Banca Aletti Annual Report 2006

BANCA ALETTI

GRUPPO BANCO POPOLARE DI VERONA E NOVARA

Annual Report 2006

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

Registered Office Via Santo Spirito 14 – 20121 Milan
Fully paid share capital € 98,548,899.84
Milan Company Register
Tax Code and Company Register no. 00479730459
VAT Number 10994160157
Registered Bank
Member of the Interbank Deposit Guarantee Fund

Corporate Boards

Board of Directors

Chairman:	Urbano Aletti
Vice Chairmen:	Fabio Innocenzi Franco Nale
Chief Executive Officer:	Maurizio Faroni
Directors:	Alberto Bauli Domenico De Angelis Franco Menini Francesco Minotti Giuseppe Randi

Board of Statutory Auditors

Chairman:	Maria Gabriella Cocco
Standing auditors:	Alfonso Sonato Franco Valotto
Alternate auditors:	Marco Bronzato Alberto Tron-Alvarez

General Manager

Maurizio Zancanaro

Deputy Vice General Manager

Franco Dentella

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Notice of call

THE GENERAL SHAREHOLDERS' MEETING

In accordance with article 9 – paragraph 5 – of the Articles of Association the General Shareholders' Meeting is convened at the registered office in Milan, Via S. Spirito 14 (participants can also take up in teleconference and, or videoconference from the General Management of the Banco Popolare di Verona e Novara in Verona, from the General Management of the Banca Popolare di Novara in Novara and from the General Management of Credito Bergamasco in Bergamo)

On first call on April 20th, 2007 at 2:30 P.M. and if necessary on second call on April 23rd, 2007, same place and time, to discuss and resolve on the following

AGENDA

- Reports by the Board of Directors, the Board of Auditors and the Auditing Company on fiscal year 2006; submission of the financial statements as of December 31st, 2006; relevant resolutions
- Extension of duration of the appointment to the Auditing Company in accordance with the provision of article 159, paragraph 4 of Legal Decree dated February 24th , 1998 No. 58 as recently amended by article 8, paragraph 7 of Legal Decree dated December 29th , 2006 No. 303
- Approval of donations to non-profit bodies
- Sundry and miscellaneous

Shareholders, to participate in the meeting, must ask their respective middlemen, for dematerialized shares, at least five days in advance to issue the specific certification specified in article 34 of CONSOB resolution No. 11768 dated December 23rd , 1998 and subsequent modifications.

Best regards

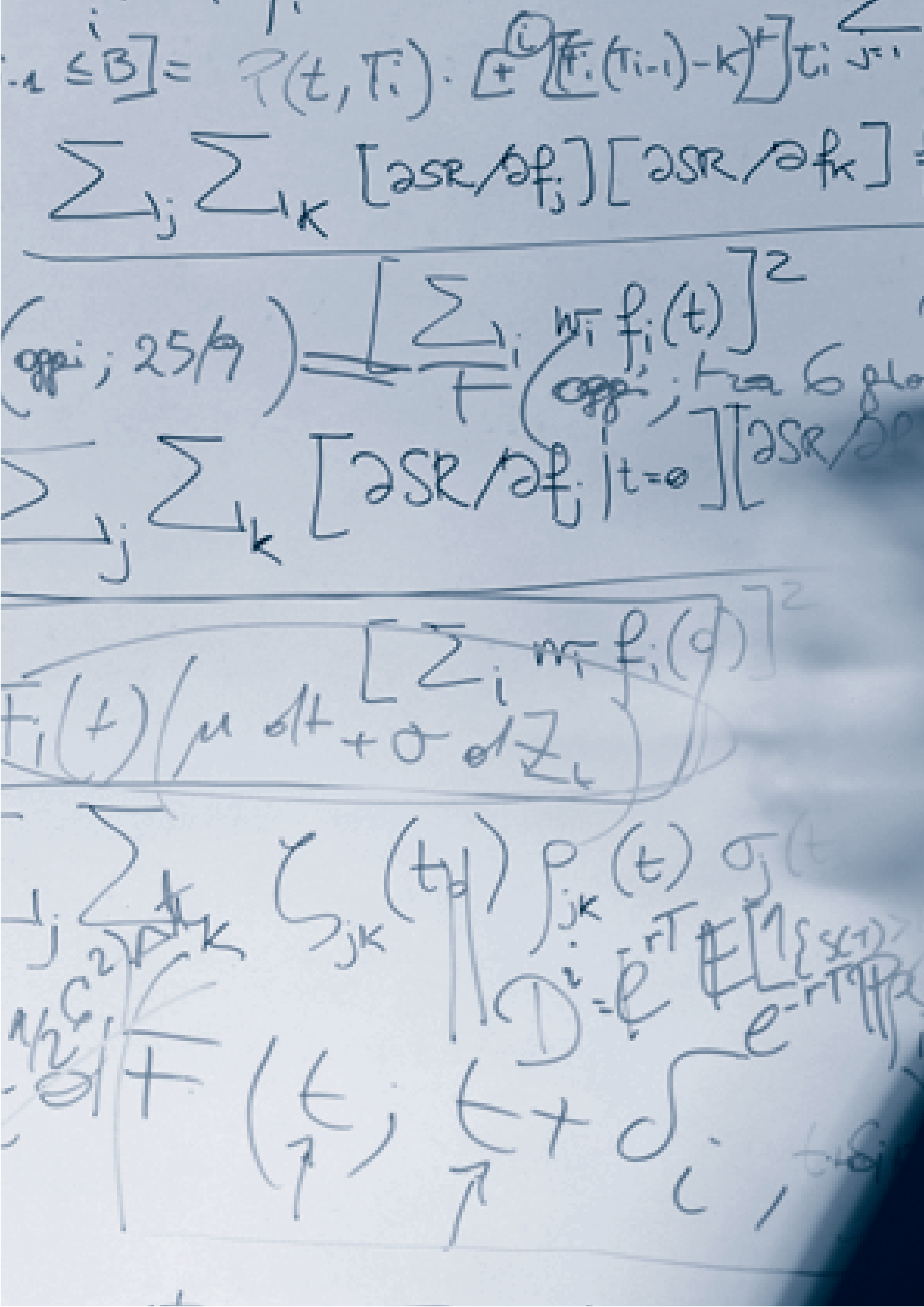
The Chairman
of the Board of Directors
Dr. Urbano Aletti

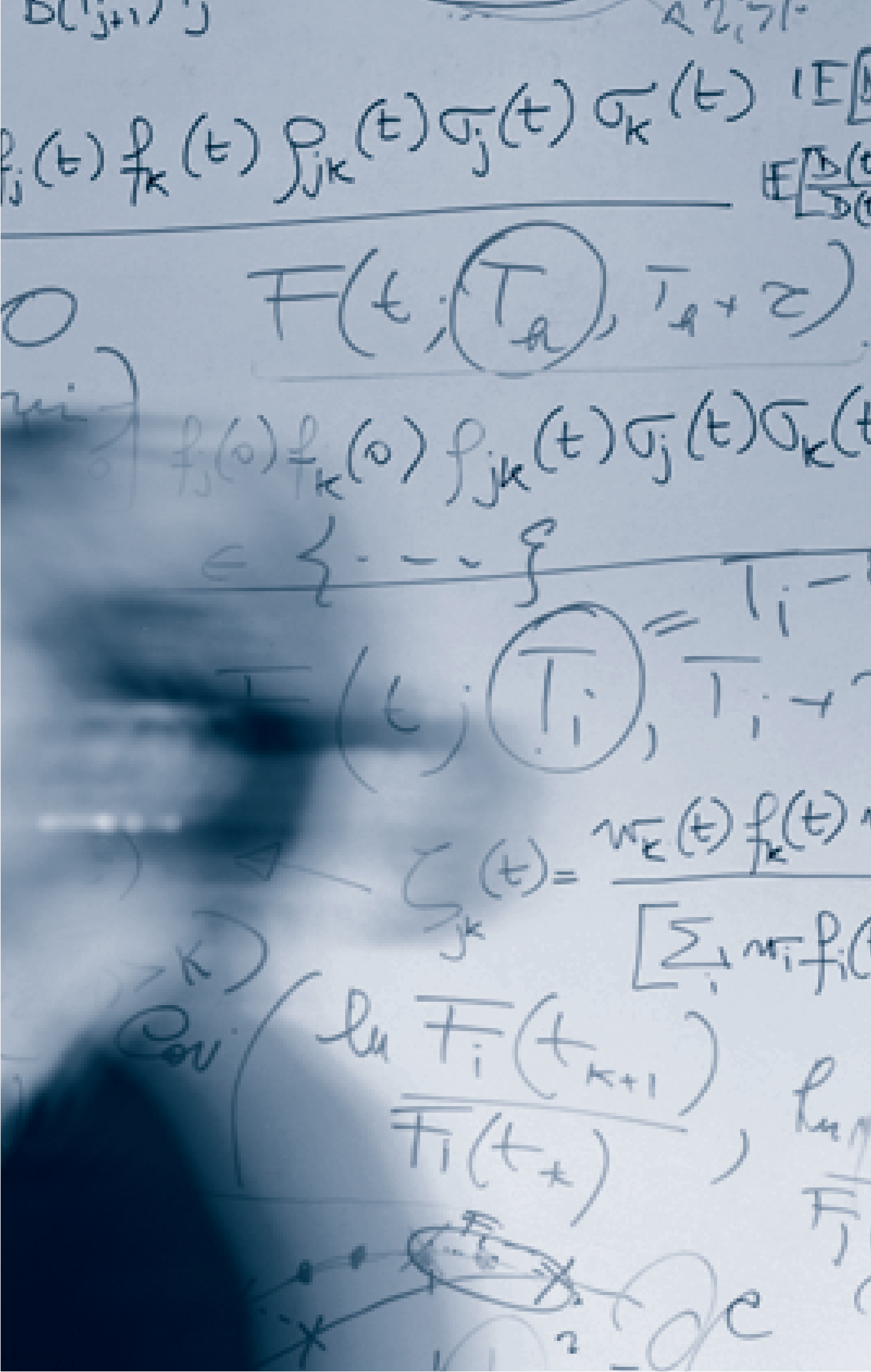
Financial highlights

	31-12-2006	31-12-2005	Change
Income statement *(million euro)*			
Net interest income	-29.3	-7.2	
Net commission income	90.9	71.0	28.1%
Total income	220.2	173.2	27.2%
Operating costs	-79.9	-70.2	13.8%
Profit from operations	140.4	103.0	36.3%
Income before tax from continuing operations	140.4	99.9	40.5%
Income after tax from continuing operations	95.1	77.3	23.0%
Net income for the year	95.1	77.3	23.0%

	31-12-2006	31-12-2005	Change
Balance sheet *(million euro)*			
Total assets	14,731.9	10,854.3	35.7%
Loans to customers (gross)	556.2	279.4	99.1%
Financial assets	3,604.2	2,924.2	23.3%
Shareholders' equity	291.6	229.8	26.9%
Customer funds *(million euro)*			
Direct customer funds	356.9	236.4	51.0%
Indirect customer funds	14,105.9	14,343.9	-1.7%
- Assets under Management	13,263.2	13,716.4	-3.3%
- Mutual funds and Sicav	780.4	629.3	24.0%
- Managed accounts inv. in funds or in secur.	12,482.8	13,087.1	-4.6%
- Insurance policies	-	-	-
- Assets under custody	842.7	627.5	34.3%
Operational structure and productivity			
Average number of employees (*)	352.2	330.4	6.6%
Bank branches	20.0	16.0	25.0%
Gross customer loans per employee (€/1000)	1,579.3	845.8	86.7%
Total income per employee (€/1000)	625.3	524.1	19.3%
Operating costs per employee (€/1000)	226.8	212.5	6.7%
Profitability ratios *(%)*			
ROE	48.4%	50.6%	-4.5%
Net interest income / Total income	-13.3%	-4.2%	
Net commission income / Total income	41.3%	41.0%	0.7%
Operating costs / Total income	36.3%	40.5%	-10.5%

(*) Monthly arithmetic mean





Report on operations

Results, Policies and Strategies

Economic backdrop

The projected world economic growth in 2006 indicates a rate exceeding 5% in real terms, which would rank the last three years as the highest growth rate period since the Seventies. Despite the persisting worldwide uncertainty and concern fueled by terrorism and by the serious political instability characterizing some areas, the international geo-political climate has stabilized, reaching a balance that, as tottering as it might be, still has allowed for a more appropriate unfolding of economic momentum and financial flows. The world economic cycle reached its peak between the first and the second quarter, driven by the general and intense contribution of all industries; then little by little the cycle decreased, slowed down by the US economy.
The general slowdown was eased by oil prices, which in the summertime plummeted from their peak at 78-80 dollars a barrel down to 59 *db* (WTI quality), and stabilized well below prior prevailing levels: between January and August, the average crude oil price had been 72.6 *db*; between September and December, the average price was 64.9 *db,* thus acting as a buffer against the impact of the economic slowdown, thanks to a higher disposable income, the perception by households of a lighter energy bill and a lower current inflation (leading to a direct decrease in future price expectations and central bank aggressiveness). Despite the lingering phase of the last quarter of the year, the commodity market maintained a positive trend, this being a coincident indicator of the economic cycle, confirming the solidity of its trend and acting as a substantial propeller for commodity exporting/producing countries. In 2006, the base metals index comprised of nonferrous metals (London Metal Exchange Index) reported an average growth rate exceeding 35%.
In the second half of the year, the main world countries recorded diverging economic cycle directions: USA and Japan started to report decreasing growth rates as compared to the past, while the Euro area and Emerging Countries kept growing above or in line with their long term growth potential.
Based on data of the first three quarters of the year, at yearend 2006 the United States should post a 3.3% growth rate (3.2% in 2005), with strong divergences between periods (extremely positive in the first half, and slowing down in the second part of the year), driven by the steep fall of the real estate market and the ensuing consumption cutback; non-residential investments have been substantially high all year long, making a fundamental contribution to current and future growth.
In the Euro area, income generation dynamics were characterized by a progressively accelerating trend, and the expected average annual growth rate is estimated at 2.5% (1.4% the prior year), this being the best performance since the year 2000. This brilliant growth saw the contribution of all countries, but it was mainly driven by the synchronous acceleration of the three major Euro area regions: on an annual basis, Germany is expected to report a growth rate of about 2.5%, Italy and France below 2.0%. With regard to growth constituents, in addition to the contribution made by investment spending, Continental economy could count on the contribution of consumer spending, which reported an acceleration as compared with the prevailing stagnation in the previous year. The system's endogenous ability to generate income increased, leaving it less ex-

posed to the volatility of the international economic cycle. Industrial production has been sustained, driven and sided by the growing optimism of business companies; also consumer confidence increased, spurred by a recovering labor market, characterized by a constant decrease in unemployment rate (7.8% in 2006, as compared with 8.6% in the prior year). The annual average inflation rate should stand at 2.2% (as in 2005), as a result of a first half of the year marked by price increases, followed by a much more quiet dynamic; in the third quarter, also thanks to the favorable evolution of energy prices, the consumer price index was trending down reaching the lowest levels in the last five years.
With regard to Japan, available aggregates (that have been significantly revised by official sources) project a growth rate of about 2-2.2% (1.9% in 2005, revised downwards from 2.6%!): this progress was fostered by a more homogeneous contribution between domestic demand (which is finally increasing also thanks to consumer spending) and net foreign demand. The restructuring of the economic system conducted in the past and the favorable international economic cycle generated positive effects also in 2006, a year that has been characterized by a further fall in the unemployment rate and by the solution to the deflationary issue: the general consumer price index grew (albeit marginally) after almost seven consecutive years of contraction.
With regard to major central banks, the monetary policy in 2006 was tight, but in summer the US Federal Reserve stopped lifting the cost of money, and pinned the official interest rate at 5.25%, ushering a 'wait and see' phase that could lead up to a moderate expansion (as priced in by the market). In 2006, the European Central Bank increased the repo rate five times (25 basis points each time), up to 3.50% in December; the market in general is discounting one or two more rises by a quarter of a point in 2007, and this type of intervention would reflect the desire to curb inflationary expectations in a high economic cycle. Also the Bank of Japan introduced a first rise of a quarter of a point in June, thus leaving behind the most extreme phase of its expansionary monetary policy (interest rates practically at zero and quantitative easing), and ushering a normalizing policy that should last throughout 2007. Actions taken by central banks largely contributed to reducing the growth rate of the total monetary mass, yet the system's liquidity level is still above the long term average, and this is a factor that should help a positive evolution of development, curb volatility on financial markets and increase risk propensity.

Markets – The fixed income compartment acted in accordance with the indications given at the beginning of the year, namely poor expected returns (or even negative), as a result of monetary policy actions, inflationary dynamics, and the persisting upward trend of energy prices. At yearend, the resulting profitability of the entire compartment is fractionally positive, thanks to projections pointing at a slowdown of the world economic growth, against a backdrop characterized by a control over inflationary pressures. After a very rough first half of the year, characterized by negative signs across all major markets, through most of the second half markets have been recovering. On an annual basis, the general market index (JPM index in local currency) reports a positive performance of 1%, resulting from the contribution made by the dollar denominated bond market, yielding 3.1%, and to a lesser extent, by its yen denominated equivalent

(0.34%). The euro compartment reports a fractional loss of 0.26%, entirely recorded in the month of December, after the recovery posted in July which had given rise to a positive profitability. For Euro-based investors, the positive yields from foreign government notes have been reduced or even overturned by the strong euro; the only exceptions to this phenomenon have been the few investments directed towards markets whose currencies appreciated against the EU currency (for example Sweden and Great Britain, characterized by positive returns also in local currency).

The stock market ended financial year 2006 with a brilliant performance, posting a 13.4% increase (MSCI in local currency). The trend has not been constantly positive, as after an initial rise which lasted some five months (with an increase of almost 8%), between May and July the compartment had to face a strong downward pressure which wiped out profits and dragged it into negative territory; thanks to the solidity of macro-economic fundamentals, to a lasting progress in corporate accounts (structure and profitability) and to a remarkable M&A activity, the market reacted with great determination: by the beginning of November stock prices had already regained the prior highs and at the end of December they closed with a double digit gain. Considering the indexes of the major investment marketplaces, the higher returns have been generated in Europe, which benefited from the greater momentum of the economic cycle and from more and more appealing valuations compared to the other main stock markets: the Euro STOXX50 grew by more than 15%; the German DAX increased by almost 22%, the French CAC by more than 17% and the Italian MIB by 16%; the primary world market, namely the US, closed with a 13.6% increase with regard to S&P500, while high-techs listed on the NASDAQ generated a 9.5% increase; in Japan, the NIKKEI225 grew only by 7%, a rate which on average is only half the result obtained by "main competitors", but which should be viewed as rather positive if we consider that in Autumn the performance gap had yawned quite considerably.

Euro-zone investors who invested in equities on foreign markets were strongly penalized by the strong euro, since upon translation the exchange rate caused very limited or even negative performances. With regard to the forex market, the euro appreciation has been the dominating refrain throughout the year: this trend is the result of multiple factors, that mainly trace back to the strength of the economic cycle in the Euro area and to the monetary policy expectations. From a starting point of weakness in 2005, the EU currency appreciated almost constantly in effective nominal terms, and in 2006 increased by 4.6%. If we take the main currencies into consideration, the euro realized the highest bilateral gains against the yen (11.1%), against the US dollar (10.3%) and against the Swiss franc (3.3%). The Euro strength has been mitigated in particular by the appreciation of non-EU European currencies: the Swedish crown grew by 4.2%, the British pound by 2.1%, the Slovakian crown by 9.9%, the Czech crown by 5.7%.

Analysis of financial highlights

The performance of financial highlights shows that in 2006 Banca Aletti consolidated its position both on the market and within the group.

The evolution of profit and loss data shows high growth levels, reflecting an increase of operating activities within the group, as well as Banca Aletti's more active role as market counterparty, as further evidenced by the growth rate of balance sheet data.

The growth of operating activities generated a considerable increase in productivity and in the income generation capability in unit terms (+19.3%), while the increase reported on the cost side is by no means comparable (+6.7%). This resulted in a decrease of the cost/income ratio to 36.3% (down by about 10.5% as compared to the prior year).

ROE stood at 48.4%, despite the significant increase in shareholders' equity during the year (+28.8%).

Economic, financial and risk management policies

Main risks and uncertainties for the company

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

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

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

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

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

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

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

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

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

Risk-taking, management and hedging objectives and policies

Gruppo Bpvn and the companies of belonging conform their activities to the criteria of prudence and low risk exposure, with regard to:

- the need for stability with respect to its banking activities;
- its investors' profile;
- its co-operative origin.

In keeping with its risk propensity, Gruppo Bpvn pursues the following objectives:

- stable growth, that is, characterized by a contained fluctuation of results, hence corporate value stability;
- shareholders value creation as compared to financial investments having a comparable risk-return profile;
- strong credit risk distribution, in line with the objective of financing prevailingly small and medium enterprises and households;
- level of exposure to the structural interest rate risk fairly close to the industry's best practice, to be pursued also through a progressive hedging of risks associated with items repayable on demand;
- market risk-taking is closely related to commercial needs;
- exclusion of risks that are unrelated to core activities and accurate assessment of initiatives that introduce new types of risks;
- development of more and more accurate and comprehensive risk monitoring methodologies, also in view of the validation of internal models for supervisory purposes;
- active management of corporate risks, based on state of the art techniques;
- growing transparency to the market with regard to risk exposure.

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

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

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

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

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

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

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

Rating

Rating company	Short term	Long term	Other Ratings / outlook
Standard & Poor's	A-1	A	Stable

On March 12th, 2007, Standard & Poor's confirmed Banca Aletti's rating at A / A-1. It also changed its outlook from "Stable" to "Creditwatch / Negative" following the announcement of the merger plan between BPVN and BPI.

Planning, auditing and service activities

Resources

Headcount and structures

The following organizational changes were implemented as part of the broadening of the bank's business scope and to improve the quality of products and services:

- setting up of the Capital Market Secondary Function, at the head of the Equity Capital Market Office (formerly called Capital Market) and of the newly formed Debt Capital Market Office;
- renaming of the Products & Services Development Secondary Function into Aletti Lab, reporting directly to the General Manager;
- setting up of the Secondary Functions Commercial Private Banking and Commercial Corporate & Institutional, and removal of the Private Network Secondary Function

Following the implementation of the plan to expand the commercial network, the organizational and geographical structure of the following Areas has been revised:

- North East Area: it has been subdivided into two new Areas, called "Triveneto Ovest" and " Triveneto Est";
- Emilia Area: it has been subdivided into two new Areas, called "Emilia Ovest" and "Emilia Est".

Finally, the following organizational changes were introduced as part of the actions aimed at rationalizing and streamlining the organizational structure of finance activities:

- the Verona Operational and Control Support Office has been consolidated into, and all its activities have been transferred to, the equivalent Office in Milan,;
- the Modena unit of the Verona Corporate Desk Office has been converted into an Office, and became an independent structure;
- the Property and Quantitative Management Office and the Institutional Management Office have been set up, while the Institutional and Quantitative Management Office has been removed;
- two new Secondary Functions have been set up, namely Private Customers Management and Quantitative and Institutional Management, and as a result the Asset Management Secondary Function was removed.

The Bank's headcount as at 31.12.2006 reached 371 employees, with a total increase of 31 people as compared with 31.12.2005.

Shown below is a snapshot our headcount in the last three years:

	Employees	%	Detached in	%	Detached out	%	Total work force	%
31-12-2004	236		36		11		261	
31-12-2005	293	24.2	59	63.9	12	9.1	340	30.3
31-12-2006	331	13	47	-20.3	7	-7.1	371	9.2

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

	2005	%	2006	%
Position				
2° grade	2	0.6	2	0.5
3° grade 1° and 2° level	64	18.8	67	18
3° grade 3° and 4° level	48	14.1	52	14.1
Managers 1° and 2° level	87	25.6	83	22.4
Managers 3° and 4° level	123	36.2	148	39.9
Senior management	16	4.7	19	5.1
	340		371	
Gender				
M	228	67.1	250	67
F	112	32.9	121	33
Educ. Qualifications				
University degree	181	53.2	199	53.6
High school diploma	150	44.1	162	43.7
Other	9	2.6	10	2.7
Mean age	**38 Y 8 M**		**39 Y 1 M**	
Average seniority	**2 Y 9 M**		**3 Y 2 M**	

Selection and Recruitment

In 2006, besides the normal turnover, hires were made to meet growth needs (4 new units were opened, some new business lines were launched and others were strengthened).
70 people were hired, of which 9 coming from Companies of the Group.
Different hiring sources were used depending on vacancies; in particular, for first-time jobs we selected new graduates (about 18% of new hires), while for specialized roles we recruited directly from the market, either autonomously or through qualified external head-hunters.

During the year we received about 1,200 CVs, and we conducted 330 selection interviews.

Management

Human resource management focused on supporting the Bank's growth plans, while favoring the development of professional and career paths.
49 people were transferred within the company, of which 11 across different business areas, thus pursuing also the objective of broadening the professional skills of the personnel concerned.
25 employees have been assigned responsibility roles; for about half of them, this was the first assignment of this type.
31 employees left the Bank, of which 11 under intragroup mobility.
In the course of the year, 5 detachments were received from the Group, 18 were closed, while 4 detachments were sent to the Group and 9 were closed.

Training and Orientation Apprenticeship programs

In 2006 the interaction and exchange with the academic and university world continued and was further promoted.
During the year, 23 new apprenticeship programs were activated, of which 4 as part of university economic-financial masters (CUOA, Università Cattolica, Università del Piemonte Orientale). The agreements made with various universities across the country (Bocconi, Cattolica, Piemonte Orientale, Verona, Siena, Cuoa, Iulm, Pavia, Bergamo) or with local public entities (Province of Milan), and the publication of offers of work placements in the bulletins of various universities gave the Bank a greater visibility towards local entities and the academic world, and we could get in touch with a large number of new graduates or undergraduates, some of which were given the opportunity to carry out a valuable training and orientation experience with our company structures.
In some cases, the opportunity to meet and know one another evolved into an actual hiring or in any case in a prolonged working collaboration with the company. In 2006 this occurred in 11 cases.

Training

In 2006 an important training plan was continued, spanning several years, and which should be completed by the end of 2007, involving all the employees of the Commercial Function and comprising multiple technical and specialized interventions (family and assets, corporate finance, art).
In 2006 the above training program involved more than 60 people with more than 6,500 training hours.

A strong focus was devoted to personnel training through courses held by external organizations on technical/specialized matters (about 900 hours and more than 50 participants), and we continued to propose courses selected from the internal "training catalogue", whereby foreign language and IT courses were among the most favored (more than 1,000 hours and 40 participants).

In collaboration with our Group Training School, we developed ad hoc projects to meet specific needs engendered by regulatory changes (for example market abuse) or procedural changes (for example, foreign operations, front-end), totaling about 2,000 hours and more than 249 participants.

Relations with Trade Unions

During the year, negotiations were started and developed with company trade union representatives for the first Company Supplementary Agreement.

The Bank also participated in the negotiations started at Group level on the regulatory harmonization to be implemented across the different companies of the Group with regard to given contract instruments of general interest.

Internal Audit

Internal Auditing in Banca Aletti is delegated to the Group Audit Function of Banco Popolare di Verona e Novara. The control over the internal audit systems in Banca Aletti is performed be a dedicated unit, located at the Operational and General Head Office of Banca Aletti. The primary aim of this function is to check that operations comply with internal and external regulations and guarantee the integrity of corporate assets. Additional Internal Audit tasks, as defined by the Supervisory Instructions for Banks, are aimed at assessing:

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

The Group Audit function is in charge of performing audits in all the central and peripheral structures of Banca Aletti, remote controls on peripheral structures, ICT (Information & Communication Technology) Auditing and claim management (for both banking and investment services), and the control over issues associated with auditing procedures under Law Decree 231/2001, in assistance to the Supervisory Committee set up for this purpose. The Group Audit Function is also in charge of the tasks provided for under art. 57 of the Regulations adopted by Consob with its resolution n. 11522/98 governing the activities associated with investment service provisions and the relevant financial instruments.

Communications

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

External Relations

External Relations in 2006 organized and managed about 90 different events: from trade conferences, to concerts, visits to exhibits, golf contests, galas.
A special focus was devoted to the world of culture, especially art, with significant sponsorships of numerous events.

Below is a short description of the main projects we supported:

Lucio Fontana – Venezia/New York
Venice, Peggy Guggenheim Collection – 3 June - 24 September 2006
In 1961, Lucio Fontana in a few months' time painted a series of paintings that are considered unique: an extraordinary period of the artist's life called by experts "le venezie". The exhibition, sponsored by the Fondazione Lucio Fontana, is devoted to the Venetias cycle and to the first series of metal works called New York, collected and exhibited for the first time on this occasion.
Also this important exhibition was organized with Banca Aletti's support.

Annibale Carracci
Bologna, Museo Civico Archeologico – 22 September 2006 - 7 January 2007
BANCA ALETTI is the sponsor of this great exhibit devoted to the artist from Bologna.
The exhibition highlights the personality of the most gifted among the three Carraccis, who back in his days was celebrated as being 'Raphael reborn'.

Art Verona 2006
Modern and contemporary art exhibition - Verona – 19 to 23 October 2006
Banca Aletti is the main sponsor of this new fair since its first edition.
The mission of ArtVerona is to bring the wide and qualified offer of Italian modern and contemporary art galleries to its full expression, and to be a must appointment for art connoisseurs and gallery-goers .
Banca Aletti has also promoted the Aletti ArtVerona award, also in its second edition, which was created to support new talents and the galleries representing them.
Under the Aletti ArtVerona award, the bank acquires the artwork of a young artist, under thirty-five years of age, chosen among those displayed by the galleries participating in the fair.

The reason why Banca Aletti wishes to support young artists lies in the awareness that contemporary art is the expression of our society's most lively and interesting energies, hence it embodies a cultural and economic investment, a projection towards the future. These are very important values for a bank that stands every day by the side of its customers to manage their assets, including their artistic assets.

Versace. Il genio della moda e l'arte
Musei Mazzucchelli - Brescia – 5 May to 29 October 2006
Gianni Versace often emphasized his passion for art collecting and the influence that the study and the direct knowledge of works of art had on his "stylistic" choices. The Maestro drew hints and suggestions from across the whole history of art, with his two favorites lying on the two extremes of art's timeline: the ancient Greek-Roman world and the contemporary world.
Banca Aletti was pleased to contribute to the execution of this fascinating project which brings together two worlds that are apparently alien and yet are so complementary to one another: fashion and art.
Fashion is fantasy, creativity and suggestiveness; fashion evokes the past and anticipates the future.
By its side we have art, beloved, lived and interiorized by this eclectic and gifted artist, a tailor before being a stylist, he who was, and is Gianni Versace.

Trofeo Banca Aletti. Il raduno delle vele d'epoca
Naples – Reale Yacht Club Canottieri Savoia – 28 June to 2 July 2006
This is the third edition of an event that Naples already considers a tradition. In the waters of Santa Lucia, in the shade of Castel dell'Ovo, the Meeting of Vintage Sails - "Raduno delle Vele d'Epoca" - evokes the fascination of an unblemished past. The Royal Yacht Club Canottieri Savoia, providing the base for the sailing races, and the Navy are in charge of organizing the meeting with Banca Aletti as main sponsor. Scores of extraordinary sails, ancient and noble vessels, steered by their owners, parade and compete in sailing races, reviving a magic that in certain cases dates back to more than a century ago. The event is sponsored by the Campania Region, by the Province and the Municipality of Naples and by the Italian Association of Vintage Sails (Associazione Italiana Vele d'Epoca).

Convegno famiglia, patrimonio, impresa
Novara – Auditorium BPN – 25 September 2006
A conference devoted to instruments for asset protection and the management of generational transitions.
Sponsored by the Municipality and the Manufacturers' Association of Novara, Banca Aletti and Aletti Fiduciaria dealt with specific Family Business issues.
The contribution of authoritative speakers and the topicality of the issues covered during the conference provided professionals and entrepreneurs with valuable food for thought.

Media Relations

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

Corporate Identity

In 2006 Corporate Identity focused on the development of a comprehensive range of communication tools.
In addition to the new brochure, a newsletter called Aletti Inside is published every four months: it is a service tool aiming at providing concise but regular news on the Bank's activities and life, on its products and on results from investment strategies.

A new institutional image was created, i.e., an advertising campaign highlighting the central role plaid by Banca Aletti in the management of the so called Family Business.
A desk as the symbol of life. A desk full of tokens, memories, projects and passions. A world in which viewers can project themselves. It is our customer's world. And right at the center of the image, Aletti's brochure, to denote that only Banca Aletti can be the right springboard that can add even more value to all that the customer has been able to build. This is the creative path developed by the advertising company B Communications, in collaboration with Banca Aletti and the Parent company's marketing people, to give rise to an effective and unconventional communication. A strategic thought eliciting curiosity.
Impact. Visual appeal. An apparent chaos that unveils the protagonist in the manner of a great artist of photography: Chris Broadbent.

A special mention goes to the communication campaign created and managed for the launch of AlettiCertificate: an innovative and effective instrument, listed on the Sedex of Borsa Italiana, to optimize the risk-return profile of a portfolio of financial assets.
In its capacity as an issuer, Banca Aletti presented the new products through a far-reaching advertising campaign on economic websites and on the most authoritative financial magazines and dailies, as well as through the branches of the entire Banking group.
The ad communication lies on the concept of Certificate as a financial instrument that thanks to Banca Aletti's expertise can achieve results that would otherwise be out of reach for most investors. In the advertising campaign, the Certificate is matched to an animal whose characteristics are a metaphor for the product.
Institutionals have been likened to the peculiar image of a giraffe, symbol of the ability to reach objectives that are unreachable for others.
The message is clear, just like communication: AlettiCertificates take you where

you would never have dreamed to get with your investments, thanks to Banca Aletti's creativity, skill and professionalism.

Internal Communications

As to Internal Communications, a calendar of events devoted to "internal customers" has been set up and managed, aiming at creating opportunities to drill down on specific topics related to the business activity, but also to favor the development of a positive climate of teamwork, loyalty and reciprocal acquaintance.
Illustrated below are the various meeting occasions, always attended by the Bank's top management:

- Commercial convention – devoted to employees working in direct contact with customers. The objective is to present commercial strategies and to consolidate motivation, based on the sense of belonging and enthusiasm, that is especially important for business developers.
- Management Meeting – meeting of all the heads of the various functions and offices to share the Bank's strategic guidelines, human resource management and the setup of the "firm's style".
- Investment Banking and Investment Management Meeting – a more technical meeting, representing an important occasion to exchange views with colleagues who "are on the market" every day, in order to identify and anticipate market trends and opportunities.

Technological and administrative services

In 2006, the Administration and Control Function continued to fine-tune Banca Aletti's administrative and accounting processes, in close synergy with the equivalent structures at the Parent company's and with outsourcers (like SGS) in charge of releasing more appropriate information supports.
The Business Planning and Control Office continued to enhance and update executive reports in line with the evolution of the products and services offered by the Bank, and in 2006 it also launched and completed the project to produce business reports identifying Deposits and New Customers by single Private Banker.
With regard to the monitoring and control of the various activities that were outsourced to the Parent company and to other Companies of the Group (Società Gestione Servizi BPVN – SGS and Aletti Gestielle SGR), in order to retain an adequate control over said activities, the Bank redefined the Organizational Units in charge of checking the performance of the delegated entity, and it formalized a new process to perform summary controls, based on specific reports periodically prepared by the delegated Structures.
The Operation Function is in charge of coordinating the control over activities delegated to the various Companies of the Group.
In some cases controls are directly performed by the above Function, if necessary supported by its subordinated structures; in other cases the control over the delegated activities is entrusted to specific Organizational Units in Banca Aletti.
The Operation Function serves as a liaison between Banca Aletti's structures and

the delegated outsourcers. In this capacity, in addition to checking service levels on a regular basis, the Operation Function must also identify the necessary actions to remove any criticalities, sharing the implementation time and modalities with users and suppliers. The liaison is maintained also with the Head Office of Banca Aletti, which is periodically updated by the Operation Function with summary reports covering the qualitative and quantitative aspects of the activities performed by the delegated entities.
Illustrated below are the primary projects that were launched in 2006, under the close monitoring of the Finance Area Steering Committee:

- Release of the new application for the Private Network – called Aletti R-Evolution
- Release of the new application to manage OTC exchange rate derivatives
- Application upgrade for the launch of Certificates on the market
- Application upgrade allowing Commercial Banks of the Group to offer interest rate-linked Covered Warrants
- Definition of a new application to manage OTC interest rate derivatives and the launch of a project to release the application by the end of the current year.
- Project to release an application for the Advisory activity is underway
- Definition of a new Premia foreign application which went live on January 1st, 2007.
- The "Group Single Treasury" project, which should be completed by the first quarter of 2007. The plan to set up a Group Single Treasury requires the centralized management of the liquidity generated by each bank at the Parent company's, whereby Banco Popolare di Verona e Novara is to act as single entity on the market in terms of accounting intermediary acting directly on behalf of the other three banks. Clearly, the other banks shall have a centralized account with the Bank of Italy to manage their obligatory reserve and to perform transactions with the Branches of the Central bank.

Privacy Protection

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

Banking activities
Private and finance business segment

Investment Management and Private Banking

Private Banking

At the end of financial year 2006, Banca Aletti reported total assets under management (under custody and actively managed) of Euro 26.03 billion, of which Euro 11.48 billion from private customers and the remaining Euro14.55 billion from institutional customers.
2006 was characterized by the confirmation that total income is growing and by a strong focus on the goal to increase managed assets and broaden the customer base.
Net customer funds (Euro 1.4 billion in the private segment alone) proved particularly substantial and well above the expectations set forth in the 2006 business plan.
Strategies were defined to increase development opportunities, aiming at generating contact occasions with prospective customers. A number of events were staged, allowing Private Bankers to significantly increase their opportunities to meet prospects.
Supported by the Boston Consulting Group as external consultant, a new "private-corporate cross-selling" project was launched, in collaboration and accord with the Group Networks.
The project consists in the identification and the structured and effective organization of meetings with entrepreneurs whose companies entertain business relations with the commercial banks of the Group but who did not entrust the Group with the management of their personal wealth.
The strategic choice was to go for a "Family Business" integrated approach, standing by the side of entrepreneurs also and foremost in times of family and business discontinuity.
The important training plan designed at the end of 2005 was carried on under this perspective.
In 2006 the project was launched across all Units.
The project is supported and closely monitored by the Group Top management.
2006 was also characterized by an intense selection activity, aimed at hiring new Private Bankers with robust professional profiles to strengthen the commercial structures of some high-growth provinces.
All actions necessary for the opening of four new Units in Florence, Padua, Mantua and Udine were carried out.
With regard to the analysis and accounting of customer assets, a new application called "Aletti R-evolution" (Aletti Relationship Evolution) went on stream.
The new "Front End" allows the Private Network to retrieve customer positions with greater ease and quality, and to carry out much more in-depth portfolio analyses in a much shorter time than it was possible with the previous application, so that now Private Bankers can devote more precious time to development strategies.

Investment Management

Against a backdrop characterized by still positive, although slowing, stock markets, rising interest rates against yet very flat curves and in particular a strong appreciation of the euro against the dollar, the return on managed products was still in line with the benchmark, although more contained with respect to the prior year.

Customers favored products characterized by more innovative management profiles: exceptionally high gathered assets confirmed our customers' preference for protected products backed by a security, while at the same time the other management line family characterized by a particularly active management approach attracted a growing number of subscriptions.

2006 has been characterized by an intense revision and broadening of the investment product range.

The insurance product range was deeply revised in 2006 due to substantial regulatory changes: Isvap issued circulars introducing new product regulations and distribution procedures, and the government decided to advance the pension reform to January 2007. Building on the need to upgrade products to make them compliant with new regulations, we seized the opportunity and completely revamped our offer, introducing also the most advanced investment techniques and solutions.

The most important novelties are the offer of a multiple-line unit-linked product, and the launch of a pension product with an internal fund managed along a total return approach.
In 2007, we plan to launch additional new products, and we are studying a product specifically designed to meet the special needs of highly sophisticated private clients.

With regard to portfolio discretionary management products, in 2006 we introduced numerous important changes to the catalog.
First of all, processes and products have been widely revised to further increase the efficiency of our asset management activities. The starting action was to favor and accelerate our customers' convergence towards catalog management products, so as to open the way to the second phase, namely verify that our offer is consistent with the needs of our investors, which in 2007 will lead to a more organic revision of the entire product catalog.

In the meantime, new investment products were launched in 2006, elicited by specific requests raised by our networks:

- a line devoted to private clients, characterized by a very active management approach and a very strict control over trades based on a careful monitoring of risk parameters;
- two new products adding to the range of protected products backed by a security, that are highly favored and popular among our retail customers;

- new gpf lines (managed assets invested in mutual funds), which complement the existing line and introduce a new range centered on the European geographical area.

The revamping of the range proceeded in parallel with the efficiency gain process, whereby the Risk management project covering all portfolio discretionary management products was completed on schedule, and all the lines also in 2006 obtained the GIPS (Global Investment Performance Standards) conformity certification.

The last two distribution agreements with foreign management companies shall come into effect in the first days of 2007, which, coupled with the three agreements that had already gone on stream in 2006, shall allow the private network to top up the Group UCITS offer with SICAVs managed by major international investment companies.

As to private equity investments, at mid December the private equity fund of funds accessible to Banca Aletti customers made its final closing, and other agreements are being finalized and should become effective during 2007.

At the end of 2006 assets under management added up to about 17.5 billion, posting a decrease with respect to the beginning of the year, but what is even more important signaling a substantial change in asset composition.
The growing favor won by products characterized by a non traditional management style, especially protected products backed by a security, was counterpointed by a growing lack of interest for classical products, designed along a gradual risk profile. An additional impact was represented by the rescission of the management agreement for discretionary management products distributed by Azimut's financial advisors network (ex Aletti Invest Sim network). Finally, last year institutional managed assets grew considerably, and by yearend accounted for 25% of total assets under management.

During the second half of 2006, a reorganization project was started, aiming at increasing the function's focus on core asset management activities and on advisory services to the network and to customers, and creating a discrete structure exclusively devoted to the design and creation of innovative financial instruments and solutions. As a result, the structure dedicated to managed accounts is now called "Investment Management", the Advisory Desk was maintained and it reports directly to the Head of Investment Management, while the new function called "Aletti Lab", which reports directly to the General Manager, is in charge of designing and creating new financial products for all the networks of the group and services for the private network.

With regard to Investment Management services, the following actions are worth mentioning:

- A commercial platform devoted to the Private network has been recently activated as part of the Private-Advisory project. This is a fundamental step in the strategy aiming at improving the quality of the service provided to our customers and at optimizing the daily activities of our Private Network. In the second half of the year, the remaining procedural implementations were released, to further complement and update the application. In November the Advisory Desk service was started, directly addressed to Private customers. The two last months of the year have been devoted to completing tests and checks, by beta testing the service with a limited number of customers so as to verify the complex management system.
- With regard to Art, an All Risks Policy was designed to insure works of art in the private homes of our customers, in collaboration with Arena Broker and Willis. The product was launched last February.
- In the Real Estate sector, a partnership agreement was signed with Property Capital, to train our Private Network, and to provide real estate fiscal and financial advisory services to our customers. The goal is also to define and launch new real estate products and services featuring a high commercial value added.

Investment Banking

Derivatives and Structured Products

In 2006 Banca Aletti confirmed its ability to provide customers with sophisticated investment and hedging products against financial risks across all major asset classes.

Product structuring for the retail networks of the Group banks has continued at the same pace of the previous year. A special focus was devoted to product innovation, both in terms of payout and of underlying assets. With regard to equity index products, Banca Aletti provided its customers with sector, specialty and emerging markets index products.

The increase in interest rates propelled interest rate risk management products for corporate customers, with about ? 4.5 billion worth of structured products sold, as well as for retail customers, with Euribor covered warrants.

The securities and equity index volatility trading platform completed in the previous year allowed Banca Aletti to operate on the Certificates market as issuer and market maker (Sedex) and to expand as market maker on the equity derivatives market (IDEM) in 2006. As to Certificates, Banca Aletti added up an open interest of about 300 million euro in the first seven months of operations and reported average daily trades generating a turnover of about 40 million euro. On IDEM, Banca Aletti doubled the number of securities on which it quotes options, going from 6 to 12, and added also the SPMib index.

Trading was characterized by a change in the fixed income segment compared to past years. Growth and inflation expectations in Europe drove interest rates up, especially in the short term, causing also a concurrent flattening of the yield curve. Towards mid year the change in scenario affected also stock markets, which underwent a massive retracement in May and June, with an increase both in volatility and correlations, then largely reabsorbed in the second half of the year.
From a strategic and organizational viewpoint, also in 2006 investments and much effort were devoted to the enhancement of the trading and risk management systems: at midyear the currency option trading platform was completed, while new systems for interest rate derivatives were under development and are expected to be completed in 2007.

Stock and bond markets

Equity trading was positively affected by the economic cycle and by the uninterrupted acquisition of new Italian and international institutional customers. As a result, Banca Aletti was able to increase its market share as compared to the previous year: with regard to the Italian stock market, Banca Aletti went from 1.32% in 2005 up to 1.59% in 2006 (Assosim data). A marked volume increase was reported on the foreign equity market, from 3.2 billion euro in 2005 to 4.6 billion euro in 2006, and on Italian and foreign derivatives, which almost doubled with respect to the previous year, so much so as to justify our direct admission to the Eurex market, finalized on January 2nd, 2007.
As to fixed income securities, the market offered interesting movements both on Government and on Corporate bonds. Commercial networks resorted to a more conservative attitude with regard to non-government notes, as a result of the savings act issued at the end of 2005.
A strong focus was devoted to the qualitative level of the securities trading help desk service offered by Banca Aletti to the Group sales networks.

Market Making on single Stock Futures reported a further volume increase, confirming our number 2 ranking among the most active market makers of the year.

Securities lending, which was launched in 2005 and was fully operational in 2006, reported a noticeable volume growth, reaching an average volume of lent securities brushing 800 million euro.

Capital Markets

In 2006, 21 Companies went public, 6 more compared to 2005 (+40%), of which 14 through IPOs on major Stock Markets (MTA, STAR, BLUE CHIP) and 7 on the Expandi market segment, of which 4 exclusively reserved to institutionals. Funds raised totaled 4.8 billion euro, as compared with 2.6 billion euro in 2005 (+84.6%), the highest turnover since 2000.
The liquidity crisis that hit the Market in May as a result of the sudden market retracement, caused 5 of the Companies that had been admitted to listing by Consob during the year to suspend or cancel their IPO: 3 Italia, Api, Italtel, Pirelli Tyre, Value Partners.
Banca Aletti took part in all retail IPOs, acting as Member of the Retail Underwriting Syndicate.
In 2006, 15 take-over bids were carried out, amounting to 7.1 billion euro, as compared with 2005 with 23 take-over bids for 19.8 billion euro (-64.1%).
In 2006, 23 listed companies conducted Share Capital Increases, raising 5.1 billion euro, in 2005 there were 21 with 12.1 billion euro funds raised (-57.9%).
Banca Aletti also acted as Co-Manager in the Capital Increase of Lottomatica, this being the most important deal in 2006.

Equity Research

The buildup of the Research Office activated in 2005 was consolidated in 2006. The database of companies covered by financial analysis includes about 70 companies and the coverage shall be further broadened during the year. In keeping with the Group's franchise, the coverage is still focused on Italian Small/Mid Cap. The growth enjoyed by the product promoted an even livelier marketing activity, both through direct calls, as well as through road-shows with the management of various listed companies.
Counterparties appear to appreciate both the product and the effort, considering the opening of many non-captive accounts in 2006 and our market share increase on the domestic equity market.

Forex and Money Market

<u>Money Market Desk</u>

The Group function in charge of managing short term liquidity during the year pursued the optimization of cash flows and risk management. In particular, a special focus was devoted to two major aspects:

- search for operational models and methods associated with collateral management, from both a business and service perspective;
- in-depth analysis and revision of some processes linked to liquidity management and to the Group Treasury.

These issues are being analyzed in depth in order to fine-tune financial planning processes, based on the optimization of short term risk management by broadening the necessary tools and products, and by adopting more and more sophisticated liquidity policies.

From an operational point of view, 2006 was characterized by a fairly good short term curve volatility, especially euro and dollar, that made it possible to leverage their alternate mispricing phases through a careful, combined and coordinated management of Short Term notes, repurchase agreements and s/t derivatives. Intermediated volumes reported a significant increase with respect to 2005, with secured trading standing at 356 bln (+ 58%) and short term derivative trading at 8 bln (+ 75 %).

Forex Office

The foreign exchange market during the year has been characterized by two major phases:

- sudden Euro appreciations at the start and at the end of the year, causing a revaluation of our domestic currency against the dollar of about 12%;
- range trading in the middle of the year;

As a result, short term trading proved fairly profitable.

The constant monitoring of the currency market and the careful management of trade flows, in addition to a wider range of traded currencies, paved the way to important results, with the acquisition of a greater market share. Traded volumes increased by about 28% over the previous year, reaching a turnover of 100 bln euro. Also the number of developed transactions increased substantially, exceeding 68 thousand (+ 20%).

An intensive relationship activity was developed with market counterparties, exchanging new mandates that contributed to consolidate Banca Aletti's role as marker maker for a growing number of counterparties, even international ones. Our membership to the CLS circuit – Continuous Linked Settlement, which eliminates the risk of time lags inherent in the settlement of foreign exchange transactions, produced a noticeable delivery risk reduction, with about 80% of traded volumes channeled onto this system.

Institutional Sales

In 2006 the activities performed by this function continued in line with the guidelines spelled out in 2005: quantitative and qualitative development of the investment and hedging product catalog for the Banks of the Group; acquisition of new customers and non-captive market share in the segment of investment and hedging derivative products; deepening of the Equity weight in the institutional customer portfolio.

With regard to investment products, in particular bonds, the new Law on Investment Protection introduced the Prospectus obligation also for banking issues, which took both the market and regulatory authorities by surprise, and certainly caused a slowdown in issues in the first part of the year throughout the whole industry.

Among the various initiatives aiming at innovating and expanding our product catalog, a special mention should go to the entry of Banca Aletti on the Securitized Derivatives segment:

- in a few months time the project to issue and list Certificates, which was launched in April, allowed Banca Aletti to become one of the leaders on the Italian Certificates market, with a market share of about 25% of traded volumes, whereby it ranks number four among certificates issuers. As a result, the Banca Aletti brand enjoyed an even greater visibility on the market, also thanks to an intensive communication campaign on the press and on specialized websites.
- in May another distinctive initiative was launched concerning product innovation: the issue of Euribor CAP Covered Warrants by Banca Aletti, to provide customers holding a floating rate mortgage with a hedge against the exposure to interest rate risk.

With regard to volumes, investment products structured for the Banks of the Group totaled 4.653 million euro, up by 8% with respect to 2005. In particular, structured bonds amounted to 2,152 millions and index linked policies to 1,178 million euro. A special mention should go to managed asset volumes invested in capital guaranteed/protected instruments, totaling 1,037 millions, up by 196%, as compared with 528 millions in 2005.

As to our business development with non-captive customers:

- With regard to the intermediary sector (banks and insurance companies), the number of customers trading derivative and structured products rose to 31, of which a significant percentage is represented by insurance companies. Traded volumes with intermediaries during the year almost doubled as compared with 2005, and margins increased by more than 250%, thanks to the greater weight of equity and structured derivatives to the detriment of plain vanilla interest rate constituents. Marketing actions mostly focused on equity derivatives for what concerns insurance companies, and on securitized derivatives with regard to banks. Towards the end of the year, the first certificates and Euribor cap covered warrants started to be placed to third party networks.
- Also Institutional Equity Investments reported a marked increase in the number of open accounts (15 of which 9 non Italian), together with a hefty increase in commission income (+420% as compared with 2005). The quality of the research product (credits came both from surveys among international operators, and from statistics processed by Borsa Italiana), as well as the intensive marketing activity generated new important contacts and relations.

The activities of interconnected retail intermediaries benefited from the generalized volume increase on equity markets.

Corporate Desk

In 2006 this segment reported a strong business increase in interest rate hedging derivatives with respect to the previous year, which was based on some fundamental guidelines:
- constantly rising market rates
- companies highly sensitive to financial risks
- manifold range of products

Noticeable results were achieved right from the first quarter, with a lively trading activity on interest rate derivatives against a "live" market, where repeated interest rate lifts (a total of 5, from the first at 2.50% on March 2nd to the last at 3.50% on December 7th) made companies more wary of financial risks.
Customers mainly favored IRS and CAP Capital Guaranteed products, that capped either medium/long term rates or maximum cost levels down to very contained values, so as to limit the weight of financial charges in the balance sheet.

Also Conditional Coverage and Active Management products raised a fair interest, as many companies can decrease their funding costs as compared with current market rates, and cash in the positive spread.
Strong expectations were developed by corporations in terms of financial risk coverage, which led to an additional broadening and sophistication of our Product Catalog, offering a comprehensive choice of structures, topped by new financial instruments designed to manage and optimize corporate liquidity.
The project goal is to give deep-pocketed companies the possibility of correlating their liquidity to "new" underlying instruments, such as exchange and interest rates, equity indexes and in the near future also commodities.
Trading of exchange rate risk management and hedging derivatives was more contained, with a stable number of finalized contracts associated however with a downsized profitability. The strong competition in our original business areas, the greater attention devoted by customers to quotations, and the limited market volatility in most part of the year are the reasons why this business area did not perform to expectations.
We should not forget the progressive tendency by numerous companies to choose simpler solutions, such as loans or futures.

Financial Engineering

In 2006, the activities performed by the Financial Engineering Function represented a continuum of the projects launched in 2005, which made it possible to meet deadlines and further improve the quality of services provided to the other Functions of the Bank.
The team's organizational structure has been fully staffed, with the hiring of additional professionals with an important and appropriate technical-scientific background.
The Function worked in close cooperation and target sharing with the Derivatives and Structured Products Function.
In the first part of 2006, some pricing models for currency derivatives were developed, allowing for the full migration of foreign-exchange desk activities onto the current trading system, and for an in-house and dynamic risk management.
With regard to the fixed income market, for the first time ever a set of pricing models were developed, designed to manage the risks inherent in almost all traded contracts.
The new models have been integrated in the trading system and they include various state of the art algorithms, such as the libor market model and tree models for early exercise options.
Throughout 2006 the market has been actively and intensively searched for new trading opportunities, and a major effort was made to identify and assimilate market changes as rapidly as possible.
As to the equity segment, 15 new pricing models were developed, which significantly raised the number of risks managed through proprietary models. In the second half of 2006, a new pricing model for equity derivatives based on a stochastic volatility process entered the development pipeline.
This work led to the completion of a pricing algorithm prototype, that, in collaboration with market operators, led to a deep understanding of the dynamics of the cliquet equity index option market.
As a result, in 2007 it will be possible to approach the cliquet market with confidence, which shall significantly increase the Bank's business opportunities, as well as its visibility on the market.

Operating performance

Balance sheet

In order to provide a brief representation of the main balance sheet aggregates, shown below is the reclassified balance sheet:

BALANCE SHEET RECLASSIFIED ASSETS *(thousand euro)*	31-12-2006	31-12-2005	Changes	
Cash and cash equivalents	18	13	5	36.10%
Financial assets	3,604,174	2,924,224	679,950	23.25%
Due from banks	10,109,836	7,500,658	2,609,178	34.79%
Due from customers	556,245	279,438	276,807	99.06%
Equity investments	1,043	1,045	-2	-0.19%
Property, plant and equipment	1,596	1,363	233	17.10%
Intangible assets	3	5	-2	-37.10%
Other assets	458,944	147,540	311,405	211.07%
Total	**14,731,860**	**10,854,285**	**3,877,574**	**35.72%**

BALANCE SHEET RECLASSIFIED LIABILITIES *(thousand euro)*	31-12-2006	31-12-2005	Changes	
Due to banks	10,482,846	8,221,923	2,260,923	27.50%
Due to customers & debt securities in issue	1,436,128	488,881	947,247	193.76%
Financial liabilities	1,954,196	1,703,186	251,011	14.74%
Provisions for liabilities	4,048	4,020	28	0.70%
Other liabilities	563,038	206,432	356,606	172.75%
Shareholders' equity	291,603	229,844	61,759	26.87%
- Share capital and reserves	196,549	152,582	43,966	28.81%
- Net income for the period	95,055	77,262	17,793	23.03%
Total	**14,731,860**	**10,854,285**	**3,877,574**	**35.72%**

Income statement

At year-end 2006, Banca Aletti reported an increase in net income of 23.0%, from 77,262 thousand euro on December 31st, 2005 to 95,055 thousand euro on December 31st, 2006. The net income increase is a confirmation to the consolidation of the Bank's operational structure both in Financial intermediation and in Private Banking. Shown below is the reclassified Income Statement in compliance with IAS/IFRS international accounting standards.

RECLASSIFIED INCOME STATEMENT - PROGRESSIVE *(thousand euro)*	31-12-2006	31-12-2005	Abs.Change	% Changes
Interest income	307,489	166,320	141,169	84.9%
Interest expense	(336,769)	(173,520)	(163,249)	94.1%
Net interest income	**(29,280)**	**(7,200)**	**(22,080)**	**306.67%**
Net commission income	90,928	70,960	19,968	28.1%
Dividend income	74,412	42,571	31,841	74.8%
Other revenues	2,939	3,073	(134)	4.4%
Net trading income	77,841	61,917	15,924	25.7%
Profit or loss on financial assets measured at fair value	3,408	1,833	1,575	85.9%
Other operating income	**249,528**	**180,354**	**69,174**	**38.35%**
Total income	**220,248**	**173,154**	**47,094**	**27.20%**
Personnel expenses	(42,592)	(37,583)	(5,009)	13.3%
Other administrative expenses	(36,177)	(32,067)	(4,110)	12.8%
Net impairment on PPE and intangible assets	(1,111)	(553)	(558)	101.0%
Operating costs	**(79,880)**	**(70,203)**	**(9,677)**	**13.78%**
Profit from operations	**140,367**	**102,951**	**37,416**	**36.34%**
Net write-downs on loan impairment	0	(320)	320	100.0%
Provisions for risks and charges	0	(890)	890	100.0%
Goodwill impairment	0	(1,800)	1,800	100.0%
Income/Loss before tax from continuing operations	**140,367**	**99,941**	**40,426**	**40.45%**
Income tax	(45,313)	(22,679)	(22,634)	99.8%
Income/Loss after tax from continuing operations	**95,055**	**77,262**	**17,793**	**23.03%**
Net income for the period	**95,055**	**77,262**	**17,793**	**23.03%**

The result corresponds to a growth in total income of 27.5%, which reached 220,901 thousand Euro (173,154 thousand euro on December 31st, 2005).

Net interest income reported a considerable drop, mainly due to the higher cost of funding generated by the increase in equity securities held in portfolio reported in 2006.

Other Revenues as a whole increased by 38.4%, driven by a marked dividend growth, which went from 42,571 thousand euro on December 31st, 2005 to 74,412 thousand euro on December 31st, 2006 and by net trading income, going from 61,917 thousand euro in 2005 to 77,841 thousand euro, up by 25.7%. This dynamic followed the coming into operation of market making on derivatives listed on regulated markets.

The item "Net trading income" benefited from a growing in-house management of trading books, associated with a solid selling activity by all the networks of the Group.

Net commission income increased by 28.1%, from 70,960 thousand on December 31st, 2005 to 90,928 on December 31st, 2006, also thanks to the consolidation of the Asset Management and Private Banking structures.

Operating costs increased by 13.78 % from 70,203 thousand euro on December 31st, 2005, to 79,880 thousand euro on December 31st, 2006, also thanks to the opening of four new Private Banking branches.

Tax provisions, based on the net income for the period, totaled 45,313 thousand euro (22,679 thousand on December 31st, 2005), and it benefited from the change in the taxation of equity proceeds.

Main events with regard to equity investments

Aletti Fiduciaria

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

The financial year ended on December 31st, 2006 posted a considerable growth both in terms of volumes and sales, and was characterized by a solid development of the company's typical business, that led to the strengthening of the company's structure. We went from 226 fiduciary mandates outstanding at the beginning of the year, to 423 mandates at yearend, and fiduciary assets grew from Euro 314,066,804 to Euro 478,599,043, up by 87.2% in terms of number of mandates and by 52.4% in terms of administered assets. Assets under administration as trustees amounted to euro 59,440,677. As a result, revenues from fiduciary registrations enjoyed a massive increase, going from Euro 377,730 in 2005 to Euro 666,482, in 2006, and posting a 76% hike.

This development was driven by a deeper knowledge and wider dissemination of the fiduciary instrument across Banca Aletti's network, which is gradually extending across the corporate network of the BPVN Group.
The growth in revenues and assets produced an increase in net income from Euro 6,275 to Euro 35,077.

With regard to business development, in 2006 the company continued to train Banca Aletti's Private Bankers on the main fiscal and legal issues associated with the interrelations between "Family – Assets – Business company".

Group s.r.l.

The aim of the company is to jointly represent the banking partners in large underwriting deals so as to maximize their role in underwriting syndicates.

During the year the shareholding structure expanded with the addition of a fifth shareholder – Banca Popolare di Sondrio Scarl, following the sale of an equal 2.5% stake of GROUP SRL (Gruppo Operazioni Underwriting Banche Popolari S.r.l.); as a result, GROUP SRL is jointly owned by Banca Aletti, and by four primary Italian cooperative Banks: Banca Akros S.p.A. (Gruppo Banca Popolare di Milano), Banca Popolare dell'Emilia Romagna S.c.r.L. (Gruppo Banca Popolare dell'Emilia Romagna), Centrobanca S.p.A. (Gruppo Banche Popolari Unite) and Banca Popolare di Sondrio Scarl

As a result of the above deal, Banca Aletti's interest in Group Sr.l fell from 25% to 22.5%.

Financial year 2006 ended with a loss of 9,149 Euro, mainly due to goodwill amortization and to the cancellation or postponement of several initial public offerings to which Group S.r.l had participated on behalf of its shareholders.

Research and development

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

Intercompany relations

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

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

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

Operational outlook

Financial year 2007 is expected to favor the consolidation of the results achieved in the different business areas, with a relatively limited variability associated with the performance of financial markets.

Profit allocation proposal

Shareholders convened at the General Meeting shall be submitted the proposal to approve the Financial Statements and to allocate the net profit for the year, amounting to Euro 95,054,861.59 as follows:

- Euro 4,752,743.08 to the legal reserve;
- Euro 61,654,182.51 to other reserves;
- Euro 28,647,936 to Shareholders, corresponding to 1.5 Euro per share.

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

(thousand euro)	current	new
Share capital	98,549	98,549
Share premium	17,628	17,628
Legal reserve	9,106	13,859
Other resereves	63,803	125,457
Valuation reserves	7,463	7,463
Total shareholders' equity	**196,549**	**262,956**

"Other reserves" include 441,070 euro worth of the portion of 2006 net income that cannot be distributed under art. 6 paragraph 1 letter a) and paragraph 2 of L.D. n. 38 of February 28th, 2005. The unavailable shareholders' equity reserve after the above mentioned distributions shall amount to 968,951 euro.
In keeping with art. 6 paragraph 3 of the above Decree, the unavailability constraint shall abate in the following years proportionally to the capital gains generated by the sale of financial instruments and to the capital gain decrease as a result of the subsequent write-downs of said instruments.

Milan, March 16th, 2007

The Chairman of the Board of Directors
Dr. Urbano Aletti


Michael Teagarden
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から5増加。
Graph
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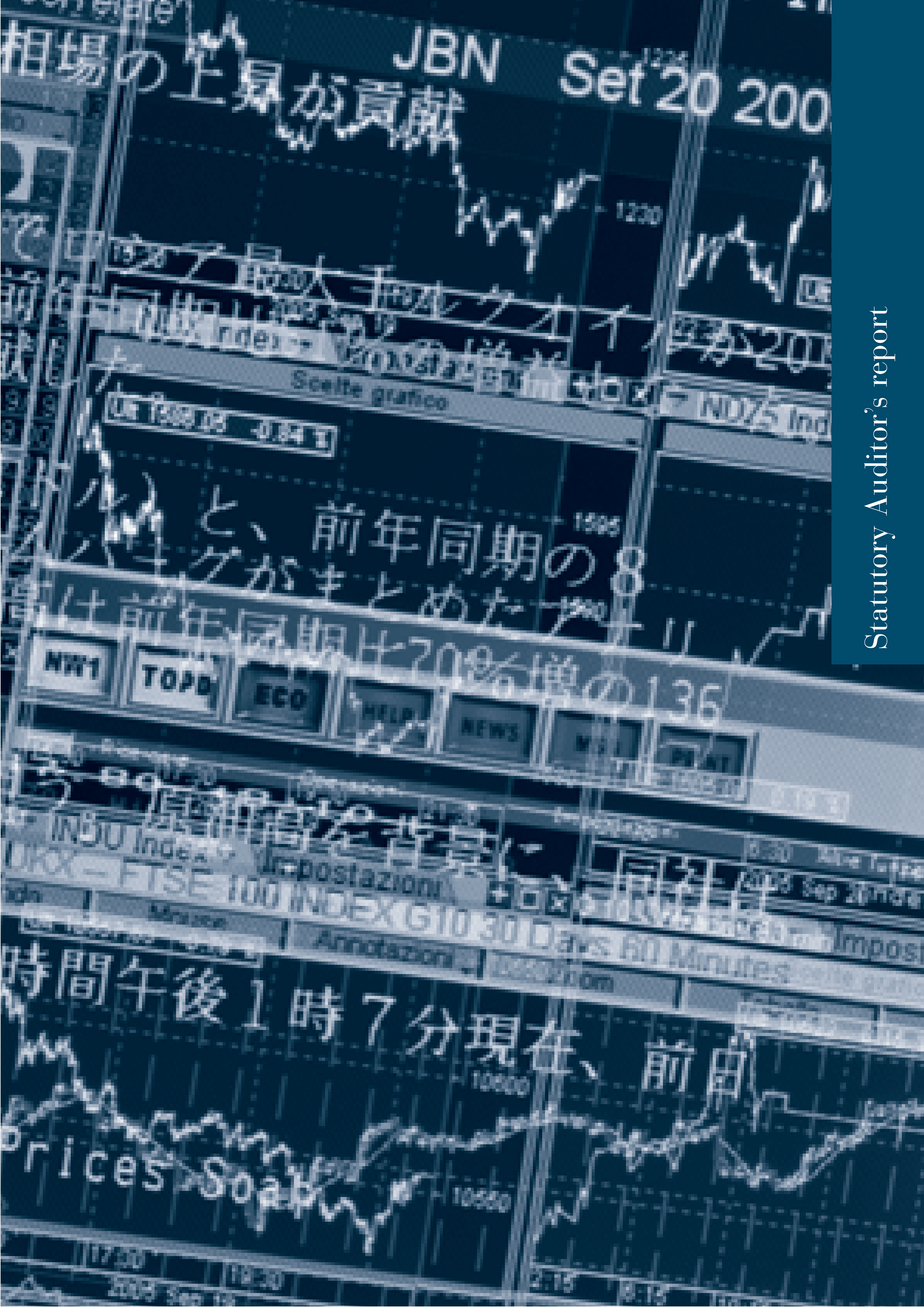
Profit Rises 61% as

Statutory Auditor's report



REPORT OF THE BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2006

Messrs. Shareholders,

The Financial Statements closed on December 31st, 2006, complete with Notes and accompanied with the Report by Directors on management trend, was approved by the Board on March 16th, 2007 and made available to the Board of Auditors in due time.

The Financial Statements are certified by RECONTA ERNST & YOUNG S.p.A. because the Company is subject to compulsory audit. As a consequence the Financial Statements closed on December 31st, 2006 are accompanied by the certification that the appointed Auditors are required to provide in accordance with article 156 of the Finance Consolidating Act under the heading *"Judgement on Financial Statements",* having performed all the relevant audits.

a) Supervisory activity carried out by the Board of Auditors

While performing its supervisory activity the Board of Auditors, has complied – insofar as applicable – with the regulations called for by the Civil Code as amended by the Finance Consolidating Act (Legal Decree dated February 24th, 1998 No. 58) and also taking into account the CONSOB notice dated April 6th, 2001 regarding the duties of Auditors of companies listed at the Stock Exchange.

In short, the work of the Auditors, which was always performed jointly, can be summed up as follows:

1. The Board of Auditors, as required by the law, participated in the Shareholders' Meetings and in the Board of Directors' meetings. During the meetings it received, from the Directors, all necessary information on business carried out and on the most important transactions from an economic, financial and assets standpoint. The monthly frequency of these meetings complied with the requirement for formal quarterly information from the directors as set out by current article 150, paragraph 1 of the Finance Consolidating Act as amended by article 9.79 of Legal Decree dated February 6th , 2004 No. 37.
2. During the fiscal year the Board of Auditors carried out No. 16 audits of which:
   - **No. 3 audits** to acquire and analyze financial statements data;
   - **No. 5 routine** audits with examination and in-depth analysis of specific organization areas (Commercial area, Risk Management, Organization, Internal Audit) with the participation of the manager of each single Function and/or representatives the reference Group Leader for services assigned thereto in *outsourcing*;
   - **No. 4 audits** on local *Private Units*, in some cases coordinating with the *Internal Audit* and acquiring the minutes of the individual audits this board performed on the single *units.* All of the 19 branches operating as of December 31st, 2006, excluding the three new branches opened during 2006 (Padua, Udine and Florence), underwent at least one audit by the Board of Auditors between 2003 and 2006 (and some were subjected to subsequent audits and *follow-ups*) in order to ascer-

tain progress and adaptation of these structures. The branch audit program enacted during 2006 called for an inspection visit to 3 branches (subject to four audits);

- **No. 4 audits** for the purpose of examining and investigating specific problems (meeting with the Supervisory Body in accordance with Legal Decree No. 231, examination of report on claims, examination of the annual internal audit report, coordination meeting with the Group Leader's board of auditors.

b) Results from the supervisory activity carried out by the Board of Auditors

The board of auditors gives, hereinafter key information coming out during the auditing performed.

1. There have been no unusual or atypical transactions, neither with third parties nor with Group companies. The Board of Auditors holds that infra-group transactions and those with correlated parties have been carried out as part of the industrial plans coordinated by the Group Leader. A study was prepared, for some of these transactions with a proportionally important weight in the overall picture of items represented in the Financial Statements, designed to support the consistency of transfer prices with respect to market prices.
2. The Board of Auditors considers information provided by the Directors in the management report to be suitable.
3. The Board of Directors has given its approval as to depreciation of tangible and intangible assets.
4. No information claims have been placed by the Auditing Company.
5. No reports have been filed in accordance with article 2408 of the Civil Code.
6. As far as complaints related to routine banking activities are concerned there has been, during the first half year of 2006, an increase in the number of complaints received by Banca Aletti compared to the previous half year (No. 33 compared with No. 23). As of June 30th, 2006 27 of these complaints had terminated the handling process by sending a written answer to the client while 6 complaints are still undergoing handling because they were received towards the end of the period.
   In the second half year of 2006 the Bank received 27 complaints compared with 33 received during the first half year. As of December 31st, 2006. 20 of these claims had terminated the handling process by sending a written answer to the client while 7 complaints were still undergoing handling because they were received towards the end of the period. The most frequent types of complaint concerned delay in execution of sale orders and/or transfer of financial instruments, information during account rendering, management performance held to be insufficient.

7. During the fiscal year 2006 the following appointments were entrusted to:
   - the RECONTA ERNST & YOUNG S.p.A. Auditing Company related to:

(in euro)	
Audit up to June 30th, 2006	32,500.00
Audit of financial statements as of December 31st, 2006	115,025.00
Total	**147,525.00**

plus 20% VAT.

- the STUDIO LEGALE TRIBUTARIO – TAX ADVISORY *in association with Ernst & Young,* for the fiscal year 2006 related to:

(in euro)	
Tax consulting	50,653.20
Professional *Qualified Intermediary* Services	37,008.40
Total	**87,661.60**

plus 20% VAT

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

(in euro)	
Compliance with Global Investment Performance Standards (GIPS)	48,500.00
Total	**48,500.00**

plus 20% VAT.

Overall remuneration equal to 283,686.00 Euros plus 20% VAT was paid for these appointments.

8. No appointments were entrusted to subjects tied to the Auditing Company by continuous relationships.

9. During the fiscal year:
    - no event arose for issue by the Board of opinions required by the law with the exception of the opinion of the Board of Auditors as to the Annual Report on the Internal Audit Function related to audits performed during the year 2006;
    - and in addition all due comments were made on periodic *Internal Audit* reports and duly transmitted to the Supervisory Authority.

10. No important comments were made on compliance with the principles of proper management. It is also important to state that the Bank performs its own business in an independent manner although in compliance with the Group Leader's plans, benefiting from the advantages of belonging to the Group.

11. The following organizational changes were enacted concerning enlargement of the relevant perimeter of business and in order to raise the quality of services/products provided:
    - creation of the secondary *Capital Market* Function which oversees the *Equity Capital Market* Office and the newly established *Debt Capital Market* office;
    - renaming of the secondary *Products & Services Development* Function to *Aletti Lab* and its relationship with the General Management,
    - creation of the *Commercial Private Banking* and *Commercial Corporate & Institutional* secondary Functions and elimination of the *Private Networks* secondary Function.

    The following organizational changes were enacted as part of initiatives aimed at streamlining and simplifying the organizational structure of finance activities:
    - the *Verona Inspection and Operations Support* Office was integrated, with simultaneous transfer of the business, into the corresponding office in Milan;
    - the Modena division of the Verona *Corporate Desk* Office was transformed into an office and became an independent structure,
    - the *Property and Quantitative Management* and the *Institutional Management* Offices were created with simultaneous elimination of the *Institutional and Quantitative Management* Office.
    - The two new *Private Client Management* and *Institutional and Quantitative Management* secondary Functions were created with consequent elimination of the *Asset Management* Function.

    The overall staff of the Bank underwent a substantial increase due to these new activities and structures, reaching 371 units as of December 31st, 2006 and consequently with an increase of 31 persons compared to the previous fiscal year.

12. The Board of Auditors insists on the need for the service activities performed by the Group Leader or by SGS to be specialized and speeded up given the particular business of the Banca Aletti tied to strong growth of financial products, while taking note that quality control of services performed by the Group Leader has been strengthened.

In addition prospects for enlarging the perimeter of the Group after the resolution to merge the Banco Popolare di Verona e Novara with the Banca Popolare Italiana make it necessary to prepare for the increasing operations that Banca Aletti will be involved in and for the consequent increases in work that will also be required from services performed outside the Group Leader or its SGS services company.

13. Concerning the aforementioned infragroup relationships, attention is drawn on the need to constantly proceed with audit of the correctness of transfer prices for outlying activities.

14. The organization model compliant with the provisions of Legal Decree No. 231/01 (*"Regulations of administrative liability of legal persons, companies and partnerships, even without legal status, in accordance with article 11 of law dated September 29*th*, 2000 No. 300"*) was adopted during fiscal year 2004. This area was the object of in-depth analysis by the Board of Auditors during fiscal year 2006, in part through a meeting with the relevant Supervisory Body, leading to several reflections on this matter.
    The Group Organization reported to the board of auditors of Banca Aletti, in a letter dated January 8th, 2007, that composition of the Banca Aletti Supervisory Body complies with the instructions given by ABI Guidelines and approved by the Ministry of Justice. It believes, however, that a rethinking of its composition would be advisable, after establishment of the *Compliance* Function which is forecast to take place within a few months.
    In addition operational instructions for applying regulations of Market Abuses were issued by the Group Organization simultaneous with the taking of effect of these regulations.
    The Group Organization also informed the Board that the Banco's Board of Directors shall quite soon be submitted, for approval, the new edition of the Organization Model, updated with inclusion of crimes that have been introduced from the date of first approval up to date.
    And, finally, the board of auditors has taken note that the organizational structure has been adapted for the purpose of reducing, based on experience being accrued, operations risks connected to its *front office* activity.

15. During the fiscal year the Board of Auditors, was able to constantly confront with the *Internal Audit* function (entrusted to the *Group's Internal Audit*) which has finally been strengthened, also providing for constant exchange of information on activities carried out.
    In this connection the Board of Auditors confirms the requirement that, according to the specific Group Internal Audit Regulations, there be guaranteed suitable coordination of the program of annual audits set up for the Bank.
    The Board of Auditors has duly communicated its own notes on half-year and annual *Internal Audit*, even in light of the comments of the Board of Directors.

16. Taking note of further efforts sustained during the fiscal year both in the administrative procedures sector, to monitor accounting operations, and in the sector of human resources assigned to the Bank's administrative area, the Board of Auditors states that the current administrative accounting system is substantially adequate considering the improvements already programmed.

17. The company holds, as sole controlling shareholding, the shareholding in ALETTI FIDUCIARIA S.p.A., equal to 100% of the capital of this latter, purchased in June 2002 for the purpose of supplementing the Bank's *Private Banking* services. It takes note that the controlling BANCA ALETTI has not provided for consolidated financial statements because the consolidated financial statements of the Group Leader BANCO POPOLARE DI VERONA E NOVARA already includes both BANCA ALETTI and ALETTI FIDUCIARIA S.p.A.
In addition BANCA ALETTI holds 22.5% shareholding in G.R.O.U.P. – *Gruppo Operazioni Underwriting Banche Popolari* S.r.l. with registered office in Milan. Placing it among the financial assets available for sale, during 2006 Banca Aletti purchased a 10% shareholding in the SIVORI Sim company which can lead to interesting business developments.

18. During the fiscal year the Board of Auditors, met with the managers of the Auditing Company with whom it had exchanges of information with particular regard to the fiscal year financial statements, the half-year report and the audits they performed.

19. Since the company is not listed at the stock exchange the self-discipline code required for this type of company has not been adopted.

20. In function of the supervision performed, the Board of Auditors complied with the provision of article 149, paragraph 3 of the Finance Consolidating Act.

21. For what has been specified the Board of Auditors has no proposals to submit to the shareholders' meeting in accordance with article 153 of the Finance Consolidating Act.

22. The Company, with notices sent to the Banca d'Italia on March 30th, 2006 and on September 25th, 2006, gave constant updating on the state of the organizational measures carried out and which go in the direction of the recommendations expressed by the Banca d'Italia during the audit performed between October 2004 and January 2005 and specifically concerning the advisability of more incisive supervision facilities connected to Bank operativeness in light of the strong increase in work registered by the Bank and the controls at the intergroup services level.

* * *

To conclude the Board of Auditors, as part of its own supervision performed during fiscal year 2006, has been able to check the following:

a) compliance with the Law and with the Articles of Association;
b) compliance with the principles of proper management;
c) substantial adequacy of the Bank's organizational structure as to relevant administration-accounting system aspects as well as the reliability thereof to correctly represent management events.

With respect to all that was stated above, taking note of certification by the auditing Company RECONTA ERNST & YOUNG S.p.A. dated April 4th, 2007 of the financial statements of the fiscal year 2006 and also taking note that it is therein stated, that *"In our opinion the fiscal year financial statements of the Banca Aletti & C. S.p.A. comply with the International Financial Reporting Standards adopted by the European Union as well as with measures issued to enact article 9 of Legal Decree No. 38/2005. Consequently it is drawn up with clarity and truly and correctly represents the financial and assets situation, the operating result, the variations in net assets and the cash flows of the Banca Aletti & C. S.p.A. for the fiscal year closed on that date", the Board of Auditors* expresses its favorable opinion regarding approval of the fiscal year financial statements and distribution of the dividend within the terms stated in the Management Report.

Milan, April 4th, 2007

BOARD OF AUDITORS
Maria Gabriella Cocco, *Chairman*
Alfonso Sonato, *Actual Auditor*
Franco Valotto, *Actual Auditor*

Indipendent Auditor's report

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

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

1. We have audited the financial statements of Banca Aletti & C. S.p.A. as of and for the year ended December 31, 2006, comprising the balance sheet, the statement of operations, changes in shareholders' equity and cash flows and the related explanatory notes. These financial statements are the responsibility of the Banca Aletti & C. S.p.A.'s management. 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 and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For our opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 7, 2006.

3. In our opinion, the financial statements present clearly and give a true and fair view of the financial position, the result of operations, the changes in shareholders' equity and the cash flows of Banca Aletti & C. S.p.A. as of December 31, 2006 and for the year then ended in accordance with IFRS as adopted by the European Union and the standards issued in accordance with art. 9 of Italian Legislative Decree n. 38/2005.

Milan, 4 April 2007

Reconta Ernst & Young S.p.A.

Signed by: Stefania Doretti, Partner


IBM
IBM
IBM

Financial statements

BALANCE SHEET - ASSETS *(in euro)*		31-12-2006	31-12-2005	Changes	
10	Cash and cash equivalents	17,800	13,079	4,721	36.1%
20	Financial assets held for trading	3,527,152,763	2,842,205,366	684,947,397	24.1%
30	Financial assets measured at fair value	66,068,518	78,744,263	(12,675,745)	(16.1%)
40	Financial assets available for sale	10,952,986	3,274,197	7,678,789	234.5%
60	Due from banks	10,109,836,057	7,500,657,966	2,609,178,091	34.8%
70	Loans to customers	556,244,684	279,437,706	276,806,978	99.1%
100	Equity investments	1,043,000	1,045,000	(2,000)	(0.2%)
110	Property, plant and equipment	1,596,339	1,363,251	233,088	17.1%
120	Intangible assets	3,237	5,146	(1,909)	(37.1%)
	of which: goodwill	-	-	-	-
130	Tax assets	11,212,922	10,333,547	879,375	8.5%
	a) current	1,254,696	402,031	852,665	212.1%
	b) deferred	9,958,226	9,931,516	26,710	0.3%
150	Other assets	447,731,266	137,205,963	310,525,303	226.3%
	Total	**14,731,859,572**	**10,854,285,484**	**3,877,574,088**	**35.7%**

BALANCE SHEET - LIABILITIES *(in euro)*		31-12-2006	31-12-2005	Changes	
10	Due to banks	10,482,845,856	8,221,922,777	2,260,923,079	27.5%
20	Due to customers	1,402,309,242	488,881,384	913,427,858	186.8%
30	Debt securities in issue	33,819,219	-	33,819,219	n.a.
40	Financial liabilities held for trading	1,954,196,386	1,702,918,580	251,277,806	14.8%
50	Financial liabilities measured at fair value	-	266,978	(266,978)	(100.0%)
80	Tax liabiliites	19,482,684	9,999,150	9,483,534	94.8%
	a) current	2,274,472	872,867	1,401,605	160.6%
	b) deferred	17,208,212	9,126,283	8,081,929	88.6%
100	Other liabilities	543,554,908	196,432,440	347,122,468	176.7%
110	Employee termination benefits	3,099,683	3,121,551	(21,868)	(0.7%)
120	Provisions for risks and charges	948,037	897,956	50,081	5.6%
	b) other provisions	948,037	897,956	50,081	5.6%
130	Valuation reserves	7,462,632	2,179,386	5,283,246	242.4%
160	Reserves	72,908,976	34,226,023	38,682,953	113.0%
170	Share premiums	17,628,187	17,628,187	-	-
180	Share capital	98,548,900	98,548,900	-	-
200	Net income for the year	95,054,862	77,262,172	17,792,690	23.0%
	Total	**14,731,859,572**	**10,854,285,484**	**3,877,574,088**	**35.7%**

INCOME STATEMENT *(in euro)*		31-12-2006	31-12-2005	Changes	
10	Interest income and similar revenues	307,489,091	166,319,929	141,169,162	84.9%
20	Interest expense and similar charges	(336,769,385)	(173,519,585)	(163,249,800)	94.1%
30	**Net interest income**	**(29,280,294)**	**(7,199,656)**	**(22,080,638)**	**306.7%**
40	Commission income	277,391,924	249,290,286	28,101,638	11.3%
50	Commission expense	(186,463,452)	(178,330,508)	(8,132,944)	4.6%
60	**Net commission income**	**90,928,472**	**70,959,778**	**19,968,694**	**28.1%**
70	Dividend income and similar revenues	74,412,294	42,570,609	31,841,685	74.8%
80	Net trading income	77,840,562	61,917,318	15,923,244	25.7%
110	Profit (Loss) on financial assets and liabilities designated at fair value	3,407,514	1,832,802	1,574,712	85.9%
120	**Total income**	**217,308,548**	**170,080,851**	**47,227,697**	**27.8%**
130	Net write-downs/write-backs on impairment of:	-	(320,000)	320,000	(100.0%)
	a) loans	-	(320,000)	320,000	(100.0%)
140	**Net income from banking activities**	**217,308,548**	**169,760,851**	**47,547,697**	**28.0%**
150	Administrative expenses:	(95,039,234)	(82,811,069)	(12,228,165)	14.8%
	a) personnel expenses	(43,020,769)	(37,583,082)	(5,437,687)	14.5%
	b) other administrative expenses	(52,018,465)	(45,227,987)	(6,790,478)	15.0%
160	Net provisions for risks and charges	-	(890,000)	890,000	(100.0%)
170	Impairment/write-backs on property, plant and equipment	(607,486)	(550,716)	(56,770)	10.3%
180	Impairment/write-backs on intangible assets	(1,907)	(2,396)	489	(20.4%)
190	Other operating income	18,707,383	16,233,394	2,473,989	15.2%
200	**Operating costs**	**(76,941,244)**	**(68,020,787)**	**(8,920,457)**	**13.1%**
210	Profit (Loss) on equity investments	162	-	162	n.a.
230	Goodwill impairment	-	(1,800,000)	1,800,000	(100.0%)
250	**Income (Loss) before tax from continuting operations**	**140,367,466**	**99,940,064**	**40,427,402**	**40.5%**
260	Tax on income from continuing operations	(45,312,604)	(22,677,892)	(22,634,712)	99.8%
270	**Income (Loss) before tax from continuting operations**	**95,054,862**	**77,262,172**	**17,792,690**	**23.0%**
290	**Net income for the year**	**95,054,862**	**77,262,172**	**17,792,690**	**23.0%**

Statement of changes in 2006 shareholders' equity

(in euro)	Balance as at 01 01 06	Allocation of net income from previous year		Changes over the year								Sharehol-ders' equity as at 31 12 06
				Changes in reserves	Changes in shareholders' equity						Income (Loss) for the year 2006	
		Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordin. dividend distribution	Changes in com. stock equivalents	Derivatives on treasury shares	Stock options		
Share Capital:												
a) common shares	98,548,900	-	-	-	-	-	-	-	-	-	-	98,548,900
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Share premoum	17,628,187	-	-	-	-	-	-	-	-	-	-	17,628,187
Reserves:												
a) retained earnings	34,226,023	38,682,953	-	-	-	-	-	-	-	-	-	72,908,976
b) other	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:												
a) available for sale	2,179,386	-	-	5,283,246	-	-	-	-	-	-	-	7,462,632
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-
Common stock equivalents	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the year	77,262,172	(38,682,953)	(38,579,219)	-	-	-	-	-	-	-	95,054,862	95,054,862
Shareholders' equity	**229,844,668**	**-**	**(38,579,219)**	**5,283,246**	**-**	**-**	**-**	**-**	**-**	**-**	**95,054,862**	**291,603,557**

Statement of changes in 2005 shareholders' equity

(in euro)	Balance as at 31 12 04	Changes to opening balances	Balance as at 01 01 05	Allocation of net income from previous year		Changes over the year									Sharehol-ders' equity as at 31 12 05
						Changes in reserves	Changes in shareholders' equity						Income (Loss) for the year 2005	
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordin. dividend distribution	Changes in com. stock equivalents	Derivatives on treasury shares	Stock options		
Share capital:														
a) common shares	72,000,003	-	72,000,003	-	-	-	26,548,897	-	-	-	-	-	-	98,548,900
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	17,427,079	-	17,427,079	-	-	-	201,108	-	-	-	-	-	-	17,628,187
Reserves:														
a) retained earnings	18,252,516	(5,021,087)	13,231,429	20,994,594	-	-	-	-	-	-	-	-	-	34,226,023
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves:														
a) available for sale	-	1,555,887	1,555,887	-	-	623,499	-	-	-	-	-	-	-	2,179,386
b) cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income (loss) for the year	42,203,897	-	42,203,897	(20,994,594)	(21,209,303)	-	-	-	-	-	-	-	77,262,172	77,262,172
Shareholders' equity	**149,883,495**	**(3,465,200)**	**146,418,295**	**-**	**(21,209,303)**	**623,499**	**26,750,005**	**-**	**-**	**-**	**-**	**-**	**77,262,172**	**229,844,668**

OPERATING ACTIVITIES *(in euro)*	2006	2005
1. Cash flow from operations	**112,730,917**	**120,809,621**
Interest income (+)	308,833,180	160,765,777
Interest expense (-)	(337,088,927)	(169,474,849)
Dividends and similar income	74,412,294	42,570,609
Net commission (+/-)	101,801,311	96,651,015
Personnel expense	(45,588,519)	(36,837,198)
Other costs (-)	(60,085,614)	(28,020,003)
Other revenues (+)	98,957,047	67,158,680
Taxes and other duties (-)	(28,509,855)	(12,004,410)
Costs / revenues from group disposals and net of fiscal effect (+ / -)	-	-
2. Cash flow from / used in financial assets:	**(3,882,955,754)**	**(3,797,782,340)**
Financial assets held for trading	(684,947,397)	(1,152,429,601)
Financial assets measured at fair value	12,675,745	(20,152,302)
Financial assets available for sale	(2,395,543)	-
Loans to customers	(276,806,978)	(245,485,687)
Due from banks: on demand	(166,032,671)	(32,008,519)
Due from banks: other	(2,444,169,968)	(2,318,700,457)
Other assets	(321,278,943)	(29,005,775)
3. Cash flow from / used in financial liabilities:	**3,809,647,350**	**3,672,579,020**
Due to banks: on demand	59,039,887	(753,165,337)
Due to banks: other	2,201,883,193	3,479,606,369
Due to customers	913,427,858	327,102,635
Debt securities in issue	33,819,219	-
Financial liabilities held for trading	251,277,806	506,343,892
Financial liabilities measured at fair value	(266,978)	266,978
Other liabilities	350,466,365	112,424,483
Net cash flow from / used in operating activities	**39,422,513**	**(4,393,699)**

INVESTING ACTIVITIES *(in euro)*	2006	2005
1. Cash flow from:	**2,000**	**-**
Sale of equity investments	2,000	-
Dividends collected on equity investments	-	-
Sale / redemption of financial assets held to maturity	-	-
Sale of property, plant and equipment	-	-
Sale of intangible assets	-	-
Sale of business lines	-	-
2. Cash flow used in:	**(840,573)**	**(1,139,670)**
Purchase of equity investments	-	(900,000)
Purchase of financial assets held to maturity	-	-
Purchase of property, plant and equipment	(840,573)	(239,670)
Purchase of intangible assets	-	-
Purchase of business lines	-	-
Net cash flow from / used in investing activitites	**(838,573)**	**(1,139,670)**

FINANCING ACTIVITIES *(in euro)*	2006	2005
Issue / purchase of treasury shares	-	26,750,005
Issue / purchase of common stock equivalents	-	-
Dividend distribution and other	(38,579,219)	(21,209,303)
Net cash flow from / used in financing activities	**(38,579,219)**	**5,540,702**
Net cash flow from / used in the period	**4,721**	**7,333**

STATEMENT OF CASH FLOWS: RECONCILIATION *(in euro)*	2006	2005
Cash and cash equivalents at year start	13,079	5,746
Net cash flow generated / used during the year	4,721	7,333
Cash and cash equivalents: exchange rate changes effect	-	-
Cash and cash equivalents at year end	**17,800**	**13,079**

Notes to the financial statements

Chapter A – Accounting standards

Overview

Section 1 Statement of compliance with International accounting standards

These financial statements have been prepared in accordance with IAS/IFRS, as approved by the European Union and effective as at 31.12.2006 and they represent the financial position, as well as the profitability and financial performance of Banca Aletti & C. S.p.A.

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

Section 2 General accounting standards

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

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

The financial statements were drawn up so as to provide a clear, fair and correct representation of the assets and liabilities, profit and loss and financial position for the year.

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

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

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

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

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

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

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

Materiality and aggregation: the faces of the balance sheet and income statements are made up of items (marked by Arabic numerals), by sub-items (marked by letters) and by further details ("of which" in items and sub-items). Items, sub-items and details make up the financial accounts. The charts comply with the guidelines released by the Bank of Italy in Circular n. 262 of December 22nd, 2005. Additional items can be added to these charts if their content cannot be associated with any of the items already shown in the charts and only if they represent significant amounts. The sub-items envisaged in the charts can be grouped together when one of the two following conditions occurs:

a) the sub-item amount is immaterial;
b) the aggregation favors a clear financial statement presentation; in this case in the notes to the accounts the sub-items that had been grouped together shall be presented separately.

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

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

Section 3 Noteworthy events after the balance sheet date

On February 27th, 2007, the Bank signed the first Company Supplementary Agreement with Fisac/Cgil Union Representatives for managers and professional areas employed by Banca Aletti.
The supplementary agreement, once finalized by the respective boards, shall be effective as of the date it was signed and shall expire on December 31st, 2007, in keeping with the current National Collective Bargaining Agreement.

Section 4 Other Aspects

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

Following a more in-depth interpretation of the directives issued by the Bank of Italy in Circular 262 of December 2005, as of this financial year, the criteria used in the detail tables of the explanatory notes to represent reverse repurchase agreements have been changed. Treasury shares sold spot as part of repos outstanding at the balance sheet date have been recognized as assets sold and not derecognized in the relevant items of the tables required by circular n. 262/2005. For the sake of comparability, also the previous year's data in the detail tables were reclassified.

A.2 - Main account items

1 – Cash and cash equivalents

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

2 – Financial assets held for trading

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

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

Financial assets are initially recognized on the settlement date in case of debt and equity securities, and on the subscription date for derivative contracts.
Upon their initial recognition, financial assets held for trading are measured at cost, meaning the instrument's fair value. Any embedded derivative in complex contracts, which is not closely related to its host contract and qualifies as derivative, is separated from its host contract and measured at fair value, while the host contract is accounted for along its relevant accounting standard.

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

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

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

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

3 – Financial assets measured at fair value

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

- it is a hybrid contract containing one or more embedded derivatives, and the embedded derivative significantly changes the financial flows that would otherwise be expected from the contract;
- the measurement at fair value through profit or loss makes it possible to provide a more reliable information as:
  - i) it eliminates or considerably reduces a lack in homogeneity in measurement or recognition, that would otherwise be caused by measuring assets or liabilities or recognizing the associated profit and loss along different approaches;
  - ii) a group of financial assets, or financial liabilities, or both is managed and its performance measured at fair value based on a documented risk management or investment strategy, and group reporting is provided internally to managers in charge of strategic functions based on this approach.

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

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

4 – Financial assets available for sale

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

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

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

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

5 – Loans to banks and customers

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

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

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

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

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

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

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

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

6 – Investments in associates

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

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

Financial assets are initially recognized on the settlement date.

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

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

7 – Property, plant and equipment

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

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

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

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

8 – Intangible assets

Intangible assets include goodwill, and the other intangible assets provided for by IAS 38. Goodwill is the positive difference between the cost of the acquisition and the fair value of the acquired assets and liabilities. Other intangible assets are recognized as such if identifiable and if originating from legal or contractual rights.

An intangible asset can be recognized as goodwill when the positive difference between the cost of the acquisition (including accessory charges) and the fair value of the acquired assets and liabilities is representative of future economic benefits to be generated by the subsidiary (goodwill). Should this difference be negative (badwill) or in the assumption that goodwill is not justified by the anticipated future economic benefits generated by the subsidiary, the difference is directly recognized in the income statement.
Other intangible assets are carried at cost including any accessory charges only if it is probable that the future economic benefits that are attributable to the asset will be realized and if the cost of the asset can be measured reliably. Otherwise, the cost of the intangible asset is recognized in the income statement of the year in which it was incurred.

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

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

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

9 – Tax assets and liabilities

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

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

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

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

10 – Other assets

This item includes assets that do not belong to the other balance sheet assets items. This item for example may include improvements and incremental expenses incurred on third party assets other than those associated with the item "tangible assets".

11 – Due to banks and customers and debt securities in issue

The items "Due to banks", "Due to customers" and "Debt securities in issue" include various forms of interbank and customer funding and proceeds raised through certificates of deposit.

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

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

Financial liabilities are derecognized when expired or exhausted.

12 – Trading liabilities

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

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

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

Trading liabilities are derecognized when expired or exhausted.

13 – Financial liabilities measured at fair value

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

- it is a hybrid contract containing one or more embedded derivatives, and the embedded derivative significantly changes the financial flows that would otherwise be expected from the contract
- the measurement at fair value through profit or loss makes it possible to provide a more reliable information as:
  - i) it eliminates or considerably reduces a lack in homogeneity in measurement or recognition, that would otherwise be caused by measuring assets or liabilities or recognizing the associated profit and loss along different approaches;

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

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

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

Financial liabilities are derecognized when expired or exhausted.

14 – Other liabilities

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

15 – Provisions for risks and charges

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

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

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

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

16 – Valuation reserves

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

17 – Reserves

This item includes retained earnings.

18 – Share capital and treasury shares

Share capital includes the amount of common stock issued by the bank, net of any capital already subscribed but not yet paid in at the balance sheet date, i.e., retained earnings. This item includes any treasury stock held by the bank. The latter are shown with a minus sign in the item bearing their name under balance sheet liabilities.
The original cost of repurchased treasury shares and the gain or loss originated by their subsequent sale are recognized as changes to shareholders' equity.

19 – Foreign currency transactions

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

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

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

20 – Other information

Employee Benefit Plans

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

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

Dividends and revenue recognition

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

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

Chapter B – Notes to the balance sheet

Assets

Section 1 Cash and cash equivalents - Item 10

Cash and cash equivalents: breakdown

(in thousand euro)	31-12-2006	31-12-2005
a) Cash	18	13
b) Demand deposits with Central Banks	-	-
Total	**18**	**13**

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

Section 2 Financial assets held for trading

2.1 Financial assets held for trading: breakdown by instrument.

As at December 31st, 2006 financial assets amounted to 3,527,153 thousand euro. Shown below is the breakdown of financial assets.

(in thousand euro)	31-12-2006		31-12-2005	
	Quoted	Unquoted	Quoted	Unquoted
A. Financial assets				
1. Debt securities	154.977	138.542	59.391	131.513
1.1 Structured notes	29	31.799	1.004	260
1.2 Other debt securities	154.948	106.743	58.387	131.253
2. Equity securities	572.665	-	231.565	-
3. UCITS units	404	603.365	799	485.019
4. Loans	-	-	-	-
4.1 Repurchase agreements - receivable	-	-	-	-
4.2 Other	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not derecognized	317.723	4.001	301.731	-
Totale A	**1.045.769**	**745.908**	**593.486**	**616.532**
B. Derivatives				
1. Financial derivatives	162.920	1.572.556	58.068	1.574.119
1.1 trading derivatives	162.920	1.572.556	58.068	1.574.119
1.2 associated with fair value option	-	-	-	-
1.3 other	-	-	-	-
2. Credit derivatives	-	-	-	-
1.1 trading derivatives	-	-	-	-
1.2 associated with fair value option	-	-	-	-
1.3 other	-	-	-	-
Total B	**162.920**	**1.572.556**	**58.068**	**1.574.119**
Total (A+B)	**1.208.689**	**2.318.464**	**651.554**	**2.190.651**

"Assets sold and not derecognized" are comprised of bonds used in Repurchase Agreements for 288,906 thousand euro (296,425 thousand euro as at December 31st, 2005) and equities used in Securities lending for 32,818 thousand euro (5,306 thousand euro as at December 31st, 2005).

2.2 Financial assets held for trading: breakdown by debtor/issuer.

(in thousand euro)	31-12-2006	31-12-2005
A. FINANCIAL ASSETS		
1. Debt securities	**293,519**	**190,904**
a) Governments and Central banks	122,608	45,301
b) Other public agencies	-	1,115
c) Banks	144,114	117,757
d) Other issuers	26,797	26,731
2. Equity securities	**572,665**	**231,564**
a) Banks	72,563	15,696
b) Other issuers:	500,102	215,868
- insurance companies	17,916	20,995
- financial companies	78,454	3,544
- non-financial businesses	403,732	191,329
- other	-	-
3. Units in UCITS	**603,769**	**485,818**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other counterparties	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other counterparties	-	-
6. Assets sold and not derecognized	**321,724**	**301,732**
a) Governments and Central banks	281,896	296,426
b) Other public agencies	-	-
c) Banks	8,257	877
d) Other counterparties	31,571	4,429
Total A	**1,791,677**	**1,210,018**
B. DERIVATIVES		
a) Banks	1,534,060	1,518,763
b) Customers	201,416	113,424
Total B	**1,735,476**	**1,632,187**
Total (A+B)	**3,527,153**	**2,842,205**

Shown below is the breakdown of UCITS units as at December 31st, 2006:

- Equity: 289,193 thousand euro
- Fixed income: 311,271 thousand euro;
- Monetary: 3,305 thousand euro.

2.3 Financial assets held for trading: derivative instruments

Shown below are financial assets associated with derivatives subdivided by underlying instrument.

(in thousand euro)	Interest rates	Currencies and gold	Equity securities	Loans	Other	31-12-2006	31-12-2005
A. Quoted derivatives							
1. Financial derivatives:	**-**	**-**	**162,920**	**-**	**-**	**162,920**	**58,068**
a) With exchange of capital	-	-	11,616	-	-	11,616	58,068
- purchased options	-	-	11,616	-	-	11,616	58,068
- other derivatives	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	151,304	-	-	151,304	-
- purchased options	-	-	151,304	-	-	151,304	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
Total A	**-**	**-**	**162,920**	**-**	**-**	**162,920**	**58,068**
B. Unquoted derivatives						**-**	
1. Financial derivatives:	**946,919**	**65,840**	**466,044**	**-**	**93,753**	**1,572,556**	**1,574,119**
a) With exchange of capital	-	65,840	7,654	-	-	73,494	137,408
- purchased options	-	26,763	7,654	-	-	34,417	115,505
- other derivatives	-	39,077	-	-	-	39,077	21,903
b) Without exchange of capital	946,919	-	458,390	-	93,753	1,499,062	1,436,711
- purchased options	23,058	-	458,390	-	93,753	575,201	653,351
- other derivatives	923,861	-	-	-	-	923,861	783,360
2. Credit derivatives:	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) With exchange of capital	-	-	-	-	-	-	-
b) Without exchange of capital	-	-	-	-	-	-	-
Total B	**946,919**	**65,840**	**466,044**	**-**	**93,753**	**1,572,556**	**1,574,119**
Total (A+B)	**946,919**	**65,840**	**628,964**	**-**	**93,753**	**1,735,476**	**1,632,187**

2.4 Financial assets held for trading other than sold and not derecognized and impaired: annual changes

(in thousand euro)	Debt securities	Equity securities	UCITS units	Loans	Total
A Opening balance	**190,904**	**231,565**	**485,818**	**-**	**908,287**
B. Increases	**46,485,980**	**5,170,720**	**882,752**	**-**	**52,539,452**
B1. Purchases	46,165,033	5,084,763	869,945	-	52,119,741
B2. Positive fair value changes	318	33,486	9,545	-	43,349
B3. Other changes	320,629	52,471	3,262	-	376,362
C. Decreases	**46,383,365**	**4,829,620**	**764,801**	**-**	**51,977,786**
C1. Sales	45,558,503	4,726,045	757,051	-	51,041,599
C2. Redemptions	496,814	-	-	-	496,814
C3. Negative fair value changes	1,078	3,291	1,590		5,959
C4. Other changes	326,970	100,284	6,160	-	433,414
D. Closing balance	**293,519**	**572,665**	**603,769**	**-**	**1,469,953**

Section 3 Financial assets measured at fair value - Item 30

3.1 Financial assets measured at fair value: breakdown by instrument

(in thousand euro)	31-12-2006		31-12-2005	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	-	48,425	-	67,305
1.1 Structured notes	-	19,946	-	1,195
1.2 Other debt securities	-	28,479	-	66,110
2. Equity securities	-	514	-	268
3. Units in UCITS	-	17,130	-	11,171
4. Loans	-	-	-	-
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not derecognized	-	-	-	-
Total	**-**	**66,069**	**-**	**78,744**
Cost	**-**	**63,999**	**-**	**76,975**

Debt Securities are made up of bonds issued by the BPVN Group for 48,425 thousand euro.
UCITS units are comprised of units in Hedge Funds for 16,884 thousand euro (made up of investments on "other assets") and Private Equity Funds for 246 thousand euro.
Equity Securities refer to an insurance policy entered with an Insurance Company as part of a Supplementary Pension Scheme aiming at fostering the loyalty of our Top Management.
The intragroup securities portfolio refers to the repurchase of said bonds, which are eliminated upon consolidation, and have an impact on the financial statements of Banca Aletti depending on the trading activities performed on the secondary market. For these financial instruments, the classification in the macro-portfolio of Assets at Fair Value Through Profit and Loss (AFVTPL) is consistent with the objectives associated with the trades performed on said securities and allows for an accounting representation much more in line with the associated business logics.
The hedge fund units in Banca Aletti's portfolio were purchased to take in profits from the fund's long term performance and not to profit from the purchase and sale of the units themselves (trading activity as is). Hence, the classification under AFVTPL is consistent with the type of trading performed on said assets, as compared with, for example, a classification under HFT (Held For Trading), which would entail a frequent purchase and sale activity, or compared with the recognition under AFS (Available For Sale), since the investment rationale cannot be associated with assets that are available for sale.

3.2 Financial assets measured at fair value: breakdown by debtor/issuer

(in thousand euro)	31-12-2006	31-12-2005
1. Debt securities	**48,425**	**67,305**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	48,425	67,305
d) Other issuers	-	-
2. Equity securities	**514**	**268**
a) Banks	-	-
b) Other issuers:	514	268
- insurance companies	514	268
- financial companies	-	-
- non-financial businesses	-	-
- other	-	-
3. UCITS units	**17,130**	**11,171**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other counterparties	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other counterparties	-	-
6. Assets sold and not derecognized	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other counterparties	-	-
Total	**66,069**	**78,744**

3.3 Financial assets measured at fair value other than sold and not derecognized and impaired: annual changes

(in thousand euro)	Debt securities	Equity securities	UCITS units	Loans	Total
A Opening balance	**67,305**	**268**	**11,171**	**-**	**78,744**
B. Increases	**222,976**	**246**	**5,976**	**-**	**229,198**
B1. Purchases	219,397	168	5,121	-	224,686
B2. Positive fair value changes	710	78	855	-	1,643
B3. Other changes	2,869	-	-	-	2,869
C. Decreases	**241,856**	**-**	**17**	**-**	**241,873**
C1. Sales	223,138	-	-	-	223,138
C2. Redemptions	17,133	-	-	-	17,133
C3. Negative fair value changes	155		17		172
C4. Other changes	1,430	-	-	-	1,430
D. Closing balance	**48,425**	**514**	**17,130**	**-**	**66,069**

Section 4 Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by instrument

(in thousand euro)	31-12-2006		31-12-2005	
	Quoted	Unquoted	Quoted	Unquoted
1. Debt securities	-	-	-	-
1.1 Structured notes	-	-	-	-
1.2 Other debt securities	-	-	-	-
2. Equity securities	-	10,953	-	3,274
1.1 Structured securities	-	-	-	-
1.2 Other equity securities	-	10,953	-	3,274
3. Units in UCITS	-	-	-	-
4. Loans	-	-	-	-
5. Impaired assets	-	-	-	-
6. Assets sold and not derecognized	-	-	-	-
Total	**-**	**10,953**	**-**	**3,274**

"Equity Securities" comprise shareholdings in the following companies:

- Borsa Italiana S.p.A. totaling 6,995 thousand euro (0.86% stake);
- Società Italiana per l'Automazione (SIA) totaling 3,625 thousand euro (1.49% stake)

- Sivori & Partners Sim S.p.A. totaling 333 thousand euro (10% stake).
- Said assets were measured at Fair Value and led to the recognition of a capital gain of 5.699 thousand euro gross of deferred taxes, posted under the specific Liabilities item "Valuation Reserve".
- The shareholding in Sivori & Partners Sim S.p.A. was measured at cost as it was purchased in the last quarter of 2006.

4.2 Financial assets available for sale: breakdown by debtor/issuer

(in thousand euro)	31-12-2006	31-12-2005
1. Debt securities	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity securities	**10,953**	**3,274**
a) Banks	-	-
b) Other issuers:	10,953	3,274
- insurance companies	-	-
- financial companies	333	-
- non-financial businesses	10,620	3,274
- other	-	-
3. UCITS units	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other counterparties	-	-
5. Impaired assets	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other counterparties	-	-
6. Assets sold and not derecognized	**-**	**-**
a) Governments and Central banks	-	-
b) Other public agencies	-	-
c) Banks	-	-
d) Other counterparties	-	-
Total	**10,953**	**3,274**

4.5 Financial assets available for sale other than sold and not derecognized and impaired: annual changes

(in thousand euro)	Debt securities	Equity securities	UCITS units	Loans	Total
A. Opening balance	**-**	**3,274**	**-**	**-**	**3,274**
B. Increases	**-**	**7,679**	**-**	**-**	**7,679**
B1. Purchases	-	1,980	-	-	1,980
B2. Positive fair value changes	-	5,699	-	-	5,699
B3. Write-backs	-	-	-	-	-
- through profit and loss	-	-	-	-	-
- through net equity	-	-	-	-	-
B4. Transfer from other portfolios	-	-	-	-	-
B5. Other changes	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**
C1. Sales	-	-	-	-	-
C2. Redemptions	-	-	-	-	-
C3. Negative fair value changes	-	-	-	-	-
C4. Impairment losses	-	-	-	-	-
- through profit and loss	-	-	-	-	-
- through net equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	-	-	-	-	-
D. Closing balance	**-**	**10,953**	**-**	**-**	**10,953**

In the course of 2006, 235,174 new shares of S.I.A. SpA were purchased, worth 1,647 thousand euro, as a result the shareholding went from 0.81% up to 1.49%. Banca Aletti also acquired a 10% interest in Sivori & Partners Sim SpA by subscribing 494,947 shares, worth 333 thousand euro.

Section 6 Due from banks - Item 60

6.1 Due from banks: breakdown by instrument

(in thousand euro)	31-12-2006	31-12-2005
A. Due from Central banks	**60,794**	**17,746**
1. Time deposits	-	-
2. Compulsory reserve	60,794	17,746
3. Repurchase agreements	-	-
4. Other	-	-
B. Due from other banks	**10,049,042**	**7,482,912**
1. Checking accounts and demand deposits	164,159	41,465
2. Time deposits	2,871,588	2,599,167
3. Other loans	7,013,295	4,842,280
3.1 Repurchase agreements	7,013,295	4,842,280
3.2 Finance lease	-	-
3.3 Other	-	-
4. Debt securities	-	-
4.1 Structured notes	-	-
4.2 Other debt securities	-	-
5. Impaired assets	-	-
6. Assets sold and not derecognized	-	-
Total (book value)	**10,109,836**	**7,500,658**
Total (fair value)	**10,109,836**	**7,500,658**

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

Item B.2 “Time deposits” includes 123,890 thousand euro worth of security deposits to secure contracts on financial instruments.

Item B.3.1 “Repurchase agreements - receivables” as at December 31st, 2006 breaks down as follows:

- Repurchase Agreements worth 6,727,780 thousand euro;
- Securities Lending worth 285,515 thousand euro.

Section 7 Loans to customers - Item 70

7.1 Loans to customers: breakdown by instrument

(in thousand euro)	31-12-2006	31-12-2005
1. Checking accounts	41,502	31,526
2. Repurchase agreements	514,743	247,912
3. Mortgages	-	-
4. Credit cards, personal loans and payroll secured loans	-	-
5. Finance leases	-	-
6. Factoring	-	-
7. Other	-	-
8. Debt securities	-	-
9. Impaired assets	-	-
10. Assets sold and not derecognized	-	-
Total	**556,245**	**279,438**

Item 1 – "Checking Accounts" is mainly comprised of cash deposited with the Clearing house Cassa di Compensazione e Garanzia amounting to 29,927 thousand euro.

Item 2 – "Repurchase Agreements" breaks down as follows:
- Repurchase Agreements totaling 12,829 thousand euro;
- Securities Lending totaling 501,914 thousand euro.

7.2 Loans to customers: breakdown by debtor/issuer

(in thousand euro)	31-12-2006	31-12-2005
1. Debt securities	**-**	**-**
a) Governments	-	-
b) Other public agencies	-	-
c) Other issuers	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
2. Loans to	**556,245**	**279,438**
a) Governments	-	-
b) Other public agencies	-	-
c) Other counterparties	556,245	279,438
- non-financial companies	38,985	28,843
- financial companies	514,753	247,915
- insurance companies	140	-
- other	2,367	2,680
3. Impaired assets	**-**	**-**
a) Governments	-	-
b) Other public agencies	-	-
c) Other counterparties	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
4. Assets sold and not derecognized	**-**	**-**
a) Governments	-	-
b) Other public agencies	-	-
c) Other counterparties	-	-
- non-financial companies	-	-
- financial companies	-	-
- insurance companies	-	-
- other	-	-
Total	**556,245**	**279,438**

Section 10 Equity investments - Item 100

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

(in thousand euro)	Head office	Share-holding %	Voting rights
A. Fully controlled companies			
1. Aletti Fiduciaria S.p.A.	Milan	100%	100%
C. Companies under significant influence			
1. Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	Milan	22.5%	22.5%

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

(in thousand euro)	Total Assets	Total Revenues	Profit (Loss)	Shareholders' equity	Book value	Fair Value
A. Fully controlled companies	**2,150**	**1,366**	**35**	**1,059**	**1,025**	**X**
1. Aletti Fiduciaria S.p.A.	2,150	1,366	35	1,059	1,025	X
C. Companies under significant influence	**84**	**16**	**(9)**	**77**	**18**	**X**
1. Gruppo Operazioni Underwriting Banche Popolari S.r.l. (GROUP Srl)	84	16	(9)	77	18	X
Total	**2,234**	**1,382**	**26**	**1,136**	**1,043**	**X**

On June 6th, 2006, a 2.5% stake in the associate GROUP Srl was sold to Banca Popolare di Sondrio S.c.r.l. As a result, Banca Aletti's interest in GROUP Srl went from 25% down to 22.5%.

10.3 Equity investments: annual changes

(in thousand euro)	31-12-2006	31-12-2005
A. Opening balance	**1,045**	**145**
B. Increases	**-**	**900**
B1. Purchases	-	900
B2. Write-backs	-	-
B3. Revaluations	-	-
B4. Other changes	-	-
C. Decreases	**2**	**-**
C1. Sales	2	-
C2. Write-downs	-	-
C3. Other changes	-	-
D. Closing balance	**1,043**	**1,045**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

As already described above, in 2006 a 2.5% stake in GROUP Srl equal to 2,162 euro was sold to Banca Popolare di Sondrio S.c.a.r.l. The sale generated the recognition of a profit of 162 euro.

10.4 Commitments associated with interests in subsidiaries

As at December 31st, 2006, the Bank has no outstanding commitments towards its subsidiary.

10.5 Commitments associated with interests in companies under a significant influence

As at December 31st, 2006, the Bank has no outstanding commitments towards its associate.

Section 11 Property, plant and equipment - Item 110

Tangible assets amounted to 1,596 thousand euro net of associated depreciation provisions.

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

(in thousand euro)	31-12-2006	31-12-2005
A. Operational property		
1. Owned	1,596	1,363
a) land	-	-
b) buildings	-	-
c) furniture	1,188	1,012
d) electronic systems	1	3
e) other	407	348
2. Under financial lease	-	-
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total A	**1,596**	**1,363**
B. Investment property		
1. Owned	-	-
a) land	-	-
b) buildings	-	-
2. Under financial lease	-	-
a) land	-	-
b) buildings	-	-
Total B	**-**	**-**
Total (A+B)	**1,596**	**1,363**

11.3 Property, plant and equipment used in operations: annual changes

2006 *(in thousand euro)*	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**-**	**2,781**	**736**	**1,703**	**5,220**
A.1 Net write-downs	-	-	(1,769)	(733)	(1,355)	(3,857)
A.2 Net opening balance	-	-	1,012	3	348	1,363
B. Increases:	**-**	**-**	**590**	**-**	**251**	**841**
B.1 Purchase	-	-	590	-	251	841
B.2 Capitalized expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes carried at:						-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from investment properties	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**(414)**	**(2)**	**(192)**	**(608)**
C.1 Sale	-	-	-	-	-	-
C.2 Depreciation	-	-	(414)	(2)	(192)	(608)
C.3 Impairment losses	-	-	-	-	-	-
charged to	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
C.4 Negative fair value changes	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets under disposal	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**1,188**	**1**	**407**	**1,596**
D.1 Total net write-downs	-	-	(2,124)	(735)	(1,605)	(4,464)
D.2 Gross closing balance	-	-	3,312	736	2,012	6,060
E. Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

2005 *(in thousand euro)*	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**-**	**2,674**	**733**	**1,574**	**4,981**
A.1 Net write-downs	-	-	(1,424)	(694)	(1,189)	(3,307)
A.2 Net opening balance	-	-	1,250	39	385	1,674
B. Increases:	**-**	**-**	**107**	**3**	**129**	**239**
B.1 Purchase	-	-	107	3	129	239
B.2 Capitalized expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive fair value changes carried at:						-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfer from investment properties	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**(345)**	**(39)**	**(166)**	**(550)**
C.1 Sale	-	-	-	-	-	-
C.2 Depreciation	-	-	(345)	(39)	(166)	(550)
C.3 Impairment losses	-	-	-	-	-	-
charged to	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
C.4 Negative fair value changes	-	-	-	-	-	-
a) net equity	-	-	-	-	-	-
b) income	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets under disposal	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**1,012**	**3**	**348**	**1,363**
D.1 Total net write-downs	-	-	(1,769)	(733)	(1,355)	(3,857)
D.2 Gross closing balance	-	-	2,781	736	1,703	5,220
E. Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

Section 12 Intangible assets - Item 120

12.1 Intangible assets: breakdown by type of asset

Intangible assets amounted to about 3 thousand euro, net of amortization.

(in thousand euro)	31-12-2006 Limited life	31-12-2006 Unlimited life	31-12-2005 Limited life	31-12-2005 Unlimited life
A.1 Goodwill		**-**		**-**
A.2 Other intangible assets	**3**	**-**	**5**	**-**
A.2.1 Assets measured at cost:	3	-	5	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	3	-	5	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**3**	**-**	**5**	**-**

12.2 Intangible assets: annual changes

Intangible assets underwent the following changes.

2006 *(in thousand euro)*	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Lim.	Unlim.	Lim.	Unlim.	
A. Opening balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
A.1 Net write-downs	(6,629)	-	-	(4)	-	(6,633)
A.2 Net opening balance	-	-	-	5	-	5
B. Increases:	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchase		-	-	-	-	-
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes:		-	-	-	-	-
a) net equity	X	-	-	-	-	-
b) income	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases:	**-**	**-**	**-**	**(2)**	**-**	**(2)**
C.1 Sale	-	-	-	-	-	-
C.2 Write-downs	-	-	-	(2)	-	(2)
- Amortization	X	-	-	(2)	-	(2)
- Write-downs	-	-	-	-	-	-
+ net equity	X	-	-	-	-	-
+ income	-	-	-	-	-	-
C.3 Negative fair value changes	-	-	-	-	-	-
- carried at equity	X	-	-	-	-	-
- carried at income	X	-	-	-	-	-
C.4 Transfers to non-current assets under disposal	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing balance	**-**	**-**	**-**	**3**	**-**	**3**
D.1 Total net write-downs	(6,629)	-	-	(6)	-	(6,635)
E. Gross closing balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
F. Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

2005 *(in thousand euro)*	Goodwill	Other intangible assets: internally generated		Other intangible assets: other		Total
		Lim.	Unlim.	Lim.	Unlim.	
A. Opening balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
A.1 Net write-downs	(4,829)	-	-	(2)	-	(4,831)
A.2 Net opening balance	1,800	-	-	7	-	1,807
B. Increases:	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchase		-	-	-	-	-
B.2 Increase in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive fair value changes:		-	-	-	-	-
a) net equity	X	-	-	-	-	-
b) income	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases:	**(1,800)**	**-**	**-**	**(2)**	**-**	**(1,802)**
C.1 Sale	-	-	-	-	-	-
C.2 Write-downs	(1,800)	-	-	(2)	-	(1,802)
- Amortization	X	-	-	-	-	-
- Write-downs	(1,800)	-	-	-	-	(1,800)
+ net equity	X	-	-	-	-	-
+ income	-	-	-	-	-	-
C.3 Negative fair value changes	-	-	-	-	-	-
- carried at equity	X	-	-	-	-	-
- carried at income	X	-	-	-	-	-
C.4 Transfers to non-current assets under disposal	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing balance	**-**	**-**	**-**	**5**	**-**	**5**
D.1 Total net write-downs	(6,629)	-	-	(4)	-	(6,633)
E. Gross closing balance	**6,629**	**-**	**-**	**9**	**-**	**6,638**
F. Measured at cost	**-**	**-**	**-**	**-**	**-**	**-**

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

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

13.1 Deferred tax assets: breakdown

(in thousand euro)	IRES	IRAP	31-12-2006	31-12-2005
Deferred tax assets offset through P&L	9,235	723	9,958	9,932
Taxed undeductible generic risk provisions (ex art, 107)	327	-	327	399
Undeductible expenses covering multiple years (ex art, 108)	203	32	235	140
Undeductible Capital losses on working capital shares (ex art, 94 c, 4)	813	129	942	1,567
Taxes levied on economic impacts from the adoption of IAS	526	79	605	2,045
IAS compliant employee bonuses (IAS)	41	-	41	41
Other	7,325	483	7,808	5,740
Total	**9,235**	**723**	**9,958**	**9,932**

The item "Other" is mainly comprised of deferred taxes on administrative expenses that can be fiscally deducted in following fiscal years.

13.2 Deferred tax liabilities: breakdown

(in thousand euro)	IRES	IRAP	31-12-2006	31-12-2005
Offset through P&L	**14,726**	**2,482**	**17,208**	**9,126**
Capital gains accounted for in the balance sheet from hedge funds	2,947	674	3,621	6,225
Capital gains on working capital shares (art, 94, co, 4)	11,095	1,765	12,860	2,570
Accelerated depreciation of PPE (art, 67, co, 3)	268	43	311	316
Taxes levied on economic impact from adoption of IAS	-	-	-	-
Measurement at fair value of assets available for sale	416	-	416	-
Other	-	-	-	15

13.3 Changes in deferred tax assets (through profit and loss)

(in thousand euro)	31-12-2006	31-12-2005
1. Opening balance	**9,932**	**7,967**
2. Increases	**6,347**	**6,155**
2.1 Deferred taxes assets for the year	6,347	6,155
a) for prior years	-	-
b) due to changes in accounting standards	-	77
c) write-backs	-	-
d) other	6,347	6,078
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**6,321**	**4,190**
3.1 Deferred taxes assets derecognized over the year	6,321	4,190
a) transfers	6.321	2,714
b) write-down of non-recoverable items	-	-
c) changes in accounting standards	-	1,476
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**9,958**	**9,932**

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

13.4 Changes in deferred tax liabilities (through profit and loss)

(in thousand euro)	31-12-2006	31-12-2005
1. Opening balance	**9,126**	**1,411**
2. Increases	**16,532**	**8,867**
2.1 Deferred taxes for the year	16,532	8,867
a) for prior years	-	-
b) due to changes in accounting standards	-	15
c) other	16,532	8,852
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**8,866**	**1,152**
3.1 Deferred taxes derecognized over the year	8,866	1,152
a) transfers	8,866	884
b) due to changes in accounting standards	-	268
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**16,792**	**9,126**

13.6 Changes in deferred tax liabilities (through net equity)

(in thousand euro)	31-12-2006	31-12-2005
1. Opening balance	**-**	**-**
2. Increases	**416**	**-**
2.1 Deferred taxes for the year	416	-
a) for prior years	-	-
b) due to changes in accounting standards	-	-
c) other	416	-
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred taxes derecognized over the year	-	-
a) transfers	-	-
b) due to changes in accounting standards	-	-
c) other	-	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**416**	**-**

Section 15 Other Assets - Item 150

15.1 Other Assets: breakdown

(in thousand euro)	31-12-2006	31-12-2005
A. Loans and Receivables	**105,413**	**73,797**
1. Due from companies of the group as a result of the tax consolidation	25,480	16,186
2. Commission receivables	79,933	57,611
3. Other receivables	-	-
B. Other items	**342,318**	**63,409**
1. Items in processing	129,109	26,846
2. Securities and coupons still to be settled	195,513	35,694
3. Other transactions still to be settled	-	372
4. Other items	17,696	497
Total	**447,731**	**137,206**

Shown below are some details of item "Other Assets".

"Due from the Parent company under the Fiscal Consolidation" mainly refer to the IRES advanced payments, amounting to 23,121 thousand euro, paid to Banco Popolare di Verona e Novara in its capacity as single taxpayer as a result of our adhesion to the Fiscal Consolidation option, as well as to the tax credit accrued on proceeds from UCITS worth 2,263 thousand euro.

Item "Commission receivables" is mainly comprised of 58,101 thousand euro worth of "Due from Companies of the Group" for the provision of services accrued at the end of the year, 12,879 thousand euro worth of commission receivables from asset management (for the last quarter 2006) and 5,191 thousand euro worth of carrying commission receivables to be paid by Sicav and SGR. Shown below are the commission receivables due from the companies of the group subdivided by counterparty:

- Banco Popolare di Verona e Novara Euro 15,910 thousand;
- Aletti Gestielle SGR Euro 14,171 thousand;
- Banca Popolare di Novara Euro 10,828 thousand;
- Credito Bergamasco Euro 7,032 thousand;
- Aletti Gestielle Alternative SGR Euro 5,520 thousand;
- BPVN Vita Euro 2,478 thousand;
- BPV – Lussemburgo Euro 748 thousand;
- Novara Vita Euro 630 thousand;
- Aletti Fiduciaria Euro 544 thousand;
- Aletti Private Equity SGR Euro 158 thousand;
- Società Gestione Servizi BVN Euro 48 thousand;
- Aletti Suisse Euro 34 thousand.

"Items in processing" is mainly comprised of customer loans referring to the Capital Gain generated in 2006 on Assets under Management belonging to said customers and to be paid to the Tax Agency.

Item "Securities and coupons to be settled" corresponds to securities deals, executed both on our own behalf and for third parties in the last days of 2006, that were settled in the first days of the new year. This Item is correlated to the items to be settled posted in the corresponding Item "Other Liabilities" of Liabilities.

Liabilities

Section 1 Due to banks - Item 10

1.1 Due to banks: breakdown by instrument

(in thousand euro)	31-12-2006	31-12-2005
1. Due to Central banks	**-**	**-**
2. Due to other banks	**10,482,846**	**8,221,923**
2.1 Checking accounts and demand deposits	119,818	61,204
2.2 Time deposits	3,611,428	2,998,060
2.3 Loans	-	-
2.3.1 finance lease	-	-
2.3.2 other	6,433,658	4,860,465
2.4 Commitments to repurchase own shares	-	-
2.5 Liabilities associated with assets sold and not written off	317,942	302,194
2.5.1 Repurchase agreements - payables	317,942	302,194
2.5.2 other	-	-
2.6 Other payables	-	-
Total	**10,482,846**	**8,221,923**
Fair Value	**10,482,846**	**8,221,923**

Item 2.2.2 “Time deposits” includes 273,710 thousand euro worth of security deposits to secure contracts on financial instruments.

Item 2.3.2 “Other” is comprised of “Repurchase Agreements” and “Securities Lending” transactions not associated with assets sold and not derecognized. The item breaks down as follows:
- Repurchase Agreements, totaling 6,146,107 thousand euro (4,581,997 thousand euro as at December 31st, 2005);
- Securities Lending, totaling 287,551 thousand euro (278,468 thousand euro as at December 31st, 2005).

Item 2.5.1 “Reverse Repurchase Agreements” associated with assets sold and not derecognized as at December 31st, 2006 breaks down as follows:
- Repurchase Agreements, totaling 283,006 thousand euro (295,418 thousand euro as at December 31st, 2005);
- Securities Lending, totaling 34,936 thousand euro (6,776 thousand euro as at December 31st, 2005).

Section 2 Due to customers - Item 20

2.1 Due to customers: breakdown by instrument

(in thousand euro)	31-12-2006	31-12-2005
1. Checking accounts and demand deposits	321,771	187,894
2. Time deposits	505,516	7,813
3. Third party assets under custody	-	-
4. Loans	575,022	293,174
4.1 Finance lease		
4.2 Other	575,022	293,174
5. Commitments to repurchase own shares	-	-
6. Liabilities associated with assets sold and not written off	-	-
6.1 Repurchase agreements - payables	-	-
7. Other payables	-	-
Total	**1,402,309**	**488,881**
Fair Value	**1,402,309**	**488,881**

Item 4.2 “Loans - other” as at December 31st, 2006 broke down as follows:

- Repurchase Agreements, totaling 96,256 thousand euro (84,662 thousand euro as 3 at December 31st, 2005);
- Securities Lending, totaling 478,766 thousand euro (208,512 thousand euro as 3 at December 31st, 2005).

Section 3 Debt securities in issue - Item 30

The entire item is comprised of a certificate of deposit issued in 2006.

3.1 Debt securities in issue: breakdown by instrument

(in thousand euro)	31-12-2006 Book Value	31-12-2006 Fair Value	31-12-2005 Book Value	31-12-2005 Fair value
A. Quoted securities	**-**	**-**	**-**	**-**
1. Bonds	-	-	-	-
1.1 Structured	-	-	-	-
1.2 Other	-	-	-	-
2. Other securities	-	-	-	-
2.1 Structured	-	-	-	-
2.2 Other	-	-	-	-
B. Unquoted securities	**33,819**	**33,819**	**-**	**-**
1. Bonds	-	-	-	-
1.1 Structured	-	-	-	-
1.2 Other	-	-	-	-
2. Other securities	33,819	33,819	-	-
2.1 Structured	-	-	-	-
2.2 Other	33,819	33,819	-	-
Total	**33,819**	**33,819**	**-**	**-**

The certificate of deposit was issued at the end of 2006 and is short term.

Section 4 Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by instrument

As at December 31st, 2006, financial liabilities held for trading totaled 1,954,196 thousand euro. Shown below is the breakdown of financial liabilities held for trading.

(in thousand euro)	31-12-2006			31-12-2005		
	NV	FV		NV	FV	
		Q	UQ		Q	UQ
A. Cash liabilities						
1. Due to banks	23	474	-	499	1,873	-
2. Due to customers	543	5,125	9	129	8,482	-
3. Debt securities	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-
Total A	**566**	**5,599**	**9**	**628**	**10,355**	**-**
B. Derivative instruments	**X**			**X**		
1. Financial	-	328,017	1,620,571	-	32,069	1,660,495
1.1 Trading	X	328,017	1,620,571	X	32,069	1,660,495
1.2 Associated with fv option	X	-	-	X	-	-
1.3 Other	X	-	-	X	-	-
2. Credit	-	-	-	-	-	-
2.1 Trading	X	-	-	X	-	-
2.2 Associated with fv option	X	-	-	X	-	-
2.3 Other	X	-	-	X	-	-
Total B	**X**	**328,017**	**1,620,571**	**X**	**32,069**	**1,660,495**
Total (A+B)	**X**	**333,616**	**1,620,580**	**X**	**42,424**	**1,660,495**

FV = Fair value
NV = Nominal value
Q = Quoted
UQ = Unquoted

Item “Due to Banks” includes technical overdrafts on listed stocks issued by Lending Institutions.
Item “Due to Customers” includes technical overdrafts on listed stocks issued by Other Companies.

4.4 Financial liabilities held for trading: derivative instruments

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

(in thousand euro)	Interest rates	Currencies and gold	Equity securities	Loans	Other	31-12-2006	31-12-2005
A Quoted derivatives							
1. Financial derivatives	**-**	**-**	**328,017**	**-**	**-**	**328,017**	**32,069**
- with exchange of capital	-	-	21,768	-	-	21,768	32,069
- issued options	-	-	21,768	-	-	21,768	32,069
- other derivatives	-	-	-	-	-	-	-
- without exchange of capital	-	-	306,249	-	-	306,249	-
- issued options	-	-	306,249	-	-	306,249	-
- other derivatives	-	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- with exchange of capital	-	-	-	-	-	-	-
- without exchange of capital	-	-	-	-	-	-	-
Totale A	**-**	**-**	**328,017**	**-**	**-**	**328,017**	**32,069**
B. Unquoted derivatives							
1. Financial derivatives	**784,167**	**24,016**	**700,566**	**-**	**111,822**	**1,620,571**	**1,660,494**
- with exchange of capital	-	24,016	66,991	-	51,600	142,607	141,887
- issued options	-	-	66,991	-	-	66,991	128,650
- other derivatives	-	24,016	-	-	51,600	75,616	13,237
- without exchange of capital	784,167	-	633,575	-	60,222	1,477,964	1,518,607
- issued options	124,717	-	633,575	-	60,222	818,514	806,378
- other derivatives	659,450	-	-	-	-	659,450	712,229
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- with exchange of capital	-	-	-	-	-	-	-
- without exchange of capital	-	-	-	-	-	-	-
Total B	**784,167**	**24,016**	**700,566**	**-**	**111,822**	**1,620,571**	**1,660,494**
Total (A+B)	**784,167**	**24,016**	**1,028,583**	**-**	**111,822**	**1,948,588**	**1,692,563**

Section 5 Financial liabilities measured at fair value - Item 50

5.1 Financial liabilities measured at fair value: breakdown by instrument

(in thousand euro)	31-12-2006			31-12-2005		
	NV	FV		NV	FV	
		Q	UQ		Q	UQ
1. Due to banks	**-**	**-**	**-**	**265**	**267**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	265	267	-
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	-	-
1.2 Other	-	-	-	-	-	-
Total	**-**	**-**	**-**	**265**	**267**	**-**

FV = Fair value
NV = Nominal value
Q = Quoted
UQ = Unquoted

Item "Due to Banks - Other " includes the technical overdrafts on bonds issued by Gruppo Banco Popolare di Verona e Novara. In 2006 said positions were cancelled off, as illustrated in the following table.

5.3 Financial liabilities measured at fair value: annual changes

(in thousand euro)	Due to banks	Due to customers	Debt securities in issue	Total
A Opening balance	**267**	**-**	**-**	**267**
B. Increases	**-**	**-**	**-**	**-**
B1. Issues	-	-	-	-
B2. Sale	-	-	-	-
B3. Positive fair value changes	-	-	-	-
B4. Other changes	-	-	-	-
C. Decreases	**267**	**-**	**-**	**267**
C1. Purchase	267	-	-	267
C2. Redemptions	-	-	-	-
C3. Negative fair value changes	-	-	-	-
C4. Other changes	-	-	-	-
D. Closing balance	**-**	**-**	**-**	**-**

Section 8 Tax liabilities - Item 80

See Section 13 of Assets.

Section 10 Other Liabilities - Item 100

10.1 Other liabilities: breakdown

(in thousand euro)	31-12-2006	31-12-2005
A. Payables	**161,937**	**140,009**
Due to companies of the Group in association with tax consolidation	31,978	13,922
Due to Tax agency for sums to be paid on behalf of third parties	18,070	27,306
Due to Employees	11,218	10,914
Due to companies of the Group	92,231	81,802
Due to Suppliers	8,440	6,065
B. Other items	**381,618**	**56,423**
Securities and coupons to be settled	174,193	40,844
Bank transfers to be cleared	200,042	14,550
Other items	7,383	1,029
Total	**543,555**	**196,432**

Illustrated below are some details of the items making up "Other liabilities":

"Due to the Group companies under the Fiscal Consolidation" refer to IRES payables, amounting to 31.978 thousand euro, due to Banco Popolare di Verona e Novara in its capacity as single taxpayer as a result of our adhesion to the Fiscal Consolidation option.

"Due to Tax Agency for sums to be paid on behalf of third parties" is mainly comprised of 15,903 thousand euro worth of Capital Gains associated with asset management to be paid to the Tax Agency, and 439 thousand euro worth of stamp duties, as well as IRPEF withholding taxes for 826 thousand euro.

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

"Due to companies of the group", amounting to 92,231 thousand euro, refer to services received towards the end of the year:

- Banco Popolare di Verona e Novara Euro 63,461 thousand;
- Società Gestione Servizi BPVN Euro 15,721 thousand;
- Banca Popolare di Novara Euro 8,864 thousand;
- Credito Bergamasco Euro 3,431 thousand;
- Aletti Gestielle SGR Euro 402 thousand;
- Aletti Fiduciaria Euro 352 thousand.

"Due to suppliers" refer to payables for invoices received but not yet settled, as well as allocations for "invoices to be received".

Item "Securities and coupons to be settled" refers to securities deals, executed both on our own behalf and on behalf of third parties in the last days of 2006, that were settled in the first days of the new year. This Item is correlated with the items to be settled posted in the corresponding Item "Other Assets" of Assets.

The amount shown in the item "Bank transfers to be cleared" refers to bank transfers, executed both on our own behalf and on behalf of third parties in the last days of 2006, that were settled in the first days of the new year.

Section 11 Employee termination benefits - Item 110

11.1 Employee termination benefits: annual changes

The balance as of December 31st, 2006 totaled 3,100 thousand euro. Shown below are the annual changes:

(in thousand euro)	31-12-2006	31-12-2005
A. Opening balance	**3,122**	**2,242**
B. Increases:	**1,119**	**2,004**
B.1 Provisions for the year	994	1,131
B,2 Other increases	125	873
C. Decreases	**1,141**	**1,124**
C.1 Termination benefits paid	273	234
C.2 Other decreases	868	890
D. Closing balance	**3,100**	**3,122**
Total	**3,100**	**3,122**

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

Section 12 Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

(in thousand euro)	31-12-2006	31-12-2005
1. Post employment benefits	-	-
2. Other provisions for risks and charges	948	898
2.1 legal disputes	-	-
2.2 personnel charges	277	8
2.3 other	671	890
Total	**948**	**898**

12.2 Provisions for risks and charges: annual changes

(in thousand euro)	Post employment benefits	Other provisions	Total
A. Opening balance	**-**	**898**	**898**
B. Increases	**-**	**269**	**269**
B.1 Provisions for the year	-	269	269
B.2 Time-related changes	-	-	-
B.3 Discount-rate related changes	-	-	-
B.2 Other increases	-	-	-
C. Decreases	**-**	**219**	**219**
C.1 Utilization during the year	-	219	219
C.2 Discount-rate related changes	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance	**-**	**948**	**948**

12.4 Provisions for risks and charges – other provisions

"Provision for risks and charges – other" amounted to 948 thousand euro and it was set up for limited and specific legal disputes outstanding at year-end, whose settlement has already been partly defined in the first months of 2007, as well as for estimated charges associated with the renewal of the national bargaining contract in the first months of 2007.

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

14.1 Shareholders' equity: breakdown

(in thousand euro)	31-12-2006	31-12-2005
1. Share capital	98,549	98,549
2. Share premium	17,628	17,628
3. Reserves	72,909	34,226
4. (Treasury shares)	-	-
5. Valuation reserves	7,463	2,179
6. Common stock equivalents	-	-
7. Income (Loss) for the year	95,055	77,262
Total	**291,604**	**229,844**

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

As at December 31st, 2006 the Share Capital was made up of 19,098,624 common shares, with a nominal value of 5.16 euro and a total value of 98,548,899.84 euro.
The Bank holds no treasury shares or shares of Parent companies, nor did it purchase or sell any such shares during the year, either directly or through third parties.

14.3 Share Capital – Number of shares: annual changes

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

14.5 Retained earnings: other information

As at December 31st, 2006, retained earnings broke down as follows:

- Legal Reserve: 9,106 thousand euro
- Other Reserves: 63,803 thousand euro

Item "Other Reserves" includes the "First Time Adoption Reserve" amounting to 4,868 thousand euro, considered as unavailable.
Note that following the fiscal clearing under L.D. n. 6/03, in case of distribution of earnings and/or reserves, the shareholders' equity and retained earnings reserves – with the exception of the legal reserve – must not go below the total residual amount of the off-balance-sheet deducted negative components, net of

the associated deferred tax provision, amounting to 496 thousand euro.
Under art. 109, 4° paragraph, letter b) of T.U.I.R., the amount of reserves and/or distributed earnings below the minimum floor shall be added to taxable income.

14.7 Valuation reserves: breakdown

(in thousand euro)	31-12-2006	31-12-2005
1. Financial assets available for sale	7,463	2,179
2. Property, plant and equipment	-	-
3. Intangible assets	-	-
4. Hedges of foreign investments	-	-
5. Cash flow hedges	-	-
6. Exchange differences	-	-
7. Non-current assets under disposal	-	-
8. Special revaluation laws	-	-
Total	**7,463**	**2,179**

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

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

14.8 Valuation reserves: annual changes

(in thousand euro)	Financial assets available for sale	Property plant and equipment	Intangible assets	Hedges of foreign investments	Cash flow hedges	Exchange rate differences	Non current assets under disposal	Special revaluation laws
A. Opening balance	**2,179**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Increases	**5,699**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Fair value increases	5,699	-	-	-	-	-	-	
B.2 Other changes	-	-	-	-	-	-	-	-
C. Decreases	**415**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Fair value decreases	-	-	-	-	-	-	-	
C.2 Other changes	415	-	-	-	-	-	-	-
D. Closing balance	**7,463**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

14.9 Valuation reserves for financial assets available for sale: breakdown

(in thousand euro)	31-12-2006 Positive reserve	31-12-2006 Negative reserve	31-12-2005 Positive reserve	31-12-2005 Negative reserve
1. Debt securities	-	-	-	-
2. Equity securities	7,463	-	2.179	-
3. Units in UCITS	-	-	-	-
4. Loans	-	-	-	-
Total	**7,463**	**-**	**2,179**	**-**

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

(in thousand euro)	Debt securities	Equity securities	Units in UCITS	Loans
1. Opening balance	**-**	**2,179**	**-**	**-**
2. Positive changes	**-**	**5,699**	**-**	**-**
2.1 Positive fair value changes	-	5,699	-	-
2.2 Reclassification to profit or loss of negative provisions:	-	-	-	-
- due to impairment	-	-	-	-
- due to disposal	-	-	-	-
2.3 Other changes	-	-	-	-
3. Negative changes	**-**	**415**	**-**	**-**
3.1 Negative fair value changes	-	-	-	-
3.2 Reclass. to P&L of positive provisions: due to disposal	-	-	-	-
3.3 Other changes	-	415	-	-
4. Closing balance	**-**	**7,463**	**-**	**-**

Other information

1. Guarantees given and commitments

(in thousand euro)	31-12-2006	31-12-2005
1. Financial guarantees given	-	-
a) Banks	-	-
b) Customers	-	-
2. Commercial guarantees given	-	-
a) Banks	-	-
b) Customers	-	-
3. Irrevocable commitments to grant credit lines	428,777	154,791
a) Banks	205,767	142,819
i) certainty of utilization	205,767	142,819
ii) uncertainty of utilization	-	-
b) Customers	223,010	11,972
i) certainty of utilization	222,537	11,576
ii) uncertainty of utilization	473	396
4. Commitments underlying credit derivatives: protective puts	-	-
5. Assets pledged to secure third party obligations	-	-
6. Other commitments	1,830,320	1,160,198
Total	**2,259,097**	**1,314,989**

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

- purchase of securities still unsettled for 228.304 thousand euro
- deposits to be extended for 200.000 thousand euro

Irrevocable commitments to grant credit lines with uncertainty of utilization regard commitments towards the Interbanking Deposits and Protection Fund for 473 thousand euro.

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

2. Assets pledged as guarantee of own liabilities and commitments

(in thousand euro)	31-12-2006	31-12-2005
1. Financial assets held for trading	321,724	303,588
2. Financial assets measured at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	-	-
5. Due from Banks	123,890	-
6. Loans to Customers	-	-
7. Property, plant and equipment	-	-
Total	**445,614**	**303,588**

Financial assets pledged as guarantee of own liabilities are comprised of own shares to back funding repos for 321,724 thousand euro.
Due from banks refers to security deposits to secure contracts on financial instruments.

4. Asset management and brokerage on behalf of third parties

(in thousand euro)	31-12-2006	31-12-2005
1. Trading of financial instruments on behalf of third parties		
a) Purchase	6,180,848	6,062,651
1. Settled	6,180,293	6,062,495
2. Unsettled	555	156
b) Sale	6,149,163	6,091,760
1. Settled	6,148,190	6,091,658
2. Unsettled	973	102
2. Managed accounts		
a) individual	17,302,224	18,083,982
b) collective	-	-
3. Securities custody and administration		
a) non-proprietary securities on deposit: as custodian bank (excluding managed accounts)	-	-
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	-	-
b) other non-proprietary securities on deposit (excluding managed accounts):other	1,311,931	920,871
1. Securities issued by the bank preparing the financial statements	-	-
2. Other securities	1,311,931	920,871
c) non-proprietary securities deposited with others	1,255,878	905,455
d) proprietary securities deposited with others	1,131,960	862,255
4. Other transactions	**-**	**-**

The Asset Management balance includes 1,830,320 thousand euro worth of guaranteed managed accounts.

Chapter C – Notes to the income statement

Section 1 Interest income and expense - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(in thousand euro)	Performing financial assets		Impaired financial assets	Other assets	2006	2005
	Debt securities	Loans				
1. Financial assets held for trading	15,123	-	-	-	15,123	9,254
2. Financial assets measured at fair value	1,386	-	-	-	1,386	796
3. Financial assets available for sale	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
5. Due from banks	-	284,737	-	-	284,737	155,632
6. Customer loans	-	6,240	-	-	6,240	638
7. Hedging derivatives	X	X	X	-	-	-
8. Financial assets sold and not derecognized	-	-	-	-	-	-
9. Other assets	X	X	X	3	3	-
Total	**16,509**	**290,977**	**-**	**3**	**307,489**	**166,320**

Interest income from securities, sold through funding repurchase agreements and not derecognized, are summarized under their own asset class of belonging ("Financial assets held for trading").

1.3.1 Interest income from financial assets denominated in foreign currencies

Interest income from financial assets denominated in foreign currencies amounted to 27,022 thousand euro (20,509 thousand euro as at December 31st, 2005), and refer to foreign currency banking checking accounts and deposits.

1.4 Interest expense and similar charges: breakdown

(in thousand euro)	Payables	Securities	Other liabilities	2006	2005
1. Due to banks	(299,032)	X	-	(299,032)	(169,947)
2. Due to customers	(37,737)	X	-	(37,737)	(3,569)
3. Debt securities in issue	X	-	-	-	-
4. Financial liabilities held for trading	-	-	-	-	(4)
5. Financial liabilities measured at fair value	-	-	-	-	-
6. Fin, liabilities ass, with assets sold and not derecognized	-	-	-	-	-
7. Other liabilities	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
Total	**(336,769)**	**-**	**-**	**(336,769)**	**(173,520)**

Interest expense from financial liabilities associated with assets sold and not derecognized (repurchase agreements) are recognized under due to banks or to customers, depending on the associated counterparty.

The considerable dip of net interest income as of December 31st, 2006 as compared with 2005, should be correlated to the higher funding costs caused by the increase in equity securities and UCITS units held in portfolio reported in 2006.

1.6.1 Interest expense on financial liabilities denominated in foreign currencies

Interest expense on financial liabilities denominated in foreign currencies amounted to (46,449 thousand euro as at December 31st, 2005), and refer to foreign currency checking accounts and deposits.

Section 2 Fees and commissions

2.1 Commission income: breakdown

(in thousand euro)	2006	2005
a) guarantees given	-	-
b) credit derivatives	-	-
c) management, brokerage and advisory services:	260,618	248,592
1. Trading of financial instruments	22,724	16,502
2. Currency trading	65	57
3. Managed accounts	93,337	89,071
3.1 individual	93,337	89,071
3.2 collective	-	-
4. Securities administration and custody	335	253
5. Custodian bank	-	-
6. Securities placement	142,649	141,520
7. Order collection	673	494
8. Advisory services	703	576
9. Distribution of third party services	132	119
9.1 managed accounts	-	-
9.1.1 individual	-	-
9.1.2 collective	-	-
9.2 insurance products	132	119
9.3 other products	-	-
d) payment and collection services	8	5
e) securitization servicing	-	-
f) factoring services	-	-
g) tax collection services	-	-
h) other services	16,766	692
Total	**277,392**	**249,290**

Item "Commission income - Placement" breaks down as follows:

- commission income from sale of debt securities for 56,184 thousand euro;
- commission income from sale of equity securities for 540 thousand euro;
- commission income from sale of certificates for 815 thousand euro;
- commission income from sale of funds and other financial products for 85,110 thousand euro.

Item "Other services" refers to commission income earned in our capacity as arrangers started in 2006 with regard to the structuring of Index Linked Policies issued by Insurance companies.

2.2 Commission income: distribution channels for products and services

(in thousand euro)	2006	2005
a) Through own branches:	**236,118**	**230,712**
1. managed accounts	93,337	89,071
2. securities placement	142,649	141,522
3. third party services and products	132	119
b) Off-branch distribution:	**-**	**-**
1. managed accounts	-	-
2. securities placement	-	-
3. third party services and products	-	-
c) Other distribution channels:	**-**	**-**
1. managed accounts	-	-
2. securities placement	-	-
3. third party services and products	-	-

2.3 Commission expense: breakdown

(in thousand euro)	2006	2005
a) Guarantees given	**(818)**	**(432)**
b) Credit derivatives	**-**	**-**
c) Management and brokerage sevices:	**(184,532)**	**(174,340)**
1. Trading of financial assets	(6,885)	(4,494)
2. Currency trading	-	-
3. Asset management:	-	-
3.1 proprietary portfolio	-	-
3.2 non-proprietary portfolio	-	-
4. Securities custody and administration	(1,276)	(1,146)
5. Placement of financial instruments	(68,605)	(66,369)
6. Off-branch distribution of financial instruments, products and services	(107,766)	(102,332)
d) Payment and collection services	**(6)**	**(5)**
e) Other services	**(1,107)**	**(3,554)**
Total	**(186,463)**	**(178,331)**

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

Section 3 Dividend income and similar revenues - Item 70

3.1 Dividend income and similar revenues: breakdown

(in thousand euro)	2006		2005	
	Dividends	Profit from UCITS units	Dividends	Profit from UCITS units
A. Financial assets held for trading	74,101	-	42,308	-
B. Financial assets available for sale	311	-	262	-
C. Financial assets measured at fair value	-	-	-	-
D. Equity investments	-		-	
Total	**74,412**	**-**	**42,570**	**-**

The growth in dividends from financial assets held for trading, which went from 42.308 thousand euro as of December 31st, 2005 to 74.101 thousand euro as of December 31st, 2006, was driven by the full deployment of brokerage activities on domestic stock markets and of the associated market making activities for derivatives listed on regulated markets.
Dividends from financial assets available for sale refer to the shareholdings in Borsa Italiana S.p.A. amounting to 280 thousand euro and in S.I.A. S.p.A. for 31 thousand euro.

Section 4 Net trading income - Item 80

4.1 Net trading income: breakdown

Financial year 2006 *(in thousand euro)*	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading loss (D)	Net trading income (A+B)–(C+D)
1. Financial assets held for trading	**43,216**	**55,119**	**5,568**	**49,781**	**42,986**
1.1 Debt securities	318	10,893	1,078	3,587	6,546
1.2 Equity securities	33,353	41,008	2,900	40,184	31,277
1.3 UCITS units	9,545	3,218	1,590	6,010	5,163
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**115**	**152**	**289**	**3,017**	**(3,039)**
2.1 Debt securities	-	-	-	-	-
2.2 Other	115	152	289	3,017	(3,039)
3. Other fin. assets and liabilities: exchange diff.	**X**	**X**	**X**	**X**	**3,829**
4. Derivatives	**464,845**	**1,487,513**	**171,100**	**1,770,602**	**34,065**
4.1 Financial derivatives	464,845	1,487,513	171,100	1,770,602	34,065
- on debt securities and interest rates	299,594	1,370,049	109,343	1,512,828	47,472
- on equity securities and equity indices	165,251	117,229	61,757	257,540	(36,817)
- on currencies and gold	X	X	X	X	23,409
- other	-	235	-	234	1
4.2 Credit derivatives	-	-	-	-	-
Total	**508,176**	**1,542,784**	**176,957**	**1,823,400**	**77,841**

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

Item "Net trading income" increased by 15.924 thousand euro as compared with 2005 (61,917 thousand euro) driven by a growth in sales by the group networks, by a much deeper internal management of trading books, by the entry of Banca Aletti on the Certificates market as issuer and market maker (Sedex), as well as by its expansion as market maker on the listed derivative market (IDEM).

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

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

Financial year 2006 *(in thousand euro)*	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading loss (D)	Net trading income (A+B)-(C+D)
1. Financial assets	**1,642**	**2,041**	**176**	**103**	**3,404**
1.1 Debt securities	710	2.041	159	103	2.489
1.2 Equity securities	77	-	-	-	77
1.3 UCITS units	855	-	17	-	838
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**4**	**-**	**-**	**-**	**4**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	4	-	-	-	4
2.3 Due to customers	-	-	-	-	-
3. Other fin. assets/liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Derivatives					**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity securities and equity indices	-	-	-	-	-
- on currencies and gold					
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total Derivatives	**-**	**-**	**-**	**-**	**-**
Total	**1,646**	**2,041**	**176**	**103**	**3,408**

Financial year 2005 *(in thousand euro)*	Capital gains (A)	Trading profit (B)	Capital losses (C)	Trading loss (D)	Net trading income (A+B)–(C+D)
1. Financial assets	**847**	**1,611**	**663**	**78**	**1,718**
1.1 Debt securities	125	1.611	631	78	1.028
1.2 Equity securities	39	-	-	-	39
1.3 UCITS units	683	-	32	-	651
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**124**	**4**	**-**	**120**
2.1 Debt securities in issue	-	-	-	-	-
2.2 Due to banks	-	124	4	-	120
2.3 Due to customers	-	-	-	-	-
3. Other fin. assets/liabilities: exchange differences	**X**	**X**	**X**	**X**	**(5)**
4. Derivatives					**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity securities and equity indices	-	-	-	-	-
- on currencies and gold					
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total Derivatives	**-**	**-**	**-**	**-**	**-**
Total	**847**	**1,735**	**667**	**78**	**1,838**

Section 9 Administrative expenses - Item 150

9.1 Personnel expenses: breakdown

(in thousand euro)	2006	2005
1. Employees under payroll	**(38,494)**	**(31,966)**
a) wages and salaries	(27,197)	(24,108)
b) social security charges	(7,663)	(4,477)
c) termination benefits	-	-
d) pension expenses	-	-
e) provisions for employee termination benefits	(1,002)	(1,254)
f) provisions for post-employment benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	(489)	(600)
- defined contribution	(489)	(600)
- defined benefit	-	-
h) costs associated with share-based payments	-	-
i) other employee benefits	(2,143)	(1,527)
2. Other staff	**(5,004)**	**(6,214)**
3. Expense recovery for detached personnel	**975**	**1,087**
4. Directors	**(498)**	**(490)**
Total	**(43,021)**	**(37,583)**

The increase in personnel costs was due to the structure consolidation and to the opening of four new branches.

9.2 Average number of employees by category

(in unità)	2006	2005
Employees	303	253
a) senior management	17	16
b) managers	191	170
- 3° and 4° level	118	102
c) remaining staff	95	67
Other staff	21	9
Total	**324**	**262**

9.4 Other employee benefits

As already illustrated, since the prior year a Supplementary Pension Scheme S.I.Pre. is operational, aiming at fostering the loyalty and retention of our Top management through supplementary deferred pension benefits.

9.5 Other administrative expenses: breakdown

(in thousand euro)	2006	2005
a) Property expenses	(4,679)	(3,587)
- rental and maintenance	(4,174)	(3,136)
- cleaning of premises	(247)	(245)
- energy, water and heating	(258)	(206)
b) direct and indirect taxes	(2,172)	(1,671)
c) postage, telephone, print-outs and other office expenses	(1,493)	(1,171)
d) maintenance and rents for furnitre, plant and equipment	(202)	(471)
e) fees to external professionals	(1,295)	(1,326)
f) information and survey expenses	(102)	(1,340)
g) security and armored truck guards	(163)	(156)
h) third party services	(35,728)	(31,175)
i) advertising, entertainment and gifts	(4,827)	(2,909)
l) insurance premiums	(408)	(274)
m) rentals and other travel expenses	(226)	(202)
n) other sundry costs and expenses	(723)	(945)
Total	**(52,018)**	**(45,228)**

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

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

The increase in Other Administrative Expenses was manly caused by the opening of four new branches.

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

11.1 Impairment of property, plant and equipment: breakdown

Financial year 2006 ***(in thousand euro)***	**Deprecia-tion (A)**	**Impairment losses (B)**	**Write-backs (C)**	**Net impairment (A+B-C)**
A. Property, plant and equipment				
A.1 Owned	(607)	-	-	(607)
- operational	(607)	-	-	(607)
- investment	-	-	-	-
A.2 Finance lease	-	-	-	-
- operational	-	-	-	-
- investment	-	-	-	-
Total	**(607)**	**-**	**-**	**(607)**

Financial year 2005 ***(in thousand euro)***	**Deprecia-tion (A)**	**Impairment losses (B)**	**Write-backs (C)**	**Net impairment (A+B-C)**
A. Property, plant and equipment				
A.1 Owned	(551)	-	-	(551)
- operational	(551)	-	-	(551)
- investment	-	-	-	-
A.2 Finance lease	-	-	-	-
- operational	-	-	-	-
- investment	-	-	-	-
Total	**(551)**	**-**	**-**	**(551)**

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

12.1 Impairment of intangible assets: breakdown

Financial year 2006 *(in thousand euro)*	Deprecia-tion (A)	Impairment losses (B)	Write-backs (C)	Net impairment (A+B-C)
A. Intangible assets				
A.1 Owned	(2)	-	-	(2)
- generated in-house	-	-	-	-
- other	(2)	-	-	(2)
A.2 Finance lease	-	-	-	-
Total	**(2)**	**-**	**-**	**(2)**

Financial year 2005 *(in thousand euro)*	Deprecia-tion (A)	Impairment losses (B)	Write-backs (C)	Net impairment (A+B-C)
A. Intangible assets				
A.1 Owned	(2)	-	-	(2)
- generated in-house	-	-	-	-
- other	(2)	-	-	(2)
A.2 Finance lease	-	-	-	-
Total	**(2)**	**-**	**-**	**(2)**

Section 13 Other operating income and expense - Item 190

13.1 Other operating expense: breakdown

(in thousand euro)	2006	2005
a) Expense amort. for ithird party prop improv.	(502)	(1,162)
b) Sundry rentals	-	(142)
c) Other	(65)	(226)
Total	**(567)**	**(1,530)**

13.2 Other operating income: breakdown

(in thousand euro)	2006	2005
a) tax recoveries	2,047	1,603
b) recovery of expenses	145	117
c) services provided to companies of the group	13,425	12,971
d) other	3,658	3,072
Total	**19,275**	**17,763**

Item "c) Services provided to Group companies", amounting to 13,425 thousand euro, refers to proceeds from trading services executed by Banca Aletti under the mandate of the Banks of the Group, trading of financial instruments and services provided by Banca Aletti with regard to treasury activities, forex trades, corporate desk activities and regulatory obligations associated with the issue of bonds by the Group or by third parties.

Section 14 Profit (Loss) from equity investments - Item 210

The disposal of the 2.5% stake in GROUP Srl led to the recognition of a profit of 162 euro.

Section 18 Tax on income from continuing operations - Item 260

18.1 Tax on income from continuing operations: breakdown

(in thousand euro)	2006	2005
1. Current tax (-)	(37,673)	(16,927)
2. Changes in current tax in prior years (+/-)	-	-
3. Reduction in current tax for the year (+)	-	-
4. Changes in deferred tax assets (+/-)	26	1,965
5. Changes in deferred tax liabilities (+/-)	(7,666)	(7,716)
6. Income tax for the year (-) (-1 +/- 2 + 3 +/- 4 +/- 5)	(45,313)	(22,678)

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

IRES - Reconciliation between nominal (33%) and actual tax rate (25.81%)

IRES *(in thousand euro)*	2006			2005		
	Gross income/ Taxable income (1)	Tax	% of gross income	Gross income/ Taxable income (1)	Tax	% of gross income
Theoretical tax	140,367	46,321	33,00%	99,940	32,980	33.00%
Actual tax	109,800	36,234	25,81%	53,335	17,601	17.61%
Change under reconciliation	**(30,567)**	**(10,087)**	**(7,19%)**	**(46,605)**	**(15,379)**	**(15.39%)**

IRES *(in thousand euro)*	2006		2005	
	Tax	% of gross income	Tax	% of gross income
Undeductible costs, contingent liabilities and losses	36	0.03%	92	0.09%
Undeductible costs and expenses net of tax-exempted revenues on owned or rented non core property	115	0.08%	94	0.09%
Partly undeductible representation expenses	288	0.21%	216	0.22%
Capital losses on stocks, units and common stock equivalents exceeding collected and tax-exempted dividends	13,274	9.46%	-	-
Other increases	113	0.08%	99	0.10%
Tax adjustments from prior years	931	0.65%	-	-
Dividends excluded	(23,328)	(16.62%)	(13,346)	(13.35%)
Tax-free UCITS proceeds	(1,516)	(1.08%)	(2,534)	(2.54%)
Reconciled total	**(10,087)**	**(7.19%)**	**(15,379)**	**(15.39%)**

(1) Taxable income net of temporary tax changes

IRAP - Reconciliation between nominal (5.25%) and actual tax rate (5.64%)

IRAP *(in thousand euro)*	2006			2005		
	Gross income/ Taxable income (1)	Tax	% of gross income	Gross income/ Taxable income (1)	Tax	% of gross income
Theoretical tax	140,367	7,369	5.25%	99,940	5,247	5.25%
Actual tax	150,856	7,920	5.64%	96,712	5,077	5.08%
Change under reconciliation	**10,489**	**551**	**0.39%**	**(3,228)**	**(170)**	**(0.17%)**

IRAP *(in thousand euro)*	2006		2005	
	Tax	% of gross income	Tax	% of gross income
Undeductible own and third party personnel expenses, and collaboration expenses	2,258	1.61%	1,889	1.89%
Undeductible non-recurring charges	6	-	15	0.02%
Loan impairment and provisions for risks and charges, net of utilizations	-	-	64	0.06%
Undeductible costs and expenses net of tax-exempted revenues on owned or rented non-core property	18	0.01%	15	0.02%
Partly undeductible representation expenses	46	0.03%	34	0.03%
Capital losses on stocks, units and common stock equivalents exceeding collected and tax-exempted dividends	2,112	1.51%	-	-
Other increases	18	0.01%	49	0.05%
Dividends excluded	(3,907)	(2.78%)	(2,236)	(2.24%)
Reconciled total	**551**	**0.39%**	**(170)**	**(0.17%)**

(1) Taxable income net of temporary tax changes

Section 21 Earnings per share

Earnings per share amounted to 4.98 euro.

Chapter E – Risks and associated hedging policies

Section 1 Credit Risk

Qualitative information

Overview

The assessment of the creditworthiness of banks and institutional counterparties (investment banks and financial institutions) is carried out centrally at the Parent company's and it is based on the analysis of the counterparty's creditworthiness supplemented by a rating calculation system. The rating is a very concise expression of the assessment, which depends also on the country of belonging and on the counterparty's ability to meet obligations.
The rating is assigned upon first loan granting or when existing loans are revised. Generally, in case of financial transactions, market counterparties are represented by banks or financial institutions, that have already been rated by major international rating firms and are investment grade.
The loan granting procedure calls for the prior approval by the Parent company of a Group loan ceiling assigned to each counterparty. Under said loan ceiling, Banca Aletti is free to approve its credit lines autonomously.
With regard to derivative transactions with market counterparties, we favor entities with which we have entered into agreements requiring the posting of collateral, especially ISDA - Credit Support Annex, so as to obtain a significant reduction of credit risk.
As to bond investments, in addition to the general rule requiring the approval of a specific credit line for each issuer, there are a number of exceptions in case of investment grade issues or issues by Sovereign Entities (or in any case characterized by limited risk levels and in compliance with the duration and total stock limits).
The calculation of credit risk exposure is based on a mixed system, whereby the future credit exposure of all financial instruments must be defined by applying weighted percentages, pre-defined based on the type of financial instrument of reference and on the residual contract term, supplemented with the intrinsic value for asymmetric derivatives, such as options. In any case, in addition to estimating the future credit exposure, the model shall evolve to include the replacement cost (netting or algebraic sum of present values) of all derivatives outstanding with the counterparty.
In order to reduce market credit exposure and to take advantage also of capital absorption benefits, Banca Aletti is entering into specific agreements with major market counterparties: Credit Support Annexes as add-on to ISDA Master Agreements when dealing with OTC derivatives, ISMA agreements (International Securities Market Association) when dealing with repurchase agreements, and OSLA (Overseas Securities Lender's Agreement) agreements in case of securities lending.

Quantitative information

A. Credit Quality

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

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

(in thousand euro)	NPLs	Watchlist	Restructured loans	Past dues	Country Risk	Other Assets	Total
1. Financial assets held for trading	-	-	-	-	-	3,527,153	3,527,153
2. Financial assets available for sale	-	-	-	-	-	10,953	10,953
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	10,109,836	10,109,836
5. Customer loans	-	-	-	-	-	556,245	556,245
6. Financial assets measured at fair value	-	-	-	-	-	66.068	66.068
7. Non-current assets available for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
31/12/2006	**-**	**-**	**-**	**-**	**-**	**14,270,255**	**14,270,255**
31/12/2005	**-**	**-**	**-**	**-**	**-**	**10,704,319**	**10,704,319**

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

(in thousand euro)	Impaired assets				Other assets			Total
	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Collective write-downs	Net exposure	
1. Financial assets held for trading	-	-	-	-	X	X	3,527,153	3,527,153
2. Financial assets available for sale	-	-	-	-	10,953	-	10,953	10,953
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	10,109,836	-	10,109,836	10,109,836
5. Customer loans	-	-	-	-	556,565	(320)	556,245	556,245
6. Financial assets measured at fair value	-	-	-	-	X	X	66,068	66,068
7. Non-current assets available for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	X	X	-	-
31/12/2006	**-**	**-**	**-**	**-**	**10,677,354**	**(320)**	**14,270,255**	**14,270,255**
31/12/2005	**-**	**-**	**-**	**-**	**7,783,689**	**(320)**	**10,704,319**	**10,704,319**

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

Financial year 2006 *(in thousand euro)*	Gross loans	Individual write-downs	Collective write-downs	Net loans
A. Cash exposure				
a) Nonperforming loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past dues	-	-	-	-
e) Country risks	-	X	-	-
f) Other assets	10,383,194	X	-	10,383,194
Total A	**10,380,551**	**-**	**-**	**10,383,194**
B. Off balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	1,739,826	X	-	1,739,826
Total B	**1,739,826**	**-**	**-**	**1,739,826**

Financial year 2005 *(in thousand euro)*	Gross loans	Individual write-downs	Collective write-downs	Net loans
A. Cash exposure				
a) Nonperforming loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past dues	-	-	-	-
e) Country risks	-		-	-
f) Other assets	7,702,294		-	7,702,294
Total A	**7,702,294**	**-**	**-**	**7,702,294**
B. Off balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	1,518,763		-	1,518,763
Total B	**1,518,763**	**-**	**-**	**1,518,763**

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

Financial year 2006 *(in thousand euro)*	**Gross loans**	**Individual write-downs**	**Collective write-downs**	**Net loans**
A. Cash exposure				
a) Nonperforming loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past dues	-	-	-	-
e) Country risks	-	X	-	-
f) Other assets	2,151,585	X	-	2,151,585
Total A	**2,115,154**	**-**	**-**	**2,151,585**
B. Off balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	424,427	X	-	424,427
Total B	**424,427**	**-**	**-**	**424,427**

Financial year 2005 *(in thousand euro)*	**Gross loans**	**Individual write-downs**	**Collective write-downs**	**Net loans**
A. Cash exposure				
a) Nonperforming loans	-	-	-	-
b) Watchlist loans	-	-	-	-
c) Restructured loans	-	-	-	-
d) Past dues	-	-	-	-
e) Country risks	-		-	-
f) Other assets	1,370,158		320	1,369,838
Total A	**1,370,158**	**-**	**320**	**1,369,838**
B. Off balance sheet exposure				
a) Impaired	-	-	-	-
b) Other	113,424		-	113,424
Total B	**113,424**	**-**	**-**	**113,424**

A.2 Classification of exposures based on external ratings

A.2.1 Distribution of cash and off-balance sheet exposures by external rating classes

(in thousand euro)	External ratings						Unrated	Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-		
A. Cash exposure	**254,251**	**746,342**	**195,884**	**581,513**	**-**	**-**	**10,756,789**	**12,534,779**
B. Derivatives	**286,643**	**163,394**	**2,618**	**19,024**	**633**	**-**	**1,263,161**	**1,735,473**
B.1 Financial derivatives	286,643	163,394	2,618	19,024	633	-	1,263,161	1,735,473
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments	**4,058**	**55,600**	**-**	**569**	**-**	**-**	**2,198,869**	**2,259,096**
Total	**544,952**	**965,336**	**198,502**	**601,106**	**633**	**-**	**14,218,819**	**16,529,348**

A.2.2 Distribution of cash and off-balance sheet exposures to banks by internal rating classes

(in thousand euro)	Internal ratings					Unrated	Totale
	AAA	AA	A	BBB	BB		
A. Cash exposure	**62,302**	**2,354,352**	**1,817,002**	**282,904**	**45,451**	**5,821,183**	**10,383,194**
B. Derivatives	**-**	**1,021,766**	**261,735**	**27,576**	**1,354**	**644,165**	**1,956,596**
B.1 Financial derivatives	-	1,021,766	261,735	27,576	1,354	644,165	1,956,596
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	**-**	**-**	**-**	**-**	**-**	**-**	**-**
D. Commitments	**-**	**78,484**	**2,078**	**7**	**18**	**142,423**	**223,010**
Total	**62,302**	**3,454,602**	**2,080,815**	**310,487**	**46,823**	**6,607,771**	**12,562,800**

Exposures not covered by rating models amount to 6,607,771 thousand euro.

Out of the bank portfolio's unrated exposures, 96% refers to intercompany exposures.

A.3 Distribution of secured exposures by type of collateral

A.3.1 Secured cash exposure to banks and customers

(in thousand euro)	Exposure	Real collaterals (1)			Personal collaterals (2)								Total (1)+(2) 31/12/2006
					Credit derivatives				Guarantees and commitments				
		Property	Securities	Other	States	Other public agencies	Banks	Other counter-parties	States	Other public agencies	Banks	Other counter-parties	
1. Secured loans to banks:	**7,013,296**	**-**	**7,013,296**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,013,296**
1.1. fully secured	7,013,296	-	7,013,296	-	-	-	-	-	-	-	-	-	7,013,296
1.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	**514,743**	**-**	**514,743**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**514,743**
2.1. fully secured	514,743	-	514,743	-	-	-	-	-	-	-	-	-	514,743
2.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**7,528,039**	**-**	**7,528,039**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,528,039**

A.3.2 Secured off-balance sheet exposures to banks and customers

(in thousand euro)	Exposure	Real collaterals (1)			Personal collaterals (2)								Total (1)+(2) 31/12/2006
					Credit derivatives				Guarantees and commitments				
		Property	Securities	Other	States	Other public agencies	Banks	Other counter-parties	States	Other public agencies	Banks	Other counter-parties	
1. Secured loans to banks:	**704,999**	**-**	**-**	**704,999**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**704,999**
1.1. fully secured	704,999	-	-	704,999	-	-	-	-	-	-	-	-	704,999
1.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured loans to customers:	**106,986**	**-**	**-**	**106,986**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**106,986**
2.1. fully secured	106,986	-	-	106,986	-	-	-	-	-	-	-	-	106,986
2.2. partly secured	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**811,985**	**-**	**-**	**811,985**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**811,985**

B. Loan distribution and concentration

B.1 Sector distribution of cash and off-balance sheet exposures to customers

(in thousand euro)	Governments and central banks				Other public agencies				Financial companies				Insurance companies				Non-financial companies				Other counterparties				Total 31-12-2006
	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	Gross exposure	Individual write-downs	Collective write-downs	Net exposure	
A. Cash exposure																									
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 Past dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	404,504	X	-	404,504	-	X	-	-	1,239,297	X	-	1,239,297	25,577	X	-	25,577	479,840	X	-	479,840	2,687	X	- 320	2,367	2,151,585
Total	**404,504**	**-**	**-**	**404,504**	**-**	**-**	**-**	**-**	**1,239,297**	**-**	**-**	**1,239,297**	**25,577**	**-**	**-**	**25,577**	**479,840**	**-**	**-**	**479,840**	**2,687**	**-**	**- 320**	**2,367**	**2,151,585**
B. Off-balance sheet exposure																									
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	-	X	-	-	-	X	-	-	147,411	X	-	147,411	4,130	X	-	4,130	18,498	X	-	18,498	254,388	X	-	254,388	424,427
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**147,411**	**-**	**-**	**147,411**	**4,130**	**-**	**-**	**4,130**	**18,498**	**-**	**-**	**18,498**	**254,388**	**-**	**-**	**254,388**	**424,427**
31/12/2006	**404,504**	**-**	**-**	**404,504**	**-**	**-**	**-**	**-**	**1,386,708**	**-**	**-**	**1,386,708**	**29,707**	**-**	**-**	**29,707**	**498,338**	**-**	**-**	**498,338**	**257,075**	**-**	**- 320**	**256,755**	**2,576,012**

B.3 Geographical distribution of cash and off-balance sheet exposures to customers

(in thousand euro)	Italy		Other european countries		America		Asia		Rest of the world		Total 31-12-2006
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	
A. Cash exposure											
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-
A.4 Past dues	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	1,675,108	1,674,788	284,359	284,359	103,211	103,211	89,142	89,142	85	85	2,151,585
Total	**1,675,108**	**1,674,788**	**284,359**	**284,359**	**103,211**	**103,211**	**89,142**	**89,142**	**85**	**85**	**2,151,585**
B. Off-balance sheet exposure											
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	273,192	273,192	125,569	125,569	25,666	25,666	-	-	-	-	424,427
Total	**273,192**	**273,192**	**125,569**	**125,569**	**25,666**	**25,666**	**-**	**-**	**-**	**-**	**424,427**
31/12/2006	**1,948,300**	**1,947,980**	**409,928**	**409,928**	**128,877**	**128,877**	**89,142**	**89,142**	**85**	**85**	**2,576,012**

B.4 Geographical distribution of cash and off-balance sheet exposures to banks

(in thousand euro)	Italy		Other european countries		America		Asia		Rest of the world		Totale 31-12-2006
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	
A. Cash exposure											
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-	-
A.4 Past dues	-	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	8,206,179	8,206,179	2,131,327	2,131,327	24,760	24,760	20,427	20,427	501	501	10,383,194
Total	**8,206,179**	**8,206,179**	**2,131,327**	**2,131,327**	**24,760**	**24,760**	**20,427**	**20,427**	**501**	**501**	**10,383,194**
B. Off-balance sheet exposure											
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	964,532	964,532	763,256	763,256	12,038	12,038	-	-	-	-	1,739,826
Total	**964,532**	**964,532**	**763,256**	**763,256**	**12,038**	**12,038**	**-**	**-**	**-**	**-**	**1,739,826**
31/12/2006	**9,170,711**	**9,170,711**	**2,894,583**	**2,894,583**	**36,798**	**36,798**	**20,427**	**20,427**	**501**	**501**	**12,123,020**

B.2 Distribution of loans to resident non-financial business firms

(in thousand euro)	31-12-2006
f) Other	2,046
Total	**2,046**

B.5 Major risks

	31-12-2006	31-12-2005
Number *(unitary)*	9	10
Amount *(in thousand euro)*	471,024	482,162

Securitizations and Sales of Assets

C.1 Securitizations

Qualitative information

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

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

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

Quantitative information

As at December 31st, 2006, no securities positions were being securitized.

C.2 Sales

C.2.1 Financial assets sold and not derecognized

(in thousand euro)	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale			Financial assets held to maturity			Due from banks			Loans to customers			Total	Total
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31-12-2006	31-12-2005
A. Cash assets																				
1. Debt securities	288,906	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	288,906	296,425
2. Equity securities	32,818	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	32,818	5,306
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Impaired assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
31/12/2006	**321,724**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**321,724**	**301,731**

A = financial assets sold and fully derecognized (book value)
B = financial assets sold and partly derecognized (book value)
C = financial assets sold and partly derecognized (full value)

C.2.2 *Financial liabilities associated with sold assets*

(in thousand euro)	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total 31-12-2006	Total 31-12-2005
A. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) fully derecognized assets	-	-	-	-	-	-	-	-
b) partly derecognized assets	-	-	-	-	-	-	-	-
B. Due to banks	**317,942**	**-**	**-**	**-**	**-**	**-**	**317,942**	**302,194**
a) fully derecognized assets	317,942	-	-	-	-	-	317,942	302,194
b) b) partly derecognized assets	-	-	-	-	-	-	-	-
Total T	**317,942**	**-**	**-**	**-**	**-**	**-**	**317,942**	**302,194**

Section 2 Market Risks

2.1 Interest rate risk – Regulatory trading book

Qualitative information

A. Overview

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

More precisely:
- for trades on the money and currency market, total interest risk exposures as at December 31st, 2006, amounted to about 4.3 million Euro, assuming a 100 basis points parallel change in the interest rate curve. Also short term Government bond exposures fall within this class. At yearend they totaled about 400 million euro, had an average duration of 0.5 years and were mainly used for repurchase agreements;
- bond portfolios and the associated listed derivatives held by the Equity and Fixed Income Function are characterized by a prudential management of the interest rate risk; specifically, with regard to year-end positions, the investment portfolio, amounting to slightly more than 70 million euro, is mainly comprised of floating rate securities (42%) or hedged against the interest rate risk as part of asset swaps (13%), with an average duration media of the portfolio of 0.3 years. The trading portfolio, which as at December 31st, 2006 had an exposure of only about 16 million euro, is almost entirely made up of floating rate securities (92%), with an average duration of 0.32 years;
- structured instruments and listed and unlisted derivatives trades, including trades on the secondary market of structured products issued or placed by the banks of the Group, represent the third type of trades.

The breakdown of complex trades based on the underlying allows for a central management of the interest rate, exchange rate and price risks by the specific Desks making up the above Function, which make use of sophisticated position keeping systems. More precisely, the total (delta and gamma) interest rate risk sensitivity at yearend amounted to roughly 13.5 million Euro. This exposure was based on the changes in value of the financial instruments in the portfolio, assuming two market scenarios whereby all measurable market rates undergo a 100 basis point upward or downward movement.

Banca Aletti's above risk positions are monitored on a daily basis to verify their compliance with the operating thresholds set by the Board of Directors on the entire portfolio and on the single underlying assets. In particular, for derivative trades, exposures (delta-gamma and vega) are also weighted against the volatility levels of the single underlying instruments and against the intercorrelations between them.
With regard to the goals and strategies underlying trading activities, please refer to the report on operations.

B. Interest rate risk management process and assessment methods

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

The method used to calculate VaR belongs to the variance-covariance methods, that assume that the risk factors affecting the distribution of value changes follow a normal distribution.
The estimated values are a function of a 99% confidence level and a time interval of 10 days.
The observation period lasts 250 days, and observations to estimate the variance-covariance matrix (the adopted matrix provides the levels, volatility and correlations on daily and monthly valuation timeframes, for more than 470 risk factors) are weighed along an exponential method.
The reference aggregate for the VaR calculation is the Trading book and all positions sensitive to the exchange rate risk. The current model fully covers generic position risks and exchange rate risks, while the specific risk is calculated only for equity securities. Risk factors are aggregated with the correlations of the variance/covariance matrix, which is updated every day.
VaR reports are prepared, providing information at Group level, and at single bank level, both by organizational unit, and by single trading portfolios.
Said reports are sent to the Banks' Head Offices, the Finance Department and to Internal Audit.
Risk factors are aggregated with the correlations of the variance/covariance matrix, which is updated on a daily basis.
With regard to back testing, aimed at verifying the reliability of VaR estimates, the general approach and the methodological, organizational, information and process requirements have been defined and shared with the Bank of Italy.
The system is being implemented and tested. As to stress testing, aimed at verifying the level of exposure to extreme factors or events and the associated capital adequacy, the general approach and the methodological and organizational requirements have been defined and shall be soon shared with the Bank of Italy.
The VaR model we are using internally at present is not utilized to calculate capital requirements in association with market risks.

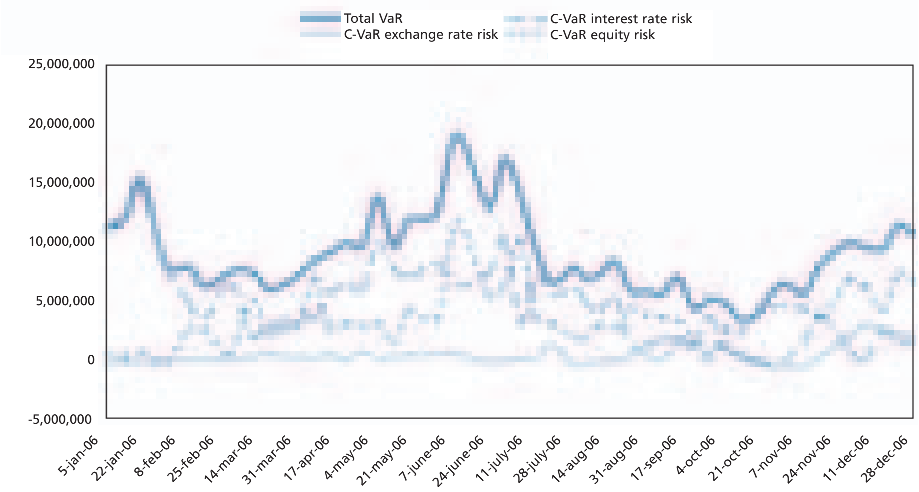
Regulatory trading book: internal models and other sensitivity analysis methods

Shown below are the 2005 and 2006 VaR referring to Banca Aletti's Regulatory trading book (including Hedge Funds classified in the banking book).

(million euro)	Financial year 2006				Financial year 2005	
	31 December	Average	Max	Min	31 December	Average
Interest rate risk	3.4	6.4	15.4	2.6	8.3	3.1
Exchang rate risk	3.0	1.6	4.3	0.2	0.7	0.3
Equity risk	7.6	5.7	14.3	2.7	3.2	2.2
Diversification risk	-3.3	-4.7	n.s.	n.s.	-4.0	-1.7
Correlated total	**10.7**	**9.0**	**19.1**	**3.6**	**8.2**	**3.9**

The table specifies also the correlation effect between risk factors. The chart below shows the 2006 weekly data, in terms of VaR-components (obtained by allocating the correlation effect among interest rate, exchange rate and equity risk factors) and total VaR (correlated total in the table).

Aletti's VaR Performance and associated risk factors



2.2 Interest rate risk – Banking book

Qualitative information

A. General issues, interest rate risk management process and assessment methods

The interest rate risk associated with the banking book, represented by loans, deposits and repurchase agreements with interbanking counterparties, and to a lesser extent, with retail customers, is monitored by the Forex and Money market Function, in view of the portfolio's management approach based on a trading perspective.
As a result, for further information please refer to paragraph "2.1 Interest rate risk – Trading book".

2.3 Price risk – Regulatory trading book

Qualitative information

A. In general

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

More precisely:
- equity portfolios and associated listed derivatives held for trading by the Equity and Fixed Income Function, as market maker on single stock futures and as specialist for liquidity-service activities, are characterized by contained net daily overnight exposures;
- the Derivatives and Structured Products Function is in charge of trades in structured instruments and in listed and unlisted derivatives, including trades on the secondary market of structured products issued by the banks of the Group. The de-structuring of complex transactions based on the underlying allows for a centralized management of interest rate, exchange rate and price risks within the specific Function Offices, which make use of sophisticated position keeping systems. The two applications specialize in interest and exchange rates and in prices, respectively, and are complemented with pricing and risk measurement (Greeks) models developed in-house and certified by a specific Model Validation Group coordinated by the Parent company's Risk Management function, with the support of renowned academic experts. Total price risk exposure for the associated derivative portfolio managed by the Equity Derivatives Desk at yearend amounted to roughly 3.8 million Euro, net of hedges with derivatives and cash financial assets.

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

B. Price risk management process and measurement methods

The monitoring and control of price risks for the trading book is based on the internal VaR model, described in section '2.1 Interest rate risk – Regulatory trading book'. Please, refer to this section for further details.

Quantitative information

1. Regulatory trading book: Equity and UCITS cash exposures

(in thousand euro)	Book value	
	Quoted	Unquoted
A. Equity securities	**605,571**	**-**
A.1 Shares	605,571	-
A.2 Innovative equity instruments	-	-
A.3 Other equity securities	-	-
B. UCITS	**404**	**603,365**
B.1 Italian	32	590,400
- compliant open-end	-	590,400
- non-compliant open-end	-	-
- closed-end	32	-
- reserved	-	-
- speculative	-	-
B.2 Other EU member states	372	12,965
- compliant	-	12,965
- non-compliant open-end	-	-
- non-compliant closed-end	372	-
B.2 Non EU countries	-	-
- open-end	-	-
- closed-end	-	-
Total	**605,975**	**603,365**

2. Regulatory trading book: breakdown of exposures in equity securities and indices by main listing Countries

(in thousand euro)	Quoted		Unquoted
	Italy	Other countries	
A. Equity securities	**181,512**	**429,657**	**0**
- long positions	178,322	427,249	0
- short positions	3,190	2,408	0
B. Equity security trades still unsettled	**20,004**	**10,725**	**0**
- long positions	14,450	6,014	0
- short positions	5,554	4,711	0
C. Other equity security derivatives	**74,688**	**0**	**316,361**
- long positions	7,512	-	45,982
- short positions	67,176	-	270,379
D. Stock index derivatives	**8,287**	**444,302**	**985,193**
- long positions	-	54,265	528,185
- short positions	8,287	390,037	457,008

2.4 Price risk – Banking book

Qualitative information

A. General issues, price risk management process and assessment methods

The main price risk exposures of Banca Aletti's banking book are linked to the so called directional portfolio, made up of units in Hedge Funds, UCITS and private equity funds, as well as bonds issued by the commercial banks of the Group, repurchased by Banca Aletti to manage the internal secondary market.
With regard to the directional portfolio, at present it holds units of the Hedge Funds managed by Gestielle Alternative; these funds were included in the portfolio for diversification reasons as an offset to the results of traditional investment portfolios, especially in periods marked by a high volatility.
To further diversify the investments of the banking book, we participated in the subscription of a Private Equity fund, Fondo Dimensione Network. The fund does not require the immediate payment of the subscription, but instead a series of payments called by the management company whenever investments are identified and performed in compliance with the prospectus terms.
As to bonds issued by the commercial banks of the Group included in Banca Aletti's banking book, their management is closely correlated to the positions taken in the trading derivative portfolio, therefore for further information on the methods used to manage the risk of this portfolio please see paragraph '2.1 Interest rate risk – Trading Portfolio'.

B. Price risk management process and assessment methods

The monitoring and control of price risk for the banking book made up of funds of hedge funds is based on the internal VaR model, described in Section '2.1 Interest rate risk – Regulatory trading book'. The risk is assessed by linking each hedge fund to a combination of risk factors representing the management strategies. The risk of each strategy is estimated based on the volatility of each risk factor, and volatilities are updated on a monthly basis.

Quantitative information

1. Banking book: Equity and UCITS cash exposures

(in thousand euro)	Book value		31-12-2006
	Quoted	Unquoted	
A. Equity securities	**0**	**11,467**	**11,467**
A.1 Shares	0	11,467	11,467
A.2 Innovative equity instruments	0	0	0
A.3 Other equity securities	0	0	0
B. UCITS	**-**	**17,130**	**17,130**
B.1 Italian	-	17,130	17,130
- compliant open-end	-	-	-
- non-compliant open-end	-	-	-
- closed-end	-	-	-
- reserved	-	-	-
- speculative	-	17,130	17,130
B.2 Other EU Member States	-	-	-
- compliant	-	-	-
- non-compliant open-end	-	-	-
- non-compliant closed-end	-	-	-
B.2 Non EU Countries	-	-	0
- open-end	-	-	-
- closed-end	-	-	-
Total	**0**	**28,597**	**28,597**

2.5 Exchange rate risk

Qualitative information

A. General issues, exchange rate risk management process and assessment methods

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

Qualitative information

1. Breakdown of assets and derivatives by currency of denomination

(in thousand euro)	Euro	Dollari USA	Sterline	Franchi Svizzeri	Yen	Hong Kong Dollar	Altre valute
A. Financial assets	**11,494,761**	**727,188**	**25,105**	**157,283**	**125,113**	**326**	**4,256**
A.1 Debt securities	629,631	365	610	0	244	0	0
A.2 Equity securities	332,616	134,284	2,612	57,790	89,141	0	506
A.3 Due from banks	9,356,117	592,539	21,883	99,493	35,728	326	3,750
A.4 Loans to customers	556,245	0	0	0	0	0	0
A.5 Other financial assets	620,152	0	0	0	0	0	0
B. Other assets	**0**	**747**	**0**	**0**	**0**	**0**	**0**
C. Financial liabilities	**9,479,188**	**1,362,514**	**489,936**	**352,419**	**106,841**	**75,088**	**24,778**
C.1 Due to banks	8,439,168	1,090,623	489,927	344,083	101,803	10,562	7,154
C.2 Due to customers	1,040,020	271,891	9	8,336	5,038	64,526	17,624
C.3 Debt securities	0	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0	0
D. Financial derivatives	**3,347,744**	**206,342**	**17,258**	**40,768**	**70,164**	**96**	**1,691**
- Options	2,033,321	160,940	11,520	34,570	63,359	0	117
+ long positions	946,689	52,363	8,149	27,194	31,885	0	11
+ short positions	1,086,632	108,577	3,371	7,376	31,474	0	107
- Other	1,314,423	45,402	5,738	6,198	6,805	96	1,574
+ long positions	652,861	9,202	5,259	772	531	77	483
+ short positions	661,561	36,200	479	5,426	6,274	19	1,091
Total assets	**11,494,761**	**727,935**	**25,105**	**157,283**	**125,113**	**326**	**4,256**
Total liabilities	**9,479,188**	**1,362,514**	**489,936**	**352,419**	**106,841**	**75,088**	**24,778**
Balance (+/-)	**2,015,573**	**-634,579**	**-464,831**	**-195,136**	**18,272**	**-74,762**	**-20,522**

2. Internal models and other sensitivity analysis methods

The exchange rate risk generated by the trading and banking books is monitored based on an internal VaR model, described in section "2.1 Interest rate risk – Regulatory trading book". With regard to the estimate of the exchange rate risk, please see table 2 in the same section, under quantitative information.

2.6 Financial derivative instruments

A. Financial derivatives

A.1 Regulatory trading book: end-of-period and average notional amounts

(in thousand euro)	Debt securities and interest rates		Equity securities and equity indexes		Exchange rates and gold		Other		31-12-2006		31-12-2005	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
1. Forward rate agreement	-	-	-	-	-	-	-	-	-	-	-	73,504
2. Interest rate swap	-	43,490,027	-	-	-	-	-	-	-	43,490,027	-	35,764,227
3. Domestic currency swap	-	-	-	-	-	-	-	-	-	-	-	-
4. Currency interest rate swap	-	-	-	-	-	-	-	-	-	-	-	-
5. Basis swap	-	13,537,390	-	-	-	-	-	-	-	13,537,389	-	12,770,171
6. Equity index swap	-	-	-	-	-	-	-	-	-	-	-	-
7. Real index swap	-	-	-	-	-	-	-	-	-	-	-	-
8. Futures	8,454,007	-	527,277	-	-	-	-	-	8,981,283	-	454,032	-
9. Cap options	-	17,890,409	-	-	-	-	-	1,454,956	-	19,345,365	-	17,784,353
- Purchased	-	1,229,544	-	-	-	-	-	1,292,276	-	2,521,820	-	5,921,719
- Issued	-	16,660,865	-	-	-	-	-	162,680		16,823,545	-	11,862,633
10. Floor options	-	6,580,906	-	6,366,935	-		-	1,945,140	-	14,892,982	-	5,473,922
- Purchased	-	1,896,400	-	-	-	-	-	1,815,890	-	3,712,290	-	2,730,977
- Issued	-	4,684,506	-	6,366,935	-	-	-	129,250	-	11,180,692	-	2,742,944
11. Other options	-	1,506,322	7,498,796	5,456,155	-	1,616,914	-	1,241,851	7,498,796	9,821,243	262,413	17,454,272
- Purchased	-	303,565	3,051,857	3,748,449	-	752,578	-	622,736	3,051,857	5,427,329	174,018	7,143,293
- Plain vanilla	-	-	3,051,857	-	-	-	-	622,736	3,051,857	622,736	174,018	3,572,022
- Exotic	-	303,565	-	3,748,449	-	752,578	-	-	-	4,804,593	-	3,571,270
- Issued	-	1,202,757	4,446,939	1,707,705	-	864,335	-	619,116	4,446,939	4,393,914	88,395	10,310,979
- Plain vanilla	-	-	4,446,939	-	-	-	-	-	4,446,939	-	88,395	5,924,138
- Exotic	-	1,202,757	-	1,707,705	-	864,335	-	619,116	-	4,393,914	-	4,386,841
12. Futures	-	-	-	-	-	6,351,168	-	-	-	6,351,168	-	7,254,950
- Purchase	-	-	-	-	-	3,772,461	-	-	-	3,772,462	-	3,791,423
- Sale	-	-	-	-	-	2,575,386	-	-	-	2,575,386	-	3,387,270
- Currency against currency	-	-	-	-	-	3,320	-	-	-	3,320	-	76,257
13. Other derivatives	-	-	-	-	-	-	-	-	-	-	-	122
Total	**8,454,007**	**83,005,054**	**8,026,073**	**11,823,090**	**-**	**7,968,082**	**-**	**4,641,948**	**16,480,079**	**107,438,174**	**716,445**	**96,575,521**
Mean values	**-**	**31,953,583**	**3,559,737**	**3,748,449**	**-**	**3,991,455**	**-**	**3,730,903**	**3,559,737**	**43,424,390**	**716,445**	**96,575,521**

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

(in thousand euro)	Debt securities and interest rates		Equity securities and equity indexes		Exchange rates and gold		Other		31-12-2006		31-12-2005	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
A. Regulatory trading book:	**8,454,007**	**83,005,054**	**9,733,779**	**10,115,385**	**-**	**7,968,083**	**-**	**4,641,948**	**18,187,785**	**105,730,469**	**716,446**	**83,805,350**
1. With exchange of capital	-	-	2,878,752	650,548	-	7,968,083	-	-	2,878,752	8,618,631	716,446	10,439,341
- Purchase	-	-	1,736,629	129,033	-	4,524,007	-	-	1,736,629	4,653,040	382,414	5,351,499
- Sale	-	-	1,142,123	521,515	-	3,293,385	-	-	1,142,123	3,814,901	334,032	4,957,232
- Currency against currency	-	-	-	-	-	150,690	-	-	-	150,690	-	130,609
2. Without exchange of capital	8,454,007	83,005,054	6,855,027	9,464,837	-	-	-	4,641,948	15,309,034	97,111,839	-	73,366,009
- Purchase	1,234,169	38,936,738	3,084,712	3,619,416	-	-	-	39,693	4,318,880	46,249,178	-	39,736,060
- Sale	7,219,838	44,068,315	3,770,315	5,845,420	-	-	-	3,693,024	10,990,154	50,799,800	-	33,567,853
- Currency against currency	-	-	-	-	-	-	-	62,860	-	62,860	-	62,095
B. Banking book:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Hedging	-	-	-	-	-	-	-	-	-	-	-	-
1. With exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Without exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Other derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. With exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-
2. Without exchange of capital	-	-	-	-	-	-	-	-	-	-	-	-
- Purchase	-	-	-	-	-	-	-	-	-	-	-	-
- Sale	-	-	-	-	-	-	-	-	-	-	-	-
- Currency against currency	-	-	-	-	-	-	-	-	-	-	-	-

A.4 "Over the counter" financial derivatives: positive fair value– counterparty risk

(in thousand euro)	Debt securities and interest rates			Equity securities and equity indexes			Exchange rates and gold			Other			Different underlyings	
	Uncleared gross	Cleared gross	Future exposure	Uncleared gross	Cleared gross	Future exposure	Uncleared gross	Cleared gross	Future exposure	Uncleared gross	Cleared gross	Future exposure	Cleared	Future exposure
A. Regulatory trading book:														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	875,553	507,508	146,875	393,822	393,822	180,306	59,527	59,527	11,579	93,683	93,683	32,603	269,240	736
A.4 Financial companies	67,166	9,374	37,840	72,222	72,222	21,132	6,147	6,147	1,916	69	61	20	54,068	253
A.5 Insurance companies	4,130	4,130	1,038	-	-	-	-	-	-	-	-	-	-	-
A.6 Non-financial businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other counterparties	-	-	-	-	-	2,925	166	166	342	-	-	-	-	-
31/12/2006	**946,849**	**521,012**	**185,753**	**466,044**	**466,044**	**204,363**	**65,840**	**65,840**	**13,837**	**93,752**	**93,744**	**32,623**	**323,308**	**989**
31/12/2005	**762,199**	**89,356**	**132,935**	**330,335**	**91,748**	**213,169**	**115,577**	**12,924**	**63,968**	**166,527**	**5,452**	**60,238**	**51,358**	**86,409**
B. Banking book:														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other counterparties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31/12/2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.5 "Over the counter" financial derivatives: negative fair value– financial risk

(in thousand euro)	Debt securities and interest rates			Equity securities and equity indexes			Exchange rates and gold			Other			Different underlyings	
	Uncleared gross	Cleared gross	Future exposure	Uncleared gross	Cleared gross	Future exposure	Uncleared gross	Cleared gross	Future exposure	Uncleared gross	Cleared gross	Future exposure	Cleared	Future exposure
A. Regulatory trading book:														
A.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Public agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 Banks	591,152	287,598	63,163	323,101	122,549	-	65,491	56,617	5,807	60,156	4,535	32,603	154,344	8,839
A.4 Financial companies	73,560	19,759	4,339	19,042	2,215	-	9,555	7,536	877	66	31	20	19,979	844
A.5 Insurance companies	105,589	105,589	15,205	284,096	284,096	-	-	-	-	-	-	-	-	-
A.6 Non-financial businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 Other counterparties	13,866	13,866	-	54,256	54,256	363	568,815	568	347	-	-	-	-	-
31/12/2006	**784,167**	**426,812**	**82,707**	**680,495**	**463,116**	**363**	**75,615**	**64,722**	**7,031**	**60,222**	**4,566**	**32,623**	**174,323**	**9,682**
31/12/2005	**777,190**	**102,474**	**134,051**	**550,780**	**21,941**	**-**	**107,410**	**6,484**	**31,973**	**52,825**	**52,017**	**27**	**34,794**	**26,790**
B. Banking book:														
B.1 Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 Public agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.4 Financial companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.5 Insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.6 Non-financial businesses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.7 Other counterparties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31/12/2006	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
31/12/2005	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.6 Residual life of OTC financial derivatives: notional amounts

(in thousand euro)	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading book	**35,677,699**	**70,802,351**	**17,438,206**	**123,918,255**
A.1 Financial derivatives on debt securities and interest rates	22,353,868	53,646,031	15,459,162	91,459,061
A.2 Financial derivatives on equity securities and stock indexes	5,114,860	12,755,260	1,979,044	19,849,164
A.3 Financial derivatives on exchange rates and gold	7,689,075	279,008	-	7,968,083
A.4 Financial derivatives on other valuables	519,896	4,122,052	-	4,641,948
B. Banking book	**-**	**-**	**-**	**-**
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
B.2 Financial derivatives on equity securities and stock indexes	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other valuables	-	-	-	-
31/12/2006	**35,677,699**	**70,802,351**	**17,438,206**	**123,918,255**

Section 3 Liquidity risk

Qualitative information

A. General issues, liquidity risk management process and assessment methods

Liquidity risk comes from the time mismatch between expected cash in- and outflows in a very short time horizon. In addition to the difficulty/impossibility of hedging such mismatches, the liquidity risk can also entail an interest rate risk caused by the need to raise/lend funds at unknown rates that could be potentially unfavorable.
Based on specific mandates issued by the Boards of Directors, Banca Aletti has been delegated the task of managing the treasury (euro and foreign currency cash flows) of the commercial banks, guaranteeing the access to domestic and international monetary markets.
The first defense line against liquidity risk is the daily monitoring and control of the maximum negative liquidity gap at the overnight value date, measured by the difference between treasury cash inflows and outflows, that are summed algebraically. In particular, the agreement between Banca Aletti and the Parent company sets specific ceilings for the maximum negative liquidity gap at the overnight value date determined by the daily transactions of the investment bank on its books, net of the amount that would be made available through refinancing with the Bank of Italy by presenting the available eligible debt securities. Any breach of the ceilings must be authorized by the Parent company.

A further defense against liquidity risk is the monitoring activity performed by the Parent company's Risk Management function, which, based on the ALM-related gap analysis technique, measures the liquidity term structure replicating the daily control of the maximum negative liquidity gap.

Quantitative information

1.1 Time distribution of financial assets and liabilities by residual contract life – Currency of denomination: Euro

(in thousand euro)	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
A. Cash assets	**1,797,214**	**791,290**	**494,232**	**3,784,538**	**2,102,068**	**1,758,208**	**302,337**	**229,917**	**44,597**
A.1 Government notes	61,134	-	-	-	59,632	66,891	161,879	54,756	110
A.2 Listed debt securities	-	-	-	218	-	12,350	4,003	7,721	11,178
A.3 Other debt securities	1,528	120	33	1,740	481	9,152	19,253	124,140	33,309
A.4 UCITS units	620,152	X	X	X	X	X	X	X	X
A.5 Loans:	1,114,400	791,170	494,198	3,782,579	2,041,955	1,669,814	117,202	43,299	-
- Banks	570,985	779,916	494,198	3,781,005	2,041,955	1,669,814	117,202	43,299	-
- Customers	543,415	11,255	-	1,575	-	-	-	-	-
B. Cash liabilities	**1,538,056**	**2,960,673**	**1,483,867**	**830,384**	**2,036,546**	**752,360**	**108,130**	**0**	**419**
B.1 Deposits	1,538,056	2,960,673	1,483,867	830,384	2,002,727	752,360	108,130	0	419
- Banks	529,596	2,956,482	1,469,332	788,467	1,960,796	749,349	108,130	0	0
- Customers	1,008,459	4,191	14,535	41,917	41,931	3,011	0	0	419
B.2 Debt securities	0	0	0	0	33,819	0	0	0	0
B.3 Other liabilities	0	0	0	0	0	0	0	0	0
C. Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	0	453,559	41,966	274,726	1,172,665	182,480	421,435	28,552	0
- Short positions	0	435,884	70,918	576,394	1,738,653	456,972	465,433	28,209	0
C.2 Deposits and loans to be received									
- Long positions	0	0	0	0	0	0	0	0	0
- Short positions	0	0	0	0	0	0	0	0	0
C.3 Irrevocable commitment to lend funds									
- Long positions	473	210,184	0	0	0	0	0	0	0
- Short positions	473	210,184	0	0	0	0	0	0	0

1.2 Time distribution of financial assets and liabilities by residual contract life – Currency of denomination: US Dollars

(in thousand euro)	On demand USD	Between 1 and 7 days USD	Between 7 and 15 days USD	Between 15 days and 1 month USD	Between 1 and 3 months USD	Between 3 and 6 months USD	Between 6 months and 1 year USD	Between 1 and 5 years USD	Over 5 years USD
A. Cash assets	**747**	**11,955**	**30,522**	**35,671**	**181,607**	**119,569**	**88,812**	**178**	**34**
A.1 Government notes	-	-	-	-	-	-	-	41	34
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	138	7	8	137	-
A.4 UCITS units	747	X	X	X	X	X	X	X	X
A.5 Loans:	-	11,955	30,522	35,671	181,469	119,562	88,804	-	-
- Banks	-	11,955	30,522	35,671	181,469	119,562	88,804	-	-
- Customers	-	-	-	-	-	-	-	-	-
B. Cash liabiliites	**87,298**	**24,940**	**85,186**	**247,038**	**307,604**	**174,110**	**206,971**	**26,440**	**11,147**
B.1 Deposits	87,298	24,940	85,186	247,038	307,604	174,110	206,971	26,440	11,147
- Banks	10,047	3,053	55,916	243,478	307,604	174,110	177,203	-	-
- Customers	77,251	21,887	29,270	3,560	-	-	29,768	26,440	11,147
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	250,176	71,046	358,993	1,067,330	129,786	321,272	27,038	-
- Short positions	-	269,218	41,290	203,775	785,300	95,702	301,355	27,376	-
C.2 Deposits and loans to be received									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	2,878	-	-	-	-	-	-	-
- Short positions	-	2,878	-	-	-	-	-	-	-

1.2 Time distribution of financial assets and liabilities by residual contract life – Currency of denomination: British Pounds

(in thousand euro)	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
A. Cash assets	**-**	**-**	**-**	**3,665**	**11,711**	**-**	**2,364**	**609**	**-**
A.1 Government notes	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	2	-
A.3 Other debt securities	-	-	-	-	-	-	-	607	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X
A.5 Loans:	-	-	-	3,665	11,711	-	2,364	-	-
- Banks	-	-	-	3,665	11,711	-	2,364	-	-
- Customers	-	-	-	-	-	-	-	-	-
B. Cash liabilities	**26,328**	**7,457**	**22,345**	**171,766**	**193,221**	**67,049**	**1,769**	**-**	**-**
B.1 Deposits	26,328	7,457	22,345	171,766	193,221	67,049	1,769	-	-
- Banks	26,319	7,457	22,345	171,766	193,221	67,049	1,769	-	-
- Customers	9	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	112,547	-	170,424	325,021	135,049	2,589	-	-
- Short positions	-	111,180	-	-	128,266	65,392	532	-	-
C.2 Deposits and loans to be received									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	3,278	-	-	-	-	-	-	-
- Short positions	-	3,278	-	-	-	-	-	-	-

1.2 Time distribution of financial assets and liabilities by residual contract life – Currency of denomination: Swiss Francs

(in thousand euro)	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF	CHF
A. Cash assets	**-**	**-**	**14,343**	**16,919**	**57,484**	**4,707**	**-**	**-**	**-**
A.1 Government notes	-	-	-	-	-	-	-	-	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	-	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X
A.5 Loans:	-	-	14,343	16,919	57,484	4,707	-	-	-
- Banks	-	-	14,343	16,919	57,484	4,707	-	-	-
- Customers	-	-	-	-	-	-	-	-	-
B. Cash liabilities	**29,240**	**-**	**-**	**75,215**	**57,826**	**190,138**	**-**	**-**	**-**
B.1 Deposits	29,240	-	-	75,215	57,826	190,138	-	-	-
- Banks	20,904	-	-	75,215	57,826	190,138	-	-	-
- Customers	8,336	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	74,650	-	41,053	97,635	190,324	-	-	-
- Short positions	-	74,650	-	63,325	71,831	-	-	-	-
C.2 Deposits and loans to be received									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	2,049	-	-	-	-	-	-	-
- Short positions	-	2,049	-	-	-	-	-	-	-

1.2 *Time distribution of financial assets and liabilities by residual contract life – Currency of denomination: Other Currencies*

(in thousand euro)	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Over 5 years
	Altre valute	Altre valute	Altre valute	Altre valute	Altre valute	Altre valute	Altre valute	Altre valute	Altre valute
A. Cash assets	**-**	**985**	**1**	**1,768**	**6,072**	**4,326**	**19,134**	**245**	**-**
A.1 Government notes	-	-	-	-	-	-	-	4	-
A.2 Listed debt securities	-	-	-	-	-	-	-	-	-
A.3 Other debt securities	-	-	-	-	-	-	-	241	-
A.4 UCITS units	-	X	X	X	X	X	X	X	X
A.5 Loans:	-	985	1	1,768	6,072	4,326	19,134	-	-
- Banks	-	985	1	1,768	6,072	4,326	19,134	-	-
- Customers	-	-	-	-	-	-	-	-	-
B. Cash liabilities	**104,978**	**1**	**76,474**	**-**	**1**	**1**	**17,719**	**-**	**1,888**
B.1 Deposits	104,978	1	76,474	-	1	1	17,719	-	1,888
- Banks	22,696	1	76,474	-	1	1	16,577	-	-
- Customers	82,282	-	-	-	-	-	1,142	-	1,888
B.2 Debt securities	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-
C. Off-balance sheet transactions									
C.1 Financial derivatives with exchange of capital									
- Long positions	-	-	631	5,924	249,739	1,813	141,572	1,171	-
- Short positions	-	-	1,435	7,626	188,340	21,386	119,548	1,176	-
C.2 Deposits and loans to be received									
- Long positions	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-
C.3 Irrevocable commitments to lend funds									
- Long positions	-	4,148	-	-	-	-	-	-	-
- Short positions	-	4,148	-	-	-	-	-	-	-

2. Breakdown of financial liabilities by sector

(in thousand euro)	Govern. & Central Banks	Other public agencies	Financial companies	Insurance companies	Non-financial businesses	Other counter-parties
1. Due to customers	-	-	1,100,575	8,412	8,742	284,581
2. Debt securities in issue	0	0	0	0	0	33,819
3. Financial liabilities held for trading	-	-	1,211,623	390,182	18,909	333,482
4. Financial liabilities measured at fair value	0	0	0	0	0	0
31/12/2006	**0**	**0**	**2,312,198**	**398,594**	**27,651**	**651,882**

3. Geographical breakdown of financial liabilities

(in thousand euro)	Italy	Other Eu states	America	Asia	Rest of the world	31-12-2006
1. Due to customers	909,923	445,936	46,451	0	0	1,402,309
2. Due to banks	8,871,900	1,555,678	20,093	33,392	1,783	10,482,846
3. Debt securities in issue	33,819	0	0	0	0	33,819
4. Financial liabilities held for trading	1,160,510	717,669	76,018	0	0	1,954,196
5. Financial liabilities measured at fair value	0	0	0	0	0	0
	10,976,151	**2,719,283**	**142,562**	**33,392**	**1,783**	**13,873,171**

Section 4 Operational risk

Qualitative information

B. General issues, operational risk management process and assessment methods

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

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

The qualitative risk assessment is carried out when there are no historical loss data that may evidence the risk level associated with specific risk events (for example, low frequency and high impact events) or when the corporate business is being reorganized and revised in such a way as to change its risk level. Risk Assessment data is collected by regularly interviewing the heads of the various organizational departments, it is then codified and filed in a database functional to statistical analysis. Loss Collection data is filed in a loss database as soon as the reporting function recognizes the loss event to be accounted for. In 2006, a system was introduced to verify and validate the operational risk data base, so as to guarantee the quality and the formal accuracy of input data.

A reporting system was developed, covering commercial refunds and operating losses to be used by the Head Offices of Banca Aletti and of all the other operating structures concerned.

The aim of the above activities is to guarantee the adoption of the standardized model in 2007, so as to pass later on to the adoption of Gruppo Bpvn's internal model of operational risk management (Advanced Measurement Approach).

In order to implement the standardized model, and later on the AMA, Gruppo BPVN intends setting up a business organization model based on the Parent company, which acts directly on behalf of the three Commercial Banks, of Banca Aletti and of SGS, and which defines and periodically updates the objectives and guidelines for the remaining Product Factories of the Group. From an operational viewpoint, each Product Factory shall set up an internal organizational function, in charge of endorsing and adopting the objectives defined by the Parent company with periodical reports covering the operational risk management.

With regard to legal disputes and possible losses, please refer to "Chapter B - Liabilities - Section 12 Provisions for risks and charges".

Quantitative information

Capital requirements, calculated with the Standardized method, are defined based on the average capital requirements of the last three annual measurements performed at yearend.
The table below shows Banca Aletti's capital absorption as at December 31st, 2006, measured annually as the average of the capital absorption measurements carried out at the end of financial years 2004, 2005, 2006:

Business Line	Absorption *(in thousand euro)*
Corporate Finance	310,310
Trading and sales	15,812,875
Retail Banking	-
Commercial Banking	38,840
Payment and Settlement	-
Agency Service	-
Asset Management	3,961,206
Retail Brokerage	6,102,628
Total	**26,225,859**

Chapter F – Regulatory capital

Section 1 Shareholders' equity

Shown below is the breakdown of the regulatory capital measured in compliance with the current regulations issued by the Bank of Italy.

Section 2 Regulatory capital and capital ratios

2.1 Regulatory Capital

A. Qualitative information

Tier 1

The positive constituents of Tier 1, or core capital, added up to 255,493 thousand Euro, and break down as follows:

	(in thousand euro)
Share capital	98,549
Share premium reserves	17,628
Reserves	72,909
of which retained earnings from 2006 net income	66,407

Shown below are the negative constituents, which totaled 3 thousand Euro:

	(in thousand euro)
Other intangible assets	3

As a result, the Tier 1 capital totaled 255,490 thousand Euro, based on the difference between positive and negative constituents of the core capital.

Tier 2

The Tier 2, or supplementary capital, totaled 3,731 thousand Euro. It includes the valuation reserves of financial assets available for sale net of the 50% portion not inclusive of Regulatory capital.

B. Quantitative information

(in thousand euro)	31-12-2006
A. Tier 1 capital prior to adoption of prudential filters	**255,493**
Tier 1 capital prudential filters	
- positive IAS/IFRS prudential filters	-
- negative IAS/IFRS prudential filters	(3)
B. Tier 1 capital after the adoption of prudential filters	**255,490**
C. Tier 2 capital prior to the adoption of prudential filters	**-**
Tier 2 capital prudential filters	
- positive IAS/IFRS prudential filters	7,462
- negative IAS/IFRS prudential filters	(3,731)
D. Tier 2 capital after the adoption of prudential filters	**(3,731)**
E. Total Capital (Tier 1 + Tier 2) after the adoption of prudential filters	**259,221**
Total capital deductibles	-
F. Regulatory capital	**259,221**

The table below illustrates the regulatory capital and capital ratios as at December 31st, 2005 measured in compliance with the supervisory regulations in effect in the prior year, based on national accounting standards.

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

2.2 Capital Adequacy

A. Qualitative information

Capital adequacy is guaranteed by an operating function in charge of analyzing new products, which is also responsible of executing simulations in terms of capital impact and of constantly monitoring the regulatory capital adequacy as a function of the activities developed by the Bank.

B. Quantitative information

Category/Valuables *(in thousand euro)*	2006 Weighted amounts	2006 Weighted amounts/requirements
A. RISK ASSETS		
A.1 Credit risk		
Standard method		
Cash assets	**3,622,590**	**643,058**
1. Exposures (other than equity securities and subordinated assets) with (or secured by):		
1.1 Governments and Central Banks	620,009	-
1.2 Public agencies		
1.3 Banks	2,949,316	589,863
1.4 Other counterparties (other than mortgages on residential and non-residential real estate)	39,101	39,101
2. Mortgages on residential property		
3. Mortgages on non-residential property		
4. Shares, equity investments and subordinated assets	-	
5. Other cash assets	14,164	14,094
Off-balance sheet assets	**200,396**	**40,396**
1. Guarantees and commitments with (or secured by):		
1.1 Governments and Central Banks		
1.2 Public agencies		
1.3 Banks	200,000	40,000
1.4 Other counterparties	396	396
2. Derivative contracts with (or secured by):	106,796	21,359
1.1 Governments and Central Banks		
1.2 Public agencies		
1.3 Banks	106,796	21,359
1.4 Other counterparties		
B. REGULATORY CAPITAL REQUIREMENTS		
B.1 Credit risk		49,337
B.2 Market risk		179,449
1. Standard method		
of which:		
+ position risk on debt securities		99,141
+ position risk on equity securities		47,768
+ exchange rate risk		5,385
+ other risks		27,155
2. Internal models		
of which:		
+ position risk on debt securities		
+ position risk on equity securities		
+ exchange rate risk		
B.3 Other capital adequacy requirements		
B.4 Total capital adequacy requirements (b1+b2+b3)		228,786
C. RISK ASSETS AND SOLVENCY RATIOS		
C.1 Risk weighted assets		3,268,365
C.2 Tier 1/ Risk weighted assets (TIER 1 capital ratio)		7.82%
C.3 Regulatory capital / Risk weighted assets (Total capital ratio)		7.93%

Chapter H – Transactions with related parties

1. Remuneration of Directors and Top Managers

(in thousand euro)	Amounts 2006		Amounts 2005	
	Directors	Top Managers	Directors	Top Managers
Gross annual compensation	886	550	884	472
Short term benefits	-	72	-	64
Post employment benefits	-	104	-	102
Termination benefits	-	21	-	20
Total	**886**	**747**	**884**	**658**

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

Transactions with related parties

Transactions with companies of the Group

Balance sheet - Assets *(in thousand euro)*	**31-12-2006**	**31-12-2005**
Due to banks	**5,615,762**	**4,635,966**
Banco Popolare di Verona e Novara	2,869,349	1,999,430
Banca Popolare di Novara	1,921,486	1,796,767
Credito Bergamasco	735,582	789,941
BPVN Finance - Londra	12,649	12,646
BPVN Lux SA	76,696	37,182
Other assets	**77,395**	**62,181**
Banco Popolare di Verona e Novara	39,359	26,955
Aletti Gestielle SGR s.p.a.	14,171	17,525
Banca Popolare di Novara	10,138	6,368
Credito Bergamasco	6,675	5,491
Aletti Gestielle Alternative SGR s.p.a.	5,520	3,841
BPVN Lux SA	748	1,336
Aletti Fiduciaria	544	144
Aletti Private Equity SGR	158	153
Società Gestioni Servizi - BPVN s.p.a.	48	232
Banca Aletti & C. Suisse SA	34	-
Aletti Merchant s.p.a.	-	70
BPVN Finance - Londra	-	66
Financial assets held for trading	**356,154**	**405,299**
Banco Popolare di Verona e Novara	225,077	220,351
Banca Popolare di Novara	88,355	115,927
Credito Bergamasco	42,261	66,454
BPVN Finance - Londra	453	2,539
BPVN Lux SA	8	28
Financial assets measured at fair value	**48,424**	**67,305**
Banco Popolare di Verona e Novara	23,506	5,018
Credito Bergamasco	14,757	21,207
Banca Popolare di Novara	10,161	41,078

Balance sheet - Liabilities *(in thousand euro)*	31-12-2006	31-12-2005
Due to banks	**5,553,972**	**4,359,948**
Banco Popolare di Verona e Novara	3,531,533	2,633,435
Banca Popolare di Novara	1,406,437	1,041,750
Credito Bergamasco	607,680	613,302
BPVN Lux SA	8,105	71,188
Banca Aletti & C. Suisse SA	217	273
Other liabilities	**124,210**	**96,332**
Banco Popolare di Verona e Novara	95,440	34,152
Società Gestioni Servizi - BPVN s.p.a.	15,721	20,183
Banca Popolare di Novara	8,864	30,094
Credito Bergamasco	3,431	11,320
Aletti Gestielle SGR s.p.a.	402	-
Aletti Fiduciaria	352	252
Aletti Merchant s.p.a.	-	41
BPVN Lux SA	-	290
Financial liabilities	**213,689**	**318,974**
Banco Popolare di Verona e Novara	109,471	158,725
Credito Bergamasco	52,976	78,239
Banca Popolare di Novara	50,755	79,426
BPVN Finance - Londra	407	2,516
BPVN Lux SA	42	31
Banca Aletti & C. Suisse SA	38	37
Financial liabilities measured at fair value	**-**	**267**
Banco Popolare di Verona e Novara	-	267

Income statement *(in thousand euro)*	2006	2005
Interest income	**167,715**	**92,861**
Banco Popolare di Verona e Novara	83,213	45,303
Banca Popolare di Novara	54,123	32,118
Credito Bergamasco	27,169	14,261
BPVN Lux SA	3,151	1,169
BPVN Finance - Londra	59	5
BPVN - France SA	-	5
Interest expense	**(178,568)**	**(101,479)**
Banco Popolare di Verona e Novara	(117,957)	(62,377)
Banca Popolare di Novara	(42,801)	(26,999)
Credito Bergamasco	(15,515)	(9,586)
BPVN Lux SA	(2,288)	(2,517)
Banca Aletti & C. Suisse SA	(7)	-
Commission income	**79,126**	**68,433**
Aletti Gestielle SGR s.p.a.	30,022	35,408
Banca Popolare di Novara	13,401	7,662
Banco Popolare di Verona e Novara	11,431	9,486
Aletti Gestielle Alternative SGR s.p.a.	10,960	6,751
BPVN Lux SA	6,944	3,632
Credito Bergamasco	6,005	4,870
Aletti Private Equity SGR	310	239
Banca Aletti & C. Suisse SA	52	30
Aletti Fiduciaria	1	6
BPVN Finance - Londra	-	345
Leasimpresa s.p.a.	-	4
Commission expense	**(172,065)**	**(167,461)**
Banco Popolare di Verona e Novara	(93,203)	(79,005)
Banca Popolare di Novara	(47,047)	(55,854)
Credito Bergamasco	(31,333)	(30,989)
Aletti Fiduciaria	(482)	(204)
Net trading income	**2,502**	**3,470**
Credito Bergamasco	2,237	1,942
Banco Popolare di Verona e Novara	2,016	3,701
BPVN Lux SA	(12)	(43)
BPVN Finance - Londra	(491)	(1,626)
Banca Popolare di Novara	(1,248)	(504)
Personnel expenses	**(2,919)**	**(4,575)**
Aletti Fiduciaria	494	229
Società Gestioni Servizi - BPVN s.p.a.	142	359
Banca Aletti & C. Suisse SA	53	-
Aletti Merchant s.p.a.	-	132
Banca Popolare di Novara	(152)	(1,343)
Credito Bergamasco	(589)	(674)
Banco Popolare di Verona e Novara	(2,867)	(3,278)
Other administrative expenses	**(34,736)**	**(32,063)**
Aletti Fiduciaria	-	(40)
Aletti Gestielle SGR s.p.a.	(466)	(358)
Banca Popolare di Novara	(340)	(346)
Banco Popolare di Verona e Novara	(3,838)	(2,791)
Credito Bergamasco	(370)	(345)
Società Gestioni Servizi - BPVN s.p.a.	(29,722)	(28,183)
Other operating income	**13,553**	**13,078**
Banco Popolare di Verona e Novara	6,139	6,426
Banca Popolare di Novara	3,853	3,410
Credito Bergamasco	3,450	3,153
Società Gestioni Servizi - BPVN s.p.a.	65	65
Aletti Fiduciaria	46	24

Commitments (in thousand euro)	31-12-2006	31-12-2005
Purchase of securities	**2,886**	**8,859**
Banca Aletti & C, Suisse SA	9	-
Banca Popolare di Novara	344	2,066
Banco Popolare di Verona e Novara	1,921	6,035
Credito Bergamasco	612	758
Deposits to be granted	**200,000**	**44,797**
Banco Popolare di Verona e Novara	200,000	22,757
Credito Bergamasco	-	22,040

Transactions with companies under the Parent company's significant influence

Balance sheet - Assets (in thousand euro)	31-12-2006	31-12-2005
Due from banks	**3,624**	**747**
Banca Italease	3,624	555
Istituto Centrale Banche Popolari Italiane	-	192
Other assets	**3,110**	**308**
BPV Vita	2,478	287
Novara Vita	630	19
Banca Italease	2	2
Financial assets held for trading	**48,935**	**33,095**
Banca Italease	44,805	33,095
Novara Vita	3,299	-
BPV Vita	831	-

Balance sheet - Liabilities (in thousand euro)	31-12-2006	31-12-2005
Due to banks	**188,585**	**45,532**
Istituto Centrale Banche Popolari Italiane	188,585	45,532
Other liabilities	**463**	**2**
BPV Vita	461	-
Novara Vita	2	-
Banca Italease	-	2
Trading financial liabilities	**409,477**	**252,022**
Novara Vita	234,411	151,722
BPV Vita	142,569	100,278
Banca Italease	32,497	-
Istituto Centrale Banche Popolari Italiane	-	22

Income statement *(in thousand euro)*	2006	2005
Interest income	**537**	**482**
Banca Italease	495	438
Istituto Centrale Banche Popolari Italiane	42	44
Interest expense	**3,914**	**689**
Istituto Centrale Banche Popolari Italiane	3,914	689
Commission income	**15,879**	**353**
Novara Vita	10,769	101
BPV Vita	4,999	247
Banca Italease	96	5
AF Mezzanine	15	-

Attachments

Information on the company in charge of Banca Aletti's management and coordination

Management and coordination

Name
Banco Popolare di Verona e Novara S.c.a.r.l.

Head Office
Piazza Nogara, n. 2 - Verona

The main financial highlights of the Parent company Banco Popolare di Verona e Novara S.c. a r.l. shown below in the summary chart have been excerpted from the relevant annual report as of December 31st, 2005, which is available for consultation in the forms and modalities provided for under the law, complemented by the auditors' report.

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

Banco Popolare di Verona e Novara S.c.a r.l.

Verona - Piazza Nogara, 2

Shown below are the financial highlights of the latest financial statements approved by the Parent company (May 6th, 2006) under art. 2497-bis of the civil code.

(million euro)	31-12-2006	31-12-2005	Changes
Income statement			
Net interest, dividend and similar income	746.9		
Net commission income	343.5		
Total income	1,154.2		
Operating costs	561.8		
Profit from operations	592.3		
Income before tax from continuing operations	572.1		
Income after tax from continuing operations	404.5		
Net income for the year	404.4		
Balance sheet			
Total assets	36,169.9	31,359,5	15.3%
Customer loans (gross)	22,702.0	21,041.5	7.9%
Financial assets and hedging derivatives	4,000.2	3,237.2	23.6%
Shareholders' equity	3,597.3	3,391.6	6.1%
Customer financial assets			
Direct customer funds	23,062.5	20,104.3	14.7%
Indirect customer funds	25,560.9	23,719.9	7.8%
- Assets under management	15,117.1	14,547.0	3.9%
- Mutual funds and Sicav	6,339.3	6,066.8	4.5%
- Managed accounts in securities and funds	5,384.9	5,390.5	-0.1%
- Insurance policies	3,392.9	3,089.7	9.8%
- Assets under custody	10,443.8	9,172.9	13.9%
Operational structure and productivity			
Average number of employees (*)	5,208	5,142	1.3%
Bank branches	521	510	2.2%
Customer loans (gross) per employee (€/1000)	4,359.1	4,092.1	6.5%
Total income per employee (€/1000)	221.6		
Operating costs per employee (€/1000)	107.9		

(*) Monthly arithmetic mean

Financial ratios and other data	31-12-2005	01-01-2005
Profitability ratios *(%)*		
ROE	12.7%	
Net intr., dividend & similar inc./ Total income	64.7%	
Net commission income/ Total income	29.8%	
Operating costs/ Total income	48.7%	
Credit quality ratios *(%)*		
Net NPLs / Customer loans (neti)	1.4%	2.3%
Net watchlist loans / Customer loans (net)	1.1%	1.0%
Net NPLs / Shareholders' equity	12.2%	14.0%
Solvency ratios *(%)*		
Tier 1 Capital Ratio	10.72%	11.61%
Total Capital Ratio	12.84%	14.79%
BPVN stock		
Outstanding shares	372,935,815	
of which: treasury shares	-	
Official closing share price		
- Max	17.293	
- Min	13.753	
- Average	15.047	
Basic EPS	1.015	
Diluted EPS	0.993	

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