Financial Statements 2006

BANCA PROMOS®
SOCIETA' PER AZIONI

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Enrolled on the Register of Banks
Member of the Interbank Deposit Protection Fund
Member of the National Guaranty Fund
Member of ABI - Italian Banking Association
Member of ICMA - International Capital Market Association

(Translation from the original issued in italian)

Financial Statements 2006

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

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Board of directors

Chairman	Ugo Malasomma
Directors	Cosimo Capasso Tiziana Carano *(C.E.O.)* Stefano de Stefano Umberto De Gregorio

Statutory Auditors

Chairman	Ugo Mangia
Statutory Auditors	Roberto Pascucci Settimio Briglia
Supplementary Auditors	Riccardo Elviri Sergio Vilone

Independent Auditors

Deloitte & Touche S.p.A.

Dear Shareholders,

The Bank reports profit for the year of € 430,355, after provisions for tax expense of € 357,428. Average deposits are up 12% on the figure for the previous year, whilst loans and advances to customers, which were the Bank's primary focus of attention during 2006, have grown significantly, doubling with respect to 2005. The volume of securities traded was stable at almost € 15 billion.

Before going on to describe events during the year and the overall results of operations for 2006, we shall provide a brief overview of the macroeconomic environment and the performances of the international financial markets. This information will help us to better understand the results achieved by the Bank.

Macroeconomic environment

Overall, the world economy recorded a generally positive performance in 2006, showing a solidity achieved thanks not only to continuing growth in Asia, but also to an upturn in Europe's national economies, even if the improvements were of differing degrees. The situation in the US is more unstable, with the economy slowing during the second half due the weakness of the local market.

Italian GDP growth beat all expectations to record a figure of 1.9%, above all thanks to the trend over the last three months of the year. Inflation stood at 2%.

Whilst not entirely closing the gap between the Italian economy and those of the country's European neighbours, the above trends have at least reduced the ground to be made up, thus improving the outlook for the future.

The credit market reported a significant improvement in 2006, with deposits rising by an average 10%, and bank loans to the private sector up by around 12%, mainly as a result of an increase in consumer lending. Both consumer credit and mortgage lending saw strong growth, the latter thanks in part to increased competition between lenders that partially offset the rise in interest rates.

An analysis of certain indicators also reveals that banks recorded a considerable improvement in earnings, with increases of around 8.6% in net interest income and of 17.7% in total income. This compares with an average increase in operating costs of approximately 5%.

The European Central Bank's restrictive monetary policy, consisting of interest rate rises that raised three-month Euribor to 2.43% in January 2006 and 3.66% at the end of the year. At the same time the yield on Italian government bonds rose between January and December, with the yield on Treasury Credit Certificates (*CCT*) rising from 2.64% to 3.73% and on short-term Treasury Bills (*BOT*) from 2.57% to 3.73%.

The savings management sector witnessed an outflow of funds from Italian-based open-ended mutual funds due to a series of causes. The trend in part reflects tax-related issues, which have led investors to prefer overseas registered funds, and partly the diversification of offerings, which has increasingly widened the choice of product available to include passive funds, speculative funds and asset management.

2006 again saw the equity and bond markets record very different performances. For the fourth year running, world stock markets closed the twelve months in positive territory, during the second half recovering the losses registered in May and June in response to fears about inflation, which later proved to be unfounded.

In contrast, the bond markets once again paid the price of interest rate rise expectations. This resulted in a significant increase in liquidity in the market, thereby reducing spreads and the margins of traders, who saw their revenues decline sharply.

The Campania region's economy

After the negative cycle of the last two years, the Campania region's economy showed signs of picking up in 2006, with reassuring growth in output.

Industry began to grow again, thanks to greater export demand, as did tourism, whilst retail and construction remained in the doldrums. Internal demand remained weak for both consumer and investment goods. The number of people in work was stable, after the falls recorded in 2004 and 2005.

In the credit market, it should be noted that the increase in bank lending was ahead of the national average. This was due to the need for liquidity to finance working capital and an expansion of available credit, which benefited from historically low levels of non-performing and, more generally, doubtful loans. Banks were thus more inclined to be on the front foot, thereby generating a significant increase in the volume of loans in all sectors.

The increase, which also regarded short-term lending, resulted in significant growth in both consumer and business loans. Medium/long-term residential mortgages also continued to grow. The volume of consumer credit granted by non-banking financial institutions also rose, as did credit card debt.

Bank deposits also grew, thanks in part to the contribution from repurchase agreements.

Banking regulations

2006 saw the introduction of a plethora of new banking and financial regulations. On the one hand, new national and EU legislation was enacted, whilst, on the other, new measures were adopted by regulators.

Our Bank was heavily committed to ensuring compliance with both international and national regulations.

The most important developments were as follows:

– Legislative Decree 303 of 29 December 2006, the so-called “correction to the Savings Law”;
– Law Decree 297 of 27 December 2006, which has integrated and amended the Consolidated Banking and Lending Act and the Consolidated Act relating to financial intermediaries, transposing the EU directives regarding the New Basle Accord on minimum capital requirements (2006/48/EC and 2006/49/EC).
– Law Decree 223 of 4 July 2006, the so-called “Bersani Decree”, which was converted into law with amendments by Law 248 of 4 August 2006, and which, among other things, has amended art. 118 of the Consolidated Banking Act with regard to unilateral changes to contractual terms and conditions.
– Law 29 of 25 January 2006, which authorises the government to implement certain EU directives, including those relating to the transparency obligations of quoted issuers and anti-money laundering.

Secondary regulations included:

– Resolution 240 of 22 February 2006 passed by the Interministerial Credit and Savings Committee (CICR) regarding risk transactions between banks and their associates;
– the Ministry of the Economy and Finance Decree of 27 December 2006 governing the transposition of the new regulations regarding banks’ capital requirements (Basle 2).

– the Bank of Italy ruling regarding the prudential regulation of banks (so-called Basle 2) contained in Circular 263 of 27 December 2006, which has implemented European directives regarding capital adequacy.

Further measures regarded the regulations governing:

– the equity holdings of banks and banking groups;
– regulatory instructions for banks – Restructuring and medium/long-term business loans;
– the issue of debt securities by banks;
– proposed “Compliance” regulations;
– the issue of hybrid instruments (Tier 1).

With regard to financial markets, finally, the CONSOB has amended the regulations for “Issuers” and “Markets” and has begun work on the implementation of Law 262/2005 and the transposition of the Mifid directive.

The above legislative changes have obliged the Bank to adopt technical solutions that, on the one hand, have enabled us to comply with the new regulations and, on the other, to undertake projects more closely linked to our business and a review of our processes.

As a result, the Bank has adopted a number of new IT products, including:

– activation of software for the online payment of taxes, as required by the regulations that came into force on 1 October 2006;
– activation of an IT procedure named “Comma” which allows banks to comply with the new regulations on checks on banking records;
– activation of new procedures designed to prepare the information system in readiness for the introduction of IFRS.

Finally, Legislative Decree 38 of 28 February 2005 regulated the adoption of the new IFRS in Italy, extending the field of application of the new standards compared with the provisions of EC Regulation 1606 of 19 July 2002, issued by the European Parliament and Council.

In compliance with the above regulations, Banca Promos has prepared the financial statements hereby submitted for your examination under the new IFRS, abandoning the standards used until the previous year (Italian GAAP). As a result, amounts for 2005 have also been reclassified, in order to render them consistent with the amounts for 2006 and ensure readier comparison of the two years. Any more or less significant changes in certain items in 2005 are the result of this process.

Operating review

At the end of 2006 the Bank's deposits had exceeded € 40 million, having increased 7% over the year.

The improvement was due not only to direct deposits, in the form of current accounts and repurchase agreements, but also to indirect deposits, which take the form of assets under management.

Loans and advances to customers are up even more significantly, primarily reflecting an increase in mortgage lending, which grew rapidly over the year. This is in line with the Bank's strategies, which as always are based on our interpretation of market trends and customer needs.

The amount reported in the financial statements is shown net of collective impairment provisions of 1.2%, which reflect the volume of new non-performing loans in the Bank's region of operation during the year, reduced by 45%, representing the percentage of LGD (loss given default). Given the Bank's lack of time series data, for this year reference was made to the parameters in the Bank of Italy's Regulatory Bulletin. The provisions aim to take account of the inherent risk associated with loans, based on a purely prudential approach.

The adoption of IFRS had the greatest impact on asset items 20, 30, 40 and 50 in the balance sheet, referring to the Bank's portfolio securities.

Securities deriving from treasury activities at 31 December 2006 have been classified in "Available-for-sale financial assets" (AFS), which report a balance of € 10 million. The trading portfolio, on the other hand, is classified in "Financial assets held for trading", which have a zero balance at the end of the year. The new classification involved a different accounting treatment: securities held for treasury purposes are accounted for at "amortised cost" and any differences compared with fair value are recognised in a separate component of equity; securities held for trading are, in contrast, measured at fair value, with any gains or losses recognised in the income statement.

Turning to the income statement, for the third year running 2006 saw an improvement in net interest income, which is up 46%. Interest income rose to € 879 thousand from the previous € 595 thousand, marking an increase of 48%, primarily due to interest on securities and on loans and advances to customers. On the other hand, interest expense was up to € 148 thousand from the € 93 thousand of 2005, registering a rise of 59%.

Net fees and commissions, which declined 15%, reflect the reduction in fees and commissions on securities trading, which still represents the largest component of this item. The stagnation of the bond markets throughout the year weighed on the whole sector, causing a downturn in income from trading on behalf of institutional customers. Our substantial experience in this area, which traditionally represents one of the Bank's strengths, permitted us to maintain an unchanged position in this market, as we can see from the healthy trading volumes, which were stable with respect to the previous year.

In any event, the growth in fees and commissions receivable from private customers was significant. Despite remaining small on an absolute basis, in percentage terms compared with 2005 trading volumes were almost double, whilst fees and commissions almost tripled. Derivatives trading, above all, reported continuous growth.

Total income is thus down 10% overall.

We should like to draw your attention to the performance of operating costs, which remained substantially stable with respect to 2005, despite major expenditure due to the change of outsourcer for IT services and the transfer of the branch office to more visible new roadside premises, which are more suited to our retail banking activities.

The performance of staff costs reflects a combination of new recruitment, seniority bonuses, promotions and staff on maternity leave. The number of staff has risen by 20% compared with December 2005, as a result of our policy of expansion and rationalisation launched in previous years. The new staff were hired primarily to handle private customers once the branch office was open for business.

Other administrative expenses are substantially in line with the previous year.

Whilst an analysis of the results is provided in the financial statements and notes, we wish to use this report to describe key events during the year. The successful launch of services for private customers has justified the strategic emphasis on this area of business. Management has thus carried out a series of preparatory investments aimed at implementing the Bank's new business development strategy.

One of these events was naturally the opening of our first branch, which was created following the transfer of the existing office. This represents an important step, as well as achievement of an objective established when banking activities were launched.

Various departments were involved, according to their related responsibilities, in planning and organising the successful completion of this project.

The premises to house the new branch were chosen and then renovated in accordance with our requirements. Staff were carefully selected for the new branch, focusing above all on people with experience in the banking sector.

New initiatives were subsequently implemented in order to extend the service offering. These included:

– the installation of an ATM;
– the implementation of a POS service;
– the launch of inter-bank corporate banking, an online service for businesses that wish to manage their current accounts via the internet;
– the issue of Banca Promos branded debit cards.

All this was in part made possible thanks to Banca Promos's ongoing awareness of the need to exploit the latest technologies. This was particularly apparent in 2006, with the change of outsourcer for IT services. The switch has resulted in easier and, at the same time, more widespread integration of external and internal procedures, offering us the chance to make the most of the information resources built up and improved on over the years, which represent one of the Bank's key assets and strengths.

Risk management and control activities during the year concentrated mainly on upgrading and rationalising controls for credit risk and the other risks to which the Bank is exposed. The work carried out focused on two parallel aspects: the organisational structures, on the one hand, and the monitoring and identification of potential areas at risk, on the other.

As a result, specific solutions for the identified controls were developed, upgrading the organisational tools and the software used in order to adopt the new operating and control procedures.

The internal control system is based on three levels: ordinary front-line controls carried out by front-office staff, second-level controls carried out by the Back Office and the Credit Office, and the controls carried out by the Risk Management unit and the Internal Audit department.

Internal Audit activities were conducted in compliance with the regulations in force and according to the annual plan drawn up by the departmental head. Periodic checks were carried out with the aim of ensuring that the various offices and services complied with regulations, internal procedures and behavioural and ethical rules. The results of the checks were reported on regularly to the Board of Directors and the Board of Statutory Auditors.

All the offices involved in the internal control system report to the Board of Directors on the results of their risk measurement activities, which were carried out on the basis of the guidelines issued by the regulator, with the aim of keeping the Bank's risk exposure within the limits required by healthy and prudent management criteria.

We inform shareholders that:

– Banca Promos does not hold treasury shares at the balance sheet date and that such shares were not purchased or sold during the year;
– Banca Promos does not hold investments and is not part of a banking group at the balance sheet date;
– Banca Promos has updated its Security Planning Document pursuant to Legislative Decree 196 of 30 June 2003 regarding data protection;
– the Supervisory Board set up pursuant to Legislative Decree 231 conducted its activities according to the annual plan drawn up by the Board itself.

Events after 31 December 2006

The commitment to implementing the new procedures and the new activities and investments carried out in 2006 should enable us to build on the results achieved during 2007. Over the course of the new year we also expect to see the initial benefits deriving from the new branch office.

In this sense the performance during the early months of the new year has provided reason for optimism, with a general improvement on the same period of the previous year. As expected, private customers have offered the most encouragement, with a significant rise in the number of accounts opened, strong increases in both deposits and above all loans, notable growth in the credit sector, and an extension of the range of products and services on offer to customers.

In addition, stock brokerage activities have also shown encouraging signs.

During the year the Bank intends to reinforce the various areas of business added in the last two years. With regard to financial activities, this means rendering our trading portfolio fully operational, whilst in terms of banking activities, we shall aim to strengthen the role of our newly established branch office, which has been set the task of expanding deposits, developing lending activities and generally boosting the range of activities aimed at private customers.

Banca Promos has taken part, in collaboration with a corporate finance partner, in the creation of a company set up to act as advisor to a private equity fund that will invest in southern Italy. The fund is managed by one of the country's leading fund management companies.

Finally, in order to adequately support implementation of the Bank's growth strategy, we are currently making plans for a capital increase, which will be submitted for your approval in the coming months.

Proposed appropriation of profit for the year

Dear Shareholders,

As previously stated, the financial statements report profit for the year of € 430,355, marking a decline with respect to previous years. However, we wish to stress that over recent years the Bank's rate of growth has been well in excess of expectations and average growth rates for the banking sector as a whole, in spite of having to cope with such an important event as the launch of banking activities. We therefore take the view that 2006 should be viewed as a year of bedding down the changes that have taken place.

Given the above, the Board of Directors hereby submits the financial statements for the year ended 31 December 2006, with the attached reports of the independent auditors, Deloitte & Touche, and the Board of Statutory Auditors, for your examination and eventual approval. We propose to take a portion of profit for the year to the legal reserve, to pay out a portion in the form of a dividend, and to take the residue to retained earnings.

Therefore, having examined the balance sheet, income statement, notes, the Directors' report on operations, the report of the independent auditors and the report of the Board of Statutory Auditors, we invite the General Meeting, if in agreement with the above proposal, to adopt the following resolutions:

a) to approve the financial statements for 2006, which report profit for the year of € 430,355.

b) to approve the appropriation of profit for the year as follows:
   - € 21,518 to be taken to the legal reserve;
   - € 270,000 to be paid as a dividend of €0.075 per share;
   - € 138,837 to be taken to retained earnings.

In conclusion, we wish to express our sincere gratitude to everyone connected with the Bank, whose hard work and expertise provided a precious contribution to the achievement of the targets set.

Above all, thanks are due to our staff for their daily commitment. We also wish to thank the Board of Statutory Auditors and the independent auditors for the care and attention shown in carrying out their respective supervisory roles.

A special vote of thanks is also due to regulators, in particular the local office of the Bank of Italy, for their kind ongoing support.

And finally we should like to thank our customers, for their loyalty, and you, our shareholders, for your ongoing confidence and appreciation, which provide us with an ongoing source of support and incentives.

The Board of Directors

Ugo Malasomma – Presidente

Cosimo Capasso

Tiziana Carano

Stefano de Stefano

Umberto De Gregorio

Deloitte.

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AUDITORS' REPORT
PURSUANT TO ARTICLE 2409-TER OF THE CIVIL CODE

To the Shareholders of
BANCA PROMOS S.p.A.

1. We have audited the financial statements, which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes of Banca PROMOS S.p.A. as at December 31, 2006. These financial statements are the responsibility of the Banca PROMOS S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit. The above mentioned financial statements have been prepared for the first time in accordance to International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

2. We conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present for comparative purposes the corresponding data for the year 2005 prepared in accordance with IFRS. Moreover, the section of the financial statements "Prospetti di riconciliazione per la transizione ai principi contabili internazionali IAS-IFRS" explains the effects of transition to IFRS as adopted by the European Union. We examined information presented in the above mentioned section for the purpose of expressing our opinion on the financial statements as of December 31, 2006.

3. In our opinion, the financial statements present fairly the financial position of Banca Promos S.p.A. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

DELOITTE & TOUCHE S.p.A.
s/Paolo Coppola
Partner

Rome, Italy
April 13, 2007

This report has been translated into the English language solely for the convenience of international readers.

Dear Shareholders,

The financial statements for the year ended 31 December 2006, hereby submitted for your approval, consist of the balance sheet, income statement and notes, and are accompanied by the Directors' report on operations. The financial statements, which were delivered to the Board within the deadline established by art. 2429 of the Italian Civil Code, have been prepared in accordance with the provisions of Legislative Decree 87 of 27 January 1992 and the instructions issued by the Bank of Italy, above all Circular 262 of 22 December 2005. The financial statements are the first to be prepared under international financial reporting standards (IFRS).

The statement of changes in equity, calculated in accordance with the new IAS, and the cash flow statement are provided as annexes to the notes, of which they are an integral part.

The form and content of the balance sheet and income statement are those provided for by law. Prior year amounts are presented for each item in the financial statements for comparative purposes, as required by law.

Having checked the disclosures and information in the financial statements, the Board of Statutory Auditors is of the opinion that the amounts reported are reliable and that the correct accounting standards have been used, and considers the judgments and estimates applied by the Directors to be adequate and prudent. The financial statements have, therefore, been clearly prepared and give a true and fair view of the financial position and results of operations of the Company.

The financial statements may be summarised as follows (in euros):

BALANCE SHEET		
Total assets		17,543,964
Total liabilities	8,421,117	
Equity:		
Share capital	7,200,000	
Reserves	1,523,513	
Valuation reserves	- 31,021	
Profit for the year	430,355	
Equity	9,122,847	
Total liabilities and equity		17,543,964

INCOME STATEMENT

Net interest income	731,449
Net fees and commissions	3,578,262
Total income	4,028,396
Profit from banking operations	4,027,369
Operating costs	- 3,239,586
Taxation	- 357,428

Profit for the year *430,355*

Information regarding transactions with a material impact on the Company's results of operations, financial position and cash flow during 2006 and after the balance sheet date is provided in the notes and the report on operations. We have carefully examined this information are agree with the content thereof.

2006 witnessed a decline in profit for the year due to a reduction in non-interest income, which was partially offset by an increase in net interest income.

In view of the fact that we have not been assigned responsibility for auditing the financial statements, we have verified the general presentation and overall compliance with the laws in force. We believe that they accurately reflect the events and information of which we are aware following meetings with the Company's management, the checks carried out and information obtained from the independent auditors.

Given that adoption of the new accounting standards may result in a balance sheet that is different from the one prepared under Italian GAAP, the Bank has provided ample information in the notes, together with the following IFRS reconciliations:

– reconciliation of the balance sheet at 31 December 2005 for the purposes of IFRS transition;
– reconciliation of the income statement for the year ended 31 December 2005 for the purposes of IFRS transition.

The accounts and the financial statements for the year ended 31 December 2006 have been audited by the independent auditors, Deloitte & Touche SpA.

The independent auditors kept us informed about the results of their checks of the financial statements during periodic meetings with us during the year.

During 2006 the Bank proceeded to replace its IT services provider with Cabel SpA, obtaining notable advantages from a technical, operating and management viewpoint.

The organisational structure is, therefore, appropriate to the size of Banca Promos and its operating activities. We can thus confirm that the administrative and accounting system is adequate to the task of recording operating events in the accounts.

Based on the checks carried out and our attendance of Board of Directors' meetings, we confirm that the Directors have acted in compliance with the law and the articles of association and in accordance with good management practice. The organisational structure and administrative and accounting systems are operational and under development. Above all, the Company's internal controls are in the process of being strengthened in order to minimise business risk and safeguard the Bank's capital. The Supervisory Board required by Decree 231/2001 is responsible for such activities and is drawing up the organisational model.

We acknowledge that, during 2006, we were kept periodically informed of the controls carried out by the Internal Audit Department.

During the year we also had meetings with the supervisory authorities at the Italian Exchange Bureau and the Bank of Italy in order to discuss the activities carried out by Banca Promos.

Finally, we confirm that to date no aspects requiring notification to regulatory bodies or mention in this Report have come to light.

We have verified implementation of the procedures necessary in order to comply with the data protection requirements of Legislative Decree 196/2003.

Dear Shareholders,

In view of the above, the Board of Statutory Auditors invites you to approve the financial statements for the year ended 31 December 2006 and the appropriation of profit for the year, as proposed by the Board of Directors.

We thank you for the confidence you have thus far shown in us, and invite you to elect a new Board of Statutory Auditors, given that our term of office has expired with approval of the financial statements under examination.

Naples, Italy - April 11, 2007

The Board of Statutory Auditors:

Ugo Mangia

Roberto Pascucci

Settimio Briglia

Balance sheet

Assets		**12/31/06**		**12/31/05**
10. Cash and cash equivalents		91,600		39,939
20. Financial assets held for trading		0		0
30. Financial assets designated at fair value		0		0
40. Available-for-sale financial assets		10,093,658		14,708,011
50. Held-to-maturity financial assets		0		0
60. Loans and advances to banks		3,387,300		2,590,279
70. Loans and advances to customers		2,690,901		1,238,839
80. Hedging derivatives		0		0
90. Adjustments for changes in the value of hedged financial assets (+/-)		0		0
100. Investments		0		0
110. Property, plant and equipment		167,187		169,984
120. Intangible assets		56,948		43,644
of which:				
- goodwill	*0*		*0*	
130. Tax assets		677,332		917,669
a) current	*567,902*		*783,826*	
b) deferred	*109,430*		*133,843*	
140. Non-current assets and disposal groups held for sale		0		0
150. Other assets		379,039		369,014
Total assets		**17,543,964**		**20,077,379**

Balance sheet				
Liabilities and equity		**12/31/06**		**12/31/05**
10. Deposits by banks		40,918		293,517
20. Customer accounts		7,166,744		8,728,871
30. Debt securities in issue		0		0
40. Financial liabilities held for trading		0		0
50. Financial liabilities designated at fair value		0		0
60. Hedging derivatives		0		0
70. Adjustments for changes in the value of hedged financial assets (+/-)		0		0
80. Tax liabilities		343,252		553,335
a) current	*343,252*		*523,285*	
b) deferred	*0*		*30,050*	
90. Liabilities included in disposal groups held for sale		0		0
100. Other liabilities		495,353		1,078,270
110. Staff termination benefits		176,905		147,426
120. Provisions		197,945		192,180
a) pension funds and similar commitments	*0*		*0*	
b) other provisions	*197,945*		*192,180*	
130. Valuation reserve		-31,021		794
140. Redeemable shares		0		0
150. Equity instruments		0		0
160. Reserves		1,523,513		1,075,343
170. Share premium account		0		0
180. Share capital		7,200,000		7,200,000
190. Treasury shares (-)		0		0
200. Profit/(loss) for the year (+/-)		430,355		807,643
Total liabilities and equity		**17,543,964**		**20,077,379**

Income statement

		2006		2005
10. Interest income and similar revenues		879,265		594,944
20. Interest expense and similar charges		-147,816		-92,855
30. Net interest income		**731,449**		**502,089**
40. Fees and commissions receivables		3,677,690		4,327,626
50. Fees and commissions payable		-99,428		-114,313
60. Net fees and commissions		**3,578,262**		**4,213,313**
70. Dividends and similar revenues		0		0
80. Net profit/(loss) from trading activities		-373,384		-238,146
90. Net profit/(loss) from hedging activities		0		0
100. Profit/(loss) on sale or repurchase of:		92,069		10,856
a) loans and advances	*0*		*0*	
b) available-for-sale financial assets	*92,069*		*10,856*	
c) held-to-maturity financial assets	*0*		*0*	
c) financial liabilities	*0*		*0*	
110. Net profit/(loss) from financial assets and liabilities designated at fair value		0		0
120. Total income		**4,028,396**		**4,488,112**
130. Impairment losses/recoveries on:	-1,028		-12,427	
a) loans and advances	*-1,028*		*-12,427*	
b) available-for-sale financial assets	*0*		*0*	
c) held-to-maturity financial assets				
c) other financial transactions				
140. Profit from banking operations		**4,027,369**		**4,475,685**
150. Administrative expenses				
a) staff costs		-891,506		-961,867
b) other administrative expenses		-2,192,874		-2,059,138
160. Net provisions		-5,765		0
170. Impairment losses/recoveries on property, plant and equipment	-50,731		-44,749	
180. Impairment losses/recoveries on intangible assets	-46,611		-36,116	
190. Other operating costs/income		-52,098		-17,771
200. Operating costs		**-3,239,586**		**-3,119,641**

210. Profit/(loss) on investments		0	0
220. Fair value gains/(losses) on property, plant and equipment and intangible assets		0	0
230. Goodwill impairments		0	0
240. Profit/(loss) on sale of investments		0	0
250. Profit/(loss) from continuing operations before tax		**787,783**	**1,356,044**
260. Taxation on profit from continuing operations		-357,428	-548,401
270. Profit/(loss) from continuing operations		**430,355**	**807,643**
280. Profit/(loss) from discontinuing operations after tax		0	0
290. Profit/(loss) for the year		**430,355**	**807,643**

STATEMENT OF CHANGES IN EQUITY FOR 2005 and 2006

(€ 000)

The following statements show changes in equity for 2005 (restated under IFRS) and 2006

STATEMENT OF CHANGES IN EQUITY FOR 2005

	At 31 Dec 2004	Change to opening balances	At 1 Jan 2005	Allocation of profitfor prior year		Changes during the year								Equity at 31 Dec 2005
				Reserves	Dividends and other purposes	Changes in reserves	Equity-related transactions						Profit/(loss) for the year 2005	
							Issue of new shares	Share buybacks	Payment of special dividends	Changes in equity instruments	Derivatives on own shares	Share options		
Share capital:	**7,200**	**-**	**7,200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,200**
a) ordinary shares	7,200	-	7,200	-	-	-	-	-	-	-	-	-	-	7,200
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	**684**	**115**	**799**	**276**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,075**
a) revenue	684	115	799	276	-	-	-	-	-	-	-	-	-	1,075
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:	**-**	**69**	**69**	**-**	**-**	**-68**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
a) available-for-sale	-	69	69	-	-	-68	-	-	-	-	-	-	-	1
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions for banking risks	**127**	**-127**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) for the year	**1,176**	**-**	**1,176**	**-276**	**-900**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**808**	**808**
Equity	**9,187**	**57**	**9,244**	**-**	**-900**	**-68**	**-**	**-**	**-**	**-**	**-**	**-**	**808**	**9,047**

STATEMENT OF CHANGES IN EQUITY FOR 2006

	At 31 Dec 2005	Change to open-ing bal-ances	At 1 Jan 2006	Allocation of profitfor prior year		Changes during the year								Equity at 31 Dec 2006
							Equity-related transactions							
				Re-serves	Dividends and other purposes	Changes in re-serves	Issue of new shares	Share buybacks	Payment of special divi-dends	Changes in equity instru-ments	Deriva-tives on own shares	Share options	Profit/ (loss) for the year 2005	
Share capital:	**7,200**	**-**	**7,200**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,200**
a) ordinary shares	7,200	-	7,200	-	-	-	-	-	-	-	-	-	-	7,200
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium account	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	**1,075**	**-**	**1,075**	**448**	**-**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,524**
a) revenue	1,075	-	1,075	448	-	-	-	-	-	-	-	-	-	1,524
b) other	-	-	-	-	-	1	-	-	-	-	-	-	-	-
Valuation reserves:	**1**	**-**	**1**	**-**	**-**	**-32**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-31**
a) available-for-sale	1	-	1	-	-	-32	-	-	-	-	-	-	-	-31
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions for banking risks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) for the year	**808**	**-**	**808**	**-448**	**-360**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**430**	**403**
Equity	**9,084**	**-**	**9,084**	**-**	**-360**	**-31**	**-**	**-**	**-**	**-**	**-**	**-**	**430**	**9,123**

Cash flow statement (indirect method)		
	2006	**2005**
A. OPERATING ACTIVITIES		
1. Operations	**468**	**728**
- profit for the year	430	808
- gains/losses on financial assets held for trading and on financial assets/liabilities designated at fair value	0	0
- gains/losses on hedging activities	0	0
- impairment losses/recoveries	1	12
- adjustments to property, plant and equipment and intangible assets	173	157
- net provisions and other costs and income	6	0
- unpaid taxes	-224	-261
- adjustments to disposal groups held for sale net of tax effect	0	0
- other adjustments	82	12
2. Cash generated by/used for financial assets	**2,380**	**-6,595**
- financial activities held for trading	0	0
- financial assets designated at *fair value*	0	0
- available-for-sale financial assets	4,639	-4,992
- loans and advances to banks: on demand	-797	-635
- loans and advances to banks: other	0	0
- loans and advances to customers	-1,452	-973
- other assets	-10	5
3. Cash generated by/used for financial liabilities	**-2,367**	**6,864**
- deposits by banks: on demand	-252	293
- deposits by banks: other	0	0
- customer accounts	-1,562	6,101
- debt securities in issue	0	0
- financial liabilities held for trading	0	0
- financial liabilities designated at *fair value*	0	0
- other liabilities	-553	470
Net cash flows from operating activities	**481**	**997**

B. INVESTING ACTIVITIES		
1. Cash generated by	**44**	**23**
- sale of investments	0	0
- dividends received from investments	0	0
- sale of held-to-maturity financial assets	0	0
- sale of property, plant and equipment	44	23
- sale of intangible assets	0	0
- sale of business units	0	0
2. Cash used for	**-113**	**-82**
- purchase of investments	0	0
- purchase of held-to-maturity financial assets	0	0
- purchase of property, plant and equipment	-53	-77
- purchase of intangible assets	-60	-5
- purchase of business units	0	0
Net cash flows from investing activities	**-69**	**-59**
C. FINANCING ACTIVITIES		
- issue/purchase of own shares	0	0
- issue/purchase of equity instruments	0	0
- payment of dividends and other purposes	-360	-900
Net cash flows from financing activities	**-360**	**-900**
NET INCREASE/DECREASE IN CASH	**52**	**38**

Reconciliation

	2006	**2005**
Cash and cash equivalents at beginning of year	40	2
Net increase/decrease in cash	52	38
Cash and cash equivalents: effect of exchange rate fluctuations	0	0
Cash and cash equivalents at end of year	**92**	**40**

INTRODUCTION

The notes are divided into the following parts:

Part A – Accounting policies

Part B – Notes to the balance sheet

Part C – Notes to the income statement

Part E – Financial risk management

Part F – Equity

Part H – Related party transactions

FIRST-TIME ADOPTION OF IFRS

Banca Promos has elected to prepare its financial statements under international financial reporting standards (IFRS) with effect from the financial statements for the year ended 31 December 2006.

AUDIT OF THE FINANCIAL STATEMENTS

The Bank's financial statements for the year ended 31 December 2006 have been audited and the resulting opinion issued, pursuant to art. 2409-ter of the Italian Civil Code, by the independent auditors, Deloitte & Touche S.p.A., in execution of the resolution passed by the General Meeting of 30 March 2004, which appointed the above company to audit the Bank's financial statements for the three-years from 2004 to 2006, pursuant to art. 2409-bis of the Italian Civil Code.

A.1 GENERAL INFORMATION

Section 1: Statement of compliance with international financial reporting standards

The financial statements have been prepared in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission through to the end of 2005, pursuant to EC Regulation 1606 of 19 July 2002.

In interpreting and applying the new accounting standards, reference has been made to the following documents, even if not endorsed by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board (IASB);
- Implementation Guidance, Basis for Conclusions and other documents published by the IASB or IFRIC in addition to the accounting standards issued.

Interpretation also took account of the documents on the adoption of IFRS in Italy prepared by the Italian Accounting Standards Setter (the *OIC*) and the Italian Banking Association (*ABI*).

Section 2: Basis of preparation

The financial statements consist of the balance sheet, income statement and these notes, accompanied by the report on operations.

The financial statements have been prepared on the basis of the instructions in Circular 262 of 22 December 2005 issued by the Bank of Italy, entitled “Banks’ financial statements: formats and compilation instructions”.

The financial statements have been prepared clearly and provide a true and fair view of the Company’s financial position, results of operations and cash flows.

The financial statements have been prepared on a going concern basis and in accordance with the matching principle, the materiality principle, the concept of substance over form and the consistency principle.

The offsetting of assets and liabilities or of income and costs has not been carried out, unless expressly required or allowed by an accounting standard or and interpretation, or where required by the above Circular.

These financial statements have been prepared using the euro as the presentation currency.

Section 3: Events after the balance sheet date

Where appropriate, amounts reported in these financial statements have been adjusted to reflects events after the balance sheet date which, pursuant to IAS 10, require an adjustment to be made.

Events not requiring an adjustment and reflecting circumstances occurring after the balance sheet date have been reported on in the report on operations if material and thus capable of influencing the economic decisions of financial statement users.

A.2 ACCOUNTING STANDARDS APPLIED TO THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of the financial statements for the year ended 31 December 2006 and which, unless changes or additions are required by future modifications to regulations or interpretations, will be applied in future financial statements are described below.

Section 1 Financial assets held for trading

Classification

The category includes:

- debt securities and equity instruments acquired principally for the purpose of selling in the short term.

Recognition

These financial assets are initially recognised at the settlement date, in the case of debt securities and equity instruments, and at the subscription date in the case of derivative financial instruments.

Financial assets held for trading are initially recognised at fair value, which normally corresponds to the price paid, without taking account of transaction costs or gains directly attributable to the instrument.

Measurement and recognition of gains and losses

After initial recognition, financial assets held for trading are measured at fair value, with any gains or losses recognised in the income statement.

The fair value of instruments quoted on active markets (bid or average prices) is determined on the basis of the market prices prevailing on the last day of the financial period. The fair value of instruments not quoted on an active market is determined on the basis of estimates and valuation techniques that take account of the related risks and that are based on readily available market data: methods based on the market price of comparable instruments, on discounting future cash flows, option pricing models, or on the prices applied in recent comparable transactions.

Derecognition

Financial assets are derecognised when the Company no longer has the right to receive cash flows from the investment or when it has been sold, thereby substantially transferring all the related risks and rewards.

Section 2 Available-for-sale financial assets

Classification

Available-for-sale financial assets are non-derivative financial instruments that are not classified as loans and receivables, financial assets held for trading or as held-to-maturity.

This item includes equity instruments not held for trading and that do not qualify as subsidiaries, associates or joint ventures.

Recognition

These financial assets are initially recognised at the settlement date, in the case of debt securities and equity instruments, and at the disbursement date in the case of loans and receivables.

Available-for-sale financial assets are initially recognised at cost, represented by the fair value of the instrument (see above), including transaction costs or gains directly attributable to the instrument. If recognition follows the reclassification of the instrument from held-to-maturity financial assets, the asset is recognised at fair value at the time of transfer.

Derecognition

Financial assets are derecognised when the Company no longer has the right to receive cash flows from the investment or when it has been sold, thereby substantially transferring all the related risks and rewards.

Measurement and recognition of gains and losses

After initial recognition, available-for-sale financial assets continue to be recognised at fair value, with the value determined using the amortised cost method recognised in the income statement, whilst any fair value gains or losses are recognised in a separate component of equity until the asset is derecognised or an impairment loss is recognised. When sold or on recognition of an impairment loss, the cumulative gains or losses recognised in the component of equity are recognised in the income statement.

When the fair value of equity instruments and the related derivative financial instruments cannot be reliably determined in accordance with the above guidelines, these assets are accounted for at cost.

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. In the case of equity instruments, information considered significant in determining an impairment includes any changes in the technological, market, economic and legal environment in which the issuer operates. A significant and/or lasting decrease in the fair value of an equity instrument to below its cost may be considered objective evidence of impairment.

Any resulting impairment loss is recognised in the income statement for the period.

When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed through the income statement in the case of loans and receivables or debt securities, or through equity in the case of equity instruments. The reversal may not, however, exceed the amortised cost of the instrument that would have been determined had no impairment loss been recognised.

Section 3 Held-to-maturity financial assets

Classification

Held-to-maturity financial assets are debt securities with fixed or determinable payments that the Bank has a positive intention and ability to hold to maturity. Should there be a change in the Bank’s intention or ability to hold the asset to maturity, it is reclassified as available-for-sale.

At the balance sheet date the Bank does not hold securities classified in this category.

Recognition

Initial recognition of these financial assets occurs on the settlement date. They are initially recognised at cost (at fair value applying the same policy as for fair value through the income statement, etc.), including any directly attributable transaction costs and gains. If recognition follows the reclassification of the instrument from available-for-sale financial assets, the fair value of the asset at the reclassification date is based on the new amortised cost of the asset.

Measurement and recognition of gains and losses

After initial recognition, held-to-maturity financial assets are accounted for at amortised cost, using the effective interest method. Gains or losses on held-to-maturity financial assets are recognised in the income statement when the asset is derecognised or an impairment loss is recognised, as well as through amortisation of the difference between the amount recognised and the amount repayable at maturity. The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. Any impairment is calculated as the difference between the carrying amount and the present value of cash flows, estimated by using the effective interest method. Any resulting impairment loss is recognised in the income statement. When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed through the income statement.

Derecognition

Financial assets are derecognised when the Company no longer has the right to receive cash flows from the investment or when it has been sold, thereby substantially transferring all the related risks and rewards.

Section 4 Loans

Classification

Loans include loans and advances to customers and banks, whether disbursed directly or acquired from third parties, with fixed or determinable payments. They are not quoted an active market and are not initially classified as available-for-sale financial assets. Loans also include repurchase agreements.

Recognition

Recognition only occurs when the loan is unconditional and the creditor has a contractual right to payment.

Loans are initially recognised at the date of disbursement and at the amount disbursed, including costs/income directly attributable to the individual loan and determinable at origin, even where settled at a later date. Costs that, despite having the above characteristics, are repaid by the debtor or may be classified as ordinary administrative expenses are excluded. The fair value of loans subject to other than market conditions is determined by using appropriate valuation techniques. The difference with respect to the amount disbursed or the subscription price is recognised directly in the income statement.

Repurchase agreements are accounted for as loans at the amount paid in cash.

Measurement and recognition of gains and losses

After initial recognition, loans are accounted for at amortised cost, which corresponds to the initially recognised amount less/plus any principal repayments, impairment losses/recoveries and amortisation – calculated using the effective interest method – of the difference between the amount disbursed and the amount repayable at maturity, generally corresponding to costs/income directly attributable to the individual loan. The effective interest rate is obtained by calculating the discount rate at which the present value of future cash flows from the loan, in both principal and interest, is equal to the amount disbursed including costs/income directly attributable to the loan. This accounting method makes it possible to spread the economic effect of the costs/income over the remaining life of the loan. The amortised cost method is not applied to short-term loans, as the effect of discounting to present value is deemed to be immaterial or the related cash flows are not known. These loans are accounted for at historical cost and the attributable costs/income recognised in the income statement on a straight-line basis over the term to maturity of the loan. A similar method is adopted for loans without a fixed term or callable loans.

The Bank assesses at each balance sheet date whether there is any objective evidence that a loan is impaired as a result of circumstances occurring after initial recognition. This category includes non-performing, problem, restructured or overdue loans as defined by the Bank of Italy rules in force and in accordance with IAS. These impaired loans are subject to analytical measurement and the impairment loss for each loan is equal to the difference between the carrying amount at the time of measurement (amortised cost) and the present value of estimated future cash flows, calculated applying the original effective interest rate. In determining estimated future cash flows, the bank takes account of the expected recovery period, the expected realisable value of any collateral and the costs to be incurred in order to recover the loan. Cash flows deriving from short-term loans are not discounted to present value. The resulting impairment loss in recognised in the income statement. The component of the impairment deriving from the discounting of cash flows is released on an accruals basis in accordance with the effective interest method and recognised in the income statement in “Impairment losses/recoveries on loans and advances”. The recoveries applied over time are described in the notes (Part C, Section 8). The original carrying amount of loans is reinstated in future years if the circumstances that resulted in the impairment no longer exist, provided that the measurement is objectively linked to an event that took place after the impairment was recognised. The resulting write-back is recognised in the income statement and may not in any event exceed the amortised cost of the loan had no impairment been recognised. Loans for which there is no objective evidence of impairment attributable to individual loans, generally consisting of performing loans, and including sovereign risk loans, are subject to collectively assessed losses. The assessment is based on homogeneous categories of loan in terms of credit risk, and the related loss percentages are estimated on the basis of time series, based on observable elements at the assessment date, which result in an estimate of the latent loss for each category of loan. Collectively assessed impairment losses are recognised in the income statement. At each balance sheet date any additional impairment losses or recoveries are recalculated on a differential basis with reference to the performing portfolio at that date.

At the current balance sheet date the Bank does not report non-performing, problem or restructured loans in the its financial statements. Moreover, in view of the lack of time series, the collective assessment of losses on performing loans was carried out on the basis of banking industry indicators published by the regulator.

Derecognition

Loans that have been transferred are derecognised only if all the related risks and rewards of ownership have substantially been transferred. However, if the

Bank has retained the related risks and rewards of ownership, the loans remain on the balance sheet, even when legal title to the loan has effectively been transferred. If it is not possible to ascertain whether or not the risks and rewards of ownership have been transferred, the loans are derecognised provided that the Bank has not retained any form of control. However, if the Bank has retained full or partial control of the loans, it continues to recognise them to the extent of its continuing involvement. This is measured on the basis of the Bank's exposure to changes in the value of the loans transferred and to movements in the related cash flows. Finally, transferred loans are derecognised if the Bank retains the right to the related cash flows but assumes a contractual obligation to pay those cash flows to third parties.

Section 5 Financial assets designated at fair value

Classification

Financial assets may be designated as at fair value through the income statement only if such designation:

- eliminates or reduces the accounting mismatch deriving from the inconsistent accounting of financial instruments that form a natural hedge;
- applies to groups of financial assets and liabilities that the Bank manages and measures on a fair value basis, in accordance with a documented risk management and investment strategy, and the information is supplied on such a basis to senior management;
- relates to an instrument that contains an embedded derivative that meets particular conditions. In this case, however, the fair value option may not be applied if the derivative does not significantly alter the cash flows from the host contract and it is evident that the derivative should not be separated.

At the balance sheet date the Bank does not hold assets or liabilities classified in this category.

Recognition

On initial recognition financial instruments designated at fair value are accounted for at cost, represented by the fair value of the instrument (see above), without taking account of transaction costs or gains directly attributable to the instrument, which are recognised in the income statement.

Measurement and recognition of gains and losses

After initial recognition, the financial assets and liabilities are recognised at fair value.

The fair value of instruments quoted on active markets (bid or average prices) is determined on the basis of the market prices prevailing on the last day of the financial period.

The fair value of instruments not quoted on an active market is determined on the basis of estimates and generally accepted valuation techniques that are based on readily available market data: methods based on the market price of comparable instruments, on discounting future cash flows, option pricing models, or on the prices applied in recent comparable transactions.

Fair value gains and losses on financial assets are recognised in the income statement item “Net profit/(loss) from financial assets designated at fair value”. Gains and losses realised on the repurchase of the Bank’s financial liabilities are also recognised in the same item.

Derecognition

Financial assets are derecognised when the Company no longer has the right to receive cash flows from the investment or when it has been sold, thereby substantially transferring all the related risks and rewards.

Section 6 Hedging

Recognition

Hedging transactions are designed to neutralise potential losses recognised on a certain item or group of items, attributable to a determinate risk, via gains recognised on a different item or group of items should the particular risk effectively occur.

IAS 39 provides for the following types of hedge:

- fair value hedges, which hedge changes in the fair value of assets and liabilities in the financial statements or portions thereof, of group of assets or liabilities, of firm commitments, or of portfolios of financial assets and liabilities, including core deposits, as allowed by IAS 39 endorsed by the European Commission;

- cash flow hedges, which hedge the variability in future cash flows attributable to particular risks associated with balance sheet items or forecast future transactions;
- hedges of the net investment in a foreign operation.

At the balance sheet date the Bank does not report transactions classified in this category.

Classification

A derivative financial instrument is designated as a hedge if the relationship between the hedged item and the hedging instrument is formally documented and the hedge is effective at inception and during the period of the hedge. A hedging transaction is considered effective if changes in the fair value of the hedged item or expected future cash flows are offset by changes in the fair value or the expected future cash flows of the hedging instrument. The assessment of effectiveness is based on a comparison of the above changes, taking account of the Bank's intentions at inception.

The instrument is effective (within the interval ranging from 80-125%) when changes in the fair value (or the cash flows) of the hedging instrument almost fully neutralise changes in the hedged item caused by the risk being hedged. The assessment of effectiveness is carried out at each balance sheet date using:

- prospective tests, which justify the application of hedge accounting by demonstrating the expected effectiveness;
- retrospective tests, which show the degree of effectiveness of the hedge over the reference period. In other words, they measure how far the effective results achieved differ from the perfect hedge.

If the hedging transaction proves not to be effective, hedge accounting is discontinued and the derivative instrument is reclassified as held for trading, whilst the hedged item is once again measured in accordance with the policy applied to the class of assets to which it originally belongs.

Measurement and recognition of gains and losses

Hedging derivatives are measured at fair value.

In the case of fair value hedges, changes in the fair value of the hedged item are offset by changes in the fair value of the hedging instrument. This offset is accounted for in the income statement via the recognition in item "90 Net profit/(loss) from hedging activities" of changes in the value of both the hedged item (referring to changes produced by the underlying risk) and the hedging instrument. Any difference, representing the partial ineffectiveness of the hedge, constitutes the net result recognised in the income statement.

In the case of cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in a separate component of equity until the hedged cash flow is accounted for. When the hedged cash flows are accounted for and recognised in the income statement, the above gain and loss on the hedging instrument are removed from equity and recognised in the corresponding item in the income statement, namely "Net profit/(loss) from hedging activities".

If the cash flow hedge is no longer considered effective or the hedging relationship is discontinued, the total gains or losses on the related hedging instrument previously recognised in equity continue to be accounted for in the separate component of equity until the forecast transaction occurs (or if the forecast transaction is no longer expected to occur). On completion of the transaction, this amount is recognised in the income statement in item "Gains/(losses) on trading activities".

Section 7 Investments

Classification

This item includes investments in:

- subsidiaries, which are accounted for at cost;
- associates, which are initially accounted for at cost and subsequently measured using the equity method. Associates are companies in which the Bank owns 20% or more of the voting rights and, regardless of the interest held, over which it exerts significant influence, as a result of legally binding agreements, such as shareholder pacts, or when it has the power to participate in the financial and operating policy decisions of the investee company;
- joint ventures, which are initially accounted for at cost and subsequently measured using the equity method (by choice given that IAS 31 offers alternative solutions). A joint ventue is a contractual arrangement, based on shareholders' agreements or other forms of agreement, whereby the parties agree to joint control of the business and the joint right to elect directors.

Other minority shareholdings are classified in the categories provided for by IAS 39. Above all, investments not held for trading are accounted for in available-for-sale financial assets.

At the balance sheet date the Bank does not held investments.

Section 8 Property, plant and equipment

Classification

Property, plant and equipment includes land, operating properties, investment property, plant, furniture and fittings, and all other types of equipment. These assets are owned to be used in production or in the provision of goods and services, to be leased, or for administrative purposes. The Bank intends to use these assets over more than one financial year. This item also includes assets held under finance leases, even though the lessor maintains legal title to the assets.

"Operating assets" are assets either owned by the Bank or held by it under finance leases, which are used in production and in the provision of services or for administrative purposes. These assets have useful lives of more than one financial year.

"Investment assets" are owned by the Bank or held by it under finance leases, with the aim of collecting lease rentals and/or earning a return on the capital invested.

Recognition

Property, plant and equipment is initially accounted for at cost, which, in addition to the purchase price, included any directly attributable costs of purchase and of making the asset ready for its intended use. Non-routine maintenance expenses, resulting in an increase of the future economic benefits, are recognised as an increase in the value of the asset, whilst routine maintenance costs are expensed as incurred.

Measurement and recognition of gains and losses

Property, plant and equipment, including non-operating buildings, are measured at cost, less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the expected useful life of the asset, with the exception of:

- land, whether purchased on its own or as part of the value of a building, in that it has an indefinite useful life. If land pertains to the value of a building, under the component approach land accounted for separately from the building. The allocation of the overall value to the land and to the building is based on independent appraisals only in the case of entire buildings;
- works of art, since their useful lives cannot be estimated and their value is normally not expected to decline over time.

The Bank assesses at each balance sheet date whether there is any evidence of impairment. This is done by comparing the carrying amount of the asset and its recoverable amount, corresponding to the lower of an asset's fair value less costs to sell and its value in use, represented by the present value of the future cash flows expected from the asset. Any impairment loss is then recognised in the income statement. When the reasons for the impairment no longer exist following a change in circumstances after recognition of the resulting loss, the impairment is reversed. The reversal must not exceed the carrying amount that would have been determined had no impairment loss been recognised and had depreciation been charged.

Derecognition

A component of property, plant and equipment is derecognised when disposed of or when the asset has been retired and its sale is not expected to provide future economic benefits.

Section 9 Intangible assets

Classification

An intangible asset is an identifiable non-monetary asset without physical substance owned in order to be used over the long term. This category of asset essentially refers to goodwill, representing the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired entity at the date of acquisition. Other intangible assets are recognised as such if they are identifiable and are linked to legal or contractual rights.

Based on the provisions of Bank of Italy Circular 262, the costs of renovating buildings owned by the Bank that do not have functional autonomy are classified in other assets in that do not qualify as being without physical substance, as required by IAS 38 for recognition as an intangible asset.

Recognition and recognition of gains and losses

Intangible assets are accounted for at cost, as adjusted for incidental costs, only if the future economic benefits attributable to the asset are likely to be realized and if the cost of the asset can be reliably determined. Otherwise the cost of intangible assets is expensed as incurred. The cost of intangible assets is amortised on a straight-line basis over the useful life of the asset. Intangible assets with indefinite useful lives are not amortised, being periodically tested for impairment. At each balance sheet date, if there is evidence of impairment the recoverable amount of the asset is estimated. The impairment loss, which is recognised in the income statement, is equal to the difference between the carrying amount of the asset and its recoverable amount.

An intangible asset may be account for as goodwill when the positive difference between the fair value of the assets acquired and the liabilities and contingent liabilities assumed, and the cost of acquiring the related investment or cash generating unit (including transaction costs) represents the future earnings capacity of the acquired investment or cash generating unit (goodwill). Should this difference be negative (badwill) or where the recognition of goodwill is not justified by the future earnings capacity of the acquired investment or cash generating unit, the difference is recognised directly in the income statement. Goodwill is tested for impairment at least once a year (or whenever there is evidence of an impairment). To this end, the cash generating unit to which goodwill is attributed is identified. The amount of any impairment is determined on the basis of the difference between the carrying amount of goodwill and its recoverable amount, if this is lower. The carrying amount is equal to the greater of the fair value of the cash generating unit, less costs to sell, and the relevant value in use. Any impairment loss is then recognised in the income statement.

Derecognition

An intangible asset is derecognised when disposed of or when it is not expected to provide future economic benefits.

Section 10 Non-current assets held for sale

This category includes non-current assets and liabilities and assets and liabilities included in disposal groups that may be sold in the immediate future, in their current state, and whose transfer is considered highly probable.

These assets and liabilities are accounted for at the lower of their carrying amount and fair value less costs to sell. The assets, forming a part of discontinued operations, and the related income and costs (after the tax effect) are accounted for in the balance sheet and the income statement in separate items.

At the balance sheet date the Bank does not have any assets or liabilities classified in this category.

Section 11 Current and deferred taxation

Tax assets and liabilities include direct income taxes for the year, and indirect taxes (such as stamp duty or substitute tax on medium/long-term loans).

Current tax assets and liabilities are paid by the Bank on a net basis, in accordance with its legal right to offset, and the offset balances are shown in the balance sheet. Current tax assets regard advances and tax credits deriving from withholding taxes paid.

In addition to including any surplus in the advances paid with respect to the tax charge payable, tax assets also include tax credits for which rebates have been requested.

Income taxes, calculated in accordance with Italian tax laws, are accounted for in the income statement on an accruals basis, consistent with the recognition of the costs and revenues that have generated the taxes. The charge thus represents the balance of current and deferred income taxes for the year.

Deferred tax liabilities are payable in future years as a result of taxable temporary differences.

Deferred tax assets are recoverable in future years as a result of:

a) deductible temporary differences;
b) the carry forward of unused tax losses;
c) the carry forward of unused tax credits.

Temporary differences are based on differences between the carrying amount of assets and liabilities and their tax base.

Temporary differences can be:

a) taxable temporary differences, being temporary differences that, in determining the taxable income (tax loss) for future years, translate into taxable amounts when the carrying amount of the asset or liability is realised or cancelled;

b) deductible temporary differences, being temporary differences that, in determining the taxable income (tax loss) for future years, translate into deductible amounts when the carrying amount of the asset or liability is realised or cancelled.

The tax base of an asset or liability is the value attributed to the asset or liability for tax purposes.

The calculation of deferred tax assets and liabilities is based on the tax rates applicable in the future periods when the temporary differences will reverse.

Income taxes are recognised in the income statement with the exception of items charged or credited directly to equity.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred tax liabilities are recognised in the financial statements, with the sole exception of reserves subject to deferred taxation, given that the value of already taxed distributable reserves enables the Bank to reasonably believe that events that would result in their taxation are unlikely to occur.

Deferred tax assets and liabilities are regularly assessed to take account of any changes in regulations or tax rates or of changes in circumstances that would remove the basis for their recognition.

The amount of tax liabilities is also adjusted to take account of charges that could result from previously notified tax audits or from existing disputes with the tax authorities.

Section 12 Provisions

Provisions regard liabilities for which the payment date is uncertain and are recognised in the financial statements if:

- the Bank has a present (actual or constructive) obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- the related amount has been reliably estimated.

“Other provisions” include amounts set aside for assumed liabilities deriving from disputes, including revocatory actions, amounts payable for claims from customers in connection with the Bank’s brokerage services and other estimated amounts payable as a result of actual or constructive obligations at the balance sheet date.

If the period of time involved is significant, the provisions are discounted. Provisions are recognised in the income statement, as are increases in provisions over time.

No provisions are made for liabilities that are merely potential but not probable, although a description of the nature of the liability is provided in the notes.

"Provisions for pension funds and similar commitments" include provisions accounted for under IAS 19 "Employee benefits" in order to cover the deficit in the fund from which pensions are paid. Determination of the present value, as required by the standard referred to above, is carried out by an independent actuary, using the "projected unit credit method".

Section 13 Deposits, debt securities in issue and subordinated liabilities

Classification

"Deposits by banks", "Customer accounts", "Debt securities in issue" and "Subordinated liabilities" include the different types of funding obtained in the interbank market and from customers or via the issue of certificates of deposit and bonds, net of any repurchased amount. These items also include the liability payable to lessors under finance leases, and repurchase agreements.

Recognition

These financial liabilities are initially recognised upon receipt of the sums deposited or of the proceeds of debt securities issued. The liability is initially recognised at fair value, which is usually the sum collected or the issue price, adjusted for any additional costs/income directly attributable to each funding transaction or issue and not repaid by the creditor. Internal administrative costs are not included.

Repurchase agreements are accounted for as funding transactions at the amount paid in cash.

Recognition of gains and losses

After initial recognition, financial liabilities are accounted for at amortised cost using the effective interest method. Short-term liabilities are not accounted for using this method as the effect of discounting any such amount to present value would be immaterial. Short-term items are accounted for at the amount collected and any attributable costs recognised in the income statement on a straight-line basis over the contractual term of the related liability.

Derecognition

Financial liabilities are derecognised when they mature or are cancelled. Derecognition can also take the form of the repurchase of securities previously issued. The difference between the carrying amount of the liability and the amount paid to purchase it is recognised in the income statement. The re-sale of own securities following their repurchase is considered a new issue, with recognition of the new offering price, without any effect on the income statement.

Section 14 Liabilities held for trading

Classification

This item includes the negative value of trading derivatives accounted for at fair value and financial liabilities held for trading.

This item also includes the negative value of derivatives linked to assets and liabilities measured using the fair value option. Finally, it includes embedded derivatives which, under IAS 39, have been separated from the host contract.

At the balance sheet date the Bank does not have liabilities classified in this category.

Recognition

These liabilities are initially recognised at fair value, which normally corresponds to the amount collected or the issue price, adjusted for any additional costs/income directly attributable to each funding transaction or issue and not repaid by the creditor. Internal administrative costs are not included.

Recognition of gains and losses

Fair value gains and losses and/or gains and losses on the sale of instruments held for trading are recognised in the income statement.

Section 15 Foreign currency transactions

Recognition

Foreign currency transactions are initially recognised in the reporting currency by applying to the foreign currency the spot rate prevailing on the transaction date.

Measurement and recognition of gains and losses

At each balance sheet date foreign currency items are measured as follows:

- monetary items are translated at closing exchange rates;
- non-monetary items are translated at their historical cost are translated at the spot exchange rate prevailing on the transaction date;
- non-monetary items designated at fair value ate translated using closing exchange rates.

Exchange differences arising from the payment or translation of monetary items at exchange rates other than those applied initially, or applied in the previous financial statements, are recognised through the income statement for the period in which they occur.

When a gain or loss on a non-monetary item is recognised in equity, the exchange difference relating to this item is also recognised in equity. However, when a gain or loss is recognised in the income statement, the related exchange difference is also recognised in the income statement.

Section 16 Other information

Employee benefits

Staff termination benefits are accounted for at their actuarial value.

The present value of the obligation is calculated using the “projected unit credit” method, which projects future liabilities on the basis of time series analysis and demographic forecasts, and discounts future cash flows using the market interest rate at the balance sheet date for instruments with the same residual average term as the liabilities.

The cost of termination benefits accrued during the year and recognised in the income statement in staff costs corresponds to the present value of the accrued benefits of staff in service during the year, and annual interest accrued on the present value of existing obligations at the beginning of the year.

Pension obligations and liabilities linked to so-called “seniority bonuses”, payable at the end of twenty-five and thirty-five years service, are classified as defined-benefit plans. The related liabilities are calculated using the actuarial method required by IAS 19.

Treasury shares

Any treasury shares are accounted for as a reduction of equity.

The original cost of the shares and any gains or losses generated by their subsequent sale are recognised as changes in equity.

Valuation reserves

Valuation reserves include reserves deriving from the measurement of available-for-sale financial assets and cash flow hedges.

Accruals and deferrals

Accruals and deferrals relating to accrued costs and income on assets and liabilities are accounted for as adjustments to the assets and liabilities to which they refer.

Dividends and revenue recognition

Revenues are recognised on collection or when it is probable that the economic benefits associated with the transactions will flow to the Bank and the such benefits can be reliably measured.

Dividend income is recognised when the right to receive payment is established, with the exception of those paid by investee companies accounted for using the equity method. The related accounting treatment is described in the section regarding investments.

Revenues from brokerage or the issue of financial instruments, based on the difference between the transaction price and the fair value of the instrument, are recognised in the income statement on recognition of the transaction if the fair value is determinable on the basis of recent indicators or transactions observable on the same market on which the instrument is traded. Otherwise, these revenues are distributed over time based on the term and nature of the instrument.

Income from financial instruments that cannot be measured using the above method is recognised in the income statement over the term of the transaction.

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RECONCILIATIONS FOR THE TRANSITION TO IFRS

Reconciliation of the Italian GAAP and IFRS balance sheets
Assets

ITALIAN GAAP 31 Dec 2005		Changes	IFRS 31 Dec 2005	
10. Cash and cash equivalents	39,939		39,939	10. Cash and cash equivalents
50. Bonds and other debt securities	14,344,135	363,876	14,708,011	40. Available-for-sale financial assets
30. Loans and advances to banks	2,590,279		2,590,279	60. Loans and advances to banks
40. Loans and advances to customers	1,023,187		1,023,187	70. Loans and advances to customers
100. Property, plant and equipment	169,984	-	169,984	110. Property, plant and equipment
90. Intangible assets	43,644		43,644	120. Intangible assets
—- Tax assets	888,216	29,453	917,669	130. Tax assets
130. Other assets	584,666		584,666	150. Other assets
140. Accrued income	363,877	-363,877	0	
Total assets	**20,047,927**	**29,452**	**20,077,379**	

Liabilities and equity

ITALIAN GAAP 31 Dec 2005		Changes	IFRS 31 Dec 2005	
10. Deposits by banks	293,517		293,517	10. Deposits by banks
20. Customer accounts	8,728,871		8,728,871	20. Customer accounts
80. Tax liabilities	523,285	30,050	553,335	80. Tax liabilities
100. Other liabilities	1,078,270		1,078,270	100. Other liabilities
110. Staff termination benefits	141,375	6,051	147,426	110. Staff termination benefits
120. Provisions	210,000	-17,820	192,180	120. Provisions
		7,710 -6,916	7,710 -6,916	130. Valuation reserve AFS securities tax effect
160. Reserves	960,124	- 28,378 143,598	960,124 -28,378 143,598	160. Reserves Other reserves FTA securities FTA reserves for provisions and staff termination benefits
180. Share capital	7,200,000		7,200,000	180. Share capital
200. Profit/(loss) for the year (+/-)	912,485	-104,842	807,643	200. Profit/(loss) for the year (+/-)
Total liabilities and equity	**20,047,927**	**29,452**	**20,077,379**	

Reconciliation of the Italian GAAP and IFRS income statements

	Italian GAAP 2005	Changes	IFRS 2005
10 – Interest income and similar revenues	743,614	- 148,670	594,944
20 – Interest expense and similar charges	- 92,855		-92,855
40 – Fees and commissions receivable	4,327,626		4,327,626
50 – Fees and commissions payable	- 114,313		-114,313
60 – Dealing profits/(losses)	- 413,474	175,328	-238,146
70 – Other operating income	4,710		4,710
80 – Administrative expenses	- 3,021,005	-	- 3,021,005
90 – Impairment losses on intangible assets and PPE	- 156,667	-	-156,667
110 – Other operating costs	- 9,699		-9,699
120 – Impairment losses on loans and provisions for guarantees and commitments	- 12,427		-12,427
150 – Impairment losses on non-current financial assets	-	10,856	10,856
170 Profit/(loss) from ordinary activities	**1,255,510**	**37,514**	**1,293,023**
180 – Extraordinary income	72,973		72,973
190 – Extraordinary expenses	- 9,952		- 9,952
200 – Extraordinary income / (loss)	**63,021**	**-**	**63,021**
210 – Change in provisions for general banking risks	127,000	- 127,000	0
220 – Taxation	- 533,045	- 15,356	- 548,401
230 – Profit/(loss) for the year	**912,485**	**- 104,842**	**807,643**

ASSETS

Section 1- Item 10 – Cash and cash equivalents

1.1 Cash and cash equivalents: composition

Cash and cash equivalents: composition	Total	
	31 Dec 2006	31 Dec 2005
a) Cash	42	40
b) Demand deposits at central banks	50	0.00
Total	**92**	**40**

Section 4 - Item 40 – Available-for-sale financial assets

4.1 Available-for-sale financial assets: composition by type

Items/amounts	Total			
	Quoted		Unquoted	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
1. Debt securities	10,094	14,708	0.00	0.00
1.1 Structured securities	0.00	0.00	0.00	0.00
1.2 Other debt securities	10,094	14,708	0.00	0.00
2. Equity instruments	0.00	0.00	0.00	0.00
2.1 Designated at fair value	0.00	0.00	0.00	0.00
2.2 Stated at cost	0.00	0.00	0.00	0.00
3. Units of mutual investment funds	0.00	0.00	0.00	0.00
4. Loans	0.00	0.00	0.00	0.00
5. Impaired assets	0.00	0.00	0.00	0.00
6. Transferred assets not derecognised	0.00	0.00	0.00	0.00
Total	**10,094**	**14,708**	**0.00**	**0.00**

4.2 Available-for-sale financial assets: composition by debtor/issuer

Items/amounts	Total	
	31 Dec 2006	31 Dec 2005
1 Debt securities		
a) Governments and central banks	462	727
b) Other public entities	0.00	0.00
c) Banks	3,629	6,760
d) Other issuers	6,003	7,221
2 Equity instruments		
a) Banks	0.00	0.00
b) Other issuers:	0.00	0.00
- insurance companies	0.00	0.00
- financial companies	0.00	0.00
- non-financial companies	0.00	0.00
- other	0.00	0.00
3 Units of mutual investment funds	0.00	0.00
4 Loans		
a) Governments and central banks	0.00	0.00
b) Other public entities	0.00	0.00
c) Banks	0.00	0.00
d) Other entities	0.00	0.00
5 Impaired assets		
a) Governments and central banks	0.00	0.00
b) Other public entities	0.00	0.00
c) Banks	0.00	0.00
d) Other entities	0.00	0.00
6 Transferred assets not derecognised		
a) Governments and central banks	0.00	0.00
b) Other public entities	0.00	0.00
c) Banks	0.00	0.00
d) Other entities	0.00	0.00
Total	**10,094**	**14,708**

4.5 Available-for-sale financial assets other than those transferred and not derecognised and those that are impaired: changes during the year

	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	14,371	0.00	0.00	0.00	0.00
B Additions					
B1 Purchases	0.00	0.00	0.00	0.00	0.00
B2 Increases in fair value	0.00	0.00	0.00	0.00	0.00
B3 Recoveries	0.00	0.00	0.00	0.00	0.00
- recognised in the income statement	0.00	0.00	0.00	0.00	0.00
- recognised in equity	0.00	0.00	0.00	0.00	0.00
B4 Transfers to other portfolios	0.00	0.00	0.00	0.00	0.00
B5 Other changes	245	0.00	0.00	0.00	0.00
C Reductions					
C1 Sales	0.00	0.00	0.00	0.00	0.00
C2 Redemptions	4,291	0.00	0.00	0.00	0.00
C3 Reductions in fair value	70	0.00	0.00	0.00	0.00
C4 Impairments	0.00	0.00	0.00	0.00	0.00
- recognised in the income statement	0.00	0.00	0.00	0.00	0.00
- recognised in equity	0.00	0.00	0.00	0.00	0.00
C5 Transfers to other portfolios	0.00	0.00	0.00	0.00	0.00
C6 Other changes	361	0.00	0.00	0.00	0.00
D Closing balances	10,094	0.00	0.00	0.00	0.00

Section 6 - Item 60 – Loans and advances to banks

6.1 Loans and advances to banks: composition by type

Type of transaction/amounts	Total	
	31 Dec 2006	31 Dec 2005
A Loans and advances to central banks		
1. Term deposits	0.00	0.00
2. Compulsory reserves	0.00	0.00
3. Reverse repurchase agreements	0.00	0.00
4. Other	0.00	0.00
B Loans and advances to banks		
1. Current accounts and demand deposits	3,375	2,560
2. Term deposits	12	30
3. Other loans:	0.00	0.00
3.1 Reverse repurchase agreements	0.00	0.00
3.2 Finance leases	0.00	0.00
3.3 Other	0.00	0.00
4. Debt securities	0.00	0.00
4.1 Structured securities	0.00	0.00
4.2 Other debt securities	0.00	0.00
5. Impaired assets	0.00	0.00
6. Transferred assets not derecognised	0.00	0.00
Total (carrying amount)	**3,387**	**2,590**
Total (fair Value)	**3,387**	**2,590**

The compulsory reserve is held with the Central Bank for Italian Savings Banks; the amount is thus recorded in B.2 Term deposits.

Section 7 - Item 70 – Loans and advances to customers

7.1 Loans and advances to customers: composition by type

Type of transaction /amounts	Total	
	31 Dec 2006	31 Dec 2005
1 Current account overdrafts	420	368
2 Reverse repurchase agreements	0.00	0.00
3 Mortgages	1,970	559
4 Credit cards, personal loans, loans secured against salaries	89	96
5 Finance leases	0.00	0.00
6 Factoring	0.00	0.00
7 Other transactions	212	216
8 Debt securities	0.00	0.00
8.1 Structured securities	0.00	0.00
8.2 Other debt securities	0.00	0.00
9 Impaired assets	0.00	0.00
10 Transferred assets not derecognised	0.00	0.00
Total (carrying amount)	2,691	1,239
Total (fair value)	2,708	0.00

At 31 December 2006 the number of current account overdrafts amounts to 332. The sub-item “other transactions” refers to guarantee deposits, including the deposits lodged with Cassa di Compensazione e Garanzia (the Clearing House operated by Borsa Italiana). The total for loans and advances to customers at fair value amounts to € 2.7 million. The corresponding amount is not available for the previous year.

7.2 Loans and advances to customers: composition by debtor/issuer

Type pf transaction/amounts	Total	
	31 Dec 2006	31 Dec 2005
1 Debt securities		
a) Governments	0.00	0.00
b) Other public entities	0.00	0.00
c) Other issuers	0.00	0.00
- non-financial companies	0.00	0.00
- financial companies	0.00	0.00
- insurance companies	0.00	0.00
- other	0.00	0.00
2 Loans to:		
a) Governments	0.00	0.00
b) Other public entities	0.00	0.00
c) Other entities	2,691	1,239
- non-financial companies	232	174
- financial companies	0.00	0.00
- insurance companies	0.00	0.00
- other	2,459	1,065
3 Impaired assets		
a) Governments	0.00	0.00
b) Other public entities	0.00	0.00
c) Other entities	0.00	0.00
- non-financial companies	0.00	0.00
- financial companies	0.00	0.00
- insurance companies	0.00	0.00
- other	0.00	0.00
4 Transferred assets not derecognised		
a) Governments	0.00	0.00
b) Other public entities	0.00	0.00
c) Other entities	0.00	0.00
- non-financial companies	0.00	0.00
- financial companies	0.00	0.00
- insurance companies	0.00	0.00
- other	0.00	0.00
Total	**2,691**	**1,239**

Section 11 - Item 110 – Property, plant and equipment

11.1 Property, plant and equipment: composition of assets measured at cost

Asset/amounts	Total	
	31 Dec 2006	31 Dec 2005
A Operating assets		
1.1 owned by the Bank	167	170
a) land	0.00	0.00
b) buildings	0.00	0.00
c) furniture	47	61
d) electronic equipment	84	91
e) other	36	18
1.2 purchased under finance leases	0.00	0.00
a) land	0.00	0.00
b) buildings	0.00	0.00
c) furniture	0.00	0.00
d) electronic equipment	0.00	0.00
e) other	0.00	0.00
Total a	**167**	**170**
B Investment assets		
2.1 owned by the Bank	0.00	0.00
a) land	0.00	0.00
b) buildings	0.00	0.00
c) furniture	0.00	0.00
2.2 purchased under finance leases	0.00	0.00
a) land	0.00	0.00
b) buildings	0.00	0.00
c) furniture	0.00	0.00
Total b	**0.00**	**0.00**
Total a + b	**167**	**170**

The rate of depreciation for furniture is 12%, whilst for electronic equipment and the remaining components it is 20%.

11.3 Operating property, plant and equipment: changes during the year

	Land	Buildings	Furniture	Electronic equip.	Other	Total
A Gross opening balances			206	239	164	609
A.1 Net total reductions			(145)	(148)	(146)	(439)
A.2 Net opening balances			61	91	18	170
B.1 Purchases			2	24	26	53
B.2 Capitalised improvements						
B.3 Recoveries						
B.4 Increases in fair value recognised in:						
a) equity						
b) the income statement						
B.5 Foreign exchange gains						
B.6 Transfers from investment property						
B.7 Other changes						
C Reductions:						
C.1 Sales				(18)	(26)	(44)
C.2 Depreciation			(16)	(31)	(8)	(55)
C.3 Impairments recognised in:						
a) equity						
b) the income statement						
C.4 Reductions in fair value recognised in:						
a) equity						
b) the income statement						
C.5 Foreign exchange losses						
C.6 Transfers to:						
a) investment assets						
b) assets held for sale						
C.7 Other changes				18	26	44
D Net closing balances			47	84	36	167
D.1 Net total reductions						
D.2 Gross closing balances			208	245	163	616
E. Measurement at cost						

Section 12 - Item 120 – Intangible assets

12.1 Intangible assets: composition by type of asset

Asset/amounts	Total			
	Finite life		Indefinite life	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
A.1 Goodwill	0.00	0.00	0.00	0.00
A.2 Other intangible assets				
A.2.1 Assets stated at cost:	57	44	0.00	0.00
a) Internally generated intangible assets	0.00	0.00	0.00	0.00
b) Other assets	57	44	0.00	0.00
A.2.2 Assets designated at fair value:	0.00	0.00	0.00	0.00
a) Internally generated intangible assets	0.00	0.00	0.00	0.00
b) Other assets	0.00	0.00	0.00	0.00
Total	**57**	**44**	**0.00**	**0.00**

The rate of amortisation applied to this item is 20%.

12.2 Intangible assets: changes during the year

	Good-will	Other intangible assets: internally generated		Other intangible assets: other		Total
		Finite	Indefinite	Finite	Indefinite	
A Gross opening balances				349		349
A.1 Net total reductions				(305)		(305)
A.2 Net opening balances				44		44
B. Additions						
B.1 Purchases				60		60
B.2 Additions for internally generated intangible assets						
B.3 Recoveries						
B.4 Increases in fair value recognised in:						
a) equity						
b) the income statement						
B.5 Foreign exchange gains						
B.6 Other changes						
C Reductions:						
C.1 Sales						
C.2 Reductions in value						
Amortisation				(47)		(47)
Impairment						
a) equity						
b) the income statement						
C.4 Reductions in fair value recognised in:						
a) equity						
b) the income statement						
C.4 Transfers to non-current assets held for sale						
C.5 Foreign exchange losses						
C.6 Other changes						
D Net closing balances				57		57
D.1 Net total reductions in value				(352)		(352)
E. Gross closing balances				409		409
F. Measurement at cost						

Section 13 - Item 130 in assets and Item 80 in liabilities – Tax assets and liabilities

Deferred taxation

At the balance sheet date the Bank re-assessed its tax position and, in compliance with the accounting standards in force, recognised “deferred tax assets” where there is reasonable certainty that they will be recovered.

The rate applied for IRES was 33% and for IRAP 5.25%, taking account of the exemptions introduced by Legislative Decree 168 of 12 July 2004.

13.1 Deferred tax assets: composition

	IRES	IRAP	Total
- impairment of loans and advances to customers	2	0	2
- other temporary differences	94	13	107
Total	**96**	**13**	**109**

increases

– €90 thousand on a total taxable amount of €241 thousand;

derecognitions

– €104 thousand in total, including €95 thousand for IRES and €9 thousand for IRAP on a total taxable amount of €288 thousand.

Overall, the balance of increases and derecognitions of deferred tax assets had a negative impact on the income statement of €14 thousand, whilst current taxes amount to €343 thousand.

The tax charge recorded in the income statement is thus approximately €357 thousand.

13.2 Deferred tax liabilities: composition

No deferred tax liabilities have been recorded in the financial statements.

13.3 Change in deferred tax assets (recognised in the income statement)

	31 Dec 2006	31 Dec 2005
1. Opening balance	**134**	**118**
2. Increases	**90**	**56**
2.1 Deferred tax assets recognised during the year	88	26
a) relating to previous years	*76*	
b) due to change in accounting policies		30
c) recoveries		
d) other	*12*	
2.2 New taxes or increases in tax rates	2	
2.3 Other increases	–	–
3. Reductions	**134**	**40**
3.1 Deferred tax assets derecognised during the year		40
a) reversals		
b) impairment due to non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates		
3.3 Other reductions	134	–
4. Closing balance	**90**	**134**

13.5 Change in deferred tax assets (recognised in equity)

	31 Dec 2006	31 Dec 2005
1. Opening balance	**0**	**0**
2. Increases		
2.1 Deferred tax assets recognised during the year		
a) relating to previous years		
b) due to change in accounting policies		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases	19	0
3. Reductions		
3.1 Deferred tax assets derecognised during the year		
a) reversals		
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other reductions		
4. Closing balance	**19**	**0**

13.6 Change in deferred tax liabilities (recognised in equity)

	31 Dec 2006	31 Dec 2005
1. Opening balance	**30**	**0**
2. Increases		
2.1 Deferred tax liabilities recognised during the year		
a) relating to previous years		
b) due to change in accounting policies		30
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Reductions		
3.1 Deferred tax liabilities derecognised during the year		
a) reversals	30	0
b) due to change in accounting policies		
c) other		
3.2 Reduction in tax rates		
3.3 Other reductions		
4. Closing balance	**0**	**30**

13.7 Other information

Current tax liabilities

Current tax liabilities refer to the following taxes payable after deducting advances and withholding tax paid.

Items/amounts	31 Dec 2006	31 Dec 2005
IRES	(175)	(223)
IRAP	(28)	(39)
Indirect and other taxes	(22)	13
Total	**(225)**	**(250)**

Section 15 - Item 150 – Other assets

15.1 Other assets: composition

	31 Dec 2006	31 Dec 2005
- Assets in progress and advances	209	0
- Amounts to be charged to customers or banks	42	7
- Leasehold improvements	87	163
- Current account cheques to be cleared	0	154
- Other minor items	19	26
- Accrued income and prepayments	22	19
Total	**379**	**369**

“Other minor items” includes a receivable due from San Paolo Banco di Napoli in relation to a stolen check with a value of €11,698.00, which was subsequently falsified and mistakenly paid. The receivable was written off in previous years. The dispute in question was resolved with a sentence in our favour, and we therefore expect to collect the amount due and any related interest.

LIABILITIES AND EQUITY

Section 1 - Item 10 – Deposits by banks

1.1 Deposits by banks: composition by type

Type of transaction/amounts	Total	
	31 Dec 2006	31 Dec 2005
1 Deposits by central banks	0.00	0.00
2 Deposits by banks		
2.1 Current accounts and demand deposits	41	294
2.2 Term deposits	0.00	0.00
2.3 Loans	0.00	0.00
2.3.1 Finance leases	0.00	0.00
2.3.2 Other	0.00	0.00
2.4 Liabilities deriving from commitment to repurchase own shares	0.00	0.00
2.5 Liabilities deriving from transferred assets not derecognised	0.00	0.00
2.5.1 Repurchase agreements	0.00	0.00
2.5.2 Other	0.00	0.00
2.6 Other payables	0.00	0.00
Total	**41**	**294**
Fair value	41	294

Section 2 - Item 20 – Customer accounts

2.1 Customer accounts: composition by type

Type of transaction/amounts	Total	
	31 Dec 2006	31 Dec 2005
1 Current accounts and demand deposits	7,167	8,729
2 Term deposits	0.00	0.00
3 Funds under management	0.00	0.00
4 Loans		
4.1 Finance leases	0.00	0.00
4.2. Other	0.00	0.00
5 Liabilities deriving from commitment to repurchase own shares	0.00	0.00
6 Liabilities deriving from transferred assets not derecognised		
6.1 Repurchase agreements	0.00	0.00
6.2 Other	0.00	0.00
7 Other payables	0.00	0.00
Total	**7,167**	**8,729**
Fair value	7,167	8,729

Section 10 - Item 100 – Other liabilities

10.1 Other liabilities: composition

	31 Dec 2006	31 Dec 2005
Amounts available to customers	0	19
Bank transfers awaiting clearance	4	441
Bankers' drafts issued	42	11
Amounts due to tax authorities as withholding tax on interest	18	11
VAT payable to tax authorities	0	3
Amounts due to tax authorities on behalf of customers and staff	74	71
Trade payables	126	246
Amounts payable to other entities	33	23
Accrued expenses	20	17
Other third-party payables	178	236
Total	495	1,078

"Other third-party payables" primarily include invoices to be received for charges relating to the year under examination.

Section 11 - Item 110 – Staff termination benefits

11.1 Staff termination benefits: changes during the year

	Total	
	31 Dec 2006	31 Dec 2005
A Opening balances	147	138
B Additions		
B.1 Provisions for the year	29	9
B.2 Other additions	0.00	0.00
C Reductions		
C.1 Benefits paid	0.00	0.00
C.2 Other reductions	0.00	0.00
D Closing balances	177	147
Total	**177**	**147**

Section 12 - Item 120 – Provisions

12.1 Provisions: composition

Items/amounts	Total	
	31 Dec 2006	31 Dec 2005
1. Pension funds and similar commitments	0.00	0.00
2. Other provisions		
2.1 litigation	198	192
2.2 staff costs	0.00	0.00
2.3 other	0.00	0.00
Total	**198**	**192**

12.2 Provisions: changes during the year

	Pension funds	Other	Total
A Opening balances	0.00	192	192
B Additions			
B.1 Provisions for the year	0.00	0.00	0.00
B.2 Changes due to the passage of time	0.00	6	6
B.3 Changes due to modification of the discount rate	0.00	0.00	0.00
B.4 Other additions	0.00	0.00	0.00
C Reductions			
C.1 Uses during the year	0.00	0.00	0.00
C.2 Changes due to modification of the discount rate	0.00	0.00	0.00
C.3 Other reductions	0.00	0.00	0.00
D Closing balances	0.00	198	198

Provisions are held to be adequate to cover the potential liabilities linked to on-going litigation at the balance sheet date. The entire provisions regard a legal action in which the Bank is the plaintiff and derive from an estimate of the legal expenses the bank expects to incur. The estimate was determined on an extremely prudential basis, in that in the event of a positive outcome to the action the opposing party will be liable for the Bank’s costs.

Moreover, at 31 December 2006 there were no potential liabilities warranting further provisions.

Section 14 - Items 130, 160, 180, 190, 200 – Equity

14.1 Equity: composition

Items/amounts	Total	
	31 Dec 2006	31 Dec 2005
1. Share capital	7,200	7,200
2. Share premium account	0.00	0.00
3. Reserves	1,524	1,075
4. (treasury shares)	0.00	0.00
5. Valuation reserves	-31	8
6. Equity instruments	0.00	0.00
7. Profit/(loss) for the year	430	804
Total	**9,123**	**9,087**

14.3 Share capital – Number of shares: changes during the year

Items/Type	Ordinary	Other
A Shares at beginning of year		
- fully paid-up	3,600,000	0.00
- not fully paid-up	0.00	0.00
A.1 Treasury shares (-)	0.00	0.00
A.2 Shares outstanding: opening balances	3,600,000	0.00
B Additions		
B.1 New issues		
- rights issues:	0.00	0.00
- business combinations	0.00	0.00
- bond conversions	0.00	0.00
- exercise of warrants	0.00	0.00
- other	0.00	0.00
- scrip issues:	0.00	0.00
- to staff	0.00	0.00
- to directors	0.00	0.00
- other	0.00	0.00
B.2 Sale of treasury shares	0.00	0.00
B.3 Other changes	0.00	0.00
C Reductions		
C.1 Cancellations	0.00	0.00
C.2 Share buybacks	0.00	0.00
C.3 Demergers	0.00	0.00
C.4 Other changes	0.00	0.00
D Shares outstanding: closing balances	0.00	0.00
D.1 Treasury shares (+)	0.00	0.00
D.2 Shares at end of year	3,600,000	0.00
- fully paid-up	3,600,000	0.00
- not fully paid-up	0.00	0.00

14.7 Valuation reserves: composition

Items/Components	Total	
	31 Dec 2006	31 Dec 2005
1. Available-for-sale financial assets	(31)	1
2. Property, plant and equipment	0.00	0.00
3. Intangible assets	0.00	0.00
4. Hedges of the net investment in a foreign operation	0.00	0.00
5. Cash flow hedges	0.00	0.00
6. Exchange differences	0.00	0.00
7. Assets held for sale	0.00	0.00
8. Special revaluation laws	0.00	0.00
Total	(31)	1

14.8 Valuation reserves: changes during the year

	Available-for-sale financial assets	PPE	Intangible assets	Hedges of net investment in a foreign operation	Cash flow hedges	Exchange differences	Non-current assets held for sale	Special revaluation laws
A Opening balances	1	-	-	-	-	-	-	-
B Additions	33	-	-	-	-	-	-	-
B1 Increases in fair value	1	-	-	-	-	-	-	-
B2 Other changes	39	-	-	-	-	-	-	-
C Reductions	72	-	-	-	-	-	-	-
C1 Reductions in fair value	72	-	-	-	-	-	-	-
C2 Other changes		-	-	-	-	-	-	-
D Closing balances	-31	-	-	-	-	-	-	-

14.9 Valuation reserves for available-for-ale financial assets: composition

Asset/amounts	Total (t)			
	Positive reserve		Negative reserve	
	31 Dec 2006	31 Dec 2005	31 Dec 2006	31 Dec 2005
1. Debt securities	6	1	37	0.00
2. Equity instruments	0.00	0.00	0.00	0.00
3. Units of mutual investment funds	0.00	0.00	0.00	0.00
4. Loans	0.00	0.00	0.00	0.00
Total	**6**	**1**	**37**	**0.00**

14.10 Valuation reserves for available-for-sale financial assets: changes during the year

	Debt securities	Equity instruments	Units of mutual investment funds	Loans
1 Opening balances	1	0.00	0.00	0.00
2 Additions				
2.1 Increases in fair value	1	0.00	0.00	0.00
2.2 Reversal of negative reserves through the income statement	16	0.00	0.00	0.00
- from impairment	0.00	0.00	0.00	0.00
- from realisation	16	0.00	0.00	0.00
2.3 other changes	26	0.00	0.00	0.00
3 Reductions				
3.1 Reductions of fair value	72	0.00	0.00	0.00
3.2 Reversal of positive reserves through the income statement: from realisation	3	0.00	0.00	0.00
3.3 Other changes	0.00	0.00	0.00	0.00
4 Closing balances	-31	0.00	0.00	0.00

Other information

4. Management and brokerage on behalf of third parties

Type of services	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	0.00
Settled	6,818,499
Unsettled	25,384
b) Sales	0.00
Settled	6,829,579
Unsettled	25,388
2. Asset management	0.00
a) individual	0.00
b) collective	0.00
3. Custody and administration of securities	
a) third-party securities held on deposit: linked to the Bank's operations	0.00
securities issued by the reporting bank	0.00
other securities	0.00
b) third-party securities held on deposit (excluding asset management):	34,923
securities issued by the reporting bank	7,128
other securities	27,795
c) third-party securities deposited with third parties	34,923
d) portfolio securities deposited with third parties	9,834
4. Other transactions	0.00

Section 1 – Items 10 and 20 - Interest

Interest income and similar revenues: composition

Items/forms	Performing financial assets		Impaired financial assets	Other assets	Total (t)	
	Debt securities	Loans				
	2006	2006	2006	2006	2006	2005
1 Financial assets held for trading	436	0.00	0.00	0.00	436	117
2 Available-for-sale financial assets	284	0.00	0.00	0.00	284	390
3 Held-to-maturity financial assets	0.00	0.00	0.00	0.00	0.00	0.00
4 Loans and advances to banks	0.00	55	0.00	0.00	55	37
5 Loans and advances to customers	0.00	104	0.00	0.00	104	24
6 Financial assets designated at fair value	0.00	0.00	0.00	0.00	0.00	0.00
7 Hedging derivatives	0.00	0.00	0.00	0.00	0.00	0.00
8 Transferred financial assets not derecognised	0.00	0.00	0.00	0.00	0.00	0.00
9 Other assets	0.00	0.00	0.00	0.00	0.00	27
10 Total	720	159	0.00	0.00	879	595

1.4 Interest expense and similar charges: composition

Items/forms	Deposits	Securities	Other liabilities	Total	
	2006	2006	2006	2006	2005
1. Deposits by banks	54	0.00	0.00	54	29
2. Customer accounts	94	0.00	0.00	94	64
3. Debt securities in issue	0.00	0.00	0.00	0.00	0.00
4. Financial liabilities held for trading	0.00	0.00	0.00	0.00	0.00
5. Financial liabilities designated at fair value	0.00	0.00	0.00	0.00	0.00
6. Financial liabilities associated with transferred assets not derecognised	0.00	0.00	0.00	0.00	0.00
7. Other liabilities	0.00	0.00	0.00	0.00	0.00
8. Hedging derivatives	0.00	0.00	0.00	0.00	0.00
Total	148	0.00	0.00	148	93

Section 2 – Items 40 and 50 – Fees and commissions

2.1 Fees and commissions receivable: composition

Type of service /amounts	Total	
	2006	2005
a guarantees issued	0.00	0.00
b credit derivatives	0.00	0.00
c management, brokerage and advisory services:		
1 trading in financial instruments	3,446	4,125
2 foreign currency trading	0.00	0.00
3 asset management		
3.1 individual	0.00	0.00
3.2 collective	0.00	0.00
4 custody and administration of securities	6	2
5 depositary bank	0.00	0.00
6 securities placement	2	6
7 order collection	169	106
8 advisory services	0.00	0.00
9 distribution of third-party services		
9.1 asset management		
9.1.1. individual	0.00	0.00
9.1.2 collective	11	5
9.2 insurance products	0.00	0.00
9.3 other products	0.00	2
d collection and payment services	7	2
e servicing for securitisation transactions	0.00	0.00
f factoring transactions	0.00	0.00
g tax collection	0.00	0.00
h other services	36	80
Total	**3,677**	**4,328**

2.2 Fees and commissions receivable: distribution channels for products and services

Channels/amounts	Total	
	2006	2005
a) through own branches:		
1. asset management	0.00	0.00
2. securities placement	2	6
3. third-party services and products	0.00	0.00
b) door-to-door sales:		
1. asset management	0.00	0.00
2. securities placement	0.00	0.00
3. third-party services and products	11	4
C) other distribution channels		
1. asset management	0.00	0.00
2. securities placement	0.00	0.00
3. third-party services and products	0.00	0.00

2.3 Fees and commissions payable: composition

Services/amounts	Total	
	2006	2005
a) Guarantees received	0.00	0.00
b) Credit derivatives	0.00	0.00
c) management and brokerage:		
1. Trading in financial instruments	1	28
2. Foreign currency trading	0.00	0.00
3. asset management:		
3.1 Own portfolio	0.00	0.00
3.2 Third-party portfolios	0.00	0.00
4. Custody and administration of securities	7	6
5. Placement of financial instruments	0.00	0.00
6. Door-to-door sales of securities, products and services	6	0.00
d) Collection and payment services	11	0.00
e) Other services	74	80
Total	99	114

Section 4 – Item 80 – Net profit/(loss) from trading activities

4.1 Net profit/(loss) from trading activities: composition

Transactions/components of earnings	Gains	Profit from trading	Losses	Losses from trading	Net profit/(loss)
	2006	2006	2006	2006	2006
1 Financial assets held for trading					
1.1 Debt securities	0.00	0.00	0.00	(325)	(325)
1.2 Equity instruments	0.00	0.00	0.00	0.00	0.00
1.3 Units of mutual investment funds	0.00	0.00	0.00	0.00	0.00
1.4 Loans	0.00	0.00	0.00	0.00	0.00
1.5 Other	0.00	0.00	0.00	0.00	0.00
2 Financial liabilities held for trading					
2.1 Debt securities	0.00	0.00	0.00	0.00	0.00
2.2 Other	0.00	0.00	0.00	0.00	0.00
3 Other financial assets and liabilities: exchange differences	0.00	0.00	0.00	(48)	(48)
4 Derivative instruments					
4.1 Derivative financial instruments					
On debt securities and interest rates	0.00	0.00	0.00	0.00	0.00
On equity instruments and share indexes	0.00	0.00	0.00	0.00	0.00
On foreign exchange and gold	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
4.2 Credit derivatives	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**(373)**	**(373)**

Section 6 – Item 100 – Profit/(loss) on sales/repurchases

6.1 Profit/(loss) on sales/repurchases: composition

Items/components of earnings	Total			
	Profits		Losses	
	2006	2005	2006	2005
Financial assets				
1. Loans and advances to banks	0.00	0.00	0.00	0.00
2. Loans and advances to customers	0.00	0.00	0.00	0.00
3. Available-for-sale financial assets				
3.1 Debt securities	92	11	0.00	0.00
3.2 Equity instruments	0.00	0.00	0.00	0.00
3.3 Units of mutual investment funds	0.00	0.00	0.00	0.00
3.4 Loans	0.00	0.00	0.00	0.00
4. Held-to-maturity financial assets	0.00	0.00	0.00	0.00
Total assets	**92**	**11**	**0.00**	**0.00**
Financial liabilities				
1. Deposits by banks	0.00	0.00	0.00	0.00
2. Customer accounts	0.00	0.00	0.00	0.00
3. Debt securities in issue	0.00	0.00	0.00	0.00
Total liabilities	**0.00**	**0.00**	**0.00**	**0.00**

Section 8 – Item 130 – Impairment losses/recoveries

8.1 Impairment losses/recoveries on loans and advances: composition

Transactions/components of earnings	Impairment losses			Recoveries				Total	
	Specific		Collec-tive	Specific		Collective			
	Cancel-lations	Other		a	b	a	b		
	2006	2006	2006	2006	2006	2006	2006	2006	2005
A. Loans and advances to banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B. Loans and advances to customers	0.00	0.00	1	0.00	0.00	0.00	0.00	1	12
Total	0.00	0.00	1	0.00	0.00	0.00	0.00	1	12

Section 9 – Item 150 - Administrative expenses

9.1 Staff costs: composition

Type of expense/amounts	Total	
	2006	2005
1 Employees		
a wages and salaries	459	427
b social security contributions	102	108
c staff termination benefits paid	0.00	0.00
d pension contributions	0.00	0.00
e provisions for staff termination benefits	37	34
f provisions for pension funds and similar commitments		
a defined-contribution	0.00	0.00
a defined-benefit	0.00	0.00
g provisions for external supplementary pension funds		
a defined-contribution	0.00	0.00
a defined-benefit	0.00	0.00
h costs deriving from payment agreements based on own shares	0.00	0.00
l other employee benefits	5	11
2 Other staff costs	12	74
3) Directors	277	308
Total	**892**	**962**

9.2 Average number of employees by category

	2006
Employees	
a) Executives	1
b) Middle managers	2
- of which: grade 3 and 4	0
c) Remaining employees	20
Other	**0**

9.5 Other administrative expenses: composition

	2006	2005
Other administrative expenses:		
– indirect taxation and duties:	4	8
– stamp duty	–	1
– other	4	7
– Other:		
– fees paid to financial advisors	1,247	1,197
– remuneration of statutory auditors and auditors' fees	81	80
– lease rentals and running expenses	121	98
– IT services	391	313
– postage, telecommunications and telegraphy	101	77
– maintenance and repairs	19	20
– advertising	5	72
– energy and fuel	20	15
– insurance	18	18
– printing and stationery	18	12
– office cleaning	2	4
– transport and travel expenses	22	32
– lease rentals	14	–
– legal and other consultants' fees	53	48
– membership dues and similar charges	62	49
– sundries	15	16
Total	**2,193**	**2,059**

Section 10 – Item 160 – Net provisions

10. Net provisions: composition

	2006	2005
Provisions		
c) other provisions:	6	–
- for litigation	*6*	–
Total	**6**	**–**

Section 11 – Item 170 – Adjustments to property, plant and equipment

11.1 Adjustments to property, plant and equipment: composition

Asset/component of earnings	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned				
- Operating assets	51	0.00	0.00	51
- Investment assets	0.00	0.00	0.00	0.00
A.2 Held under finance leases				
- Operating assets	0.00	0.00	0.00	0.00
- Investment assets	0.00	0.00	0.00	0.00
Total	**51**	**0.00**	**0.00**	**51**

Depreciation of property, plant and equipment amounts to €55 thousand. The figure in the table takes account of the gain realised on the sale of assets, totalling €4 thousand.

Section 12 – Item 180- Adjustments to intangible assets

12.1 Adjustments to intangible assets: composition

Asset/component of earnings	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned				
- Internally generated	0.00	0.00	0.00	0.00
- Other	47	0.00	0.00	47
A.2 Held under finance leases	0.00	0.00	0.00	0.00
Total	**47**	**0.00**	**0.00**	**47**

Section 13 – Item 190 – Other operating costs/income

13.1 Other operating costs: composition

	2006	2005
- contingent liabilities	16	10
- leasehold improvements	76	76
- other costs	*0*	*10*
Total	**92**	**96**

13.2 Other operating income: composition

	2006	2005
Fees, royalties and recovery of account charges	22	–
Grant pursuant to Law 388/2000	3	–
Contingent assets	12	73
Other	3	5
Fees, royalties and recovery of account charges	22	–

Section 18 – Item 260 – Taxation on profit from continuing operations

18.1 Taxation on profit from continuing operations: composition

Component/amounts	Total	
	2006	2005
1. Current taxation	343	519
2. Change in current taxation for previous years	0.00	0.00
3. Reduction in current taxation for the year	0.00	0.00
4. Change in deferred tax assets	14	14
5. Change in deferred tax liabilities	0.00	0.00
6. Tax charge for the year	357	533

18.2 Reconciliation of expected and effective tax charge (IRES)

Components/amounts	2006
Profit/(loss) from continuing operations before tax (Item 250)	**788**
Tax calculated on basis of national rate	260
Tax effect of temporarily non deductible/non-taxable costs/revenues	- 11
Tax effect of permanently non deductible/non-taxable costs/revenues	5
IRES for the year	254
Effective rate	**32.23%**

Section 1 – Credit risk

Qualitative disclosure

1. General information

The Bank's focus during 2006 was on increasing lending activities and the related organisational structures.

The offering primarily regarded medium/long-term property mortgages, provided above all to homebuyers in view of property market developments.

Lending took place always with a view to diversifying and reducing risk, based on careful selection and accurate assessment of creditworthiness during the credit approval process and continuous monitoring of the borrower's ability to meet their obligations.

The Bank's strategies for 2007 envisage and extension of its lending activities to include small and medium-sized enterprises.

Lending to customers primarily regards the extension of lines of credit in the form of loans and guarantees. Most of the loans granted are in the form of property mortgages, whilst a smaller proportion regards other forms of personal loan.

2. Credit risk management policies

2.1 Organisational aspects

Aware that risk is an inherent part of granting credit, the Bank gives great importance to controlling this type of risk.

As a result, during 2006 the Bank made significant efforts to improve its credit risk management, measurement and control systems, partly with the aim of embarking on a gradual process of adopting the standards introduced by Basle 2.

The various departments involved in the granting of credit contribute to the management and control of credit risk, based on a stratified system of controls.

The following entities and roles are involved in the lending process:

- Board of Directors
- Chairman of the Board of Directors

- CEO
- Branch managers
- BRANCH (personal and/or business customer care officers)
- Credit office

Banca Promos grants credit at branch level, with the manager assigned differing operational limits depending on the type of loan, in accordance with a system of authorities governed by the Bank's "Credit regulations", which take account of the different categories of risk. In addition to a risk management unit, the existing organisational structure includes a credit office, which has the role of monitoring and conducting second-level control over the activities of the branch.

In terms of policies and strategies, the Board of Directors is responsible for establishing a framework for the granting of credit, approving strategic guidelines and credit approval and risk management policies, via the definition of specific indicators (type of loan, proportion of funding to be loaned).

2.2 Management, measurement and control systems

It is necessary to have an adequate risk measurement and control system as part of a correct approach to managing the lending process. The "Credit regulations" establish operational limits for the different types of loan, in order to keep the related risks within prudent limits. There are also limits on the credit risk authority granted to the different operating units, which are established with regard to the different categories of risk identified (category one, two, three and four risks).

The control system operates on three levels: front-line controls, which aim to ensure that transactions are conducted correctly, are carried out by front-office staff; second-level controls, which aim to support the definition of risk measurement methods and verify compliance with the limits assigned to the various operating units, are carried out by the credit department. The internal audit department carries out an ex-post assessment of any problems, procedural irregularities and rule violations, and assesses the overall functionality of the internal control system for which it is responsible.

The risk management unit each day analyses any problems arising as a result of the monitoring activities of the credit department and, where it identifies a risk exposure in excess of the established limits, requests remedial action.

In addition the following are also carried out:

– Preventive controls, which take place prior to approval of the line of credit and specifically aim to ensure compliance with credit authority limits and guarantee standards, and the completeness and adequacy of all the documents submitted and/or signed by the customer;

– Ongoing controls, which take place after approval and disbursement of the loan, with the various positions monitored in relation to their various operational aspects, above all with regard to risk management (borrowing limits being exceeded, compliance with guarantee limits, etc.), in order to verify compliance with loan repayment conditions.

The Bank uses a management tool to carry out front-line controls, enabling branches and the credit office to periodically monitor existing exposures. The procedure uses information already in the Bank's possession and external information from the Interbank Risk Service, assigning a risk rating to each customer. The ratings are calculated for each Head Office Number assigned to customers, and the problems and related data used to arrive at the ratings are placed in a historical context.

2.3 Credit risk mitigation techniques

Loans are secured by different forms of collateral depending on the type of loan. In any event these transactions are always entered into with customers with sound creditworthiness and proven personal reliability.

In order to mitigate credit risk the Bank obtains the following guarantees:

– security

– collateral (assets and property).

Acceptable forms of security are senior guarantees given by Italian and overseas banks or by solvent physical persons or legal entities.

The bank accepts the following forms of collateral:

– pledges on deposits in euros or another currency;

– pledges on securities;

– mortgages.

The granting of credit to finance trading is guarantees by securities, which are valued according to their nature and riskiness and taking account of the ratings assigned by specialist agencies. A discount to market value is then applied to the financial instruments pledged, depending on the nature of the instrument. The Bank has the right to decide whether or not the securities to be pledged are acceptable and to vary the percentage discount for high-risk equity instruments.

Loans may also be guaranteed by a cash collateral, without the application of a discount.

Mortgage loans are granted in return for a first mortgage on the properties concerned.

Guarantees are only accepted after careful assessment not only in terms of value, on which the maximum amount of credit that may be granted is based, but also in terms of the presence of any encumbrances or obstacles that may in some way limit validity.

2.4 Impaired financial assets

At 31 December 2006 all loans and advances reported in the financial statements are classified as performing and there are thus no impaired loans and advances.

With regard to the technical and organisational procedures and methods used in managing and controlling impaired assets, as established in the internal "Credit regulations", the means of classifying doubtful loans is set out below:

– "non-performing" loans are loans to debtors who are considered to be either insolvent or in substantially similar situations. Recoverability is analytically assessed on the basis of a prudent valuation of the position of debtors and any guarantors, the state of progress of any legal actions, and a prudent appraisal of the realisable value of collateral, where obtained;

– "problem" loans are loans to entities considered to be temporarily in a position of objective difficulty, which may be resolved in a reasonable length of time, also through the efficient action of branches. Loans classified as "problem" are not necessarily then reclassified as “non-performing”, in that effective action in respect of the customer can result in a reversal of the classification once the temporary difficulty has been resolved;

– “loans in the process of being restructured” are loans that are undergoing a restructuring process or for which a restructuring is close to being finalised, based on the payment of interest at below market rates.

– “past-due loans” are loans that have exceeded the repayment terms established by Basle 2.

All doubtful exposures (non-performing, problem, restructured) are subject to analytic assessment by the unit involved in the credit process.

The Board of Directors is responsible for classifying doubtful loans.

Quantitative disclosure

A. Credit quality

A.1. Impaired and performing exposures: amounts, adjustments, changes, distribution by industry and geographical area

A.1.1 Distribution of financial assets by portfolio and credit quality (carrying amounts)

Portfolio/Quality	Non-performing	Problem	Restructured	Past-due	Sovereign risk	Other assets	Total
1. Financial assets held for trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Available-for-sale financial assets	0.00	0.00	0.00	0.00	0.00	10,094	10,094
3. Held-to-maturity financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Loans and advances to banks	0.00	0.00	0.00	0.00	0.00	3,387	3,387
5. Loans and advances to customers	0.00	0.00	0.00	0.00	0.00	2,691	2,691
6. Financial assets designated at fair value	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7. Financial assets held for sale	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8. Hedging derivatives	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**16,172**	**16,172**
Total 2005	0.00	0.00	0.00	0.00	0.00	18,537	18,537

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

Portfolio/Quality	Impaired assets				Other assets			Total (net exposure)
	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Collective impairment losses	Net exposure	
1. Financial assets held for trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Available-for-sale financial assets	0.00	0.00	0.00	0.00	10,094	0.00	10,094	10,094
3. Held-to-maturity financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Loans and advances to banks	0.00	0.00	0.00	0.00	3,387	0.00	3,387	3,387
5. Loans and advances to customers	0.00	0.00	0.00	0.00	2,705	14	2,691	2,691
3. Financial assets designated at fair value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Financial assets held for sale	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8. Hedging derivatives	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total (t)	**0.00**	**0.00**	**0.00**	**0.00**	**16,186**	**14**	**16,172**	**16,172**
Total 2005	0.00	0.00	0.00	0.00	18,549	12	18,537	18,537

A.1.3 On- and off-balance sheet exposures to banks: gross and net amounts

Type of exposure/amounts	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures				
a) Non-performing	0.00	0.00	0.00	0.00
b) Problem	0.00	0.00	0.00	0.00
c) Restructured	0.00	0.00	0.00	0.00
d) Past-due	0.00	0.00	0.00	0.00
e) Sovereign risk	0.00	0.00	0.00	0.00
f) Other assets	7,018	0.00	0.00	7,018
Total a	**7,018**	**0.00**	**0.00**	**7,018**
B. Off-balance sheet exposures				
a) Impaired	0.00	0.00	0.00	0.00
b) Other	0.00	0.00	0.00	0.00
Total b	**0.00**	**0.00**	**0.00**	**0.00**

A.1.6 On- and off-balance sheet exposures to customers: gross and net amounts

Type of exposure/amounts	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. On-balance sheet exposures				
a) Non-performing	0.00	0.00	0.00	0.00
b) Problem	0.00	0.00	0.00	0.00
c) Restructured	0.00	0.00	0.00	0.00
d) Past-due	0.00	0.00	0.00	0.00
e) Sovereign risk	0.00	0.00	0.00	0.00
f) Other assets	9,170	0.00	14	9,156
Total a	**9,170**	**0.00**	**14**	**9,156**
B. Off-balance sheet exposures				
a) Impaired	0.00	0.00	0.00	0.00
b) Other	0.00	0.00	0.00	0.00
Total b	**0.00**	**0.00**	**0.00**	**0.00**

A.2. Classification of exposures based on external and internal ratings

A.2.1 Distribution of on- and off-balance sheet exposures by class of external rating

Exposure	Class of external rating						No rating	Total
	Aaa/aaa-	A+/a-	Bbb+/bbb-	Bb+/bb-	B+/b-	Below B-		
A. On-balance sheet exposures	7,186	1,655	314	0.00	0.00	0.00	7,016	16,172
B. Derivatives								
B.1 Financial derivatives	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.2 Credit derivatives	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C. Guarantees given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Commitments to disburse funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**7,186**	**1,655**	**314**	**0.00**	**0.00**	**0.00**	**7,016**	**16,172**

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured on-balance sheet exposures to banks and customers – Part 1

	Exposure	Collateral (1)		
		Property	Securities	Other assets
1. Secured exposures to banks:				
1.1 fully secured	0.00	0.00	0.00	0.00
1.2 partially secured	0.00	0.00	0.00	0.00
2 Secured exposures to customers				
2.1 fully secured	2,230	1,970	219	0.00
2.2 partially secured	783	0.00	649	0.00

A.3.1 Guaranteed on-balance sheet exposures to banks and customers – Part 2

	Personal guarantees (2)								Total (1+2)
	Credit derivatives				Guarantee facilities				
	States	Other public entities	Banks	Other entities	States	Other public entities	Banks	Other entities	
1. Secured exposures to banks:									
1.1 fully secured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.2 partially secured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2 Secured exposures to customers									
2.1 fully secured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41	2,230
2.2 partially secured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	649

B. Credit distribution and concentration

B.1. Distribution of on- and off-balance sheet exposures to customers by sector - Part 1

Exposures / Borrowers	Government and central banks				Other public entities			
	Gross exposure	Specific impair-ment losses	Collec-tive im-pairment losses	Net exposure	Gross exposure	Specific impair-ment losses	Collec-tive im-pairment losses	Net exposure
A. On-balance sheet exposures								
Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restructured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Past-due	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	462	0.00	0.00	462	0.00	0.00	0.00	0.00
Total a	**462**	**0.00**	**0.00**	**462**	**0.00**	**0.00**	**0.00**	**0.00**
B. Off-balance sheet exposures								
Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other impaired assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
total b	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total	**462**	**0.00**	**0.00**	**462**	**0.00**	**0.00**	**0.00**	**0.00**
Total 2005	0.00	0.00	0.00	0.00	1,252	0.00	0.00	1,252

B.1 - Distribution of on- and off-balance sheet exposures to customers by sector - Part 2

Exposures / Borrowers	Financial companies				Insurance companies			
	Gross exposure	Specific impair-ment losses	Collec-tive im-pairment losses	Net exposure	Gross exposure	Specific impair-ment losses	Collec-tive im-pairment losses	Net expo-sure
A. On-balance sheet exposures								
Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restructured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Past-due	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	3,379	0.00	0.00	3,379	258	0.00	0.00	258
Total a	**3,379**	**0.00**	**0.00**	**3,379**	**258**	**0.00**	**0.00**	**258**
B. Off-balance sheet exposures								
Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other impaired assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
total b	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total	**3,379**	**0.00**	**0.00**	**3,379**	**258**	**0.00**	**0.00**	**258**
Total 2005	2,554	0.00	0.00	2,554	527	0.00	0.00	527

B.1 - Distribution of on- and off-balance sheet exposures to customers by sector - Part 3

Exposures / Borrowers	Non-financial companies				Other entities			
	Gross exposure	Specific impair-ment losses	Collec-tive im-pairment losses	Net exposure	Gross exposure	Specific impair-ment losses	Collec-tive im-pairment losses	Net exposure
A. On-balance sheet exposures								
Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restructured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Past-due	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	2,600	0.00	1	2,599	2,471	0.00	13	2,458
Total a	**2,600**	**0.00**	**1**	**2,599**	**2,471**	**0.00**	**13**	**2,458**
B. Off-balance sheet exposures								
Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other impaired assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total b	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total	**2,600**	**0.00**	**1**	**2,599**	**2,471**	**0.00**	**13**	**2,458**
Total 2005	2,891	0.00	0.00	2,891	1,251	0.00	12	1,239

B.3 Distribution of on- and off-balance sheet exposures to banks by geographical area

Exposure/ geographical area	Italy		Other European countries		America		Asia		Rest of the World	
	Gross expos.	Net expos.	Gross expos.	Net expos.	Gross expos.	Net expos.	Gross expos.	Net expos.	Gross expos.	Net expos.
	31 Dec 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006	31 Dec 2006
A. On-balance sheet exposures										
A.1 Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.2 Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.3 Restructured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.4 Past-due	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.5 Other	1,277	1,277	5,741	5,741	0.00	0.00	0.00	0.00	0.00	0.00
Total a	**1,277**	**1,277**	**5,741**	**5,741**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
B. Off-balance sheet exposures										
B.1 Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.2 Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.3 Other impaired assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.4 Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total b	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total a + b	**1,277**	**1,277**	**5,741**	**5,741**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total 2005	2,199	2,199	7,355	7,355	519	519	0.00	0.00	1	1

B.4- Distribution of on- and off-balance sheet exposures to customers by geographical area

Exposure/ geographical area	Italy		Other European countries		America		Asia		Rest of the World	
	Gross expos.	Net expos.	Gross expos.	Net expos.	Gross expos.	Gross expos.	Net expos.	Gross expos.	Net expos.	Gross expos.
A. On-balance sheet exposures										
A.1 Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.2 Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.3 Restructured	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.4 Past-due	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.5 Other	3,472	3,459	3,267	3,267	2,170	2,170	260	260	0.00	0.00
Total a	**3,472**	**3,459**	**3,267**	**3,267**	**2,170**	**2,170**	**260**	**260**	**0.00**	**0.00**
B. Off-balance sheet exposures										
B.1 Non-performing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.2 Problem	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.3 Other impaired assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.4 Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total b	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total a + b	**3,472**	**3,459**	**3,267**	**3,267**	**2,170**	**2,170**	**260**	**260**	**0.00**	**0.00**
Total 2005	2,036	2,024	3,702	3,702	2,217	2,217	266	266	254	254

B.5 Major risks

At 31 December 2006 there were no risks classified in this category.

Section 2 – Market risk

2.2 Interest rate risk – Banking book

Qualitative disclosure

General information, management policies and interest rate risk measurement methods

The banking book is governed by operational limits established in the "Financial regulations" that aim to manage and control exposure to interest rate risk. The internal control system involves daily front-line controls by traders, second-level back-office controls and risk monitoring by the risk management unit. The risk management unit also carries out further monthly and quarterly controls, which result in periodic reports to the Board of Directors.

Quantitative disclosure

Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) –

Part 1 – currency of denomination: euro

Type / Remaining maturity	At call	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeter-minate maturity
1 On-balance sheet assets								
1.1 Debt securities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	2,322	1,963	3,213	2,594	0.00	0.00	0.00
1.2 Loans and banks	41	0.00	0.00	0.00	0.00	3,044	0.00	0.00
1.3 Loans and customers								
- current account overdrafts	420	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other loans								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	203	26	33	66	537	714	688	0.00
2 On-balance sheet liabilities								
2.1 Customer accounts								
- current accounts	7.138	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other deposits								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2 Deposits by banks								
- current accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.3 Debt securities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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2.4 Other liabilities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3 Derivative financial instruments								
3.1 With underlying securities								
- Options								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2 Without underlying securities								
- Options								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) –

Part 2 – currency of denomination: US dollar

Type / Remaining maturity	At call	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeter-minate maturity
1 On-balance sheet assets								
1.1 Debt securities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.2 Loans and banks	0.00	0.00	0.00	0.00	0.00	219	0.00	0.00
1.3 Loans and customers								
- current account overdrafts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other loans								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2 On-balance sheet liabilities								
2.1 Customer accounts								
- current accounts	15	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other deposits								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2 Deposits by banks								
- current accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.3 Debt securities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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2.4 Other liabilities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3 Derivative financial instruments								
3.1 With underlying securities								
- Options								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2 Without underlying securities								
- Options								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date) –

Part 3 – currency of denomination: Sterling

Type / Remaining maturity	At call	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeterminate maturity
1 On-balance sheet assets								
1.1 Debt securities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.2 Loans and banks	0.00	0.00	0.00	0.00	0.00	69	0.00	0.00
1.3 Loans and customers								
- current account overdrafts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other loans								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2 On-balance sheet liabilities								
2.1 Customer accounts								
- current accounts	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other deposits								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2 Deposits by banks								
- current accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.3 Debt securities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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2.4 Other liabilities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3 Derivative financial instruments								
3.1 With underlying securities								
- Options								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2 Without underlying securities								
- Options								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Banking book: distribution of financial assets and liabilities by remaining term to maturity (by repricing date)

Part 4 - All

Type / Remaining maturity	At call	3 months or less	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	After 5 years but less than 10 years	Over 10 years	Indeter-minate maturity
1 On-balance sheet assets								
1.1 Debt securities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	2,322	1,963	3,213	2,594	0.00	0.00	0.00
1.2 Loans and banks	41	0.00	0.00	0.00	0.00	3,347	0.00	0.00
1.3 Loans and customers								
- current account overdrafts	420	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other loans								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	203	26	33	66	537	714	688	0.00
2 On-balance sheet liabilities								
2.1 Customer accounts								
- current accounts	7,166	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other deposits								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2 Deposits by banks								
- current accounts	41	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.3 Debt securities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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2.4 Other liabilities								
- callable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3 Derivative financial instruments								
3.1 With underlying securities								
- Options								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2 Without underlying securities								
- Options								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives								
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

2.4 Price risk – banking book

At 31 December 2006 the banking book is not exposed to price risk, in that it does not include equity instruments or units of mutual investment funds.

2.5 Foreign exchange risk

Qualitative disclosure

General information, management policies and foreign exchange risk measurement methods

In order to limit foreign exchange risk, the "Financial regulations" establish limits on the assumption of foreign currency positions. The internal control system involves three levels of control, consisting of daily front-line controls by traders, second-level back-office controls and risk monitoring by the risk management unit. The risk management unit also carries out further monthly and quarterly controls of the appropriateness of the limits. The results are included in periodic reports to the Board of Directors.

In any event, the Bank's exposure to foreign exchange risk derives solely from the trading of financial instruments on OTC markets, which is carried out in the currency of denomination of the instrument. In addition to the euro, the majority of these instruments are denominated in US dollars and sterling, whilst the remainder regard other currencies such as the yen and Swiss francs.

Quantitative disclosure

1. Distribution of assets, liabilities and derivatives by currency of denomination

Items	Currency					
	US dollars	Sterling	Yen	Canadian dollars	Swiss francs	Other currencies
A. Financial assets						
A.1 Debt securities	0.00	0.00	0.00	0.00	0.00	0.00
A.2 Equity instruments	0.00	0.00	0.00	0.00	0.00	0.00
A.3 Loans and advances to banks	219	69	6	0.00	2	7
A.4 Loans and advances to customers	0.00	0.00	0.00	0.00	0.00	0.00
A.5 Other financial assets	0.00	0.00	0.00	0.00	0.00	0.00
B. Other assets	0.00	0.00	0.00	0.00	0.00	0.00
C. Financial liabilities						
Deposits by banks	0.00	0.00	41	0.00	0.00	0.00
Customer accounts	15	1	0.00	0.00	2	0.00
Debt securities	0.00	0.00	0.00	0.00	0.00	0.00
D. Other liabilities	0.00	0.00	0.00	0.00	0.00	0.00
E. Derivative financial instruments						
- Options						
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00
- Other derivatives						
+ long positions	0.00	0.00	0.00	0.00	0.00	0.00
+ short positions	0.00	0.00	0.00	0.00	0.00	0.00
Total assets	219	69	6	0.00	2	7
Total liabilities	15	1	41	0.00	2	0.00
Balance	234	69	47	0.00	5	7

The amounts in the table regard cash balances in current accounts and deposits held at banks in relation to trading activities.

The total foreign exchange loss amounts to €48,197 and represents the effect of exchange rate fluctuations on dealing fees and commissions. The impact of exchange rate fluctuations on total income was 1.20%, 11% on profit for the year and 0.52% on equity.

Section 3 – Liquidity risk

Quantitative disclosure

1. Time distribution of financial assets and liabilities by remaining term to maturity

Part 1 - currency of denomination: euro

Items/remainiFng maturity	At call	After 1 day but less than 7 days	After 7 days but less than 15 days	After 15 days but less than 1 month	After 1 month but less than 3 months	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years
On-balance sheet								
A.1 Government securities	0.00	0.00	0.00	0.00	0.00	0.00	203	0.00
A.2 Quoted debt securities	0.00	0.00	0.00	156	1,463	1,963	3,213	3,094
A.3 Other debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.4 Units of mutual investment funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.5 Loans								
Banks	3,085	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	623	0.00	4	1	22	33	66	537
On-balance sheet liabilities								
B.1 Deposits								
Banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	7,138	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.2 Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.3 Other liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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Off-balance sheet transactions								
C.1 Derivative financial instruments with exchange of capital								
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C.2 Deposits and loans to be received								
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C.3 Irrevocable commitments to disburse funds								
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1. Time distribution of financial assets and liabilities by remaining term to maturity
Part 2 - currency of denomination: US dollar

Items/remaining maturity	At call	After 1 day but less than 7 days	After 7 days but less than 15 days	After 15 days but less than 1 month	After 1 month but less than 3 months	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	Over 5 years
On-balance sheet									
A.1 Government securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.2 Quoted debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.3 Other debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.4 Units of mutual investment funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.5 Loans									
Banks	219	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-balance sheet liabilities									
B.1 Deposits									
Banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.2 Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.3 Other liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C.2 Deposits and loans to be received									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C.3 Irrevocable commitments to disburse funds									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

1. Time distribution of financial assets and liabilities by remaining term to maturity

Part 3 - currency of denomination: Sterling

Items/remaining maturity	At call	After 1 day but less than 7 days	After 7 days but less than 15 days	After 15 days but less than 1 month	After 1 month but less than 3 months	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	Over 5 years
On-balance sheet									
A.1 Government securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.2 Quoted debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.3 Other debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.4 Units of mutual investment funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.5 Loans									
Banks	69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
On-balance sheet liabilities									
B.1 Deposits									
Banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.2 Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.3 Other liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C.2 Deposits and loans to be received									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C.3 Irrevocable commitments to disburse funds									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Time distribution of financial assets and liabilities by remaining term to maturity

Part 4 - All

Items/remaining maturity	At call	After 1 day but less than 7 days	After 7 days but less than 15 days	After 15 days but less than 1 month	After 1 month but less than 3 months	After 3 months but less than 6 months	After 6 months but less than 1 year	After 1 year but less than 5 years	Over 5 years
On-balance sheet									
A.1 Government securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.2 Quoted debt securities	0.00	0.00	0.00	156	1,463	1,963	3,213	3,094	0.00
A.3 Other debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.4 Units of mutual investment funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
A.5 Loans									
Banks	3,387	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	623	0.00	4	1	22	33	66	537	1,402
On-balance sheet liabilities									
B.1 Deposits									
Banks	41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Customers	7,167	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.2 Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.3 Other liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Off-balance sheet transactions									
C.1 Derivative financial instruments with exchange of capital									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C.2 Deposits and loans to be received									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C.3 Irrevocable commitments to disburse funds									
Long positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short positions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

2. Distribution of financial liabilities by sector

Exposures/counterparties	Govern-ments and cen-tral bank	Other public entities	Financial compa-nies	Insur-ance compa-nies	Non-fi-nancial compa-nies	Other entities	Banks	Non-at-tributa-ble	Total
1. Customer accounts	0.00	0.00	440	0.00	508	6,218	0.00	0.00	7,167
2. Debt securities in issue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Financial liabilities held for trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial liabilities designated at fair value	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	440	0.00	508	6,218	0.00	0.00	7,167
Total 2005	0.00	0.00	0.00	0.00	0.00	8,729	293	0.00	9,022

3.Distribution of financial liabilities by geographical area

Exposures/counterparties	Italy	Other Eu-ropean countries	America	Asia	Rest of the World	Non-attri-butable	Total
1. Customer accounts	6,929	200	38	0.00	508	0.00	7,167
2. Deposits by banks	0.00	41	0.00	0.00	0.00	0.00	41
3. Debt securities in issue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Financial liabilities held for trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Financial liabilities designated at fair value	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	6,929	241	38	0.00	508	0.00	7,208
Total 2005	8,471	330	0.00	0.00	221	0.00	9,022

Section 4 – Operational risk

Qualitative disclosure

General information, management policies and operational risk measurement methods

Operational risk is the risk of incurring losses as a result of inadequate or failed internal processes, people and systems, or from external events. It does not include strategic or reputational risks, but does include legal risk, representing the risk deriving from the violation or failure to comply with laws and regulations.

The Bank's internal control system is designed to oversee such risks and is based on principles aimed at ensuring healthy and prudent management. The system is subject to periodic checks in order to assess its adequacy and functionality in terms of both effectiveness (the system's ability to meet established objectives) and efficiency (its ability to meet established objectives in terms of costs, risks and profitability in line with those of similar companies).

In order to ensure the management of risks, the Bank has created regulations for each stage of each process, establishing adequate levels of control and, within the organisational structure, specific units with responsibility for overseeing controls.

In order to assess risk exposure and the effects that effective mitigation measures have on the exposure, it is necessary to combine qualitative and quantitative disclosures. The qualitative component ("self risk assessment") can be summed up as the assessment of the risk profile of each organisational unit, in terms of potential future losses, efficiency of control systems and adequate management of risk mitigation techniques. The quantitative component, on the other hand, is essentially based on statistical and time series analysis of data regarding losses. As the available information on losses resulting from certain types of event are not always relevant, it is possible to integrate the data with data from the system.

Should a loss deriving from such an event occur, the Bank will input the information into its internal database of operating losses, to be used in the future when applying its internal risk calculation model.

To date the Bank has not incurred significant losses due to operational risk.

Section 1 – The Bank's equity

Qualitative disclosure

In order to understand the components of the Bank's equity and changes at 31 December 2006, it is important to take account of the adjustments made as part of the transition to IFRS.

The adjustment at 1 January 2006 primarily regarded the measurement of loans and advances, the accounting treatment of securities and staff termination benefits.

At 31 December 2006 equity amounts to €9.123 million.

Quantitative disclosure

Nature of entry	Amount	Potential use	Distributable portion
Share capital	**7,200**		
(3,600,000 ordinary shares with a par value of €2.00)	7,200		
Capital reserves	**0**		
Share premium account	0		
Valuation reserves	**-31**		**31**
Reserve for special revaluation laws	0		0
Reserve for valuation of AFS financial assets	-31		-31
Revenue reserves	**1,524**		**1,524**
Legal reserve	414	B	414
Retained earnings	1.001	A-B-C	1.001
IFRS transition reserve	109	A-B-C	109
TOTAL RESERVES	**1,493**		**1,493**
Profit for the year	**430**		
Total equity	**9,123**		

A= to increase capital; B= to cover losses; C= to distribute to shareholders

Section 2 – Regulatory capital and capital ratios

2.1 Regulatory capital

Qualitative disclosure

The Bank's regulatory capital amounts to €8.796 million and breaks down as follows:

1. Tier 1 capital

Tier 1 capital consists of the following positive components: share capital and revenue reserves, including the proposed dividend for 2006, amounting to €8.883 million. The negative components, totalling approximately €88 thousand, regard unrealised losses on available-for-sale securities and other intangible assets recognised in the financial statements. The net value of Tier 1 capital is thus €8.796 million.

Quantitative disclosure

	2006	2005
A. Tier 1 capital before prudential filters	**8,883**	**8,506**
Prudential filters applied to Tier 1 capital		
- Positive IFRS prudential filters	-	-
- Negative IFRS prudential filters	*-31*	-
B. Tier 1 capital after application of prudential filters	**8,852**	**8,506**
C. Tier 2 capital before prudential filters	**-**	
Prudential filters applied to Tier 2 capital		
- Positive IFRS prudential filters		
- Negative IFRS prudential filters		
D. Tier 2 capital after application of prudential filters	**-**	
E. Total Tier 1 and Tier 2 capital after application of filters	**8,852**	**8,506**
Elements to be deducted from Tier 1 and Tier 2 capital	*- 57*	
F. Regulatory capital	**8,796**	**8,506**

2.2 Capital adequacy

A. Qualitative disclosure

The Bank is obliged to comply with a theoretical solvency ratio equal to 8% of risk assets. In brief, regulatory capital must not fall below 8% of total risk assets calculated in accordance with the risk-weighted system required by the Regulator.

Based on the new ratio, which is calculated on the basis of the financial statements for 2006 (96.17%) and estimates of the result of compliance with the prudential requirements expected to emerge from introduction of the new Basle 2 parameters, the Bank believes that its equity is sufficient to support the investments envisaged in the Bank's strategic plans.

B. Quantitative disclosure

Categories/amounts	Unweighted amounts		Weighted amounts	
	2006	2005	2006	2005
A. Risk assets				
A.1 Credit risk	**18,495**	**7,374**	**9,146**	**2,326**
1. Standard method				
On-balance sheet assets	**17,357**	**5,788**	**9,146**	**2,126**
1. Exposure to:				
1.1 Governments and central banks	1,522	889	0	0
1.2 Public entities	500		100	
1.3 Banks	6,373	2,590	1,275	518
1.4 Other entities	6,835		6,621	
2. Residential mortgages	1,437	566	718	283
3. Non-residential mortgages	145		72	
4. Shares, investments and subordinated assets				
5. Other on-balance sheet assets	545	1,544	360	1,325
Off-balance sheet assets	**1,138**	**1,586**		**200**
1. Guarantees and commitments to:				
1.1 Governments and central banks				
1.2 Public entities				
1.3 Banks				
1.4 Other entities	1,138	1,586	0	200
2. Derivative instruments entered into with:				
1.1 Governments and central banks				
1.2 Public entities				
1.3 Banks				
1.4 Other entities				

B. Regulatory capital requirements				
B.1 Credit risk			**732**	**186**
B.2 Market risk			**159**	**870**
1. Standard method				
of which:				
- position risk on debt securities			137	847
- position risk on equity instruments				
- foreign exchange risk			22	23
- other risks				
2. Internal models				
- position risk on debt securities				
- position risk on equity instruments				
- foreign exchange risk				
B.3 Other prudential requirements			**0**	**0**
B.4 Total prudential requirements			**891**	**1,056**
C. Risk assets and regulatory ratios				
C.1 Risk-weighted assets			11,137	13,200
C.2 Tier 1 capital /risk-weighted assets (Tier 1 capital ratio)			79.48%	64.44%
C.3 Regulatory capital /risk-weighted assets (Total capital ratio)			78.98%	64.44%

1 – Remuneration of Directors and managers

Nature of position	Amount
Directors	277
Managers	22

"Managers" includes remuneration paid to branch managers hired in the closing months of the year.

2. Related party transactions

Related party transactions are identified in accordance with IAS 24. Given that the Bank is not part of a banking group, related parties consist of Directors, Statutory Auditors and key managers (Head Office staff), in addition to close relatives of such persons, and the subsidiaries or associates of these related parties. Close relatives are held to include cohabitants and children of the related party, children of the cohabitant and other persons dependent on the related party or the cohabitant.

Nature of position	Assets	Liabilities	Costs	Income
Directors	-	188	-	1
Statutory Auditors	-	-	-	-
Key managers	-	5	-	-
Relatives	-	336	-	2
Other related parties	-	-	-	-

Related party relationships and transactions do not give rise to critical issues, regard the provision of ordinary banking services, and were normally conducted during the year based on contingent needs and requirements. Individual relationships or related party transactions were conducted on an arm's length basis.