
Financial Statements

2005



(Explanation added for the translation into English – The Financial Statements have been translated into English from the original version in Italian. They have been prepared in accordance with the Italian Law related to Financial Statements, interpreted and integrated by the accounting principles established by the Italian Accounting Profession. Certain accounting practices applied by the Company, that conform with generally accepted accounting principles in Italy may not conform with the generally accepted accounting principles in other countries.)

Banca Promos S.p.A.

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Share Capital € 7,200,000,00
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

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Corporate officers and Independent Auditors

Board of Directors

Chairman	Ugo Malasomma
Directors	Cosimo Capasso
	Tiziana Carano
	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.

Directors' Report on Operations

Dear Shareholders,

The Bank reports net income of €12,485 for 2005, after provisions for tax expense of €33,045. The volume of securities traded was down slightly, declining 7.50% to €14.6 billion. The reduction reflects the overall state of the capital markets, which we shall go on to describe before moving on to a review of the Bank's operations.

International financial markets

In general, 2005 was a positive year for the world's equity markets.

European and Japanese exchanges recorded excellent performances, whilst North American markets grew at a slower rate. Emerging country markets enjoyed an exceptional year, with Arab stocks leading the way, and eastern European and Baltic area stock markets not far behind.

Within Europe, it was the smaller stock exchanges that recorded the best results, with Vienna rising 50%, Stockholm 32% and Zurich 33%. Germany's Dax also turned in a more than respectable performance, registering an increase of 27%, whilst the Milan bourse was more subdued than its peers, advancing by around 15%. Trading volumes, however, were well ahead at over €1 billion, representing a new record, whilst the market's capitalization grew to 50% of GDP.

If global stock exchanges appeared to offer encouragement, the bond markets gave a very different impression, having entered a period of stagnation on the back of expectations of increases in interest rates, which were raised on a number of occasions during the year in both the US and the Euro area. This wait-and-see situation resulted in a flattening of the yield curve and a drastic reduction in capital market volatility, with a high price paid in terms of falling volumes.

In addition to a lack of volatility, a number of other factors weighed on the capital markets during 2005. Above all, in 2005 the market for corporate bonds saw a significant decrease in new issues, particularly in Italy where the volume of new issues fell by around 60% compared with 2004 to about €8 billion.

There are several reasons for the downturn, which partially offset the low level of interest rates and the fact that spreads were at record lows. First and foremost,

there were no corporate bonds maturing during the year and, given the uncertainty about new legislation designed to protect savers, many companies preferred to raise money via bank loans rather than by issuing debt, whilst awaiting publication of the new laws dealing with this issue. Alongside other causes of the slowdown in activity, the fact that a large number of companies are committed to reducing debt and the continuing dearth of mergers and acquisitions played an important role.

Operating review

The difficulties in its main market have obviously had an impact on the Bank's accounts, as a look at the results shows. Banca Promos was, however, able to contain the decline in trading volumes to 7.50%, maintaining a level of turnover just below €15 billion.

Whilst down on the previous year, the net result represents another highly positive performance. This was achieved thanks to effective management of costs and above all to the successful strategy adopted in 2002, which led to the Company's transformation into a bank. The subsequent diversification of our areas of business and the operating potential deriving from our ability to raise funds have provided an important alternative source of revenue, significantly reducing business concentration risk and enabling us to adequately respond to the crisis in the capital markets.

Whilst the usual in-depth analysis of the Income Statement is provided in the Explanatory Notes, we feel it appropriate to take a closer look at the main items.

First of all, building on the trend previously noted at the end of the first half, interest income is almost double the figure for 2004 at €739 thousand. On the one hand, this indicates the effectiveness of the bank's management of its own securities portfolio, whilst, on the other, marking the first positive result from customer loans.

The decline in commission income, which is, in contrast, closely linked to markets trends, was slightly more significant than the reduction reported at the half-year point.

The excellent performance of the interest margin (87%) is due primarily to interest on debt securities and, to a lesser extent, to interest on customer loans, which although still not a significant amount has more than

tripled with respect to the previous year. Growth in the interest margin thus partially compensated for a downturn in non-interest income, limiting the reduction in net interest and non-interest income to 12%.

In terms of costs, the sharp rise in payroll costs, which are up 21%, primarily reflects the recruitment of new staff during the year, with the remainder of the increase due to adoption of the National Collective Labor Contract for the banking sector from last February.

The number of staff is up 26%, following the recruitment of new personnel for the Internal Audit, Administration and Private Banking departments, thereby strengthening three areas of the Company that are central to operating and organizational processes, and boosting their capacity to deal with the volume of work, which has led to significant improvements in efficiency.

With regard to the start-up of lending activities, despite the fact that all the loans reported in the financial statements are classified as “performing”, we have prudently made general provisions amounting to 1.2%, a percentage corresponding to the level of new non-performing loans reported in our Region during the year.

Encouraging indications of the Company’s future performance are provided by a number of figures, despite the fact that they so far have little impact on revenue.

These refer, for example, to the number of current accounts opened, the number of checks processed, the number of counter transactions and, with regard to the launch of lending activities, to the number of applications examined. There was a substantial increase in direct deposits, which are up 200% to over €8.7 million from the €2.7 million of December 2004, whilst indirect deposits have risen by around 50% to €37 million from the previous figure of €25 million.

2005 also saw Banca Promos add new services to its offerings for businesses and consumers.

In this regard, on October 18 Banca Promos received authorization from the Bank of Italy to carry out own-account trading and to act as an underwriter for financial instruments.

These activities, which will be fully up and running by the end of the first half of 2006, represent a further opportunity to drive the Company’s development and growth and achieve a significant improvement in trading margins. In addition, management expects own-account trading to lead to new business with small investors and, in general, with

final and private customers. It will allow the Bank to offer an all round service to a new customer segment, enabling it to handle orders of reduced size, which would otherwise be excluded from the services of the larger brokers.

A further important development during the year is the addition of derivatives trading. During the second half of the year, the retail banking arm hired a group of experienced financial advisors to focus primarily on the promotion of investments in derivative instruments. The development of a service to carry out trading on the IDEM, EUREX, CME and other derivatives markets has allowed us to expand our service offering, and will in future provide us with an effective tool with which to hedge the risks deriving from own-account trading.

In the corporate banking segment, the Bank began assisting companies involved in project financing initiatives, above all with regard to the issue of independent assurances for public works projects. Pursuant to Law 109/94, the so-called Merloni-ter legislation, which allows entities that meet the appropriate financial and technical requirements to bid for contracts to carry out public works on behalf of government bodies, Banca Promos made use of external consultants to issue assurances for projects with a total value of over €67 million.

From an organizational point of view, the Bank continued to adapt and update its various functions, in order to bring them into line with the development of banking operations.

Management also focused on the establishment of a series of internal regulations, aimed at governing the main areas of business in which Banca Promos operates. This has resulted in approval of Financial Regulations and Lending Regulations. The first is an updated, more organic form of the body of internal rules and procedures already used by the finance department, which has been extended with the addition of rules governing own-account trading. The second document brings together the guidelines for lending drawn up by the Bank last year.

In this regard, Banca Promos joined other banks in the Campania region to sign the “Memorandum of understanding for the prevention of racketeering and usury” drawn up by the Italian Banking Association, the Prefecture of Naples, the Italian Consortium of Mutual Guarantee Associations and a number of anti-racket and anti-usury organizations. The initiative aims to prevent usury and extortion by facilitating access to financing for persons most at risk, such as retailers and artisans, who are often forced by bureaucratic restrictions and difficulties to resort to illegal loans, having been

rebuffed by the banking system. By signing up to this initiative, Banca Promos has further developed and reinforced its presence in the local area, continuing the strategy launched some years ago with a view to making the Bank a major player on the Campanian banking scene.

Banca Promos does not hold treasury stock and did not either purchase or sell its own shares during the year. Banca Promos does not hold equity investments.

With reference to related party transactions, the Group continued to evolve during the year, following its enrollment last June on the Register of Banking Groups, with Promos Holding SpA registered as the Parent Company by virtue of its majority interest in Banca Promos SpA. With the aim of rationalizing its operations, the majority shareholder subsequently decided to simplify the structure of the Group, shortening the chain of control and at the same time requesting its cancellation from the Register of Banking Groups, which took place in September 2005.

As of December 31, 2005, therefore, relations between the Bank and Promos S.r.l. (the former Promos Holding) refer solely to current account relations conducted on an arm's length basis. Identical relations are conducted with Promos Immobiliare S.r.l., with whom the Bank has renewed the contract granting it use of the Bank's equipment. Once again, the relevant fee has been established on an arm's length basis.

The measurement and control of risks is carried out in accordance with the regulatory instructions for banks issued by the Bank of Italy, and in any event aims to keep the Bank's risk exposure within the limits required by healthy and prudent management criteria.

Internal controls are carried out at various levels, ranging from ordinary line controls effected by operating offices, second-level Back Office controls, and those carried out by the Risk Management and Internal Audit departments.

The offices responsible for internal controls report monthly to the Board of Directors on the results of their risk measurement activity.

Internal Audit activities were conducted in compliance with the relevant regulations 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 behavioral and ethical rules. The checks, which were reported on regularly to the Board of Directors and the Board of Statutory Auditors, did not reveal any anomalies.

Pursuant to Legislative Decree 196 of June 30, 2003, regarding data protection, Banca Promos has

prepared the required Security Planning Document.

The activities of the Supervisory Board set up pursuant to Legislative Decree 231 were carried out according to the annual plan drawn up by the Board itself. The Board made progress in its review and updating of operating manuals (*Internal Procedures and Information Systems*), and in the preparation of the *Financial Regulations* and *Lending Regulations* referred to above.

Finally, as you will already be aware, the adoption of international financial reporting standards (IFRS) in Italy is governed by Legislative Decree 38 of February 28, 2005, which has widened the scope of application of the new standards compared with the requirements of EC Regulation 1606/2002 issued by the European Parliament and Council on July 19, 2002.

Above all, unlisted banks for which there is no obligation to prepare consolidated financial statements are required to use the new standards with effect from the financial statements for the year ended December 31, 2006, with the option of bringing forward adoption to 2005.

Banca Promos will carry out the transition to IFRS in the interim financial statements for the six months ended June 30, 2006, based on a transition date of January 1, 2005.

Subsequent events

As decided by the Board of Directors in July 2005, the Bank changed its IT service provider in early 2006. Although not simple, this process was indispensable. Preparations for the changeover took place during last year, with the planning process having identified the first two months of 2006 as the best period in which to carry out migration to the new system.

Planning, coordinating and successfully completing such a process placed heavy demands on the organization. However, once fully operational, the new information system will streamline the various activities carried out by the Bank. The chosen system is more flexible and focuses specifically on financial activities, thereby better meeting the particular needs of a small bank specializing in financial services, such as Banca Promos.

The new software will also provide support during preparation of the first annual financial statements under IFRS, which is currently underway.

Moving on to the financial markets, we unfortunately have to report that the international financial environment, and above all the capital markets, have seen an extension of the period of stagnation into the early weeks of the new year, thus

dampening any initiatives and enthusiasm.

Expectations of interest rate rises have reduced market activity, with the Bank's trading volumes during the first 60 days down on the same period of the previous year. Despite this, the improvement in the margin has enabled the Bank to earn revenue in line with the first two months of 2005.

As previously mentioned in this report, during 2006 the Bank intends to drive the development of new services, further increase deposits, boost lending, and achieve growth in own-account trading.

At the same time, work on bringing organizational, control and risk management processes into line with the new information system will proceed, above all in view of development of the above activities.

In concluding our review of 2005, we should like to express our sincerest gratitude to the country's banking and financial institutions and the regulator - in particular the local office of the Bank of Italy - for their willing and prompt support. We also wish to thank the Board of Statutory Auditors for their rigorous and meticulous approach to such a delicate task, and staff of all grades and levels of seniority who continue to serve the Company with enthusiasm, as well as the many new recruits, who have already begun to make an impression with their willingness and sense of duty.

Finally, we wish to express our warmest thanks to you, our shareholders, for your ongoing confidence in the Company's strategies, providing an indispensable source of support for the Bank's development. The synergies built up over the years between the Company's owners and its customer-shareholders and shareholder-customers constitute, in our opinion, a clear advantage for our business, and an essential condition for future growth. We are pleased to be able to announce that our belief in the Company's approach has been confirmed in the pages of the publication, "Relationship Marketing – Marketing management in relationship networks", by Professor Evert Gummesson, a leading international expert in this field. The book uses Banca Promos as a case study, focusing on the Bank's exploitation of its long-term relationships of trust between its owners, directors, financial backers and customers.

Proposed appropriation of net income

Dear Shareholders,

In the light of the above, it is clear that the Bank is about to undertake a series of new initiatives, which will require adequate support in terms of means and resources. In order to aid in our development, we thus propose to allocate a larger percentage of net income to

reserves compared with the amount to be paid out as dividends, with the aim of strengthening the balance sheet.

The Board of Directors hereby submits the financial statements for the year ended December 31, 2005, 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 net income to the legal reserve, to pay out a portion in the form of a dividend, and to take the residue to retained earnings.

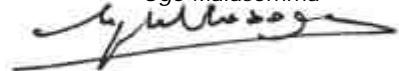
Therefore, having examined the Balance Sheet, Income Statement, Explanatory Notes, the Directors' Report on Operations, the Report of the Independent Auditors and the Report of the Board of Statutory Auditors, we invite the General Meeting, if in agreement with the above proposal, to adopt the following resolutions:

a) to approve the financial statements for 2005, which report net income of €12,485;
b) to approve the appropriation of net income for the year as follows:

- €45,624.00 to be taken to the legal reserve;
- €360,000.00 to be paid as a dividend of 10 euro cents per share;
- €506,861.00 to be taken to retained earnings.

The Board of Directors

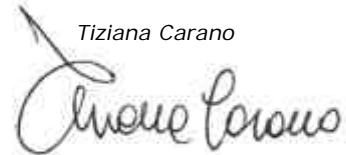
Ugo Malasomma



Cosimo Capasso



Tiziana Carano



Stefano de Stefano



Umberto De Gregorio



Financial Statements 2005

BALANCE SHEET (in euro)		
Assets	12/31/2005	12/31/2004
10 Cash and cash equivalents	39,939	2,338
20 Treasury bills and similar securities eligible for refinancing with central banks	453,190	431,110
30 Loans and advances to banks	2,590,279	1,954,836
a) on demand	2,559,653	1,954,836
b) other	30,626	
40 Loans and advances to customers	1,023,187	50,237
50 Bonds and other debt securities	13,917,383	9,065,906
b) banks	6,634,506	4,141,164
d) other issuers	7,282,877	4,924,742
90 Intangible fixed assets including:	206,377	380,511
- start-up cost		119,040
100 Tangible fixed assets	169,984	137,596
130 Other assets	1,289,976	1,295,329
140 Accrued income and prepaid expenses	357,612	240,773
a) accrued income	341,486	218,762
b) prepaid expenses	16,126	22,011
TOTAL ASSETS	20,047,927	13,558,637
Liabilities and shareholders' equity		
10 Banks' deposits	293,517	0
a) on demand	293,517	0
Liabilities and shareholders' equity	8,728,871	2,627,748
20 Customers' deposits	6,248,771	2,627,748
a) on demand	2,480,100	0
50 Other liabilities	1,060,826	622,741
60 Accrued expenses and deferred income	17,444	19,206
a) accrued expenses	17,444	19,206
70 Employee severance indemnities	141,375	118,369
80 Allowances for risks and contingencies	733,285	983,448
b) taxation	523,285	768,448
c) other	210,000	215,000
100 Reserve for general banking risks	0	127,000
120 Share capital	7,200,000	7,200,000
140 Reserves:	368,164	309,383
a) legal reserve	368,164	309,383
160 Retained earnings (accumulated losses)	591,960	375,118
170 Net income for the year	912,485	1,175,623
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,047,927	13,558,637

INCOME STATEMENT (in euro)		
	12/31/2005	12/31/2004
10 Interest income and similar revenues including on:	743,614	384,244
- loans and advances to customers	24,370	254
- debt securities	655,576	319,562
20 Interest expense and similar charges including on:	-92,855	-37,972
- customers' deposits	-64,432	-32,667
40 Commission income	4,327,626	4,910,747
50 Commission expense	-114,313	-80,663
60 Profits (losses) on financial transactions	-413,474	-147,465
70 Other operating income	4,710	4,705
80 Administrative costs		
a) payroll including:	-569,214	-468,261
- wages and salaries	-426,560	-348,344
- social security contributions	-108,348	-93,407
- provisions for severance indemnities	-34,305	-26,510
b) other	-2,451,791	-2,444,054
90 Adjustments to tangible and intangible fixed assets	-156,667	-175,195
100 Provisions for risks and contingencies	0	-5,000
110 Other operating costs	-9,699	-8,720
120 write-downs of loans and provisions for guarantees and commitments	-12,427	0
170 Income (loss) from ordinary activities	1,255,509	1,932,365
180 Extraordinary income	72,973	8,069
190 Extraordinary expense	-9,952	-11,213
200 Extraordinary income (loss), net	63,021	-3,144
210 Change in reserve for general financial risks	127,000	0
220 Income taxes	-533,045	-753,598
230 NET INCOME FOR THE YEAR	912,485	1,175,623

RECLASSIFIED BALANCE SHEET
(in euro)

	12/31/2005		12/31/2004	
Current assets				
Cash and cash equivalents		39,939		2,338
Loans and advances to banks		2,590,279		1,954,836
Deposits with clearing authorities				
Accounts receivable within 12 months:				
Loans and advances to customers	1,023,187		50,237	
Other accounts receivable	336,925		220,870	
Deferred tax assets	104,390	1,464,504	118,297	389,404
Closing balance of fixed-income securities		14,370,573		9,497,016
Advances to suppliers		58,385		0
Accrued income and prepaid expenses		357,612		240,773
Total current assets		18,881,292		12,084,367
Fixed assets				
Tangible fixed assets:				
Furniture and fittings	60,865		177,050	
Vehicles	450		48,684	
Electronic equipment	91,320		203,705	
Plant and machinery	17,349		102,395	
Less: accumulated depreciation	0	169,984	-394,238	137,596
Software		17,645		22,936
Long-lived assets		188,733		357,575
Guarantee deposits		6,049		6,049
Due from tax authorities		784,226		950,114
Total fixed assets		1,166,637		1,474,270
TOTAL ASSETS		20,047,928		13,558,637

RECLASSIFIED BALANCE SHEET				
(in euro)				
	12/31/2005		12/31/2004	
Current liabilities				
Banks	293,517			
Customers' deposits	8,728,871		2,627,748	
Accounts payable within 12 months:				
Trade and other accounts payable	1,060,826		622,741	
Allowance for taxation	523,285		768,448	
Accrued expenses and deferred income	17,444	1,601,556	19,206	1,410,395
Total current liabilities	10,623,943		4,038,143	
Long term liabilities				
Allowances for risks and contingencies	210,000		215,000	
Employee severance indemnities	141,375		118,369	
Total long—term liabilities	351,375		333,369	
Shareholders' equity				
Share capital	7,200,000		7,200,000	
Ordinary reserve	368,164		309,383	
Reserve for general banking risks	0		127,000	
Retained earnings (accumulated losses)	591,960		375,118	
Net income for the year	912,485		1,175,623	
Total shareholders' equity	9,072,609		9,187,124	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,047,927		13,558,637	

RECLASSIFIED INCOME STATEMENT
(in euro)

	12/31/2005	12/31/2004
10 Interest income and similar revenues	743,614	384,244
20 Interest expense and similar charges	-92,855	-37,972
Interest margin (A)	650,759	346,273
40 Commission income	4,327,626	4,910,747
50 Commission expense	-114,313	-80,663
Net Commission (B)	4,213,313	4,830,084
Other non-interest income (expense), net (C)	-413,474	-147,465
Non-interest income (D = B + C)	3,799,838	4,682,619
Interest and non-interest income (A + D)	4,450,597	5,028,891
70 Other operating income	4,710	4,705
110 Other operating costs	-9,699	-8,720
80 Administrative costs		
a) payroll	-569,214	-468,261
b) other	-2,451,791	-2,444,054
Total Administrative costs	-3,025,994	2,916,331
Gross operating income	1,424,602	2,112,560
90 Adjustments to tangible and intangible fixed assets	-156,667	-175,195
100 Provisions for risks and contingencies	0	-5,000
120 write-downs of loans and provisions for guarantees and commitments	-12,427	0
Operating Income	1,255,509	1,932,365
180 Extraordinary income	72,973	8,069
190 Extraordinary expense	-9,952	-11,213
Extraordinary income (loss), net	63,021	-3,144
210 Change in reserve for general financial risks	127,000	0
Pre-tax income	1,445,530	1,929,221
220 Income taxes	-533,045	-753,598
230 NET INCOME FOR THE YEAR	912,485	1,175,623

Explanatory note

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

Part A Accounting policies

- Section 1 Description of accounting policies
- Section 2 Adjustments and provisions applied solely for tax purposes
- Section 3 Other information – changes to accounting policies

Part B Notes to the Balance Sheet

- Section 1 Loans and advances
- Section 2 Securities
- Section 3 Equity investments
- Section 4 Tangible and intangible fixed assets
- Section 5 Other assets
- Section 6 Deposits
- Section 7 Allowances
- Section 8 Share capital, reserves, reserve for general banking risks, subordinated liabilities, capital and prudential regulatory requirements
- Section 9 Other liabilities
- Section 10 Guarantees and commitments
- Section 11 Concentration and distribution of assets and liabilities
- Section 12 Management and trading on behalf of third parties

Part C Notes to the Income Statement

- Section 1 Interest
- Section 2 Commissions
- Section 3 Profits and losses on financial transactions
- Section 4 Administrative costs
- Section 5 Adjustments, write-backs and provisions
- Section 6 Other Income Statement items
- Section 7 Other information on the Income Statement

Part D Other information

- Section 1 Directors and Statutory Auditors
- Section 2 Parent Company

Part E Annexes

FORM AND CONTENT OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2005 have been prepared in accordance with the requirements of Legislative Decree 87 of January 27, 1992 and the instructions issued by the Bank of Italy (the Governor of the Bank of Italy's Ruling of July 30, 2002 and subsequent amendments and additions).

The financial statements are presented in such a way as to allow comparison with the previous year. The financial statements, accompanied by the Directors' Report on Operations, consist of the Balance Sheet, Income Statement and these Explanatory Notes. The Notes have the purpose of providing, via description and analysis of financial statement items, a true and fair view of the Company's situation, and contain the information and disclosures required by law and the above rulings. Additional information is also provided where considered appropriate, even if not specifically required by law.

To this end, as in previous years, the following annexes are included:

- Statement of cash flows
- Statement of changes in shareholders' equity
- Breakdown of shareholders' equity
- Reconciliation of net income for regulatory purposes
- Key performance indicators

Unless otherwise stated, the amounts shown in the Explanatory Notes are reported in thousands of euros, appropriately rounded off in accordance with the related regulations.

Audit of the financial statements

The Bank's financial statements as of December 31, 2005 have been audited by the Independent Auditors, Deloitte & Touche S.p.A., who have also issued their opinion pursuant to art. 2409-ter of the Italian Civil Code. The auditors were appointed by the shareholders' resolution of March 30, 2004, which assigned them responsibility for carrying out the accounting controls for the three-year period 2004 – 2006, pursuant to art. 2409-bis of the Italian Civil Code.

Part A

Accounting policies

SECTION 1 – DESCRIPTION OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the relevant laws and based on the accounting standards established by the Italian Accounting Profession and modified from OIC (Organismo Italiano di contabilità).

The following standards were, where necessary, agreed with the Board of Statutory Auditors and are, unless otherwise stated, consistent with those applied in the previous year.

In particular:

- the valuation of items was carried out in accordance with the prudence and going concern principles;
- no items have been offset against each other;
- the recognition of revenues and costs was carried out on an accruals basis;
- write-downs, amortization and depreciation of assets were charged directly to the value of such items;
- the financial statements are denominated in euros;
- application of the accounting policies was consistent with a true and fair representation of the Company's financial position and results of operations.

1. Loans, advances, guarantees and commitments

1.1 Loans and advances to banks

Interbank transactions are recorded at the time of settlement.

Loans and advances are recorded at their nominal value, which corresponds to their realizable value.

1.2 Loans and advances to customers

Loans and advances are recorded at their estimated realizable value.

The estimated realizable value is based on an analysis of all the elements relating to the various loans, backed up by information on the financial position of debtors, the nature of their activity and any guarantees provided. Performing loans and advances to customers are subject to general write-downs to cover the inherent risk attributable to loans. Given the lack of past experience, these write-downs are based on indicators regarding the relevant business environment published by regulatory authorities.

1.3 Other receivables

Other receivables are recorded at their estimated realizable value.

2. Securities and «off-balance sheet» transactions (other than those in foreign currency)

Transactions in securities and similar instruments are recorded at the time of settlement. The Bank is not a party to derivative instruments at the balance sheet date.

2.1 Investment securities

The Bank does not hold any investment securities at the balance sheet date.

2.2 Marketable securities

Marketable securities are held for trading or treasury purposes. From 2005, the carrying amount of these securities is calculated using different methods with respect to those adopted in previous years. The new aspects of the valuation of these securities are as follows:

1) valuation:

listed marketable securities are marked to market; any resulting gains are taken to the Income Statement for the year in 60) "Profits (losses) on financial transactions"; until the financial statements for 2004 these securities were accounted for at the lower of cost, calculated on a LIFO basis, and market price;

2) mark to market:

this method is based on the market price on the last day of the year as recorded by independent providers; the price previously used was based on the average price recorded during the month of December.

- in the case of unlisted securities, on their estimated realizable value, obtained by discounting future cash flows at the prevailing market rates at the time of valuation for similar instruments or types of instrument.

3. Equity investments

The Bank does not hold equity investments.

4. Foreign currency assets and liabilities (including «off-balance sheet» transactions)

Foreign currency assets and liabilities are translated at closing spot rates; the resulting profits or losses are taken to the Income Statement.

Profits and losses resulting from foreign currency transactions are translated using the exchange rates prevailing at the transaction date.

5. Tangible fixed assets

These assets are recorded at purchase cost, including any incidental charges and the cost of improvements. The book value is stated net of accumulated depreciation.

Fixed assets are depreciated in each period on a straight-line basis, using rates that reflect the residual useful lives of the related assets. The cost of improvements is allocated to the related fixed assets and depreciated over their residual useful lives.

6. Intangible fixed assets

These assets are recorded at purchase cost, including any incidental charges, and amortized on a straight-line basis over their estimated useful lives, and in any event over a period of no more than five years. Amortization is charged directly to the assets concerned.

7. Other aspects

7.1 Repurchase agreements

Repurchase agreements based on securities outstanding at the end of the period, where the transferee has the obligation to resell at a future date, are recognized as amounts due to and from counterparties. The related profits and losses are recorded on an accruals basis in the Income Statement as interest income or interest expense.

7.2 Banks' deposits

Banks' deposits are recorded at their nominal value plus accrued interest.

7.3 Customers' deposits

Customers' deposits are recorded at their nominal value plus accrued interest.

7.4 Accruals and deferrals

Accrued income, prepaid expenses, accrued expenses and deferred income are recorded on an accruals basis.

7.5 Employee severance indemnities

Employee severance indemnities cover the entire liability to all employees, accrued in accordance with existing legislation and collective and supplementary labor agreements.

7.6 Allowances for risks and contingencies

The allowance for taxation represents provisions for the Company's corporate income tax expense (IRES) and regional income tax (IRAP), based on a prudential estimate of current and deferred income taxes in compliance with established regulations.

Deferred tax assets and liabilities are calculated on the basis of temporary differences between the carrying value of assets and liabilities and their tax base.

Deferred tax assets and liabilities are calculated applying the average tax rate for the year to which the financial statements refer, taking account of any planned changes in tax rates for future years.

Other allowances represent estimated liabilities or losses of a determinate nature that are either likely or certain to be incurred but uncertain as to the amount or as to the date on which they will arise. The provisions reflect the best possible estimate of such liabilities based on the information available at year end.

7.7 Reserve for general banking risks

The reserve for general banking risks is designed to cover general business risk and therefore forms part of shareholders' equity.

SECTION 2 – ADJUSTMENTS AND PROVISIONS APPLIED SOLELY FOR TAX PURPOSES

Art.7, section 1, letters b) and c) of Legislative Decree 37/04 have repealed articles 15, section 3 and 39, section 2 of Legislative Decree 87/92, which allowed tax-related write-downs and provisions to be charged.

Part *B*

Notes to the Balance Sheet

SECTION 1 – LOANS AND ADVANCES

Cash and cash equivalents (item 10)

This item breaks down as follows:

	12/31/2005	12/31/2004
– euro and foreign currency bank notes	40	2
Total	40	2

Loans and advances to banks (item 30)

This item breaks down by category as follows:

	12/31/2005	12/31/2004
On demand	2,559	1,955
- running accounts	2,087	1,287
- demand deposits	472	668
Other	31	-
- repurchase agreements	31	-
Total	2,590	1,955

Compulsory reserve requirements are met via Italy's central savings bank.

1.1 Details of item 30 “Loans and advances to banks”

There are no loans and advances to banks in the following categories:

	12/31/2005	12/31/2004
a) loans to central banks	-	-
b) bills eligible for refinancing at central banks	-	-
c) repurchase agreements	-	-
d) securities lending	-	-

1.2 Status of loans and advances to banks

	12/31/2005			12/31/2004
	Gross	write-downs	Net	Net
A. Doubtful loans	-	-	-	-
A.1 Non-performing	-	-	-	-
A.2 Problem	-	-	-	-
A.3 Being restructured	-	-	-	-
A.4 Restructured	-	-	-	-
A.5 Unsecured loans to countries at risk	-	-	-	-
B. Performing loans	2,590	-	2,590	1,955

Loans and advances to customers (item 40)

This item breaks down by category as follows:

	12/31/2005	12/31/2004
- current accounts	372	-
- personal loans	98	50
- mortgage loans	566	-
- other	-	-
write-downs of performing loans	-13	0
Total	1,023	50

1.5 Details of item 40 “Loans and advances to customers”

There are no loans and advances to customers in the following categories:

	12/31/2005	12/31/2004
(a) bills eligible for refinancing at central banks	-	-
(b) repurchase agreements	-	-
(c) securities lending	-	-

1.6 Secured loans and advances to customers

Secured loans break down as follows:

	31/12/2005	31/12/2004
(a) Mortgage	566	-
(b) Pledges on:	338	-
1. cash collateral	177	-
2. securities	161	-
3. other valuables	-	-
(c) Guarantees from:	50	-
1. governments	-	-
2. other public entities	-	-
3. banks	-	-
4. others	50	-
Total	954	-

The following table shows loans and advances to customers recalculated and classified based on the level of risk:

1.7 Status of loans and advances to customers

	12/31/2005			12/31/2004
	Gross	write-downs	Net	Net
A. Doubtful loans	-	-	-	-
A.1 Non-performing	-	-	-	-
A.2 Problem	-	-	-	-
A.3 Being restructured	-	-	-	-
A.4 Restructured	-	-	-	-
A.5 Unsecured loans to countries at risk	-	-	-	-
B. Performing loans	1,036	13	1,023	58
Total	1,036	13	1,023	58

SECTION 2 – SECURITIES

Securities held by the Bank are classified as follows:

	12/31/2005	12/31/2004
Treasury bills and similar securities eligible for refinancing with central banks (item 20)	453	431
Bonds and other debt securities (item 50)	13,918	9,066
Shares, equities and other floating-rate securities (item 60)	-	-
Total	14,371	9,497

2.1 Investment securities

There are no investment securities held by the Bank

2.3 Marketable securities

These securities break down by category as follows:

Item/Amount	12/31/2005		12/31/2004	
	Book Value	Market Value	Book Value	Market Value
1. Debt securities	14,371	14,371	9,497	9,562
1.1 government	201	201	431	432
- listed	201	201	431	432
- unlisted	-	-	-	-
1.2 other	14,170	14,170	9,066	9,130
- listed	14,170	14,170	9,066	9,130
- unlisted	-	-	-	-
2. Equity securities	-	-	-	-
- listed	-	-	-	-
- unlisted	-	-	-	-
Total	14,371	14,371	9,497	9,562

The mark-to-market valuation of securities as of December 31, 2005, as described in the section on accounting policies, led to losses of €254 thousand and gains of €5 thousand being charged to the Income Statement. Had securities been valued at the lower of cost and market price, as happened until December 31, 2004, any gains would not have been taken to the Income Statement.

2.4 Changes during the year in marketable securities

Changes in marketable securities are shown below:

A Opening balance	9,497
B Increases	110,514
B.1 Purchase	110,404
- Debt securities	110,346
- government	9,820
- other	100,525
B.2 Equity securities	58
B.3 Write-backs and revaluations	5
B.4 Transfers from investment portfolio	-
B.5 Other increases	105
C Decreases	105,640
C.1 Sales and redemptions	105,563
- Debt securities	105,105
- government	10,042
- other	95,063
- Equity securities	58
C.2 Write-downs	254
C.3 Transfers to investment portfolio	-
C.4 Other decreases	223
D Closing balance	14,371

Other increases derive from the mark-to-market valuation of the portfolio as of December 31, 2004 (€65 thousand recognised in extraordinary income) and trading profits (€40 thousand), whilst other decreases regard trading losses.

SECTION 3 – EQUITY INVESTMENTS

As of December 31, 2005 the Company does not hold equity investments.

SECTION 4 – TANGIBLE AND INTANGIBLE FIXED ASSETS**Tangible fixed assets (item 100)**

This item breaks down by principal category of asset as follows:

	12/31/2005			12/31/2004
	Historical cost	Depreciation	Book Value	Book Value
- furniture and fittings	206	145	61	72
- plant and machinery	115	98	17	8
- electronic equipment	239	148	91	57
- vehicles	49	48	1	1
Total	609	439	170	138

4.1 Changes during the year in tangible fixed assets

Changes during the year are summarized below:

A Opening balance	138
B. Increases	100
B.1 purchases	77
B.2 write-backs	-
B.3 revaluations	-
B.4 other increases	23
C. Decreases	68
C.1 sales	23
C.2 write-downs:	45
(a) depreciation	45
(b) permanent write-downs	-
C.3 other decreases	-
D. Closing Balance	170
E. Total revaluations	-
F. Total write-downs:	-
(a) depreciation	-
(b) permanent write-downs	-

The rates of depreciation used for the various categories of tangible fixed asset are shown below.

- furniture and fittings	12%
- plant and machinery	20%
- electronic equipment	20%
- vehicles	25%

Intangible fixed assets (item 90)

This item breaks down by category of asset as follows:

	12/31/2005			12/31/2004
	Historical cost	Depreciation	Book value	Book value
- software	271	253	18	23
- long-lived assets (leasehold improvements)	504	342	163	239
- others	78	52	26	119
Total	853	647	206	381

4.2 Changes during the year in intangible fixed assets

A	Opening balance	381
B.	Increases	9
B.1	purchases	5
B.2	write-backs	-
B.3	revaluations	-
B.4	other increases	4
C.	Decreases	184
C.1	sales	-
C.2	write-downs:	112
	(a) depreciation	112
	(b) permanent write-downs	-
C.3	other decreases	72
D.	Closing Balance	206
E.	Total revaluations	-
F.	Total write-downs:	-
	(a) depreciation	-
	(b) permanent write-downs	-

SECTION 5 – OTHER ASSETS**5.1 Breakdown of item 130 “Other assets”**

This item breaks down as follows:

	12/31/2005	12/31/2004
- Amounts due from tax authorities for advance payment of IRES, IRAP, withholding tax on interest, withholding tax and tax credits on dividends, other withholding taxes, surtax, stamp duty, withholding tax employee severance indemnities	784	950
- Deferred tax assets	104	118
- Fees to be charged to customers or banks	7	15
- Current account checks to be cleared	154	107
- Other sundry items	222	12
- Other minor items	19	93
Total	1,290	1,295

“Other minor items” include the sum of €71,048.69 due from Mediogest SIM SpA, which was declared bankrupt in October 1993. The entire sum was written off in 1998 following the sentence of July 1998, by which the Court of Turin rejected claims on customers’ assets deposited with Mediogest.

The same item includes a receivable due from San Paolo Banco di Napoli in relation to a stolen check with a value of €11,698, 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 favor, and we therefore expect to collect the amount due and any related interest.

Details of “Deferred tax assets” are provided in table 7.4.

5.2 Breakdown of item 140 “Accrued income and prepaid expenses”

This item breaks down as follows at the end of the year:

	12/31/2005	12/31/2004
Accrued income	342	219
– interest on portfolio securities	337	219
– other	5	-
Prepaid expenses	16	22
– insurance premiums	16	22
Total	358	241

SECTION 6 – DEPOSITS**Customers’ deposits (item 20)**

This item breaks down as follows:

	12/31/2005	12/31/2004
- current accounts overdrafts	6,249	2,628
- repurchase agreements	2,480	-

SECTION 7 – ALLOWANCES**Changes in “Employee severance indemnities” (item 70)**

Balance as of December 31, 2004	118
Uses:	11
- indemnities paid to employees	11
- advances paid to employees pursuant to Law 297 of May 29, 1982	-
Increases:	34
- provisions for the year	34
Balance as of December 31, 2005	141

7.3 Breakdown of sub-item 80 c) “Allowances for risks and contingencies - other”

	12/31/2005	12/31/2004
a) other sundry risks and contingencies	210	215
- ongoing legal disputes	210	210
- renewal of National Collective Labor Contract	-	5
Total	210	215

The allowance is believed appropriate to cover the risks linked to a dispute outstanding at the balance sheet date. The allowance relates entirely to a dispute in which the Company is the plaintiff. The allowance thus represents an extremely prudent estimate of the related legal costs, given that, should the Company win, such costs will be paid by the defendants.

Changes in “Allowance for taxation” (item 80 b)

Balance as of December 31, 2004	768
Uses:	
- to pay IRES and IRAP	764
Provisions:	
- for IRES and IRAP	519
Balance as of December 31, 2005	523

Provisions for:

- IRES euro 430
- IRAP euro 89

The new regulation introduced by Legislative Decree 168 of July 12, 2004 was taken into account in calculating IRAP. Stamp duty, capital gains tax and stamp duty on stock exchange contracts are charged directly to “indirect taxation”.

Deferred taxation

At the end of the year, the Bank reviewed its tax position and, in compliance with the accounting standards in effect since December 31, 1999, has recorded “deferred tax assets” based on the principle of reasonable certainty of recoverability.

A rate of 33% was applied in the case of IRES and 4.25% in the case of IRAP, taking into account the exemptions introduced by Legislative Decree 168 of July 12, 2004.

The following entries were recorded at the end of the year:

increases

- euro 26 thousand on a total taxable income of euro 78 thousand;

reversals

- a total of euro 40 thousand, including euro 35 thousand for IRES and euro 5 thousand for IRAP.

Overall, the balance of increases and reversals of deferred tax assets resulted in a negative impact on the Income Statement of euro 14 thousand, whilst current taxes totaled euro 519 thousand.

The charge for income taxes for the year thus amounted to euro 533 thousand.

7.4 Deferred tax assets

	12/31/2005	12/31/2004
1. Opening balance	118	123
2. Increases	26	39
2.1 Deferred tax assets for the year	26	39
2.2 Other increases	-	-
3. Decreases	40	44
3.1 Deferred tax assets reversed during the year	40	43
3.2 Other decreases	-	1
4. Closing balance	104	118

7.5 Deferred tax liabilities

No deferred tax liabilities are recorded.

SECTION 8 – SHARE CAPITAL, RESERVES, RESERVE FOR GENERAL BANKING RISKS, SUBORDINATED LIABILITIES, CAPITAL AND PRUDENTIAL REGULATORY REQUIREMENTS**Share capital (item 120)**

	12/31/2005	12/31/2004
3,600,000 shares with a par value of euro 2 each	7,200	7,200

Reserves (item 140)

	12/31/2005	12/31/2004
legal reserve	368	309

The legal reserve increased by euro 59 thousand following the appropriation of net income for 2004, as approved by the General Meeting of April 18, 2005.

Retained earnings (item 160)

	12/31/2005	12/31/2004
retained earnings	592	375

Net income for the year (item 170)

	12/31/2005	12/31/2004
net income for the year	912	1,176

Reserve for general banking risks (item 100)

A. Opening balance	127
B. Increases	-
B.1 provisions	-
C. Decreases	-
C.1 uses	127
D. Closing balance	0

The statement of changes in and the Breakdown of shareholders' equity are shown in annexes in Section E.

8.1 Capital and prudential regulatory requirements as of December 31, 2005

Categories/Amounts	12/31/2005
A. Regulatory capital:	
A.1 Tier 1 capital	8,506
A.2 Tier 2 capital	-
A.3 Elements to be deducted	-
A.4 Regulatory capital	8,506
B. Prudential regulatory requirements:	
B.1 Credit risks	186
B.2 Market risks	870
including:	
- risks associated with marketable securities portfolio	847
- exchange rate risks	23
B.3 3rd level subordinated loans	-
B.4 Other prudential requirements	-
B.5 Total prudential requirements	1,056
C. Risk-weighted assets and regulatory ratios:	
C.1 Risk-weighted assets	2,326
C.2 Tier 1 capital/Risk-weighted assets	366%
C.3 Regulatory capital/Risk-weighted assets	366%

Available capital (item A4 – B5) amounts to euro 7,450 thousand.

Capital adequacy ratios

	12/31/2005
A.1 individual solvency ratio (required minimum 8%)	366%

SECTION 9 – OTHER LIABILITIES**9.1 Breakdown of item 50 “Other liabilities”**

	12/31/2005	12/31/2004
Amounts available to customers	19	81
Bank transfers awaiting clearance	441	1
bankers' drafts issued	11	
Amounts due to tax author. as withholding tax on interest	11	5
VAT due to tax authorities	3	3
Amounts due to tax authorities on behalf of customers and employees	71	53
Trade payables	246	93
Amounts due to other public bodies	23	22
Other accounts payable	236	364
Total	1,061	622

“Other accounts payable” primarily include invoices to be received for charges relating to the year under examination.

9.2 Breakdown of item 60 “Accrued expenses and deferred income”

This item breaks down as follows at the end of the year:

	12/31/2005	12/31/2004
Accrued expenses	17	19
- payroll-related costs	15	19
- other	2	-
Deferred income	-	-
Total	17	19

SECTION 10 – GUARANTEES AND COMMITMENTS**10.1 Breakdown of item 10 “Guarantees issued”**

This item amounts to zero as of December 31, 2005.

10.2 Breakdown of item 20 “Commitments”

This item amounts to zero

10.5 Forward transactions

No forward transactions are reported as of December 31, 2005.

SECTION 11 – CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES**11.2 Distribution of loans and advances to customers by principal category of borrower**

	12/31/2005
(a) Governments	-
(b) Other public bodies	-
(c) Non-financial companies	-
(d) Financial companies	176
(e) Family businesses	860
(f) Other	-
Total	1,036

11.5 Geographical distribution of assets and liabilities

Items/Countries	Italy	Other UE countries	Other countries	Total
1. Assets:	4,007	10,573	3,423	18,003
1.1 loans and advances to banks	2,199	390	1	2,590
1.2 loans and advances to customers	1,036	-	-	1,036
1.3 securities	772	10,183	3,422	14,377
2. Liabilities:	8,471	330	221	9,022
2.1 banks' deposits	-	293	-	293
2.2 customers' deposits	8,471	37	221	8,729
2.3 debt securities in issue	-	-	-	-
2.4 other	-	-	-	-
3. Guarantees and commitments	-	-	-	-

11.6 Aging schedule for assets and liabilities

The following schedule shows the Bank's exposure to liquidity and interest rate risks.

ITEMS/TERM TO MATURITY	SPECIFIC MATURITY							UNSPECIFIC MATURITY	TOTAL
	On demand	Up to 3 months	From 3 to 12 months	from 1 to 5 years		after 5 years			
				fixed rate	floating rate	fixed rate	floating rate		
1. Assets	2,934	293	3,453	10,296	358	473	198	-	18,003
1.1 Treasury bills eligible for refinancing	-	-	-	253	201	-	-	-	454
1.2 Loans and advances to banks	2,559	31	-	-	-	-	-	-	2,590
1.3 Loans and advances to custom.	372	11	38	160	39	217	198	-	1,036
1.4 Bonds and other debt securities	-	251	3,415	9,883	118	255	-	-	13,923
1.5 Off-balance sheet transactions	-	-	-	-	-	-	-	-	-
2. Liabilities	6,542	2,480	-	-	-	-	-	-	9,022
2.1 Bank's deposits	293	-	-	-	-	-	-	-	293
2.2 Customers' deposits	6,249	2,480	-	-	-	-	-	-	8,729
2.3 Debt securities in issue	-	-	-	-	-	-	-	-	-
– bonds	-	-	-	-	-	-	-	-	-
– certif. of deposit	-	-	-	-	-	-	-	-	-
– other	-	-	-	-	-	-	-	-	-
2.4 Subordinated liabilities	-	-	-	-	-	-	-	-	-
2.5 Off-balance sheet transactions	-	-	-	-	-	-	-	-	-

11.7 Foreign currency assets and liabilities

The Bank's Balance Sheet includes the following foreign currency items, which have been translated into euro.

	12/31/2005
(a) Assets	305
1. loans and advances to banks	305
2. loans and advances to customers	-
3. securities	-
4. equity investments	-
5. other	-
(b) Liabilities	12
1. banks' deposits	-
2. customers' deposits	12
3. debt securities in issue	-
4. other	-

SECTION 12 –MANAGEMENT AND TRADING ON BEHALF OF THIRD PARTIES

The Bank is authorized to provide investment services as defined by art. 1, section 5b and 5c (limited to “placement without the provision of underwriting facilities to issuers”) and 5e of Legislative Decree 58 of February 24, 1998.

12.1 Securities trading

	12/31/2005	12/31/2004
(a) Purchases	7,161,276	7,873,753
1. settled	7,159,358	7,842,890
2. unsettled	1,917	30,863
(b) Sales	7,161,264	7,787,268
1. settled	7,159,353	7,756,390
2. unsettled	1,911	30,878

12.3 Custody and administration securities

	12/31/2005	12/31/2004
(a) Third-party securities held on deposit (excluding asset management)	36,358	16,851
1. securities issued by the reporting bank	7,128	7,158
2. other securities	29,230	9,693
(b) Third-party securities deposited with third parties	36,358	16,851
(c) Portfolio securities deposited with third parties	14,099	9,212

Part c

Notes to the Income Statement

SECTION 1 – INTEREST

1.1 Breakdown of item 10 “Interest income and similar revenues”

	12/31/2005	12/31/2004
(a) on loans and advances to banks	37	57
including: on loans and advances to central banks	-	-
(b) on loans and advances to customers	24	7
including: loans using third-party funds under admin.	-	-
(c) on debt securities	656	320
(d) other interest income	27	-
(e) positive balance of differentials on hedging transactions	-	-
Total	744	384

1.2 Breakdown of item 20 “Interest expense and similar charges”

	12/31/2005	12/31/2004
(a) on banks' deposits	29	5
(b) on customers' deposits	64	33
(c) on debt securities in issue	-	-
including: on certificates of deposit	-	-
(d) on third-party funds under administration	-	-
(e) on subordinated liabilities	-	-
(f) negative balance of differentials on hedging transactions	-	-
Total	93	38

1.3 Details of item 10 “Interest income and similar revenues”

This item includes the following component:

	12/31/2005	12/31/2004
(a) On foreign currency assets	19	23

1.4 Details of item 20 “Interest expense and similar charges”

This item includes the following component:

	12/31/2005	12/31/2004
(a) On foreign currency liabilities	2	2

SECTION 2 – COMMISSIONS**2.1 Breakdown of item 40 “Commission income”**

	12/31/2005	12/31/2004
(a) Guarantees issued	-	-
(b) Credit derivatives	-	-
(c) Management, trading and advisory services:	4,246	4,852
1. securities trading	4,125	4,829
2. foreign currency trading	-	1
3. asset management	-	-
3.1 individual accounts	-	-
3.2 mutual funds	-	-
4. custody and administration of securities	2	1
5. depositary bank	-	-
6. securities placement	6	9
7. order collection	106	-
8. advisory services	-	-
9. distribution of third-party services	7	12
9.1 asset management	5	1
9.1.1 individual accounts	-	-
9.1.2 mutual funds	5	1
9.2 insurance products	-	-
9.3 other products	2	11
(d) Collection and payment services	2	1
(e) Servicing fees for securitization transactions	-	-
(f) Tax collection	-	-
(g) Other services	80	58
Total	4,328	4,911

2.3 Breakdown of item 50 “Commission expense”

	12/31/2005	12/31/2004
(a) payment services	-	-
(b) Asset management and broking:	34	9
1. securities trading	28	-
2. foreign currency trading	-	-
3. asset management	-	-
4. custody and administration of securities	6	8
5. securities placement	-	-
6. door-to-door sale of securities	-	1
(c) Other services:	80	72
- guarantees	-	-
- on relations with the Bank of Italy, Italian Exchange Office and banks	76	-
- other	4	72
Total	114	81

SECTION 3 – PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS**3.1 Breakdown of item 60 “Profits (losses) on financial transactions”**

Items/Transactions	Securities	Foreign currency	Other
A.1 Revaluations	5	-	-
A.2 Write-downs	-254	-	-
B. Other profits (losses)	-190	26	-
Total	-439	26	-
1. Government securities	-		
2. Other debt securities	-438		
3. Equity securities	-		
4. Securities derivatives	-1		

Item B represents trading losses.

SECTION 4 – ADMINISTRATIVE COSTS**4.1 Average number of employees by category**

	12/31/2005	12/31/2004
(a) Executive	-	-
(b) Middle managers	-	-
(c) Remaining staff	19	15
Total	19	15

Grade one and two managers are included among “Remaining staff”, as established in the reporting requirements.

Administrative costs (item 80)

	12/31/2005	12/31/2004
(a) Payroll costs	569	468
(b) Other administrative costs:	2,452	2,444
– in direct taxation:	8	10
– stamp duty	1	2
– other	7	8
– other:		
– fees paid to financial advisors	2,444	2,434
– consultants’ fees	1,197	1,199
– fees paid to Directors, Statutory Auditors, and Independent Auditors	74	148
– lease rentals and running expenses	387	397
– IT services	98	94
– postage, telecommunications and telegraphy	313	246
– maintenance and repairs	77	102
– advertising	20	11
– energy and fuel	72	14
– insurance	15	13
– printing and stationery	18	9
– office cleaning	12	20
– transport and travel expenses	4	4
– training and reimbursements to staff	32	31
– legal and other consultants’ fees	8	7
– membership dues and similar charges	48	58
– sundries	49	47
	20	34
Total	3,021	2,912

SECTION 5 – ADJUSTMENTS, WRITE-BACKS AND PROVISIONS**Adjustment to intangible and tangible fixed assets (item 90)**

	12/31/2005	12/31/2004
(a) Tangible fixed assets	45	45
– buildings:	-	-
- ordinary depreciation	-	-
- accelerated depreciation	-	-
– furniture, machinery and plant:	45	45
- ordinary depreciation	-	-
- accelerated depreciation	-	-
(b) Intangible fixed assets	112	130
– intellectual property rights	-	-
– long-lived assets	112	130
Total	157	175

Provisions for risks and contingencies (item 100)

	12/31/2005	12/31/2004
c) other allowances:	-	5
- renewal of National Collective Labor Contract	-	5
Total	-	5

SECTION 6 – OTHER INCOME STATEMENT ITEMS**6.1 Breakdown of item 70 “Other operating income”**

	12/31/2005	12/31/2004
(a) Fees, royalties and recovery of account charges	-	-
(b) Grant pursuant to Law 388/2000	-	-
(c) Other	5	5
Total	5	5

6.2 Breakdown of item 110 “Other operating costs”

	12/31/2005	12/31/2004
- other	10	9

6.3 Breakdown of item 180 “Extraordinary income”

	12/31/2005	12/31/2004
Non recurring income	73	8
Other	-	-
Total	73	8

This item includes €65 thousand deriving from the mark-to-market valuation of listed marketable securities, and regarding their retrospective component. Net of the tax effect calculated on the basis of current rates (IRES 33% and IRAP 4.25%), this component contributes €41 thousand to earnings for the year and to shareholders' equity.

6.4 Breakdown of item 190 “Extraordinary expense”

	12/31/2005	12/31/2004
Contingent liabilities and other non-recurring items	10	11
Other	-	-
Total	10	11

6.5 Breakdown of item 220 “Income taxes”

	12/31/2005	12/31/2004
1. Current taxes (-)	-519	-748
2. Change in deferred tax assets (+/-)	-14	-4
3. Change in deferred tax assets from previous years (+/-)	-	-1
4. Income taxes for the year (-1 +/-2 +/-3)	533	753

SECTION 7 – OTHER INFORMATION ON THE INCOME STATEMENT**7.1 Geographical distribution of revenues**

	Italy	Overseas	Total
(a) interest income and similar revenues	744	-	744
(b) commission income	4,328	-	4,328
(c) other operating income	5	-	5
Total	5,077	-	5,077

Part D

Other information

SECTION 1 – DIRECTORS AND STATUTORY AUDITORS

1.1 Fees

Directors (*)	296
Statutory Auditors (**)	23

(*) net of VAT where payable

(**) net of VAT and expenses.

SECTION 2 – PARENT COMPANY

In order to rationalize its operations, in September 2005 Promos Holding S.p.A. sold its interest in Banca Promos S.p.A. and requested its cancellation from the Register of Banking Groups, with which the Promos Group had been registered since June 2005.

As a result, the Bank is no longer subject to the management and coordination of Promos Holding.

Related parties

Related party transactions

The following table shows total amounts payable to and receivable from related parties for each category:

	12/31/2005	12/31/2004
(a) Assets	-	2
1. loans and advances to banks	-	-
including: subordinated	-	-
2. loans and advances to other customers	-	-
including: subordinated	-	-
3. bonds and other debt securities	-	-
including: subordinated	-	-
4. other	2	2
(b) Liabilities	123	54
1. banks' deposits	-	-
2. other customers' deposits	123	54
3. debt securities in issue	-	-
4. subordinated liabilities	-	-
(c) Guarantees and commitments	-	-
1. guarantees issued	-	-
2. commitments	-	-
(d) Income Statement	-	-
1. Net revenues	3	2
2. Interest income (expense), net	-	-
3. Adjustments	-	-
4. Extraordinary income (loss), net	-	-
5. Income taxes for the year	-	-
NET INCOME FOR THE YEAR	3	2

Related party transactions do not raise any critical issues, are covered by the provision of ordinary banking services, and were conducted during the year according to needs and related requirements. Related party transactions were conducted on an arm's length basis.

Annexes

STATEMENT OF CASH FLOW (in thousands of euro)

	12/31/2005	12/31/2004
Cash and cash equivalents at beginning of year	1,957	3,156
Cash Flow		
a - net income for the year	912	1,176
b - provisions for employee severance indemnities	34	27
c - provisions to the allowance for taxation	519	753
d - increases in allowance for risks and contingencies (other allowances)	0	5
e - adjustments to receivables and provisions for guarantees and commitments	12	0
f - adjustments to tangible and intangible fixed assets	157	175
Total	1,635	2,136
Increase (Decrease) in cash provided:		
a - use of employee severance indemnities	-11	-6
b - use of allowance for taxation	-764	-963
c - customers' deposits	6,101	2,627
d - other liabilities	436	283
e - use of allowances for risks and contingencies	-5	0
f - banks' deposits	294	0
g - use of reserve for general banking risks	-127	0
Total	5,924	1,941
Increase (Decrease) in cash used:		
a - investment in tangible and intangible fixed assets	-15	-335
b - loans and advances to customers	-985	8
c - marketable securities	-4,874	-3,670
d - other assets	-112	-199
Total	-5,986	-4,196
Change in shareholders' equity:		
a - payment of dividends	-900	-1,080
Total	-900	-1,080
CASH AND CASH EQUIVALENT AT END OF YEAR	2,630	1,957

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AT 12/31/2005
(in euro)

	Share capital	Share premium reserve	Legal reserve	Reserve for bank risks	Retained earnings (accum. losses)	Net income (loss) for the year	Total shareholders' equity
Balance as of December 31, 2003	7,200,000	0	237,517	127,000	89,670	1,437,314	9,091,501
Changes occurring during the year 2004:							
appropriation of net income for 2003							
to the legal reserve			71,866			-71,866	0
dividends paid						-1,080,000	-1,080,000
to retained earnings					285,448	-285,448	0
to reserve for gen. bank. risks							0
Net income for 2004						1,175,623	1,175,623
Balance as of December 31, 2004	7,200,000	0	309,383	127,000	375,118	1,175,623	9,187,124
Changes occurring during the year:							
appropriation of net income for 2004							
to the legal reserve			58,781			-58,781	0
dividends paid						-900,000	-900,000
to retained earnings					216,842	-216,842	0
to reserve for gen. bank. risks				-127,000			-127,000
Net income for 2005						912,485	912,485
Balance as of December 31, 2005	7,200,000	0	368,164	0	591,960	912,485	9,072,609

COMPOSITION OF SHAREHOLDERS' EQUITY
(in euro)

Nature/Description	Amount	Potential use	Available portion	Summary of uses during previous 3 years	
				to cover losses	for other purposes
Share Capital	7,200,000				
Retained profit reserves:					
Legal reserve	368,164	B	0	0	0
Retained earnings	591,960	A,B,C	591,960	0	0
TOTAL			591,960		
Undistributable portion			0		
Residual distributable portion			591,960		
Key: A: to increase capital; B: to cover losses; C: to pay dividends					

**RECONCILIATION OF NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2004
AND NET INCOME FOR THE SAME PERIOD FOR REGULATORY PURPOSES**
(in units of euro)

Net income for the year ended December 31, 2005 as reported in the financial statements	912,485
Dividends to be paid	360,000
Net income for the year ended December 31, 2005 for regulatory purposes	552,485

KEY PERFORMANCE INDICATORS

Indicators	12/31/2005
Composition	
shareholders' equity and subordinated liabilities / total assets	45.25%
loans and advances to customers / total assets	5.10%
fixed assets and equity investments / total assets	1.88%
loans and advances to customers / customers' deposits	11.72%
Credit risk	
non-performing loans / loans and advances to customers	0.00%
non-performing loans / shareholders' equity and subordinated liabilities	0.00%
Earnings	
interest margin / total assets	3.25%
interest and non-interest income / total assets	22.20%
administrative costs / total assets	15.09%
payroll costs / total assets	2.84%
administrative costs / interest and non-interest income	67.99%
payroll costs / interest and non-interest income	12.79%
operating income / total assets (ROA)	6.26%
net income / shareholders' equity (ROE)	10.06%

Report of the Board of the Statutory Auditors

To the General Meeting

Dear Shareholders,

The financial statements as of and for the year ended December 31, 2005, hereby submitted for your approval, consist of the Balance Sheet, Income Statement and Explanatory 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 January 27, 1992 and the instructions issued by the Bank of Italy, above all the Governor of the Bank of Italy's Ruling of July 30, 2002 and subsequent amendments and additions. The statement of changes in shareholders' equity and the statement of cash flows are provided as annexes to the Explanatory 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 made 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 summarized as follows (in euros):

BALANCE SHEET

Total assets		20,047,927
Total liabilities	10,975,318	
Shareholders' equity:		
Share capital	7,200,000	
Reserves	368,164	
Retained earnings (accumulated losses)	591,600	
Net income for the year	912,485	
Total shareholders' equity	9,072,609	
Total liabilities and shareholders' equity		20,047,927

INCOME STATEMENT

Income from ordinary activities	1,255,509	
Extraordinary income	72,973	
Extraordinary expense	-9,952	
Extraordinary income, net	63,021	
Reserve for general banking risks	127,000	
Income taxes for the year	-533,045	
Net income		912,485

The Board of Statutory Auditors carried out periodic checks and controls during the year. We had meetings with Deloitte and Touche S.p.A., the firm appointed to carry out the Company's accounting controls, and no significant disclosures or information requiring inclusion in this report came to light.

The financial statements have been audited and the related opinion issued pursuant to art. 2409-ter of the Italian Civil Code. In view of the fact that we were not assigned responsibility for analyzing the contents of the financial statements on their merits, we have verified the general presentation and overall compliance with the laws relating to form and content. We have no particular observations to make in this regard.

The management of IT services was outsourced to Cedacri S.p.A. during 2005. From 2006, however, the Bank has decided to replace its IT service provider with Cabel S.p.A.

In order to provide further clarification, the Board of Statutory Auditors notes the following with regard to the accounting policies adopted:

- The accounting policies are unchanged with respect to those applied in the previous year;
- Marketable securities are accounted for at market value, representing a change with respect to the accounting policy used previously.

In the previous year, these securities were recorded at the lower of cost and market value, with the latter based on the average price recorded during December, whilst, under the current method, the value of these securities is measured on the basis of the price recorded on the last day of the year by independent providers.

The measurement of marketable securities as of December 31, 2005 resulted in write-downs of approximately euro 254,000;

- Intangible fixed assets are recorded in the Balance Sheet with the consent of the Board and include capitalized expenses relating to: branch offices located in leased properties, software and information programs. Decreases regard amortization;
- Accruals and deferrals are recorded on an accruals basis;
- Deposits are recorded at their nominal value;
- Provisions have been made to cover the entire accrued liability for employee severance indemnities as of December 31, 2005, in compliance with existing legislation;
- Depreciation of tangible fixed assets is calculated on a straight-line basis, using rates that reflect the residual useful lives of the related assets. Amortization of intangible fixed assets is calculated on the basis of their estimated useful lives;
- In accordance with regulations regarding deferred taxes, the Company has posted deferred tax assets;
- Loans and advances and other receivables are recorded at their estimated realizable value;
- It was not necessary to carry out a reversal of tax-related entries, in that the financial statements have never included adjustments and provisions posted solely for tax purposes.

Based on the checks carried out and our attendance of Board of Directors' meetings, the Board confirms that the Directors have acted in compliance with the law and the articles of association and in accordance with good management practice. The organizational 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 minimize business risk and safeguard its capital. The Supervisory Board required by Decree 231/2001 has been established and is drawing up the organizational model.

The Board acknowledges that, during 2005, it was kept periodically informed of the controls carried out by the Internal Audit Department.

The Board has also been informed that the Bank has complied with the requirements of Legislative Decree 196/2003.

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

Dear Shareholders, in view of the above, the Board of Statutory Auditors invites you to approve the financial statements as of and for the year ended December 31, 2005 and the appropriation of net income for the year, as proposed by the Board of Directors.

We thank you for the confidence you have thus far shown in us.

Naples, Italy
April 11, 2006

The Board of Statutory Auditors

Ugo Mangia
Chairman



Roberto Pascucci
Auditor



Settimio Briglia
Auditor



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 of BANCA PROMOS S.p.A. (hereinafter also "Company") as of December 31, 2005. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 the 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.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by us on March 31, 2005.

3. In our opinion, the financial statements present fairly the financial position of BANCA PROMOS S.p.A. as of December 31, 2005, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Paolo Coppola
Partner

Rome, Italy
April 12, 2006

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