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Financial Statements

2004

(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.

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 ISMA - International Securities 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

<u>Independent Auditors</u>	Deloitte & Touche S.p.A.
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Directors' Report on Operations

Dear Shareholders,

The Bank reports net income of euro 1,175,623 for 2004, after provisions for tax expense of euro 753,598, whilst trading volumes totaled euro 15.6 billion.

The performance of net income reflects the costs and investment involved in launching banking services, which we expect to provide returns over the coming years. The bulk of the work of preparing Banca Promos to take on its new identity was carried out in 2004. Though relatively unnoticed, our efforts were of great significance and we shall attempt to describe them in detail later in this Report.

Our commitment in this direction did not, however, prevent us from maintaining our position in the capital markets. In this area, the Bank succeeded in achieving a substantial increase in trading volumes even if, due to the poor performance of the financial markets, volumes were maintained at the expense of operating margins.

International environment

The international financial markets recorded an uneven performance in 2004, alternating between periods of recovery and sharp declines. After nothing short of a boom over recent years, above all in corporate bonds, which reported a large number of issues by both large and mid-sized companies, last year saw the capital markets come to a virtual standstill, incapable of moving in any one direction due to the general climate of uncertainty and the low level of interest rates.

Share prices had in contrast risen by the end of the year, particularly in Italy, where the main stock market indexes recorded increases in the order of 18%, outdoing both other European markets and Wall Street.

The moderate growth in share prices was, however, offset by slow growth in the global economy. There are many reasons for such a

situation. Some of them are general, whilst others are linked to the peculiar characteristics of the various countries. Renewed fears of further terrorist attacks, the high price of oil and the bloody aftermath of the war in Iraq have created uncertainty throughout the world and have helped to put a brake on economic recovery.

In Europe, above all, industry showed fundamental weakness, partly due to growing competition from Asia, whilst the institutions, in the shape of the European Central Bank, repeatedly blamed the high oil price for dampening economic growth in the area. The increasingly strong euro also reduced the competitiveness of European goods and their ability to make headway in overseas markets, where their positions were already under threat from the "Asian tigers".

Competition with Asia's rapidly growing economies was, in fact, one of the factors behind the sluggish performance of Italy, where GDP rose by just 1.1%, with exports hit by the appreciation of the euro against the US dollar, and the economy suffering the effects of higher commodity prices and a slight fall in industrial output (down 0.4% on 2003).

Whilst Italy was struggling to remain within the limits established by the Stability Pact, Germany was faring little better. Once the powerhouse of Europe, the country failed to live up to earlier expectations, with domestic demand continuing to be weak and exports on the decline.

Despite this, the euro area did offer some signs of an upturn, above all in up-and-coming countries such as Ireland and Finland.

Beyond the euro zone, Russia gave out contrasting signals. Whilst achieving key economic targets, investor confidence was weakened by political concerns.

As already mentioned, in East Asia, China proceeded to grow at a heady rate of around 9%, whilst Japan saw a mild slowdown but remains substantially strong.

To the west, on the other hand, South America's biggest economies, Brazil and Argentina, appear to have overcome the problems of the past, despite a number of ongoing difficulties. In particular, Argentina's proposed debt restructuring was totally unacceptable to investors and may, indeed, set a bad example for other countries who find themselves in similar situations.

Finally, despite a few hiccoughs, the US managed to get the economy back on track thanks to strong domestic demand, which represents the country's main strength. Even here, however, the pace of growth seen in past years appear far off.

Operating review

2004 was the year in which Promos completed its transformation into a bank. A thorough review of the existing organizational model, our business processes, critical roles and their validity led to the design of a new organizational structure. This represents a fundamental starting point for achieving improvements in efficiency, at such a crucial stage in our history, and thus implementing the new business strategies devised by management.

Over the last year, the Directors and the entire staff focused more on internal than external issues. Rather than concentrating attention on developing the business, priority was given to the actions needed in order to prepare for future development.

The Bank switched from an organizational model appropriate to a stock broker to one that fits better with the complexities and the new dimensions of a bank. This involved restructuring existing areas of the organization, whilst creating new functions to

support our entry into new markets, the expansion of our product offering and the diversification of our business.

The process began with a clearer definition of existing roles, so as to better meet the needs associated with the new identity and, above all, market expectations. Relations between the various parties and the different processes were thus enhanced.

The second stage involved identification of the roles and procedures to be introduced in order to manage the new services.

The start-up of banking activities placed heavy demands on all staff, in their various areas of responsibility, throughout the year, although the process is now more or less complete.

Instead of simple technical accounts, we are now in a position to offer our customers current accounts and all the different products and services associated with the new type of relationship. In addition to providing returns on capital at above-market rates, our accounts offer the full range of banking services, from cash management to payments.

In order to supply its banking services, the Bank is now a member of all the national and international networks, enabling it to handle bank checks, bankers' drafts, bank transfers, payments and direct debits, and the payment of taxes.

Thanks to the home banking service, customers can access their current accounts to obtain information and effect transactions online, with the utmost security and convenience. Home banking, which is aimed at consumers, professionals and small and medium-sized companies, allows customers to make use of all the traditional services at particularly low costs, whilst enjoying all the advantages of personalized functions and a



**Euro-Dollar
exchange rate
in 2004**

preferential channel of communication between the Bank and the customer. This enables subscribers to the service to receive useful information and send comments, suggestions and requests directly to our offices via a personal e-mail link.

Of the various credit cards available, we opted to sign an agreement with CartaSi, Italy's number one bank credit card. In addition to over 800 participating banks, the card is accepted throughout the world thanks to CartaSi's international partnerships with Visa and MasterCard.

With the aim of serving a different customer segment, an agreement was also signed with American Express, one of the most prestigious names in the credit card industry.

A further agreement was entered into with Icon Card, the joint venture between American Express and CartaSi, whose products are designed to meet the needs of a certain market segment, made up of individual consumers, small and medium-sized companies and freelance professionals. The Icon card benefits from American Express's experience and CartaSi's expertise in managing distribution infrastructures and developing personalized offerings for banks.

The range of payment card services was completed by the introduction of the multi-functional ATM card, which combines the features of a credit card with those of a debit card, enabling the holder to carry out a wide number of transactions, including, for example, POS payments at all participating outlets in Italy.

The distribution of third-party products was given careful consideration, in order to identify the right kind of mortgage, mutual fund, insurance and lease packages for our customers.

All the new products necessitated an initial analysis designed to identify the most suitable form of management in order to ensure, on the one hand, compliance with regulations, transparency rules, data protection laws and reporting requirements, and, on the other, reliable and effective performance.

To examine the former aspect, the Company set up a series of working groups to look at the products and the related issues and to draw up, if necessary with the aid of external consultants, the appropriate procedures. The latter aspect involved the IT department, in close collaboration with the outsourcer's technicians, in effecting the necessary data connections between internal and external systems. In this way, customers were given immediate access to services.

Staff of all grades and from all

departments attended frequent training sessions in order to prepare them for the new services.

Training also played a key role in the Company's recruitment of new staff. For the second year running, Banca Promos granted a number of scholarships to enable young people to study and develop capital market trading techniques. Several trainees were taken on and, after an initial period focusing on the theories behind key economic and financial concepts, the recruits were then introduced by a tutor to the practical side of trading. A number of the trainees were subsequently hired by the Bank during the year, providing proof of the validity of the initiative.

Alongside preparations for the start-up of banking activities, the Bank traded a high volume of foreign securities on behalf of our institutional customers, which has represented our core business since 1987. This sector, in which Promos has for many years been one of Italy's leading players, once again produced pleasing results, which should, however, be interpreted in the light of the challenging market conditions.

The stagnant market led customers to switch into less risky areas and securities offering reduced spreads: in such a situation, the Bank was able to maintain, and actually increase, trading volumes despite the negative performance of the financial markets, although this was achieved at the expense of margins.

Whilst leaving aside an in-depth analysis of the Balance Sheet, for which reference should be made to the Explanatory Notes, we feel it appropriate to take a closer look at a number of Income Statement items. It should be borne in mind that the 2004 financial statements have been prepared for the first time according to the required format for banks and that, therefore, in order to provide a basis for comparison with the previous year, it was necessary to reclassify the data for 2003 in accordance with the new format.

Among the various items, non-interest income fell by approximately 8%. This was caused by a number of factors, primarily the above-mentioned decline in trading margins. Secondly, the strength of the euro against the US dollar played an important part, given that trading in dollar securities accounts for around 30% of Banca Promos's total trading volumes. The dollar's weakness thus led to a reduction in commissions earned in that currency, as well as a decline in the value of dollar deposits.

In contrast, net interest income, which benefited from the start-up of banking activities, rose to approximately euro 350,000 from the euro 290,000 of 2003, marking an increase of over 20%.

In terms of administrative costs, it should be noted that payroll costs rose 16% to euro 468,000 from the previous year's euro 403,000.

A closer examination of the difference reveals that the increase was largely due to wages and salaries, which reflected the recruitment of new staff and salary raises resulting from the transformation of the former Company into a bank, requiring adoption of the National Collective Labor Contract for the banking sector. In addition, the exceptional demands placed on staff during preparation for the launch of banking activities made it necessary to pay employees compensation for unused vacation entitlement. The rest of the increase derived from ordinary differences across the two years (seniority, promotions, the different number of staff on maternity leave, etc.).

There was a proportionate increase in employee severance indemnities, whilst the 30% rise in social security contributions primarily reflected the expiry of contribution relief for two members of staff.

Other administrative costs were substantially unchanged (down 1.50%), with the reduction in the variable fees paid to financial advisors being offset by an increase in administrative costs.

Amortization and depreciation was up 27%, reflecting the investment necessary in order to outsource IT services and open new offices. The new space, which occupies the ground floor of the Bank's head office building in Via Stazio in Naples, is entirely given over to private customers, in line with the development projects launched during the year.

As already mentioned, the last twelve

months witnessed significant research and development activity, with the aim of fulfilling two closely related primary objectives. On the one hand, efforts were directed towards identifying the customer segments at which the Bank's new products and services are to be targeted; on the other, this was accompanied by research focusing on identification and analysis of products most suited to meeting the needs of the new customers.

Towards the end of the year, moreover, Banca Promos sponsored publication of a new book, "I am the bank". The book is primarily aimed at the young, providing them with an opportunity to reflect on the central role money plays in people's lives.

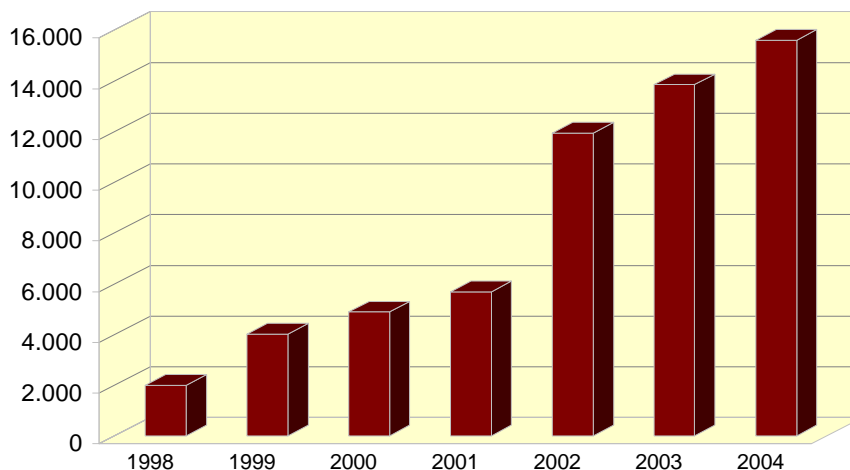
We viewed the initiative as a "light", and thus more effective, means of making the banking world more relevant to people's everyday lives and for this reason particularly appropriate to our mission, which aims to develop a positive image of banks, where customer relations give pride of place to the human dimension rather than bureaucratic needs.

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.

The Bank's related party transactions refer solely to current account relations with Promos Holding S.p.A. and Promos Immobiliare S.r.l., which are conducted on an arm's length basis. Moreover, on the basis of a regular contract, Promos Immobiliare has been granted the use of the Bank's equipment. Once again, the relevant fee has been established on an arm's length basis.

**Trading
volumes
in 2004**



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.

Existing information systems enable the Bank to determine its exposure to market risk on a daily basis, in terms of both counterparty and instrument risk, monitoring the complete picture in order to enable the related calculations to be made.

The Bank has adopted a "default model" where the calculation is based on "replacement cost", which represents a valid tool for establishing existing risk profiles with sufficient accuracy. It should, moreover, be noted that "replacement cost" is an average figure that varies on the basis of market conditions, and is constantly monitored by the Risk Management department, which, under particularly critical conditions, has the power to intervene and modify the level of risk according to prudential criteria.

In addition, Banca Promos calculates the value of securities on a mark-to-market basis, enabling it to measure the effective difference between the agreed price and the market price of each individual item.

Alongside the controls related to trading in foreign securities, during 2004 the Bank

introduced new models used in calculating the capital requirements established by the relevant regulations.

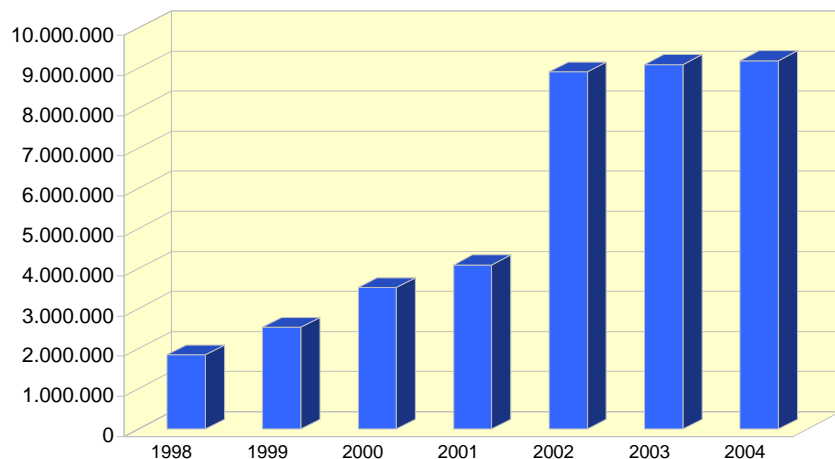
Internal Audit activities were conducted in compliance with the relevant regulations and according to the annual plan drawn up by the departmental head. Periodic checks were carried out with the aim of ensuring that the various offices and services complied with regulations, internal procedures and behavioral 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.

In response to the data protection regulations introduced by Legislative Decree 196 of June 30, 2003, Banca Promos has taken the opportunity to safeguard its customers by drawing up and diffusing an Internal Code, which aims to both train staff and develop awareness of data protection issues within the Bank.

Pursuant to the above decree, Banca Promos has also prepared the required Security Planning Document.

The Board of Directors' meeting of May 4, 2004 resolved to establish a Supervisory Board to oversee compliance with legislation regarding administrative responsibility. The new body has the power to take action and carry out controls independently, in supervising the operation and compliance of the organizational models and their updating.

In order to ensure free and open discussion of the issues involved, a collegiate form was chosen, consisting of a Non-executive Director and a number of internal staff, selected following a careful assessment



Shareholders' equity in 2004

of their career histories.

Subsequent events and operating outlook

Early 2005 has seen further growth in the Bank's turnover.

Agreement has been reached over a new contract for bank employees, which is expected to lead to an increase in payroll costs during 2005.

In terms of the Bank's ordinary activities, in 2005 Banca Promos intends to complete implementation of its organizational and operating structure and render the new areas of business set up during the previous year fully operational. Above all, following the inauguration of the ground-floor offices and the recruitment of new financial advisors, the Bank plans to boost its private banking business.

Trading activities will also be expanded to include new regulated derivatives markets, such as IDEM, CME and EUREX.

Finally, we wish to inform shareholders of the promotional initiative realized in March 2005 and that forms part of the growth and development strategy implemented by the Bank over recent years. This saw Banca Promos become the lead sponsor of the international tennis tournament held at the Naples Tennis Club from March 26 to April 3, 2005, which as a result was called the Naples Cup Tennis Tournament 2005 – the Banca Promos Trophy.

Although the event, which is part of the official ATP Challenge, traditionally attracts great interest, the fact that it was the Naples Tennis Club's hundredth anniversary and that some of the world's leading players took part raised its profile even further, also at international level.

In coming to the end of our Report, we should like to express our warmest thanks to you, our shareholders, whose support and confidence have made it possible to put our plans into practice. We also wish to thank the Board of Statutory Auditors, for the professionalism and meticulousness with which they carried out their invaluable controls, and staff at all levels who, as never before, showed great commitment and an exceptional sense of duty, carrying out their traditional activities with the usual dedication and responding to the significant changes linked to the launch of the new business with an unusual degree of flexibility.

Finally, our sincerest thanks go to the regulator - in particular the local office of the Bank of Italy - and all banking and financial institutions for their constant support and

concrete assistance in a year that was so important for the future of the Company.

Proposed appropriation of net income

Dear Shareholders,

The Board of Directors hereby submits the 2004 financial statements, 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 2004 financial statements, which report net income of euro 1,175,623;
b) to approve the appropriation of net income for the year as follows:

- euro 58,781 to be taken to the legal reserve;
- euro 900,000 to be paid as a dividend of 25 euro cents per share;
- euro 216,842 to be taken to retained earnings.

The Board of Directors

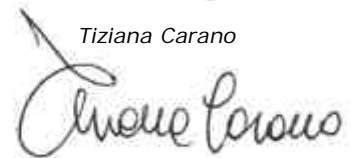
Ugo Malasomma



Cosimo Capasso



Tiziana Carano



Stefano de Stefano



Umberto De Gregorio



Financial Statements 2004

BALANCE SHEET
(in euro)

Assets	12/31/04	12/31/03
10 Cash and cash equivalents	2,338	739
20 Treasury bills and similar securities eligible for refinancing with central banks	431,110	431,993
30 Loans and advances to banks	1,954,836	3,154,994
a) on demand	1,954,836	3,154,994
40 Loans and advances to customers	50,237	57,855
50 Bonds and other debt securities	9,065,906	5,394,842
b) banks	4,141,164	4,172,153
d) other issuers	4,924,742	1,222,689
90 Intangible fixed assets	380,511	231,114
100 Tangible fixed assets	137,596	127,577
130 Other assets	1,295,329	1,186,333
140 Accrued income and prepaid expenses	240,773	151,009
a) accrued income	218,762	141,876
b) prepaid expenses	22,011	9,133
TOTAL ASSETS	13,558,637	10,736,456
Liabilities and shareholders' equity		
20 Customers' deposits	2,627,748	0
a) on demand	2,627,748	0
50 Other liabilities	622,741	352,165
60 Accrued expenses and deferred income	19,206	7,246
a) accrued expenses	19,206	7,246
70 Employee severance indemnities	118,369	97,805
80 Allowances for risks and contingencies	983,448	1,187,741
b) taxation	768,448	977,741
c) other	215,000	210,000
100 Reserve for general banking risks	127,000	127,000
120 Share capital	7,200,000	7,200,000
140 Reserves:	309,383	237,517
a) legal reserve	309,383	237,517
160 Retained earnings (accumulated losses)	375,118	89,670
170 Net income for the year	1,175,623	1,437,312
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	13,558,637	10,736,456

INCOME STATEMENT
(in euro)

	12/31/04	12/31/03
10 Interest income and similar revenues including on:	384,244	321,272
- loans and advances to customers	254	0
- debt securities	319,562	258,569
20 Interest expense and similar charges including on:	-37,972	- 35,119
- customers' deposits	-32,667	0
40 Commission income	4,910,747	5,102,486
50 Commission expense	-80,663	- 98,848
60 Profits (losses) on financial transactions	-147,465	51,612
70 Other operating income	4,705	50,439
80 Administrative costs		
a) payroll including:	-468,261	- 403,163
- wages and salaries	-348,344	-307,371
- social security contributions	-93,407	-71,917
- provisions for severance indemnities	-26,510	-23,875
b) other	-2,444,054	-2,373,669
90 Adjustments to tangible and intangible fixed assets	-175,195	-137,929
100 Provisions for risks and contingencies	-5,000	-210,000
110 Other operating costs	-8,720	-3,158
170 Income (loss) from ordinary activities	1,932,365	2,263,923
180 Extraordinary income	8,069	66,766
190 Extraordinary expense	-11,213	-44,114
200 Extraordinary income (loss), net	-3,144	22,652
210 Change in reserve for general financial risks	0	-1,050
220 Income taxes	-753,598	-848,213
230 NET INCOME FOR THE YEAR	1,175,623	1,437,312

RECLASSIFIED BALANCE SHEET
(in euro)

	12/31/04	12/31/03
Current assets		
Cash and cash equivalents	2,338	739
Loans and advances to banks	1,954,836	3,154,994
Deposits with clearing authorities		73,970
Accounts receivable within 12 months:		
Loans and advances to customers	50,237	57,855
Other accounts receivable	220,870	11,061
Deferred tax assets	118,297	389,404
Closing balance of fixed-income securities	9,497,016	5,826,835
Advances to suppliers	0	720
Accrued income and prepaid expenses	240,773	151,009
Total current assets	12,084,367	9,399,994
Fixed assets		
Tangible fixed assets:		
Furniture and fittings	177,050	144,213
Vehicles	48,684	48,684
Electronic equipment	203,705	184,194
Plant and machinery	102,395	99,606
Less: accumulated depreciation	-394,238	137,596
Software	22,936	-349,120
Long-lived assets	357,575	127,577
Guarantee deposits	6,049	43,844
Due from tax authorities	950,114	187,270
Total fixed assets	1,474,270	1,336,462
TOTAL ASSETS	13,558,637	10,736,456

RECLASSIFIED BALANCE SHEET
(in euro)

	12/31/04	12/31/03
Current liabilities		
Customers' deposits	2,627,748	0
Accounts payable within 12 months:		
Trade and other accounts payable	622,741	351,215
Allowance for taxation	768,448	977,741
Accrued expenses and deferred income	19,206 1,410,395	7,246 1,336,202
Total current liabilities	4,038,143	1,336,202
Long term liabilities		
Accrued expenses and deferred income	0	950
Fondi rischi ed oneri	215,000	210,000
Fondo T,F,R,	118,369	97,805
Total long – term liabilities	333,369	308,755
Shareholders' equity		
Share capital	7,200,000	7,200,000
Ordinary reserve	309,383	237,517
Reserve for general banking risks	127,000	127,000
Retained earnings (accumulated losses)	375,118	89,670
Net income for the year	1,175,623	1,437,312
Total shareholders' equity	9,187,124	9,091,499
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	13,558,637	10,736,456

RECLASSIFIED INCOME STATEMENT
(in euro)

	12/31/04	12/31/04
10 Interest income and similar revenues	384,244	321,272
20 Interest expense and similar charges	-37,972	-35,119
Interest margin (A)	346,273	286,153
40 Commission income	4,910,747	5,102,486
50 Commission expense	-80,663	-98,848
Net Commission (B)	4,830,084	5,003,638
60 Profits (losses) on financial transactions	-147,465	51,612
Other non-interest income (expense), net (C)	-147,465	51,612
Non-interest income (D = B + C)	4,682,619	5,055,250
Interest and non-interest income (A + D)	5,028,891	5,341,403
70 Other operating income	4,705	50,439
110 Other operating costs	-8,720	-3,158
80 Administrative costs		
a) payroll	-468,261	-403,163
b) other	-2,444,054	-2,373,669
Total Administrative costs	2,916,331	-2,729,551
Gross operating income	2,112,560	2,611,852
90 Adjustments to tangible and intangible fixed assets	-175,195	-137,929
100 Provisions for risks and contingencies	-5,000	-210,000
Operating Income	1,932,365	2,263,923
180 Extraordinary income	8,069	66,766
190 Extraordinary expense	-11,213	-44,114
Extraordinary income (loss), net	-3,144	22,652
210 Change in reserve for general financial risks	0	-1,050
Pre-tax income	1,929,221	2,285,525
220 Income taxes	-753,598	-848,213
230 NET INCOME FOR THE YEAR	1,175,623	1,437,312

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

Following the Company's registration as a bank with effect from January 1, 2004 (register number 5579), the financial statements as of and for the year ended December 31, 2004 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).

For the purposes of comparison, the financial statements as of and for the year ended December 31, 2003 have been appropriately reclassified, as shown in the reconciliation in section "E" of this document.

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
- Financial statements as of December 31, 2003 reclassified on the basis of the format for banks
- 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, 2004 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, where necessary, those of the International Accounting Standards Board.

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.

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.

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 and recorded at the lower of cost, calculated on an average weighted cost basis, adjusted by the accrued portion of issue discounts, and market value, which is based:

- in the case of securities listed on regulated markets, on the arithmetic mean of prices recorded during the last months of the year;
- 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.

Unlike the past, profits and losses resulting from foreign currency transactions are translated using the exchange rates prevailing at the time of the transaction. In the past such transactions were settled directly in the foreign currency, via the use of “multi-currency accounting”, and the balances translated in the financial statements at closing spot rates. This change in accounting treatment has not had an impact on the results of operations, in that it only involved a different classification in the Income Statement of what were, in any event, insignificant amounts.

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.

Amortization is charged directly to the assets concerned.

7. Other aspects

7.1 Banks' deposits

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

7.2 Customers' deposits

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

7.3 Accruals and deferrals

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

7.4 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.

7.5 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.

7.6 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. Net changes during the year are posted to the Income Statement.

SECTION 2 – ADJUSTMENTS AND PROVISIONS APPLIED SOLELY FOR TAX PURPOSES

No such adjustments and provisions were applied by the Company (art.109, section 4B of the

new Consolidated Income Tax Act). Moreover, given that the financial statements did not include items influenced by such adjustments and provisions in previous years, it was not necessary to carry out a reversal of tax-related entries.

Part B

Notes to the Balance Sheet

SECTION 1 – LOANS AND ADVANCES

Cash and cash equivalents (item 10)

This item breaks down as follows:

	12/31/2004	12/31/2003
– euro and foreign currency bank notes	2	1
TOTAL	2	1

Loans and advances to banks (item 30)

This item breaks down by category as follows:

	12/31/2004	12/31/2003
On demand	1,955	818
- running accounts	1,287	–
- demand deposits	668	818
Other	–	1,400
- repurchase agreements	–	1,400
TOTAL	1,955	2,218

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

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

	12/31/2004	12/31/2003
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

	12/31/2004			12/31/2003
	Gross exposure	Total write-downs	Net exposure	Net exposure
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	1,955	--	1,955	2,218

Loans and advances to customers (item 40)

This item breaks down by category as follows:

	12/31/2004	12/31/2003
- personal loans	50	–
- other	–	58
TOTAL	50	58

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

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

	12/31/2004	12/31/2003
(a) bills eligible for refinancing at central banks	–	–
(b) repurchase agreements	–	–
(c) securities lending	–	–

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

	12/31/2004			12/31/2003
	Gross exposure	Total write-downs	Net exposure	Net exposure
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	50	–	50	58

SECTION 2 – SECURITIES

Securities held by the Bank are classified as follows:

	12/31/2004	12/31/2003
Treasury bills and similar securities eligible for refinancing with central banks (item 20)	431	–
Bonds and other debt securities (item 50)	9,066	5,827
Shares, equities and other floating-rate securities (item 60)	–	–
TOTAL	9,497	5,827

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	12/31/2004		12/31/2003	
	Book Value	Market Value	Book Value	Market Value
1. Debt securities	9,497	9,562	5,827	5,906
1.1 government	431	432	—	—
- listed	431	432	—	—
- unlisted	—	—	—	—
1.2 other	9,066	9,130	5,827	5,906
- listed	9,066	9,130	5,827	5,906
- unlisted	—	—	—	—
2. Equity securities	—	—	—	—
- listed	—	—	—	—
- unlisted	—	—	—	—
TOTAL	9,497	9,562	5,827	5,906

The valuation of securities as of December 31, 2004 led to write-downs of euro 23 thousand being charged to the Income Statement.

After the above write-downs, the valuation of securities at market value resulted in unrealized gains of euro 65 thousand.

2.4 Changes during the year in marketable securities

Changes in marketable securities are shown below:

A Opening balance	5,826
B Increases	75,702
B.1 Purchase	75,675
- Debt securities	75,670
- government	13,737
- other	61,933
B.2 Equity securities	5
B.3 Write-backs and revaluations	—
B.4 Transfers from investment portfolio	—
B.5 Other increases	27
C Decreases	72,032
C.1 Sales and redemptions	71,938
- Debt securities	71,933
- government	13,521
- other	58,412
- Equity securities	5
C.2 Write-downs	23
C.3 Transfers to investment portfolio	—
C.4 Other decreases	71
D Closing balance	9,497

Other increases regard dealing profits.

SECTION 3 – EQUITY INVESTMENTS

As of December 31, 2004 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:

	12/31/2004			12/31/2003
	Historical cost	Depreciation	Book Value	Book Value
- furniture and fittings	200	128	72	55
- plant and machinery	102	94	8	12
- electronic equipment	205	148	57	60
- vehicles	49	48	1	1
TOTAL	556	418	138	128

4.1 Changes during the year in tangible fixed assets

Changes during the year are summarized below:

A Opening balance	128
B. Increases	55
B.1 purchases	55
B.2 write-backs	–
B.3 revaluations	–
B.4 other increases	–
C. Decreases	45
C.1 sales	–
C.2 write-downs:	45
(a) depreciation	45
(b) permanent write-downs	–
C.3 other decreases	–
D. Closing Balance	138
E. Total revaluations	–
F. Total write-downs:	–
(a) depreciation	–
(b) permanent write-downs	–

Intangible fixed assets (item 90)

This item breaks down by category of asset as follows:

	12/31/2004			12/31/2003
	Historical cost	Depreciation	Book value	Book value
- software	266	243	23	44
- long-lived assets (leasehold improvements)	504	265	239	187
- others	149	30	119	–
TOTAL	919	538	381	231

4.2 Changes during the year in intangible fixed assets

A	Opening balance	231
B.	Increases	279
B.1	purchases	279
B.2	write-backs	–
B.3	revaluations	–
B.4	other increases	–
C.	Decreases	130
C.1	sales	–
C.2	write-downs:	130
	(a) <i>depreciation</i>	130
	(b) <i>permanent write-downs</i>	–
C.3	other decreases	–
D.	Closing Balance	381
E.	Total revaluations	–
F.	Total write-downs:	–
	(a) <i>depreciation</i>	–
	(b) <i>permanent write-downs</i>	–

Increases included:

- euro 127 thousand on restructuring branch offices;
- euro 150 thousand for start-up of the information system.

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

This item breaks down as follows:

	12/31/2004	12/31/2003
- 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, sur-tax, stamp duty, withholding tax employee severance indemnities	950	971
- Deferred tax assets	118	123
- Fees to be charged to customers or banks	15	–
- Current account checks to be cleared	107	–
- Other sundry items	12	–
- Other minor items	93	18
TOTAL	1,295	1,112

“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:

	12/31/2004	12/31/2003
Accrued income	219	142
– interest on portfolio securities	219	140
– other	–	2
Prepaid expenses	22	9
– insurance premiums	22	9
TOTAL	241	151

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

This item, which amounts to euro 2,628 thousand, regards customers’ current account deposits as of December 31, 2004.

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

Balance as of December 31, 2003	98
Uses:	6
- indemnities paid to employees	1
- advances paid to employees pursuant to Law 297 of May 29, 1982	5
Increases:	26
– provisions for the year	26
BALANCE AS OF DECEMBER 31, 2004	118

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

	12/31/2004	12/31/2003
a) other sundry risks and contingencies	215	210
- ongoing legal disputes	210	210
- renewal of National Collective Labor Contract	5	–
TOTAL	215	210

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

Balance as of December 31, 2003	978
Uses:	958
– to pay IRES and IRAP	958
Provisions:	748
– for IRES and IRAP	748
BALANCE AS OF DECEMBER 31, 2004	768

Provisions for:

- IRES	euro 639
- IRAP	euro 129

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 39 thousand on a total taxable income of €107 thousand;

reversals

- a total of euro 44 thousand, including euro 38 thousand for IRES and euro 6 thousand for IRAP, taking into account the change in rate from 4.75% to 4.25%.

Overall, the balance of increases and reversals of deferred tax assets resulted in a negative impact on the Income Statement of euro 5 thousand, whilst current taxes totaled euro 748 thousand.

The charge for income taxes for the year thus amounted to euro 753 thousand.

7.4 Deferred tax assets

	12/31/2004	12/31/2003
1. Opening balance	123	–
2. Increases	39	123
2.1 Deferred tax assets for the year	39	123
2.2 Other increases	–	–
3. Decreases	44	–
3.1 Deferred tax assets reversed during the year	43	–
3.2 Other decreases	1	–
4. Closing balance	118	123

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)

	12/31/2004	12/31/2003
3,600,000 shares with a par value of euro 2 each	7,200	7,200

Reserves (item 140)

	12/31/2004	12/31/2003
legal reserve	309	238

The legal reserve increased by euro 71 thousand following the appropriation of net income for 2003, as approved by the General Meeting of March 30, 2004.

Retained earnings (item 160)

	12/31/2004	12/31/2003
retained earnings	375	90

Net income for the year (item 170)

	12/31/2004	12/31/2003
net income for the year	1,176	1,437

Reserve for general banking risks (item 100)

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

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, 2004

Categories/Amounts	12/31/2004
A. Regulatory capital:	
A.1 Tier 1 capital	7,907
A.2 Tier 2 capital	—
A.3 Elements to be deducted	—
A.4 Regulatory capital	7,907
B. Prudential regulatory requirements:	
B.1 Credit risks	92
B.2 Market risks	594
including:	
- risks associated with marketable securities portfolio	594
- exchange rate risks	—
B.3 3rd level subordinated loans	—
B.4 Other prudential requirements	—
B.5 Total prudential requirements	686
C. Risk-weighted assets and regulatory ratios:	
C.1 Risk-weighted assets	1,144
C.2 Tier 1 capital/Risk-weighted assets	691%
C.3 Regulatory capital/Risk-weighted assets	691%

Available capital (item A4 – B5) amounts to euro 7,221 thousand.

Capital adequacy ratios

	12/31/2004
A.1 individual solvency ratio (required minimum 8%)	691%

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

	12/31/2004	12/31/2003
Amounts available to customers		
Bank transfers awaiting clearance	81	–
Amounts due to tax author. as withholding tax on interest	1	–
VAT due to tax authorities	5	–
Amounts due to tax authorities on behalf of customers and employees	3	–
Trade payables	53	21
Amounts due to other public bodies	93	88
Other accounts payable	22	19
	364	223
TOTAL	622	351

“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:

	12/31/2004	12/31/2003
Accrued expenses	19	7
- payroll-related costs	19	7
- other	–	–
Deferred income	–	–
TOTAL	19	7

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

This item amounts to zero as of December 31, 2004.

10.2 Breakdown of item 20 “Commitments”

Following the restatement of the financial statements for 2003 in accordance with the format required for banks, amounts relating to transactions carried out on behalf of third parties are no longer posted to the item “Commitments”. Such transactions are reported in a separate section of the Explanatory Notes in the financial statements of banks.

This item thus amounts to zero.

10.5 Forward transactions

No forward transactions are reported as of December 31, 2004.

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

	12/31/2004
(a) Governments	—
(b) Other public bodies	—
(c) Non-financial companies	—
(d) Financial companies	—
(e) Family businesses	—
(f) Other	50
TOTAL	50

11.5 Geographical distribution of assets and liabilities

Items/Countries	Italy	Other UE countries	Other countries	Total
1. Assets:				
1.1 loans and advances to banks	2,563	7,164	1,775	11,502
1.2 loans and advances to customers	1,369	586	—	1,955
	50	—	—	50
1.3 securities	1,144	6,578	1,775	9,497
2. Liabilities:				
2.1 banks' deposits	2,436	43	150	2,629
2.2 customers' deposits	—	—	—	—
2.3 debt securities in issue	2,436	43	150	2,629
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	2,185	699	472	7,600	546	1	–	–	11,503
1.1 Treasury bills eligible for refinancing	230	–	–	–	201	–	–	–	431
1.2 Loans and advances to banks	1,955	–	–	–	–	–	–	–	1,955
1.3 Loans and advances to custom.	–	2	7	40	–	1	–	–	50
1.4 Bonds and other debt securities	–	697	465	7,560	345	–	–	–	9,067
1.5 Off-balance sheet transactions	–	–	–	–	–	–	–	–	–
2. Liabilities	2,628	–	–	–	–	–	–	–	2,628
2.1 Bank’s deposits	–	–	–	–	–	–	–	–	–
2.2 Customers’ deposits	2,628	–	–	–	–	–	–	–	2,628
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.

	12/31/2004
(a) Assets	65
1. loans and advances to banks	65
2. loans and advances to customers	—
3. securities	—
4. equity investments	—
5. other	—
(b) Liabilities	5
1. banks' deposits	—
2. customers' deposits	5
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

	12/31/2004	12/31/2003
(a) Purchases	7,873,753	6,810,642
1. settled	7,842,890	6,796,629
2. unsettled	30,863	14,013
(b) Sales	7,787,268	6,814,725
1. settled	7,756,390	6,800,655
2. unsettled	30,878	14,070

12.3 Custody and administration securities

	12/31/2004	12/31/2003
(a) Third-party securities held on deposit (excluding asset management)	16,851	20,630
1. securities issued by the reporting bank	7,158	7,200
2. other securities	9,693	13,430
(b) Third-party securities deposited with third parties	16,851	20,630
(c) Portfolio securities deposited with third parties	9,212	5,757

Part C

Notes to the Income Statement

SECTION 1 – INTEREST

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

	12/31/2004	12/31/2003
(a) on loans and advances to banks including: on loans and advances to central banks	57 —	56 —
(b) on loans and advances to customers including: loans using third-party funds under admin.	7 —	— —
(c) on debt securities	320	259
(d) other interest income	—	6
(e) positive balance of differentials on hedging transactions	—	—
TOTAL	384	321

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

	12/31/2004	12/31/2003
(a) on banks’ deposits	5	23
(b) on customers’ deposits	33	12
(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	38	35

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

This item includes the following component:

	12/31/2004	12/31/2003
(a) On foreign currency assets	23	—

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

This item includes the following component:

	12/31/2004	12/31/2003
(a) On foreign currency liabilities	2	—

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

	12/31/2004	12/31/2003
(a) Guarantees issued	–	–
(b) Credit derivatives	–	–
(c) Management, trading and advisory services:	4,852	5,025
1. securities trading	4,829	4,929
2. foreign currency trading	1	1
3. asset management	–	–
3.1 individual accounts	–	–
3.2 mutual funds	–	–
4. custody and administration of securities	1	–
5. depositary bank	–	–
6. securities placement	9	–
7. order collection	–	88
8. advisory services	–	–
9. distribution of third-party services	12	–
9.1 asset management	1	7
9.1.1 individual accounts	–	–
9.1.2 mutual funds	1	–
9.2 insurance products	–	–
9.3 other products	11	–
(d) Collection and payment services	1	–
(e) Servicing fees for securitization transactions	–	–
(f) Tax collection	–	–
(g) Other services	58	10
TOTAL	4,911	5,035

As noted in the section on accounting policies, in 2004 the Bank changed its method of accounting for costs and revenues deriving from foreign currency transactions, posting them on the basis of exchange rates prevailing at the time of the transaction. This has led to a different classification of minor amounts under “Commission income from securities trading” and “Profits/(losses) on foreign currency transactions”. It was not, therefore, necessary to restate these items in the previous year’s financial statements.

2.2 Details of item 40 “Commission income”**“Distribution channels for products and services”**

	12/31/2004
Through own branch offices	21
1. asset management	–
2. securities placement	9
3. third-party services and products	12
Door-to-door sales	–
1. asset management	–
2. securities placement	–
3. third-party services and products	–
TOTAL	21

2.3 Breakdown of item 50 “Commission expense”

	12/31/2004	12/31/2003
(a) Guarantees received	—	—
(b) Credit derivatives	—	—
(c) Asset management and broking:	9	10
1. securities trading	—	—
2. foreign currency trading	—	—
3. asset management	—	—
4. custody and administration of securities	8	10
5. securities placement	—	—
6. door-to-door sale of securities	1	—
(d) Collection and payment services	—	—
(e) Other services:	72	89
- guarantees	—	—
- on relations with the Bank of Italy, Italian Exchange Office and banks	—	—
- other	72	89
TOTAL	81	99

“Commission expense” for 2003 includes all such charges paid to banks for services rendered, bank transfers and payments. This amount is included in “Other administrative costs” in the format adopted by the stock broking company.

SECTION 3 – PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS

Items/Transactions	Securities	Foreign currency	Other
A.1 Revaluations	—	—	—
A.2 Write-downs	23	—	—
B. Other profits (losses)	75	49	—
Total	98	49	—
1. Government securities	—		
2. Other debt securities	98		
3. Equity securities	—		
4. Securities derivatives	—		

3.1 Breakdown of item 60 “Profits (losses) on financial transactions”

Item B represents trading losses.

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

	12/31/2004	12/31/2003
(a) Executive	–	–
(b) Middle managers	–	–
(c) Remaining staff	15	15
TOTAL	15	15

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

Administrative costs (item 80)

	12/31/2004	12/31/2003
(a) Payroll costs	468	403
(b) Other administrative costs:	2,444	2,374
– in direct taxation:		
– stamp duty	10	9
– other	2	–
	8	9
– other:		
– fees paid to financial advisors	2,434	2,365
– consultants’ fees	1,199	1,289
– fees paid to Directors, Statutory Auditors, and Independent Auditors	148	89
– lease rentals and running expenses	397	390
– IT services	94	76
– postage, telecommunications and telegraphy	246	230
– maintenance and repairs	102	108
– advertising	11	10
– energy and fuel	14	–
– insurance	13	11
– printing and stationery	9	7
– office cleaning	20	8
– transport and travel expenses	4	3
– training and reimbursements to staff	31	24
– legal and other consultants’ fees	7	7
– membership dues and similar charges	58	46
– sundries	47	42
	34	25
TOTAL	2,912	2,777

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

	12/31/2004	12/31/2003
(a) Tangible fixed assets	45	41
– buildings:		
- ordinary depreciation	–	–
- accelerated depreciation	–	–
– furniture, machinery and plant:		
-ordinary depreciation	45	41
accelerated depreciation	–	–
(b) Intangible fixed assets	130	97
– intellectual property rights	–	–
– long-lived assets	130	97
TOTAL	175	138

Provisions for risks and contingencies (item 100)

	12/31/2004	12/31/2003
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”**

	12/31/2004	12/31/2003
(a) Fees, royalties and recovery of account charges	–	6
(b) Grant pursuant to Law 388/2000	–	38
(c) Other	5	6
TOTAL	5	50

6.2 Breakdown of item 110 “Other operating costs”

	12/31/2004	12/31/2003
- other	9	3

6.3 Breakdown of item 180 “Extraordinary income”

	12/31/2004	12/31/2003
non recurring income	8	5
Other	–	62
TOTAL	8	67

6.4 Breakdown of item 190 “Extraordinary expense”

	12/31/2004	12/31/2003
Contingent liabilities and other non-recurring items	11	5
Other	–	39
TOTAL	11	44

6.5 Breakdown of item 220 “Income taxes”

	12/31/2004	12/31/2003
1. Current taxes (-)	-748	-971
2. Change in deferred tax assets (+/-)	-4	123
3. Change in deferred tax assets from previous years (+/-)	-1	--
4. INCOME TAXES FOR THE YEAR (-1 +/-2 +/-3)	753	848

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

	Italy	Overseas	Total
(a) interest income and similar revenues	384	–	384
(b) commission income	4,911	–	4,911
(c) other operating income	5	–	5
TOTAL	5,300	–	5,300

Part D

Other information

SECTION 1 – DIRECTORS AND STATUTORY AUDITORS

1.1 Fees

Directors (*)	202
Statutory Auditors (**)	22

(*) net of VAT where payable

(**) net of VAT and expenses.

SECTION 2 – PARENT COMPANY

Promos Holding spa holds a substantial 43.18% interest in the Bank, but does not manage and coordinate the activities of Banca Promos spa. The Directors therefore believe there are no grounds for considering the Bank to be part of a “group”. In any event, on September 13, 2004 the Bank of Italy was asked for its opinion on whether or not, under current regulations, the conditions exist for the Bank to be considered part of a banking group.

Related parties**Related party transactions**

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

	12/31/2004	12/31/2003
(a) Assets	2	1
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	1
(b) Liabilities	54	—
1. banks' deposits	—	—
2. other customers' deposits	54	—
3. debt securities in issue	—	—
4. subordinated liabilities	—	—
(c) Guarantees and commitments	—	—
1. guarantees issued	—	—
2. commitments	—	—
(d) Income Statement		
1. Net revenues	2	2
2. Interest income (expense), net	—	—
3. Adjustments	—	—
4. Extraordinary income (loss), net	—	2
5. Income taxes for the year	2	—
NET INCOME FOR THE YEAR	2	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)

	12/31/2004	12/31/2003
Cash and cash equivalents at beginning of year	3,156	289
Cash Flow		
a - net income for the year	1,176	1,437
b - provisions for employee severance indemnities	27	24
c - provisions to the allowance for taxation	753	848
d - increases in allowance for risks and contingencies (other allowances)	5	210
e - provisions for general banking risks	0	1
g - adjustments to receivables and provisions for guarantees and commitments	0	0
h - adjustments to tangible and intangible fixed assets	175	138
Total	2,136	2,658
Increase (Decrease) in cash provided:		
a - use of employee severance indemnities	-6	-3
b - use of allowance for taxation	-963	-881
c - customers' deposits	2,627	0
d - other liabilities	283	-28
Total	1,941	-912
Increase (Decrease) in cash used:		
a - investment in tangible and intangible fixed assets	-335	-196
b - loans and advances to customers	8	-48
c - marketable securities	-3,670	-388
d - other assets	-199	3,013
Total	-4,196	2,381
Change in shareholders' equity:		
a - payment of dividends	-1,080	-1,260
Total	-1,080	-1,260
CASH AND CASH EQUIVALENT AT END OF YEAR	1,957	3,156

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003
RECLASSIFIED ON THE BASIS OF THE FORMAT FOR BANKS

BALANCE SHEET
(in units of euro)

FORMAT FOR SIM			FORMAT FOR BANKS	
ASSETS				
	12/31/2003	Variations	12/31/2003	
10 Cash and cash equivalents	739		739	10 Cash and cash equivalents
20 Due form banks	2,217,658	937,336	3,154,994	30 Loans and advances to banks
30 Due from financial institutions	418	- 418	-	
		431,993	431,993	20 Treasury bills and similar securities eligible for refinancing with central banks
40 Due from customers	57,437	418	57,855	40 Loans and advances to customers
50 Bonds and other debt securities	5,826,835	- 431,993	5,394,842	50 Bonds and other debt securities
100 Intangible fixed assets	231,114		231,114	90 Intangible fixed assets
110 Tangible fixed assets	127,577		127,577	100 Tangible fixed assets
140 Other assets	2,123,669	- 937,336	1,186,333	130 Other assets
150 Accrued income and prepaid expenses	151,009		151,009	140 Accrued income and prepaid expenses
TOTAL ASSETS	10,736,456		10,736,456	
LIABILITIES AND SHAREHOLDERS' EQUITY				
	12/31/2003	Variations	12/31/2003	
60 Other liabilities	351,215	950	352,165	50 Other liabilities
70 Accrued expenses and deferred income	7,246		7,246	60 Accrued expenses and deferred income
80 Employee severance indemnities	97,805		97,805	70 Employee severance indemnities
90 Allowance for risk and contingencies	1,188,691	- 950	1,187,741	80 Allowance for risk and contingencies
100 reserve for general banking risks	127,000		127,000	100 reserve for general banking risks
130 Share capital	7,200,000		7,200,000	120 Share capital
150 Reserves	237,517		237,517	140 Reserves
170 Retained earnings (accumulated losses)	89,670		89,670	160 Retained earnings (accumulated losses)
180 Net income for the year	1,437,312		1,437,312	170 Net income for the year
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	10,736,456		10,736,456	

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2003
RECLASSIFIED ON THE BASIS OF THE FORMAT FOR BANKS**

INCOME STATEMENT
(in units of euro)

FORMAT FOR SIM			FORMAT FOR BANKS	
	12/31/2003	Variations	12/31/2003	
10 Profits (losses) on financial transactions	51,612		51,612	60 Profits (losses) on financial transactions
20 Commission income	5,035,063	67,423	5,102,486	40 Commission income
30 Commission expense	- 12,841	- 86,007	- 98,848	50 Commission expense
40 Interest income and similar revenues	321,272		321,272	10 Interest income and similar revenues
50 Interest expense and similar charges	- 35,119		- 35,119	20 Interest expense and similar charges
70 Other operating income	117,862	- 67,423	50,439	70 Other operating income
80 Administrative costs	- 2,844,747	67,915	- 2,776,832	80 Administrative costs
90 Adjustments to tangible and intangible fixed assets	- 137,929		- 137,929	90 Adjustments to tangible and intangible fixed assets
100 Provisions for risks and contingencies	- 210,000		- 210,000	100 Provisions for risks and contingencies
110 Other operating costs	- 21,250	18,092	- 3,158	110 Other operating costs
170 Income (loss) from ordinary activities	2,263,923		2,263,923	170 Income (loss) from ordinary activities
180 Extraordinary Income	66,766		66,766	180 Extraordinary Income
190 Extraordinary expense	- 44,114		- 44,114	190 Extraordinary expense
200 Extraordinary income (loss), net	22,652		22,652	200 Extraordinary income (loss), net
210 Change in reserve for general financial risks	- 1,050		- 1,050	210 Change in reserve for general financial risks
220 Income taxes	- 848,213		- 848,213	220 Income taxes
230 Net income for the year	1,437,312		1,437,312	230 Net income for the year

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 12/31/2004 (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:							
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

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	309,383	B	0	0	0	0
Retained earnings	375,118	A,B,C	375,118	0	0	0
TOTAL			375,118			
Undistributable portion			0			
Residual distributable portion			375,118			
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 thousands of euro)

Net income for the year ended December 31, 2004 as reported in the financial statements	1,176
Dividends to be paid	900
Net income for the year ended December 31, 2004 for regulatory purposes	276

KEY PERFORMANCE INDICATORS

Indicators	12/31/2004
Composition	
shareholders' equity and subordinated liabilities / total assets	67.76%
loans and advances to customers / total assets	0.37%
fixed assets and equity investments / total assets	3.82%
loans and advances to customers / customers' deposits	1.91%
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	2.55%
interest and non-interest income / total assets	37.09%
administrative costs / total assets	21.51%
payroll costs / total assets	3.45%
administrative costs / interest and non-interest income	57.99%
payroll costs / interest and non-interest income	9.31%
operating income / total assets (ROA)	14.25%
net income / shareholders' equity (ROE)	12.80%

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, 2004, 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. In order to provide a like-for-like basis of comparison of the data for 2004 and 2003, when the Company was not as yet classified as a "bank", prior year amounts have been appropriately reclassified in accordance with the reporting requirements for banks.

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 value judgments 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 euro):

BALANCE SHEET

Total assets		13,558,637
Total liabilities	4,371,512	
Shareholders' equity:		
Reserve for general banking risks	127,000	
Share capital	7,200,000	
Reserves	309,383	
Retained earnings (accumulated losses)	375,118	
Net income for the year	1,175,623	
Total shareholders' equity	9,187,124	
Total liabilities and shareholders' equity		13,558,637

INCOME STATEMENT

Income from ordinary activities	1,932,365	
Extraordinary expense, net	-3,144	
Income taxes for the year	-753,598	
Net income		1,175,623

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 2004.

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, with the exception of those regarding profits and losses on foreign currency transactions, which are translated using the exchange rates prevailing at the time of the transaction. This change in accounting treatment led to a different classification of such items in the Income Statement but had no impact on the results of operations.
- Securities are recorded at the lower of cost and market value, which in the case of securities listed on regulated markets corresponds to the arithmetic mean of prices recorded during the last months of the year. The valuation of securities led to write-downs of approximately €23 thousand posted to item 60 "Profits and losses on financial transactions" in the Income Statement;
- 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, 2004, 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;
- Loans and advances and other receivables are recorded at their estimated realizable value;
- In accordance with regulations regarding deferred taxes, the Company has posted deferred tax assets;
- 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;
- Given that the Company's lending business is not yet fully operational, non-interest income is proportionately greater than the interest margin;

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 2004, it was kept periodically informed of the controls carried out by the Internal Audit Department.

The Board has also been informed that compliance with the minimum security requirements provided for by Legislative Decree 196/2003 is being completed.

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, 2004 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
March 30, 2005

The Board of Statutory Auditors

Ugo Mangia
Chairman



Roberto Pascucci
Auditor



Settimio Briglia
Auditor





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AUDITORS REPORT PURSUANT TO ARTICLE 2409-ter OF THE CIVIL CODE

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

We have audited the financial statements of BANCA PROMOS S.p.A. (hereinafter also "Company") as of December 31, 2004. 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.

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 15, 2004.

In our opinion, the financial statements present fairly the financial position of BANCA PROMOS S.p.A. as of December 31, 2004, 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
March 31, 2005

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma
Torino Trento Verona Venezia

Sede Legale: Via Tortona, 25 - 20144 Milano
Capitale Sociale: sottoscritto e versato Euro 19.327.500,00 - di cui Euro 10.850.000,00
Partita IVA/Codice Fiscale/Registrazione Imprese Milano n. 03045940156 - R.E.A. Milano n. 2726123

Member of
Deloitte Touche Tohmatsu