Banca Aletti Annual Report 2005

BANCA ALETTI

GRUPPO BANCO POPOLARE DI VERONA E NOVARA

The financial statements have been translated from those issued in Italy,
from the Italian into English language solely for the convenience of international readers.

Annual Report 2005

Banca Aletti & C. S.p.A.
(Banco Popolare di Verona e Novara Banking Group)
under the management and coordination of Banco Popolare di Verona e Novara Scarl

Registered Offices Via Santo Spirito 14 – 20121 Milan
Fully paid share capital € 98.548.899,84
Milan Company Register
Tax Code and Company Register no. 00479730459
VAT Number 10994160157
Registered Bank
Member of the Interbank Deposit Guarantee Fund

Corporate Boards

Board of Directors

Chairman:	Urbano Aletti
Vice Chairmen:	Fabio Innocenzi Franco Nale
Managing Director:	Maurizio Faroni
Directors:	Alberto Bauli Domenico De Angelis Franco Menini Massimo Minolfi Giuseppe Randi

Board of Statutory auditors

Chairman:	Maria Gabriella Cocco
Standing auditors:	Alfonso Sonato Franco Valotto
Alternate auditors:	Marco Bronzato Paolo Lazzati (resigned on February 20th, 2006)

General Manager

Maurizio Zancanaro

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Notice to Convene

GENERAL ANNUAL MEETING

In compliance with art. 9 of the company's Articles of Association, the General Annual Meeting shall be convened on first call on April 27th, 2006 at 02:30 p.m. and if necessary on April 28th, 2006, same time, on second call, at the company's registered offices, in Milan, Via Santo Spirito n. 14; it is also possible to participate via tele- and/or videoconference, from the Head Offices of Banco Popolare di Verona e Novara in Verona, from the Head Offices of Banca Popolare di Novara in Novara and the Head Offices of Credito Bergamasco in Bergamo, to discuss and vote on the following:

AGENDA

1. Reports of the Board of Directors, the Board of Statutory Auditors and the Auditing company on financial year 2005; presentation of the "IAS Compliant" financial statements as of December 31st, 2005; associated resolutions
2. Appointment of the Board of Directors for financial years 2006-2008, with prior definition of the number of members. Definition of Directors' compensation
3. Appointment of the Board of Statutory Auditors for financial years 2006-2008 and definition of their annual compensation
4. Ratification of donations to non-profit organizations
5. Sundry items

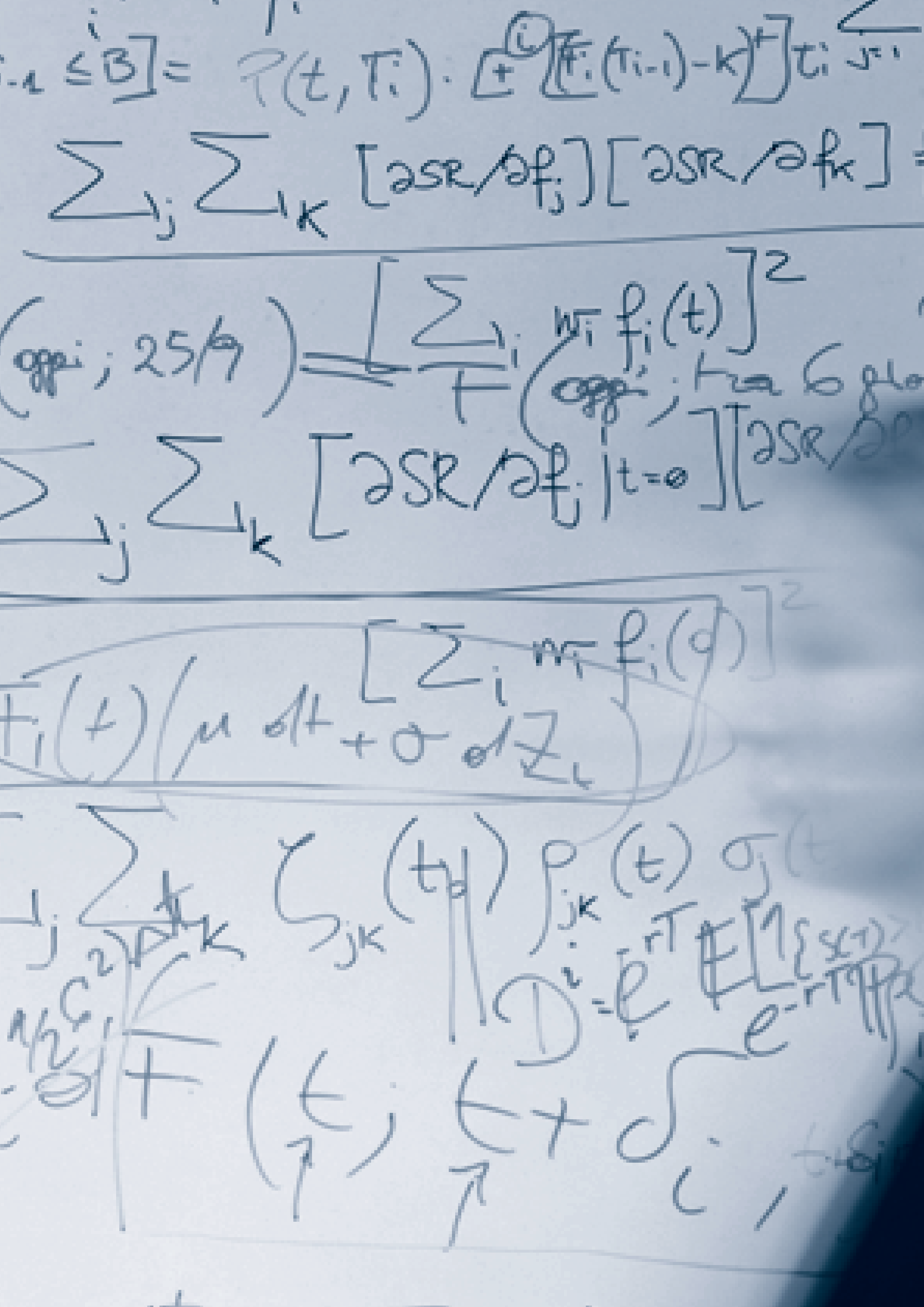
To acquire the right to attend the Shareholders' meeting, shareholders must obtain the relevant certification under art. 34 of CONSOB's resolution n. 11768 of December 23rd, 1998 from their intermediaries at least five days prior to the meeting.

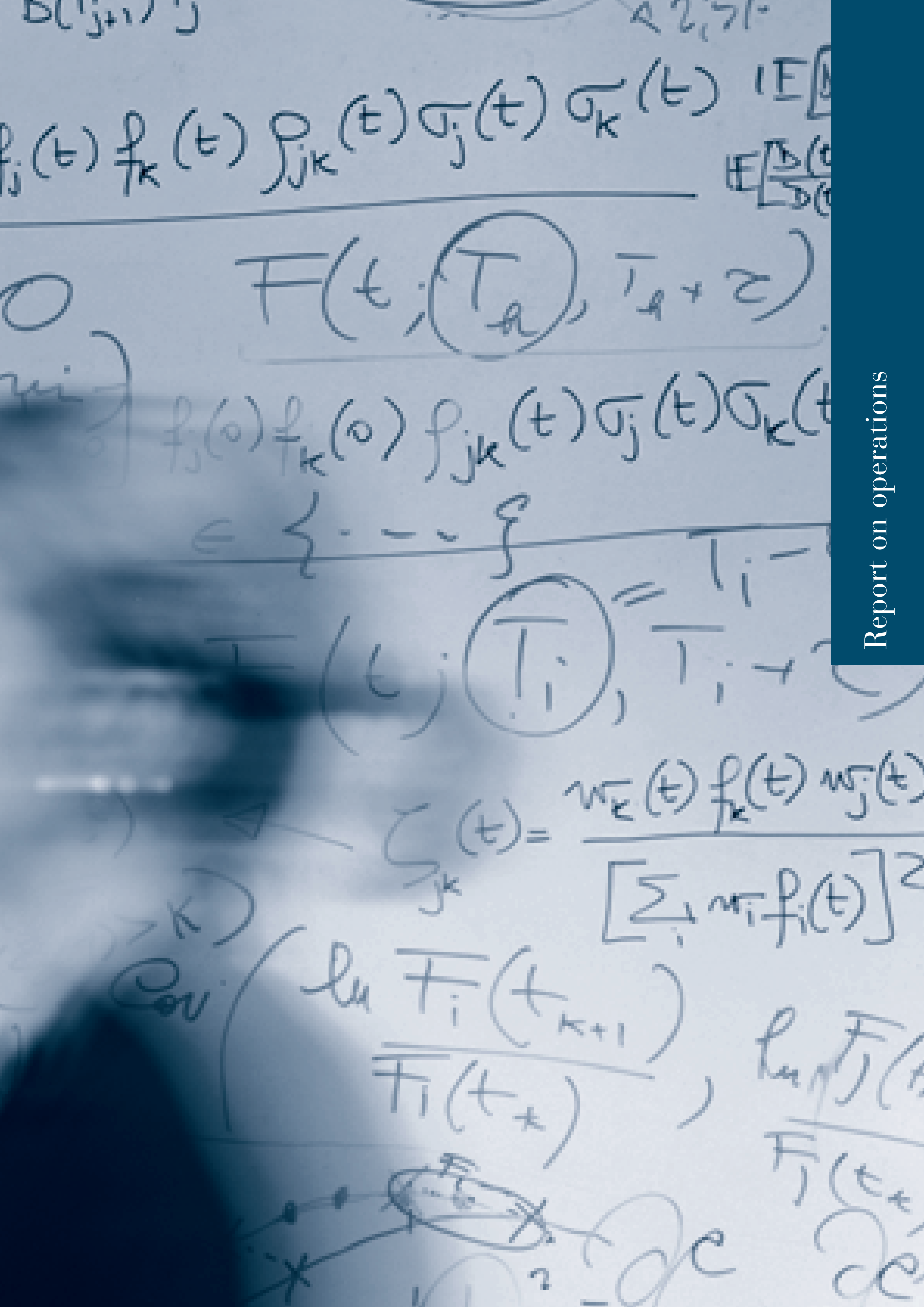
The Chairman
Dr. Urbano Aletti

Financial highlights

	31-12-2005	31-12-2004	Changes
Income statement *(million euro)*			
Net interest income	(7.2)		
Net commissions	71.0		
Net interest and other banking income (total income)	173.2		
Operating costs	(70.2)		
Profit from operations	103.0		
Income before tax from continuing operations	99.9		
Income after tax from continuing operations	77.3		
Net income for the year	77.3		
Balance sheet *(million euro)*			
Total assets	10,854.3	7,068.4	53.6%
Loans to customers (gross)	279.4	34.0	721.8%
Financial assets and hedging derivatives	2,924.2	1,751.0	67.0%
Shareholders' equity	229.8	146.4	57.0%
Customer funds *(million euro)*			
Direct customer funds	236.4	231.6	2.1%
Indirect customer funds	14,343.9	13,724.1	4.5%
- Assets under Management	13,716.4	13,205.7	3.9%
- Mutual funds and Sicav	629.3	467.7	34.6%
- Managed accounts inv. in funds or in secur. (**)	13,087.1	12,737.9	2.7%
- Insurance policies	-	-	-
- Assets under custody	627.5	518.4	21.0%
Operational structure and productivity			
Average number of employees (*)	330	251	31.5%
Bank branches	16	16	-
Gross customer loans per employee (€/1000)	845.8	135.1	526.1%
Net intr. & other banking income per empl. (€/1000)	524.1	532.4	-1.6%
Operating costs per employee (€/1000)	212.5	268.0	-20.7%
Profitability ratios *(%)*			
ROE	50.6%	40.5%	25.0%
Net interest income./ Net intr. & other bnk inc.	-4.2%	1.7%	
Net commission income/ Net intr. & other banking income	41.0%	46.0%	-10.9%
Operating costs/ Net interest and other banking income	40.5%	50.3%	-19.5%

(*) Monthly arithmetic mean
(**) Data as at 31/12/2004 actually refer to 01/01/2005 and include the impact from the transfer of the asset management business lines by the Banks of the Group and by Aletti Gestielle SGR.





Report on operations

Results, policies and strategies

Economic backdrop

In 2005, the world's income reported a growth rate exceeding 4%; in numerical terms this rate represents a slowdown as compared with the exceptional 5% of the prior year, however we should consider various factors, like the braking effect of global systemic risks, the geo-political situation, weather disruptions (from the tsunami in Asia, to hurricanes in America…) and the acute tensions that have been characterizing the commodities markets, with an unprecedented oil price shock. This year's development must therefore be considered as a remarkable event. The economic growth was driven by the US and by Asian countries, however in the course of the year all the world regions were touched by said development – emerging and industrialized countries – building up a high synchrony of cycles and a virtuous spiral. According to Consensus's estimates, US total income grew by 3.6%, Japan's by 2.2% and Europe's by 1.6% (Eurozone 1.3%). Against this backdrop, pressure on prices at origin was huge, mounted up by the very strength of the world economic cycle and by the growing role played by the demand from China. Taking just the impulse of the energy component, the aggregate producer price index trend for the Seven most industrialized countries between September and October rose to 4.5%, reaching its peak value over the last 15 years, and causing a consumer price increase of 3.3%, again a peak value in the Nineties (consider that the aggregate includes Japan's negative contribution, still deflationary!). The inflation rate rise was matter of great concern in the summertime, and still is, because the potential accumulated and never discharged along the pipeline is large: industrial commodity prices have reached its utmost uptrend, with an annual increase exceeding 20% as compared with the end of 2004. And yet, despite the identified dynamics and the pending danger of a pass-through effect of said increases, a number of factors prevented the business cycle and the economic structure to be negatively affected or damaged like in the past: the inflation index excluding the energy component remained close to its two-year lows, well below its longer term average, inflation expectations and wage dynamics rose, but only to a limited extent. Said phenomena are basically due to the huge international competitive pressure and by the control exercised by monetary policies. In the first case, globalization obliged companies to pursue very prudent selling price policies, despite their increasing pricing power (for example in the US), or else run the risk of losing market share abroad, or even in domestic districts. This profile is apparently inconsistent with the evidence of a year characterized by an incredible profit generation by companies: according to the estimates, profits from listed companies belonging to the S&P500, STOXX600 and NIKKEI indexes shall increase by 15%, 21% and 25% respectively as compared with 2004; this result is partly attributable to the course of demand, but mostly to the productivity rise, achieved through cost cutting, especially personnel expenses, by resorting to all the available techniques and opportunities (term employment, outsourcing of non-core functions, relocation in world areas with inexpensive labor force…). In the second case, the monetary policy of Central Banks followed a clear less accommodative course: after hitting an all time low in 2003, the aggregate cost of money progressively increased in 2004 and 2005, bouncing back to the levels of 2001. Considering that among the primary world monetary authorities, the

Japanese Central Bank is still keeping interest rates at zero and that the European Central Bank introduced the first rise in December (+ 25 bps, to 2.25%) after leaving rates unchanged for about two years and a half, the pickup of this variable is associated with the actions enacted by the Federal Reserve, which made a string of eight consecutive hikes (following the first five hikes in 2004), driving the fed fund to 4.25%. Initially, the interest rate increase was instrumental in engineering a smooth exit from a highly compressed cost of money as compared with past necessities (the deflation threat…), but in recent months this action responded to the need of curbing destabilizing pressures (real estate market) and keeping the inflation expectations by economic players low, which is a key factor in gaining an optimal control over prices in the medium term. In general, monetary and financial conditions retain an expansionary sign as compared with the business cycle: the world system is still resting on an ample liquidity surplus compared with the long term average, real interest rates are still prevailingly at historically low levels, and the evolution of financial markets preserved or generated wealth in almost all investment sectors. Basically, governmental policies remain loose, despite the announcements and commitments to adopt more stringent expenditure or saving actions. The need to keep the business cycle high, in the face of political imbalances or to offset social reforms entailing a high consensus stake, led many governments to suspend policies aiming at curbing public deficit and debt. Each of the three main economic areas shows some criticalities: the US are still reporting a deficit to GDP ratio in excess of 4%, the Japanese public debt exceeds the wealth produced in one year by almost 50%, while in the Eurozone, the deficit and debt to GDP ratios shall be higher in 2005 than they were in 2004 (2.7% and 70.3% respectively); what is worse, as stated in the November issue of the monthly Bulletin published by the ECB, there is a risk that the consolidation targets programmed by the governments of the various member states not being met, while there is an inclination towards more lenient and politically more easy attitudes and procedures.
As to financial investments, the year-end balance reported a positive performance both on the equity market, an to a lower degree also on bond market.
For Euro-based investors, share prices have generated very high returns in the Asian area, with indexes (Japan and Asia) increasing by more than 40% from the beginning of the year; said values are strongly overperforming when compared to investments on the domestic market (indeed, the European index generated an increase of about 25%) and on the US market (an increase of roughly 24%, of which almost 70% was contributed by the currency component). This remarkable performance reflects the favorable fundamental conditions, both at macro and at micro-economic level, that were so strong as to absorb the negative effects of the various shocks – terrorism, oil – and the worsening of systemic imbalances. Also the fixed income market ensured positive returns; Euro-based investors realized remarkable annual-based performances, thanks to the contribution of the currency component, (the general appreciation of foreign currencies against the euro). Considering values in local currency, the general performance of more than 3 and a half points is the result of the highest performance contributed by the domestic market (an increase of more than 5 points), as compared with the US (less than 3 points) and the Japanese market (slightly above parity). This positive performance was brought about by the ample liq-

uidity and the structure of the demand for government bonds, characterized by institutional operators, private and official, whose investment needs have often introduced a slight insensitivity to the risk the world events were producing, with regard to inflation or supply quality (generally an increase in state deficit financing needs is associated with a worsening of the issuer's quality…). With regard to the currency market, in 2005 the Euro moved against the direction followed in the previous year, depreciating against the main competing currencies. The devaluation of the EC currency is mostly associated with the depreciation against the US dollar (about 14%) sustained by the return and growth spreads despite more imbalanced structural conditions; in general, the euro depreciated against all the dollar block currencies (Canada 18.5%, New Zealand 8.3%, Australia 7.3%); against the British pound the depreciation was slightly below 3%, while the maximum depreciation was against the Brazilian real (above 30%); also against the Asian currencies there were marked depreciations (Korea 17%, Singapore 12.5%, Taiwan 11%). Against the yen and the Swiss franc there was a moderate appreciation, while within the EU it is worth highlighting the appreciation of the euro against the Swedish Crown (above 4%).

Analysis of key financial highlights

Key financial highlights show that in 2005 Banca Aletti consolidated its position both on the market and inside the Group.

The evolution of P&L items indicates very high growth rates, which point at an increasing trading activity within the group, and at a greater ability by Banca Aletti to be an active counterparty on the market, as confirmed also by the growth rate of asset and liability items.

The increase in trading activity also drove the bank's size in terms of headcount upwards, without however affecting its structure in terms of unitary revenue, in fact with a moderate cost dynamic in absolute terms and a decreasing dynamic in unitary terms.

This drove the cost/income ratio down to 40.5% (a decrease of about 20% over the previous year) and ROE up to 50.6% (an increase of 25% as compared with 40.5% in the previous year).

Economic, financial and risk management policies

Main risks and uncertainties facing the company

The business activities entertained by Banca Aletti expose the latter to the following main risk categories: credit risk, market risk, liquidity risk, operational risk and business risk.

Credit risk is the risk that a borrower or an issuer of financial instruments held by the Bank may fail to perform on an obligation towards the Bank, or that their credit standing deteriorates. The assessment of possible losses that could be incurred by the Bank with regard to a single credit exposure or to the total loan portfolio is an inherently uncertain activity and depends upon many factors, among which, the general economic performance, or the economic performance of single manufacturing sectors, the change in the rating of single counterparties, structural and technological changes within borrowing companies, a deterioration of the competitive position of counterparties, the possible mismanagement of companies or of the borrowing counterparties, the growing indebtedness of households and other exogenous factors, such as legal and regulatory requirements.

Market risk is represented by the possibility that the Bank may generate less revenues than expected, depreciation of balance sheet items or capital losses from open financial positions, due to sharp and adverse movements in market rates or prices, in particular interest rates, stock prices, exchange rates, and the associated volatilities. Said losses depend on the presence of asset and liability misalignments in terms of item maturity, duration and level of risk coverage. Market risks can materialize both with regard to the trading portfolio, which includes trading and treasury financial instruments and the associated derivative instruments, and with regard to the banking book, which includes all other financial assets and liabilities.

The main market risks for Banca Aletti stem from the exposures to the interest rate and the equity risks arising from the trading activities of the derivative and money market desks. The exposure to the exchange rate risk is minimal. For further details, please see the report on operating performance, as well as section E of the notes to the accounts.

Liquidity risk is represented by a possible instability suffered by the Bank as a result of a negative mismatch between incoming and outgoing cash flows, which may take place in the very short term (up to one month), and that are not covered by liquidity reserves represented by on hand securities and eligible for refinancing with the European Central Bank. This risk, which may possibly materialize mostly in the presence of exceptional events, such as market liquidity crunches, may result in the Group having problems or being unable to fulfill on time and to pay out due payment obligations upon expiration and to replace customer funds upon expiration or upon withdrawal.

In particular, Banca Aletti is exposed to the risk of a possible, albeit unlikely, failure to renew short term financings by banking counterparties. This risk is managed and minimized by changing the funding source mix, selecting those which privilege a progressive extension of interbank fund maturities at three/four months.

The operational risk is the risk of incurring losses as a result of the inappropriateness or the malfunctioning of procedures, of mistakes or shortcomings of human resources and internal systems, or external events. The legal risk is included, while the strategic and reputational risks are not. Among the main sources of operational risk there are: the instability of operational processes, insecure information systems, a growing use of automation, the outsourcing of corporate functions, the use of a small number of suppliers, strategy changes, frauds, mistakes, personnel recruitment, training and retention, and finally social and environmental impacts.

It is not possible to identify a prevailing source of operational risk constantly present within Banca Aletti, since said risk is inherent in all corporate processes and activities. This leads to the implementation of widespread risk mitigation and management actions, in particular by transferring the risk over by way of insurance instruments and/or outsourcing, and by constantly improving process efficiency (control enhancement and re-engineering).

The business risk is the risk of incurring losses, in terms of a decrease in non-interest income, due to changes in the macro- or micro-economic environments, leading to a volume reduction and/or income squeeze, that may weigh down on the bank's ability to make profits.

Risk-taking, management and hedging objectives and policies

Gruppo Bpvn and the companies of belonging conform their activities to the criteria of prudence and low risk exposure, with regard to:
- the need for stability with respect to its banking activities;
- its investors' profile;
- its co-operative origin.

In keeping with its risk propensity, Gruppo Bpvn pursues the following objectives:
- stable growth, that is, characterized by a contained fluctuation of results, hence corporate value stability;
- shareholders value creation as compared to financial investments having a comparable risk-return profile;
- strong credit risk distribution, in line with the objective of financing prevailingly small and medium enterprises and households;
- level of exposure to the structural interest rate risk fairly close to the industry's best practice, to be pursued also through a progressive hedging of risks associated with items repayable on demand;
- market risk-taking is closely related to commercial needs;

- exclusion of risks that are unrelated to core activities and accurate assessment of initiatives that introduce new types of risks;
- development of more and more accurate and comprehensive risk monitoring methodologies, also in view of the validation of internal models for supervisory purposes;
- active management of corporate risks, based on state of the art techniques;
- utmost risk exposure transparency to the market.

Gruppo Bpvn can count on an organizational structure, corporate processes, human resources and skills that are well suited to guarantee the identification, monitoring, control and management of the sundry risks characterizing its business activity, where the main objective is to protect the financial solidity and reputation of the Group against adverse events.

The entire risk management and control process is coordinated by BPVN, in its twin capacity as Parent company and entity in which all the joint and mutual interest functions are combined.

The risk management process runs at different levels of the organizational structure.

The main role in risk management and control is played by the Boards of Directors of the Parent company and of the subsidiaries, which define the risk-taking strategic directives and approaches and approve the strategic and operational limits and the guidelines.

The Risk Management policy is developed by the Risk Management Committee and the Group Finance Committee. An important role is played by the Risk Management Function and the Group Auditing Function, which are part of the Parent company's Governance structure reporting directly to the Chief Executive Officer.

The Risk Management Committee, comprised of the representatives of the main functions of the Parent company and the Group Banks' top managements, supports the Boards of Directors, assisting them with the definition of risk policies and intervening in case of inconsistencies with said policies.

The Group Finance Committee meets periodically and supervises actions in the field of market, transformation and liquidity risk management. It also defines the Group's funding policies.

Rating

Rating Banca Aletti		31-12-2004
S&P	- Long Term	A (stable)
	- Short Term	A -1

On July 13th, 2005 Standard & Poor's rated Banca Aletti as A / A-1. Specifically, S&P reports that "the ratings assigned to Banca Aletti reflect its reference role within the Group of belonging and its franchise in the wealth management and capital market businesses". The Group business model gave Banca Aletti a central role in market access, in product structuring for the sales networks and in Private Banking. This model fosters the highest promotion of Group synergies, whilst retaining the Bank's traditional profile, that is, a specialized bank, characterized by a full operational autonomy, with autonomous investment processes and full discretionary powers in customer relations.

Banca Aletti – as reported by Standard & Poor's - has a well balanced financial structure, a good revenue mix and a satisfactory capitalization level.

Strategic Plan

The 2006 – 2008 Strategic Plan is based upon a scenario which envisages the strengthening and development of the business model according to which Banca Aletti is assigned a key role as the Group's Investment and Private Banking specialist.

As a result, we expect operational growth rates in line with the development projected within the Group. In particular, projects on Certificate trades have been launched in the area of Investment Banking, while for Private Banking, in keeping with the Parent company's objectives, the aim is to broaden our geographical footprint, intensifying our presence in neighboring areas, also by opening new Private bank branches.

The full deployment of the plan in the next three years is expected to produce an average annual growth rate of revenues of about 10%, an average annual growth rate of costs of about 5%, a decrease of the current cost/income ratio and hence an average growth rate of gross profit of about 12%.

Management, auditing and service activities

Human Resources

Headcount and structures

As part of the general reorganization of the activities of Group Finance, in 2005 some organizational changes were introduced aiming at streamlining processes and at promoting a greater "specialization" of the structures by business objectives.
To this end, the following new structures were put in place:

- Secondary functions:
  Corporate Desk, Corporate Affairs, Products & Services Development.
- Offices:
  Corporate Desk Verona, Corporate Desk Novara, Corporate Desk Bergamo, Financial Instrument Issue Management, Operational Support and Controls Verona, Network Trading and Advisory, Equity Research, Macroeconomic analysis (the Research and Analysis Office was eliminated), Products & Portfolio, Wealth Services (the Product, Service and Strategies Office was eliminated).

The Bank's total headcount increased significantly as a result of the new activities and structures.
Shown below is the current situation of our headcount in the last three years:

	Employees Banca Aletti	Annual increase	Group employees detached in Banca Aletti	Annual increase	Employees of Banca Aletti detached in the Banks of the Group	Annual increase	Total staff	Annual increase
31-12-2003	202		61		18		245	
31-12-2004	236	16.8%	36	-41.0%	11	-38.9%	261	6.5%
31-12-2005	293	24.2%	59	63.9%	12	9.1%	340	30.3%

Shown below are some general statistics referring to the Bank's staff:

		2004	%	2005	%
Position					
2° grade		2	0.8%	2	0.6%
3° grade	1° - 2° lev.	43	16.5%	64	18.8%
3° area	3° - 4° lev.	45	17.2%	48	14.1%
Managers	1° - 2° lev.	60	23.0%	87	25.6%
Managers	3° - 4° lev.	98	37.5%	123	36.2%
Senior management		13	5.0%	16	4.7%
		261		340	
Gender					
M		184	70.5%	228	67.1%
F		77	29.5%	112	32.9%
Educ. Qualifications					
University degree		124	47.5%	181	53.2%
High school diploma		126	48.3%	150	44.1%
Other		11	4.2%	9	2.6%
Average age		38.2		38.11	
Average seniority		2.7		2.8	

Selection, Recruitment, Management

About 1,000 CVs were received during the year, and about 200 selection interviews were held.
Hires were 87, of which 52 referred to personnel coming from Companies of the Group.
Exits from the Bank were 30, of which 14 for intragroup mobility.
During the year, 60 detachments were received from the Group, 37 were closed, while 12 detachments were sent to the Group and 3 were closed.
In the course of the year, there were 13 transfers within the Bank, and 14 colleagues were assigned responsibility roles.

Training

A special care was devoted to personnel training, through courses held by external organizations on technical/managerial matters (200 days), as well as through the design and implementation of specific professional training and update courses for the Wealth Management Function and the Sales Network (459 days), and through courses selected from the internal "course catalogue", including foreign language courses (138 days).

Relations with Trade Unions

As a result of the above mentioned reorganization, the Group carried out the relevant negotiations in keeping with the CCNL, the national bargaining agreement, and agreements were entered into with the Group Trade Union Delegation governing impacts on personnel.
In particular, it covered the transfer of the asset management business lines from BPVN, CB and BPN to Banca Aletti (agreements dated 21/12/2004 and 20/01/2006) and the relocation of some Group Finance activities at Banca Aletti and SGS (agreements dated 14/09/2005 and 20/01/2006).
In addition, in December 2005 the Company Trade Union Representatives of FISAC-CGIL of Banca Aletti submitted a union demand platform for Banca Aletti's first Company Supplementary Agreement, which shall be discussed and negotiated in 2006.

Internal Audit

Internal Auditing in Banca Aletti is delegated to the Group Audit Function of Banco Popolare di Verona e Novara. The control over the internal audit systems in Banca Aletti is performed be a dedicated unit, located at the Operational and General Head Office of Banca Aletti. The primary aim of this function is to check that operations comply with internal and external regulations and guarantee the integrity of corporate assets.
In particular, in addition to auditing the regular course of operations and the risk level in individual organizational units, as well as the compliance with regulations, this function must audit:

- the functionality of internal auditing systems, proposing the necessary enhancements for an optimal management;
- the effectiveness and efficiency of existing operational processes;
- the compliance with the existing laws and the risk control level inherent in processes, to avoid possible organizational dysfunctions.

The Group Audit function is in charge of performing audits in all the central and peripheral structures of Banca Aletti, remote controls on peripheral structures, ICT (*Information & Communication Technology*) Auditing and claim management for both banking and investment services. The Parent company's Group Audit function is also in charge of the tasks provided for under art. 57 of the Regulations adopted by Consob with its resolution n. 11522/98 governing the activities associated with investment service provisions and the relevant financial instruments.

Communications

Banca Aletti's Marketing and Communications Function is in charge of promoting and enhancing the corporate image, in close collaboration with its peer Group functions.
Its main activities cover External Relations, Relations with the Press, Corporate Identity and Internal Communications.

External Relations

External Relations in 2005 organized and managed about 80 different events: from trade conferences, to concerts, visits to exhibits, golf contests, galas.
A great attention was devoted to the world of culture, especially art, with the sponsoring of numerous events.

Below is a short description of the main project we supported.

Il Veronese profano
(Venice – Museo Correr – from February 12 to May 29, 2005)
An extraordinary selection of masterpieces of this painter, who, alongside Titian and Tintoretto, was a protagonist of the magnificent artistic epoch of the Venetian 1500.
The project underlying this exhibit fascinated us and supported our conviction that investing in culture is the best way to promote our artistic assets, and to foster the life and the development of our business territories.

Cezanne Renoir
(Bergamo – Accademia Carrara – from March 22 to July 3, 2005)
A collection of impressionist classics from the Musée de l'Orangerie were exhibited for the first time in Italy.
The support lent to the organization of this important exhibit, organized by the Bergamo Carrara Accademy – one of Italy's most important and active cultural institutions – testifies the Bank's strong commitment and the special focus devoted to the areas and places which are closest to our Group's heart, as Bergamo has long been.

Art Verona 2005
(Verona – Fiera – from October 13 to 16, 2005)
Artistic city and international center for culture, music, antiques, Verona intends becoming a reference center also for modern and contemporary art, thanks to the new and innovative modern and contemporary art fair.
Banca Aletti's sponsorship, among other things, eventuated in the awarding of the Aletti Art(Verona Prize, a donation of 10,000 euro to purchase two artworks of young artists, selected among those exhibited in the Fair's galleries.

Edouard Manet
(Rome – Complesso del Vittoriano – from October 7, 2005 to February 5, 2006)
Banca Aletti, as a sponsor, contributed to the organization of the exhibit devoted to one of the most fascinating, daring and charismatic artists among painters of the 1800 and modern art.
The exhibit was organized under the High Patronage of the President of the Italian Republic, in collaboration with the Ministry for Cultural Assets and Activities, promoted by the Municipality of Rome.

Trofeo Banca Aletti. Il raduno delle vele d'epoca
(Naples - Reale Yacht Club Canottieri Savoia from June 30 to July 3)
This event, that saw the participation of about forty among the most beautiful and prestigious sailing vessels that marked the history of world yachting from the end of the 1800 onwards, is universally acknowledged as being a challenging and healthy gathering, and at the same time an evocative and exciting contest, marked by a strong international flair, in that it is part of a circuit of Vintage Sails Contests and is included in the official CIM 2005 calendar (Coppa Internazionale del Mediterraneo).

Media Relations

Media Relations, that are managed by the Group Press Office, allowed Banca Aletti to be covered by different communication means, often specialized in the Finance sector: from press, to radio, local TV stations in our franchise.
The coverage was mainly in news services and editorials, often under the form of interviews, and it contributed to establishing and consolidating the Aletti brand, and to make Banca Aletti activities known to the public.

Corporate Identity

Corporate Identity activities in 2005 were devoted to the creation of a new institutional brochure.
This new tool is part of a wider communication project, aimed at redefining Banca Aletti's image, consolidate its strategic position and make it more widely known.
The institutional brochure is the first approach with a company and its world: it must be appealing, convey contents and express values.
Our brochure is the fruit of a complex creative process:
- Texts were edited by our management.
- Pictures were shot expressly in our premises by Carlo Valsecchi.
- Graphics were designed by the agency Bcommunications.
- The format is square, outstanding, non traditional.
- The materials used are prestigious, as is the binding "à la Bodoni".

Internal Communications

As to Internal Communications, initiatives focused on the "internal customer" were designed and implemented, aiming at creating the opportunity for an in-depth examination of issues associated with our activity, but also at favoring the growth of a positive internal climate, marked by a strong cohesion and a good acquaintance across our staff.

Technological and administrative services

In 2005, Banca Aletti's administrative services benefited from significant staff reinforcements by the Administration and Control Function. The reinforcement was both quantitative and qualitative, and was supported to the systematic release of more accurate information supports by SGS, permitting a constant control over accounting processes.

In the first half of 2005, the Business Planning and Control Office completed the project devoted to the revision of all business reports. The report production process was refined thanks also to a constant dialogue with all the structures concerned, both internally and at the Parent company's (Operational Desks, Accounting, Financial Controlling & Planning, Risk Management, Business Planning and Control).

During the year, the Group's organizational model was further fine-tuned. According to this model, administrative and/or service activities are mainly centralized in SGS, while other type of activities are delegated to different entities.
The monitoring and control of administrative activities was put in place through a control model, in line with the Bank of Italy's "Regulatory Instructions to Banks" and with the proposals set forth by the Basel Committee, defining the guidelines with which banks and companies to which services are outsourced must comply. The model was approved by Banca Aletti's Board of Directors on September 2nd. 2005 and it provides for companies which outsourced administrative services to carry out systematic controls on the regular course of said services, on the quality of the executed jobs, risk control and compliance.

Banca Aletti's controls over the administrative activities processed by SGS have been assigned to two specific operational units, that are part of the Operations Function:

- the Milan Operational Support and Controls Office, in charge of controls over Finance Middle-Back Office activities;
- the Administration and Control Function, in charge of controlling accounting ledgers and general accounting data, and their consistency with its business data.

In 2005, a number of initiatives were carried out to increase the control over information system developments, a task assigned to the so called Finance Area Steering Committee, which is in charge of supervising IT and organizational activities in Banca Aletti and for the Group Finance Department. Members of said

Committee are the Managing Director and the General Manager of Banca Aletti, the Parent company's Head of the Operational Division (Managing Director of SGS), the General Manager of SGS and the Parent company's Head of the Finance Area Organizational Function.
The Committee, which generally has monthly meetings, examined work plans, investments executed or to be executed and the work in progress of planned activities. The Committee oversaw a number of projects, among which the following are worth mentioning:

- the transfer of Asset Management in Banca Aletti by the banks of the Group;
- the selection and release of a new application to manage Equity Derivatives;
- the launch of the Private and Advisory Desk project, that shall be completed by the end of February 2006;
- the project for the replacement of applications for interest rate, exchange rate and commodity derivatives.

Privacy Protection

Pursuant to Legal Decree n. 196 of June 30th, 2003, Banca Aletti updated its security manual for the treatment of personal data.

Banking activities
Private and Finance Business Segment

Investment Management and Private Banking

Private Banking

At the end of financial year 2005, Banca Aletti reported total assets under management (under custody and actively managed) of 24.9 billion Euro. The aggregate breaks down into 10.6 billion Euro from private customers and 14.3 billion Euro from institutional customers. Banca Aletti's direct customers accounted for 14.6 billion euro, while the remaining 10.3 billion Euro refer to customers accredited from the banks of the group and to the banks' proprietary portfolios managed by Aletti.

The year 2005 confirmed the growth of total income and the strong focus on the objectives to increase assets under management and broaden our customer base.

In order to amplify our development opportunities, specific strategies were pursued aimed at generating contact occasions with prospective customers. The Marketing and Communication Function planned and staged a series of events that allowed Private Bankers to significantly increase the opportunities to meet prospects.

Private-corporate cross-selling projects with the Group Networks were restored, with specific initiatives devoted to entrepreneurs whose companies entertain business relations with the commercial banks of the Group but who did not entrust the Group with the management of their personal wealth. The progress of these initiatives was closely monitored by the Board of Directors, that has already planned an even more structured and targeted action for 2006.

In general, relations with the corporate and retail networks of the group have been strengthened through periodic meetings, both in the field and at head office level, that opened up new and more numerous collaboration opportunities.

With regard to the offering of products and services, the new range of asset management products, namely the backbone of customer investment services, was introduced to the sales network. Numerous training courses were organized, especially with regard to Aletti's Art Advisory services and for Aletti Fiduciaria. Finally an important partnership was starter with Pirelli Real Estate to offer a highly qualified advisory service also in the real estate sector.

Net inflows from new business (775 million euro just for the private segment) were particularly significant and beyond the business plan expectations.

New business for the year, that exceeded budget targets, reported very significant peaks in the placement of Funds of Hedge Funds (above 360 million Euro). As to products with a low market correlation, our Private customers subscribed the second funding round of the private equity fund "Dimensione Impresa" and the first reinvestment call of the private equity fund "Dimensione Network".

During the year the objectives of the Top Private and Institutional Function were revised and submitted to the Board of Directors with an ambitious two-year strategic development plan. High standing private clientele and institutional customers both delivered a positive feedback.

An intense selection activity was carried out, in cooperation with the HR Function, to identify a select number of Private Bankers characterized by a high professional know-how to strengthen the sales and marketing structures in high-potential areas.

In the first half of the year, former BPN Private Bankers were hired, who were still detached after the consolidation in Banca Aletti's network in July 2003.

Another important project was deployed, aiming at providing our Network with a new instrument to analyze and account for Private customers' assets, together with an operational dashboard to monitor the business activities of private bankers. The new application came into operation at the beginning of 2006.

Wealth & Asset Management

In the course of 2004 the Boards of Directors of the banks belonging to Gruppo Banco Popolare di Verona e Novara approved a reorganization project involving the asset management service, whereby all the commercial Banks of the Group decided to centralize all the Portfolio discretionary management activities in Banca Aletti.

As a result, as of January 1st, 2005, the Commercial banks sell Banca Aletti's portfolio discretionary managed accounts (GPM – invested directly in securities, and GPF – invested in mutual funds), retaining their exclusive business relation with their customers. The transfer of the management contracts to Banca Aletti that came into effect on December 31st, 2004 was finalized by transferring the associated asset management business lines of BPVN and Credito Bergamasco and spinning off BPN's asset management business line in favor of Banca Aletti.

As a result of the above operations, the Group's portfolio discretionary asset management was centralized in Banca Aletti, both with regard to mixed managed accounts invested in securities/funds and managed accounts invested only in funds.

Banca Aletti's asset management structure thus integrated the resources and activities associated with fund management, that were previously entrusted to Aletti Gestielle.

At the same time, the support structures were strengthened and a special organizational unit was created, expressly dedicated to the monitoring and control of asset manager operations. Daily control systems on managed portfolios have been enhanced, and they were equipped with real-time warning systems alerting asset managers in case of inconsistencies.

To further implement the Group organizational model aiming at building specialized Companies focusing on specific activities so as reap the benefits of consolidating skills and know-how, Banca Aletti delegated the monitoring of risks and the calculation of performance data on discretionary portfolio investments to the risk management structure of Aletti Gestielle SGR as of January 1st, 2005.

To this end, this year the project devoted to the development of the Risk Management activity was completed, with the activation of a portal from which the Asset Management function can access performance data, portfolio allocation analyses and VaR measurements of managed portfolios against their benchmark.

Recently the system was further enhanced with the daily availability of performance attribution and recomposition data on managed lines, in addition to the calculation and tracing of new risk indicators.

In 2006 asset managers will also be equipped with a system to carry out VaR simulations on managed portfolios.

In the month of September we obtained the GIPS (Global Investment Performance Standards) conformity certification on all discretionary management lines. Said certification, issued by Ernst & Young to Banca Aletti, certifies the quality of the business processes dealing with asset management in the period between 2002 and 2004. The adoption of shared standards provides transparency to the representation of results, allowing investors to compare products belonging to similar categories. The certification, whose aim is to guarantee the utmost efficiency and transparency of our processes, shall be extended to our activities for the coming years.

The reorganization gave us the opportunity to develop a single discretionary asset management product catalogue for the whole Group, so as to have a competitive and homogeneous product offering for the customers of all the Banks of the Group as of January 1st, 2005. The approach followed to revise the product range was driven by a search for rationalization as well as creativity, profiles were grouped by families according to the type of instruments and/or the management style, and families were subdivided into ranges depending on the type of customers they were designed for.

The new product range was complemented with new profiles characterized by a special management style or by elements of innovation and flexibility.

In particular, in January a new flexible management line was designed and launched, geared for Private customers, with the possibility of having an equity range between 0 and 35%. This line was received with special favor by our customers, and in 2005 it gathered more than 200 million euro from roughly 120 customers.

In addition, in February an innovative protected management line was designed and launched, backed by a guarantee at the end of five years, characterized by the introduction of a specific performance consolidation mechanism, which was particularly successful among investors. This line gathered 500 million euro worth of assets with the opening of more than 10,500 accounts.

The insurance product range started to be revised, to make it compliant with the new regulations introduced by Isvap's Circular n. 551 issued in March 2005. The new catalogues shall be made available to the Banks' sales networks as of the first quarter of 2006.

The project to renew pension products was postponed, due to the postponement of the pension reform effects to 2008.

For financial markets in general 2005 has been one of the best years since the year 2000. European stock exchanges reaped two digit performances, even though, as compared with 2004 when the domestic market achieved its best results, the Italian stock exchange reported a more contained growth, still reaching a significant +14%.

The appreciation of the US currency produced noticeable results on international bond profiles, while pure European bond or monetary investments generated less satisfactory results, especially with conservative profiles characterized by the presence of medium to long term bonds.

Despite the persistence of some criticalities, we decided to stay the course throughout the year and hold a positive view of equity markets, gauging our choices according the North star of low stock valuations, sustained by the global economic growth and by the comparison with bond market returns. As to bonds, on average we opted for an under-weighing in terms of duration.

With regard to operations on security-backed protected managed accounts, the generally positive performance of equity and bond markets did not call for any extraordinary action aimed at protecting our customers' invested capital. The maximum equity investment percentages allowed for all lines by the management model we adopted are equal to the maximum values under the contract, with the exception of lines opened between the end of 2001 and the beginning of 2002.

In 2005, the actual equity investment percentage of security-backed protected lines ranged on average between 20% and 25% of the total invested capital, up to 30% for new lines, with the only exception of lines opened between the end of 2001 and the beginning of 2002, characterized by more contained stock investments.

Asset managers can therefore benefit from a rather ample latitude, which, if the manager deems it appropriate, may lead to further increase risky investments for these type of management products.

From a purely financial viewpoint, the adopted risk hedging model in 2005 did not report any criticality.

Bond investments were still characterized on average by a 2.5-3 year duration. The average maturity of bond portfolios is slightly longer for more recent lines, that are characterized by a longer residual life. Bond investments brake down in open-end investment vehicles (sicav) and, to a smaller extent, Italian Treasuries, especially in the three to five year term bracket.

The returns of lines that were already open at the beginning of the year, gross of any direct or indirect effect, averaged around 8%.

Private and retail lines were absolutely remarkable, outperforming their benchmarks in almost all profiles, with the only exception of the Euro bond profile, where a very defensive approach did not prove rewarding.

Institutional customer portfolios, as in the previous year, hit the target of outperforming their benchmark indexes for most customers.

The management approach followed for the proprietary portfolios of the banks of the group was oriented towards the integration of single asset classes aiming at achieving an "absolute return" while containing return volatility.

Hence, the management policy was characterized by a prudent exposure to credit risk, which privileged the allocation of securities issued by companies with a solid creditworthiness. The portfolio's average rating hovered around "AA-" and sector allocations were concentrated on securities issued by banking and insurance companies. During the year, we were favored by a virtual stability of the credit spreads of the issuers included in our portfolio; as a result, we were able to report a good outperformance as compared with investments in Treasury bonds.

With regard to the interest rate risk, portfolio allocation was based upon a very flexible approach. Towards mid 2005, when the monetary policies were expected to become more expansionary, the management policy was oriented towards a sensible reduction in the portfolio's global sensitivity. On the contrary, in the last months of the year there was a gradual deepening of the interest rate risk position, built up by purchasing Treasuries along the yield curve, in particular in the two-year term area.

As regards equity risk, in 2005 the proprietary portfolio management was characterized by a constantly positive view of the stock market. The portfolio's exposure, supported by a favorable economic outlook both at macro and at microeconomic level, in 2005 was gauged at levels that allowed us to benefit from the upside of the stock market, although in the first part of the year the drop of the US stock market, on which we trade with an exchange rate hedging, produced negative results. From a sector viewpoint, investments in insurance companies were favored, and especially towards the end of the year in technology stock.

On the alternative investments front, funds of hedge funds confirmed their important contribution, although the so called decorrelation effect with other assets, typical of hedge funds, is gradually tapering off on short term observation periods.

As of December 31st, 2005 total assets under management amounted to about 18.2 billion euro, with different dynamics depending upon the type of products being managed: customers riveted most of their attention on the range of security-backed protected asset management products, which, together with institutional management, reported the best dynamic as of year start.

The largest contribution to the AuM increase as compared with 2004 came from the transfer of GPF assets that were previously managed by Aletti Gestielle SGR (more than 4 billion euro worth of managed accounts invested in mutual funds)

As to products managed along quantitative models, in September the sales network of Banca Popolare di Novara starter to sell a new recurring premium unit-linked policy with capital protection. Following the sale of Aletti Invest Sim to Azimut, finalized in July 2005, the managed accounts devoted to this sales network report a gradual decrease in assets, due to Azimut's intention to manage the discretionary portfolio management in-house. At the end of 2005 the only still existing portfolio sub-advisory agreement expired.

With regard to products, the following additional activities were carried out:

- creation of investment instruments devoted to the private network (in particular, structured bonds and certificates) in collaboration with the marketing and investment banking structures;
- inclusion of funds of hedge funds in discretionary managed accounts, with the preparation of all the associated functional activities;
- preliminary groundwork for the sale of Luxembourg-based insurance products and a private equity fund of fund.

Described below are the most important activities associated with Wealth Management services:

- with regard to the Advisory Desk, an important Project is now being completed, aiming at launching a financial advisory service, centralized and against payment, reserved to Private customers, by finalizing a specific advisory agreement. This important service is expected to kick off in the first half of 2006;
- the partnership agreement with Artfin was revised, with a redefinition of the service model and of the quality standards guaranteed to customers;
- again with regard to Arts, an All Risks Policy was set up to insure artworks located in the homes of customers, in collaboration with Arena Broker and Willis. The product shall be launched in February 2006;
- with regard to real estate, a partnership agreement was entered into with Pirelli RE dealing with real estate advisory services, covering valuations, purchase, sale and leases, real estate portfolio analysis and management, feasibility studies and developments;
- the project examining the possibility of opening a lease on artworks is well underway, in collaboration with Leasimpresa and Artfin;
- a Product and Service questionnaire was drawn up, allowing us to identify and map highly interested prospective customers.

Investment Banking

Derivatives and Structured Products

2005 was characterized by a strong impulse to the sale of structured products to retail, private and institutional customers of the Group. Low interest rates and a good stock market performance led customers to privilege equity-linked products or linked to interest rate spreads. The product range offered by Banca Aletti to its customers featured a broader palette of issuers, risk/return profiles and underlying instruments. Traditional stock indexes and mutual funds were complemented with baskets of single stocks, commodities and bond indexes.

Trading was mainly characterized by a low volatility and high market correlation across almost all markets. In the last quarter, the ECB changed its course, driving volatility upwards along the short term tail of the Euro rate curve (up to five years).

From a strategic and organizational viewpoint, in 2005 we reinforced our equity derivatives activities both in terms of human resources and systems, in cooperation with the information technology and financial engineering structures. Our objectives were to increase our ability to structure and manage more complex exotic products, and to create an efficient trading platform on the volatility market giving us the possibility of leveraging all possible synergies between products and markets. Among the results we reaped from this process, it is worth mentioning that in December Banca Aletti became market maker for equity options on the IDEM market of Borsa Italiana.

Equity and bond markets

Activities on the stock market reported a significant increase over the previous year, allowing us to acquire new market shares: on the Italian stock market Banca Aletti went from 0.64% in 2004, to 1.34% in 2005 (source: Assosim). Volumes reported a slight increase also on foreign equity markets, going from 3.1 million euro in 2004 to 3.2 million euro in 2005.

Part of these results were attained thanks to the expansion of business with non-captive customers, acquired by scouting for new counterparties along the entire trading pipeline.

With regard to bond markets, Banca Aletti further increased its proprietary trading activities, also thanks to a more sophisticated pricing system, that optimized the management of positions with an ensuing increase in operating income. Indeed, despite the drop in total volumes of 16% as compared with 2004, the results posted in the income statement for 2005 increased by 9%.

Market Making on single Stock Futures reported a further increase in intermediated volumes, leading to a market share increase from 4.82% in 2004 to 11.42% in 2005, i.e. from number 9 to number 2. Securities lending, which was launched in the course of 2005, reported a significant volume growth and made a strong contribution to the profitability of this business area. Banca Aletti is pursuing the objective of acquiring new domestic and foreign counterparts, to strongly increase the lendable asset base and further increase operations.

The Trading and Network Support Function proved its validity and lent an appreciated support to the activities performed by the Retail and Private networks, providing efficient and professional operating advisory and support services in keeping with the guidelines prescribed by the single Trading Activities Steering Committees.

Capital Markets

In 2005 this sector recovered, in a in a year marked by a large number of important public offerings that saw the successful participation of Banca Aletti. The Capital Market Office is gaining a growing visibility on the market.

In particular Banca Aletti acted as:

- Co-Lead Manager for the Institutional and Public Offerings of the following underwritings: Toro, Banca Italease e Marr;
- Manager (underwriter and guarantor) in the Underwriting Syndicate for IGD, Save, Bioera, Anima, Caleffi, Tip, Guala Apulia, Eurofly, Enel (bond issue).
- Co-manager in the Windermere V CMBS Srl securitization deal
- Manager in the Tender offers of Telecom Italia, Telecom Italia Media, Grandi Navi Veloci, Procomac and Ras
- Banca Aletti also participated in and backed the capital increases of Pirelli SpA, Camfin and Banca Popolare dell'Etruria.

In June a new company called Group srl (Gruppo Operazioni Underwriting Banche Popolari S.r.L.) was set up, jointly owned at 25% by Banca Aletti and other companies belonging to the other three Italian cooperative Banks: Banca Akros S.p.A. (Gruppo Banca Popolare di Milano), Banca Popolare dell'Emilia Romagna S.c.r.L. (Gruppo Banca Popolare dell'Emilia Romagna), Centrobanca S.p.A. (Gruppo Banche Popolari Unite)..

The aim of the company is to jointly represent the banking partners in large underwriting deals so as to maximize their role in underwriting syndicates. Group srl participated in the Management Group for the public offering of the fourth tranche of Enel shares from June 24th to July 1st 2005.

Also in 2005 Banca Aletti devoted a special attention to Italian Small/Mid Caps, with a special focus on companies listed on the Star segment of Borsa Italiana; it also sponsored the "Star Company Results" events organized in Milan in February 2005 and in London in September.

Equity Research

During the year the activities of the Research Office were strongly promoted, leading to the expansion of our coverage from about eight companies to about twenty, with a very interesting pipeline at year start.

In keeping with the group's franchise, the initial effort was focused on covering Italian Small/Mid Caps. The innovated product paved the way to a lively marketing activity both through direct calls, as well as by way of roadshows with the management of various listed companies.

Counterparties appear to appreciate both the product and the effort, considering the opening of many non-captive accounts in 2005 and our market share increase on the domestic equity market.

Forex and Money Market

Money Market Desk

The activities of the Money Market Desk strongly benefited from the integration of the Banks' "short term" treasuries, that has been successfully implemented at the beginning of the year.

In general, all money market activities reached their objectives, despite the upward movement of short term rates at year-end that penalized the prices of securities held in our portfolios.

As a whole, it is worth highlighting the strong volume increase in particular in Repurchase Agreements, which as compared with the previous year grew by 105%, driven by the increase in the trading activity with the Banks of the Group (90 billion euro, +94%), by the constant participation in monetary policy bids (59.6 billion euro, +105%), and by the increase in trading activities (74.6 billion euro, +91%).

Forex Desk

The Foreign exchange market throughout most of the year has been characterized by a one-way direction, which led to an adjustment of the Euro against the dollar by about 9%. The ensued wide and clear-cut technical movements made it possible to take on not only intra-day but also short term risks.

In addition to a careful management of commercial flows, our constant presence on the markets allowed us to bring in positive results and gain market shares.

Volumes traded on the spot market grew, exceeding 79 billion euro in value (+14.54%); likewise, also the number of transactions increased by 40% over the prior year. Although growth rates were much more contained, the commercial activity reported a positive trend both in terms of volumes and in terms of profitability.

Institutional Sales

Throughout the year this business activity developed along the following basic guidelines:

- expansion of index-linking classes to support the sale of structured investment and hedging products by the banks of the Group;
- expansion of non-captive business among financial brokers;
- expansion of equity brokerage business with institutional investors (asset managers).

The proposal of investment products on behalf of the Banks of the Group was performed in a general backdrop characterized by low interest rates, that narrowed our headway in structuring new proposals. As to insurance products in particular, the coming into effect of the new ISVAP 551/D circular regulated conflicts of interest and introduced new transparency obligations on the part of insurance companies and underwriters.

Volumes increased noticeably compared with 2004: total structured products for the banks of the Group reached 4.3 billion euro, up by more than 30% as compared with the prior year.

In particular, 2.6 billion euro worth of bonds were structured and index-linked policies for 988 million euro. Particularly noteworthy are volumes of asset management products with capital guaranteed or protected, amounting to roughly 527 million euro, reporting an increase of above 400% from 127 million in 2004.

The most innovative equity-indexing profiles have characterized the structuring of index-linked policies, although there was also a significant structuring volume of bonds linked through simple indexing to the main indexes of the world exchanges.

With regard to structured bonds linked to interest rates, the main profile for most of the year was the upside long term interest rate indexing, and throughout the year step up callable bonds have held their position.

In the last part of the year, some issues of equity indexed certificates have reaped a great success in Banca Aletti's Private Network.

As to the development of non-captive business, the Institutional Sales Function reinforced its organizational structure with the introduction of two new professionals in the dedicated team. This new organization lent a great momentum to the actions aiming at extending the institutional customer base outside of the Group, especially in the second half of the year.

With regard to intermediaries (banks and insurance companies), marketing actions focused on an intense customer call schedule, in the preparation and periodic mailing of product ideas and in the identification of cross-selling opportunities among investment banking and asset management products.
Worth mentioning are:

- the increase from 9 to 15 of the number of customers trading derivative and structured products;
- the more than 460% increase in the volume of intermediated derivatives as compared with 2004 (921 million euro against 200 million euro);
- the finalization of the first indexed derivative contracts on equities and exchange rates;
- creation of various contact opportunities, in terms of cross selling, for Aletti Gestielle SGR and for Banca Aletti's Top Private and Institutional structures.

As to equity brokerage, the reinforcement of the Equity Research structure created new contacts or more regular contacts with targeted institutional investors, with the proposal of a specialized research product, especially on Italian small/mid caps, aiming at carving out a specialized niche in a very crowded market. Listed below are some specific actions carried out during the year:

- more than 30 visits to institutional investors, aiming at illustrating our product and at proposing our services as equity brokers;
- participation as co-leader in the IPOs of Toro Assicurazioni, Banca Italease and MARR;
- 11 company road shows in Paris and Milan;
- opening of 12 new accounts.

The associated retail intermediary activities, although the number of banking and sim customers did not increase, benefited from the generalized increase in trading volumes on stock markets.

In October, the stock lending activity was promoted by way of customer calls and presentations, with some of the main Italian asset management companies.

Towards the end of the year, the project to list certificates on the stock exchange was outlined, and it is expected to develop in the fist half of 2006.

Corporate Desk

In 2005 this activity reported a stabilization of corporate derivative trading after a drop in 2004 as compared with the past.

Interest rate derivative trading activities held their ground against a dull market, devoid of any drive and activity that would otherwise have promoted a more solid and profitable business.

Many companies for a long time have set aside interest rate risk hedging, focusing their attention primarily on products that would allow them to cut back on funding costs as compared to current market rates, cashing in positive spreads against a constrained hedging.

Indeed, Europe's relative economic growth forced the ECB to follow up to last December 1st an expansionary monetary policy (the 3m interest rate for a long time has remained pinned at 2.13% and MT rates were at their all time lows first in June and then in September, with the 10year rate brushing 3 %), hence companies were not concerned. Only towards the end of the year corporate customers appreciated an interest rate movement that made them more attentive and sensitive to the possibility of setting up hedges with derivative instruments, be it on new transactions or on the total outstanding floating rate debt (which is consistent with projections pointing at a gradual strengthening of interest rates in 2006).

Therefore, with regard to interest rate derivatives, the month of December can be considered as the usher of a trend that is expected to prevail in 2006. The same cannot be said of exchange rate derivatives: 2005 was affected by few movements of the main cross rates, above all euro/usd, which, despite the seesawing movements, from March to year-end was confined in a range of only 5/6 figures.

As a result, companies did not feel any particular pressure, and privileged simple transactions (spot and forward) aimed at taking advantage of emerging opportunities rather than planning longer term "trend" strategies.

Financial Engineering

In the second half of 2005 the organizational structure that had been outlined in the first semester was developed further, with the creation of two groups dealing with equity and exchange rates on the one side, and on interest rates, loans and commodities on the other.

The activities performed by the Financial Engineering team aim at creating pricing models and software products to be used prevailingly, but not exclusively, by the Front Office. Financial Engineering is the Bank's internal reference point for financial innovation and the acquisition of constantly up-to-date operating tools, which allow the Bank to increase its competitiveness.

The team dealing with interest rates in the second half of the year focused on the implementation of new pricing and hedging models to manage the risk of complex financial products; the BGM model in particular shall allow us to manage in-house a greater number of pay-offs compared to the past. Considering the changeover to the Risque system by Sophis in 2006, the interest rate team has already started to develop a software library to integrate the pricing models that were already developed in the semester with those in the pipeline for 2006 in the new position keeping system.

The equity and exchange rate team continued the work starter in the first half of 2005, with the complete migration and the consolidation of the activities of the Equity Front Office from the application "Panorama" to the new position keeping system "Risque". It was also possible to develop new pricing models for equity options, which allowed us to strongly broaden the range of products the Bank can offer and manage autonomously.
Financial Engineering also contributed to the production and improvement of quarterly financial analysis, that are at the base of the risk profiles published on the Group's derivative product catalogue for Corporate customers.

Operating performance

Balance sheet

In order to provide a brief representation of the main balance sheet aggregates, shown below are the reclassified balance sheet assets and liabilities:

BALANCE SHEET RECLASSIFIED ASSETS *(in thousand euro)*	31-12-2005	01-01-2005	Changes	
Cash and cash equivalents	13	6	7	116.67%
Financial assets	2,924,224	1,751,018	1,173,205	67.00%
Due from banks	7,500,658	5,148,440	2,352,218	45.69%
Due from customers	279,438	33,952	245,486	723.04%
Equity investments	1,045	145	900	620.69%
Property, plant and equipment	1,363	1,674	-311	-18.58%
Intangible assets	5	1,808	-1,802	-99.72%
Other assets	147,540	131,400	16,139	12.28%
Total	**10,854,285**	**7,068,443**	**3,785,843**	**53.56%**

BALANCE SHEET RECLASSIFIED LIABILITIES *(in thousand euro)*	31-12-2005	01-01-2005	Changes	
Due to banks	8,221,923	5,495,482	2,726,441	49.61%
Due to customers & debt securities in issue	488,881	161,779	327,103	202.19%
Financial liabilities	1,703,186	1,196,575	506,611	42.34%
Provisions for liabilities	4,020	2,242	1,777	79.26%
Other liabilities	206,432	65,947	140,485	213.03%
Shareholders' equity	229,844	146,418	83,426	56.98%
- Share capital and reserves	152,582	104,214	48,368	46.41%
- Net income for the period	77,262	42,204	35,058	83.05%
Total	**10,854,285**	**7,068,443**	**3,785,843**	**53.56%**

Main events regarding equity investments

Aletti Fiduciaria

Aletti Fiduciaria, a company of Gruppo Banco Popolare di Verona e Novara, owned 100% by Banca Aletti & C. S.p.a., engages primarily in static trusts. Hence, the assets under trust are registered in the name of the fiduciary company, which as a result is legitimized to exercise the transactions associated with the company's activities and with the purchase and sale of financial instruments. The services offered by Aletti Fiduciaria are addressed to individuals who wish to remain totally anonymous with regard to the ownership and management of their wealth.

The financial year closing on December 31st, 2005 was characterized by a solid development of the company's typical business, that led to the strengthening of the company's structure. We went from 154 fiduciary mandates outstanding at the beginning of the year to 226 mandates at year-end, and fiduciary assets grew from Euro 167,485,649 to Euro 310,243,314, up by 46.7% in terms of number of mandates and by 87.6% in terms of assets under management. Hence, revenues from fiduciary registrations increased by 42%, going from Euro 291,036 in 2004 to Euro 414,212..

This development was prompted by a deeper knowledge and wider dissemination of the fiduciary instrument across Banca Aletti's network and across the other structures of Gruppo BPVN (corporate and retail) started in the prior year.

As to the development of sales, meetings were held with officers of the corporate and private functions of the Group Banks to foster a synergetic collaboration with specific areas of Gruppo BPVN. The meetings favored business growth by appreciably increasing the contact requests with prospects.

Group s.r.l.

As already mentioned, In June a new company called Group srl (Gruppo Operazioni Underwriting Banche Popolari S.r.L.) was set up, jointly owned at 25% by Banca Aletti and three primary Italian cooperative Banks: Banca Akros S.p.A. (Gruppo Banca Popolare di Milano), Banca Popolare dell'Emilia Romagna S.c.r.L. (Gruppo Banca Popolare dell'Emilia Romagna), Centrobanca S.p.A. (Gruppo Banche Popolari Unite). The aim of the company is to jointly represent the banking partners in large underwriting deals so as to maximize their role in underwriting syndicates..

Research and development

The Bank carried out no research and development activities during the year.

Intercompany Relations

Banca Aletti is Gruppo BPVN's reference Investment and Private Bank, and is also the gateway to the main domestic and international markets for the Group's retail network. Funding is mainly based on demand and time deposits from Gruppo BPVN. As part of the plan to open specialized centers within the Group, Banca Aletti relies on the structures of Società Gestione Servizi for the performance of several functions (information technology, settlement, etc), while other services were outsourced to specific functions of the Parent company (Risk management, correspondent banking, short term treasury, regulatory reporting and account payables).

Outsourced services and financial transactions with Group counterparties are governed by agreements that provide for the application of terms and conditions at arm's length.

The financial and profitability relations with the companies of the Group are described in greater detail in "Chapter H – Transactions with Related Parties" in the Notes to the accounts.

Income statement

Banca Aletti closed financial year 2005 with an 83.07% increase in net profit, going from 42,204 thousand Euro on December 31st, 2004 up to 77,262 thousand Euro on December 31st, 2005. The net profit increase confirms the consolidation of the Bank's operational structure both in financial intermediation and in Private Banking. Shown below is the Income Statement reclassified along business criteria, measured in compliance with the new international accounting standards IAS/IFRS.

RECLASSIFIED INCOME STATEMENT - PROGRESSIV *(in thousand euro)*	31-12-2005	31-12-2004	Abs. change	% change
Interest income	166,320	116,557	49,763	42.7%
Interest expense	(173,520)	(114,304)	(59,216)	51.8%
Net interest income	**(7,200)**	**2,253**	**(9,453)**	**n.a.**
Net commissions	70,960	61,508	9,452	15.4%
Dividends	42,571	15,798	26,773	169.5%
Other revenues	3,073	471	2,602	552.2%
Net trading income	61,917	52,926	8,991	17.0%
Profit or loss on financial assets measured at fair value	**1,833**	**888**	**945**	**106.4%**
Other operating income	**180,354**	**131,591**	**48,763**	**37.06%**
Net interest and other banking income (total income)	**173,154**	**133,844**	**39,310**	**29.37%**
Personnel expenses	(37,583)	(28,136)	(9,447)	33.6%
Other administrative expenses	(32,067)	(38,668)	6,601	-17.1%
Net impairment on PPE and intangible assets	(553)	(576)	23	-4.0%
Operating costs	(70,203)	(67,380)	(2,823)	4.19%
Profit from operations	**102,951**	**66,464**	**36,487**	**54.90%**
Net write-downs on loan impairment	(320)	0	(320)	0.0%
Provisions for risks and charges	(890)	0	(890)	0.0%
Goodwill impairment	(1,800)	(4,829)	3,029	-62.7%
Income/Loss before tax from continuing operations	**99,941**	**61,635**	**38,306**	**62.15%**
Income tax	(22,679)	(19,431)	(3,248)	16.7%
Income/Loss after tax from continuing operations	**77,262**	**42,204**	**35,058**	**83.07%**
Net income for the period	**77,262**	**42,204**	**35,058**	**83.07%**

The chart shows an increase in total income of 29.37%, reaching 173,154 thousand Euro (133,844 thousand Euro on December 31st, 2004).

Net interest income decreased considerably, however the dip must be correlated to the increase in the item "Net trading income", as a result of the change in product mix of the Forex & Money Market Office which privileged trades in foreign currency futures (outright and foreign currency swaps).

Other Operating Income reported a total increase of 37.06% driven by a strong growth in dividends, that went from 15,798 thousand Euro on December 31st, 2004 up to 42,571 thousand euro on December 31st, 2005, and by the net trading income that went from 52,926 thousand Euro in 2004 to 61,917 thousand Euro, up by 17.0%. This dynamic stems from the full deployment of brokerage activities on domestic stock markets and of the associated market making activities for derivatives listed on regulated markets.

The item "Net trading income" was driven by a growth in sales by the group networks, by a much deeper internal management of trading books, as well as by the development of foreign currency futures trades (outright and foreign currency swaps) that have partially compensated for net interest income, as explained above.

Net commissions grew by 15.4 %, going from 61,508 thousand euro as of December 31st, 2004 to 70,960 thousand euro as of December 31st, 2005, also thanks to the consolidation of the Asset Management and Private Banking structures.

Operating costs grew by 4.19 % from 67,380 thousand Euro as of December 31st, 2004 to 70,204 thousand euro as of December 31st, 2005, also due to the activities transferred to Banca Aletti. In particular, personnel costs have been increasing due to the structure consolidation and to the handing over of activities that were previously performed by the Group Finance Function. Personnel costs referring to Group employees detached at the Bank that were previously classified under "administrative expenses" have now been reclassified under IAS/IFRS.

With regard to costs, a goodwill impairment of 1,800 thousand euro was recognized, as a result of the write-down of the residual goodwill paid to acquire Aletti Invest Sim's asset management business line. This impairment has cancelled off the above goodwill and it was made necessary by the failure to reach the margins and the associated profitability expected from Banca Aletti on the basis of the assumptions referring to the evolution of assets under management considered when the value of goodwill was measured.

An allowance of 890 thousand euro was made to the provision for risks and charges to cover limited and specific disputes outstanding at year-end, whose settlement was already partly defined in the first months of 2006.

The tax provision, measured based on the profit for the period, amounted to 22,678 thousand Euro (19,431 thousand Euro as of December 31st, 2004), and it benefited form the different taxation of equity proceeds. As at the end of 2004, following the coming into effect of the new fiscal regulations introduced by L.D. n. 344/03, the taxation of profits from equity investments was modified from a system based on the assignment of a tax credit to the beneficiary in order to avoid a double taxation, to a system of exemption, or more specifically, the exclusion from the taxable base of 95% of said proceeds.

Operational outlook

Financial year 2006 is expected to favor the consolidation of the results achieved in the different business areas, with a relatively limited variability associated with the performance of financial markets.

Profit allocation proposal

Shareholders convened at the General Meeting shall be submitted the proposal to approve the Financial Statements and to allocate the net profit for the year, amounting to Euro 77,262,172 as follows:

- Euro 3,863,109 to the legal reserve;
- Euro 34,819,843 to other reserves;
- Euro 38,579,220 to Shareholders, corresponding to 2.02 Euro per share.

Should the above proposals be approved, the makeup of the company's shareholders' equity shall be as follows:

(in thousand euro)	current new	share capital
Share capital	98,549	98,549
Share premium	17,628	17,628
Legal reserve	5,243	9,106
Other reserves	28,983	63,803
Valuation reserves	2,179	2,179
Total shareholders' equity	**152,582**	**191,265**


orrey Clark、 Michael Teagarden
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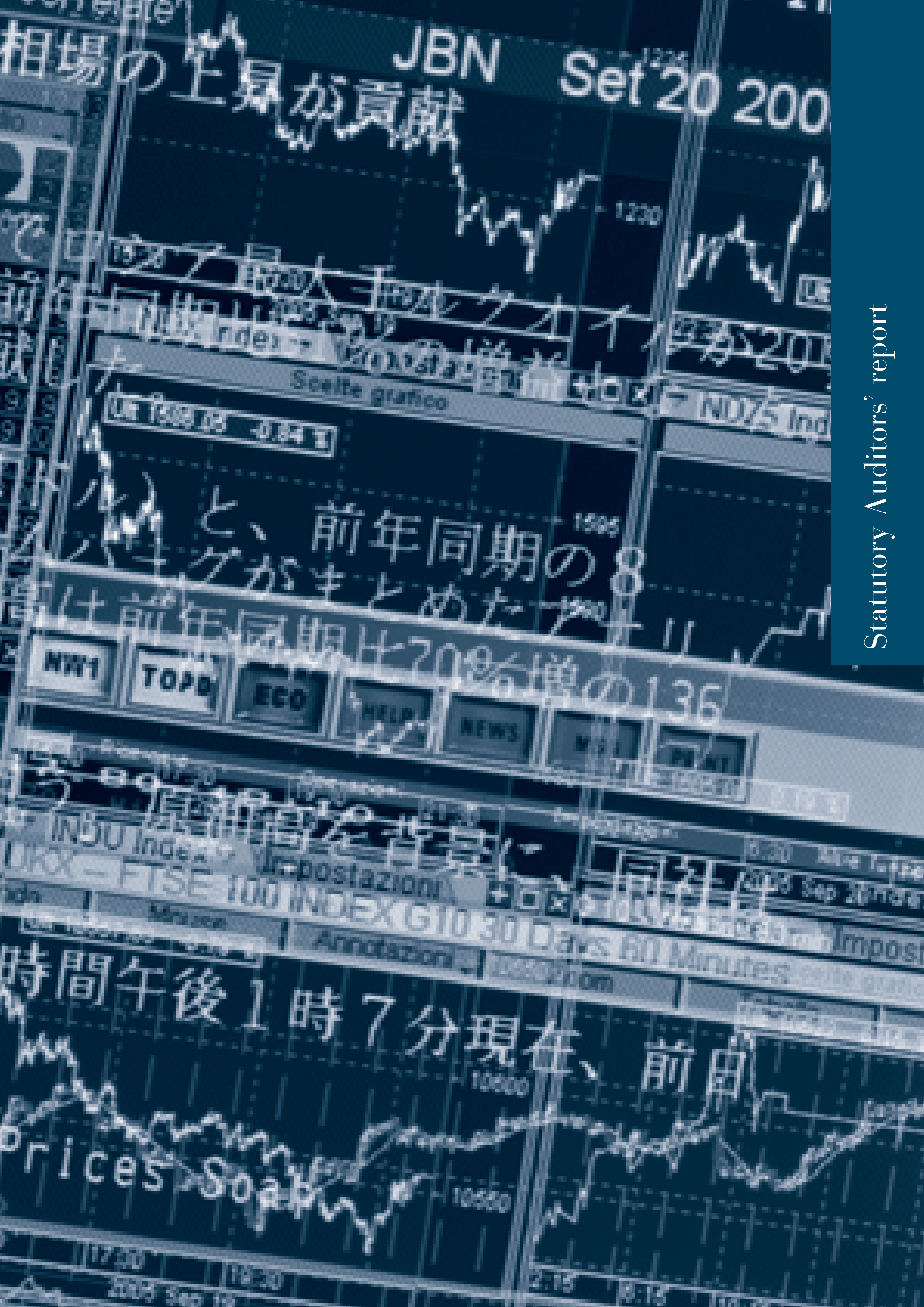

Statutory Auditors' report

Dear Shareholders,

the financial statements as of December 31st, 2005, complemented by the Notes to the accounts and by the Directors' report on operations, were approved by the Board of Directors on March 22nd, 2006 and made available to the Board of Statutory auditors in due time.

The financial statements were audited by RECONTA ERNST & YOUNG S.p.A., since the Company is subject to obligatory auditing; financial year 2005 was the first year our accounts were audited by this company. Balances as of January 1st, 2005, in the changeover to IAS, were audited by the prior auditing company, DELOITTE & TOUCHE S.p.A.. The Bank made use of the option not to apply the accounting standards IAS 32 and 39 to the 2004 income statement.

As a result, the financial statements as of 31.12.2005 were complemented with the auditors' report required from the hired Auditors under art. 156 of the Finance Single Act, "*Judgments on Financial statements*", prepared based on the relevant audits falling under their competence.

Supervisory activities performed by the Board of Statutory Auditors

The Board of Statutory auditors performed its supervisory activities in compliance with the applicable rules provided for in the civil code, as recently amended, with the Finance Single Act (Legal Decree n. 58 of February 24th, 1998, and following amendments), and also pursuant to CONSOB's communication issued on April 6th, 2001, covering the duties of Statutory auditors of listed companies.

Shown below is a summary of the activities jointly performed by the statutory auditors:

1. The Board of Statutory Auditors, as required by law, took part in the Shareholders' meetings and in the meetings of the Board of Directors. On said occasions, Directors supplied the Board with all the necessary information on the business conducted and the more significant transactions from a financial and operating viewpoint. Meetings were held on a monthly basis, which satisfied the requirement for formal quarterly reports by directors in compliance with art. 150, paragraph 1, of the FSA, amended by art. 9.79 of Legal Decree n. 37 of February 6th, 2004.

2. The Board of Statutory Auditors during the year carried out 14 audits, of which:

   - n. 2 audits aiming at acquiring and analyzing data on financial statements;

   - n. 4 ordinary audits, with the examination and in-depth analysis of specific organizational areas (Marketing, *Risk Management*, Organization, Internal Audit), with the participation of the head of the single Function and/or officers from the Parent company for outsourced services;

   - n. 3 audits to local *Private Units*, in some cases in coordination with *Internal Audit*, with the filing of the minutes of the single audits performed by the latter on individual *units.* Out of the current 16 branches, all have been audited at least once by the Board of Statutory Auditors between 2003 and 2005 (some have undergone two consecutive audits) to verify

their progress and the adequacy of the structures; our branch auditing program continued also in 2005, with the audit of 3 branches;
- n. 5 audits aiming at examining in depth specific issues (examination of the audit report by the Bank of Italy, opinion on auditing company assignment, examination of the Internal Audit report, meetings with the Auditing Company to discuss the adoption of IAS, coordination with the Parent company's Board of Statutory Auditors).

Results of the supervisory activities performed by the Board of Statutory Auditors

Shown below is the most significant information emerged during the audits performed by the Board of Statutory Auditors.

1. The most important non ordinary operations included:
   - *subscription of a share capital increase resolved by shareholders on 29.6.2005*
     On July 20th, 2005 the Shareholders of Banco Popolare di Verona e Novara and Credito Bergamasco subscribed a new share issue from Euro 73,548,895.92 to Euro 98,548,899.84, with no share premium. The capital increase resolution, in compliance with art. 2443 of the civil code, grants the option to further increase the share capital in one ore more times, within three years from the shareholders' resolution, up to a maximum ceiling of Euro 25.000.003,92.
     Art. 5 of the Articles of Association was therefore amended to endorse the above resolution.

2. No atypical or unusual transactions took place, either with third parties or with Group companies. The Board of Statutory Auditors deems intragroup transactions and transactions with related parties to fall within the scope of the business plans coordinated by the Parent company. For some of these transactions, bearing a proportionally more significant weight as compared with the constituents of the financial statements, a report was prepared supporting the consistency between transfer prices and market prices.
   It is useful to recall some changes introduced in commission agreements with banks/networks as of 01/01/2005 and the Bank's partial participation in risks associated with legal disputes referring also the past management by banks/networks of assets under management that were transferred to Banca Aletti as of 01/01/2005.

3. The Board of Statutory Auditors deems the information provided by the Directors in their report on operations appropriate.

4. The Board of Statutory Auditors expressed its consensus with regard to the impairment of tangible and intangible assets.

5. The Board of Statutory Auditors expressed its opinion with regard to the hiring of the auditing company RECONTA ERNST & YOUNG S.p.A., selected by the Parent company and by the BANK's Board.

6. No exceptions were reported by the auditing company.

7. No grievances were filed under art. 2408 of the civil code.

8. With regard to complaints relating to ordinary banking business, in 2005 we received 68 complaints, a steep increase as compares with 22 complaints reported in the prior year, caused by the transfer in BANCA ALETTI of the "Asset Management" business lines by the Banks of the Group (Banco Popolare di Verona e Novara, Credito Bergamasco and Banca Popolare di Novara) as of January 1st, 2005. Said complaints have reached a satisfactory settlement, with the exception of those still under inquiry, and they gave rise to no particular organizational and/or procedural problems: in any case, this is not meaningful, if we consider that on 31/12/2004 the bank held roughly 11,602 managed accounts, while on 01/01/2005, as a result of the above mentioned consolidation, the total number of managed accounts reached 85,902 (private and retail customers). Moreover, following the default of some bond issuers (Argentina, Parmalat, Finmek, etc.) customers have raised their litigation propensity, and in the case of the Bank, this phenomenon involved only accredited customers.

9. In 2005, the following tasks were assigned to the auditing companies or to associated entities (ERNST & YOUNG FINANCIAL BUSINESS ADVISORY S.p.A., for "*Gips Standards*"; Studio Legale Tributario – Tax Advisory in association with Ernst & Young for fiscal advisory services and other professional services) :

   - to the Auditing company RECONTA ERNST & YOUNG S.p.A.:

(in euro)	
Accounting audit exclusively as at 30.06.2005	39,036.30
Financial statements audit as at 31.12.2005	136,633.20
Total	**176,669.50**

plus 20% VAT;

   - to Studio Legale Tributario – Tax Advisory in association with Ernst & Young:

(in euro)	
Fiscal advisory services (of which Euro 68,215.68 for opinions on the feasibility of specific transactions)	174,245.76
Professional services - Qualified Intermediary	3,778.28
Total	**178,024.04**

plus 20% VAT;

- to ERNST & YOUNG FINANCIAL BUSINESS ADVISORY S.p.A:

(in euro)	
Fee for compliance with Gips Standards	96,000.00
Total	**96,000.00**

plus 20% VAT;

- to the Auditing company DELOITTE & TOUCHE S.p.A., referring to financial year 2005:

(in euro)	
Comfort letter for "Fondo nazionale di garanzia" (National Guarantee Fund)	7,740.00
Translation into English of financial statements	9,000.00
Accounting audit as at 31.03.05	7,285.20
FTA IAS 2004 report	41,976.00
Total	**66,001,20**

plus 20% VAT.

Total fees amounted to Euro 499,121.24, plus 20% VAT.

10. No appointments were assigned to associates working on a continuing basis with the Auditing company, with the exception of what illustrated above for the advisory services provided on special matters by ERNST & YOUNG FINANCIAL BUSINESS ADVISORY S.p.A. and by Studio Legale Tributario – Tax Advisory in association with Ernst & Young. This situation should evolve towards a greater autonomy of the auditing company with regard to professional and advisory services on specific administration-accounting issues.
11. In the course of the year there were no circumstances calling for opinions required by law and related issues thereof by the Board of Statutory Auditors, except for the following opinions:
    a) opinion of the Board of Statutory Auditors referring to the assignment to the auditing company of the accounting audit for the three years from 2005 to 2007, under art. 159, paragraph 1, of L.D. n. 58/1998;
    b) opinion of the Board of Statutory Auditors referring to the Internal Audit's Annual report on the audits performed in 2004 and 2005 audit program;
    c) opinion on the capital increase from Euro 73,548,895.92.- to Euro 98,548,899.84.-, without share premium;

    and in addition findings were reported with regard to Internal Audit's periodic reports, that were regularly filed with the Regulatory Authorities.

12. No substantial findings are reported with regard to the compliance with corporate governance procedures. It should be noted, that the Bank performs its activity autonomously, although in line with the Parent company's plans, benefiting from the advantages of belonging to the Group.

13. As part of the global organizational revision of the Group Finance activities, in 2005 some organizational changes were introduced aiming at streamlining processes and at specializing the various structures by business objectives.
    - Pursuant to the above rational, the following new structures sere set up: Secondary functions:
      Corporate Desk, Corporate Affairs, Products & Services Development.
    - Offices:
      Corporate Desk Verona, Corporate Desk Novara, Corporate Desk Bergamo, Financial Instrument Issue management, Control and Operational Support Verona, Network Advisory and Trading, Equity Research, Macroeconomic Analysis (replacing the Analysis and Research Office), Products & Portfolio, Wealth Services (replacing the Products, Services and Strategies Office).

    As a result of the new activities and structures, the Bank's total headcount increased significantly.

    With regard to the organizational structure, in 2005 the Board of Statutory Auditors points out that the Bank confirmed the centralization of various services in the Parent company or in some of its structures (services referring to the IT infrastructures supporting operating and financial engineering activities, derivative middle office activities, Risk Management, Internal Audit and some organizational functions, while the Corporate Finance function was handed over to Aletti Merchant). In addition, the Bank also transferred onto the Parent company all legal advisory activities, associated with the Management and Control activities performed by the Parent company, whose primary officers are also members of the Bank's Board of Directors, so as to rationalize expense flows and enhance the specialization of the various banks of the Group.

    Moreover, in 2004 the bank had already reorganized some of its internal functions, changing their organizational charts, and rearranging them into the current four Main Functions: 1) *Investment Banking,* 2) *Wealth Management Products and Services,* 3) *Private Banking (from 1.1.2005 named "Commercial")* and 4) *Operations.*

    Position risks were constantly monitored and the Top Management has kept the Board fully informed thereof.

    As to risk management, a new Group regulation is being prepared for the relevant function. With regard to outsourced intragroup services, the required controls shall be governed by an internal set of regulations in 2006. The Board of Statutory Auditors insists on the need for the specialization of the services performed by the Parent company or by SGS, in view of the special business Banca Aletti engages in, as well as on the need for a control over compliance, although it appreciates the fact that the quality control procedure on services provided by the Parent company and in general by the Risk Management function for Banca Aletti has become more stringent.

As to the above mentioned intragroup relations, we point out that it is necessary to constantly verify the correctness of the transfer prices of decentralized activities; likewise, it is essential to control the economic conditions and commission structures applied by Banca Aletti for the activities performed for the other companies of the Group.
In 2004 the Bank adopted an organizational model compliant with L. D. n. 231/2001 (*"Administrative responsibilities of legal entities, companies and associations also without legal status, under article 11 of law n. 300 of September 29th, 2000"*); to this regard, on March 9th, 2005 the Board of Directors approved the Code of Ethics.

14. The Board of Statutory Auditors during the year was constantly in touch with the Internal Audit function that has eventually been reinforced (entrusted to the Group Internal Audit), with a satisfactory exchange of information on the work performed.
To this regard, the Board of Statutory Auditors reiterates the need to censure an appropriate coordination of the annual audit program organized for the Bank, based on a specific Group Internal Audit Regulation.
The Board of Statutory Auditors regularly communicated its findings on the half-year and annual reports of Internal Audit, with due consideration to the remarks raised by the Board of Directors, and has regularly examined all the Audit Reports it received, if necessary in cross-examination with the Head of the relevant Function.

15. In due consideration of the incremental efforts made during the year in the fields of administrative procedures, accounting monitoring, as well as human resources for the Bank's administrative activities, the Board of Statutory Auditors considers the current administrative/accounting system rather adequate, considering also the deployed and programmed improvements.
The Board of Statutory Auditors was informed that the Bank's structure is bound to get deeper into the area of derivative up-fronts, in collaboration with the Parent company, although this is more closely associated with the Banks/Network.

16. The Bank holds a controlling 100% interest in ALETTI FIDUCIARIA S.p.A., acquired in June 2002 with the aim of integrating the Bank's Private Banking services. The controlling company BANCA ALETTI did not prepare the consolidated financial statements, since the consolidated accounts prepared by the Group's Parent company BANCO POPOLARE DI VERONA E NOVARA already include both BANCA ALETTI and ALETTI FIDUCIARIA S.p.A.
BANCA ALETTI also holds a 25% shareholding in G.R.O.U.P - *Gruppo Operazioni Underwriting Banche Popolari S.r.l.*, based in Milan, with a share capital of 80,000.00.- Euro, whose purpose is to jointly represent the four cooperative banking partners (Banca Akros S.p.A./*Gruppo Banca Popolare di Milano*, Banca Popolare dell'Emilia Romagna S.c.r.L./*Gruppo Banca Popolare dell'Emilia Romagna*, Centrobanca S.p.A./*Gruppo Banche Popolari Unite*, Banca Aletti/*Gruppo Banco popolare di Verona e Novara*) in large underwriting transactions.

17. During the year the Board of Statutory Auditors met with the officers of the Auditing company with information being exchanged, especially regarding the annual and half-year reports and the audits performed by them.

18. Since the Bank is not listed on the stock exchange, the code of conduct for listed companies has not been adopted.

19. The Board of Statutory Auditors complied with art. 149, paragraph 3, of the Finance Single Act in performing its supervisory activities.

20. Based on what illustrated above, the Board of Statutory Auditors has no recommendations to submit to Shareholders under art. 153 of the FSA.

Inspection by the Bank of Italy

From October 2004 to January 2005 the Bank was submitted to an inspection by the Regulatory Authorities. The Bank of Italy raised a number of objections on the Bank's activities, which are associated with on the one side the rapid business growth enjoyed by the Bank, and on the other side the need for more stringent controls on the Bank's operations and on the service level of intragroup services. While preparing the reply to the above objections, with communications issued on April 4th, 2005, September 30th, 2005 and March 30th, 2006 the Bank provided an update as to the actions made up to now, in compliance with the guidelines and instructions expressed by the Bank of Italy.

* * *

Based on the supervisory activities performed in 2005, the Board of Statutory Auditors confirmed:

a) the abidance by the law and the Bank's Articles of Association;
b) the compliance with corporate governance principles;
   the basic appropriateness of the Bank's organizational structure in terms of administrative/accounting aspects, as well as its reliability in delivering a fair representation of business events.

In the light of what illustrated above, having read the audit report on the 2005 financial statements prepared by the auditing company RECONTA ERNST & YOUNG on April 7th, 2006 , and taking due note that the above report states that "*the annual accounts are compliant with the International Financial Reporting Standards adopted by the European Union; therefore they provide a clear and transparent representation of Banca Aletti S.p.A.'s financial position, assets and liabilities, profitability, changes in net equity and cash flows for the financial year under consideration*", the Board of Statutory Auditors expresses its favorable motion to the approval of the annual financials statements and to the dividend allocation as described in the Report on operations.

Milan, April 12th, 2006

THE BOARD OF STATUTORY AUDITORS
Maria Gabriella Cocco, *Chairman*
Alfonso Sonato, *Standing Auditor*
Franco Valotto, *Standing Auditor*

Indipendent Auditors' report

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT
pursuant to articles 156 and 165 of Legislative Decree of February 24, 1998, n. 58
(Translation from the original Italian text)

To the Shareholders of
Banca Aletti & C. S.p.A.

1. We have audited the financial statements of Banca Aletti & C. S.p.A. as of and for the year ended December 31, 2005, comprising the balance sheet, the statements of income, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of Banca Aletti & C. S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements represent the first financial statements prepared by Banca Aletti & C. S.p.A. in accordance with International Financial Reporting Standards as adopted by the European Union.

2. We conducted our audit in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For comparative purposes, the financial statements include the corresponding information for the prior year prepared in accordance with consistent accounting principles except for the effects of IAS 32 and IAS 39 which have been applied from January 1, 2005 in accordance with the exemption allowed by IFRS 1. In addition, the explanatory note "Adoption of the new accounting principles IAS/IFRS." of the financial statements reports the effects of the transition to International Financial Reporting Standards as adopted by the European Union. The disclosures included in the above mentioned explanatory note have been reviewed by us for the purpose of expressing an opinion on the financial statements of Banca Aletti & C. S.p.A. as a whole as of and for the year ended December 31, 2005.

3. In our opinion, the financial statements of Banca Aletti & C. S.p.A. present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Banca Aletti & C. S.p.A. as of December 31, 2005, and for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Milan, 7 April 2006

Reconta Ernst & Young S.p.A.
Signed by: Guido Celona, Partner

Reconta Ernst & Young S.p.A.
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Financial statements

	ASSETS *(in euro)*	31-12-2005	31-12-2004 (*)	01-01-2005 (**)	Changes	
10	Cash and cash equivalents	13,079	5,746	5,746	7,333	127.6%
20	Financial assets held for trading	2,842,205,366	1,703,010,220	1,689,775,765	1,152,429,601	68.2%
30	Financial assets measured at fair value	78,744,263	58,233,509	58,591,961	20,152,302	34.4%
40	Financial assets available for sale	3,274,197	1,094,811	2,650,698	623,499	23.5%
60	Due from banks	7,500,657,966	5,148,439,575	5,148,439,575	2,352,218,391	45.7%
70	Loans to customers	279,437,706	33,952,019	33,952,019	245,485,687	723.0%
100	Equity investments	1,045,000	145,000	145,000	900,000	620.7%
110	Property, plant and equipment	1,363,251	1,674,296	1,674,296	(311,045)	(18.6%)
120	Intangible assets	5,146	1,807,544	1,807,544	(1,802,398)	(99.7%)
	of which: goodwill	-	1,800,000	1,800,000	(1,800,000)	
130	Tax assets	10,333,547	5,914,181	9,291,979	1,041,568	11.2%
	a) current	402,031	1,325,353	1,325,353	(923,322)	(69.7%)
	b) deferred	9,931,516	4,588,828	7,966,626	1,964,890	24.7%
150	Other assets	137,205,963	122,108,159	122,108,159	15,097,804	12.4%
	Total	**10,854,285,484**	**7,076,385,060**	**7,068,442,742**	**3,785,842,742**	**53.6%**

(*) Restated in compliance with IAS / IFRS excluding IAS 32 and 39 (financial instruments)
(**) Restated in compliance with IAS / IFRS including IAS 32 and 39 (financial instruments)

	LIABILIITES AND SHAREHOLDERS' EQUITY *(in euro)*	31-12-2005	31-12-2004 (*)	01-01-2005 (**)	Changes	
10	Due to banks	8,221,922,777	5,495,481,746	5,495,481,746	2,726,441,031	49.6%
20	Due to customers	488,881,384	161,778,749	161,778,749	327,102,635	202.2%
40	Financial liabilities held for trading	1,702,918,580	1,201,319,376	1,196,574,688	506,343,892	42.3%
50	Financial liabilities measured at fair value	266,978	-	-	266,978	
80	Tax liabiliites	9,999,150	1,151,126	1,418,696	8,580,454	604.8%
	a) current	872,867	8,118	8,118	864,749	n.s.
	b) deferred	9,126,283	1,143,008	1,410,578	7,715,705	547.0%
100	Other liabilities	196,432,440	64,528,270	64,528,270	131,904,170	204.4%
110	Employee termination benefits	3,121,551	2,242,298	2,242,298	879,253	39.2%
120	Provisions for risks and charges	897,956	-	-	897,956	n.s.
	b) other provisions	897,956	-	-	897,956	n.s.
130	Valuation reserves	2,179,386	-	1,555,887	623,499	40.1%
160	Reserves	34,226,023	18,252,516	13,231,429	20,994,594	158.7%
170	Share premiums	17,628,187	17,427,079	17,427,079	201,108	1.2%
180	Share capital	98,548,900	72,000,003	72,000,003	26,548,897	36.9%
200	Net income for the year	77,262,172	42,203,897	42,203,897	35,058,275	83.1%
	Total	**10,854,285,484**	**7,076,385,060**	**7,068,442,742**	**3,785,842,742**	**53.6%**

(*) Restated in compliance with IAS / IFRS excluding IAS 32 and 39 (financial instruments)
(**) Restated in compliance with IAS / IFRS including IAS 32 and 39 (financial instruments)

INCOME STATEMENT *(in euro)*		2005	2004 (*)	Changes	
10	Interest income and similar revenues	166,319,929	116,556,890	49,763,039	42.7%
20	Interest expense and similar charges	(173,519,585)	(114,303,829)	59,215,756	51.8%
30	**Net interest income**	**(7,199,656)**	**2,253,061**	**(9,452,717)**	
40	Commission income	249,290,286	92,710,973	156,579,313	168.9%
50	Commission expense	(178,330,508)	(31,203,336)	147,127,172	471.5%
60	**Net commission income**	**70,959,778**	**61,507,637**	**9,452,141**	**15.4%**
70	Dividend income and similar revenues	42,570,609	15,798,271	26,772,338	169.5%
80	Net trading income	61,917,318	52,925,801	8,991,517	17.0%
110	Profit (Loss) on financial assets and liabilities designated at fair value	1,832,802	887,891	944,911	106.4%
120	**Net interest and other banking income (total income)**	**170,080,851**	**133,372,661**	**36,708,190**	**27.5%**
130	Net write-downs/write-backs on impairment of:	(320,000)	-	(320,000)	
	a) loans	(320,000)	-	(320,000)	
140	**Net income from banking activities**	**169,760,851**	**133,372,661**	**36,388,190**	**27.3%**
150	Administrative expenses:	(82,811,069)	(61,210,230)	21,600,839	35.3%
	a) personnel expenses	(37,583,082)	(28,136,027)	9,447,055	33.6%
	b) other administrative expenses	(45,227,987)	(33,074,203)	12,153,784	36.7%
160	Net provisions for risks and charges	(890,000)	-	(890,000)	
170	Impairment/write-backs on property, plant and equipment	(550,716)	(551,887)	(1,171)	(0.2%)
180	Impairment/write-backs on intangible assets	(2,396)	(24,080)	(21,684)	(90.0%)
190	Other operating income	16,233,394	(5,122,400)	21,355,794	
200	**Operating costs**	**(68,020,787)**	**(66,908,597)**	**1,112,190**	**1.7%**
230	Goodwill impairment	(1,800,000)	(4,828,901)	(3,028,901)	
250	**Income (Loss) before tax from continuting operations**	**99,940,064**	**61,635,163**	**38,304,901**	**62.1%**
260	Tax on income from continuing operations	(22,677,892)	(19,431,266)	3,246,626	16.7%
270	**Income (Loss) before tax from continuting operations**	**77,262,172**	**42,203,897**	**35,058,275**	**83.1%**
290	**Net income for the year**	**77,262,172**	**42,203,897**	**35,058,275**	**83.1%**

(*) Restated in compliance with IAS / IFRS excluding IAS 32 and 39 (financial instruments)

Changes in 2005 shareholders' equity

(in euro)	Balance as at 31-12-2004	Changes to opening balances	Balance as at 01-01-2005	Allocation of net income from previous year		Changes over the year								Sharehold. equity as at 31 12 05
							Changes in shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordin. dividend distribution	Changes in com. stock equivalents	Derivatives on treasury shares	Stock options	Income (Loss) for the year 2005	
Share capital:														
a) common shares	72,000,003	-	72,000,003	-	-	-	26,548,897	-	-	-	-	-	-	98,548,900
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	17,427,079	-	17,427,079	-	-	-	201,108	-	-	-	-	-	-	17,628,187
Reserves:														
a) retained earnings	18,252,516	(5,021,087)	13,231,429	20,994,594	-	-	-	-	-	-	-	-	-	34,226,023
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:														
a) available for sale	-	1,555,887	1,555,887	-	-	623,499	-	-	-	-	-	-	-	2,179,386
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the year	42,203,897	-	42,203,897	(20,994,594)	(21,209,303)	-	-	-	-	-	-	-	77,262,172	77,262,172
Shareholders' equity	**149,883,495**	**(3,465,200)**	**146,418,295**	**-**	**(21,209,303)**	**623,499**	**26,750,005**	**-**	**-**	**-**	**-**	**-**	**77,262,172**	**229,844,668**

Changes in 2004 Shareholders' equity

(in euro)	Balance as at 01 01 04 (inclusive of IAS effects)	Allocation of net income from previous year		Changes over the year								Sharehold. equity as at 31 12 04 (without IAS 32-39)
				Changes in reserves	Changes in shareholders' equity						Income (Loss) for the year 2004	
		Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordin. dividend distribution	Changes in com. stock equivalents	Derivatives on treasury shares	Stock options		
Share capital:												
a) common shares	72,000,003	-	-	-	-	-	-	-	-	-	-	72,000,003
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Share premoum	17,427,079	-	-	-	-	-	-	-	-	-	-	17,427,079
Reserves:												
a) retained earnings	1,636,455	8,523,037	8,093,024	-	-	-	-	-	-	-	-	18,252,516
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:												
a) available for sale	-	-	-	-	-	-	-	-	-	-	-	-
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-
Common stock equivalents	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the year	33,918,387	(8,523,037)	(25,395,350)	-	-	-	-	-	-	-	42,203,897	42,203,897
Shareholders' equity	**124,981,924**	**-**	**(17,302,326)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,203,897**	**149,883,495**

In financial year 2005 the share capital has been increased twice.

The first share issue was resolved following the transfer of the asset management business lines to Banca Aletti by way of a partial spin-off by Banca Popolare di Novara and of transfers of the relevant business lines by Banco Popolare di Verona e Novara and Credito Bergamasco.
As a result, Banca Aletti increased its capital share by 1,548,892.68 euro to cover the above mentioned transfers by issuing 300,173 shares, with a nominal value of 5.16 euro each, with dividend entitlement starting on January 1st, 2005, and a total share premium of 201,107.32 euro.

The second share issue, resolved during the Shareholders' meeting held on June 29th, 2005 to strengthen the capital structure of Banca Aletti, amounted to 25,000,003.92 euro with the issue of 4,844,962 shares, with a nominal value of 5.16 euro each, with dividend entitlement starting on January 1st, 2005.
As of December 31st, 2005 the Share capital is made up of 19,098,624 shares, with a unit value of 5.16 euro, equal to a total value of 98,548,899.84 euro.

The Bank holds no treasury shares, nor shares of controlling companies, nor did it purchase or sell said shares during the year, directly or by way of third parties.

Statement of cash flows (Direct method)

OPERATING ACTIVITIES *(in euro)*		2005	2004
1.	**Cash flow from operations**	**120,809,621**	**59,194,893**
	Interest income (+)	160,765,777	117,385,479
	Interest expense (-)	(169,474,849)	(112,839,015)
	Dividends and similar income	42,570,609	15,798,271
	Net commission (+/-)	96,651,015	56,901,511
	Personnel expense	(36,837,198)	(22,836,983)
	Other costs (-)	(28,020,003)	(31,073,081)
	Other revenues (+)	67,158,680	53,959,149
	Taxes and other duties (-)	(12,004,410	(18,100,438)
	Costs / revenues from group disposals and net of fiscal effect (+ / -)	-	-
2.	**Cash flow from / used in financial assets:**	**(3,797,782,340)**	**(1,091,786,160)**
	Financial assets held for trading	(1,152,429,601)	(1,086,972,240)
	Financial assets measured at fair value	(20,152,302)	(13,560,074)
	Financial assets available for sale	-	-
	Loans to customers	(245,485,687)	52,501,763
	Due from banks: on demand	(32,008,519)	68,250,691
	Due from banks: other	(2,318,700,457)	(270,421,956)
	Other assets	(29,005,775)	158,415,656
3.	**Cash flow from / used in financial liabilities:**	**3,672,579,020**	**1,058,207,337**
	Due to banks: on demand	(753,165,337)	(353,807,717)
	Due to banks: other	3,479,606,369	839,978,047
	Due to customers	327,102,635	14,790,330
	Debt securities in issue	-	-
	Financial liabilities held for trading	506,343,892	788,605,488
	Financial liabilities measured at fair value	266,978	-
	Other liabilities	112,424,483	(231,358,811)
	Net cash flow from / used in operating activities	**(4,393,699)**	**25,616,070**

INVESTING ACTIVITIES *(in euro)*	2005	2004
1. Cash flow from:	**-**	**-**
Sale of equity investments	-	-
Dividends collected on equity investments	-	-
Sale / redemption of financial assets held to maturity	-	-
Sale of property, plant and equipment	-	-
Sale of intangible assets	-	-
Sale of business lines	-	-
2. Cash flow used in:	**(1,139,670)**	**(224,216)**
Purchase of equity investments	(900,000)	-
Purchase of financial assets held to maturity	-	-
Purchase of property, plant and equipment	(239,670)	(224,216)
Purchase of intangible assets	-	-
Purchase of business lines	-	-
Net cash flow from / used in investing activitites	**(1,139,670)**	**(224,216)**

INVESTING ACTIVITIES *(in euro)*	2005	2004
Issue / purchase of treasury shares	26,750,005	-
Issue / purchase of common stock equivalents	-	-
Dividend distribution and other	(21,209,303)	(25,395,350)
Net cash flow from / used in financing activities	**5,540,702**	**(25,395,350)**

RECONCILIATION *(in euro)*	2005	2004
Cash and cash equivalents at year start	5,746	9,242
Net cash flow generated / used during the year	7,333	(3,496)
Cash and cash equivalents at year end	**13,079**	**5,746**

Notes to the financial statements

Chapter A - Accounting standards

A.1 - Overview

Section 1 Statement of compliance with International accounting standards

These financial statements have been prepared in accordance with IAS/IFRS, as approved by the European Union and effective as at 31.12.2005, and with the adoption of IAS 32 and 39 as at January 1st, 2005. They represent the financial position, as well as the profitability and financial performance of Banca Aletti & C. S.p.A.. IAS/IFRS differ significantly from the former domestic accounting standards: set out in a specific Section of the notes to the accounts is the description of the impact from the first time adoption of international accounting standards, pursuant to IFRS 1.

The objective of these financial statements is to provide a timely guidance on the trend of the bank's global performance, based on easily and rapidly definable financial and profitability data .

Section 2 General Accounting Standards

This report is comprised by the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash-flow statement and these explanatory notes, and it is supplemented by the Executive report on operations and on the general performance of Banca Aletti.

The Financial Statements, the Statement of Cash Flows and the Statement of changes in Shareholders' equity are expressed in euro. The notes to the accounts are expressed in thousand euro.

The financial statements were drawn up so as to provide a clear, fair and correct representation of the assets and liabilities, the profits and losses and the financial position generated during the year.

Should the information required by the international accounting standards and by the directives spelled out in the Bank of Italy's Circular n. 262 of December 22nd, 2005 not suffice to provide a truthful and correct representation, the notes to the accounts provide relevant supplementary information.

Pursuant to IFRS 1, the financial statements have been prepared so as to allow the comparison with IAS-compliant comparative data. As described in the Section on the first-time adoption of IAS, the Bank made use of the option under IFRS 1 to apply the accounting standards IAS 32 and IAS 39 covering disclosure and presentation of financial statements and the recognition and measurement of financial instruments as of January 1st, 2005.
Hence, the 2004 comparative income statement was prepared in compliance with the international accounting standards, with the exception of the above mentioned IAS 32 and IAS 39.
With regard to the balance sheet, the balances as of December 31st, 2005 are comparable with the data as of January 1st, 2005, that represents the opening balance sheet with regard to the adoption of the above mentioned IAS 32 and IAS 39. Therefore, the comparative data illustrated in the tables of the Notes to

the Accounts under "Chapter B – Notes to the Balance Sheet" are based on the balances as of January 1st, 2005. As a footnote to the Note's tables there is the breakdown of the main differences between the balances as of December 31st, 2004 and January 1st, 2005 caused by the adoption of IAS 32 and IAS 39.

Although the bank holds a controlling stake recognized at cost, it did not prepare the Group Consolidated Financial Statements, in that they are already prepared by the Parent company Banco Popolare di Verona e Novara.

The bank's financial statements are audited by the auditing company Reconta Ernst & Young S.p.a. under articles 155 and 165 of L.D. 58/98, pursuant to the relevant Shareholders resolution.

The financial statements have been prepared in compliance with the following general principles:

Going concern: the financial statements are drawn up on the assumption that the Bank shall continue as a going concern;

Accrual basis of accounting: the financial statements are prepared under the accrual basis of accounting, except for cash flow information;

Consistency of presentation: the presentation and classification of items in the financial statements are retained from one financial year to the next, unless a standard or an interpretation require a presentation change, or a different presentation or classification proves to be more appropriate under IAS 8. In this case, the notes to the financial statements shall contain due disclosure of the changes introduced as compared with the previous year.

Materiality and aggregation: the faces of the balance sheet and income statements are made up of items (marked by Arabic numerals), by sub-items (marked by letters) and by further details ("of which" in items and sub-items). Items, sub-items and details make up the financial accounts. The charts comply with the guidelines released by the Bank of Italy in Circular n. 262 of December 22nd, 2005. Additional items can be added to these charts if their content cannot be associated with any of the items already shown in the charts and only if they represent significant amounts. The sub-items envisaged in the charts can be grouped together when one of the two following conditions occurs:
a) the sub-item amount is immaterial;
b) the aggregation favors a clear financial statement presentation; in this case in the notes to the accounts the sub-items that had been grouped together shall be presented separately.

The balance sheet and the income statement do not include accounts that show no amounts for the current balance sheet year, nor for the previous year..

<u>Offsetting:</u> assets and liabilities, revenues and costs shall not be offset except when offsetting is permitted or required by an international accounting standard or its interpretation, or by the prescriptions contained in the above mentioned Circular released by the Bank of Italy.

Section 3 Noteworthy events after the balance sheet date

No noteworthy events have occurred in the fist part of financial year 2006.

Section 4 Other Aspects

As of financial year 2004 the Bank opted for the Group taxation regime with regard to IRES, governed by articles from 117 to 129 of the new T.U.I.R. and by M.D. 9/06/2004, and to this end it entered a consolidation agreement with the Parent company Banco Popolare di Verona e Novara S.c.a.r.l. to join the national fiscal consolidation regime. As a result of said option, the taxable income is transferred over to the consolidating entity, and is recognized either under "Other Liabilities" or "Other Assets" as a debit or credit towards the Parent company.

Note, that in compliance with the preliminary instructions issued by the Bank of Italy when it published Circular n. 262 of December 22nd, 2005, we made use of the following options:
- no details shall be provided on types of transactions in tables showing the product breakdown of balance sheet balances (charts 2.1, 3.1, 4.1, 6.1 and 7.1 of assets and charts 4.1, and 5.1 of liabilities);
- no charts and no information on the annual changes of financial portfolios (charts 2.4, 3.3, 4.5 and 10.3 of assets and 4.5 and 5.3 of liabilities).

With regard to the information illustrated in Chapter E on risks and the associated hedging policies, in compliance with the preliminary instructions issued by the Bank of Italy when it published Circular n. 262 of December 22nd, 2005, we made use of the following options:
- with regard to notes on credit risk, only charts from A.1.1 to A.1.6 shall be presented;
- with regard to notes on derivative financial instruments, only charts A.1, A.3, A.4, and A.5 shall be presented.

The other quantitative information has been prepared along a different form from what provided for by the above mentioned Circular.
The Bank also made use of the option not to prepare the segment reporting provided for under IAS 14.

A.2 - Section devoted to the main account items

1 – Cash and cash equivalents

This item includes legal currencies, including foreign paper notes and coins and demand deposits with the Central Banks of the Country or Countries where the Group is active with companies or branches.
The item is recognized at its face value. For foreign currencies, the face value is translated into Euro at the closing exchange rate in effect at year-end.

2 – Financial assets held for trading

This category includes only debt and equity securities and the positive value of derivatives that are held for trading. Derivative contracts include those embedded in structured financial instruments that have been recognized separately from their host contract because:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of derivative;
- the hybrid instruments to which they belong are not measured at fair value with changes in fair value through profit or loss.

Financial assets are initially recognized on the settlement date in case of debt and equity securities, and on the subscription date for derivative contracts.
Upon their initial recognition, financial assets held for trading are measured at cost, meaning the instrument's fair value.

Subsequently to initial recognition, financial assets held for trading are measured at fair value.

To determine the fair value of financial assets quoted in an active market, quoted market prices are used (bid-ask prices or average prices). In the absence of an active market, estimate methods and valuation models are used, that take into account all the risk factors associated with the instruments and that are based on market inputs, such as: methods based on the fair value of other quoted instruments that are substantially the same, discounted cash flow analysis, option pricing models, recent arm's length market transactions.

In case no reliable estimate of the fair value is possible in keeping with the above guidelines, equity instruments and related derivatives are measured at cost.

Financial assets are derecognized when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial asset is disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

3 – Financial assets measured at fair value

A financial asset is measured at fair value through profit or loss upon initial recognition only when:

a) it is a hybrid contract containing one or more embedded derivatives, and the embedded derivative significantly changes the financial flows that would otherwise be expected from the contract;

b) the measurement at fair value through profit or loss makes it possible to provide a more reliable information as:

   i) it eliminates or considerably reduces a lack in homogeneity in measurement or recognition, that would otherwise be caused by measuring assets or liabilities or recognizing the associated profit and loss along different approaches;

   ii) a group of financial assets, or financial liabilities, or both is managed and its performance measured at fair value based on a documented risk management or investment strategy, and group reporting is provided internally to managers in charge of strategic functions based on this approach.

These financial assets are designated on initial recognition to be measured at fair value. Initial revenues and costs are directly recognized in profit or loss.

Financial assets are derecognized when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial asset is disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

4 – Financial assets available for sale

This category includes non-derivative financial assets not designated as Loans, Held for trading assets, Held to maturity assets or Assets measured at fair value. In specific, this category includes also shareholdings that are not held for trading and do not qualify as interests in subsidiaries, associates and joint ventures. Financial assets are initially recognized on the settlement date in case of debt and equity securities, and on the origination date in case of other financial assets not classified as loans.
Upon their initial recognition, assets are measured at cost, meaning their fair value, inclusive of transaction costs or proceeds directly associated with the instrument itself. If recognition follows a reclassification of Assets held to maturity, assets will be recognized at their fair value at the time of reclassification.

Subsequently to initial recognition, available for sale assets go on being measured at fair value through recognition of the corresponding amortized cost value in income, while profits or losses generated by changes in fair value are recognized in a specific Equity reserve until the financial asset is derecognized or an impairment loss is recognized. Upon derecognition, the cumulative gain or loss is recognized in profit or loss.

In case no reliable estimate of the fair value is possible in keeping with the above guidelines, equity instruments and related derivatives are measured at cost and written down in case of impairment.
The assessment of objective evidence of impairment losses is carried out at each balance sheet or interim reporting date. If the reasons for an impairment loss are no more valid due to an event occurring after the impairment was originally recognized, write-backs are recognized through profit and loss. The write-back in any case cannot exceed the instrument's amortized cost in the absence of previous adjustments.

Financial assets are derecognized when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial asset is disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

5 – Loans to banks and customers

Loans include loans to customers and to banks, either originated or acquired, with fixed or determinable payments, that are not quoted in an active market and that were not designated from inception as financial assets Available for sale. Loans include receivables, repurchase agreements and securities acquired as a result of a private placement or subscription, with fixed or determinable payments, not quoted in an active market. As to loans acquired without recourse, they are classified as loans, provided there are no contract provisions significantly changing the risk exposure of the assignee company.

Loans are initially recognized on the origination date or, in case of debt security, on the settlement date, based on the fair value of the financial instrument, the recognition being equal to the extended amount, or subscription price, including costs/revenues directly associated to the individual loan and that can be determined from the start of the transaction, although settled later on. Costs are excluded, that, although carrying the above characteristics, are refunded by the borrowing counterparty or fall under normal internal administrative costs. For loans that are not negotiated at arm's length market conditions, the fair value is computed using specific valuation techniques; the difference with the extended amount or the subscription price is charged directly to income. Buyback and repurchase agreements or reverse repurchase agreements are recognized in the balance sheet as loans payable or receivable. In particular, securities sold subject to repurchase agreements (repos) are recorded as loans payable with respect to the amount received spot, while securities purchased under agreements to resell (reverse repos) are recorded as loans receivable with respect to the amount paid spot.

After initial recognition, loans are valued at amortized cost, equal to the initial recognition value decreased/increased by capital refunds, write-down/write-backs and the amortization – computed along the effective interest rate method – of the difference between the extended amount and the amount repayable at maturity, typically comparable to the costs/revenues directly associated to the individual loan. The effective interest rate is determined by computing the rate that equals the loan's present value of future principal and interest cash flows, to the extended amount including costs/rewards associated with the loan. This accounting method, based on a financial logic, spreads the economic effect of costs/revenues throughout the loan's expected residual life. The amortized cost method is not used for short-term loans, whose limited life span makes the discounting effect immaterial. Said loans are measured at historical cost and their costs/revenues are recognized in the income statement linearly throughout the loan contract life.

The same measurement criterion is used for demand loans. At each balance sheet or interim report date, loans are reviewed to identify loans that due to events occurred after their initial recognition, show objective evidence of an impairment loss.

Said impaired loans undergo an analytical, or individual valuation, whereby the write-down of each loan is equal to the difference between the loan's book value at the time of measurement (amortized cost) and the present value of expected future cash flows, using the original effective interest rate. Expected cash flows factor in the expected recovery time, the estimated realizable value of collaterals, and possible costs incurred to recover the credit exposure. The cash flows of loans that are expected to be recovered within a short period of time are not discounted. The original effective interest rate of each loan remains unchanged over time, unless a loan restructuring or workout agreement has been negotiated that changes the contractual interest rate, or unless in practice the transaction bears no contractual interest.

The write-down is charged to income. The original loan value is reinstated in following financial years whenever the reasons for their original write-down no longer apply, provided said evaluation is objectively correlated to an event occurred after the write-down. Write-backs are recognized in the income statement and in any case cannot exceed the loan's amortized cost had no write-downs been carried out in the past.

Individual loans that give no objective evidence of impairment, that is generally speaking performing loans, including loans to counterparties residing in countries at risk, undergo a collective valuation. This valuation is carried out by loan classes carrying similar credit risk characteristics and their percentage loss is estimated by taking into account their historical loss experience, adjusted on the basis of current observable data, so as to estimate the loss latent in every loan group. Collectively determined write-downs are charged to income. At each balance sheet and interim report date, any additional write-down or write-back is recalculated differentially making reference to the entire performing loan book on the same date.

Sold loans are derecognized only if the sale entails the substantial transfer of all risks and rewards associated to the loans. On the contrary, should the risks and rewards associated with the sold loans be retained, the loans will continue to be recognized, although from a legal point of view the loan ownership has been actually transferred. n case the substantial transfer of risks and rewards cannot be verified, loans are derecognized if control of the loans has been relinquished. Otherwise, if be it even a partial control has been retained, the loans will continue to be recognized to the extent of the residual involvement, based on the exposure to the changes in value of the sold loans and to their changes in cash flows. Finally, sold loans are derecognized in case the contractual rights to receive the relevant cash flows are retained, with the concurrent obligation to pay said flows, and nothing more, to third parties.

6 – Investments in associates

This item includes interest held in associate companies, which are carried at equity.

Associated companies are companies where there is no controlling interest but upon which a significant influence is exercised. A significant influence is expected to be exercised whenever a shareholding is equivalent or above 20% of voting rights, and irrespective of the interest held, whenever there is the power of participating in the business and financial decisions of the investee companies.

Financial assets are initially recognized on the settlement date.

If there is an indication that an investment in an associate may be impaired, the recoverable value of the associate is estimated, including the present value of future cash flows expected to be generated by the associate, and the proceeds on the ultimate disposal of the investment. Should the resulting recoverable amount be lower than the carrying amount, the difference is recognized in the income statement. Whenever the reasons of the impairment loss are no longer valid due to an event occurring after the recognition of said impairment, write-backs are recognized in the income statement.

Financial assets are derecognized when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial asset is disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

7 – Property, plant and equipment

Tangible assets include land, core property, real estate investments, technical plants, furniture, fittings and equipment of any type. Said tangible assets are held to be used for the production or provision of goods and services, to be rented to third parties, or for administrative use, and they are expected to be used for more than one period. This item includes also assets associated with finance lease contracts, provided that the legal ownership of the assets rests within the leasing company. Said item also includes improvements and incremental expenses incurred on third party assets that do not fall under "other assets".

Tangible assets are initially recognized at cost, which includes the purchase price and all expenditures directly attributable to the acquisition of the item and to bring the asset to working conditions. Non-recurring maintenance costs entailing probable future economic benefits are included in the asset's carrying amount, while other repairs and maintenance are charged to income.
Tangible assets, including "non-core" property, are measured at cost, less any depreciation and impairment. Tangible assets are systematically depreciated throughout their useful life, along the straight-line method.

At each balance sheet date, if there is an indication that an asset may be impaired, the asset's carrying amount is compared with its recoverable amount, that is equal to the lower of the asset's fair value, net of sale costs, and its value in use, meaning the present value of future cash flows originated by the asset. Any write-downs are charged to income. Whenever the reasons of the impairment loss are no longer valid, write-backs are recognized, that must not exceed the asset's value had no impairment taken place in the past, net of accrued depreciation.

A tangible asset is derecognized from the balance sheet at the time of disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

8 – Intangible assets

Intangible assets include goodwill, costs to restructure branches and other rented buildings, and software applications to be used for several years. Goodwill is the positive difference between the cost of the acquisition and the fair value of the acquired assets and liabilities. Other intangible assets are recognized as such if identifiable and if originating from legal or contractual rights.

An intangible asset can be recognized as goodwill when the positive difference between the cost of the acquisition (including accessory charges) and the fair value of the acquired assets and liabilities is representative of future economic benefits to be generated by the subsidiary (goodwill). Should this difference be negative (badwill) or in the assumption that goodwill is not justified by the anticipated future economic benefits generated by the subsidiary, the difference is directly recognized in the income statement.

Other intangible assets are carried at cost including any accessory charges only if it is probable that the future economic benefits that are attributable to the asset will be realized and if the cost of the asset can be measured reliably. Otherwise, the cost of the intangible asset is recognized in the income statement of the year in which it was incurred.

Goodwill is tested any time there is evidence of an impairment, and in any case at least once a year following the preparation of the three-year plan an impairment test is carried out. To this end, the cash-generating unit to which the goodwill is allocated is identified. The impairment amount is calculated based on the difference between the goodwill's carrying amount and its recoverable amount, if lower. Said recoverable amount is equal to the lower of the fair value of the cash-generating unit, net of selling costs, and its value in use. The value in use is the current value of future financial flows expected from cash-generating units to which goodwill was allocated. Any resulting write-down is charged to income.

The cost of intangible assets is amortized on a straight-line basis over its useful life. If their useful life is not definable, amortization will not be applied, and periodically the assets will be tested for impairment. At each balance sheet date, if there is evidence of impairment losses, the asset's recoverable amount is estimated. The loss, which is charged to income, is equal to the difference between the asset's carrying amount and its recoverable amount.

An intangible asset is derecognized from the balance sheet at the time of disposal and whenever no more future economic benefits are expected.

9 – Tax assets and liabilities

Said items include current and deferred tax assets, and current and deferred tax liabilities.

Income tax is recognized in the income statement, with the exception of taxes on items credited or debited directly to equity. Income tax provisions are based on a conservative projection of the current tax burden, together with deferred tax assets and liabilities.

Deferred tax assets and liabilities are based on temporary differences arising between the tax base of assets and liabilities and their carrying amounts, without any time limits.

Deferred tax assets are recognized when it is probable that they can be recovered. Deferred tax liabilities are always recognized, with the exception of higher assets under tax suspension represented by equity investments and reserves under tax suspension, as it is reasonable to believe that no operations will be performed deliberately that would trigger taxation. Recognized deferred tax assets and liabilities are systematically measured to account for any regulatory or tax rate changes. The tax provision also accounts for charges associated with possible litigations with fiscal authorities.

10 – Other assets

This item includes assets that do not belong to the other balance sheet assets items.

11 – Due to banks and customers

The items "Due to banks", "Due to customers" include various forms of interbank and customer loans.

These financial liabilities are first recognized when the raised amounts are received. The initial recognition is based on the fair value of liabilities, generally the consideration received or the issue price, plus any additional costs/revenues directly attributable to the single funding or issue operation and not refunded by the lending counterparty. Internal administrative costs are excluded.

After initial recognition, financial liabilities are measured at amortized cost along the effective interest rate method. Short term liabilities are an exception, if the time factor is immaterial: they are stated at their received value and any incurred costs are charged to income on a straight-line basis over the liability contract life.

Financial liabilities are derecognized when expired or exhausted.

12 – Trading liabilities

This item includes the negative amount trading derivative contracts measured at fair value, financial liabilities held for trading and technical overdrafts on securities.

It also includes embedded derivatives, which were separated from their host financial instruments under IAS 39.

Gains and losses from changes in the fair value and/or from the sale of trading instruments are stated in the income statement.

Trading liabilities are derecognized when expired or exhausted.

13 – Trading liabilities measured at fair value

A financial asset is measured at fair value through profit or loss upon initial recognition only when:

a) it is a hybrid contract containing one or more embedded derivatives, and the embedded derivative significantly changes the financial flows that would otherwise be expected from the contract

b) the measurement at fair value through profit or loss makes it possible to provide a more reliable information as:

   i) it eliminates or considerably reduces a lack in homogeneity in measurement or recognition, that would otherwise be caused by measuring assets or liabilities or recognizing the associated profit and loss along different approaches;

   or

   ii) a group of financial assets, or financial liabilities, or both is managed and its performance measured at fair value based on a documented risk management or investment strategy, and group reporting is provided internally to managers in charge of strategic functions based on this approach.

The financial liabilities under examination are measured at *fair value* right from the initial recognition. Initial revenues and charges are immediately charged or credited to income.

This item shows the technical overdrafts associated with financial assets measured at fair value posted under Item 30 of Assets.

Financial liabilities are derecognized when expired or exhausted.

14 – Other liabilities

This item includes liabilities that cannot be associated with other balance sheet liability items.
For example, this item may include payables associated with the payment of provisions of goods and services.

15 – Provisions for risks and charges

Other provisions for risks and charges include the provisions related to present obligations originated from past events where it is more likely than not that an outflow of resources will be required to settle the obligation, provided the amount can be reliably estimated.

The sub-item “other provisions” show the provisions for risks and charges that were set aside in compliance with international accounting standards.

The Bank recognizes provisions for risks and charges only when:
- there is a present obligation (legal or constructive) as a result of past events;
- it is likely that an outflow of resources will be required to produce economic benefits to settle the obligation; and;
- the obligation amount can be reliably estimated.

Whenever the time factor is significant, provisions are discounted using current market rates. The effect of discounting to net present value is recognized in the income statement.

16 – Valuation reserves

This item includes valuation reserves for financial assets available for sale.

17 – Reserves

This item includes retained earnings.

18 – Foreign currency transactions

Upon initial recognition, foreign currency transactions are recognized in the money of account, and the exchange rate applied to the amount expressed in foreign currency is the one in effect at the date of the transaction.

At each balance sheet date, items expressed in foreign currencies are measured as follows:
- cash items are translated at the exchange rate in effect at the closing date;
- non-cash items measured at their historical cost are translated at the exchange rate in effect at the date of transaction;
- non-cash items measured at fair value are translated based on the exchange rates in effect at the closing date.

Exchange rate differences originated by the settlement of cash items, or by the translation of cash items at rates other than the initial ones, or by the conversion of the previous financial statements, are recognized in the income statement at the time of their accrual.

19 – Other information

Employee Benefit Plans

Employee termination benefits are stated at their actuarial value. The determination of the net present value is based on the projected unit credit method, where future obligations are projected based on statistical historical analyses and demographic curves, and cash flows are discounted based on a market interest rate.

Pension plans and liabilities associated with the so called "personnel seniority premiums" are classified either as defined benefit plans or defined contribution plans.
Under defined contribution plans, the charge associated with the contributions to be paid under the plan is recognized in the income statement, under defined benefit plans, the burden of insufficient contributions or an insufficient return from the assets contributions have been invested in falls onto the company. The liability calculation is based on the actuarial methodology defined in IAS 19.

Dividends and revenue recognition

Revenues are recognized when received or in any case when it is likely that future benefits will be received and that said benefits can be reliably measured. In particular:

- default interests, if provided for by the contract, are recognized in the income statement only when actually collected;
- dividends are recognized in the income statement when their distribution is ratified;
- revenues from the brokerage of trading financial instruments, represented by the difference between the transaction price and the instrument fair value, are recognized in the income statement when the transaction is recognized if the fair value can be measured based on recent parameters or transactions performed on the same market on which the instrument is traded. Proceeds from financial instruments that cannot be measured along the above procedure are taken to the income statement throughout the transaction's life.

Chapter B - Notes to the Balance Sheet
Assets

Section 1
Cash and cash equivalents
Item 10

1.1 Cash and cash equivalents: breakdown

(in thousand euro)	31-12-2005	01-01-2005
a) Cash	13	6
b) Demand deposits with Central Banks	-	-
Total	**13**	**6**

The item includes the cash banknotes and coins at the Bank's offices.

Section 2
Financial assets held for trading

2.1 Financial assets held for trading: product breakdown

As at December 31st, 2005 financial assets amounted to 2,842,205 thousand euro. Shown below is the breakdown of financial assets.

(in thousand euro)	31-12-2005		01-01-2005	
	Listed	Unlisted	Listed	Unlisted
A. Financial assets				
1. Debt securities	355,817	131,513	321,901	25,721
1.1 Structured notes	1,004	260	-	-
1.2 Other debt securities	354,813	131,253	321,901	25,721
2. Equity securities	236,870	-	27,714	-
3. UCITS units	799	485,019	4,056	166,499
4. Loans	-	-	-	-
4.1 Repurchase agreements - receivable	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not written off	-	-	-	-
Total A	**593,486**	**616,532**	**353,671**	**192,220**
B. Derivatives				
1. Financial derivatives	58,068	1,574,119	1,794	1,142,092
1.1 trading derivatives	58,068	1,574,119	1,794	1,142,092
1.2 associated with fair value option	-	-	-	-
1.3 other	-	-	-	-
2. Credit derivatives	-	-	-	-
1.1 trading derivatives	-	-	-	-
1.2 associated with fair value option	-	-	-	-
1.3 other	-	-	-	-
Total B	**58,068**	**1,574,119**	**1,794**	**1,142,092**
Total (A+B)	**651,554**	**2,190,651**	**355,465**	**1,334,312**

Item "A – 1.2 Other debt securities - Unlisted" referring to January 1st, 2005 includes the effects from the adoption of IAS 32 – 39 amounting to 329 thousand euro. The same Item on December 31st, 2004 would have been equal to 25,392 thousand euro.
Item "B – 1.1 Trading Financial Derivatives - Unlisted" referring to January 1st, 2005 includes the effects from the adoption of IAS 32 – 39 amounting to –13,563 thousand euro. The same Item on December 31st, 2004 would have been equal to 1,155,655 thousand euro

2.2 Financial assets held for trading: breakdown by debtors/issuers

(in thousand euro)	31-12-2005	01-01-2005
A. FINANCIAL ASSETS		
1. Debt securities	**487,330**	**347,622**
a) Governments and Central banks	341,727	272,672
b) Other state agencies	1,115	23
c) Banks	117,757	57,565
d) Other issuers	26,731	17,362
2. Equity securities	**236,870**	**27,714**
a) Banks	16,574	4,535
b) Other issuers:	220,296	23,179
- insurance companies	21,016	1,307
- financial companies	6,477	3,607
- non-financial businesses	192,804	18,265
- other	-	-
3. Units in UCITS	**485,818**	**170,554**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other state agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central banks	-	-
b) Other state agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold and not written off	**-**	**-**
a) Governments and Central banks	-	-
b) Other state agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**1,210,018**	**545,890**
B. DERIVATIVES		
a) Banks	1,518,763	1,044,807
b) Customers	113,424	99,079
Total B	**1,632,187**	**1,143,886**
Total (A+B)	**2,842,205**	**1,689,776**

Item "A – 1.c Debt securities issued by banks" referring to January 1st, 2005 includes the effects from the adoption of IAS 32 – 39 amounting to 329 thousand euro. The same Item on December 31st, 2004 would have been equal to 57,236 thousand euro.
Item "B - a Derivative instruments with banks" referring to January 1st, 2005 includes the effects from the adoption of IAS 32 – 39 amounting to –13,563 thousand euro. The same Item on December 31st, 2004 would have been equal to 1,058,370 thousand euro.

Shown below is the breakdown of UCITS units as of December 31st, 2005:
- Equity: 231,523 thousand euro;
- Monetary: 254,295 thousand euro.

2.3 Financial assets held for trading: derivative instruments

Shown below is the chart illustrating Financial assets subdivided by underlying instrument.

(in thousand euro)	Interest rates	Currency and gold	Equity securities	Loans	Other	31-12-2005	01-01-2005
A. Listed derivatives							
1. Financial derivatives:	**-**	**-**	**58,068**	**-**	**-**	**58,068**	**1,794**
a) With exchange of capital	-	-	58,068	-	-	58,068	1,794
- purchased options	-	-	58,068	-	-	58,068	1,794
- other derivatives	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
- purchased options	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
Total A	**-**	**-**	**58,068**	**-**	**-**	**58,068**	**1,794**
B. Unlisted derivatives						**-**	
1. Financial derivatives:	**851,555**	**128,501**	**422,084**	**-**	**171,979**	**1,574,119**	**1,142,092**
a) With exchange of capital	-	128,476	8,898	-	34	137,408	170,680
- purchased options	-	106,573	8,898	-	34	115,505	164,631
- other derivatives	-	21,903	-	-	-	21,903	6,049
b) Without exchange of capital	851,555	25	413,186	-	171,945	1,436,711	971,412
- purchased options	68,301	25	413,186	-	171,839	653,351	481,804
- other derivatives	783,254	-	-	-	106	783,360	489,608
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
Total B	**851,555**	**128,501**	**422,084**	**-**	**171,979**	**1,574,119**	**1,142,092**
Total (A+B)	**851,555**	**128,501**	**480,152**	**-**	**171,979**	**1,632,187**	**1,143,886**

Section 3 Financial assets measured at fair value Item 30

3.1 Financial assets measured at fair value: product breakdown

(in thousand euro)	31-12-2005 Listed	Unlisted	01-01-2005 Listed	Unlisted
1. Debt securities	-	67,305	-	48,241
1.1 Structured notes	-	1,195	-	8,105
1.2 Other debt securities	-	66,110	-	40,136
2. Equity securities	-	268	-	-
3. Units in UCITS	-	11,171	-	10,351
4. Loans	-	-	-	-
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not written off	-	-	-	-
Total	**-**	**78,744**	**-**	**58,592**
Cost	**-**	**76,975**	**-**	**55,932**

Item "A – 1 – 1.2 Other debt securities – Unlisted" referring to January 1st, 2005 includes the effects from the adoption of IAS 32 – 39 amounting to 358 thousand euro. The same Item on December 31st, 2004 would have been equal to 39,778 thousand euro.

The Item "Debt securities" is comprised of bonds issued by Gruppo BPVN for 67,305 thousand euro.
Item "UCITS units" is comprised of units in Hedge Funds for 11,033 thousand euro (made up of investments on "other assets") and in Private Equity Funds for 138 thousand euro.
Item "Equity Securities" refers to an insurance policy entered with an Insurance Company as part of a Supplementary Pension Scheme aiming at fostering the loyalty of our Top Management.

The intragroup securities portfolio refers to the repurchase of said bonds, which are eliminated upon consolidation, and have an impact on the financial statements of Banca Aletti depending on the trading activities performed on the secondary market. For these financial instruments, the classification in the macroportfolio of Assets at Fair Value Through Profit and Loss (AFVTPL) is consistent with the objectives associated with the trades performed on said securities and allows for an accounting representation much more in line with the associated business logics.
The hedge fund units in Banca Aletti's portfolio were purchased to take in profits from the fund's long term performance and not to profit from the purchase and sale of the units themselves (trading activity as is). Hence, the classification under AFVTPL is consistent with the type of trading performed on said assets, as compared with, for example, a classification under HFT (Held For Trading), which would entail a frequent purchase and sale activity, or compared with the recog-

nition under AFS (Available For Sale), since the investment logics cannot be associated with assets that are available for sale.

3.2 Financial assets measured at fair value: breakdown by debtors/ issuers

(in thousand euro)	31-12-2005	01-01-2005
1. Debt securities	**67,305**	**48,241**
a) Governments and Central banks	-	-
b) Other state agencies	-	-
c) Banks	67,305	48,241
d) Other issuers	-	-
2. Equity securities	**268**	**-**
a) Banks	-	-
b) Other issuers:	268	-
- insurance companies	268	-
- financial companies	-	-
- non-financial businesses	-	-
- other	-	-
3. UCITS units	**11,171**	**10,351**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other state agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central banks	-	-
b) Other state agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold and not written off	**-**	**-**
a) Governments and Central banks	-	-
b) Other state agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**78,744**	**58,592**

Item "1.c – Debt securities issued by banks" referring to January 1st, 2005 includes the effects from the adoption of IAS 32 – 39 amounting to 358 thousand euro. The same item as of December 31st, 2004 would have amounted to 47,883 thousand euro.

Section 4 Financial assets available for sale Item 40

4.1 Financial assets available for sale: product breakdown

(in thousand euro)	31-12-2005 Listed	31-12-2005 Unlisted	01-01-2005 Listed	01-01-2005 Unlisted
1. Debt securities	-	-	-	-
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	-	-	-
2. Equity securities	-	3,274	-	2,651
3. Units in UCITS	-	-	-	-
4. Loans	-	3,274	-	2,651
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not written off	-	-	-	-
Total	**-**	**3,274**	**-**	**2,651**

Item "Equity Securities - Other" includes the effects caused by IAS 32 – 39 amounting to 1,556 thousand euro. The same Item as of December 31st, 2004 would have amounted to 1,095 thousand euro.

Item "Equity Securities " comprises shareholdings in the following companies:

- Borsa Italiana S.p.A. totaling 2,747 thousand euro (0.86% interest);
- Società Italiana per l'Automazione (SIA) totaling 527 thousand euro (0.81% interest).

Said assets were measured at Fair Value and in 2005 led to the recognition of a capital gain of 623 thousand euro. Said capital gain was posted in the specific Liabilities item "Valuation Reserve".

4.2 Financial assets available for sale: breakdown by debtors/issuers

(in thousand euro)	31-12-2005	01-01-2005
1. Debt securities	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity securities	**3,274**	**2,651**
a) Banks	-	-
b) Other issuers:	3,274	2,651
- insurance companies	-	-
- financial companies	-	-
- non-financial businesses	3,274	2,651
- other	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
6. Assets sold and not written off	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**3,274**	**2,651**

Section 6 Due from banks Item 60

6.1 Due from banks: product breakdown

(in thousand euro)	31-12-2005	01-01-2005
A. Due to Central banks	**17,746**	**1,143**
1. Time deposits	-	-
2. Obligatory reserve	17,746	1,143
3. Repurchase agreements - receivables	-	-
4. Other	-	-
B. Due to other banks	**7,482,912**	**5,147,297**
1. Checking accounts and demand deposits	41,465	26,408
2. Time deposits	2,599,167	2,073,494
3. Other loans	4,842,280	3,047,394
3.1 Repurchase agreements - receivables	4,842,280	3,047,394
3.2 Financial lease	-	-
3.3 Other	-	-
4. Debt securities	-	-
3.1 Repurchase agreements - receivables	-	-
3.2 Financial lease	-	-
3.3 Other	-	-
5. Impaired assets	-	-
6. Assets sold and not written off	-	-
Total (book value)	**7,500,658**	**5,148,439**
Total (fair value)	**7,500,658**	**5,148,439**

This item comprises short term loans to banks, whose book value is close to fair value.

Item 3.1 "Repurchase agreements – receivables" as of December 31st, 2005 breaks down as follows:

- Repurchase agreements totaling 4,759,003 thousand euro;
- Securities Lending totaling 83,277 thousand euro.

Section 7 Loans to customers Item 70

7.1 Loans to customers: product breakdown

	(in thousand euro)	31-12-2005	01-01-2005
1	Checking accounts	31,526	14,035
2	Repurchase agreements - receivables	247,912	19,917
3	Mortgages	-	-
4	Credit cards, personal and payroll secured loans	-	-
5	Finance leases	-	-
6	Factoring	-	-
7	Other	-	-
8	Debt securities	-	-
9	Impaired assets	-	-
10	Assets sold and not written off	-	-
	Total	**279,438**	**33,952**

Item 1 – Checking Accounts is mainly comprised by the cash deposited with the Clearing house Cassa di Compensazione e Garanzia amounting to 28,843 thousand euro.

Item 2 - “Repurchase agreements - receivables” breaks down as follows:
- Repurchase agreements totaling 39,925 thousand euro;
- Securities Lending totaling 207,987 thousand euro.

7.2 Loans to customers: breakdown by debtors/issuers

(in thousand euro)	31-12-2005	01-01-2005
1. Debt securities	**-**	**-**
a) Governments	-	-
b) Other public agencies	-	-
c) Other issuers	-	-
- non-financial businesses	-	-
- financial institutions	-	-
- insurance companies	-	-
- other	-	-
2. Loans to	**279,438**	**33,952**
a) Governments	**-**	**-**
b) Other public agencies	-	-
c) Other issuers	279,438	33,952
- non-financial businesses	28,843	7,455
- financial institutions	247,915	25,588
- insurance companies	-	-
- other	2,680	909
3. Impaired assets	**-**	**-**
a) Governments	-	-
b) Other public agencies	-	-
c) Other issuers	-	-
- non-financial businesses	-	-
- financial institutions	-	-
- insurance companies	-	-
- other	-	-
4. Assets sold and not written off	**-**	**-**
a) Governments	-	-
b) Other public agencies	-	-
c) Other issuers	-	-
- non-financial businesses	-	-
- financial institutions	-	-
- insurance companies	-	-
- other	-	-
Total	**279,438**	**33,952**

Section 10 Equity investments Item 100

10.1 Equity investments in jointly controlled companies (carried at equity) and in companies under a significant influence: shareholding information

(in thousand euro)	Head office	Share-holding %	Voting rights
A. Fully controlled companies			
1. Aletti Fiduciaria S.p.A.	Milan	100%	100%
C. Companies under significant influence			
1. Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	Milan	25%	25%

10.2 Equity investments in jointly controlled companies and in companies under a significant influence: accounting information

(in thousand euro)	Total Assets	Total Revenues	Profit (Loss)	Shareholders' equity	Book value	Fair Value
A. Fully controlled companies	**1,455**	**720**	**6**	**1,024**	**1,025**	**X**
1. Aletti Fiduciaria S.p.A.	1,455	720	6	1,024	1,025	X
C. Companies under significant influence	**100**	**30**	**6**	**86**	**20**	**X**
1. Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	100	30	6	86	20	X
Total	**1,555**	**750**	**12**	**1,110**	**1,045**	**X**

In the course of 2005, a share capital increase for Aletti Fiduciaria was subscribed, amounting to 880 thousand euro. The carrying value of this equity investment as a result went from 145 thousand euro to 1,025 thousand euro. This capital increase was resolved in order to allow Aletti Fiduciaria to better pursue its growth targets.

10.4 Commitments associated with interests in subsidiaries

As at December 31st, 2005 the Bank has no outstanding commitments towards its subsidiary.

10.6 Commitments associated with interests in companies under a significant influence

As at December 31st, 2005 the Bank has no outstanding commitments towards its associate.

Section 11 Property, Plant and Equipment Item 110

Tangible assets amounted to 1,363 thousand euro, net of associated depreciation provisions.

11.1 Property, Plant and Equipment: breakdown of assets measured at cost

(in thousand euro)	31-12-2005	01-01-2005
A. Operational property		
1. Owned	1,363	1,674
a) land	-	-
b) buildings	-	-
c) furniture	1,012	1,250
d) electronic systems	3	39
e) other	348	385
2. Under financial lease	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total A	**1,363**	**1,674**
B. Investment property		
1. Owned	-	-
a) land	-	-
b) buildings	-	-
2. Under financial lease	-	-
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
Total (A+B)	**1,363**	**1,674**

11.3 Tangible assets held for operational use: annual changes

(in thousand euro)	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**-**	**2,674**	**733**	**1,574**	**4,981**
A.1 Net write-downs	-	-	(1,424)	(694)	(1,189)	(3,307)
A.2 Net opening balance	-	-	1,250	39	385	1,674
B. Increases:	**-**	**-**	**107**	**3**	**129**	**239**
B.1 Purchase	-	-	107	3	129	239
B.2 Capitalized expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes carried at:						-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Trasfer from investment properties	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**(345)**	**(39)**	**(166)**	**(550)**
C.1 Sale	-	-	-	-	-	-
C.2 Depreciation	-	-	(345)	(39)	(166)	(550)
C.3 Impairment losses	-	-	-	-	-	-
charged to	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
C.4 Negative fair value changes	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) non-current assets classified as AFS	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**1,012**	**3**	**348**	**1,363**
D.1 Total net write-downs	-	-	(1,769)	(733)	(1,355)	(3,857)
D.2 Gross closing balance	-	-	2,781	736	1,703	5,220
E. Measured at cost	**-**	**-**	**1,012**	**3**	**348**	**1,363**

Section 12 Intangible assets Item 120

12.1 Intangible assets: breakdown by type of asset

Intangible assets amounted to 5 thousand euro, net of amortization.

(in thousand euro)	31-12-2005 Limited life	Unlimited life	01-01-2005 Limited life	Unlimited life
A.1 Goodwill		**-**		**1,800**
A.2 Other intangible assets	**5**	**-**	**8**	**-**
A.2.1 Assets measured at cost:	5	-	8	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	5	-	8	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**5**	**-**	**8**	**1,800**

During the year, as a result of Impairment Tests, Banca Aletti carried out goodwill impairments amounting to 1,800 thousand euro referring to the goodwill paid to acquire the asset management business line from Aletti Invest Sim. This impairment cancelled off the above goodwill and it was made necessary due to the failure to reach the margins and the associated profitability that were expected from Banca Aletti based on the asset growth assumptions made when the goodwill to be paid was calculated.

12.2 Intangible assets: annual changes

Intangible assets underwent the following changes:

(in thousand euro)	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Lim.	Unlim.	Lim.	Unlim.	
A. Opening balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
A.1 Net write-downs	(4,829)	-	-	(2)	-	(4,831)
A.2 Net opening balance	1,800	-	-	7	-	1,807
B. Increases:	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchase		-	-	-	-	-
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes:		-	-	-	-	-
- net equity	X	-	-	-	-	-
- income	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases:	**(1,800)**	**-**	**-**	**(2)**	**-**	**(1,802)**
C.1 Sale	-	-	-	-	-	-
C.2 Write-downs	(1,800)	-	-	(2)	-	(1,802)
- Amortization	X	-	-	-	-	-
- Write-downs	(1,800)	-	-	-	-	(1,800)
- net equity	X	-	-	-	-	-
- income	-	-	-	-	-	-
C.3 Negative fair value changes	-	-	-	-	-	-
- carried at equity	X	-	-	-	-	-
- carried at income	X	-	-	-	-	-
C.4 Transers to non-current assets AFS	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing balance	**-**	**-**	**-**	**5**	**-**	**5**
D.1 Total net write-downs	(6,629)	-	-	(4)	-	(6,633)
E. Gross closing balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
F. Measured at cost	**-**	**-**	**-**	**5**	**-**	**5**

Section 13 Tax assets and liabilities Item 130 of assets and Item 80 of liabilities

Deferred taxes are measured along the "balance sheet liability method" prescribed by IAS 12 in compliance with the instructions issued by the Bank of Italy. In particular, deferred tax assets and liabilities are measured by applying the tax rates to the nominal values of all the deductible and taxable temporary differences that, according to the fiscal regulations in force at the balance sheet date, shall be in effect at the date in which said differences are likely to be reversed. The tax rates and the method to measure the taxable income with regard to IRES and IRAP are modified from year to year to endorse the new regulations (for example, the changes in tax rates) and depending on the company's income projections (posting under credit and debit the amounts that are considered to be consistent with the actual likelihood of recovering or owing said amounts).

13.1 Deferred tax assets: breakdown

(in thousand euro)	Ires	Irap	31-12-2005	01-01-2005
Deferred tax assets offset against P&L	**9,088**	**844**	**9,932**	**7,966**
Taxed undeductible generic risk provisions (ex art. 107)	399	-	399	-
Undeductible expenses covering multiple years (ex art. 108)	121	19	140	56
Undeductible Capital losses on working capital shares (ex art. 94 c. 4)	1,352	215	1,567	44
Taxes levied on economic impacts from the adoption of IAS	1,778	267	2,045	3,476
IAS compliant employee bonuses (IAS)	41	-	41	9
Other	5,397	343	5,740	4,381
Total	**9,088**	**844**	**9,932**	**7,966**

13.2 Deferred tax liabilities: breakdown

(in thousand euro)	Ires	Irap	31-12-2005	01-01-2005
Offsetting P&L	**7,569**	**1,557**	**9,126**	**1,411**
Capital gains accounted for in the balance sheet from hedge funds	5,066	1,159	6,225	624
Capital gains on working capital shares (art. 94, co. 4)	2,217	353	2,570	221
Accelerated depreciation of PPE (art. 67, co. 3)	273	43	316	298
Taxes levied on economic impact from adoption of IAS	-	-	-	268
Other	13	2	15	-
Total	**7,569**	**1,557**	**9,126**	**1,411**

13.3 Changes in deferred tax assets (offsetting P&L)

(in thousand euro)	31-12-2005	01-01-2005
1. Opening balance	**7,967**	**4,218**
2. Increases	**6,155**	**7,893**
2.1 Deferred taxes assets for the year	6,155	7,893
a) for prior years	-	-
b) due to changes in accounting standards	77	3,410
c) write-backs	-	-
d) other	6,078	4,483
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**4,190**	**4,144**
3.1 Deferred taxes assets derecognized over the year	4,190	4,144
a) transfers	2,714	4,112
b) write-down of non-recoverable		
c) changes in accounting standards	1,476	32
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**9,932**	**7,967**

To calculate deferred tax assets, the Company considered that in the coming years there is the reasonable certainty of generating profits allowing to recover the amounts posted in the balance sheet.

13.4 Changes in deferred tax liabilities (offsetting P&L)

(in thousand euro)	31-12-2005	01-01-2005
1. Opening balance	**1,411**	**220**
2. Increases	**8,867**	**1,191**
2.1 Deferred taxes for the year	8,867	1,191
a) for prior years	-	-
b) due to changes in accounting standards	15	268
c) other	8,852	923
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**1,152**	**-**
3.1 Deferred taxes derecognized over the year	1,152	-
a) transfers	884	-
b) due to changes in accounting standards	268	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**9,126**	**1,411**

Section 15 Other assets

15.1 Other assets: breakdown

(in thousand euro)	31-12-2005	01-01-2005
A. Loans and Receivables	**73,797**	**34,898**
1. Due from companies of the group as a result of the tax consolidation	16,186	21,994
2. Commission receivables	57,611	1,877
3. Other receivables	-	11,027
B. Other items	**63,409**	**87,210**
1. Items in processing	26,846	4,565
2. Securities and coupons still to be settled	35,694	47,684
3. Other transactions still to be settled	372	11,620
4. Other items	497	23,341
Total	**137,206**	**122,108**

"Due from the Parent company under the Fiscal Consolidation" mainly refer to the IRES advanced payments, amounting to 15,287 thousand Euro, paid to Banco Popolare di Verona e Novara in its capacity as single taxpayer as a result of our adhesion to the Fiscal Consolidation option.

Item "Commission receivables" is mainly comprised of 46,282 thousand euro worth of "Due from Companies of the Group" for the provision of services accrued at the end of the year, 6,159 thousand euro worth of commission receivables for asset management performances and 5,042 thousand euro worth of carrying commission receivables to be paid by Sicav and SGR. Shown below are the commission receivables due from the companies of the group subdivided by counterparty:

• Banco Popolare di Verona e Novara	Euro	10,767 thousand;
• Credito Bergamasco	Euro	5,493 thousand;
• Banca Popolare di Novara	Euro	6,368 thousand;
• BPVN – London branch	Euro	66 thousand;
• BPV – Luxembourg	Euro	1,336 thousand;
• Aletti Gestielle SGR	Euro	17,525 thousand;
• Aletti Gestielle Alternative SGR	Euro	3,841 thousand;
• Aletti Fiduciaria	Euro	144 thousand;
• Società Gestione Servizi BVN	Euro	232 thousand;
• Aletti Merchant	Euro	70 thousand;
• Aletti Private Equity SGR	Euro	153 thousand;
• BPVN Vita	Euro	288 thousand.

"Items in processing" is mainly comprised by due form customers referring to the Capital Gain generated in 2005 on Assets under Management belonging to said customers and to be paid to the Tax Agency.

Item "Securities and coupons to be settled" corresponds to securities deals, executed both on our own behalf and for third parties in the last days of 2005, that were settled in the first days of the new year. This Item is correlated to the items to be settled posted in the corresponding Item "Other Liabilities" of Liabilities.

Liabilities

Section 1
Due to banks
Item 10

1.1 Due to banks: product breakdown

(in thousand euro)	31-12-2005	01-01-2005
1. Due to Central banks	**-**	**-**
2. Due to other banks	**8,221,923**	**5,495,482**
2.1 Checking accounts and demand deposits	61,204	813,943
2.2 Time deposits	2,998,060	1,599,743
2.3 Loans	-	-
2.3.1 finance lease	-	-
2.3.2 other	-	-
2.4 Commitments to repurchase own shares	-	-
2.5 Liabilities associated with assets sold and not written off	5,162,659	3,081,796
2.5.1 Repurchase agreements - payables	5,162,659	3,081,796
2.5.2 other	-	-
2.6 Other payables	-	-
Total	**8,221,923**	**5,495,482**
Fair Value	**8,221,923**	**5,495,482**

Show below is the makeup of item 2.5.1 "Repurchase agreements - payables" as at December 31st, 2005:

- Repurchase Agreements totaling 4,877,415 thousand euro;
- Securities Lending totaling 285,244 thousand euro.

Section 2
Due to customers
Item 20

2.1 Due to customers: product breakdown

(in thousand euro)	31-12-2005	01-01-2005
1. Checking accounts and demand deposits	187,894	113,107
2. Time deposits	7,813	8,616
3. Third party assets under custody	-	-
4. Loans	-	-
5. Commitments to repurchase own shares	-	-
6. Liabilities associated with assets sold and not written off	293,174	40,056
6.1 Repurchase agreements - payables	293,174	40,056
7. Other payables	-	-
Total	**488,881**	**161,779**
Fair Value	**488,881**	**161,779**

Show below is the makeup of item 6.1 “Repurchase agreements - payables”:

- Repurchase Agreements totaling 84,662 thousand euro;
- Securities Lending totaling 208,512 thousand euro.

Section 4 Financial liabilities held for trading Item 40

4.1 Financial liabilities held for trading: product breakdown

Trading liabilities as at December 31st, 2005 totaled 1,702,919 thousand euro. Shown below is the breakdown of said item.

(in thousand euro)	31-12-2005			01-01-2005		
		FV			FV	
	NV	L	UL	NV	L	UL
A. Financial liabilities						
1. Due to banks	499	1,873	-	-	-	-
2. Due to customers	129	8,482	-	-	-	-
3. Debt securities	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-
Total A	**628**	**10,355**	**-**	**-**	**-**	**-**
B. Derivative instruments	**X**			**X**		
1. Financial	-	32,069	1,660,496	-	-	1,196,575
1.1 Trading	X	32,069	1,660,495	X	-	1,196,575
1.2 Associated with fv option	X	-	-	X	-	-
1.3 Other	X	-	-	X	-	-
2. Credit	-	-	-	-	-	-
2.1 Trading	X	-	-	X	-	-
2.2 Associated with fv option	X	-	-	X	-	-
2.3 Other	X	-	-	X	-	-
Total B	**X**	**32,069**	**1,660,495**	**X**	**-**	**1,196,575**
Total (A+B)	**X**	**42,424**	**1,660,495**	**X**	**-**	**1,196,575**

FV = Fair value
NV = Nominal value
L = Listed
UL = Unlisted

Item "B – 1.1 Trading financial derivatives" referring to January 1st, 2005 includes the effects from the adoption of IAS 32 – 39 amounting to 4,745 thousand euro. The same item on December 31st, 2004 would have amounted to 1,201,320 thousand euro

Item "Due to Banks" includes the technical overdrafts on listed stocks issued by Lending Institutions.
Item "Due to Customers" includes the technical overdrafts on listed stocks issued by Other companies.

4.4 Financial liabilities held for trading: derivative instruments

Shown below is the table describing Financial liabilities broken down by type of underlying instrument.

(in thousand euro)	Tassi di interesse	Valute e oro	Titolio di capitale	Crediti	Altro	31-12-2005	01-01-2005
A. Listed derivatives							
1. Fìnancial derivatives:	**-**	**-**	**32,069**	**-**	**-**	**32,069**	**5,707**
a) With exchange of capital	-	-	32,069	-	-	32,069	5,707
- issued options	-	-	32,069	-	-	32,069	5,707
- other derivatives	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
- issued options	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
Total A	**-**	**-**	**32,069**	**-**	**-**	**32,069**	**5,707**
B. Unlisted derivatives							
1. Fìnancial derivatives:	**879,685**	**113,895**	**562,071**	**-**	**104,843**	**1,660,494**	**1,190,868**
a) With exchange of capital	-	107,180	34,689	-	18	141,887	195,912
- issued options	-	93,943	34,689	-	18	128,650	190,566
- other derivatives	-	13,237	-	-	-	13,237	5,346
b) Without exchange of capital	879,685	6,715	527,382	-	104,825	1,518,607	994,956
- issued options	167,562	6,715	527,382	-	104,719	806,378	499,983
- other derivatives	712,123	-	-	-	106	712,229	494,973
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
Total B	**879,685**	**113,895**	**562,071**	**-**	**104,843**	**1,660,494**	**1,190,868**
Total (A+B)	**879,685**	**113,895**	**594,140**	**-**	**104,843**	**1,692,563**	**1,196,575**

Section 5 Financial liabilities measured at fair value Item 50

5.1 Financial liabilities measured at fair value: product breakdown

(in thousand euro)	31-12-2005			01-01-2005		
		FV			FV	
	NV	L	UL	NV	L	UL
1. Due to banks	**265**	**267**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other	265	267	-	-	-	-
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
Total	**265**	**267**	**-**	**-**	**-**	**-**

FV = Fair value
NV = Nominal value
L = Listed
UL = Unlisted

Item “Due to Banks - Other ” includes the technical overdrafts on bonds issued by Gruppo Banco Popolare di Verona e Novara.

Section 8 Tax liabilities Item 80

See Section 13 of assets.

Section 10 Other liabilities Item 100

10.1 Other liabilities: breakdown

(in thousand euro)	31-12-2005	01-01-2005
A. Payables	**140,009**	**52,052**
Due to companies of the Group in association with tax consolidation	13,922	15,108
Due to Tax agency for sums to be paid on behalf of third parties	27,306	2,449
Due to Employees	10,914	9,769
Due to companies of the Group	81,802	21,149
Due to Suppliers	6,065	3,577
B. Other items	**56,423**	**12,476**
Securities and coupons to be settled	40,844	1,007
Bank transfers to be cleared	14,550	3,598
Other items	1,029	7,871
Total	**196,432**	**64,528**

Illustrated below are some details of the items making up “Other liabilities”.

“Due to the parent company under the Fiscal Consolidation” refer to IRES payables, amounting to 13,922 thousand Euro, to Banco Popolare di Verona e Novara in its capacity as single taxpayer as a result of our adhesion to the Fiscal Consolidation option.

“Due to Tax Agency for sums to be paid on behalf of third parties” is mainly comprised of 24,894 thousand euro worth of asset management Capital Gains to be paid to the Tax Agency and 1,122 thousand euro worth of stamp duties, as well as IRPEF withholding taxes for 635 thousand Euro.

“Due to employees” are comprised of payables for unenjoyed vacations, and of an allowance for the incentive scheme that shall be paid in the first months of the new year.

“Due to companies of the group”, amounting to 81,802 thousand Euro, refer to services received towards the end of the year:

- Banco Popolare di Verona e Novara Euro 19,622 thousand;
- Banca Popolare di Novara Euro 30,094 thousand;
- Credito Bergamasco Euro 11,320 thousand;
- Società Gestione Servizi BPVN Euro 20,183 thousand;
- Aletti Gestielle SGR Euro 290 thousand;
- Aletti Merchant Euro 41 thousand;
- Aletti Fiduciaria Euro 252 thousand.

"Due to suppliers" refer to payables for invoices received but not yet settled.

Item "Securities and coupons to be settled" refers to securities deals, executed both on our own behalf and on behalf of third parties in the last days of 2005, that were settled in the first days of the new year. This Item is correlated with the items to be settled posted in the corresponding Item "Other Assets" of Assets.

The amount shown in the item "Bank transfers to be cleared" refers to bank transfers, executed both on our own behalf and on behalf of third parties in the last days of 2005, that were settled in the first days of the new year.

Section 11 Employee termination benefits Item 110

11.1 Employee termination benefits: annual changes

The balance as of December 31st, 2005 totaled 3,122 thousand euro. Shown below are the annual changes:

(in thousand euro)	31-12-2005	01-01-2005
A. Opening balance	**2,242**	**1,662**
B. Increases:	**2,004**	**1,159**
B.1 Provisions for the year	1,131	869
B.2 Other increases	873	290
C. Decreases	**1,124**	**579**
C.1 Termination benefits paid	234	476
C.2 Other decreases	890	103
D. Closing balance	**3,122**	**2,242**
Total	**3,122**	**2,242**

The amount posted in the Item "Other increases" refers to Termination benefits of employees who during the year ended their detachment with the companies of the Group and were hired directly by Banca Aletti. The amount posted in the Item "Other decreases" refers to Termination benefits of employees who during the year ended their employment with Banca Aletti and were hired by other companies of the Group.

Section 12 Provisions for risks and charges Item 120

12.1 Provisions for risks and charges: breakdown

(in thousand euro)	31-12-2005	01-01-2005
1. Company pension funds	-	-
2. Other provisions for risks and charges	898	-
2.1 legal disputes	-	-
2.2 personnel charges	8	-
2.3 other	890	-
Total	**898**	**-**

12.2 Provisions for risks and charges: annual changes

(in thousand euro)	Retirement funds	Other provisions	Total
A. Opening balance	**-**	**-**	**-**
B. Increases	**-**	**898**	**898**
B.1 Provisions for the year	-	898	898
B.2 Time-related changes	-	-	-
B.3 Discount-rate related changes	-	-	-
B.2 Other increases	-	-	-
C. Decreases	**-**	**-**	**-**
C.1 Utilization during the year	-	-	-
C.2 Discount-rate related changes	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance	**-**	**898**	**898**

12.4 Provisions for risks and charges – other provisions

"Provision for risks and charges – other" amounted to 890 thousand euro and it was set up for limited and specific legal disputes outstanding at year-end, whose settlement has already been partly defined in the first months of 2006.

Section 14 Shareholders' equity Items 140, 160, 170, 180, 190, 200 and 220

14.1 Shareholders' equity: breakdown

(in thousand euro)	31-12-2005	01-01-2005
1. Share capital	98,549	72,000
2. Share premium	17,628	17,427
3. Reserves	34,226	13,231
4. (Treasury shares)	-	-
5. Valuation reserves	2,179	1,556
6. Common stock equivalents	-	-
7. Income (Loss) for the year	77,262	42,204
Total	**229,844**	**146,418**

14.2 "Share Capital" and "Treasury shares": breakdown

As at December 31st, 2005 the Share Capital was made up of 19,098,624 common shares, with a nominal value of 5.16 euro and a total value of 98,548,899.84 euro.
The Bank holds no treasury shares or shares of Parent companies, nor did it purchase or sell any during the year, either directly or through third parties.

14.3 Share capital – Number of shares: annual changes

(in thousand euro)	Ordinarie	Altre
A. Shares outstanding at the beginning of the year	**13,953,489**	**-**
- fully paid	13,953,489	-
- not fully paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	13,953,489	-
B. Increases	**5,145,135**	**-**
B.1 New issues	5,145,135	-
- against payment:	-	-
- business combinations	-	-
- converted bonds	-	-
- exercised warrates	-	-
- other	5,145,135	-
- scrip issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of Treasury Shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	**-**	**-**
C.2 Purchase of Treasury Shares	-	-
C.3 Business transfers	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**19,098,624**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares outstanding at year-end	19,098,624	-
- fully paid	19,098,624	-
- not fully paid	-	-

14.4 Share capital: other information

In financial year 2005 the share capital has been increased twice.

The first share issue was resolved following the transfer of the asset management business lines to Banca Aletti by way of a partial spin-off by Banca Popolare di Novara and of transfers of the relevant business lines by Banco Popolare di Verona e Novara and Credito Bergamasco.

As a result, Banca Aletti increased its capital share by 1,548,892.68 euro to cover the above mentioned transfers by issuing 300,173 shares, with a nominal value of 5.16 euro each, with dividend entitlement starting on January 1st, 2005, and a total share premium of 201,107.32 euro.

The second share issue, resolved during the Shareholders' meeting held on June 29th, 2005 to strengthen the capital structure of Banca Aletti, amounted to 25,000,003.92 euro with the issue of 4,844,962 shares, with a nominal value of 5.16 euro each, with dividend entitlement starting on January 1st, 2005.

14.5 Retained earnings: other information

As at December 31st, 2005, the makeup of retained earnings was as follows:
- Legal Reserve: 5,243 thousand euro
- Other Reserves: 28,983 thousand euro

Item "Other Reserves" includes the "First Time Adoption Reserve" amounting to 4,868 thousand Euro considered as unavailable.

14.7 Valuation reserves: breakdown

(in thousand euro)	31-12-2005	01-01-2005
1. Financial assets available for sale	2,179	1,556
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedges of foreign investments	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets available for sale	-	-
8. Special revaluation laws	-	-
Total	**2,179**	**1,556**

The valuation reserve was set up entirely as a result of the adoption of IAS 32 – 39. As at December 31st, 2004 this item was equal to zero.

The valuation reserve is based on the measurement at fair value of the shareholdings in Borsa Italiana S.p.A. and S.I.A. S.p.A. classified under the Item "Financial assets available for sale".

The valuation reserve, set up in compliance with IAS 32-39, is considered unavailable.

14.8 Valuation reserves: annual changes

(migliaia di euro)	Financial assets available for sale	Property plant and equipment	Intangible assets	Hedges of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets available for sale	Special revaluation laws
A. Opening balance	**1,556**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**623**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Fair value increases	623	-	-	-	-	-	-	
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Fair value decreases	-	-	-	-	-	-	-	
C.2 Other changes	-	-	-	-	-	-	-	-
D. Closing balance	**2,179**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

14.9 Valuation reserves for financial assets available for sale: breakdown

(in thousand euro)	31-12-2005		01-01-2005	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	-	-
2. Equity securities	2,179	-	1,556	-
3. Units in UCITS	-	-	-	-
4. Loans	-	-	-	-
Total	**2,179**	**-**	**1,556**	**-**

14.10 Valuation reserves for financial assets available for sale: annual changes

(in thousand euro)	Debt securities	Equity securities	Units in UCITS	Loans
1. Opening balance	**-**	**1,556**	**-**	**-**
2. Positive changes	**-**	**623**	**-**	**-**
2.1 Positive fair value changes	-	623	-	-
2.2 Reclassification to profit or loss of negative provisions:	-	-	-	-
- due to impairment	-	-	-	-
- due to disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**-**	**-**	**-**	**-**
3.1 Negative fair value changes	-	-	-	-
3.2 Reclassification to profit or loss of positive provisions: due to disposal	-	-	-	-
3.3 Other changes	-	-	-	-
4. Closing balance	**-**	**2,179**	**-**	**-**

Other information

1. Guarantees given and commitments

(in thousand euro)	31-12-2005	01-01-2005
1) Financial guarantees given	-	-
a) Banks	-	-
b) Customers	-	-
2) Commercial guarantees given	-	-
a) Banks	-	-
b) Customers	-	-
3) Irrevocable commitment to grant credit lines	154,791	577,244
a) Banks	142,819	555,114
i) certainty of utilization	142,819	555,114
ii) uncertainty of utilization	-	-
b) Customers	11,973	22,130
i) certainty of utilization	11,576	22,005
ii) uncertainty of utilization	396	125
4) Commitments underlying credit derivatives: protective puts	-	-
5) Assets pledged to secure third party obligations	-	-
6) Other commitments	1,160,198	765,336
Total	**1,314,989**	**1,342,580**

Irrevocable commitments to grant credit lines with certainty of utilization bread down as follows:

- purchase of securities still unsettled for 109,599 thousand euro
- deposits to be extended for 44,796 thousand euro

Irrevocable commitments to grant credit lines with uncertainty of utilization regard commitments towards the Interbanking Deposits and Protection Fund for 396 thousand euro

Item "Other commitments" includes the put options sold by the bank in association with securities.

2. Assets pledged as guarantee of own liabilities and commitments

(in thousand euro)	31-12-2005	01-01-2005
1. Financial assets held for trading	303,588	227,460
2. Financial assets measured at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	-	-
5. Due from Banks	-	-
6. Loans to Customers	-	-
7. Property, plant and equipment	-	-
Total	**303,588**	**227,460**

Financial assets pledged as guarantee of own liabilities break down as follows:

- Own securities to back funding repos for 301,075 thousand euro
- Securities with the Bank of Italy against advances for 2,513 thousand euro

4. Asset management and brokerage on behalf of third parties

(in thousand euro)	31-12-2005	01-01-2005
1. Trading of financial instruments on behalf of third parties		
a) Purchase	6,062,651	12,641,777
1. Settled	6,062,495	12,640,548
2. Unsettled	156	1,229
b) Sale	6,091,760	11,534,875
1. Settled	6,091,658	11,534,251
2. Unsettled	102	624
2. Managed accounts		
a) individual	18,083,982	5,810,538
b) collective	-	-
3. Securities custody and administration		
a) non-proprietary securities on deposit: as custodian bank (excluding managed accounts)	-	-
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	-	-
b) other non-proprietary securities on deposit (excluding managed accounts):other	920,871	765,181
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	920,871	765,181
c) non-proprietary securities deposited with others	905,455	752,887
d) proprietary securities deposited with others	862,255	491,526
4. Other transactions	**-**	**-**

The Asset Management balance includes 989,724 thousand euro worth of guaranteed managed accounts.

Chapter C – Notes to the Income Statement

Section 1
Interest income and expense
Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(in thousand euro)	Performing financial assets		Impaired financial assets	Other assets	2005	2004
	Debt securities	Loans				
1. Financial assets held for trading	9,254	-	-	-	9,254	6,162
2. Financial assets measured at fair value	796	-	-	-	796	1,302
3. Financial assets available for sale	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
5. Due from banks	-	155,632	-	-	155,632	108,167
6. Customer loans	-	638	-	-	638	926
7. Hedging derivatives	X	X	X	-	-	-
8. Financial assets sold and not written off	-	-	-	-	-	-
9. Other assets	X	X	X	-	-	-
Total	**10,050**	**156,270**	**-**	**-**	**166,320**	**116,557**

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in foreign currencies

Interest income from financial assets denominated in foreign currencies amounted to 20,509 thousand euro (10,281 thousand euro as at December 31st, 2004) and refer to foreign currency banking checking accounts and deposits.

1.4 Interest expense and similar charges: breakdown

(in thousand euro)	Payables	Securities	Other liabilities	2005	2004
1. Due to banks	(169,947)	X	-	(169,947)	(112,294)
2. Due to customers	(3,569)	X	-	(3,569)	(2,010)
3. Debt securities in issue	X	-	-	-	-
4. Financial liabilities held for trading	(4)	-	-	(4)	-
5. Financial liabilities measured at fair value	-	-	-	-	-
6. Fin. liabilities ass. with assets sold and not written off	-	-	-	-	-
7. Other liabilities	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
Total	**(173,520)**	**-**	**-**	**(173,520)**	**(114,304)**

The considerable dip of net interest income as of December 31st, 2005 as compared with 2004, that however should be correlated to the increase in the item "Net trading income", was mainly due to the change in product mix of the Forex & Money Market Office, which privileged trades in foreign currency futures (outright and foreign currency swaps), and to the funding cost caused by the increase in equity securities held in portfolio reported in 2005.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on financial liabilities denominated in foreign currencies

Interest expense on financial liabilities denominated in foreign currencies amounted to 46,449 thousand euro (24,424 thousand euro as at December 31st, 2004) and refer to foreign currency banking checking accounts and deposits.

Section 2 Fees and commissions

2.1 Commission income: breakdown

(in thousand euro)	2005	2004
a) guarantees given	-	-
b) credit derivatives	-	-
c) management, brokerage and advisory services:	248,592	91,981
1. Trading of financial instruments	16,502	13,497
2. Currency trading	57	27
3. Managed accounts	89,071	35,532
3.1 individual	89,071	35,532
3.2 collective	-	-
4. Securities administration and custody	253	162
5. Custodian bank	-	-
6. Securities placement	141,520	42,067
7. Order collection	494	337
8. Advisory services	576	359
9. Distribution of third party services	119	-
9.1 managed accounts	-	-
9.1.1 individual	-	-
9.1.2 collective	-	-
9.2 insurance products	119	-
9.3 other products	-	-
d) payment and collection services	5	5
e) securitization servicing	-	-
f) factoring services	-	-
g) tax collection services	-	-
h) other services	692	725
Total	**249,290**	**92,711**

Item "Commission income – Asset Management" increased by 53,539 thousand euro as a result of the transfer of the Asset Management activities on January 1st, 2005 from the Banks of the Group and Aletti Gestielle SGR.

Item "Commission income - Placement" breaks down as follows:
- commission income from sale of debt securities for 64,909 thousand euro;
- commission income from sale of equity securities for 1,123 thousand euro;
- commission income from sale of funds and other financial products for 75,490 thousand euro.

2.2 Commission income: distribution channels of products and services

(in thousand euro)	2005	2004
a) Through own branches:	**230,712**	**77,599**
1. managed accounts	89,071	35,532
2. securities placement	141,522	42,067
3. third party services and products	119	-
b) Off-branch distribution:	**-**	**-**
1. managed accounts	-	-
2. securities placement	-	-
3. third party services and products	-	-
c) Other distribution channels:	**-**	**-**
1. managed accounts	-	-
2. securities placement	-	-
3. third party services and products	-	-

2.3 Commission expense: breakdown

(in thousand euro)	2005	2004
a) Guarantees given	**(432)**	**(346)**
b) Credit derivatives	**-**	**-**
c) Management and brokerage sevices:	**(174,340)**	**(30,656)**
1. Trading of financial assets	(4,494)	(3,172)
2. Currency trading	-	-
3. Asset management:	-	-
3.1 proprietary portfolio	-	-
3.2 non-proprietary portfolio	-	-
4. Securities custody and administration	(1,146)	(800)
5. Placement of financial instruments	(66,369)	(19,059)
6. Off-branch distribution of financial instruments, products and services	(102,332)	(7,625)
d) Payment and collection services	**(5)**	**(16)**
e) Other services	**(3,554)**	**(185)**
Total	**(178,331)**	**(31,203)**

Item "Commission expense" is mainly comprised of commissions paid to the banks of Gruppo BPVN for the sale of asset management products and for the sale of debt and equity securities.

Section 3 Dividend income and similar revenues Item 70

3.1 Dividend income and similar revenues: breakdown

(in thousand euro)	2005		2004	
	Dividends	Profit from UCITS units	Dividends	Profit from UCITS units
A. Financial assets held for trading	42,308	-	15,599	-
B. Financial assets available for sale	262	-	199	-
C. Financial assets measured at fair value	-	-	-	-
D. Equity investments	-		-	
Total	**42,570**	**-**	**15,798**	**-**

The growth in dividends from financial assets held for trading, which went from 15,798 thousand Euro as of December 31st, 2004 to 42,571 thousand euro as of December 31st, 2005, was driven by the full deployment of brokerage activities on domestic stock markets and of the associated market making activities for derivatives listed on regulated markets.
Dividends from financial assets available for sale refer to the shareholdings in Borsa Italiana S.p.A. amounting to 231 thousand euro and in S.I.A. S.p.A. amounting to 31 thousand euro.

Section 4 Net trading income Item 80

4.1 Net trading income: breakdown

Financial Year 2005 *(in thousand euro)*	Capital gains (A)	Trading income (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) (A+B)-(C+D)
1. Financial assets held for trading	**30,342**	**29,243**	**4,702**	**42,464**	**12,418**
1.1 Debt securities	829	12,474	707	978	11,618
1.2 Equity securities	6,711	13,495	3,995	41,439	(25,228)
1.3 UCITS units	22,802	3,274	-	47	26,029
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**16**	**319**	**183**	**11**	**141**
2.1 Debt securities	-	-	-	-	-
2.2 Other	16	319	183	11	141
3. Other fin. assets and liabilities: exchange diff.	**X**	**X**	**X**	**X**	**4,335**
4. Derivatives	**457,226**	**913,991**	**271,110**	**1,060,214**	**45,022**
4.1 Financial derivatives	457,226	913,991	271,110	1,060,214	45,022
- on debt securities and interest rates	305,806	881,446	143,532	1,010,544	33,174
- on equity securities and equity indices	151,420	32,392	127,578	49,522	6,713
- on currencies and gold	X	X	X	X	5,130
- other	-	153	-	147	6
4.2 Credit derivatives	-	-	-	-	-
Total	**487,584**	**943,553**	**275,995**	**1,102,689**	**61,917**

Financial Year 2004 *(in thousand euro)*	Capital gains (A)	Trading income (B)	Capital losses (C)	Trading losses (D)	Net profit (loss) (A+B)–(C+D)
1. Financial assets held for trading	**3,871**	**13,287**	**1,053**	**3,740**	**12,365**
1.1 Debt securities	699	10,020	183	3,414	7,122
1.2 Equity securities	579	2,793	120	195	3,057
1.3 UCITS units	2,593	474	750	131	2,186
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Other					-
3. Other fin. assets and liabilities: exchange diff.	**X**	**X**	**X**	**X**	**(10,615)**
4. Derivatives	**517,783**	**693,266**	**441,225**	**729,566**	**51,177**
4.1 Financial derivatives	517,783	693,266	441,225	729,566	51,177
- on debt securities and interest rates	399,827	687,526	388,939	712,140	(13,726)
- on equity securities and equity indices	117,870	5,740	52,205	17,424	53,981
- on currencies and gold					10,921
- other	86		81	2	3
4.2 Credit derivatives	-	-	-	-	-
Total	**521,653**	**706,553**	**442,278**	**733,306**	**52,926**

Item “Net trading income” increased by 8,992 thousand euro as compared with 2004 (52,926 thousand euro) driven by a growth in sales by the group networks, by a much deeper internal management of trading books, as well as by the development of foreign currency futures trades (outright and foreign currency swaps).

Section 7 Profit/Loss on financial assets and liabilities designated at fair value Item 110

7.1 Profit/Loss on financial assets and liabilities designated at fair value: breakdown

(in thousand euro)	Capital gains (A)	Gains upon disposal (B)	Capital losses (C)	Losses upon disposal (D)	Net result (A+B)-(C+D)
1. Financial assets	**847**	**1,611**	**663**	**78**	**1,718**
1.1 Debt securities	125	1.611	631	78	1.028
1.2 Equity securities	39	-	-	-	39
1.3 UCITS units	683	-	32	-	651
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**124**	**4**	**-**	**120**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	-	124	4	-	120
2.3 Due to customers	-	-	-	-	-
3. Other fin. assets/liabilities: exchange differences	**X**	**X**	**X**	**X**	**(5)**
4. Derivatives					**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity securities and equity indices	-	-	-	-	-
- on currencies and gold					
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total Derivatives	**-**	**-**	**-**	**-**	**-**
Total	**847**	**1,735**	**667**	**78**	**1,833**

Section 8 Net write-downs/write-backs due to impairments Item 130

8.1 Impairment losses on loans: breakdown

(in thousand euro)	Write-downs			Write-backs				2005	2004
	Individual		Collective	Individual		Collective			
	Write-offs	Other		A	B	A	B		
A. Due from banks	-	-	-	-	-	-	-	-	-
B. Customer loans	-	(320)	-	-	-	-	-	(320)	-
C. Total	**-**	**(320)**	**-**	**-**	**-**	**-**	**-**	**(320)**	**-**

A = interest-related
B = other

Impairment losses, amounting to 320 thousand euro, were carried out to express the estimated realizable value of customer loans.

Section 9 Administrative expenses Item 150

9.1 Personnel expenses: breakdown

(in thousand euro)	2005	2004
1) Employees under payroll	**(31,966)**	**(23,233)**
a) wages and salaries	(24,108)	(17,262)
b) social security charges	(4,477)	(3,776)
c) termination benefits	-	-
d) pension expenses	-	-
e) provisions for employee termination benefits	(1,254)	(948)
f) provisions for company retirement funds and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(600)	(326)
- defined contribution	(600)	(326)
- defined benefit	-	-
h) costs associated with share-based payments	-	-
i) other employee benefits	(1,527)	(920)
2) Other staff	**(6,214)**	**(6,174)**
3) Expense recovery for detached personnel	**1,087**	**1,749**
4) Directors	**(490)**	**(478)**
Total	**(37,583)**	**(28,136)**

The increase in personnel costs was due to the structure consolidation and to the handing over of activities that were previously performed by the Group Finance Function.

9.2 Average number of employees by category

(in thousand euro)	2005	2004
Employees	253	214
a) senior management	16	15
b) managers	170	134
- 3° and 4° level	102	80
c) remaining staff	67	65
Other staff	9	6
Total	**262**	**220**

9.4 Other employee benefits

In 2005 the Supplementary Pension Scheme S.I.Pre. was approved, aimed at fostering the loyalty of our Top Management through supplementary deferred pension benefits.

9.5 Other administrative expenses: breakdown

(in thousand euro)	2005	2004
a) Property expenses	(3,587)	(3,215)
- rental and maintenance	(3,136)	(2,813)
- cleaning of premises	(245)	(135)
- energy, water and heating	(206)	(267)
b) direct and indirect taxes	(1,671)	(370)
c) postage, telephone, print-outs and other office expenses	(1,171)	(962)
d) maintenance and rents for furnitre, plant and equipment	(471)	(467)
e) fees to external professionals	(1,326)	(1,757)
f) information and survey expenses	(1,340)	(1,109)
g) security and armored truck guards	(156)	(124)
h) third party services	(31,175)	(21,972)
i) advertising, entertainment and gifts	(2,909)	(1,655)
l) insurance premiums	(274)	(59)
m) rentals and other travel expenses	(202)	(242)
n) other sundry costs and expenses	(945)	(1,143)
Total	**(45,228)**	**(33,074)**

As part of the plan to open specialized centers within the Group, Banca Aletti – like the other banks of the Group - relies on the structures of Società Gestione Servizi for the performance of several functions (information technology, settlement, etc), while other services were outsourced to specific functions of the Parent company (Risk management, correspondent banking, short term treasury, regulatory reporting and account payables). The advantages of using these structure are on the one side a better service management, and on the other a significant cost reduction.

Outsourced services are governed by agreements that provide for the application of terms and conditions at arm's length or are based on cost allocation criteria by way of charges linked to consumption or volumes.

The increase in expenses for services provided by third parties, amounting to 9,203 thousand euro, is mainly due to the handing over of activities that were previously performed by the Group Finance Function.

Section 10 Net provisions for risks and charges Item 160

10.1 Net provisions for risks and charges: breakdown

The allowance to the "provision for risks and charges – other" amounts to 890 thousand euro and it was set aside to cover limited and specific legal disputes outstanding at year-end, whose settlement was already partly defined in the first months of 2006.

Section 11 Impairments/write-backs on property, plant and equipment Item 170

11.1 Impairments/write-backs on property, plant and equipment: breakdown

(in thousand euro)	Amortization (A)	Impairment losses (B)	Write-backs (C)	Net result (A+B-C)
A. Property, plant and equipment				
A.1 Owned	(551)	-	-	(551)
- operational	(551)	-	-	(551)
- investment	-	-	-	-
A.2 Finance lease	-	-	-	-
- operational	-	-	-	-
- investment	-	-	-	-
Total	**(551)**	**-**	**-**	**(551)**

Section 12 Impairments/write-backs on intangible assets Item 180

12.1 Impairments/write-backs on intangible assets: breakdown

(in thousand euro)	Amortization (A)	Impairment losses (B)	Write-backs (C)	Net result (A+B-C)
A. Intangible assets				
A.1 Owned	(2)	-	-	(2)
- generated in-house	-	-	-	-
- other	(2)	-	-	(2)
A.2 Finance lease	-	-	-	-
Total	**(2)**	**-**	**-**	**(2)**

Section 13 Other operating income and expense Item 190

13.1 Other operating expense: breakdown

(in thousand euro)	2005	2004
a) Expense amort. for ithird party prop improv.	(1,162)	(1,204)
b) Sundry rentals	(142)	(118)
c) Other	(226)	(4,645)
Total	**(1,530)**	**(5,967)**

13.2 Other operating income: breakdown

(in thousand euro)	2005	2004
a) tax recoveries	1,603	267
b) recovery of expenses	117	106
c) services provided to companies of the group	12,971	-
d) other	3,072	471
Total	**17,763**	**845**

Item "c) Services provided to Group companies", amounting to 12,971 thousand euro, refers to proceeds from trading services executed by Banca Aletti on behalf of the Banks of the Group, trading of financial instruments and services provided by Banca Aletti with regard to treasury activities, forex trades, corporate desk activities and regulatory obligations associated with the issue of bonds by the Group or by third parties.

Section 16 Goodwill impairment Item 230

16.1 Goodwill impairment: breakdown

At year-end 2005 a goodwill impairment of 1,800 thousand euro was recognized, as a result of the write-down of the residual goodwill paid to acquire Aletti Invest Sim's asset management business line. This impairment has cancelled off the above goodwill and it was made necessary by the failure to reach the margins and the associated profitability expected from Banca Aletti on the basis of the assumptions referring to the evolution of assets under management considered when the value of goodwill to be paid was measured, based on the Impairment Test carried out under international accounting standards.

Section 18 Tax on income from continuing operations Item 260

18.1 Tax on income from continuing operations: breakdown

(in thousand euro)	2005	2004
1. Current tax (-)	(16,927)	(18,879)
2. Changes in current tax in prior years (+/-)	-	-
3. Reduction in current tax for the year (+)	-	-
4. Changes in deferred tax assets (+/-)	1,965	371
5. Changes in deferred tax liabilities (+/-)	(7,716)	(923)
6. Income tax for the year (-) (-1 +/- 2 + 3 +/- 4 +/- 5)	(22,678)	(19,431)

18.2 Reconciliation between theoretical and effective tax charges recognized in the financial statements

IRES

(in thousand euro)	Gross income for the year	Tax	Fiscal rate
Income under ordinary taxation	36,810	12,147	33.00%
Dividends	42,571	702	1.65%
Impairment of financial assets	-	-	-
Capital gains from write-down of units in hedge funds	22,076	4,751	21.52%
Undeductible taxes other than income taxes	-	-	-
Capital gains from sale of "paricipation exempt" shareholdings	-	-	-
Tax-exempt income	-	-	-
Other fiscally immaterial items	(1,517)	-	-
Fiscal effect from duduction of donations not carried at income	-	-	-
Fiscal effect from other taxable income changes not carried at income	-	-	-
Other effects (including provisions for potential risks)	-	-	-
Total	**99,940**	**17,601**	**17.61%**

IRAP

(in thousand euro)	Gross income for the year	Tax	Fiscal rate
Income under ordinary taxation	96,712	5,077	5.25%
Immaterial personnel expenses	(36,578)	-	-
Dividends	42,571	-	-
Recovery of detached personnel expenses	1,087	-	-
Impairment of financial assets	-	-	-
Immaterial provisions to risks and charges	(1,210)	-	-
Directors' compensations charged to income	(490)	-	-
Other fiscally immaterial items	(2,152)	-	-
Fiscal effect from other taxable income changes not through profit or loss	-	-	-
Adjustment to projected rate of assets and liabilities for deferred tax assets and liabilities	-	-	-
Other effects (including cancellation for deferred tax assets	-	-	-
as a result of L.D. 168/2004 and provisions for potential risks)	-	-	-
Total	**99,940**	**5,077**	**5.08%**

* = Weighted-average rate as a function of the geographical distribution of the taxable income.

Section 21 Earnings per share

Earnings per share amounted to 4.04 euro.

Chapter E - Information on risks and associated hedging policies

Section 1 Credit Risk

Qualitative information

In general

The assessment of the creditworthiness of banks and of institutional counterparties (investment banks and financial institutions) in the finance area is centralized at the Parent company's and it is based on the analysis of the counterparty's creditworthiness supplemented by a rating calculation system. The assigned rating is the expression of a concise valuation, also depending on the country of belonging, of the counterparty's ability to meet its obligations.
The rating is assigned upon the first loan granting or when renewing outstanding credit lines. Generally, in financial transactions market counterparties are represented by investment grade banks or financial institutions according to the major international rating firms.
The lending process requires the Parent company to pass a prior resolution on a Group credit ceiling assigned to each counterparty. Within the limits of said ceiling, Banca Aletti may then approve its credit lines to its own discretion.
With regard to investments in debt securities, the general principle is that a specific credit line must be approved for each issuer. Some exceptions to the rule are foreseen, with regard to issues with investment grade ratings or by Sovereign Entities (in any case characterized by a low risk and in accordance with the total stock and duration limits).

Qualitative information

A. Credit Quality

A.1 Impaired and performing loans: amounts, write-downs, dynamics, economic and geographical distribution

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

(in thousand euro)	Nonperforming loans	Watchlist	Restructured loans	Overdue loans	Country Risk	Other Assets	31-12-2005	01-01-2005
1. Financial assets held for trading	-	-	-	-	-	2,842,205	2,842,205	1,689,776
2. Financial assets available for sale	-	-	-	-	-	3,274	3,274	2,651
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	7,500,658	7,500,658	5,148,440
5. Customer loans	-	-	-	-	-	279,438	279,438	33,952
6. Financial assets measured at fair value	-	-	-	-	-	78,744	78,744	58,592
7. Non-current assets available for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**10,704,319**	**10,704,319**	**6,933,411**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

(in thousand euro)	Impaired assets				Other assets			31-12-2005	01-01-2005
	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Collective write-downs	Net exposure		
1. Financial assets held for trading	-	-	-	-	2,842,205		2,842,205	2,842,205	1,689,776
2. Financial assets available for sale	-	-	-	-	3,274	-	3,274	3,274	2,651
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	7,500,658	-	7,500,658	7,500,658	5,148,440
5. Customer loans	-	-	-	-	279,758	320	279,438	279,438	33,952
6. Financial assets measured at fair value	-	-	-	-	78,744		78,744	78,744	58,592
7. Non-current assets available for sale	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-			-	-	-
Total	**-**	**-**	**-**	**-**	**10,704,639**	**320**	**10,704,319**	**10,704,319**	**6,933,411**

A.1.3 Cash and off-balance sheet exposure to banks: gross and net values

(in thousand euro)	Gross loans	individual write-downs	Collective write-downs	Net loans
A. Cash exposure				
a) Nonperforming loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Overdue loans	-	-	-	-
e) Country risks	-		-	-
f) Other assets	7,702,294		-	7,702,294
Total A	**7,702,294**	**-**	**-**	**7,702,294**
B, Off balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	1,518,763		-	1,518,763
Total B	**1,518,763**	**-**	**-**	**1,518,763**

A.1.6 Cash and off-balance sheet exposures to customers: gross and net values

(in thousand euro)	Gross loans	individual write-downs	Collective write-downs	Net loans
A. Cash exposure				
a) Nonperforming loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Overdue loans	-	-	-	-
e) Country risks	-		-	-
f) Other assets	1,370,158		320	1,369,838
Total A	**1,370,158**	**-**	**320**	**1,369,838**
B, Off balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	113,424		-	113,424
Total B	**113,424**	**-**	**-**	**113,424**

C – Securitizations and sales of Assets

C.1 - Securitizations

Qualitative information

Banca Aletti's regulatory trading portfolio includes investments in securities originated by third party securitizations, amounting to a nominal value of 3.2 million euro.

Most of these securities are senior tranches with a triple A rating and with underlying assets characterized by a wide diversification, assets are almost entirely performing and are backed by a collateral that is significantly higher than the nominal value of the issued securities.

The primary objective is to invest in securities marked by a low risk, very high rating and with a coupon yield exceeding the return of securities having a similar term and the same rating. The investment in these securities guarantees a wider portfolio diversification, higher returns and a significant increase in the portfolio's average rating.

Quantitative information

Codice ISIN	Description	Type	Originator	Issuer	Rating Moody's Investors Service	Maturity
IT0003505440	INPS TV 03-08	Senior	INPS	Società Cartolarizz. Crediti INPS	AAA	31-jul-08
IT0003566665	SCIC 1 A2 03/08 TV	Senior	SCIC Srl	Società italiana per la cartolarizzazione dei crediti	AAA	21-dec-08
IT0003731426	SCIC TV 04-23	Senior	SCIC Srl	Società italiana per la cartolarizzazione dei crediti	AAA	22-sep-23
IT0003837058	SCIP TV 05-13	Senior	Sundry Social Security agencies	Società Cartolarizz. Immobili Pubblici	AAA	26-apr-13

Codice ISIN	Description	Nominal	Book value	Type of asset	Quality
IT0003505440	INPS TV 03-08	2,000	2,023	Loan	nonperforming
IT0003566665	SCIC 1 A2 03/08 TV	148	148	Loan	performing
IT0003731426	SCIC TV 04-23	70	71	Loan	performing
IT0003837058	SCIP TV 05-13	1,000	1,004	Real estate	performing
Totale			**3,246**		

Section 2
Market risks

2.1 Interest rate risk – regulatory trading book

<u>*Qualitative information*</u>

A - In general

The main exposures to the interest rate risk for Banca Aletti's trading book are linked to trades executed by the Investment Banking function on money markets and the associated listed or plain vanilla derivatives pertaining to the Forex and Money Market Function and to the Fixed Income Office, as well as on the markets of derivatives and OTC structured products and of listed derivatives pertaining to the Derivatives & Structured Product Function.

In particular:

- for trades on the money and currency market, already described in the Report on Operations, total interest risk exposures as at December 31st, 2005 amounted to about 3,7 million euro, assuming a 100 basis points parallel change in the interest rate curve. Also short term Government bond exposures fall within this class. Their average duration at year-end was 0.6 years, and they are mainly used for repurchase agreements;

- bond portfolios and the associated listed derivatives are characterized by a prudential management of the interest rate risk; specifically, with regard to year-end positions, the investment portfolio included mainly floating rate securities (45%) or hedged against the interest rate risk being part of asset swaps (17%), with an average duration of the portfolio of 0.30 years. The trading portfolio is almost entirely comprised of floating rate securities (94%) and has an average duration of 0.45 years;

- the Derivatives and Structured Products Function is in charge of trades in structured instruments and in listed and unlisted derivatives, including trades on the secondary market of structured products issued by the banks of the Group. The breakdown of complex trades based on the underlying allows for a central management of the interest rate, exchange rate and price risks by the specific Desks making up the above Function, which make use of sophisticated position keeping systems. The two applications specialize in interest and exchange rates and in prices, respectively, and are complemented with pricing and risk measurement (Greeks) models developed in-house and certified by a specific Model Validation Group coordinated by the Parent company's Risk Management function, with the support of renowned academic experts. In particular, the sensitivity (delta and gamma) to the total interest rate risk at year-end amounted roughly 6.6 million Euro associated with trades performed by the Interest Rate Derivatives Desk, partly offset by trades 0,4 million Euro performed by the Equity Derivatives Desk, thus totaling 6.2 million Euro. This exposure was based on the changes in value of the financial instruments in the portfolio, assuming two market scenarios whereby all measurable market rates undergo a 100 basis point upward or downward movement.

The above risk positions are monitored on a daily basis to verify their compliance with the operating thresholds set by the Board of Directors on the entire portfolio and on the single underlying assets. In particular, for derivative trades, exposures (delta-gamma and vega) are also weighted against the volatility levels of the single underlying instruments and against the intercorrelations between them.

B - Interest rate risk management process and assessment methods

The function in charge of controlling the financial risk management for all the banks of the Group, with the aim of identifying the type of risks, define the methods to assess risks, control limits at strategic level and verify the consistency between trade limits and the risk/return targets assigned, is the Risk Management function.
Single trading limits are then applied, acting as a guideline for market activities, and their monitoring and control is a responsibility of the Financial Controlling & Planning function, which is part of the Parent company's Private and Finance Department and is functionally linked to the Risk Management Function.
In particular, for the operational identification, measurement management and control of the risk positions held by the Banks of the Group, the Parent company's Private and Finance Department and Banca Aletti's Investment Banking Function make use of sophisticated position keeping systems and risk control systems that provide a constant control over exposure levels and over the compliance with the operating limits defined by the Board of Directors.
Trading activities in listed and unlisted derivatives and in structured products, depending on the main underlying asset class, are based on two specific applications specializing in interest/exchange rate derivatives and equity instruments. In case of very complex and innovative structures, these models are complemented by pricing and sensitivity measurement models developed in house, that were validated by a Validation Group coordinated by the Parent company's Risk Management function, after all the necessary operating tests mainly conducted by the Private and Finance Department under the supervision of academic experts.
Said position keeping models, automatically fed by market platforms and by the sales networks in case of trades in cash and in listed derivatives, are constantly aligned with accounting procedures and guarantee the constant measurement and control of position indicators, sensitivity and operational results. They are also complemented by Value at Risk control systems, developed by the Risk Management Function.

Financial risks are monitored on a daily basis by using deterministic indicators (risk exposure, duration, sensitivity) as well as probabilistic indicators (VaR).

The Value at Risk (VaR), indicating the maximum potential loss associated with market movements in unexceptional conditions, represents a synthetic risk measurement.
The method used to calculate VaR belongs to the variance-covariance methods, that assume that the risk factors affecting the distribution of value changes follow a normal distribution.

The estimated values are a function of a 99% confidence level and a time interval of 10 days.
The observation period lasts 250 days, and observations to estimate the variance-covariance matrix (the adopted matrix provides the levels, volatility and correlations on daily and monthly valuation timeframes, for more than 470 risk factors) are weighed along an exponential method.
The reference aggregate for the VaR calculation is the Trading book and all positions sensitive to the exchange rate risk. The current model fully covers generic position risks and exchange rate risks, while the specific risk is calculated only for equity securities. Risk factors are aggregated with the correlations of the variance/covariance matrix, which is updated very day.
VaR reports are prepared, providing information at Group level, and at single bank level, both by organizational unit, and by single trading portfolio. Said reports are sent to the Banks' Head Offices, the Finance Department and to Internal Audit.
Risk factors are aggregated with the correlations of the variance/covariance matrix, which is updated very day.

With regard to back testing, the flow architecture has been analyzed, but the procedures to back-test the results of the estimate model have not been activated yet.

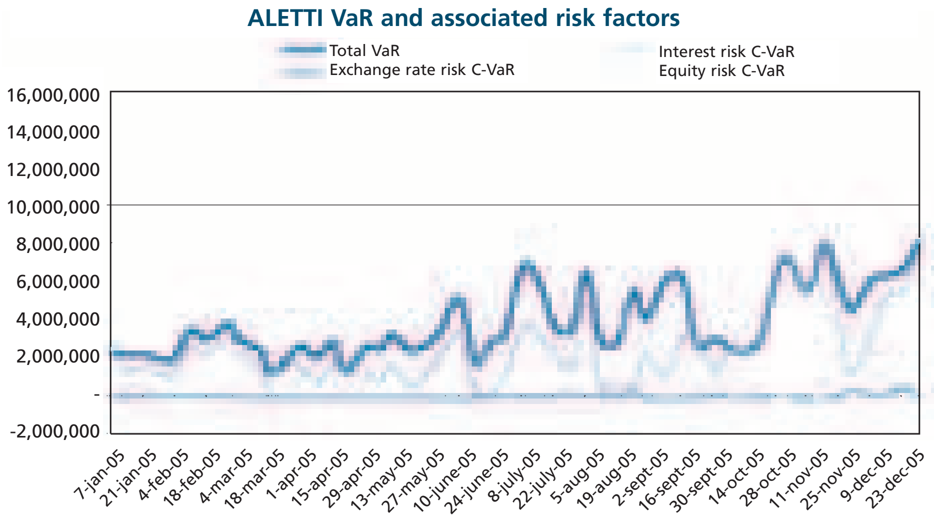
As to scenario analysis, stress tests have been conducted in keeping with the guidelines of the Bank of Italy based on the instructions issued by the International Monetary Fund with regard to F.S.A.P. (Financial Sector Assessment Program).

The VaR model we are using internally at present is not utilized to calculate capital requirements in association with market risks.

Quantitative information

Shown below are VaR data referring to financial year 2005.

(in million euro)	Financial year 2005				Financial year 2004	
	31 December	Average	Max	Min	31 December	Average
Interest rate risk	8.3	3.1	8.3	1.1	1.7	1.5
Exchange rate risk	0.7	0.3	2.0	0.0	0.1	0.2
Equity risk	3.2	2.2	5.5	0.5	0.8	3.1
Diversification risk	-4.0	-1.7	n.s.	n.s.	-0.7	-1.2
Correlated Total	**8.2**	**3.9**	**8.2**	**1.3**	**1.9**	**3.6**



2.2 Interest rate risk – Banking book

Qualitative information

A - General issues, management procedures and interest rate risk assessment methods

The interest rate risk of the banking book, represented by deposits, loans and repurchase agreements with interbanking counterparties and, to a lesser extent, with ordinary customers, is monitored by the Forex and Money Market Function, considering the management approach of this portfolio, namely trading.
As a result, for further information please refer to paragraph '2.1 Interest rate risk – Trading Portfolio'.

2.3 Price risk – Regulatory trading portfolio

Qualitative information

A - In general

The main price risk exposures within the trading portfolio of Banca Aletti are connected with trades performed by the Investment Banking Function, be it on money and on listed and plain vanilla derivative markets covered by the Equity and Fixed Income Function, and on the OTC derivatives and structured products markets and listed derivatives covered by the Derivatives & Structured Product Function,

In particular:

- equity portfolios and associated listed derivatives held for trading by the Equity and Fixed Income Function, as market maker on single stock futures and as specialist for liquidity-service activities, are characterized by contained net daily overnight exposures;

- the Derivatives and Structured Products Function is in charge of trades in structured instruments and in listed and unlisted derivatives, including trades on the secondary market of structured products issued by the banks of the Group. The de-structuring of complex transactions based on the underlying allows for a centralized management of interest rate, exchange rate and price risks within the specific Function Offices, which make use of sophisticated position keeping systems. The two applications specialize in interest and exchange rates and in prices, respectively, and are complemented with pricing and risk measurement (Greeks) models developed in-house and certified by a specific Model Validation Group coordinated by the Parent company's Risk Management function, with the support of renowned academic experts. Total price risk exposure for the associated derivative portfolio managed by the Equity Derivatives Desk at the end of the period amounted to roughly 1 million Euro, net of hedges with derivatives and cash financial assets..

The above risk exposures are monitored on a daily basis to verify that they comply with the operational limits set by the Board of Directors on the entire portfolio and on the single underlying instruments (time nodes and curves). In particular, an additional weighing of exposures (delta-gamma e vega) is envisaged for derivative trades, against the volatility of the individual underlying instruments and the existing correlations between them.

B - Price risk management processes and measurement methods

Quantitative information

1. *Regulatory trading portfolio: cash exposures in equity securities and UCITS (in euro units)*

Type	Value
Open-end Italian Investment Funds	489,494,450
Closed-end Italian Investment Funds	163,070
Open-end Foreign Sicav Investment Funds	6,558,484
Closed-end Foreign Sicav Investment Funds	773,300
Italian Stocks	92,882,633
Foreign Stocks	133,697,768
Other	915
Total	**723,570,620**

2. Regulatory trading portfolio: distribution of exposures in equity securities and equity indices for the main listing Countries (in euro units)

Marketplace	Value
Italy	583,191,855
Switzerland	24,896,373
France	22,395,400
Japan	21,898,589
The Netherlands	17,178,423
United Kingdom	14,633,555
United States	11,865,813
Spain	11,466,318
Luxembourg	6,558,484
Germany	6,278,965
Finland	2,539,980
Turkey	666,865
Total	**723,570,620**

2.4 Price risk – banking book

Qualitative information

A - General issues, management processes and price risk assessment measures

The main price risk exposures of Banca Aletti's banking book are linked to the so called directional portfolio, made up of units in Hedge Funds, UCITS and private equity funds, as well as bonds issued by the commercial banks of the Group, re-purchased by Banca Aletti to manage the internal secondary market.

With regard to the directional portfolio, at present it holds units of the Hedge Funds managed by Gestielle Alternative; these funds were included in the portfolio for diversification reasons as an offset to the results of traditional investment portfolios, especially in periods marked by a high volatility.
To further diversify the investments of the banking book, we participated in the subscription of a Private Equity fund, Fondo Dimensione Network. The fund does not require the immediate payment of the subscription, but instead a series of payments called by the management company whenever investments are identified and performed in compliance with the offering memorandum.

As to the bonds issued by the commercial banks of the Group included in Banca Aletti's banking book, their management is closely correlated to the positions taken in the trading derivative portfolio, therefore for further information on the methods used to manage the risk of this portfolio please see paragraph '2.1 Interest rate risk – Trading Portfolio'.

B - Price risk hedging

<u>*Quantitative information*</u>

1. Banking book: cash exposures in equity securities and UCITS (in euro units)

Type	Value
Open-end Italian Investment Funds	11,033,598
Italian Stocks	267,625
Closed-end Italian Investment Funds	137,757
Total	**11,438,980**

2.5 Exchange rate risk

<u>*Qualitative information*</u>

A - General issues, management procedures and exchange rate risk assessment methods

Banca Aletti's exchange rate risk management is centralized in the Money Market Function. Exposures, that are very limited, refer to the main currencies, in particular US dollar, yen, Swiss francs and British pounds.
The exposures associated with exchange rate derivative trades are basically closed every day.

2.6 Financial derivative instruments

A. Financial derivatives

A.1 Regulatory trading portfolio: end-of-period notional amounts

(in thousand euro)	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other valuables		31/12/2005		01/01/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Forward rate agreement	-	73,504	-	-	-	-	-	-	-	73,504	-	51,391
2. Interest rate swap	-	35,764,227	-	-	-	-	-	-	-	35,764,227	-	22,776,705
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	12,770,171	-	-	-	-	-	-	-	12,770,171	-	8,044,016
6. Equity index swap	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swap	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	-	-	454,032	-	-	-	-	-	454,032	-	5,831	-
9. Cap options	-	8,801,445	-	-	-	-	-	8,982,908	-	17,784,353	-	10,965,051
- Purchased	-	395,767	-	-	-	-	-	5,525,952	-	5,921,719	-	5,060,283
- Issued	-	8,405,678	-	-	-	-	-	3,456,956	-	11,862,634	-	5,904,768
10. Floor options	-	2,990,656	-	-	-	-	-	2,483,265	-	5,473,921	-	1,774,092
- Purchased	-	817,244	-	-	-	-	-	1,913,734	-	2,730,978	-	636,756
- Issued	-	2,173,412	-	-	-	-	-	569,531	-	2,742,943	-	1,137,337
11. Other options	-	2,499,858	262,414	7,577,176	-	3,032,766	-	4,344,471	262,414	17,454,271	175,464	13,764,427
- Purchased	-	689,858	174,018	2,715,400	-	1,489,204	-	2,248,831	174,018	7,143,293	129,589	6,252,417
- plain vanilla	-	689,858	174,018	724,148	-	715,247	-	1,442,770	174,018	3,572,022	129,589	2,872,510
- exotic	-	-	-	1,991,252	-	773,957	-	806,061	-	3,571,271	-	3,379,907
- Issued	-	1,810,000	88,396	4,861,776	-	1,543,562	-	2,095,640	88,396	10,310,978	45,874	7,512,010
- plain vanilla	-	1,810,000	88,396	2,098,001	-	727,071	-	1,289,066	88,396	5,924,138	45,874	3,587,658
- exotic	-	-	-	2,763,775	-	816,491	-	806,574	-	4,386,841	-	3,924,353
12. Futures contracts	-	-	-	-	-	7,254,950	-	-	-	7,254,950	-	4,992,715
- Purchase	-	-	-	-	-	3,791,423	-	-	-	3,791,423	-	2,428,302
- Sale	-	-	-	-	-	3,387,270	-	-	-	3,387,270	-	2,228,170
- Currency against currency	-	-	-	-	-	76,257	-	-	-	76,257	-	336,243
13. Other derivative contracts	-	-	-	-	-	-	-	122	-	122	-	141
Total	**-**	**62,899,861**	**716,446**	**7,577,176**	**-**	**10,287,716**	**-**	**15,810,766**	**716,446**	**96,575,519**	**181,295**	**62,368,538**

A.3 Financial derivatives: purchase and sale of underlying assets

(in thousand euro)	Debt securities and interest rates		Equity securities and equity indices		Exchange rates and gold		Other valuables		31/12/2005		01/01/2005	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
A. Regulatory trading portfolio	**-**	**50,129,681**	**716,446**	**7,577,176**	**-**	**10,287,717**	**-**	**15,810,767**	**716,446**	**83,805,341**	**181,295**	**54,318,519**
1. With capital exchange	-	-	716,446	160,121	-	10,278,804	-	416	716,446	10,439,341	181,295	12,318,978
- Purchase	-	-	382,414	32,734	-	5,318,558	-	208	382,414	5,351,499	130,097	5,734,240
- Sale	-	-	334,032	127,387	-	4,829,637	-	208	334,032	4,957,232	51,198	6,248,495
- Currency against currency	-	-	-	-	-	130,609	-	-	-	130,609	-	336,243
2. Without capital exchange	-	50,129,681	-	7,417,055	-	8,913	-	15,810,351	-	73,366,000	-	41,999,541
- Purchase	-	29,017,911	-	3,291,221	-	-	-	7,426,928	-	39,736,060	-	20,655,902
- Sale	-	21,111,770	-	4,125,834	-	8,913	-	8,321,327	-	33,567,844	-	21,343,639
- Currency against currency	-	-	-	-	-	-	-	62,096	-	62,096	-	-
B. Banking book	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Hedging	-	-	-	-	-	-	-	-	-	-	-	-
1. With capital exchange	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Without capital exchange	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. With capital exchange	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Without capital exchange	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

A.4 OTC financial derivatives: positive fair value – counterparty risk

(in thousand euro)	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other valuables			Different underlyings	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public Agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	738,596	24,475	108,155	264,052	49,635	168,456	103,960	9,410	55,066	166,333	3,318	58,938	2,532	33,591
A.4 Financial institutions	21,574	64,882	24,396	15,191	42,113	32,916	11,609	3,515	8,895	194	2,134	1,300	48,826	52,818
A.5 Insurance companies	2,029	-	385	17,323	-	11,403	-	-	-	-	-	-	-	-
A.6 Non-financial businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	33,770	-	395	8	-	6	-	-	-	-	-
Total (31-12-2005)	**762,199**	**89,357**	**132,936**	**330,335**	**91,748**	**213,170**	**115,577**	**12,925**	**63,967**	**166,527**	**5,452**	**60,238**	**51,358**	**86,409**
Total (01-01-2005)	**466,711**	**-**	**106,638**	**121,691**	**-**	**146,736**	**262,570**	**-**	**145,207**	**15**		**37**		
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public Agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (31-12-2005)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (01-01-2005)														

A.5 OTC financial derivatives: negative fair value – financial risk

(in thousand euro)	Debt securities and interest rates			Equity securities and equity indices			Exchange rates and gold			Other valuables			Different underlyings	
	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Gross unsettled	Gross settled	Future exposure	Settled	Future exposure
A. Regulatory trading portfolio														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public Agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	378,269	49,261	102,111	311,337	19,818	-	92,772	3,024	31,913	44,338	46,998	27	34,794	26,790
A.4 Financial institutions	324,661	53,213	22,729	2,236	2,124	-	7,923	3,461	61	8,487	5,020	-	-	-
A.5 Insurance companies	74,260	-	9,211	197,092	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other entities	-	-	-	40,114	-	-	6,715	-	-	-	-	-	-	-
Total (31-12-2005)	**777,190**	**102,474**	**134,051**	**550,779**	**21,942**	**-**	**107,410**	**6,485**	**31,974**	**52,825**	**52,018**	**27**	**34,794**	**26,790**
Total (01-01-2005)	**465,922**	**-**	**75,154**	**159,065**	**-**	**-**	**261,872**	**-**	**20,332**	**14**	**-**	**7**	**-**	**-**
B. Banking book														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public Agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (31-12-2005)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (01-01-2005)														

Section 3 Liquidity risk

Qualitative information

A - General issues, management procedures and liquidity risk assessment methods

Liquidity risk comes from the time mismatch between expected cash in- and outflows in a very short time horizon. In addition to the difficulty/impossibility of hedging such mismatches, the liquidity risk can also entail an interest rate risk caused by the need to raise/lend funds at unknown rates that could be potentially unfavorable.

Based on specific mandates issued by the Boards of Directors, Banca Aletti has been delegated the task of managing the treasury (euro and foreign currency cash flows) of the commercial banks, guaranteeing the access to domestic and international monetary markets.

The first defense line against liquidity risk is the daily monitoring and control of the maximum negative liquidity gap at the overnight value date, measured by the difference between treasury cash inflows and outflows, that are summed algebraically. In particular, the agreement between Banca Aletti and the Parent company sets specific ceilings for the maximum negative liquidity gap at the overnight value date determined by the daily transactions of the investment bank on its books, net of the amount that would be made available through refinancing with the Bank of Italy by presenting the available eligible debt securities.

A further defense against liquidity is the monitoring activity performed by the Parent company's Risk Management function, which measures the liquidity term structure of all the transactions in the banking book and in the trading portfolio, using the ALM-related gap analysis technique.

Quantitative information

Time distribution of financial assets and liabilities by residual contract life

The table below shows the percentage distribution of financial assets and liabilities by residual contract life, whereby 100% represents total assets.

	On demand	From 1 to 7 days	From more than 7 to 15 days	From more than 15 days to 1 month	From more than 1 month to 3 months	From more than 3 months to 6 months	From more than 3 months to 1 year	From more than1 year to 5 years	Beyond 5 years
Financial assets									
Portfolio securities	0.2%	0.0%	0.4%	0.7%	2.2%	1.7%	0.3%	1.3%	0.4%
Loans to other banks	2.0%	25.6%	6.3%	16.5%	29.5%	10.2%	1.4%	0.5%	0.0%
Loans to customers	0.2%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial liabilities									
Deposits from Banks	0.5%	38.3%	15.0%	16.8%	19.4%	6.1%	2.1%	0.0%	0.0%
Deposits from Customers	4.3%	0.7%	0.2%	0.2%	0.5%	0.0%	0.0%	0.0%	0.0%
Debt securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2. Breakdown of financial liabilities by sector

The analysis of the distribution of financial liabilities by sector shows that the main component is represented by “Financial Institutions”, accounting for about 94% of the aggregate. The remaining percentage, equal to about 6%, refers to “Other entities”.

3. Geographical breakdown of financial liabilities

The analysis of the geographical distribution of financial liabilities shows that the main component is deposits and funds from counterparties resident in Italy, accounting for about 83%. “International markets” account for roughly 17%, and it is represented by interbank funding with foreign counterparties.

Section 4 Operational risks

Qualitative information

A - General issues, management procedures and operational risk assessment methods

Operational risk is the risk of suffering losses caused by inadequacy or failure attributable to procedures, human resources and internal systems, or caused by external events. The legal risk is included, while the strategic and reputational risks are not.
The main sources of operational risk are: low reliability of operational processes, insufficient IT security, growing recourse to automation, outsourcing of corporate functions, a limited number of suppliers, changes in strategies, frauds, mistakes, staff recruitment, training and loyalty-building, and finally social and environmental impacts.

In order to correctly identify and assess operational risks, the Group defined a methodology based on a qualitative analysis (Risk Assessment) and on a quantitative analysis (Loss Collection).

The qualitative risk assessment is carried out when there are no historical loss data that may evidence the risk level associated with specific risk events (for example, low frequency and high impact events) or when the corporate business is being reorganized and revised in such a way as to change its risk level. Risk Assessment data is collected by regularly interviewing the heads of the various organizational departments, it is then codified and filed in a database functional to statistical analysis. Loss Collection data is filed in a loss database as soon as the reporting function recognizes the loss event to be accounted for. Said data must be validated to verify their quality, as well as their formal accuracy.

In 2005, 11 Risk Assessment workshops were conducted in 15 different structures belonging to Banca Aletti, with the analysis of about 200 operational risks. In addition, 3 different loss reporting processes (Loss Collection) have been harmonized and standardized, totaling about 3 reporting structures.

The aim of the above activities is to ensure the adoption of the standardized model as of the introduction of the New Capital Accord, to then change over to the adoption of the internal operational risk management model (Advanced Measurement Approach).

In order to implement the standardized model, followed by the AMA model, Gruppo Bpvn intends setting up a business organizational model centralized in the Parent company, which acts directly on behalf of the three commercial banks, Banca Aletti and SGS, and defines and regularly updates the objectives and the guidelines for the Group’s product factories. From an operational point of view, each product factory shall set up an internal organizational unit in charge of endorsing and implementing the targets fixed by the Parent company, and of providing a regular feedback on operational risk management.

For outstanding legal proceedings and contingent losses, see Section 12 Chapter B of the Notes to the Accounts.

Quantitative information

Shown below is an estimate of capital absorption, calculated based on Aletti's total income (net interest and other banking income) as at December 31st, 2005 (standardized method):

Business Line ***(in euro)***	**Absorption**
Corporate Finance	122,792
Trading and sales	3,486,151
Retail Banking	7,540,339
Commercial Banking	9,032,116
Payment and Settlement	2,071
Agency Service	616,492
Asset Management	458,474
Retail Brokerage	2,653,385
Total	**23,911,821**

Chapter F - Regulatory capital

Section 2 Shareholders' equity and banking regulatory capital

The chart below illustrates the shareholders' equity and the regulatory capital as at December 31st, 2005 measured in compliance with the current laws and with the international accounting standards:

(in thousand euro)	31-12-2005	31-12-2004
A. Regulatory capital		
A.1 Core capital (tier 1)	193,738	125,322
A.2 Supplementary capital (tier 2)	-	-
A.3 Deduction items	-	-
A.4 Regulatory capital	193,738	125,322
B. Capital adequacy		
B.1 Credit risks	41,352	36,706
B.2 Market risks	122,576	62,456
of which:		
- Risks from trading portfolio	118,189	62,291
- Exchange rate risks	1,376	-
- Concentration risks	3,011	165
B.3 Other capital adequacy requirements	-	-
B.4 Total capital adequacy requirements	163,928	99,162
C. Risk assets and solvency ratios		
C.1 Risk-weighted assets	2,341,839	1,416,595
C.2 Tier 1 / Risk-weighted assets	8.273%	8.847%
C.3 Regulatory capital / Risk-weighted assets	8.273%	8.847%

Major risks

As at 31.12.2005 there were ten primary lending and financial counterparties that can be classified as "major risks", considering the sum of the weighted drawdown for counterparties or associated counterparty groups exceeding 10% of the "Regulatory Capital". The total risk position amounted to 482,162 thousand Euro, (174,519 thousand euro on December 31st, 2004).

Chapter H - Transactions with related parties

Remuneration of Directors and key Top Managers

(in thousand euro)	Amounts 2005 Directors	Top managers
Gross annual compensation	884	472
Short term benefits	-	64
Benefits after the employment service	-	102
Termination benefits	-	20
Total	**884**	**658**

Banco in prior financial years assigned stock options on shares of the Parent company, to the benefit of specific directors and employees of companies of the group, among which Banca Aletti. The cost of the plan is fully incurred by Banco, considering that the reason for the above stock option assignments was also to promote a Group-oriented attitude to the advantage primarily of the Parent company.

Transactions with related parties

Transactions with companies of the Group

Balance sheet - Assets *(in thousand euro)*	**31-12-2005**	**31-12-2004**
Due from banks	**4,635,966**	**2,745,258**
Banca Popolare di Novara	1,796,767	1,240,137
Banco Popolare di Verona e Novara	1,999,430	931,360
BPVN - France SA	-	1,015
BPVN Finance - Londra	12,646	11
BPVN Lux SA	37,182	55,832
Credito Bergamasco	789,941	516,903
Other assets	**62,181**	**42,306**
Aletti Fiduciaria	144	120
Aletti Gestielle Alternative SGR s,p,a,	3,841	2,922
Aletti Gestielle SGR s,p,a,	17,525	1,183
Aletti Merchant s,p,a,	70	310
Aletti Private Equity SGR	153	-
Banca Popolare di Novara	6,368	4,125
Banco Popolare di Verona e Novara	26,955	29,185
BPVN Finance - Londra	66	90
BPVN Lux SA	1,336	39
Credito Bergamasco	5,491	4,179
Società Gestioni Servizi - BPVN s,p,a,	232	153
Financial assets HfT	**405,299**	**506,214**
Banca Popolare di Novara	115,927	132,626
Banco Popolare di Verona e Novara	220,351	275,381
BPVN - France SA France	-	39
BPVN Finance - Londra	2,539	9,281
BPVN Lux SA	28	17
Credito Bergamasco	66,454	88,870
Financial assets measured at fair value	**67,305**	**48,240**
Banca Popolare di Novara	5,018	8,828
Banco Popolare di Verona e Novara	21,207	35,421
Credito Bergamasco	41,078	3,991

Balance sheet - Liabilities *(in thousand euro)*	31-12-2005	31-12-2004
Due to banks	**4,359,948**	**3,511,283**
Banca Aletti & C, Suisse SA	273	71
Banca Popolare di Novara	1,041,750	1,174,207
Banco Popolare di Verona e Novara	2,633,435	1,643,996
BPVN Lux SA	71,188	26,976
Credito Bergamasco	613,302	666,033
Other liabilities	**96,332**	**36,256**
Aletti Fiduciaria	252	-
Aletti Invest SIM s,p,a,	-	2,984
Aletti Merchant s,p,a,	41	41
Aletti Private Equity SGR	-	2
Banca Popolare di Novara	30,094	1,600
Banco Popolare di Verona e Novara	34,152	20,420
BPVN Lux SA	290	40
Credito Bergamasco	11,320	691
Società Gestioni Servizi - BPVN s,p,a,	20,183	10,478
Financial liabilities	**318,974**	**237,993**
Banca Aletti & C, Suisse SA	37	-
Banca Popolare di Novara	79,426	76,939
Banco Popolare di Verona e Novara	158,725	100,809
BPVN Finance - Londra	2,516	1,352
BPVN Lux SA	31	6
Credito Bergamasco	78,239	58,887
Financial liabilities measured at fair value	**267**	**-**
Banco Popolare di Verona e Novara	267	-

Income statement *(in thousand euro)*	2005	2004
Interest income	**92,861**	**52,241**
Banca Popolare di Novara	32,118	10,695
Banco Popolare di Verona e Novara	45,303	24,097
BPVN - France SA	5	3,807
BPVN Finance - Londra	5	3
BPVN Lux SA	1,169	1,001
Credito Bergamasco	14,261	12,638
Interest expense	**(101,479)**	**(85,963)**
Banca Aletti & C, Suisse SA	-	(4)
Banca Popolare di Novara	(26,999)	(27,100)
Banco Popolare di Verona e Novara	(62,377)	(42,984)
BPVN - France SA		(4)
BPVN Finance - Londra	(0)	-
BPVN Lux SA	(2,517)	(900)
Credito Bergamasco	(9,586)	(14,971)
Commission income	**68,433**	**48,093**
Aletti Fiduciaria	6	6
Aletti Gestielle Alternative SGR s.p.a.	6,751	6,079
Aletti Gestielle SGR s,p,a,	35,408	2,486
Aletti Merchant s,p,a,	-	19
Aletti Private Equity SGR	239	287
Banca Aletti & C, Suisse SA	30	33
Banca Popolare di Novara	7,662	12,896
Banco Popolare di Verona e Novara	9,486	17,582
BPVN Finance - Londra	345	357
BPVN Lux SA	3,632	195
Credito Bergamasco	4,870	8,153
Leasimpresa s.p.a.	4	-
Commission expense	**(167,461)**	**(26,262)**
Aletti Fiduciaria	(204)	-
Aletti Invest SIM s.p.a.	(1,409)	(5,826)
Aletti Merchant s.p.a.	-	(41)
Banca Popolare di Novara	(55,854)	(5,532)
Banco Popolare di Verona e Novara	(79,005)	(10,490)
Credito Bergamasco	(30,989)	(4,373)
Net trading income (loss)	**3,470**	**(727)**
Banca Popolare di Novara	(504)	468
Banco Popolare di Verona e Novara	3,701	(3,593)
BPVN Finance - Londra	(1,626)	1,109
BPVN Lux SA	(43)	30
Credito Bergamasco	1,942	1,259
Personnel expenses	**(4,575)**	**(2,683)**
Aletti Fiduciaria	229	129
Aletti Gestielle SGR s.p.a.	-	(6)
Aletti Merchant s.p.a.	132	432
Banca Popolare di Novara	(1,343)	(2,227)
Banco Popolare di Verona e Novara	(3,278)	(721)
Credito Bergamasco	(674)	(574)
Società Gestioni Servizi - BPVN s.p.a.	359	284
Other administrative expenses	**(32,063)**	**(22,756)**
Aletti Fiduciaria	(40)	-
Aletti Gestielle SGR s.p.a.	(358)	(147)
Banca Popolare di Novara	(346)	(350)
Banco Popolare di Verona e Novara	(2,791)	(2,606)
Credito Bergamasco	(345)	(198)
Società Gestioni Servizi - BPVN s.p.a.	(28,183)	(19,455)
Other operating income	**13,078**	**109**
Aletti Fiduciaria	24	30
Aletti Gestielle SGR s.p.a.	-	-
Banca Popolare di Novara	3,410	-
Banco Popolare di Verona e Novara	6,426	20
Credito Bergamasco	3,153	-
Società Gestioni Servizi - BPVN s.p.a.	65	59

Transactions with other related parties

Transactions with companies under the Parent company's significant influence

Balance sheet - Assets *(in thousand euro)*	31-12-2005	31-12-2004
Due from banks	**747**	**629**
Banca Italease	555	629
Istituto Centrale Banche Popolari Italiane	192	-
Other assets	**308**	**-**
BPV Vita	287	-
Novara Vita	19	-
Banca Italease	2	-
Financial assets HfT	**33,095**	**4,663**
Banca Italease	33,095	4,646
Istituto Centrale Banche Popolari Italiane	-	17

Balance sheet - Liabilities *(in thousand euro)*	31-12-2005	31-12-2004
Due to banks	**45,532**	**150,756**
Istituto Centrale Banche Popolari Italiane	45,532	150,756
Other liabilities	**2**	**-**
Banca Italease	2	-
Trading financial liabilities	**252,022**	**185,669**
BPV Vita	100,278	82,911
Novara Vita	151,722	102,737
Istituto Centrale Banche Popolari Italiane	22	21

Income statement *(in thousand euro)*	2005	2004
Interest income	**482**	**158**
Banca Italease	438	140
Istituto Centrale Banche Popolari Italiane	44	18
Interest expense	**689**	**657**
Istituto Centrale Banche Popolari Italiane	689	657
Commission income	**353**	**301**
BPV Vita	247	274
Novara Vita	101	-
Banca Italease	5	27

Adoption of new International Accounting Standards - IAS/IFRS

Adoption of IAS/IFRS in Italy and impact on Banca Aletti

The Italian Lawmaker made use of the option offered by Regulation n. 1606/2002 and delegated the Italian Government for the adoption of the necessary legislative provisions to identify which companies, besides listed ones, must apply IAS. Based on said mandate, on February 26th, 2005 Law Decree n. 38 was issued, governing the scope of application of IAS in Italy. The general reference framework for Banca Aletti and for the companies belonging to Gruppo Popolare di Verona e Novara is summarized below.

In its capacity as a company issuing financial instruments traded on a regulated market of the European Union and as a Bank, Banco Popolare di Verona e Novara is obliged to prepare its consolidated financial statements for 2005 in compliance with the international accounting standards IAS/IFRS.

Banca Aletti, the group's other Italian banks, the asset management companies and the brokerage companies are compelled to prepare their financial accounts under IAS/IFRS as of financial year 2006. Banca Aletti and all the companies included in the Parent company's consolidated accounts along the line by line consolidation method (subsidiary companies), the proportionate method (companies jointly controlled with other economic entities external to the Group), and the equity method (companies on which Banco has a significant influence) may however decide to prepare their financial statements in compliance with the international accounting standards already starting from financial year 2005.

With regard to the above mentioned option, Banca Aletti resolved to make use of the option to prepare its financial accounts in compliance with IAS/IFRS as of financial year 2005.

The regulatory backdrop

EU Regulation n. 1606 of July 19th, 2002 provides for all European Union publicly traded companies to prepare their consolidated accounts from 2005 onwards in accordance with the international accounting standards (IAS - International Accounting Standards and IFRS – International Financial Reporting Standards[1]), developed by IASB (International Accounting Standard Board). The Regulation left to Member States the option to extend the adoption of said standards also to the financial accounts of non-listed companies and to the statutory accounts of listed companies.

The same Regulation envisaged an endorsement mechanism for the individual international accounting principles through the publication of specific Regulations on the European Union's Official Gazette. The reference regulatory framework for banks was completed only at the end of financial year 2004, with the adoption of IAS 32 and 39, that cover disclosure and presentation and recognition and measurement of financial instruments, respectively. Specifically, the publication of the EU Regulation n. 2086/2004 of November 19th, 2004 put a temporary end to a long debate between IASB and the representative of the European banking industry. The major divergences regarded the possibility of including "core deposits" among hedged assets and the option of measuring liabilities at fair value through profit or loss.
Through the introduction of the above Regulation, the European Union decided to overcome this dispute by adopting an amended IAS 39 removing the most controversial parts (so called "carved out" IAS 39). Thus the Euro IAS 39 adopted by the European Union, compared to the full IAS 39, provided for:

- the prohibition to fair valuing financial liabilities that are not held for trading and not fair value hedged (*Fair Value Hedge*);
- the possibility of considering "core deposits" portfolios as elements that can be hedged.

The European Union did not exclude that developments from the ongoing debate and future amendments to IAS 39 being developed by IASB may lead to a full adoption of IAS 39 in a near future.

The regulatory framework that unfolded at the end of 2004 was characterized by important changes also throughout 2005. EC Regulation n. 211/2005 dated February 4th, 2005 introduced IFRS 2, which governs the recognition of share based payments. EC Regulation n. 1864/2005 of November 15th, 2005 introduced material changes to IAS 39. Said changes involve in particular the option upon initial recognition to measure the financial instruments under paragraph 9 of IAS 39 at fair value through profit or loss. The above regulation extends said option to financial liabilities, however specific conditions have been introduced

[1] For convenience, in this report the single international accounting standards are indicated with the acronym "IAS" or "IFRS" followed by their identification number (for example, IAS 39, IFRS4, etc.)

to make use of it. Under the regulation, said IAS 39 amendment can be applied retroactively as at January 1st, 2005.

Article 9 of Law Decree n. 38 of February 28th, 2005 states that the power to define the face and form of the financial statements of banks lies in the hands of the Bank of Italy. To this regard, the Regulatory Authority on December 22nd, 2005 published Circular n. 262 governing the minimum content of the accounting charts, the explanatory notes and the report on operations. The directives set forth in said circular partly differ from those spelled out in the draft used by Banca Aletti to prepare the report on operations for the first half 2005.

It should be noted, that on February 21st, 2006, the Italian Banking Association issued Circular n. 3 relating to Tax regulations, dealing with the impact of the first-time adoption of international accounting standards on corporate taxation.

First-time adoption of IAS/IFRS by Banca Aletti

This report was prepared in keeping with the measurement and recognition criteria set out by the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the European Commission under the endorsement mechanism envisaged by article 6 of EC Regulation n. 1606 of the European Parliament and Council on July 19th, 2002.

Section A of the notes to the accounts "Accounting standards" spells out the main reference criteria adopted to prepare the 2005 annual report.

With regard to the main options granted by IFRS 1 in case of first-time adoption, the following should be noted:

- we made use of the option of stating financial assets at their residual book value at December 31st, 2003;

- we made use of the possibility of designating part of the financial assets as "financial assets measured at fair value through profit and loss" and as "financial assets available for sale" at the date of changeover to IAS/IFRS instead of at the time of initial recognition.

- we did not make use of the exemption from the obligation not to state in the opening balance sheet the hedging relations that are not compliant with IAS 39 conditions. Therefore all derivative contracts designated as "net hedges" based on the former accounting standards were reclassified as "trading" contracts;

- we did not make use of the option made available by IAS 19 (Employee benefits) to employ the "corridor" method that exempts from recognizing part of the actuarial gains and losses when the change does not exceed

10% with respect to the previous financial year. All actuarial gains and losses have therefore been recognized.

Banca Aletti prepared the opening balance sheet as of January 1st, 2004 in compliance with IAS/IFRS. The international accounting standards employed to prepare the opening Balance sheet differ from the former accounting standards applied in the preparation of the financial statements as of December 31st, 2003. The effect caused by the adjustment of the opening balances of all assets and liabilities to the new standards, net of the fiscal effect, was directly charged to equity as a change of reinvested earnings. The estimates based on international accounting standards at the date of transition are in accordance with the estimates made on the same date along the former accounting standards.

Pursuant to IFRS 1, the quarterly report was prepared so as to guarantee the comparison with a year of comparative data measured in compliance with IAS/IFRS. The Bank however made use of the option granted by IFRS 1 not to present comparative data complying with the accounting standards IAS 32 and IAS 39 covering the recognition and measurement and the disclosure and presentation of financial instruments. The income statement for FY 2005 is therefore not comparable with the income statement for FY 2004 that was prepared adopting all the other international accounting standards. With regard to consolidated balance sheet items, the balances at December 31st, 2005 are not comparable to the data at year-end 2004 that were prepared adopting all the other international accounting standards except for IAS 39 and IAS 32. The same items are however comparable with data at January 1st, 2005, representing the opening balance sheet with regard to the application of the above IAS 32 and IAS 39.

The effects of the transition from the former accounting standards to IAS/IFRS on the financial position, financial performance and cash flows of the Bank have been duly illustrated in the reconciliation charts required by IFRS 1[2].

The Balance Sheet as of January 1st, 2004 and the Balance Sheet and Income Statement as of December 31st, 2004 were restated. In specific, the single entries of the new accounting items introduced by IAS were reclassified after having been measured along the criteria prescribed by the new standards. The effects from the adoption of all IAS, with the exception of IAS 39, were recognized in the accounts as of January 1st, 2004 and financial year 2004 as if they had been applied as of January 1st of last year. Consequently, as required by IFRS 1, impacts determined on January 1st, 2004 were reported, net of fiscal effects, under a specific equity reserve called "FTA Reserve" (First Time Adoption), while impacts determined on entries as of December 31st, 2004 were reported, net of

[2] The accounting standard IFRS1 "First-time adoption of IFRS", i.e., the rules governing the changeover from the current accounting standards to the new standards, was adopted by way of publication of the EC Regulation 707/2004 in April 2004 on the European Commission's Official Gazette.

fiscal effects, under net profit for the period with regard to what had not already been recognized under the FTA reserve.

Capital requirements prescribed by the supervisory regulations issued by the Bank of Italy have been measured based on the current regulations, i.e., national accounting standards.

Main changes in the financial statements classification and recognition criteria

In addition to what was illustrated above, the adoption of IAS/IFRS entails additional important novelties: although they have no impact on the shareholders' equity or on the net profit measured in compliance with the former accounting standards, they do substantially change the ordinary classification and recognition procedures used to represent balance sheet and profit and loss data in financial statements.

It should be noted that art. 9 of Legal Decree n. 38 of February 28th, 2005 delegated the task of regulating the technical issues involved in the preparation of financial statements in compliance with the international accounting standards to the Bank of Italy. As part of this assignment, the Bank of Italy issued Circular n. 262 of December 22nd, 2005 illustrating the directives governing balance sheet and income statement faces, the explanatory notes and the report on operations. The proposed charts are quite different from those set forth in the regulation passed under the mandate issued by Law Decree n. 87 of January 27th, 1992. The main changes causing the reclassification of the balances of the items included in the former account charts are summarized below:

Shareholders' equity

- Financial instruments (namely, securities, payables, receivables, derivatives and equity investments) have been reclassified along the new categories spelled out by IAS/IFRS, in virtue of a specific requirement set by IFRS 1. Said requirement permits the use of these categories during the changeover to IAS/IFRS, overriding the general rule prescribing that these items must be recognized only when the financial instrument is purchased.

- The bank's securities portfolio was allocated under the item "Financial assets held for trading" (item 20 of Assets) with the exception of securities issued by companies of the Group and hedge funds that were classified in the category "Financial assets measured at fair value" (item 30 of Assets). Said items include the accrued interest from the securities held in the portfolio, which according to the former accounting standards had to be allocated under the item "accrued income and prepaid expenses".

- Derivative contracts were entirely allocated to the items "Assets/Liabilities held for trading" (item 20 of Assets and item 40 of Liabilities). These items reflect their fair value and therefore includes the premiums paid/collected on options and the positive or negative measurements that were previously stated under the item "Other assets/liabilities", as well as the accrued income on interest rate derivatives and the prepaid expense on currency repurchase agreements that were previously stated under "Accruals and deferrals".

- Equity investments retained their classification (under item 100 of Assets - "Investments in associated undertakings") if referred to controlling, significant influence or joint control interest; specifically, the equity investments in Aletti Fiduciaria and in the newly founded Group Srl have been stated under this item. All other shareholdings have been recognized as "Financial assets available for sale".

- Due from banks (item 60 of Assets) and from customers (item 70 of Assets), retained their original classification both in case of loans originated by the Group, and in the case of loans acquired from third parties. Also repurchase agreements and securities lending retained their classification as loans. Direct customer funds and interbank borrowings followed a similar classification criterion, and were allocated to the items Due to banks and to customers. These items include also the accrued interest on deposits, repurchase agreements, securities lending and current accounts, that under the former accounting standards were allocated under the item "Accruals and deferrals".

- Pursuant to IFRS 5, specific items for the measurement of non-current tangible, intangible and financial assets were introduced. Note the reclassification under "Other assets" of "Improvement expenses on third party property" that could not be identified and segregated, and that previously were stated under "Intangible assets".

- Liability items making up the shareholders' equity are redefined as compared with the former account charts, so as to include the new and specific reserves prescribed by IAS, as for example the reserve for the measurement of financial assets available for sale.

- Accruals and deferrals, as already mentioned, are recognized in a more specific item and measured more extensively and along a different modality compared with the former standards.

Income statement

- The income statement face proposed by the Bank of Italy envisages the introduction of various intermediate results, such as the "net interest income", "net interest and other banking income" (also, total income), "net income from banking activities" and the profit (loss) from continuing operations before and after tax. The makeup of said aggregates differs from the one used when preparing the reclassified income statement based on the former accounting standards.

- Note that the reclassification of item "Profits and losses from financial transactions" (item 60 of the Income Statement under Law decree 87/92) in several separate items, depending on the designation the bank attributed to the securities and derivatives portfolio, similarly to balance sheet items. As a result, the new item 80 "Net trading income" has been recognized, containing charges and gains (realized and not) from the assets classified under item 20 of Assets ("Financial assets held for trading") and item 40 of Liabilities ("Trading liabilities") of the Balance sheet, and the new item 110 "Gain from financial instruments at fair value", whose gains and charges are associated with item 30 of Assets ("Financial assets measured at fair value").

- Also the reclassification of "Personnel costs" (item 190 of Income Statement) was noteworthy, in that in addition to recognizing the expenses for employed personnel, it includes also the cost for employees from other banks detached in Banca Aletti, net of recoveries from bank personnel detached to third parties, as well as directors' remuneration and expenses for atypical employment contracts (for example, temporary employment contracts and other similar collaborations) that previously were classified under item "Administrative expenses".

- The proposed chart does not require the separate recognition of extraordinary income. The revenues and charges generally included in said aggregate under the former accounting principles have therefore been reallocated based on the nature of the specific detail items. A separate item was retained only for proceeds from investment disposal and for profit from non-current assets under disposal net of taxes.

Description of the main impacts from the adoption of IAS/IFRS on shareholders' equity as of December 31st, 2003 and December 31st, 2004

Described below are the main differences between the international accounting standards and the former accounting standards, with the resulting adjustments directly through net equity as of December 31st, 2003. As already clarified, in virtue of the exercise of the option mentioned above, the following description covers all the international accounting standards except IAS 32 and IAS 39:

- Intangible assets (other than Goodwill): start-up costs, that under the former accounting standards were considered deferred charges, under the IAS cannot be capitalized any more, and they must the charged directly to income of the year they were incurred. Local improvement costs on third party property are amortized on a five year period, instead of four. The above adjustment caused a net equity decrease upon the first-time adoption of IAS/IFRS of 179.1 thousand euro, gross of relevant fiscal effects. On December 31st, 2004 the shareholders' equity write-down gross of relevant fiscal effects amounted to 106.3 thousand euro;

- actuarial measurement of Termination benefits and Loyalty Bonuses (IAS 19): The Provision for Termination benefits under the former accounting standards represented the liabilities accrued at the balance sheet date with respect to all employees. In compliance with IAS 19, the average actuarial amount of estimated future obligations associated with both termination benefits and loyalty bonuses was measured (classified under item 100 "Other Liabilities"), with regard to all the employees actually employed at that date, based upon an estimate of demographic and financial variables. The above adjustments caused a decrease in net equity upon the first-time adoption of IAS/IFRS of 136 thousand euro, gross of relevant fiscal effects. On December 31st, 2004, the shareholders' equity write-down gross of relevant fiscal effects amounted to 204 thousand euro;

- entries posted exclusively for fiscal reasons: the 2004 income statement under IAS was cleared of all effects produced by the so called "fiscal clean-up" in that it applied retroactively the IAS accounting situation as of December 31st, 2003. This adjustment caused an increase in shareholders' equity as at January 1st, 2004 of 574.9 thousand euro.

Fiscal effects from the adjustments caused by the introduction of IAS/IFRS

Upon the first-time adoption of the international accounting standards, deferred tax assets and liabilities were calculated referred to the specific gross adjustments credited/debited directly to the reserves under net equity. The total fiscal effect from the above adjustments caused a decrease in shareholders' equity as at January 1st, 2004 of 106.5 thousand euro. On December 31st, 2004 the shareholders' equity was written up by 108 thousand euro.

Summary of the impacts from the first-time adoption of international accounting standards on the shareholders' equity as of December 31st, 2003 and December 31st, 2004

The first-time adoption of international accounting standards caused a total increase in shareholders' equity as of December 31st, 2003 of 153.3 thousand euro. The total impact on net equity as of December 31st, 2004 caused a write-down of 202.3 thousand euro.

Description of the main impacts from the adoption of IAS/IFRS on net income in financial year 2004

The differences between the former standards and the new international accounting standards affect also the measurement of the consolidated net income for financial year 2004, as detailed in the relevant reconciliation chart between the net income for the year measured along the former accounting standards and the net income measured by applying IAS/IFRS.

The impacts on the Income statement include:
- the derecognition of the amortization of intangible assets that are not classified as such under IAS/IFRS;
- adjustments to the Termination Benefit Provision and to Provisions for Loyalty Bonuses (classified under Item 100 – Other Liabilities);
- the write-off of the so called "fiscal clean-up".

The adoption of the international accounting standards caused a total write-down of the 2004 net income of 355.7 thousand euro.

Description of the main impacts from the adoption of IAS 32 and 39 on shareholders' equity as of December 31st, 2004

As a result of the decision to exercise the exemption option described above, the date of the first-time adoption of IAS 32 and 39 is January 1st, 2005.
Illustrated below are the main differences between IAS 32 anad39 and the former accounting standards, with the resulting adjustments directly carried at equity as of December 31st, 2004:

- Measurement of financial assets held for trading: debt securities:: IAS 39 requires that securities designated as held for trading be measured at "fair value" also if they are not listed on regulated markets. The former accounting standards required that securities non listed on regulated markets be measured at the lower between cost and market value at year-end. This difference produced the recognition of capital gains from the securities not quoted on regulated markets outstanding on December 31st, 2004 and classified under the category under examination, The fair value for unquoted securities was determined by referring to prices adopted in recent market deals on these same securities, to prices adopted for similar financial assets, or through discounted cash flow analysis. The above described adjustment produced an increase in net equity as of January 1st, 2005, of 687.5 thousand euro, gross of relevant fiscal effects;

- Measurement of financial assets available for sale" (IAS 39): le After initial recognition, IAS 39 requires that all financial assets classified as available for sale be measured at "fair value". Upon the first-time adoption of the international accounting standards, shareholdings that do not qualify as controlling interest, significant influence or joint control have been reclassified under this category. This types of securities based on the former accounting principles were measured at cost and were written down only in case of impairment loss. The adjustment resulting from the different measurement of equity securities (what we used to call "equity investments") upon the first-time adoption produced a 1,555.9 thousand euro increase in net equity as of January 1st, 2005. The fair value of equity securities was determined based upon generally accepted methodologies (stock quotations, comparable transactions, stock multiples or balance sheet, income statement and cash flow valuation models). This asset revaluation is offset against a specific net equity reserve, and it will be carried to income only at the time of the asset's actual sale;

- Premiums collected on options sold in guaranteed managed accounts (IAS 39- AG 76a): premiums, that used to be recognized in the income statement in full at inception, are now spread throughout the financial years for the entire contract life. pro rata temporis IAS 39 prescribes, that if the profit originates from the difference between the transaction price and the financial instrument's fair value, calculated along a measurement technique that includes non observable market data among its input variables, then said amount must be amortized over the following period in keeping with the accounting criteria adopted by the company. The above adjustment produced a decrease in net equity as of January 1st, 2005 of 8,808.9 thousand euro, gross of relevant fiscal effects;

- Measurement of financial assets held for trading: derivative contracts: Also derivative contracts held for trading must be measured at fair value. IAS 39 sets out very precise and more stringent requirements as to the definition of hedging relationship between a hedging financial instrument and another financial asset or liability. The compliance to these requirements must be systematically verified from a quantitative point of view, both retrospectively as well prospectively (hedge effectiveness test). Also the former accounting standards envisaged a series of requirement to designate a hedging relationship, among which the existence of a high offsetting correlation between the hedging instrument and the hedged asset/liability. Former standards did not specify what was meant quantitatively by a high offsetting correlation, and allowed for the existence of "net hedging positions". Said hedging relationships are not admitted in the current version of IAS 39. Based on said differences, upon the first-time adoption of IAS 39, the compliance with IAS 39 requirements was verified for all outstanding hedging relationships as of December 31st, 2004. All derivative contracts that had been previously designated as net hedging positions and all contracts where no effective hedging relationship was demonstrated have been reclassified under financial assets held for trading, and therefore measured at fair value. The adjustments resulting from the above differences upon the first-time adoption of IAS 39 produced a total decrease of 9.9 thousand euro in net equity as of January 1st, 2005, gross of relevant fiscal effects.

Fiscal effects from the adjustments caused by the introduction of IAS 32 and 39

Similarly to what described with regard to the first-time adoption of the other international accounting standards, all deferred tax assets and liabilities were recognized, associated with the specific gross adjustments credited/debited directly to the relevant equity reserves. The total amount of the fiscal effect resulting from the above adjustments produced a 3,110.1 thousand euro increase in net equity as of January 1st, 2005.

Summary of the impact of the first-time adoption of IAS 32 – 39 on shareholders' equity

The first-time adoption of the international accounting standards IAS 32 and 39 produced a total 3,465.3 thousand euro decrease in shareholders' equity as of January 1st, 2005.

Summary of the impact of the first-time adoption of all international accounting standards on shareholders' equity

In conclusion, total adjustments resulting from the first-time adoption of international accounting standards produced a total decrease in shareholders' equity of 3,667.6 thousand euro. The shareholders' equity that under the former accounting principles amounted to 150,086 thousand euro, on January 1st, 2005 went down to 146,418 thousand euro.

Consequently, the opening shareholders' equity includes:

- a "Valuation reserve for assets available for sale" (referring to the measurement at fair value of shareholdings recognized under item 40 of Assets) for 1,555.9 thousand Euro;
- a "IAS/IFRS First-time adoption reserve (FTA)", net of fiscal effects, for -4,867.9 thousand Euro;
- a -355.6 thousand Euro write-down of the 2004 net income stated under "accumulated profit (loss)" net of fiscal effects.

The above illustrated equity decrement has no direct impact on the regulatory capital and on capital ratios, in that the latter, pursuant to what prescribed by the Bank of Italy in its technical note issued on August 12th, 2005, are still calculated based on Law Decree n. 87/92 until June 30th, 2006.

Reconciliation charts required by IFRS 1

Shown below are the reconciliation charts in compliance with the provisions under IFRS 1 and with Consob's resolution n. 14990 of April 14th, 2005 supplementing the description of impacts upon the first time adoption of international accounting standards:

- reconciliation between the shareholders' equity under Law Decree 87/1992 (former accounting standards) and the shareholders' equity under IAS/IFRS as at January 1st, 2004 (without IAS 32 and 39), December 31st, 2004 (without IAS 32 and 39) and January 1st, 2005 (with IAS 32 and 39);

- reconciliation between the net income under Law Decree 87/1992 (former accounting standards) and the net income under IAS/IFRS for financial year 2004 (without IAS 32 and 39);

- description of the impact of adjustments caused by the adoption of international accounting standards on reclassified balance sheet items prepared in compliance with the former accounting standards as of January 1st, 2004 (without IAS 32 and 39) and December 31st, 2004 (with and without IAS 32 and 39);

- description of the impact of adjustments caused by the adoption of international accounting standards on reclassified P&L items prepared in compliance with the former accounting standards as at December 31st, 2004 (without IAS 32 and 39);

- description of the impact of adjustments caused by the adoption of international accounting standards on the statement of changes in equity with reference to the entire financial year 2004 (with and without IAS 32 and 39).

Reconciliation chart between net equity under Legal Decree 87/1992 and IAS/IFRS

(in thousand euro)	01-01-2004 Effect of transition to IAS/IFRS (without IAS 32-39)	31-12-2004 Effect of transition to IAS/IFRS (without IAS 32-39)	01-01-2005 Effect of transition to IAS/IFRS (with IAS 32-39)
Shareholders' equity under L.D. 87/1992	**124,829**	**150,086**	**150,086**
Financial assets held for trading			
Trading securities measured at fair value	-	-	687
Trading derivatives measured at fair value	-	-	(8,819)
Financial assets available for sale			
Measurement of fin. assets available for sale - Equity securities	-	-	1.556
PPE and intangible assets			
Write-off of non-capitalizable intangible assets	(179)	(106)	(106)
Provisions and other liabilities			
Actuarial measurement of liabilities for termination benefits, and commitments to deferred wages	(136)	(204)	(204)
Other changes			
Derecognitions carried out exclusively for fiscal reasons	575	-	-
Fiscal effect	**(107)**	**109**	**3.219**
Total effect from adoption of IAS/IFRS	**153**	**(201)**	**(3,667)**
Shareholders' equity under IAS/IFRS	**124,982**	**149,885**	**146,419**

Reconciliation chart between net income under Legal Decree 87/1992 and IAS/IFRS as at December 31st, 2004

(in thousand euro)	01-01-2004 Effect of transition to IAS/IFRS (without IAS 32-39)
Net income for the period under L.D. 87/1992	**42,560**
PPE and intangible assets	
Write-off of non-capitalizable intangible assets	73
Provisions and other liabilities	
Actuarial measurement of liabilities for termination benefits, and commitments to deferred wages	(68)
Other changes	
Derecognitions carried out exclusively for fiscal reasons	(575)
Fiscal effect	**214**
Transfer of IAS/IFRS effect over to third parties	**-**
Total effect from adoption of IAS/IFRS	**(356)**
Net income for the period underIAS/IFRS	**42,204**

Chart describing the impact of adjustments caused by the adoption of international accounting standards on reclassified balance sheet items as at January 1st, 2004 and December 31st, 2004, prepared under the former accounting standards

December 31st, 2003 and January 1st, 2004

Balance sheet items under L.D. 87/92 *(in thousand euro)*	**31-12-2003**	**Effect of transition to IAS/IFRS (without IAS 32-39)**	**01-01-2004 IAS/IFRS (without IAS 32-39)**
Cash and balances with central banks and post offices	9	-	9
Due from other banks	4,933,179	-	4,933,179
Loans and advances to customers	86,230	-	86,230
Securities	210,520	-	210,520
Equity investments	1,240	-	1,240
Property, plant and equipment	1,435	575	2,010
Intangible assets	9,653	(179)	9,474
Other assets	733,449	-	733,449
Deferred tax assets	4,104	113	4,217
Total assets	**5,979,819**	**509**	**5,980,328**

Balance sheet items under L.D. 87/92 *(in thousand euro)*	**31-12-2003**	**Effect of transition to IAS/IFRS (without IAS 32-39)**	**01-01-2004 IAS/IFRS (without IAS 32-39)**
Due to other banks	4,998,151	-	4,998,151
Due to customers and debt securities in issue	146,903	-	146,903
Provisions	32,286	96	32,382
Deferred tax liabilities	-	220	220
Other liabilities	677,651	40	677,691
Shareholders' equity:	124,828	153	124,981
- Share capital and reserves	90,909	153	91,062
- Net income for the year	33,919	-	33,919
Total liabilities	**5,979,819**	**509**	**5,980,328**

December 31st, 2004 and January 1st, 2005

Balance sheet items under L.D. 87/92 ex D.Lgs. 87/1992 *(in thousand euro)*	**31-12-2004**	**Effect of transition to IAS/IFRS** (without IAS 32-39)	**31-12-2004 IAS/IFRS** (without IAS 32-39)	**Effect of transition to IAS/IFRS** (without IAS 32-39)	**01-01-2005 IAS/IFRS**
Cash and balances with central banks and post offices	6	-	6	-	6
Due from other banks	5,134,007	-	5,134,007	-	5,134,007
Loans and advances to customers	33,892	-	33,892	-	33,892
Securities	596,417	-	596,417	687	597,104
Equity investments	1,240	-	1,240	1,556	2,796
Property, plant and equipment	1,674	-	1,674	-	1,674
Intangible assets	3,555	(129)	3,426	-	3,426
Other assets	1,305,257	23	1,305,280	(13,563)	1,291,717
Deferred tax assets	4,481	108	4,589	3,378	7,967
Total assets	**7,080,529**	**2**	**7,080,531**	**-7,942**	**7,072,589**

Balance sheet items under L.D. 87/92 ex D.Lgs. 87/1992 *(in thousand euro)*	**31-12-2004**	**Effect of transition to IAS/IFRS** (without IAS 32-39)	**31-12-2004 IAS/IFRS** (without IAS 32-39)	**Effect of transition to IAS/IFRS** (without IAS 32-39)	**01-01-2005 IAS/IFRS**
Due to other banks	5,483,391	-	5,483,391	-	5,483,391
Due to customers and debt securities in issue	161,742	-	161,742	-	161,742
Provisions	6,352	177	6,529	-	6,529
Deferred tax liabilities	1,143	-	1,143	268	1,411
Other liabilities	1,277,815	27	1,277,842	(4,745)	1,273,097
Shareholders' equity:	150,086	(202)	149,884	(3,465)	146,419
- Share capital and reserves	107,526	154	107,680	(3,465)	104,215
- Net income for the year	42,560	(356)	42,204		42,204
Total liabilities	**7,080,529**	**2**	**7,080,531**	**-7,942**	**7,072,589**

Chart describing the impact of adjustments caused by the adoption of international accounting standards on reclassified profit and loss items in financial year 2004 prepared in compliance with the former accounting standards

Income statement items under L.D. 87/92 *(in thousand euro)*	2004	Effect of transition to IAS/IFRS (without IAS 32-39)	2004 IAS/IFRS (without IAS 32-39)
Interest income	2,016		2,016
Dividends	15,798	-	15,798
Net interest, dividend and similar income	**17,814**	**-**	**17,814**
Net commission income	61,506	-	61,506
Profit from financial transactions	54,048	-	54,048
Other profit (net)	2,351	(575)	1,776
Non-interest income	**117,905**	**(575)**	**117,330**
Total income (net interest and other banking income)	**135,719**	**(575)**	**135,144**
Personnel expenses	(23,164)	(68)	(23,232)
Other administrative costs	(39,465)	22	(39,443)
Depreciation and amortization of tangible and intangible assets	(1,831)	51	(1,780)
Operating costs	**(64,460)**	**5**	**(64,455)**
Operating income	**71,259**	**(570)**	**70,689**
Goodwill impairment	(4,829)	-	(4,829)
Income from ordinary activities	**66,430**	**(570)**	**65,860**
Extraordinary income (loss)	(4,225)	-	(4,225)
Income before taxes	**62,205**	**(570)**	**61,635**
Income taxes for the period	(19,645)	214	(19,431)
Net income for the year	**42,560**	**(356)**	**42,204**

Chart describing the impact of adjustments caused by the adoption of international accounting standards on the statement of changes in Shareholders' equity in financial year 2004 prepared in compliance with the former accounting standards

2004 (in thousand euro)	Balance as at 31-12-2003	IAS/IFRS Adjust-ments (*)	Balance as at 01-01-2004	Allocation of net income		Changes in reserves	Changes in net equity carried out in the period						Profit (Loss) for the period	Balance as at 31-12-2004 (without IAS 32-39)	IAS 32-39 Adjust-ments	Balance as at 01-01-2005
				Re-serves	Divid. and other alloc.		Issue of new shares	Purchase of treas. shares	Extraord. dividend distrib.	Extraord. Net eq. changes	Derivat. on treas. shares	Stock options				
Share capital:	72,000	-	72,000	-	-	-	-	-	-	-	-	-	-	72,000	-	72,000
a) common shares	72,000	-	72,000	-	-	-	-	-	-	-	-	-	-	72,000	-	72,000
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	18,910	153	19,063	8,523	8,093	-	-	-	-	-	-	-	-	35,679	(5,021)	30,658
a) retained earnings	9,576	-	9,576	8,523	-	-	-	-	-	-	-	-	-	18,099	-	18,099
b) FTA reserves	-	153	153	-	-	-	-	-	-	-	-	-	-	153	(5,021)	(4,868)
c) Other reserves	9,334	-	9,334	-	8,093	-	-	-	-	-	-	-	-	17,427	-	17,427
Valuation reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,556	1,556
a) financial assets AfS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,556	1,556
b) PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
d) special revaluation laws	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
e) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the period	33,918	-	33,918	(8,523)	(25,395)	-	-	-	-	-	-	-	42,204	42,204	-	42,204
Total	**124,829**	**153**	**124,982**	**-**	**(17,302)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**42,204**	**149,883**	**(3,465)**	**146,418**

(*) Changes in the prior year's closing balance due to the adoption of IAS/IFRS with the exception of IAS 32-39 (financial instruments)

Attachments

Attachments

In compliance with the recommendations issued by the Committee of European Securities Regulators, shown below are the (reclassified) 2004 financial statements prepared in compliance with Legal Decree n.87 of January 27th, 1992, n. 87 and published in the relevant report.

2004 Financial statements

	Balance sheet - Assets *(in euro)*	31-12-2004	31-12-2003
10	**Cash and funds with Central banks and Post offices**	**5,746**	**9,242**
20	**Treasury Bills and other bills eligible for refinancing with Central banks**	**9,887,897**	**2,425,043**
30	**Due from banks:**	**5,134,007,202**	**4,933,178,970**
	(a) on demand	26,233,238	94,037,809
	(b) other receivables	5,107,773,964	4,839,141,161
40	**Due from customers**	**33,891,600**	**86,229,743**
50	**Bonds and other Debt securities:**	**377,915,106**	**167,865,329**
	(a) governments	259,659,291	84,387,023
	(b) banks	99,877,843	71,298,455
	(c) financial institutions	16,345,507	12,175,369
	(d) other issuers	2,032,465	4,482
60	**Shares and other equity securities**	**208,614,235**	**40,229,799**
70	**Equity investments**	**1,094,811**	**1,094,811**
80	**Equity investments in companies of the Group**	**145,000**	**145,000**
90	**Intangible assets**	**3,554,918**	**9,653,316**
	of which :		
	- start-up costs	128,901	179,110
	- goodwill	1,800,000	6,628,901
100	**Property, plant and equipment**	**1,674,297**	**1,435,458**
130	**Other assets**	**1,126,877,690**	**608,228,939**
140	**Accrued income and prepaid expenses:**	**182,859,805**	**129,323,100**
	(a) accrued income	178,705,326	124,268,195
	(b) prepaid expenses	4,154,479	5,054,905
	Total assets	**7,080,528,307**	**5,979,818,750**

Balance sheet - Liabilities *(in euro)*		31-12-2004	31-12-2003
10	**Due to banks**	**5,483,391,357**	**4,998,150,536**
	(a) on demand	813,943,096	1,167,750,814
	(b) term or with notice	4,669,448,261	3,830,399,722
20	**Due to customers:**	**161,741,725**	**146,902,968**
	(a) on demand	113,106,726	98,702,466
	(b) term or with notice	48,634,999	48,200,502
50	**Other liabilities**	**1,086,310,952**	**547,182,388**
60	**Deferred income and accrued expenses**	**191,503,840**	**130,468,398**
	(a) deferred income	186,157,601	125,371,227
	(b) accrued expenses	5,346,239	5,097,171
70	**Termination benefits**	**2,065,298**	**1,662,230**
80	**Provisions for risks and charges:**	**5,429,272**	**30,623,621**
	(b) tax provision	5,429,272	28,315,850
	(c) other provisions	0	2,307,771
120	**Share capital**	**72,000,003**	**72,000,003**
130	**Share premium**	**17,427,079**	**17,427,079**
140	**Reserves:**	**18,099,200**	**9,576,164**
	(a) legal reserve	3,114,812	1,418,893
	(d) other reseves	14,984,388	8,157,271
170	**Net income (loss) for the year**	**42,559,581**	**33,918,387**
180	**Dividend advance**	**0**	**-8,093,024**
	Total liabilities	**7,080,528,307**	**5,979,818,750**

Financial statements *(in euro)*		31-12-2004	31-12-2003
10	**Interest income and similar revenues**	**116,554,108**	**145,318,686**
	of which:		
	- due from customers	926,496	1,432,890
	- debt securities	7,464,360	9,233,055
20	**Interest expense and similar charges**	**(114,538,343)**	**(139,343,791)**
	of which:		
	- due to customers	(2,010,109)	(2,543,438)
30	**Dividend income and similar revenues:**	**15,798,271**	**897,728**
	(a) from shares and other equity securities	15,598,959	586,302
	(b) from equity investments	199,312	311,426
40	**Commission income**	**92,699,183**	**58,727,010**
50	**Commission expense**	**(31,193,316)**	**(12,339,709)**
60	**Profits (losses) from financial transactions**	**54,048,206**	**69,419,404**
70	**Other operating income**	**2,484,966**	**1,853,442**
80	**Administrative expenses:**	**(62,628,788)**	**(58,781,594)**
	(a) personnel expenses	(23,164,457)	(22,638,671)
	of which:		
	- wages and salaries	(15,534,599)	(17,634,989)
	- welfare charges	(3,850,268)	(3,329,483)
	- termination benefits	(866,844)	(693,672)
	- retirement benefits and similar	0	(269,015)
	(b) other administrative expenses	(39,464,331)	(36,142,923)
90	**Depreciation and amortization of tangible and intangible assets**	**(6,659,693)**	**(4,767,921)**
110	**Other operating costs**	**(134,158)**	**(121,387)**
120	**Write-backs of loans and provisions for guarantees and commitments**	**0**	**(311,849)**
170	**Income (loss) from ordinary activities**	**66,430,436**	**60,550,019**
180	**Extraordinary revenues**	**698,130**	**247,714**
190	**Extraordinary charges**	**(4,923,178)**	**(1,749,837)**
200	**Extraordinary income (loss)**	**(4,225,048)**	**(1,502,123)**
220	**Income tax**	**(19,645,807)**	**(25,129,509)**
230	**Net income (loss) for the period**	**42,559,581**	**33,918,387**

Subject to management and coordination activities

The company is subject to management and coordination activities under art. 2497 c.c. performed by the following company:

NAME
Banca Popolare di Verona e Novara Scarl

HEAD OFFICE
Piazza Nogara 2, Verona

The main financial highlights of the Parent company Banco Popolare di Verona e Novara S.c. a r.l. shown below in the summary chart have been excerpted from the relevant annual report as of December 31st, 2004, which is available for consultation in the forms and modalities provided for under the law, complemented by the auditors' report.

Hence, the above highlights referring to the Parent company were not included in the audit under art. 156 of L.D. 58/98 carried out by the auditing company hired by the Bank.

BANCO POPOLARE DI VERONA E NOVARA

FINANCIAL HIGHLIGHTS *(in million euro)*	31-12-2004	31-12-2003	Changes	
Income statement				
Net interest income	524.1	452.0	72.1	16.0%
Net commission income	312.1	260.6	51.5	19.8%
Non-interest income	391.9	351.0	40.9	11.7%
Net interest and other banking income	1,023.7	979.0	44.7	4.6%
Operating costs	540.2	472.0	68.2	14.4%
Profit from operations	483.5	507.0	- 23.5	-4.6%
Income from ordinary activities	346.7	239.5	107.2	44.8%
Extraordinary income (loss)	166.0	- 20.2	186.2	
Net income for the period	370.0	202.8	167.2	82.4%
Balance sheet				
Total assets	31,285.9	28,515.7	2,770.2	9.7%
Customer loans (gross)	20,993.3	18,260.1	2,733.2	15.0%
Securities	2,515.6	2,563.1	-47.5	-1.9%
Shareholders' equity	3,368.2	3,158.3	209.9	6.6%
Customer financial assets				
Direct customer funds	20,086.4	19,004.9	1,081.5	5.7%
Indirect customer funds	23,719.9	23,196.0	523.9	2.3%
- Assets under management	14,547.0	14,032.2	514.8	3.7%
- Funds and managed acc. invested in funds	9,625.3	9,205.6	419.7	4.6%
- Other managed acc. inv. in securities	1,831.9	2,132.5	-300.6	-14.1%
- Insurance policies	3,089.7	2,694.1	395.6	14.7%
- Assets under custody	9,172.9	9,163.8	9.1	0.1%
Operational structure and productivity				
Average number of employees	5,126	4,858	268	5.5%
Bank branches	510	506	4	0.8%
Gross customer loans per employee (€/1000)	4,095.5	4,321.4	-225.9	-5.2%
Net intr. & other banking income per empl. (€/1000)	199.7	217.4	-17.7	-8.1%
Operating costs per employee (€/1000)	105.4	97.4	8.0	8.2%

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