Annual report 2004











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Banca Aletti & C. S.p.A.

(Banco Popolare di Verona e Novara Banking Group) under the management and co-ordination of Banco Popolare di Verona e Novara Scarl

Head office: Via Santo Spirito 14 - 20121 Milan
Capital stock € 72,000,003.24 fully paid-in
Milan Company Register
Tax code and Company Register no. 00479730459
VAT no. 10994160157
Registered Bank
Member of the Interbank Deposit Guarantee Fund

Corporate Boards, Management and Auditors for financial year 2004

Board of director

Chairman: Urbano Aletti

Deputy Chairmen: Fabio Innocenzi

Franco Nale

Managing Director: Maurizio Faroni

Directors: Alberto Bauli

Domenico De Angelis Franco Menini Massimo Minolfi Giuseppe Randi

Board of Statutory Auditors

Chairman: Maria Gabriella Cocco

Auditors: Alfonso Sonato

Franco Valotto

Alternate Auditors: Marco Bronzato

Paolo Lazzati

General Manager

Maurizio Zancanaro

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Annual general meeting

NOTICE OF CALLING

In accordance with art. 9 of the articles of association, the Annual General Meeting will be held in first call at 15.00 on **April 20, 2005 and, if necessary, in second call at the same time on April 21, 2005**, in the Bank's head office in Via Santo Spirito 14, Milan; it will also be possible to take part via teleconference and/or videoconference at the head office of Banco Popolare di Verona e Novara in Verona, the head office of Banca Popolare di Novara in Novara and the head office of Credito Bergamasco in Bergamo, to discuss and vote on the following

AGENDA

- 1. Examination of the financial statements as of December 31, 2004 and reports by the directors, the board of statutory auditors and independent auditors related resolutions
- 2. Appointment of the independent auditors for the three year period 2005-2007 to audit the annual financial statements and check that the accounting records are properly maintained, in accordance with articles 155 and 165 of Decree 58 of February 24, 1998, and to perform a limited audit of the half-year report
- 3. Appointment of a Deputy Chairman
- 4. Ratification of donations to non-profit organizations
- 5. Any other business

In order to attend the meeting, stockholders must obtain from their respective intermediaries the specific certificate described in art. 34 of CONSOB resolution 11768 of December 23, 1998, at least five days before the scheduled date.

The Chairman Urbano Aletti





Macroeconomic and market situation

Global growth was stronger than initially expected, posting an increase of around 5%. Although its imbalances worsened, with an increase in debt, the USA met its forecasts, with its GDP growing by over 4% (3% in 2003). Even the Euro-zone more or less met expectations, growing by around 1.8% (0.45% in 2003), but disappointing most of the official forecasts which had estimated over 2%. Economic growth in the EU continued to be halting with delays in the stimulus provided by the international cycle; the growth that was owed little to domestic demand, meaning that it faded as soon as the economy was put under more pressure. Japan closed the period with a considerable improvement on the previous year (+2.8% up from +1.3%); however, its strong first-half performance was followed by a significant slowdown in the second half. The big surprise of the year was the growing contribution of emerging markets in the different continents, reflecting the full propagation of the cycle and the ever growing importance of rapidly industrializing economies like China.

The rising cost of borrowing meant that 2004 started to see the introduction of less aggressive economic policies than before: except for the Bank of Japan (whose country still needs a highly expansionary monetary policy) and the ECB (whose area is affected by acute stagnation in domestic demand), all the principal central banks increased their official reference rates. By year end, the Fed had raised rates by a total of 125 bp (to 2.25%), the Bank of England by 100 bp (to 4.75%), the Central Bank of Switzerland by 50 bp (to 0.71%) and the Bank of New Zealand by 150 bp (to 6.5%).

Fiscal policies continued to be generally expansionary: the US deficit climbed to 3.5% of GDP, the EU deficit to around 3% and the Japanese one to over 7%.

Geopolitical considerations continued to play a crucial role. The process of normalizing the situation in Iraq continues to be very difficult; the moderate, progressive political majority in this Arab-Muslim society has made some progress, but the danger of radicalism remains high. The war against terror has drastically limited terrorist acts, although tragedies have still occurred such as those in Istanbul, Madrid, Beslan or those recurring in the Israeli-Palestinian territories.

The shape of the economic cycle was affected and determined by movements in raw material prices. The Economist's industrial raw materials index in dollars climbed by over 20%, settling at the high for the year. The most significant hike related to oil prices, which rose by over 50% in the space of a year; the largest rise occurred in the summer when WTI crude hit over 55 dollars per barrel, corresponding to an increase of more than 100%. The prolonged upward trend has raised concerns about the outlook for the global economy; in reality, the shock was generated by excess demand, which was partly checked by the energy price rises without creating an real dangers of recession. The oil price rise affected inflation, with potential consequences for the future: after an initial rise in consumer prices considered to be transitory, the conditions for a fresh hike in prices were created over the summer. In fact, the US CPI index closed at its peak for the year, while the European one was held back by the weakness of domestic demand and the deflationary impact of the higher euro. Average inflation fig-

ures nonetheless far exceeded forecasts made at the start of the year: consensus estimates put the final US inflation figure at around 2.7% compared with an initial forecast of 1.6%; average inflation in the EU is expected to be 2.1% compared with the forecast of 1.7%. Despite the calming effect of low inflationary expectations, "upstream" figures indicate the presence of pressures that have not yet filtered downstream as well as long suppressed payroll tensions in the USA.

As for the markets, both the equity and bond markets closed 2004 close to their peaks for the year, reporting overall gains.

The global equities index gained just under 10%, reflecting a mix between highly positive macro and microeconomic fundamentals and fears associated with the introduction of reflationary policies, the trend in oil prices and geopolitical uncertainties. With regard to geopolitical uncertainties, the market was held back for most of the year by the US elections; the uncontested re-election of the government in office marked an important turning point.

The gains by the bond market (over 5% for the global index) were much more unexpected. Although the sector benefited from uncertainties concerning the economic situation, most of its gains were due to the large quantity of low-cost liquidity available to the system, which encouraged carry-trade transactions and depressed yields. The euro sector also benefited from trends in exchange rates and shifts in the composition of currency reserves held by central banks.

The currency market witnessed a fresh appreciation in the euro (+7.3% in the last eight months of the year) to the detriment of euro-based investors who experienced a significant reduction in the return on financial investments in foreign markets. The strength of the domestic currency mostly reflects the weakness of the dollar; although based on important structural considerations (namely the twin deficits), this weakness is mostly the result of the desire by the US political and economic authorities to offset the tightening of monetary-financial conditions as a result of raising rates. The exchange rate system has reached a critical point, caught between more or less fixed exchange rates (in the case of Asian currencies that are pegged to the dollar) and the appreciation by the euro and yen which is incompatible with the underlying economic situation in their respective areas.

Private Banking

At the end of 2004 Banca Aletti had total assets under management (both administered and managed) of 18.3 billion Euro, an increase of 14% on December 31, 2003. Of this amount 9.7 billion Euro related to private clients and 8.6 billion Euro to institutional customers, including those pertaining to banks in the Group. Banca Aletti's direct customers accounted for around 2.2 billion Euro (+15% compared with December 31, 2003 including 0.3 billion Euro in balances from Aletti Invest Sim); the private and institutional clients of the Group amounted to 11.5 billion Euro (+ 9% on December 31, 2003), while managed portfolios belonging to the Group were worth 4.6 billion Euro.

An important change was made at the start of 2004 in the commercial arrangements governing the relationship between Banca Aletti and the Group's other banks. It was decided that the Private Banking network should also have budgetary responsibility for net interest income earned on direct deposits, and for income earned from financial services. This has resulted in greater managerial responsibility for our consultants and greater synchronization of goals with the Group's Retail networks. The projected results in this area were largely achieved.

The advisory approach prescribed for Banca Aletti's private bankers was further honed in 2004. The quest for the best solution to the needs of individual clients coupled with the attention to the individual relationship have resulted in the inclusion of a wider range of investment products in client portfolios.

Investments in hedge funds, whose risk-return profile is not correlated to market trends, amounted to over 630 million Euro at year end (334 million Euro of which were placed during the year itself).

For the purposes of diversifying the asset classes found in client portfolios, a closed-end real estate fund was successfully placed during the year by Pirelli RE SGR SpA (Tecla Fund) and the placement was completed of "Dimensione Network", a new private equity fund launched by Aletti Private Equity SGR SpA.

Thanks to more detailed analyses of customer financial propensities, a decent demand emerged for flexible stockmarket investment products. This was behind the launch in 2004 of the "Asset Management Trading" service which immediately proved to be popular.

Again with a view to satisfying the need for diversification, the Bank proposed instruments (bonds or certificates) with total or partial coverage of the capital invested, specially reserved for Banca Aletti customers. Among the most commercially successful were: a bond linked to the performance of a basket of commodities, a certificate with protection linked to the euro-dollar rate and a bond with coupons linked to a Chinese stockmarket index.

The services of the Advisory Desk were made available to the Private Banking network from May 2004. This desk, forming part of the Wealth Management service, seeks to create a source of reference and strategy-setting for managing the administered part of client portfolios.

On the training front, a special mention should go to a staff motivational and commercial skills programme run by a specialist outside company and highly rated by its participants. Unit managers had already been involved in 2003 on an experimental basis. The programme was extended to the entire network in 2004 in order to standardize methods and conduct throughout the organization.

Still in the area of training, this time involving the Bank's services, the entire network received training in the second half of the year on promoting its new Art Advisory services. Training relating to leasing activities was also provided during the course of 2004. In fact, Banca Aletti started working at the beginning of 2004 with two leasing companies associated with our group: Banca Italease and Leasimpresa. Our efforts to find more and more complete solutions for our customers were rewarded in the form of the appreciation shown for the advice received on leasing transactions involving ships and real estate.

Continued attention was given to the standards of conduct by the private bankers in compliance with those laid down both internally and by the supervisory authorities. A detailed plan for enhancing the services was drawn up, particularly strengthening the role of Area Managers as the front line of control.

The entire network also assisted in conducting a detailed review of the needs of development and the associated impact on information systems. SGS, one of the Group's service companies, helped identify the software (new or for upgrade) needed to upgrade the performance of our Units to the high standards of service required by our clients.

The first combined project with BPVN's Corporate desk was started in March 2004 with the goal of improving commercial collaboration between private bankers and corporate managers. Having been revised and extended in 2005 this project should help enlarge the client base and foster targeted cross-selling between the private and corporate sectors. Similar initiatives are in progress with the offices in charge of merchant banking activities.

Wealth & Asset Management

The process of consolidating and improving the efficiency of the Asset Management function and that dedicated to assisting and supporting Private clients continued throughout 2004 both in terms of organization, computerization and operations.

In fact, a new primary function known as Wealth Management Products and Services started up on February 1, 2004. Its purpose is to create value particularly where the Group's Private clients are concerned by optimizing both the support and advisory services for all their various needs and the development of asset management activities.

The latter were the subject of major work in the information systems area and also saw the establishment of a management team, whose philosophy is to seek

synergies between the various areas and to cover all sectors and types of investment.

The Asset Management sector's organizational structure was boosted on March 15 with the recruitment of a new head of department from a leading Italian fund management company.

For the purposes of enhancing common skills with regard to institutional customers, responsibility for the two specific structures was subsequently unified and new professional staff were recruited to work on special areas, helping improve and extend coverage of the types and instruments of management.

The project for calculating risk and performance attribution indicators for all individual portfolios managed by Banca Aletti is moving ahead in close collaboration with the Group's Risk Management department and with a view to achieving synergies with other corresponding functions within the Group.

The process of unifying applications used for individual management started in January 2004 with the standardization of computerized procedures for all the Group's banks.

This process was completed at the start of 2005 following the "Asset Management Transfer" project, under which all the Group's retail banks decided to concentrate their individual portfolio management activities under Banca Aletti.

As a result of this decision, since January 1, 2005 the retail banks have become placement agents for the individual portfolio management schemes run by Banca Aletti, while remaining exclusively responsible for handling the customer relationship. The management contracts open at December 31, 2004 were transferred to Banca Aletti by assigning it the portfolio management businesses of BPVN and Credito Bergamasco and by spinning off BPN's management business to it.

Total assets under management came to more than 13 billion Euro at December 31, 2004; the portfolios managed by the Group's banks made the largest contribution to the increase in assets under management, accounting for 35% of the total. Institutional and private customers each represented around 30% of the total. The proportion of assets represented by guaranteed schemes was largely unchanged over the year, staying at just under 5%.

As regards Asset Management activities, bond markets performed well once again in 2004, defying the predictions of most analysts, who were very prudent about the sector in light of an expected rise in rates; equity markets confirmed the upward trend, reporting gains for the year especially thanks to the rally towards year end. The positive performance of the Italian stock market deserves a special mention. This particularly reflected the strong performance of stocks with high dividend yields and those belonging to "value" sectors, which proved to be the winning cards for 2004. Dollar-based investments performed less well following a depreciation of some 8% in the US currency against the Euro.

The private and retail lines performed very well, exceeding the related benchmarks for almost all the profiles, with one exception relating to the eurobond line, where a particularly defensive approach did not pay off. The results from equity-based lines were in some cases significantly higher than the benchmarks.

As regards the portfolios of institutional customers, the excellent results obtained repeated last year's outperformance of the respective benchmarks for the vast majority of customers. With reference to the management of portfolios belonging to the Group's banks, the results were less brilliant due to the generally more prudent investment strategies adopted, which lost out in the face of a surprisingly positive trend on the European bond market. On the other hand, the result benefited from the significant proportion of corporate bonds, which were concentrated with primary issuers in view of the narrowness of spreads. In fact, their average rating was around AA- with preference going to investments in the banking and finance sectors. Another significant source of returns for Group bank portfolios was investment in hedge funds, which after a difficult first three quarters, made an important contribution to the portfolio's overall result in the last part of the year.

The Bank continued to update and improve the range of portfolio management schemes on offer, agreeing with the commercial management of the Group's banks a complete overhaul of the management lines, also bearing in mind the opportunities offered by the "Asset Management Transfer" project, which involved the convergence of all the distribution networks to a single line of products (from January 1, 2005). The only exception was Aletti Invest Sim SpA, in view of its particular financial advisor based structure. A new line of equity-based products was introduced on the Italian market for the BPN network.

The following activities also took place with regard to products:

- creation and introduction of new structures for certificates and structured bonds in order to respond better to demands by our Private network;
- creation and introduction, in partnership with our speculative fund management company, of a new fund of hedge funds, featuring "mixed" management strategies (50% traditional money market instruments and 50% specific hedge fund strategies);
- creation and introduction, in partnership with BPV Vita, of a new financial capitalization policy (AlettiCap-Gestione Futuro) with an annual guaranteed minimum return of 2%;
- signing of agreements for the subscription to funds and sicavs (open-end investment vehicles) with three new investment companies/houses (UBS, LAZARD and AZIMUT) for the purposes of asset management activities;
- collaboration with Aletti Suisse for the launch of a new line of personalized "guaranteed" management.

With regard to Wealth Management services, the following activities should be mentioned:

- the Advisory Desk started operations in May; this new structure is designed to provide the private bankers with the right tools for improving the quality and speed of services regarding customer portfolios administered;
- the Bank's presence in the world of Art was boosted after revising the service contract with its partner Artfin and after a series of initiatives designed to inform all customers about these services. A specific training programme for the private bankers was started for this purpose, providing both basic and advanced instruction. Work also started on studying innovative products designed to make the offer of services on this market ever more attractive and closer to customer needs; these products should be available in the early part of 2005;
- an agreement was made with Open Care (formerly Frigoriferi Milanesi) specifically for custody and logistical services regarding precious objects, in order to complete the range of services on offer to our customers;
- in the real estate sector, discussions were started with Pirelli RE with a view to initiating collaboration in the area of real estate advisory services, which should be available in the early part of 2005. A feasibility study was performed in this area on the creation of reserved-contribution real estate funds, with evidence of various viable options;
- with regard to the services of our fiduciary company, steps were taken to develop its business by simplifying its organizational procedures and related documentation, and by strengthening its administrative and commercial structures;
- a partnership agreement was signed with American Express, making it possible to offer our top clients the prestigious Platinum credit card free of charge.

Lastly, we took an active part in the Italian Private Banking Association (formed in June 2004) whose members include the principal management companies and institutions in the private banking sector.

Investment Banking

Derivatives and structured products

The markets for these products were affected by uncertainties over economic recovery and were basically dominated by activities by trading desks and hedge funds. Interest rates were in continuous descent with sharp variations when important economic statistics were announced, mostly due to rehedging. The implicit volatility on stock markets remained low with considerably reduced trading. Currencies basically confirmed the expected trading ranges, except for the euro's year-end rally against the dollar.

The volume of financial derivatives traded in 2004 amounted to 59.2 billion Euro.

Most of the activity related to the placement of structured retail products (bonds and life policies) by the Group's banks. The volume of products placed with underlying interest rates, stock indexes and mutual funds was higher than expected at 25.4 billion Euro. Banca Aletti helped Group banks hedge 94 structured bonds worth a total of 1.2 billion Euro.

The most important novelty for the year was the placement of 16 structured bonds, issued by banks outside the Group, worth a total of 786 million Euro, for which Banca Aletti acted as arranger and lead manager.

Also worth mentioning, in the second half of the year, was the start of sales to non-captive institutional customers of OTC derivatives, mostly linked to interest rates and generating 196 million Euro in business.

Derivative sales by Group banks to corporate customers underwent a downturn in the first half of the year both in terms of volumes and profitability, reflecting a general settling down of the market. These sales picked up slightly in the second half of the year, closing with a total volume of 12.3 billion Euro.

Forex and money markets

World economic growth was not uniform in the year just ended, provoking the beginnings of a gradual retreat from expansionary policies and a shift in interest rates towards neutral levels with respect to official reference rates.

Having displayed no particular directional trend for most of the year, forex markets witnessed a sharp depreciation in the dollar towards year end, despite the considerable hike in official rates mainly determined by the level of US deficits.

In this context, money market activities focused on optimizing the related financial flows, by concentrating on the sectors with least impact on the Bank's capital (repurchase agreements and FxSwaps), leaving the technical form of deposits to cover the funding requirements of the Bank and the Group, as well as to support the needs of non-captive customers, to whom we act as providers of services and liquidity.

Volumes traded in the three sectors therefore followed dissimilar patterns, with an increase of 100% for repurchase agreements (108.7 billion Euro), 190% for FxSwap activities (68.5 billion Euro) and 48% for the interbank market (27.7 billion Euro). Worth underlining is not only the contribution by the various companies within the Group (around 30%), but also the Bank's more active role in managing these flows and intervening on the market. With particular reference to repurchase agreements, this desk took charge, in agreement with the other departments concerned, of financing the portfolios belonging to the Group. This resulted in higher returns on these portfolios and less use of interbank funding for the Group's everyday requirements.

The growing importance on this type of activity made it all the more pressing to sign the Global Master Agreement/ISMA. The extensive work with the relevant functions at SGS and the Parent Bank to analyze and resolve regulatory, organizational and procedural problems resulted in a final version of the agreement, which will be submitted to primary counterparties for negotiation starting from January 2005.

The Bank consolidated its role on the forex market, with a constant presence also as a market maker; the expansion of business to include new cross-currency deals also allowed the Bank to operate in all the principal currencies traded on the market. Trading volumes came to around 67.1 billion Euro, largely confirming the significant amounts reported last year.

Dealings with the Group's retail banks stayed at the usual level of around 10% of the total, while those originating from non-captive institutional customers were lower than expected.

The year just ended was marked by major changes in the nature of the desk's operations with its acquisition of forward exchange activities, requiring it to learn new procedures and to resolve the related management issues. Work was also completed on the project for introducing an electronic platform for forex dealing. Great care and attention in terms of time and resources were dedicated to this project. In fact, it is a top objective for 2005 to make the most of the opportunities arising from this new platform, offering it initially to small/medium banks and then to primary customers, seeking to secure their loyalty by providing them with additional, new services.

Stock and bond markets

The year just ended reported a rising trend particularly in equity trading.

Although the volume of fixed income trading decreased by 4% (63.2 billion Euro), reflecting the known difficulties in the corporate bond sector and the widespread feeling of uncertainty on the markets, this business nonetheless met its budget. Particular efforts were dedicated to developing an electronic pricing system for bonds designed to automatically update the quotations on our page within the Bloomberg system. The introduction of this system helped increase the number of electronic trades on retail flows originating from institutional customers.

Volumes traded in the equity sector continued to grow (+20% to 12.2 billion Euro), even though investor confidence was still not high in 2004. The desk increased its business with non-captive institutional customers during the year, while also reporting a significant increase in trades received from the Group's banking networks.

The Bank extended its trading hours for foreign equity markets and organized markets in listed derivatives from 08.00 to 22.30, thereby satisfying the needs of those institutional customers operating on the different segments of European and US markets.

In the area of proprietary trading the Bank completed the installation of ORC software, needed for market making activities in individual stock futures. The Italian Stock Exchange authorized the Bank to operate as a primary market maker in individual listed stock futures on Italy's derivatives market (Idem) as from October 11, 2004. The desk concerned obviously does not quote stock futures on the Parent Bank's stock. Banca Aletti started to act as a market maker in individual stock futures in the last quarter of 2004. The volume of trades was such that they positioned the Bank in 7th place on the market with a share of 4.85%.

Capital market

On the capital markets front, Banca Aletti acted as co-global coordinator in Panaria's initial public offering on the STAR segment of the Italian equities market. It also acted as manager for the following transactions:

- Placements: Tecla, Dmt, Terna, Procomac, Greenvision, Enel, Rgi and Geox.
- Take-over bids: Air Dolomiti, Euphon, Saeco, Beni Stabili, Grandi Navi Veloci and Roland.

Banca Aletti continued to give particular attention to the segment of listed Italian mid-caps, with a specific interest in companies quoted on the "Star" segment of the Italian equities market; it also sponsored the "Star Company Result" event which took place in London's City. As far as activities as a specialist were concerned, it gained a new contract during 2004 to act for TXT.

Capital market activities were supported by Banca Aletti's research and analysis desk which not only produced the compulsory reports required of specialists but also issued reports on the IPOs by Procomac and Panariagroup.

The desk provided support in connection with the Pirelli-Camfin capital increase, the placements by Enel, Terna, Greenvision, RGI, Teamsystem and Geox, the issue of a bond by Banca Ifis and in connection with Gewiss.

The Bank also acted as joint-lead manager in the placement on the Euromarket of a senior bond issued by Banco Popolare di Verona e Novara for 500 million Euro. It also took part on behalf of the Parent Bank in a private placement of Lower Tier II bonds, as part of an EMTN programme, for a total of 20 million Euro.

Monitoring Financial Risks

Financial risks are monitored with the support of the Group's specialist structures, particularly the "Financial Controlling & Planning" function which reports to the head of the Finance Division, and the "Risk Management" function. They use pricing and risk management techniques to ensure that all risks are properly controlled in a context where the financial instruments being traded are increasingly complex.

The Financial Controlling & Planning function measures and controls the Bank's positions at risk using two position-keeping systems, focusing on derivatives and financial activities involving securities, money markets, treasury and forex.

These systems, which interface with the related accounting systems, make it possible to monitor exposures to risk, to check compliance with the operating limits set by the Board of Directors and to analyze the results of the income statement produced for internal reporting purposes. For the purposes of maintaining a constant control over risks, particular attention was paid in the year to updating functions and models of pricing, particularly for the new types of financial derivative.

The control of financial risks is also supported by a "Value at Risk" (VaR) procedure, run by the Group's Risk Management department and whose input comes from the position-keeping applications; this procedure provides an integrated picture of risks based on the volatilities and correlations characterizing the different financial instruments in the portfolio. The process of extending this procedure to cover all the Group's financial structures was completed during the year, including the different types of financial instrument in which they trade. The procedure provides a standard indicator of the maximum potential loss which the portfolios might incur, over a defined holding period and at a specified confidence level, in the event of a deterioration in the risk factors that affects the value of the financial instruments held. A variance-covariance model with a delta-gamma approach has been adopted for calculating VaR.

For the purposes of effectively monitoring market risks, the structure of operating limits was constantly updated for changes in the Bank's organizational structure and the introduction of new activities and financial instruments, in accordance with the following established principles:

- complete coverage of the possible sources of risk;
- adoption of the most appropriate methods of measurement for ensuring proper monitoring of the different risk profiles, updated for the latest developments in financial theory;
- analysis of actual operating needs for the purposes of setting of limits that allow minimum capital requirements to be respected;
- co-existence of traditional risk indicators (position and stop loss) with advanced ones (Greek letters, weighted for the volatility of the particular mar-

ket parameter and aggregated taking into account the value of correlations between the various risk factors);

• specific allocation of limits to the various levels of the operating structure and effective assumption of hierarchical responsibility through a precise structure of authority limits that flow down through the organization.

The Financial Controlling & Planning department prepares a detailed and summary report (every day, week, fortnight and month). This is sent to the heads of operating units, the Parent Bank's management and its internal audit department for checking that the limits assigned to the different levels within the organization have been respected and to provide detailed information on the positions held.

An abstract from this report, indicating the maximum exposures recorded in the month, is sent every month to the Board of Directors for performance of the controls required by the Bank of Italy's supervisory instructions.

Work began in the second half of 2004 on centralizing the risk monitoring pertaining to individual investment portfolios under the Risk Management department of Aletti Gestielle SGR SpA.

Human resources

The past year saw a continuation in the process of consolidating the Bank's overall structure, started in 2003, as well as the introduction of new functions (eg. the Advisory Desk).

The Bank also continued to rationalize the organization of its activities by centralizing legal advisory activities with the Parent Bank.

The Bank's headcount was basically stable (+3.4%), while the number of staff on secondment gradually diminished (from 61 at the end of 2003 to 36 at December 31, 2004).

The composition of the workforce over the last three years is shown below:

	Headcount	Increase	Employees	%	Seconded	%
31/12/2002	240		152	63.3	88	36.7
31/12/2003		9%	202	76.8	61	23.2
31/12/2004	272	3%	236	86.8	36	13.2

The overall number of employees and size of the workforce includes several staff who were seconded to other Group companies.

A few general statistics relating to the Bank's workforce are provided below:

Workforce	2004	%	2003	%
Combined to a laboration				
Contractual classification	2	0.7	1	0.4
2nd grade	2	0.7	1	0.4
Brd grade – 1st - 2nd level	44	16.2	47	17.9
3rd grade – 3rd - 4th level	46	16.9	46	17.5
1st and 2nd grade officials	63	23.2	62	23.5
3rd and 4th grade officials	101	37.1	92	35
Senior management	16	5.9	15	5.7
3	272	100	263	100
Male/Female				
Male	193	71	181	68.8
- emale	79	29	82	31.2
Educational qualifications				
Jniversity degree	131	48.2	119	45.2
High school diploma	130	47.8	124	47.2
Other	11	4	20	7.6
Average age	38.2		37.7	
Average length of service	2.7		2.2	

External recruitment activities were especially intense in 2004, with particular reference to staff with specific professional skills. A total of 38 new staff were hired, plus another 19 from Group companies.

A total of 29 staff left the Bank, of whom 21 went to other jobs within the Group.

Seven staff were seconded to other Group companies.

During the year 23 staff transferred jobs within the Bank itself.

The area of training received particular attention. Over 600 days of training were provided of which 400 out-of-house on subjects of a technical/managerial and commercial nature, 70 in-house on various topics and 145 on language skills.

In February 2005, the Italian Banking Association and the trade unions agreed on renewing the industry's collective payroll contract. A specific provision was made in the 2004 financial statements for the estimated costs of the "one-off" payment due to employees for the period covering the contractual holiday.

Organizational Structure

For the purposes of improving the partition of its activities, Banca Aletti redesigned its organizational structure in 2004 to be based on the following four primary departments:

- Investment Banking: with responsibility for co-ordinating and developing business on primary and secondary markets, for designing and creating financial products for both its own private and institutional customers as well as the Group's corporate, private, retail and institutional customers and lastly for ensuring access to Italian and foreign financial markets by its own customers and those of Group banks and companies.
- Wealth Management Products and Services: with responsibility for creating value added for the Group's private clients, for optimizing support and advisory activities for the clients concerned, together with analyzing, valuing and managing customer portfolios in line with their needs through a high quality, heavily personalized service.
- Private Banking: with responsibility for optimizing the commercial efforts of the Private network, by focusing on developing and maintaining client relationships.
- Operations: with responsibility for assisting the General Manager and business structures in strategic planning, for ensuring adequate reporting to the internal and external governing and supervisory bodies, and for the correct application of administrative, accounting and tax requirements.

Intercompany transactions

The volume of intercompany transactions became even greater over the year partly as a result of the sharp growth in business.

The financial and commercial dealings between Banca Aletti and other Group companies took place in the normal course of business and were carried out under normal market terms.

Year-end balances with Group companies resulting from financial transactions and any impact they may have had on the income statement are shown below.

BALANCE SHEET - ASSETS (in thousands of euro)	31/12/2004	31/12/2003
Due from banks	2,740,695	1,757,735
Banco Popolare di Verona e Novara	930,142	809,820
Credito Bergamasco	515,313	582,902
Banca Popolare di Novara	1,238,688	53,543
BPVN Finance London	11	28
BPVN Lux SA	55,541	70,179
BPVN – France S.A.	1,000	241,263
Securities portfolio	45,688	42,637
Banco Popolare di Verona e Novara	34,625	32,298
Banca Popolare di Novara	7,293	5,802
Credito Bergamasco	3,770	4,537
Other receivables and accrued income	545,479	287,687
Banco Popolare di Verona e Novara	295,531	149,922
Credito Bergamasco	92,833	52,010
Banca Popolare di Novara	146,842	74,691
Aletti Gestielle SGR S.p.A.	1,183	1,465
Società Gestione Servizi BPVN S.p.A.	153	105
Aletti Merchant S.p.A.	310	330
Aletti Fiduciaria S.p.A.	120	17
Aletti Private Equity S.G.R.	40	426
BPVN Finance London	5,187	5,290
BPVN Lux SA	343	319
BPVN – France S.A.	15	1,086
Aletti Gestielle Alternative SGR S.p.A.	2,922	2,026

BALANCE SHEET - LIABILITIES AND STOCKHOLDERS' (in thousands of euro)	31/12/2004	31/12/2003
Due to banks	3,502,654	4,090,010
Banco Popolare di Verona e Novara	1,638,597	
Banca Popolare di Novara	1,171,812	1,187,118
Credito Bergamasco	665,253	1,281,029
BPVN Lux SA	26,921	45,870
Banca Aletti & C. Suisse SA	71	213
Other liabilities and accrued expenses	280,953	123,018
Banco Popolare di Verona e Novara	115,817	47,618
Credito Bergamasco	61,744	28,296
Aletti Gestielle SGR S.p.A.	40	31
Società Gestione Servizi BPVN S.p.A.	10,478	6,200
Banca Popolare di Novara	88,424	37,893
BPVN – France S.A.	-	51
BPVN Finance London	1,331	1,198
BPVN Lux SA	57	231
Aletti Invest SIM S.p.A.	2,984	1,500
Aletti Merchant	41	-
Banca Aletti & C. Suisse SA	35	_
Aletti Private Equity S.G.R.	2	_

INCOME STATEMENT (in thousands of euro)	2004	2003
Interest income Banco Popolare di Verona e Novara Credito Bergamasco Banca Popolare di Novara BPVN Lux SA BPVN – France S.A BPVN Finance - London	52,241 24,102 12,633 10,695 1,001 3,807 3	61,209 30,017 18,904 2,089 4,123 5,920 156
Interest expense Banco Popolare di Verona e Novara Banca Popolare di Novara Credito Bergamasco BPVN Lux SA BPVN Finance – London BPVN – France S.A Banca Aletti & C. Suisse SA	-85,963 -42,984 -27,100 -14,971 -900 - -4	-108,296 -50,608 -29,421 -20,879 -3,457 -3,921 -10
Commission income Banco Popolare di Verona e Novara Banca Popolare di Novara Credito Bergamasco BPVN Luxembourg SA Aletti Gestielle SGR S.p.A. BPVN Finance – London Banca Aletti & C. Suisse SA Aletti Gestielle Alternative SGR S.p.A. Aletti Private Equity S.G.R. Aletti Merchant S.p.A. Aletti Fiduciaria	48,093 17,582 12,896 8,153 195 2,486 357 33 6,079 287 19	33,366 13,251 7,771 5,473 102 2,731 153 41 3,342 426 76
Commission expense Banco Popolare di Verona e Novara Credito Bergamasco Banca Popolare di Novara Banca Aletti & C. Suisse SA BPVN – France S.A Aletti Merchant S.p.A. Aletti Invest SIM S.p.A.	-26,262 -10,490 -4,373 -5,532 - - -41 -5,826	-7,043 -751 -270 - -100 -17 - -5,905
Profits (losses) from financial transactions Banco Popolare di Verona e Novara Credito Bergamasco BPVN Finance – London BPVN Lux SA Banca Popolare di Novara	- 727 -3,593 1,259 1,109 30 468	525 348 35 - - 142
Other operating income Banco Popolare di Verona e Novara Banca Popolare di Novara Credito Bergamasco BPVN – France S.A Aletti Merchant S.p.A. Aletti Fiduciaria S.p.A. Società Gestione Servizi BPVN S.p.A.	1,858 816 83 - - 432 160 367	1,580 817 222 136 1 255 52 97

INCOME STATEMENT (following) (in thousands of euro)	2004	2003
Other administrative expenses	-27,188	-25,554
Banco Popolare di Verona e Novara	-4,124	-4,986
Credito Bergamasco	, -772	-1,199
Banca Popolare di Novara	-2,661	-1,699
Società Gestione Servizi BPVN SpA	-19,478	-17,426
Aletti Gestielle SGR S.p.A.	-153	-168
Aletti Invest SIM S.p.A.	-	-76
Other operating expenses	-	-5
Banca Popolare di Novara	-	-5
Non-recurring income	_	16
Banco Popolare di Verona e Novara	-	16
Non-recurring charges	-41	_
Credito Bergamasco	-41	-

COMMITMENTS (in thousands of euro)	31/12/2004	31/12/2003
Purchase of securities	2,302	15,872
Banco Popolare di Verona e Novara	745	3,235
Credito Bergamasco	896	1,853
Banca Popolare di Novara	166	3,180
Banca Aletti & C Suisse SA	10	5
Aletti Gestielle SGR S.p.A.	485	7,598
Aletti Invest SIM SpA	-	1
Lines of credit	22,296	164,000
Banco Popolare di Verona e Novara	13,296	164,000
Banca Popolare di Novara	6,000	-
Credito Bergamasco	3,000	-
PUT options sold	593,229	540,146
Banco Popolare di Verona e Novara	211,802	205,319
Credito Bergamasco	79,370	94,249
Banca Popolare di Novara	295,483	240,578
Banca Aletti & C Suisse SA	6,574	-

Income statement

Banca Aletti closed 2004 with a 25.5% increase in net income to 42,560 thousand Euro, up from 33,918 thousand Euro the year before. This increase in net income, accompanied by a stabilization in costs, confirms that the Bank has consolidated its position both on the financial brokerage and private banking markets.

RECLASSIFIED INCOME STATEMENT (in thousands of euro)	2004	2003	Change	% Change
Interest income Interest expense	116,554 -114,538	145,319 -139,344	-28,765 24,806	-19.8% -17.8%
Net interest income	2,016	5,975	-3,959	-66.3%
Dividends* Net commissions Profits from financial transactions* Other net income/charges	15,798 61,506 54,048 335	316 46,387 70,002 786	15,482 15,119 -15,954 -451	4.899.5% 32.6% -22.8% -57.3%
Net service income	131,687	117,491	14,196	12.1%
Net interest and other banking income	133,703	123,466	10,237	8.3%
Personnel costs Other administrative expenses Depreciation and amortization of tangible	-21,412 -39,201	-21,184 -36,652	-228 -2,549	1.1% 7.0%
and intangible assets	-6,660	-4,768	-1,892	39.7%
Operating expenses	-67,273	-62,604	-4,669	7.5%
Operating income	66,430	60,862	5,568	9.1%
Provisions for risks and charges	-	-312	312	-100.0%
Income/(loss) before non-recurring items	66,430	60,550	5,880	9.7%
Non-recurring income (loss)	-4,225	-1,502	-2,723	181.3%
Income/(loss) before income taxes	62,205	59,048	3,157	5.3%
Income taxes for the year	-19,645	-25,130	5,485	-21.8%
Net income (loss)	42,560	33,918	8,642	25.5%

^{*} The figure for 2003 has been changed after reclassifying income from mutual fund units from caption 30 "Dividends and other revenues" to caption 60 "Profits and losses from financial transactions".

Net interest and other banking income climbed by 8% to 133,703 thousand Euro (123,466 thousand Euro in 2003). Some of its components reported a worse performance; in fact, net interest income was 66% lower than in 2003. This decrease was due to a reduction in volumes resulting from the steady flattening of the interest rate curve, which severely limited opportunities for business.

Net service income increased by 12% thanks to large rises in dividends associated with trading and market making activities and in net commissions, which benefited from the general expansion in the Bank's sphere of operations. In fact, net commissions were 32.6% higher at 61,506 thousand Euro, up from 46,387 thousand Euro in 2003. This increase was mostly due to investment management activities, reflecting the growth in funds under management over the period and the large contribution of performance fees. The increase also reflected the increase in trading on behalf of third parties on equity and bond markets. The increase in "dividends", which rose from 316 thousand Euro in 2003 to 15,798 thousand Euro in 2004, was mostly explained by market trading activities. This result helped make up for the 22.8% decrease in "profits from financial transactions", which dropped from 70,002 thousand Euro in 2003 to 54,048 thousand Euro in 2004 following the development of new activities by the Proprietary Trading desk.

As for costs, goodwill was written down by 4,000 thousand Euro during the year to reflect the impairment in the net book value of goodwill purchased on the acquisition of Aletti Invest Sim's asset management business. This write-down was necessary after Banca Aletti failed to achieve the margins and profitability originally expected at the time of determining the goodwill's value.

Ignoring this adjustment, operating expenses were in line with 2003 (+1.3%). Total operating expenses for 2004, including this adjustment, came to 67,273 thousand Furo.

A total of 4,617 thousand Euro in out-of-period expenses were recorded in the year, net of releases from the related provision booked in prior years. These expenses referred to errors in the accounting records arising from the malfunctioning of the previous information system. These costs, which were promptly identified in 2004, involved adjusting balance sheet items recorded in asset caption 130 "Other assets". For the purposes of ensuring that the year-end balance sheet was correct, the Bank carried out careful, detailed checking of its various asset and liability balances and also asked the independent auditors to extend their normal audit procedures.

The provision for tax, calculated on taxable income for the period, came to 19,645 thousand Euro (25,130 thousand Euro in 2003), having benefited from a different method of taxing certain items following the introduction of new tax rules.

Other information

The Bank does not hold any own shares or shares in parent companies, nor did it purchase or sell any such shares during the year, whether directly or otherwise.

The Bank did not carry out any research and development activities during the year.

As required by Decree 196 of June 30, 2003, Banca Aletti has updated its plan for ensuring the security of personal data.

Furthermore, starting from the year ended December 31, 2004 the Bank has decided to make a group tax election for the purposes of IRES (corporate income tax) in accordance with articles 117 through 129 of the new Income Tax Consolidation Act and the Ministerial Decree dated June 9, 2004. In fact, it has entered into an agreement for a group tax filing with its parent company Banco Popolare di Verona e Novara Scarl. As a result of this election, the Bank's 2004 taxable income will be transferred to the company making the group filing.

Transition to IAS (International Accounting Standards)

According to art. 3 of Decree 38 "Exercise of options allowed under article 5 of EC Regulation 1606/2002", finally approved on February 28, 2005 in implementation of art. 25 of Law 306 of October 31, 2003, Banco Popolare di Verona e Novara must prepare its consolidated financial statements at December 31, 2005 in accordance with international accounting standards. Under art. 4 of this decree, Banca Aletti must prepare its annual financial statements in accordance with international accounting standards starting from the year ended December 31, 2006 but has the option to use the new standards when preparing its 2005 financial statements. Banca Aletti intends to adopt international accounting standards in its 2005 financial statements.

For the purposes of switching to international accounting standards, the Bank is taking part in an IAS/IFRS transition project which is being directly co-ordinated by the Parent Bank for the entire BPVN Group. In accordance with the guidelines issued by the Committee of European Securities Regulators (CESR) and in CONSOB Communication DME/5015175 of March 10, 2005, we shall now provide an update on how the Bank is dealing with the transition to the new accounting standards.

1) Actions taken and status of conversion process to new IAS/IFRS

Given the impact of adopting new accounting standards not just on reporting systems and the information provided to stockholders and investors, but also on information systems and the methods of dealing with risks, commercial policies and staff training, a multi-disciplinary group-wide project was started in the second half of 2003, involving a number of different stages.

The diagnosis process was completed in 2003, involving the mapping of the various effects and the preparation of a high-level master plan of the actions needed to satisfy the new reporting requirements as a result of adopting the new standards. This was followed by a series of in-depth reviews of the individual issues affecting the Group's different companies, the preparation of a detailed implementation plan and the start of work on modifying the financial reporting processes and adapting the supporting information systems. A parallel process was started for identifying the effects of the first-time application of the new accounting standards.

Work is currently in progress on completing and testing the new processes and information systems that will make it possible to report the Bank's results of operations, balance sheet and financial position in accordance with the new accounting standards.

Information systems supporting preparation of the detailed information to be disclosed in the explanatory notes to the financial statements and report on operations at December 31, 2005 are still at their design stage.

Work on quantifying the impact of the first-time application of the new accounting standards is currently being completed and will be subsequently approved by the relevant governing bodies. In fact, the Bank's Board of Directors is in the process of engaging the independent auditors to check the figures resulting from the transition process.

2) Estimated time required to complete the transition process and disclosure of the effects of adopting the new accounting standards

Certain key aspects of the regulatory framework affecting the banking sector were defined by the European Commission only at the end of 2004. In fact, EC Regulation 1725/2003 of September 29, 2003 adopted all the international accounting standards in existence on September 14, 2002 except for IAS 32 (Financial instruments: disclosure and presentation) and IAS 39 (Financial instruments: recognition and measurement) and the related interpretations. These two standards were only adopted at the end of November 2004.

Other important interpretations are still being defined.

In this regulatory context and in view of the project's progress we expect that the transition will be completed in time to be able to prepare the 2005 first-half report. In keeping with the regulations on "price sensitive" information, the Bank nonetheless undertakes to provide timely information in the event that the activities described above are completed before the date scheduled for the publication of the 2005 first-half report.

The main differences between the existing accounting policies and the IAS/IFRS are examined in the specific section of the explanatory notes to the Group's consolidated financial statements at December 31, 2004.

Subsequent events

The three projects started in 2004 with the goal of optimizing and simplifying group-level processes for the purposes of making the Group companies even more specialized by business/services were completed at the start of 2005:

- centralization under the Bank, starting from January 1, 2005, of the individual portfolio management service, as a result of spinning off this business from Banca Popolare di Novara and transferring two similar businesses from Banco Popolare di Verona e Novara and Credito Bergamasco respectively. As a result of these operations, the Bank is the sole "asset management centre" for the BPVN Group (including asset management schemes involving funds and sicavs that were managed by Aletti Gestielle SGR until December 31, 2004).
- delegation by the Bank to Aletti Gestielle SGR of risk monitoring of individual portfolio management schemes, with particular reference to:
 - monitoring of risk profiles and operating limits for guaranteed and protected capital schemes and policies, calculation of volatility and production of related daily and monthly reporting;
 - calculation of risk indicators on Banca Aletti's individual portfolios under management; production of reports for asset managers and top management;
 - support to the activities associated with analyzing the management of individual model portfolios;
 - production of reports on asset allocation, performance against benchmark and performance attribution for asset managers and top management.

The purpose of this decision is to achieve maximum operational synergies between the Group's Finance companies, particularly by pooling the experience and risk management skills developed by Aletti Gestielle in the asset management sector.

delegation by Group banks to the Bank of activities involving receipt/transmission of orders and trading in financial instruments, and other activities previously performed by the Group's Finance department involving treasury management and services to the Group's corporate networks.

For the purposes of the changes described above, which make the most of possible synergies in its various areas of activity, the Bank has made further changes to its organizational structure by setting up desks to cover the new activities (eg. the Proprietary Trading desk) and other functions designed to oversee and control the activities under outsourcing arrangements and those relating to asset management; lastly, it has concentrated all the structures involved in developing business with Private and Corporate clients under a single Commercial function.

Outlook for operations

It should be possible in 2005 to consolidate the results in the different areas of business, with a relatively limited variance against financial market trends.

* * *

We propose that the stockholders approve the financial statements as presented and allocate net income for the year of 42,559,580.96 Euro as follows:

- 2,127,979.05 Euro to the legal reserve;
- 19,222,298.63 Euro to other reserves;
- 21,209,303.28 Euro to the stockholders corresponding to 1.52 Euro per share.

Furthermore, the tax rules contained in art. 40.1 of Decree 269/2003, converted into Law 326 of November 24, 2003, shall apply to dividends paid for 2004. This means that the dividends about to be distributed will carry no tax credit and the provisions of the Income Tax Consolidation Act shall apply, as modified for the introduction of IRES (Italy's new corporate income tax).

If the above proposals are approved, the Bank's stockholders' equity will be made up as follows:

(in thousands of euro)	existing	new
Capital stock	72,000	72,000
Share premium reserve	17,427	17,427
Legal reserve	3,115	5,243
Other reserves	14,984	34,206
Total stockholders' equity	107,526	128,876

Milan, March 9, 2005

The Chairman of the Board of Directors
Urbano Aletti





To the Shareholders:

The financial statements for the year ended December 31, 2004, complete with the Notes thereto and accompanied by the Directors' Report on Operations, have been approved by the Board of Directors on March 9, 2005 and made available to us within the legally required timescale.

The financial statements have been audited by DELOITTE & TOUCHE S.p.A.; consequently the financial statements for the year ended December 31, 2004 are accompanied by the auditor's report issued in accordance with articles 156 (called the book "Judgments on the Financial Statements") of legislative decree n° 58/1998 ("Testo Unico della Finanza").

Supervisory work performed by the Board of Statutory Auditors

Accordingly, in the performance of our tests of control, we also made reference—to the extent applicable – to the rules established in the Civil Code, in the aforementioned Testo Unico della Finanza, and in conformity with the applicable responsibilities set forth in the communication issued on April 6, 2001 by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB"), relating to our responsibilities as Statutory Auditors of companies listed on the Stock Exchange.

The work of this Board of Statutory Auditors unfolded into the following:

- As required by law, we attended the Shareholders' Meetings and the meetings of the Board of Directors. On those occasions, we received from the Directors adequate information and explanations as to the business conducted and the more significant operating, financial and other transactions entered into. The monthly frequency of the mentioned meetings complied with the requirement for quarterly information and financial data from the directors established by Art. 150, paragraph one, of the Testo Unico della Finanza.
- 2. In the course of the year, we carried out n° 22 inspections, of which:
 - n° 3 inspections of an ordinary nature involving accounting checks and n° 3 inspections relating to the acquisition and analysis of the financial statements;
 - n° 12 inspections at the local Private Banking Units, often in coordination with the Internal Audit Office (more particularly, the ongoing 16 bank branches have all been subject to tests of control between 2001 and 2003: 3 in 2001, 8 in 2002 and 4 in 2003; in addition to a second test on 1 local branch).
 - n° 4 inspections focused on in-depth examination of specific problematic issues (reliability of the accounting system and of the organization

structures), or organizational areas (Investment Banking area), assisted by the in charge of the individual function and, where applicable, by the Parent company management.

Results of supervisory work performed by the Board of Statutory Auditors

Set forth below are the more significant data and information that emerged during the performance of our inspections and checks.

- 1. The more significant non ordinary activities included:
 - Centralization under the Bank of the private asset management service, as a result of spinning off this business from Banca Popolare di Novara and transferring two similar businesses from Banco Popolare di Verona e Novara and Credito Bergamasco respectively: the Extraordinary Shareholders' Meeting on November 26, 2004 passed the resolution of a capital increase due to the centralization, which started on January 1, 2005, of the "private asset management" activities by the transferring BPVN and Credito Bergamasco's line of businesses and by spinning off BPN's line of business to Banca Aletti.
 - As a result of these operations, the Bank is the only "asset management centre" for the BPVN Group (including asset management schemes involving funds and sicav that were managed by Aletti Gestielle SGR until December 31, 2004).
 After the closing of the above mentioned spin off and transfers of interests (executed on December 16, 2004) the Bank's share capital amounted to 73,548,895.92 of Euro, consisting of 14,253,662 ordinary shares.
 - Change in the articles of association: on September 16, 2004, the articles of association changed to conform to the requirements from the legislative decree n° 6/2003 ("Riforma del diritto societario") and to the Banco Popolare di Verona e Novara Bank Group's standards and to change the other components of articles of association to insert the power to appoint one or more vice-presidents. In addition, as above mentioned, on November 26, 2004, there were changes in the articles of association due to the increase of capital of Euro 1,548,892.68 as a result of the mentioned transfers of the businesses line and spin off, beginning from the closing date (December 16, 2004).
 - The Goodwill from the acquired CREBERG SIM's "Private Asset Management" business line: the Board of the Statutory Auditors and the Directors has agreed to adjust the residual value of the goodwill (which was amortized, using straight line method, over a ten year period from 2002), as a result of an impairment test based on the calculation of the net present value of the future revenue from the business line, calcu-

lated using the net future income of the business plan of ALETTI IN-VEST SIM S.p.A. The impairment test resulted in a Euro 4,000,000.00 adjustment of goodwill in addition to the ordinary amortization. The Board of Statutory Auditors considers that it will be necessary to perform an annual test of impairment for the residual value of the above mentioned goodwill to verify the correct amount of the attributable costs to future years.

- No unusual or uncommon transactions have been put in place with unrelated parties or with Group companies.
 We consider that the intragroup transactions and the related party transactions put in place are consistent and were made in the interest of the Bank.
- 3. We deem to be appropriate the information given by the Directors in the Report on Operations.
- 4. Fixed and intangible assets have been depreciated and amortized with our agreement.
- 5. No exceptions or formal findings have been reported by the Independent Auditors.
- 6. No censurable matters are reported pursuant to Art. 2408 of the Italian Civil Code.
- 7. Having regard to complaints relating to banking business of an ordinary nature, it may be noted that during 2004 there were n° 22 complaints (compared with n° 20 in the previous year), all of which have been remedied satisfactorily, except one of them still in preliminary investigation phase, without these giving rise to substantial problematic issues of an organizational and/or procedural nature: as such, these were not meaningful.
- 8. Other than the appointments required by law (auditing on the financial statements and opinion on the distribution of interim dividends), assigned to the auditing firm DELOITTE & TOUCHE S.p.A. have been engagements relating to the verification of:
 - comfort letter for "Fondo nazionale di garanzia" (Euro 6,300.00 + VAT);
 - translation into English of the financial statements as of December 31, 2003 (Euro 7,500.00 + VAT);
 - loan staff activities (Euro 122,500.00 + VAT);
 - fairness opinion on the transfers of the "private asset management" businesses from Banco Popolare di Verona e Novara and Credito Bergamasco (Euro 304,500.00 + VAT).

The total fees amount is Euro 440,800.00 + VAT (Euro 528,960.00 VAT inclusive).

- 9. No appointments have been assigned to individuals or otherwise associated with or connected to the Auditing Firm on a continuing basis.
- 10. There have been no circumstances in the course of the year calling for the opinions required by law and related issue thereof by this Board of Statutory Auditors, meanwhile there were some observations referring to the periodical Internal Audit Reports, that were sent to the Supervisory Authorities.
- 11. No substantial findings are reported as to compliance with corporate governance procedures.
- 12. Regarding the 2004 organizational changes, we would like to point out that the Bank confirmed the centralization of the various activities of the Bank in the Parent Company (the services pertinent to the IT infrastructure that supports the operating activities, the financial engineering activity, the middle office activity of derivative transactions, the Risk Management and the Internal auditing functions, while the corporate finance activities are assigned to Aletti Merchant). In addition the Bank also continued to rationalize the organization of its activities by centralizing the legal advisory activities in the Parent Bank.

In addition, the Bank redesigned its organizational structure in 2004 to be based on the following four primary departments: 1) Investment Banking, 2) Wealth Management Products and Services, 3) Private Banking (from January 1, 2005 named Commercial) and 4) Operations.

The monitoring of the position risks was continued. Particularly, for risk management, the Bank is waiting for the new regulation from the Group for the relating function.

In reference to the mentioned intercompany relationships, it is necessary to constantly verify the correctness of the transferred prices of the delegated activities; at the same time, it is essential to control the economic conditions applied by Banca Aletti, that have immediate effects, in the activities completed for the other companies of the Group.

During 2004, the Bank adopted an organizational framework in compliance with the D.Lgs n. 231/01 ("The administrative responsibility of the companies and of the affiliates also without the legal status, in accordance with the article 11 of the law dated September 29, 2009 n. 300").

13. Regarding the Internal Control Function, the Board of Statutory Auditors was able evaluate the adequacy through the news that they received, in particular through the relative functions of the Group.

About this matter, the Board of Statutory Auditors believes that the Regulations of Internal Controls of the Group could be better organised the annual programme of the internal audit inspections of the bank.

We communicated regularly our findings and the Board of Directors's observation in the semester report and in the annual report of Internal Audit.

- 14. Due to the improvements this year in the internal controls, in the accounting procedures and in the human resources of the Bank's, and of the further planned improvements, we consider the accounting and administrative system to be substantially adequate.
- 15. The Bank holds a controlling interest in, and only in, ALETTI FIDUCIARIA S.p.A., equal to a 100% stake in the share capital thereof, acquired in June 2002 in a design to integrate the Private Banking services of the Bank. BANCA ALETTI is a member of the BANCO POPOLARE DI VERONA E NOVARA Banking Group.

 BANCA ALETTI does not prepare consolidated financial statements, since these are prepared by BANCO POPOLARE DI VERONA E NOVARA, the Parent Bank, that included the financial statements of both BANCA ALETTI and ALETTI FIDUCIARIA S.p.A.
- 16. In the year under review, we have met with the members of the Auditing Firm, which whom we have exchanged information and financial data, particularly in terms of the annual financial statements, the six-monthly interim report and the related tests of control performed thereon by the independent auditors.
- 17. Insofar as the Bank is not listed on the Stock Exchange, the code of best practice for listed companies has not been adopted.
- 18. In terms of the supervisory function performed, we have complied with the provisions of Art. 149, paragraph three, of the Companies Act.
- 19. To the extent of our responsibilities, we have no recommendations to be made at the Shareholders' Meeting pursuant to Art. 153 of the Companies Act.

Bank of Italy's inspection

The Bank has been submitted, from October 2004 to January 2005, to an inspection by the Bank of Italy. The Bank of Italy issued a report in which identified some organizational problems in the Bank activities, as a consequence of the significant business growth, and of the necessity of the improvement of the internal control system and of an increase of control of the outsourcing services.

At the same time with the preparation of the reply to the Bank of Italy's report, since January, the Bank is planning and implementing organizational improvements in order to reshape its organizational framework to meet the challenges posed by Bank of Italy's report.

^ ^ ^

Based on the supervisory work we performed, we confirm:

- a) compliance with the law and with the Bank's Articles of Association;
- b) compliance with corporate governance principles;
- c) adequacy of the Bank's organizational framework in terms of the accounting and administrative system and, not least, the related reliability thereof in portraying accurately business transactions and other events.

In view of the foregoing, and having read the report and audit opinion of the auditing firm DELOITTE & TOUCHE S.p.A. dated March 29, 2005 relating to the financial statements for 2004 and, having noted formally that the auditors' report states that the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2004 and the results of its operations for the year then ended and have been properly prepared in accordance with the law relating to the preparation and presentation of annual financial accounts, we concur with motion to approve the financial statements and to allocate the dividend as set forth in the Report on Operations.

Milan, Italy

March 30, 2005

The Statutory Board of Auditors Maria Gabriella Cocco, Chairman Alfonso Sonato, Standing Auditor Franco Valotto, Standing Auditor







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AUDITORS' REPORT PURSUANT TO ARTICLES 156 AND 165 OF LEGISLATIVE DECREE No. 58 OF FEBRUARY 24, 1998

To the Shareholders of BANCA ALETTI & C. S.P.A.

- 1. We have audited the financial statements of Banca Aletti & C. S.p.A. as of December 31, 2004. These financial statements are the responsibility of the Bank'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 recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 April 7, 2004.

3. In our opinion, the financial statements present fairly the financial position of Banca Aletti & C. 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
Riccardo Motta
Partner

Milan, Italy March 29, 2005

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





	LANCE SHEET - ASSETS euro)	31/12/2004	31/12/2003
10	CASH AND FUNDS WITH CENTRAL BANKS		
	AND POST OFFICES	5,746	9,242
20	TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFIN		
	WITH CENTRAL BANKS	9,887,897	2,425,043
30	DUE FROM BANKS:	5,134,007,202	4,933,178,970
	(a) on demand	26,233,238	94,037,809
	(b) other	5,107,773,964	4,839,141,161
40	DUE FROM CUSTOMERS	33,891,600	86,229,743
50	BONDS AND OTHER DEBT SECURITIES:	377,915,106	167,865,329
	(a) public issuers	259,659,291	84,387,023
	(b) banks	99,877,843	71,298,455
	(c) financial institutions	16,345,507	12,175,369
	(d) other issuers	2,032,465	4,482
60	Shares and other equities	208,614,235	40,229,799
70	EQUITY INVESTMENTS	1,094,811	1,094,811
80	EQUITY INVESTMENTS IN GROUP COMPANIES	145,000	145,000
90	INTANGIBLE FIXED ASSETS	3,554,918	9,653,316
	of which:		
	- start-up costs	128,901	179,110
	- goodwill	1,800,000	6,628,901
100	TANGIBLE FIXED ASSETS	1,674,297	1,435,458
130	OTHER ASSETS	1,126,877,690	608,228,939
140	ACCRUED INCOME AND PREPAID EXPENSES:	182,859,805	129,323,100
	(a) accrued income	178,705,326	124,268,195
	(b) prepaid expenses	4,154,479	5,054,905
	TOTAL ASSETS	7,080,528,307	5,979,818,750

LIAI (in e	BILITIES AND STOCKHOLDERS' EQUITY ouro)	31/12/2004	31/12/2003
10	DUE TO BANKS	5,483,391,357	4,998,150,536
	(a) on demand	813,943,096	1,167,750,814
	(b) term or with notice	4,669,448,261	3,830,399,722
20	DUE TO CUSTOMERS:	161,741,725	146,902,968
	(a) on demand	113,106,726	98,702,466
	(b) term or with notice	48,634,999	48,200,502
50	OTHER LIABILITIES	1,086,310,952	547,182,388
60	ACCRUED EXPENSES AND DEFERRED INCOME:	191,503,840	130,468,398
	(a) accrued expenses	186,157,601	125,371,227
	(b) deferred income	5,346,239	5,097,171
70	RESERVE FOR TERMINATION BENEFITS	2,065,298	1,662,230
80	PROVISIONS FOR RISKS AND CHARGES:	5,429,272	30,623,621
	(b) tax provision	5,429,272	28,315,850
	(c) other provisions	-	2,307,771
120	CAPITAL STOCK	72,000,003	72,000,003
130	SHARE PREMIUM RESERVE	17,427,079	17,427,079
140	RESERVES:	18,099,200	9,576,164
	(a) legal reserve	3,114,812	1,418,893
	(d) other reserves	14,984,388	8,157,271
170	NET INCOME (LOSS) FOR THE YEAR	42,559,581	33,918,387
180	INTERIM DIVIDENDS	-	-8,093,024
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	7,080,528,307	5,979,818,750

GUARANTEES AND COMMITMENTS (in euro)	31/12/2004	31/12/2003
20 COMMITMENTS	1,342,580,317	1,320,657,919

	OME STATEMENT euro)	2004	2003
10	INTEREST INCOME AND SIMILAR REVENUES	116 554 100	145 210 606
10	of which:	116,554,108	145,318,686
	- due from customers	926,496	1,432,890
	- debt securities	7,464,360	9,233,055
20	INTEREST EXPENSE AND SIMILAR CHARGES of which:	-114,538,343	-139,343,791
	- due to customers	-2,010,109	-2,543,438
30	DIVIDENDS AND OTHER REVENUES:	15,798,271	897,728
	(a) shares and other equities	15,598,959	586,302
	(b) equity investments	199,312	311,426
40	COMMISSION INCOME	92,699,183	58,727,010
50	COMMISSION EXPENSE	-31,193,316	-12,339,709
60	PROFITS (LOSSES) FROM FINANCIAL TRANSACTIONS	54,048,206	69,419,404
70	OTHER OPERATING INCOME	2,484,966	1,853,442
80	ADMINISTRATIVE EXPENSES:	-62,628,788	-58,781,594
	(a) personnel costs of which:	-23,164,457	-22,638,671
	- wages and salaries	-15,534,599	-17,634,989
	- social security charges	-3,850,268	-3,329,483
	- termination benefits	-866,844	-693,672
	- retirement fund and similar	-	-269,015
	(b) other administrative expenses	-39,464,331	-36,142,923
90	DEPRECIATION AND AMORTIZATION OF TANGIBLE		
	AND INTANGIBLE ASSETS	-6,659,693	-4,767,921
110	OTHER OPERATING EXPENSES	-134,158	-121,387
120	ADJUSTMENTS TO LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	-	-311,849
170	INCOME (LOSS) BEFORE NON-RECURRING ITEMS	66,430,436	60,550,019
180	NON-RECURRING INCOME	698,130	247,714
190	NON-RECURRING CHARGES	-4,923,178	-1,749,837
200	NON-RECURRING INCOME (LOSS)	-4,225,048	-1,502,123
220	INCOME TAXES FOR THE YEAR	-19,645,807	-25,129,509
230	NET INCOME (LOSS) FOR THE YEAR	42,559,581	33,918,387





Introductory note

The financial statements comprise the balance sheet, income statement and these explanatory notes, together with the directors' report on operations, and are drawn up in accordance with Decree 87 of January 27, 1992.

The purpose of these notes is to explain and analyze the figures contained in the financial statements. They contain the information required by Decree 87/92 and by Regulation 166 issued by the Bank of Italy on 30 July 1992, and subsequent amendments and additions thereto.

The explanatory notes include all the additional information considered necessary to give a true and fair view of the Bank's results of operations and financial position.

For the purposes of fuller disclosure, the following documents are provided in part D to these explanatory notes:

- statement of cash flows of Banca Aletti S.p.A.;
- financial statements of Aletti Fiduciaria S.p.A.

Although the Bank holds one controlling equity interest carried at cost, it has not prepared consolidated financial statements since these are prepared by Banco Popolare di Verona e Novara, its parent bank.

The Bank's financial statements have been audited by Deloitte & Touche SpA in accordance with articles 155 and 165 of Decree 58/98 and the relevant stockholders' resolutions.

Unless otherwise indicated, the amounts shown in the notes are expressed in thousands of Euro.

Part A - Accounting policies

Accounting policies

The financial statements have been prepared in accordance with current regulations, with reference to accounting principles generally accepted in Italy.

The financial statements are drawn up on the basis of the following general principles:

Consistency

The principles used in drawing up the annual financial statements are applied consistently over time, unless expressly stated otherwise in the notes.

Substance over form

To provide a true and fair view of the financial situation, the financial statements are drawn up in such a way that, wherever possible, substance prevails over form and the time of settlement of transactions is given preference over the time when the contract is entered into.

Going concern

Valuations of captions in the financial statement are made on the assumption that the company will continue in business.

Prudence

The financial statements only show profits actually realized by the end of the financial year, unless specifically stated otherwise in the accounting policy concerned. All foreseeable losses are also taken into consideration, including those which come to light after the end of the financial year. Provisions for risks and charges have been provided to cover known or likely losses, payables and expenses, the timing and extent of which cannot be determined at the balance sheet date.

Accrual accounting

Revenues are recognized when earned and expenses when incurred.

Separate valuation

On- and off-balance sheet assets and liabilities are valued separately, not on an aggregate basis, except for those described in the point below.

Consistency

Related on- and off-balance sheet assets and liabilities are valued on a consistent basis, using the same method of valuation.

Section 1 Explanation of accounting policies

1. Loans, guarantees and commitments

1.1 Amounts due from and to customers

Current account transactions with customers are recorded at the time they take place. Receivables arising from loan agreements are shown under the asset caption "Due from customers" since they have actually been disbursed.

Loans, including outstanding and default interest, are stated at their estimated realizable value.

The estimated realizable value of non-performing loans, problem loans, restructured loans and loans being restructured is determined on a case-by-case basis. Performing loans are written down statistically, calculating what proportion of the loan book is expected to become a problem and potentially turn bad. Loans subject to "country risk" are subject to an additional overall writedown. The es-

timated realizable value of the portion relating to default interest is determined separately.

Loans are written down directly by reducing the book value of the asset concerned. The original value of such loans is reinstated in later periods if the reasons for the writedown no longer apply.

Deposits are shown at face value.

1.2 Amounts due from and to banks

Transactions with banks in the form of deposits and loans are booked at their settlement value.

Amounts due from banks, including accrued interest, are shown at their estimated realizable value.

Amounts due to banks are shown at face value, including interest due at the end of the year.

1.3 Guarantees and commitments

Guarantees given are shown at the value of the commitment undertaken. Guarantees and commitments that involve exposure to credit risk are valued on the same basis adopted for loans.

Commitments to deliver funds are shown at the value of the amount to be paid. Commitments to purchase securities are shown at the contractual forward price agreed with the counterparties.

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

Securities transactions are booked on settlement.

Repurchase agreements on own securities subject to the obligation to repurchase or resell at a stated time are treated as due to/from balances with no posting in the trading account. The cost of funding/loan revenues generated from coupons earned on securities sold or purchased spot and the spread between the sale/purchase spot price and the resale/repurchase forward price are posted in the income statement on an accrual basis under "Interest expense and similar charges"/"Interest income and similar revenues".

2.1 Investment securities

Securities intended for long-term retention and thus recorded among financial fixed assets are stated at cost, subject to adjustment for the difference accruing at the balance sheet date between their purchase price and higher or lower redemption price.

The difference between the issue and redemption price of these securities is recognized as additional interest on an accruals basis.

The difference between the cost of purchase, less any withholdings relating to issue discounts accrued at the date of acquisition, and the higher or lower redemption price of fixed-income securities representing financial fixed assets, is recognized as additional or lower interest respectively on these securities on an accruals basis.

2.2 Trading securities

Securities not held as financial fixed assets are valued as follows:

- at market value, if listed on organized markets;
- at the lower of cost or market value, if not listed on organized markets. However, unlisted securities that are correlated to derivative contracts are valued at market on a basis consistent with the derivative contracts to which they relate.
- Units issued by undertakings for collective investment in transferrable securities (UCITS) are treated as being listed if their prices are quoted on organized markets or can be obtained from information provided to the market by the fund management companies through specialist information circuits.

Cost is determined by applying the "rolling weighted average daily cost" method, adjusted for the difference between the issue and redemption price.

Market value is determined as follows:

- for securities listed on organized markets, by reference to the quoted price on the last day of the period;
- for securities not listed on organized markets, by reference to the quoted price of securities with similar characteristics listed on organized markets, or, if unavailable, using other objective criteria.
- for securities issued by UCITS:
 - at their period-end value, either based on the price quoted on organized markets or obtained from information provided to the market by the fund management companies through specialist information circuits;

 in the absence of these parameters, at the lower of cost and market value. In this instance, market value represents the estimated realizable value determined using the methods listed above for securities other than mutual fund units.

The difference between the securities' issue price and the related redemption price is recognized as interest on securities on an accruals basis.

The original value of the securities is reinstated in subsequent years if the reasons for any writedowns in previous years no longer apply.

2.3 Off-balance sheet transactions (other than those in foreign currency)

Securities derivatives representing off-balance sheet transactions outstanding at the end of the accounting period are valued as follows:

- a) Derivatives specifically for hedging assets or liabilities or linked to other assets or liabilities either on or off the balance sheet:
 - a.1 differentials relating to associated securities or general hedges are recognized on an accruals basis as interest income or expense on a basis consistent with the income and expense generated by the assets/liabilities being hedged, in other words over the duration of the contract to which they relate;
 - a.2 hedging derivatives outstanding at the end of the accounting period are valued consistently with the assets/liabilities being hedged or otherwise associated thereto:
- b) Derivatives associated with dealing contracts:
 - b.1 differentials are recorded as "Profits (losses) on financial transactions";
 - b.2 derivatives listed on organized markets are valued at the market value reported on the last day of trading in the accounting period;
 - b.3 derivatives that, although not listed on organized markets, are anchored to objectively determinable parameters are valued at market value determined on the basis of current values derived from the related market:
 - b.4 other derivatives not listed on organized markets are valued at the lower of cost and market value. Only foreseeable losses relating to overall outstanding transactions at the end of the accounting period are therefore debited to the income statement as losses from financial transactions, with a corresponding balance sheet entry to "Other liabilities".

Accrued differentials on interest rate swaps are recognized as "accrued income" and "accrued expenses", while their net present value of future cash flows is shown under "other assets" and "other liabilities".

Premiums paid or collected when trading options are held in suspense by booking them to "Other assets" or "Other liabilities" respectively. These premiums are then debited or credited to income if the option is not exercised. The value of the premium for options that are exercised is added or subtracted from the cost or revenue deriving from the sale or purchase of the security.

Off-balance sheet transactions represented by securities to be received as a result of contracts completed but not yet settled at the end of the accounting period are valued using the methods described above for securities, according to the portfolio to which they will be allocated.

Off-balance sheet transactions represented by securities to be delivered as a result of contracts completed but not yet settled at the end of the accounting period are valued at the lower of the book value and the agreed forward price.

3. Equity investments

Equity investments are valued at cost. They are written down in the event of a permanent impairment of value.

The original value of the equity investment is reinstated in subsequent years if the reasons for the write-down no longer apply.

Dividends are accounted for in the financial year in which they are collected. Following the introduction of the tax reform on 1 January 2004, dividends received are no longer entitled to a tax credit; instead, they are taxed on only 5% of the amount received, whereas if the option is taken to file for tax on a group basis, dividends are treated as fully exempt by the filing company.

4. Assets and liabilities in foreign currency (including off-balance sheet transactions)

Transactions in foreign currency are accounted for on settlement. This principle also applies to the corresponding entries in Euro for transactions involving the exchange of Euro against other currencies.

Costs and revenues in foreign currency are recognized at the exchange rate ruling at the time they are booked. In particular, the following items are included in "Profits (losses) from financial transactions":

- a) profits and losses arising from foreign exchange trading;
- b) positive and negative differentials on foreign exchange derivative contracts;
- c) the difference between the current value of assets and liabilities and off-balance sheet transactions in foreign currency at the end of the accounting period and their book value.

4.1 Assets and liabilities in foreign currency

Assets and liabilities in foreign currency are valued at the spot exchange rate ruling at the end of the accounting period, as reported by the Bank of Italy.

4.2 Off-balance sheet transactions

Off-balance sheet spot transactions are valued at the spot rate ruling at the end of the accounting period.

Off-balance sheet forward transactions carried out to hedge exchange risks or linked to other assets or liabilities on or off the balance sheet are valued using the period-end spot rates, since this treatment is consistent with the accounting policy adopted in relation to the underlying assets and liabilities.

Any off-balance sheet forward transactions not carried out to hedge exchange risks or not linked to other assets or liabilities on or off the balance sheet are valued using the period-end forward rates for the maturities corresponding to those being valued.

Premiums paid or collected in relation to currency options, whose exercise date falls after the end of the accounting period, are deferred and recorded as "Other assets" or "Other liabilities" respectively.

5. Tangible and intangible fixed assets

5.1 Tangible fixed assets

These are recorded at purchase cost, including related charges. This cost may be increased under specific revaluation laws and is stated net of accumulated depreciation. Tangible fixed assets are depreciated on a straight-line basis over their residual useful lives which may not, in any case, exceed the following periods:

Asset class	Years
Office furniture and fittings	7
Safety systems and safes	7
Furniture and fittings	5
Electrical and electronic office machines	3
Cars, vehicles and similar	3
In-house communication and on-screen systems	3
Alarm and surveillance systems	3

Maintenance and repair costs not increasing the value of assets are charged to the income statement, while improvement expenditure is capitalized as part of the cost of the related assets.

5.2 Intangible fixed assets

Intellectual property rights and licences are stated at cost, including ancillary charges, and are systematically amortized over their estimated useful life, which is, in any case, no longer than five years.

Start-up and expansions costs and other deferred charges are amortized over five years, with the exception of goodwill on the acquisition of the business of Aletti Invest Sim (formerly Creberg Sim), which is being amortized over ten years. The value of goodwill is adjusted for any decreases arising from revision of the amortization policy and estimated useful life.

6. Other information

6.1 Accruals and deferrals

Accruals and deferrals are calculated to ensure that costs and revenues covering two or more accounting periods are properly allocated to the correct period.

6.2 Reserve for termination benefits

The reserve for termination benefits represents the liability to each employee at year end, calculated in accordance with current legislation and payroll agreements.

6.4 Taxation

Tax provisions are made up of the amounts set aside for current income taxes, deferred tax liabilities and potential losses on outstanding tax disputes.

The provision for current taxes represents a reasonable estimate of the year's income tax liability, calculated on the basis of current tax rules.

Deferred tax assets and liabilities are determined using the so-called balance sheet liability method, as required by IAS 12 in accordance with specific regulations issued by the Bank of Italy. In particular, the provisions cover deferred tax liabilities generated by taxable temporary differences that are likely to be incurred. No provision has been made for deferred taxes on equity reserves that are in suspense for tax purposes, since, as things stand, no transactions are expected to be carried out that would trigger their taxation.

Deferred tax assets arising on deductible temporary differences are booked only if they are likely to be recovered based upon expected future taxable income.

The Bank has opted to make a "group tax election" under article 117 et seq. of Presidential Decree 917/86. Any amounts receivable or payable under the group filing agreement are recorded as amounts from and to the Parent Bank under "Other liabilities" or "Other assets" respectively.

6.5 Other provisions for risks and charges

Other provisions for risks and charges are booked against foreseeable losses on guarantees given and commitments undertaken, as well as other probable or certain liabilities, the exact amount and timing of which cannot be determined at the balance sheet date.

As a result of the reforms to company law made in Decree 6 of January 17, 2003, the Bank has eliminated all fiscal distortions from its financial statements in accordance with art. 7.1 b) and c) of Decree 37 dated February 6, 2004, which revoked articles 15.3 and 39.2 of Decree 87/92, which allowed banks to record adjustments and provisions solely for tax purposes.

This means that as from the 2004 financial statements it is no longer possible to record adjustments and provisions solely for tax purposes.

In compliance with Bank of Italy instructions, the income arising on eliminating fiscal distortions booked in prior years has been credited to non-recurring income in the income statement and amounts to 0.5 million Euro, with a corresponding reversal of accelerated depreciation booked at December 31, 2003. The related deferred tax liabilities have only been booked if required under the circumstances.

Section 2 Adjustments and provisions for tax purposes

Other information

Section 3 In compliance with instructions issued by the Parent Bank Banco Popolare di Verona Novara Scarl, gains and losses realized on dealing in mutual funds classified in the trading portfolio have been recorded in caption 60 "Profits / losses from financial transactions". They were previously booked under caption 30 "Dividends and other revenues". At the end of 2003 they amounted to 582 thousand Euro.

Part B - Balance sheet

Section 1 Loans (captions 10, 30, 40) Breakdown of caption 10 "Cash and funds with central banks and post offices"

This caption includes notes and coins held at the Bank's branches.

Breakdown of caption 30 "Due from banks"

This caption includes all amounts due from banks expressed in Euro and in foreign currency:

(in thousands of euro)	31/12/2004	31/12/2003	Change
Current accounts	26.233	25,801	432
Unrestricted deposits	-	68,237	-68,237
Due from central banks	1,125	5,495	-4,370
Restricted deposits	2,065,460	2,361,576	-296,116
Repurchase agreements	3,041,189	2,472,070	569,119
Total	5,134,007	4,933,179	200,828

The above figures include foreign currency balances, translated into Euro at the spot exchange rate ruling at year-end.

1.1 Detail of caption 30 "Due from banks"

(in thousands of euro)	31/12/2004	31/12/2003	Change
a) Due from central banks b) Treasury bills and other bills eligible	1,125	5,495	-4,370
for refinancing with central banks c) Repurchase agreements d) Securities loaned	3,041,189 -	- 2,472,070 -	- 569,119 -
Total	3,043,314	2,477,565	564,749

1.2 Breakdown of amounts due from banks

(in thousands of euro)	Gross exposure	Total writedowns	Net exposure
A) Doubtful accounts		_	
A.1. Non-performing loans	_	_	-
A.2. Problem loans	-	-	-
A.3. Loans being restructured	-	-	-
A.4. Restructured loans	-	-	-
A.5. Unsecured loans to countries at risk	-	-	-
B) Performing loans	5,134,007	-	5,134,007
Total	5,134,007	-	5,134,007

(in thousands of euro)	Gross exposure	Total writedowns	Net exposure
A) Doubtful accounts	_	-	_
A.1. Non-performing loans	-	-	-
A.2. Problem loans	-	-	-
A.3. Loans being restructured	-	-	-
A.4. Restructured loans	-	-	-
A.5. Unsecured loans to countries at risk	_	-	-
B) Performing loans	4,933,179	-	4,933,179
Total	4,933,179	_	4,933,179

Breakdown of caption 40 "Due from customers"

Amounts "due from customers" mainly relate to "repurchase agreements" with primary international financial institutions and amounts due from clearing houses deriving from derivative transactions on organized markets.

(in thousands of euro)	31/12/2004	31/12/2003	Change
Current accounts Repurchase agreements	14,036 19,856	461 85,769	13,575 -65,913
Total	33,892	86,230	-52,338

Current accounts include 12,597 thousand Euro in amounts due from Italy's central clearing house and 858 thousand Euro in amounts due from Lehman Brothers International Europe.

1.5 Detail of caption 40 "Due from customers"

(in thousands of euro)	31/12/2004	31/12/2003	Change
a) Treasury bills and other bills eligible			
for refinancing with central banks	-	<u>-</u>	
b) Repurchase agreements	19,856	85,769	-65,913
c) Securities loaned	-	-	-
Total	19,856	85,769	-65,913

1.6 Secured amounts due from customers

(in thousands of euro)	31/12/2004	31/12/2003	Change
a) mortgages	-	-	-
b) pledged assets	19,856	85,769	-65,913
1. cash deposits	-	-	-
2. securities	19,856	85,769	-65,913
3. other instruments	,	,	,
c) guarantees given by	-	-	-
1. governments	-	-	-
2. other public entities	-	-	
3. banks	-	-	-
4. other	-	-	-
Total	19.856	85,769	-65.913

1.7 Due from customers

2004 (in thousands of euro)	Gross exposure	Total writedowns	Net exposure
A) Doubtful accounts		-	_
A.1. Non-performing loans	-	-	-
A.2. Problem loans	-	-	-
A.3. Loans being restructured	-	-	-
A.4. Restructured loans	-	-	-
A.5. Unsecured loans to countries at risk	-	-	-
B) Performing loans	33,892	-	33,892
Total	33,892	_	33,892

2.1 Investment securities

As of December 31, 2004 the Bank does not have any investment securities.

Section 2 Securities (captions 20, 50, 60)

2.3 Trading securities

The portfolio is made up as follows at December 31, 2004:

(in thousands of euro)	Book value	Market value	
1. Debt securities	387,803	388,491	
1.1. Government securities- listed- unlisted	269,468 269,468 -	269,468 269,468 -	
1.2. Other debt securities- listed- unlisted	118,335 75,292 43,043	119,023 75,292 43,731	
2. Equities - listed - unlisted	208,614 42,115 166,499	208,614 42,115 166,499	
Total	596,417	597,105	

The securities portfolio includes 25,500 thousand Euro in securities deposited with Italy's central clearing house to cover the initial margin on dealings undertaken on behalf of third parties.

2.4 Changes in trading securities

The trading portfolio underwent the following changes during the year:

(in thousands of euro)	31/12/2004	31/12/2003
Δ	Opening balance	210,520	229,467
	Increases B.1. Purchases - Debt securities - government securities - other - Equities - shares - other B.2. Write-backs B.3. Transfers from investment portfolio	34,554,957 34,536,572 33,285,870 22,447,809 10,838,061 1,250,702 1,061,695 189,007 4,287	35,457,988 35,444,473 34,700,203 24,065,946 10,634,257 744,270 565,850 178,420 1,826
C.	B.4. Other increases Decreases	14,098 34,169,060	11,688 35,476,934
	C.1. Sales and redemptions - Debt securities - government securities - other - Equities - shares - other	34,155,262 33,068,342 22,267,658 10,800,684 1,086,920 1,037,315 49,605	35,472,800 34,763,272 24,167,000 10,596,272 709,528 566,446 143,082
	C.2. RedemptionsC.3. Write-downsC.4. Transfers to investment portfolioC.5. Other decreases	1,094 - 12,704	503 - 3,631
D.	Closing balance	596,417	210,520

"Other increases" reported under caption B4 include:

- trading profits of 14,053 thousand Euro;
- exchange gains of 23 thousand Euro;
- issue discounts of 22 thousand Euro.

"Other decreases" reported under caption C5 include:

- exchange losses of 8,767 thousand Euro;
- trading losses of 3,937 thousand Euro.

3.1 Significant equity investments

Name	Head office	Stockholders' equity	Profit (loss)	% ownership	Book value
a) Subsidiary companies: Aletti Fiduciaria S.p.A.	Milan	138	2	100%	145
Total		138	2	-	145

Section 3 Equity investments (captions 70, 80)

Aletti Fiduciaria consolidated its business over the year, reaching 154 management contracts representing a total of 167,486 thousand Euro in assets.

Aletti Fiduciaria does not have any of its own employees. As a result, Banca Aletti has made a specific agreement to second qualified staff to Aletti Fiduciaria to perform the work required to conduct its business. The cost of these services is charged on an arm's length basis.

3.2 Intercompany balances

Amounts due to and from the Banco Popolare di Verona e Novara Group are reported below:

(in thou	sands of euro)	31/12/2004	31/12/2003
0	ue from banks f which	2,882,093 2,866,302	2,088,059 2,041,053
2. di	subordinated ue from financial institutions which	- 4,728	4,264
3. di	subordinated ue from customers which	-	105
4. bo	subordinated onds and other debt securities which subordinated	- 11,063 -	42,637 -
2. dı 3. dı 4. se	ities ue to banks ue to financial institutions ue to customers curities issued ubordinated liabilities	3,664,289 3,650,744 13,545	4,213,028 4,205,297 1,531 6,200
	antees and commitments uarantees given	617,827	720,018
	ommitments	617,827	720,018

This table reports the amounts due to and from Group companies in accordance with the format required by the Bank of Italy in its Circular 166. Details of all amounts due to and from Group companies are provided in the directors' report on operations and in these explanatory notes in the comments accompanying each individual balance.

3.3 Balances with non-Group equity investments

As of December 31, 2004 the Bank has no balances due to or from non-Group equity investments.

3.4 Breakdown of caption 70 "equity investments"

(ii	n thousands of euro)	31/12/2004	31/12/2003
a)	Banks 1) listed 2) unlisted	:	:
b)	Financial institutions 1) listed 2) unlisted	1,095 - 1,095	1,095 - 1,095
c)	Other 1) listed 2) unlisted	- - -	- - -
	Total	1,095	1,095

3.5 Breakdown of caption 80 "Equity investments in Group companies"

(jı	n thousands of euro)	31/12/2004	31/12/2003
a)	Banks 1) listed 2) unlisted	:	:
b)	Financial institutions 1) listed 2) unlisted	145 - 145	145 - 145
c)	Other 1) listed 2) unlisted	- -	- - -
	Total	145	145

List of equity investments (caption 70) by type of activity

Name (in thousands of euro)	% ownership	Carrying value	Activity
Società Italiana			
per l'Automazione (SIA)	0.81%	618	stock exchange services
Borsa Italiana	0.86%	477	management of stock market and securities services
Total		1,095	

3.6 Changes in equity investments during the year

3.6.1 Equity investments in Group companies

(ii	n thousands of euro)	31/12/2004	31/12/2003
A.	Opening balance	145	145
В.	b.1. purchases b.2. write-backs b.3. revaluations b.4. other increases	- - - -	- - - -
C.	Decreases c.1. sales c.2. write-downs of which: - write-downs c.3. other decreases	- - -	- - -
D.	Closing balance	145	145
E.	Total revaluations	-	-
E.	Total write-downs	_	_

3.6.2 Equity investments

(ji	n thousands of euro)	31/12/2004	31/12/2003
A.	Opening balance	1,095	1,099
В.	b.1. purchases b.2. write-backs b.3. revaluations b.4. other increases	- - - -	- - - -
C.	Decreases c.1. sales c.2. write-downs of which: - write-downs c.3. other decreases	- - -	- 4 -4 -
D.	Closing balance	1,095	1,095
E.	Total revaluations	-	-
E	Total write-downs	-	-

The residual balances at December 31, 2004, net of depreciation and amortization, are as follows:

Tangible fixed assets:

(in thousands of euro)	31/12/2004	31/12/2003
Furniture and fittings	1,250	1,096
Electrical and electronic machines	47	59
Plant	375	279
Other equipment	2	2
Total	1,674	1,436

Section 4
Tangible and intangible fixed assets (captions 90, 100)

Intangible fixed assets:

(in thousands of euro)	31/12/2004	31/12/2003
Goodwill	1,800	6,629
Leasehold improvements	1,618	2,823
Other deferred charges	129	199
Software	8	2
Total	3,555	9.653

4.1 Changes in tangible fixed assets during the year (caption 100)

Tangible fixed assets amount to 1,674 thousand Euro, net of depreciation, with the following changes during the year:

(jı	n thousands of euro)	31/12/2004	31/12/2003
A.	Opening balance	1,436	1,772
B.	Increases B.1. Purchases B.2. Write-backs B.3. Revaluations B.4. Other increases	790 215 575	657 657 - -
C.	Decreases C.1. Sales C.2. Write-downs a) depreciation b) permanent write-downs C.3. Other decreases	- 552 - -552 -552 -	-993 -78 -915 -915
D.	Closing balance	1,674	1,436
E.	Total revaluations	-	-
F.	Total write-downs a) depreciation b) permanent write-downs	3,306 3,306	3,329 3,329

[&]quot;Other increases" shown under caption B4 reflect the effect of eliminating fiscal distortions involving the reversal of accelerated depreciation booked at December 31, 2003.

Increases in tangible fixed assets are reported below:

(in thousands of euro)	
Furniture and fittings	99
Electrical and electronical machines	5
Plant	110
Other equipment	1
Total	215

The tangible fixed assets shown in the financial statements have never been revalued.

4.2 Changes in intangible fixed assets during the year (caption 90)

Intangible assets amount to 3,555 thousand Euro with the following changes during the year:

(jı	n thousands of euro)	31/12/2004	31/12/2003
A.	Opening balance	9,654	13,149
B.	Increases B.1. Purchases B.2. Write-downs B.3. Revaluations B.4. Other increases	4 4	457 457 - -
C.	Decreases C.1. Sales C.2. Write-downs	-6,103 -6,103 -2,103 -4,000	-3,952 -3,853 -3,014 -839 -99
D.	Closing balance	3,555	9,654
E.	Totals revaluation	-	-
E.	Total write-downs a) amortization b) permanent write-downs	15,643 10,804 4,839	9,540 8,701 839

During the year the Bank adjusted the value of goodwill by 4,000 thousand Euro after writing down the net book value of purchased goodwill relating to the acquisition of Aletti Invest Sim's asset management business. This write-down was necessary after Banca Aletti failed to achieve the margins and profitability originally expected at the time of determining the goodwill's value.

Costs were capitalized with the approval of the Statutory Auditors.

The increase during the year refers to the following assets:



Section 5 Other assets (captions 130, 140)

5.1 Breakdown of caption 130 "Other assets"

This caption is made up as follows:

(in thousands of euro)	31/12/2004	31/12/2003
Due from the tax authorities	5,123	12,586
Premiums paid on options	171,421	72,741
Guarantee deposits	11,380	2,641
Deferred tax assets	4,480	4,104
Due from the parent bank for tax filing		
on a group basis	21,994	-
Due from Group companies	20,640	17,123
Items in transit	63,709	246,828
Positive valuation of off-balance sheet transactions	823,618	252,010
Other	4,513	196
Total	1,126,878	608,229

Details are provided below:

• "Due from the tax authorities" amounts to 5,123 thousand Euro and includes 4,611 thousand Euro in tax advances paid for IRAP (regional business tax) and 517 thousand Euro in other minor amounts.

- "Premiums paid on options" refer to premiums paid for: options on indices
 of 115,203 thousand Euro, currency options of 53,811 thousand Euro, interest rate options of 2,175 thousand Euro and commodity options of 32
 thousand Euro, relating to over-the-counter transactions and include 200
 thousand Euro in premiums paid for options purchased on organized markets in Italy and abroad.
- "Guarantee deposits" mostly relate to Italy's central clearing house, of which 2,459 thousand Euro in default funds and 8,919 thousand in initial margins on listed derivatives.
- "Deferred tax assets" of 4,480 thousand Euro consist of 4,250 thousand Euro for IRES (corporate income tax) and 230 thousand Euro for IRAP (regional business tax). These assets have been recognized as management believes that the Bank is likely to recover them in full over the next few years.
- "Due from the parent bank for tax filing on a group basis" relates to 21,994 thousand Euro in advances for IRES paid to Banco Popolare di Verona e Novara in its role as the sole taxpayer after making a group tax election.
- "Due from Group companies", amounting to 20,640 thousand Euro, refers to services provided to:

-	Banco Popolare di Verona e Novara	Euro 7,191 thousand;
-	Credito Bergamasco	Euro 4,179 thousand;
-	Banca Popolare di Novara	Euro 4,126 thousand;
-	BPVN – London branch	Euro 90 thousand;
-	BPV – Luxembourg	Euro 39 thousand;
-	Aletti Gestielle SGR	Euro 1,183 thousand;
-	Aletti Gestielle Alternative SGR	Euro 2,922 thousand;
-	Aletti Fiduciaria	Euro 120 thousand;
-	Società Gestione Servizi BPVN	Euro 153 thousand;
-	Aletti Merchant	Euro 310 thousand;
-	Aletti Private Equity SGR	Euro 34 thousand;
-	BPVN Vita	Euro 275 thousand;
_	Banca per il leasing Italease SpA	Euro 18 thousand.

- "Positive valuation of off-balance sheet transactions" relates to the mark to
 market valuation of all derivative contracts and securities awaiting settlement as of December 31, 2004. This balance does not include any accruals
 relating to interest rate swaps at December 31, 2004, which are classified
 as "accrued income". The valuation has been made on positions that are
 open: negative valuations of the same instruments are classified under
 "other liabilities".
- "Other" includes 1,262 thousand Euro in commissions receivable, 1,987 thousand Euro relating to the revaluation of off-balance sheet transactions at year-end exchange rates, 260 thousand Euro for invoices issued but not yet collected and 239 thousand Euro in advances to suppliers.

5.2 Breakdown of caption 140 "Accrued income and prepaid expenses"

(in thousands of euro)	31/12/2004	31/12/2003
Accrued income:	178,705	124,268
a) interest on securities	7,686	5,489
b) interest on amounts due from banks	8,228	9,056
c) interest on repurchase agreements	6,265	6,170
d) interest accrued on derivative contracts	156,526	102,055
e) commission income	-	1,498
Prepaid expenses	4,154	5,055
a) prepaid interest on outright contracts	4,062	4,922
b) expenses and services	93	133
Total accrued income and prepaid expenses	182,860	129,323

The above figures refer to accrued income and prepaid expenses as of December 31, 2004 recorded on an accruals basis. Accrued income on interest rate swaps refers to accrued differentials.

5.3 Adjustments for accrued income and prepaid expenses

No direct adjustments have been made to asset or liability accounts in relation to accrued income and prepaid expenses, as would be permitted by art. 12.2 of Decree 87/92 where technically appropriate. The only exception is accrued issue discounts, which are added to the value of securities or to amounts due from the tax authorities, where appropriate.

5.4 Distribution of subordinated assets

(in thousands of euro)	31/12/2004	31/12/2003
a) due from banks	-	
b) due from customers	-	-
c) bonds and other debt securities	2,660	24

Breakdown of caption 10 "Due to banks"

Amounts due to banks are analyzed by technical form as follows:

(in thousands of euro)	31/12/2004	31/12/2003	Change
Repurchase agreements Current accounts and loans Deposits	3,076,301 23,920 2,383,171	2,451,467 1,167,751 1,378,933	624,834 -1,143,831 1,004,238
Total	5,483,392	4,998,151	485,241

The balances relating to deposits and current accounts include 839,582 thousand Euro (589,993 thousand Euro at December 31, 2003) in amounts denominated in currencies other than the Euro.

6.1 Detail of caption 10 "Due to banks"

Amounts due to banks are analyzed by technical form as follows:

(in thousands of euro)	31/12/2004	31/12/2003	Change
a) Repurchase agreements b) Securities loaned	3,076,301 -	2,451,467 -	624,834 -
Total	3,076,301	2,451,467	624,834

Breakdown of caption 20 "Due to customers"

(in thousands of euro)	31/12/2004	31/12/2003	Change
Repurchase agreements Current accounts	40,029 121,713	48,201 98.702	-8,172 23,011
Total	161,742	146,903	14,839

[&]quot;Repurchase agreements" mostly refer to transactions with primary international financial institutions

Section 6 Payables (captions 10, 20)

[&]quot;Current accounts" refer to 45,411 thousand Euro in funds relating to customers with assets under management and 76,302 thousand Euro in funds relating to customers with assets under administration.

6.2 Detail of caption 20 "Due to customers"

(in thousands of euro)	31/12/2004	31/12/2003	Change
a) Repurchase agreements b) Securities loaned	40,029	48,201 -	-8,172 -
Total	40.029	48,201	-8,172

Section 7 Provisions (captions 70 and 80)

This section describes the changes during the year in the reserve for termination benefits and in provisions for risks and charges.

Breakdown and changes to caption 70 "Reserve for termination benefits"

As of December 31, 2004 the balance equals 2,065 thousand Euro, which reflects the total amount due to employees at the year end under current law.

The following movements took place during the year:

(in thousands of euro)	31/12/2004	31/12/2003
Opening balance	1,662	1,078
Provisions	867	694
Other increases	113	337
Payments	-474	-447
Other decreases	-103	-
Closing balance	2,065	1,662

"Other increases" relate to the termination benefits of staff who ended secondments to Group companies during the year and were directly hired by Banca Aletti. "Other decreases" relate to the termination benefits of staff who ceased to work for Banca Aletti during the year and were directly hired by other Group companies.

Changes in sub-caption 80b) "Provisions for risks and charges: Tax provision"

The following movements took place during the year:

(in thousands of euro)	31/12/2004	31/12/2003
Opening balance	28,316	12,706
Provisions a) IRES	4,914	28,080 22,593
b) IRAP	3,771	4,650
c) Other taxes	-	837
d) Deferred taxes	1,143	-
Uses	-27,801	-12,470
Closing balance	5,429	28,316

Payments refer to the balance paid for 2003 tax.

The amount provided refers to estimated IRAP for the year.

As a result of opting to make a filing for group tax Banco Popolare di Verona e Novara is the sole taxpayer as far as the tax authorities are concerned with regard to IRES. This means that the related amount due at December 31, 2004 of 15,108 thousand Euro is no longer shown under the "Tax provision", but has been reclassified to "Other liabilities" as amounts due to Group companies.

7.3 Changes in sub-caption 80c) "Provisions for risks and charges"

(ir	thousands of euro)	31/12/2004	31/12/2003
Α.	Opening balance	2,308	2,500
В.	Increases B.1. Provisions B.2. Other changes	- - -	-
C.	Decreases C.1. uses C.2. Other changes	-2,308 -2,308	-192 -192
D.	Closing balance	-	2,308

This provision was used in full to cover the out-of-period expenses recorded in the year, as detailed in the report on operations in the section on "results for the period", and in the comments on "non-recurring expenses" contained in these explanatory notes.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are determined using the so-called balance sheet liability method, as required by IAS 12 in accordance with specific regulations issued by the Bank of Italy. More specifically, deferred tax assets and liabilities are calculated by applying to the nominal value of all temporary deductible and taxable differences the tax rates that, under the tax rules prevailing at the time of preparing these financial statements, will be in force when these differences are expected to reverse. The tax rates and methods of determining taxable income for IRES and IRAP are altered over the years to take account of changes in the related tax legislation (for example for changes in the tax rates) and the Bank's expected future earnings (ie. recognizing as tax assets and liabilities amounts deemed likely to be recovered or paid).

7.4 Changes during the year in "Deferred tax assets"

(ji	n thousands of euro)	31/12/2004	31/12/2003
1.	Opening balance	4,104	1,991
2.	Increases 2.1. deferred tax assets arising during the year 2.2. other increases	4,480 4,480	2,945 2,945
3.	Decreases 3.1. deferred tax assets cancelled during the yea 3.2. other decreases	-4,104 r -4,104	-832 -776 -56
4.	Closing balance	4,480	4,104

Deferred tax assets are booked to the extent that the amount is regarded as reasonably recoverable on the basis of profit forecasts.

7.5 Changes during the year in "Deferred tax liabilities"

(ji	n thousands of euro)	31/12/2004	31/12/2003
1.	Opening balance	-	
2.	Increases 2.1. deferred tax liabilities arising during the year 2.2. other increases	1,143 1,143	- - -
3.	Decreases 3.1. deferred tax liabilities cancelled during the years. 3.2. other decreases	- ear - -	- - -
4.	Closing balance	1,143	-

The information required by art. 2427.14 of the Italian Civil Code is presented below.

Analysis pursuant to art. 2427.14 of the Italia	n Civil Code	
Tamananan differences aladam das As defermed		
Temporary differences giving rise to deferred tax assets		12,882
- write-down of goodwill		4,000
- non-deductible expenses		8,882
Temporary differences giving rise to deferred tax liabilities		3,989
- gains on units in Italian mutual funds and equities in 2004		3,367
- elimination of fiscal distortions relating		3,307
to accelerated depreciation		622
Rate		
- IRES		33%
- IRAP		5.25%
Difference compared with the prior year	2003	2004
- Deferred tax liabilities	-	-1,143
- Deferred tax assets	4,104	4,481
Amounts booked to income statement	-	-767

Section 8
Capital stock,
equity reserves,
reserve for
general banking
risks and
subordinated
liabilities

Capital stock and equity reserves:

There were no changes during the year meaning that capital stock as of December 31, 2004 amounted to 72,000,003.24 Euro, consisting of 13,953,489 shares of 5.16 Euro each.

During the year, the accounts making up capital stock and reserves underwent the following movements:

(in thousands of euro)	Capital stock	Reserve and Share premium reserve	Legal reserve	Other reserves and retained earnings	Interim dividends	Net income	Total Capital and Reserves
Balances as							
of December 31, 2003 Allocation of 2003 net income following resolution dated	72,000	17,427	1,419	8,157	- 8,093	33,918	124,828
April 28, 2004	-	-	1,696	6,827	8,093	-33,918	-17,302
Net income for the year	-	-	-	-	-	42,560	42,560
Total	72,000	17,427	3,115	14,984	_	42,560	150,08

Pursuant to art. 2427.7 bis of the Italian Civil Code, we note that equity reserves are formed from allocations of prior year earnings and are entirely distributable, except for the portion allocated to legal reserve. The Bank has not utilized and/or distributed reserves in the last three years.

No own shares were held by the Bank at the balance sheet date.

As of December 31, 2004 the Bank had no subordinated liabilities.

8.1 Regulatory capital and capital adequacy requirements:

Regulatory capital and capital adequacy requirements as of December 31, 2004 are reported below:

(i.	n thousands of euro)	31/12/2004	31/12/2003	Cha	nges
Α.	Regulatory capital A.1 Tier 1 capital	125,322	97,873	27,449	28%
	A.2 Tier 2 capitalA.3 DeductionsA.4 Regulatory capital	- - 125,322	- - 97,873	- - 27,449	- - 28%
В.	Capital adequacy requirements B.1 Credit risks B.2 Market risks of which:	36,706 62,456	45,558 37,997	-8,852 24,459	-19% 64%
	- Risks on trading portfolio - Exchange risks - Concentration risks B.3 Other capital adequacy requirements	62,291 - 165 -	37,262 735 - -	25,029 -735 165 -	67% -100% n.s.
С.	B.4 Total capital adequacy requirements Risk assets and capital ratios	99,162	83,555	15,607	19%
	C.1 Risk-weighted assetsC.2 Tier 1 capital/Risk-weighted assetsC.3 Regulatory capital/ Risk-weighted assets	1,416,595 8.847 8.847	1,193,638 8.200 8.200	222,957	19%

Breakdown of equity reserves:

(in thousands of euro)	Legal reserve	Retained earnings (extraord. reserve)	
Opening balance	1,419	8,157	
Increases a) net income for 2004 Decreases	1,696 -	6,827 -	
Closing balance	3,115	14,984	

The stockholders' meeting of April 28, 2004 voted to allocate 5% of net income (1,696 thousand Euro) to the legal reserve and 20% (6,827 thousand Euro) to retained earnings (Other reserves).

Equity and other reserves not forming part of stockholders' income on distribution:

(in thousands of euro)	31/12/2004
Legal reserve	50

This reserve was created following the translation of capital stock into Euro, as approved by the Board of Directors on November 7, 2001.

No tax is due under Decree 466/97 even in the event of distribution to the stockholders.

Section 9 Other liabilities (captions 50 and 60)

9.1 Breakdown of caption 50 "Other liabilities"

This caption includes:

(in thousands of euro)	31/12/2004	31/12/2003
Due to the tax authorities	1,053	947
Due to employees	9,592	9,083
Due to social security agencies	915	1,085
Due to the parent company for tax filing		
on a group basis	15,108	-
Due to group companies	21,149	12,569
Due to suppliers	3,732	1,546
Premiums collected on options sold	346,430	120,876
Items in transit	11,552	232,115
Negative valuation of off-balance sheet transactions	675,987	168,958
Other	793	3
Total	1,086,311	547,182

[&]quot;Other liabilities" are detailed below:

- "Due to the tax authorities" consists of 578 thousand Euro in withholdings of personal income tax, 34 thousand Euro in VAT and 441 thousand Euro in withholdings applied to interest and capital gains on assets under management and administration.
- "Due to employees" include provisions for holiday pay as well as a provision for a bonus due to be paid in the early part of the new year.

- "Due to social security agencies" consists of 915 thousand Euro in contributions to the Italian social security authorities.
- "Due to the parent company for tax filing on a group basis" consists of 15,108 thousand Euro in IRES payable to Banco Popolare di Verona e Novara which is the Group's sole taxpayer after making a group tax election. In 2003 this charge, amounting to 22,593 thousand Euro, was classified under the "tax provision".
- "Due to Group companies", amounting to 21,149 thousand Euro, refers to services received in the last part of the year from:

•	-	Banco Popolare di Verona e Novara	Euro	5,312 thousand;
	-	Banca Popolare di Novara	Euro	1,600 thousand;
	-	Credito Bergamasco	Euro	691 thousand;
	-	Società Gestione Servizi BPVN	Euro	10,479 thousand;
	-	Aletti Gestielle SGR	Euro	40 thousand;
	-	Aletti Invest SIM	Euro	2,984 thousand;
	-	Aletti Merchant	Euro	41 thousand;
	-	Aletti Private Equity SGR	Euro	2 thousand.

- "Due to suppliers" refers to payables for invoices received but not yet settled.
- "Premiums collected on options sold" relate solely to premiums collected on over-the-counter options sold; these include put options on guaranteed capital schemes of 13,853 thousand Euro, interest rate options of 43,274 thousand Euro, options on securities and indices of 237,013 thousand Euro, currency options of 52,273 thousand Euro and commodity options of 18 thousand Euro.
- The amount shown under "Items in transit" reflects transactions in securities, carried out both on the Bank's own account and that of third parties in the last few days of 2004, which were settled in the first few days of 2005.
- The "Negative valuation of off-balance sheet transactions" relates to the mark to market valuation of derivative contracts as well as to securities awaiting settlement as of December 31, 2004.

9.2 Breakdown of caption 60 "Accrued expenses and deferred income"

(in thousands of euro)	31/12/2004	31/12/2003
Accrued expenses	186,158	125,371
- interest on amounts due to banks	6,595	5,130
- interest on repurchase agreements	5,523	6,116
- interest accrued on derivative contracts	174,030	113,037
- commission expense	-	604
- other	10	484
Deferred income	5,346	5,097
- deferred interest on outright contracts	5,346	5,097
Total	191,504	130,468

The above figures refer to accrued expenses and deferred income as of December 31, 2004 recorded on an accruals basis. Accrued expenses on interest rate swaps refer to accrued differentials.

10.1 Breakdown of caption 20 "Commitments"

Section 10 Guarantees and commitments

(iı	n thousands of euro)	31/12/2004	31/12/2003
a)	Commitments to grant finance		
	(certain to be called)	577,244	656,474
	 purchase of securities awaiting settlement deposits to be disbursed to banks 	533,948	481,613
	within 2 days	43,296	174,861
b)	Commitments to grant finance	·	
	(not certain to be called) - commitments to Interbank	765,336	664,184
	Deposit Guarantee fund	125	65
	- Put options sold	765,211	664,119
	Total	1,342,580	1,320,658

10.3 Assets charged as security for liabilities

(I	n thousands of euro)	31/12/2004	31/12/2003
a) b)	Securities guaranteeing repurchase agreements Securities lodged with the Bank of Italy	224,938	144,243
/	to guarantee advances	2,522	-

10.4 Margins available on credit lines

31/12/2004	31/12/2003
1,125	4,044

The amount in a) concerns the residual portion of the compulsory reserve with the Bank of Italy at the reference date.

10.5 Forward transactions

Type of transactions (in thousands of euro)	hedging	31/12/2004 trading	other transactions	hedging	31/12/2003 trading	other transactions
1. Purchase/sale	-	6,039,869	-	-	5,234,765	-
1.1. securities	-	1,047,155	-	-	937,606	-
- purchases	-	533,948	-	-	481,613	-
- sales	-	513,207	-	-	455,993	-
1.2. Currency	-	4,992,714	-	-	4,297,159	-
- currency against currency	-	336,243	-	-	22,625	-
- purchases against Euro	-	2,428,301	-	-	2,177,687	-
- sales against Euro	-	2,228,170	-	-	2,096,847	-
2. Deposits and loans:	_	_	82,247	_	_	447,253
- to be made	_	_	43,296	_	-	174,861
- to be received	-	-	38,951	-	-	272,392
3. Derivative contracts:	250,139	57,551,116	_	865,000	37,147,735	
3.1. with exchange of capital:	-	7,507,559	-	-	6,184,310	-
a) securities:	-	946,496	-	-	697,083	-
- purchases	-	867,940	-	-	684,181	-
- sales	-	78,556	-	-	12,902	
b) currency:	-	6,561,063	-	-	5,487,227	-
- currency against currency	-	84,206	-	-	85,540	-
- purchases against Euro	-	3,120,223	-	-	2,580,936	
- sales against Euro	_	3,356,634	_	_	2,820,751	-
c) other:	-	-	-	-	-	-
- purchases	-	-	-	-	-	-
- sales	_	_	_	_	-	-
3.2. without exchange of capital:	250,139	50,043,557	_	865,000	30,963,425	-
a) currency:	, -	-	_	-	-	-
- currency against currency	_	-	_	_	_	-
- purchases against Euro	_	-	-	_	-	
- sales against Euro	_	_	-	_	-	
b) other:	250,139	50,043,557	-	865,000	30,963,425	
- purchases	5,139	24,677,910	-	55,000	15,066,644	_
- sales	245,000	25,365,647	-	810,000	15,896,781	-
Total	250,139	63,590,985	82,247	865,000	42,382,500	447,253

10.6 Credit derivatives

As of December 31, 2004 the Bank had no credit derivatives.

11.1 Major risks

As of December 31, 2004 there were seven positions classified as "major risks", i.e. total weighted exposures to borrowers or groups of related borrowers exceeding 10% of regulatory capital. The total of such positions at risk amounted to 174,519 thousand Euro (37,420 thousand Euro at December 31, 2003).

Section 11 Concentration and distribution of assets and liabilities

11.2 Distribution of loans and advances to customers by main categories of borrower

(jı	n thousands of euro)	31/12/2004	31/12/2003
a)	governments	-	
b)	other public entities	-	_
c)	non-financial institutions	-	13
d)	financial institutions	32,984	86,170
e)	family businesses	1	1
f)	other operators	907	46
1		33,892	86,230

11.3 Distribution of loans and advances to resident non-financial institutions and family businesses

Loans and advances were distributed mostly to companies in the following sectors as of December 31, 2004: "other commercial services" and "commerce, salvage and repairs".

11.5 Geographical distribution of assets and liabilities

The distribution of assets and liabilities based upon the geographical location of recipients is as follows:

31/12/2004 (in thousands of euro)	Italy	Other EU countries	Other countries
1. Assets	5,132,790	584,206	47,320
1.1. due from banks	4,538,903	555,743	39,361
1.2. due from customers	33,013	879	-
1.3. securities	560,874	27,584	7,959
2. Liabilities	5,143,992	227,688	273,454
2.1. due to banks	5,002,784	207,187	273,421
2.2. due to customers	141,208	20,501	33
2.3. securities issued	-	-	-
2.4. other	-	-	-
3. Guarantees and commitments	926,294	409,449	6,837

31/12/2003 (in thousands of euro)	Italy	Other EU countries	Other countries
_			
1. Assets1.1. due from banks1.2. due from customers1.3. securities	3,620,132 3,349,666 84,961 185,505	1,527,327 1,513,085 1,269 12,973	82,470 70,428 - 12,042
2. Liabilities 2.1. due to banks 2.2. due to customers 2.3. securities issued 2.4. other	4,573,326 4,426,426 146.900	246,697 246,694 3 -	325,031 325.031
3. Guarantees and commitments	1.096.148	224.502	8

11.6 Maturities of assets and liabilities

				specified	duration			
31/12/2004	on	up to	from 3 to 12	from 1	to 5 years	beyond		unspeci duratio
(in thousands of euro)	demand	3 months	months	fixed r.	floating r.	└ fixed rate	indexed rate	و
4 Assats								
Assets								
1.1. Treasury bonds eligible		2 264	7 220	250	25	2		
for refinancing	-	2,264	7,228	358	35	3	-	
1.2. Due from banks	26,233		586,339	5,000	-	-	-	1,12
1.3. Due from Customers	14,036	19,856	-	-	-	-	-	
1.4. Bonds and other debt securities	-	126,520	133,503	26,598	58,764	5,110	27,420	
1.5. Off-balance sheet transactions	1,619,761	15,216,226	9,392,818	14,346,147	51,659	2,500,566	3,028	
Total	1,660,030	19,880,176	10,119,888	14,378,103	110,458	2,505,679	30,448	1,12
2. Liabilities								
2.1. Due to banks	813,942	4,267,023	402,426	-	-	-	-	
2.2. Due to customers	121,714	39,801	48	179	-	-	-	
2.3. Securities issued:								
- bonds	-	-	-	_	-	_	-	
- certificates of deposit	-	-	-	_	-	_	-	
- other securities	-	-	-	-	-	-	-	
2.4. Subordinated liabilities	-	-	-	-	-	-	-	
2.5. Off-balance sheet transactions	788,372	16,370,316	8,857,184	14,419,599	84,415	2,607,140	3,179	
Total	1,724,028	20,677,140	9,259,658	14,419,778	84,415	2,607,140	3,179	

				specified	duration			
31/12/2003	on up t	up to	up to from 3	from 1	from 1 to 5 years		5 years	unspecif. duration
(in thousands of euro)	demand	3 months	to 12 months	fixed r.	floating r.	fixed rate	indexed rate	
I Assets								
I.1. Treasury bonds eligible								
for refinancing	1	949	1,161	8	1	201	104	
.2. Due from banks	212,881	3,644,809	1,073,489	2,000	-	-	-	
.3. Due from customers	1,403	84,827	-	-	-	-	-	
.4. Bonds and other debt securities	193	13,322	90,095	9,526	47,588	1,585	3,469	2,08
.5. Off-balance sheet transactions	630,352	12,531,696	4,387,110	8,506,822	60,321	2,056,547	74,191	
Total	844,830	16,275,603	5,551,855	8,518,356	107,910	2,058,333	77,764	2,08
2. Liabilities								
.1. Due to banks	229,638	4,340,432	428,080	-	-	-	-	
.2. Due to customers	98,702	48,201	-	-	-	-	-	
.3. Securities issued:								
- bonds	-	-	-	-	-	-	-	
- certificates of deposit	-	-	-	-	-	-	-	
- other securities	-	-	-	-	-	-	-	
.4. Subordinated liabilities	-	-	-	-	-	-	-	
5. Off-balance sheet transactions	407,922	12,456,957	4,701,253	8,658,580	93,688	1,856,314	72,325	
Total	736,262	16,845,590	5,129,333	8,658,580	93,688	1,856,314	72,325	

11.7 Assets and liabilities in foreign currency

The following foreign currency balances were identified in the balance sheet at the time of preparing the financial statements:

(in thousands of euro)	31/12/2004	31/12/2003	Change
	544.054	45.000	625.242
a) Assets	641,051	15,809	625,242
1. due from banks	637,783	13,074	624,709
due from customers	6	-	6
3. securities	3,262	2,735	527
4. equity investments	-	-	-
5. other assets	-	-	-
b) Liabilities	839,686	589,993	249,693
1. due to banks	839,582	589,993	249,589
2. due to customers	104	-	104
3. securities issued	_	_	_
4. other liabilities	-	-	_

11.8 Securitization transactions

"Trading securities" reported in section 2.3 include the following securities issued by third parties as part of securitization transactions;

Securities deriving from third-party securitization transactions

Isin code	Description of security	Туре	Originator	Issuer	Rating Moody's Investors Service	Maturity
IT0003402911	SCIP TV 02-07	Senior	Various social security agencies	Società Cartolarizz. Immobili Pubblici	AAA	April 26, 2007
IT0003402929	SCIP TV 02-08	Senior	Various social security agencies	Società Cartolarizz. Immobili Pubblici	AAA	October 26, 2008
IT0003505440	INPS TV 03-08	Senior	INPS	Società Cartolarizz. Crediti INPS	AAA	July 31, 2008

Description of senior securities by type and quality

Isin code	Description of security	Nominal value	Book value	Type of asset	Quality
JT0002402011	CCID TV 02 07	F02	502	Duilding	Do who was in a
IT0003402911 IT0003402929	SCIP TV 02-07 SCIP TV 02-08	502 30	502 30	Buildings Buildings	Performing Performing
IT0003505440	INPS TV 03-08	2,000	2,008	Receivables	Performing
Total			2,540		

No adjustments have been made to the above transactions.

The Bank has no interests in vehicle companies for third-party securitizations.

Section 12 Management and brokerage on behalf of third parties

12.1 Third-party trading

The Bank reported the following volumes of trading in securities for third parties during 2004:

(in thousands of euro)		31/12/2004	31/12/2003
a)	Purchases 1. settled 2. unsettled	12,641,777 12,640,548 1,229	15,831,688 15,716,843 114,845
b)	Sales 1. settled 2. unsettled	11,534,875 11,534,251 624	16,064,738 15,941,403 123,335

The figures at December 31, 2003 have been recalculated since they previously contained an error due to a technical problem meaning that not all the purchases and sales were summed for the full twelve months.

12.2 Asset management

(in thousands of euro)	31/12/2004	31/12/2003	Chan	ge
a) bank's own securities b) other securities	- 5,810,538	- 4,749,348	- 1,061,190	- 22%

These balances include the assets of direct customers and securities portfolios belonging to the following Group banks: Banca Popolare di Verona e Novara, Credito Bergamasco, Banca Popolare di Novara, London and Luxembourg branch of Banca Popolare di Verona.

Asset management on behalf of third parties

Asset management activities on behalf of third parties are analyzed below:

(in thousands of euro)	31/12/2004	31/12/2003	Cha	ange
a) Cassa di Risparmio di Fabriano e Cupramontana b) Banco Popolare di Verona	14,418	17,919	-3,501	-20%
e Novara c) Credito Bergamasco	3,644,339 1,477,874	3,559,734 1,504,644	84,605 -26,770	2% -2%
d) Banca Popolare di Novara	2,229,107	2,238,858	-9,751	n,s
Total	7,365,738	7,321,155	44,583	19

12.3 Securities under custody and administration

The breakdown of securities under custody and administration is shown below:

(in thousands of euro)		31/12/2004	31/12/2003
a)	third-party securities in custody (excluding portfolio management schemes) 1) bank's own securities	_	_
b)	2) other securities third-party securities held by third parties own securities held by third parties	765,181 752,887 491,526	525,455 513,749 196,851

The amounts are shown at the nominal value of the securities.

12.5 Other transactions

During the year Banca Aletti took part in placements and take-over bids.

In particular, it acted as Co-Global Coordinator in the placement of Panaria on the STAR segment of the Italian equities market. It also acted as Manager for the following transactions:

- Placements: Tecla, Dmt, Terna, Procomac, Greenvision, Enel, Rgi and Geox.
- Take-over bids: Air dolomiti, Euphon, Saeco, Beni stabili, Grandi navi veloci and Roland.

The Bank also acted as joint-lead manager in the placement on the Euromarket of a senior bond issued by Banco Popolare di Verona e Novara for 500 million Euro. It also took part on behalf of the Parent Bank in a private placement of Lower Tier II bonds, as part of an EMTN programme, for a total of 20 million Euro.

Part C - Income statement

Section 1 Interest (captions 10 and 20)

Section 1 1.1 Breakdown of caption 10 "Interest income and similar revenues"

(iı	n thousands of euro)	31/12/2004	31/12/2003
a)	on due from banks of which:	108,163	134,626
	- due from central banks	184	313
b)	on due from customers of which:	926	1,433
	- third-party assets under administration	-	-
c)	on debt securities	7,465	9,233
d)	other interest income	-	27
e)	positive spread on hedging transactions	-	-
	Total	116.554	145.319

1.2 Breakdown of caption 20 "Interest expense and similar charges"

(iı	n thousands of euro)	31/12/2004	31/12/2003
a)	on due to banks	112,293	136,057
b)	on due to customers	2.010	2,544
c)	on securities issued of which:	-	-
	- certificates of deposit	-	-
d)	on third-party assets under administration	-	-
e)	on subordinated liabilities	-	-
f)	negative spread on hedging transactions	235	743
	Total	114.538	139.344

1.3 Detail of caption 10 "Interest income and similar revenues"

(ir	n thousands of euro)	31/12/2004	31/12/2003
a)	on foreign currency assets	10,281	11,083
	- bank current accounts	10,281	11,083
	due from customersdebt securities	-	-
	Total	10,281	11,083

1.4 Detail of caption 20 "Interest expense and similar charges"

(jı	n thousands of euro)	31/12/2004	31/12/2003	
a)	on foreign currency liabilities	24,424	14,353	
	- bank current accounts	24,424	14,353	
	due from customersdebt securities	-	-	
	Total	24,424	14,353	

2.1 Breakdown of caption 40 "Commission income"

(in thousands of euro)	31/12/2004	31/12/2003
a) guarantees given	-	
b) credit derivatives	-	-
c) management, brokerage and advisory services 1. securities trading 2. currency trading 3. asset management: "I. Individual" "II. Collective" 4. custody and administration of securities 5. custodian bank 6. securities placement 7. collection of orders 8. advisory services 9. distribution of third-party services 9.1. asset management: a) individual b) collective 9.2. insurance products 9.3. other products	91,969 22,322 27 35,520 35,520 - 162 - 33,242 337 359 - -	58,374 17,875 40 29,047 29,047 - 168 - 10,222 - 1,022 - -
d) collection and payment services	5	3
e) servicing for securitization transactions	-	-
f) tax collection services	-	-
g) other services	725	350
Total	92,699	58,727

Section 2 Commissions (captions 40 and 50)

2.2 Detail of caption 40 "Commission income": "Product and service distribution channels"

(ir	n thousands of euro)	31/12/2004	31/12/2003
a)	at own branches	92,699	58,727
	1. asset management	35,520	29,047
	2. securities placement	33,242	10,222
	3. third-party services and products	23,937	19,458
b)	door-to-door	-	-
	1. asset management	-	-
	2. securities placement	-	-
	3. third-party services and products	-	-
	Total	92,699	58.727

2.3 Breakdown of caption 50 "Commission expense"

(ii	n thousands of euro)	31/12/2004	31/12/2003
a)	Guarantees received	346	305
b)	Credit derivatives	-	-
c)	Management and brokerage 1. securities trading 2. currency trading 3. asset management 3.1. Own portfolio 3.2. Third-party portfolio 4. custody and administration of securities 5. securities placement 6. door to door sale of securities, products and services	30,728 4,303 - 4,459 4,459 - 880 21,086	12,005 3,483 - 4,819 4,819 - 587 3,116
d)	Collection and payment services	16	15
e)	other services	103	15
	Total	31,193	12,340

3.1 Breakdown of caption 60 "Profits (losses) from financial transactions"

2004 (in thousands of euro)	Securities	Currencies	Other	Total
A.1. Revaluations	4,672	-	573,300	577,972
A.2. Write-downs	-1,214	-	-506,840	-508,054
B.2. Other profits/losses	10,117	10,078	-36,065	-15,870
Total	13,575	10,078	30,395	54,048
Government securities	2,907			
2. Other debt securities	4,800			
3. Equities	5,603			
4. Securities derivatives	265			

Section 3 Profits (losses) from financial transactions (caption 60)

2003 (in thousands of euro)	Securities	Currencies	Other	Total
A.1. Revaluations	1,827	1,873	209,102	212,801
A.2. Write-downs B.2. Other profits/losses	-503 8,057	-736 402	-143,303 -7,299	-144,542 1,160
Total	9,381	1,539	58,499	69,419
 Government securities Other debt securities Equities Securities derivatives 	1,924 5,295 2,162			

Section 4 Administrative expenses (caption 80)

Breakdown of caption 80 "Administrative expenses"

Administrative expenses, amounting to 62,629 thousand Euro, are made up as follows:

(in thousands of euro)	31/12/2004	3 of which: with the Gro		f which: the Group
A. Personnel costs	23,164	_	22,639	_
1. wages and salaries	15,535	-	17,635	-
2. social security charges	3,850	-	3,329	-
3. termination benefits	867	-	694	-
4. Group retirement fund	-	-	269	-
5. other expenses	2,912	-	712	-
B. Other administrative expenses	39,465	27,188	36,143	25,553
1. indirect taxes	370	-	364	-
miscellaneous services provided by third parties	d 22,332	21,558	19,495	18,930
3. fees for professional services	1,638	21,330	1,053	10,550
4. rental charges	2,682	1,137	2,657	735
5. maintenance costs	131	1,137	2,037	, , , ,
6. cleaning costs	135	_	166	_
7. power, heating and water	267	_	214	129
8. maintenance and repair of furi				.23
machinery and plant	467	_	505	_
9. personnel on secondment	5,606	4,431	5,679	5,679
10. postal, telephone and data	,,,,,,	,	,	, ,
transmission expenses	582	_	664	_
11. stationery and printing	379	-	404	-
12. advertising, entertainment and g	ifts 1,655	-	1,456	-
13. security costs	124	-	122	-
14. transportation costs	242	-	209	-
15. insurance premiums	59	-	78	3
16. information and survey costs	1,109	-	1,244	-
17. directors and statutory auditors	S			
remuneration	606	62	561	77
18. independent auditors fees	174	-	147	-
19. temporary staff	569	-	576	-
20. membership fees	106	-	65	-
21. other costs and expenses	232	-	222	-
Total	62,629	27,188	58,782	25,553

Other administrative expenses

For the purposes of achieving economies of scale within the Group, Banca Aletti, like the other banks, uses the services of Società Gestione Servizi BPVN for the performance of a number of functions (information technology, settlement, bank account reconciliation etc). Banca Aletti also uses the services of the Parent Bank for certain other functions (risk management, correspondent banking, short-term treasury management, reporting to the supervisory authorities, purchase ledger). The use of these structures helps improve the management of these services, while achieving a significant saving in costs.

The outsourced services are covered by agreements whose terms are dictated on an arm's length basis or using a consumption or volume-based cost-allocation model.

4.1 Average number of employees by category

The average number of employees by category at the beginning and end of the year is shown below:

Category	31/12/2004	31/12/2003	Cha	nges
a) Senior management	14	11	3	27%
b) Executives	119	88	31	35%
c) Other personnel	86	86	-	-%
Total	219	185	34	18%

5.1 Breakdown of caption 120 "Adjustments to loans and provisions for guarantees and commitments"

(ir	thousands of euro)	31/12/2004	31/12/2003
a)	Adjustments to loans of which:	-	312
	 general adjustments for country risk other general adjustments 	-	- 312
b)	Provisions for guarantees and commitmen of which:	ts -	-
	general provisions for country risksother general provisions	-	-
	Total	-	312

Section 5 write-downs, write-backs and provisions (captions 90,120)

Detail of caption 90 "Depreciation and amortization of tangible and intangible fixed assets"

(in	thousands of euro)	31/12/2004	31/12/2003
a)	Amortization of intangible fixed assets of which:	6,108	3,853
	- leasehold improvements	1,208	1,210
	- software	1	28
	- advertising	-	1,678
	- goodwill	4,829	829
	- other deferred charges	70	109
b)	Depreciation of tangible fixed assets of which:	552	915
	- depreciation of furniture and fittings	329	53
	- depreciation of plant	219	282
	- other equipment	4	580
	Total	6,660	4,768

Section 6 Other income statement captions (captions 30, 70, 110, 180, 190 and 220)

Section 6 Breakdown of caption 30 "Dividends and other revenues"

The breakdown is shown below:

(in thousands of euro)	31/12/2004	31/12/2003
Dividends on shares, quotas and other equities Dividends on equity investments Dividends on equity investments in Group compa	15,599 199 nies -	586 312 -
Total	15,798	898

[&]quot;Dividends on equity investments" relate to Borsa Italiana (168 thousand Euro) and Società Italiana per l'Automazione "SIA" (31 thousand Euro).

6.1 Breakdown of caption 70 "Other operating income"

The caption includes:

(in thousands of euro)	31/12/2004	31/12/2003
Recharge of expenses to Group companies	1,749	1,556
Recharge of taxes	267	166
Other costs recharged	106	24
Other	363	107
Total	2,485	1,853

This caption mostly refers to revenues from services provided to other Group companies and recharges of costs for personnel on secondment.

6.2 Breakdown of caption 110 "Other operating expenses"

The balance is made up of:

(in thousands of euro)	31/12/2004	31/12/2003
Lease charges for assets under financial lease contracts Other	100 34	117 4
Total	134	121

6.3 Breakdown of caption 180 "Non-recurring income"

The balance is made up of:

(ir	n thousands of euro)	31/12/2004	31/12/2003
a)	Out-of-period income (already taxed)	580	75
a) b)	Other out-of-period income	115	92
c)	Gains	-	3
d)	Roundings	-	16
e)	Other	3	62
	Total	698	248

[&]quot;Non-recurring income" mostly refers to 575 thousand Euro in out-of-period income arising on the elimination of fiscal distortions.

6.4 Breakdown of caption 190 "Non-recurring charges"

Non-recurring charges refer to:

(ji	n thousands of euro)	31/12/2004	31/12/2003
a)	Out-of-period expenses	4,923	405
b)	Penalties and fines	-	1,332
c)	Losses on the disposal of: - equity investments	-	1
d)	Roundings	-	12
	Total	4,923	1.750

As already discussed in the report on operations, a total of 4,617 thousand Euro in out-of-period expenses were recorded in the year, net of releases from the related provision booked in prior years. These expenses referred to errors in the accounting records arising from the malfunctioning of the previous information system, adopted in 2001 and 2002.

6.5 Breakdown of caption 220 "Income taxes for the year"

The balance of 19,646 thousand Euro in "Income taxes for the year" includes the adjustment resulting from the calculation of deferred taxation.

(in thousands of euro)	31/12/2004	31/12/2003
Current taxes	18,879	27,243
Changes in deferred tax assets Changes in deferred tax liabilities	-376	-2,113
Income taxes for the year	1,143 ————————————————————————————————————	25,130

The tax provision has been calculated on the taxable income for the year using current rates. The total balance of 18,879 thousand Euro includes 15,108 thousand Euro for IRES (corporate income tax) and 3,771 thousand Euro for IRAP (regional business tax).

The calculation of the provision for deferred tax assets gave rise to a tax benefit of 376 thousand Euro, broken down as follows:

(in thousands of euro)	31/12/2004	31/12/2003
Deferred tax assets/reversal of taxes on losses and costs deducted for tax only when paid Deferred tax assets on taxed provisions Other differences, net	-4,104 4,480 -	-776 2,945 -56
Total	376	2,113

The provision for deferred tax liabilities gave rise to a tax charge for 2004 of 1,143 thousand Euro, broken down as follows:

(in thousands of euro)	31/12/2004	31/12/2003
Deferred tax liabilities on capital gains on Italian UCITS and equities	905	
Deferred tax liabilities relating to accelerated depreciation	52	-
Deferred tax liabilities relating to the elimination of fiscal distortions	186	-
Total	1,143	-

7.1 Geographical distribution of revenues

The geographical distribution of revenues is not presented since it is not significant.

Section 7 Other income statement information

Part D - Other information

Section 1 Directors and statutory auditors

1.1 Directors and statutory auditors remuneration

The remuneration of directors and auditors, including VAT, is shown below:

(ji	n thousands of euro)	31/12/2004	31/12/2003
a)	Directors	478	465
b)	Statutory Auditors	128	96
	Total	606	561

1.2 Loans and guarantees extended to directors and statutory auditors

As of December 31, 2004 the Bank had not extended any loans or guarantees to directors or statutory auditors.

Section 2 Parent Company or E.U. Parent Bank

The capital stock of Banca Aletti amounts to Euro 72,000,003, fully paid-in and consists of 13,953,489 shares of Euro 5.16 each.

The stockholding structure of Banca Aletti is as follows:

Name	Head Office	no. of shares held	% held
Banco Popolare di Verona e Novara	Verona – Piazza Nogara, 2	10,357,025	74.23%
Credito Bergamasco S.p.A.	Bergamo – Largo Porta Nuova, 2	3,596,464	25.77%
Totale		13,953,489	100.00%

As of December 31, 2004 Banca Aletti holds 100% of the capital stock in Aletti Fiduciaria S.p.A.

Banca Aletti is a member of the "Banco Popolare di Verona e Novara" Banking Group.

Banca Aletti does not prepare consolidated financial statements, since these are prepared by "Banco Popolare di Verona e Novara", the Parent Bank.

Key figures from the parent bank's latest approved financial statements (as of December 31, 2003) are reported below:

3	1/12/2003	31/12/2002	Char	nges
name statement (millions of a	umal			
<u>ncome statement</u> (millions of en Net interest income	<i>uro)</i> 452.0	668.2	-216.2	-32.49
Net commissions	260.6	356.0	-210.2 -95.4	-26.89
Net service income	346.1	446.5	-100.4	-20.67
Net interest and other banking	540.1	440.5	-100.4	-22.5 /
income	1,054.7	1,205.5	-150.8	-12.59
Operating expenses	472.0	730.4	-258.4	-35.29
Operating income	582.7	475.2	107.5	22.6
ncome before non-recurring item		357.7	-42.5	-11.9
Ion-recurring income (loss)	-20.2	28.9	-42.5	-11.5
let income for the year	202.8	233.6	-30.8	-13.2
let income for the year	202.0	233.0	-30.6	-13.2
Balance sheet (millions of euro)				
otal assets	28,515.7	26,215.7	2,300.0	8.8
Due from customers (gross)	18,260.8	15,712.5	2,548.3	16.3
ecurities	2,563.1	2,106.5	456.6	21.7
tockholders' equity	3,158.3	3,129.0	29.3	0.9
inancial assets of customers (millions of e	uro)		
Direct deposits	19,004.9	15,731.6	3,273.3	20.8
ndirect deposits	23,196.0	19,812.8	3,383.2	17.1
asset management	14,032.2	12,136.3	1,895.9	15.6
- funds and fund-based portfolio		,	,	
management .	9,205.6	7,738.9	1,466.7	19.0
- other portfolio management	2,132.5	2,448.9	-316.4	-12.9
- insurance policies	2,694.1	1,948.5	745.6	38.3
assets under administration	9,163.8	7,676.5	1,487.3	19.4
tructure and operational proc	luctivity			
Average number of employees	4,858	6,965	-2,107	-30.3
lumber of branches	506	383	123	32.1
Due from customers (gross)	500	203	123	ا . ک
per employee (€/1000)	3,758.8	2,255.9	1,502.9	66.6
per employee (€/1000) let interest and other banking	5,750.8	2,255.9	1,502.9	00.0
income per employee (€/1000)	217.1	173.1	44 0	25.49
		1/3.1	44.0	Z5.4`
Operating expenses per employee		1040	-7.5	7 1
(€/1000)	97.4	104.9	-/.5	-7.1

Key financial ratios and other information	31/12/2003	31/12/2002
Profitability ratios (%)		
ROE	6.9%	8.1%
Adjusted ROE (1)	8.1%	9.2%
Net interest income / Net interest		
and other banking income	42.8%	55.4%
Net service income / Net interest		
and other banking income	32.8%	37.0%
Operating expenses / Net interest		
and other banking income	44.8%	60.6%
Credit risk ratios (%)		
Net non-performing loans / Due from customers (net	4.21%	5.61%
Net problem loans / Due from customers (net)	1.65%	1.45%
Net non-performing loans / Stockholders' equity	23.46%	26.98%
Solvency ratio (%)		
Stockholders' equity / Due from customers (net)	17.95%	20.79%

⁽¹⁾ Adjusted as result from the net effect of goodwill amortization $% \left(1\right) =\left(1\right) \left(1\right)$





Statement of cash flows

(in thousands of euro)	31/12/2004	31/12/2003
Sources of funds	69,732	67,118
Net income (loss) for the year	42,560	33,918
Amortization of intangible fixed assets	6,108	3,853
Depreciation of tangible fixed assets	552	915
Provisions for direct taxes	19,646	27,244
Provisions for other taxes	-	494
Provisions for risks	-	-
Provisions to the reserve for termination benefits Provisions to the retirement reserve	866	694
riovisions to the retirement reserve	-	-
Increase in funds received	1,085,114	368,965
Due to banks	485,241	-
Due to customers	14,839	-
Other liabilities	523,999	318,546
Accrued expenses and deferred income	61,035	50,419
Increase in capital stock	-	-
Decrease in funds invested	56,714	3,238,293
Cash and funds with central banks	4,374	-
Securities	-	90,200
Due from banks		2,986,232
Due from customers	52,340	161,778
Equity investments	-	4
Equity investments in Group companies	-	-
Intangible fixed assets	-	70
Tangible fixed assets Other assets	-	79
Accrued income and prepaid expenses	-	-
Total	1,211,560	3,674,376
Application of funds	47,481	29,413
Payment of termination benefits	70	329
Use of the tax provision	27,801	12,470
Use of the reserve for possible loan losses	2,308	192
Use of the retirement reserve	-	171
Payment of dividends	17,302	16,251
Decrease in funds received	_	3,154,008
Due to customers		3,127,409
Others Heleilitee	-	
Other habilities	-	26,599
	- -	
Accrued expenses and deferred income	1,164,079	
Accrued expenses and deferred income Increase in funds invested	1,164,079	26,599 -
Accrued expenses and deferred income Increase in funds invested Cash and funds with central banks	1,164,079 - 385,897	26,599 - 490,955
Accrued expenses and deferred income Increase in funds invested Cash and funds with central banks Securities portfolio Due from banks	-	26,599 - 490,955 2
Accrued expenses and deferred income Increase in funds invested Cash and funds with central banks Securities portfolio Due from banks Due from customers	- 385,897	26,599 - 490,955 2
Accrued expenses and deferred income Increase in funds invested Cash and funds with central banks Securities portfolio Due from banks Due from customers Equity investments in Group companies	385,897 205,198 - -	26,599 - 490,955 2
Accrued expenses and deferred income ncrease in funds invested Cash and funds with central banks Securities portfolio Due from banks Due from customers Equity investments in Group companies ntangible fixed assets	- 385,897 205,198 - - 9	26,599 - 490,955 2 71,253 - - - 357
Accrued expenses and deferred income Increase in funds invested Cash and funds with central banks Securities portfolio Due from banks Due from customers Equity investments in Group companies intangible fixed assets Tangible fixed assets	- 385,897 205,198 - - 9 791	26,599 - 490,955 2 71,253 - - - 357 657
Accrued expenses and deferred income Increase in funds invested Cash and funds with central banks Securities portfolio Due from banks Due from customers Equity investments in Group companies Intangible fixed assets Tangible fixed assets Other assets	- 385,897 205,198 - - 9 791 518,647	26,599 - 490,955 2 71,253 - - - 357 657 385,338
Other liabilities Accrued expenses and deferred income Increase in funds invested Cash and funds with central banks Securities portfolio Due from banks Due from customers Equity investments in Group companies Intangible fixed assets Tangible fixed assets Other assets Accrued income and prepaid expenses	- 385,897 205,198 - - 9 791	26,599 - 490,955 2 71,253 - - - 357 657

Aletti Fiduciaria S.p.A. Balance sheet

ASSETS (in euro) 3	1/12/2004	31/12/2003
A. Amounts due from stockholders	-	-
B. Fixed assets	8,656	10,360
I Intangible fixed assets 1 start-up and expansion costs 4 concessions, licences, trademarks and similar rights 7 other	7,633 2,126 4,437 1,070	3,190 4,059
II Tangible fixed assets 4 other assets	52 52	
III Financial fixed assets 3 other securities	971 971	971 971
C. Current assets	506,563	308,778
I Inventories	-	-
II Receivables1 due from customers3 due from associated companies4 terdeferred tax assets5 due from others	298,082 267,905 1,200 27,592 1,385	112,058
III Financial assets not held as fixed assets	-	-
IV Liquid funds1 bank and post office deposits3 cash and equivalents on hand	208,481 207,722 759	196,532
D. Accrued income and prepaid expenses	424	-
Total assets	515,643	319,138

LIABILITIES AND STOCKHOLDERS' EQUITY (in euro)	31/12/2004	31/12/2003
A. Stockholders' equity	138,017	135,687
I Capital stock	120,000	120,000
II Share premium reserve	-	-
III Revaluation reserves	-	-
IV Legal reserve	784	122
V Statutory reserves	-	-
VI Reserve for treasury stock	-	-
VII Other reserves	-	-
VIII Retained earnings (accumulated losses)	14,902	2,309
IX Net income (loss) for the year	2,331	13,256
3. Provisions for risks and charges	20	_
2 current and deferred taxation	20	-
C. Reserve for termination benefits	-	-
D. Payables	371,692	183,451
6 Advances	-	323
7 due to suppliers	111,848	116,801
10 due to associated companies	15,000	-
11 due to parent companies	126,860	-
12 tax payables	17,037	12,607
14 other payables Total - Payables	100,947	53,720
•	5.044	
. Accrued expenses and deferred income	5,914	-
Total liabilities and stockholders' equity	515,643	319,138

MEMORANDUM ACCOUNTS (in euro)	31/12/2004	31/12/2003
A. Unsecured guarantees given - Sureties given to associated companies - Sureties given to third parties	9,194,000 8,944,000 250,000	15,589,000 15,589,000
B. Secured guarantees	-	-
C. Commitments	-	-
D. Other memorandum accounts	167,485,649	101,251,377

INCOME STATEMENT (in euro)	2004	2003
A. Value of production 1 Revenues from services 5 Other revenues and income	444,144 388,731 55,413	240,867 232,200 8,667
 B. Cost of production 6 Raw, ancillary and consumable materials and goods for resale 7 Services 	-426,592 - -399,288	-214,085 -4,999 -183,647
8 Leases and rentals10 Amortization, depreciation and writedownsa) amortization of intangible fixed assets	-18,812 -3,365 -3,355	-18,060 -2,652 -2,584
 b) depreciation of tangible fixed assets 14 Other operating expenses Difference between value and cost of production 	-10 -5,127 17,552	-68 -4,727 26,782
C. Financial income and expense 16 Other financial income b) from securities held as fixed assets not representing equity investments	-1,301 1,503	-1,817 739 59
d) Income other than the above of which: from parent company17 Interest and other financial charges of which: from parent companies	1,479 1,479 -2,804 -2,353	680 680 -2,556
D. Adjustments to financial assets	-	-
E. Non-recurring income and charges 20 Income 21 Charges of which: Taxes relating to prior years Results before income taxes 22 Income taxes for the year (current and deferred) 23 Net income (loss) for the year	-12,492 930 -13,422 -7,133 3,759 -1,428 2,331	1 1 - 24,966 -11,710 13,256

Images

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Ci piace mettervi in luce e diventare la base del vostro successo.

Banca Aletti al servizio delle imprese e dei clienti istituzionali



