possible unification of the Disaster Recovery and Business Continuity plans, which require constant maintenance and costly periodic operability testing.

In pursuit of these goals, there will be a strong focus on revisiting Banca Generali's organisational structure in order to centralise staff functions performed at both banks and verify the scope of the functions of the parent company of the banking group that currently provide outsourced services, such as, for example, Internal Audit, Legal Affairs, Human Resources, and Risk Management, as well as other departments (e.g., Loans, which at Banca BSI is already managed in close coordination with, and according to the guidelines set by, the banking group).

The services most closely related to Private Banking operations, such as, for example, Investment Advisory, will be enhanced and focused in order to achieve the high service levels required to keep and expand the new Division's client base.

The review of tools, processes and service levels will allow the Private Banking Division to focus on its task of serving and developing private-banking clients through two marketing channels, traditional Relationship Managers and Private Bankers.

The company is also thoroughly examining any possible additional synergies and methods of rationalising costs and the organisational structure to be implemented as soon as the merger enters into force.

2. Branches

The merger of Banca BSI into Banca Generali will also lead to a review of the configuration of the two banks' branch networks. At present, Banca Generali operates a network of 34 branches, while Banca BSI has nine branch locations.

When the merger enters into effect (1 January 2010), ownership of the following branches currently operated by Banca BSI will be transferred to Banca Generali:

Milan - Piazza S. Alessandro 4
Rome - Via Vittorio Veneto 84
Turin - Via Maria Vittoria 6
Bologna - Via Farini 3
Naples - Via dei Mille 40
Bergamo - Via Camozzi 5
La Spezia - Via Chiodo 159
Florence - Via G. Amendola 12
Treviso - Piazza Rinaldi 10

On the date the transaction enters into force, the above branches will be transferred into the area of coordination and control that currently includes the branches of Banca Generali, without resulting in significant changes to the services rendered.

In addition, there is also a plan to rationalise and refocus the branch network, the effects of which should begin to be felt in 2010. Changes under this plan could involve the total number of branches or the quantity and quality of the services offered, with a special focus on those aimed at, and specifically devised for, private-banking clients.

The strategic assessments required for this endeavour are to be conducted and consolidated in 2009, followed by thorough planning of the ensuing operational activities. Accordingly, the governance structure has been planned to include a specific work group consisting of exponents of Banca Generali and Banca BSI Italia. This work group has been entrusted with the task of conducting the above assessments and defining the guidelines for the revision of the branch network ensuing from the merger transaction.

Any required structural cost rationalisation measures, in addition to primary commercial efficacy objectives, will also be pursued in this case.

6B. Information technology and accounting procedures

The migration from the CSE system employed by BSI (use of which, as mentioned above, will be discontinued) to the CSE system used by Banca Generali (the target system) will be a critical factor in ensuring the successful operational continuity of the new Private Banking Division from 1 January 2010.

The clear advantage of organising a migration between similar information technology platforms managed by the same outsourcer coexists alongside the need to implement the functions and customised features required by the special nature of private-banking service on the target information technology platform.

The bank and outsourcer have already completed preliminary analyses of strategies for the migration of Banca BSI Italia's data. In addition, meetings are currently being held between Banca Generali, Banca BSI Italia and CSE in order to identify and analyse in detail any new functional requirements not satisfied by the current IT platform.

7B. Impacts on human resources

The initial human resources scenario for the entities involved in the transactions described above is as follows:

Banca Generali's workforce amounted to 568 resources at 31 March 2009;

Banca BSI Italia's workforce amounted to 130 resources at 31 March 2009.

Banca BSI Italia's resources are primarily responsible for sales and marketing, marketing support and control, and outsourcing control, since the banking group's current organisational model calls for Banca Generali S.p.A. to provide staff, management and operational support functions to Banca BSI Italia S.p.A.

Banca BSI Italia employs a staff of 12 employees in its Investment Department, which is

responsible for asset management operations, and 91 employees (of which 62 are relationship managers) in its RM Marketing Department.

BG SGR's workforce amounted to 30 resources at 31 March 2009. Of the total, 11 employees work in its Investment Department.

The merger by absorption of Banca BSI Italia into Banca Generali will allow the rationalisation of the number of resources devoted to activities that will be discontinued as no longer required for the governance and coordination of Banca BSI Italia as a separate company (for example, the elimination of outsourcing control, sales network coordination, etc.) or for the management of the administration and control of two companies instead of one (for example, a single set of financial statements and the associated obligations).

On this basis, the savings are estimated to amount to at least 15 resources between the two banks.

The contribution by Banca BSI Italia S.p.A. of the Business Unit organised to undertake portfolio management service to BG SGR S.p.A. will allow the rationalisation of offices devoted to portfolio management, resulting in a decrease in the resources assigned to management activity by at least six total resources (when fully implemented).

The corporate actions described above will require the bank to initiate negotiation procedures with labour unions under the terms set forth in the law and national collective bargaining agreements for the financial industry. In particular, the aforementioned existence of employment tensions could also give rise to the initiation of the specific procedure for possible access through a specific arrangement with unions to extraordinary benefits provided by the "Solidarity Fund" for the financial industry.

8B. Impacts on profit and loss

The planned merger, which will involve the transformation of Banca BSI Italia into the private-banking division of Banca Generali, calls for a series of positive effects to be achieved. All of these effects are related to the significant organisational simplification arising from the unification of the two legal entities. There are three main aspects of these impacts at the level of profit and loss:

1. the organisational simplification involves many company functions, beginning with governance bodies. The integration and resulting rationalisation will permit cost efficiency gains. In terms of office staff, these gains are initially quantified at 15 FTEs, in addition to approximately € 1 million in further savings of administrative costs, when fully implemented (consider, for example, the elimination of the costs associated with the board of directors, statutory auditors, auditors, compliance, etc.);
2. from an information technology standpoint, over time the non-redundancy of systems will lead to considerable savings in terms of licenses as well as of development and maintenance work on the systems in use;

3. in addition, the recent legislation that has introduced the payment of intragroup VAT, combined with the significant amount of outsourcing work done by Banca Generali for Banca BSI Italia, will lead to an increase in costs of an estimated 1.3 million euros per year. Integrating the two organisations will allow these costs to be saved.

The savings shown below, already considerable in amount, are to be viewed as the minimum, inasmuch as they emerged from an initial analysis and could be expanded significantly upon a more thorough examination.

In addition, the disappearance of the BSI brand is not foreseen to have any negative effects at the level of profit or loss since the new private-banking division will presumably benefit from being able to use the Generali brand and also will retain its distinctive traits in terms of logistics, sales and marketing and service standards. Accordingly, no changes in revenue are foreseen with respect to the sum of the two current legal entities.

The following table summarises the savings to be achieved when the plan is fully operational at the end of an initial implementation period, scheduled to occur in 2011.

	2010	2011	FTEs
HQ Personnel expenses	532	1,085	15
General and administrative expense	542	1,068	
IT expenses	1,440	1,440	
Total	2,514	3,593	15
Intragroup VAT	1,272	1,272	

Change in Banca Generali's Profit and Loss Account due to the merger with Banca BSI Italia

	2010		2011	
	Banca Generali	Banca Generali After Transaction	Banca Generali	Banca Generali After Transaction
Interest Margin	35.8	49.4	45.6	60.8
Service Margin	95.3	117.8	110.7	132.7
Net banking income	131.1	167.2	156.4	193.5
Structural cost	-97.3	-129.3	-97.2	-130.3
Operating Profit	33.8	37.9	59.1	63.3
Provisions	-4.9	-13.7	-5.5	-14.8
Profit/loss before taxation	28.9	24.2	53.6	48.5
Profit / loss for the year	26.9	22.7	51.9	46.3

9B. Compliance with conservative rules in the areas of capital adequacy and risk concentration and the transformation of deadlines

The above merger transaction will have the following impacts on Banca Generali's compliance with conservative rules in the areas of capital adequacy and risk concentration. The figures set out below, based on data at 31 December 2008, illustrate the impacts on adequacy requirements of the merger by absorption after accounting on a pro-forma basis for the effects of transactions that have already been approved or undertaken, such as:

- the merger by absorption of Banca del Gottardo into Banca BSI Italia effective 1 January 2009;
- the transfer of control of Simgenia authorised in December 2008;
- the assignment of the subordinated loan agreement by Banca BSI S.A. to Banca BSI Italia authorised in April 2009;
- the merger by absorption of Generali Investment Luxembourg into BG Investment Luxembourg;

the contribution of portfolio management operations by Banca BSI Italia to the subsidiary BG SGR.

In detail, with respect to the pro-forma situation prepared on the foregoing basis, the merger by absorption will result in a decrease in the merging company's capital for regulatory purposes from € 179,068 thousand to € 155,807 thousand due to the merger shortfall arising from the cancellation of equity investments in Banca BSI Italia in the amount of 31.0 million euros, carried under equity, and the property, equipment and goodwill arising from the acquisition and subsequent merger of Banca del Gottardo into Banca BSI Italia, net of the share contributed to BG SGR, which will result in a decline in tier 1 capital, only partially offset by the contribution of the subordinated loan of € 40 million outstanding between the merging company, Banca BSI Italia, and Generali Versicherung AG.

Nevertheless, individual capital for regulatory purposes will provide a good margin of coverage of the minimum capital adequacy requirements established by current supervisory regulations.

Individual capital for regulatory purposes (in thousands of euro)	31/12/2008	31/12/2008	31/12/2008
	Banca Generali	Banca Generali (pro-forma)	Banca Generali (after the merger of Banca BSI into Banca Generali)
Tier 1 capital			
Share capital	111,313	111,313	111,313
Additional paid-in	22,804	22,804	22,804
Reserves + retained earnings (losses)	51,377	60,084	29,043
Net profit for the period	12,028	12,028	12,028
Dividends for pay-out	(6,637)	(6,637)	(6,637)
Treasury shares	(6,652)	(6,652)	(6,652)

Goodwill	(2,991)	(2,991)	(29,410)
Negative reserve AFS security	(6,793)	(6,793)	(6,793)
Intangible assets	(3,309)	(3,309)	(9,110)
Deduction of 50% equity investment in Simgenia	0	(409)	(409)
Total	171,140	179,438	116,177
Tier 2 capital			
Subordinated loan	0	0	40,000
Revaluation reserve	39	39	39
Portion attributable to positive reserve AFS securities	0	0	0
Deduction of 50% equity investment in Simgenia	0	(409)	(409)
Total	39	(370)	39,630
Total capital for regulatory purposes at 31/12	171,179	179,068	155,807

The following table analyses the impact that the merger by absorption will have on the total capital ratio under the pro-forma scenario as defined above. The total capital ratio will fall from 18.3% to 13.0%, leaving a large margin for development of the bank's lending operations.

Capital and solvency ratios (in thousands of euro)	31/12/2008	31/12/2008	31/12/2008
	Banca Generali	Banca Generali (pro-forma)	Banca Generali (after the merger of Banca BSI into Banca Generali)
Total capital for regulatory purposes	171,179	179,068	155,807
Credit and market risks	88,353	87,285	110,298
Estimate of operational risk	17,305	17,305	17,305
Total capital requirements, net of 25% reduction	79,244	78,443	95,702
Excess capital	91,936	100,625	60,105
Credit/market risk weighted assets	990,544	980,535	1,196,275
Tier 1 capital / weighted assets	17.3%	18.3%	9.7%
Capital for regulatory purposes / weighted assets	17.3%	18.3%	13.0%

In terms of concentration risks, the positions outstanding at 31 December 2008 will continue to comply with the maximum limits with respect to capital for regulatory purposes after the merger. The number of large-risk positions will increase by one (from six to seven), for an increase in the grand total of large risks from € 142,256 thousand to € 158,821 thousand.

The merger by absorption of Banca BSI Italia into Banca Generali will not have an impact on requirements at the consolidated level since the merging company is fully owned by the parent and merging company, Banca Generali.

Banca Generali S.p.A.

