



Interim Report on Operations as of 30 September 2008

Board of Directors
28 October 2008

Banca Generali S.p.A.
Authorised share capital 116,878,836.00 euros, underwritten and paid-up share capital 111,313,176.00 euros
Registered offices at Trieste, Via Machiavelli 4 - Italy
Trieste Register of Companies, Tax Code and VAT No. 00833240328
Member of the Interbank Deposit Protection Fund
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.

Company Boards

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GENERAL MANAGER	Motta Piermario

Contents

Group Economic and Financial Highlights	3
Consolidated Accounting Statements	4
Consolidated Balance Sheet	4
Consolidated Profit & Loss Account	5
Quarterly Evolution of the Profit & Loss Account	5
Explanatory Notes	6
1. Summary of Operations for the First Nine Months of the Year	6
2. Macroeconomic Context	7
3. Major Corporate Events and Performance of Subsidiary Companies	8
3.1 Performance of Subsidiary Companies	8
3.1.1 Performance of BG SGR	8
3.1.2 Performance of BG Fiduciaria SIM	8
3.1.3 Performance of Simgenia SIM	9
3.1.4 Performance of Banca BSI Italia	9
3.1.5 Performance of Sant'Alessandro Fiduciaria S.p.A.	9
3.1.6 Performance of BG Investment Luxembourg SA	9
3.2 Compliance with the conditions set forth in article 36 of the Rules for Markets	10
4. Net Inflows, Assets Under Management, and Market Positioning in Distribution Through Financial Advisor Networks	10
4.1 The asset management market	10
4.2 The Italian collective investment undertakings (UCITS) market	10
4.3 The Assoreti Market	11
4.4 The Banca Generali Group	11
5. Performance of Main Financial and Economic Aggregates	12
5.1 Basis of Preparation	12
5.1.1 Accounting standards	13
5.2 Consolidated Companies and Business Combinations	14
5.3 Changes in the Balance Sheet and Net Equity	15
5.3.1 Direct inflows from customers	15
5.3.2 Core loans	15
5.3.2 Reclassification of the financial asset portfolio	16
5.3.3. Net equity and treasury shares	18
5.4 Operating Performance	19
5.4.1. Net interest	20
5.4.2. Net Commissions	20
5.4.3 Dividends	22
5.4.4. Net profit from trading and financial operations	22
5.4.5 Impairment of Lehman Brothers securities	23
5.4.6 Operating expenses	24
5.4.7 Operating profit and net profit for the period	24
Declaration Pursuant to Article 154-bis, Second Paragraph of Legislative Decree No. 58 of 24 February 1998 ..	26

Group Economic and Financial Highlights

Consolidated figures	30.09.2008	30.09.2007	Var. %
(millions of euros)			
Net interest	43.4	31.4	37.9%
Net commissions	92.8	115.5	-19.6%
Dividends and net profit from trading	-8.8	-4.2	110.7%
Net banking income	127.4	142.8	-10.8%
Staff expenses	-40.6	-41.1	-1.1%
Other general and administrative expense	-59.1	-54.0	9.4%
Amortisation and depreciation	-4.2	-5.1	-16.5%
Other operating income	5.9	6.1	-3.8%
Net operating expense	-98.0	-94.0	4.3%
Operating profit	29.4	48.8	-39.8%
Provisions	-17.5	-30.6	-42.7%
Adjustments	-5.5	-0.1	4316.9%
Profit before taxation	6.3	18.1	-64.9%
Net profit	5.3	9.3	-43.5%
Cost / profit ratio	73.6%	62.3%	18.2%
EBTDA	33.6	53.9	-37.6%
ROE	3.75%	6.50%	-42.3%
EPS - Earnings per Share (euro)	0.054	0.085	-37.0%

Net Inflows	30.09.2008	30.09.2007	Var. %
(millions of euros) (Assoreti data)			
Mutual Funds and SICAVs	370.0	365.0	1%
Asset management	- 1,562.8	-13.0	11922%
Insurance / Pension funds	1,080.9	129.0	738%
Securities / Current accounts	580.1	981.0	-41%
Total	468.2	1,462.0	-68%

Assets Under Management & Custody (AUM/C)	30.09.2008	31.12.2007	Var. %
Breakdown by Class of Assets Under Management & Custody			
(billions of euros) (Assoreti data)			
Mutual Funds and SICAVs	6.4	8.1	-21.9%
Asset management	2.3	4.5	-49.0%
Insurance / Pension funds	5.0	4.4	12.8%
Securities / Current accounts	7.3	7.5	-1.6%
Total	21.0	24.5	-14.4%

Net Equity	30.09.2008	31.12.2007	Var. %
(millions of euros)			
Net equity	187.9	208.0	-9.7%
Total capital for regulatory purposes	179.9	178.1	1.0%

* The figure at 30/09/2008 is an estimate

Consolidated Accounting Statements

Consolidated Balance Sheet

Assets	30.09.2008	30.06.2008	31.12.2007
(thousands of euros)			
Financial assets held for trading	738,158	1,666,987	2,668,735
Financial assets available for sale	782,509	889,509	107,687
Financial assets held to maturity	612,349	-	-
Loans to banks	883,355	910,974	913,893
Loans to customers	576,155	357,021	345,656
Equity investments	7	7	34
Property, equipment and intangible assets	18,942	19,881	21,681
Tax receivables	47,557	48,573	35,949
Other assets	121,769	137,181	117,683
Total assets	3,780,801	4,030,133	4,211,318

Liabilities and net equity	30.09.2008	30.06.2008	31.12.2007
(thousands of euros)			
Due to banks	353,319	288,391	14,289
Direct inflows	3,033,385	3,346,558	3,765,585
Financial liabilities held for trading	222	206	7,686
Tax payables	3,479	5,688	5,555
Other liabilities	151,043	148,603	157,919
Special purpose provisions	51,500	53,831	52,317
Valuation reserves	- 4,827	- 5,743	945
Reserves	62,378	61,971	65,729
Additional paid-in capital	22,804	22,804	22,804
Share capital	111,313	111,313	111,313
Treasury shares (-)	- 9,091	- 9,036	- 8,112
Net profit (loss) for the year (+/-)	5,276	5,547	15,288
Total liabilities and net equity	3,780,801	4,030,133	4,211,318

Consolidated Profit & Loss Account

(thousands of euros)	30.09.2008	30.09.2007	change % vs 09.07	Q3 2008	Q3 2007	change % quarter
Net interest	43,370	31,439	37.9%	15,875	11,254	41.1%
Net commissions	92,818	115,514	-19.6%	23,096	37,238	-38.0%
Dividends and income from equity investments	32,681	2,632	1141.7%	4,969	12	41308.3%
Net result from banking operations	- 41,467	- 6,801	509.7%	- 2,972	- 10,289	-71.1%
Net operating profit	127,402	142,784	-10.8%	40,968	38,215	7.2%
Staff expenses	- 40,612	- 41,060	-1.1%	- 13,087	- 13,031	0.4%
Other general and administrative expense	- 59,066	- 53,970	9.4%	- 22,764	- 18,898	20.5%
Net adjustments of property, equipment and intangible assets	- 4,220	- 5,054	-16.5%	- 1,607	- 1,781	-9.8%
Other operating expense/income	5,887	6,120	-3.8%	2,415	2,314	4.4%
Net operating expense	- 98,011	- 93,964	4.3%	- 35,043	- 31,396	11.6%
Operating income	29,391	48,820	-39.8%	5,925	6,819	-13.1%
Net adjustments for non-performing loans	76	124	-161.3%	67	319	-79.0%
Net adjustments of other assets	- 5,553	-	0.0%	- 5,553	-	0.0%
Net provisions	- 17,541	- 30,614	-42.7%	- 1,242	- 6,454	-80.8%
Gain (loss) from the disposal of equity investments	- 27	-	0.0%	-	-	0.0%
Operating profit before taxation	6,346	18,082	-64.9%	937	46	-2137.0%
Income taxes for the period on continuing operations	- 1,070	- 8,740	-87.8%	- 665	- 846	-178.6%
Net profit (loss) from non-current discontinued operations, net of tax	-	-	0.0%	-	-	0.0%
Profit (loss) for the period attributable to minority interests	-	-	0.0%	-	-	0.0%
Net profit	5,276	9,342	-43.5%	272	800	-66.0%

Quarterly Evolution of the Profit & Loss Account

(thousands of euros)	30.09.2008	Q3 2008	30.06.2008	Q2 2008	Q1 2008	31.12.2007
Net interest	43,370	15,875	27,495	13,533	13,962	43,136
Net commissions	92,818	23,096	69,722	32,694	37,028	152,938
Dividends and income from equity investments	32,681	4,969	27,712	27,661	51	2,845
Net result from banking operations	- 41,467	- 2,972	- 38,495	- 26,686	- 11,809	- 12,332
Net operating profit	127,402	40,968	86,434	47,202	39,232	186,587
Staff expenses	- 40,612	- 13,087	- 27,525	- 13,336	- 14,189	- 57,135
Other general and administrative expense	- 59,066	- 22,764	- 36,302	- 19,868	- 16,434	- 70,836
Net adjustments of property, equipment and intangible assets	- 4,220	- 1,607	- 2,613	- 1,346	- 1,267	- 7,081
Other operating expense/income	5,887	2,415	3,471	2,284	1,187	7,704
Net operating expense	- 98,011	- 35,043	- 62,969	- 32,266	- 30,703	- 127,348
Operating income	29,391	5,925	23,465	14,936	8,529	59,239
Net adjustments for non-performing loans	76	67	143	79	64	559
Net adjustments of other assets	- 5,553	- 5,553	-	-	-	-
Net provisions	- 17,541	- 1,242	- 16,299	- 8,386	- 7,913	- 21,395
Gain (loss) from the disposal of equity investments	- 27	-	27	0	27	-
Operating profit before taxation	6,346	937	7,282	6,628	654	37,285
Income taxes for the period on continuing operations	- 1,070	- 665	- 1,735	- 415	- 1,320	- 21,997
Net profit (loss) from non-current discontinued operations, net of tax	-	-	-	-	-	-
Profit (loss) for the period attributable to minority interests	-	-	-	-	-	-
Net profit	5,276	272	5,547	6,214	667	15,288

Explanatory Notes

1. Summary of Operations for the First Nine Months of the Year

The Banca Generali Group closed the first nine months of 2008 with net profit of 5.3 million euros — a decrease of 4.0 million euros compared to the same period of 2007 (-43.5%) — and net equity of 187.9 million euros. The Group ended the third quarter of 2008 with a net loss of 0.3 million euros, as opposed to the net profit of approximately 6.2 million euros in the second quarter of the year, and essentially in line with the result for the first quarter. The net loss for the third quarter is substantially attributable, on the one hand, to the decline in net commissions and the effects of the impairment of the Lehman securities in portfolio, and, on the other, to the positive effect of the reclassification, effective 1 July 2008, of securities from portfolios at fair-value to portfolios at amortized-cost.

Due to the amendment of international accounting standard IAS 39, approved by the IASB and ratified by the EU in October, the banking group reclassified part of the securities in fair-value portfolios (Held-for-Trading and Available-for-Sale) to amortised-cost portfolios (Held-to-Maturity and Loans and Receivables), and these reclassifications were incorporated into the profit and loss figures for the third quarter of 2008. The effects on the profit and loss account and balance sheet will be indicated in a specific chapter of the comments on profit and loss and balance sheet figures. EBTDA for the first nine months of 2008, which is calculated as profit before taxes,

net provisions, adjustments on loans, property, equipment and intangible assets, amounted to 33.6 million euros, down 37.6% compared to 53.9 million euros in the same period of 2007.

The third quarter's share of the EBTDA figure was 7.5 million euros, down by approximately 1.1 million euros compared to the third quarter of 2007.

Net banking income declined by approximately 15.4 million euros (-10.8%) compared to 30 September 2007, decreasing from 142.8 million euros at 30 September 2007 to 127.4 million euros for the first nine months of 2008, whereas

the figure for the third quarter was 38.2 million euros, up by 2.7 million euros compared to the figure for the third quarter of 2007, primarily due, on the one hand, to the improvement in net interest and the net result from trading, mainly as a result of the reclassification of the above-mentioned securities, and, on the other, to the decline in net commissions.

Total operating expenses at 30 September 2008 amounted to 98 million euros, a 4.3% increase compared to the first nine months of 2007, with staff expenses going from 41.1 million euros in the first nine months of 2007 to 40.6 million euros in the same period of 2008. The third quarter of 2008 contributed 35 million euros to the total, up 3.6 million euros compared to the third quarter of the previous year.

Net provisions amounted to 17.5 million euros at 30 September 2008, down 42.7% compared to the same period of 2007, and are largely related to increases in provisions for development of the distribution network: the contribution for the third quarter of 2008 was 1.2 million euros, down approximately 5.2 million euros compared to the third quarter of 2007.

The total value of the assets managed by the Group for its customers amounted to 21.0 billion euros at 30 September 2008, which is the figure used for communications to Assoreti (Italy's National Association of Financial Products and Investment Services Placing Firms). In addition, at 30 September 2008, assets under administration and custody of the Generali Group companies totalled approximately 8.1 billion euros, and 1.6 billion euros were held in mutual funds and discretionary accounts (GPF and GPM) distributed directly by management companies or parties outside the banking group and distribution arrangements with institutional clients, for an overall total of 30.7 billion euros.

The Banca Generali Group continues to enjoy a leading position in the distribution of financial products through its network of financial advisors with 21.0 billion euros in assets under management, as well as 0.5 billion euros in net inflows from 1 January to 30 September 2008, an area in which it also leads the market.

In the third quarter of 2008, the banking group focused its efforts on the development of its business, in particular on the development of new clients and the optimisation of assets in client portfolios. Specifically, with regard to the asset mix, in the third quarter of 2008 the Group continued to assist customers in optimising their portfolios with the aim of obtaining an asset mix that better responds to financial and pension needs, as well as generating returns that are consistent with a range of risk/return profiles. To this end, the group further expanded the offer of products provided by third-party product companies, consistent with the multibrand concept the group has adopted, and the offering of asset management products based on capital protection mechanisms. Moreover, in the first nine months of the year a project aimed at strengthening the Private Banking channel, which involved recruitment of professionals from some of the top companies in our market, was begun; the costs incurred in

connection with the development of the Private channel were accounted for during the period and funded by the Bank's ordinary operations.

Furthermore, to develop financial advisors' skills in playing an active role with customers in terms of assistance and advisory service in the face of growing financial and pension needs among Italian households, the group continued its advisory training program for its advisor network, as well as financial planning tools to support this service.

Before analysing the Bank's sales and financial results for the first nine months of 2008, macroeconomic information for the main economic regions of the world is reported, to provide a better understanding of the factors that influenced the results of the Banking Group.

2. Macroeconomic Context

Market conditions were very difficult over the first nine months of the year due to the intensification of the crisis of the U.S. financial sector: volatility reached high levels, equity indices accumulated significant losses, returning to the levels of early 2004, and fixed-income securities functioned as a refuge asset, privileging investments with short-term maturities.

In the first quarter of the year, large international banks were at the epicentre of the stock market crisis and had to report substantial losses on financial activities associated with the US real estate industry. The level of losses reported made it necessary to implement extensive recapitalisation plans. A number of major US and European financial institutions found themselves in severe difficulty (Société Générale, UBS and Merrill Lynch) or had to be rescued (Bear Stearns) by the Federal Reserve, which implemented a strongly expansionary monetary policy and dropped its official rate from 4.25% to 2%.

Despite the credit crisis, the global economy recorded strong growth rates in the first half of 2008, exceeding expectations in both western and emerging countries. However, advance indicators began to signal a slowdown in the second half of the year, while the U.S. job market continued to show increasing unemployment. In emerging economies, the pace of economic growth is expected to fall by year-end due to the decline in both domestic and foreign demand. Commodity prices are undergoing a correction: oil, after reaching nearly USD 150 a barrel in July, pushing inflation expectations upwards, later declined to USD 90 a barrel.

In September the crisis affecting the U.S. financial sector intensified: Lehman Brothers initiated bankruptcy procedures after the Fed and Treasury decided not to come to its aid. Tensions on the interbank market increased and the spreads between interbank and government interest rates reached record levels in the U.S. and Europe (+330 BP in the U.S., +200 BP in the EU, compared to pre-crisis figures of +50 BP and +20 BP, respectively), demonstrating the malfunction of the mechanism transmitting central banks' monetary policy to the economy. In this context, monetary policy authorities decided not to lower official rates, but rather to increase liquidity in the system in the form of extraordinary short and medium-term loans, in addition to increasing the range of guarantees accepted as collateral for loans.

The strong wave of aversion to risk led equity markets to post significant corrections, including new lows for the year: the S&P was down by approximately 16.3% since January, the DJ Eurostoxx 50 by 28.3%, and the Nikkei 225 by 17.0%. At the industry level, financial segment stocks were the most heavily penalised. Equity indices in emerging countries all showed double-digit negative performances, with the Chinese (-54.3% since the beginning of the year) and Indian (-44.5%) markets bringing up the rear.

Due in part to the expansionary monetary policies, bond yields hit their low for the period in March: the 10-year US yield fell to 3.33% and, in Europe, the Bund fell to 3.69% (3.64% and 3.92%, respectively, at the beginning of the year).

After yields began to climb once more in the second quarter, reaching period highs in June (4.27% in the U.S. and 4.70% in the EU) due to increasing expectations of inflation, rates resumed their rapid fall over the last three months, pricing in the rapidly worsening macroeconomic scenario, approaching the lows of March, with curves showing a steepening trend.

The corporate bond market was in difficulty, as its suffering due to the liquidity crisis affecting the financial system was particularly acute, resulting in widening credit spreads and a growing lack of liquidity, with the bid-offer spread increasingly dramatically.

The primary market, in fact, remained closed until the second quarter, when higher-rated companies were able to place their bonds on the market.

Turning to currency markets, the euro appreciated against all other primary currencies over the first six months of the year. In the third quarter, the strong aversion to risk and the process of deleveraging the financial system generated a sharp appreciation in the dollar, which, after having reached 1.60 against the euro in June, had recovered to 1.40 by mid-September.

Financial markets remained under severe strain after the end of the quarter: stock exchanges posted further significant losses, corporate spreads continued to widen, and money markets did not show any signs of returning to normality.

Governments, the G7, and central banks intervened in a concerted manner with a series of measures aimed at supporting the recapitalisation of the financial system and encouraging the normal operation of money markets. In general, the action taken, which took different forms in various countries, was of three types: 1) Central banks further expanded the range of financial instruments accepted as collateral for loans; 2) Some governments became direct or indirect shareholders of important financial institutions in Europe and the United States; 3) Governments introduced or strengthened bank deposit guarantees. Moreover, in the United States, the Paulson Plan was approved, under which USD 700 billion was set aside to purchase the ABS securities that are weighing down the banking industry's balance sheets.

Lastly, on 8 October, there was a coordinated 50 basis-point interest rate cut across the world's major industrialised nations.

3. Major Corporate Events and Performance of Subsidiary Companies

The acquisition of Banca del Gottardo SpA from the associate Banca Bsi SA, undertaken through the subsidiary Banca BSI Italia, was closed effective 1 October 2008. The price of the acquisition was 62 million euros. As a part of the deal, a subordinated loan of 40 million euros was contracted from a German company of the Generali Group.

At 30 September 2008, Banca del Gottardo had total assets of 427.5 million euros, net equity of 38.7 million euros, and a net loss for the period of 172.5 thousand euros.

3.1 Performance of Subsidiary Companies

3.1.1 Performance of BG SGR

Bg sgr, a company specialising in mutual funds, SICAVs, and discretionary portfolios reported 9.2 million euros in net income for the first nine months of 2008. At the end of the period, net equity amounted to approximately 26.6 million euros and total balance sheet assets to 42.0 million euros.

Operating result before taxes, net provisions, value adjustments and depreciation and amortisation (EBTDA), totalled 13.7 million euros, up about 1 million euros compared to the same period of the previous year.

Net banking income amounted to approximately 21.4 million euros, whereas general and administrative expense was 7.8 million euros, including about 2.8 million euros for staff expenses.

Total assets under management at 30 September 2008 amounted to 2,656 million euros, an increase of 15.6% compared to 3,146 million euros at 30 June 2008.

3.1.2 Performance of BG Fiduciaria SIM

BG Fiduciaria, a company specialising in individual GPF and GPM portfolios, mainly in a custodial capacity, reported 512 thousand euros in net income in the first nine months of 2008. Total assets under management amounted to 505 million euros, down compared to 566 million euros at 30 June 2008, and net equity was 7.7 million euros.

Operating result before taxes, net provisions, value adjustments and depreciation and amortisation (EBTDA), totalled 857 thousand euros, compared to 842 thousand euros in the same period of the previous year.

Net banking income amounted to 2.7 million euros, whereas general and administrative expense was 1.9 million euros, including 1.1 million euros for staff expenses.

3.1.3 Performance of Simgenia SIM

Simgenia, a company specialising in the distribution of financial and banking products through financial advisors who mainly act as agents and/or employees of Generali Group Insurance Companies, reported around 294 thousand euros in net loss in the first nine months of 2008. Total assets under management amounted to approximately 2.2 billion euros, down compared to 2.7 billion euros at 30 June 2008, and net outflows were 124 million euros. Net equity amounted to approximately 6.4 million euros.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA), totalled 302 million euros, down by about 3.1 million euros compared to the same period of the previous year.

Net banking income amounted to 5.6 million euros, whereas general and administrative expense was approximately 5.8 million euros, including 2.4 million euros for staff expenses.

3.1.4 Performance of Banca BSI Italia

Banca BSI Italia, which specialises in the distribution of financial and banking products to private clients, through both the financial advisors network and relationship managers directly employed by the company to sell financial products to clients, ended the first nine months of 2008 with a net loss of 13.1 million euros, down by 3.9 million euros on the loss recorded for the first nine months of 2008, primarily due to the decline in commission income caused by market conditions and a review of contractual conditions, motivated in part by MiFiD. Total assets under management placed by advisors at the end of the third quarter amounted to approximately 6.6 million euros, in line with the first half of the year, whereas net inflows amounted to 536 million euros, compared to 384 million euros in the first half of the year.

Net equity was 77.7 million euros, compared to 14.3 million euros at 30 June 2008, due to recapitalisation and the coverage of losses for the total amount of approximately 69.3 million euros by the parent company Banca Generali in September with a view towards the acquisition of Banca del Gottardo, which was closed on 1 October 2008.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA) amounted to -5.4 million euros, down from 9.3 million euros in the corresponding period of 2007 due to the decline in net commissions.

Net banking income amounted to 15.1 million euros, while general and administrative expense was 21.3 million euros, including 6.8 million euros for staff expenses.

3.1.5 Performance of Sant'Alessandro Fiduciaria S.p.A.

Sant'Alessandro Fiduciaria, a company specialising in custodial capacity of assets, closed the first nine months of 2008 with net profit of 15 thousand euros and net equity amounting to about 169.4 thousand euros.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA) was a profit of 24 thousand euros, up compared to a loss of approximately 36 thousand euros reported in the same period of 2007.

Net banking income amounted to 110 thousand euros, whereas general and administrative expense was 86 thousand euros.

3.1.6 Performance of BG Investment Luxembourg SA

BG Investment Luxembourg Sa, a company under Luxembourg law specialising in the management of SICAVs, was formed in November 2007 and began operating in the first months of 2008. At 30 September 2008, the company reported a net profit of approximately 15.8 million euros and net equity of about 17.7 million euros.

Operating results before taxes, net provisions, adjustments, depreciation and amortisation (EBTDA), amounted to 17.5 million euros.

Net banking income amounted to 21.1 million euros, whereas general and administrative expense was 3.6 million euros.

Overall assets under management at 30 September 2008 amounted to 3.2 billion euros.

3.2 Compliance with the conditions set forth in article 36 of the Rules for Markets

Banca Generali is subject to the direction and coordination of the Parent Company Assicurazioni Generali S.p.A. pursuant to Article 2497-bis of the Italian Civil Code.

With regards to the provisions set forth in article 37 ("Conditions that prohibit the listing of shares of subsidiaries or companies subject to coordination by other companies") and the transitional provisions set forth in article 39 of the Market Regulations, it is hereby attested that Banca Generali S.p.A. has complied with:

- the conditions set forth in article 37, section 1, subsections a), b), c) and d) of said Regulations.

4. Net Inflows, Assets Under Management, and Market Positioning in Distribution Through Financial Advisor Networks

4.1 The asset management market

The retail asset management market is directly influenced by both financial market performance, as described above, and the commercial policies of the banking system, which holds the majority of the financial resources of households.

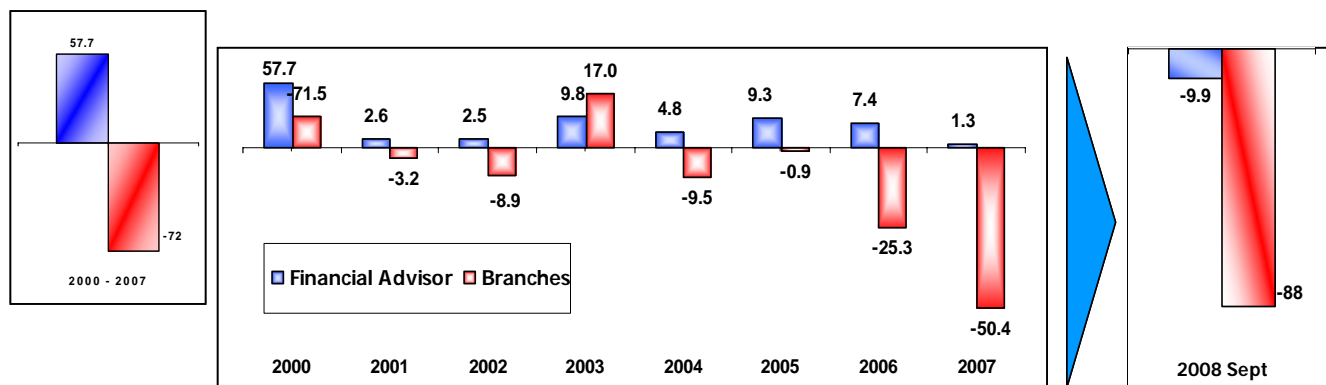
In the first nine months of 2008, net inflows were influenced by the particularly negative performance of both the equity and bond markets, on the one hand, accompanied by noticeable instability in the currency market and rising commodity prices, on the other, driving inflation in Italy and the EU to its highest level in more than ten years.

In addition to this critical market scenario, the banking industry is increasingly disengaging from the asset management segment in favour of the placement of more traditional banking products (specifically, bank bonds).

4.2 The Italian collective investment undertakings (UCITS) market

On the whole, in the first eight months of 2008 the UCITS market in Italy showed a 88 billion euros decrease, exceeding 50% of total redemptions for 2007 (source: Assogestioni). In this context, it is worth reiterating that the 2007 results had been an all-time negative.

This poor performance extended to nearly all UCITS segments. The seriousness of this situation is demonstrated by the fact that in the past this negative trend was fully attributable to traditional bank distribution. To the contrary, in 2008 the "Financial Advisors Networks" also showed significant net outflows (-9.9 billion; source: **Assoreti**: Distribution of UCITS, Comparison between FA Networks and Bank Branches).



Source: **Assoreti**. Reclassification of UCITS distribution data, comparison of FA networks and bank branches

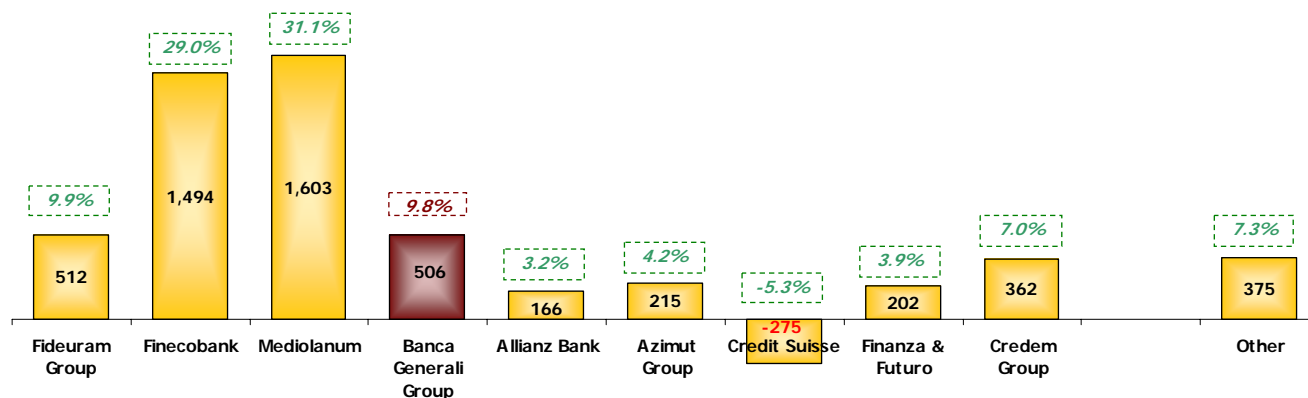
4.3 The Assoreti Market

In general, total inflows from the “Assoreti” market (i.e. the market consisting of distribution through Financial Advisors) declined by 38% in the first eight months of 2008 compared to the first eight months of 2007. In further detail, the outflow of assets under management, narrowly defined (investment funds and asset management) amounted to 9.7 billion euros, offset by a significant increase in assets under administration, which totalled approximately 13.1 billion euros, up by more than 100% on 2007. Insurance inflows showed values more than 40% lower than those of the previous year (1,702 million euros). These figures point to a major re-allocation of savings from managed products to administered products, in general more loosely linked to market volatility (government securities).

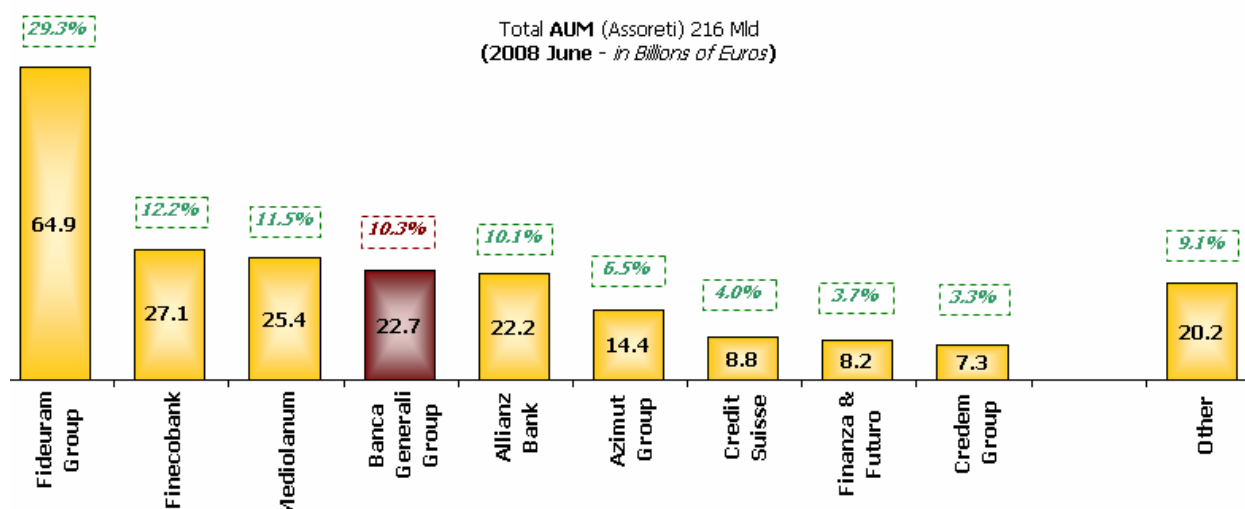
4.4 The Banca Generali Group

Within this unfavourable scenario, the Banca Generali Group continued to post some of the Assoreti market's highest net inflow figures, with net inflows of 506 million euros in August and approximately 10% market share. In September, the Group's net inflows (within the Assoreti perimeter, i.e. excluding captive and institutional clients) amounted to 468 million euros, of which 56 million euros are attributable to Banca Generali, 536 million euros to Banca BSI Italia, and -124 million euros to Simgenia. These inflows, as opposed to those illustrated above for the “Assoreti” market, were achieved primarily from insurance products (1,081 million euros), compared to net outflows from assets under management (-1,193 million euros), and moderate net inflows into assets under administration (580 million euros). However, it should be noted that clients are currently engaged in an intensive process of reallocating their assets to the new Luxembourg Funds of Funds (into which more than 2.3 billion euros were placed through the end of September), driven particularly by the liquidation of client positions in investment funds (approximately -1.7 billion euros). Secondly, market turbulence has led investors to privilege the underwriting of more cautious financial instruments: capital protected products (330 million euros) and, most significantly, insurance products (1,200 million euros in new insurance products).

Total Net Inflows (Assoreti) **5.1 mld**
(January - August 2008 - in Millions of Euros)



The Banca Generali Group continued to lead the market by assets under management with 10.3% of the total.



The following table provides a summary of the assets and their aggregates by product type as of September 2008. These assets refer to the so called “Assoreti market”. As may be seen, there was a significant decline concentrated in the “assets under management” segment. This decline is due in part to the net outflows from the segment described above and in part to the sharp decrease in the financial markets of reference, such as, for example, the Italian stock market, which fell by approximately one-third compared the beginning of the year. Lastly, it should be noted that part of the decrease in asset values was due to a change in the accounting standard applied. Due to an organisational revision internal to Simgenia and the related criteria for counting and assigning clients, a part of the assets previously assigned to the “Assoreti perimeter” (the object of this analysis and associated solely with the distribution activity undertaken through Financial Advisors) was excluded from said perimeter. In June, these assets amounted to 1.3 billion euros.

(millions of euros)	30.09.2008	31.12.2007	Change % on 31.12.2007	
			Abs	%
Total managed assets	8,654	12,640	-3,986	-31.53%
-Funds and sicav	6,362	8,148	-1,786	-21.92%
-discretionary accounts	2,293	4,492	-2,199	-48.96%
Total life insurance	4,970	4,405	565	12.83%
Total non managed assets	7,334	7,451	-117	-1.57%
Total AUM	20,958	24,496	-3,538	-14.44%

5. Performance of Main Financial and Economic Aggregates

5.1 Basis of Preparation

The interim report for the third quarter 2008 is prepared as per the new article 154-ter, paragraph 5, of Italian Legislative Decree 58/98, introduced by Legislative Decree 195/2007, in implementation of Directive 2004/109/CE (so-called Transparency Directive).

This decree replaces the previous provision, article 82 “Quarterly Reports” and Annex 3D (Standards for drafting the quarterly report) of the Rules for Issuers, which required the drafting of a quarterly report, setting the minimum standards for content.

The Interim Report provides:

- a general description of the balance sheet situation and profit and loss performance of the issuer and its subsidiaries during the period of reference;
- an illustration of the significant events and transactions that occurred during the period of reference and their impact on the balance sheet situation of the issuer and its subsidiaries.

This document contains the following quantitative data on the balance sheet situation and quarterly profit and loss performance:

- the consolidated condensed balance sheet at the end of the quarter (30 September 2008) compared with the figures at the end of the previous quarter (30 June 2008) and the end of the previous year (31 December 2007).
- the consolidated condensed profit and loss account for the period between the beginning of the year and the end of the quarter (1 January – 30 September 2008) and the reporting quarter (third quarter 2008), compared with the figures for the corresponding periods of the previous year (1 January – 30 September 2007 and third quarter 2007).

The consolidated balance sheet is presented in a format that summarises the primary asset and liability items. The consolidated profit and loss account is presented in a condensed, reclassified format and states the intermediate profit margins that make up net profit.

The Report also includes explanatory notes that refer to the accounting standards employed and other specific explanatory notes pertaining to transactions undertaken up to the end of the quarter.

The amounts included in the financial statements and notes are expressed in thousands of euros, unless otherwise indicated.

The consolidated financial position illustrated in the Interim Report has been prepared according to the IAS/IFRS issued by the International Accounting Standards Board (IASB) and adopted by the European Commission in accordance with EC Regulation No. 1606 of 19 July 2002.

The Interim Report is not subject to audit by the Independent Auditors.

5.1.1 Accounting standards

The accounting standards and valuation criteria employed are the same as those applied to the preparation of the Consolidated Financial Statements at 31 December 2007 and the 2008 Half-Year Report, except as indicated in the following paragraphs concerning recent amendments to the international accounting standard IAS 39.

The financial statements presented herein must therefore be read together with those documents.

Amendments to IAS 39 and IFRS 7 of 13 October 2008

On 13 October 2008, the IASB (International Accounting Standard Board) issued an amendment to IAS 39 – *Financial Instruments: Recognition and Measurement* and **IFRS 7 – Financial Instruments: Disclosures**, which, under particular circumstances, allows the reclassification of certain financial assets other than derivatives out of the accounting portfolio of financial assets held for trading and measured at fair value through profit or loss.

The amendment also permits the transfer of financial assets included in the accounting portfolio of “available-for-sale” (AFS) financial assets that satisfy the definition as loans and receivables to the latter portfolio where the company has the intention and ability to hold such instruments for the foreseeable future or until maturity.

The amendments introduced were ratified into the European system in a timely manner and took on the force of law with the publication of EC Regulation No. 1004/2008 of 15 October 2008.

The amendment is applicable from 1 July 2008.

The Banca Generali Group has decided to exercise this option. The effects of this operation on the balance sheet and profit and loss account are analysed in paragraph 5.3.2.

Measurement

The preparation of the Interim Report on Operations requires the use of estimates and assumptions that could influence the amounts reported in the balance sheet and profit and loss account and the disclosure of contingent assets and liabilities therein.

The estimates and assumptions used are based on the information available on operations and subjective judgements, which may be based on historical trends.

Given their nature, the estimates and assumptions used may vary from year to year, meaning that reported amounts may differ materially due to changes in the subjective judgements used.

The main areas for which management is required to use subjective judgements include:

- the quantification of personnel-related provisions and provisions for liabilities and contingencies;

- the quantification of the financial advisor network's remuneration (pay out) for September 2008;
- the determination of the fair value of financial instruments and derivatives used for reporting purposes;
- the determination of value adjustments of non-performing loans and the provision for performing loans;
- the evaluation of the appropriateness of the amount of goodwill;
- estimates and assumptions used to determine current and deferred taxation.

5.2 Consolidated Companies and Business Combinations

The companies consolidated by the Group in accordance with IAS 27 include the Parent Company, Banca Generali S.p.A. and the following subsidiaries:

Name	HQ	Type of	Relationship		% vot.
		Rel.	Owner	Stake%	Gen. Meet
Companies fully consolidated					
- Simgenia S.p.A.	Trieste	1	Banca Generali	100,00%	100,00%
- BG Fiduciaria SIM S.p.A.	Trieste	1	Banca Generali	100,00%	100,00%
- BG SGR S.p.A.	Trieste	1	Banca Generali	100,00%	100,00%
- Banca BSI Italia S.p.A.	Milan	1	Banca Generali	100,00%	100,00%
- BG Investment Luxembourg S.A.	Luxemb.	1	Banca Generali	100,00%	100,00%
- S. Alessandro Fiduciaria S.p.A.	Milan	1	Banca Generali	100,00%	100,00%

Legend: type of control:

(1) control pursuant to Section 2359, paragraph 1, No. 1 of the Italian Civil Code (majority voting rights at general shareholders' meeting)

The scope of consolidation did not change from the situation presented in the 2007 consolidated financial statements.

However, since the end of March 2008, the subsidiary BG Investment Luxembourg, the Luxembourg-law collective investment management company formed in November 2007 to manage foreign-law SICAVs promoted by the banking group, became fully operational.

Due to its incorporation date, this company was not included in the consolidated profit and loss account at 30 September 2007.

The consolidated accounts include the separate accounts of the Parent Company and the subsidiaries at 30 September 2008, reclassified and adjusted where necessary to take account of consolidation requirements. The most important intra-Group transactions, influencing both the balance sheet and profit and loss account, were eliminated. Non-reconciled amounts were recognised respectively in other assets/liabilities and other income/expenses.

5.3 Changes in the Balance Sheet and Net Equity

At 30 September 2008, total consolidated assets amounted to 3.8 billion euros, down compared to the first half 2008 (-6.2%).

This trend is reflected in the aggregates direct inflows (-6.8%) and core loans (-6.1%), which show a decline symmetrical to the first half of 2008.

Assets (Thousands of euros)	30.09.2008	30.06.2008	31.12.2007	Chg. % Jun 2008	Chg. % Dec 2007
Core loans	3,592,526	3,824,491	4,035,971	-6.1%	-11.0%
Other activities	188,275	205,642	175,347	-8.4%	7.4%
Total assets	3,780,801	4,030,133	4,211,318	-6.2%	-10.2%

Liabilities (Thousands of euros)	30.09.2008	30.06.2008	31.12.2007	Chg. % Jun 2008	Chg. % Dec 2007
Debts and financial liabilities	3,386,926	3,635,155	3,787,560	-6.8%	-10.6%
Other liabilities and special purpose provisions	206,022	208,122	215,791	-1.0%	-4.5%
Valuation reserves	- 4,827	- 5,743	945	-15.9%	-610.8%
Share capitale and other reserves	192,680	192,599	207,022	0.0%	-6.9%
Total liabilities and net equity	3,780,801	4,030,133	4,211,318	-6.2%	-10.2%

5.3.1 Direct inflows from customers

Direct inflows from customers amounted to 3.0 billion euros, down 313.2 million euros from 30 June 2008, mainly due to a reduction in deposits of the Parent Company, Assicurazioni Generali, and the companies in its group. On the other hand, inflows from other clients increased significantly due to the greater propensity for liquidity dictated by the financial market crisis.

(millions of euros)	30.09.2008	30.06.2008	change quarter		31.12.2007	change quarter	
			Amount	%		Amount	%
Transfer accounts	2,137,047	2,566,155	- 429,108	-16.7%	2,838,970	- 701,923	-24.7%
Repurchase agreements	820,089	693,217	126,872	18.3%	821,487	- 1,398	-0.2%
AUM current accounts	26,772	35,496	- 8,724	-24.6%	28,568	- 1,796	-6.3%
Term deposits	11,700	11,500	200	1.7%	72,959	- 61,259	-84.0%
Certificates of deposit	5,070	940	4,130	439.4%	-	5,070	0.0%
Other debts	32,707	39,250	- 6,543	-16.7%	3,601	29,106	808.3%
Total direct inflows	3,033,385	3,346,558	- 313,173	-9.4%	3,765,585	- 732,200	-19.4%

5.3.2 Core loans

Core loans amounted to 3.6 billion euros and decreased by 232.0 million euros compared to 30 June 2008. However, the loan structure was radically modified due to the portfolio reallocations analysed in the following paragraph, on the basis of the recent amendments to the IAS/IFRS.

(thousands of euros)	30.09.2008	30.06.2008	change quarter		31.12.2007
			Amount	%	
financial assets held for trading	738,158	1,666,987	- 928,829	-55.7%	2,668,735
financial assets available for sale	782,509	889,509	- 107,000	-12.0%	107,687
financial assets held to maturity	612,349	-	612,349	0.0%	-
Loans to banks	883,355	910,974	- 27,619	-3.0%	913,893
Loans to customers	576,155	357,021	219,134	61.4%	345,656
Total interest-bearing financial assets and loans	3,592,526	3,824,491	- 231,965	-6.1%	4,035,971

5.3.2 Reclassification of the financial asset portfolio

On 13 October 2008, the IASB (International Accounting Standards Board) approved changes to IAS 39 and IFRS 7 aimed at correcting possible distortions to accounting records caused by the effects of the profound crisis that struck international financial markets in September.

The action taken by the IASB seeks to propose a solution to the problem of the loss of significance of market prices in a context of illiquidity and panic selling. In such extreme situations, market values are no longer an adequate reflection of the fair value of financial instruments and risk distorting the representation of such instruments on the financial statements of companies that apply IAS/IFRS, thereby causing abnormal fluctuations in profit and loss and net equity.

The change introduced by the IASB consequently permits, under "rare circumstances", the reclassification (previously not allowed) of financial instruments allocated to the trading portfolio, with the impact of variations taken through the profit and loss account, to the other accounting portfolios set out in IAS 39.

In further detail, these portfolios are characterised by a different method of measurement based on amortised cost, in which listed debt securities held to maturity (HTM) and unlisted debt securities classifiable as loans (loans and receivables) may be classified.

Securities belonging to these portfolios are not subject to periodic adjustment according to changes in their fair value, but rather are periodically subject to impairment testing in the presence of loss events that entail decreases in value.

However, the new IAS 39 also permits the reallocation of equities from the trading portfolio to the portfolio of assets available for sale (AFS), with changes in fair value taken through net equity instead of the profit and loss account.

The change to said accounting standards was put into effect during first-time application as of a date no earlier than 1 July 2008.

Reclassification from the held-for-trading portfolio (changes in fair value through profit and loss)		
Asset type	Destination portfolio	Conditions
Debt securities listed on active markets	HTM	Only in rare circumstances and only if the instrument satisfies the definition of HTM
Debt securities not listed on active markets	LOANS	If the instrument satisfies the definition of instrument not listed on an active market and the company has the intention and ability to hold it until maturity or for the foreseeable future
Equity securities	AFS	Only in rare circumstances
Reclassification from AFS portfolio (changes in fair value through net equity)		
Asset type	Destination portfolio	Conditions
Debt securities listed on active markets	HTM	If the instrument satisfies the definition of HTM (reclassification already allowed under IAS 39)
Debt securities not listed on active markets	LOANS	If the instrument satisfies the definition of instrument not listed on an active market and the company has the intention and ability to hold it until maturity or for the foreseeable future

In this context, Banca Generali has decided to proceed with the reclassification of part of the accounting portfolios of assets held for trading and assets available for sale (AFS), in the total amount of 928.9 million euros, determined on the basis of fair value as of the date of the transfer.

The reclassification of debt securities involved only financial assets issued by non-governmental entities with maturities no earlier than 31 December 2009.

Securities for which an active market of listing could not be identified due to the financial crisis have been

classified among loans and receivables, while the remainder has been reallocated to the portfolio of held-to-maturity assets.

The transfer was undertaken effective 1 July 2008, except for securities belonging to the AFS portfolio and transferred to the held-to-maturity portfolio, the transfer of which was effective 30 September 2008, inasmuch as said reclassification was already allowed under the previous version of IAS 39.

In addition, certain equity investments that the Group no longer considers to be held for trading were reallocated to the AFS portfolio.

Type	Date effective	Portfolio of origin	Destination portfolio	Fair value transf. date	Loss to profit and loss account	Delta FV at 30 Sept. 2008	Res. delta AFS at 30 Sept. 2008
Listed debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	01/07/2008	TRADING	HTM	447,561 -	5,430	2,521	
Unlisted debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	01/07/2008	TRADING	LOANS	237,694 -	7,113	3,647	
Listed debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	30/09/2008	AFS	HTM	153,971			
Unlisted debt securities issued by non-governmental entities with maturities beyond 31 December 2009 (*)	01/07/2008	AFS	LOANS	82,415			9,146
(**) Listed equities no longer considered as held for trading	01/07/2008	TRADING	AFS	7,218 -	2,030	776	776
				928,859 -	14,573	6,944	8,370

(*) A marginal portion of securities subsequently disposed of or purchased was transferred effective 30 September 2008

(**) Broken down into loans to banks and customers;

The new portfolio allocation more accurately reflects the Group's investment policy.

Corporate bonds allocated to the treasury portfolio and purchased with a view to income-generation capacity in the form of interest have been reallocated primarily to the held-to-maturity portfolio. The portfolio of ABS (asset-backed securities) was largely reallocated to loans to customers due to the nature of these instruments, which is that of indirect loans.

The portfolio of government securities was kept in the portfolios held-for-trading and available-for-sale due to the possibility of liquidating them on short notice.

The transfer of financial instruments from the held-for-trading portfolio resulted in the consolidation of capital losses recognised on the profit and loss account of 14.6 million euros as of the date of transfer. These losses were consequently recognised as realised losses.

In addition, 1.5 million euros in interest income was recognised on the profit and loss account for the third quarter. This income arises from the measurement of the transferred debt securities at amortised cost.

Lastly, we report that measuring the transferred assets at fair value would have resulted in 6.9 million euros in increased write-downs to the profit and loss account (HFT) and 8.4 million euros to equity (AFS).

The impact of said measurement, net of the tax effect, would have translated into a decrease in the net profit for the period of 5.8 million euros, also considering the greater interest arising from measurement at amortised cost, and a decrease in negative valuation reserves of 5.7 million euros.

Net of the above reclassifications, we report that the decline in assets refers primarily to interbank exposure (-172.6 million euros) and the securities portfolio (-317.0 million), whereas loans to customers showed growth due to the expansion of short-term loans and account overdrafts.

(migliaia di euro)	30.09.2008	31.12.2007	change	
			Amount	%
financial assets held for trading	738,158	2,668,735	- 1,930,577	-72.3%
financial assets available for sale	782,509	107,687	674,822	626.7%
financial assets held to maturity	612,349	-	612,349	0.0%
financial asset in the loans & receivables portfolio	326,385	-	326,385	0.0%
Loans to banks	741,319	913,893	- 172,574	-18.9%
Loans to customers	391,806	345,656	46,150	13.4%
Totale impieghi fruttiferi	3,592,526	4,035,971	- 443,445	-11.0%

5.3.3. Net equity and treasury shares

Group net equity amounted to 187.9 million euros at 30 September 2008, down 20.1 million euros from 2007 as a result of a decrease in the period net profit figure, the payment of dividends for 2007 by the Parent Company, Banca Generali, buy-backs of treasury shares, changes in the valuation reserves, and stock option plans.

At Banca Generali's General Meeting of 22 April 2008, which was held to approve the 2007 Annual Report, a dividend payment of 19.9 million euros was decided upon. The amount exceeded the consolidated net profit figure for 2007 by 4.6 million euros.

(thousands of euros)	30.09.2008	31.12.2007	Change	
			Amount	%
1. Share capital	111,313	111,313	-	0.0%
2. Additional paid-in capital	22,804	22,804	-	0.0%
3. Reserves	62,378	65,729	- 3,351	-5.1%
4. (Treasury shares)	- 9,091	- 8,112	- 979	12.1%
5. Valuation reserves	- 4,827	945	- 5,772	-610.8%
6. Equity instruments	-	-	-	0.0%
7. Net profit (loss) for the period	5,276	15,288	- 10,012	-65.5%
Total net equity	187,853	207,967	- 20,114	-9.7%

The valuation reserves include 4.8 million euros from negative reserves resulting from the valuation at fair value of available-for-sale financial assets (1.1 million euros in relation to equity securities and 3.7 million in relation to debt securities).

The increase in the negative reserves recognised at period-end is attributable to the rise in the net negative reserves pertaining to the debt securities segment and the recognition of a negative reserve for the equities segment as well.

During the quarter, the Parent Company allocated 11,061 treasury shares amounting to a total book value of 37 thousand euros to the financial advisors who were eligible for the former Prime Consult stock granting plan. In addition, 197,532 treasury shares were purchased in service of the above plan, for a total value of approximately 1.0 million euros.

Consolidated **capital for regulatory purposes** was estimated to amount to 179.9 million euros as of 30 September 2008.

5.4 Operating Performance

The following tables and notes provide an analysis of the operating results for third quarter of 2008 compared to those for the same period of 2007.

(thousands of euros)	30.09.2008	30.09.2007	change % vs 09.07	Q3 2008	Q3 2007	change % quarter
Net interest	43,370	31,439	37.9%	15,875	11,254	41.1%
Net commissions	92,818	115,514	-19.6%	23,096	37,238	-38.0%
Dividends and income from equity investments	32,681	2,632	1141.7%	4,969	12	41308.3%
Net result from banking operations	- 41,467	- 6,801	509.7%	- 2,972	- 10,289	-71.1%
Net operating profit	127,402	142,784	-10.8%	40,968	38,215	7.2%
Staff expenses	- 40,612	- 41,060	-1.1%	- 13,087	- 13,031	0.4%
Other general and administrative expense	- 59,066	- 53,970	9.4%	- 22,764	- 18,898	20.5%
Net adjustments of property, equipment and intangible assets	- 4,220	- 5,054	-16.5%	- 1,607	- 1,781	-9.8%
Other operating expense/income	5,887	6,120	-3.8%	2,415	2,314	4.4%
Net operating expense	- 98,011	- 93,964	4.3%	- 35,043	- 31,396	11.6%
Operating income	29,391	48,820	-39.8%	5,925	6,819	-13.1%
Net adjustments for non-performing loans	76	124	-161.3%	67	319	-79.0%
Net adjustments of other assets	- 5,553	-	0.0%	- 5,553	-	0.0%
Net provisions	- 17,541	- 30,614	-42.7%	- 1,242	- 6,454	-80.8%
Gain (loss) from the disposal of equity investments	- 27	-	0.0%	-	-	0.0%
Operating profit before taxation	6,346	18,082	-64.9%	937	46	-2137.0%
Income taxes for the period on continuing operations	- 1,070	- 8,740	-87.8%	- 665	- 846	-178.6%
Net profit (loss) from non-current discontinued operations, net of tax	-	-	0.0%	-	-	0.0%
Profit (loss) for the period attributable to minority interests	-	-	0.0%	-	-	0.0%
Net profit	5,276	9,342	-43.5%	272	800	-66.0%

On the whole, the Banca Generali Group's consolidated profit and loss aggregates were significantly influenced by the intensification of the international financial market crisis.

Consolidated operating net profit amounted to 29.4 million euros, a 19.4 million euros decrease from the same period of last year (- 39.8%), due to a significant slowdown in net revenues (-10.8%).

The crisis primarily affected the net commissions aggregate, which showed a decline of 22.7 million euros (- 19.6%) in the first nine months of the year, compared to the first nine months of 2007.

The net loss from banking operations for the first nine months of 2008, 11.6 million euros, net of the associated dividends (29.9 million euros), worsened by 5.6 million euros on the result reported at the end of the third quarter of 2007, which had already been affected by the initial subprime mortgage crisis. This result incorporates the negative effects of the Lehman impairment, which accounted for 5.6 million euros of the result for the period, whereas the amendment to accounting standard IAS 39, analysed in paragraph 5.3.2 above, had a positive impact.

Consolidated net profit for the first nine months of the year consequently amounted to 5.3 million euros, down by 4.4 million euros compared to the first nine months of 2007 (-43.5%).

The third quarter of 2008 ended substantially in line with the 5.5 million euros in profit earned at the end of the first half of 2008.

5.4.1. Net interest

Net interest amounted to 43.4 million euros, a 11.9 million euro increase (+37.9%), compared to the same period of the previous year.

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3 2008	Q3 2007
			Amount	%		
Financial assets (Trading, AFS, HTM, Loans portfolios)	89,200	65,193	24,007	36.8%	33,773	23,215
Loans to banks	30,502	17,361	13,141	75.7%	7,081	5,588
Loans to customers	12,013	10,796	1,217	11.3%	4,643	3,737
Other assets	69	68	1	1.5%	20	24
Total interest income	131,784	93,418	38,366	41.1%	45,517	32,564
Due to banks	1,066	1,792	- 726	-40.5%	693	1,122
Due to customers and securities issued	52,712	39,121	13,591	34.7%	15,491	13,512
Financial liabilities associated with assets sold but not derecognised	34,635	21,066	13,569	64.4%	13,458	6,676
Other liabilities	1	-	1	0.0%	-	-
Total interest expense	88,414	61,979	26,435	42.7%	29,642	21,310
Net interest income	43,370	31,439	11,931	37.9%	15,875	11,254

The rise in net interest was driven by the significant increase in interest rates on the interbank market due to the prevalence of short-term, floating-rate exposures among the Group's loans.

In particular, net interest on interbank exposures rose by 75.7%, and net interest on debt securities, allocated to the Group's various portfolios, climbed by 36.8% on the corresponding period of 2007.

The ensuing increase in the average interest rates paid by the Group and customers' greater propensity for liquidity also resulted in a rapid expansion in the cost of customer deposits, marking an increase of 26.4 million euros (+42.7%) on the corresponding period of 2007.

5.4.2. Net Commissions

Aggregated commissions were 92.8 million euros, a net decrease of 22.7 million euros (-19.6%) compared to the same period of the previous year.

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3 2008	Q3 2007
			Amount	%		
Asset management	89,881	101,216	- 11,335	-11.2%	30,858	33,980
Placement of securities	49,760	62,697	- 12,937	-20.6%	19,861	22,364
Distribution of third-party financial products	30,083	38,708	- 8,625	-22.3%	7,140	13,863
Dealing in securities and currencies	3,662	3,707	- 45	-1.2%	940	995
Order collection, custody, and securities administration	12,996	11,238	1,758	15.6%	3,005	3,147
Collection and payment services	2,488	1,754	734	41.8%	655	577
Other services	732	1,679	- 947	-56.4%	187	655
Total commission income	189,602	220,999	- 31,397	-14.2%	62,646	75,581
Commissions for external offer	87,571	100,507	- 12,936	-12.9%	36,175	36,844
Collection and payment services	1,515	1,698	- 183	-10.8%	423	738
Dealing in securities and custody	3,668	2,287	1,381	60.4%	866	639
Asset management	2,747	39	2,708	6943.6%	1,719	17
Other	1,283	954	329	34.5%	367	105
Total commission expense	96,784	105,485	- 8,701	-8.2%	39,550	38,343
Net commissions	92,818	115,514	- 22,696	-19.6%	23,096	37,238

Revenues contracted 31.4 million euros (-14.2%), attributable to the collection and management of household savings, an area severely affected by the international financial market crisis, whose contribution decreased by 32.9 million euros, partially offset by the increase in revenues from other banking services (+1.5 million euros).

Lastly, commissions paid decreased by 8.7 million euros (-8.2%), mainly due to a reduction in “commissions for external offer” and post-sale assistance paid to the distribution network (-12.9 million euros). The decrease was substantially in line with the decrease in asset management revenues (-12.9%).

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3	Q3
			Amount	%	2008	2007
Asset management, own						
1. Collective asset management (UCITs, pension funds)	62,102	57,657	4,445	7.7%	24,985	18,733
2. Individual asset management	27,779	43,559	-15,780	-36.2%	5,873	15,247
Commissions on asset management	89,881	101,216	-11,335	-11.2%	30,858	33,980
1. Placement of third-party UCITs	41,571	50,462	-8,891	-17.6%	12,682	16,762
2. Bond placement	8,189	10,379	-2,190	-21.1%	7,179	5,602
3. Other placement operations	-	1,856	-1,856	-100.0%	-	-
4. Distribution of third-party assets management products (GPM/GPF, pension funds)	1,774	2,881	-1,107	-38.4%	159	1,246
5. Distribution of third-party insurance products	25,757	31,195	-5,438	-17.4%	6,953	11,299
6. Distribution of other third-party financial products	2,552	4,632	-2,080	-44.9%	28	1,318
Placement and distribution of third-party products	79,843	101,405	-21,562	-21.3%	27,001	36,227
Total	169,724	202,621	-32,897	-16.2%	57,859	70,207

In this context, commissions from the Group's individual and collective asset management businesses declined 11.3 million euros or 11.2%, mostly concentrated in individual asset management portfolios (-15.8 million) rather than group-managed UCITS, which showed growth due to the significant progress made by Luxembourg SICAVs.

Turning to the placement and distribution of third-party services, the decline of 21.6 million euros on the corresponding period of 2007 pertained to all product types but was primarily attributable to the lesser contribution of the placement of third-party UCITS (-8.9 million euros) and the distribution of insurance products (-5.4 million euros), which contracted sharply in the third quarter.

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3	Q3
			Amount	%	2008	2007
Trading services	16,658	14,945	1,713	11.5%	3,945	4,142
Other services	3,220	3,433	-213	-6.2%	842	1,232
Total traditional banking operations	19,878	18,378	1,500	8.2%	4,787	5,374

Commission income from traditional banking operations increased 1.5 million euros, attributable to the significant increase in commissions from order collection and custody and administration, driven both by the expansion in operations on foreign markets for Generali Group companies and to a lesser extent by operations with retail customers.

Underwriting commissions (-31.5%) decreased more than management commissions (-14.0%) as the ratio of commissions on traditional banking operations increased. Incentive commissions refer to SICAVs managed by BG Luxembourg.

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3	Q3
			Amount	%	2008	2007
Underwriting commissions	30,691	44,791	-14,100	-31.5%	12,900	15,585
Management commissions	135,891	157,975	-22,084	-14.0%	44,573	55,605
Incentive commissions	3,133	387	2,746	709.6%	266	91
Other commissions (other banking and financial se	19,887	17,846	2,041	11.4%	4,907	4,300
Total	189,602	220,999	-31,397	-14.2%	62,646	75,581

5.4.3 Dividends

Total dividends amounted to 32.7 million euros, mostly attributable to equity securities traded as part of total return swap transactions, illustrated in detail in the next section.

Net of this component, the remaining dividend balance, which did not change significantly compared to the same period of the previous year, refers to distributions by investee companies classified as available-for-sale financial assets (2.1 million euros) and dividends from trading assets.

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3 2008	Q3 2007
			Amount	%		
Dividends of AFS financial assets	2,127	1,245	882	70.8%	-	-
Dividends from trading	630	661	- 31	-4.7%	29	12
Dividends on TRS operations	29,924	726	29,198	4021.8%	4,940	-
Total dividends	32,681	2,632	30,049	1142%	4,969	12

5.4.4. Net profit from trading and financial operations

Net profit from trading includes gains and losses on sales and capital gains/loss on assessments of fair value of financial assets and liabilities held for trading or available for sale, as well as profit and loss from the transfer of financial assets available for sale and the result of hedging operations.

At 30 September 2008, trading operations resulted in a net loss of 41.5 million euros, compared with a net loss of 6.8 million euros at the end of the corresponding period of 2007, which was already affected by the initial severe effects of the financial crisis, marking a decline of 34.7 million euros.

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3 2008	Q3 2007
			Amount	%		
Net income (loss) on financial assets	- 66,871	5,846	- 72,717	-1244%	- 19,507	2,598
Gain (loss) on financial assets	- 4,402	- 21,272	16,870	-79%	14,677	- 15,131
Income (loss) on derivatives	28,971	1,002	27,969	2791%	2,085	334
Gain (loss) on derivatives	- 40	6,081	- 6,121	-101%	55	1,570
Securities transactions	- 42,342	- 8,343	- 33,999	408%	- 2,800	- 10,629
Currency transactions	305	1,055	- 750	-71%	81	340
Net profit from trading	- 42,037	- 7,288	- 34,749	477%	- 2,881	- 10,289
Net profit from hedging	60	-	60	0%	60	-
Income (loss) from repurchases	510	487	23	5%	151	-
Income (loss) of financial operations	- 41,467	- 6,801	- 34,666	510%	- 2,972	- 10,289

However, this result should be viewed in the light of the significant dealings in total return swap derivatives in 2008, which did not occur to a significant extent in 2007.

These transactions involve the payment to the counterparties of all equity amounts and dividend amounts on the basket of equity securities chosen, against receipt of a floating amount of interest on the capital invested for the term of the contract. As part of the swap, Banca Generali purchased a corresponding amount of the underlying securities on the market.

The trading of the underlying securities generated a loss of 55.5 million euros, while the associated dividends amounted to 29.9 million euros. The derivative component, on the other hand, generated an equity amount of 61.5 million euros and a dividend amount of 32.4 million euros.

Therefore, considering the related dividends, the total result of total return swap transactions amounted to a gain of 3.5 million euros, and the net loss on trading activities decreased to 12.1 million euros, as illustrated in the following table.

In a like manner, on a quarterly basis, considering the overall effect of the equity swaps undertaken in the third quarter would result in an improvement to the bottom line for trading operations of approximately 2.0 million euros.

(thousands of euros)	Net profit and dividends	Capital gains	Loss from trading	Capital loss	30.09.2008	30.09.2007	change	30.06.2008
1. Debt securities transactions	2,704	444	13,094	2,897 -	12,843 -	10,023 -	2,820 -	13,729
2. Equity securities transactions	5,104	43	6,253	1,894 -	3,000 -	924 -	2,076 -	3,750
Equity securities	5,010	43	6,150	1,854 -	2,951 -	1,301 -	1,650 -	3,741
Options on equity securities	94	-	103	40 -	49	377	426 -	9
3. Total Return Swaps (TRS)	91,406	-	87,925	-	3,481	390	3,091	3,046
Equity securities (TRS transactions)	-	-	55,527	- -	55,527 -	5,810 -	49,717 -	48,912
Dividends	29,924	-	-	-	29,924	726	29,198	24,984
Derivatives	61,482	-	32,398	-	29,084	5,474	23,610	26,974
4. UCIT unit quota transactions	249	-	53	140	56	1,693 -	1,637 -	52
5. Interest rate swaps (IRS)	5	-	120	- -	115	1,264 -	1,379 -	75
6. Currency transactions	307	-	-	-	307	1,038 -	731	388
Derivatives	2	-	-	-	2 -	17	19	2
Exchange gains and losses	305	-	-	-	305	1,055 -	750	386
Result from trading	99,775	487	107,445	4,931 -	12,114 -	6,562 -	5,552 -	14,172

The negative performance of trading operations, at any rate, due to the deepening of the international financial crisis, which, combined with the deterioration of expectations for the global economy, adversely affected stock- and bond-market performance.

Excluding the equity swap component, the net loss was caused by losses and net losses on the trading portfolio of 15.6 million euros.

The debt securities segment posted an overall net loss of 12.8 million euros due to net losses on measurement at fair value of 2.5 million euros and net realised losses of 10.4 million euros.

However, this figure also includes 12.5 million euros in net losses recognised upon the reclassification of assets from held-for-trading portfolios at amortised cost (HTM, Loans).

The net loss for the equities segment amounted to 3.0 million euros, attributable to net capital losses of 1.9 million euros and net losses of 1.1 million euros, of which 2.0 million euros was recognised upon the reclassification of equity investments from the trading portfolio to the available-for-sale portfolio.

Moreover, had the reclassification allowed under IAS 39 not been undertaken, the measurement at fair value of the trading portfolio would have resulted in the recognition on the profit and loss account of 6.9 million euros in additional net write-downs, of which 0.8 million pertaining to the equity segment.

5.4.5 Impairment of Lehman Brothers securities

To complete the analysis of the result from on financial operations, it will also be necessary to discuss the effects of the default of the U.S. investment bank Lehman Brothers, which took the markets by surprise on 15 September.

As of the above date, the Group held corporate bonds issued by Lehman Brothers with a nominal value of 9.0 million euros and a carrying value of 8.9 million euros, allocated to the available-for-sale (AFS) portfolio and measured at fair value with a balancing entry to net equity.

The loss on said bonds was calculated on the basis of a prudent recovery rate of 30%.

These financial instruments were therefore written down by 5.5 million euros on the profit and loss account, and the previously allocated equity valuation reserves were released.

The above amount was recognised in a specific item of the profit and loss account, which was reclassified to account for impairment adjustments.

5.4.6 Operating expenses

Operating expenses, including staff expenses, other general and administrative expense, amortisation and depreciation and other operating income and expenses increased slightly compared to the same period of the previous year (+4.0 million euros, or 4.3%).

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3	Q3
			Amount	%	2008	2007
Staff expenses	- 40,612	- 41,060	448	-1.1%	13,087	13,031
Other general and administrative expense	- 59,066	- 53,970	5,096	9.4%	22,764	18,898
Net adjustments of property, equipment and intangible assets	- 4,220	- 5,054	834	-16.5%	1,607	1,781
Other income and expenses	5,887	6,120	233	-3.8%	2,415	2,314
Operating expense	- 98,011	- 93,964	4,047	4.3%	35,043	31,396

Staff expenses, including full-time employees, interim staff, and directors increased slightly compared to the first quarter 2007.

Group employees reached 743 persons, an increase of 12 compared to the same period of 2007.

Other general and administrative expense amounted to 59.1 million euros, an increase of 5.1 million euros, or +9.4%, compared to the same period in the previous year.

The ratio of operating expenses, before adjustments to property, equipment and intangible assets to net banking income (cost/income ratio) was 73.6% due to the reduction in consolidated operating revenues.

(thousands of euros)	30.09.2008	30.09.2007	Changes	
			Amount	%
Administration	9,587	4,747	4,840	102.0%
Advertising	1,851	770	1,081	140.4%
Consultancy and professional advice expense	4,440	976	3,464	354.9%
Corporate boards and auditing firms	751	501	250	49.9%
Other general costs (insur. T&E)	2,545	2,500	45	1.8%
Operations	24,496	23,700	796	3.4%
Rent and usage of premises	10,164	9,920	244	2.5%
Outsourced services	6,496	5,774	722	12.5%
Post and telephone	1,623	2,297	674	-29.3%
Print material and contracts	1,302	1,344	42	-3.1%
Other operating expenses	4,911	4,365	546	12.5%
Information system and equipment	19,630	19,673	43	-0.2%
Outsourced IT services	13,300	14,088	788	-5.6%
Fees for IT services and databases	3,326	2,799	527	18.8%
Software maintenance and servicing Sw	1,840	1,379	461	33.4%
Other expenses (equipment rental)	1,164	1,407	243	-17.3%
Taxes and duties	5,353	5,850	497	-8.5%
Total other general and administrative expense	59,066	53,970	5,096	9.4%

5.4.7 Operating profit and net profit for the period

As stated in the introduction, consolidated operating profit amounted to 29.4 million euros at 30 September 2008, while operating profit before taxation was 6.3 million euros, after 17.5 million euros in provisions and 5.6 million euros in net adjustments, essentially attributable to the Lehman impairment, as analysed above.

Provisions mainly include commission charges related to short- and medium-term incentive programs connected to the expansion of the sales network (recruiting). Provisions were also made to cover financial advisors' indemnities and legal disputes.

(thousands of euros)	30.09.2008	30.09.2007	Changes		Q3	Q3
			Amount	%	2008	2007
Net operating revenues	127,402	142,784	- 15,382	-10.8%	40,968	38,215
Operating expense	- 98,011	- 93,964	- 4,047	4.3%	- 35,043	- 31,396
Operating income	29,391	48,820	- 19,429	-39.8%	5,925	6,819
Net adjustments for non-performing loans	76	- 124	200	-161.3%	67	319
Net adjustments of other assets	- 5,553	- -	5,553	0.0%	5,553	-
Net provisions	- 17,541	- 30,614	13,073	-42.7%	1,242	6,454
Gain (loss) from the disposal of equity investments	- 27	- -	27	0.0%	-	-
Operating profit before taxation	6,346	18,082	- 11,736	-64.9%	937	46
Income taxes for the period on continuing operations	- 1,070	- 8,740	7,670	-87.8%	665	846
Net profit	5,276	9,342	- 4,066	-43.5%	272	800

Direct taxes for the Group's companies at the end of the period amounted to 1.1 million euros, down sharply compared to the same period of 2007. The decrease in the Group's tax liability was due to the combined effect of numerous factors, including a significant reduction in the pre-tax profit of the companies in the Group compared to the same period of 2007, the Group's new organisational structure that became effective the first quarter of 2008 and the continuous evolution of Italy's tax laws.

Net profit for the period amounted to 5.3 million euros, a decrease of 4.0 million euros compared to the same period of the previous year.

Trieste, 28 October 2008

THE BOARD OF DIRECTORS

Declaration Pursuant to Article 154-bis, Second Paragraph of Legislative Decree No. 58 of 24 February 1998

The undersigned Giancarlo FANCEL, born in Portogruaro (VENICE) on 26 September 1961, Deputy General Manager and Manager in charge of preparing the financial reports of BANCA GENERALI S.p.A., with registered offices in Trieste, 4 Via Machiavelli, share capital of 111,313,176.00 euros, registered with the Trieste Company Register under No. 103698 — in light of the evaluations carried out in his capacity as Manager in charge of preparing the Company's financial reports, pursuant to his appointment by Board resolution of 16 February 2007 — does hereby

declare that

for the intents and purposes of article 154-bis, paragraph 2, of Legislative Decree No. 58 of 24 February 1998, the Interim Report at 30 September 2008 corresponds to the documented results, books and accounting records.

Trieste, 28 October 2008

Giancarlo Fancel
*Manager in charge of preparing
the company's financial reports*
BANCA GENERALI S.p.A.
