

Press Release

**Banca Generali Approves 1Q 2008 Results  
and Announce the Acquisition of Banca del Gottardo Italia through  
its subsidiary Banca BSI Italia**

Operating results in line with strategic objectives

- Net result for the quarter (-€0.7 million) impacted by unrealised capital losses at fair value on trading investment portfolio (HFT) (-€13.6 million), compared to a net profit of €4.7 million in the first quarter 2007<sup>1</sup>
- Net Interest Income at €14.0 million (+42.9% vs. 1Q07)
- Net Commissions at €37 million (-7.9% vs. 1Q07)

BoD approved the acquisition of Banca del Gottardo Italia

- Acquisition of Banca del Gottardo Italia from Banca del Gottardo S.A. through the subsidiary Banca BSI Italia and a total consideration of €62 million approved.

Trieste, 6 May 2008 – The Board of Directors of Banca Generali chaired by Giovanni Perissinotto met today and approved the Consolidated Results for the First Quarter 2008.

*“Banca Generali first quarter results are positive and confirm that it is possible to grow in any market condition. Total net inflows reached €171 million and clients appreciated the new Luxembourg-based products, protected capital discretionary accounts and new life products; the operating results adjusted by unrealised capital losses doubled the results in the First Quarter 2007”* stated Chief Executive Officer Giorgio Girelli. *“Moreover, Banca Generali group is increasing in the Private Banking industry by the acquisition of Banca del Gottardo Italia”.*

Consolidated Economic Results

Over the first three months of the year, **net result** of Banca Generali Group was -€0.7 million, influenced by the net balance of **unrealised capital** gains and **losses** at fair value on trading investment portfolio (HFT) of € 13.6 million: about 80% of this amount was generated by Corporate Bond of leading European Banks, which were heavily impacted by credit spreads movements in 1Q 2008. As already occurred in the previous two quarters, these unrealised capital losses are linked to the mark to Market accounting of our HFT portfolio and are expected to be reabsorbed at maturity date.

Excluding these unrealised capital losses net of taxes, net profit would have amounted to €8.6 million (+83.9% compared to the first quarter of 2007).

**Net interest income** reached €14.0 million (+42.9%), confirming the positive trend of the previous year, driven by a successful strategy of cross-selling banking services to customers.

The breakdown of **gross commissions**, which totalled to €66.6 million (-10.6%), confirms that management fees accounted for the largest portion (71% of total commissions, vs. 68% in 1Q 2007). The percentage of banking fees increased from 9% for the first quarter of 2007 to 13% for

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<sup>1</sup> 2008 first quarter results include the consolidation of the Luxembourg Management company, BG Investment Luxembourg

the first quarter of 2008. Overall, the ratio of recurrent commissions reached 84% of total gross commissions, as against 77% for the first quarter of 2007.

**Net banking income** amounted to €39.2 million (-24.0%) and was largely affected by the above-mentioned unrealised capital losses. Without considering such losses, net banking income would have increased by 2.2% compared to the first quarter of 2007.

**Operating expense** amounted to €30.6 million (-0.7%). The slight decrease is even more significant considering that the quarter was penalised by the start-up costs of the Luxembourg-based management company and by the contractual increases in staff expenses as a result of the new collective labour contracts for the credit industry.

**Operating profit** for the quarter amounted to €8.5 million (-60.6%). Net of unrealised capital losses at fair value on trading investment portfolio (HFT), operating income would have amounted to €22.1 million (+2.1%).

At 31 March 2008, Banca Generali Group total assets amounted to €4,104.5 million. Consolidated equity amounted to €202.0 million (-2.9% compared to 31 December 2007)

### **Acquisition of Banca del Gottardo Italia S.p.A.**

The Board of Directors also resolved to acquire Banca del Gottardo Italia S.p.A., through the subsidiary Banca BSI Italia.

The transaction is part of the strategy aimed at strengthening Banca Generali's position in the private banking industry, where it already operates through its fully controlled subsidiary Banca BSI Italia. Acquired in July 2006 from BSI S.A., the subsidiary reported €7,039 million in assets under management at the end of 2007. Its distribution network is made up of 38 Relationship Managers and 221 Private Bankers.

Founded in 2002, Banca del Gottardo focuses on private banking and reported about €1,900 million in assets under management and about 2,000 customers at the end of 2007. Banca del Gottardo's core business segments are *Ultra High Net Worth Individuals* and *High Net Worth Individuals*, with a strong presence in Northern Italy, particularly in Lombardy, accounting for 61% of assets under management.

The transaction is part of a strategy aimed at forming a single private banking entity, by fully integrating BSI Italia and Banca del Gottardo Italia and setting up a single bank 100% controlled by Banca Generali, with total AUM amounting to €9.0 billion and a network of 60 Relationship Managers and 221 Private Bankers. The new group will rank fourth in the Italian private banking industry.

After the integration, the organisational model currently applied by Banca BSI Italia, envisaging the centralisation of operating support and staff activities in Banca Generali, will be confirmed, enabling the entity to achieve strong operating synergies and efficiencies. The transaction will increase profit already as of 2009, the first post-merger full financial year. Net of any revenue synergy and of the cost of financing (as described below), the transaction is expected to increase the estimated profit for 2009 by between 5.0% and 5.7% (after taxes). The impact is expected to improve in following years, as a result of the full exploitation of revenue synergies.

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Specifically, the agreement involves the acquisition of shares equivalent to 100% of the share capital of Banca del Gottardo Italia S.p.A., based in Bergamo, Via Camozzi 5, with a fully paid up share capital of €50,000,000.00, Bergamo Company Register No. 02805170160. In detail, the agreement will entail the acquisition of 50,000,000.00 ordinary shares with a nominal value of €1.00 each.

For financial year 2007, Banca del Gottardo Italia S.p.A. reported assets under management of €1,961 million, net banking income of €18.8 million, net operating expenses of €13.5 million and a net loss of €0.8 million, after €4.1 million in write-downs for bad debts. At present, the share capital of Banca del Gottardo Italia S.p.A. is held by Banca del Gottardo S.A., which joined Generali Group in 2008 and it is in turn directly controlled by BSI S.A..

The total consideration agreed for the acquisition was €62.0 million, of which €23.9 million Net Equity and €38.1 million Goodwill. These amounts are equal to 3.2% of price/AUM and 1.9% on Goodwill/AUM. The transaction will be secured by a total credit guarantee until 31 December 2009. The consideration for the acquisition will be paid cash.

The price was confirmed as fair by the fairness opinion issued on 30 April 2008 by KPMG Advisory S.p.A., appointed for the task by Banca Generali.

In order to realise this acquisition, Banca BSI Italia S.p.A. will be provided with sufficient liquidity to carry out this transaction, while respecting the total capital ratios required by current applicable supervisory regulations. Consequently, the following financing options were chosen:

- €69.9 million through an increase in the shareholder equity of Banca BSI Italia, carried out by Banca Generali through equity;
- €40 million through the subscription of a subordinated loan granted by Generali Versicherung AG, a Generali Group company. The 7-year loan will be subject to straight-line amortisation consisting in 5 instalments beginning as of the third year. The rate applied will be equal to 12-month EURIBOR as reported by Euro Interbanking Market, plus 200 bps (+25/-25 bps), as defined at the signing date of the deal, depending on market conditions and to be set at the closing date of the deal.

Taking into account the fact that the company Generali Versicherung AG qualifies as related party, as it belongs to Generali Group, we point out that the interest rate was determined taking into consideration the rate applied at market conditions for similar transactions in favour of unlisted companies. Therefore the interest rate can be deemed fair compared to normal market conditions.

The transaction is set to become effective on 1 October 2008, provided that the necessary authorisations are issued by the relevant bodies and that the Extraordinary Shareholders' Meeting of Banca BSI Italia approves the share capital increase and the subscription of the above-mentioned subordinated loan.

Upon completion of the aforementioned project and finalisation of the acquisition of the full stake in Banca del Gottardo Italia S.p.A., and once all possible synergies are identified, Banca del Gottardo Italia S.p.A. is intended to be integrated into Banca BSI Italia S.p.A. The most appropriate legal instrument to carry out such integration will be identified after the acquisition is finalised.

With reference to the impact of this transaction on the strategic plan, the deal is expected to have a net positive effect of €4 million at the end of 2009, without considering any revenue synergies, including the financing cost and estimating €4-€5 million of cost synergies. Consequently the transaction is due to increase the 2009 net profit target of €70-€80 million by an additional range between 5.0% and 5.7%. The 2009 net profit target was set out in the 2007-2009 Strategic Plan presented to the Financial Community on 14 March 2007.

KPMG Advisory S.p.A. has been appointed as Financial Advisor for the transaction.

Today, Chief Executive Officer Giorgio Girelli will present the results at 31 March 2008 to the financial community through a **Conference Call** scheduled at 5:30 PM (CET). To listen to the presentation, please call the following numbers: for Italy (and other countries not listed below) +39 02 802 09 11, for the UK +44 208 79 29 750, for the USA +1 866 23 96 425. The presentation will be available at [www.bancagenerali.it](http://www.bancagenerali.it).

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The Manager responsible for preparing the company's financial reports (Giancarlo Fancel) declares, pursuant to Paragraph 2 of Art. 154-*bis* of the Italian Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

G. Fancel  
CFO of Banca Generali

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**Annexes:**

- 1 – Banca Generali Group - Consolidated Profit and Loss Account for 1Q 2008
- 2 – Banca Generali Group – Reclassified Consolidated Balance Sheet for 1Q 2008

**Further information:**

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**1 – Banca Generali Group - Consolidated Profit and Loss Account for 1Q 2008**

(€m)	1Q 07 (reported)	1Q 08 (reported)	% Chg	1Q 08 (adjusted)	% Chg
<b>Net Interest Income</b>	<b>9.8</b>	<b>14.0</b>	<b>42.9%</b>	<b>14.0</b>	<b>42.9%</b>
Commission income	74.4	66.6	-10.6%	66.6	-10.6%
Commission expense	-34.2	-29.5	-13.8%	-29.5	-13.8%
<b>Net Commission</b>	<b>40.2</b>	<b>37.0</b>	<b>-7.9%</b>	<b>37.0</b>	<b>-7.9%</b>
Net income (loss) from trading activities	1.6	1.8	9.5%	1.8	9.5%
Unrealized gain (loss) at fair value	0.1	-13.6	n.m.	0.0	n.m.
Dividends	0.0	0.1	n.m.	0.1	n.m.
<b>Net Banking Income</b>	<b>51.6</b>	<b>39.2</b>	<b>-24.0%</b>	<b>52.8</b>	<b>2.2%</b>
Staff expenses	-14.1	-14.2	0.8%	-14.2	0.8%
Other general and administrative expense	-16.8	-16.4	-1.9%	-16.4	-1.9%
	-30.8	-30.6	-0.7%	-30.6	-0.7%
Depreciation and amortisation	-1.6	-1.3	-18.7%	-1.3	-18.7%
Other net operating income (expense)	2.4	1.2	-50.3%	1.2	-50.3%
<b>Net Operating Expenses</b>	<b>-30.0</b>	<b>-30.7</b>	<b>2.3%</b>	<b>-30.7</b>	<b>2.3%</b>
<b>Operating Profit</b>	<b>21.6</b>	<b>8.5</b>	<b>-60.6%</b>	<b>22.1</b>	<b>2.1%</b>
Net adjustments for impair.loans and other assets	0.0	0.1	n.m.	0.1	n.m.
Net provisions for liabilities and contingencies	-12.0	-7.9	-34.1%	-7.9	-34.1%
<b>Profit Before Taxation</b>	<b>9.6</b>	<b>0.7</b>	<b>-93.2%</b>	<b>14.2</b>	<b>47.9%</b>
Direct income taxes	-4.9	-1.3	-73.2%	-5.6	13.5%
<b>Net Profit</b>	<b>4.7</b>	<b>-0.7</b>	<b>-114.2%</b>	<b>8.6</b>	<b>83.9%</b>
<b>Cost /Income Ratio</b>	<b>55.1%</b>	<b>75.0%</b>	<b>19.9 p.p.</b>	<b>55.8%</b>	<b>0.7 p.p.</b>
<b>EBITDA</b>	<b>23.2</b>	<b>9.8</b>	<b>-57.8%</b>	<b>23.4</b>	<b>0.7%</b>

## 2 – Banca Generali Group – Reclassified Consolidated Balance Sheet for 1Q 2008

(€ millions)

<b>Assets</b>	<b>Mar. 31, 2008</b>	<b>Dec. 31, 2007</b>	<b>Change</b>	<b>% Change</b>
Financial assets held for trading	1,857.7	2,668.7	-811.0	-30.4%
Financial assets available for sale	761.6	107.7	653.9	607.1%
Loans to banks	904.8	913.9	-9.1	-1.0%
Loans to customers	305.4	345.7	-40.3	-11.7%
Equity investments	-	-	-	-
Property equipment and intangible assets	20.9	21.7	-0.8	-3.7%
Tax receivables	37.1	35.9	1.2	3.3%
Other assets	217.0	117.7	99.3	84.4%
<b>Total Assets</b>	<b>4,104.5</b>	<b>4,211.3</b>	<b>-106.8</b>	<b>-2.5%</b>

<b>Liabilities and Shareholders' Equity</b>	<b>Mar. 31, 2008</b>	<b>Dec. 31, 2007</b>	<b>Change</b>	<b>% Change</b>
Due to banks	256.8	14.3	242.5	1695.8%
Direct inflows	3,328.4	3,765.6	-437.2	-11.6%
Financial liabilities held for trading	2.8	7.7	-4.9	-63.6%
Tax payables	4.7	5.6	-0.9	-16.1%
Other liabilities	252.8	157.9	94.9	60.1%
Special purpose provisions	57.0	52.3	4.7	9.0%
Valuation reserves	-4.8	0.9	-5.7	-633.3%
Reserves	81.5	65.7	15.8	24.0%
Additional paid-in capital	22.8	22.8	0.0	0.0%
Share capital	111.3	111.3	0.0	0.0%
Treasury shares (-)	-8.1	-8.1	0.0	0.0%
Net income (loss) for the period (+/-)	-0.7	15.3	-16.0	-104.6%
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,104.5</b>	<b>4,211.3</b>	<b>-106.8</b>	<b>-2.5%</b>