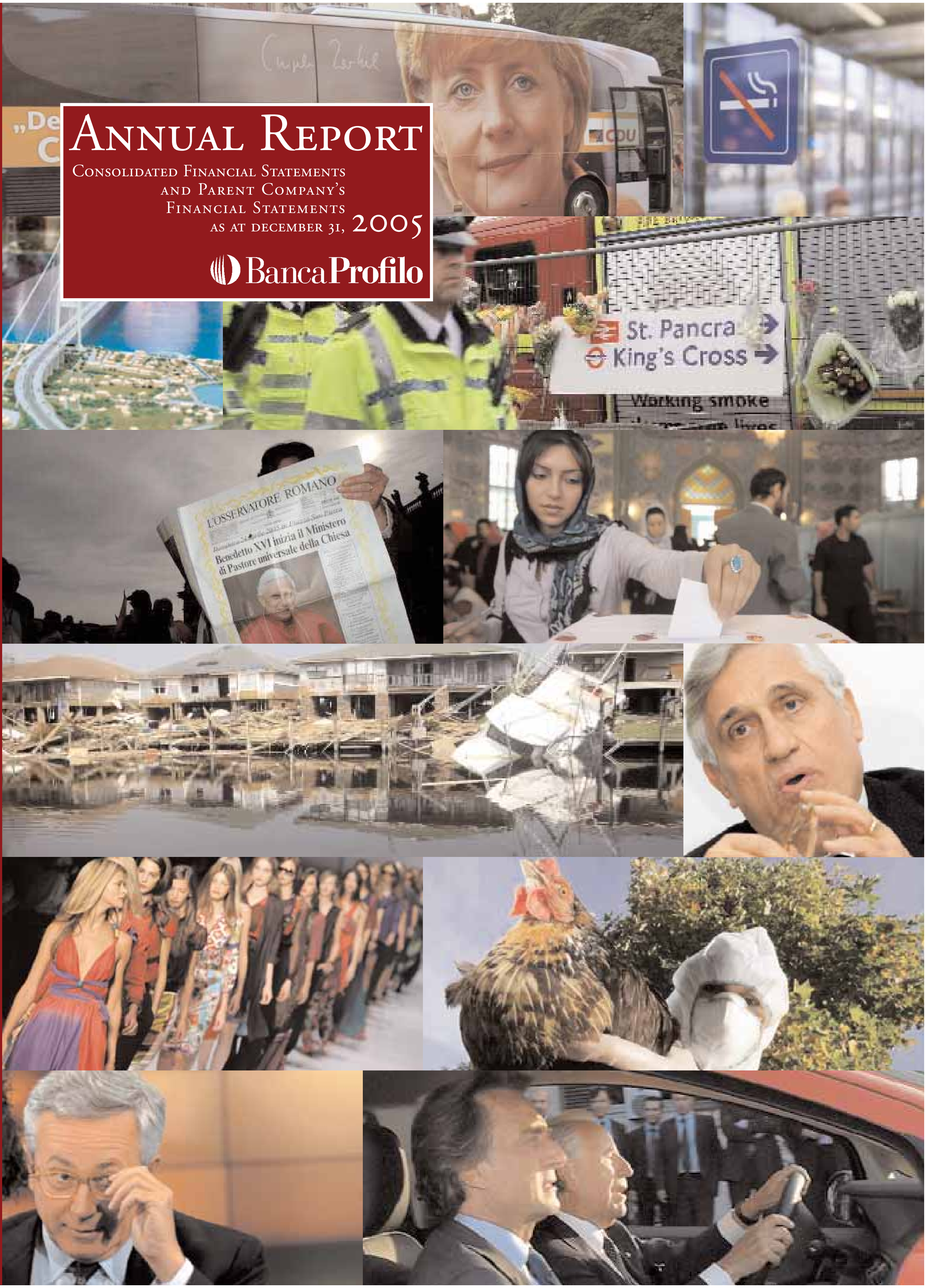
Annual Report

Consolidated Financial Statements
and Parent Company's
Financial Statements
as at December 31, 2005

Banca Profilo



Annual Report

Consolidated Financial Statements and Parent Company's Financial Statements as at December 31, 2005

Banca Profilo S.p.A.
Registered with the Milan Business Registry and VAT number 09108700155
Member of the Interbank Deposit Guarantee Fund
Registered in the Banks and Banking Groups Roll Parent Company
of the Banca Profilo Banking Group

10 January Italy's ban on smoking in enclosed public places comes into effect.

Consolidated Financial Statements as at December, 31 2005

Consolidated Financial Statements as at December 31, 2005

Approved by the Board of Directors on March 20, 2006

Scope of line-by-line consolidation

The companies marked with an asterisk are included in the scope of consolidation of **Banca Profilo banking group**.

Banca Profilo S.p.A.
Parent Company of the
Banking Group Banca Profilo

Profilo
Asset Management SGR S.p.A.*

Profilo
Real Estate SGR S.p.A.*

Profilo
Real Estate Advisory srl.*

Profilo
Servizi Immobiliari s.r.l.

Profilo Merchant Co. S.p.A.

Profilo Suisse S.A.*

Company Offices and Independent Auditors (as at March 20, 2006)

BANCA PROFILO SPA

Board of Directors

Sandro Capotosti *	*Chairman*
Arnaldo Grimaldi *	*Vice Chairmen*
Marco Manara *	
Nicolò Angileri *	*Chief Executive Officer /General Manager*
Silvana Cavanna*	*Directors*
Riccardo Lagorio Serra *	
Gaetano Galeone	
Giorgio Angelo Girelli	
Renzo Torchiani	
Sandro Torchiani	

* Member of the Executive Committee

Board of Statutory Auditors

Guido Mongelli	*Chairman*
Walter Bonardi	*Statutory Auditors*
Andrea Rittatore Vonwiller	
Michele Saracino	*Alternate Auditors*
Andrea Maria Venturini	

Independent Auditors

Deloitte & Touche S.p.A.

PROFILO ASSET MANAGEMENT SGR SPA

Board of Directors

Riccardo Lagorio Serra *	*Chairman/Chief Executive Officer*
Nicolò Angileri	*Directors*
Silvana Cavanna	

*Member of the Management Committee

Board of Statutory Auditors

Alessandro Sagramoso	*Chairman*
Massimo Gentile	*Statutory Auditors*
Luigi Merola	
Michele Saracino	*Alternate Auditors*
Andrea Maria Venturini	

Independent Auditors

KPMG S.p.A.

PROFILO REAL ESTATE SGR SPA

Board of Directors

Marco Manara	*Chairman/Chief Executive Officer*
Nicolò Angileri	*Directors*
Silvana Cavanna	

Board of Statutory Auditors

Alessandro Sagramoso	*Chairman*
Guido Mongelli	*Statutory Auditors*
Michele Lenotti	
Luigi Merola	*Alternate Auditors*
Michele Saracino	

Independent Auditors

Deloitte & Touche S.p.A

PROFILO REAL ESTATE ADVISORY SRL

Board of Directors

Sandro Capotosti	*Chairman*
Marco Manara	*Chief Executive Officer*
Nicolò Angileri	*Director*

Independent Auditors

Deloitte & Touche S.p.A.

PROFILO SERVIZI IMMOBILIARI SRL

Board of Directors

Marco Manara	*Chairman/Chief Executive Officer*
Nicolò Angileri	*Directors*
Arnaldo Grimaldi	

PROFILO MERCHANT CO SPA

Board of Directors

Marco Manara	*Chairman*
Nicolò Angileri	*Directors*
Alessandro Guaschetti	

Board of Statutory Auditors

Guido Mongelli	*Chairman*
Giovanni Taliento	*Statutory Auditors*
Andrea Maria Venturini	
Fausto Provenzano	*Alternate Auditors*
Michele Saracino	

PROFILO SUISSE SA

Sole Director

Michele Antonini

Independent Auditors

TS Corporate S.A.

Board of Directors' Report on consolidated operations

1 Introduction

Dear Shareholders,

in 2005, Banca Profilo group attained "excellent" results – the best performance since its establishing - by far exceeding the ambitious budget forecasts. All income statement components are significantly increasing above the comparable year.

Alongside the human factor, which has played the most crucial part in contributing towards this successful performance, in 2005 investments on information systems have yielded positive results; such investments have been crucial in terms of widening the scope of operations and introducing extremely sophisticated financial instruments.

Within this increasingly efficient structure, the decision to focus on the core business in the various strategic sectors is reaping rewards at both individual and group level.

Accounting for this success is mainly Banca Profilo, though there are positive signs from the other companies included in the scope of consolidation.

Streamlining of the business and the structure of the group as a whole continued throughout the year.

A specific unit was created for real estate operations, which groups Profilo Real Estate Advisory s.r.l., Profilo Servizi Immobiliari s.r.l. and Profilo Real Estate SGR S.p.A.. The latter, in 2005, established a closed-end real estate fund for qualified investors which is set to become operational in the short term.

Profilo Academy – professional training company – was made into a holding company in June 2005.

All the business areas of the Bank increased efficiency, focusing on both revenue-generating operations – the revenue is significantly increasing above the comparable period – and on optimising overheads.

The year 2005 has been a very positive year for the Asset Management division, too. All products managed have performed positively and exceeded the benchmark. More specifically, the Profilo Best Funds fund was awarded as the best performing flexible fund in the Standard & Poor's Fund Awards.

The Bank's Asset Management area, which is engaged in managing assets on an individual basis, and Profilo Asset Management SGR S.p.A., benefited from the restructuring of the group's funds administration department which was implemented in 2004.

In 2005, the commercial operations of Private Bankers received a big boost thanks to new customer products and services, such as the guaranteed yield formula "Profilo 4%", the Advisory service and the "Profilo 5%" account. The latter, more specifically, which started operations in the fourth quarter of the year, significantly contributed towards increasing new deposits.

The Private Banking area closed the year with a brokering margin of 16.7 million Euros, increasing, compared to the 16.3 million Euros of December 31, 2004, by +2.5%.

The Bank's Finance Division, within which the Fixed Income, the Treasury, the Equity, Trading and Investment Banking operate, has reported – in 2005 – sizeably increasing operating profits. The overall brokering margin amounted to 44.2 million Euros, increasing by 58.9% compared to the 27.8 million Euros reported at December 31, 2004.

Placement operations of financial products carried out by the Fixed Income department achieved great visibility. More specifically, Banca Profilo is among the first 6 investment firms for the placement of securities in Turkish Lire and is the only Italian bank appearing in the classification prepared in this respect by the International Finance Review.

The Equity department continued to generate excellent results both as regards volumes brokered and in terms of revenue generated, taking advantage of the positive trend on equity markets and the many extraordinary operations referring to the year 2005.
In terms of Investment Banking, Banca Profilo acted as Co- Global Coordinator in the quotation on the Italian Telematic Stock Market of Eurofly S.p.A. shares, company held by the Private Equity fund, "Profilo Spinnaker Investment Fund".

In 2005, the Bank further upgraded operating systems and more specifically risk monitoring and control systems. The said operations and the related investments are essential to the growth, in terms of quality, of the units of the group and in expanding volumes and revenue. Only in an efficient setting, where risks connected with operations are known and constantly monitored through adequate precautionary measures and systems, and where human intervention is reduced to a minimum, can new business be conquered and be further developed.

Operations for the implementation of the new applications software, Murex, continued throughout the year; now applied to 90% of operations of the Bank's Finance Division, the entire administration process relating to the traded financial instruments is now managed by a single system.
Back office systems - the Middle and Back Office - were also further upgraded in the year; the objective – which indeed was attained – was that of efficiency enhancement and of reducing manual operations and therefore room for error.
Throughout 2005, business continuity instruments and procedures were thoroughly overhauled, also with a view to meeting needs of compliance with the instructions of the Bank of Italy, which, in 2004, requested that the banking system as a whole further formalize measures concerning "Business Continuity" and that the same take steps as prevention against severely critical events, providing general guidelines for the setting up of appropriate measures.

In the second half of 2005, the bank started analysing the impact of the Market Abuse regime on the operations of the Bank and the other companies of the group. Such operations are still being pursued into 2006 and their scope has been widened pursuant to the recent legislation of the Law on the Protection of Savings.

The excellent performance of the Banca Profilo Group in 2005, with all operating indicators significantly increasing above the comparable year is evidence of the management's well-chosen business strategies in the last few years. The year 2005 closed with **23.728 million Euros** of **"consolidated gross profit from current operations"**, increasing by **77.8%** compared to the 13.342 million Euros of the financial statements closed at December 31, 2004. **The consolidated net profit** increased to **24.197 million Euros, at December 31, 2005**, from 12.805 million Euros of December 31, 2004, **therefore in percentage terms, it is up by 88.9% over the comparable period**.
The **brokering margin** amounted **73.895 million Euros at December 31, 2005**, against 44.458 million Euros of December 31, 2004, (**+66.2%**). Of this aggregate, both the **interest margin** and **net commissions** rose; the former rising from 6.632 million Euros of December 31, 2004 to **16.551 million Euros of December 31, 2005**, and the latter rising by **45.7% over the comparable period**, to **30.172 million Euros of December 31, 2005** from 20.708 million Euros of December 31, 2004.

The consolidated ROE on a yearly basis is of 20.9%, increasing by 71.3% compared to the consolidated ROE of the preceding year, of 12.2%.

Here below is a table showing the contribution of the single companies included in the scope of consolidation towards the consolidated net profit.

Consolidated ROE

+71.3 %

Banca Profilo S.p.A.	27,250	11,181	16,069	143.7
Profilo Real Estate SGR S.p.A.	(13)	6	(19)	n.s.
Profilo Asset Management SGR S.p.A.	(184)	(386)	202	(52.3)
Profilo Real Estate Advisory S.r.l.	1,519	4,428	(2,909)	n.s.
Profilo Suisse S.A.	(14)	(6)	(8)	(133.3)
Profilo Merchant Co. S.p.A..	(96)	(51)	(45)	(88.2)
Profilo Servizi Immobiliari S.r.l.	1,680	(75)	1,755	n.s.
Total profit	**30,142**	**15,097**	**15,045**	**99.7**
Elimination of intragroup gains/losses and IAS items	(5,945)	(1,915)	(4,030)	n.s.
Amortisation of goodwill arising on consolidation	-	(377)	377	n.s.
Third party's profit/loss	-	-	-	-
Consolidated profit	**24,197**	**12,805**	**11,392**	**89.0**

Data in thousands of Euros

[1] The net profit of Profilo Real Estate Advisory srl is referable to the dividend deliberated by its subsidiary Profilo Servizi Immobiliari s.r.l. in its favour, amounting to 1,550,000.00 Euros.

The Parent Company Banca Profilo provides the subsidiaries with a series of services under outsourcing arrangements, and in particular: Internal Control, Accounts and Budgeting, Information Technology, Personnel Administration, Legal and Corporate Assistance, Marketing and Communications. The adoption of this organisational model, which exploits all the possible synergies present within the Group, has enabled subsidiaries to operate through a simple and flexible operating structure to contain costs and to concentrate all efforts strictly on the business.

"Consolidated operating costs", amounting to **53.752 million Euros at the end of the year 2005**, the amount referring to the preceding year was of 40.124 million Euros, **therefore the increase is of 13.628 million Euros above the comparable period (+33.9%)**.
More specifically, the aggregate amount includes "staff expenses" which account for most of the increase, rising to 37.728 million Euros of December 31, 2005 from 24.333 million Euros of the comparable period, increasing therefore +55.1%. There are charges referring to retirement obligations and benefit plans and costs connected with variable salary mechanisms, referring to the Bank.
Other administrative expenses amounted to 13.562 million Euros at December 31, 2005, increasing 16% compared to the 11.688 million Euros of the preceding year. Accounting for this increase are investments for the parent company's information systems aimed at further enhancing efficiency levels and expenses for the start-up of the real estate services department.

The table here below shows the number of employees working for the companies included in the scope of the line-by-line consolidation; figures refer to December 31, 2005 and December 31, 2004, by way of comparison.

Consolidated companies	No. of employees as at 12. 31.2004	No. of employees as at 12.31.2005
Banca Profilo S.p.A.	171	160
Profilo Asset Management SGR S.p.A.	10	5
Profilo RE SGR S.p.A.	0	1
Profilo RE Advisory srl	2	0
Profilo Merchant Co S.p.A.[2]	2	1
Profilo Suisse S.A.	0	0
Profilo Servizi Immobiliari S.r.l.[3]	0	0
Totale	**185**	**167**

[2] *At December 31, 2004 the company's name was Profilo Academy S.p.A. and was not fully consolidated.*

[3] *At December 31, 2004 the company's name was Immobiliare Missaglia S.r.l. and was not fully consolidated.*

The decrease in the number of human resources is the result of the reorganisation process implemented at the level of the Asset Management and Private Banking departments.

Consolidated assets at December 31, 2005 amounted to 1,768 million Euros. The figure shows a 40.3% increase above the comparable period; at December 31, 2004 they amounted to 1,260 million Euros. The consolidated shareholders' equity at December 31, 2005 amounted to 121.448 million Euros; in the comparable period, the consolidated shareholders' equity amounted to 111.579 million Euros (+8.8% over the comparable period).

Total deposits amounted to **2,723 million Euros at December 31, 2005, increasing 9.1%** compared to the 2,495 million Euros of deposits referring to December 31, 2004.

Direct deposits, Bank	937,054,207
Indirect deposits, Bank	1,643,825,972
Deposits, Profilo Asset Management SGR	142,358,859
Total Consolidated Deposits	**2,723,239,038**

Total Consolidated deposits

+9.1%

We now move on to a detailed analysis of the performance of companies included in the scope of consolidation.

Banca Profilo S.p.A.
Parent Bank of Banca Profilo banking group

Banca Profilo closed **2005** with a **"gross profit from current operations"** of **25.725 million Euros**, with an increase of **172.9%** above the comparable period, exceeding all budget forecasts; at December 31, 2004 the same item amounted to 9.427 million Euros.
The **net profit** amounted to **27.250 million Euros** at December 31, 2005; at December 31, 2004, it amounted to 11.181 million Euros **(+143.7% over the comparable period)**. The figure includes 4.420 million Euros referring to adjustments to accounts pursuant to the adoption of IAS/IFRS standards, which require that dividends be recognised on a settlement date accounting basis. Net of this amount, which is not distributable, the profit for the year 2005 amounted to 22.830 million Euros, therefore, an increase of 137.3% above the 2004 profit.

The **overall brokering margin**, amounting to **73.423 million Euros at December 31, 2005, has increased by 66%** compared to the 44.212 million Euros for the year ended on December 31, 2004. The performance of the aggregate includes the positive figures from the two main business areas.
Indeed, the brokering margin from the Private Banking Area amounted to 16.7 million Euros, with a 2.5% increase above the result of the year 2004.
The Bank's Finance Division has closed the year with a brokering margin amounting to 44.2 million Euros, therefore, with a 58.9% increase above the preceding year's result.
The margin from asset management amounted to 12.5 million Euros at December 31, 2005.

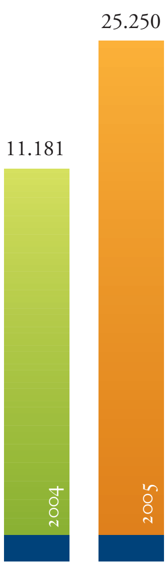
The brokering margin includes the sizeable increase of the **interest margin**, which at **December 31, 2005** amounted to **16.806 million Euros, increasing 142.4%** above the 6.932 million Euros of December 31, 2004.
Net commissions went from 20.155 million Euros of the end of the year 2004 to the **29.429 million Euros of December 31, 2005 (+46% over the comparable period)**.

On the expenses front, **"operating costs"**, increased; they totalled 36.764 million Euros at December 31, 2004, whereas, they amounted to **51.838 million Euros at December 31, 2005 (increasing by + 41%)**. The largest share of this item is represented by staff expenses, which has sizeably increased, going from 23.146 million Euros of the year ending December 31, 2004 to the 36.612 million Euros of the year closed on December 31, 2005 (+58.2%). The increase of the aggregate reflects both the share of charges for retirement benefits and the expenses referring to variable salary mechanisms which is strictly connected with the revenue generated, sizeably increasing since the preceding year.

The increase of "Other administrative expenses" was more contained (+5.8% over the comparable period); they went from 11.558 million Euros of December 31, 2004 to 12.228 million Euros of December 31, 2005.
The aggregate figure is entirely referable to investments in technologies and marketing across all areas of the business. The item includes costs relating to the implementation of the Murex application software (ca. 2 million Euros) and product marketing expenses. Net of the aforementioned investments, administrative expenses decreased by ca. 800,000 Euros over the comparable period.
The cost/income ratio went from 78.5% of December 31, 2004 to 66.5% of December 31, 2005 (-15.3%).

Banca Profilo: net profit

Data in millions of Euros



The yearly ROE amounted to 23.6% in 2005, increasing by 121.3% over the 10.8% ROE referring to 2004 year-end.

The Bank's Balance Sheet disclosed total assets as at December 31, 2005 amounting to 1,773 million Euros, up by 41.3% when compared with the 1,255 million Euros as at December 31, 2004.

The shareholders' equity at December 31, 2005, increased to 122.169 million Euros, 12.2% over the 108.880 million Euros of the comparable period ended on December 31, 2004.

The "administered assets" performed well, also thanks to the "Profilo 5%" account, inserted as part of the product range in the final quarter of the year, which contributed to the increasing the amount of deposits. At December 31, 2005, total deposits increased to 2,581 million Euros, 8.4% over the 2,380 million Euros of the comparable period closed on December 31, 2004.

The results from the Private Banking Area for the year ended on December 31, 2005 were in line with budget forecasts. The brokering margin went from 16.3 million Euros of December 31, 2004 to the 16.7 million Euros of December 31, 2005 (+2.5% over the comparable period).
The aggregate 'due from private customers' has decreased from ca. 93 million Euros of December 31, 2004 to 69.4 million Euros of December 31, 2005.

The Bank's Finance Division closed the year with a brokering margin – net of the component referable to the margin from asset management - of 44.2 million Euros, with a 58.9% increase over the 27.8 million Euros for the year ended on December 31, 2004. All the departments of this business area attained excellent results, exceeding operating budget forecasts for the year.

The intense securities placement activity in Turkish Lire and the Bank's participation in the listing of Eurofly S.p.A. yielded a positive return, including in terms of visibility.

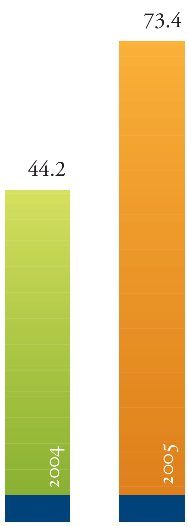
Bank's Human resources dropped from 171 units as at December 31, 2004 to 160 units as at December 31, 2005. The decrease was mainly due to the reorganisation of the Private Banking business, completed in 2005. The table below describes certain summary figures, indicative of the Bank's performance in 2005:

Financial data	2004	2005	Tot. variation	variation %
Shareholders' equity	108,880	122,169	13,289	+12.2
Total assets	1,254	1,774	520	+41.5
Total deposits	2,380	2,581	201	+8.4
Financial assets	983	940	43	-4.3
Due from Banks	113	679	566	+500.1
Due from customers	118	112	6	-5.1
Due to customers	565	937	372	+65.8
Due to Banks	413	473	60	+14.5
Own shares	38,610	50,132	11,522	+29.8

Data in millions of Euros

Interest margin	6.932	16.806	9.874	+142.4
Net commissions	20.155	29.429	9.274	+46.0
Brokering margin	**44.213**	**73.423**	**29.210**	**+66.1**
Operating costs	**36.764**	**51.838**	**15.074**	**+41.0**
1. Staff	23.146	36.612	13.466	+58.2
2. Other expenses	11.558	12.228	0.670	+5.8
Gross profit from current operations	**9.427**	**25.725**	**16.298**	**+172.9**
Net profit	**11.181**	**27.250**	**16.069**	**+143.7**
ROE	**10.8%**	**23.6%**	**12.8**	**+118.5**
Cost/Income	**78.5%**	**66.5%**	**-12**	**-15.3**

Data in millions of Euros



Banca Profilo: brokering margin

Data in millions of Euros

Profilo Asset Management SGR S.p.A. (hereinafter also referred to as PAM SGR S.p.A.)

In 2005 Profilo Asset Management SGR S.p.A., which closed with a loss of 183,934 Euros, half the loss of the preceding year, benefited from the streamlining of the organisational structure and managed products, which took place throughout 2004.
As a result of the process described in the foregoing, in the Banca Profilo Group, the company currently manages open-end mutual funds.
In the year, the Profilo Europa Total Return fund was liquidated on account of its negative performances right from the outset which adversely affected placement of the securities with customers.
The other three funds of the company, instead, Profilo Best Funds, Profilo Elite Flessibile and Profilo Euro Bond, all yielded positive results, exceeding reference benchmarks. More specifically, Profilo Best Funds, was awarded as the best performing flexible fund in the Global Investment category – Euro Bonds, in the Standard & Poor's Fund Awards.
In the light of the excellent performance of the first months of 2006, in terms of both deposit-taking and performance, the company is expected to attain a positive operating result at the end of the year.

Profilo Servizi Immobiliari S.r.l. (formerly Immobiliare Missaglia s.r.l.)

In 2005, the company was renamed Profilo Servizi Immobiliari s.r.l. and widened its corporate purpose to include operations in Property, Building and Facility Management. As part of the project for starting up Profilo Real Estate SGR S.p.A., the company will outsource operations of routine maintenance on the "Profilo RE Synthesis" fund's own property and maintenance services to ensure that the required quality level of services to the buildings is satisfied. Profilo Servizi Immobiliari s.r.l. will also be responsible for the preliminary activities of administration and accounting management of the same property of the fund.

In 2005, the company sold the property in Via Torino, 15, in Milan, realizing a capital gain of 2.026 million Euros and also sold the property of Via Bugatti, 12, in Milan, realizing a capital gain of ca. 1.844 million Euros.

Profilo Servizi Immobiliari s.r.l. closed its financial statements as at December 31, 2005 with a net profit of 1,679,951 Euros, of which:
- 1,550,000 Euros to be paid as a dividend to the parent company Profilo Real Estate Advisory s.r.l.;

and
- 129,951 Euros allocated to other reserves.

Profilo RE Advisory S.r.l. (formerly, Profilo Immobiliare S.r.l.)

In 2005, the company's Shareholders' Meeting decided to rename the company 'Profilo Real Estate Advisory S.r.l.' and widened its purpose to include real estate consulting operations and services.
The said decisions are part of the wider plan for the creation of a real estate services department of the Group and are aimed at enabling the company to act as Global Advisor for Profilo Real Estate SGR S.p.A., providing the required consulting support to the top-tier management vis-à-vis real estate investment choices pertaining to the "Profilo RE Synthesis" fund.

At December 31, 2005, the company was the proprietor of an apartment in Rome, Via del Gambero, 30, used as company flat and leased to the Bank at arm's length rates.

Profilo Real Estate Advisory s.r.l. closed the financial year on December 31, 2005 with a net profit of 1,518,664 Euros on account of the dividend that the subsidiary Profilo Servizi Immobiliari S.r.l. deliberated in the former's favour.

Profilo RE SGR S.p.A. (formerly, Profilo SGR S.p.A.)

In 2004, the company sold Profilo Asset Management SGR S.p.A. the "Profilo Best Funds" fund together with the relevant staff.

Consolidated net commissions

+45.7%

In implementation of the business plan for the creation of a real estate department within the group, in April 2005, the Extraordinary Shareholders' Meeting renamed the company Profilo Real Estate SGR S.p.A. In the year, the real estate closed-end fund for qualified investors only, "Profilo Real Estate Synthesis", was set up, laying the organisational foundations for its forthcoming activation.

Profilo Real Estate SGR S.p.A. closed the financial year 2005 with a loss of 12,662 Euros.

Profilo Merchant Co. S.p.A. (formerly, Profilo Academy S.p.A.)

As a result of the Board of Directors' decision to discontinue business operations, in June, the Shareholders' Meeting of Profilo Academy decided that the company should be converted into a brokering company by the name of Profilo Merchant Co. S.p.A. The corporate purpose was changed consistently with the provisions set forth in art. 106 of the Banking Consolidation Act and the share capital was increased to 1,000,000 Euros from 500,000 Euros. The plan was authorised by the Bank of Italy at the end of January 2006.

Profilo Merchant Co. S.p.A. closed the financial year 2005 with a loss of 96,409 Euros.

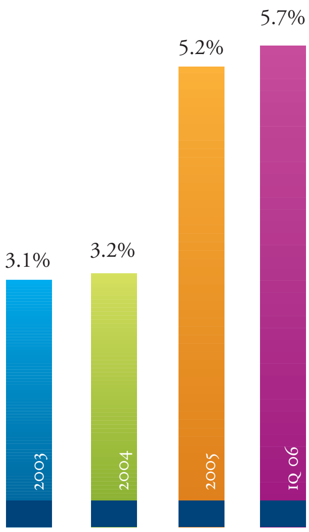
Profilo Suisse S.A.

Profilo Suisse S.A., with headquarters in Lugano, is a trustee bank regulated by Swiss law, authorised to carry out activities for asset management and the brokering of securities and currencies.
Since 2002, Profilo Suisse has been managed by a Sole Director, no longer has any employees and is located within the Swiss studio of TS Accounting.
The company closed the accounting period as at December 31, 2005 with a loss of CHF 20,636 (corresponding to around 13,270 Euros).

Profilo Hedge SGR S.p.A.

The final financial statements for the winding up of Profilo Hedge SGR S.p.A., company for which the authorisation procedure for operating in and managing hedge funds was never completed, closed with a profit of 4,050.00 Euros.

Please note: The Financial Statements of the subsidiaries have been drawn up according to national accounting standards.



Banca Profilo: Dividend Yield 2003 - 1Q 06

Source: analysis based on Bloomberg data

30 January In Iraq, the National Assembly and Provincial Councils are elected: they are the first free elections since 1953; Voters: 57.7%. According to official results, in the political ones, the United Iraqi Alliance (Shiite) wins with 48.2% of the votes, the Kurdish Alliance obtains 25.7% of the votes, the list of the exiting premier Allawi, obtains 13.8% and Sunnites get 1.8%.

2. Macroeconomic Situation and Comments on the Markets

In 2005, the complex international situation, also considering the various terrorist attacks, had limited effects.

The impact on financial markets was limited to an increase of volatility, with the price of oil increasing rising, whereas equity indexes incorporated in evaluations a reduction in the risk premium.
In Europe, the negative results of the French and Dutch referenda on joining the Constitution of Europe caused an abrupt stalling of the Community integration process. This slowdown and problems of public order on the outskirts of Paris contributed towards the general weakness of the Euro against the main international currencies and, particularly, against the Dollar.

The 2005 economic and financial picture has matched forecasts of a contained growth slowdown. The world economy has grown by 4.4%, against 5% of 2004 and 4% of 2003.

The US economy has had a 'soft landing', with the GDP growing 3.5% in 2005 against 4.2% in 2004. The steady slowdown of 2005 has also enabled unemployment levels to be reduced to 4.9% from 5.4% in 2004, ensuring that consumer confidence was maintained.
The restrictive monetary policy of the Federal Reserve has led the process with the same decision that brought the US economy out of the recession in 2001.

Despite the US's role as a driving force with regards to world growth, in Europe the GDP advanced no further than 1.6%, having reached 2% in 2004. The slight improvement in confidence levels at the level of businesses and consumers had no significant impact on investments and consumption in 2005, whereas Community obligations significantly contributed towards the reduction of public expenditure. The caution of the consumers continues to be justified by the high rate of unemployment, standing 11.5% in Germany, 9.9% in France and 7.7% in Italy. The only exception is the United Kingdom, with a level of unemployment of 2.9%. The weakness of the Euro against the main international currencies has improved the trade balance and caused imports to be reduced. Germany and France have benefited from the currency advantage stepping up exports unlike Italian companies which, instead, have lost shares of foreign markets. The result is an unevenly distributed growth in Europe.
Whereas Germany confirmed in 2005 its Gross Domestic Product of 2004, equal to 1.1%, and France's GDP was 1.6% against 2.4% of 2004, in Italy, economic growth has practically come to a standstill (+0.1%), when in 2004, the economy grew by 1%. Accounting for the different pace at which economies are growing across Europe is the public deficit of a number of countries, compared to others, and the promptness with which structural reforms can be implemented through policy.

The slowdown of the world economy has been affected by a smaller growth of the GDP of Asian countries (8.1% in 2005 against 8.3% of 2004), of Eastern Europe (5.4% in 2005 against 6.3% of 2004) and Latin America (4.10% in 2005 against 5.7% of 2004). Only Japan's GDP went from a 2.3% increase in 2004 to a 2.5% increase in 2005, therefore confirming that it has left behind the deflationist recession of the recent past.

In the USA, inflation is accelerating once more, rising to 3.4% in 2005 from 2.7% of 2004. In 2005, the FED increased rates to 4.25% from 2.25%. In January 2006, rates were increased a further 0.25%. In Europe, the practically steady inflation rate, at 2.1%, and the greater difficulties encountered in improving economic growth have enabled only one intervention by the ECB, which, early in December 2005, increased the discount rate to 2.25% from 2%. In March 2006, ECB had to intervene on interest rates once more, bringing them to 2.5%.
The Bank of England, faced with a sizeable slowdown in the economy, from 3.2% of 2004 to 1.7% in 2005, and a slight increase in the inflation rate, rising to 2.9%, intervened by bringing the discount rate down from 4.75% to 4.5%.

The monetary policy implemented by the Federal Reserve has flattened the US rates curve. The ten-year rates went from 4.20% at the start of the year to 4.40% at the end of December, showing throughout 2005 great volatility between a minimum of 3.90% of June and a maximum of 4.65% in April and November.
The monetary policy of the ECB has also caused a drop in the curve of Euro rates. Indeed, the ten-year rates went from 3.65% at the start of the year to 3.30% at the end of 2005, but in September the year's minimum was reached, at 3%.
The forward rates market is also affected by a further flattening of both rate curves, the USA and Euro curves, and, more specifically, incorporate the effects of possible future interventions by the ECB on short-term positions.

World Economic Growth

+4.4%

The spread between the rates curves of the main currencies against the Euro, the slowdown in the process of integration and political instability in France, Germany and Italy account for the general weak performance of the Euro against the main currencies in 2005.
The process of depreciation of the US dollar, which started in 2002, has now stopped, and the dollar is now stronger, from 1.34 at the start of the year to 1.18 of the end of the year 2005.

The increase in global demand and international political instability have rocketed oil prices. In 2005, the Brent on the London's Stock Exchange reached, in August, 70 Dollars a barrel compared to 40 Dollars a barrel of the start of the year, and then closed 2005 at 60 Dollars a barrel.

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Equity markets also performed positively in 2005. Quotations were positively influenced by the effects of the restructuring process started up in previous years and the positive phase of the economic cycle on margins and business profits. Achieving an efficient and balanced financial structure enabled extraordinary operations, mergers and acquisitions to be implemented.
From the start of 2005, the best performances were on European, Asian and Latin American stock markets: Eurostoxx rose by 23%, Nikkey by 40%, the Mexican Stock Exchange 37% and the Brazilian exchange by 28%. The Italian Stock Exchange underperformed compared to other European stock exchanges, reaching 15% against 27% of the German exchange, 23% and 33% of the French and Swiss exchanges, respectively.
In the USA, the growth of the stock exchange list stalled at 2.86% of the S&P500 and at 1.24% of the Nasdaq. The market therefore is of the opinion that overseas companies have been correctly evaluated in a situation of economic slowdown.
Unlike previous years, the upward move of indexes has been linear with the excetion of the profound correction of October, which proves that international political tension and terrorist attacks did not influence or significantly affect the quotations of companies.
Investors favoured those companies that, by virtue of their business performance, segment of operations and capacity of the management to achieve the set objectives, met profit improvement targets. In Europe, the sectors that achieved the best results were: the industrial sector (+33%), construction and basic materials sector (+31%), insurance (+31%), oil (+30%). The sectors that performed the worst are the follows: retail distribution companies (+8%) phone companies (-1.82%); they underperformed the market on account of the reduction of business margins due to fiercer competition.

3. Finance

In 2005, the Bank's Finance Division benefited from the significant investments of the previous three-year term in human resources and technology.

The success of the said investments is immediately apparent by looking at the operating profit of the Area, with a brokering margin of 44.2 million Euros in 2005, rising by 59.8% compared to the 27.8 million Euros of the comparable period.
The figure is net of the financial margin from asset management operations, which, at the end of 2005, amounted to 12.5 million Euros.
The contribution of the Bank's Finance Division to the Bank's overall brokering margin of the bank was of 60.2%.

All the areas operating in the Bank's Finance Division outperformed the year 2004, which had already generated extremely positive results.
The Fixed Income department generated 17.8 million Euros of brokering margin, increasing by 87.4% compared to the figure at December 31, 2004, amounting to 9.5 million Euros. The Fixed Income department is undoubtedly the one that benefited the most from the investment in the Murex application software.
The Equity and Trading Desk attained brilliant results in 2005, also, with a brokering margin of 24 million Euros. The increase compared to the 16.9 million Euros of December 31, 2004, was of 42%.
The brokering margin produced by the Investment Banking team also rose above the figure of the comparable period; it rose to 2.4 million Euros at December 31, 2005, from 2.1 million Euros of December 31, 2004 (+14.3%).

From a technological viewpoint, the Murex application software, now applies to 90% of operations of the Bank's Finance Division. It is a state-of-the-art pricing and risk analysis system that manages the entire administration process relating to financial instruments.

Consolidated brokering margin

+66.2%

From an operational viewpoint, both the Fixed Income department, within which the treasury operates, and the Equity and Trading department are substantially fully operational. The operations of the Investment Banking team are also steadily running.

Here follows a brief note as comment to the main operations undertaken in 2005 by the different business units making up the Bank's Finance Division:

(a) Fixed Income and Treasury

In 2005, the customer base was expanded thanks to the constant diversification and sophistication of the products offered which has enabled new segments of institutional customers to be reached, including foreign customers.

This desk, in 2005, set up innovative products and acted as lead manager in numerous underwritings, both public and private, for high-profile national and international lending institutes, such as the European Investment Bank, Barclays Bank, the Cassa Depositi e Prestiti, Eurofima, General Electric, Lehman Brothers and Royal Bank of Scotland.
The intense operations for the placement of securities in Turkish Lire issued by primary issuers provided a sizeable portion of the revenue of this department and yielded positive results also in terms of visibility for the Bank.
The bank's role as Arranger in loan syndicates continued throughout 2005.

Trading operations on credit instruments, which positively took off at the beginning of the year was later affected by narrow spreads and the downgrading of the two main American car manufacturers, General Motors and Ford.

(b) Equity and Trading

In 2005, the Equity and Trading Desk exploited the positive trend of the equity markets.

Throughout the year, all the business developed was further expanded and the client base broadened, especially that referring to Hedge Funds.

Brokering operations on Italian securities benefited from the greater effervescence of markets, whereas that on foreign securities took advantage of the growing globalisation of portfolios with domestic institutional clients. Operations in warrants increased on account of the greater volatility of markets.

The several extraordinary operations that took place on equity markets in 2005, including the consolidation of Unicredito with HVB and the public offers on Tim and RAS, greatly boosted institutional clients' arbitrage operations.

Trading volumes were in line with the forecasts. A particularly high percentage of securities issued by supranational issuers was traded, which replaced markets of emerging countries.

(c) Investment Banking

2005 was a busy year for Investment Banking and one that generated extremely satisfactory revenue results.
This division mainly focused on consulting services for the Luxembourgian fund of Private Equity, "Profilo Spinnaker Investment Fund".

With regard to the Fund, the Investment Banking team provided "Profilo Management Company S.A." with consulting services vis-à-vis the following operations:

- *Participation in the tender launched under the controlled administration procedure of the company Giacomelli Sport and finalizing of the transfer of the business unit to Ottanta S.p.A. whose capital is held by the Fund (49%) and Camuzzi International S.A. (49%), each having, therefore, an equal share.*
- *Acquisition of 15% of the share capital of Camuzzi Gruppo Nautica, holding established by the Camuzzi group, for investments in shipbuilding and 100% proprietor of Cantieri Baglietto.*
- *Listing of Eurofly S.p.A. on the Stock Exchange. Banca Profilo acted as Co-Global Coordinator in this operation; trading operations of Eurofly started on December 21, 2005. The global offer connected with the IPO consisted in a total of 6,300,000 shares, of which 5,900,000 for a share capital increase and 400,000 shares sold by the Fondo Spinnaker, plus a greenshoe option, again as share capital increase, of 900,000 shares.*

Brokering margin of finance division

+59.8%

Lastly, this division established an important contact in the year with the Extraordinary Commissioners of the Parmalat Group under Extraordinary Administration procedure, which led to this division being appointed as financial advisor in the 100% transfer of Parma Football Club S.p.A..

4. Private Banking

The Bank's Private Banking Area is engaged in consulting services and key accounts customer services; these services are highly personalised and, generally, of an extremely high standard. The Bank, through its own Private Bankers, acts as exclusive Advisor and manager of customer solutions.

Independence, autonomy, confidentiality and quality are the elements that characterize the services offered.
In an extremely competitive environment where numerous players have the same target of selected clients, the Bank has chosen to focus on products with a high added value which can be tailored to fit specific needs and on professionals with great expertise to ensure long-term relations built on trust can be established and that clients receive a customised and direct service.
In line with the trends expressed by the market of reference, the Bank adopts an integrated approach that ensures clients funds are protected and also grow, the objective being to maximize capital in all its components: from financial management, to legal assistance, tax-related advice, real estate and conveyance.

Alongside asset management services carried out on an individual basis, which were rationalised in 2004 and consist in the Bank's key product, the range of commercial products was broadened in 2005.
More specifically, a financial consulting service was activated, called "Advisory"; through this service customers receive independent and professional advice for their investment choices and optimisation of their portfolio.
The "Profilo 4%" guaranteed yield formula was also well-received by clients, as was "Profilo 5%", which ensures a 5% gross yield for the first 6 months. These products were also supported by sizeable marketing campaigns which returned positive results in terms of the Bank's profile and reputation.

The InClub website still proved in 2005 a successful IT instrument for the selection of funds, which Private Bankers use as tool for their consulting services to customers.

In 2005, the number of branches has remained unaltered, there are 9 branches across the domestic territory.

2005 was an important year for the Private Banking section of Banca Profilo, also in operating terms, all operating performance indicators having grown above the comparable period. At December 31, 2005, the brokering margin of the Area amounted to 16.7 million Euros, rising by 2.5% compared to the 16.3 million Euros of December 31, 2004.
The gross profit from operations of this Area, net of extraordinary expenses, was positive and amounted to 1.094 million Euros.

In the second half of the year, the aggregate of deposits also increased, at December 31, 2005 it amounted to 2,581 million Euros, against 2,380 million Euros of December 31, 2004 (+8.4% over the comparable period).
The Profilo 5% account that took off in October also generated excellent results in terms of new deposits.
At December 31, 2005, managed deposits amounted to 809.224 million Euros.

Here below is a summary of the figures on deposits at December 31, 2005:

Direct deposits, Bank	937,054,207
Indirect deposits, Bank	1,643,825,972
Total deposits	**2,580,880,179**

Data in millions of Euros

As for lending operations, which are ancillary to the Private Banking service, there was a reduction of exposure to private clients, which went from ca. 93 million Euros of December 31, 2004 to 69.4 million Euros of December 31, 2005. Accounting for this reduction is the Bank's intention to further improve the mix of the lending portfolio through an improvement of risk management and reduction of the degree of risk pertaining to the portfolio itself.

The table on the right shows the lending portfolio to private clients, broken down by type of lending at December 31, 2005:

Current accounts	54,410	78.4
Mortgage loans	9,650	13.9
Other technical forms	5,340	7.7
Total	**69,400**	**100**

Data in millions of Euros

5. Asset Management

2005 was a positive year for the Asset Management area, which benefited from the reorganisation implemented in 2004.

On completion of the said process, individual asset management – the Private Banking area's key product – was organised so as to centre on the Bank, whereas collective asset management was allocated to Profilo Asset Management SGR S.p.A.

The streamlining of the product range alongside the sizeable reduction of the number of available lines of asset management enabled the Bank's Asset Management area to focus on yield targets and attain high performance throughout the year.
At December 31, 2005, the bank's managed deposits amounted to 809.224 million Euros.

At the end of 2005, the funds managed by Profilo Asset Management SGR were as follows:

- **The Profilo Elite Flessibile** *fund invests with a view to an absolute return on all the international markets. As at December 31, 2005, the fund registered deposits for 34.45 million Euros and a performance of 8.33%, net of charges, taxes and expenses;*

- **Profilo Best Funds**, *a non-harmonised fund of funds specialised in investment in the best international mutual funds, so as to guarantee a wide diversification of its assets both by type of product and type of market. The fund closed the year with deposits amounting to 56.24 million Euros and a performance of 11.00%, net of charges, taxes and expenses;*

- **The Profilo Euro Bond** *fund invests on the bond markets of the Euro area by means of a careful selection of the financial instruments to be introduced into the portfolio. The fund closed the year 2005 with deposits amounting to 51.66 million Euros and a performance of 3.22%, net of charges, taxes and expenses;*

Deposits Profilo Asset Management sgr
+30.5%

The Profilo Europa Total Return fund – which uses a quantitative method in investment selection – was wound up on account of its negative performance which adversely affected placement with customers.

The company's deposits significantly increased above the comparable period, going from 109.056 million Euros at December 31, 2004 to 142.358 million Euros at December 31, 2005 (+30.54%).

6. Strategic Planning

The Strategic Planning Division of the Bank is institutionally appointed with identification of the general objectives of the company and definition of the global action plan to achieve them, on an individual and Group level, with a view to the rational and efficient management of the resources available so as to maximize the profit.

The traditional activities of planning and control converge within, by means of the drawing up of the annual budgets and the long-term plans and operational management.
The organisational scheme chosen centralizes the drawing up and co-ordination of the strategies of the various business units within the Parent Company, on a consistent basis with the multi-functional nature of the Banca Profilo Group and with a view to united and efficient management.

In 2005, the foundations were laid for the business development of the Group for the next three-year period, as shown in the 2005 – 2007 Business Plan of Banca Profilo, presented in April to investors; the company intends to grow by focusing on the following:

- *improvement of commercial capacity, especially vis-à-vis institutional clients;*

- *maximisation of the performance of managed products and customisation of the offer for private customers;*

- *establishment of two independent business centres in the Group, one for Investment Banking operations and the other strictly for real estate operations.*

In implementation of the foregoing, the structure of the Group was further streamlined in the year.
Profilo Academy was made into a brokering company called Profilo Merchant Co. S.p.A.. In 2006, the application was submitted to the UIC for registration of the company in the general list referred to in art. 106 of the Banking Consolidation Act.
The real estate centre of operations of the Group is currently made up as follows: Profilo Real Estate SGR S.p.A. (formerly, Profilo SGR S.p.A.), which has set up a real estate closed-end fund aimed at qualified investors which will be activated in the near future; Profilo RE Advisory srl (formerly, Profilo Immobiliare srl), which will act as Global Advisor for the fund; Profilo Servizi Immobiliari srl (formerly, Immobiliare Missaglia srl), which will be assigned Property and Facility Management tasks relating to the property of the fund. In connection with this forthcoming start-up, Profilo Servizi Immobiliari has sold two properties, one in Via Torino, 15 and the other in Via Bugatti, 12 in Milan.
These choices are consistent with the Bank's growth strategy which involves the distribution of the different well-established production segments among its subsidiaries.

In 2005 the Strategic Planning area was engaged in the transposition of the IAS/IFRS accounting and financial reporting standards. As well as the consolidated financial statements, the individual financial statements for the year closed on December 31, 2005 has also been drawn up in accordance with the said standards.

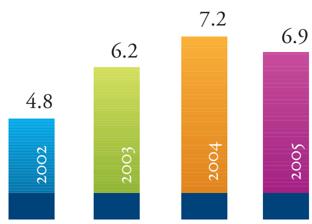
The implementation of the Murex application software continued into the year 2005, involving the Information Technology, the Front Office, the Middle and Back Office, the Risk Management and accounting departments. Murex is an application used across all these departments and is designed to manage under a single system the operations on the various financial products as implemented by the desks of the Bank's Finance Division, especially operations in derivative instruments.
The operations for the implementation of this software met the scheduled delivery deadlines, and included the configuration of financial instruments not originally planned, such as forex options and cross currency swap.
Costs were far below the those budgeted.

Crucial projects aimed at enhancing the efficiency of operating and control structures were implemented in the year 2005.
Operations on foreign equity markets with which Banca Profilo is not directly interconnected, was structured through the execution of an automatic interface of receipt and transmission of customer orders to a primary broker.
A series of new application functions have been set up for the Bank's Middle and Back Office which have further automated checking processes of operations and forwarding of confirmations.

Logics and networks have been broadened to match the demands of increasing operations, through the purchase of state-of-the-art technology, also with a view to ensuring Business Continuity.
Contracts for the management of data and telephone networks have been renegotiated with a view to optimizing the configurations that have been set up at branches, resulting in considerable cost savings.
On the Business Continuity front, the projects that the Bank started implementing in 2003, with a view to equipping the structure with suitable devices for managing continuity of operations in case of a disaster event are currently being overhauled to comply with specific instructions provided by the Bank of Italy. The process is expected to be competed by the end of 2006.

Following Italy's transposing of the Market Abuse directive, in the second half of 2005, a work group was established that was assigned the task of evaluating the impact of the new regime on the Group's operations and procedures, especially those of the Bank an its two asset management companies. Operations have now been broadened vis-à-vis the entry into force – at the start of 2006 – of the Law on the Protection of Savings.

The increase in consolidated operating costs other than staff expenses was 16% above the comparable period, going from 11.688 million Euros at December 31, 2004 to 13.562 million Euros at 31.12.2005. The item includes investments on information and marketing systems of the Parent Company and expenses for the start-up of the real estate services unit.



Investments on information technology
Data in millions of Euros

7. Social Report

2005 was a year marked by a significant evolution process affecting the Bank and the Group as a whole which, on the one hand, required a number of changes to the organisational structure and, on the other hand, strengthened the awareness with respect to the sense of social responsibility which derives from the operations as economic and social party on a wider scale.

The reconcilement between the economic and social objectives, a more structured concept of the interdependence between internal and external relations, image and public reputation, production activities and climate of consensus with all the parties directly or indirectly involved, have progressively enhanced the awareness of the need to conceive the overall business value according to both tangible and intangible variables which look to the legitimate interests of all the stakeholders:

- *the e***mployees***, directly involved in the evolution of the organisational processes, interested in the growth of the results and the services offered and participants in the capital of the company*
- *the* **customers and the shareholders***, towards whose sensitivity and needs the development of the company's operating processes are continually oriented and from the satisfaction of which the encouragement towards improvement is drawn;*
- *the* **suppliers***, always conceived as partners of the company and with whom the achievement of the end objectives by means of the promotion of a common vision should be shared;*
- *the* **Community** *– or rather the State, which is granted the resources under the form of taxes, dues, social security charges – and civil society, in relation to which the company intervenes by means of its socially importance activities in the areas of training, social solidarity and culture;*
- *the* **competitors***, who represent the competitive context necessary for stimulating productivity, efficiency and innovation.*

Consolidated operating costs

+33.9%

The efforts of the Group in its multifaceted operational expression has thus been directed towards the reinforcement of the company's global value as the result of a joint action of economic-financial elements and professional, cultural and relational contents which, in their complexity, also provide a service to the economic-social community. Transparency, accessibility, knowledge and availability are the necessary and essential tools required to spread the corporate culture and obtain a positive perception and reputation.

The employees

Employment	2003	2004	2005
Men	117	120	110
Women	57	51	50
Total	**174**	**171**	**160**

	2003	2004	2005
University graduates	76	83	80
High school graduates	98	88	80
Total	**174**	**171**	**160**

	2003	2004	2005
Average seniority	5.3	4.3	5.03
Recruits	47	23	12
Leavers	**36**	**26**	**23**

Average age	2003	2004	2005
Executives	48	44	45
Managers	40	40.5	41
Office workers	33	36	37
Average age overall	**39**	**40**	**41**

Training

In order to introduce its human resource to a common corporate direction and culture, 2005 continued to require the commitment of the company in terms of employee training, as well as for the placement of new human resources with different professional backgrounds. Overall 71,035 Euros were invested, for a total of 210 days of training involving various departments.

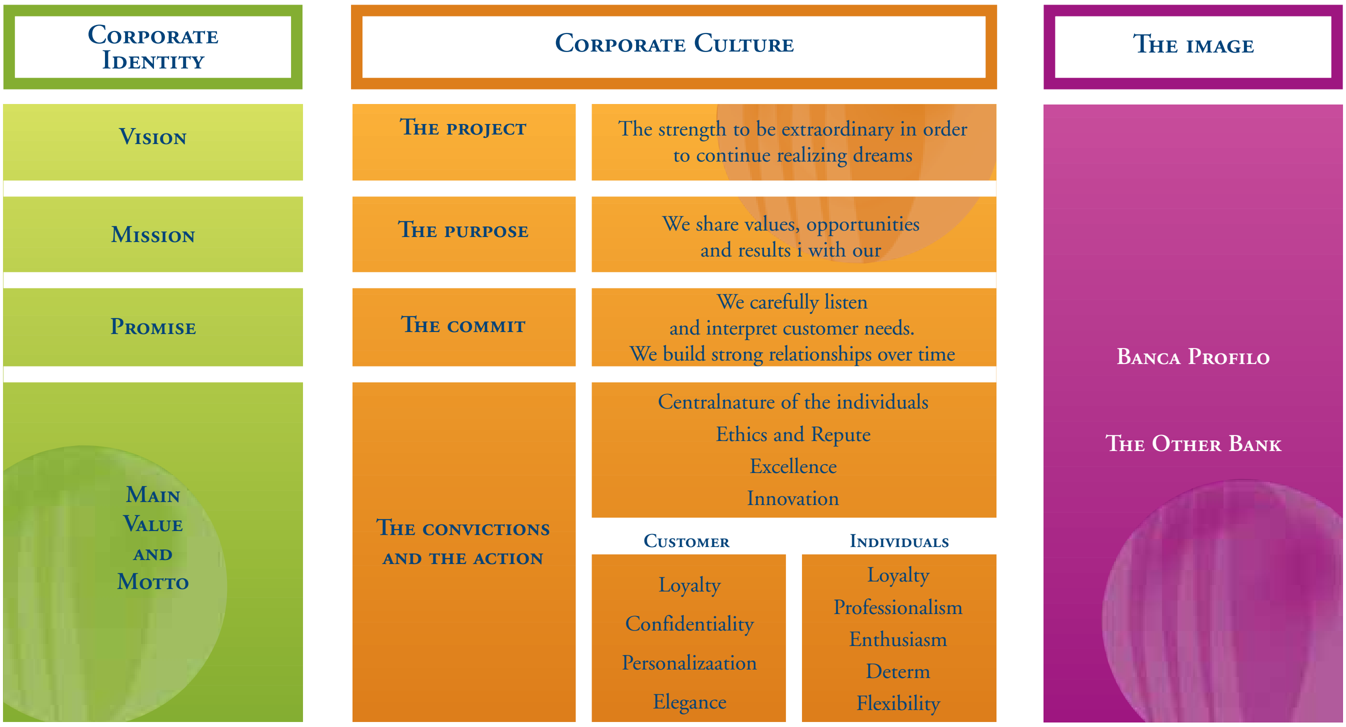
Culture and corporate climate

The need to govern problems and relationships deriving from the growing interests of the Bank required a significant commitment by the various internal structures which translated, very often, into occasions for professional and cultural comparison but also for creative and recreational stimulus.

On a strictly internal level, having achieved greater awareness of a distinctive Corporate Identity (which was codified last year) the company has now provided a clearer picture of its Vision, Mission, Reference Values, Objectives and managerial responsibilities of the company's constituent bodies, the management and all the collaborators. From both a theoretical and practical viewpoint, the guidelines that were provided at the time helped to:

1. create a culture which favours the distinctive nature and the force of the brand;
2. define the desired future status of Banca Profilo, of its principles and of the system of reference values;
3. achieve an alignment at managerial level and therefore of the entire organisation;
4. reinforce the sense and pride of belonging;

The results of the questionnaire on culture-sense of belonging-perception of the company by all employees, the relations between top management and all the collaborators; the setting out of a code of conduct and practice have proven useful tools and operational experiences and were instrumental in laying the foundations for further growth of the company's corporate culture.



Though providing a breakdown of such a process is rather complicated, significant results have indeed been achieved vis-à-vis the following:

- *the reciprocal awareness by means of interfunctional and inter-hierarchical comparison*
- *the process for the integration of the different cultures involved;*
- *apply from the start of operations the founding standards of the Values Charter, oriented towards the aggregation, sense of belonging, of feeling and integral and active part of something bigger, providing a contribution in relation to one's role and one's responsibilities.*

Under the aspect of the integration of the new resources, the official nature of institutional information, the collective nature of the comparison and the spirit of belonging, the organisation of the company Convention (Mykonos, October 7-9) and the subsequent Christmas Party (Milan, December 20), represented excellent growth examples of a Group culture.

Health and safety

In 2005, we updated and upgraded the technological standards of the safety systems also with a view to eliminating any risk factors in the execution of tasks carried out by the Bank's employees.
In executing these operations, we complied with the requirements of law 626/94 on safety issues and workers and law 196/2003 (referred to as Privacy Code) on computer safety issues.
With reference to the Privacy legislation, the Safety Policy Document will be updated by March 31, 2006.
By June 30, 2006 the Bank's is also scheduled to complete operations as regards compliance with minimum safety levels provided for in article 33 to 35 and schedule B) of Legislative Decree no. 196/2003.

The customers

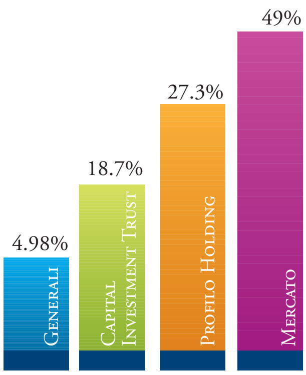
The diversification of the activities and the changed market conditions have led to a progressive transformation and articulation of the stakeholders to whom Banca Profilo S.p.A. has proposed its services, always enhanced by the professionalism and flexibility expressed by the company resources in establishing a scrupulous relationship based on trust.

As far as the institutional customers were concerned, the Bank's Finance Division maintained and developed privileged relationships by means of a consolidated operational partnership, which renewed the distinct attitudes of the company towards proposing itself as a pro-active partner in the development of solutions, products and financial services.

In terms of private customers, Banca Profilo has operated with the aim of guaranteeing the objectives of quality and the institutional nature of the relationship between Customer and Bank, consolidating the relationships existing, transferring strategic visions and operating skills, and confirming the advisory and specialist vocation of the Company. Customer Relations Management, in this case, represented the mainstay around which it has been possible to offer the support necessary for maintaining consistency between cost and quality of the service.

The shareholders

As at December 31, 2005, approximately 51% of the Bank's shareholding structure is represented by 3 main parties (Profilo Holding 27.3%, Capital Investment Trust 18.7%, Assicurazioni Generali 4.98%) and, with regards to the approximate remainder of 49%, by more than 15,300 small shareholders, 56% of whom with shareholdings of between 1,000 and 5,000 shares each. More than 80% of the Bank's body of shareholders is concentrated in Lombardy, Emilia-Romagna, Piedmont, Veneto, Tuscany and Lazio. The greatest percentages of private shareholders' presence are found in the provinces of Milan, Brescia and Reggio Emilia.



Banca Profilo S.p.A.: shareholding breakdown

Share capital: € 64.693.200
No. of shares: 124.395.000

The availability of a dedicated function and the company's willingness to handle investor relations with the utmost openness and collaboration have facilitated the consolidation of continuous and functional relationships for the correct interpretation of the company's business values and prospects.

Each year, at the time of the approval of the draft financial statements, the Bank presents the Report on the Corporate Governance system and the degree of compliance with the Code of Self-governance for Listed Companies (Preda Code).
The Corporate Governance system adopted by the Bank is in line with the most significant provisions of the Code of Self-governance and, in the rare cases in which it differs, the reasons which underlie these choices take into account, on the one hand, the particularly simple and flexible organisational structure of the company and, on the other hand, its body of shareholders, traditionally proposal-based and involved in the corporate management.

The Governance system adopted by the Bank is functional in relation to a simple, flexible corporate and Group organisational structure, which combines the needs for maximum operating efficiency with the firm supervision of the risks.

The suppliers

It is by now a consolidated practice for the company to select suppliers on the basis of strict criteria evaluating expertise, competitive prices and overall quality of the service offered. Every formalisation and consolidation of relations, in addition, has taken into account other sensitive variables such as operational flexibility, promptness of reply, reliability and honourability of suppliers. Further selection was carried out also with respect to suppliers – companies or professional firms – that have worked with Banca Profilo, providing raw materials and intermediate services necessary for the achievement and quality of the end result.
The relationship of constructive collaboration set up at all levels without doubt positively distinguished the

commercial dealings of the Bank with all its suppliers. The contribution of Banca Profilo S.p.A. towards the outside economies, in 2005, came to 12.4 million Euros, up with respect to the 10.5 million Euros, equal to 18.1%, in 2004.

The community and the State

The economic commitment and operating stability achieved during 2005 as well have enabled the company to confirm its role in the communities in which it is directly involved and, indirectly, in the general context of the country-system.
The State collected 0.389 million Euros in indirect taxes. The tax burden of the year 2005 was negative and amounted to 1.525 million Euros.

Data in thousands of Euros

Labour costs	2004	2005
Employees	20,160	32,763
Directors	2,986	3,848
Consultants	293	433
Total	**23,439**	**37,044**

Taxes and dues	2004	2005
Indirect	360	389
Direct	- 1,754	- 1,525
Total	**- 1,394**	**- 1,136**

Suppliers	2004	2005
Total	**10,483**	**12,383**

Write-downs on tangible and intangible fixed assets, on loans and on long-term financial assets	2004	2005
Total	**2,575**	**1,892**

Charitable initiatives

The Bank continued with its commitment during 2005 as well, allocating in total more than 81,000 Euros for charitable initiatives: of which, 45,000 in support of the populations hit by December's tidal wave in South East Asia in 2004.
As part of the inevitable choice of the beneficiaries, Banca Profilo maintained its selective criteria, showing preference for those Bodies, Associations and Authorities capable of ensuring four essential requisites: accounting transparency, operational reliability, project-related solidity and partnership. On a consistent basis with its values of repute, pragmatism and flexibility, Banca Profilo sought to choose and share with the charitable associations the projects which it decided to participate in and offered its help to.

Association	Amount
CARITAS AMBROSIANA (Indian Ocean seaquake)	15,000
CROCE ROSSA ITALIANA (Asia Emergency)	15,000
MEDICI SENZA FRONTIERE (Asia seaquake)	15,000
FONDAZIONE BENEDETTA D'INTINO	11,000
PREMIO VALORE DONNA – (Social Policies Department – Milan Municipal Council)	10,000
OSPEDALE DEI BAMBINI DI MILANO – BUZZI	7,000
ASSOCIAZIONE ITALIANA SCLEROSI MULTIPLA	3,000
ASSOCIAZIONE ONLUS VIGILI DEL FUOCO NEL MONDO	3,000
FIGLIE DELLA CARITÀ CANOSSIANE (Togo Project contribution)	1,000
CROCE ROSSA ITALIANA – Provincial Committee of Forlì	500
ASSOCIAZIONE MILANO AMICA	500
CROCE SANTA RITA ONLUS	260
TOTAL	**81,260**

1. CARITAS AMBROSIANA

Caritas Ambrosiana is a pastoral body established in 1974 by the Archbishop of Milan to promote charitable actions among the diocese community and minor communities, especially parishes, for man's development, for social justice and peace, with a particular emphasis on the last two mentioned and mainly carries out a pedagogical function. It exhorts Christian communities to have a sense of charity and help the poor, and trains social workers operating as volunteers, in needs-related causes, peace, emergencies and world cultures.

2. ITALIAN RED CROSS

With a hundred years' history, the Red Cross is today the most important charity association. With the diverse actions in which it is engaged – rescue, health and solidarity – the association is testimony to a spirit that is in touch with the times in its fight against all forms of suffering. True to the commitment of its founder Henry Dunant, "to alleviate all human suffering without distinction as to nationality, race, religion, social condition or political belief" this principle inspires all actions of the Red Cross. The Italian Red Cross Association has successfully transmitted this pioneering spirit to thousands of volunteers who follow this humanitarian vocation. Every year, numerous projects are set up for the more vulnerable, specifically addressing all kinds of needs.

3. DOCTORS WITHOUT BORDERS

Born in 1971 upon the initiative of a group of French doctors of the International Red Cross , Doctors Without Borders - MSF -is a private international association delivering health care aid to peoples in dangerous situations and to report violations of human rights as witnessed on its missions. MSF is independent and not attached to political parties or religious credos, it is non-profit and acts in accordance with universal medical ethics without distinction as to race, religion, sex or opinions. Every year, 3,000 volunteers of 45 different nationalities leave to offer health care assistance in over 80 countries worldwide.

4. ASSOCIAZIONE ITALIANA SCLEROSI MULTIPLA

The Associazione Italiana Sclerosi Multipla (Italian Association for Multiple Sclerosis) was established in 1968 to represent the rights and hopes of people affected by multiple sclerosis. In thirty years of activity, the Association has grown and has become one of the most important Italian non-profit organisations: the main objectives pursued by the Association are as follows: to provide social and health care, disseminate correct information on the disease, raise awareness among the public and promote research on this disease.

5. OSPEDALE DEI BAMBINI DI MILANO – BUZZI

Established as a Children's Hospital at the turn of the 20th century, it is still one of the main reference hospital centres for city-dwellers seeking paediatric, obstetrics and gynaecological health care. The "Vittore Buzzi" hospital has been a member of the ICP since 1998, it has 152 beds and there are 20 beds for the Day Hospital / Day Surgery unit.

6. VIGILI DEL FUOCO NEL MONDO - FIRE FIGHTERS IN THE WORLD ONLUS

Italian Fire fighters are institutionally UNICEF ambassadors in the World.
'Fire Fighters in The World' is an Association established at the Fire Fighters Unit of Chiavari whose managers are strictly staff from the National Corps of Fire Fighters, but the association is open to any professional category.
The Association is not party-political, non-profit and its objective is to set up humanitarian and volunteering projects, providing its contribution also in collaboration with other associations, institutions and organisations - both national and international - whose objectives are akin to its own. The Fire Fighters in The World Association is a member of the Associazione Nazionale Vigili del Fuoco del Corpo Nazionale.

7. BENEDETTA D'INTINO FOUNDATION

The Benedetta D'Intino non-profit Foundation, recognised by the Lombardy region, was created to protect children and teenagers who suffer abuse and physical and psychological violence, children severely neural impaired or at psychopathological risk and their families. The Foundation also supports all foster or adoptive families, which often represent the new reality of these children. The Benedetta D'Intino Centre has launched a campaign to make public opinion and social service operators aware of the problems of abused children and teenagers, in order to promote dialogue and call attention to this serious problem. The Benedetta D'Intino Centre cooperates with associations and public and private institutions with similar tasks.

8. FIGLIE DELLA CARITÀ CANOSSIANE - CANOSSIAN DAUGHTERS OF CHARITY

Community of faith and evangelisation, ministering to the needs of the poor and the sick. Present in five continents, the community focuses on finding out what one's needs are and identifying obstacles so that the whole person can develop through a personalised approach, a gradual process built on dialogue.

9. PREMIO VALORE DONNA – Women's Valour Award (Social Policies Department – Milan Municipal Council)

The venture, sponsored by the Social Policies Department – Milan Municipal Council and also supported by private financial funds, aims to turn to account the role of women in the social and economic community. Each year prizes and acknowledgments are awarded to women who have distinguished themselves particularly within their spheres of professional, social or cultural activities.

8. Expected evolution of operations

For a description of the evolution of operations, see the general content of this report.

9. Reconciliation between the parent company's financial statements and consolidated financial statements

The statement illustrates the reconciliation between the net profit (loss) for the year and the shareholders' equity of the Parent Company and the corresponding consolidated balances.

The consolidated net profit is determined by adding the result for the year of the subsidiary companies to the result for the year pertaining to the Parent Company and taking steps to eliminate the related dividend; additional differences between the statutory and consolidated balances are due to the amortisation of the goodwill arising on consolidation and the elimination of intragroup gains and losses.

Reconciliation between the Parent Company's financial statements and the consolidated financial statements

Amounts in thousands of Euros

Balances as at December 31, 2005 as per the Parent Company's financial statements	**122,169**	**27,250**
Write-downs to consolidated equity investments:		
- Proportional results of the investee companies consolidated on a line-by-line basis	2,874	2,874
- Other reserves deriving from consolidation	3,086	-
Amortisation of goodwill arising on consolidation:		
- relating to the current year	-	-
- relating to previous years	(754)	-
Adjustments of dividends collected in the period	(5,970)	(5,970)
Other consolidation adjustments :		
- elimination of intragroup gains/losses	43	43
- other	-	-
Balances as at December 31, 2005 as per the consolidated financial statements	**121,448**	**24,197**

Consolidated net profit

+88.9 %

13 February At the offices of General Motors in New York, Fiat's Chief executive Officer Sergio Marchionne signs the agreement that terminates the Master Agreement executed in 2000 and involving, among other things, a put option under which the Turin company had a right to assign the unit of Fiat Auto to the Americans.
The Lingotto obtains two billion dollars. In Turin, in September, the Grande Punto is presented, new and crucial model for re-launching the Lingotto.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

ASSETS		12.31.2005		12.31.2004*
10 Cash and cash equivalents		350		102
20 Financial assets held for trading purposes		937,843		980,359
30 Financial assets valued at fair value		1,980		-
40 Financial assets available for sale		3,541		3,821
50 Financial assets held to maturity		-		-
60 Due from banks		678,809		115,399
70 Due from customers		111,642		118,235
80 Hedge derivatives		-		-
90 Change in value of financial assets recognised as part of a macrohedge (+/-)		-		-
100 Equity investments		0		510
110 Technical reserves payable by reinsurers				
120 Tangible fixed assets		1,516		2,247
130 Intangible fixed assets		7,472		7,899
of which:				
- goodwill	*5,726*		*5,958*	
140 Tax receivables		9,384		3.400
a) current	*2,038*		*2,015*	
b) prepaid	*7,346*		*1,385*	
150 Non - current assets and assets on disposal		-		-
160 Other assets		15,959		27,911
Total assets		**1,768,496**		**1,259,883**

Data in thousands of Euros

** without IAS 32 and 39*

CONSOLIDATED BALANCE SHEET

	LIABILITIES AND SHAREHOLDERS' EQUITY		12.31.2005		12.31.2004*
10	Due to banks:		473,097		442,571
20	Due to customers:		930,536		536,663
30	Securities outstanding		50,132		38,610
40	Financial liabilities held for trading purposes		160,781		101,761
50	Financial liabilities valued at fair value		-		-
60	Hedge derivatives		-		-
70	Change in value of financial liabilities recognised as part of a macrohedge		-		-
80	Tax payables		5,520		42
	a) current	*4,671*			
	b) deferred	*849*		*42*	
90	Liabilities linked to assets on disposals		-		-
100	Other liabilities		23,766		26,003
110	Staff severance indemnities		2,711		2,556
120	Provisions for risks and charges:		506		98
	a) retirement benefits and similar obligations				
	b) other provisions	*506*		*98*	
130	Technical reserves		-		
140	Reserve from valuation		- 254		-
150	Redeemable shares		-		-
160	Equity instruments		-		-
170	Reserves		14,481		15,024
180	Share premium account		21,440		21,876
190	Share capital		64,685		64,023
200	Own shares (-)		- 3,103		- 2,151
210	Minority interest (+/-)		2		2
220	Profit (loss) for the year (+/-)		24,197		12,805
Total liabilities and shareholders' equity			**1,768,496**		**1,259,883**

Data in thousands of Euros

** without IAS 32 and 39*

CONSOLIDATED INCOME STATEMENT

ITEMS			2005		2004*
10	Interest income and similar items		52,465		43,856
20	Interest expense and similar items:		- 35,914		- 37,224
30	**Interest margin**		**16,551**		**6,632**
40	Commission income		32,731		23,375
50	Commission expense		- 2,560		- 2,667
60	**Net commissions**		**30,172**		**20,708**
70	Dividends and other income		31,010		17,073
80	Net profit (loss) from trading transactions		- 3,770		45
90	Net profit (loss) from hedging transactions		-		
100	Profits (Losses) on disposals or repurchase of:		- 48		-
	a) loans	-			
	b) financial assets available for sale	*- 48*			
	c) financial assets held to maturity	-		-	
	d) financial liabilities	-		-	
110	Net profit (loss) from financial assets and liabilities valued at fair value		- 20		
120	**Brokering margin**		**73,895**		**44,458**
130	Net write-downs/write-ups for impairment of:		- 263		- 100
	a) loans	*- 263*		*- 100*	
	b) financial assets available for sale	-			
	c) financial assets held to maturity	-			
	d) financial liabilities	-			
140	**Net profit (loss) on financial operations**		**73,632**		**44,358**
150	Net premiums		-		-
160	Balance other incomes/charges from insurance operations		-		-
170	**Net profit from financial and insurance operations**		**73,632**		**44,358**
180	Administrative expenses		- 51,290		- 36,021
	a) Staff expenses	*- 37,728*		*- 24,333*	
	b) Other administrative expenses	*- 13,562*		*- 11,688*	
190	Net provisions for risks and charges		- 500		- 92
200	Net write-downs/write-ups on tangible fixed assets		- 1,022		- 1,639
210	Net write-downs/write-ups on intangible fixed assets		- 628		- 2,089
220	Other operating income/charges		- 312		- 283
230	**Operating costs**		**- 53,752**		**- 40,124**
240	Profits (Losses) on equity investments		- 22		- 126
250	Net profit (loss) on tangible and intangible fixed assets valued at fair value		-		-
260	Goodwill value adjustments		-		-
270	Profits (Losses) on divestitures		3,870		9,234
280	Profit (Loss) on current operations before taxes		23,728		13,342
290	Income taxes for the year for current operations		469		- 537
300	Profit (Loss) on current operations, after taxes		24,197		12,805
310	Profits (Losses) on assets on disposal, after taxes		-		-
320	**Profit (loss) for the year**		**24,197**		**12,805**
330	Third parties' profit (loss) for the year		0		-
340	**Parent Company's profit (loss) for the year**		**24,197**		**12,805**

Data in thousands of Euros

** without IAS 32 and 39*

Notes to the Consolidated Financial Statements

Part A - Accounting standards

A.1 - general part

Section 1 - Declaration of conformity with international accounting standards (IAS 1/14, 18, 19, 21)

These Consolidated Financial Statements have been drawn up in conformity with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved on December 31, 2005 and in compliance with the related interpretations of the International Financial Reporting Committee (IFRIC).
The Consolidated Financial Statements are composed of the Consolidated Balance Sheet, the Consolidated Income Statement, the Statement of Changes in the Consolidated Equity, the Consolidated Cash Flow Statement and the Notes to the Consolidated Financial Statements prepared in accordance with the provisions issued by the Bank of Italy with memorandum no. 262 of December 22, 2005.
The Consolidated Financial Statements have been drawn up in thousands of Euro.

Since these are the first Consolidated Financial Statements to be drawn up in conformity with the new international accounting standards, the pertinent chapter "The adoption of the new IAS/IFRS international accounting standards" outlines, as provided for under accounting standard IFRS1, the impacts - arising from the transition to the new IAS/IFRS accounting standards - on the Consolidated Balance Sheet at January 1, 2004, December 31, 2004 and January 1, 2005, and on the Consolidated Income Statement of the year 2004.
In this context, it should be noted that - as permitted under the provisions of IFRS 1 - IAS 39 and 32 referring to financial instruments have been applied as of January 1, 2005. The re-entering of figures prior to this date has therefore not been carried out with respect to financial instruments which instead have been recognised and evaluated in accordance with applicable domestic accounting principles. The comments address the type and size of the main adjustments had the new principles been applied in connection thereof.
Statements and comments relating to the impacts arising from the transition to the new accounting principles have been audited in their entirety, as required under Consob Resolution no. DEM/5025723.

The auditing of these Consolidated Financial Statements is assigned to the company Deloitte & Touche S.p.A.

Section 2 - General accounting principles applied in drawing up the statements (IAS 1/29, 23,25,27,29,32,36)

This chapter outlines the general principles adopted in drawing up these Consolidated Financial Statements at December 31, 2005, as required under IFRS 1.

a) Going concern

Assets, liabilities and "off balance sheet" transactions have been evaluated in accordance with their operating values, in that they are expected to last over time.

b) Accrual basis principle

Costs and revenues are recognised regardless of the moment their related amounts are settled or paid; they are therefore recognised on an accrual basis and in accordance with the correlation criterion.

c) Consistency of presentation

Presentation and classification of items have been consistent over time with a view to ensuring comparability of information, except where their variation is required under an International Accounting Standard or an Interpretation or where their variation provides a more faithful representation of the figures in terms of significance and reliability. If a presentation or classification criterion is changed, the new one is applied– where possible – retroactively; in this case, the type and reason for the change are also provided, as well as the items affected. Items are presented and classified by using the tables prepared by the Bank of Italy with memorandum no. 262 of December 22, 2005 "The Financial Statements of Banks: tables and provisions for their drafting".

d) Aggregation and materiality

Each material class of similar items is shown separately in the Consolidated Financial Statements. Items that are dissimilar in nature or function are presented separately.

e) No off-setting

Assets and liabilities, costs and revenues are not offset, except where such off-setting is required or permitted under an International Accounting Standard or an Interpretation or by the tables prepared by the Bank of Italy for the financial statements of banks.

f) Comparative information

The comparative information of the preceding year are shown with regard to all the figures contained in the statements, unless an International Accounting Standard or an Interpretation require or permit otherwise. Descriptive information has also been included when useful in terms of better comprehension of the figures.

g) IFRS 1 Options

As first-time application of IAS/IFRS, a Consolidated Balance Sheet at January 1, 2004 has been drawn up, except for IAS 32 and 39, recognising the differences arising from previously applied accounting principle directly under a specific shareholders' equity item, namely the F.T.A. Reserve, the "First time adoption" Reserve.
As provided for by IFRS 1, the date of transition referring to the IAS 32 and 39 first time adoption, regarding the evaluation of financial instruments, including derivates, was January 1, 2005. The effects of the application of IAS 32 and 39, as first time application, have been recognised in the special FTA Reserve.

Section 3 - Scope of consolidation

As mentioned hereinbefore, the Consolidated Financial Statements have been drawn up in conformity with the IAS/IFRS international accounting and financial reporting standards, as well as with the provisions issued by the Bank of Italy with memorandum no. 262 of December 22, 2005.
In compliance with the said principles, the Consolidated Financial Statements include that of the Parent Company Banca Profilo and the companies directly or indirectly controlled by the same regardless of

Names	Registered office	relationship (1)	Interest share: Holding company	Interest share: share %	voting rights % (2)
A. Companies					
A. 1 Consolidated on a line-by-line basis					
1. Profilo Real Estate Advisory S.r.l.	Milan	1	Banca Profilo S.p.A.	100.00	
2. Profilo Suisse S.A.	Lugano	1	Banca Profilo S.p.A.	99.20	
3. Profilo Real Estate S.G.R. S.p.A.	Milan	1	Banca Profilo S.p.A.	100.00	
4. Profilo Asset Management S.G.R. S.p.A.	Milan	1	Banca Profilo S.p.A.	100.00	
5. Profilo Merchant Co. S.p.A.	Milan	1	Banca Profilo S.p.A.	100.00	
6. Profilo Servizi Immobiliari S.r.l.	Milan	1	Profilo Real Estate Advisory S.r.l.	100.00	
A. 2 Consolidated with the proportional method					

1 Equity investments in subsidiaries, on an exclusive basis or jointly with other entities (consolidated with the proportional method)

Table explanation

(1) Type of relationship
1 = majority of voting rights in the Shareholders' Meeting
2 = dominant influence in the Shareholders' Meeting
3 = agreements with other shareholders
4 = other forms of control
5 = single management pursuant to art. 26, para. 1 of Legislative Decree 87/92
6 = single management pursuant to art. 26, para. 2 of Legislative Decree 87/92
7 = joint control
(2) Availability of votes in the Shareholders' Meeting, distinguishing between actual and potential

whether they belong to the Banking Group. More specifically, as shown in the table hereinabove, as well as finance companies and special purpose companies in which the Parent Company holds interests directly, Profilo Servizi Immobiliari S.r.l. is also included in the scope of consolidation, company which is wholly-owned by Profilo Real Estate Advisory S.r.l.
There are no interests held in companies jointly controlled and consolidated with the proportional method.

Equity investments in subsidiaries have been consolidated on a line-by-line basis using the Financial Statements at December 31, 2005 for the approval by the respective Shareholders' Meetings.
The individual Financial Statements of the Parent Company Banca Profilo S.p.A. have been drawn up in accordance with the International Accounting and Financial Reporting Standards, IAS/IFRS; the Financial Statements of the subsidiaries, instead, have been drawn up in conformity with national accounting standards. As regards the latter, the required reclassifications and/or supplemental entries have been provided in order to render them homogenous and compliant with the IAS/IFRS international accounting and financial reporting standards.

The line-by-line method of consolidation consists in acquiring "line by line" the aggregates of the balance sheets and income statements of the subsidiaries, assigning to third parties, as separate item, the amounts pertaining to their share of shareholders' equity and profit. The book value of the equity investments is therefore offset with the residual value of shareholders' equity of each subsidiary.
The differences arising from this offsetting, where positive, are posted, after being recognised as assets and liabilities of the subsidiary, as goodwill under the item 'Intangible Fixed Assets'.
Goodwill, as provided for by the IAS/IFRS international accounting and financial reporting standards, is no longer amortised, but will be subject to the evaluation process referred to as "impairment test". At December 31, 2005, the said process has shown no need for adjustments.

Transactions between consolidated companies - affecting the balance sheets and income statements of the same - and the profits and losses arising from intragroup transactions, including, dividends, have been eliminated.

Those financial statements of consolidated companies expressed in foreign currency have been converted by applying to the single balance sheet and income statement items the exchange rates prevailing at year-end.

The lay-out of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Cash-Flow Statement and the Notes to the Consolidated Financial Statements has been prepared with the figures, for comparison purposes, referring to December 31, 2004; the said figures, as permitted under IFRS 1 (first time adoption of international financial reporting standards), do not include those referring to financial instruments (IAS 39 and 32) which therefore have been evaluated and reported in accordance with applicable domestic accounting standards. The differences of the said principles compared to IAS/IFRS standards are explained in the paragraph "The adoption of the new IAS/IFRS international accounting standards".

With a view to providing an accurate and fair picture of the company's accounts, the Notes to the Financial Statements also contains further data and information.

As well as the obligatory statements and tables aforementioned, attached hereto are the reclassified consolidated Balance Sheet and Income Statement.

Section 4 - Events after balance sheet date (IAS 10)

Section 5 - Additional information

A.2 - PART REFERRING TO THE MAIN BALANCE SHEET ITEMS

The accounting principles adopted for these financial statements are shown hereafter.

1 - Financial assets held for trading purposes

(a) Classification criteria

This item (referred to as Fair value Through Profit or Loss - F.V.P.L.) includes all financial assets (debt securities, share capital securities, loans, derivative financial instruments) allocated to the trading portfolio. Also included under this item are equity investments subject to considerable influence or joint control which under IAS 28 and IAS 31, respectively, can be assigned to this portfolio.
Transfers from the trading portfolio to other portfolios and viceversa are not permitted.
Derivative financial instruments for trading purposes, should they be used for hedging purposes and where the conditions required under IAS 39 are met (hedge accounting), can be classified under hedging derivates and evaluated consistently with this classification, and derivative instruments of the hedging portfolios, once the hedging purposes are no longer applicable, are transferred to the trading portfolio.
The Banca Profilo Group has entered under this category (referred to as Fair value Through Profit or Loss - FVPL) debt and share capital securities for short term trading, derivative financial instruments held for trading purposes, including those to be recognised separately to complex structured instruments in which they are incorporated, and investments in accumulation policies. This item also includes equity investments in related companies held through private equity funds which, under IAS 28, par. 13, can be classified, when first reported, among the assets held for trading purposes and evaluated in accordance with the provisions of IAS 39.

(b) Recording criteria

The first time recognition of debt and share capital securities is at "settlement date", whereas derivative instruments are reported at "trading date".

The instruments of the trading portfolio are reported upon their initial recognition at cost (purchase price) to be intended as the fair value of the instrument, disregarding any costs or income from the transaction directly assignable to the same instrument which are respectively expensed and credited to the income statement.

(c) Evaluation criteria

After the initial recognition, financial assets held for trading purposes are valued at fair value, expensing and crediting the income statement for any variations, under item 80 "Net profit (loss) from trading transactions".

The fair value is determined on the basis of the prices on active markets or on internal evaluation criteria as commonly applied in financial praxis.
As for financial instruments listed on an active market, market quotations are used; by active market is intended one where quotations, reflecting standard market transactions, are readily and regularly available through Stock Exchanges, Brokers, Intermediaries, Sector-specific companies, Quotation centres or authorised entities and express the price of actual and regular market transactions occurring in a normal reference period.
As for non-listed financial instruments, the fair value reflects: 1) as regards non-listed securities, the expected realizable value obtained by discounting future cash flows (certain or estimated) at the market rates applicable to listed securities having similar risk characteristics (in terms of rate and issuer) or obtained from the commonly and internationally used financial data and information networks; 2) as regards non-listed derivatives, the expected replacement cost obtained from the price of listed derivative contracts with identical characteristics (in terms of the underlying security, exercise price and expiry date) or from discounting future cash flows (certain or estimated) at the market rates obtained from the commonly and internationally used financial data and information networks and/or from applying evaluation models on a best practice basis.
Financial instruments for which the fair value is not reliable in terms of the foregoing, are valued at cost.
The fair value of private equity funds corresponds to the last available "net asset value".

(d) Elimination criteria

Financial assets for trading are erased from the consolidated financial statements when the contractual rights on the cash flows deriving therefrom expire or upon assignment of the financial assets with substantial transfer of all the risks and benefits relating thereto.
Receivables assigned are erased from the financial statements including in the case where the Group maintains the contractual right to receive the cash flows arising, but at the same time undertakes the obligation to pay the same flows to third parties.

2 - Financial assets available for sale

(a) Classification criteria

This category (referred to as Available for Sale - AFS) includes non-derivative financial assets not otherwise classified as Loans and Receivables, financial assets held to maturity and financial assets held for trading purposes and valued at fair value accounted for in the income statement.
It includes securities held for sale of which is expected to involve a shorter time than that of securities held for trading purposes or at any rate those available for transfer to third parties and minority interests other than those allocated to the trading portfolio.

Except where permitted under IAS 39, financial assets available for sale cannot be transferred to other portfolios or vice versa.
The Banca Profilo Group has placed under this category minority interests held by the Parent Company (Profilo Holding, Profilo Management Company, Brainpower and Atlantis Capital Special Situations) other than stock relating to trading transactions and therefore classified under the trading portfolio.

(b) Recording criteria

Debt and share capital securities are initially recognised at "settlement date".

Financial instruments available for sale are evaluated, upon their initial recognition, at fair value, which generally coincides with cost (purchase price) of the same, inclusive of any costs or income arising from the transaction and directly referable to the same instruments.

(c) Evaluation criteria

After the initial recognition, financial assets available for sale are valued at fair value and the variations of the said fair value are accounted for in the specific shareholders' equity item " Reserve from valuation"; upon transfer, the gains or losses resulting therefrom are credited or expensed, respectively, to the income statement under item 100 "Profits/losses from disposal or repurchase".
The fair value is determined as mentioned hereinbefore with respect to

financial assets held for trading purposes; share capital securities for which the fair value cannot be reliably defined, are evaluated at cost.
The test to verify the existence of objective evidence of value impairments is carried out every year at closing or for the interim period statements. If there is such evidence, value impairments, equivalent to the negative difference between the book value of the asset and the discounted value of the estimated collectable future cash flow, are directly accounted for in the income statement under item "130 Net write-downs/write-ups for impairment of b) financial assets available for sale" as contra entry to the variation cumulated and previously recognised under the shareholders' equity in the specific Reserve aforementioned.
If the reasons which generated the value impairment are removed upon occurrence of events after the reporting of such value impairment, write ups are recognised in the income statement again under the afore mentioned item 130, in the case of debt securities or receivables, and under the shareholders' equity, in the case of share capital securities. The write-up amount, in any case, will not exceed the amortised cost of the instrument had there not been the previous adjustments.

(d) Elimination criteria

Financial assets available for sale are erased from the consolidated financial statements when the contractual rights on the cash flows deriving therefrom expire or upon assignment of the financial assets with substantial transfer of all the risks and benefits relating thereto.

3 - Financial assets held to maturity

(a) Classification criteria

Financial assets held to maturity (referred to as Held to maturity - HTM) include debt securities with fixed or determinable payments and fixed maturity dates, intended for holding till maturity and which can be held to maturity.

The Banca Profilo Group has not provided for the said category in that it currently holds no financial instruments which, under these specific characteristics and vis-à-vis the company's intention, are classifiable among financial assets held to maturity.

(b) Recording criteria

The first time recognition of these financial assets is at "settlement date" Upon their first time recognition, the financial instruments classified under this category are reported at cost, inclusive of any directly attributable costs and income. If the recording is derived from the reclassification from "Financial assets available for sale" the fair value of the financial asset reported at the time of the transfer is taken as new reference for the amortised cost of the same asset.

(c) Evaluation criteria

After the initial recognition, financial assets held to maturity are evaluated at amortised cost using the effective interest rate method. The result deriving from the application of the said methodology is accounted for in the income statement under item "10 Interest income and similar items". Gains or losses referable to these financial assets are recognised in the income statement when the assets are written off or when impaired in value.
Upon drawing up the annual financial statements or interim period statements, a test is carried out to establish the existence of objective value impairments. If such value impairments are found, the difference between the book value of the asset and the discounted value of estimated future cash flows, discounted at the original actual interest rate, is accounted for in the income statement under item "130 Net write-downs/write-ups for impairment of c) financial assets held to maturity". Entered under this same income statement item will be any write-ups recognised after the reasons which generated the previous value impairments have ceased to apply.

(d) Elimination criteria

Financial assets held to maturity are eliminated from the consolidated financial statements when the contractual rights on the cash flows deriving therefrom expire or upon assignment of the financial assets with substantial transfer of all the risks and benefits relating thereto.

4 - Receivables

(a) Classification criteria

Loans and Receivables (referred to as L.& R.) are non-listed financial assets due from clients and banks, both directly provided to and purchased from third parties, having fixed or determinable payments and which have not been classified, originally, among financial assets available for sale.
Loans and receivables are reported under items "60 Due from banks" and "70 Due from customers"; they include all loans to customers and banks, including repo transactions and variation margins outstanding with clearance entities on derivative contract transactions.
Transfers from the "Loans and Receivables" portfolio to the "Financial assets available for sale" portfolio are permitted.

(b) Recording criteria

Loans are first recognised at the date of provision on the basis of the fair value of the financial instrument which is equivalent to the amount disbursed inclusive of costs and income directly referable to the same or determinable right from the start, including where liquidated at a later date. Any and all charges reimbursable by the debtor party or referable to internal administrative costs are not included.

Contango transactions and repurchase agreements with obligation for forward repurchase or resale are reported in the financial statements as deposit or lending transactions. More specifically, transactions of spot sale and forward repurchase are reported in the financial statements as debts for the spot amount received, whereas spot purchases and forward sale are recognised as receivables for the amount paid as spot amount.

(c) Evaluation criteria

After the initial recognition, loans and receivables are evaluated at amortised cost using the effective interest rate method.
Amortised cost is the first recognition value decreased/increased by reimbursements of principal amounts, write-downs/write-ups and overall amortisation, calculated by applying the effective interest rate method, by any difference between the amount disbursed and the reimbursable amount on expiry.
The effective interest rate is the rate discounting future flows of the loan, in principal and interest, over the expected life of the loan, account being taken of all the contractual terms of the same (possible early repayment or purchase options and/or equivalent, charges and basis points paid/received, transaction costs, other premiums or discounts etc.). The said calculation, using a financial rationale, enables the economic effect of the costs/income to be distributed along the residual expected life of the loan.

The amortised cost method is not used with respect to loans the short term of which (under eighteen months) means that the application of the discounting method yields a negligible amount. The said loans are stated at historical cost which amounts to the nominal value disbursed.

The same method of evaluation is applied with respect to loans without a definite expiry or call loans.

At every closing of financial statements or interim period statements a test is carried out (so-called "impairment test") to ascertain any objective evidence that a loan or group of loans has been impaired in value.
The impairment test on loans envisages a phase of individual or specific evaluations (selection of single loans and estimate of related losses) and a collective or portfolio evaluation (selection of the performing loans portfolio aggregated on the basis of like risk classes and estimate of related losses).

Non-performing loans fall within the first category, and are evaluated individually; under the definitions established by the Bank of Italy, are assigned the status of non-performing loans, watch list loans, restructured and expired or overdue by over 180 days.
The amount of the adjustment for every loan is equal to the difference between the book value of the same at the time of the evaluation (amortised cost) and the discounted value of the expected future cash flows, calculated by applying the original effective interest rate.
The expected cash flows take into account of estimated collectable amounts, estimated time of collection and expected realizable value of any underlying security. Where collectable amounts are expected within the short term, the related cash flows referring to such loans are not discounted.
The original effective interest rate of every loan is unaltered over time including in the case where the loan has been restructured and this has involved a variation of the interest rate established by contract and also in the case where the loan should become, in practice, zero-interest bearing.
As for expired loans or loans overdue by over 180 days, estimates are based on historical loss rates on transactions involving similar risks.
Value impairments are stated in the income statement under item "130 Net write-downs/write-ups for impairment of a) loans".
The original value of loans is reinstated in the following statements to the extent that the reasons which generated the adjustment no longer apply provided the said evaluation is objectively referable to an event occurring after the same adjustment. Write-ups are recognised in the income statement under the aforementioned item 130 and in any case will not exceed the amortised cost of the loan had there not been the previous adjustments.

Loans for which no objective evidence of value impairment has been identified, on an individual basis, fall under the so-called "performing loans" (in bonis positions) and are evaluated collectively by selecting the portfolio in homogeneous classes with similar characteristics in terms of credit risk, sector and type of security to which the loss rates obtainable from the company's historical figures, are applied, or, where the latter are not available, systematic historical data are used.
Value adjustments determined collectively are recognised in the income statement, again under the aforementioned item 130.
At each closing of the consolidated financial statements and interim period statements any additional write-downs or write-ups are recalculated on a differential basis with reference to the entire performing loans portfolio at the same date.

(d) Elimination criteria

Loans and receivables are eliminated from the financial statements when the contractual rights on the cash flows deriving therefrom expire or when all the risks and benefits deriving from ownership thereof are substantially transferred. If not, the loans continue to be recognised in the financial statements, even if the legal title thereto is transferred to third parties.
The profit (loss) from the disposal of loans and receivables is recorded in the income statement under item "100 Profits (losses) from disposals or repurchase of a) loans".

5 - Financial assets valued at *fair value*

(a) Classification criteria

This category includes financial assets stated at fair value with the evaluation results recognised in the income statement, on the basis of the option to which companies are entitled (so-called "fair value option") under IAS 39, IAS 28 and IAS 31.

The Banca Profilo Group has classified, as first time recognition, among financial assets recognised at fair value a structured product for which the not strictly associated derivative component should have been separately evaluated.

(b) Recording criteria

Debt and share capital securities are initially recognised at "settlement date".

The instruments of the portfolio held for trading purposes are stated, upon their first recognition, at cost (their purchase price) intended as fair value of the instrument, without taking into account any costs or income arising from the transaction and directly attributable to the same instrument which are expensed and credited to the income statement.

(c) Evaluation criteria

After the initial recognition, the financial assets of this category are valued at fair value and any variations are accounted for in the income statement under item 110 "Net profit (loss) from financial assets and liabilities valued at fair value".

The fair value is determined as explained with reference to the criteria applicable to financial assets held for trading.

(d) Elimination criteria

Financial assets recognised at fair value are eliminated from the financial statements when the contractual rights on the cash flows deriving therefrom expire or when all the risks and benefits deriving from ownership of the said financial assets are substantially transferred.

6 - Hedge transactions

By hedge transactions is intended a financial instrument or investment made in order to neutralize, either wholly or partly, the gain or loss deriving from a movement in fair value or the cash flows of the instruments hedged against. The hedging intention must be formally defined, not retroactive and consistent with the strategy for hedging against risks as decided by the Management of the Parent Bank.
The recognition of derivatives as hedge instruments is permitted under IAS 39 only in special circumstances, i.e., when the hedge transaction is as follows:
- *clearly defined and documented;*
- *measurable;*
- *currently effective.*

Under the IAS 39, there are three types of hedging:
- *fair value hedge of an asset or liability already recognised in the financial statements; in this case, the gain or loss deriving from fair value variations of the hedging instrument is immediately accounted for in the income statement as well as the gains or losses from the evaluation of the hedged instrument;*
- *cash flow hedge; in this case, the effective portion of gain or loss of a hedging instrument is initially reported as a component of the shareholders' equity (reporting it in the income statement as the hedged instrument*

reflects the correlated flows in the income statement); the ineffective portion of the gain or loss of the hedging instrument is instead directly accounted for in the income statement;

- *hedging the foreign currency exposure of a net investment in a foreign entity; this is accounted for in the same way as cash flow hedge transactions.*

At December 31, 2005, the Banca Profilo Group had no hedge transactions to report having the above-described requisites of IAS 39.

7 - Equity investments

(a) Classification criteria

Under this item of the consolidated financial statements, equity investments evaluated with the equity method are recognised.
Banca Profilo Group has no equity investments falling within this category.
Equity investments in subsidiaries have been fully consolidated in these Consolidated Financial Statements.

(b) and (c) Recording and evaluation criteria

Equity investments are recognised and evaluated with the equity method. Any evidence of value impairments are accounted for in the income statement.

(d) Elimination criteria

Equity investments are eliminated from the consolidated financial statements when the contractual rights on the cash flows deriving therefrom expire or when the equity investments are assigned with substantial transfer of all the risks and benefits attached to ownership thereof.

8 - Tangible fixed assets

(a) Classification criteria

These are tangible fixed assets (real estates, technical installations, furniture, furnishings and any kind of equipment) held for operating purposes and which is expected to be used for over a year.

(b) Recording criteria

tangible fixed assets are recognised at purchase cost inclusive of accessory charges directly referable to the purchase and installation.
Non-routine maintenance expenses involving an increase of future operations, are accounted for as an increase in the value of the assets, whereas other routine maintenance costs are reported in the income statement.

(c) Evaluation Criteria

Tangible fixed assets are evaluated at cost after deduction of the accumulated depreciation and any value impairments on the basis of the requirements of IAS 16.

Tangible fixed assets are depreciated over their expected useful life, intended as period of time they are expected to be usable by the Group, adopting the straight-line basis method.

At every closing of the financial year or closing of interim period statements, in the presence of situations that are symptomatic of the existence of value impairments, the following values are compared: the recoverable value of the asset, which corresponds to the greater between its use value (discounted value of the asset placed and operating as intended) and exchange value (expected value of the transfer net of any transaction costs), and its book value net of accumulated depreciation. Any adjustments are recognised in the income statement under item 200 "Net write-downs/write-ups on tangible fixed assets".
Should the reasons justifying the impairment recognised no longer apply, a write-up will be recorded which will not exceed the value that the asset would have had net of accumulated depreciation in the absence of previous value impairments.

(d) Elimination criteria

Tangible fixed assets are eliminated from the consolidated financial statements upon their transfer or when they are no longer of operating use.

9 - Intangible fixed assets

(a) Classification criteria

Intangible fixed assets are represented by non-monetary assets, of no materiality, but still identifiable, used in business operations and of long-term use.
They include software for long-term use and goodwill.
Goodwill is the positive difference between the purchase cost and the fair value of assets and liabilities acquired as part of aggregation operations.
Other intangible fixed assets are recognised as such if they are singly identifiable and arise from legal and contractual rights.

(b) Recording criteria

Intangible fixed assets are stated at purchase cost inclusive of any accessory costs and increased by subsequent expenses incurred with a view to enhancing their original economic use.

(c) Evaluation criteria

Intangible fixed assets of limited duration are evaluated in accordance with the cost method net of amortisation as required under IAS 38.
At every closing of the financial year or closing of interim period statements, in the presence of situations that are symptomatic of the existence of value impairments, the recoverable amount of the asset is estimated, by recording in the income statement under item 210 "Net write-downs/write-ups on intangible fixed assets" the difference between the book value of the asset and the recoverable amount.
Intangible fixed assets with indefinite useful life, such as goodwill, are not amortised, but periodically they undergo the so-called "impairment test". If the recoverable amount of each segment of operations include a certain goodwill is lower than the book value, this difference represents a value impairment to be recognised in the income statement under item 260 "Goodwill value adjustments". The recoverable amount is the greater value between the use value (discounted value of expected future cash flows) and its transfer value (expected transfer value net of transaction costs).
These value impairments cannot be reinstated in future years.

(d) Elimination criteria

Intangible fixed assets are eliminated from the consolidated financial statements once they are sold or when they are no longer of economic use.

10 - Non-current assets on disposal

This item classifies non-current assets and groups of assets to be disposed of.
Banca Profilo Group has currently no items classifiable under this category.

11 - Current and deferred taxes

Current taxes are determined by applying applicable tax rates and tax legislation and to the extent in which they are not paid they are recognised as liabilities.
Therefore, under current tax receivables, under item 140 a) of the assets section, will be any payments in excess of the amounts the company is liable for, in accordance with the applicable laws on corporate income tax; under current tax payables, under item 80 a) of the liabilities section will be debts payable under the applicable laws on corporate income tax.

As far as differed tax is concerned, we note the adoption of the method based on the "balance sheet liability method" as provided for in the Bank of Italy Decision of August 3, 1999.
Deferred tax assets are entered under item 140 b) of the assets section for the deductible timing differences and within the limits of what can be reasonably expected as the recoverable amount, account being taken of the temporal aspect attached to the same.
Tax payables for deferred tax are entered under item 80 b) of the liabilities section and represent tax payables corresponding to all the taxable temporal differences outstanding at year-end.
Deferred tax assets and liabilities are constantly monitored and are recognised by applying the tax rates which are expected to be applicable in the year in which the related tax asset will be realised or the tax payable will be paid, on the basis of the applicable tax rates and tax legislation laid down in applicable provisions.

The contra entry of tax receivables and tax payables, both current and deferred, is as a rule recognised, in the income statement, under item 290 "Income taxes for the year for current operations".

Pursuant to articles from 117 to 129 of the Consolidated Income Tax Act 917/86 as amended by Legislative Decree December 12, 2003 no. 344 and supplemented by Decree of the Economy and Finance Minister, of June 9, 2004, the Parent Bank Banca Profilo S.p.A., together with its subsidiaries Profilo Real Estate Advisory SGR S.p.A., Profilo Asset Management SGR S.p.A., Profilo Real Estate Advisory S.r.l., Profilo Servizi Immobiliari S.r.l. and Profilo Merchant Co S.p.A., have opted for the "National Fiscal Consolidation".
These consolidated financial statements take into account the effects arising from the said choice.

12 - Provisions for risks and charges

The provision for risks and charges, recognised as item 120 of the liabilities section, there are no internal provisions for retirement obligations for defined benefit plans (item 120 a).
Provisions for risks and charges - sundry, items 120 b), include provisions set aside, for obligations on the Group, of which settlement is certain or highly likely, but for which the amount and time for discharging the said obligations are still uncertain.
More specifically, they include provisions for current obligations arising from a past event for which an outlay of funds is likely in connection with the discharge of the said obligation, provided that a reliable estimate of the related amount is possible.
If settlement of the amount is expected to be after twelve months, provisions are discounted using current market rates.
Allocations to the Provisions for risks and charges are accounted for in the income statement under item 190 "Net provisions for risks and charges".

Staff severance indemnities

Staff severance indemnities recognised under item 110 of the liabilities section, is recognised on the basis of its actuarial value determined by independent actuaries. For the discounting, a projected unit credit method is used; this method involves the projection of future outlays on the basis of historical statistical analyses and the demographic curve and the discounting of the said flows on the basis of a market interest rate.
Provisions and charges relating to the scheme are accounted for in the income statement under item 180 "Administrative expenses: a) staff expenses".

13 - Payables and securities outstanding

(a) Classification criteria

The liabilities included under this item are payables due to banks, payables due to customers and Securities outstanding; they consist of several financial instruments through which the Group makes up the interbank funds and deposits with customers and deposits through bonds outstanding, net of any repurchased amounts.
The interest expense is recognised in the income statement under item 20 "Interest expense and similar items".

(b) Recording criteria

These liabilities are recognised, upon issue or at the time of their re-placement, or eliminated, including in the case of repurchase, on the basis of the "settlement date" principle and cannot be transferred to the portfolio of liabilities held for trading purposes.
The first recognition is on a fair value basis, which, as a rule, is equal to the amount cashed or to the issue price, adjusted to take into account any additional costs or revenue directly referable to the different funding or issue operations.
Structured securities are separated in their constituent elements which are registered separately, when the derivative components implicit therein are of an economic nature and with risks other than those of the underlying security and amount to independent derivative instruments.

(c) Evaluation criteria

After the initial recognition, the evaluations of financial liabilities are based on the amortised cost principle with the effective interest rate method, with the exception of short-term liabilities where the temporal factor is negligible, which are recognised on the basis of the amount cashed.

(d) Elimination criteria

Financial liabilities are eliminated from the consolidated financial statements when they expire or when they are discharged.
They are also eliminated at the time of repurchase of previously issued securities; the difference between the book value of the liabilities and the amount paid to purchase it is recognised in the income statement.
The re-placement on the market of own shares after their repurchase is considered as a new issue with recording of the new placement price, with no entry in the income statement.

14 - Financial liabilities held for trading purposes

(a) Classification criteria
This item includes derivative instruments held for trading purposes, with negative fair value, including implicit derivatives in structured securities which, for recognition purposes, are kept separated to the same.
This item also includes any debiting of charges and commissions arising from the trading in securities.

(b) Recording criteria
Derivative instruments are recognised on the basis of the "trading date " whereas transactions in securities are registered at "settlement date".

Financial liabilities held for trading purposes are initially registered at fair value, that is, they are stated at purchase price.

(c) Evaluation criteria
After the initial recognition, financial liabilities for trading purposes are valued at fair value which, for those listed on active markets, corresponds to the related closing quotations, whereas, for unlisted ones, the value is estimated on the basis of the quotation of similar instruments or by discounting future cash flows and taking into account all the risk factors associated with the instruments and also on the basis of relevant values in recent comparable transactions.
Financial instruments for which the fair value cannot be reliably determined pursuant to the foregoing provisions, are stated at cost.

The results of evaluations and those of the trading are registered in the income statement under item 80 "Net profit (loss) from trading transactions".

(d) Elimination criteria
Financial liabilities held for trading purposes are eliminated from the consolidated financial statements when the contractual rights on the cash flows deriving from the same liabilities expire or when the financial instruments are transferred.

15 - Financial liabilities valued at fair value

The Banca Profilo Group currently has no liabilities classifiable under this item.

16 - Currency transactions

(a) and (b) Classification and initial recognition criteria
Transactions in foreign currency are all the assets and liabilities denominated in currencies other than the Euro. They are initially recognised in the reporting currency, applying to the amount expressed in foreign currency the spot exchange rates applicable at the date of each transaction.

(c) Evaluation criteria
At every closing of the financial statements or interim period statements, items in foreign currency are evaluated on the basis of the exchange rates prevailing on the date of closing.

Exchange rate differences arising from the settlement of monetary elements or the translation of monetary elements at exchange rates other than those applied in the initial translation of amounts or applied with reference to previous financial statements, are recognised in the income statement under item 80 "Net profit (loss) from trading transactions".
Exchange rate differences referring to elements for which evaluations are recognised in the shareholders' equity, for example Financial assets available for sale, are recognised in the income statement.

17 - Assets and liabilities related to insurance

The Banca Profilo Group is not engaged in insurance operations.

18 - Altre informazioni

Own shares
Any own shares held are deducted from the consolidated shareholders' equity.
Gains or losses resulting from the purchase, sale, issue or retirement of own shares are not recognised in the consolidated income statement, but recognised under the consolidated shareholders' equity.

Costs and revenues
Costs are recognised at the time in which they are incurred.
Costs directly referable to financial instruments evaluated on the basis of amortised costs and definable as they arise, regardless of the moment they are liquidated, are stated in the income statement on the basis of the application of the effective interest rate which has been explained with reference to the item "Due from banks/customers".

Revenues are recognised when they are received or when it is likely that they will be received and when they can be quantified reliably. More specifically:
- *any default interest provided for by contract is recognised in the income statement only when it is actually cashed;*
- *dividends are recognised in the income statement only when they become payable (in this case this payable date will coincide with that on which the related decision is taken by the Shareholders' Meeting).*

Share-based payments
The Banca Profilo Group has applied IFRS 2 - Share-based payments.
The existing stock option plan was resolved by the Extraordinary Shareholders' Meeting of Banca Profilo on April 23, 2002 and represents a share-based payment.
Pursuant to transitional principles, IFRS 2 was applied to all stock option assignments occurring post November 7, 2002 not yet accrued at January 1, 2005.
Under IFRS 2, share-based payments are evaluated at their fair value upon being assigned. This value is recognised in the income statements on a straight-line basis over the vesting period under the item 180 a) "Staff expenses" with the contra entry in a specific reserve under the shareholders' equity.

A.3 - THE ADOPTION OF THE NEW IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS

As of the financial year 2005, pursuant to Regulation no. 1606/02 of July 19, 2002 of the European Commission, companies whose securities are admitted to trading on a regulated market of the member states of the European Union, are required to draw up their consolidated financial statements in accordance with the international accounting and financial reporting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board), independent entity whose goal is to produce high-quality reporting standards worldwide, in the interest of the public.
The new international accounting and financial reporting standards have been transposed in Italian legislation via Legislative Decree February 28, 2005 no. 38.
Bank of Italy has also issued memorandum no. 262 of December 22, 2005 which sets out the required lay-out and provisions which banks are required to follow when drawing up their financial statements.

IASB, with a view to regulating the transition to new international accounting principles and managing in a coordinated and homogeneous manner this change in the rules for drawing up the financial statements, has provided for the financial reporting standard referred to as IFRS 1. At the date of transition to the new accounting principles (January 1, 2004), corresponding to the first period of comparison, except for exemptions and exceptions provided for by applicable legislation, the balance sheet is to contain the following:

- *the recognition of all assets and liabilities which are required under international accounting and financial reporting standards (IAS/IFRS);*

- *elimination of assets and liabilities recognised in accordance with national principles but not presenting the requisites for the recognition under IAS/IFRS principles;*

- *the reclassification of assets and liabilities recognised in the financial statements on the basis of previously applicable accounting principles but which make up a different asset or liability under the new IAS/IFRS principles;*

- *application, to assets and liabilities, of the evaluation criteria required under IAS/IFRS, as applicable at that date.*

The adoption of the new principles may produce on the balance sheet results that are other than those which would be generated by using national accounting principles. The effect of adjusting the opening balances of assets and liabilities to the new principles is recognised under the shareholders' equity, account being taken also of the related tax effect to be entered under the provision for deferred tax or under receivables for prepaid taxes.
As first time adoption of the IFRS, the company has opted for, as permitted under IFRS 1, postponing to January 1, 2005 the date of transition relating to the first adoption of the accounting principles IAS 32 and 39, relating to the evaluation of financial instruments, including derivatives.

In application of the foregoing, the following statements are provided herein:

- *the reconciliation to IFRS of the balance sheet opening at January 1, 2004;*

- *the reconciliation to IFRS of the balance sheet at December 31, 2004;*

- *the reconciliation to IFRS of the income statement at December 31, 2004;*

- *the reconciliation to IFRS of the balance sheet at January 1, 2005 including the effects of the first time application of IAS 32 and 39.*

RECONCILIATION OF BALANCE SHEET AS AT JANUARY 01, 2004 BANCA PROFILO CONSOLIDATED FINANCIAL STATEMENTS	FINANCIAL STATEMENTS PURSUANT TO LEGISLATIVE DECREE 87/1992	RECLASSIFICATION	IMPACT OF TRANSITION IAS - IFRS	FINANCIAL STATEMENTS ACCORDING TO I.A.S. - I.F.R.S.
ASSETS				
10 Cash and cash equivalents	807	-	-	807
20 Financial assets held for trading purposes	345,669	35,101	-	380,770
30 Financial assets valued at fair value	-	143,107	-	143,107
40 Financial assets available for sale	9,327	-5,506	-	3,821
50 Financial assets held to maturity	-	-	-	-
60 Due from banks	470,450	334	-	470,784
70 Due from customers	467,225	-139,736	-	327,489
80 Hedge derivatives	-	-	-	-
90 Change in value of financial assets recognised as part of a macrohedge	-	-	-	-
100 Equity investments	525	-	111	636
110 Technical reserves payable by reinsurers	-	-	-	-
120 Tangible fixed assets	8,707	433	-13	9,127
130 Intangible fixed assets	8,931	-	-1,277	7,654
140 Tax receivables	-	1,315	506	1,821
150 Non - current assets and assets on disposal	-	5,506	-	5,506
160 Other assets	93,778	-50,072	-	43,706
Total assets	**1,405,419**	**-9,518**	**-673**	**1,395,228**
LIABILITIES AND SHAREHOLDERS' EQUITY				
10 Due to banks	262,751	26	-	262,777
20 Due to customers	803,786	402	-	804,188
30 Securities outstanding	50,000	920	-	50,920
40 Financial liabilities held for trading purposes	-	152,685	-	152,685
50 Financial liabilities valued at fair value	-	-	-	-
60 Hedge derivatives	-	-	-	-
70 Change in value of financial liabilities recognised as part of a macrohedge	-	-	-	-
80 Tax payables	5,169	-5,164	149	154
90 Liabilities linked to assets on disposals	-	-	-	-
100 Other liabilities	173,679	-158,144	-	15,535
110 Staff severance indemnities	2,494	-	-299	2,195
120 Provisions for risks and charges	100	-100	-	-
130 Technical reserves	-	-	-	-
140 Reserves from valuation	-	-	-	-
150 Redeemable shares	-	-	-	-
160 Equity Instruments	-	-	-	-
170 Reserves	12,783	-	-523	12,260
of which reserves from F.T.A.	-	-	-523	-523
180 Share premium account	24,400	-	-	24,400
190 Share capital	63,704	-	-	63.704
200 Own shares (-)	-	-143	-	-143
210 Minority interests (+/-)	39	-	-	39
220 Profit (loss) for the year	6,514	-	-	6,514
Total liabilities	**1,405,419**	**-9,518**	**-673**	**1,395,228**

Data in thousands of Euros

RECONCILIATION OF BALANCE SHEET AS AT DECEMBER 31, 2004 BANCA PROFILO CONSOLIDATED FINANCIAL STATEMENTS	FINANCIAL STATEMENTS PURSUANT TO LEGISLATIVE DECREE 87/1992	RECLASSIFICATION	IMPACT OF TRANSITION IAS - IFRS	FINANCIAL STATEMENTS ACCORDING TO I.A.S. - I.F.R.S.
ASSETS				
10 Cash and cash equivalents	102	-	-	102
20 Financial assets held for trading purposes	741,983	238,376	-	980,359
30 Financial assets valued at fair value	-	-	-	-
40 Financial assets available for sale	3,821	-	-	3,821
50 Financial assets held to maturity	-	-	-	-
60 Due from banks	115,304	95	-	115,399
70 Due from customers	302,461	-184,226	-	118,235
80 Hedge derivatives	-	-	-	-
90 Change in value of financial assets recognised as part of a macrohedge	-	-	-	-
100 Equity investments	525	-	-15	510
110 Technical reserves payable by reinsurers	-	-	-	-
120 Tangible fixed assets	1,840	433	-26	2,247
130 Intangible fixed assets	8,519	-	-620	7,899
140 Tax receivables	-	3,260	140	3,400
150 Non - current assets and assets on disposal	-	-	-	-
160 Other assets	111,308	-83,397	-	27,911
Total assets	**1,285,863**	**-25,459**	**-521**	**1,259,883**
LIABILITIES AND SHAREHOLDERS' EQUITY				
10 Due to banks	442,181	390	-	442,571
20 Due to customers	539,650	-2,987	-	536,663
30 Securities outstanding	56,500	-17,890	-	38,610
40 Financial liabilities held for trading purposes	-	101,761	-	101,761
50 Financial liabilities valued at fair value	-	-	-	-
60 Hedge derivatives	-	-	-	-
70 Change in value of financial liabilities recognised as part of a macrohedge	-	-	-	-
80 Tax payables	904	-906	44	42
90 Liabilities linked to assets on disposals	-	-	-	-
100 Other liabilities	129,676	-103,673	-	26,003
110 Staff severance indemnities	2,901	-	-345	2,556
120 Provisions for risks and charges	98	-	-	98
130 Technical reserves	-	-	-	-
140 Reserves from valuation	-	-	-	-
150 Redeemable shares	-	-	-	-
160 Equity Instruments	-	-	-	-
170 Reserves	15,000	-5	29	15,024
of which reserves from F,T,A,	-	-1	-523	-524
180 Share premium account	21,872	4	-	21,876
190 Share capital	64,023	-	-	64,023
200 Own shares (-)	-	-2,151	-	-2,151
210 Minority interests (+/-)	2	-	-	2
220 Profit (loss) for the year	13,056	-2	-249	12,805
Total liabilities	**1,285,863**	**-25,459**	**-521**	**1,259,883**

Data in thousands of Euros

RECONCILIATION OF BALANCE SHEET AS AT DECEMBER 31, 2004 BANCA PROFILO CONSOLIDATED FINANCIAL STATEMENTS	FINANCIAL STATEMENTS PURSUANT TO LEGISLATIVE DECREE 87/1992	RECLASSIFICATION	IMPACT OF TRANSITION IAS - IFRS	FINANCIAL STATEMENTS ACCORDING TO I.A.S. - I.F.R.S.
INCOME STATEMENT				
10 Interest income and similar items	43,856	-	-	43,856
20 Interest expense and similar items	-37,224	-	-	-37,224
30 Interest margin	**6,632**	**-**	**-**	**6,632**
40 Commission income	23,375	-	-	23,375
50 Commission expense	-2,667	-	-	-2,667
60 Net commissions	**20,708**	**-**	**-**	**20,708**
70 Dividends and similar income	17,073	-	-	17,073
80 Net profit (loss) from trading transactions	-48	93	-	45
90 Net profit (loss) from hedging transactions	-	-	-	-
100 Profit (Loss) from disposal of:				
a) loans	97	-97	-	-
110 Net profit (loss) from financial assets and liabilities valued at fair value	-	-	-	-
120 Brokering margin	**44,462**	**-4**	**-**	**44,458**
130 Net write-downs, write-ups for impairment of:				
a) loans	-100	-	-	-100
140 Net profit (loss) on financial operations	**44,362**	**-4**	**-**	**44,358**
150 Net premiums	-	-	-	-
160 Balance other incomes/charges from insurance operations	-	-	-	-
170 Net profit from financial and insurance operations	**44,362**	**-4**	**-**	**44,358**
180 Administrative expenses	**-35,057**	**-**	**-964**	**-36,021**
a) Staff expenses	-20,711	-3,116	-506	-24,333
b) Other administrative expenses	-14,346	3,116	-458	-11,688
190 Net provisions for risks and charges	-92	-	-	-92
200 Net write-downs/write-ups on tangible fixed assets	-1,626	-	-13	-1,639
210 Net write-downs/write-ups on intangible fixed assets	-3,204	-	1,115	-2,089
220 Other operating income/charges	-283	-	-	-283
230 Total operating costs	**-40,262**	**-**	**138**	**-40,124**
240 Profits (Losses) on equity investments valued at equity	-	-	-126	-126
250 Net profit (loss) on tangible and intangible fixed assets valued at fair value	-	-	-	-
260 Goodwill value adjustments	-	-	-	-
270 Profits (Losses) on divestitures	9,234	-	-	9,234
280 Profit (Loss) on current operations before taxes	13,334	-4	12	13,342
290 Income taxes for the year for current operations	-278	2	-261	-537
300 Profit (Loss) on current operations, after taxes	13,056	-2	-249	12,805
310 Profits (Losses) on assets on disposal, after taxes	-	-	-	-
320 Profit (loss) for the year	**13,056**	**-2**	**-249**	**12,805**
330 Third parties' profit (loss) for the year	-	-	-	-
340 Parent Company's profit (loss) for the year	**13,056**	**-2**	**-249**	**12,805**

Data in thousands of Euros

RECONCILIATION OF BALANCE SHEET AS AT JANUARY 01, 2005 BANCA PROFILO CONSOLIDATED FINANCIAL STATEMENTS	FINANCIAL STATEMENTS PURSUANT TO LEGISLATIVE DECREE 87/1992	RECLASSIFICATION	IMPACT OF TRANSITION IAS - IFRS	FINANCIAL STATEMENTS ACCORDING TO I.A.S. - I.F.R.S.
ASSETS				
10 Cash and cash equivalents	102	-	-	102
20 Financial assets held for trading purposes	741,983	238,376	-376	979,983
30 Financial assets valued at fair value	-	-	-	-
40 Financial assets available for sale	3,821	-	-943	2,878
50 Financial assets held to maturity	-	-	-	-
60 Due from banks	115,304	95	-	115,399
70 Due from customers	302,461	-184,226	-431	117,804
80 Hedge derivatives	-	-	-	-
90 Change in value of financial assets recognised as part of a macrohedge	-	-	-	-
100 Equity investments	525	-	-15	510
110 Technical reserves payable by reinsurers	-	-	-	-
120 Tangible fixed assets	1,840	433	-26	2,247
130 Intangible fixed assets	8,519	-	-620	7,899
140 Tax receivables	-	3,260	713	3,973
150 Non - current assets and assets on disposal	-	-	-	-
160 Other assets	111,308	-83,397	-	27,911
Total assets	**1,285,863**	**-25,459**	**-1,698**	**1,258,706**
LIABILITIES AND SHAREHOLDERS' EQUITY				
10 Due to banks	442,181	390	-	442,571
20 Due to customers	539,650	-2,987	3	536,666
30 Securities outstanding	56,500	-17,890	254	38,864
40 Financial liabilities held for trading purposes	-	101,761	-304	101,457
50 Financial liabilities valued at fair value	-	-	-	-
60 Hedge derivatives	-	-	-	-
70 Change in value of financial liabilities recognised as part of a macrohedge	-	-	-	-
80 Tax payables	904	-906	350	348
90 Liabilities linked to assets on disposals	-	-	-	-
100 Other liabilities	129,676	-103,673	-	26,003
110 Staff severance indemnities	2,901	-	-345	2,556
120 Provisions for risks and charges	98	-	-	98
130 Technical reserves	-	-	-	-
140 Reserves from valuation	-	-	-943	-943
150 Redeemable shares	-	-	-	-
160 Equity Instruments	-	-	-	-
170 Reserves	15,000	-5	-464	14,531
of which reserves from F,T,A,	-	-1	-1,016	-1,017
180 Share premium account	21,872	4	-	21,876
190 Share capital	64,023	-	-	64,023
200 Own shares (-)	-	-2,151	-	-2,151
210 Minority interests (+/-)	2	-	-	2
220 Profit (loss) for the year	13,056	-2	-249	12,805
Total liabilities	**1,285,863**	**-25,459**	**-1,698**	**1,258,706**

Data in thousands of Euros

** without IAS 32 and 39*

The values shown in the statements have changed compared to those recognised for the F.T.A "first time adoption" in the Consolidated Half-Yearly Report at June 30, 2005.
These are reclassifications of figures in accordance with the lay-outs and provisions for the drawing up of financial statements of banks, as mentioned hereinbefore, issued by the Bank of Italy and adjustments, both in the balance sheet and in the income statement, pertaining to purchase and sale transactions of own shares. The effects of the said changes however are not sizeable.
Hereafter is a summary of the main adjustments deriving from the application of IAS/IFRS (with the exception of IAS 32 and 39) accounted for in the balance sheet at December 31, 2004 and compared with the figures published in the Consolidated Financial Statements for the year 2004.

Intangible fixed assets (including goodwill)

All intangible fixed assets for which, under the IAS 38 standard, there are no requisites of capitalisation have been written off. The item intangible fixed assets, with the exception of the goodwill mentioned hereunder, includes the cost for the purchased software, only.
The negative F.T.A.-based adjustment ("first time adoption") amounting to 620 thousand Euros, before tax, includes mainly the elimination of the amount net of restructuring costs of property leased from third parties and other capitalised costs.
Under IAS 36, goodwill is no longer subject to systematic amortisation but undergoes periodically the so-called impairment test. At December 31, 2004, no adjustment to the shareholders' equity was required on the basis of the impairment test.

Equity investments

Equity investments in the subsidiaries Profilo Academy S.p.A. and Profilo Servizi Immobiliari S.r.l. (formerly, Immobiliare Missaglia S.r.l.) which, under accounting principles applicable in Italy are not included in the scope of consolidation, pursuant to IAS 27, instead, should be fully consolidated. However, on account of the fact that they do not considerably affect the total consolidated assets, at December 31, 2004, they were evaluated in accordance with the equity method, and with respect to these statements, also, the new international accounting standards were applied to the financial statements of the subsidiaries.
The negative adjustment arising therefrom amounted to 15 thousand Euros (before tax) and includes both the profit (losses) of the year 2004 and those of the preceding financial years and the evaluation of the property held for investment purposes (under the criteria provided for in IAS 40).

Staff severance indemnities

Staff severance payments for employees, determined in accordance with the requirements of IAS 19, have yielded a positive adjustment amounting to 345 thousand Euros before tax.

Stock Option

Under IFRS 2, any payment settled in cash, with shares of the Company or options with the Company's shares as underlying security must be accounted for in the financial statements. More specifically, on the date of assignment of the stock options, the Company is required to expense the income statement for the cost thereof and increase a reserve under the shareholders' equity, as contra entry.
On the basis of the current stock option plan of the Banca Profilo Group, staff expenses have been recognised for 552 thousand Euros. The said adjustment involved no variation to the shareholders' equity on account of it being merely a reclassification under shareholders' equity items.

Deferred tax assets and liabilities

In terms of the related tax effect, the adjustments above described produced an overall positive net effect which, on the basis of applicable tax rates, amounted to 96 thousand Euros.

Shareholders' equity

The consolidated shareholders' equity at December 31, 2004 amounted to 111,576 thousand Euros, decreasing by 2,375 thousand Euros compared to the consolidated shareholders' equity of the like period, calculated in accordance with national accounting principles:

The said decrease is made up as follows:

• adjustments generated from the F.T.A. at January 1, 2004	- 523	thousands of Euros
• adjustments recognised in the 2004 income statement	- 252	thousands of Euros
• stock options effect recognised under a reserve of shareholders' equity	552	thousands of Euros
• repurchased own shares	- 2.152	thousands of Euros
	- 2.375	thousands of Euros

Adjustments to the 2004 income statement are mainly ascribable to the following:

a) *negative variations on account of the increase of staff expenses ascribable to the evaluation criterion applied to stock option plans;*
b) *positive variations for smaller value adjustments, and negative variations for purchases expensed, on account of not being able to capitalise some types of intangible fixed assets;*
c) *negative variations on account of the increase of the tax burden, when due, relating to the adjustments recognised.*

With reference to the reconciliation of balance sheet as at January 1,2005, hereunder are the main impacts, which, as first time adoption, concerned further items of the balance sheet vis-à-vis the application of IAS 32 and 39.

Financial assets held for trading purposes

The Group classified under the item "Financial assets held for trading purposes" almost its entire shares and bonds portfolio, and the derivative financial instruments and accumulation policies.
The said classification involved a negative adjustment amounting to 376 thousand Euros (before tax), which mainly includes write-ups on unlisted bonds and write-downs on credit derivatives, no longer classifiable as "hedging" (IAS 39).

Financial assets available for sale (A.F.S.)

The equity investments in Profilo Holding S.p.A., Profilo Management Company S.A. and Brainpower NV held by the Parent Company Banca Profilo have been classified among financial assets available for sale (A.F.S.) and valued at "fair value", recognising the write-downs/ write-ups under the Shareholders' Equity (Reserves from valuation).
The adjustment was negative and amounted to 943 thousand Euros.

Due from Customers

The items Due from Customers (L.& R.) are valued at amortised cost, adjusted by taking into value impairments.
The application of this criterion has generated a negative adjustment amounting to 431 thousand Euros, made up as follows: a) 363 thousand Euros, before tax, are the result of the application of an evaluation methodology based on the "incurred losses" rationale provided for in IAS 39; b) 68 thousand Euros, before tax, referred to the only position classified as a problem loan ("analytical impairment").

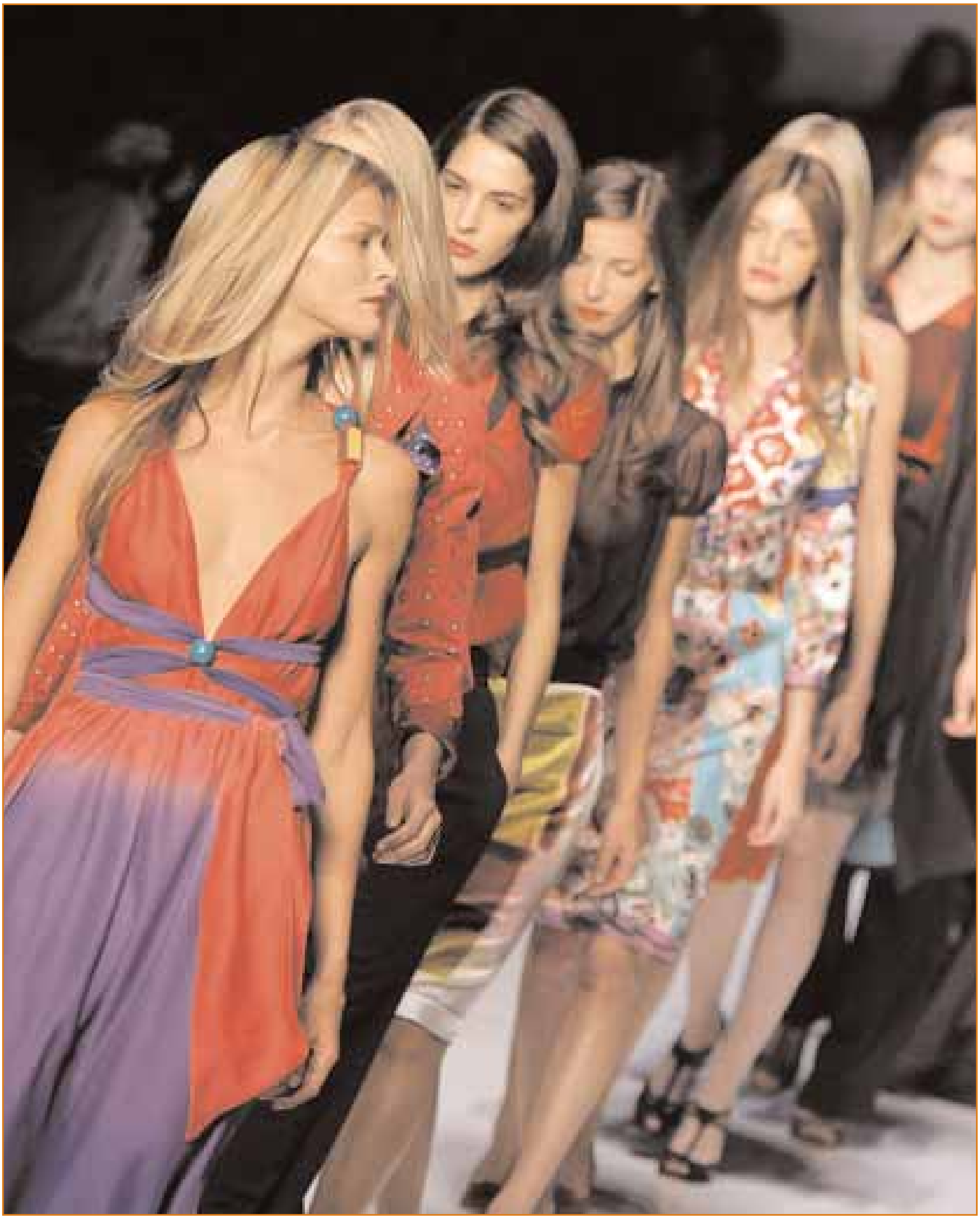
Securities outstanding

Bond issues of the company have been reclassified under this item, with the exception of the issue by Banca Profilo of "Iboxx Corporate Bond-Like Certificate 04/09" classified under the item Due to Customers; all bond issues have been evaluated at amortised cost.
As regards this evaluation, account was taken of the repurchases (which have been deducted from the pertinent item) and, where present, of the implicit derivatives to be separated and evaluated independently at "fair value".
The overall effect of this evaluation generated a positive amount of 47 thousand Euros.

Deferred tax assets and liabilities

In terms of the related tax effect, the adjustments above described (resulting from the application of IAS 32 and 39, only), generated a positive net effect which, on the basis of applicable tax rates, amounted to 267 thousand Euros.

March In its economic bulletin, Banca d'Italia reiterates the warning that competitiveness levels are dropping for the Made in Italy, underlining that since 2000 Italy has lost over 25% in terms of competitiveness. The Council of Ministers approves anti-counterfeiting measures to fight the phenomenon of counterfeits.



Part B - Information on consolidated balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

a) Cash	322	94
b) Demand deposits with Central Banks	28	8
Total	**350**	**102**

Section 2 - Financial assets held for trading purposes - Item 20

2.1 Financial assets held for trading purposes: breakdown by assets

	12.31.2005		12.31.2004	
	Listed	Not listed	Listed	Not listed
A. Cash assets				
1. Debt securities				
1.1 Structured securities				
1.2 Other debt securities	513,340	291,813	610,632	268,841
2. Share capital securities	21,658	2	22,555	
3. Shares in UCIs	1,211	24,450	14,831	
4. Loans				
4.1 Repos				
4.2 Other				
5. Impaired assets				
6. Assets sold not written off				
Total A	**536,209**	**316,265**	**648,018**	**268,841**
B. Derivative instruments				
1. Financial derivatives:				
1.1 held for trading purposes	1.770	81,315	887	61,773
1.2 linked to the fair value option				
1.3 other				
2. Credit derivatives				
2.1 held for trading purposes	2,284		840	
2.2 linked to the fair value option				
2.3 other				
Total B	**1,770**	**83,599**	**887**	**62,613**
Total (A + B)	**537,979**	**399,864**	**648,905**	**331,454**

The shares in UCIs also include the Closed-end Investment Fund operating under Luxembourgian laws, Profilo Spinnaker, held by the Parent Company, Banca Profilo, and evaluated at its NAV ("net value asset") with the recognition of a capital gain in the income statement amounting to 7,450 thousand Euros.

2.2 Financial assets held for trading purposes: breakdown by debtors/issuers category

	12.31.2005	12.31.2004
A. Cash assets		
1. Debt securities		
a) Governments and Central Banks	91.380	64,211
b) Other public entities	17,466	26,192
c) Banks	274,476	202,790
d) Other issuers	421,831	586,280
2. Share capital securities		
a) Banks	3,818	793
b) Other issuers:		
- insurance companies	4,768	1,169
- financial companies	215	281
- non-financial companies	12.859	20,312
- other	-	
3. Shares in UCIs	**25,661**	**14,831**
4. Loans		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
5. Impaired assets		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
6. Assets sold not written off		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other issuers		
Total A	**852,474**	**916,859**
B. Derivative instruments		
a) Banks	46,021	33,655
b) Customers	39,348	29,845
Total B	**85,369**	**63,500**
Total (A + B)	**937,843**	**980,359**

2.3 Financial assets held for trading purposes: derivative instruments
Aggregate of consolidated companies

Type of derivative/ underlying assets	Interest rates	Currency and gold	Share capital securities	Loans	Other	12.31.2005	12.31.2004
A) Listed derivatives							
1. Financial derivatives:							
. With capital swap							
- *Purchased options*			1,101			1,101	
- *Other derivatives*			524		113	637	887
. Without capital swap							
- Purchased options							
- Other derivatives							-
2. Credit derivatives:							
. With capital swap							
. Without capital swap							
Total A	**32**		**1,625**		**113**	**1,738**	**887**
B) Non-listed derivatives							
1. Financial derivatives:							
. With capital swap							
- *Purchased options*		75	27,171			27,246	41,401
- *Other derivatives*		6,410	602			7,012	943
. Without capital swap							
- *Purchased options*	3.830	83	11,969			15,882	2,047
- *Other derivatives*	31.175					31,175	17,382
2. Credit derivatives:							
. With capital swap				2,228		2,228	840
. Without capital swap				56		56	
Total B	**35,005**	**6,568**	**39,742**	**2,284**		**83,599**	**62,613**
Total (A + B)	**35,037**	**6,568**	**41,367**	**2,284**	**113**	**85,337**	**63,500**

Section 3 - Financial assets valued at fair value - Item 30

3.1 Financial assets valued at fair value: breakdown by assets

1. Debt securities				
1.1 Structured Securities		1,980		
1.2 Other debt securities				
2. Share capital securities				
3. Shares in UCIs				
4. Loans				
4.1 Structured				
4.2 Other				
5. Impaired assets				
6. Assets sold not written off				
Total	**-**	**1,980**	**-**	**-**
Cost				

These are structured securities and namely a CDO, "collateralised debt obligations", - EULER SYNTH CDO ARLOIV Ltd. - held by the Parent Company, Banca Profilo which, on account of its containing an implicit derivative, has been classified under this item, as permitted under IAS 39, 28 and 31 (so-called "fair value option").

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

	12.31.2005	12.31.2004
1. Debt securities		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other issuers	1,980	
2. Share capital securities:		
a) Banks		
b) Other issuers:		
- insurance companies		
- financial companies		
- non-financial companies		
- other		
3. Shares in UCIs		
4. Loans		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
5. Impaired assets		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
6. Assets sold not written off		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
Total	**1,980**	-

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by assets

	Listed	Not listed	Listed	Not listed
1. Debt securities				
2. Share capital securities	45	3,496	188	3,633
3. Shares in UCIs				
4. Loans				
5. Impaired assets				
6. Assets sold not written off				
Total	**45**	**3,496**	**188**	**3,633**

The Parent Company, Banca Profilo, has classified under this category, minority interests held (Profilo Holding S.p.A., Profilo Management Company S.A., Brainpower and Atlantis Capital Special Situations S.p.A.) other than shares held for trading purposes.
The item non-listed share capital securities mainly consists of the equity investment in Profilo Holding S.p.A. This equity investment has been valued at fair value, on the basis of the shareholders' equity shown in the last approved financial statements adjusted to account for market values at December 31, 2005 of the assets and liabilities of the same subsidiary.

4.2 Financial assets available for sale: breakdown by debtors/issuers category

	12.31.2005	12.31.2004
1. Debt securities		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other issuers		
2. Share capital securities		
a) Banks		
b) Other issuers:		
- insurance companies		
- financial companies	3,496	3,633
- non-financial companies		
- other	45	188
3. Shares in UCIs		
4. Loans		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
5. Impaired assets		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
6. Assets sold not written off		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
Total	**3,541**	**3,821**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by assets

	Book value	Fair value			
1. Debt securities					
2. Loans					
3. Impaired assets					
4. Assets sold not written off					
Total		-	-	-	-

At December 31, 2005, the Banca Profilo Group classified no financial assets under this category.

5.2 Financial assets held to maturity: breakdown by debtors/issuers

	12.31.2005	12.31.2004
1. Debt securities		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other issuers		
2. Loans		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
3. Impaired assets		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
4. Assets sold not written off		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
Total	-	-

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by assets
Aggregate of consolidated companies

A. Dues from Central Banks		
1. Term deposits		
2. Compulsory reserve	2,703	2,619
3. Repos		
4. Other		
B. Due from banks		
1. Demand current accounts and deposits	40.327	64,841
2. Term deposits	41,106	9,737
3. Other Loans:		
3. 1 repos	577,338	24,417
3. 2 financial leasing		
3. 3 other	17,335	13,785
4. Debt securities		
4. 1 Structured securities		
4. 2 Other debt securities		
5. Impaired assets		
6. Assets sold not written off		
Total (book value)	**678,809**	**115,399**
Total (fair value)		

Since they are short term loans, the book value is expected to approximate their fair value.

6.2 Due from banks: assets recognised as micro-hedge

	12.31.2005	12.31.2004
1. Loans with micro-hedge of the *fair value*:		
a) interest rate risk		
b) exchange risk		
c) credit risk		
d) more risks		
2. Loans with micro-hedge of cash flows:		
a) interest rate risk		
b) exchange risk		
c) other		
Total	-	-

Banca Profilo Group has no loans due from banks recognised as micro-hedge

Section 7 - Due from customers - Item 70

7.1 Due from customers: breakdown by assets
Aggregate of consolidated companies

1. Current accounts	53,989	70,442
2. Repos	37,401	21,292
3. Loans	9,700	9,852
4. Credit cards, personal loans and non-consumer loans		
5. Financial leasing		
6. Factoring		
7. Other transactions	10,102	15,881
8. Debt securities		
8. 1 Structured securities		
8. 2 Other debt securities		
9. Impaired assets	450	768
10. Assets sold not written off		
Total (book value)	**111,642**	**118,235**
Total (fair value)		

Account being taken of the composition of this item, of its residual life, which, for the most part, is short term, and the absence of transactions costs, the book value is expected to approximate the fair value.
Loans and receivables due from customers, with the exception of repos and impaired assets have been written down, as provided for in IAS 39, by an amount equal to 363 thousand Euros which has been determined by taking into account likelihood of collectability and expected time for collectability, and the expected realizable value of any underlying security.
Impaired assets included loans to customers for an overall gross amount of 981 thousand Euros; the amount written down, amounting to 531 thousand Euros (268 thousand Euros of which referring to preceding financial years) has taken into account likelihood of collectability, expected time for collectability, and prudential criteria as regards expected realizable value of any underlying security.

7.2 Due from customers: breakdown by debtors/issuers category
Aggregate of consolidated companies

	12.31.2005	12.31.2004
1. Debt securities		
a) Governments		
b) Other public entities		
c) Other issuers		
- non-financial companies		
- financial companies		
- insurance companies		
- other		
2. Loans to:		
a) Governments		
b) Other public entities		
c) Other		
- non-financial companies	27,569	41,968
- financial companies	53,202	39,735
- insurance companies		
- other	30,421	35,764
3. Impaired assets:		
a) Governments		
b) Other public entities		
c) Other issuers		
- non-financial companies	269	476
- financial companies		
- insurance companies		
- other	181	292
4. Assets sold not written off:		
a) Governments		
b) Other public entities		
c) Other		
- non-financial companies		
- financial companies		
- insurance companies		
- other		
Total	**111,642**	**118,235**

7.3 Due from customers: assets recognised as micro-hedge

1. Loans with micro-hedge of the fair value:		
a) interest rate risk		
b) exchange risk		
c) credit risk		
d) more risks		
2. Loans with micro-hedge of the cash flows:		
a) interest rate risk		
b) exchange risk		
c) other		
Total		

Banca Profilo Group has no loans due from customers with micro-hedge.

Section 8 - Hedge derivatives - Item 80

8.1 Hedge derivatives: breakdown by contract and underlying assets
Aggregate of consolidated companies

	Interest rates	Currency and gold	Share capital securities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
. With capital swap						
- *Purchased options*						
- *Other derivatives*						
. Without capital swap						
- *Purchased options*						
- *Other derivatives*						
2. Credit derivatives:						
. With capital swap						
. Without capital swap						
Total A	-	-	-	-	-	-
B) Non-listed derivatives						
1. Financial derivatives:						
. With capital swap						
- *Purchased options*						
- *Other derivatives*						
. Without capital swap						
- *Purchased options*						
- *Other derivatives*						
2. Credit derivatives:						
. With capital swap						
. Without capital swap						
Total B		-	-	-		
Total (A + B) (T)	-	-	-	-	-	-
Total (A + B) (T- 1)						

At the time of drawing up the statements there were no transactions outstanding on derivative financial instruments having the requisites required under IAS 39 for these to be classified and evaluated in accordance with *hedging accounting* rules.

8.2 Hedge derivatives: breakdown by hedged portfolios and type of hedge

1. Financial assets available for sale
2. Receivables
3. Financial assets held to maturity
4. Portfolio
Total assets
1. Financial liabilities
2. Portfolio
Total liabilities

Section 9 - Change in value of financial assets recognised as part of a macrohedge - Item 90

9.1 Change in value hedged assets: breakdown by hedged portfolios

Change in value of hedged assets / Values	12.31.2005	12.31.2004
1. Positive adjustment		
1. 1 of specific portfolios:		
a) receivables		
b) assets available for sale		
1. 2 total		
2. Negative adjustment		
2. 1 of specific portfolios:		
a) receivables		
b) assets available for sale		
2. 2 total		
Total	-	-

As shown at the bottom of table 8.1, at the time of drawing up the statements there were no transactions outstanding on derivative financial instruments having the requisites required under IAS 39 for these to be classified and evaluated in accordance with hedging accounting rules

Section 10 - Equity investments - Item 100

10.1 Equity investments, jointly with other entities, in subsidiaries (evaluated according to the equity method) and in companies over which a dominant influence is exercised: information on the percentages held

10.2 Equity investments in jointly-controlled companies and in companies over which a dominant influence is exercised: accounting information

10.3 Equity investments: annual variations

10.4 Commitments referring to equity investments in jointly-controlled subsidiaries

10.5 Commitments referring to equity investments in companies over which a dominant influence is exercised

At December 31, 2005, there were no equity investments in jointly-controlled subsidiaries and in companies over which dominant influence is exercised and there were no commitments relating to this item.

Section 11 - Technical reserves payable by reinsurers - Item 110

Banca Profilo Group is not engaged in insurance operations.

Section 12 - Tangible fixed assets - Item 120

12.1 Tangible fixed assets: breakdown of assets valued at cost

	12.31.2005	12.31.2004
A. Assets for operating use		
1.1 proprietary		
a) lands		
b) buildings	394	407
c) furnishings	333	613
d) electronic installations	652	1,136
e) other	137	91
1.2 acquired through financial leasing		
a) lands		
b) buildings		
c) furnishings		
d) electronic installations		
e) other		
Total A	**1,516**	**2,247**
B. Assets held for investment purposes		
2. 1 proprietary		
a) lands		
b) buildings		
2. 2 acquired through financial leasing		
a) lands		
b) buildings		
Total B	-	
Total (A + B)	**1,516**	**2,247**

12.2 Tangible fixed assets : breakdown of assets valued at fair value or revalued

All tangible fixed assets are valued at cost and are reported in the previous table 12.1.
For this reason in the current table 12.2 no tangible fixed assets are reported.

12.3 Tangible fixed assets for operating use: annual variations
Aggregate of consolidated companies

	Lands	Buildings	Furnishings	Electronic installations	Other	Total
A. Gross opening balance		433	2,661	6,762	380	10,236
A.1 Total net depreciation		26	2,063	5,611	289	7,989
A.2 Net opening balance		407	598	1,151	91	2,247
B. Increases:						
B.1 Purchases			2	184	150	336
B.2 Capitalised costs for improvements						
B.3 Write-ups						
B.4 Positive change of fair value recognised in						
a) shareholders' equity						
b) income statement						
B.5 Positive exchange differences						
B.6 Transfers from real estate properties held for investment purposes						
B.7 Other variations			29			
C. Decreases:						
C.1 Sales			34	-	40	74
C.2 Depreciations		13	262	683	64	1,022
C.3 Write-downs for impairments recognised in						
a) shareholders' equity						
b) income statement						
C.4 Negative change of fair value recognised in						
a) shareholders' equity						
b) income statement						
C.5 Negative exchange differences						
C.6 Transfers to:						
a) tangible fixed assets held for investment purposes						
b) assets on disposal						
C.7 Other variations						
D. Ending balances		394	333	652	137	1,516
D.1 Total net depreciations		39	2,296	6,294	353	8,982
D.2 Gross ending balances		**433**	**2,629**	**6,946**	**490**	**10,498**
E. Valued at cost						

12.4 Tangible fixed assets held for investment purposes: annual variations

At December 31, 2005, Banca Profilo Group had no tangible fixed assets held for investment purposes.
In the financial year 2005, the subsidiary Profilo Servizi Immobiliari S.r.l. transferred property held for investment purposes and entered at 13,746 thousand Euros, realizing a capital gain amounting to 3,870 thousand Euros.
The Company, as shown in section A.3 " The adoption of the new IAS/IFRS international accounting standards", had never been fully consolidated.

12.5 Commitments for purchases of tangible fixed assets

At December 31, 2005, the Banca Profilo Group has entered into no commitments for purchasing tangible fixed assets.

Section 13 - Intangible fixed assets - Item 130

13.1 Intangible fixed assets: breakdown by assets

	12.31.2005 Short term	12.31.2005 Long term	12.31.2004 Short term	12.31.2004 Long term
A.1 Goodwill		**5,726**		**5,958**
A.2 Other intangible fixed assets				
A.2.1 Assets valued at cost:				
a) Internally generated intangible fixed assets				
b) Other assets	1,746		1,941	
A.2.2 Assets valued at fair value:				
a) Internally generated intangible fixed assets				
b) Other assets				
Total	**1,746**	**5,726**	**1,941**	**5,958**

13.2 Intangible fixed assets: annual variations

	Goodwill	Other intangible fixed assets: internally generated – short term	Other intangible fixed assets: internally generated – long term	Other intangible fixed assets: other – short term	Other intangible fixed assets: other – long term	Total
A. Opening balances	**5,726**			**1,941**		**7,667**
a) Opening balance as at 12. 31.2004	5,958			1,941		7,899
b) Impact of FTA as of 1.1.2005 (IAS 32 and 39)	-232			-		-232
A.1 Total net amortisations						
A.2 Net opening balances	5,726			1,941		7,667
B. Increases:						
B.1 Purchases				433		433
B.2 Increases in internal intangible fixed assets						
B.3 Write-ups						
B.4 Positive changes of fair value recognised in						
a) shareholders' equity						
b) income statement						
B.5 Positive exchange differences						
B.6 Other variations						
C. Decreases:						
C.1 Sales						
C.2 Adjustments						
- Amortisations				628		628
- Write-downs						
a) shareholders' equity						
b) income statement						
C.3 Negative change of fair value recognised in						
a) shareholders' equity						
b) income statement						
C.4 Transfers to non-current assets on disposal						
C.5 Negative exchange differences						
C.6 Other variations						
D. Net ending balances	5,726			1,746		7,472
D.1 Total net write-downs						
E. Gross ending balances	**5,726**			**1,746**		**7,472**
F. Valued at cost						

At December 31,2005, the goodwill has undergone the so-called "impairment test"; there were no value impairments recognised.
The other intangible fixed assets have been evaluated at cost net of amortisation.

13.3 Further information

At December 31,2005, there were no tangible fixed assets provided by way of security of the company's debts and there were no commitments for the purchase of intangible fixed assets.

Section 14 - Tax receivables and payables
Item 140 of assets and Item 80 of liabilities

14.1 Tax receivables for prepaid taxes : breakdown
Aggregate of consolidated companies

Unrealised losses on equity shares and exchange rates	414
Provisions for remuneration not paid	799
Tax losses	5.147
Representation expenses, provisions for sundry risks and charges and other timing differences	987
	7.346

14.2 Tax payables for deferred taxes : breakdown
Aggregate of consolidated companies

Unrealised gains on equity shares	832
Other timing differences	17
	849

14.3 Variations in prepaid taxes (contra entry to the income statement)
Aggregate of consolidated companies

1. Opening balance		**1,958**		**837**
a) Opening balance as at 12.31.2004	1.385			
b) Impact of FTA as of 1.1.2005 (IAS 32 and 39)	573			
2. Increases :		**6,557**		**1,212**
2.1 Prepaid taxes for the year				
a) relating to previous years				
b) following adoption of new accounting principles				
c) write-ups				
d) other	6,526		1,078	
2.2 New taxes or increased tax rates				
2.3 Other increases	31		134	
3. Decreases :		**1,169**		**664**
3.1 Prepaid taxes written off during the year				
a) reversals	1,169		664	
b) write-downs for unforeseen uncollectability				
c) following adoption of new accounting principles				
3.2 Decreased tax rates				
3.3 Other decreases				
4. Ending balance		**7,346**		**1,385**

The increase in the prepaid taxes mainly includes the effect of the tax loss of the Parent Company, Banca Profilo, referable to the financial year 2005.
The decrease refers to the recovery of prepaid taxes as recognised in previous financial years.

14.4 Variations in deferred taxes (contra entry to the income statement) Aggregate of consolidated companies

	12.31.2005		12.31.2004	
1. Opening balance		**348**		**26**
a) Opening balance as at 12.31.2004	42			
b) Impact of FTA as of 1.1.2005 (IAS 32 and 39)	306			
2. Increases:		**1,782**		**42**
2.1 Deferred taxes for the year				
a) relating to previous years				
b) following adoption of new accounting principles				
c) other	616		42	
2.2 New taxes or increased tax rates				
2.3 Other increases	1,166			
3. Decreases:		**1,281**		**26**
3.1 Deferred taxes written off during the year				
a) reversals	1,281		26	
b) following adoption of new accounting principles				
c) other				
3.2 Decreased tax rates				
3.3 Other decreases				
4. Ending balance		**849**		**42**

Increases of deferred tax are mainly ascribable to unrealised gains on shares held for trading; the related tax effect will be recognised upon realisation.
Decreases mainly refer to the recovery of deferred tax liabilities on the gains from valuation of shares referring to preceding financial years.
They both arise from the operations of the Parent Company, Banca Profilo.

14.5 Variations in prepaid taxes (contra entry to the shareholders' equity)

1. Opening balance	-	-
2. Increases:		
2.1 Prepaid taxes for the year		
a) relating to previous years		
b) following adoption of new accounting principles		
c) other		
2.2 New taxes or increased tax rates		
2.3 Other increases		
3. Decreases:		
3.1 Prepaid taxes written off during the year		
a) reversals		
b) write-downs for unforeseen uncollectability		
c) following adoption of new accounting principles		
3.2 Decreased tax rates		
3.3 Other decreases		
4. Ending balance	-	-

14.6 Variations in deferred taxes (contra entry to the shareholders' equity)

	12.31.2005	12.31.2004
1. Opening balance	-	-
2. Increases:		
2.1 Deferred taxes for the year		
a) relating to previous years		
b) following adoption of new accounting principles		
c) other		
2.2 New taxes or increased tax rates		
2.4 Other increases		
3. Decreases:		
3.1 Deferred taxes written off during the year		
a) reversals		
b) following adoption of new accounting principles		
c) other		
3.2 Decreased tax rates		
3.3 Other decreases		
4. Ending balance	-	-

The Group recognised no prepaid or deferred tax as contra entry to the shareholders' equity in that the A.F.S. securities that generated the special shareholders' equity reserve are subject to the "Pex - participation exemption" regime and therefore they are not recognised for tax purposes.

14.7 Further information

	12.31.2005	12.31.2004
Assets referring to current taxes		
Advanced payments for IRES - IRPEG	-	820
Advanced payments for IRAP	865	567
Other receivables and withholdings	1,173	628
Total	**2,038**	**2,015**

	12.31.2005	12.31.2004
Liabilities referring to current taxes		
Payables for IRES	136	
Payables for IRAP	1,468	
Other payables referring to current taxes	3,067	
Total	**4,671**	-

IRES payables refer to the so-called " Fiscal consolidation" which Banca Profilo as Parent consolidating Company and the other companies of the Group opted for as of 2004.
The other payables for current taxes include the tax effect on adjustments recognised in 2005 vis-à-vis the application of international accounting principles.

Section 15 - Non-current assets and assets on disposal and related liabilities - Item 140 and Item 90 of liabilities

15.1 Non-current assets and assets on disposal: breakdown by assets

	12.31.2005	12.31.2004
A. Assets typology		
A.1 Equity investments		
A.2 Tangible fixed assets		
A.3 Intangible fixed assets		
A.4 Other non-current assets		
Total A	-	-
B. Pool of assets (operating units disposed of)		
B.1 Financial assets held for trading purposes		
B.2 Financial assets valued at fair value		
B.3 Financial assets available for sale		
B.4 Financial assets held to maturity		
B.5 Due from banks		
B.6 Due from customers		
B.7 Equity investments		
B.8 Tangible fixed assets		
B.9 Intangible fixed assets		
B.10 Other assets		
Total B	-	-
C. Liabilities related to non-current assets on disposal		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total C	-	-
D. Liabilities related to pools of assets on disposal		
D.1 Due to banks		
D.2 Due to customers		
D.3 Securities outstanding		
D.4 Financial liabilities held for trading purposes		
D.5 Financial liabilities valued at fair value		
D.6 Provisions		
D.7 Other liabilities		
Total D	-	-

At December 31, 2005, the Banca Profilo Group had no assets or liabilities classifiable under these items.

15.2 Further information

15.3 Information on equity investments in companies over which a dominant influence is exercised, not evaluated according to the equity method

At the closing of the financial year 2005, there were no equity investments in companies over which a dominant influence is exercised.

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	12.31.2005	12.31.2004
Guarantee deposits	100	1.213
Correspondents for matured securities and coupons to be collected	3.006	3,999
Due from customers for invoices to be collected	2.554	18.527
Customers for commission to be collected	1.128	449
Dividends to be collected from subsidiaries	-	-
Amounts to be collected for sundry transactions	6.946	-
Other items and remaining balances	2.225	3.723
Total	**15.959**	**27.911**

Guarantee deposits refer to operations in derivative contracts.
The sums to be settled refer for the most part to other banks for transactions in securities, coupons and others; they are in-progress items which were definitively recognised post December 31, 2005.

April Pope John Paul II dies after a long agony. His successor is the German cardinal Joseph Ratzinger, who is elected as Benedictus XVI.

Liabilities

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type

		12.31.2005	12.31.2004
1.	**Due to Central Banks**		
2.	**Due to banks**		
2.1	Demand current accounts and deposits	132,972	43,605
2.2	Term deposits	206,674	346,437
2.3	Loans		30,015
2.4	Commitments to repurchase own equity instruments		
2.5	Liabilities for assets sold not written off	133,451	22,514
2.6	Other payables		
Total (book values)		**473,097**	**442,571**
Total (fair value)			

Since these are short term payables, the book value is expected to approximate their fair value.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type

		12.31.2005	12.31.2004
1.	Demand current accounts and deposits	132,737	83,685
2.	Term deposits		
3.	Third party funds administered		
4.	Loans		
5.	Commitments to repurchase own equity instruments		
6.	Liabilities for assets sold not written off	797,357	451,221
7.	Other payables	442	1,757
Total (book values)		**930,536**	**536,663**
Total (fair value)			

Since these are short term payables, the book value is expected to approximate their fair value.

2.3 Breakdown of the item 20 "Due to customers": structured payables

The other payables show the outstanding amount of the structured bond issue Banca Profilo "Iboxx Corporate Bond Like Certificate 04/09".
The amount of 442 thousand Euros refers to the amortised cost of the bond issue; the incorporated derivative has been classified under item 40 Financial liabilities held for trading purposes and valued at fair value.

Section 3 - Securities outstanding - Item 30

3.1 Securities outstanding: breakdown by type

	12.31.2005		12.31.2004
	Book value	Fair value	Book value
A. Listed securities			
1. Bonds			
2. Other securities			
B. Non-listed securities			
1. Bonds	50,132	49,799	38,610
2. Other securities			
Total (book value)	**50,132**	**49,799**	**38,610**

The item includes the outstanding amount of the five existing Banca Profilo bond issues; the issues have been evaluated at their amortised cost and the implicit derivatives have been separated and recognised under item 40 Financial liabilities held for trading purposes for an amount of 245 thousand Euros.

Section 4 - Financial liabilities held for trading purposes - Item 40

4.1 Financial liabilities held for trading purposes: breakdown by type

	12.31.2005				12.31.2004			
		L	NL			L	NL	
A. Cash liabilities								
1. Due to banks	38,182	42,738		42,738	11,182	13,557		13,557
2. Due to customers	13,630	20,544		20,544	26,092	31,634		31,634
3. Debt securities								
3. 1 Bonds								
3. 2 Other securities								
Total A	**51,812**	**63,282**		**63,282**	**37,274**	**45,191**	**-**	**45,191**
B. Derivative instruments								
1. Financial derivatives	2,049,146	857	93,559	94,416	1,166,309	286	54,969	55,255
2. Credit derivatives	524,669		3,083	3,083	112,000		1,314	1,314
Total B	**2,573,815**	**857**	**96,642**	**97,499**	**1,278,309**	**286**	**56,283**	**56,569**
Total (A + B)	**2,625,627**	**64,139**	**96,642**	**160,781**	**1,315,583**	**45,477**	**56,283**	**101,760**

FV = fair value
FV = fair value calculated by excluding variations in value due to a change in the credit rating of the issuer compared to the date of issue.*
NV = face or nominal value
L = listed
NL = non-listed

4.4 Financial liabilities held for trading purposes: derivative instruments
Aggregate of consolidated companies

Type of derivative/ underlying assets	Interest rates	Currency and gold	Share capital securities	Loans	Other	12.31.2005	12.31.2004
A) Listed derivatives							
1. Financial derivatives:							
. With capital swap							
- options issued			609			609	
- other derivatives					247	247	286
. Without capital swap							
- options issued							
- other derivatives		1					1
2. Credit derivatives:							
. With capital swap							
. Without capital swap							
Total A	**1**	**-**	**609**	**-**	**247**	**857**	**286**
B. Non-listed derivatives							
1) Financial derivatives:							
. With capital swap							
- options issued			26,667			26,667	42,419
- other derivatives		15,646	1,638			17,284	127
. Without capital swap							
- options issued	12,669		17,582			30,251	2,347
- other derivatives	19,357					19,357	10,076
2) Credit derivatives:							
. With capital swap				3,031		3,031	1,314
. Without capital swap				52		52	
Total B	**32,026**	**15,646**	**45,887**	**3,083**	**-**	**96,642**	**56,283**
Total (A + B)	**32,027**	**15,646**	**46,496**	**3,083**	**247**	**97,499**	**56,569**

Section 5 - Financial liabilities valued at fair value - Item 50

At December 31, 2005 Banca Profilo Group had no transactions reported under this category.

Section 6 - Hedge derivatives - Item 60

At present, there are no transactions on derivative financial instruments having the requisites required under IAS 39 for their classification and evaluation in accordance with hedging accounting.

Section 8 - Tax payables - Item 80

Refer to section 14 of assets.

Section 9 - Liabilities linked to assets on disposals - Item 90

Refer to section 13 of assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	12.31.2005	12.31.2004
Due to the tax authorities on third parties' account	4,183	5,593
Due to social security and welfare institutions	491	674
Amounts due for transactions with securities and funds	95	1,858
Sundry suppliers and invoices to be received	2,411	2,368
Amounts due to staff and directors	14,218	1,562
Group companies for unpaid share capital	-	-
Non-interest bearing amounts available to customers	1,554	11,601
Items to be settled with banks	-	615
Sundry items and residual entries	814	1,732
Total	**23,766**	**26,003**

The most sizeable amount refers to the sums payable to Employees and Directors and includes charges for voluntary retirement schemes and the variable salary amount that is strictly linked to the revenue generated in the financial year.

Non-interest bearing amounts available to Customers are represented by in-progress items which were definitively recognised post December 31, 2005.

Section 11 - Staff severance indemnities - Item 110

11.1 Staff severance indemnities: annual variation
Aggregate of consolidated companies

A. Opening balances	**2,556**	**2,195**
B. Increases		
B.1 Provision for the year	596	698
B.2 Other increases	83	12
C. Decreases		
C.1 Settled amounts	524	342
C.2 Other decreases		7
D. Ending balances	**2,711**	**2,556**
Total		

The staff severance indemnities item represents the actuarial estimate of the charges for the Group's staff severance payments, as required under IAS 19.

11.2 Further information - Staff severance indemnities

		12.31.2005	12.31.2004
A.	**Opening balances**	**2,556**	**2,195**
B.	**Increases**		
	1. Retirement benefit expenses for current employments	596	698
	2. Financial charges	68	5
	3. Contributions to the plan by its members		
	4. Actuarial losses	15	7
	5. Exchange differences		
	6. Retirement benefit expenses for past employments		
	7. Other variations		
C.	**Decreases**		
	1 Benefits paid	524	349
	2. Retirement benefit expenses for past employments		
	3. Actuarial gains		
	4. Exchange differences		
	5. Reductions		
	6. Settlements		
	7. Other variations		
D.	**Ending balances**	**2,711**	**2,556**
Total			

The actuarial estimate of the Group's staff severance indemnities has been carried out by a specialised external firm using a model based on "projected unit credit method". The actuarial study, to come up with the amount of the staff severance indemnities, has drawn information from a database of the companies of the Group and there retrieved the personal data. The said data also take into account estimates of the actuarial study on the years of service in the company and the promotion based on time served with respect to each employee.
More specifically, the estimate length of service has been adjusted on the basis of a set of parameters such as the employee's gender, the number of years of service in the bank, estimated future years of service, number of years employed in other companies prior to the current position.
The revaluation of the staff severance indemnities also takes into account future merit-based promotions, promotion as established by contract, where this is known, and any promotion based on time served calculated on the basis of the employee's grade level, the rules for promotion based on time accrued, differentiated on the basis of the date of joining the company.
The staff severance indemnities amount, once it has been projected to the expected year of use, is discounted on the basis of the yield curve using high- quality corporate bonds yield of the Euro area.
The effect of this method is reported in the income statement.

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown
Aggregate of consolidated companies

1. Provisions for retirement obligations		
2. Other provisions for risks and charges		
2.1 legal disputes		
2.2 staff-related charges		
2.3 other	506	98
Total	**506**	**98**

The provision for risks and charges is mainly made up of provisions for a loan on which commission income is due to the Parent Company, Banca Profilo, from a Company undergoing insolvency proceedings. In the determination of this liability account was taken of the expected collectable amount and expected time for collectability (estimated to be within the following four years) and a discounting rate equal to the current market rate for those due dates.

12.2 Provisions for risks and charges: annual variations
Aggregate of consolidated companies

	Provisions for retirement obligations	Other provisions	Total
A. Opening balances	**-**	**98**	**98**
B. Increases			
B.1 Provision for the year		500	500
B.2 Variations due to the passing of time			
B.3 Variations following changes in discount rates			
B.4 Other increases			
C. Decreases			
C.1 Withdrawals during the year			
C.2 Variations following changes in discount rates			
C.3 Other decreases		92	92
D. Ending balances	**-**	**506**	**506**

12.3 Provisions for retirement obligations for defined benefit plans

Banca Profilo Group has no provisions for retirement obligations.

12.4 Provisions for risks and charges: other provisions

Refer to information reported in the tables 12.1 and 12.2.

Section 13 - Technical reserves - Item 130

The Banca Profilo Group is not engaged in insurance operations.

Section 14 - - Redeemable shares - Item 150

14.1 Redeemable shares: breakdown
The Parent Company Banca Profilo has no obligations to its shareholders as regards redemption or repurchase of own shares at a pre-set price.

Section 15 - Group's capital - Items 140, 160, 170, 180, 190, 200 and 220

15.1 Group's capital: breakdown

1. Share capital	64,685	64,023
2. Share premium account	21,440	21,876
3. Reserves	14,481	15,024
4. (Own shares)		
a) parent company	- 3,103	- 2,151
b) subsidiaries	-	-
5. Reserves from valuation	- 254	-
6. Equity instruments		
7. Profit (loss) for the year	24,197	12,805
Total	**121,446**	**111,577**

15.2 Share capital and "own shares": breakdown

The share capital, fully paid-in, consists of no. 124,395,000 shares each of a nominal value of 0.52 Euro. Shares are all ordinary.

15.3 Share capital - Number of shares of the Parent Company: annual variations

		Ordinary	Other
A.	**No. of share at the beginning of the year**	**123,122,000**	
	- fully paid in		
	- not fully paid in		
A.1	Own shares (-)	-1,232,626	
B.2	**Shares outstanding: at the beginning of the year**	**121,889,374**	-
B.	**Increases**		
B.1	New issues		
	- against payment:		
	- aggregation of companies		
	- conversion of bonds		
	- exercise of warrant rights		
	- other	1,273,000	
	- for free:		
	- to staff members		
	- to directors		
	- other		
B.2	Sale of own shares	1,448,588	
B.3	Other variations		
C.	**Decreases**		
C.1	Write-off		
C.2	Purchase of own shares	1,907,241	
C.3	Disposal of companies		
C.4	Other variations		
D.	**Shares outstanding: at the end of the year**	**122,703,721**	-
D.1	Own shares (+)	1,691,279	
D.2	Shares outstanding at the end of the year	**124,395,000**	
	- fully paid in		
	- not fully paid in		

15.4 Share capital: further information

The change in this item during the financial year is exclusively due to the share capital increase linked to the exercise of the stock options.

15.5 Retained earnings: further information

Reserves - item 170 have been increased as a result of the allocation of the Parent Company's profit for the year 2004, upon its Shareholders' Meeting resolution of April 22, 2005 for the amount of 577 thousand Euros.
They include, as well as the Legal Reserve, Reserves from F.T.A. vis-à-vis the first time adoption of the IAS international accounting principles, the Reserve for the stock options equal to the value of the same as accrued up to December 31, 2005, the Reserve for own shares, and the profits/losses referring to preceding years.

15.6 Reserves from valuation: breakdown
Aggregate of consolidated companies

	12.31.2005	12.31.2004
1. Financial assets available for sale	-254	-
2. Tangible fixed assets		
3. Intangible fixed assets		
4. Foreign investments hedges		
5. Cash flow hedges		
6. Exchange differences		
7. Non-current assets on disposal		
8. Special regulations on revaluation		
Total	**-254**	**-**

As shown in the table here below, table 15.7, reflecting changes, and in the one following thereunder, 15.9, the item referring to reserves from valuation of the financial assets available for sale has negatively changed, amounting to 943 thousand Euro on account of the first time adoption of the IAS 39 international accounting standard, on January 1, 2005.

15.7 Reserves from valuation: annual variations
Aggregate of consolidated companies

	Financial assets available for sale	Tangible fixed assets	Intangible fixed assets	Foreign investments hedges	Cash flow hedges	Exchange differences	Non current assets on disposal	Special regulation on revaluation
A. Opening balances	-943							
Opening balances, 12.31.2004	-							
Opening balances, 01.01.2005	-943							
B. Increases								
B1. Increases in fair value	674							
B2. Other variations	32							
C. Decreases								
C1. Decreases in fair value	17							
C2. Other variations								
D. Ending balances	**-254**	-	-	-	-	-	-	-

15.8 Reserves from valuation of financial assets available for sale: breakdown
Aggregate of consolidated companies

	12.31.2005		12.31.2004	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities				
2. Share capital securities		254		-
3. Shares in UCIs				
4. Loans				
Total	**-254**		-	-

15.9 Reserves from valuation of financial assets available for sale: annual variations
Aggregate of consolidated companies

	Debt securities	Share capital securities	Shares in UCIs	Loans
1. Opening balances	-	-943		
Opening balances, 12.31.2004	-	-		
Opening balances, 01.01.2005		-943		
2. Increases				
2.1 Increases in fair value		674		
2.2 Reversal of negative reserves to income statement				
- from impairment				
- from realisation		32		
2.3 Other variations				
3. Decreases				
3.1 Decreases in fair value		17		
3.2 Reversal of positive reserves to income statement				
- from realisation				
3.3 Other variations				
4. Ending balances	-	-254	-	-

Section 16 - Minority interests - Item 210

16.1 Minority interests: breakdown
Aggregate of consolidated companies

1. Share capital	2	2
2. Share premium account	-	-
3. Reserves	-	-
4. (Own shares)		-
a) parent company	-	
b) subsidiaries	-	-
5. Reserves from valuation		-
6. Equity instruments		
7. Profit (loss) for the year		-
Total	**2**	**2**

Minority interests only refer to the investee Profilo Suisse S.A. in which the Parent Company Banca Profilo holds an interest of 99.20%

Further information

1. Guarantees given and commitments

		12.31.2005	12.31.2004
1)	Financial guarantees given		
	a) Banks		
	b) Customers	2,840	28,474
2)	Commercial guarantees given		
	a) Banks		
	b) Customers	12,300	7,459
3)	Commitments to grant finances		
	a) Banks		
	i) certain to be called on	41,947	8,978
	ii) not certain to be called on	50,387	28,981
	b) Customers		
	i) certain to be called on	14,981	31,835
	ii) not certain to be called on	14,514	18,487
4)	Commitments underlying credit derivatives: credit default protection selling operations	196,195	112,000
5)	Assets underlying guarantees for third party's bonds		
6)	Other commitments	171	140
Total		**333,335**	**236,354**

Le garanzie rilasciate sono costituite da fidejussioni rilasciate dalla Banca Capogruppo a fronte delle obbligazioni dalla medesima assunte verso terzi per conto della propria Clientela.

Gli Impegni irrevocabili a erogare fondi comprendono gli acquisti di titoli e valute non ancora regolati e le opzioni put emesse dalla Banca Capogruppo.

2. Assets underlying guarantees for own liabilities and commitments

1.	Financial assets held for trading purposes	430,924	488,780
2.	Financial assets valued at fair value		
3.	Financial assets available for sale		
4.	Financial assets held to maturity		
5.	Due from banks		
6.	Due from customers		
7.	Tangible fixed assets		

Assets provided as security refer to the Parent Bank and are mainly represented by securities provided by way of deposit guarantee for the issue of banker's drafts for a nominal amount of 1,000 thousand Euros, securities by way of guarantee for transactions in derivatives for a nominal amount of 24,800 thousand Euros, securities by way of guarantee for treasury transactions for a nominal amount of 40,000 thousand Euros and securities by way of guarantee for repos (liabilities) for 365,124 thousand Euros.

3. Information on operating leasing

Banca Profilo has not entered into transactions of this type.

4. Composition of investments in unit-linked and index-linked policies

Banca Profilo has not entered into transactions of this type.

5. Brokerage and management for third parties: banking group

	Amount
1. Trading of financial instruments for third parties	
a) Purchases	
1. settled	435,362
2. to be settled	
b) Sales	
1. settled	371,389
2. to be settled	
2. Asset management	
a) individual	828,410
b) collective	
3. Custody and administration of securities	
a) third party securities held on deposit: linked to the operations of custodian bank (excluding assets under management)	
1. securities issued by Banca Profilo	
2. other securities	
b) third party securities held on deposit (excluding assets under management): other	
1. securities issued by Banca Profilo	49,230
2. other securities	458,804
c) third party securities deposited with third parties	508,034
d) bank's securities deposited with third parties	675,436
4. Other transactions	98,359

Part C - Information on consolidated income statement

Section 1 - Interests - Items 10 and 20

1.1 Interest income and similar items: breakdown
Aggregate of consolidated companies

	Performing financial assets					
	Debt Securities	Loans	Impaired financial assets	Other assets	2005	2004
1. Financial assets held for trading purposes	21,890			9,570	31,460	18,703
2. Financial assets available for sale					-	-
3. Financial assets held to maturity					-	
4. Due from banks		17,133		1,301	18,434	22,773
5. Due from customers		2,489	7		2,496	2,329
6. Financial assets valued at fair value					-	
7. Hedge derivatives					-	
8. Financial assets sold not written off					-	
9. Other assets				75	75	51
Total	**21,890**	**19,622**	**7**	**10,946**	**52,465**	**43,856**

1.2 Interest income and similar items: spread on hedging transactions

A. Positive balance of spread on the following transactions:		
A.1 Micro-hedge of assets' fair value		
A.2 Micro-hedge of liabilities' fair value		
A.3 Interest rate macrohedges		
A.4 Micro-hedge for assets' cash flows		
A.5 Micro-hedge for liabilities' cash flows		
A.6 Cash flow macrohedges		
Total positive balance of spread (A)	-	-
B. Negative balance of spread on the following transactions:		
B.1 Micro-hedge of assets' fair value		
B.2 Micro-hedge of liabilities' fair value		
B.3 Interest rate macrohedges		
B.4 Micro-hedge for assets' cash flows		
B.5 Micro-hedge for liabilities' cash flows		
B.6 Cash flow macrohedges		
Total negative balance of spread (B)	-	-
C. Balance (A-B)	-	-

There are currently no transactions on derivative financial instruments having such requisites as are required under IAS 39 for classification and evaluation in accordance with hedging accounting rules.

1.3 Interest income and similar items: further information

Interest income and similar items referring to transactions with related parties of the Group have been removed from consolidation operations.

1.3.1 Interest income on financial assets denominated in foreign currency

	2005	2004
Interest income on financial assets denominated in foreign currency	**194**	**229**

1.3.2 Interest income on financial leasing

1.3.3 Interest income on credits with third parties' funds under administration

1.4 Interest expense and similar items: breakdown
Aggregate of consolidated companies

	Payables	Securities	Other liabilities	2005	2004
1. Due to banks	33,044			33,044	9,391
2. Due to customers	1,046			1,046	26,532
3. Securities outstanding				1,504	1,301
4. Financial liabilities held for trading purposes			-	-	
5. Financial liabilities valued at fair value			-	-	
6. Financial liabilities linked to assets sold not written off				-	-
7. Other liabilities			320	320	-
8. Hedge derivatives			-	-	
Total	**34,090**	**1,504**	**320**	**35,914**	**37,224**

1.5 Interest expense and similar items: spread on hedging transactions

A.	**Positive balance of spread on the following transactions:**		
A.1	Micro-hedge of assets' fair value		
A.2	Micro-hedge of liabilities' fair value		
A.3	Interest rate macrohedges		
A.4	Micro-hedge for assets' cash flows		
A.5	Micro-hedge for liabilities' cash flows		
A.6	Cash flow macrohedges		
Total positive balance of spread (A)		-	-
B.	**Negative balance of spread on the following transactions:**		
B.1	Micro-hedge of assets' fair value		
B.2	Micro-hedge of liabilities' fair value		
B.3	Interest rate macrohedges		
B.4	Micro-hedge for assets' cash flows		
B.5	Micro-hedge for liabilities' cash flows		
B.6	Cash flow macrohedges		
Total negative balance of spread (B)		-	-
C.	**Balance (A-B)**	-	-

There are currently no transactions on derivative financial instruments having such requisites as are required under IAS 39 for classification and evaluation in accordance with hedging accounting rules.

1.6 Interest expense and similar items: further information

Interest expense and similar items referring to transactions with related parties of the Group have been removed from consolidation operations.

1.6.1 Interest expense on liabilities denominated in foreign currency

	2005	2004
Interest expense on liabilities denominated in foreign currency	**1,696**	**186**

1.6.2 Interest expense on financial leasing

Banca Profilo Group is not engaged in financial leasing operations.

1.6.3 Interest expense on third parties' funds under administration

Banca Profilo Group currently has no operations of the type shown in this item.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown
Aggregate of consolidated companies

	2005		2004	
a) guarantees given		155		196
b) credit derivatives		-		-
c) management, trading and consulting:		31,860		22,954
1. securities trading	13,685		10,464	
2. currency trading	48		13	
3. asset management				
3.1 individual	4,979		4,548	
3.2 collective	823		920	
4. custody and administration of securities	196		198	
5. custodian bank				
6. securities placement	5,880		2,934	
7. order collection	2,275		1,376	
8. consulting	2,245		1,806	
9. distribution of third-party services				
9.1 asset management				
9.1.1 individual				
9.1.2 collective				
9.2 insurance products	1,729		695	
9.3 other products				
d) collection and payment services		12		10
e) servicing for securitisation operations		-		-
f) factoring services		-		-
g) tax collection		-		-
h) other services		704		215
Total		**32,731**		**23,375**

2.2 Commission income: distribution channels for products and services

		2005	2004
a)	**at own branches:**		
	1. asset management	5,802	5,468
	2. securities placement	5,880	2,934
	3. third party products and services	1,729	695
b)	**other offices:**	-	-
	1. asset management		
	2. securities placement		
	3. third party products and services		
c)	**other distribution channels:**	-	-
	1. asset management		
	2. securities placement		
	3. third party products and services		

2.3 Commission expense: breakdown
Aggregate of consolidated companies

		2005	2004
a)	guarantees given	1	6
b)	credit derivatives	-	-
c)	management and brokering services:		
	1. securities trading	832	1,132
	2. currency trading	-	-
	3. asset management		
	3.1 own portfolio		
	3.2 third parties' portfolio		314
	4. custody and administration of securities	194	195
	5. securities placement		
	6. financial products and services offered in other offices		
d)	collection and payment	5	4
e)	other services	1,528	1,016
Total		**2,560**	**2,667**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income
Aggregate of consolidated companies

			in UCIs		in UCIs
A.	Financial assets held for trading purposes	31,010		17,073	
B.	Financial assets available for sale				
C.	Financial assets valued at fair value				
D.	Equity investments	-			
Total		**31,010**	-	**17,073**	-

Section 4 - Net profit (loss) from trading transactions - Items 80

4.1 Net profit (loss) from trading transactions: breakdown
Aggregate of consolidated companies

	Capital gains (A)	Profit from trading transactions (B)	Capital losses (C)	Losse from trading transactions (D)	Net profit (loss) 2005 (A+B) - (C+D)
1. Financial assets held for trading purposes					- 8,659
1.1 Debt securities	4,761	12,499	3,133		14,127
1.2 Share capital securities	1,823		629	24,912	- 23,718
1.3 Shares in UCIs.	7,770				7,770
1.4 Loans					
1.5 Other		10	430	6,418	- 6,838
2. Financial liabilities held for trading purposes					
2.1 Debt securities					
2.2 Other					
3. Other financial assets and liabilities: exchange differences					
4. Derivative instruments					4,889
4.1 Financial derivatives:					
- on debt securities and interest rates	39,834	29,469	26,561	39,662	3,080
- on share capital securities and equity indices	86,966	152,932	86,766	144,307	8,825
- on currency and gold					
- Other	2,873	10,368	7,914	11,827	- 6,500
4.2 Credit derivatives	1,444	2,419	1,769	2,610	- 516
Total					**- 3,770**

Section 5 - Net profit (loss) from hedging transactions - Item 90

5.1 Net profit (loss) from hedging transactions: breakdown

A. Income from:		
A.1 Micro-hedge of assets' fair value		
A.2 Micro-hedge of liabilities' fair value		
A.3 Interest rate macrohedges		
A.4 Micro-hedge for assets' cash flows		
A.5 Micro-hedge for liabilities' cash flows		
A.6 Cash flow macrohedges		
Total positive balance of spread (A)	-	-
B. Negative balance of spread on the following transactions:		
B.1 Micro-hedge of assets' fair value		
B.2 Micro-hedge of liabilities' fair value		
B.3 Interest rate macrohedges		
B.4 Micro-hedge for assets' cash flows		
B.5 Micro-hedge for liabilities' cash flows		
B.6 Cash flow macrohedges		
Total negative balance of spread (B)	-	-
C. Balance (A-B)	-	-

There are currently no transactions on derivative financial instruments having such requisites as are required under IAS 39 for classification and evaluation in accordance with hedging accounting rules.

Section 6 - Profit (Loss) from disposal/repurchase - Item 100

6.1 Profit (Loss) from disposal/repurchase: breakdown
Aggregate of consolidated companies

	2005 Profits	2005 Losses	2005 Net profit (loss)	2004 Profits	2004 Losses	2004 Net profit (loss)
Financial assets						
1. Due from banks						
2. Due from customers						
3. Financial assets available for sale						
3.1 Debt securities						
3.2 Share capital securities		48	- 48			
3.3 Shares in UCIs						
3.4 Loans						
4. Financial assets held to maturity						
Total assets	**-**	**48**	**- 48**	**-**	**-**	**-**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities outstanding						
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

This refers to the loss arising from the partial disposal of the equity investment, held by the Parent Company, in Brainpower, classified among financial assets available for sale.

Section 7 - Net profit (loss) from financial assets and liabilities valued at fair value - Item 110

7.1 Net change in value of financial assets and liabilities valued at fair value: breakdown
Aggregate of consolidated companies

1. Financial assets					
1.1 Debt securities			20		- 20
1.2 Share capital securities					
1.3 Shares in UCIs					
1.4 Loans					
2. Financial liabilities					
2.1 Securities outstanding					
2.2 Due to banks					
2.3 Due to customers					
3. Financial assets and liabilities denominated in foreign currency: exchange differences					
4. Derivative instruments					
4.1 Financial derivatives					
- on debt securities and interest rates					
- on share capital securities and equity indices					
- on currency and gold					
- other					
4.2 Credit derivatives					
Total derivatives					
Total	**-**	**-**	**20**	**-**	**- 20**

The variation refers to a debt security, held by the Parent Company, Banca Profilo, evaluated at fair value since it is a structured financial instrument.

Section 8 - Net write-downs/write-ups for impairment - Item 130

8.1 Net write-downs for impairment of loans: breakdown
Aggregate of consolidated companies

	Write-downs (1)			Write-ups (2)				Total	Total
	Specific		Portfolio	Specific		Portfolio		2005	2004
	Write-offs	Other		A	B	A	B		
A. Due from banks								-	-
B. Due from customers		300		37				263	100
C. Total	-	**300**		**37**				**263**	**100**

Table explanation:
A = from interest
B = other write-ups
The write-down refers to the only existing non-performing position, as shown in table 7.1 Due from Customers.

8.2 Net write-downs for impairment of financial assets available for sale: breakdown

	Write-downs (1)		Write-ups (2)				Total	Total
	Specific		Specific		Portfolio		2005	2004
	Write-off	Other	A	B	A	B		
A. Debt securities								
B. Share capital securities								
C. Shares in UCIs								
D. Loans to banks								
E. Loans to customers								
F. Total	-	-	-	-	-	-	-	-

At December 31, 2005, there were no write-downs with respect to this item.

8.3 Net write-downs for impairment of financial assets held to maturity: breakdown

	Write-downs (1)			Write-ups (2)				Total	Total
	Specific		Portfolio	Specific		Portfolio		2005	2004
	Write-offs	Other		A	B	A	B		
A. Debt securities									
B. Due to banks									
C. Due to banks									
D. Total	-	-	-	-	-	-	-	-	-

At December 31, 2005, there were no write-downs with respect to this item

8.4 Net write-downs for impairment of other financial transactions: breakdown

A. Guarantees given									
B. Credit derivatives									
C. Commitments to grant finance									
D. Other transactions									
E. Total	-	-	-	-	-	-	-	-	-

At December 31, 2005, there were no write-downs with respect to this item.

Section 9 - Net premiums - Item 150

Section 10 - Balance other incomes/charges from insurance operations - Item 160

Banca Profilo Group is not engaged in insurance operations.

Section 11 - Administrative expenses - Item 180

11.1 Staff expenses: breakdown
Aggregate of consolidated companies

1) Employees	33,483	21,100
a) wages and salaries	*23,225*	*13,924*
b) social security charges	*6,667*	*3,999*
c) staff severance indemnities	-	-
d) retirement benefits	-	-
e) provision for staff severance indemnities	*596*	*698*
f) provision for retirements and similar benefit obligations:		
defined contribution plans		
defined benefit plans		
g) contributions to supplementary external retirement benefit plans:		
defined contribution plans		
defined benefit plans		
h) expenses from payment agreement based on own equity instruments	*755*	*552*
i) other employees benefits	*2,240*	*1,927*
2) Other staff	**82**	**65**
3) Directors	**4,163**	**3,168**
Total	**37,728**	**24,333**

11.2 Average number of employees by category

a) executives	28	28
b) managers	94	97
- of which belonging to the 3rd and 4th level	*49*	*59*
c) other employees	59	65
Total	**181**	**190**

The wages and salaries item and the social security charges include sums payable to Employees relating to the variable salary amount which is strictly linked with the revenue generated in the year.

11.3 Provisions for retirement obligations for defined benefit plans: total costs

Banca Profilo Group has no Provisions for retirement obligations for defined benefit plans.

11.4 Other benefits to employees

Other benefits to employees refer to charges for voluntary retirement schemes.

11.5 Other administrative expenses : breakdown
Aggregate of consolidated companies

	2005	2004
Professional, legal and consulting services	1,697	1,174
Insurance premiums	147	149
Advertising	1,496	493
Post office and communications expenses	533	797
Office supplies and materials	84	103
Maintenance and repairs	513	497
EDP and data transmission	4,526	4,617
Electricity, heating and building costs	365	315
Charges for sundry services provided by third parties	189	86
Cleaning and sanitation	146	152
Travel and transport	299	365
Security and transport of valuables	29	30
Membership fees	129	93
Auditing fees 201	156	
Subscriptions to newspapers, magazines and publications	19	9
Rentals payable	1,875	884
Fees for Board of Auditors	168	148
Representation expenses	125	94
Direct and indirect taxes	414	543
Sundry and miscellaneous	607	983
Total	**13,562**	**11,688**

Advertising expenses refer to promotional campaigns carried out in the financial year for the promotion, inter alia, of new products offered by the Parent Bank. The related expenses have been charged in full to the income statement.

Section 12 - Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown

A. Net provisions for risks and charges		
- for sundry receivables (not arising from Loan granted)	400	-
- other	100	92
Total	**500**	**92**

This item mainly refers to provisions for a loan on which commissions are due to the Parent Company, Banca Profilo, and owing by a Company undergoing insolvency proceedings. In the determination of this liability, account was taken of the expected collectable amount and expected time for collectability (estimated to be within the following four years) and a discounting rate equal to the current market rate for those due dates.

Section 13 - Net write-downs/write-ups on tangible fixed assets - Item 200

13.1 Write-downs on tangible fixed assets: breakdown
Aggregate of consolidated companies

	Depreciation (a)	Write downs for impairment (b)	Write-ups (c)	Net profit (loss) 2005 (a+b-c)
A) Tangible fixed assets				
A1 Properties	1,022	-	-	1,022
for operating use	1,022		1,022	
for investment purposes				
A2 Acquired through financial leasing	-	-	-	-
for operating use				
for investment purposes				
Total	**1,022**	**-**	**-**	**1,022**

Tangible fixed assets have been depreciated on the basis of the degree of use and their expected useful lives, applying for this calculation the rates shown in the table here below:

real estate property	3%
office machines and furniture	12%
electromechanical and electronic offices machines	20%
furnishings	15%
armoured counters and safes	20%
sundry machinery, apparatus and equipment	15%
alarm systems	30%
motor vehicles and internal means of transport	20%
data processing systems	20%
motor vehicles	25%

Section 14 - Net write-downs/write-ups on intangible fixed assets Item 210

14.1 Net write-downs/write-ups on intangible fixed assets: breakdown
Aggregate of consolidated companies

A) Intangible fixed assets				
A1 Proprietary	628	-	-	628
Internally generated	-		-	
Other	628			
A2 Acquired through financial leasing	-	-	-	-
Total	**628**	**-**	**-**	**628**

This item mainly refers to software that will be used over the long term, the amortisation of which is based on the period of expected future use.

Section 15 - Other operating income/charges - Item 220

15.1 Other operating charges: breakdown

	2005	2004
Other operating charges		
Other charges	1,956	1,097
Total	**1,956**	**1,097**

This item is mainly referable to charges pertaining to the operations of the Group not classifiable under other specific income statement items.

15.2 Other operating income: breakdown

	2005	2004
Other operating income		
Sundry costs recharged to customers	232	51
Indirect taxation recovered	333	310
Additional revenues previous years	-	202
Other income	1,079	251
Total	**1,644**	**814**

Section 16 - Profits (Losses) on equity investments - Item 240

16.1 Profits (Losses) on equity investments: breakdown
Aggregate of consolidated companies

A) Income		-	-
1. Revaluations			
2. Profits on disposals			
3. Write-ups			
4. Other positive variations	-		
B) Charges		22	126
1. Write-downs			
2. Write-downs for impairment			
3. Losses on disposals			
4. Other negative variations	22	126	
Net profit (loss)		**- 22**	**- 126**

Point B) 4 refers to charges deriving from the liquidation of two equity investments in Subsidiaries (Profilo Hedge SGR and Profilo Merchant S.p.A.).

Section 17 - Net profit (loss) on tangible and intangible fixed assets valued at fair value - Item 250

17.1 Net profit (loss) on tangible and intangible fixed assets valued at fair value: breakdown Aggregate of consolidated companies

	Revaluations (a)	Amortisation/ depreciation (b)	Exchange differences Positive (c)	Exchange differences Negative (d)	Net profit (loss) (a-b+c-d)
A) Tangible fixed assets					
A1 Proprietary					
- for operating use					
- held for investment purposes					
A2 Acquired through financial leasing					
- for operating use					
- held for investment purposes					
B) Intangible fixed assets					
B1 Proprietary					
B.1.1. Internally generated					
B.1.2. Other					
B2 Acquired through financial leasing					
Total	-	-	-	-	-

Banca Profilo Group, at December 31, 2005, had no profit (losses) to classify under this item.

Section 18 - Goodwill value adjustments - Item 260

18.1 Goodwill value adjustments: breakdown

At December 31, 2005, goodwill underwent the so-called "impairment test"; no value impairments were reported as regards this item.

Section 19 - Profits (Losses) on divestitures - Item 270

19.1 Profits (Losses) on divestitures: breakdown Aggregate of consolidated companies

A. Real estate properties		
- Profits form disposals	3,870	7,450
- Losses from disposals		
B. Other assets		
- Profits form disposals		1,784
- Losses from disposals		
Net profit (loss)	**3,870**	**9,234**

The 2005 profits refer to disposals of property carried out by the subsidiary Profilo Servizi Immobiliari Srl.

Section 20 - Income taxes for the year for current operations - Item 290

20.1 Income taxes for the year for current operations: breakdown
Aggregate of consolidated companies

	2005	2004
1. Current taxes (-)	4,418	801
2. Change in current taxes of previous years (+/-)		134
3. Reduction of current taxes for the year (+)		-
4. Change in prepaid taxes (+/-)	- 5,388	- 414
5. Change in deferred taxes (+/-)	501	16
6. Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	**- 469**	**537**

The determination of income taxes for the year, which shows a positive value, has also accounted for the tax loss of the Parent Bank deriving from transactions in shares during the year.

Section 21 - Profits (Losses) on assets on disposal, after taxes - Item 310

21.1 Profits (Losses) on assets on disposal, after taxes: breakdown

Income component /Values	2005	2004
1. Income		
2. Charges		
3. Profit (loss) on valuation of pool of assets and related liabilities		
4. Profits (losses) on disposals		
5. Taxes and duties		
Profit (loss)	-	-

At December 31, 2005, Banca Profilo Group had no assets or liabilities classifiable under these items.

21.2 Breakdown of income taxes related to assets/liabilities on disposal

1. Current taxes		
2. Change in prepaid taxes (+/-)		
3. Change in deferred taxes (-/+)		
4. Income taxes for the year (-1+/-2+/-3)	-	-

At December 31, 2005, Banca Profilo Group had no assets or liabilities classifiable under these items.

Section 22 - Third parties' profit (loss) for the year - Item 330

Losses for the year pertaining to third parties amounted to 107 Euro and refer to the 0.80% third party shareholding in the Subsidiary Profilo Suisse S.A.

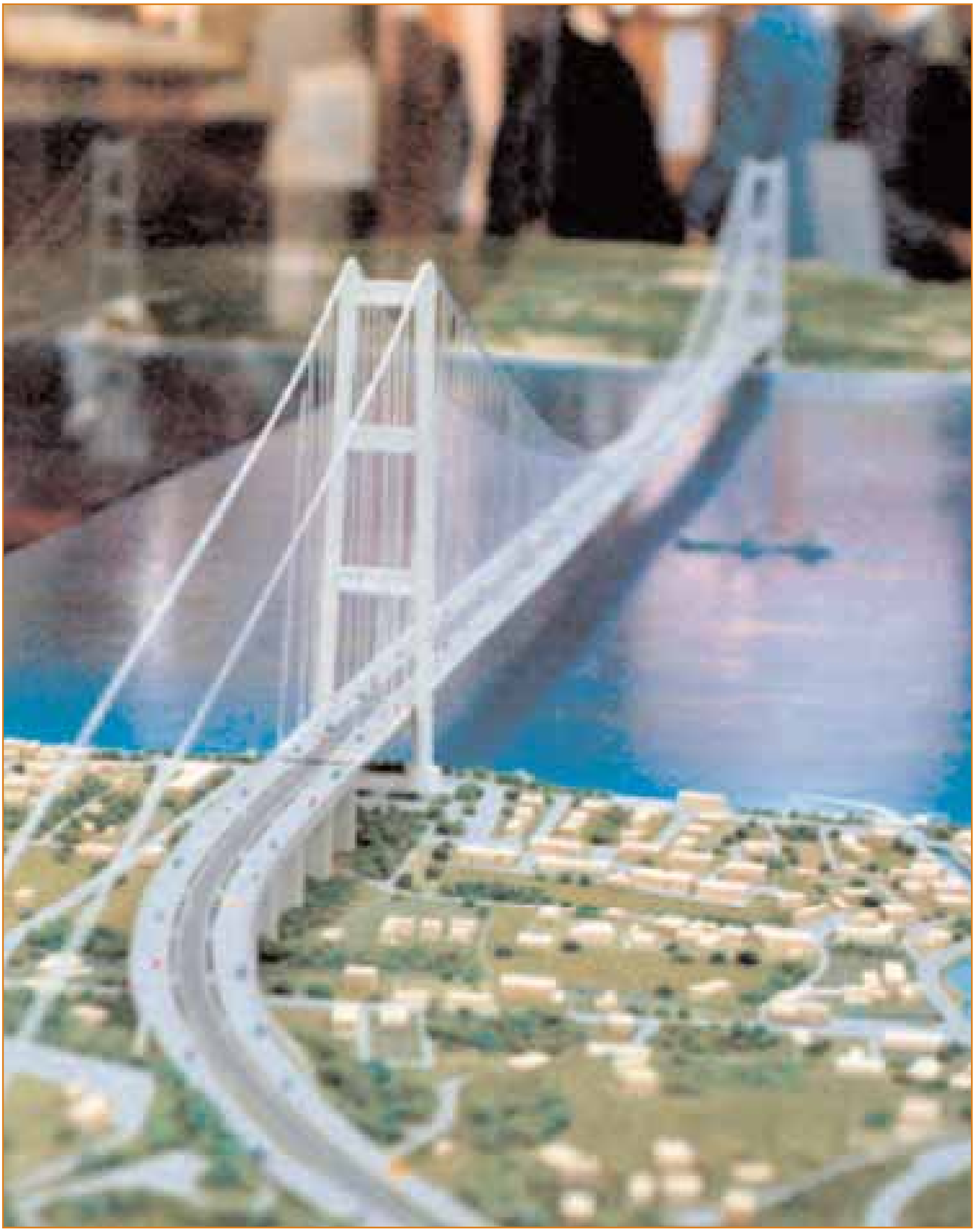
Section 24 - Earning per share

24.1 Average number of diluted ordinary shares

The average number of shares of the Parent Company outstanding in 2005 was 122,887,959. The number was determined on a monthly basis taking into account shares issued net of own shares on which dividends are not payable. The base earning per share for the year 2005 was 0.20 Euros.

24.2 Further information

June The consortium led by Impregilo is awarded the contract for the plan and execution of the bridge over the Messina Strait, as well as the related railways and road links on the Calabrian and Sicilian shores.



Part D - Report of information by segment

In compliance with the provisions set forth in IAS 14 for the "Reporting of Financial Information by Segment" (segment and geographical areas), the Parent Bank deems it appropriate that, with a view to best represent and evaluate the company's past results, risks, profits and to achieving a comprehensive picture of the company as a whole, a primary reporting format should be presented for business segment financial reporting and a secondary format should be provided for reporting financial information by geographical areas.
Insomuch that the latter was not very significant, if not for the Parent Company, only the income statement of the same was drawn up.

Segments
As far as the control over operations is concerned, the Group is currently made up of five operational sectors: finance, private, collective investment management and real estate and other operations. The said segments are the bases on which the Group reports its financial information by segment in accordance with the primary reporting format .
The main business segments are as follows:

- *finance*
  trading operations on own account or on behalf of third parties in financial instruments and services relating to the issue and placement of the same;

- *private*
  segment referring to the operations carried out by the branches and the management of the division defined as 'private', with private customers for the administration and management of funds;

- *management*
  mainly refers to extraordinary finance operations, and trading operations on own account referable to the corporate centre, in other words, operations attributable to the top management;

- *collective investment management*
  refers to operations in UCIs;

- *real estate and other operations*
  brokering and consulting operations in the real estate sector.

A. PRIMARY FINANCIAL REPORTING FORMAT

A.1 Distribution by segment: economic data

Consolidated income statement

Items		2005	Finance	Private	Management	Collective investment management	Real estate and other operations	Eliminations
10	Interest income and similar items	52,464,850	45,927,584	2,533,830	4,071,000	90,664	364,074	-522,302
20	Interest expense and similar items	-35,914,031	-34,901,141	-825,003		-12,677	-698,206	522,996
30	**Interest margin**	**16,550,819**	**11,026,443**	**1,708,827**	**4,071,000**	**77,987**	**-334,132**	**694**
40	Commission income	32,731,407	19,312,748	12,636,633		2,157,684	5,047	-1,380,704
50	Commission expense	-2,559,708	-1,727,114	-792,882		-1,355,258	-64,464	1,380,010
60	**Net commissions**	**30,171,699**	**17,585,634**	**11,843,751**	**-**	**802,426**	**-59,417**	**-694**
70	Dividends and similar income	31,010,065	31,010,065	-				
80	Net profit (loss) from trading transactions	-3,769,707	-15,437,772	3,108,623	8,574,369	-14,927		-
90	Net profit (loss) from hedging transactions						-	
100	Profit (Loss) from disposal of:						-	
	a) loans						-	
	b) financial assets available for sale	-47,801	-47,801	-			-	
	c) financial assets held to maturity						-	
	d) financial liabilities						-	
110	Net profit (loss) from financial assets							
	and liabilities valued at fair value	-20,000	-20,000	-			-	
120	**Brokering margin**	**73,895,075**	**44,116,568**	**16,661,201**	**12,645,369**	**865,485**	**-393,549**	**-**
130	Net write-downs, write-ups							
	for impairment of:						-	
	a) loans	-262,695		-262,695			-	
	b) financial assets available for sale						-	
	c) financial assets held to maturity						-	
	d) other financial transactions						-	
140	**Net profit (loss) on financial operations**	**73,632,380**	**44,116,568**	**16,398,506**	**12,645,369**	**865,485**	**-393,549**	**-**
150	Administrative expenses	-51,289,988	-28,087,278	-16,352,498	-4,400,000	-1,073,452	-2,100,760	724,000
	a) staff expenses	-37,728,374	-22,430,031	-11,326,300	-2,855,300	-536,409	-585,334	5,000
	b) other administrative expenses	-13,561,614	-5,657,247	-5,026,198	-1,544,700	-537,043	-1,515,426	719,000
160	Net provisions for risks and charge	-499,567	-439,567	-60,000			-	
170	Net write-downs/write-ups							
	on tangible fixed assets	-1,021,982	-350,026	-619,823		-10,795	-41,338	
180	Net write-downs/write-ups							
	on intangible fixed assets	-628,177	-489,520	-122,379		-49,961	364,463	-330,780
190	Other operating income/charges	-312,185	-1,487,206	569,896		60,008	1,269,118	-724,000
200	**Operating costs**	**-53,751,899**	**-30,853,597**	**-16,584,805**	**-4,400,000**	**-1,074,200**	**-508,517**	**-330,780**
210	Profits (Losses) on equity investments	-22,243	-16,965	-	4,420,000	-5,278	1,550,000	-5,970,000
220	Net profit (loss) on tangible							
	and intangible fixed assets valued at fair value							
230	Goodwill value adjustments							
240	Profits (Losses) on divestitures	3,869,655				-	3,869,655	
250	Profit (Loss) on current operations							
	before taxes	23,727,893	13,246,007	-186,298	12,665,369	-213,993	4,517,589	-6,300,780
260	Income taxes for the year							
	for current operations	469,224	792,760		731,779	17,396	-1,072,711	
270	Profit (Loss) on current operations,							
	after taxes	24,197,117	14,038,767	-186,298	13,397,148	-196,597	3,444,878	-6,300,780
280	Profits (Losses) on assets on disposal,	107					107	
	after taxes							
290	**Profit (loss) for the year**	**24,197,224**	**14,038,767**	**-186,298**	**13,397,148**	**-196,597**	**3,444,985**	**-6,300,780**

A2. By segment: balance sheet data

Consolidated balance sheet

Assets	2005	Finance	Private	Management	Collective investment management	Real estate and other operations	Eliminations
10 Cash and cash equivalents	350,200			349,863	44	293	
20 Financial assets held for trading purposes	937,842,587	805,766,068		129,135,505	2,676,704	264,310	
30 Financial assets valued at fair value	1,980,000	1,980,000				-	
40 Financial assets available for sale	3,541,292	3,541,292				-	
50 Financial assets held to maturity	-						
60 Due from banks	678,809,098	678,735,685			1,675,955	5,040,607	- 6,643,150
70 Due from customers	111,641,700	3,845,074	108,096,361		591,481	484,392	- 1,375,607
80 Hedge derivatives				-			
90 Change in value of financial assets recognised as part of a macrohedge (+/-)				-			
100 Equity investments	200			9,430,528		25,231	- 9,455,559
110 Tangible fixed assets	1,515,995	675,896	380,191		27,878	37,723	394,307
120 Intangible fixed assets	7,471,599	304,026	1,216,102	5,150,590	187,067	207,212	406,602
of which:							
- goodwill	*5,725,859*		900,340	5,150,590	168,667		- 493,738
130 Tax receivables	9,384,400	4,387,028	191,428	3,834,246	375,254	581,146	15,298
a) current	*2,038,434*						
b) prepaid	*7,345,966*						
140 Non - current assets and assets on disposal	-						
150 Other assets	15,958,968	9,349,589	4,858,420	2,610,826	854,886	2,097,099	- 3,811,851
Total assets	**1,768,496,039**	**1,508,584,656**	**114,742,503**	**150,511,559**	**6,389,269**	**8,738,013**	**- 20,469,960**

Liabilities and shareholders' equity	2005	Finance	Private	Management	Collective investment management	Real estate and other operations	Eliminations
10 Due to banks:	473,096,636	472,726,951			369,685	1,027,003	-1,027,003
20 Due to customers:	930,536,236	9,635,408	927,541,824			2,154	-6,643,149
30 Securities outstanding	50,131,981			50,131,981			
40 Financial liabilities held for trading purposes	160,780,881	160,780,881					
50 Financial liabilities valued at fair value				-			
60 Hedge derivatives				-			
70 Change in value of financial liabilities recognised as part of a macrohedge				-			
80 Tax payables	5,519,518	2,972,218		2,474,918	20,000	185,611	-133,229
a) current	*4,670,853*						
b) deferred	*848,665*						
90 Liabilities linked to assets on disposals	-						
100 Other liabilities	23,765,819	15,411,989	6,708,927	238,028	434,506	3,148,866	-2,176,497
110 Staff severance indemnities	2,711,058	1,153,014	1,393,423		118,160	19,525	26,936
120 Provisions for risks and charges:	505,997	439,567	60,000			6,430	
a) retirement benefits and similar obligations			-				
b) other provisions	*505,997*						
Shareholders' equity	121,447,912						
Total liabilities and shareholders' equity	**1,768,496,039**	**663,120,028**	**935,704,175**	**52,844,927**	**942,351**	**4,389,589**	**-9,952,942**

The column 'eliminations' includes sums referring to intrasegment transactions. The main intrasegment items refer to:

- *in the income statement, the item 210 "profit (losses) on equity investments" has accounted for the elimination of intragroup dividends;*
- *in the balance sheet, under items "Due from banks/Due to customers" the eliminations refer to the accounts that the single companies hold at the Parent Bank;*
- *in the assets section of the balance sheet, the item 100 "Equity Investments" has accounted for the elimination of the book value of equity investments against the shareholders' equity amount.*

B. SECONDARY REPORTING FORMAT

B.1 Distribution for geographic areas: economic data

Income statement	2005	Italy North	Italy Centre
10 Interest income and similar items	52,532,414	52,488,448	43,966
20 Interest expense and similar items	-35,726,144	-35,707,679	-18,465
30 Interest margin	**16,806,270**	**16,780,769**	**25,500**
40 Commission income	31,949,381	31,065,857	883,524
50 Commission expense	-2,519,996	-2,479,873	-40,123
60 Net commissions	**29,429,385**	**28,585,984**	**843,401**
70 Dividends and similar income	31,010,065	31,010,065	-
80 Net profit (loss) from trading transactions	-3.932.918	178.138	
90 Net profit (loss) from hedging transactions			
100 Profit (Loss) from disposal of:			
a) loans			
b) financial assets available for sale	-47,801	-47,801	-
c) financial assets held to maturity			
d) financial liabilities			
110 Net profit (loss) from financial assets and liabilities valued at fair value	-20,000	-20,000	-
120 Brokering margin	**73,423,139**	**72,376,099**	**1,047,039**
130 Net write-downs, write-ups for impairment of:			
a) loans	-262,695	-262,695	
b) financial assets available for sale			
c) financial assets held to maturity			
d) other financial transactions			
140 Net profit (loss) on financial operations	**73,160,443**	**72,113,404**	**1,047,039**
150 Administrative expenses	-48,839,776	-46,787,617	-2,052,159
a) staff expenses	-36,611,631	-35,295,012	-1,316,620
b) other administrative expenses	-12,228,145	-11,492,606	-735,539
160 Net provisions for risks and charge	-499,567	-499,567	
170 Net write-downs/write-ups on tangible fixed assets	-969,849	-897,578	-72,271
180 Net write-downs/write-ups on intangible fixed assets	-611.899	-608.936	-2.963
190 Other operating income/charges	-917,311	-936,489	19,178
200 Operating costs	**-51,838,402**	**-49,730,187**	**-2,108,215**
210 Profits (Losses) on equity investments	4,403,035	4,403,035	-
220 Net profit (loss) on tangible and intangible fixed assets valued at fair value			
230 Goodwill value adjustments			
240 Profits (Losses) on divestitures			
250 Profit (Loss) on current operations, before taxes	25,725,076	26,786,252	-1,061,176
260 Income taxes for the year for current operations	1,524,539	1,524,539	
270 Profit (Loss) on current operations, after taxes	27,249,615	28,310,791	-1,061,176
280 Profits (Losses) on assets on disposal, after taxes			
290 Profit (loss) for the year	**27,249,615**	**28,310,791**	**-1,061,176**

Part E - Information on risks and hedging policies

Section 1
risks of the banking group

1.1 - Credit Risk

Quality-related information

1. General aspects

For Banca Profilo Group, whose operations focus on the sectors of Capital Markets and Private Banking, credit risk is not the main risk factor and refers only to the parent bank, Banca Profilo S.p.A.
Traditional lending operations, carried out by the Parent Company, are mainly ancillary to Private Banking transactions: loans are granted mainly to private customers and are backed by securities managed or administered, deposited at the Bank.
Brokerage operations as regards over the counter derivative contracts, proper to the Capital Markets sector, generates a counterparty risk on intermediaries and/or institutional customers with whom the said contracts are executed: the Bank's policy is that of reducing the said risk to a minimum, by executing collateralisation agreements with the counterparties and requesting institutional clients the appropriate guarantees.

2. Credit risk management policies

2.1. Organisational aspects

From an organisational viewpoint, the processes and criteria for the provision of loans or credit lines are formalised in a special internal document (Regolamento Crediti "Credit Line Regulations"), approved by the Board of Directors of the Parent Bank and reviewed periodically.

The credit risk management process is based on the following principles:

- *separating the tasks and duties between the departments that manage the transactions and fill in the credit line requests and related files, those that grant and administer credit lines and those that measure and monitor the related risks;*
- *Assigning credit line granting operations to joint decision-taking bodies.*

More specifically, the process for the approval of a loan or credit line opening involves the following:

- *the manager of this operation (Private Banking or Finance Division) draws up a credit line or loan proposal, on the basis of the customer's application or the envisaged operations OTC derivatives; the proposal can then be developed with the counterparty;*
- *in the case of a customer loan, the Customer Relations Management will be required to confirm the credit line proposal, especially with regard to the financial conditions;*
- *the Credit Lines Office will examine the credit line proposal, evaluating the amount of security and the customer or counterparty's credit rating;*
- *the Credit Line Committee or the Executive Committee will need to deliberate on whether the credit line is to be granted: the decision in this respect will fall to either of the committees on the basis of the type of credit line applied for, the amount involved, whether or not there is collateral to back the credit line or loan.*

2.2. Management, measurement and control systems

Credit risk measurement and control on a single basis falls to the Credit Lines Office which verifies on a monthly basis the loaned amounts disbursed and the terms, the suitability of the security received to back the loan, the keeping of balances within the credit limits as regards operations on derivatives. The same office periodically reviews the credit rating of customers and counterparties.
With reference to the counterparty risk, specifically as regards OTC derivatives, in the first quarter of 2006, an integrated control module is expected to be put into operation in the front office system which will enable operating limits to be checked as early as entering the new OTC derivative contract.
In compliance with the provisions set forth in the regulatory legislation, the counterparty risk is measured internally in terms of mark to market + add on. To the mark to market of outstanding derivatives -which represents the current exposure to a certain counterparty - an amount is added (the add on) to account for the potential future exposure connected with the single contracts. The add on, in every derivative contract, is differentiated on the basis of the residual term and type of the same.

2.3. Credit risk mitigation techniques

With a view to containing counterparty risk, Banca Profilo has entered into collateralisation agreements with many of its key intermediaries through which it operates on the market. Under the said agreements, the mutual exposure of the counterparties is periodically quantified in terms of mark to market of the derivatives and the same-time payment of collateral (cash or treasury bonds) as security for the exposure, should the same exceed an amount agreed by contract.
There are 31 agreements of this kind outstanding with counterparties and 1 with an institutional client: the agreements pertain to about 75% of the current operations in OTC derivatives of the Parent Bank. The rest of the operations is in part backed by collateral.

Loans provided are instead for over 75% covered by collateral or personal guarantees. As far as other types of guarantees are concerned, they are as follows:

- *Pledges on securities deposited at the Bank by clients whose assets are managed or administered;*
- *Mortgages on property, against a reduced amount of mortgage loans disbursed (mainly to employees);*
- *sureties;*
- *Other guarantees (assignment of the credit, etc.).*

2.4. Impaired financial assets

At December 31, 2005, there was only one non-performing loan: the said loan was classified as a watch list loan at the end of 2004.

Quantity-related information

A. Credit Quality

A.1 Impaired and performing exposures: amounts, write-downs, trend, economic and geographic distribution

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

	Non-performing loans	Watchlist loans	Restructured loans	Expired loans	Country risk	Other assets	Total
1. Financial assets held for trading purposes						937,843	937,843
2. Financial assets available for sale						3,541	3,541
3. Financial assets held to maturity						-	-
4. Due from banks						678,809	678,809
5. Due from customers	450					111,192	111,642
6. Financial assets valued at fair value						1,980	1,980
7. Financial assets on disposal						-	-
8. Hedge derivatives						-	-
12.31.2005	**450**	**-**	**-**	**-**	**-**	**1,733,365**	**1,733,815**
12.31.2004	-	768	-	-	-	1,217,046	1,217,814

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

	Impaired assets				Other assets			Total Net exposure
	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure	Gross exposure	Portfolio write-downs	Net exposure	
1. Financial assets held for trading purposes							937,843	937,843
2. Financial assets available for sale					3,541	-	3,541	3,541
3. Financial assets held to maturity							-	-
4. Due from banks					678,809	-	678,809	678,809
5. Due from customers	981	531		450	111,555	363	111,192	111,642
6. Financial assets valued at fair value							1,980	1,980
7. Financial assets on disposal							-	-
8. Hedge derivatives							-	-
12.31.2005	**981**	**531**	**-**	**450**	**793,905**	**363**	**1,733,365**	**1,733,815**
12.31.2004	968	200	-	768	1,217,046	-	1,217,046	1,217,814

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

	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. CASH EXPOSURES				
A.1 Banking Group				
a) Non-performing loans				
b Watchlist loans				
c) Restructured loans				
d) Expired loans				
e) Country risk				
f) Other assets	1,003,124		-	1,003,124
Total A.1	**1,003,124**	**-**	**-**	**1,003,124**
A.2 Other companies				
a) Impaired				
b) Other				
Total A.2	**-**	**-**	**-**	**-**
TOTAL A	**1,003,124**	**-**	**-**	**1,003,124**
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking Group				
a) Impaired				
b) Other	267,529		-	267,529
Total B.1	**267,529**	**-**	**-**	**267,529**
B.2 Other companies				
a) Impaired				
b) Other				
Total B.2	**-**	**-**	**-**	**-**
Total B	**267,529**	**-**	**-**	**267,529**

The "off-balance sheet" loans to banks include all "off-balance sheet" transactions involving the assumption of a credit risk, whatever the nature of the said transaction (trading, hedging, other) and the financial instruments not accounted for in the assets section of the balance sheet (eg. guarantees given and irrevocable commitments to grant finance, put options issued and credit default selling operations connected with credit derivatives).

A.1.4 Cash exposures towards banks: trend of impaired loans and gross exposures subject to country risk

A. Gross opening balance	-	-	-		
- of which: loans sold not written off					
B. Increases					
B.1 transfers from performing loans					
B.2 transfers from other impaired loans categories					
B.3 other increases					
C. Decreases					
C.1 transfers to performing loans					
C.2 write-offs					
C.3 collections					
C.4 loans realised via disposals					
C.5 transfers to other impaired loans categories					
C.6 other decreases					
D. Gross closing balance	-	-	-	-	-
- of which: loans sold not written off					

A.1.5 Cash exposures towards banks: Analysis of total write-downs

	Non-performing loans	Watchlist loans	Restructured loans	Expired loans	Country risk
A. Opening balance of total write-downs	-	-	-	-	-
- of which: loans sold not written off					
B. Increases					
B.1 write-downs					
B.2 transfers from other impaired loans categories					
B.3 other increases					
C. Decreases					
C.1 write-ups from valuations					
C.2 write-ups from collections					
C.3 write-offs					
C.4 transfers to other impaired loans categories					
C.5 other decreases					
D. Ending balance of total write-downs	-	-	-	-	-
- of which: loans sold not written off					

A.1.6 Off-balance sheet cash exposures towards customers: gross and net values

	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. CASH EXPOSURE				
A.1 Banking Group				
a) Non-performing loans	981	531		450
b) Watchlist loans				
c) Restructured loans				
d) Expired loans				
e) Country risk				
f) Other assets	730,604		363	730,241
Total A.1	**731,585**	**531**	**363**	**730,691**
A.2 Other companies				
a) Impaired				
b) Other				
Total A.2	-	-	-	-
TOTAL A	**731,585**	**531**	**363**	**730,691**
B. OFF-BALANCE SHEET EXPOSURES				
B.1 Banking Group				
a) Impaired				
b) Other	65,806		-	65,806
Total B.1	**65,806**	-	-	**65,806**
B.2 Other companies				
a) Impaired				
b) Other				
Total B.2	-	-	-	-
TOTAL B	**65,806**	-	-	**65,806**

The “off-balance sheet” loans to customers include all “off-balance sheet” transactions other than cash transactions involving the assumption of a credit risk, whatever the nature of the said transaction (trading, hedging, other) and the financial instruments not accounted for in the assets section of the balance sheet (eg. guarantees given and irrevocable commitments to grant finance/lending commitments.

A.1.7 Cash exposures towards customers: trend of impaired loans and gross exposures subject to country risk

			Non-performing loans		Watchlist loans	Restructured loans	Expired loans	Country risk
A.	**Gross opening balance**				**968**			
	- of which: loans sold not written off							
B.	**Increases**		**981**					
B.1	transfers from performing loans							
B.2	transfers from other impaired loans categories	968						
B.3	other increases	13						
C.	**Decreases**				**968**			
C.1	transfers to performing loans							
C.2	write-offs							
C.3	collections							
C.4	loans realised via disposals							
C.5	transfers to other impaired loans categories			968				
C.6	other decreases							
D.	**Gross closing balance**		**981**		-	-	-	-
	- of which: loans sold not written off							

A.1.8 Cash exposures towards customers: Analysis of total write-downs

			Non-performing loans		Watchlist loans	Restructured loans	Expired loans	Country risk
A.	**Opening balance of total write-downs**		-		**268**			
	- of which: loans sold not written off							
	a) Opening balance as at 12.31.2004			200				
	b) Impact of FTA as of 1.1.2005 (IAS 32 and 39)			68				
B.	**Increases**		**568**					
B.1	write-downs	300						
B.2	transfers from other impaired loans categories	268						
B.3	other increases		-					
C.	**Decreases**		**37**	**268**				
C.1	write-ups from valuations	37						
C.2	write-ups from collections							
C.3	write-offs							
C.4	transfers to other impaired loans categories			268				
C.5	other decreases							
D.	**Ending balance of total write-downs**		**531**		-	-	-	-
	- of which: loans sold not written off							

The overall initial write-downs include write-downs arising from F.T.A. entries (so-called "first time adoption"), amounting to 68 thousand Euros, as recognised on January 1, 2005 (IAS 39) under the rules on the transition to IAS/IFRS, as described in the chapter on the "Adoption of the new IAS/IFRS international accounting and financial reporting standards," of these Notes to the Financial Statements.
At December 31, 2005, there was only one position, the same one recognised under the Watch List Loans at the end of the preceding year and which, unfortunately , due to the situation deteriorating in the year 2005 has been classified as a Non-performing Loan. Further write-downs in the year and collateral security as recognised in the year provide a correct evaluation of this position.

A.3 Distribution of secured exposures by underlying assets

A.3.1 Secured cash exposures towards banks and customers

	Value of the exposure	Collateral (1)			Personal guarantees (2) Credit derivatives			
		Real estate	Securities	Other assets	Governments	Other public entities	Banks	Other
1. Secured loans to banks:								
1.1 fully secured								
1.2 partly secured								
2. Secured loans to customers:								
1.1 fully secured	183,209	41,970	108,819				130,000	
1.2 partly secured								

	Personal guarantees (2) Endorsement credits				12.31.2005 (1) + (2)
	Governments	Other pubblic entities	Banks	Other	
1. Secured loans to banks:					
1.1 fully secured					
1.2 partly secured					
2. Secured loans to customers:					
1.1 fully secured			634	12.318	293,741
1.2 partly secured					

The table includes loans to customers and banks deriving from financial transactions of the Parent Bank. They also include positions, for an amount of 123,001 thousand Euros, with respect to which the Bank has purchased credit default protection by subscribing credit derivative contracts.

A.3.2 Off-balance sheet secured loans to banks and customers

	Value of the exposure	Collateral (1)			Personal guarantees (2)			
					Credit derivatives			
		Real estate	Securities	Other assets	Governments	Other public entities	Banks	Other
1. Secured loans to banks:								
1.1 fully secured	4,954			54,220				
1.2 partly secured								
2. Secured loans to customers:								
1.1 fully secured	15,403		75,785					
1.2 partly secured								

	Personal guarantees (2)				12.31.2005 (1) + (2)
	Endorsement credits				
	Governments	Other public entities	Banks	Other	
1. Secured loans to banks:					
1.1 fully secured					**54,220**
1.2 partly secured					
2. Secured loans to customers:					
1.1 fully secured					**75,785**
1.2 partly secured					

The table shows the security received from Banks and Customers vis-à-vis operations in derivative contracts by the Parent Bank with such counterparties.

A.3.3 Impaired cash exposures, with underlying security, towards banks and customers

The only impaired position at December 31, 2005 is that to customers which has already been mentioned at the bottom of tables "A.1.7 and A.1.8 Cash exposures towards customers: trend in overall impaired loans and write-downs".
These refer to outstanding loans to customers amounting to a gross exposure of 981 thousand Euros, which net of the specific write-downs, amounts to 450 thousand Euros.
The existing guarantees are represented by a mortgage on property for a value of 1,275 thousand Euros; the gross exposure is therefore covered for 130% .

A.3.4 Impaired off-balance sheet loans to banks and customers, with underlying security

At December 31, 2005 there were no "off balance sheet" impaired positions with banks and customers.

B. Distribution and concentration of credits

B.1 Segment reporting of cash exposures and off-balance sheet exposures towards customers

		A. Cash exposures	A.1 Non-performing loans	A.2 Watchlist loans	A.3 Restructured loans	A.4 Expired loans	A.5 Other exposures	Total
Governments and Central Banks	Gross exposure						88,439	**88,439**
	Specific write-downs						0	**0**
	Portfolio write-downs						0	**0**
	Net exposure						88,439	**88,439**
Other public entities	Gross exposure						17,466	**17,466**
	Specific write-downs						0	**0**
	Portfolio write-downs						0	**0**
	Net exposure						17,466	**17,466**
Financial companies	Gross exposure						121,377	**121,377**
	Specific write-downs						0	**0**
	Portfolio write-downs						46	**46**
	Net exposure						121,377	**121,377**
Insurance companies	Gross exposure						242,834	**242,834**
	Specific write-downs						0	**0**
	Portfolio write-downs						0	**0**
	Net exposure						242,834	**242,834**
Non-financial companies	Gross exposure		602				44,116	**44,718**
	Specific write-downs		333					**333**
	Portfolio write-downs						156	**156**
	Net exposure		269				43,960	**44,229**
Other	Gross exposure		379				216,371	**216,750**
	Specific write-downs		198					**198**
	Portfolio write-downs						160	160
	Net exposure		181				216,211	**216,392**

		B. Off-balance sheet exposures	B.1 Non-performing loans	B.2 watchlist loans	B.3 Other impaired assets	B.4 Other exposures	Total	12.31 2005	12.31 2004
Governments and Central Banks	Gross exposure							**88,439**	64,211
	Specific write-downs								
	Portfolio write-downs								
	Net exposure							**88,439**	64,211
Other public entities	Gross exposure							**17,466**	120,027
	Specific write-downs								
	Portfolio write-downs								
	Net exposure							**17,466**	120,027
Financial companies	Gross exposure					65,806	**65,806**	**187,137**	367,211
	Specific write-downs								
	Portfolio write-downs								
	Net exposure					65,806	**65,806**	**187,183**	367,211
Insurance companies	Gross exposure							**242,834**	192,815
	Specific write-downs							-	
	Portfolio write-downs							-	
	Net exposure							**242,834**	192,815
Non-financial companies	Gross exposure							**44,718**	143,790
	Specific write-downs							**333**	76
	Portfolio write-downs							**156**	
	Net exposure							**44,229**	143,714
Other	Gross exposure							**216,750**	102,742
	Specific write-downs							**198**	124
	Portfolio write-downs							**160**	
	Net exposure							**216,392**	102,618

B.2 Distribution of loans to non financial companies and productive resident families

	12.31.2005	12.31.2004
a) Transport-related services	15,704	5,000
b) Other services to be sold	8,044	19,500
c) Property leasing services	2,243	1,105
d) Textile products	1,114	1,104
e) Wholesale of textiles, clothing items and footwear	580	245
f) Other	1,564	14,145
Total	**29,249**	**41,099**

B.3 Geographic distribution of cash exposures and off-balance sheet exposures towards customers

	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing loans	981	450								
A.2 Watchlist loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other exposures	468,717	468,491	233,090	232,954	26,328	26,328			2,468	2.468
TOTAL	**469,698**	**468,941**	**233,090**	**232,954**	**26,328**	**26,328**	**-**	**-**	**2,468**	**2,468**
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Watchlist loans										
B.3 Other impaired assets										
B.4 Other exposures	65,806	65,806								
TOTAL	**65,806**	**65,806**								
12.31.2005	**535,504**	**534,747**	**233,090**	**232,954**	**26,328**	**26,328**	**-**	**-**	**2,468**	**2,468**
12.31.2004	583,267	583,067	351,086	351,086	29,845	29,845	-	-	26,598	26,598

B.4 Geographic distribution of cash exposures and off-balance sheet exposures towards banks

	Italy		Other European countries		America		Asia		Rest of the world	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing loans										
A.2 Watchlist loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other exposures	292,577	292,577	704,656	704,656	5,865	5,865			26	26
TOTAL	**292,577**	**292,577**	**704,656**	**704,656**	**5,865**	**5,865**			**26**	**26**
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Watchlist loans										
B.3 Other impaired assets										
B.4 Other exposures	267,529	267,529								
TOTAL	**267,529**	**267,529**								
12.31.2005	**560,106**	**560,106**	**704,656**	**704,656**	**5,865**	**5,865**	**-**	**-**	**26**	**26**
12.31.2004	412,579	412,579	81,735	81,735	-	-	-	-	26	26

B.5 Significant exposures

a) Amount	298,352	343,265
b) Number	25	20

Significant exposures are the net weighted exposures, cash exposures and endorsement guarantees, to groups of companies and exposures on securities of the trading portfolio which, under the applicable regulations of the Bank of Italy, exceed the 10% threshold of the consolidated capital for supervisory purposes at December 31, 2005.

C. Assets securitisation and disposal

There are no transactions of this type.

D. Credit risk measurement models

1. 2 Market risks

1.2.1 Interest rate risk - trading portfolio for supervisory purposes

Quality-related information

General aspects
The interest rate risk as regards the trading portfolio is mainly connected with Fixed Income operations. Within this segment of operations, there are three types of operations that may determine for the Parent Bank, an interest rate risk:

- *trading on interest rates, which are operations conducted through the buying and selling of treasury bills and listed derivatives (futures on rates or treasury bills);*
- *placement and trading operations in bonds;*
- *operations in structured securities (securities and derivatives).*

With the exception of trading on interest rates, the policy with the Fixed Income sector is that of minimizing the rate risk from the other two types of operations, with the appropriate hedging operations on listed and unlisted derivatives.
In the year, the main risk was that on the Euro curve. However, as of the end of the first quarter, there were limited exposures on curves other than the Euro one to support the placement operations implemented by the Bank on issues in emerging currencies: in this respect, operations on securities denominated in Turkish Lire were particularly significant.

B. Interest rate risk management processes and measurement methods
The process of risk management and control in Banca Profilo primarily involves the Board of Directors; it falls within their sphere of competence to take strategic decisions on risk assumption policies in the Bank, to decide the objectives that the different areas must pursue and the capital allocated to the same areas.
The choices of the Board of Directors are formalised in a special internal document (Regulations on Market Risks) - reviewed at least yearly - which identifies the managers with respect to operations vis-à-vis the different types of risk and which sets out the system of authorisations and operational limits within which the managers are required to operate.
The Board of Directors, through the members of the Executive Committee, is regularly informed of the level of risks assumed by the different business units and on compliance with the operational limits decided by the same Board.
The functions relating to risk status and its measurement and control are all centrally carried out by a special business unit, the Risks Division. In the company's organisational chart, this Division is under the General Manager; as a department it is separate to and hierarchically independent of the structures assigned to operational risk management.
Within this Division, the Risk Management Office calculates the daily Profit & Loss (P&L) of each portfolio and monitors all of the risk indicators, verifying compliance with the operational limits as established by the Board of Directors.
For each trading portfolio, the Risks Regulations provide for a system of operational limits organised on two levels:

1) *general limits on the risks assumed as regards each portfolio, established in terms of Value at Risk (VaR);*
2) *specific limits for each relevant risk factor, established in terms of sensitivity and curves.*

More specifically, as regards interest rate, the monitoring is based on interest rate sensitivity, in other words, sensitivity of the P&L of the portfolio to 1 basis point move on an interest rate curve. There is an overall limit of sensitivity and then there are specific limits for the single reference curves (Euro, Dollar, etc.) and for single temporal segments of each curve (0-1 year, 1-3 years, etc.).
The interest rate risk, together with the other risk factors, merge in the calculation of the VaR of the trading portfolios. The VaR, calculated for a time frame of 10 working days and for a confidence interval of 99%, is measured by using a parametric approach. The VaR is used solely for measuring risk for internal purposes and not for calculating the regulatory capital requirements as regards market risks.

Quantity-related information
In 2005, the average exposure to interest rate risk pertaining to the trading portfolio amounted to about 28,000 Euros, calculated in terms of interest rate sensitivity for a parallel move of the interest rate curve of 1 basis point.

The table here below shows the sensitivity data referable to December 31, 2005, broken down by curve and time frame of reference:

Trading portfolio - Interest rate risk						
Time Curve/Bucket	0-1 y	1-3 y	3-5 y	5-7 y	7-10+ y	Total
EUR	-8,056	-14,171	-1,602	13,887	-18,944	-28,886
TRY	-523	2,511	3,438	-11,921	744	-5,752
Other curves	-443	-41	-4	2	-24	-509
Total	**-9,022**	**-11,701**	**1,832**	**1,969**	**-18,225**	**-35,147**

Interest Rate Sensitivity (+1 bp) at 12.31.2005

The main exposure is on the Euro curve. There is also an exposure on the Turkish Lire curve (TRY), owing to the effect of the securities subscribed on the primary market as a result of placement operations and the related hedging derivatives.
Also shown in this graph is the trend of the VaR of the trading portfolio in the year 2005, though this indicator refers to the risks of the portfolio as a whole and not just to interest rate risk: therefore, in the calculation of the VaR, all the other risk factors also merge (issuer, price and the exchange rate risk).
The VaR limit (10dd, 99%) for the entire Finance Area amounts to 6.5 million Euros: there are different VaR limits for single departments.
The graph here below shows the trend of the VaR in the year: the average value for the year 2005 amounted to about 2 million Euros, surging to 3.8 million Euros, which was reached in January. On average, the VaR limit was used the most in the first half of the year.

Thousand of Euros

1.2.2 – Interest rate risk - banking portfolio

Quality and quantity-related information

The interest rate risk referring to the banking portfolio is very small: indeed, if one excludes the trading portfolio, the Bank's capital structure is mainly made up of on-demand or variable rate assets and liabilities.
As far as loans are concerned, loans to customers are practically all at variable rate.
As far as deposits are concerned, all the bond issues by the Bank are at variable or indexed rate; deposits from customers are typically on demand. The only fixed rate form of deposit are the interbank deposits, with an average duration that is under one month.
In terms of interest rate sensitivity, at December 31, 2005, the exposure to interest rate risk as regards the banking portfolio amounted to about +1,500 Euro for an increase of 1 basis point of the interest rates.
Owing to this limited exposure, the Bank has neither micro- nor macro-hedge transactions on interest rate risk.

1.2.1.bis Issuer risk – trading portfolio

Quality-related information

A. General aspects
The issuer risk is inherent in Fixed Income operations and makes up the main risk factor vis-à-vis the trading portfolio.
The fixed income area, deals in a portfolio of bonds and credit default swaps on national and international issuers for trading and arbitrage purposes, exposing the company to the risk of unfavourable variations of the credit spread associated with such issuers.
At December 31, 2005, the Bank had credit default swaps amounting to a nominal of 786 million Euros, 590 million of which for credit default buying and 196 million of which for credit default selling: credit derivatives are used for hedging against the issuer risk as regards securities in the portfolio or, given their high liquidity, for trading short term vis-à-vis certain issuers.
Alongside the trading/arbitrage operations, in 2005, this area took part in numerous underwriting syndicates, firm-commitment underwriting of securities later sold to institutional investors: the said operations, which typically refers to supranational or corporate issues with a very high rating (AA or AAA), involves an issuer risk covering the period in which the securities are on the Bank's books.

B. Issuer risk management processes and measurement methods
The processes for the management and measurement of issuer risk are the same as those applicable to interest rate risk: please refer to the pertinent paragraph for a description of the bodies and offices involved, operational limits systems and the internal model for calculating the VaR.
As far as specific issuer risk indicators are concerned, monitoring is carried out in terms of spread sensitivity, in other words, sensitivity of the P&L of the portfolio to 1 basis point moves of the credit spread associated with the issuers involved.
As well as at an overall level, the Risk Regulations provide for limits amounts and spread sensitivity by rating category and limits of concentration by single issuer (on the basis of rating).
The system of limits is structured so that it favours exposure on higher rated issuers (from A- upwards), involving fewer risks in terms of both default likelihood and market spread variability.

Quality-related information
In the year 2005, the average exposure of the trading portfolio to the issuer risk amounted to about 68,000 Euros in terms of spread sensitivity, calculated for a 1 basis point move of the credit spread associated with the issuers in the portfolio.
The table shown here below provides accurate figures of spread sensitivity referable to December 31, 2005, broken down by rating category and type of financial instrument (bonds and credit default swaps):

Instrument/Rating	AAA…AA-	A+…A-	BBB+…BBB-	Spec. Grade	Total
Bond securities	-46,381	-79,361	-38,710	-2,958	-167,409
Credit Default Swap	15,718	26,711	29,465	1,674	73,568
Total	**-30,663**	**-52,649**	**-9,246**	**-1,283**	**-93,841**

Spread Sensitivity (+1 bp) as at 12.31.2005

The table shows that:
- *the exposures is greater on higher rating categories (almost 90% in the first two rating categories and over 98% in investment grade issuers);*
- *credit default swaps are mainly used for hedging against issuer risk, reducing by over 60% the exposure of the trading portfolio to this risk factor.*

1.2.3 – Price risk – trading portfolio for supervisory purposes

Quality-related information

A. General aspects
Equity risk is mainly associated with the operations in the Equity area.
The operations carried out in the equity area are generally in arbitrage, concomitantly with share capital increases or public or exchange offer launches: the said operations, given that they involve the assumption positions

with an opposite sign on two securities or on shares and warrants , involved somewhat contained management risks.
The operations are mainly carried out on the domestic equity market.
The Fixed Income area may also sporadically assume price risks in operations on convertible bonds or in structured securities and derivatives when the same are indexed to equity baskets. However, this type of operation will at all times be backed by hedging operations in futures on indexes or OTC derivatives so that the related equity risks is kept to a minimum.

B. Price risk management processes and measurement methods
The processes for the management and measurement of price risk are the same as those applicable to interest rate risk: please refer to the pertinent paragraph for a description of the bodies and offices involved, operational limits systems and the internal model for calculating the VaR.
As far as specific indicators for the equity risk are concerned, there are limits provided for on the overall position and concentration limits on single equities: the latter are diversified on the basis of the stock market on which the shares and their float are listed.

Quantity-related information
In the year 2005, the average amount of the equity portfolio was about 8.1 million Euros.
Operations in this segment were mainly carried out on the domestic market or, at any rate, almost entirely on European equity markets.
The table here below shows the equity exposure of the trading portfolio at December 31, 2005, calculated as variation of the P&L against an 1% equity price variation:

Listing market	Italy	Germany	Japan	France	Netherlands	Other	Total
Share exposure	114,993	-30,860	11,251	6,208	3,971	5,886	111,449

Share prices sensitivity (+1%) as at 12.31.2005

1.2.5 – Exchange rate risk

Quality-related information

A. General aspects: exchange rate risk management processes and measurement methods
The exchange rate risk management of the Bank falls to the Treasury Desk, which operates as part of the Fixed Income Area.
Organisational and computer flows ensure that all the information on operations in exchange rates on behalf of clients and the other trading desks reach the Treasury daily, which merges the said flows in its own exchange rate daily position.
The Treasury operates at all times within the overall limit of open position in exchange rates and within the limits of positions on the single currencies, established in the Risk Regulations.
Within the limits aforementioned, the Treasury carries out a contained trading activity on exchange rates, with spot and forward operations and in options. The currencies the bank mostly deals in, for exchange rate operations, are the US Dollar, the British Pound and the Japanese Yen.
As with other risk factors, the exchange rate risk too is taken into account for the daily calculation of the VaR, on the basis of the methodology explained in the foregoing with respect to the interest rate risk.

B. Operations for hedging against exchange rate risk
At the reference of December 31, 2005, there were no operations to hedge against exchange rate risk.

Quantity-related information
In the year 2005, the bank's open position in exchange rates averaged 4.1 million Euros.
The bank's open position in exchange rates is calculated as the greater amount between the sum of long positions and the sum of short positions on single currencies.
At December 31, 2005, the Bank's exposure to a 1% variation of the ratio of the Euro against the different foreign currencies, is shown in the table here below:

Currency	USD	JPY	NZD	AUD	CHF	Other	Total
Exchange rate exposure	23,345	-3,234	1,723	1,110	0,769	2,012	25,725

Sensitivity to exchange rates against euro (+1%) as at 12.31.2005

1.2.6 Financial derivative instruments

A. financial derivatives

A.1 Trading portfolio for supervisory purposes: face values at the end of the year

	Debt securities and interest rates		Share capital securities and equity indices		Exchange rate and gold	
	Listed	Not listed	Listed	Not listed	Listed	Not listed
1. Forward rate agreement						
2. Interest rate swap		1,530,641				
3. Domestic currency swap						
4. Currency interest rate swap						
5. Basis swap		517,000				
6. Equity swap						
7. Swaps on real indices						
8. Futures	233,700					
9. Cap options						
- purchased		140,500				
- issued		527,415				
10. Floor options						
- purchased		150,000				
- issued						
11. Other options						
- purchased						
- plain vanilla		20,000	3,861	102,581		18,652
- exotic				181,998		375
- issued						
- plain vanilla		145,000	3,863	100,795		
- exotic		5,000		234,269		
12. Forward contracts						
- purchases						279,099
- sales						217,931
- currencies against other currencies						35,228
13. Other derivative contracts		248,014				
Total	**233,700**	**3,283,570**	**7,724**	**619,643**	**-**	**551,285**

	Other values		12.31.2005		12.31.2004	
	Listed	Not listed	Listed	Not listed	Listed	Not listed
1. Forward rate agreement					-	-
2. Interest rate swap			-	1,530,641		846,862
3. Domestic currency swap			-	-		
4. Currency interest rate swap			-	-		
5. Basis swap			-	517,000		162,000
6. Equity swap			-	-		
7. Swaps on real indices			-	-		
8. Futures			233,700	-	240,950	66,000
9. Cap options			-	-		
- purchased			-	140,500		32,250
- issued			-	527,415		58,329
10. Floor options			-	-		
- purchased			-	150,000		
- issued			-	-		3,250
11. Other options			-	-		
- purchased			-	-		
- plain vanilla			3,861	141,233	4,644	115,426
- exotic			-	182,373		169,320
- issued			-	-		
- plain vanilla			3,863	245,795	4,651	269,482
- exotic			-	239,269		111,965
12. Forward contracts			-	-		
- purchases			-	279,099		
- sales			-	217,931		
- currencies against other currencies			-	35,228		
13. Other derivative contracts	113		113	248,014		443,491
Total	**113**	**-**	**241,537**	**4,454,498**	**250,245**	**2,278,375**

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

		Debt securities and interest rates		Share capital securities and equity indices		Exchange rate and gold	
		Listed	Not listed	Listed	Not listed	Listed	Not listed
A.	**Trading portfolio for supervisory purposes:**						
1.	Transactions with capital swap						
	- Purchases	28,500	70,000	3,861	112,580		228,593
	- Sales	29,200		3,863	110,795		113,205
	- Currencies against other currencies						
2.	Transactions without capital swap						
	- Purchases		1,518,641		171,998		69,532
	- Sales	176,000	1,694,929		224,269		104,725
	- Currencies against other currencies						35,228
B.	**Banking portfolio:**						
B.1	**Hedging**						
1.	Transactions with capital swap						
	- Purchases						
	- Sales						
	- Currencies against other currencies						
2.	Transactions without capital swap						
	- Purchases						
	- Sales						
	- Currencies against other currencies						
B.2	**Other derivatives**						
1.	Transactions with capital swap						
	- Purchases						
	- Sales						
	- Currencies against other currencies						
2.	Transactions without capital swap						
	- Purchases						
	- Sales						
	- Currencies against other currencies						

		Other values	12-31-2005		12-31-2004	
A.	**Trading portfolio for supervisory purposes:**					
1.	Transactions with capital					
	- Purchases	113	32,361	411,173		211,770
	- Sales		33,063	224,000		284,416
	- Currencies against other currencies		-		-	
2.	Transactions without capital swap					
	- Purchases		-	1,760,171	78,700	933,011
	- Sales		176,000	2,023,923	171,545	849,178
	- Currencies against other currencies		-	35,228		
B.	**Banking portfolio:**					
B.1	**Hedging**					
1.	Transactions with capital swap					
	- Purchases					
	- Sales					
	- Currencies against other currencies					
2.	Transactions without capital swap					
	- Purchases					
	- Sales					
	- Currencies against other currencies					
B.2	**Other derivatives**					
1.	Transactions with capital swap					
	- Purchases					
	- Sales					
	- Currencies against other currencies					
2.	Transactions without capital swap					
	- Purchases					
	- Sales					
	- Currencies against other currencies					

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

	Debt securities and interest rates			Share capital securities and equity indices		
	Gross - not offset	Gross - offset	Future exposure	Gross - not offset	Gross - offset	Future exposure
A. Trading portfolio for supervisory purposes						
A.1 Governments and Central Banks						
A.2 Public entities						
A.3 Banks	22,053	22,053	14,623	16,247	16,247	12,414
A.4 Financial companies	12,951	12,951	3,256	23,495	23,495	7,425
A.5 Insurance companies						
A.6 Non-financial companies						
A.7 Other						
Total 12.31.2005	**35,004**	**35,004**	**17,879**	**39,742**	**39,742**	**19,839**
Total 12.31.2004	**17,929**	**17,929**	**9,143**	**43,586**	**43,586**	**21,357**
B. Banking portfolio						
A.1 Governments and Central Banks						
A.2 Public entities						
A.3 Banks						
A.4 Financial companies						
A.5 Insurance companies						
A.6 Non-financial companies						
A.7 Other						
Total 12.31.2005	-	-	-	-	-	-
Total 12.31.2004	-	-	-	-	-	-

	Exchange rates and gold			Other valuables			Different underlying assets	
	Gross - not offset	Gross - offset	Future exposure	Gross - not offset	Gross - offset	Future exposure	Offset	Future exposure
A. Trading portfolio for supervisory purposes								
A.1 Governments and Central Banks								
A.2 Public entities	123	123	65					
A.3 Banks	15,618	15,618	3,390					
A.4 Financial companies	2,126	2,126	1,976					
A.5 Insurance companies								
A.6 Non-financial companies								
A.7 Other	45	45	53					
Total 12.31.2005	**17,912**	**17,912**	**5,484**	-	-	-	-	-
Total 12.31.2004	**905**	**905**	**316**	-	-	-	-	-
B. Banking portfolio								
A.1 Governments and Central Banks								
A.2 Public entities								
A.3 Banks								
A.4 Financial companies								
A.5 Insurance companies								
A.6 Non-financial companies								
A.7 Other								
Total 12.31.2005	-	-	-	-	-	-	-	-
Total 12.31.2004	-	-	-	-	-	-	-	-

A.5 "over the counter" financial derivatives: negative fair value - financial risk

	Debt securities and interest rates			Share capital securities and equity indices		
	Gross - not offset	Gross - offset	Future exposure	Gross - not offset	Gross - offset	Future exposure
A. Trading portfolio for supervisory purposes						
A.1 Governments and Central Banks						
A.2 Public entities						
A.3 Banks	26,971	26,971	11,042	36,707	36,707	18,497
A.4 Financial companies	4,541	4,541	2,663	9,179	9,179	2,592
A.5 Insurance companies						
A.6 Non-financial companies						
A.7 Other						
Total 12.31.2005	**31,512**	**31,512**	**13,705**	**45,886**	**45,886**	**21,089**
Total 12.31.2004	**10,381**	**10,381**	**4,671**	**43,836**	**43,836**	**20,612**
B. Banking portfolio						
A.1 Governments and Central Banks						
A.2 Public entities						
A.3 Banks						
A.4 Financial companies						
A.5 Insurance companies						
A.6 Non-financial companies						
A.7 Other						
Total 12.31.2005	-	-	-	-	-	-
Total 12.31.2004	-	-	-	-	-	-

	Exchange rates and gold			Other valuables			Different underlying assets	
	Gross - not offset	Gross - offset	Future exposure	Gross - not offset	Gross - offset	Future exposure	Offset	Future exposure
A. Trading portfolio for supervisory purposes								
A.1 Governments and Central Banks								
A.2 Public entities	13	13	14					
A.3 Banks	11,538	11,538	5,604					
A.4 Financial companies	30,198	30,198	2,911					
A.5 Insurance companies								
A.6 Non-financial companies	304	304	51					
A.7 Other	489	489	763					
Total 12.31.2005	**42,542**	**42,542**	**9,343**	-	-	-	-	-
Total 12.31.2004	**1,508**	**1,508**	**422**	-	-	-	-	-
B. Banking portfolio								
A.1 Governments and Central Banks								
A.2 Public entities								
A.3 Banks								
A.4 Financial companies								
A.5 Insurance companies								
A.6 Non-financial companies								
A.7 Other								
Total 12.31.2005	-	-	-	-	-	-	-	-
Total 12.31.2004	-	-	-	-	-	-	-	-

A.6 Residual life of "over the counter" financial derivatives: face values

	Underlying assets/Residual life	Up to 1 year	Over 1 year, up to 5 years	Over 5 years	Total
A.	**Trading portfolio for supervisory purposes**				
A.1	Financial derivatives on debt securities and interest rates	207,800	1,455,270	1,620,500	3,283,570
A.2	Financial derivatives on share capital securities and equity indices	392,213	227,431		619,644
A.3	Financial derivatives on exchange rates and gold	354,380	139,367	57,537	551,284
A.4	Financial derivatives on other valuables				
B.	**Banking portfolio**				
A.1	Financial derivatives on debt securities and interest rates				
A.2	Financial derivatives on share capital securities and equity indices				
A.3	Financial derivatives on exchange rates and gold				
A.4	Financial derivatives on other valuables				
	Total 12.31.2005	**954,393**	**1,822,068**	**1,678,037**	**4,454,498**
	Total 12.31.2004	**505,724**	**1,137,879**	**885,017**	**2,528,620**

B. CREDIT DERIVATIVES

B.1 Credit derivatives :face values at the end of the period

	Trading portfolio for supervisory purposes		Other transactions	
	on one single object	on more than one object (basket)	on one single object	on more than one object (basket)
1. Credit default protection buying operations				
1.1 With capital swap (1) (with specific indication of type of contract)	550,151			
1.2 Without capital swap (with specific indication of type of contract)		40,000		
Total 12.31.2005	**550,151**	**40,000**	**-**	**-**
Total 12.31.2004	**442,000**			
2. Credit default protection selling operations				
2.1 With capital swap (with specific indication of type of contract)	171,195			
2.2 Without capital swap (with specific indication of type of contract)		25.000		
Total 12.31.2005	**171,195**	**25,000**	**-**	**-**
Total 12.31.2004	**112,000**			

B.2 Credit derivatives: positive fair value - counterparty risk

		Face value	Positive fair value	Future exposure
A.	**TRADING PORTFOLIO FOR SUPERVISORY PURPOSES**			
A.1	**Credit default protection buying operations with counterparties:**			
1.	Governments and Central banks			
2.	Other public entities			
3.	Banks	96,434	1.259	2,760
4.	Financial companies	49,239	298	564
5.	Insurance companies			
6.	Non-financial companies			
7.	Other			
A.2	**Credit default protections selling operations with counterparties:**			
1.	Governments and Central banks			
2.	Other public entities			
3.	Banks	100,000	514	1,375
4.	Financial companies	16,000	212	155
5.	Insurance companies			
6.	Non-financial companies			
7.	Other			
B.	**BANKING PORTFOLIO**			
B.1	**Credit default protection buying operations with counterparties:**			
1.	Governments and Central banks			
2.	Other public entities			
3.	Banks			
4.	Financial companies			
5.	Insurance companies			
6.	Non-financial companies			
7.	Other			
B.2	**Credit default protection selling operations with counterparties:**			
1.	Governments and Central banks			
2.	Other public entities			
3.	Banks			
4.	Financial companies			
5.	Insurance companies			
6.	Non-financial companies			
7.	Other			
	Total 12.31.2005	**261,673**	**2,283**	**4,854**
	Total 12.31.2004	**187,000**	**840**	**2,100**

B.3 Credit derivatives: negative fair value - financial risk

TRADING PORTFOLIO FOR SUPERVISORY PURPOSES			
1.	**Credit default protection buying operations with counterparties:**		
1.1	Governments and Central banks		
1.2	Other public entities		
1.3	Banks	369,478	1,409
1.4	Financial companies	75,000	406
1.5	Insurance companies		
1.6	Non-financial companies		
1.7	Other		
	Total 12.31.2005	**444,478**	**1,815**
	Total 12.31.2004	**367,000**	**1,314**

B.4 Residual life of derivative contracts on receivables: face values

		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.	**TRADING PORTFOLIO FOR SUPERVISORY PURPOSES**				
A.1	Credit derivatives with "qualified" "reference obligation"	99,956	656,390	30,000	786,346
A.2	Credit derivatives with "non-qualified" "reference obligation"				
B.	**BANKING PORTFOLIO**				
B.1	Credit derivatives with "qualified" "reference obligation"				
B.2	Credit derivatives with "non-qualified" "reference obligation"				
	Total 12.31.2005	**99,956**	**656,390**	**30,000**	**786,346**
	Total 12.31.2004		**554,000**		**554,000**

1.3 – Liquidity risk

Quality-related information

For the Group, the liquidity risk is represented by the possibility that the Parent Bank might be unable to honour its payment due dates, on account of being unable to retrieve new funds or sell assets on the market.
Given the current capital structure of Banca Profilo, there is no risk of temporal mismatch between deposit-taking and investments: sources of medium/long term deposits (capital, bond issues), typically exceed medium to long term investments (loans repayable on agreed dates, equity investments, fixed assets).
Sources of demand deposits or very short term deposits (funds in customers' current accounts, interbank deposits) exclusively provide for that share of trading portfolio which is not directly funded on the market through repo operations: some bonds, shares, accumulation policies.
This share of the trading portfolio too, is, at any rate, represented by instruments that are easy to liquidate, that can be sold on the spot should a crisis of liquidity occur: these are securities listed on regulated markets (shares or bonds) o redeemable in a few days (7-15 dd) upon the bank's request (accumulation policies).
The management of liquidity is entrusted to the Treasury desk which operates as part of the Fixed Income Area where all of the Bank's flows are centred.
To protect against liquidity risk , the Risk Regulations provide for the following:

- *a limit to net investments of each trading area;*
- *a warning threshold for resorting to the interbank market; once this threshold has been reached the Manager of the Fixed Income Area will be required to adopt or suggest to the Executive Committee a set of corrective measures to bring back liquidity needs to healthier limits.*

Quantity-related information

1. Time distribution by residual contractual date of financial assets and liabilities - Denomination in: **EUR**

Items/Time ranges	On demand	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years
Cash assets									
A.1 Government securities					13,270	2	10,613	29,612	37,618
A.2 Listed debt securities		15			1,123	630	30,812	119,864	160,259
A.3 Other debt securities		4,498				171	208	263,948	22,102
A.4 Shares in UCIs	24,536								
A.5 Loans									
- Banks	81,774	32,903		554,637					
- Customers	54,273		27,105		14,174		795	3,290	10,892
Cash liabilities									
B.1 Deposits									
- Banks	235,698	93,629		61,396	35,260				
- Customers	138,743	67,512		711,315	4,353			441	
B.2 Debt securities	15,078				902		4,964	12,414	22,867
B.3 Other liabilities									
"off-balance sheet" transactions									
C.1 Financial derivatives with capital swap									
+ long positions				3,460	7,313	3,320	3,919	11,404	6
+ short positions				-3,460	-7,320	-3,503	-3,837	-16,918	-1,230
C.2 Deposits and loans to be collected									
+ long positions									
+ short positions									
C.3 Commitments to grant finance									
+ long positions		15,705	7,235	22,469	41,919	13,750	22,085	172,906	15,000
+ short positions		13,200	10,234	24,974	38,920	13,156	14,925	183,500	12,160

1. Time distribution by residual contractual date of financial assets and liabilities - Denomination in: **TRY**

Cash assets									
A.1 Government securities									
A.2 Listed debt securities							39	18,902	71,937
A.3 Other debt securities								678	
A.4 Shares in UCIs									
A.5 Loans									
- Banks	90				7,213				
- Customers									
Cash liabilities									
B.1 Deposits					3,608				
- Banks									
- Customers									
B.2 Debt securities									7,057
B.3 Other liabilities									
"off-balance sheet" transactions									
C.1 Financial derivatives with capital swap									
+ long positions							1,002	5,096	213
+ short positions							-65	-5,953	-2,332
C.2 Deposits and loans to be collected									
+ long positions									
+ short positions									
C.3 Commitments to grant finance									
+ long positions		1,907	3,752						
+ short positions		4,257	1,402						

1. Time distribution by residual contractual date of financial assets and liabilities - Denomination in: **RESIDUAL**

Items/Time ranges	On demand	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years
Cash assets									
A.1 Government securities									
A.2 Listed debt securities							70	18,080	495
A.3 Other debt securities								207	
A.4 Shares in UCIs	1.125								
A.5 Loans									
- Banks	2,192								
- Customers	1,113								
Cash liabilities									
B.1 Deposits									
- Banks	4			24,436			19,066		
- Customers	635			7,537					
B.2 Debt securities									
B.3 Other liabilities									
"off-balance sheet" transactions									
C.1 Financial derivatives with capital swap									
+ long positions				47		167	49		
+ short positions				-47		-142			
C.2 Deposits and loans to be collected									
+ long positions									
+ short positions									
C.3 Commitments to grant finance									
+ long positions		1,246	50						
+ short positions		1,200	96						

2. Segment reporting of financial liabilities

1. Due to customers	44	-	668,011	141,518	35.446	85.517
2. Securities outstanding						50.132
3. Financial liabilities held for trading purposes			27,439	4,786	7,446	121,110
4. Financial liabilities valued at fair value	-	-	-	-	-	-
Total 12.31.2005	**44**	**-**	**695,450**	**146,304**	**42,892**	**256,759**
Total 12.31.2004	**21**	**9,456**	**470,630**	**16,107**	**40,865**	**139,955**

Financial liabilities held for trading purposes towards Banks are reported in the column "Other".

3. Geographic distribution of financial liabilities

1. Due to customers	134,334	796,202			
2. Due to banks	244,456	174,221	54,420		
3. Securities outstanding	50,132				
4. Financial liabilities held for trading purposes	59,326	90,611	10,844		
5. Financial liabilities valued at fair value	-	-	-		
Total 12.31.2005	**488,248**	**1.061,034**	**65,264**	**-**	**-**
Total 12.31.2004	**438,173**	**673,445**	**6,265**	**-**	**1,722**

1.4 – Operating risks

Quality-related information

Operating risk refers to the risk of incurring financial losses owing inadequate internal processes or break-downs thereof, or human errors, malfunctions and shortcomings of technological systems or failures caused by external events.
There are several organisational structures that have been set up to protect against and manage operating risks; such systems serve a fundamental purpose within the Bank and the Group:

- *The Organisation, which defines and formally sets out the internal procedures by which the several offices abide so as to ensure maximum efficiency of the company as a whole and ensure the appropriate level of control over operations;*
- *The Safety Office the task of which is to control and maintain levels that ensure physical safety, IT safety policies and the safety of workers in the company;*
- *the Information Technology department sees to it that a service and safety level is maintained at all times vis-à-vis on-line facilities, hardware equipment, the software distributed, the software relating to the company's main information system, protection and authorisation systems;*
- *the Internal Audit department ensures that the different units of the Bank duly comply with internal procedures and reports on any anomalies or criticalities.*

As far as Business Continuity is concerned, over the years the Bank has further developed and upgraded its technical/organisational systems so as to ensure high standards of business continuity to customers, counterparties and the market at large.
From an operational point of view, all critical IT equipment was disposed of, regular back up copies of data are done and stored in safe locations; specific organisational procedures have been set out to deal with events of non-availability of one or more branches.
As for Disaster Recovery, i.e. the set of measures designed to govern the unavailability of data processing centres in the event of a disaster or unforeseen circumstances, the Bank, through its CSE outsourcer, is equipped with a processing site as alternative to that used in the ordinary course of business that can cater for all the traditional banking procedures; the Bank is also looking into the possibility of setting one up to provide for all the other applications, too.
The subject of business continuity management is currently being addressed through a project that is underway; its completion is expected by the end of the year 2006. The model adopted is in line with the provisions of Bank of Italy and A.B.I. guidelines.
As for issues connected with environmental safety (health of workers - Legislative Decree 626/1994), the office designated to this task carries out on a yearly basis an inspection at every branch, assigning a score to the different risk factors identified (on the basis of the likelihood of the event occurring and the severity of the expected loss): on the basis of this evaluation, the bank sets out priorities in the ensuing action plan for the removal of the risk factors.
In compliance with provisions on privacy (Privacy Consolidated Act - Legislative Decree 196/2003), every year the vulnerability of the company's IT system is evaluated and an external service provider is assigned with the execution of an intrusion test from the inside and outside of the local data transmission network. In addition, in 2005, a new software was purchased that specifically manages, evaluates and provides statistics on the risks: the said software is designed to upgrade the system that identifies and provides a history of safety events within the sensitive sectors of the company's IT systems.
At December 31, 2005, there are no significant legal proceedings pending, that is, legal actions that can potentially produce significant losses for the Bank and for the Group.
At present, there is no internal model for quantifying operational risks: the Bank will use the standardised method for quantifying regulatory requirements for operational risks.

SECTION 2 - RISKS OF INSURANCE COMPANIES

The Banca Profilo Group is not engaged in insurance operations.

SECTION 3 - RISKS OF OTHER COMPANIES

At present, the other company included in the scope of consolidation, but not part of the banking Group, does not carry out operations that are relevant in terms of credit and market risk; operations are at any rate closely overseen and monitored by the Parent Bank, Banca Profilo

Part F - Information on the consolidated capital

SECTION 1 – CONSOLIDATED CAPITAL

The capital of the Group consists of the Capital, share premium accounts, the other Reserves inclusive of profits/losses carried forward.
The obligatory capital requirements which the bank abides by are those provided for in the legislation on capital and prudential ratios issued by the Supervisory Authority.
Compliance therewith is ensured through a process of constant control and monitoring carried out by the specifically designated offices of the Parent Company, Banca Profilo.
More specifically, with reference to lending operations as performed by the Parent Company, only, to entities other than banks, insurance companies and financial brokers, it is hereby noted that, precisely with a view to ensuring and monitoring the capital requirements as requested by the Supervisory Authority, the said operations mainly pertain to "private banking" customers and is conditional upon the creation of appropriate guarantees; the said operations are, at any rate, ancillary to the management of the relationship with medium-to-high bracket customers.
Lending to companies is instead a completely marginal activity of the bank. With regard to the future also, lending operations will continue to be restricted and ancillary to those typical of Private Banking and will continue to be backed by suitable collateral and personal guarantees.
In terms of the current situation and expectations for the future, the current organisational structure and the control procedures in place ensure a healthy and prudent management.

SECTION 2 – THE CAPITAL AND ADEQUACY RATIOS

2.1 Capital for supervisory purposes

A. Quality-related Information

Banca Profilo SpA Corso Italia, 49 - Milan is required to submit to the Supervisory Authority Information on the individual Capital for supervisory purposes and on the prudential ratios, as required under applicable regulations. As Parent Bank of the homonymous Banking Group, it is also required to submit Information on a consolidated basis regarding the Capital for supervisory purposes and the prudential ratios.

1. Tier 1 capital
Tier 1 capital consists of the Share Capital, the share premium accounts and the other reserves net of the negative elements represented by own shares of the parent bank in portfolio, goodwill and other intangible fixed assets.

2. Tier 2 capital
Banca Profilo Group has no Tier 2 capital.

3. Tier 3 capital
Banca Profilo Group has no instruments that fall within the Tier 3 capital category.

B. Quantity-related information

A. Tier 1 capital before the application of the minimum requirements for supervisory purposes	**93,487**	**90,223**
Minimum requirements for supervisory purposes for the Tier 1 capital		
- Positive IAS/IFRS minimum requirements for supervisory purposes	-	-
- Negative IAS/IFRS minimum requirements for supervisory purposes	-	1,000
B. Tier 1 capital after the application of the minimum requirements for supervisory purposes	**93,487**	**89,223**
C. Tier 2 capital before the application of the minimum requirements for supervisory purposes	**-**	**-**
Minimum requirements for supervisory purposes for the Tier 2 capital		
- Positive IAS/IFRS minimum requirements for supervisory purposes	-	-
- Negative IAS/IFRS minimum requirements for supervisory purposes	-	-
D. Tier 2 capital after the application of the minimum requirements for supervisory purposes	**-**	**-**
E. Total Tier 1 and Tier 2 capital after the application of the minimum requirements for supervisory purposes	**93,487**	**89,223**
Components to be deducted from the total of Tier 1 and Tier 2 capital	-	-
F. Capital for supervisory purposes	**93,487**	**89,223**

2.3 Capital adequacy

A. Quality-related Information

Operations of the Group in matter of capital adequacy are to be entirely referred to the Parent Bank, Banca Profilo.

B. Quantity-related information

	Non-risk weighted balances		Risk weighted balances / requirements	
	12.31.2005	12.31.2004	12.31.2005	12.31.2004
A. RISK WEIGHTED ASSETS				
A.1 CREDIT RISK	496,221	478,932	20,767	16,645
STANDARD METHOD				
CASH ASSETS				
1. Exposures (other than share capital securities and other subordinated assets) towards (or guaranteed by):				
1.1 Governments and Central Banks				
1.2 Public entities	6,124	4,819		
1.3 Banks	205,254	167,881	41,051	10,077
1.4. Other (other than residential and non-residential mortgages)				
2. Residential mortgages	4,516	176	2,258	88
3. Non-residential mortgages	4,761		4,761	
4. Shares, equity investments and subordinated assets	3,795	4,321	3,795	4,321
5. Other cash assets	219,580	235,430	200,225	183,107
OFF-BALANCE SHEET ASSETS				
1. Guarantees and commitments to (or guaranteed by):				
1.1 Governments and Central Banks				
1.2 Public entities				
1.3 Banks	629	18	63	4
1.4. Other	51,562	66,287	7,430	10,462
2. Derivative contracts towards (or guaranteed by):				
2.1 Governments and Central Banks				
2.2 Public entities				
2.3 Banks				
2.4 Other				
B. MINIMUM REQUIREMENTS FOR SUPERVISORY PURPOSES				
B.1 CREDIT RISK			20,767	16,645
B.2 MARKET RISK (1)	43,446	33,671		
1. STANDARD METHOD (2)				
of which:				
+ position risk on debt securities			24,442	24,083
+ position risk on share capital securities			15,011	6,181
+ position risk on exchange rates			451	
+ other risks			3,542	3,407
2. INTERNAL MODELS				
of which:				
+ position risk on debt securities				
+ position risk on share capital securities				
+ position risk on exchange rates				
B.3 OTHER MINIMUM REQUIREMENTS FOR SUPERVISORY PURPOSES			-	-
B.4 TOTAL MINIMUM REQUIREMENTS FOR SUPERVISORY PURPOSES (B1+B2+B3)			64,213	50,316
C. RISK-WEIGHTED ASSETS AND ADEQUACY RATIOS				
C.1 Risk-weighted assets			802,662	628,947
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)		11.65%	14.35%	
C.3 Capital for supervisory purposes/Risk-weighted assets (Total capital ratio)		11.65%	14.19%	

(1) Market risks involves the portfolio of financial assets held for trading purposes.
(2) The standard methodology also includes settlement and counterparty risks.

Part G - Merger operations regarding companies or business units

Banca Profilo Group did not carry out in the year 2005 and after closing merger operations involving companies or business units covered in part G.

Part H - Operations with related parties

This information is provided in the Notes to the Financial Statements of the individual Parent Company, Banca Profilo S.p.A.

Part I - Share-based payment agreements

This section provides information on share-based payments that in the balance sheet are recognised among the "reserves" (items 170 of the liabilities section).
Further information can be found in the Report on Operations.

A. Quality-related information

1. Description of share-based payments
The stock option plans have been issued by the Parent Bank for its employees; they all have the same characteristics though different expiration dates depending on the plans. The option, on all the plans, is exercisable at the expiration date, at the strike price equal to the nominal amount of the share.

B. Quantity-related information

1. 1. Annual variations
Aggregate of consolidated companies

Items / Number of options and exercise price	Banking group		Other companies		Total			
					12.31.2005	12.31.2005	12.31.2004	12.31.2004
	Number	Average exercise prices	Number	Average exercise prices	Number	Average exercise prices	Number	Average exercise prices
A. Opening balances	4,866,500	0.52			4,866,500	0.52	3,572,000	0.52
B. Increases								
B.1 New issues	410,000	0.52			410,000	0.52	2,156,500	
B.2 Other variations								
C. Decreases								
C.1 Written-off	84,500				84,500		77.000	
C.2 Exercised	1,073,000	0.52			1,073,000	0.52	785.000	0.52
C.3 Expired								
C.4 Other variations								
D. Ending balances	4,119,000	0.52			4,119,000	0.52	4,866,500	0.52
E. Exercisable options at the end of the year	4,119,000	0.52			4,119,000	0.52	4,866,500	0.52

2. Further information
Stock option plans have been evaluated by using financial models and principles generally accepted on the market. The evaluation takes into account market parameters such as volatility, dividend yield and the Euro Zero-Coupon rate curve, required for the discounting of future cash flows, as provided by Bloomberg.

June The price of oil keeps soaring: on 23 June, crude oil in New York exceeds the all time-high of 60 dollars a barrel.

Attachments to the Consolidated Financial Statements

RECLASSIFIED CONSOLIDATED BALANCE SHEET

ASSETS	12.31.2005	12.31.2004	VARIATIONS	
			TOT. VARIATION	%
Cash and cash equivalents	350	102	248	243.3
Financial assets held for trading purposes	937,843	980,359	- 42,516	-4.3
Financial assets valued at fair value	1,980	-	1,980	n.s.
Financial assets available for sale	3,541	3,821	- 280	-7.3
Financial assets held to maturity	-	-	-	n.s.
Due from banks	678,809	115,399	563,410	n.s.
Due from customers	111,642	118,235	- 6,593	-5.6
Equity investments	0	510	- 510	-100.0
Tangible fixed assets	1,516	2,247	- 731	-32.5
Intangible fixed assets	7,472	7,899	- 427	-5.4
Tax receivables	9,384	3,400	5,984	176.0
Other assets	15,959	27,911	- 11,952	-42.8
Total assets	**1,768,496**	**1,259,883**	**508,613**	**40.4**

LIABILITIES				
Due to banks	473,097	442,571	30,526	6.9
Deposits from customers	980,668	575,273	405,395	70.5
Financial liabilities held for trading purposes	160,781	101,761	59,020	58.0
Financial liabilities valued at fair value	-	-	-	-
Tax payables	5,520	42	5,478	n.s.
Other liabilities	23,766	26,003	- 2,237	-8.6
Staff severance indemnities	2,711	2,556	155	6.1
Provisions for risks and charges	506	98	408	416.3
Total liabilities	**1,647,048**	**1,148,304**	**498,744**	**43.4**
Share capital	64,685	64,023	662	1,0
Share premium account	21,440	21,876	- 436	-2.0
Reserves	14,481	15,024	- 543	-3.6
Reserve from valuation	- 254	-	- 254	n.s.
Own shares	- 3,103	- 2,151	- 952	44.3
Profits carried forward	-	-	-	n.s.
Minority interest	2	2	0	11.7
Profit for the year	24,197	12,805	11,392	89.0
Shareholders' equity	121,448	111,579	9,869	8.8
Total liabilities	**1,768,496**	**1,259,883**	**508,613**	**40.4**

Data in thousands of Euros

** without IAS 32 and 39*

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

ITEMS	2005	2004	VARIATIONS	
			TOT. VARIATION	%
Net interests	16,551	6,632	9,919	149.6
Dividends	31,010	17,073	13,937	81.6
Net commissions	30,172	20,708	9,464	45.7
Net profit (loss) from trading transactions	- 3,770	45	- 3,815	n.s.
Net profit (loss) from financial assets available for sale	- 48	-	- 48	n.s.
Net profit (loss) from financial assets valued at fair value	- 20	-	- 20	n.s.
Brokering margin	**73,895**	**44,458**	**29,437**	**66.2**
Staff expenses	- 37,728	- 24,333	- 13,395	55.1
Administrative expenses	- 13,562	- 11,688	- 1,874	16.0
Other operating income/charges	- 312	- 283	- 29	10.3
Provisions for risks and charges	- 500	- 92	- 408	n.s.
Write-downs on tangible and intangible fixed assets	- 1,650	- 3,728	2,078	-55.7
Operating charges	**- 53,752**	**- 40,124**	**- 13,628**	**34.0**
Profit (loss) from operations	**20,143**	**4,334**	**15,809**	**364.8**
Net write-downs/write-ups on loans	- 263	- 100	- 163	162.7
Profit (loss) on equity investments	- 22	- 126	104	-82.3
Profit (loss) from divestitures	3,870	9,234	- 5,364	n.s.
Profit (loss) for the year before taxes	23,728	13,342	10,386	77.8
Income taxes for the year for current operations	469	- 537	1,006	-187.4
Profit (loss) for the year after taxes	**24,197**	**12,805**	**11,392**	**89.0**
Third parties' profit (loss) for the year	-	-	-	
Parent Company's profit (loss) for the year	**24,197**	**12,805**	**11,392**	**89.0**

Data in thousands of Euros

** without IAS 32 and 39*

CONSOLIDATED CASH FLOW STATEMENT - DIRECT METHOD

A. OPERATING ACTIVITY	12.31.2005	12.31.2004
1. Operations	**22,859**	**8,223**
- interest income collected	52,465	43,856
- interest expense paid	-35,914	-37,224
- dividends and similar income	31,010	17,073
- net commissions	30,172	20,708
- staff expenses	-37,132	-23,635
- other costs	-18,211	-12,063
- other revenues	-	45
- tax and duties	469	-537
- costs/revenues relating to assets on disposal	-	-
and after taxes	-	-
2. Cash generated/absorbed by financial assets	**-509,786**	**122,399**
- financial assets held for trading purposes	42,516	-456,482
- financial assets valued at fair value	-1,980	-
- financial assets available for sale	280	-
- due from customers	6,330	209,154
- due from banks: on demand	30,165	7,531
- due from banks: other loans and receivables	-593,575	347,854
- other assets	6,477	14,342
3. Cash generated/absorbed by financial liabilities	**498,148**	**-140,848**
- due to banks: on demand	2,847	94,015
- due to banks: other payables	27,679	85,779
- due to customers	393,873	-267,525
- securities outstanding	11,522	-12,310
- financial liabilities held for trading purposes	59,020	-50,924
- financial liabilities valued at fair value	-	-
- other liabilities	3,207	10,117
Cash generated/absorbed by operations	**11,220**	**-10,226**
B. INVESTMENT OPERATIONS		
1. Cash generated by	**3,847**	**21,494**
- disposal of equity investments	-22	5,888
- dividends collected on equity investments	-	-
- sales/repayments of financial assets held to maturity	-	-
- sales of tangible fixed assets	3,870	14,340
- sales of intangible fixed assets	-	1,266
- sales of business units	-	-
2. Cash absorbed by	**-492**	**-3,973**
- acquisitions of equity investments	-	-
- purchases of financial assets held to maturity	-	-
- purchases of tangible fixed assets	-291	-1,639
- purchases of intangible fixed assets	-201	-2,334
- purchases of business units	-	-
Cash generated/absorbed by investment operations	**3,356**	**17,521**
C. DEPOSIT ACTIVITY	**-14,329**	**-8,000**
- issues/purchases of own shares	-952	-2,008
- issues/purchases of equity instruments	-	-
- dividend distribution and other scopes	-13,376	-5,992
Net cash generated/absorbed by the deposit activity	**-14,329**	**-8,000**
NET TOTAL CASH GENERATED/ABSORBED DURING THE YEAR	**248**	**-705**

RECONCILIATION

Item	12.31.2005	12.31.2004
Cash and cash equivalents at the beginning of the year	102	807
Net total cash generated/absorbed during the year	248	-705
Cash and cash equivalents at the end of the year	**350**	**102**

VARIATIONS IN CONSOLIDATED SHAREHOLDERS' EQUITY 2004

	Outstanding as at 12.31.2003	Changes in opening balances	Outstanding as at 1.1.2004	Allocation of profit (loss) of the previous year: Reserves	Allocation of profit (loss) of the previous year: Dividends and other allocations	Variations during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of own shares	Transactions on shareholders' equity: Extraordinary dividend distribution	Transactions on shareholders' equity: Variations in equity instruments	Transactions on shareholders' equity: Derivatives on own shares	Transactions on shareholders' equity: Stock options	Profit (Loss) for the year at 12.31.2004	Shareholders' equity as at 12.31.2004
Share capital	63,704	-	63,704	-	-	-	319	-	-	-	-	-	-	64,023
a) ordinary shares	63,704	-	63,704	-	-	-	319	-	-	-	-	-	-	64,023
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	24,400	-	24,400	-	-	-2,524	-	-	-	-	-	-	-	21,876
Reserves	12,783	-523	12,260	139	-550	2,535	88	-	-	-	-	552	-	15,024
a) profits	12,625	-523	12,102	139	-550	527	-	-	-	-	-	-	-	12,218
b) other	158	-	158	-	-	2,008	88	-	-	-	-	552	-	2,806
Reserves from valuation:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) hedges of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments														
Own shares		-143	-143			-		-2,008						-2,151
Profit (loss) for the year	6,514	-	6,514	-139	-6,375								12,805	12,805
Shareholders' equity	107,401	-666	106,735	-	-6,925	11	407	-2,008	-	-	-	552	12,805	111,577

variations in consolidated shareholders' equity 2005

	Outstanding as at 12.31.2004	Changes in opening balances	Outstanding as at 1.1.2005	Allocation of profit (loss) of the previous year		Variations during the year								Shareholders' equity as at 12.31.2005
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of own shares	Extraordinary dividend distribution	Variations in equity instruments	Derivatives on own shares	Stock options	Profit (Loss) for the year at 12.31.2005	
Share capital	64,023	-	64,023	-	-	-	662	-	-	-	-	-	-	64,685
a) ordinary shares	64,023	-	64,023	-	-	-	662	-	-	-	-	-	-	64,685
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	21,876		21,876	-	-	-436	-	-	-	-	-	-	-	21,440
Reserves	15,024	-493	14,531	577	-1,346	68	-104	-	-	-	-	755	-	14,481
a) profits	12,218	-493	11,725	577	-1,346	-885	-	-	-	-	-	-	-	10,071
b) other	2,806		2,806	-	-	953	-104	-	-	-	-	755	-	4,410
Reserves from valuation:	-	-943	-943	-	-	689	-	-	-	-	-	-	-	-254
a) available for sale	-	-943	-943	-	-	689	-	-	-	-	-	-	-	-254
b) hedges of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments														
Own shares	-2,151	-	-2,151			-		-952						-3,103
Profit (loss) for the year	12,805	-	12,805	-577	-12,228	-							24,197	24,197
Shareholders' equity	111,577	-1,436	110,141	-	-13,574	321	558	-952	-	-	-	755	24,197	121,446

7 July In London, four kamikazes blow themselves up on three underground trains and a bus, causing the death of 56 people, including an Italian woman, and over 700 injured. The attacks, for which Al-Qaeda claimed responsibility, took place while in Gleneagles (Scotland) the G8 summit meeting was being held.

REPORT OF THE BOARD OF STATUTORY AUDITORS ACCOMPANYING THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of the Parent Company Banca Profilo S.p.A.

The Board of Directors has prepared the consolidated financial statements and forwarded them to us within the legal time-limits, together with the Board of Directors' Report.
As part of our responsibilities, we checked said consolidated financial statements, which close with a profit of ? 24,197 thousand, an increase by 88.9% year on year, total assets of ? 1,768,496 thousand, total liabilities of ? 1,647,048 thousand, consolidated shareholders' equity of ? 121,448 thousand, including the profit for the year. Upon examination of the above-mentioned documents, we state the following.

1. Our examination was carried out according to the principles set forth by the Bank of Italy, with respect to the legal norms regulating consolidated financial statements, interpreted and integrated with the accounting standards examined by the Italian Accounting Profession.

2. The financial statements of the companies included in the area of consolidation are those of Banca Profilo S.p.A. (parent company) and of the investee companies that carry out financial activities and instrumental activities, drawn up on December 31, 2005 for approval by the respective shareholders' meetings, appropriately reclassified on the basis of the line-by-line consolidation method.

The consolidated companies are Banca Profilo S.p.A., Profilo Asset Management Sgr S.p.A., Profilo Real Estate Sgr S.p.A. (former Profilo Sgr S.p.A.), Profilo Real Estate Advisory S.r.l. (former Profilo Immobiliare S.r.l.), Profilo Servizi Immobiliari S.r.l. (former Immobiliare Missaglia S.r.l.), Profilo Merchant Co. S.p.A. (former Profilo Academy S.p.A.) and Profilo Suisse S.A.

3. The financial statements of the investee companies were subjected to the control of the respective Boards of Statutory Auditors and the respective Independent Auditors, where in existence or appointed.

4. The Consolidated Financial Statements have been drawn up in accordance with international accounting and financial reporting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board).

5. The valuation criteria and consolidation principles adopted by the Directors were correctly applied and are compliant with legal requirements.

6. The consolidated financial statements have been audited by the firm Deloitte & Touche S.p.A. with which we have had constant contact and have exchanged information.

7. Point 9 of the Board of Directors' Report contains illustration of the reconciliation between the financial statements of the Parent Company and the consolidated financial statements.

In our opinion, based on the checks carried out, the financial statements for the period ended December 31, 2005 provide an accurate illustration of the balance sheet, financial position and income statement of the Group, in compliance with the relevant norms that regulate consolidated financial statements.

THE BOARD OF STATUTORY AUDITORS

Mr. Guido Mongelli

Mr. Walter Bonardi

Mr. Andrea Rittatore Vonwiller

Milan, March 24, 2006

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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 156 OF ITALIAN LEGISLATIVE DECREE No. 58 DATED FEBRUARY 24, 1998

To the Shareholders of
Banca Profilo S.p.A.:

1. We have audited the Consolidated Financial Statements, consisting of balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and of the Notes to the Consolidated Financial Statements for the year closed on December 31, 2005 of Banca Profilo S.p.A. – and its subsidiaries ("Banca Profilo Group"). Preparation of the financial statements is the responsibility of the directors of Banca Profilo S.p.A. It is our responsibility to express a professional opinion on the financial statements based on our audit. The aforementioned Consolidated Financial Statements have been drawn up, for the first time, under the IFRS standards adopted by the European Union.

2. We conducted our examination in accordance with the auditing principles and criteria set forth by CONSOB. In compliance with said principles and criteria, the audit was planned and performed so as to obtain all the necessary data to determine whether the Consolidated Financial Statements are free from significant errors and if they are, on the whole, reliable. The auditing procedure includes examining, on a sample test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the appropriateness and the accuracy of the accounting principles applied and the soundness of the estimates made by the Directors. We believe that our audits provide a reasonable basis for our professional opinion.

   The Consolidated Financial Statements show for comparative purposes, the data referable to the preceding year - the comparable period - prepared in conformity with the same accounting and financial reporting standards, with the exception of the effects of the application of the IAS 32 and IAS 39 international accounting standards which the company, as provided for under the IFRS 1 financial reporting standard, has opted to apply as of January 1, 2005.
   As reported in part A.3 of the Notes to the Consolidated Financial Statements, the directors have changed the information on the effects of the transition to IFRS, previously approved by the Board of Directors and published in Chapter 11 of the obligatory semi-annual report relating to the statements of reconciliation to IFRS 1, which we audited and for which we supplied the related auditors' report on September 16, 2005.

3. In our opinion, the Consolidated Financial Statements as at December 31, 2005 of Banca Profilo S.p.A. comply with the IFRS standards adopted by the European Union; they have therefore been presented clearly, and represent fairly and correctly the values of the balance sheet, financial position, income statement, changes in shareholders' equity and cash flows of Banca Profilo Group.

4. To facilitate a clearer understanding of the Consolidated Financial Statements, attention is drawn to the fact that the item "staff expenses" includes the cost referred to the variable payment which has yet to be paid to Directors of the Bank. Said cost, pertaining to the year 2005, as detailed in the Bank's Report on Operations, shall be submitted to specific approval of the Shareholders' Meeting of the Parent Company prior to the approval of the financial statements.

DELOITTE & TOUCHE S.p.A.

Ezio Bonatto
Partner

Milan, April 3, 2006


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No comment.
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Financial Statements of the Parent Company as at December 31, 2005

Parent company's financial statements as at December 31, 2005

Approved by the Shareholders' Meeting of April 21, 2006

Company offices and independent auditors (as at March 20, 2006)

Board of Directors

Sandro Capotosti *	*Chairman*
Marco Manara *	*Vice Chairmen*
Arnaldo Grimaldi *	
Nicolò Angileri *	*Chief Executive Officer/General Manager*
Silvana Cavanna*	*Directors*
Riccardo Lagorio Serra *	
Gaetano Galeone	
Giorgio Angelo Girelli	
Renzo Torchiani	
Sandro Torchiani	

(*) *Member of the Executive Committee*

Board of Statutory Auditors

Guido Mongelli	*Chairman*
Walter Bonardi	*Statutory Auditors*
Andrea Rittatore Vonwiller	
Michele Saracino	*Alternate Auditors*
Andrea Maria Venturini	

Independent Auditors

Deloitte & Touche S.p.A.

Corporate governance system as at december 31, 2005

With reference to the explicit instructions laid down by CONSOB in notice no. 97001574 of February 20, 1997, the powers and proxies assigned to the Bank's Executive Offices are specified below.

The current **Board of Directors** of Banca Profilo is made up of 10 members, appointed by Shareholders' Meeting of April 24, 2003 for the three-year period up to approval of the financial statements as at December 31, 2005
The Articles of Association provide that the Board of Directors shall meet twice a month and at any time the Chairman should deem necessary, or where so requested by at least one third of Board Members, or by the Board of Statutory Auditors.
In 2005, the Board of Directors of the Bank met 11 times.
In accordance with the Bank's Articles of Association (Article 19) the Board is vested with full powers for the ordinary and extraordinary management of the company and has exclusive authority in the matter of strategic and organisational policies. The Board of Directors of Banca Profilo is also responsible for defining the strategies by which to implement corporate growth in order to encourage higher competitive ranking of the Group and Group members.

Hence the following are specifically reserved to the authority of the Board of Directors:

- *definition of general management policies;*
- *approval and modification of issues relating to the general organisational structure;*
- *appointment and revocation of the General Manger and of Directors with signatory powers and assignment of relative powers;*
- *acquisition of equity investments, without prejudice to the provisions set forth in article 2361 sub-section 2 of the Italian Civil Code, and disposal of equity investments;*
- *acquisition and sale of real estate;*
- *setting-up, relocation and closing down of branches, subsidiary offices, agencies, sub- offices, offices and business offices;*
- *institution of legal and administrative action at any level of law and before any court, with the exception of cases concerning credit recovery, waivers and transactions.*

The Board of Directors is also empowered to pass resolutions concerning:

- *merger in the cases provided by Articles 2505 and 2505-bis of the Italian Civil Code;*
- *setting-up and closing down of secondary offices;*
- *specification of which directors shall represent the company;*
- *share capital reduction in the event of withdrawal of a shareholder;*
- *adaptation of the Articles of Association to comply with provisions of the law;*
- *relocation of the registered office to another town or city within national territory.*

The Board of Directors of the Bank is given prior notice every time the Administration Body of Group companies is called to discuss proposals concerning:

- *amendments to the Articles of Association, capital transactions and other issues reserved to the authority of the Extraordinary Shareholders' Meeting;*
- *transactions which directly engage the common available margin of the consolidated regulatory capital (an example of which is the acquisition/disposal of equity investments; acquisition/sale of real estate; participation in share capital increases, etc.);*
- *transactions falling under the scope of application of Article 136 of the Banking Consolidation Act;*
- *acquisition/transfer of shares of the Bank.*

Pursuant to banking (article 136 of the Banking Consolidation Act) and civil code (article 2391 of the Italian Civil Code) regulations, transactions involving a conflict of interests between the Bank, or its subsidiaries, and a Director are also reserved to the authority of the Board of Directors. A specific procedure has been in force which regulates the information to be provided in the case of Related Party Transactions and/or transactions which are atypical, unusual, in conflict of interest or in any case deemed by the company to be of significance. With the entry into force of the law on the Protection of Savings, which supplemented the text of art. 136 of the Banking Consolidation Act, broadening its scope, the Bank started the process whereby it will identify all the counterparties to which – as of May 17, 2006 – the provisions of the aforementioned articles will apply, vis-à-vis relations with the Bank or companies of its Group.
In addition to the cases specifically governed by primary and secondary regulations and by internal rules, it is customary practice for the Executive Directors to reserve decisions of greater importance to the authority of the

Board of Directors. However – in the event of necessity or urgency – it may prove necessary for a Director to proceed independently, without prejudice to his obligation to report to the competent Office, as soon as this is possible, in order to have the action approved or formally acknowledged.
Of the 10 Directors comprising the Board of Directors, 4 are Non-Executive Directors, in that they have not been assigned management powers nor do they fulfil executive roles within the company. The Non-Executive Directors account for 40% of the total Directors. In 2005 also, they attended Board meetings with regularity and contributed to the more consequential decision-making in qualitative terms. The Bank's Non-Executive Directors have differing and complementary competences which allow Board discussions to benefit from qualified, professional and independent opinions.
Two of the four Non-Executive Directors qualify as independent, pursuant to the Self-Disciplinary Code for Listed Companies of July 2002 (independent Directors must account for 20% of the total directors).
The independence of Board Members is verified once a year, generally between February and March. The market is informed of the outcome of the verification, which is presented in the form of a table, in the Report on Corporate Governance.

Pursuant to art. 1.3 of the Self-Disciplinary Code of listed companies, positions in listed, financial, banking, insurance companies of considerable size are to be considered significant.

Name	Position	Appointment date	Power	Other relevant positions pursuant to art. 1.3 of the Code [1]
Sandro Capotosti	Director **Chairman**	Shareholders' Meeting: Apr. 24, 2003 BoD: May 12, 2003	Executive Director	- Sole Director of Profilo Holding S.p.A - Member of the Board of Profilo Management Company S.A..
Marco Manara	Director **Vice Chairman**	Shareholders' Meeting: Apr. 24, 2003 BoD: May 12, 2003	Executive Director	- Chairman of the Board of and CEO of Profilo Real Estate SGR S.p.A..
Arnaldo Grimaldi	Director **Vice Chairman**	Shareholders' Meeting: Apr. 24, 2003 BoD: May 12, 2003	Executive Director	- Chairman of the Board of Profilo Management Company S.A.; - Chairman of the Board of Profilo Merchant Co. S.p.A..
Nicolò Angileri	Director **CEO** **General Manager**	Shareholders' Meeting: Apr. 24, 2003 BoD: March 16, 2005 BoD: Apr. 5, 2001	Executive Director	- Director of Profilo Asset Management SGR S.p.A.; - Director of Profilo Real Estate SGR S.p.A.; - Director of Profilo Merchant Co. S.p.A.; - Director of Profilo Management Company S.A..
Silvana Cavanna	Director	Shareholders' Meeting: Apr. 24, 2003	Executive Director	- Director of Profilo Asset Management SGR S.p.A.; - Director of Profilo Real Estate SGR S.p.A..
Riccardo Lagorio Serra	Director	Shareholders' Meeting: Apr. 24, 2003	Executive Director	- Chairman of the Board and CEO of Profilo Asset Management SGR S.p.A..
Gaetano Galeone	Director	Shareholders' Meeting: Apr. 24, 2003	Non-Executive Director	None
Giorgio Girelli	Director	Shareholders' Meeting: Apr. 24, 2003	Indipendent Director	- CEO of Banca Generali S.p.A.; - Director of Generali Asset Management SGR S.p.A.; - Member of the Supervisory Board of Generali Bank A.G.; - Member of the Assoreti Executive Committee; - Director of BG SGR S.p.A.; - Director of BG Fiduciaria SIM S.p.A.; - Director of La Venezia Assicurazioni S.p.A..
Renzo Torchiani	Director	Shareholders' Meeting: 24.04.2003	Non-Executive Director	- Director of Total Leasing S.p.A
Sandro Torchiani	Director	Shareholders' Meeting: 24.04.2003	Indipendent Director	- Director of Total Leasing S.p.A.

As is apparent from the schedule, the Executive Directors fulfil executive roles primarily within the Bank and other Group companies, while for Non-Executive Directors, the commitment as Directors in other listed or financial, banking, insurance or large-sized companies is very limited. Thus each Director, including non-operative Directors, have sufficient time to perform their duties as member of the Bank's Board of Directors, and to submit documentation relating to resolution proposals to prior examination.

Board meetings are called by the Chairman, who establishes the agenda in association with the CEO and also in consideration of any requests that may have been submitted by the other Directors and/or the Auditors.
As a rule the Directors and Auditors are informally notified of the items on the agenda, with reasonable prior notice in respect of the date set for the meeting, even in the case of urgent call. Where possible, and when this is not prevented by confidentiality restrictions, the explanatory documentation supporting the items on the agenda is forwarded in advance to both Directors and Auditors.

The Chairman of the Board and the Chief Executive Officer work together to ensure that the Board of Directors and the Board of Statutory Auditors are provided with timely information, whether during Board meetings or through more extensive encounters on specific issues, on the more important legislative changes affecting both corporate life and the role of the company offices.
With reference to the entry into force of the Law on Market Abuse and the Law on the Protection of Savings, the Bank has planned a series of training sessions scheduled to take place with the management and with employees.

The current **Executive Committee** was appointed by the Board of Directors on May 12, 2003 and is made up of 6 members. The Committee has been vested with full powers of ordinary and extraordinary administration, excepting those powers which primary and secondary legislation or internal regulations reserve to the exclusive authority of the Board of Directors or the Shareholders' Meeting. The Executive Committee is a small authorised body, entrusted with tasks of a predominantly technical/operative nature. It generally meets at least once a month and at any time the Chairman deems necessary or in the event of one of its members forwarding request. In 2005, the Executive Committee met 12 times.
As a general rule the Executive Committee examines the following: a) the reports providing summary of the Bank's performance in terms of income and assets in the reference month, compared with budget forecasts; b) risks trends, in light of the analysis prepared by the Risk Manager; c) the own shares position. The Executive Committee also passes resolutions on the matter of credit disbursement, in accordance with the Regulations for credit risk-taking, and monitors credit exposure.
Non-Executive Directors are allowed to attend meetings of the Executive Committee at all times.

With reference to the **powers assigned to single Directors**, a description of the situation as at **March 20, 2006** is provided below.

The **Chairman of the Board of Directors, Sandro Capotosti** is vested with the following powers according to the Articles of Association:

- *ascertain that the Shareholders' Meeting has been duly convened and meets the required legal quorums; ascertain the identity of the meeting participants and their entitlement to attend the Shareholders' Meeting; conduct and supervise the proceedings of the Shareholders' Meeting; ascertain the results of voting (art. 11);*

- *chair the Shareholders' Meeting (art. 12);*

- *call the Board of Directors meetings, establish the agenda to be discussed, coordinate proceedings and ensure that all the Directors are sufficiently informed as regards the items on the agenda (art. 17);*

- *legal representation of the Company before third parties and before the law and signatory powers (art. 22).*

The Board of Directors of March 16, 2005 has authorised the **Chairman, Sandro Capotosti**, in addition to such powers as are provided for by law and the Articles of Association:

- **to coordinate the Bank's and the Group's policies.** *More specifically, the following tasks fall to the Chairman:*
  a) to promote the application of the Business Plan on acquisitions, mergers, reorganisations and
  b) to appoint the members of the Boards of subsidiaries and investees, and the subsidiaries' top-tier managers;

- **to decide on Communication and Marketing policies.**

According to the Articles of Association, in the absence of the Chairman, the legal representation of the Bank and the corporate signature pass to the two **Vice Chairmen, Marco Manara and Arnaldo Grimaldi**.
On March 16, 2005, the Board of Directors has vested **Vice Chairman, Marco Manara authority over the real estate activities**, and **Vice Chairman Arnaldo Grimaldi authority** over th**e Investment Banking** sector.

On March 16, 2005, the Board of Directors nominated Nicolò Angileri, who is also General Manager, Chief Executive Officer of the company.

Under the Articles of Association, the Chief Executive Officer is vested with the following powers:

- *to report promptly, at least on a quarterly basis, to the Board of Auditors and the Board of Directors on the general performance of operations and on the business outlook, on operations that are significant in operating, cash-flow and financial terms carried out by the company or its subsidiaries and on operations wherein the directors have an interest, either directly or on behalf of third parties, without prejudice to the requirements under art. 2391 of the Italian Civil Code (art. 17);*

- *to supervise current operations and ensure that the resolutions of the Board of Directors and Executive Committee are duly implemented (art. 21);*

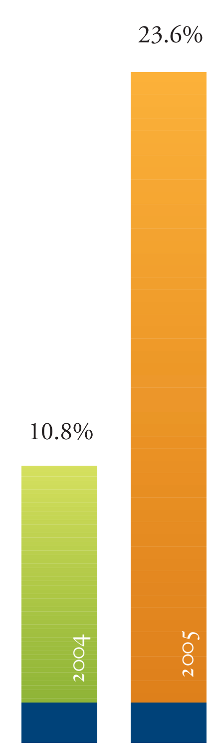
- *to supervise the company's operations at the level of organisational, administrative and accounting structures, ensuring that the same systems are of a standard that is suited to the nature and size of the business (art. 21);*

- *to represent the company and have signatory powers within the limits of the powers and duties delegated to the same and of the powers with which the same is vested (art. 22).*

In the aforementioned meeting of March 16, 2005, the Board authorised the **Chief Executive Officer, Nicolò Angileri**, as regards operations of **Private Banking, Finance** and **staff** functions.
The **General Manager**, **Nicolò Angileri** has authority over **Strategic Planning**, over the **Risk Area** and **Internal Audit.**

The **Executive Director Silvana Cavanna** has been entrusted with direct responsibility for: a) the structure dedicated to **Executive Customers**; b) the **Customer Relations Area**.

The **Executive Director Riccardo Lagorio Serra** is responsible for **Asset Management** activities at both individual and Group level.



ROE

Board of Directors' Report on operations

Dear Shareholders,

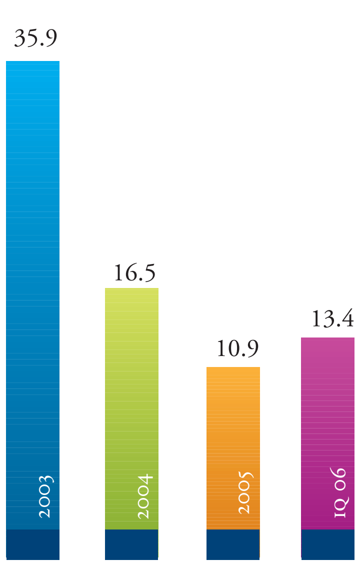
Banca Profilo S.p.A. closes the financial year as at December 31, 2005 with a "gross profit on current operations" of Euros 25.725 million, therefore, with a 172.9% increase above the preceding year's 9.427 million Euros of the financial statements ended on December 31, 2004, thus, exceeding all the budget forecasts.
The "net profit" equals 27.250 million Euros as at December 31, 2005; the preceding year's profit amounted to 11.181 million Euros (+143.7% over the comparable period). This figure includes 4.420 million Euros for the adjustments in the accounts as a result of the adoption of IAS/IFRS principles, which require that dividends be recognised on a settlement date accounting basis. Net of the amount highlighted, which is not distributable, the profit for the year 2005 amounted to 22.830 million Euros, therefore, an increase of 137.3% above the 2004 profit.

The **overall brokering margin**, amounting to **73.423 million Euros at December 31, 2005**, has **increased by 66%** compared to the 44.212 million Euros for the year ended on December 31, 2004. The performance of the aggregate includes the positive figures from the two main business areas.
Indeed, the brokering margin from the Private Banking Area amounted to 16.7 million Euros, with a 2.5% increase above the result of the year 2004.
The Bank's Finance Division has closed the year with a brokering margin amounting to 44.2 million Euros, therefore, with a 58.9% increase above the preceding year's result.
The margin from asset management amounted to 12.5 million Euros at December 31, 2005.

The performance of the brokering margin includes the sizeable increase of **the interest margin**, which at **December 31, 2005** amounted to **16.806 million Euros, increasing 142.4%** above the 6.932 million Euros of December 31, 2004.
Net commissions went from 20.155 million Euros of the end of the year 2004 to the **29.429 million Euros** of **December 31, 2005 (+46% over the comparable period)**.

Banca Profilo: price/earnings 2003 - 1Q 06

Source: analysis based on Bloomberg data



On the expenses front, **"operating costs"**, increased; they were equal to 36.764 million Euros at December 31, 2004 and amounted to **51.838 million Euros at December 31, 2005 (increasing by + 41%)**. The largest share of this item is represented by staff expenses, which has sizeably increased, going from 23.146 million Euros of the year ending December 31, 2004 to the 36.612 million Euros of the year closed on December 31, 2005 (+58.2%). The increase of the aggregate reflects both the share of charges for retirement benefits and the expenses referring to variable salary mechanisms which is strictly connected with the revenue generated, sizeably increasing since the preceding year.
The increase of "Other administrative expenses" was more contained (+5.8% over the comparable period); they went from 11.558 million Euros of December 31, 2004 to 12.228 million Euros of December 31, 2005. The aggregate figure is entirely referable to investments in technologies and marketing across all areas of the business. The item includes costs relating to the implementation of the Murex application software (ca. 2 million Euros) and product marketing expenses. Net of the aforementioned investments, administrative expenses decreased by ca. 800,000 Euros over the comparable period.
The cost/income ratio went from 78.5% of December 31, 2004 to 66.5% of December 31, 2005 (-15.3%).

The yearly ROE amounted to 23.6% in 2005, increasing by 121.3% over the 10.8% ROE referring to 2004 year-end.

The Balance Sheet of the Bank shows Total Assets at December 31, 2005 amounting to 1,773 million Euros, therefore, they increased by 41.3% over the comparable period when they amounted to 1,255 million.

The shareholders' equity at December 31, 2005, increased to 122.169 million Euros, 12.2% over the 108.880 million Euros of the comparable period ended on December 31, 2004.

Net commissions

+46%

The "administered assets" performed well, also thanks to the "Profilo 5%" account, inserted as part of the product range in the final quarter of the year, which contributed to the increasing the amount of deposits. At December 31, 2005, total deposits increased to 2,581 million Euros, 8.4% over the 2,380 million Euros of the comparable period closed on December 31, 2004.

The results from the Private Banking Area for the year ended on December 31, 2005 were in line with budget forecasts. The brokering margin went from 16.3 million Euros of December 31, 2004 to the 16.7 million Euros of December 31, 2005 (+2.5% over the comparable period).
The aggregate 'due from private customers' has decreased from ca. 93 million Euros of December 31, 2004 to 69.4 million Euros of December 31, 2005.

The Bank's Finance Division closed the year with a brokering margin – net of the component referable to the margin from asset management - of 44.2 million Euros, with a 58.9% increase over the 27.8 million Euros for the year ended on December 31, 2004. All the departments of this business area attained excellent results, exceeding operating budget forecasts for the year.
The intense securities placement activity in Turkish Lire and the Bank's participation in the listing of Eurofly S.p.A. yielded a positive return, including in terms of visibility.

The Bank's human resources have decreased compared to the preceding year; they were 171 units at December 31, 2004 and went down to 160 units at December 31, 2005, on account of the reorganisation of the Private Banking sector, which was completed in 2005.
The table here below shows some summary data on the Bank's performance of operations with reference to the year 2005:

Shareholders' equity	108,880	122,169	13,289	+12.2
Total Assets	1,254	1,774	520	+41.5
Total Deposits	2,380	2,581	201	+8.4
Financial assets	983	940	43	-4.3
Due from banks	113	679	566	+500.1
Due from customers	118	112	6	-5.1
Due to customers	565	937	372	+65.8
Due to banks	413	473	60	+14.5
Own shares	38,610	50,132	11,522	+29.8

(Data in millions of Euros)

Interest margin	6,932	16,806	9,874	+142.4
Net commissions	20,155	29,429	9,274	+46.0
Brokering Margin	**44,213**	**73,423**	**29,210**	**+66.1**
Operating costs	**36,764**	**51,838**	**15,074**	**+41.0**
• Staff	23,146	36,612	13,466	+58.2
• Other expenses	11,558	12,228	0,670	+5.8
Gross profit from current operations	**9,427**	**25,725**	**16,298**	**+172.9**
Net Profit	**11,181**	**27,250**	**16,069**	**+143.7**
ROE	**10.8%**	**23.6%**	**12,8**	**+121.3**
Cost/Income	**78.5%**	**66.5%**	**-12**	**-15.3**

(Data in millions of Euros)

1. Comment to the changes of the main aggregate amounts of the balance sheet and income statement

The statutory Financial Statements of Banca Profilo SpA for the year ended on December 31, 2005 have been drawn up in conformity with IAS/IFRS international accounting and financial reporting standards.
The values indicated in the tables are expressed in thousands of Euros. Next to the amounts for the current period are those relative to the previous period, appropriately adjusted, where necessary, to guarantee comparability of the information.

Balance Sheet

Assets

Financial assets: at December 31, 2005, the aggregate amounted overall to **940,423 thousand Euros** against **982,709 thousand Euros** at December 31, 2004 (- 4.3%).
A breakdown of the main components is shown in the table here below.

Financial assets held for trading purposes	**934,902**	**978,888**	**(43,986)**	**(4.5)**
Financial assets held for trading purposes Equity investments	-	-	-	-
Financial assets held for trading purposes Other cash assets	849,533	915,387	(65,854)	(7.2)
Financial assets held for trading purposes Financial and credit derivatives	85,369	63,501	21,868	34.44
Financial assets valued at fair value	**1,980**	**-**	**1,980**	**n.s.**
Financial assets valued at fair value Equity investments	-	-	-	-
Financial assets valued at fair value Other financial assets	1,980	-	1,980	n.s.
Financial assets available for sale	**3,541**	**3,821**	**(280)**	**(7.3)**
Financial assets available for sale Equity investments	3,541	3,821	(280)	(7.3)
Financial assets available for sale Other financial assets	-	-	-	-
Total	**940,423**	**982,709**	**(42,286)**	**(4.3)**

IAs first time adoption of the IAS/IFRS, Banca Profilo classified under "Financial assets held for trading purposes" its entire securities and bond portfolio, derivative financial instruments, and investments in insurance accumulation policies.
This item amounted to 934,902 thousand Euros, decreasing by 43,986 thousand Euros (- 4.5%) compared to the 978,888 thousand Euros of December 31, 2004.

Structured financial instruments have been classified among "Financial assets valued at fair value" and the results

have been credited to the income statement using the option that companies may avail themselves of under IAS 39, 28 and 31 (so-called "fair value option").
Banca Profilo classified under this category a structured security held in its portfolio for 1,980 thousand Euros having the characteristics required under the aforementioned IAS principles.

The item "Financial assets available for sale " includes equity investments in Profilo Holding S.p.a., Profilo Management Company S.A., Brainpower N.V. and Atlantis Capital Special Situations S.p.A.; as required under the new IAS/IFRS principle, they have been recognised at "fair value" and the related write-downs and write-ups of value have been accounted for under the specific Shareholders' equity item – Reserve from valuation.

A breakdown of this item is provided in the table here below:

Company	12-31-2005	12-31-2004	Variation
Brainpower NV	45	188	(143)
Profilo Holding S.p.A.	3,408	3,613	(205)
Profilo Management Company S.A.	20	20	-
Atlantis Capital Special Situations S.p.A.	68	-	68
Total	**3,541**	**3,821**	**(280)**

The changes compared to the comparable period for the year ended on December 31, 2004 are as follows:

- *acquisition – for a book value of 68 thousand Euros – of a 1.25% stake in Atlantis Capital Special Situations SpA, established in December 2005 as holding company with stakes in small and medium enterprises;*
- *partial disposal of the stake in Brainpower;*
- *"fair value" evaluation of the equity investments, which – at December 31, 2005 - account being taken of the IAS "First Time Adoption", has generated overall negative adjustments amounting to 254 thousand Euros, recognised under the specific item "Reserve from valuation of Shareholders' equity".*

The item "Financial assets held to maturity" has not been recognised in that there are no assets with such characteristics.

It is hereby noted that, in conformity with the requirements of the new IAS/IFRS accounting and financial reporting standards, the amount of the bonds issued directly by the bank and held in portfolio has been directly deducted from the items appearing in the liabilities section of the balance sheet, "Securities outstanding" and "Due to customers".
Own shares in portfolio, amounting to 3,103 thousand Euros, are shown under a special negative item of the liabilities section of the balance sheet, as a decrease of the shareholders' equity reserves.

Due from banks: the aggregate amounted to **678,736 thousand Euros**, increasing by 565,597 thousand Euros over the amount of the comparable period for the year ended on December 31, 2004 (113,139 thousand Euros).

Accounting for this increase over the amount of the comparable period are mainly the following operations: **a)** repos, increasing to 577,338 thousand Euros at December 31, 2005 from the 24,417 thousand Euros that referring to the end of the year 2004 and **b)** interbank deposits, increasing to 43,808 thousand Euros at December 31, 2005 from 12,356 thousand Euros at December 31, 2004.
The funds on current accounts, equal to 40,254 thousand Euros, are referable to the following: 39,827 thousand Euros to resident banks and 427 thousand Euros to non-resident banks.
The amount of deposits, equal to 43,808 thousand Euros, is made up as follows: i) 41,105 thousand Euros refer to our deposits to hedge against operations in derivatives, under the agreements established with institutional counterparties; ii) 2,703 thousand Euros refer to the term deposit at the Bank of Italy established for the purposes of the compulsory reserve.
At December 31, 2005, securities loaned amounted to 17,336 thousand Euros, whereas repos amounted to 577,338 thousand Euros.

Current accounts	40,254	62,581	(22,327)
Deposits	43,808	12,356	31,452
Repos	577,338	24,417	552,921
Securities loaned	17,336	13,785	3,551
Total	**678,736**	**113,139**	**565,597**

Due from customers: amount to **111,941 thousand Euros**. The aggregate breaks down as follows: i) 55,436 thousand Euros for credit in the form of current accounts; ii) 37,401 thousand Euros for repurchase agreements; iii) 13,393 thousand Euros for mortgages and other loans; iv) 3,879 thousand Euros for securities loaned and 1,832 thousand Euros for other relations.

Compared to December 31, 2004 (117,894 thousand Euros) the total due from customers has fallen by 5,953 thousand Euros (- 5%) chiefly due to the repayment of certain mortgages and loans, amounting to 13,393 thousand Euros as at December 31, 2005, compared with 21,096 thousand Euros at the end of the previous financial year.
The total of customers' current accounts amounted to 55,436 thousand Euros at December 31, 2005, decreasing by 15,298 thousand Euros compared to the end of the year 2004, whereas repos increased to 37,401 thousand Euros against the 21,292 of December 31, 2004. So they increased by 16,109 thousand Euros.
The item 'due from private customers', amounting to 70,425 thousand Euros, are almost entirely secured by pledge on securities or by other collateral.

At December 31, 2005, there is a gross amount classified under non-performing loans for 981 thousand Euros; its net amount is of 450 thousand Euros; account being taken of collateral securing this loan, the value adjustment of 531 thousand Euros is deemed appropriate.

Description	12-31-2005	12-31-2004	Variation
Current accounts	55,436	70,734	(15,298)
Repos	37,401	21,292	16,109
Securities loaned	3,879	-	3,879
Mortgage loans	9,650	10,328	(678)
Loans	3,743	10,768	(7,025)
Non-performing loans	450	-	450
Other receivables	1,382	4,772	(3,390)
Total	**111,941**	**117,894**	**(5,953)**

The table here below provides a summary of the bank's net credit and debit position; the analysis of this table shows that there has been a positive change amounting to 127,775 thousand Euros over the figure of the comparable period, that is, the one referring to the year closed on December 31, 2004.

Due from banks	678,736	113,139	565,597
Due from customers	111,941	117,894	(5,953)
Due to banks	(472,727)	(412,556)	(60,171)
Due to customers	(937,177)	(565,479)	371,698
Total	**(619,227)**	**(747,002)**	**(127,775)**

Other administrative expenses

+5.8 %

Equity investments: the companies that are part of the banking Group and the indirect subsidiary Profilo Servizi Immobiliari S.r.l. (formerly, Immobiliare Missaglia S.r.l.), have been fully consolidated with the line-by-line method. It is hereby noted that in 2006, the subsidiary Profilo Merchant Co S.p.A. (formerly, Profilo Academy S.p.A.) has also joined the banking group.
In the last quarter of 2005, the two subsidiaries Profilo Hedge SGR S.p.A. and Profilo Merchant S.p.A. have started a winding up procedure. The winding up procedure was finally completed December 2005.

The figures referring to the companies of the Group can be summarised as follows in this table here below:

(1) Inclusive of the profit for the year

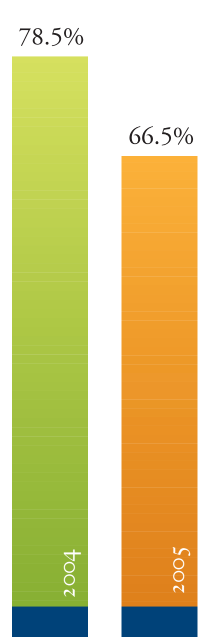
Company	Registered offices	Shareholders' equity (1)	Profit/Loss for the year	Holding company	Share %
A. Companies within the scope of consolidation					
A.1 Line-by-line method					
1. Profilo Real Estate SGR S.p.A.	Milan	1,522	(13)	Banca Profilo	100
2. Profilo Asset Management SGR S.p.A.	Milan	3,925	(184)	Banca Profilo	100
3. Profilo Real Estate Advisory S.r.l.	Milan	1,595	1,519	Banca Profilo	100
4. Profilo Suisse S.A.	Lugano (CH)	280	(14)	Banca Profilo	99.2
5. Profilo Merchant Co S.p.A.	Milan	741	(96)	Banca Profilo	100
6. Profilo Servizi Immobiliari S.r.l.	Milan	1,733	1,680	Profilo Real Estate Advisory S.r.l.	100
A.2 Proportional method					
B. Equity investments valued at equity					
C. Other significant equity investments					

Tangible and intangible fixed assets: the total equals **7,727 thousand Euros.**

Tangible fixed assets amount to 1,056 thousand Euros, a decrease by 694 thousand Euros with respect to 1,750 thousand Euros as at December 31, 2004, mainly due to purchases for 321 thousand Euros, sales for 74 thousand Euros and depreciation amounts for the portions referring o the year 2005 amounting to 970 thousand Euros.

Intangible fixed assets amounted to 6,671 thousand Euros and have decreased by 398 thousand Euros compared to the figure referring to the year closed on December 31, 2005.
Accounting for the said change are mainly purchases of software for 214 thousand Euros and the amortisation amount referable to the year, amounting to 612 thousand Euros.
The table here below shows the breakdown:

Cost/income Ratio



Tangible fixed assets	**1,056**	**1,750**	**(694)**
. Civil buildings	-	-	-
. Furniture and furnishings	323	581	(258)
. Plants and equipment	601	1,106	(505)
. Motor vehicles	132	63	69
Intangible fixed assets	**6,671**	**7,069**	**(398)**
. Improvements to offices	-	-	-
. Software	1,520	1,918	(398)
. Internet costs	-	-	-
. Goodwill	5,151	5,151	-
. Other deferred charges	-	-	-
. Goodwill arising on consolidation	-	-	-
Total	**7,727**	**8,819**	**(1,092)**

Tax receivables: at December 31, 2005, **tax receivables** amounted to **8,413 thousand Euros**, increasing by 6,311 thousand Euros compared to the figure referring to December 31, 2004 (2,102 thousand Euros).
They are made up as follows: i)1,165 thousand Euros refer to tax credits in respect of advance payments to the Tax Authority, withholdings and other receivables; ii) 7,247 thousand Euros refer to prepaid taxes.

Other assets: as at December 31, 2005, **other assets** amounted to **16,819 thousand Euros**, in an increase of 2,868 thousand Euros with respect to December 31, 2004 (13,951 thousand Euros).
The main components are as follows: i) 7,143 'due from banks' refer to operations to be settled directly and on behalf of third parties, which have been recognised under the pertinent accounts post the balance sheet date of December 31, 2005; ii) 3,006 thousand Euros refer to operations with banks relating to expired coupons or securities for collection; iii) 2,646 thousand Euros refer to receivables 'due from corporate customers' on investment bank operations and other transactions; ii) 1,128 thousand Euros refer to commission income and other revenue to be collected.

Liabilities

Due to banks: as at December 31, 2005, **amounts due to banks** totalled **472,727 thousand Euros, an increase** of 60,171 thousand Euros with respect to 412,556 thousand Euros totalled as at December 31, 2004.
Accounting for the increase over the figure of December 31, 2004 are mainly repos for deposit operations with credit institutions, increasing by 110,935 thousand Euros.
At December 31, 2005, the aggregate is made up as follows: i) 28,232 thousand Euros refer to our funds drawn on current accounts; ii) 311,046 thousand Euros refer to third party deposits; iii) 133,449 thousand Euros refer to repos.

Current accounts	28,232	43,605	(15,373)
Deposits	311,046	346,437	(35,391)
Repos	133,449	22,514	110,935
Other	-	-	-
Total	**472,727**	**412,556**	**60,171**

Due to customers: as at December 31, 2005 this item amounted to **937,177 thousand Euros**, recording an increase of 371,698 thousand Euros compared to the 565,479 thousand Euros of December 31, 2004 (+66%).
Accounting for this increase are mainly operations in repos from deposits.
An analysis of the breakdown of the item indicates a forward component, represented by repurchase agreements equal to 797,357 thousand Euros, recording an increase of 346,140 thousand Euros compared to the 451,217 thousand Euros of December 31, 2004. The demand component, represented by current accounts, is equal to 139,378 thousand Euros, has risen compared to the 26,873 thousand Euros of the previous year.
The aggregate, according to the provisions set forth in the new IAS/IFRS accounting and financial reporting standards, also includes the outstanding share of Banca Profilo's issue of the "Iboxx Corporate Bond-Like Certificate 04/09".

The table here below shows a breakdown of the components.

Current accounts	139,378	112,505	26,873
Deposits	-	-	-
Repos	797,357	451,217	346,140
Other	442	1,757	(1,317)
Total	**937,177**	**565,479**	**371,698**

Securities outstanding: this item amounted to **50,132 thousand Euros at December 31, 2005**, an increase by 11,522 thousand Euros compared to December 31, 2004. Accounting for this increase is mainly the new issue that took place in July 2005. The outstanding bond issues are five:

- *the issue "Banca Profilo 2002 – 2007 Challenge", consists of an index-linked structured product, for a notional total of 15,000 thousand Euros;*
- *the issue named "Banca Profilo 2003 – 2006 Tasso Variabile", with a face value of 35,000 thousand Euros, refers to a three-year variable-rate bond with maturity in 2006 and biannual coupon linked to the 6-month Euribor rate plus a spread of 0.5%;*
- *the issue "Banca Profilo indicizzato ISTAT CPI FOI 2004 – 2007", a three-year bond for a notional amount equal to 1,500 thousand Euros;*
- *the issue "Banca Profilo Corporate 105 garantito", a five-year bond issued in the third quarter of 2004 for a notional amount equal to 5,000 thousand Euros.*
- *the issue "Banca Profilo 2005 – 2008 Tasso Variabile", for a notional amount equal to 15,000 thousand Euros, a three-year bond with a biannual coupon linked to the 6-month Euribor rate plus a spread of 0.30%.*

As required under the new IAS/IFRS accounting and financial reporting standards, bond issues have been valued at amortised cost, taking into consideration repurchases (which have been recognised by deducting the corresponding amount from this item) and, where applicable, the implicit derivates to be separated and separately valued at "fair value".

Financial liabilities held for trading purposes: The aggregate amounted to 160,781 thousand Euros, increasing by 59,020 thousand Euros over the figure of the comparable period.
The item includes: i) 97,499 thousand Euros, of trading derivatives instruments with a negative fair value (56,570 thousand Euros in 2004) ii) 63,282 thousand Euros of sundry charges and commissions generated from trading in securities (45,191 thousand Euros in 2004)

Tax payables: at December 31, 2005, the tax payables amounted to **5,447 thousand Euros**. They include:
i) 4,615 thousand Euros refer to income tax for the year; ii) 832 thousand Euros refer to deferred tax.

Other liabilities: as at December 31, 2005, other liabilities amounted to **22,359 thousand Euros**, recording a decrease of 2,382 thousand Euros compared to December 31, 2004 (24,741 thousand Euros).
Of this item, the most significant figure refers to the outlay for staff and other administrative expenses which amounted to 14,120 thousand Euros. The principal remaining items are: i) amounts payable to the tax authority and social security agencies, amounting to 3,405 thousand Euros; ii) payables due to suppliers, amounting to 2,076 thousand Euros; iii) 1,649 thousand Euros referring to operations to be settled on behalf of third parties which have been recognised in the pertinent accounts post balance sheet date.

Staff severance indemnities: the fund, aimed at covering accrued staff severance charges, amounts to **2,546 thousand Euros**, and reports an increase of 141 thousand Euros with respect to December 31, 2004.
Staff severance indemnities has been determined in conformity with the provisions set forth in IAS 19.

Provisions for risks and charges: this item, which amounts to **500 thousand Euros**, consists of provisions for risks and charges set aside in 2005 for any future liabilities. Where the liability is expected to be settled beyond a twelve-month term, provisions have been discounted by applying current market rates.

Shareholders' equity: the shareholders' equity, inclusive of the profit for the year of 27,250 thousand Euros, amounted to **122,169 thousand Euros**.
The share capital of the Parent Company amounted to 64,685 thousand Euros, fully paid-in and consists of no. 124,395,000 ordinary shares, each with a nominal value of 0.52 Euro.
Changes were made to this item on account of the first-time adoption of the new IAS/IFRS international accounting and financial reporting standards; such changes concerned both the phase of transition to the new principles and the 'steady' application as regards certain operations the evaluations of which do not affect the income statement, but are recognised directly in specific equity reserves.
Here below is a summary table of the various components:

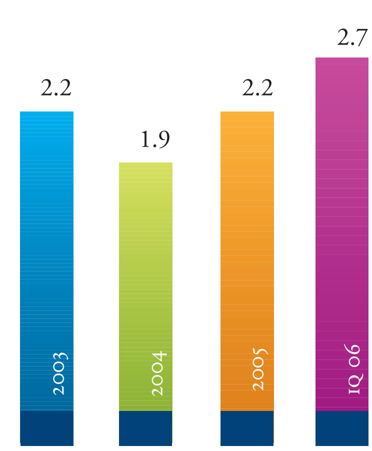
Share capital	64,685	64,023	662
Share premium account	21,439	22.392	(953)
Legal reserve	12,805	12,741	64
Reserve from F.T.A. (first time adoption)	(2,630)	(2,136)	(494)
Reserve from valuation (A.F.S.)	(254)	-	(254)
Other reserves	4,408	2,806	1.602
Profit/(loss) carried forward	(2,431)	23	(2,454)
Own shares (-)	(3,103)	(2,150)	(953)
Profit for the year	27,250	11,181	16,069
Total	**122,169**	**108,880**	**13,289**

Interest margin

+142.4%

Banca profilo: Price/Book Value 2003-1Q 06

Source: analysis based on Bloomberg data



Income Statement

The 2005 economic performance of Banca Profilo can be illustrated by referring to a series of aggregates which, listed in the table below, are compared to those as at December 31, 2004, according to the order in which they are provided in the income statement.

Description	2005	2004	Variation	
			Tot. variation	%
Interest margin	16,806	6,932	9,874	142.4
Service margin	56,617	37,280	19,336	51.9
Brokering margin	**73,423**	**44,213**	**29,210**	**66.1**
Net write-downs, write-ups for impairment of loans	(263)	(100)	(163)	163.0
Net profit (loss) on financial operations	**73,160**	**44,113**	**29,047**	**65.8**
Administrative expenses	(48,840)	(34,704)	(14,136)	40.7
Net provisions for risks and charges	(500)	-	(500)	n.s.
Net write-downs/write-ups on tangible and intangible fixed assets	(1,581)	(2,475)	895	(36.1)
Other operating income/charges	(917)	416	(1,333)	(320.4)
Profits (Losses) on divestitures	-	10	(10)	n.s.
Profits (Losses) on equity investments	4,403	2,068	2,335	112.9
Profit (Loss) on current operations before taxes	**25,725**	**9,427**	**16,298**	**172.9**
Income taxes for the year for current operations	1,525	1,754	(229)	(13.1)
Profit (Loss) for the year	**27,250**	**11,181**	**16,069**	**143.7**

Interest margin: the aggregate is equal to **16,806 thousand Euros**, recording an increase of 142% (+9,874 thousand Euros) with respect to the previous year, on account of the change in the composition of loans and deposits in the period being examined.
More specifically, the increase in this item is due to the presence of securities denominated in foreign currency with a high rate coupon rate, in the Bank's portfolio. These investments are funded through forward contracts in foreign currency; the negative effect in operating terms is accounted for in the net profit (loss) from trading-related activities and not as part of the interest margin.

Interest margin	16,806	6,932	9,874	142.4

Brokering margin

+66.1%

Service margin: the service margin amounts to **56,617 thousand Euros**, recording an increase of 19,336 thousand Euros (+ 51.9%) with respect to closure of the previous year.

The table here below shows a breakdown of the aggregate.

Description	2005	2004	Variation	
			tot. variation	%
Commission income	31,949	22,497	9,452	42.0
Commission expense	(2,520)	(2,342)	(178)	7.6
Net commissions	**29,429**	**20,155**	**9,274**	**46.0**
Net profit (loss) from trading-related activities and dividends	27,256	17,125	10,130	59.1
Profits (losses) from disposal or repurchase of:				
b) financial assets available for sale	(48)	-		
Net profit (loss) form financial assets and liabilities valued at "fair value"	(20)	-	(20)	n.s.
Total service margin	**56,617**	**37,280**	**19,337**	**51.9**

The sizeable increase is mainly due to the following:

- *a sizeable increase of net commissions, rising to 29,429 thousand Euros at December 31, 2005 from the 20,155 thousand Euros of December 31, 2004; accounting for this increase is mainly the positive contribution from trading in securities, placement of financial instruments and distribution of third party products;*
- *the intense activity in share and warrant arbitrage operations.*

Brokering margin: the aggregate, which is the algebraic sum of the interest margin and the service margin, amounts to **73,423 thousand Euros** as at December 31, 2005, an increase of 66% with respect to the 44,213 thousand Euros as at December 31, 2004.

Administrative expenses: the table below shows administrative expenses incurred by Banca Profilo over the course of the year 2005 compared to the previous year.

Staff expenses	36,612	23,146	13,466	58.2
Other administrative expenses	12,228	11,558	670	5.8
Total administrative expenses	**48,840**	**34,704**	**14,136**	**40.7**

Service margin

+51.9%

Staff expenses and administrative expenses have been allocated in conformity with the new IAS/IFRS international accounting and financial reporting standards and with provisions issued by the Bank of Italy with memorandum no. 262 of December 22, 2005 pertaining to “Formats and rules for drawing up financial statements of banks”.
Staff expenses include all the salaries paid to directors, including the variable part, which will be decided by the Shareholders’ Meeting before the approval of the Financial Statements, atypical employment contracts (such as ‘temporary work’ and ‘project-based’ contracts), and the charges connected with the exercise of stock options by employees.
Administrative expenses went from 34,704 thousand Euros to **48,840 thousand Euros**, recording an increase of 14,136 thousand Euros with respect to the previous year (+ 41%). Total **staff expenses**, equal to **36,612 thousand Euros** have increased by 58% with respect to the amount recorded during the 2004 period. The increase is due to the impact of incentive costs and to costs related to variable remuneration mechanisms.

The item **other administrative expenses**, equal to **12,228 thousand Euros**, has risen by 670 thousand Euros (+5.8%) compared to the figure of the year 2004, entirely referable to investments in risk control information systems (Murex) and to product marketing.

Net provisions for risks and charges: the provisions for the year 2005 amounted to 500 thousand Euros and refer to probable future charges, allocated to other funds for risks and charges in the liabilities section of the balance sheet.

Net write-downs on tangible and intangible fixed assets: the aggregate for the year 2005 amounted to **1,582 thousand Euros** decreasing by 895 thousand Euros compared to the 2,475 thousand Euros of the preceding year. Accounting for this decrease is the completion, in the year 2005, of the amortisation process of numerous tangible assets and certain capitalised costs (software).
The table here below shows a summary of the changes referable to the period:

Net write-downs/write-ups on tangible fixed assets	970	1,389	(419)	(30.2)
Net write-downs/write-ups on intangible fixed assets	612	1,086	(474)	(43.6)
Total write-downs	**1,582**	**2,475**	**(893)**	**(36.1)**

Profit (Loss) on current operations before taxes: in the year 2005, the profit for the year before tax amounted to **25,725 thousand Euros** against 9,427 thousand Euros of the preceding year.

Income taxes for the year for current operations: income taxes for the year amounted to **1,525 thousand Euros**.

Profit (loss) for the year: the net profit as at December 31, 2005 is equal to **27,250 thousand Euros**, recording an increase of 143.7% with respect to the profit of 11,181 thousand Euros of the previous year.

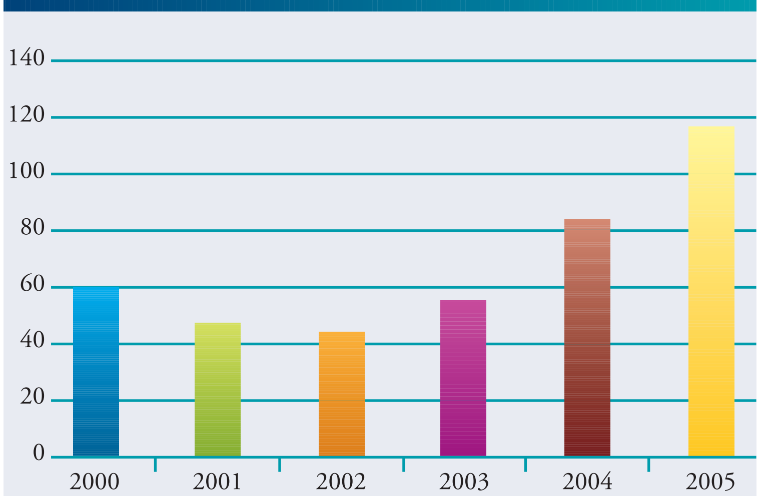
Net profit

+143.7%

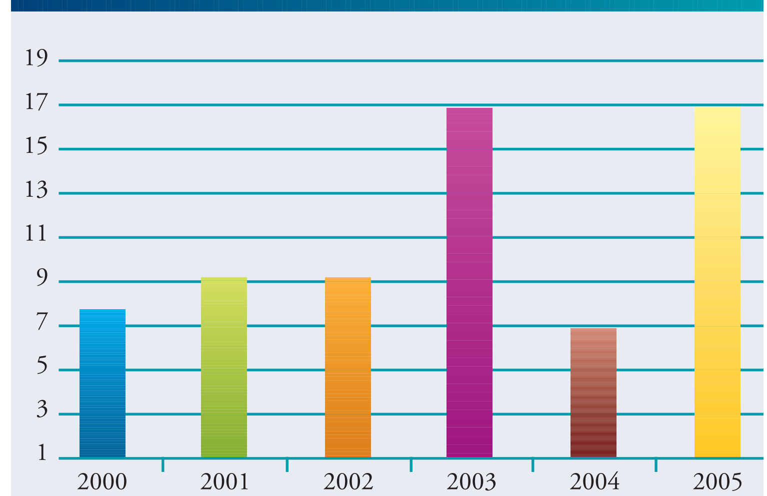
29 August The Katrina hurricane sweeps over Louisiana and hits the city of New Orleans violently. Katrina then moves over Mississippi, Alabama, Georgia and Florida, causing over 1,300 deaths.

2. Charts

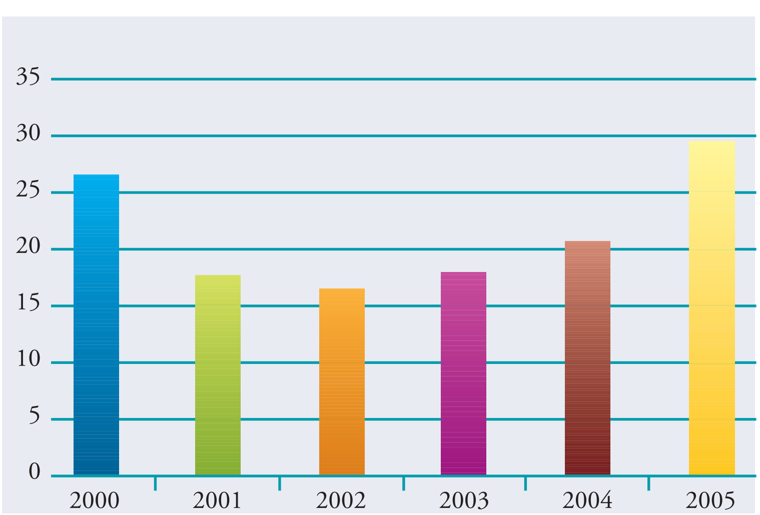
Total income



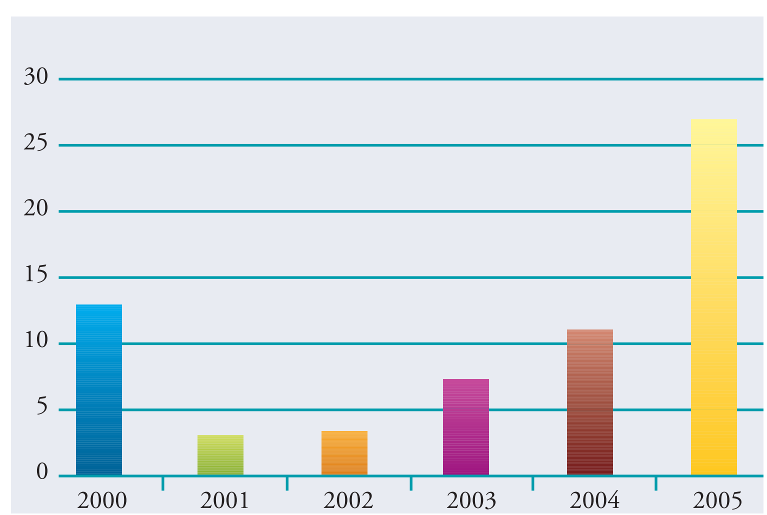
Interest margin



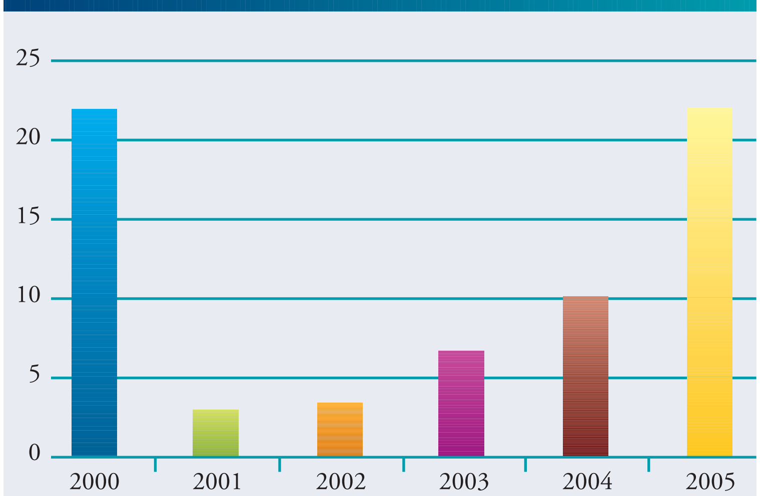
Net commissions



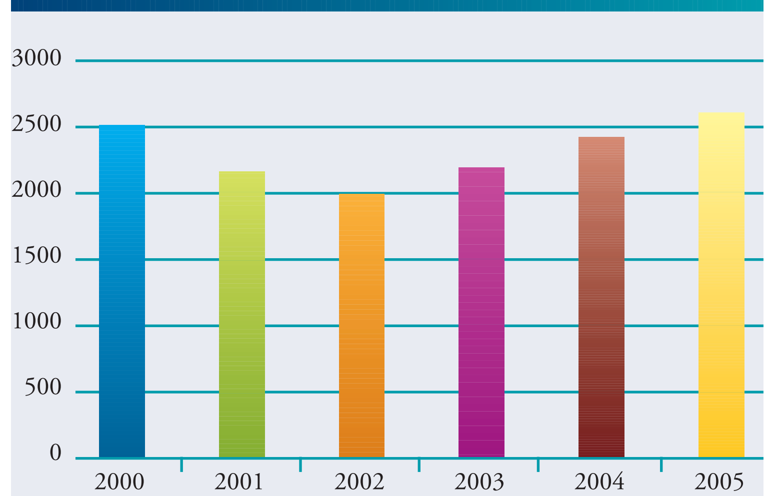
Net profit



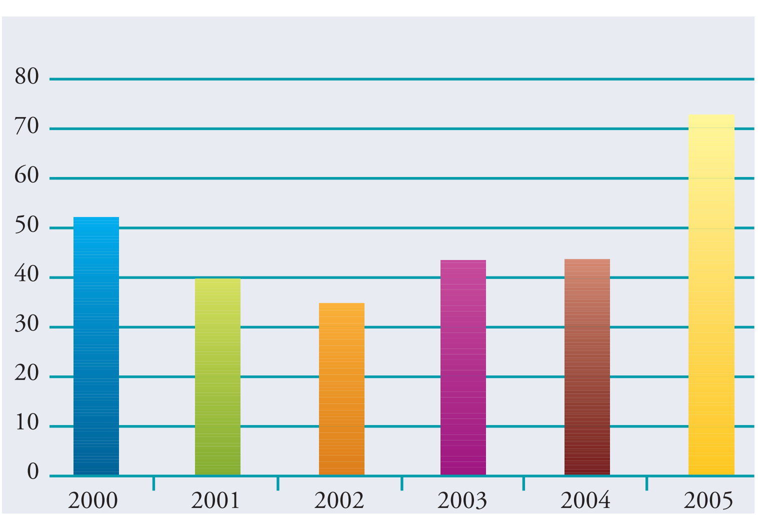
Roe



Deposits



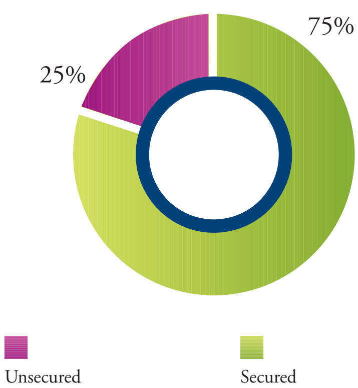
Brokering margin



3. Internal auditing system and risk management

Credit risk

Credit lines

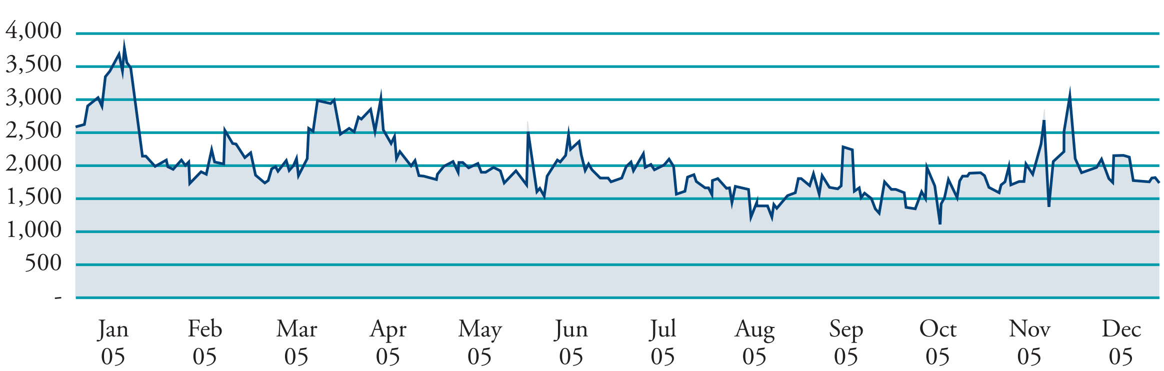


The risk management and control process in Banca Profilo involves, first and foremost, the Board of Directors, which is responsible for the strategic decisions on risk-taking policies, on the objectives to be pursued by the various areas of the Bank and on the capital allocated to said areas.
The decisions made by the Board of Directors are formally presented in special internal documents. These are revised at least once a year and contain indication of those responsible for the operational management of the various types of risks and definition of the delegation system and of operating limits, with which the aforementioned subjects are obliged to comply.
The Board of Directors, through the members of the Executive Committee, is regularly informed on the level of risks undertaken by the different business departments and on compliance with the operational limits decided by the same.

The risk detection, measurement and control activities are centralised in a specific organisation function, the Risk Area. In the Bank's organisational chart, the Area reports directly to the Chief Executive Officer and, as such, is in a position that is functionally separate and hierarchically independent from the structures handling the operational management of risk.

A) Market Risks

The Bank's *trading / arbitrage* operations are organised and managed by two operational areas: the Fixed Income and the Equity departments.
As regards the Fixed Income department, the main risk factor consists in the issuer risk: this department manages a portfolio of *corporate* securities and *credit default swaps* on primary national and international issuers.
The Bank is exposed to the risk of unfavourable moves of the credit spread associated with the issuers in which the portfolio has been invested: In terms of spread sensitivity, the average risk level of the portfolio during 2005 was in the region of 68,000 Euros per 1 bp of credit spread variation.
Consistent with the structure of the operating limits, the portfolio is almost entirely (98%) invested in securities of investment grade issuers.
In terms of risk, trading operations on interest rates was more contained; in terms of *interest rate sensitivity*, in the year, the average exposure to interest rate risk amounted to about 28,000 Euros for a parallel move of the interest rate curve of 1 basis point.
Trading transactions on interest rates almost entirely referred to the Euro curve, with limited exposures on curves of the currencies of emerging markets (more specifically, on the Turkish Lire curve) to back placement operations of bonds.
Trading operations on exchange rates similarly decreased: in 2005, the bank's open position on exchange rates averaged 4.1 million Euros. Spot/Forward operations on exchange rates and options mainly pertained to the main currencies (he US Dollar, the British Pound and the Japanese Yen).
The trading activity performed by the Equity sector during 2005 was characterised by arbitrage transactions, effected to coincide with capital increases or public purchase and exchange offers and hence the management risks taken by the area are always rather limited. Indeed, in 2005, the average amount of the shares portfolio amounted to 8.1 million Euros.
As protection against the risks connected with *trading / arbitrage* operations, there is a detailed system of operational limits which are monitored daily by the Risk Management department.
The VaR limit with regard to the Trading Area as a whole is 6.5 million Euros. The chart here below shows the trend of the VaR pertaining to the Area throughout the year 2005:



Thousands of Euros

The average 2005 value was of about 2 million Euros, peaking at 3.8 million Euros in January. On average, the VaR limit was used the most in the first half of the year.

Lastly, as far as the banking book is concerned, the structure of the balance sheet shows that deposits and loans are mainly on sight or at variable rate: consequently, the interest rate risk connected with the items of the banking book is very small. At year-end, the exposure amounted to 1,500 Euros in terms of interest rate sensitivity for 1 bp of increase in the rates.

B) Credit Risks

Given the high number of derivative contracts brokered by Banca Profilo, the main type of credit risk is the counterparty risk for over the counter derivatives.
Pursuant to the requirements of supervisory regulations, the counterparty risk is measured internally in terms of *mark to market + add on*. Added to the *mark to market* of current derivatives, which represents the current exposure with respect to a specific counterparty, is an amount (*add on*) that accounts for the potential future exposure related to individual contracts. The *add on* is different for every derivative contract, depending on the residual duration and on the specific type of contract.

To reduce counterparty risk, Banca Profilo has concluded collateralisation agreements with many of the main brokers with which it operates on the market and with institutional customers. These agreements involve periodic quantification of the exposure between the two counterparties, in terms of *mark to market* of all open derivatives and the simultaneous providing of collateral (cash or government bonds) to guarantee the exposure in the event that a contractually agreed amount is exceeded.
Over 90% of the overall exposure to counterparty risk is currently secured under collateralisation agreements.

Activities concerning the analysis, measurement and control of credit risk is ancillary to both operations of the Bank's Finance Division with institutional counterparties and Private Banking operations with private customers. At December 31, 2005, of 130 million Euros of credit lines to private customers, 75% was secured by collateral or surety.
The activity described in the foregoing falls to the Credit Line Office which operates within the Risk Division: the said office verifies on a monthly basis, the amount of loans provided and the amount of funds used, whether the guarantees provided are sufficient and appropriate, compliance with credit lines for operations in derivatives. The same office periodically reviews the credit rating of customers and counterparties.

C) Liquidity risk

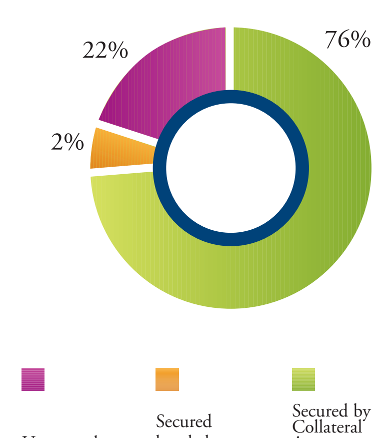
The liquidity risk is represented by the possibility that the Parent Bank might be unable to honour its payment due dates, on account of being unable to retrieve new funds or sell assets on the market.
Given the current capital structure of Banca Profilo, there is no risk of temporal mismatch between deposit-taking and investments: sources of medium/long term deposits, indeed, typically exceed medium to long term investments.
Sources of demand deposits or very short term deposits exclusively provide for the means to fund that share of portfolio which is not directly funded on the market through repos. At any rate, these are listed financial instruments that can be liquidated easily, should this need arise. The management of liquidity operations is entrusted to the Treasury desk which operates as part of the Fixed Income area where all of the Bank's flows are centred.
As protection against liquidity risk, specific operational limits and warning thresholds have been established which are monitored daily by the Risk Management area.

D) Operating risks

Operating risk refers to the risk of incurring financial losses owing inadequate internal processes or break-downs thereof, or human errors, malfunctions and shortcomings of technological systems or failures caused by external events.
There are several organisational structures that have been set up to protect against and manage operating risks; these structures serve a fundamental purpose within the Bank and the Group:

- *the Organisation, which defines and formally sets out the internal procedures by which the several offices abide so as to ensure maximum efficiency of the company as a whole and ensure the appropriate level of control over operations;*

Credit risk
Counterparty risk



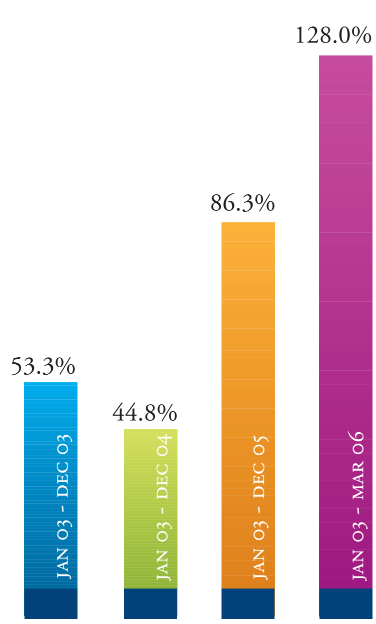
- *the Safety Office the task of which is to control and maintain levels that ensure physical safety, IT safety policies and the safety of workers in the company;*

- *the Information Technology department sees to it that a service and safety level is maintained at all times vis-à-vis on-line facilities, hardware equipment, the software distributed, the software relating to the company's main information system, protection and authorisation systems;*

- *the Internal Audit department ensures that the different units of the Bank duly comply with internal procedures and reports on any anomalies or criticalities.*

As far as Business Continuity is concerned, over the years the Bank has further developed and upgraded its technical/organisational systems so as to ensure high standards of business continuity to customers, counterparties and the market at large.

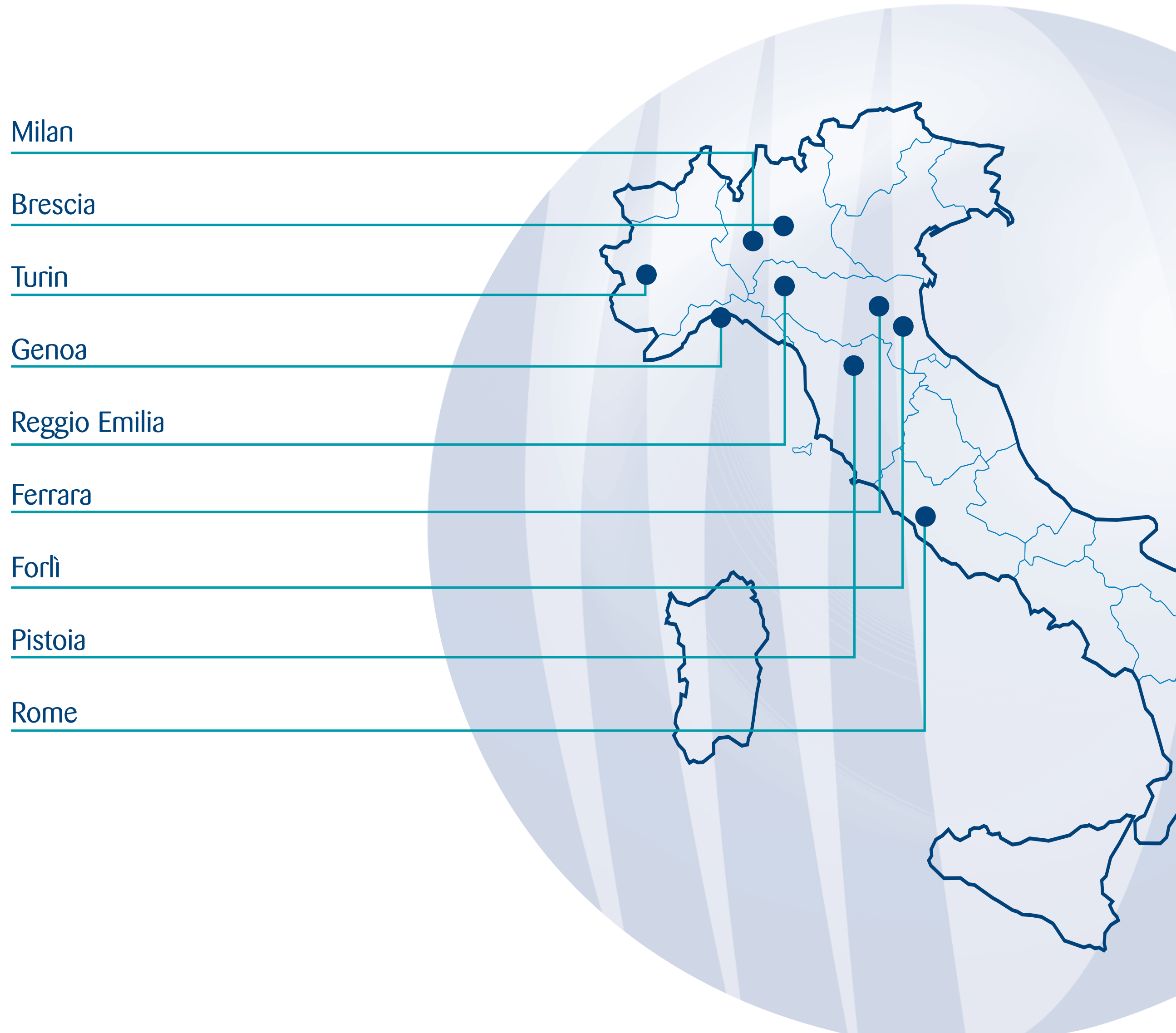
From an operational point of view, all critical IT equipment was disposed of, regular back up copies of data are done and stored in safe locations; specific organisational procedures have been set out to deal with events of non-availability of one or more branches.
As far as Disaster Recovery is concerned, i.e. the set of measures designed to govern the unavailability of data processing centres in the event of a disaster or unforeseen circumstances, the Bank, through its CSE outsourcer, is equipped with a processing site as alternative to that used in the ordinary course of business that can cater for all the traditional banking procedures; the Bank is also looking into the possibility of setting one up to provide for all the other applications, too.
The subject of business continuity management is currently being addressed through a project that is underway; its completion is expected by the end of the year 2006. The model adopted is in line with the provisions of Bank of Italy and A.B.I. guidelines.
As for issues connected with environmental safety (health of workers - Legislative Decree 626/1994), the office designated to this task carries out on a yearly basis an inspection at every branch, assigning a score to the different risk factors identified (on the basis of the likelihood of the event occurring and the severity of the expected loss): on the basis of this evaluation, the bank sets out priorities in the ensuing action plan for the removal of the risk factors.
In compliance with provisions on privacy (Privacy Consolidated Act - Legislative Decree 196/2003), every year the vulnerability of the company's IT system is evaluated and an external service provider is assigned with the execution of an intrusion test from the inside and outside of the local data transmission network. In addition, in 2005, a new software was purchased that specifically manages, evaluates and provides statistics on the risks: the said software is designed to upgrade the system that identifies and provides a history of safety events as regards the most sensitive sectors of the company's IT systems.



Banca Profilo: total return 2003 - 2006

Source: analysis based on Bloomberg data

4. Geographic network



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00187 Rome
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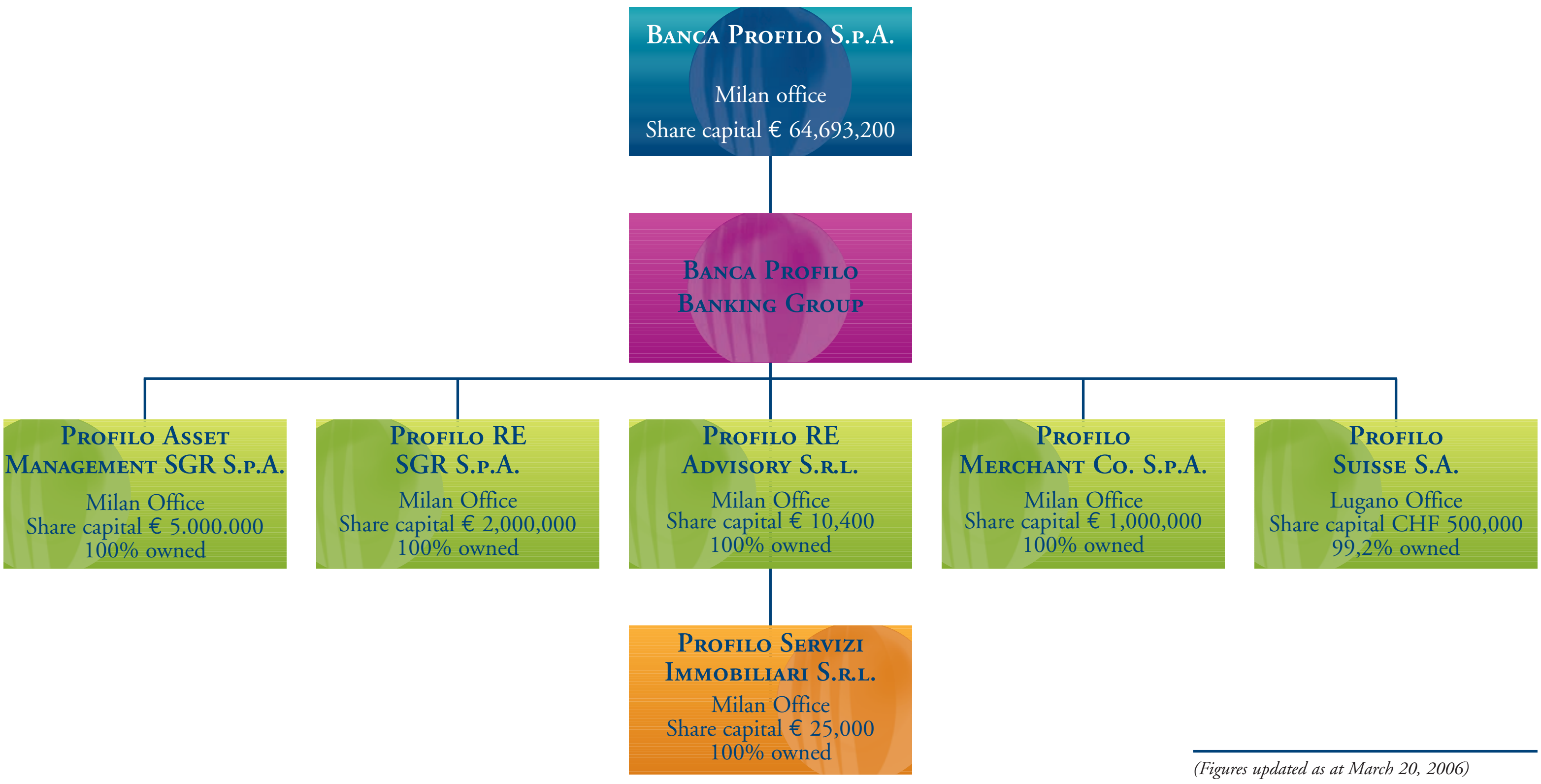
5. Relations with Group and Investee Companies



(Figures updated as at March 20, 2006)

I. Banca Profilo Banking Group and Other Significant Equity Investments[2]

a) Profilo Asset Management SGR S.p.A. – Banca Profilo Banking Group

Profilo Asset Management SGR S.p.A. is 100% owned by Banca Profilo S.p.A..

In 2005, the performance of Profilo Asset Management SGR S.p.A., closing with a loss of 183,934 Euros, halved compared to the preceding year's result, benefited from the streamlining of the organisational structure and managed products, which took place throughout 2004.
As a result of the process described in the foregoing, in the Banca Profilo Group, the company manages open-end mutual funds.
In the year, the Profilo Eurospa Total Return fund was liquidated on account of its negative performances right from the outset which adversely affected placement of the securities with customers.
The other three funds of the company, instead, Profilo Best Funds, Profilo Elite Flessibile and Profilo Euros Bond, all yielded positive results, exceeding reference benchmarks. More specifically, Profilo Best Funds, was awarded as the best performing flexible fund in the Global Investment category – Euro Bonds, in the Standard & Poor's Fund Awards.
In the light of the excellent performance of the first months of 2006, in terms of both deposit-taking and performance, the company is expected to attain a positive operating result at the end of the year.

b) Profilo Servizi Immobiliari S.r.l. (formerly, Immobiliare Missaglia s.r.l.)

Profilo Servizi Immobiliari S.r.l. è controllata al 100% da Profilo Real Estate Advisory S.r.l..

Profilo Servizi Immobiliari s.r.l. is wholly owned by Profilo Real Estate Advisory s.r.l.

In 2005, the company was renamed Profilo Servizi Immobiliari s.r.l. and widened its corporate purpose to inclu-

[2] *The Financial Statements of the subsidiaries have been drawn up according to national accounting standards.*

de operations in Property, Building and Facility Management. As part of the project for starting up Profilo Real Estate SGR S.p.A., the company will outsource operations of routine maintenance on the "Profilo RE Synthesis" fund's own property and maintenance services to ensure that the required quality level of services to the buildings is satisfied. Profilo Servizi Immobiliari s.r.l. will also be responsible for the preliminary activities of administration and accounting management of the same property of the fund.
In 2005, the company sold the property in Via Torino, 15, in Milan, realizing a capital gain of 2.026 million Euros and also sold the property of Via Bugatti, 12, in Milan, realizing a capital gain of ca. 1.844 million Euros.

Profilo Servizi Immobiliari s.r.l. closed its financial statements as at December 31, 2005 with a net profit of 1,679,951 Euros, of which:

a. *1,550,000 Euros to be paid as a dividend to the holding company Profilo Real Estate Advisory s.r.l.;*
and
b. *129,951 Euros allocated to other reserves.*

C) Profilo RE Advisory S.r.l. (formerly Profilo Immobiliare S.r.l.) Banca Profilo Banking Group

Profilo RE Advisory s.r.l. is 100% owned by Banca Profilo S.p.A..

In 2005, the company's Shareholders' Meeting decided to rename the company 'Profilo Real Estate Advisory S.r.l.' and widened its purpose to include real estate consulting operations and services.
The said decisions are part of the wider plan for the creation of a real estate services department of the Group and are aimed at enabling the company to act as Global Advisor for Profilo Real Estate SGR S.p.A., providing the required consulting support to the top-tier management vis-à-vis real estate investment choices pertaining to the "Profilo RE Synthesis" fund.

At December 31, 2005, the company was the proprietor of an apartment in Rome, Via del Gambero, 30, used as company flat and leased to the Bank at arm's length rates.

Profilo Real Estate Advisory s.r.l. closed the financial year on December 31, 2005 with a net profit of 1,518,664 Euros on account of the dividend that the subsidiary Profilo Servizi Immobiliari S.r.l. deliberated in the former's favour.

D) Profilo RE SGR S.p.A. (formerly Profilo SGR S.p.A.) Banca Profilo Banking Group

Profilo RE SGR S.p.A. is 100% owned by Banca Profilo S.p.A..

In 2004, the company transferred to Profilo Asset Management SGR S.p.A. the "Profilo Best Funds" fund of funds and the human resources operating therein.

In implementation of the business plan for the creation of a real estate department within the Group, in April 2005, the Extraordinary Shareholders' Meeting renamed the company Profilo Real Estate SGR S.p.A.. In the year, the real estate closed-end fund for qualified investors only, "Profilo Real Estate Synthesis", was set up, laying the organisational foundations for its forthcoming activation.

Profilo Real Estate SGR S.p.A. closed the financial year 2005 with a loss of 12,662 Euros.

E) Profilo Merchant Co. S.p.A. (formerly Profilo Academy S.p.A.) Banca Profilo Banking Group

Profilo Merchant Co. S.p.A. is 100% owned by Banca Profilo S.p.A..

As a result of the Board of Directors' decision to discontinue business operations, in June, the Shareholders' Meeting of Profilo Academy decided that the company should be converted into a brokering company by the name of Profilo Merchant Co. S.p.A.. The corporate purpose was changed consistently with the provisions set forth in art. 106 of the Banking Consolidation Act and the share capital was increased to 1,000,000 Euros from 500,000 Euros. The plan was authorised by the Bank of Italy at the end of January 2006.

Profilo Merchant Co. S.p.A. closed the financial year 2005 with a loss of 96,409 Euros.

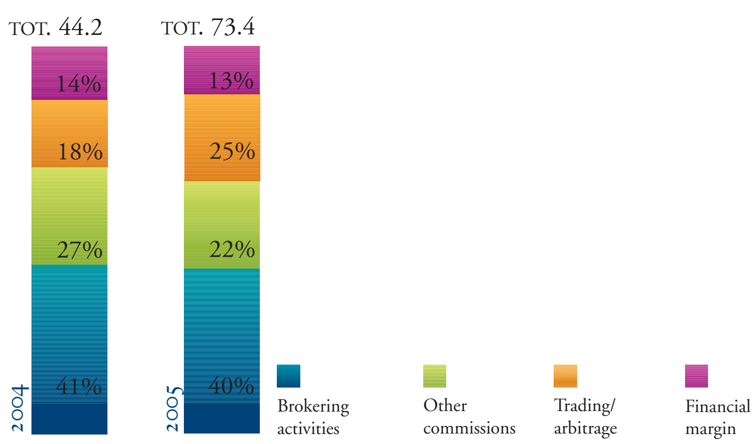
F) Profilo Suisse S.A. (Lugano) - Banca Profilo Banking Group

Profilo Suisse S.A., based in Lugano, Switzerland, is a Swiss trustee bank authorised to carry out asset management activities, as well as those inherent to the brokerage of transferable securities and currency.
The company, whose capital amounts to 500,000 Swiss Francs, is 99.2% held by the parent company Banca Profilo S.p.A..
Since 2002, Profilo Suisse has been managed by a Sole Director, has no employees and is located care of the Swiss firm TS Accounting.
Profilo Suisse SA closed the year as at December 31, 2005 with a loss of 20,636 Swiss Francs (equal to approximately13,270 Euros).

G) Profilo Hedge SGR S.p.A.

The final financial statements for the winding up of Profilo Hedge SGR S.p.A., company for which the authorisation procedure for operating in and managing hedge funds was never completed, closed with a profit of 4,050.00 Euros.

All relations are governed by market conditions.



Brokering margin: breakdown by activity

Data in millions of Euros

6. Transactions with related parties

Information on Transactions with Related Parties concluded by the Bank in 2005, is provided in accordance with the definition set out by IAS 24.

Without prejudice to the principle set forth in art. 2391 of the Italian Civil Code on directors' conflicts of interest, the company applies and duly operates under the provisions of art. 136 of the Banking Consolidation Act in the version applicable at December 31, 2005, as regards the obligations of managers.
On December 20, 2005, the Board of Directors granted Profilo Holding S.p.A., holding company steered by the Chairman of Banca Profilo S.p.A., an increase of the existing credit line of the overall amount of 5.5 million Euros at 3-months Euribor + 0.75%. At the date of approval of the draft of the financial statements, the credit line has not been used.
Intra-group transactions were carried out on the basis of mutually convenient operating considerations and decisions regarding the conditions to be applied as regards the same operations were taken in compliance with fairness criteria, account being taken also of the common objective of creating value for the entire Group. The transactions being examined were carried out under the same conditions as those applied to transactions executed with unrelated parties.
More specifically, it is hereby noted that the Bank's Board of Directors meeting of June 15, 2005 deliberated as follows:

- *to grant the subsidiary Profilo Real Estate Advisory srl a credit line for the limit amount of 9.5 million Euros, at a rate payable equal to 3-month Euribor + 0.625%;*

- *to grant the subsidiary Profilo Servizi Immobiliari S.r.l. a credit line for the limit amount of 9.5 million Euros, at a rate payable equal to 3-month Euribor + 0.625%;.*

7. Other important information

a) Share Performance over the Year under Review

In 2005, Banca Profilo exceeded performance on the Italian equity market in line with the trend of the financial sector. The quotation of Banca Profilo increased by 21.70% net of the dividend (that is, 28.65%, inclusive of dividend), whereas the Mibtel at year-end showed a 13.78% rise.

In the first half of the year, the quotations of Banca Profilo moved laterally between a minimum of 1.755 Euros at the start of the year and a maximum of 2.098 at 17 February. In the third quarter, shares peaked for the year at 2.24 Euros on 16 September. The quotation closed at December 31, 2005 on 2.131 Euros.

Trading in 2005, compared to 2004, grew sizeably. The average daily volumes amounted to 316,565 against 121,690 of the preceding year.
The weighted average price in the year was equal to1.97 Euros.

On 12 May, Banca Profilo distributed an ordinary dividend of 0.11 Euros, confirming the growth trend of the last three years. At the year's weighted average price corresponds a 5.6% *dividend yield*. No extraordinary dividend was distributed.

b) Shareholding Breakdown

As at **December 31, 2005**, the fully paid-up share capital of Banca Profilo S.p.A. is equal to 64,685,400 Euros, made up of 124,395,000 shares of a face value of 0.52 Euros each. At year-end, on the basis of the entries in the share ledger and communications received pursuant to the provisions of Article 120 of Legislative Decree no. 58 dated February 24, 1998 (*Testo Unico* [Consolidation Act]) and other information available to the issuer, shareholding in Banca Profilo breaks down as follows:

Sandro Capotosti	**37,372,401**	**30.05**
- directly	3,419,143	2.75
- through Profilo Holding S.p.A.	33,953,258	27.30
Capital Investment Trust S.p.A.[3]	**23,258,000**	**18.70**
Assicurazioni Generali S.p.A.	**6,196,929**	**4.98**
- directly	1,366,800	1.10
- through Ina Vita S.p.A.	4,030,129	3.24
- through Assitalia S.p.A.	800,000	0.64
Jaap Gerrit Kraal	**3,142,177**	**2.53**
Other shareholders	**53,425,493**	**43.74**

[3] *Within the trustee bank, capital investments in Banca Profilo S.p.A. are distributed as follows: Sandro Torchiani, 3,977,166 Banca Profilo S.p.A. shares (3.230%); Piero Torchiani, 3,977,166 Banca Profilo S.p.A. shares (3.230%); Marco Torchiani, 3,825,917 Banca Profilo S.p.A. shares (3,107%); Silvia Torchiani, 3,825,917 Banca Profilo S.p.A. shares (3.107%); Renzo Torchiani, 3,825,917 Banca Profilo S.p.A. shares (3.107%); Elisa Torchiani, 3.825.917 Banca Profilo S.p.A. shares (3.107%)*

On **January 31, 2006**, Banca Profilo S.p.A. 's share capital, paid in and subscribed, increased as a result of the exercise of no. 15,000 stock options, and amounted to 64,693,200 Euros, divided into no. 124,410,000 shares, each of a nominal amount of 0.52 Euros.

c) Report on Acquisitions and Disposals of Own Shares

The Shareholders' Meeting of April 22, 2005 authorised the purchase/disposal activity of own shares, with the aim of limiting anomalous volatility of stock quotations, implementing stock option plans and participating in market transactions, requiring the use of Banca Profilo common shares as payment, even as a share exchange. Subsequently, the Board of Directors adopted a regulation that establishes objective, standard criteria and parameters for the purchase/sale of own shares, aimed at reducing irregular trends in the stock quotation.

As at December 31, 2004 the Bank held 1,232,626 own shares. During the 2005 operating period, the Bank acquired a total of 1,907,241 own shares at the average price of 2.022 Euros per share and sold 1,448,588 own shares at the average price of 2.004 Euros per share. Transactions were carried out in accordance with the aforementioned resolution and with the regulation adopted in its implementation. As at December 31, 2005 Banca Profilo S.p.A. holds 1,691,279 own shares.

d) Equity Investments of Directors and Statutory Auditors in Banca Profilo and its Subsidiaries

** shares were purchased in October 2005 as a result of Directors Angileri, Cavanna and Manara exercising their stock options.*

In accordance with the provisions laid down in CONSOB Regulation No. 11971, the equity investments in Banca Profilo S.p.A. and its subsidiaries held directly or indirectly by Directors and Statutory Auditors of Banca Profilo S.p.A. and their spouses (provided that they are not legally separated) and under-age children:

Directors	Investee Company	Ownership mode/title	No. of shares held as at	No. of shares acquired in	No. of shares sold in 2005	No. of shares held as at
Sandro Capotosti	Banca Profilo S.p.A.	Direct/Owned	3,140,870	278,273	0	3,419,143
		Indirect/Owned	33,953,258	0	0	33,953,258
		Spouse/Owned	241,250	0	20,000	221,250
Nicolò Angileri	Banca Profilo S.p.A.	Direct/Owned	0	* 150,000	105,157	44,843
Marco Manara	Banca Profilo S.p.A.	Direct/Owned	25,000	* 150,000	175,000	0
	Profilo Suisse S.A.	Direct/Owned	1	0	0	1
Arnaldo Grimaldi	Profilo Suisse S.A.	Direct/Owned	1	0	0	1
Gaetano Galeone	Banca Profilo S.p.A.	Spouse/Owned	27,785	0	0	27,785
Riccardo Lagorio Serra	Banca Profilo S.p.A.	Direct/Owned	157	0	0	157
Silvana Cavanna	Banca Profilo S.p.A.	Direct/Owned	10,000	* 50,000	60,000	0
Sandro Torchiani	Banca Profilo S.p.A.	Direct/Owned	500,000	0	0	500,000
		Indirect/Owned	0	234,000	0	234,000
		Through trusts/ Fully owned	3,977,166	0	0	3,977,166
		Through trusts/ Use	7,651,834	0	0	7,651,834
Renzo Torchiani	Banca Profilo S.p.A.	Diretto/Proprietà	11,190	0	5,000	6,190
		Through trusts/ Bare property	3,825,917	0	0	3,825,917

AUDITORS	Investee Company	Ownership mode/title	No. of shares held as at Dec. 31 2004	No. of shares acquired in 2005	No. of shares sold in 2005	No. of shares held as at Dec. 31 2005
Guido Mongelli	Banca Profilo S.p.A.	Direct/Owned	91,339	0	0	91,339
		Spouse/Owned	39,283	0	0	39,283
Walter Bonardi	Banca Profilo S.p.A.	Direct/Owned	66,066	53,934	0	120,000
Michele Saracino	Banca Profilo S.p.A.	Direct/Owned	14,750	0	0	14,750
		Spouse/Owned	8,000	0	0	8,000

e) Information on Stock Options Plans

The characteristics of the Stock Option plan currently in place, the beneficiaries of which are the employees of the Bank and its subsidiaries, reflect the objective of equipping the Group with a strong tool for providing incentives and promoting loyalty of strategic resources. The Options give the Beneficiary the right to subscribe 1 Banca Profilo share at an exercise price of 0.52 Euros each, equal to the nominal value of the same. The Options are attributed to the Beneficiaries personally and cannot be transferred to another party. The Options become exercisable in the relevant period stated in the option assignment letter, but the regulation of the Plan allows for the Board to set an anticipated exercise period for some or all beneficiaries, possibly subordinating it to the signing of a Non-Competition Agreement.
As far as expiry of the Options is concerned, the Plan states that an interruption in the employment relationship, for any reason whatsoever, except in the case of death or permanent disability, leads to the automatic expiry of unexercised Options, without any right to compensation or damages of any kind. In case of death of the Beneficiary, the Options become exercisable by the heirs with the same methods established for exercise by the Beneficiary. The Plan also requires that in case of Initial Public Offer (purchase and exchange) referred to Banca Profilo shares, the Beneficiaries have the right to exercise their Options in advance.
Since the Plan became effective (second semester of 2002), a total of 7,239,000 Options have been assigned for subscription of the same number of common shares of the Bank. A total of 410,000 of these were assigned in 2005. During the year 1,073,000 options were exercised.

8. Expected evolution of operations

As regards the description of the management evolution, reference should be made to the general contents of this report.

9. Proposal for allocation of the net profit

The Ordinary Shareholders' Meeting of Banca Profilo S.p.A., which convened on April 21, 2006, having considered the Board of Directors' Report, approved the following allocation of the year's net profit resulting from the financial statements as at December 31, 2005 and equal to 27,249,615 Euros:

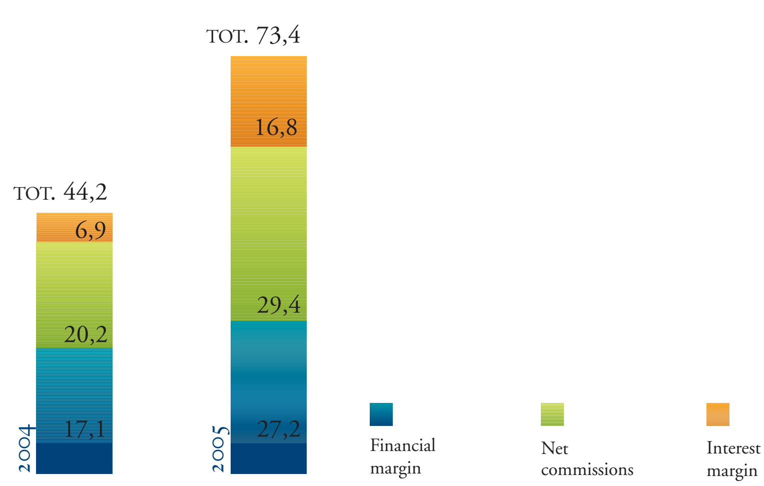
- *to the extent of* **132,392 Euros** *to* **Legal Reserve***;*
- *to the extent of* **18,195,912.84 Euros** *to the Shareholders as* **dividend***, in the amount of* **0.147 Euros per share***, gross of withholding taxes required by law, where applicable, for each of the 123,781,720 shares, net of the 1,472,280 own shares held in the Company portfolio at the date of this proposal, which are not eligible for dividend pursuant to Article 2357-ter of the Italian Civil Code; the dividend has therefore increased as a result of the portion due with respect to own shares;*
- *to the extent of the amount of* **8,921,310.16** *to* **Other Reserves***.*

Should the number of own shares held in the Company portfolio change between the date of the Shareholders' Meeting Resolution and the date of dividend payment - given the amount allocated to legal reserve and the amount of dividend pertaining to each share - the possible deficiency/excess will be drawn from/allocated to "Other Reserves".

The dividend shall be payable as from May 25, 2006, with detachment of coupon no. 8 on May 22, 2006.

Milan, April 21, 2006

For the Board of Directors
The Chairman
Sandro Capotosti



Brokering margin
Data in millions of Euros

22 September Domenico Siniscalco resigns following the Fazio event: Giulio Tremonti takes his place as head of the Ministry of the Economy. Two days later Tremonti does not authorize Fazio to take part in the Development Committee in Washington.

Financial Statements

BALANCE SHEET

ASSETS			12-31-2005		12-31-2004*
10	Cash and cash equivalents		349,863		85,233
20	Financial assets held for trading purposes		934,901,573		978,887,434
30	Financial assets valued at fair value		1,980,000		-
40	Financial assets available for sale		3,541,292		3,821,350
50	Financial assets held to maturity		-		-
60	Due from banks		678,735,685		113,139,449
70	Due from customers		111,941,434		117,893,797
80	Hedge derivatives		-		-
90	Change in value of financial assets recognised as part of a macrohedge (+/-)		-		-
100	Equity investments		9,430,528		15,733,070
110	Tangible fixed assets		1,056,087		1,750,143
120	Intangible fixed assets		6,670,718		7,069,120
	of which:				
	- goodwill	*5,150,590*		*5,150,590*	
130	Tax receivables		8,412,702		2,102,232
	a) current	*1,165,379*		*744,771*	
	b) prepaid	*7,247,323*		*1,357,461*	
140	Non - current assets and assets on disposal		-		-
150	Other assets		16,818,835		13,951,444
Total assets			**1,773,838,717**		**1,254,433,272**

** without IAS 32 and 39*

BALANCE SHEET

	LIABILITIES AND SHAREHOLDERS' EQUITY		12-31-2005		12-31-2004*
10	Due to banks		472,726,951		412,556,048
20	Due to customers		937,177,232		565,479,183
30	Securities outstanding		50,131,981		38,610,125
40	Financial liabilities held for trading purposes		160,780,881		101,760,934
50	Financial liabilities valued at fair value		-		-
60	Hedge derivatives		-		-
70	Change in value of financial liabilities recognised as part of a macrohedge		-		-
80	Tax payables		5,447,136		-
	a) current	*4,615,157*			
	b) deferred	*831,979*		-	
90	Liabilities linked to assets on disposals		-		-
100	Other liabilities		22,358,944		24,741,356
110	Staff severance indemnities		2,546,437		2,405,153
120	Provisions for risks and charges:		499,567		-
	a) retirement benefits and similar obligations	-			
	b) other provisions	*499,567*		-	
130	Reserve from valuation		- 254,158		-
140	Redeemable shares		-		-
150	Equity instruments		-		-
160	Reserves		12,152,513		13,433,960
170	Share premium account		21,439,540		22,392,437
180	Share capital		64,685,400		64,023,440
190	Own shares (-)		- 3,103,323		- 2,150,426
200	Profit (loss) for the year (+/-)		27,249,615		11,181,062
Total liabilities and shareholders' equity			**1,773,838,717**		**1,254,433,272**

* *without IAS 32 and 39*

INCOME STATEMENT

	ITEMS		2005		2004*
10	Interest income and similar items		52,532,414		43,537,329
20	Interest expense and similar items:		- 35,726,144		- 36,604,909
30	**Interest margin**		**16,806,270**		**6,932,420**
40	Commission income		31,949,381		22,496,596
50	Commission expense		- 2,519,996		- 2,341,640
60	**Net commissions**		**29,429,385**		**20,154,956**
70	Dividends and other income		31,010,065		17,073,258
80	Net profit (loss) from trading transactions		- 3.754.780		52,164
90	Net profit (loss) from hedging transactions		-		
100	Profits (Losses) on disposals or repurchase of:		- 47,801		-
	a) loans	-			
	b) financial assets available for sale	*- 47,801*		-	
	c) financial assets held to maturity	-		-	
	d) financial liabilities	-		-	
110	Net profit (loss) from financial assets and liabilities valued at fair value		- 20,000		
120	**Brokering margin**		**73,423,139**		**44,212,798**
130	Net write-downs/write-ups for impairment of:		- 262,695		- 100,000
	a) loans	*- 262,695*		*- 100,000*	
	b) financial assets available for sale	-			
	c) financial assets held to maturity	-			
	d) financial liabilities	-			
140	**Net profit (loss) on financial operations**		**73,160,443**		**44,112,798**
150	Administrative expenses		- 48,839,776		- 34,704,060
	a) Staff expenses	*- 36,611,631*		*- 23,146,453*	
	b) Other administrative expenses	*- 12,228,145*		*- 11,557,607*	
160	Net provisions for risks and charges		- 499,567		-
170	Net write-downs/write-ups on tangible fixed assets		- 969,849		- 1,389,119
180	Net write-downs/write-ups on intangible fixed assets		- 611,899		- 1,086,206
190	Other operating income/charges		- 917,311		415,768
200	**Operating costs**		**- 51,838,402**		**- 36.763.617**
210	Profits (Losses) on equity investments		4,403,035		2,068,186
220	Net profit (loss) on tangible and intangible fixed assets valued at fair value		-		-
230	Goodwill value adjustments		-		-
240	Profits (Losses) on divestitures		-		10.067
250	Profit (Loss) on current operations before taxes		25,725,076		9,427,434
260	Income taxes for the year for current operations		1,524,539		1,753,628
270	Profit (Loss) on current operations, after taxes		27,249,615		11,181,062
280	Profits (Losses) on assets on disposal, after taxes		-		-
290	**Profit (loss) for the year**		**27,249,615**		**11,181,062**
	Basis earning per share		**0.22**		

** without IAS 32 and 39*

Notes to the financial statements

Part A - Accounting Standards

A.1 - general part

Section 1 - Declaration of conformity with international accounting standards (IAS 1/14, 18, 19, 21)

These Financial Statements have been drawn up in conformity with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and approved on December 31, 2005 and in compliance with the related interpretations of the International Financial Reporting Committee (IFRIC).
The Financial Statements are composed of the Balance Sheet, the Income Statement, the Statement of Changes in the Shareholders' equity, the Cash Flow Statement and the Notes to the Financial Statements prepared in accordance with the provisions issued by the Bank of Italy with memorandum no. 262 of December 22, 2005.
The Financial Statements have been drawn up in Euro with exception of the Notes to the Financial Statements, which have been drawn up in thousands of Euros.

Since these are the first Financial Statements to be drawn up in conformity with the new international accounting standards, the pertinent chapter "The adoption of the new IAS/IFRS international accounting standards " outlines, as provided for under accounting standard IFRS1, the impacts - arising from the transition to the new IAS/IFRS accounting standards - on the Balance Sheet at January 1, 2004, December 31, 2004 and January 1, 2005, and on the Income Statement of the year 2004.
In this context, it should be noted that - as permitted under the provisions of IFRS 1 - IAS 39 and 32 referring to financial instruments have been applied as of January 1, 2005. The re-entering of figures prior to this date has therefore not been carried out with respect to financial instruments which instead have been recognised and evaluated in accordance with applicable domestic accounting principles. The comments address the type and size of the main adjustments had the new principles been applied in connection thereof.

Statements and comments relating to the impacts arising from the transition to the new accounting principles have been audited in their entirety, as required under Consob Resolution no. DEM/5025723.
The auditing of these Financial Statements is assigned to the company Deloitte & Touche S.p.A.

Section 2 - General accounting principles applied in drawing up the statements (IAS 1/29, 23, 25, 27, 29, 32, 36)

This chapter outlines the general principles adopted in drawing up these Consolidated Financial Statements as at December 31, 2005, as required under IFRS 1.

a) Going concern

Assets, liabilities and "off balance sheet" transactions have been evaluated in accordance with their operating values, in that they are expected to last over time.

b) Accrual basis principle

Costs and revenues are recognised regardless of the moment their related amounts are settled or paid; they are therefore recognised on an accrual basis and in accordance with the correlation criterion.

c) Consistency of presentation

Presentation and classification of items have been consistent over time with a view to ensuring comparability of information, except where their variation is required under an International Accounting Standard or an Interpretation or where their variation provides a more faithful representation of the figures in terms of significance and reliability. If a presentation or classification criterion is changed, the new one is applied– where possible – retroactively; in this case, the type and reason for the change are also provided, as well as the items affected. Items are presented and classified by using the tables prepared by the Bank of Italy with memorandum no. 262 of December 22, 2005 "The Financial Statements of Banks: tables and provisions for their drafting".

d) Aggregation and materiality

Each material class of similar items is shown separately in the Financial Statements. Items that are dissimilar in nature or function are presented separately.

e) No off-setting

Assets and liabilities, costs and revenues are not offset, except where such off-setting is required or permitted under an International Accounting Standard or an Interpretation or by the tables prepared by the Bank of Italy for the financial statements of banks.

f) Comparative information

The comparative information of the preceding year are shown with regard to all the figures contained in the statements, unless an International Accounting Standard or an Interpretation require or permit otherwise. Descriptive information has also been included when useful in terms of better comprehension of the figures.

g) IFRS 1 Options

As first-time application of IAS/IFRS, a Consolidated Balance Sheet at January 1, 2004 has been drawn up, except for IAS 32 and 39, recognising the differences arising from previously applied accounting principle directly under a specific shareholders' equity item, namely the F.T.A. Reserve, the "First time adoption" Reserve.

As provided for by IFRS 1, the date of transition referring to the IAS 32 and 39 first time adoption, regarding the evaluation of financial instruments, including derivates, was January 1, 2005. The effects of the application of IAS 32 and 39, as first time application, have been recognised in the special FTA Reserve.

Section 3 - Events after balance sheet date (IAS 10)

Section 4 - Additional information

A.2 - PART REFERRING TO THE MAIN BALANCE SHEET ITEMS

The accounting principles adopted for these financial statements are shown hereafter.

1- Financial assets held for trading purposes

(a) Classification criteria

This item (referred to as Fair value Through Profit or Loss - F.V.P.L.) includes all financial assets (debt securities, share capital securities, loans, derivative financial instruments) allocated to the trading portfolio. Also included under this item are interests subject to considerable influence or joint control which under IAS 28 and IAS 31, respectively, can be assigned to this portfolio.

Transfers from the trading portfolio to other portfolios and viceversa are not permitted.

Derivative financial instruments for trading purposes, should they be used for hedging purposes and where the conditions required under IAS 39 are met (hedge accounting), can be classified under hedging derivates and evaluated consistently with this classification, and derivative instruments of the hedging portfolios, once the hedging purposes are no longer applicable, are transferred to the trading portfolio

The Banca Profilo Group has entered under this category (referred to as Fair value Through Profit or Loss - FVPL) debt and share capital securities for short term trading, derivative financial instruments held for trading purposes, including those to be recognised separately to complex structured instruments in which they are incorporated, and investments in accumulation policies. This item also includes interests in related companies held through private equity funds which, under IAS 28, par. 13, can be classified, when first reported, among the assets held for trading purposes and evaluated in accordance with the provisions of IAS 39.

(b) Recording criteria

The first time recognition of debt and share capital securities is at "settlement date", whereas derivative instruments are reported at "trading date".

The instruments of the trading portfolio are reported upon their initial recognition at cost (purchase price) to be intended as the fair value of the instrument, disregarding any costs or income from the transaction directly assignable to the same instrument which are respectively expensed and credited to the income statement.

(c) Evaluation criteria

After the initial recognition, financial assets held for trading purposes are valued at fair value, expensing and crediting the income statement for any variations, under item 80 "Net profit (loss) from trading transactions".

The fair value is determined on the basis of the prices on active markets or on internal evaluation criteria as commonly applied in financial praxis.

As for financial instruments listed on an active market, market quotations are used; by active market is intended one where quotations, reflecting standard market transactions, are readily and regularly available through Stock Exchanges, Brokers, Intermediaries, Sector-specific companies, Quotation centres or authorized entities and express the price of actual and regular market transactions occurring in a normal reference period.
As for non-listed financial instruments, the fair value reflects: 1) as regards non-listed securities, the expected realizable value obtained by discounting future cash flows (certain or estimated) at the market rates applicable to listed securities having similar risk characteristics (in terms of rate and issuer) or obtained from the commonly and internationally used financial data and information networks; 2) as regards non-listed derivatives, the expected replacement cost obtained from the price of listed derivative contracts with identical characteristics (in terms of the underlying security, exercise price and expiry date) or from discounting future cash flows (certain or estimated) at the market rates obtained from the commonly and internationally used financial data and information networks and/or from applying evaluation models on a best practice basis.

Financial instruments for which the fair value is not reliable in terms of the foregoing, are valued at cost.
The fair value of private equity funds corresponds to the last available "net asset value".

(d) Elimination criteria

Financial assets for trading are erased from the financial statements when the contractual rights on the cash flows deriving therefrom expire or upon assignment of the financial assets with substantial transfer of all the risks and benefits relating thereto.

Receivables assigned are erased from the financial statements including in the case where the bank maintains the contractual right to receive the cash flows arising, but at the same time undertakes the obligation to pay the same flows to third parties.

2 - Financial assets available for sale

(a) Classification criteria

This category (referred to as Available for Sale - AFS) includes non-derivative financial assets not otherwise classified as Loans and Receivables, financial assets held to maturity and financial assets held for trading purposes and valued at fair value accounted for in the income statement.

It includes securities held for sale of which is expected to involve a shorter time than that of securities held for trading purposes or at any rate those available for transfer to third parties and minority interests other than those allocated to the trading portfolio.

Except where permitted under IAS 39, financial assets available for sale cannot be transferred to other portfolios or vice versa.

Banca Profilo has placed under this category minority interests held (Profilo Holding, Profilo Management Company, Brainpower and Atlantis Capital Special Situations) other than stock relating to trading transactions and therefore classified under the trading portfolio.

(b) Recording criteria

Debt and share capital securities are initially recognised at "settlement date".

Financial instruments available for sale are evaluated, upon their initial recognition, at fair value, which generally coincides with cost (purchase price) of the same, inclusive of any costs or income arising from the transaction and directly referable to the same instruments.

(c) Evaluation criteria

After the initial recognition, financial assets available for sale are valued at fair value and the variations of the said fair value are accounted for in the specific shareholders' equity item " Reserve from valuation"; upon transfer, the gains or losses resulting therefrom are credited or expensed, respectively, to the income statement under item 100 "Profits/losses from disposal or repurchase".

The fair value is determined as mentioned hereinbefore with respect to financial assets held for trading purposes; share capital securities for which the fair value cannot be reliably defined, are evaluated at cost.

The test to verify the existence of objective evidence of value impairments is carried out every year at closing or for the interim period statements. If there is such evidence, value impairments, equivalent to the negative difference between the book value of the asset and the discounted value of the estimated collectable future cash flow, are directly accounted for in the income statement under item "130 Net Write-downs/write-ups for value impairment of b) financial assets available for sale" as contra entry to the variation cumulated and previously recognised under the shareholders' equity in the specific Reserve aforementioned.

If the reasons which generated the value impairment are removed upon occurrence of events after the reporting of such value impairment, write ups are recognised in the income statement again under the afore mentioned item 130, in the case of debt securities or receivables, and under the shareholders' equity, in the case of share capital securities. The write-up amount, in any case, will not exceed the amortized cost of the instrument had there not been the previous adjustments.

(d) Elimination criteria

Financial assets available for sale are erased from the financial statements when the contractual rights on the cash flows deriving therefrom expire or upon assignment of the financial assets with substantial transfer of all the risks and benefits relating thereto.

3 - Financial assets held to maturity

(a) Classification criteria

Financial assets held to maturity (referred to as Held to maturity - HTM) include debt securities with fixed or determinable payments and fixed maturity dates, intended for holding till maturity and which can be held to maturity.
Banca Profilo has not provided for the said category in that it currently holds no financial instruments which, under these specific characteristics and vis-à-vis the company's intention, are classifiable among financial assets held to maturity.

(b) Recording criteria

The first time recognition of these financial assets is at "settlement date"

Upon their first time recognition, the financial instruments classified under this category are reported at cost, inclusive of any directly attributable costs and income. If the recording is derived from the reclassification from "Financial assets available for sale" the fair value of the financial asset reported at the time of the transfer is taken as new reference for the amortized cost of the same asset.

(c) Evaluation criteria

After the initial recognition, financial assets held to maturity are evaluated at amortized cost using the effective interest rate method. The result deriving from the application of the said methodology is accounted for in the income statement under item "10 Interest income and similar items". Gains or losses referable to these financial assets are recognised in the income statement when the assets are written off or when impaired in value.

Upon drawing up the annual financial statements or interim period statements, a test is carried out to establish the existence of objective value impairments. If such value impairments are found, the difference between the book value of the asset and the discounted value of estimated future cash flows, discounted at the original actual interest rate, is accounted for in the income statement under item "130 Net Write-downs/write-ups for impairment of c) financial assets held to maturity".

Entered under this same income statement item will be any write-ups recognised after the reasons which generated the previous value impairments have ceased to apply.

(d) Elimination criteria

Financial assets held to maturity are eliminated from the financial statements when the contractual rights on the cash flows deriving therefrom expire or upon assignment of the financial assets with substantial transfer of all the risks and benefits relating thereto.

4 - Receivables

(a) Classification criteria

Loans and Receivables (referred to as L.& R.) are non-listed financial assets due from clients and banks, both directly provided to and purchased from third parties, having fixed or determinable payments and which have not been classified, originally, among financial assets available for sale.

Loans and receivables are reported under items "60 Due from banks" and "70 Due from customers"; they include all loans to customers and banks, including repo transactions and variation margins outstanding with clearance entities on derivative contract transactions.

Transfers from the "Loans and Receivables" portfolio to the "Financial assets available for sale" portfolio are permitted.

(b) Recording criteria

Loans are first recognized at the date of provision on the basis of the fair value of the financial instrument which is equivalent to the amount disbursed inclusive of costs and income directly referable to the same or determinable right from the start, including where liquidated at a later date. Any and all charges reimbursable by the debtor party or referable to internal administrative costs are not included.

Contango transactions and repurchase agreements with obligation for forward repurchase or resale are reported in the financial statements as deposit or lending transactions. More specifically, transactions of spot sale and forward repurchase are reported in the financial statements as debts for the spot amount received, whereas spot purchases and forward sale are recognised as receivables for the amount paid as spot amount

(c) Evaluation criteria

After the initial recognition, loans and receivables are evaluated at amortized cost using the effective interest rate method.

Amortized cost is the first recognition value decreased/increased by reimbursements of principal amounts, write-downs/write-ups and overall amortization, calculated by applying the effective interest rate method, by any difference between the amount disbursed and the reimbursable amount on expiry.
The effective interest rate is the rate discounting future flows of the loan, in principal and interest, over the expected life of the loan, account being taken of all the contractual terms of the same (possible early repayment or

purchase options and/or equivalent, charges and basis points paid/received, transaction costs, other premiums or discounts etc.). The said calculation, using a financial rationale, enables the economic effect of the costs/income to be distributed along the residual expected life of the loan.

The amortized cost method is not used with respect to loans the short term of which (under eighteen months) means that the application of the discounting method yields a negligible amount. The said loans are stated at historical cost which amounts to the nominal value disbursed.
The same method of evaluation is applied with respect to loans without a definite expiry or call loans.

At every closing of financial statements or interim period statements a test is carried out (so-called "impairment test") to ascertain any objective evidence that a loan or group of loans has been impaired in value.

The impairment test on loans envisages a phase of individual or specific evaluations (selection of single loans and estimate of related losses) and a collective or portfolio evaluation (selection of the performing loans portfolio aggregated on the basis of like risk classes and estimate of related losses).

Non-performing loans fall within the first category, and are evaluated individually; under the definitions established by the Bank of Italy, are assigned the status of non-performing loans, watch list loans, restructured and expired or overdue by over 180 days.

The amount of the adjustment for every loan is equal to the difference between the book value of the same at the time of the evaluation (amortized cost) and the discounted value of the expected future cash flows, calculated by applying the original effective interest rate.

The expected cash flows take into account of estimated collectable amounts, estimated time of collection and expected realizable value of any underlying security. Where collectable amounts are expected within the short term, the related cash flows referring to such loans are not discounted.

The original effective interest rate of every loan is unaltered over time including in the case where the loan has been restructured and this has involved a variation of the interest rate established by contract and also in the case where the loan should become, in practice, non-interest bearing. As for expired loans or loans overdue by over 180 days, estimates are based on historical loss rates on transactions involving similar risks.

Value impairments are stated in the income statement under item "130 Net Write-downs/write-ups for impairment of a) loans".

The original value of loans is reinstated in the following statements to the extent that the reasons which generated the adjustment no longer apply provided the said evaluation is objectively referable to an event occurring after the same adjustment. Write-ups are recognised in the income statement under the aforementioned item 130 and in any case will not exceed the amortized cost of the loan had there not been the previous adjustments.

Loans for which no objective evidence of value impairment has been identified, on an individual basis, fall under the so-called "performing loans" (in bonis positions) and are evaluated collectively by selecting the portfolio in homogeneous classes with similar characteristics in terms of credit risk, sector and type of security to which the loss rates obtainable from the company's historical figures, are applied, or, where the latter are not available, systematic historical data are used.

Value adjustments determined collectively are recognised in the income statement, again under the aforementioned item 130.

At each closing of the financial statements and interim period statements any additional write-downs or write-ups are recalculated on a differential basis with reference to the entire performing loans portfolio at the same date.

(d) Elimination criteria

Loans and receivables are eliminated from the financial statements when the contractual rights on the cash flows deriving therefrom expire or when all the risks and benefits deriving from ownership thereof are substantially transferred. If not, the loans continue to be recognised in the financial statements, even if the legal title thereto is transferred to third parties.

The profit (loss) from the disposal of loans and receivables is recorded in the income statement under item "100 Profits (losses) from disposals or repurchase of a) loans".

5 - Financial assets valued at *fair value*

(a) Classification criteria

This category includes financial assets stated at fair value with the evaluation results recognised in the income statement, on the basis of the option to which companies are entitled (so-called "fair value option") under IAS 39, IAS 28 and IAS 31.

Banca Profilo has classified, as first time recognition, among financial assets recognised at fair value a structured product for which the not strictly associated derivative component should have been separately evaluated.

(b)) Recording criteria

Debt and share capital securities are initially recognized at "settlement date".

The instruments of the portfolio held for trading purposes are stated, upon their first recognition, at cost (their purchase price) intended as fair value of the instrument, without taking into account any costs or income arising from the transaction and directly attributable to the same instrument which are expensed and credited to the income statement.

(c) Evaluation criteria

After the initial recognition, the financial assets of this category are valued at fair value and any variations are accounted for in the income statement under item 110 "Net profit (loss) from financial assets and liabilities valued at fair value".

The fair value is determined as explained with reference to the criteria applicable to financial assets held for trading.

(d) Elimination criteria

Financial assets recognised at fair value are eliminated from the financial statements when the contractual rights on the cash flows deriving therefrom expire or when all the risks and benefits deriving from ownership of the said financial assets are substantially transferred.

6 - Hedge transactions

By hedge operations is intended a financial instrument aimed at neutralizing, either wholly or partly, the gain or loss deriving from a movement in fair value or the cash flows of the instruments hedged against. The hedging intention must be formally defined, not retroactive and consistent with the strategy for hedging against risks as decided by the Management of the Bank.

The recognition of derivatives as hedge instruments is permitted under IAS 39 only in special circumstances, i.e., when the hedge transaction is as follows:

- *clearly defined and documented;*
- *measurable;*
- *currently effective.*

Under the IAS 39, there are three types of hedging:

- *fair value hedge of an asset or liability already recognised in the financial statements; in this case, the gain or loss deriving from fair value variations of the hedging instrument is immediately accounted for in the income statement as well as the gains or losses from the evaluation of the hedged instrument;*

- *cash flow hedge; in this case, the effective portion of gain or loss of a hedging instrument is initially reported as a component of the shareholders' equity (reporting it in the income statement as the hedged instrument reflects the correlated flows in the income statement); the ineffective portion of the gain or loss of the hedging instrument is instead directly accounted for in the income statement;*

- *hedging the foreign currency exposure of a net investment in a foreign entity; this is accounted for in the same way as cash flow hedge transactions.*

At December 31, 2005, Banca Profilo had no hedge operations to report having the above-described requisites of IAS 39.

7 - Equity investments

(a) Classification criteria

This item includes equity investments in subsidiaries, jointly controlled companies, associates and companies under significant control.

A subsidiary company is a company in which the controlling company holds the majority (51%) of voting rights.

A company is jointly controlled when there are contracts or shareholders' agreements or agreements of another nature under which companies equally share the management of operations and the appointment of directors.
An associated company is one in which a company holds 20% of the voting stock or over which the holding exercises significant influence also on account of special legal ties, such as the participation in underwriting syndicates; significant influence stands for the power to take part in decisions regarding financial and business policies of the investee company without exercising control or joint control.

(b) and (c) Recording and evaluation criteria

These equity investments are recorded at purchase cost, pursuant to IAS 27 par.37.
Under this item of the Group's consolidated financial statements, Banca Profilo recorded equity investments in wholly-owned subsidiaries.

(d) Elimination criteria

Equity investments are eliminated from the consolidated financial statements when the contractual rights on the cash flows deriving therefrom expire or when the equity investments are assigned with substantial transfer of all the risks and benefits attached to ownership thereof.

8 - Tangible fixed assets

(a) Classification criteria

These are tangible fixed assets (real estates, technical installations, furniture, furnishings and any kind of equipment) held for operating purposes and which is expected to be used for over a year.

(b) Recording criteria

Tangible fixed assets are recognised at purchase cost inclusive of accessory charges directly referable to the purchase and installation.

Non-routine maintenance expenses involving an increase of future operations, are accounted for as an increase in the value of the assets, whereas other routine maintenance costs are reported in the income statement.

(c) Evaluation criteria

Tangible fixed assets are evaluated at cost after deduction of the accumulated depreciation and any value impairments on the basis of the requirements of IAS 16.

Tangible fixed assets are depreciated over their expected useful life, intended as period of time they are expected to be usable by the company, adopting the straight-line basis method.

At every closing of the financial year or closing of interim period statements, in the presence of situations that are symptomatic of the existence of value impairments, the following values are compared: the recoverable value of the asset, which corresponds to the greater between its use value (discounted value of the asset placed and operating as intended) and exchange value (expected value of the transfer net of any transaction costs), and its book value net of accumulated depreciation. Any adjustments are recognised in the income statement under item 170 "Net Write-downs/write-ups on tangible fixed assets".

Should the reasons justifying the impairment recognized no longer apply, a write-up will be recorded which will not exceed the value that the asset would have had net of accumulated depreciation in the absence of previous value impairments.

(d) Elimination criteria

Tangible fixed assets are eliminated from the financial statements upon their transfer or when they are no longer of operating use.

9 - Intangible fixed assets

(a) Classification criteria

Intangible fixed assets are represented by non-monetary assets, of no materiality, but still identifiable, used in business operations and of long-term use.

They include software for long-term use and goodwill.
Goodwill is the positive difference between the purchase cost and the fair value of assets and liabilities acquired as part of aggregation operations.

Other intangible fixed assets are recognised as such if they are singly identifiable and arise from legal and contractual rights.

(b) Recording criteria
Intangible fixed assets are stated at purchase cost inclusive of any accessory costs and increased by subsequent expenses incurred with a view to enhancing their original economic use.

(c) Evaluation criteria
Intangible fixed assets of limited duration are evaluated in accordance with the cost method net of amortization as required under IAS 38.

At every closing of the financial year or closing of interim period statements, in the presence of situations that are symptomatic of the existence of value impairments, the recoverable amount of the asset is estimated, by recording in the income statement under item 180 "Net write-downs/write-ups on intangible fixed assets" the difference between the book value of the asset and the recoverable amount.

Intangible fixed assets with indefinite useful life, such as goodwill, are not amortized, but periodically they undergo the so-called "impairment test". If the recoverable amount of each segment of operations include a certain goodwill is lower than the book value, this difference represents a value impairment to be recognised in the income statement under item 230 "Goodwill value adjustments". The recoverable amount is the greater value between the use value (discounted value of expected future cash flows) and its transfer value (expected transfer value net of transaction costs).

These value impairments cannot be reinstated in future years.

(d) Elimination criteria
Intangible fixed assets are eliminated from the financial statements once they are sold or when they are no longer of economic use.

10 - Non-current assets on disposal
This item classifies non-current assets and groups of assets to be disposed of.
Banca Profilo has currently no items classifiable under this category.

11 - Current and deferred taxes

Current taxes are determined by applying applicable tax rates and tax legislation and to the extent in which they are not paid they are recognised as liabilities.

Therefore, under current tax receivables, under item 130 a) of the assets section, will be any payments in excess of the amounts the company is liable for, in accordance with the applicable laws on corporate income tax; under current tax payables, under item 80 a) of the liabilities section will be debts payable under the applicable laws on corporate income tax.

As far as differed tax is concerned, we note the adoption of the method based on the "balance sheet liability method" as provided for in the Bank of Italy Decision of August 3, 1999.

Deferred tax assets are entered under item 130 b) of the assets section for the deductible timing differences and within the limits of what can be reasonably expected as the recoverable amount, account being taken of the temporal aspect attached to the same.

Tax payables for deferred tax are entered under item 80 b) of the liabilities section and represent tax payables corresponding to all the taxable temporal differences outstanding at year-end.

Deferred tax assets and liabilities are constantly monitored and are recognised by applying the tax rates which are expected to be applicable in the year in which the related tax asset will be realized or the tax payable will be paid, on the basis of the applicable tax rates and tax legislation laid down in applicable provisions.

The contra entry of tax receivables and tax payables, both current and deferred, is as a rule recognised, in the income statement, under item 260 "Income taxes for the year for current operations".

Pursuant to articles from 117 to 129 of the Consolidated Income Tax Act 917/86 as amended by Legislative Decree December 12, 2003 no. 344 and supplemented by Decree of the Economy and Finance Minister, of June 9, 2004, Banca Profilo S.p.A., together with its subsidiaries Profilo Real Estate Advisory SGR S.p.A., Profilo Asset Management SGR S.p.A., Profilo Real Estate Advisory S.r.l., Profilo Servizi Immobiliari S.r.l. and Profilo Merchant Co S.p.A., have opted for the "National Fiscal Consolidation".

These financial statements take into account the effects arising from the said choice.

12 - Provisions for risks and charges

The provision for risks and charges, recognised as item 120 of the liabilities section, there are no internal provisions for retirement obligations and/or similar obligations (item 120 a).

Provisions for risks and charges - sundry, items 120 b), include provisions set aside, for obligations on the company, of which settlement is certain or highly likely, but for which the amount and time for discharging the said obligations are still uncertain.

More specifically, they include provisions for current obligations arising from a past event for which an outlay of funds is likely in connection with the discharge of the said obligation, provided that a reliable estimate of the related amount is possible.

If settlement of the amount is expected to be after twelve months, provisions are discounted using current market rates.

Allocations to the Provisions for risks and charges are accounted for in the income statement under item 160 "Net provisions for risks and charges".

Staff severance indemnities
Staff severance indemnities recognised under item 110 of the liabilities section, is recognised on the basis of its actuarial value determined by independent actuaries. For the discounting, a projected unit credit method is used; this method involves the projection of future outlays on the basis of historical statistical analyses and the demographic curve and the discounting of the said flows on the basis of a market interest rate.

Provisions and charges relating to the scheme are accounted for in the income statement under item 150 "Administrative expenses: a) staff expenses".

13 - Payables and securities outstanding

(a) Classification criteria

The liabilities included under this item are payables due to banks, payables due to customers and Securities outstanding; they consist of several financial instruments through which the Bank makes up the interbank funds and deposits with customers and deposits through bonds outstanding, net of any repurchased amounts.

The interest expense is recognised in the income statement under item 20 "Interest expense and similar items".

(b) Recording criteria

These liabilities are recognised, upon issue or at the time of their re-placement, or eliminated, including in the case of repurchase, on the basis of the "settlement date" principle and cannot be transferred to the portfolio of liabilities held for trading purposes.

The first recognition is on a fair value basis, which, as a rule, is equal to the amount cashed or to the issue price, adjusted to take into account any additional costs or revenue directly referable to the different funding or issue operations.

Structured securities are separated in their constituent elements which are registered separately, when the derivative components implicit therein are of an economic nature and with risks other than those of the underlying security and amount to independent derivative instruments.

(c) Evaluation criteria

After the initial recognition, the evaluations of financial liabilities are based on the amortized cost principle with the effective interest rate method, with the exception of short-term liabilities where the temporal factor is negligible, which are recognised on the basis of the amount cashed.

(d) Elimination criteria

Financial liabilities are eliminated from the financial statements when they expire or when they are discharged.
They are also eliminated at the time of repurchase of previously issued securities; the difference between the book value of the liabilities and the amount paid to purchase it is recognised in the income statement.

The re-placement on the market of own shares after their repurchase is considered as a new issue with recording of the new placement price, with no entry in the income statement.

14 - Financial liabilities held for trading purposes

(a) Classification criteria

This item includes derivative instruments held for trading purposes, with negative fair value, including implicit derivatives in structured securities which, for recognition purposes, are kept separated to the same.

This item also includes any debiting of charges and commissions arising from the trading in securities.

(b) Recording criteria

Derivative instruments are recognised on the basis of the "trading date " whereas transactions in securities are registered at "settlement date".

Financial liabilities held for trading purposes are initially registered at fair value, that is, they are stated at purchase price.

(c) Evaluation criteria

After the initial recognition, financial liabilities for trading purposes are valued at fair value which, for those listed on active markets, corresponds to the related closing quotations, whereas, for unlisted ones, the value is estimated on the basis of the quotation of similar instruments or by discounting future cash flows and taking into account all the risk factors associated with the instruments and also on the basis of relevant values in recent comparable transactions.

Financial instruments for which the fair value cannot be reliably determined pursuant to the foregoing provisions, are stated at cost.

The results of evaluations and those of the trading are registered in the income statement under item 80 "Net profit (loss) from trading transactions".

(d) Elimination criteria

Financial liabilities held for trading purposes are eliminated from the financial statements when the contractual rights on the cash flows deriving from the same liabilities expire or when the financial instruments are transferred.

15 - Financial liabilities valued at fair value

Banca Profilo currently has no liabilities classifiable under this item.

16 - Currency transactions

(a) and (b) Classification and initial recognition criteria

Transactions in foreign currency are all the assets and liabilities denominated in currencies other than the Euro. They are initially recognised in the reporting currency, applying to the amount expressed in foreign currency the spot exchange rates applicable at the date of each transaction.

(c) Evaluation criteria

At every closing of the financial statements or interim period statements, items in foreign currency are evaluated on the basis of the exchange rates prevailing on the date of closing.

Exchange rate differences arising from the settlement of monetary elements or the translation of monetary elements at exchange rates other than those applied in the initial translation of amounts or applied with reference to previous financial statements, are recognized in the income statement under item 80 "Net profit (loss) from trading transactions".
Exchange rate differences referring to elements for which evaluations are recognised in the shareholders' equity, for example Financial assets available for sale, are recognised in the income statement.

17 - Further information

Own shares
Any own shares held are deducted from the shareholders' equity.

Gains or losses resulting from the purchase, sale, issue or retirement of own shares are not recognized in the income statement, but recognised under the shareholders' equity.

Costs and revenue
Costs are recognized at the time in which they are incurred.

Costs directly referable to financial instruments evaluated on the basis of amortized costs and definable as they arise, regardless of the moment they are liquidated, are stated in the income statement on the basis of the application of the effective interest rate which has been explained with reference to the item "Due from banks/customers".

Revenues are recognised when they are received or when it is likely that they will be received and when they can be quantified reliably. More specifically:

- *any default interest provided for by contract is recognized in the income statement only when it is actually cashed;*
- *dividends are recognised in the income statement only when they become payable (in this case this payable date will coincide with that on which the related decision is taken by the Shareholders' Meeting).*

Share-based payments
Banca Profilo has applied IFRS 2 - Share-based payments.

The existing stock option plan was resolved by the Extraordinary Shareholders' Meeting of Banca Profilo on April 23, 2002 and represents a share-based payment.

Pursuant to transitional principles, IFRS 2 was applied to all stock option assignments occurring post November 7, 2002 not yet accrued at January 1, 2005.

Under IFRS 2, share-based payments are evaluated at their fair value upon being assigned. This value is recognised in the income statements on a straight-line basis over the vesting period under the item 150 a) "Staff expenses" with the contra entry in a specific reserve under the shareholders' equity.

A.3 - THE ADOPTION OF THE NEW IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS

As of the financial year 2005, pursuant to Regulation no. 1606/02 of July 19, 2002 of the European Commission, companies whose securities are admitted to trading on a regulated market of the member states of the European Union, are required to draw up their consolidated financial statements in accordance with the international accounting and financial reporting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board), independent entity whose goal is to produce high-quality reporting standards worldwide, in the interest of the public. The new international accounting and financial reporting standards have been transposed in Italian legislation via Legislative Decree February 28, 2005 no. 38.
Bank of Italy has also issued memorandum no. 262 of December 22, 2005 which sets out the required lay-out and provisions which banks are required to follow when drawing up their financial statements.
Banca Profilo, pursuant to Legislative Decree 38/2005, adopts the international accounting principles IAS/IFRS to draw up its 2005 financial statements.
IASB, with a view to regulating the transition to new international accounting principles and managing in a coordinated and homogeneous manner this change in the rules for drawing up the financial statements, has provided for the financial reporting standard referred to as IFRS 1. At the date of transition to the new accounting principles (January 1, 2004), corresponding to the first period of comparison, except for exemptions and exceptions provided for by applicable legislation, the balance sheet is to contain the following:

- *the recognition of all assets and liabilities which are required under international accounting and financial reporting standards (IAS/IFRS);*
- *elimination of assets and liabilities recognised in accordance with national principles but not presenting the requisites for the recognition under IAS/IFRS principles;*
- *the reclassification of assets and liabilities recognised in the financial statements on the basis of previously applicable accounting principles but which make up a different asset or liability under the new IAS/IFRS principles;*
- *application, to assets and liabilities, of the evaluation criteria required under IAS/IFRS, as applicable at that date.*

The adoption of the new principles may produce on the balance sheet results that are other than those which would be generated by using national accounting criteria. The effect of adjusting the opening balances of assets and liabilities to the new principles is recognised under the shareholders' equity, account being taken also of the related tax effect to be entered under the provision for deferred tax or under receivables for prepaid taxes. As first time adoption of the IFRS, the company has opted for, as permitted under IFRS 1, postponing to January 1, 2005 the date of transition relating to the first adoption of the accounting principles IAS 32 and 39, relating to the evaluation of financial instruments, including derivatives.

In application of the foregoing, the following statements are provided herein:

- *the reconciliation to IFRS of the balance sheet opening at January 1, 2004;*
- *the reconciliation to IFRS of the balance sheet at December 31, 2004;*
- *the reconciliation to IFRS of the income statement at December 31, 2004;*
- *the reconciliation to IFRS of the balance sheet at January 1,2005 including the effects of the first time application of IAS 32 and 39.*

Reconciliation of balance sheet as at January 01, 2004 Banca Profilo financial statements		Financial statements pursuant to D.Lgs. 87/1992	Reclassification	Impact of transition IAS - IFRS	Financial statements according to IAS - IFRS
Assets					
10	Cash and cash equivalents	806,836	-	-	806,836
20	Financial assets held for trading purposes	345,392,009	35,101,275	-	380,493,284
30	Financial assets valued at fair value	-	143,107,000	-	143,107,000
40	Financial assets available for sale	9,326,580	-5,505,230	-	3,821,350
50	Financial assets held to maturity	-	-	-	-
60	Due from banks	469,035,203	317,000	-	469,352,203
70	Due from customers	466,313,888	-139,736,000	-	326,577,888
80	Hedge derivatives	-	-	-	-
90	Change in value of financial assets recognised as part of a macrohedge	-	-	-	-
100	Equity investments	15,704,475	-	-	15,704,475
110	Tangible fixed assets	2,839,208	-	-	2,839,208
120	Intangible fixed assets	6,042,410	-	-1,272,850	4,769,560
130	Tax receivables	-	837,000	499,594	1,336,594
140	Non - current assets and assets on disposal	-	5,505,230	-	5,505,230
150	Other assets	75,426,335	-48,817,000	-1,560,000	25,049,335
	Total assets	**1,390,886,944**	**-9,190,725**	**-2,333,256**	**1,379,362,963**
Liabilities and shareholders' equity					
10	Due to banks	232,733,208	26,000	-	232,759,208
20	Due to customers	822,293,278	402,000	-	822,695,278
30	Securities outstanding	50,000,000	920,000	-	50,920,000
40	Financial liabilities held for trading purposes	-	152,685,000	-	152,685,000
50	Financial liabilities valoed at fair value	-	-	-	-
60	Hedge derivatives	-	-	-	-
70	Change in value of financial liabilities recognised as part of a macrohedge	-	-	-	-
80	Tax payables	4,342,569	-4,337,000	101,727	107,296
90	Liabilities linked to assets on disposal	-	-	-	-
100	Other liabilities	171,126,218	-158,644,000	-	12,482,218
110	Staff severance indemnities	2,340,953	-	-299,198	2,041,755
120	Provisions for risks and charges	100,000	-100,000	-	-
130	Reserves from valuation	-	-	-	-
160	Reserves of which reserves from F.T.A.	12,782,890 -	- -	-2,135,785 -2,135,785	10,647,105 -2,135,785
170	Share premium account	24,400,138	-	-	24,400,138
180	Share capital	63,703,640	-	-	63,703,640
190	Own shares (-)	-	-142,725	-	-142,725
200	Profit (loss) for the year (+/-)	7,064,050	-	-	7,064,050
	Total liabilities	**1,390,886,944**	**-9,190,725**	**-2,333,256**	**1,379,362,963**

RECONCILIATION OF BALANCE SHEET AS AT DECEMBER 31, 2004 BANCA PROFILO FINANCIAL STATEMENTS		FINANCIAL STATEMENTS PURSUANT TO D.LGS. 87/1992	RECLASSIFICATION	IMPACT OF TRANSITION IAS - IFRS	FINANCIAL STATEMENTS ACCORDING TO IAS - IFRS
VOCI DELL'ATTIVO					
10	Cash and cash equivalents	85,233	-	-	85,233
20	Financial assets held for trading purposes	740,509,999	238,377,435	-	978,887,434
30	Financial assets valued at fair value	-	-	-	-
40	Financial assets available for sale	3,821,350	-	-	3,821,350
50	Financial assets held to maturity	-	-	-	-
60	Due from banks	113,049,747	89,702	-	113,139,449
70	Due from customers	302,119,916	-184,226,119	-	117,893,797
80	Hedge derivatives	-	-	-	-
90	Change in value of financial assets recognised as part of a macrohedge	-	-	-	-
100	Equity investments	15,733,070	-	-	15,733,070
110	Tangible fixed assets	1,750,143	-	-	1,750,143
120	Intangible fixed assets	7,684,523	-	-615,403	7,069,120
130	Tax receivables	-	1,974,422	127,810	2,102,232
140	Non - current assets and assets on disposal	-	-	-	-
150	Other assets	99,748,661	-81,377,217	-4,420,000	13,951,444
	Total assets	**1,284,502,642**	**-25,161,777**	**-4,907,593**	**1,254,433,272**
LIABILITIES AND SHAREHOLDERS' EQUITY					
10	Due to banks	412,165,521	390,527	-	412,556,048
20	Due to customers	568,465,719	-2,986,536	-	565,479,183
30	Securities outstanding	56,500,000	-17,889,875	-	38,610,125
40	Financial liabilities held for trading purposes	-	101,760,934	-	101,760,934
50	Financial liabilities valued at fair value	-	-	-	-
60	Hedge derivatives	-	-	-	-
70	Change in value of financial liabilities recognised as part of a macrohedge	-	-	-	-
80	Passività fiscali	610,000	-610,000	-	-
90	Liabilities linked to assets on disposals	-	-	-	-
100	Other liabilities	128,415,025	-103,673,668	-	24,741,356
110	Staff severance indemnities	2,760,665	-	-355,512	2,405,153
120	Provisions for risks and charges	-	-	-	-
130	Reserves from valuation	-	-	-	-
160	Reserves	15,022,513	-4,340	-1,584,213	13,433,960
	of which reserves from F.T.A.	-	-136	-2,135,785	-2,135,921
170	Share premium account	22,388,233	4,204	-	22,392,437
180	Share capital	64.023.440	-	-	64,023,440
190	Own shares (-)	-	-2,150,426	-	-2,150,426
200	Profit (loss) for the year (+/-)	14,151,526	-2,596	-2,967,868	11,181,062
	Total liabilities	**1,284,502,642**	**-25,161,776**	**-4,907,593**	**1,254,433,272**

Reconciliation of the income statement as at December 31, 2004 Banca Profilo financial statements		Financial statements pursuant to D.Lgs. 87/1992	Reclassification	Impact of transition IAS - IFRS	Financial statements according to IAS - IFRS
Income statement					
10	Interest income and similar items	43,537,329	-	-	43,537,329
20	Interest expense and similar items	-36,604,909	-	-	-36,604,909
30	**Interest margin**	**6,932,420**	**-**	**-**	**6,932,420**
40	Commission income	22,496,595	-	-	22,496,595
50	Commission expense	-2,341,640	-	-	-2,341,640
60	**Net commissions**	**20,154,956**	**-**	**-**	**20,154,956**
70	Dividends and similar income	21,493,258	-4,420,000	-	17,073,258
80	Net profit (loss) from trading transactions	-40,923	93,087	-	52,164
90	Net profit (loss) from hedging transactions	-	-	-	-
100	Profit (Loss) from disposal of:				-
	a) loans	97,291	-97,291	-	-
110	Net profit (loss) from financial assets and liabilities valued at fair value	-	-	-	-
120	**Brokering margin**	**48,637,002**	**-4,424,204**	**-**	**44,212,798**
130	Net write-downs, write-ups for impairment of:				-
	a) crediti	-100,000	-	-	-100,000
140	**Net profit (loss) on financial operations**	**48,537,002**	**-4,424,204**	**-**	**44,112,798**
150	Administrative expenses:	-33,792,670	41,685	-953,075	-34,704,060
	a) staff expenses	-19,577,311	-3,073,884	-495,258	-23,146,453
	b) other administrative expenses	-14,215,359	3,115,569	-457,817	-11,557,607
160	Net provisions for risks and charges	-	-	-	-
170	Net write-downs/write-ups on tangible fixed assets	-1,389,119	-	-	-1,389,119
180	Net write-downs/write-ups on intangible fixed assets	-2,201,469	-	1,115,264	-1,086,205
190	Other operating income/charges	457,452	-41,685	-	415,767
200	**Operating costs**	**-36,925,806**	**0**	**162,189**	**-36,763,617**
210	Profits (Losses) on equity investments	508,186	4,420,000	-2,860,000	2,068,186
220	Net profit (loss) on tangible and intangible fixed assets valued at fair value	-	-	-	-
230	Goodwill value adjustments	-	-	-	-
240	Profits (Losses) on divestitures	10,067	-	-	10,067
250	**Profit (Loss) on current operations before taxes**	**12,129,449**	**-4,204**	**-2,697,811**	**9,427,434**
260	Income taxes for the year for current operations	2,022,077	1,608	-270,057	1,753,628
270	**Profit (Loss) on current operations, after taxes**	**14,151,526**	**-2,596**	**-2,967,868**	**11,181,062**
280	Profits (Losses) on assets on disposal, after taxes	-	-	-	-
290	**Profit (loss) for the year**	**14,151,526**	**-2,596**	**-2,967,868**	**11,181,062**

Reconciliation of balance sheet as at January 01, 2005 Banca Profilo financial statements		Financial statements pursuant to D.Lgs. 87/1992	Reclassification	Impact of transition IAS - IFRS	Financial statements according to IAS - IFRS
Assets					
10	Cash and cash equivalents	85,233	-	-	85,233
20	Financial assets held for trading purposes	740,509,999	238,377,435	-376,540	978,510,894
30	Financial assets valued at fair value	-	-	-	-
40	Financial assets available for sale	3,821,350	-	-943,060	2,878,290
50	Financial assets held to maturity	-	-	-	-
60	Due from banks	113,049,747	89,702	-	113,139,449
70	Due from customers	302,119,916	-184,226,119	-431,254	117,462,543
80	Hedge derivatives	-	-	-	-
90	Change in value of financial assets recognised as part of a macrohedge	-	-	-	-
100	Equity investments	15,733,070	-	-	15,733,070
110	Tangible fixed assets	1,750,143	-	-	1,750,143
120	Intangible fixed assets	7,684,523	-	-615,403	7,069,120
130	Tax receivables	-	1,974,422	701,906	2,676,328
140	Non - current assets and assets on disposal	-	-	-	-
150	Other assets	99,748,661	-81,377,217	-4,420,000	13,951,444
	Total assets	**1,284,502,642**	**-25,161,777**	**-6,084,351**	**1,253,256,514**
Liabilities and shareholders' equity*					
10	Due to banks	412,165,521	390,527	-	412,556,048
20	Due to customers	568,465,719	-2,986,536	3,366	565,482,549
30	Securities outstanding	56,500,000	-17,889,875	253,747	38,863,872
40	Financial liabilities held for trading purposes	-	101,760,934	-303,826	101,457,108
50	Financial liabilities valued at fair value	-	-	-	-
60	Hedge derivatives	-	-	-	-
70	Change in value of financial liabilities recognised as part of a macrohedge	-	-	-	-
80	Tax payables	610,000	-610,000	305,622	305,622
90	Liabilities linked to assets on disposals	-	-	-	-
100	Other liabilities	128,415,025	-103,673,669	-	24,741,356
110	Staff severance indemnities	2,760,665	-	-355,512	2,405,153
120	Provisions for risks and charges	-	-	-	-
130	Reserves from valuation	-	-	-943.060	-943.060
160	Reserves	15,022,513	-4,340	-2,076,820	12,941,353
	of which reserves from F.T.A.	-	-136	-2,628,392	-2,628,528
170	Share premium account	22,388,233	4,204	-	22,392,437
180	Share capital	64,023,440	-	-	64,023,440
190	Own shares (-)	-	-2,150,426	-	-2,150,426
200	Profit (loss) for the year (+/-)	14,151,526	-2,596	-2,967,868	11,181,062
	Total liabilities	**1,284,502,642**	**-25,161,777**	**-6,084,351**	**1,253,256,514**

** with inclusion of IAS 32 and 39*

Hereafter is a summary of the main adjustments deriving from the application of IAS/IFRS (with the exception of IAS 32 and 39) accounted for in the balance sheet at December 31, 2004 and compared with the figures published in the Financial Statements for the year 2004.

Intangible fixed assets (including goodwill)

All intangible fixed assets for which, under the IAS 38 standard, there are no requisites of capitalization have been written off. The item intangible fixed assets, with the exception of the goodwill mentioned hereunder, includes the cost for the purchased software, only.

The negative F.T.A.-based adjustment ("first time adoption") amounting to 615 thousand Euros, before tax, includes mainly the elimination of the amount net of restructuring costs of property leased from third parties and other capitalized costs.

Under IAS 36, goodwill is no longer subject to systematic amortization but undergoes periodically the so-called impairment test. At December 31, 2004, no adjustment to the shareholders' equity was required on the basis of the impairment test.

Staff severance indemnities

Staff severance payments for employees, determined in accordance with the requirements of IAS 19, have yielded a positive adjustment amounting to 356 thousand Euros before tax.

Stock Option

Under IFRS 2, any payment settled in cash, with shares of the Company or options with the Company's shares as underlying security must be accounted for in the financial statements. More specifically, on the date of assignment of the stock options, the Company is required to expense the income statement for the cost thereof and increase a reserve under the shareholders' equity, as contra entry.

On the basis of the current stock option plan of the Banca Profilo Group, staff expenses have been recognised for 552 thousand Euros. The said adjustment involved no variation to the shareholders' equity on account of it being merely a reclassification under shareholders' equity items.

Deferred tax assets and liabilities

In terms of the related tax effect, the adjustments above described produced an overall positive net effect which, on the basis of applicable tax rates, amounted to 129 thousand Euros.

Shareholders' equity

The shareholders' equity at December 31, 2004 amounted to 108,880 thousand Euros, decreasing by 6,705 thousand Euros compared to the shareholders' equity of the like period, calculated in accordance with national accounting principles:

The said decrease is made up as follows:

• adjustments generated from the F.T.A. at January 1, 2004	-	2,136	thousand of euros
• adjustments recognised in the 2004 income statement	-	2,971	thousand of euros
• stock options effect recognised under a reserve of shareholders' equity	+	552	thousand of euros
• repurchased own shares	-	2,150	thousand of euros
	-	6,705	thousand of euros

Adjustments to the **2004 income statement** are mainly ascribable to the following:

a) *negative variations on account of the increase of staff expenses ascribable to the evaluation criterion applied to stock option plans;*

b) *positive variations for smaller value adjustments, and negative variations for purchases expensed, on account of not being able to capitalise some types of intangible fixed assets;*

c) *positive variations on the dividends received from subsidiaries in 2004, amounting to 1,560 thousand euro and negative variations on dividends received in 2005, equal to 4,420 thousand euros, which were previously accounted for on an accrual basis, according to the national accounting principles;*

d) *negative variations on account of the increase of the tax burden, when due, relating to the adjustments recognised.*

With reference to the reconciliation of balance sheet as at January 1, 2005, hereunder are the main impacts, which, as first time adoption, concerned further items of the balance sheet vis-à-vis the application of IAS 32 and 39.

Financial assets held for trading purposes

The Bank classified under the item "Financial assets held for trading purposes" almost its entire shares and bonds portfolio, and the derivative financial instruments and accumulation policies.

The said classification involved a negative adjustment amounting to 376 thousand Euros (before tax), which mainly includes write-ups on unlisted bonds and write-downs on credit derivatives, no longer classifiable as "hedging" (IAS 39).

Financial assets available for sale (A.F.S.)

The equity investments in Profilo Holding S.p.A., Profilo Management Company S.A. and Brainpower NV have been classified among financial assets available for sale (A.F.S.) and valued at "fair value", recognising the write-downs/ write-ups under the Shareholders' Equity (Reserves from valuation).
The adjustment was negative and amounted to 943 thousand Euros.

Due from Customers

The items due from Customers (L.& R.) are valued at amortized cost, adjusted by taking into value impairments.

The application of this criterion has generated a negative adjustment amounting to 431 thousand Euros, made up as follows: a) 363 thousand Euros, before tax, are the result of the application of an evaluation methodology based on the "incurred losses" rationale provided for in IAS 39; b) 68 thousand Euros, before tax, referred to the only position classified as a problem loan ("analytical impairment").

Securities outstanding

Bond issues of the company have been reclassified under this item, with the exception of the issue by Banca Profilo of "Iboxx Corporate Bond-Like Certificate 04/09" classified under the item Due to Customers; all bond issues have been evaluated at amortized cost.

As regards this evaluation, account was taken of the repurchases (which have been deducted from the pertinent item) and, where present, of the implicit derivatives to be separated and evaluated independently at "fair value". The overall effect of this evaluation generated a positive amount of 47 thousand Euros.

Deferred tax assets and liabilities

In terms of the related tax effect, the adjustments above described (resulting from the application of IAS 32 and 39, only), generated a positive net effect which, on the basis of applicable tax rates, amounted to 290.7 thousand Euros.

Part B - Information on balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31-12-2005	31-12-2004
a) Cash	322	77
b) Demand deposits with Central Banks	28	8
Total	**350**	**85**

Section 2 - Financial assets held for trading purposes - Item 20

2.1 Financial assets held for trading purposes: breakdown by assets

	31-12-2005		31-12-2004	
	Listed	Not listed		
A. Cash assets				
1. Debt securities				
1.1 Structured securities				
1.2 Other debt securities	510,399	291,813	609,160	268,841
2. Share capital securities	21,658	2	22,555	
3. Shares in UCIs	1,211	24,450	14,831	
4. Loans				
4.1 Repos				
4.2 Other				
5. Impaired assets				
6. Assets sold not written off				
Total A	**533,268**	**316,265**	**646,546**	**268,841**
B. Derivative instruments				
1. Financial derivatives:				
1.1 held for trading purposes	1,770	81,315	887	61,773
1.2 linked to the fair value option				
1.3 other				
2. Credit derivatives				
2.1 held for trading purposes		2,284		840
2.2 linked to the fair value option				
2.3 other				
Total B	**1,770**	**83,599**	**887**	**62,613**
Total (A + B)	**535,038**	**399,864**	**647,433**	**331,454**

The shares in UCIs also include the Closed-end Investment Fund operating under Luxembourgian laws, Profilo Spinnaker, valued at its NAV ("net value asset") with the recognition of a capital gain in the income statement amounting to 7,450 thousand Euros.

2.2 Financial assets held for trading purposes: breakdown by debtors/issuers category

	31-12-2005	31-12-2004
A. Cash assets		
1. Debt securities		
a) Governments and Central Banks	88,439	62,739
b) Other public entities	17,466	26,192
c) Banks	274,476	202,790
d) Other issuers	421,831	586,280
2. Share capital securities		
a) Banks	3,818	793
b) Other issuers:		
- insurance companies	4,768	1,169
- financial companies	215	281
- non-financial companies	12,859	20,312
- other	-	
3. Shares in UCIs	25,661	14,831
4. Loans	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
5. Impaired assets	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
6. Assets sold not written off	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
Total A	**849,533**	**915,387**
B. Derivative instruments		
a) Banks	46,021	33,655
b) Customers	39,348	29,845
Total B	**85,369**	**63,500**
Total (A + B)	**934,902**	**978,887**

2.3 Financial assets held for trading purposes: derivative instruments

Type of derivative / underlying assets	Interest rates	Currency and gold	Share capital securities	Loans	Other	12-31-2005	12-31-2004
A) Listed derivatives							
1. Financial derivatives:							
. With capital swap							
- Purchased options			1,101			1,101	
- Other derivatives			524		113	637	887
. Without capital swap							
- Purchased options							
- Other derivatives	32					32	
2. Credit derivatives:							
. With capital swap							
. Without capital swap							
Total A	**32**		**1,625**		**113**	**1,770**	**887**
B) Non-listed derivatives							
1. Financial derivatives:							
. With capital swap							
- Purchased options		75	27,171			27,246	41,401
- Other derivatives		6,410	602			7,012	943
. Without capital swap							
- Purchased options	3,830	83	11,969			15,882	2,047
- Other derivatives	31,175					31,175	17,382
2. Credit derivatives:							
. With capital swap				2,228		2,228	840
. Without capital swap				56		56	
Total B	**35,005**	**6,568**	**39,742**	**2,284**		**83,599**	**62,613**
Total (A + B)	**35,037**	**6,568**	**41,367**	**2,284**	**113**	**85,369**	**63,500**

Section 3 - Financial assets valued at *fair value* - Item 30

3.1 Financial assets valued at *fair value*: breakdown by assets

1. Debt securities				
1.1 Structured Securities		1,980		
1.2 Other debt securities				
2. Share capital securities				
3. Shares in UCIs				
4. Loans				
4.1 Structured				
4.2 Other				
5. Impaired assets				
6. Assets sold not written off				
Total A	-	**1,980**	-	-
Cost				

These are structured securities and namely a CDO, "collateralised debt obligations", - EULER SYNTH CDO ARLOIV Ltd. which, on account of its containing an implicit derivative, has been classified under this item, as permitted under IAS 39, 28 and 31 (so-called "fair value option")..

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

	12-31-2005	12-31-2004
1. Debt securities		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other issuers	1,980	
2. Share capital securities		
a) Banks		
b) Other issuers:		
- insurance companies		
- financial companies		
- non-financial companies		
- other		
3. Shares in UCIs		
4. Loans		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
5. Impaired assets		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
6. Assets sold not written off		
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
Total	**1,980**	-

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by assets

	LISTED	NOT LISTED	LISTED	NOT LISTED
1. Debt securities				
2. Share capital securities	45	3,496	188	3,633
3. Shares in UCIs				
4. Loans				
5. Impaired assets				
6. Assets sold not written off				
Total	**45**	**3,496**	**188**	**3,633**

Banca Profilo has classified under this category, minority interests held (Profilo Holding S.p.A., Profilo Management Company S.A., Brainpower and Atlantis Capital Special Situations S.p.A.) other than shares held for trading purposes. The item non-listed share capital securities mainly consists of the shareholding in Profilo Holding S.p.A. This equity investment has been valued at fair value, on the basis of the shareholders' equity shown in the last approved financial statements adjusted to account for market values at December 31, 2005 of the assets and liabilities of the same subsidiary.

4.2 Financial assets available for sale: breakdown by debtors/issuers category

	12-31-2005	12-31-2004
1. Debt securities	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other issuers		
2. Share capital securities		
a) Banks		
b) Other issuers:		
- insurance companies		
- financial companies	3,496	3,633
- non-financial companies		
- other	45	188
3. Share in UCIs	-	-
4. Loans	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
5. Impaired assets	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
6. Assets sold not written off	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
Total	**3,541**	**3,821**

Section 5 - Financial assets held to maturity - Item 50

5.1 Financial assets held to maturity: breakdown by assets

	Book value	Fair value	Book value	Fair value
1. Debt securities				
2. Loans				
3. Impaired assets				
4. Assets sold not written off				
Total	-	-	-	-

At December 31, 2005, Banca Profilo classified no financial assets under this category.

5.2 Financial assets held to maturity: breakdown by debtors/issuers

	12-31-2005	12-31-2004
1. Debt securities	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other issuers		
2. Loans	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
3. Impaired assets	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
3. Assets sold not written off	-	-
a) Governments and Central Banks		
b) Other public entities		
c) Banks		
d) Other		
Total	-	-

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by assets

	12-31-2005	12-31-2004
A. Dues from Central Banks		
1. Term deposits		
2. Compulsory reserve	2,703	2,619
3. Repos		
4. Other		
B. Dues from Banks		
1. Demand current accounts and deposits	40,254	62,581
2. Term deposits	41,106	9,737
3. Other Loans:		
3. 1 repos	577,338	24,417
3. 2 financial leasing		
3. 3 other	17,335	13,785
4. Debt securities		
4. 1 Structured securities		
4. 2 Other debt securities		
5. Impaired assets		
6. Assets sold not written off		
Total (book value)	**678,736**	**113,139**
Total (fair value)		

Since they are short term loans, the book value is expected to approximate their fair value.

6.2 Due from banks: assets recognised as micro-hedge

	12-31-2005	12-31-2004
1. Loans with micro-hedge of the fair value:	-	-
a) interest rate risk		
b) exchange risk		
c) credit risk		
d) credit risks		
2. Loans with micro-hedge of cash flows:	-	-
a) interest rate risk		
b) exchange risk		
c) other		
Total	**-**	**-**

Banca Profilo has no loans due from banks recognised as micro-hedge.

Section 7 - Due from customers - Item 70

7.1 Due from customers - breakdown by assets

	12-31-2005	12-31-2004
1. Current accounts	55,365	70,442
2. Repos	37,401	21,292
3. Loans	9,700	9,852
4. Credit cards, personal loans and non-consumer loans		
5. Financial leasing		
6. Factoring		
7. Other transactions	9,025	15,540
8. Debt securities		
8. 1 Structured securities		
8. 2 Other debt securities		
9. Impaired assets	450	768
10. Assets sold not written off		
Total (book value)	**111,941**	**117,894**
Total (fair value)		

Account being taken of the composition of this item, of its residual life, which, for the most part, is short term, and the absence of transactions costs, the book value is expected to approximate the fair value.

Loans and receivables due from customers, with the exception of repos and impaired assets have been written down, as provided for in IAS 39, by an amount equal to 363 thousand Euros which has been determined by taking into account likelihood of collectability and expected time for collectability, and the expected realizable value of any underlying security.

Impaired assets included loans to customers for an overall gross amount of 981 thousand Euros; the amount written down, amounting to 531 thousand Euros (268 thousand Euros of which referring to preceding financial years) has taken into account likelihood of collectability, expected time for collectability, and prudential criteria as regards expected realizable value of any underlying security.

7.2 Due from customers: breakdown by debtors/issuers category

	12-31-2005	12-31-2004
1. Debt securities	-	-
a) Governments		
b) Other public entities		
c) Other issuers		
- non-financial companies		
- financial companies		
- insurance companies		
- other		
2. Loans to:	-	-
a) Governments		
b) Other public entities		
c) Other issuers		
- non-financial companies	28,459	41,968
- financial companies	52,611	39,394
- insurance companies		
- other	30,421	35,764
3. Impaired assets:		
a) Governments		
b) Other public entities		
c) Other issuers		
- non-financial companies	269	476
- financial companies		
- insurance companies		
- other	181	292
4. Assets sold not written off:	-	-
a) Governments		
b) Other public entities		
c) Other issuers		
- non-financial companies	269	476
- financial companies		
- insurance companies		
- other		
Totale	**111,941**	**117,894**

7.3 Due from customers: assets recognised as micro-hedge

1. Loans with micro-hedge of the fair value:	-	-
a) interest rate risk		
b) exchange risk		
c) credit risk		
d) more risks		
2. Loans with micro-hedge of the cash flows:	-	-
a) interest rate risk		
b) exchange risk		
c) other		
Total	**-**	**-**

Banca Profilo has no loans due from customers with micro-hedge.

Section 8 - Hedge derivatives - Item 80

8.1 Hedge derivatives: breakdown by contract and underlying assets

	Interest rates	Currency and gold	Share capital securities	Loans	Other	Total
A) Listed derivatives						
1. Financial derivatives:						
. With capital swap						
- Purchased options						
- Other derivatives						
. Without capital swap						
- Purchased options						
- Other derivatives						
2. Credit derivatives:						
. With capital swap						
. Without capital swap						
Total A	-	-	-	-	-	-
B) Non-listed derivatives						
1. Financial derivatives:						
. With capital swap						
- Purchased options						
- Other derivatives						
. Without capital swap						
- Purchased options						
- Other derivatives						
2. Credit derivatives:						
. With capital swap						
. Without capital swap						
Total B	-	-	-	-	-	-
Total (A + B) (T)	-	-	-	-	-	-
Total (A + B) (T-1)	-	-	-	-	-	-

At the time of drawing up the statements there were no transactions outstanding on derivative financial instruments having the requisites required under IAS 39 for these to be classified and evaluated in accordance with hedging accounting rules.

8.2 Hedge derivatives: breakdown by hedged portfolios and type of hedge

	Interest rate risk	Exchange risk	Credit risk	Price risk	More risk		hedge	hedge
1. Financial assets available for sale								
2. Receivables								
3. Financial assets held to maturity								
4. Portfolio								
Total assets	-	-	-	-	-	-	-	-
1. Financial liabilities								
2. Portfolio								
Total liabilities	-	-	-	-	-	-	-	-

18 November Germany: Cdu/Csu and Spd sign the agreement for the establishment of the new government of "Grosse Koalition" led by Angela Merkel, leader of the Cdu. On 22 November, the Bundestag elects Angela Merkel as the new chancellor with 397 votes out of 614. Merkel is Germany's first woman to be elected as chancellor.

Section 9 - Change in value of financial assets recognised as part of a macrohedge - Item 90

9.1 Change in value hedged assets: breakdown by hedged portfolios

Change in value of hedged assets / Values	12-31-2005	12-31-2004
1. Positive adjustment	-	-
1. 1 of specific portfolios:		
a) receivables		
b)assets available for sale		
1. 2 total		
2. Negative adjustment	-	-
2. 1 of specific portfolios:		
a) receivables		
b) assets available for sale		
2. 2 total		
Total	-	-

As shown at the bottom of table 8.1, at the time of drawing up the statements there were no transactions outstanding on derivative financial instruments having the requisites required under IAS 39 for these to be classified and evaluated in accordance with hedging accounting rules.

Section 10 - Equity investments - Item 100

10.1 Equity investments in subsidiaries, jointly-controlled companies and in companies over which a significant influence is exercised: information on controlled shares

	Offices	%	%
A. Wholly owned companies			
1. Profilo Real Estate Advisory S.r.l.	Milan	100.00	
2. Profilo Suisse S.A.	Lugano	99.20	
3. Profilo Real Estate S.G.R. S.p.A.	Milan	100.00	
4. Profilo Asset Management S.G.R. S.p.A.	Milan	100.00	
5. Profilo Merchant Co. S.p.A.	Milan	100.00	
B. Jointly controlled companies			
C. Companies under significant influence			

10.2 Equity investments in subsidiaries, jointly-controlled companies and in companies over which a dominant influence is exercised: : accounting information

Names	Total Assets	Total Revenues	Profit (Loss)	Shareholders' equity	Book value	Fair value
A. Wholly owned companies						
1. Profilo Real Estate Advisory S.r.l.	2,974	2,529	1,519	1,595	103	
2. Profilo Suisse S.A.	289	6	- 14	280	319	
3. Profilo Real Estate S.G.R. S.p.A.	1,584	52	- 13	1,522	1,998	
4. Profilo Asset Management S.G.R. S.p.A.	4,805	2,514	- 184	3,925	6,010	
5. Profilo Merchant Co. S.p.A.	881	128	- 96	741	1,000	
B. Jointly controlled companies						
C. Companies under significant influence						
Total					**9,430**	

The shareholders' equity includes the share of profit or loss for the year pertaining to each subsidiary. All the figures have been obtained on the basis of the 2005 Draft Financial Statements approved by the Board of Directors of each company.

The equity investment in Profilo Suisse S.A. Has been evaluated at the exchange rate prevailing at year-end and has generated a capital loss of 3 thousand Euros recognized in the income statement.

The book value of the equity investment in Profilo Asset Management SGR SpA exceeds the related share of shareholders' equity; the said difference includes the goodwill paid in 2003 when the equity investment was purchased for 1,515 thousand Euros.

With respect to all the subsidiaries for which the share of shareholders' equity is below the book value, the latter value has been kept in that the Bank deems that no value impairments have been suffered.

10.3 Equity investments: annual variations

A.	**Opening balances**	**15,733**	**15,704**
B.	**Increases**	**620**	**29**
B.1	Purchases		26
B.2	Write-ups		
B.3	Revaluations		
B.4	Other increases	620	3
C.	**Decreases**	**-6,923**	**-**
C.1	Sales		
C.2	Write-downs		
C.3	Other decreases	-6,923	
D.	**Ending balances**	**9,430**	**15,733**
E.	**Total revaluations**		
F.	**Total write-downs**	**-249**	**-249**

Item B.4 includes the share capital increase by 500 thousand euros relating to Profilo Merchant Co. S.p.A. (formerly Profilo Academy S.p.A.)

Item C.3 includes 3,500 thousand euros relating to the share capital reduction of Profilo Real Estate SGR S.p.A. (formerly Profilo SGR S.p.A) and 3,300 thousand euros deriving from the liquidation of Profilo Hedge SGR S.p.A. in December 2005, which resulted in a loss of 8 thousand euros.

10.4 Commitments arising from equity investments in subsidiaries

At December 2005, there were no commitments exceeding the equity investments and which may become a potential liability for Banca Profilo.

Section 11 - Tangible fixed assets - Item 110

11.1 Tangible fixed assets: breakdown of assets valued at cost

	12-31-2005	12-31-2004
A. Assets for operating use		
1.1 proprietary		
a) lands		
b) buildings		
c) furnishings	319	581
d) electronic installations	600	1,078
e) other	137	91
1.2 acquired through financial leasing		
a) lands		
b) buildings		
c) furnishings		
d) electronic installations		
e) other		
Total A	**1,056**	**1,750**
B. Assets held for investment purposes		
2.1 proprietary		
a) lands		
b) buildings		
2.2 acquired through financial leasing		
a) lands		
b) buildings		
Total B	-	-
Total (A + B)	**1,056**	**1,750**

11.2 Tangible fixed assets: breakdown of assets valued at fair value or revalued

All tangible fixed assets are valued at cost and are reported in the previous table 11.1.
For this reason in the current table 11.2 no tangible fixed assets are reported.

11.3 Assets for operating use: annual variations

		Lands	Buildings	Furnishings	Electronic installations	Other	Total
A.	**Gross opening balance**			2,635	6,538	380	9,553
A.1	Total net depreciation			2,054	5,460	289	7,803
A.2	**Net opening balance**			**581**	**1,078**	**91**	**1,750**
B.	**Increases**						
B.1	Purchases			2	169	150	321
B.2	Capitalized costs for improvements						
B.3	Write-ups						
B.4	Positive change of fair value recognised in						
	a) shareholders' equity						
	b) income statement						
B.5	Positive exchange differences						
B.6	Transfers from real estate properties held for investment purposes						
B.7	Other variations			29			
C.	**Decreases**						
C.1	Sales			34	-	40	74
C.2	Depreciations			259	647	64	970
C.3	Write-downs for impairments recognised in						
	a) shareholders' equity						
	b) income statement						
C.4	Negative change of fair value recognised in						
	a) shareholders' equity						
	b) income statement						
C.5	Negative exchange differences						
C.6	Transfers to:						
	a) tangible fixed assets held for investment purposes						
	b) assets on disposal						
C.7	Other variations						
D.	**Ending balances**			319	600	137	1,056
D.1	Total net depreciations			2,284	6,107	353	8,744
D.2	**Gross ending balances**			**2,603**	**6,707**	**490**	**9,800**
E.	Valued at cost						

11.4 Tangible fixed assets held for investment purposes: annual variations

At December 31, 2005, Banca Profilo had no tangible fixed assets held for investment purposes.

11.5 Commitments for purchases of tangible fixed assets

At December 31, 2005, Banca Profilo has entered into no commitments for purchasing tangible fixed assets.

Section 12 - Intangible fixed assets - Item 120

12.1 Intangible fixed assets: breakdown by assets

		12-31-2005		12-31-2004	
		Short term	Long term	Short term	Long term
A.1	**Goodwill**		5,151		5,151
A.2	**Other intangible fixed assets**				
A.2.1	Assets valued at cost:				
	a) Internally generated intangible fixed assets				
	b) Other assets	1,520		1,918	
A.2.2	Assets valued at fair value:				
	a) Internally generated intangible fixed assets				
	b) Other assets				
Total		**1,520**	**5,151**	**1,918**	**5,151**

12.2 Intangible fixed assets: annual variations

		Goodwill	Other intangible fixed assets: internally generated		Other intangible fixed assets: other		Total
			short term	long term	short term	long term	
A.	**Opening balance**	5,151			1,918		7,069
A.1	Total net armotizations						
A.2	**Net opening balances**	5,151			1,918		7,069
B.	**Increases**						
B.1	Purchases				214		214
B.2	Increases in internal intangible fixed assets						
B.3	Write-ups						
B.4	Positive changes of fair value recognised in						
	a) shareholders' equity						
	b) income statement						
B.5	Positive exchange differences						
B.6	Other variations						
C.	**Decreases**						
C.1	Sales						
C.2	Adjustments						
	- Armotizations				612		612
	- Write-downs						
	a) shareholders' equity						
	b) income statement						
C.3	Negative change of fair value recognised in						
	a) shareholders' equity						
	b) income statement						
C.4	Transfers to non-current assets on disposal						
C.5	Negative exchange differences						
C.6	Other variations						
D.	**Net ending balances**	5,151			1,520		6,671
D.1	Total net write-downs						
E.	**Gross ending balances**	**5,151**			**1,520**		**6,671**
F.	**Valued at cost**						

At December 31, 2005, the goodwill has undergone the so-called "impairment test"; there were no value impairments recognised.
The other intangible fixed assets have been evaluated at cost net of amortization.

12.3 Further information

At December 31, 2005, there were no tangible fixed assets provided by way of security of the company's debts and there were no commitments for the purchase of intangible fixed assets.

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

13.1 Tax receivables for prepaid taxes: breakdown

Unrealised losses on equity shares and exchange rates	414
Provisions for remuneration not paid	799
Tax losses	5,147
Representation expenses, provisions for sundry risks and charges and other timing differences	888
Total	**7,247**

13.2 Tax payables for deferred taxes: breakdown

Unrealised gains on equity shares	832
Total	**832**

13.3 Variations in prepaid taxes (contra entry to the income statement)

	12-31-2005		12-31-2004	
1. Opening balance		**1,625**		**837**
a) Opening balance as at 12.31.2004	1,357			
b) Impact of FTA as of 1.1.2005 (IAS 32 and 39)	268			
2. Increases		**6,763**		**1,184**
2.1 Prepaid taxes for the year				
a) relating to previous years				
b) following adoption of new accounting principles				
c) write-ups				
d) other	6,732		1,050	
2.2 New taxes or increased tax rates				
2.3 Other increases	31		134	
3. Decreases		**1,141**		**664**
3.1 Prepaid taxes written off during the year				
a) revelsals	1,141		664	
b) write-downs for unforeseen uncollectability				
c) following adoption of new accounting principles				
3.2 Decreased tax rates				
3.3 Other decreases				
4. Ending balance		**7,247**		**1,357**

The increase in the prepaid taxes mainly includes the effect of the tax loss referable to the financial year 2005.

The decrease refers to the recovery of prepaid taxes as recognised in previous financial years.

13.4 Variations in deferred taxes (contra entry to the income statement)

	12-31-2005	12-31-2004
1. Opening balance	**-**	**26**
a) Opening balance as at 12.31.2004		
b) Impact of FTA as of 1.1.2005 (IAS 32 and 39)		
2. Increases	**2,071**	**-**
2.1 Deferred taxes for the year		
a) relating to previous years		
b) following adoption of new accounting principles		
c) other	905	
2.2 New taxes or increased tax rates		
2.3 Other increases	1,166	
3. Decreases	**1,239**	**26**
3.1 Deferred taxes written off during the year		
a) reversals	1,239	26
b) following adoption of new accounting principles		
c) other		
3.2 Decreased tax rates		
3.3 Other decreases		
4. Ending balance	**832**	**-**

Increases of deferred tax are mainly ascribable to unrealised gains on shares held for trading; the related tax effect will be recognized upon realization.

Decreases mainly refer to the recovery of deferred tax liabilities on the gains from valuation of shares referring to preceding financial years.

13.5 Variations in prepaid taxes (contra entry to the shareholders' equity)

	12-31-2005	12-31-2004
1. Opening balance	**-**	**-**
2. Increases	**-**	**-**
2.1 Prepaid taxes for the year		
a) relating to previous years		
b) following adoption of new accounting principles		
c) other		
2.2 New taxes or increased tax rates		
2.3 Other increases		
3. Decreases	**-**	**-**
3.1 Prepaid taxes written off during the year		
a) reversals		
b) write-downs for unforeseen uncollectability		
c) following adoption of new accounting principles		
3.2 Decreased tax rates		
3.3 Other decreases		
4. Ending balance	**-**	**-**

13.6 Variations in deferred taxes (contra entry to the shareholders' equity)

	12-31-2005	12-31-2004
1. Opening balance	-	-
2. Increases	-	-
2.1 Deferred taxes for the year		
a) relating to previous years		
b) following adoption of new accounting principles		
c) other		
2.2 New taxes or increased tax rates		
2.3 Other increases		
3. Decreases	-	-
3.1 Deferred taxes written off during the year		
a) reversals		
b) following adoption of new accounting principles		
c) other		
3.2 Decreased tax rates		
3.3 Other decreases		
4. Ending balance	-	-

The Bank recognized no prepaid or deferred tax as contra entry to the shareholders' equity in that the A.F.S. securities that generated the special shareholders' equity reserve are subject to the *"Pex - participation exemption"* regime and therefore they are not recognised for tax purposes.

13.7 Further information

Assets referring to current taxes		
Advanced payments for IRES - IRPEG	-	158
Advanced payments for IRAP	510	493
Other receivables and withholdings	655	94
Total	**1,165**	**745**

Liabilities referring to current taxes		-
Payables for IRES	115	
Payables for IRAP	1,309	
Other payables referring to current taxes	3,191	
Total	**4,615**	-

IRES payables refer to the so-called " Fiscal consolidation" which Banca Profilo as Parent consolidating Company and the other companies of the Group opted for as of 2004.

The other payables for current taxes include the tax effect on adjustments recognized in 2005 vis-à-vis the application of international accounting principles.

Section 14 - Non-current assets and assets on disposal and related liabilities - Item 140 and Item 90 of liabilities

14.1 Non-current assets and assets on disposal: breakdown by assets

	12-31-2005	12-31-2004
A. Assets typology		
A.1 Equity investments		
A.2 Tangible fixed assets		
A.3 Intangible fixed assets		
A.4 Other non-current assets		
Total A	-	-
B. Pool of assets (operating units disposed of)		
B.1 Financial assets held for trading purposes		
B.2 Financial assets valued at fair value		
B.3 Financial assets available for sale		
B.4 Financial assets held to maturity		
B.5 Due from banks		
B.6 Due from customers		
B.7 Equity investments		
B.8 Tangible fixed assets		
B.9 Intangible fixed assets		
B.10 Other assets		
Total B	-	-
C. Liabilities related to non-current assets on disposal		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total C	-	-
D. Liabilities related to pools of assets on disposal		
D.1 Due to banks		
D.2 Due to customers		
D.3 Securities outstanding		
D.4 Financial liabilities held for trading purposes		
D.5 Financial liabilities valued at fair value		
D.6 Provisions		
D.7 Other liabilities		
Total D	-	-

At December 31, 2005, Banca Profilo had no assets or liabilities classifiable under these items.

14.2 Further information

14.3 Information on equity investments in companies over which a dominant influence is exercised, not evaluated according to the equity method

At the closing of the financial year 2005, there were no equity investments in companies over which a dominant influence is exercised.

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	12-31-2005	12-31-2004
Guarantee deposits	100	1,213
Correspondents for matured securities and coupons to be collected	3,006	3,999
Due from subsidiaries for tax consolidation	927	2,376
Due from customers and subsidiaries for invoices to be collected	3,050	4,770
Customers for commission to be collected	1,128	138
Dividends to be collected from subsidiaries	-	-
Amounts to be collected for sundry transactions	7,143	-
Other items and remaining balances	1,465	1,455
Total	**16,819**	**13,951**

Guarantee deposits refer to operations in derivative contracts.

The sums to be settled refer for the most part to other banks for transactions in securities, coupons and others; they are in-progress items which were definitively recognized post December 31, 2005.

Liabilities

Section 1 - Due to banks - Item 10

1.1 Due to banks: breakdown by type

		12-31-2005	12-31-2004
1.	**Due to Central Banks**		
2.	**Due to banks**		
2.1	Demand current accounts and deposits	132,602	43,605
2.2	Term deposits	206,674	346,437
2.3	Loans		
2.4	Commitments to repurchase own equity instruments		
2.5	Liabilities for assets sold not written off	133,451	22,514
2.6	Other payables		
Total (book value)		**472,727**	**412,556**
Total (fair value)			

Since these are short term payables, the book value is expected to approximate their fair value.

Section 2 - Due to customers - Item 20

2.1 Due to customers: breakdown by type

1.	Demand current accounts and deposits	139,378	112,505
2.	Term deposits		
3.	Third party funds administered		
4.	Loans		
5.	Commitments to repurchase own equity instruments		
6.	Liabilities for assets sold not written off	797,357	451,217
7.	Other payables	442	1,757
Total (book values)		**937,177**	**565,479**
Total (fair value)			

Since these are short term payables, the book value is expected to approximate their *fair value*.

2.3 Breakdown of the item 20 "Due to customers": structured payables

The other payables show the outstanding amount of the structured bond issue Banca Profilo "Iboxx Corporate Bond Like Certificate 04/09".

The amount of 442 thousand Euros refers to the amortized cost of the bond issue; the incorporated derivative has been classified under item 40 Financial liabilities held for trading purposes and valued at *fair value*.

Section 3 - Securities outstanding - Item 30

3.1 Securities outstanding: breakdown by type

	12-31-2005		12-31-2004
	Book value	Fair value	Book value
A. Listed securities			
1. Bonds			
2. Other securities			
B. Non-listed securities			
1. Bonds	50,132	49,799	38,610
2. Other securities			
Total (book value)	**50,132**	**49,799**	**38,610**

The item includes the outstanding amount of the five existing Banca Profilo bond issues; the issues have been evaluated at their amortized cost and the implicit derivatives have been separated and recognized under item 40 Financial liabilities held for trading purposes for an amount of 245 thousand Euros.

Section 4 - Financial liabilities held for trading purposes - Item 40

4.1 Financial liabilities held for trading purposes: breakdown by type

		L	NL			L	NL	
A. Cash liabilities								
1. Due to banks	38,182	42,738		42,738	11,182	13,557		13,557
2. Due to customers	13,630	20,544		20,544	26,092	31,634		31,634
3. Debt securities								
3.1 Bonds								
3.2 Other securities								
Total A	**51,812**	**63,282**		**63,282**	**37,274**	**45,191**	**-**	**45,191**
B. Derivative instruments								
1. Financial derivatives	2,049,146	857	93,559	94,416	1,166,309	286	54,969	55,255
2. Credit derivatives	524,669		3,083	3,083	112,000		1,314	1,314
Total B	**2,573,815**	**857**	**96,642**	**97,499**	**1,278,309**	**286**	**56,283**	**56,569**
Total (A + B)	**2,625,627**	**64,139**	**96,642**	**160,781**	**1,315,583**	**45,477**	**56,283**	**101,760**

FV = fair value
FV = fair value calculated by excluding variations in value due to a change in the credit rating of the issuer compared to the date of issue.*
NV = face or nominal value
L = listed
NL = non-listed

4.4 Financial liabilities held for trading purposes: derivative instruments

Type of derivative / underlying assets	Interest rates	Currency and gold	Share capital securities	Loans	Other	12-31-2005	12-31-2004
A) Listed derivatives							
1. Financial derivatives:							
. With capital swap							
- options issued			609			609	
- other derivatives					247	247	286
. Without capital swap							
- otions issued							
- other derivatives	1					1	
2. Credit derivatives:							
. With capital swap							
. Without capital swap							
Total A	**1**	**-**	**609**	**-**	**247**	**857**	**286**
B) Non-listed derivatives							
1. Financial derivatives:							
. With capital swap							
- options issued			26,667			26,667	42,419
- other derivatives		15,646	1,638			17,284	127
. Without capital swap							
- otions issued	12,669		17,582			30,251	2,347
- other derivatives	19,357					19,357	10,076
2. Credit derivatives:							
. With capital swap				3,031		3,031	1,314
. Without capital swap				52		52	
Total B	**32,026**	**15,646**	**45,887**	**3,083**	**-**	**96,642**	**56,283**
Total (A + B)	**32,027**	**15,646**	**46,496**	**3,083**	**247**	**97,499**	**56,569**

Section 5 - Financial liabilities valued at fair value - Item 50

At December 31, 2005 Banca Profilo had no transactions reported under this category.

Section 6 - Hedge derivatives - Item 60

At present, there are no transactions on derivative financial instruments having the requisites required under IAS 39 for their classification and evaluation in accordance with *hedging accounting*.

Section 8 - Tax payables - Item 80

Refer to section 13 of assets.

Section 9 - Liabilities linked to assets on disposals - Item 90

Refer to section 14 of assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	12-31-2005	12-31-2004
Due to the tax authorities on third parties' account	2,940	3,060
Due to social security and welfare institutions	465	597
Due to subsidiaries for tax consolidation	-	155
Amounts due for transactions with securities and funds	95	1,858
Sundry suppliers and invoices to be received	2,076	1,994
Amounts due to staff and directors	14,120	1,562
Group companies for unpaid share capital	-	2,310
Non-interest bearing amounts available to customers	1,554	11,601
Items to be settled with banks	-	34
Sundry items and residual entries	1,109	1,570
Total	**22,359**	**24,741**

The most sizeable amount refers to the sums payable to Employees and Directors and includes charges for voluntary retirement schemes and the variable salary amount that is strictly linked to the revenue generated in the financial year.

Non-interest bearing amounts available to Customers are represented by in-progress items which were definitively recognized post December 31, 2005.

Section 11 - Staff severance indemnities - Item 110

11.1 Staff severance indemnities: annual variation

A. Opening balances	**2,405**	**2,042**
B. Increases		
B.1 Provision for the year	564	662
B.2 Other increases	83	12
C. Decreases		
C.1 Settled amounts	506	304
C.2 Other decreases		7
D. Ending balances	**2,546**	**2,405**
Total		

The staff severance indemnities item represents the actuarial estimate of the charges for the staff severance payments, as required under IAS 19.

11.2 Further information - Staff severance indemnities

		12-31-2005	12-31-2004
A.	**Opening balances**	**2,405**	**2,042**
B.	**Increases**		
	1. Retirement benefit expenses for current employments	564	662
	2. Financial charges	68	5
	3. Contributions to the plan by its members		
	4. Actuarial losses	15	7
	5. Exchange differences		
	6. Retirement benefit expenses for past employments		
	7. Other variations		
C.	**Decreases**		
	1. Benefits paid	506	311
	2. Retirement benefit expenses for past employments		
	3. Actuarial gains		
	4. Exchange differences		
	5. Reductions		
	6. Settlements		
	7. Other variations		
D.	**Ending balances**	**2,546**	**2,405**
Total			

The actuarial estimate of the staff severance indemnities has been carried out by a specialized external firm using a model based on "projected unit credit method". The actuarial study, to come up with the amount of the staff severance indemnities, has drawn information from a database of the company and there retrieved the personal data. The said data also take into account estimates of the actuarial study on the years of service in the company and the promotion based on time served with respect to each employee.
More specifically, the estimate length of service has been adjusted on the basis of a set of parameters such as the employee's gender, the number of years of service in the bank, estimated future years of service, number of years employed in other companies prior to the current position.
The revaluation of the staff severance indemnities also takes into account future merit-based promotions, promotion as established by contract, where this is known, and any promotion based on time served calculated on the basis of the employee's grade level, the rules for promotion based on time accrued, differentiated on the basis of the date of joining the company.
The staff severance indemnities amount, once it has been projected to the expected year of use, is discounted on the basis of the yield curve using high-quality corporate bonds yield of the Euro area.
The effect of this method is reported in the income statement.

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

1. Provisions for retirement obligations		
2. Other provisions for risks and charges		
2.1 legal disputes		
2.2 staff-related charges		
2.3 other	500	
Total	**500**	-

The provision for risks and charges is mainly made up of provisions for a loan on which commission income is due from a company undergoing insolvency proceedings. In the determination of this liability account was taken of the expected collectable amount and expected time for collectability (estimated to be within the following four years) and a discounting rate equal to the current market rate for those due dates.

12.2 Provisions for risks and charges: annual variations

	Provisions for retirement obligations	Other provisions	Total
A. Opening balances	-	-	-
B. Increases			
B.1 Provision for the year		500	500
B.2 Variations due to the passing of time			
B.3 Variations following changes in discount rates			
B.4 Other increases			
C. Decreases			
C.1 Withdrawals during the year			
C.2 Variations following changes in discount rates			
C.3 Other decreases			
D. Ending balance	**-**	**500**	**500**

12.3 Provisions for retirement obligations for defined benefit plans

Banca Profilo has no provisions for retirement obligations.

12.4 Provisions for risks and charges: other provisions

Refer to information reported in the tables 12.1 and 12.2

Section 13 - Redeemable shares - Item 140

13.1 Redeemable shares: breakdown

Banca Profilo has no obligations to its shareholders as regards redemption or repurchase of own shares at a pre-set price.

Section 14 - Company's capital - Items 130, 150, 160, 170, 180, 190 and 200

14.1 Group shareholders' equity: breakdown

1. Share capital	64,685	64,023
2. Share premium account	21,440	22,392
3. Reserves	12,152	13,434
4. (Own shares)	- 3,103	- 2,150
5. Reserves from valuation	- 254	-
6. Equity instruments	-	-
7. Profit (loss) for the year	27,250	11,181
Total	**122,170**	**108,880**

14.2 Share capital and "own shares": breakdown

The share capital, fully paid-in, consists of no. 124,395,000 shares each of a nominal value of 0.52 Euro.
Shares are all ordinary.

14.3 Share capital - Number of shares: annual variations

		Ordinary	Other
A.	**No. of share at the beginning of the year**	**123,122,000**	
	- fully paid in		
	- not fully paid in		
A.1	Own shares (-)	-1,232,626	
A.2	**Shares outstanding: at the beginning of the year**	**121,889,374**	-
B.	**Increases**		
B.1	New issues		
	- against payment:		
	- aggregation of companies		
	- conversion of bonds		
	- exercise of warrant rights		
	- other	1,273,000	
	- for free:		
	- to staff members		
	- to directors		
	- other		
B.2	Sale of own shares	1,448,588	
B.3	Other variations		
C.	**Decreases**		
C.1	Write-off		
C.2	Purchase of own shares	1,907,241	
C.3	Disposal of companies		
C.4	Other variations		
D.	**Shares outstanding: at the end of the year**	**122,703,721**	-
D.1	Own shares (+)	1,691,279	
D.2	Shares outstanding at the end of the year	**124,395,000**	
	- fully paid in		
	- not fully paid in		

14.4 Share capital: further information

The change in this item during the financial year is exclusively due to the share capital increase linked to the exercise of the stock options.

14.5 Retained earnings: further information

Reserves - item 160 have been increased as a result of the allocation of the profit for the year 2004, upon its Shareholders' Meeting resolution of April 22, 2005 for the amount of 577 thousand Euros.

They include, as well as the Legal Reserve, Reserves from F.T.A. vis-à-vis the first time adoption of the IAS international accounting principles, the Reserve for the stock options equal to the value of the same as accrued up to December 31, 2005, the Reserve for own shares, and the profits/losses referring to preceding years.

14.6 Equity instruments: breakdown and annual variation

The Bank has no equity instrument issues to be classified under this category.

14.7 Reserves from valuation: breakdown

	12-31-2005	12-31-2004
1. Financial assets available for sale	-254	-
2. Tangible fixed assets		
3. Intangible fixed assets		
4. Foreign investments hedges		
5. Cash flow hedges		
6. Exchange differences		
7. Non-current assets on disposal		
8. Special regulations on revaluation		
Total	**-254**	**-**

As shown in the table here below, table 14.8, reflecting changes, and in the one following thereunder, 14.10, the item referring to reserves from valuation of the financial assets available for sale has negatively changed, amounting to 943 thousand Euro on account of the first time adoption of the IAS 39 international accounting standard, on January 1, 2005.

14.8 Reserves from valuation: annual variation

	Financial assets available for sale	Tangible fixed assets	Intangible fixed assets	Foreign investments hedges	Cash flow hedges	Exchange differences	non-current assets on disposal	Special regulations on revaluation
A. Opening balances	**-943**							
Opening balances, 12.31.2004	-							
Opening balances, 01.01.2005	-943							
B. Increases								
B1. Increases in fair value	674							
B2. Other variations	32							
C. Decreases								
C1. Decreases in fair value	17							
C2. Other variations								
D. Ending balances	**-254**	-	-	-	-	-	-	-

14.9 Reserves from valuation of financial assets available for sale: breakdown

	Positive reserve	Negative reserve	Reserve	Reserve
1. Debt securities				
2. Share capital securities		254	-	
3. Shares in UCIs				
4. Loans				
Total	**-**	**254**	**-**	**-**

14.10 Reserves from valuation of financial assets available for sale: annual variations

		Debt securities	Share capital securities	Shares in UCIs	Loans
1.	**Opening balances**	**-**	**-943**	-	-
	Opening balances, 12.31.2004	-	-		
	Opening balances, 01.01.2005		-943		
2.	**Increases**			-	-
2.1	Increases in fair value		674		
2.2	Reversal of negative reserves to income statement				
	- from impairment				
	- from realization		32		
2.3	Other variations				
3.	**Decreases**				-
3.1	Decreases in fair value		17		
3.2	Reversal of positive reserves to income statement:				
	- from realization				
3.3	Other variations				
4.	**Ending balances**	**-**	**-254**	**-**	**-**

Further information

1. Guarantees given and commitments

1)	Financial guarantees given		
	a) Banks		
	b) Customers	4,797	58,474
2)	Commercial guarantees given		
	a) Banks		
	b) Customers	12,300	7,459
3)	Commitments to grant finances		
	a) Banks		
	i) certain to be called on	41,947	8,978
	ii) not certain to be called on	50,387	28,981
	b) Customers		
	i) certain to be called on	14,981	31,835
	ii) not certain to be called on	14,514	18,487
4)	Commitments underlying credit derivatives: credit default protection selling operations	196,195	112,000
5)	Assets underlying guarantees for third party's bonds		
6)	Other commitments	171	140
Total		**335,292**	**266,354**

Guarantees given refer to sureties provided by the Bank on obligations undertaken by the same with third parties on behalf of the its customers.

Among the guarantees granted there is one surety in favour of Profilo Servizi Immobiliari Srl, company indirectly held for an amount of 1,957 thousand euros. Irrevocable commitments to grant finance include purchases of securities and currencies not yet settled and put options issued by the Bank.

2. Assets underlying guarantees for own liabilities and commitments

	12-31-2005	12-31-2004
1. Financial assets held for trading purposes	430,924	488,780
2. Financial assets valued at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	-	-
5. Due from banks	-	-
6. Due from customers	-	-
7. Tangible fixed assets	-	-

Assets provided as security are mainly represented by securities provided by way of deposit guarantee for the issue of banker's drafts for a nominal amount of 1,000 thousand Euros, securities by way of guarantee for transactions in derivatives for a nominal amount of 24,800 thousand Euros, securities by way of guarantee for treasury transactions for a nominal amount of 40,000 thousand Euros and securities by way of guarantee for repos (liabilities) for 365,124 thousand Euros.

3. Information on operating leasing

Banca Profilo has not entered into transactions of this type.

4. Brokerage and management for third parties: banking group

1. Trading of financial instruments for third parties	
a) Purchases	
1. settled	435,362
2. to be settled	
b) Sales	
1. settled	371,389
2. to be settled	
2. Asset management	
a) individual	828,410
b) collective	
3. Custody and administration of securities	
a) third party securities held on deposit: linked to the operations of custodian bank (excluding assets under management)	
1. securities issued by Banca Profilo	
2. other securities	
b) third party securities held on deposit (excluding assets under management): other	
1. securities issued by Banca Profilo	49,230
2. other securities	458,804
c) third party securities deposited with third parties	508,034
d) bank's securities deposited with third parties	675,436
4. Other transactions	**98,359**

Part C - Information on the income statement

Section 1 - Interests - Items 10 and 20

1.1 Interest income and similar items: breakdown

	Performing financial assets Debt securities	Performing financial assets Loans	Impaired financial assets	Other assets	2005	2004
1. Financial assets held for trading purposes	21,890			9,570	31,460	18,703
2. Financial assets available for sale					-	-
3. Financial assets held to maturity					-	
4. Due from banks		17,133		1,301	18,434	22,773
5. Due from customers		2,556	7		2,563	2,010
6. Financial assets valued at fair value					-	
7. Hedge derivatives				-		
8. Financial assets sold not written off					-	
9. Other assets				75	75	51
Total	**21,890**	**19,689**	**7**	**10,946**	**52,532**	**43,537**

1.2 Interest income and similar items: spread on hedging transactions

	2005	2004
A. Positive balance of spread on the following transactions:		
A.1 Micro-hedge of assets' fair value		
A.2 Micro-hedge of liabilities' fair value		
A.3 Interest rate macrohedges		
A.4 Micro-hedge for assets' cash flows		
A.5 Micro-hedge for liabilities' cash flows		
A.6 Cash flow macrohedges		
Total positive balance of spread (A)	-	-
B. Negative balance of spread on the following transactions:		
B.1 Micro-hedge of assets' fair value		
B.2 Micro-hedge of liabilities' fair value		
B.3 Interest rate macrohedges		
B.4 Micro-hedge for assets' cash flows		
B.5 Micro-hedge for liabilities' cash flows		
B.6 Cash flow macrohedges		
Total negative balance of spread (B)	-	-
C. Balance (A-B)	-	-

There are currently no transactions on derivative financial instruments having such requisites as are required under IAS 39 for classification and evaluation in accordance with *hedging accounting rules*.

1.3 Interest income and similar items: further information

Interest income and similar items referring to outstanding relationships with Group's companies amount to 123 thousand euros and are recorded applying the interest rates under normal market conditions.

1.3.1 Interest income on financial assets denominated in foreign currency

	2005	2004
Interest income on financial assets denominated in foreign currency	**194**	**229**

1.3.2 Interest income on financial leasing

1.3.3 Interest income on credits with third parties' funds under administration

1.4 Interest expense and similar items: breakdown

				Liabilities		
1.	Due to banks	32,856			32,856	8,772
2.	Due to customers	1,046			1,046	26,532
3.	Securities outstanding		1,504		1,504	1,301
4.	Financial liabilities held for trading purposes				-	
5.	Financial liabilities valued at fair value				-	-
6.	Financial liabilities linked to assets sold not written off				-	-
7.	Other liabilities			320	320	
8.	Hedge derivatives				-	-
Total		**33,902**	**1,504**	**320**	**35,726**	**36,605**

1.5 Interest expense and similar items: spread on hedging transactions

A.	**Positive balance of spread on the following transactions:**		
A.1	Micro-hedge of assets' fair value		
A.2	Micro-hedge of liabilities' fair value		
A.3	Interest rate macrohedges		
A.4	Micro-hedge for assets' cash flows		
A.5	Micro-hedge for liabilities' cash flows		
A.6	Cash flow macrohedges		
Total positive balance of spread (A)		-	-
B.	**Negative balance of spread on the following transactions:**		
B.1	Micro-hedge of assets' fair value		
B.2	Micro-hedge of liabilities' fair value		
B.3	Interest rate macrohedges		
B.4	Micro-hedge for assets' cash flows		
B.5	Micro-hedge for liabilities' cash flows		
B.6	Cash flow macrohedges		
Total negative balance of spread (B)		-	-
C.	**Balance (A-B)**	-	-

There are currently no transactions on derivative financial instruments having such requisites as are required under IAS 39 for classification and evaluation in accordance with *hedging accounting rules*.

1.6 Interest expense and similar items: further information

Interest expense and similar items referring to outstanding relationships with Group's companies amount to 192 thousand euros and are recorded applying the interest rates under normal market conditions.

1.6.1 Interest expense on liabilities denominated in foreign currency

	2005	2004
Interest expense on liabilities denominated in foreign currency	**1,696**	**186**

1.6.2 Interest expense on financial leasing

Banca Profilo is not engaged in financial leasing operations.

1.6.3 Interest expense on third parties' funds under administration

Banca Profilo currently has no operations of the type shown in this item.

Section 2 - Commissions - Items 40 and 50

2.1 Commission income: breakdown

	2005		2004	
a) guarantees given		155		196
b) credit derivatives		-		-
c) management, trading and consulting:	31,037		22,034	
1. securities trading	13,685		10,464	
2. currency trading	48		13	
3. asset management				
3.1 individual	4,979		4,548	
3.2 collective				
4. custody and administration of securities	196		198	
5. custodian bank				
6. securities placement	5,880		2,934	
7. order collection	2,275		1,376	
8. consulting	2,245		1,806	
9. distribution of third-party services				
9.1 asset management				
9.1.1 individual				
9.1.2 collective				
9.2 insurance products	1,729		695	
9.3 other products				
d) collection and payment services		12		10
e) servicing for securitization operations		-		-
f) factoring services		-		-
g) tax collection		-		-
h) other services		745		257
Total		**31,949**		**22,497**

Commission income includes those commissions related to relationship with Group's companies, equal to 1,381 thousand euros.

2.2 Commission income: distribution channels for products and services

	2005	2004
a) at own branches:		
1. asset management	4.979	4,548
2. securities placement	5,880	2,934
3. third party products and services	1,729	695
b) other offices:	-	-
1. asset management		
2. securities placement		
3. third party products and services		
c) other distribution channels:	-	-
1. asset management		
2. securities placement		
3. third party products and services		

2.3 Commission expense: breakdown

	2005	2004
a) guarantees given	1	6
b) credit derivatives	-	-
c) management and brokering services:		
1. securities trading	832	1,132
2. currency trading	-	-
3. asset management		
3.1 own portfolio		
3.2 third parties' portfolio		
4. custody and administration of securities	194	195
5. securities placement		
6. financial products and services offered in other offices		
d) collection and payment	5	4
e) other services	1,488	1,005
Total	**2,520**	**2,342**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income

		from shares in UCIs		from shares in UCIs
A. Financial assets held for trading purposes	31,011		17,073	
B. Financial assets available for sale				
C. Financial assets valued at fair value				
D. Equity investments			-	
Total	**31,011**	-	**17,073**	-

Dividends from equity investments in subsidiaries are recorded under item 210 Profit/loss on equity investments in the income statement.

Section 4 - Net profit (loss) from trading transactions - Items 80

4.1 Net profit (loss) from trading transactions: breakdown

	Capital gains (A)	Profit from trading transactions (B)	Capital losses (C)	Losses from trading transactions (D)	Net profit (loss) 2005 (A+B) - (C+D)
1. Financial assets held for trading purposes					**- 8,644**
1.1 Debt securities	4,761	12,499	3,118		14,142
1.2 Share capital securities	1,823		629	24,912	- 23,718
1.3 Shares in UCIs	7,770				7,770
1.4 Loans					
1.5 Other		10	430	6,418	- 6,838
2. Financial liabilities held for trading purposes					
2.1 Debt securities					
2.2 Other					
3. Other financial assets and liabilities: exchange differences					
4. Derivative instruments					**4,889**
4.1 Financial derivatives:					
- on debt securities and interest rates	39,834	29,469	26,561	39,662	3,080
- on share capital securities and equity indices	86,966	152,932	86,766	144,307	8,825
- on currency and gold					
- Other	2,873	10,368	7,914	11,827	- 6,500
4.2 Credit derivatives	1,444	2,419	1,769	2,610	- 516
Total					**- 3,755**

Section 5 - Net profit (loss) from hedging transactions - Item 90

5.1 Net profit (loss) from hedging transactions: breakdown

A. Income from:		
A.1 Micro-hedge of assets' fair value		
A.2 Micro-hedge of liabilities' fair value		
A.3 Interest rate macrohedges		
A.4 Micro-hedge for assets' cash flows		
A.5 Micro-hedge for liabilities' cash flows		
A.6 Cash flow macrohedges		
Total positive balance of spread (A)	-	-
B. Negative balance of spread on the following transactions:		
B.1 Micro-hedge of assets' fair value		
B.2 Micro-hedge of liabilities' fair value		
B.3 Interest rate macrohedges		
B.4 Micro-hedge for assets' cash flows		
B.5 Micro-hedge for liabilities' cash flows		
B.6 Cash flow macrohedges		
Total negative balance of spread (B)	-	-
C. Balance (A-B)	-	-

There are no operations on derivative financial instruments having the requisites required under IAS 39 for them to be classified and evaluated in accordance with the rules on *hedging accounting*.

Section 6 - Profit (Loss) from disposal/repurchase - Item 100

6.1 Profit (Loss) from disposal/repurchase: breakdown

	2005			2004		
	Profit	Losses	Net profit (loss)	Profit	Losses	Net profit (loss)
Financial assets						
1. Due from banks						
2. Due from customers						
3. Financial assets available for sale						
3.1 Debt securities						
3.2 Share capital securities		48	- 48			
3.3 Shares in UCIs						
3.4 Loans						
4. Financial assets held to maturity						
Total assets	**-**	**48**	**- 48**	**-**	**-**	**-**
Financial liabilities						
1. Due to banks						
2. Due to customers						
3. Securities outstanding						
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

This refers to the loss arising from the partial disposal of the equity investment in Brainpower, classified among financial assets available for sale.

Section 7 - Net profit (loss) from financial assets and liabilities valued at fair value - Item 110

7.1 Net change in value of financial assets and liabilities valued at fair value: breakdown

1. Financial assets					
1.1 Debt securities	-	-	20		**-20**
1.2 Share capital securities					
1.3 Share in UCIs					
1.4 Loans					
2. Financial liabilities	-	-	-	-	-
2.1 Securities outstanding					
2.2 Due to banks					
2.3 Due to customers					
3. Financial assets and liabilities denominated in foreign currency: exchange differences	-	-	-	-	-
4. Derivative instruments					
4.1 Financial derivatives:					
- on debt securities and interest rates					
- on share capital securities and equity indices					
- on currency and gold					
- other					
4.2 Credit derivatives					
Total derivatives	-	-	-	-	-
Total			**20**		**-20**

The variation refers to a debt security valued at *fair value* since it is a structured financial instrument.

November In Geneva, before about 600 attendees at the International Conference on Avian Influenza, WHO's General Director, Lee Jong-Wook, called for an urgent global consensus on how to combat avian influenza.

Section 8 - Net write-downs/write-ups for impairment - Item 130

8.1 Net write-downs for impairment of loans: breakdown

	Write-downs (1)			Write-ups (2)				Total	Total
	Specific		Portfolio	Specific		Portfolio		2005	2004
	Write-offs	Other		A	B	A	B		
A. Due from banks	-	-	-	-	-	-	-	-	-
B. Due from customers	-	300	-	37	-	-	-	263	100
C. Total	**-**	**300**	**-**	**37**	**-**	**-**	**-**	**263**	**100**

Table explanation
A = from interest
B = other write-ups

The write-down refers to the only existing non-performing position, as shown in table 7.1 Due from Customers.

8.2 Net write-downs for impairment of financial assets available for sale: breakdown

	Write-downs (1)		Write-ups (2)				Total	Total
	Specific		Specific		Portfolio		2005	2004
	Write-offs	Other	A	B	A	B		
A. Debt securities								
B. Share capital securities								
C. Share in UCIs								
D. Loans to banks								
E. Loans to customers								
F. Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

At December 31, 2005, there were no write-downs with respect to this item.

8.3 Net write-downs for impairment of financial assets held to maturity: breakdown

	Write-offs	Other		A	B	A	B	2005	2004
A. Debt securities									
B. Loans to banks									
C. Loans to customers									
D. Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

At December 31, 2005, there were no write-downs with respect to this item

8.4 Net write-downs for impairment of other financial transactions: breakdown

	Write-offs	Other		A	B	A	B	2005	2004
A. Guarantees given									
B. Credit derivatives									
C. Commitments to grant finance									
D. Other transactions									
E. Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

At December 31, 2005, there were no write-downs with respect to this item.

Section 9 - Administrative expenses - Item 150

9.1 Staff expenses: breakdown

	2005		2004	
1) Employees		32,682		20,095
a) wages and salaries	22,707		13,174	
b) social security charges	6,264		3,779	
c) staff severance indemnities	-		-	
d) retirement benefits	-		-	
e) provision for staff severance indemnities	564		663	
f) provision for retirements and similar benefit obligations:				
- defined contribution plans				
- defined benefit plans				
g) contributions to supplementary external retirement benefit plans:				
- defined contribution plans				
- defined benefit plans				
h) expenses from payment agreement based on own equity instruments	755		552	
i) other employees benefits	2,392		1,927	
2) Other staff		82		65
3) Directors		3,848		2,986
Total		**36,612**		**23,146**

The wages and salaries item and the social security charges include sums payable to Employees relating to the variable salary amount which is strictly linked with the revenue generated in the year.

9.2 Average number of employees by category

a) executives		27		28
b) managers		89		90
- of which belonging to the 3rd and 4th level	45		53	
c) other employees		55		58
Total		**171**		**176**

9.3 Provisions for retirement obligations for defined benefit plans: total costs

Banca Profilo has no Provisions for retirement obligations.

9.4 Other benefits to employees

Other benefits to employees refer to charges for voluntary retirement schemes.

9.5 Other administrative expenses: breakdown

	2005	2004
Professional, legal and consulting services	1,148	859
Insurance premiums	139	129
Advertising	1,482	493
Post office and communications expenses	515	787
Office supplies and materials	72	103
Maintenance and repairs	471	402
EDP and data transmission	4,397	4,427
Electricity, heating and building costs	347	310
Charges for sundry services provided by third parties	57	71
Cleaning and sanitation	146	152
Travel and transport	288	366
Security and transport of valuables	29	30
Membership fees	100	93
Auditing fees	130	106
Subscriptions to newspapers, magazines and publications	16	9
Rentals payable	1,888	1,558
Fees for Board of Auditors	139	136
Representation expenses	109	94
Direct and indirect taxes	389	533
Sundry and miscellaneous	366	900
Total	**12,228**	**11,558**

Advertising expenses refer to promotional campaigns carried out in the financial year for the promotion, inter alia, of new products offered by the Bank. The related expenses have been charged in full to the income statement.

Section 10 - Net provisions for risks and charges - Item 160

10.1 Net provisions for risks and charges: breakdown

A. Net provisions for risks and charges		
- for sundry receivables (not arising from Loan granted)	400	-
- other	100	-
Total	**500**	-

This item mainly refers to provisions for a loan on which commissions are due to Banca Profilo, and owing by a Company undergoing insolvency proceedings. In the determination of this liability, account was taken of the expected collectable amount and expected time for collectability (estimated to be within the following four years) and a discounting rate equal to the current market rate for those due dates.

Section 11 - Net write-downs/write-ups on tangible fixed assets - Item 170

11.1 Write-downs on tangible fixed assets: breakdown

	Depreciation (a)	Write-down for impairment (b)	Write-ups (c)	Net profit (loss) 2005 (a+b-c)
A) Tangible fixed assets				
A1 Properties	970	-	-	970
- for operating use	970			970
- for investment purposes				
A2 Acquired through financial leasing	-	-	-	-
- for operating use				
- for investment purposes				
Total	**970**	**-**	**-**	**970**

Tangible fixed assets have been depreciated on the basis of the degree of use and their expected useful lives, applying for this calculation the rates shown in the table here below:

real estate property	3%
office machines and furniture	12%
electromechanical and electronic offices machines	20%
furnishings	15%
armoured counters and safes	20%
sundry machinery, apparatus and equipment	15%
alarm systems	30%
motor vehicles and internal means of transport	20%
data processing systems	20%
motor vehicles	25%

Section 12 - Net write-downs/write-ups on intangible fixed assets Item 180

12.1 Net write-downs/write-ups on intangible fixed assets: breakdown

	Amortization (a)	Impairment (b)	Write-ups (c)	2005 (a+b-c)
A) Intangible fixed assets				
A1 Proprietary	612	-	-	612
- Internally generated	-			-
- Other	612			612
A2 Acquired through financial leasing	-	-	-	-
Total	**612**	**-**	**-**	**612**

This item mainly refers to software that will be used over the long term, the amortization of which is based on the period of expected future use.

Section 13 - Other operating income/charges - Item 190

13.1 Other operating charges: breakdown

	2005	2004
Other operating charges		
Other charges	1,839	666
Totale	**1,839**	**666**

This item is mainly referable to charges pertaining to the operations not classifiable under other specific income statement items.

13.2 Other operating income: breakdown

	2005	2004
Other operating income		
Sundry costs recharged to customers	232	51
Indirect taxation recovered	333	310
Recovery of fees from services to Group's companies	106	140
Additional revenues previous years	-	202
Other income	251	379
Total	**922**	**1,082**

Section 14 - Profits (Losses) on equity investments - Item 210

14.1 Profits (Losses) on equity investments: breakdown

	2005		2004	
A) Income		4,420		2,068
1. Revaluations				
2. Profits on disposals				
3. Write-ups				
4. Other positive variations	4,420		2,068	
B) Charges		17		-
1. Write-downs				
2. Write-downs for impairment				
3. losses on dispsals				
4. Other negative variations	17		-	
Net profit (loss)		**4,403**		**2,068**

Point A) 4 refers to dividends collected deriving from equity investments in subsidiaries.
Point B) 4 refers to charges deriving from the liquidation of two equity investments in Subsidiaries (Profilo Hedge SGR e Profilo Merchant S.p.A.).

Sezione 15 - Net profit (loss) on tangible and intangible fixed assets valued at fair value - Item 220

15.1 Net profit (loss) on tangible and intangible fixed assets valued at fair value: breakdown

	Revaluations (a)	Amortization depreciation (b)	Exchange differences Positive (c)	Exchange differences Negative (d)	Net profit (loss) (a-b+c-d)
A) Tangible fixed assets					
A1 Proprietary					
- For operating use					
- Held for investment purposes					
A2 Acquired through financial leasing					
- For operating use					
- Held for investment purposes					
B) Intangible fixed assets					
B1 Proprietary					
B.1.1. Internally generated					
B.1.2. Other					
B2 Acquired through financial leasing					
Total	-	-	-	-	-

Banca Profilo, at December 31, 2005, had no profit (losses) to classify under this item.

Section 16 - Goodwill value adjustments - Item 230

16.1 Goodwill value adjustments: breakdown

At December 31, 2005, goodwill underwent the so-called "impairment test"; no value impairments were reported as regards this item.

Section 17 - Profits (Losses) on divestitures - Item 240

17.1 Profits (Losses) on divestitures: breakdown

Income component / Values	2005	2004
A. Real estate properties		
- Profits from disposal		
- Losses from disposal		
B. Other assets		
- Profits from disposal	-	10
- Losses from disposal		
Net profit (loss)	**-**	**10**

Section 18 - Income taxes for the year for current operations - Item 260

18.1 Income taxes for the year for current operations: breakdown

Components /Values	2005	2004
1. Current taxes (-)	3,267	- 1,610
2. Change in current taxes of previous years (+/-)		114
3. Reduction of current taxes for the year (+)		154
4. Change in prepaid taxes (+/-)	- 5,623	- 386
5. Change in deferred taxes (+/-)	832	- 26
6. Income taxes for the year (-) (-1+/-2+3+/-4+/-5)	**- 1,524**	**- 1,754**

The determination of income taxes for the year, which shows a positive value, has also accounted for the tax loss of the Bank deriving from transactions in shares during the year.

18.2 Reconciliation between theoretical tax charges and actual tax charges accounted for in the financial statements.

	2005 %	2004 %
Ordinary applicable IRES rate	33.00	33.00
Effect of the changes upwards/downwards compared to the ordinary rate:	-35.83	-54.77
Exempt income		
Dividends	-37.80	-55.55
Non-deductible costs	1.02	2.81
Other permanent adjustments (upwards)	0.95	5.38
Other permanent adjustments (downwards)	0.00	-7.41
Actual IRES rate	**-2.83**	**-21.77**

The difference between the ordinary Ires rate and the actual rate is mainly due to the tax regime applicable to dividends on shares, 95% of the amount of which having been excluded from the IRES taxable basis.

Section 19 - Profits (Losses) on assets on disposal, after taxes - Item 280

19.1 Profits (Losses) on assets on disposal, after taxes: breakdown

1. Income		
2. Charges		
3. Profit (loss) on valuation of pool of assets and related liabilities		
4. Profits (losses) on disposals		
5. Taxes and duties		
Profit (loss) -	-	

At December 31, 2005, Banca Profilo Group had no assets or liabilities classifiable under these items.

19.2 Breakdown of income taxes related to assets/liabilities on disposal

	2005	2004
1. Current taxes		
2. Change in prepaid taxes (+/-)		
3. Change in deferred taxes (-/+)		
4. Income taxes for the year (-1+/-2+/-3)	-	-

At December 31, 2005, Banca Profilo had no assets or liabilities classifiable under these items.

Section 20 - Further information

Section 21 - Earning per share

21.1 Average number of diluted ordinary shares

The average number of shares outstanding in 2005 was 122,887,959. The number was determined on a monthly basis taking into account shares issued net of own shares on which dividends are not payable.
The base earning per share for the year 2005 was 0.22 Euros.

21.2 Further information

Part D - Report of information by segment

In compliance with the provisions set forth in IAS 14 for the "Reporting of Financial Information by Segment" (segment and geographical areas), the Parent Bank deems it appropriate that, with a view to best represent and evaluate the company's past results, risks, profits and to achieving a comprehensive picture of the company as a whole, a primary reporting format should be presented for business segment financial reporting and a secondary format should be provided for reporting financial information by geographical areas.
Insomuch that the latter was not very significant, if not for the Parent Company, only the income statement of the same was drawn up.

Segments

As far as the control over operations is concerned, the Group is currently made up of five operational sectors: finance, private, collective investment management and real estate and other operations. The said segments are the bases on which the Group reports its financial information by segment in accordance with the primary reporting format.
The main business segments are as follows:

- *finance*
  trading operations on own account or on behalf of third parties in financial instruments and services relating to the issue and placement of the same;

- *private*
  segment referring to the operations carried out by the branches and the management of the division defined as 'private', with private customers for the administration and management of funds;

- *management*
  mainly refers to extraordinary finance operations, and trading operations on own account referable to the corporate centre, in other words, operations attributable to the top management;

- *collective investment management*
  refers to operations in UCIs;

- *real estate and other operations*
  brokering and consulting operations in the real estate sector.

A. PRIMARY FINANCIAL REPORTING FORMAT

A.1 Distribution by segment: economic data

Consolidadet income statement								
	Items	2005	Finance	Private	Management	Collective investment management	Real estate and other operations	Eliminations
10	Interest income and similar items	52,464,850	45,927,584	2,533,830	4,071,000	90,664	364,074	-522,302
20	Interest expense and similar items	-35,914,031	-34,901,141	-825,003		-12,677	-698,206	522,996
30	**Interest margin**	**16,550,819**	**11,026,443**	**1,708,827**	**4,071,000**	**77,987**	**-334,132**	**694**
40	Commission income	32,731,407	19,312,748	12,636,633		2,157,684	5,047	-1,380,704
50	Commission expense	-2,559,708	-1,727,114	-792,882		-1,355,258	-64,464	1,380,010
60	**Net commissions**	**30,171,699**	**17,585,634**	**11,843,751**	**-**	**802,426**	**-59,417**	**-694**
70	Dividends and similar income	31,010,065	31,010,065	-				
80	Net profit (loss) from trading transactions	-3,769,707	-15,437,772	3,108,623	8,574,369	-14,927		-
90	Net profit (loss) from hedging transactions						-	
100	Profit (Loss) from disposal or repurchase of:						-	
	a) loans						-	
	b) financial assets available for sale	-47,801	-47,801	-			-	
	c) financial assets held to maturity						-	
	d) financial liabilities						-	
110	Net profit (loss) from financial assets and liabilities valued at fair value	-20,000	-20,000	-			-	
120	**Brokering margin**	**73,895,075**	**44,116,568**	**16,661,201**	**12,645,369**	**865,485**	**-393,549**	**-**
130	Net write-downs, write-ups for impairment of:						-	
	a) loans	-262,695		-262,695			-	
	b) financial assets available for sale						-	
	c) financial assets held to maturity						-	
	d) other financial transactions						-	
140	**Net profit (loss) on financial operations**	**73,632,380**	**44,116,568**	**16,398,506**	**12,645,369**	**865,485**	**-393,549**	**-**
150	Administrative expenses	-51.289.988	-28,087,278	-16,352,498	-4,400,000	-1,073,452	-2,100,760	724,000
	a) staff expenses	-37.728.374	-22,430,031	-11,326,300	-2,855,300	-536,409	-585,334	5,000
	b) other administrative expenses	-13.561.614	-5,657,247	-5,026,198	-1,544,700	-537,043	-1,515,426	719,000
160	Net provisions for risks and charge	-499.567	-439,567	-60,000			-	
170	Net write-downs/write-ups on tangible fixed assets	-1,021,982	-350,026	-619,823		-10,795	-41,338	
180	Net write-downs/write-ups on intangible fixed assets	-628,177	-489,520	-122,379		-49,961	364,463	-330,780
190	Other operating income/charges	-312,185	-1,487,206	569,896		60,008	1,269,118	-724,000
200	**Operating costs**	**-53,751,899**	**-30,853,597**	**-16,584,805**	**-4,400,000**	**-1,074,200**	**-508,517**	**-330,780**
210	Profits (Losses) on equity investments	-22,243	-16,965	-	4,420,000	-5,278	1,550,000	-5,970,000
220	Net profit (loss) on tangible and intangible fixed assets valued at fair value							
230	Goodwill value adjustments							
240	Profits (Losses) on divestitures	3,869,655				-	3,869,655	
250	Profit (Loss) on current operations before taxes	23,727,893	13,246,007	-186,298	12,665,369	-213,993	4,517,589	-6,300,780
260	Income taxes for the year for current operations	469,224	792,760		731,779	17,396	-1,072,711	
270	Profit (Loss) on current operations, after taxes	24,197,117	14,038,767	-186,298	13,397,148	-196,597	3,444,878	-6,300,780
280	Profits (Losses) on assets on disposal, after taxes	107					107	
290	**Profit (loss) for the year**	**24,197,224**	**14,038,767**	**-186,298**	**13,397,148**	**-196,597**	**3,444,985**	**-6,300,780**

A.2 By segment: balance sheet data

Consolidated balance sheet

Assets	2005	Finance	Private	Management	Collective investment management	Real estate and other operations	Eliminations
10 Cash and cash equivalents	350,200			349,863	44	293	
20 Financial assets held for trading purposes	937,842,587	805,766,068		129,135,505	2,676,704	264,310	
30 Financial assets valued at fair value	1,980,000	1,980,000				-	
40 Financial assets available for sale	3,541,292	3,541,292				-	
50 Financial assets held to maturity		-					
60 Due from banks	678,809,098	678,735,685			1,675,955	5,040,607	- 6,643,150
70 Due from customers	111,641,700	3,845,074	108,096,361		591,481	484,392	- 1,375,607
80 Hedge derivatives					-		
90 Change in value of financial assets recognised as part of a macrohedge (+/-)					-		
100 Equity investments	200			9,430,528		25,231	- 9,455,559
110 Tangible fixed assets	1,515,995	675,896	380,191		27,878	37,723	394,307
120 Intangible fixed assets of which:	7,471,599	304,026	1,216,102	5,150,590	187,067	207,212	406,602
- goodwill	5,725,859		900,340	5,150,590	168,667		- 493,738
130 Tax receivables	9,384,400	4,387,028	191,428	3,834,246	375,254	581,146	15,298
a) current	2,038,434						
b) prepaid	7,345,966						
140 Non - current assets and assets on disposal					-		
150 Other assets	15,958,968	9,349,589	4,858,420	2,610,826	854,886	2,097,099	- 3,811,851
Total assets	**1,768,496,039**	**1,508,584,656**	**114,742,503**	**150,511,559**	**6,389,269**	**8,738,013**	**- 20,469,960**

Liabilities and shareholders' equity	2005	Finance	Private	Management	Collective investment management	Real estate and other operations	Eliminations
10 Due to banks	473,096,636	472,726,951			369,685	1,027,003	-1,027,003
20 Due to customers	930,536,236	9,635,408	927,541,824			2,154	-6,643,149
30 Securities outstanding	50,131,981			50,131,981			
40 Financial liabilities held for trading purposes	160,780,881	160,780,881					
50 Financial liabilities valued at fair value	-						
60 Hedge derivatives	-						
70 Change in value of financial liabilities recognised as part of a macrohedge	-						
80 Tax payables	5,519,518	2,972,218		2,474,918	20,000	185,611	-133,229
a) current	4,670,853						
b) deferred	848,665						
90 Liabilities linked to assets on disposals	-						
100 Other liabilities	23,765,819	15,411,989	6,708,927	238,028	434,506	3,148,866	-2,176,497
110 Staff severance indemnities	2,711,058	1,153,014	1,393,423		118,160	19,525	26,936
120 Provisions for risks and charges:	505,997	439,567	60,000			6,430	
a) retirement benefits and similar obligations	-						
b) other provisions	505,997						
Shareholders' equity	121,447,912						
Total liabilities and shareholders' equity	**1,768,496,039**	**663,120,028**	**935,704,175**	**52,844,927**	**942,351**	**4,389,589**	**-9,952,942**

The column 'eliminations' includes sums referring to intrasegment transactions. The main intrasegment items refer to:

- *in the income statement, the item 210 "profit (losses) on equity investments" has accounted for the elimination of intragroup dividends;*
- *in the balance sheet, under items "Due from banks/due to customers" the eliminations refer to the accounts that the single companies hold at the Parent Bank;*
- *in the assets section of the balance sheet, the item 100 "Equity Investments" has accounted for the elimination of the book value of equity investments against the shareholders' equity amount.*

B. SECONDARY REPORTING FORMAT

B.1 Distribution for geographic areas: economic data

Income statement	2005	Italy	
		North	Centre
10 Interest income and similar items	52,532,414	52,488,448	43,966
20 Interest expense and similar items	-35,726,144	-35,707,679	-18,465
30 Interest margin	**16,806,270**	**16,780,769**	**25,500**
40 Commission income	31,949,381	31,065,857	883,524
50 Commission expense	-2,519,996	-2,479,873	-40,123
60 Net commissions	**29,429,385**	**28,585,984**	**843.401**
70 Dividends and similar income	31,010,065	31,010,065	-
80 Net profit (loss) from trading transactions	-3,754,780	-3,932,918	178,138
90 Net profit (loss) from hedging transactions			
100 Profit (Loss) from disposal of:			
a) loans			
b) financial assets available for sale	-47,801	-47,801	-
c) financial assets held to maturity			
d) financial liabilities			
110 Net profit (loss) from financial assets and liabilities valued at fair value	-20,000	-20,000	-
120 Brokering margin	**73,423,139**	**72,376,099**	**1,047,039**
130 Net write-downs, write-ups for impairment of:			
a) loans	-262,695	-262,695	
b) financial assets available for sale			
c) financial assets held to maturity			
d) other financial transactions			
140 Net profit (loss) on financial operations	**73,160,443**	**72,113,404**	**1,047,039**
150 Administrative expenses	**-48,839,776**	**-46,787,617**	**-2,052,159**
a) staff expenses	-36,611,631	-35,295,012	-1,316,620
b) other administrative expenses	-12,228,145	-11,492,606	-735,539
160 Net provisions for risks and charge	**-499,567**	**-499,567**	
170 Net write-downs/write-ups on tangible fixed assets	**-969,849**	**-897,578**	**-72,271**
180 Net write-downs/write-ups on intangible fixed assets	**-611,899**	**-608,936**	**-2,963**
190 Other operating income/charges	**-917,311**	**-936,489**	**19,178**
200 Operating costs	**-51,838,402**	**-49,730,187**	**-2,108,215**
210 Profits (Losses) on equity investments	4,403,035	4,403,035	-
220 Net profit (loss) on tangible and intangible fixed assets valued at fair value			
230 Goodwill value adjustments			
240 Profits (Losses) on divestitures			
250 Profit (Loss) on current operations, before taxes	**25,725,076**	**26,786,252**	**-1,061,176**
260 Income taxes for the year for current operations	1,524,539	1,524,539	
270 Profit (Loss) on current operations, after taxes	**27,249,615**	**28,310,791**	**-1,061,176**
280 Profits (Losses) on assets on disposal, after taxes			
290 Profit (loss) for the year	**27,249,615**	**28,310,791**	**-1,061,176**

Part E - Information on risks and hedging policies

Section 1
Credit risk

Quality-related information

1. General aspects

For Banca Profilo, whose operations focus on the sectors of Capital Markets and Private Banking, credit risk is not the main risk factor.
Traditional lending operations are mainly ancillary to Private Banking transactions: loans are granted mainly to private customers and are backed by securities managed or administered, deposited at the Bank.
Brokerage operations as regards over the counter derivative contracts, proper to the Capital Markets sector, generates a counterparty risk on intermediaries and/or institutional customers with whom the said contracts are executed: the Bank's policy is that of reducing the said risk to a minimum, by executing collateralization agreements with the counterparties and requesting institutional clients the appropriate guarantees.

2. Credit risk management policies

2.1. Organizational aspects

From an organizational viewpoint, the processes and criteria for the provision of loans or credit lines are formalized in a special internal document (Regolamento Crediti "Credit Line Regulations"), approved by the Board of Directors and reviewed periodically.

The credit risk management process is based on the following principles:

- *separating the tasks and duties between the departments that manage the transactions and fill in the credit line requests and related files, those that grant and administer credit lines and those that measure and monitor the related risks;*

- *Assigning credit line granting operations to joint decision-taking bodies.*

More specifically, the process for the approval of a loan or credit line opening involves the following:

- *the manager of this operation (Private Banking or Finance Division) draws up a credit line or loan proposal, on the basis of the customer's application or the envisaged operations OTC derivatives; the proposal can then be developed with the counterparty;*

- *in the case of a customer loan, the Customer Relations Management will be required to confirm the credit line proposal, especially with regard to the financial conditions;*

- *the Credit Lines Office will examine the credit line proposal, evaluating the amount of security and the customer or counterparty's credit rating;*

- *the Credit Line Committee or the Executive Committee will need to deliberate on whether the credit line is to be granted: the decision in this respect will fall to either of the committees on the basis of the type of credit line applied for, the amount involved, whether or not there is collateral to back the credit line or loan.*

2.2. Management, measurement and control systems

Credit risk measurement and control on a single basis falls to the Credit Lines Office which verifies on a monthly basis the loaned amounts disbursed and the terms, the suitability of the security received to back the loan, the keeping of balances within the credit limits as regards operations on derivatives. The same office periodically reviews the credit rating of customers and counterparties.

With reference to the counterparty risk, specifically as regards OTC derivatives, in the first quarter of 2006, an integrated control module is expected to be put into operation in the front office system which will enable operating limits to be checked as early as entering the new OTC derivative contract.

In compliance with the provisions set forth in the regulatory legislation, the counterparty risk is measured internally in terms of mark to market + add on. To the mark to market of outstanding derivatives -which represents the current exposure to a certain counterparty - an amount is added (the add on) to account for the potential future exposure connected with the single contracts. The add on, in every derivative contract, is differentiated on the basis of the residual term and type of the same.

2.3. Credit risk mitigation techniques

With a view to containing counterparty risk, Banca Profilo has entered into collateralization agreements with many of its key intermediaries through which it operates on the market. Under the said agreements, the mutual exposure of the counterparties is periodically quantified in terms of mark to market of the derivatives and the same-time payment of collateral (cash or treasury bonds) as security for the exposure, should the same exceed an amount agreed by contract.

There are 31 agreements of this kind outstanding with counterparties and 1 with an institutional client: the agreements pertain to about 75% of the current operations in OTC derivatives of the Bank. The rest of the operations is in part backed by collateral.

Loans provided are instead for over 75% covered by collateral or personal guarantees. As far as other types of guarantees are concerned, they are as follows:

- Pledges on securities deposited at the Bank by clients whose assets are managed or administered;

- Mortgages on property, against a reduced amount of mortgage loans disbursed (mainly to employees);

- Sureties;

- Other guarantees (assignment of the credit, etc.).

2.4. Impaired financial assets

At December 31, 2005, there was only one non-performing loan: the said loan was classified as a watch list loan at the end of 2004.

Quantity-related information

A. Credit quality

A.1 Impaired and performing exposures: amounts, write-downs, trend, economic and geographic distribution

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

	Non-performing loans	Watchlist loans	Restructured exposures	Expired loans	Country risk	Other assets	Total
1. Financial assets held for trading purposes						934,902	934,902
2. Financial assets available for sale						3,541	3,541
3. Financial assets held to maturity						-	-
4. Due from banks						678,736	678,736
5. Due from customers	450					111,491	111,941
6. Financial assets valued at fair value						1,980	1,980
7. Financial assets on disposal						-	-
8. Hedge derivatives						-	-
12-31-2005	**450**	**-**	**-**	**-**	**-**	**1,730,650**	**1,731,100**
12-31-2004	**-**	**768**	**-**	**-**	**-**	**1,213,741**	**1,214,509**

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

	Impaired assets				Other assets			Total Net exposure
	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure	Gross exposure	Portfolio write-downs	Net exposure	
1. Financial assets held for trading purposes							934,902	934,902
2. Financial assets available for sale					3,541	-	3,541	3,541
3. Financial assets held to maturity							-	-
4. Due from banks					678,736	-	678,736	678,736
5. Due from customers	981	531		450	111,854	363	111,491	111,941
6. Financial assets valued at fair value							1,980	1,980
7. Financial assets on disposal							-	-
8. Hedge derivatives							-	-
31-12-2005	**981**	**531**	**-**	**450**	**794,131**	**363**	**1,730,650**	**1,731,100**
31-12-2004	**968**	**200**	**-**	**768**	**1,213,741**	**-**	**1,213,741**	**1,214,509**

A.1.3 Cash and off-balance sheet exposures towards banks: gross and net values

	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. CASH EXPOSURES				
a) Non-performing loans				
b) Watchlist loans				
c) Restructured loans				
d) Expired loans				
e) Country risk				
f) Other assets	1,003,051		-	1,003,051
Total A	**1,003,051**	**-**	**-**	**1,003,051**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired				
b) Other	267,529		-	267,529
Total B	**267,529**	**-**	**-**	**267,529**

The “off-balance sheet” exposures towards banks include all “off-balance sheet” transactions involving the assumption of a credit risk, whatever the nature of the said transaction (trading, hedging, other) and the financial instruments not accounted for in the assets section of the balance sheet (eg. guarantees given and irrevocable commitments to grant finance, put options issued and credit default protection selling connected with credit derivatives).

A.1.4 Cash exposures towards banks: trend of impaired exposures and gross exposures subject to country risk

A. Gross opening balance	-	-	-	-	-
- of which: loans sold not written off					
B. Increases					
B.1 transfers from performing loans					
B.2 transfers from other impaired loans categories					
B.3 other increases					
C. Decreases					
C.1 write-ups from valuations					
C.2 write-ups from collections					
C.3 write-offs					
C.4 loans realized via disposal					
C.5 transfers to other impaired loans categories					
C.6 other decreases					
D. Gross closing balance	-	-	-	-	-
- of which: loans sold not written off					

A.1.5 Cash exposures towards banks: analysis of total write-downs

	Non-performing loans	Watchlist loans	Restructured loans	Expired loans	Country risk
A. Opening balance of total write-downs	-	-	-	-	-
- of which: loans sold not written off					
B. Increases					
B.1 write-downs					
B.2 transfers from other impaired loans categories					
B.3 other increases					
C. Decreases					
C.1 write-ups from valuations					
C.2 write-ups from collections					
C.3 write-offs					
C.4 transfers to other impaired loans categories					
C.5 other decreases					
D. Ending balance of total write-downs	-	-	-	-	-
- of which: loans sold not written off					

A.1.6 Off-balance sheet cash exposures towards customers: gross and net values

	Gross exposure	Specific write-downs	Portfolio write-downs	Net exposure
A. CASH EXPOSURE				
a) Non-performing loans	981	531		450
b) Watchlist loans				
c) Restructured loans				
d) Expired loans				
e) Country risk				
f) Other assets	727,962		363	727,599
Total A	**728,943**	**531**	**363**	**728,049**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired				
b) Other	67,763		-	67,763
Total B		**67,763**		**-**

The “off-balance sheet” exposures towards customers include all “off-balance sheet” transactions other than cash transactions involving the assumption of a credit risk, whatever the nature of the said transaction (trading, hedging, other) and the financial instruments not accounted for in the assets section of the balance sheet (eg. guarantees given and irrevocable commitments to grant finance).

A.1.7 Cash exposures towards customers: trend of impaired exposures and gross exposures subject to country risk

			Non-performing loans		Watchlist loans	Restructured loans	Expired loans	Country risk
A.	**Gross opening balance**				**968**			
	- of which: loans sold not written off							
B.	**Increases**		**981**					
B.1	transfers from performing loans							
B.2	transfers from other impaired loans categories	968						
B.3	other increases	13						
C.	**Decreases**				**968**			
C.1	transfers to performing loans							
C.2	write-offs							
C.3	collections							
C.4	loans realized via disposals							
C.5	transfers to other impaired loans categories			968				
C.6	other decreases							
D.	**Gross closing balance**		**981**		-	-	-	-
	- of which: loans sold not written off							

A.1.8 Cash exposures towards customers: analysis of total write-downs

A.	**Opening balance of total write-downs**		-		**268**			
	- of which: loans sold not written off							
	a) Opening balance as at 12.31.2004			200				
	b) Impact of FTA as of 1.1.2005 (IAS 32 and 39)			68				
B.	**Increases**		**568**					
B.1	write-downs	300						
B.2	transfers from other impaired loans categories	268						
B.3	other increases	-						
C.	**Decreases**		**37**		**268**			
C.1	write-ups from valuations	37						
C.2	write-ups from collections							
C.3	write-offs							
C.4	transfers to other impaired loans categories			268				
C.5	other decreases							
D.	**Ending balance of total write-downs**		**531**		-	-	-	-
	- of which: loans sold not written off							

The overall initial write-downs include write-downs arising from F.T.A. entries (so-called "first time adoption"), amounting to 68 thousand Euros, as recognised on January 1, 2005 (IAS 39) under the rules on the transition to IAS/IFRS, as described in the chapter on the "Adoption of the new IAS/IFRS international accounting and financial reporting standards," of these Notes to the Financial Statements.

At December 31, 2005, there was only one position, the same one recognised under the Watch List Loans at the end of the preceding year and which, unfortunately , due to the situation deteriorating in the year 2005 has been classified as a Non-performing Loan. Further write-downs in the year and collateral security as recognised in the year provide a correct evaluation of this position.

A.3 Distribution of secured exposures by underlying assets

A.3.1 Secured cash exposures towards banks and customers

	Value of the exposure	Collateral (1)			Personal guarantees (2) – Credit derivatives			
		Real estate	Securities	Other assets	Governments	Other public entities	Banks	Other
1. Secured loans to banks:								
1.1 fully secured								
1.2 partly secured								
2. Secured loans to customers:								
1.1 fully secured	183,209	41,970	108,819				130,000	
1.2 partly secured								

	Personal guarantees (2) – Endorsement credits				12-31-2005 (1) + (2)
	Governments	Other public entities	Banks	Other	
1. Secured loans to banks:					
1.1 fully secured					
1.2 partly secured					
2. Secured loans to customers:					
1.1 fully secured			634	12,318	**293,741**
1.2 partly secured					

The table includes loans to customers and banks deriving from financial transactions of the Bank.

They also include positions, for an amount of 123,001 thousand Euros, with respect to which the Bank has purchased credit default protection by subscribing credit derivative contracts.

A.3.2 Off-balance sheet secured loans to banks and customers

	Value of the exposure	Collateral (1)			Personal guarantee (2)			
					Credit derivatives			
		Real estate	Securities	Other assets	Governments	Other public entities	Banks	Other
1. Secured loans to banks:								
1.1 fully secured	4,954			54,220				
1.2 partly secured								
2. Secured loans to customers:								
1.1 fully secured	15,403		75,785					
1.2 partly secured								

	Personal guarantees (2)				12-31-2005 (1) + (2)
	Endorsement credits				
	Governments	Other public entities	Banks	Other assets	
1. Secured loans to banks:					
1.1 fully secured					**54,220**
1.2 partly secured					
2. Secured loans to customers:					
1.1 fully secured					**75,785**
1.2 partly secured					

The table shows the security received from Banks and customers vis-à-vis operations in derivative contracts with such counterparties.

A.3.3 Impaired cash exposures, with underlying security, towards banks and customers

The only impaired position at December 31, 2005 is that to customers which has already been mentioned at the bottom of tables *"A.1.7 and A.1.8 Cash exposures towards customers: trend in overall impaired loans and write-downs"*.
These refer to outstanding loans to customers amounting to a gross exposure of 981 thousand Euros, which net of the specific write-downs, amounts to 450 thousand Euros.
The existing guarantees are represented by a mortgage on property for a value of 1,275 thousand Euros; the gross exposure is therefore covered for 130% .

A.3.4 Impaired off-balance sheet loans to banks and customers, with underlying security

At December 31, 2005 there were no "off balance sheet" impaired positions with banks and customers.

B. Distribution and concentration of credits

B.1 Segment reporting of cash exposures and off-balance sheet exposures towards customers

		A. Cash exposures	A.1 Non-performing loans	A.2 Watchlist loans	A.3 Restructured loans	A.4 Expired loans	A.5 Other exposures	Total
Governments and central banks	Gross exposure						88,439	**88,439**
	Specific write-downs							-
	Portfolio write-downs							-
	Net exposure						88,439	**88,439**
Other public entities	Gross exposure						17,466	**17,466**
	Specific write-downs							-
	Portfolio write-downs							-
	Net exposure						17,466	**17,466**
Financial companies	Gross exposure						121,377	**121,377**
	Specific write-downs							-
	Portfolio write-downs						46	**46**
	Net exposure						121,377	**121,377**
Insurance companies	Gross exposure						242,834	**242,834**
	Specific write-downs							-
	Portfolio write-downs							-
	Net exposure						242,834	**242,834**
Non financial companies	Gross exposure		602				41,474	**42,076**
	Specific write-downs		333					**333**
	Portfolio write-downs						156	**156**
	Net exposure		269				41,318	**41,587**
Other	Gross exposure		379				216,371	**216,750**
	Specific write-downs		198					**198**
	Portfolio write-downs						160	160
	Net exposure		181				216,211	**216,392**

		B. Off-balance sheet exposures	B.1 Non-performing loans	B.2 Watchlist loans	B.3 Other impaired assets	B.4 Other exposures	Total	12-31 2005	12-31 2004
Governments and central banks	Gross exposure							**88,439**	62,739
	Specific write-downs							**-**	-
	Portfolio write-downs							**-**	-
	Net exposure							**88,439**	62,739
Other public entities	Gross exposure							**17,466**	120,027
	Specific write-downs							**-**	-
	Portfolio write-downs							**-**	-
	Net exposure							**17,466**	120,027
Financial companies	Gross exposure					67,763	**67,763**	**189,140**	367,211
	Specific write-downs							**-**	-
	Portfolio write-downs							**-**	-
	Net exposure					67,763	**67,763**	**189,140**	367,211
Insurance companies	Gross exposure							**242,834**	192,815
	Specific write-downs							**-**	-
	Portfolio write-downs							**-**	-
	Net exposure							**242,834**	192,815
Non financial companies	Gross exposure							**42,076**	143,449
	Specific write-downs							**333**	76
	Portfolio write-downs							**156**	
	Net exposure							**41,587**	143,373
Other	Gross exposure							**216,750**	102,742
	Specific write-downs							**198**	124
	Portfolio write-downs							**160**	
	Net exposure							**216,392**	102,618

B.2 Distribution of loans to non financial companies and productive resident families

		12-31-2005	12-31-2004
a)	Transport-related services	15,704	5,000
b)	Other services to be sold	8,044	19,500
c)	Property leasing services	2,243	1,105
d)	Textile products	1,114	1,104
e)	Wholesale of textiles, clothing items and footwear	580	245
f)	Other	1,863	14,145
Total		**29,548**	**41,099**

B.3 Geographic distribution of cash exposures and off-balance sheet exposures towards customers

Exposure/geographic distribution	Italy		Other European Country		America		Asia		Rest of the World	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing loans	981	450								
A.2 Watchlist loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other exposures	466,075	465,849	233,090	232,954	26,328	26,328			2,468	2,468
TOTAL	**467,056**	**466,299**	**233,090**	**232,954**	**26,328**	**26,328**	**-**	**-**	**2,468**	**2,468**
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Watchlist loans										
B.3 Other impaired assets										
B.4 Other exposures	67,763	67,763								
TOTAL	67,763	67,763	-	-	-	-	-	-	-	-
12-31-2005	**534,819**	**534,062**	**233,090**	**232,954**	**26,328**	**26,328**	**-**	**-**	**2,468**	**2,468**
12-31-2004	**581,454**	**581,254**	**351,086**	**351,086**	**29,845**	**29,845**			**26,598**	**26,598**

B.4 Geographic distribution of cash exposures and off-balance sheet exposures towards banks

Exposure/geographic distribution	Italy		Other European Country		America		Asia		Rest of the World	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposures										
A.1 Non-performing loans										
A.2 Watchlist loans										
A.3 Restructured loans										
A.4 Expired loans										
A.5 Other exposures	292,504	292,504	704,656	704,656	5,865	5,865			26	26
TOTAL	**292,504**	**292,504**	**704,656**	**704,656**	**5,865**	**5,865**	**-**	**-**	**26**	**26**
B. Off-balance sheet exposures										
B.1 Non-performing loans										
B.2 Watchlist loans										
B.3 Other impaired assets										
B.4 Other exposures	267,529	267,529								
TOTAL	**267,529**	**267,529**								
12-31-2005	**560,033**	**560,033**	**704,656**	**704,656**	**5,865**	**5,865**	**-**	**-**	**26**	**26**
12-31-2004	**410,319**	**410,319**	**81,735**	**81,735**					**26**	**26**

B.5 Significant exposures

a) Amount	**272,283**	343,265
b) Number	**22**	20

Significant exposures are the net weighted exposures, cash exposures and financial guarantees, towards groups of companies and exposures on securities of the trading portfolio which, under the applicable regulations of the Bank of Italy, exceed the 10% threshold of the consolidated capital for supervisory purposes at December 31, 2005.

C. Assets securitization and disposal

There are no transactions of this type.

D. Credit risk measurement models

SECTION 2 - MARKET RISKS

2.1 Interest rate risk - trading portfolio for supervisory purposes

Quality-related information

A. General aspects

The interest rate risk as regards the trading portfolio is mainly connected with Fixed Income operations. Within this segment, there are three types of operations that may determine an interest rate risk for Bank:

- *rading on interest rates, which are operations conducted through the buying and selling of treasury bills and listed derivatives (futures on rates or treasury bills);*
- *placement and trading operations in bonds;*
- *operations in structured securities (securities and derivatives).*

With the exception of trading on interest rates, the policy with the Fixed Income sector is that of minimizing the rate risk from the other two types of operations, with the appropriate hedging operations on listed and unlisted derivatives.
In the year, the main risk was that on the Euro curve. However, as of the end of the first quarter, there were limited exposures on curves other than the Euro one to support the placement operations implemented by the Bank on issues in emerging currencies: in this respect, operations on securities denominated in Turkish Lire were particularly significant.

B. Interest rate risk management processes and measurement methods

The process of risk management and control in Banca Profilo primarily involves the Board of Directors; it falls within their sphere of competence to take strategic decisions on risk assumption policies in the Bank, to decide the objectives that the different areas must pursue and the capital allocated to the same areas.
The choices of the Board of Directors are formalized in a special internal document (Regulations on Market Risks) - reviewed at least yearly - which identifies the managers with respect to operations vis-à-vis the different types of risk and which sets out the system of authorizations and operational limits within which the managers are required to operate. The Board of Directors, through the members of the Executive Committee, is regularly informed of the level of risks assumed by the different business units and on compliance with the operational limits decided by the same Board.
The functions relating to risk status and its measurement and control are all centrally carried out by a special business unit, the Risks Division. In the company's organizational chart, this Division is under the General Manager; as a department it is separate to and hierarchically independent of the structures assigned to operational risk management.
Within this Division, the Risk Management Office calculates the daily Profit & Loss (P&L) of each portfolio and monitors all of the risk indicators, verifying compliance with the operational limits as established by the Board of Directors. For each trading portfolio, the Risks Regulations provide for a system of operational limits organized on two levels:

1) *general limits on the risks assumed as regards each portfolio, established in terms of Value at Risk (VaR);*
2) *specific limits for each relevant risk factor, established in terms of sensitivity and curves.*

More specifically, as regards interest rate, the monitoring is based on interest rate sensitivity, in other words, sensitivity of the P&L of the portfolio to 1 basis point move on an interest rate curve. There is an overall limit of sensitivity and then there are specific limits for the single reference curves (Euro, Dollar, etc.) and for single temporal segments of each curve (0-1 year, 1-3 years, etc.).
The interest rate risk, together with the other risk factors, merge in the calculation of the VaR of the trading portfolios. The VaR, calculated for a time frame of 10 working days and for a confidence interval of 99%, is measured by using a parametric approach. The VaR is used solely for measuring risk for internal purposes and not for calculating the regulatory capital requirements as regards market risks.

Quality-related information

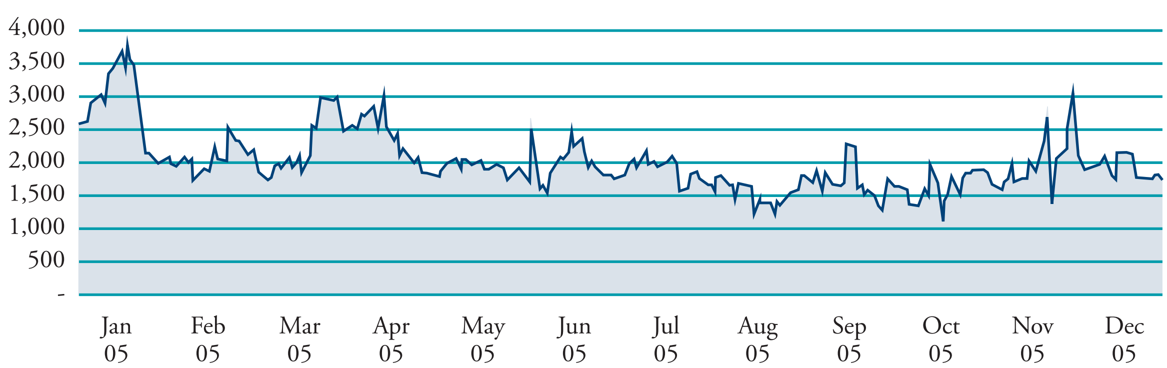
In 2005, the average exposure to interest rate risk pertaining to the trading portfolio amounted to about 28,000 Euros, calculated in terms of *interest rate sensitivity* for a parallel move of the interest rate curve of 1 *basis point*.

The table here below shows the sensitivity data referable to December 31, 2005, broken down by curve and time frame of reference:

Trading portfolio - Interest rate risk						
Curve/Time bucket	**0-1 y**	**1-3 y**	**3-5 y**	**5-7 y**	**7-10+ y**	**Total**
EUR	-8,056	-14,171	-1,602	13,887	-18,944	-28,886
TRY	-523	2,511	3,438	-11,921	744	-5,752
Other curves	-443	-41	-4	2	-24	-509
Totale	**-9,022**	**-11,701**	**1,832**	**1,969**	**-18,225**	**-35,147**

Interest Rate Sensitivity (+1 bp) at 12.31.2005

The main exposure is on the Euro curve. There is also an exposure on the Turkish Lire curve (TRY), owing to the effect of the securities subscribed on the primary market as a result of placement operations and the related hedging derivatives.
Also shown in this graph is the trend of the VaR of the trading portfolio in the year 2005, though this indicator refers to the risks of the portfolio as a whole and not just to interest rate risk: therefore, in the calculation of the VaR, all the other risk factors also merge (issuer, price and the exchange rate risk).
The VaR limit (10dd, 99%) for the entire Finance Area amounts to 6.5 million Euros: there are different VaR limits for single departments.
The graph here below shows the trend of the VaR in the year: the average value for the year 2005 amounted to about 2 million Euros, surging to 3.8 million Euros, which was reached in January. On average, the VaR limit was used the most in the first half of the year.



Thousands of Euros

2.2 – Interest rate risk-Banking portfolio

Quality and quantity-related information

The interest rate risk referring to the banking portfolio is very small: indeed, if one excludes the trading portfolio, the Bank's capital structure is mainly made up of on-demand or variable rate assets and liabilities.

As far as loans are concerned, loans to customers are practically all at variable rate.

As far as deposits are concerned, all the bond issues by the Bank are at variable or indexed rate; deposits from customers are typically on demand. The only fixed rate form of deposit are the interbank deposits, with an average duration that is under one month.

In terms of interest rate sensitivity, at December 31, 2005, the exposure to interest rate risk as regards the banking portfolio amounted to about +1,500 Euro for an increase of 1 basis point of the interest rates.

Owing to this limited exposure, the Bank has neither micro-hedge nor macro-hedge transactions on interest rate risk.

2.1.bis Issuer risk – trading portfolio

Quality-related information

A. General aspects

The issuer risk is inherent in Fixed Income operations and makes up the main risk factor vis-à-vis the trading portfolio.

The fixed income area, deals in a portfolio of bonds and credit default swaps on national and international issuers for trading and arbitrage purposes, exposing the company to the risk of unfavourable variations of the credit spread associated with such issuers.

At December 31, 2005, the Bank had credit default swaps amounting to a nominal of 786 million Euros, 590 million of which for credit default buying and 196 million of which for credit default selling: credit derivatives are used for hedging against the issuer risk as regards securities in the portfolio or, given their high liquidity, for trading short term vis-à-vis certain issuers.

Alongside the trading/arbitrage operations, in 2005, this area took part in numerous underwriting syndicates, firm-commitment underwriting of securities later sold to institutional investors: the said operations, which typically refers to supranational or corporate issues with a very high rating (AA or AAA), involves an issuer risk covering the period in which the securities are on the Bank's books.

B. Issuer risk management processes and measurement methods

The processes for the management and measurement of issuer risk are the same as those applicable to interest rate risk: please refer to the pertinent paragraph for a description of the bodies and offices involved, operational limits systems and the internal model for calculating the VaR.

As far as specific issuer risk indicators are concerned, monitoring is carried out in terms of spread sensitivity, in other words, sensitivity of the P&L of the portfolio to 1 basis point moves of the credit spread associated with the issuers involved.

As well as at an overall level, the Risk Regulations provide for limits amounts and spread sensitivity by rating category and limits of concentration by single issuer (on the basis of rating).

The system of limits is structured so that it favours exposure on higher rated issuers (from A- upwards), involving fewer risks in terms of both default likelihood and market spread variability.

Quantity-related information

In the year 2005, the average exposure of the trading portfolio to the issuer risk amounted to about 68,000 Euros in terms of spread sensitivity, calculated for a 1 basis point move of the credit spread associated with the issuers in the portfolio.

The table shown here below provides accurate figures of spread sensitivity referable to December 31, 2005, broken down by rating category and type of financial instrument (bonds and credit default swaps):

Instrument/Rating	AAA…AA-	A+…A-	BBB+…BBB-	Spec. Grade	Total
Bond securities	-46,381	-79,361	-38,710	-2,958	-167,409
Credit Default Swap	15,718	26,711	29,465	1,674	73,568
Total	**-30,663**	**-52,649**	**-9,246**	**-1,283**	**-93,841**

Spread Sensitivity (+1 bp) at 12.31.2005

The table shows that:

- *the exposures is greater on higher rating categories (almost 90% in the first two rating categories and over 98% in investment grade issuers);*
- *credit default swaps are mainly used for hedging against issuer risk, reducing by over 60% the exposure of the trading portfolio to this risk factor.*

2.3 – Price risk - trading portfolio for supervisory purposes

Quality-related information

A. General aspects

Equity risk is mainly associated with the operations in the Equity area.

The operations carried out in the equity area are generally in arbitrage, concomitantly with share capital increases or public or exchange offer launches: the said operations, given that they involve the assumption positions

with an opposite sign on two securities or on shares and warrants, involved somewhat contained management risks.
The operations are mainly carried out on the domestic equity market.
The Fixed Income area may also sporadically assume price risks in operations on convertible bonds or in structured securities and derivatives when the same are indexed to equity baskets. However, this type of operation will at all times be backed by hedging operations in futures on indexes or OTC derivatives so that the related equity risks is kept to a minimum.

B. Price risk management processes and measurement methods
The processes for the management and measurement of price risk are the same as those applicable to interest rate risk: please refer to the pertinent paragraph for a description of the bodies and offices involved, operational limits systems and the internal model for calculating the VaR.
As far as specific indicators for the equity risk are concerned, there are limits provided for on the overall position and concentration limits on single equities: the latter are diversified on the basis of the stock market on which the shares and their float are listed.

Quantity-related information

In the year 2005, the average amount of the equity portfolio was about 8.1 million Euros.
Operations in this segment were mainly carried out on the domestic market or, at any rate, almost entirely on European equity markets.
The table here below shows the equity exposure of the trading portfolio at December 31, 2005, calculated as variation of the P&L against an 1% equity price variation:

Listing market	Italy	Germany	Japan	France	Netherlands	Other	Total
Share exposure	114,993	-30,860	11,251	6,208	3,971	5,886	111,449

Share prices sensitivity (+1%) as at 12.31.2005

SECTION 2.5 Exchange rate risk

Quality-related information

A. General aspects: exchange rate risk management processes and measurement methods
The exchange rate risk management of the Bank falls to the Treasury Desk, which operates as part of the Fixed Income Area.
Organizational and computer flows ensure that all the information on operations in exchange rates on behalf of clients and the other trading desks reach the Treasury daily, which merges the said flows in its own exchange rate daily position.
The Treasury operates at all times within the overall limit of open position in exchange rates and within the limits of positions on the single currencies, established in the Risk Regulations.
Within the limits aforementioned, the Treasury carries out a contained trading activity on exchange rates, with spot and forward operations and in options. The currencies the bank mostly deals in, for exchange rate operations, are the US Dollar, the British Pound and the Japanese Yen.
As with other risk factors, the exchange rate risk too is taken into account for the daily calculation of the VaR, on the basis of the methodology explained in the foregoing with respect to the interest rate risk.

B. Operations for hedging against exchange rate risk
At the reference of December 31, 2005, there were no operations to hedge against exchange rate risk

Quantity-related information

In the year 2005, the bank's open position in exchange rates averaged 4.1 million Euros.
The bank's open position in exchange rates is calculated as the greater amount between the sum of long positions and the sum of short positions on single currencies.
At December 31, 2005, the Bank's exposure to a 1% variation of the ratio of the Euro against the different foreign currencies, is shown in the table here below:

Currency	USD	JPY	NZD	AUD	CHF	Other	Total
Exchange rate exposure	23,345	-3,234	1,723	1,110	0,769	2,012	25,725

Sensitivity to exchange rates against euro (+1%) as at 12.31.2005

2.6 – Financial derivative instruments

A. FINANCIAL DERIVATIVES

A.1 Trading portfolio for supervisory purposes: face values at the end of the year

	Debt securities and interest rates		Share capital securities and equity indices		Exchange rate and gold	
	Listed	Not listed	Listed	Not listed	Listed	Not listed
1. Forward rate agreement						
2. Interest rate swap		1,530,641				
3. Domestic currency swap						
4. Currency interest rate swap						
5. Basis swap		517,000				
6. Equity swap						
7. Swaps on real indices						
8. Futures	233,700					
9. Cap options						
- purchased		140,500				
- issued		527,415				
10. Floor options						
- purchased		150,000				
- issued						
11. Other options						
- purchased						
- plain vanilla		20,000	3,861	102,581		18,652
- exotic				181,998		375
- issued						
- plain vanilla		145,000	3,863	100,795		
- exotic		5,000		234,269		
12. Forward contracts						
- purchases						279,099
- sales						217,931
- currencies against other currencies						35,228
13. Other derivative contracts		248,014				
Total	**233,700**	**3,283,570**	**7,724**	**619,643**	-	**551,285**

	Other values		12-31-2005		12-31-2004	
	Listed	Not listed	Listed	Not listed	Listed	Not listed
1. Forward rate agreement			-	-		
2. Interest rate swap			-	1,530,641		846,862
3. Domestic currency swap			-	-		
4. Currency interest rate swap			-	-		
5. Basis swap			-	517,000		162,000
6. Equity swap			-	-		
7. Swaps on real indices			-	-		
8. Futures			233,700	-	240,950	66,000
9. Cap options			-	-		
- purchased			-	140,500		32,250
- issued			-	527,415		58,329
10. Floor options			-	-		
- purchased			-	150,000		
- issued			-	-		3,250
11. Other options			-	-		
- purchased			-	-		
- plain vanilla			3,861	141,233	4,644	115,426
- exotic			-	182,373		169,320
- issued			-	-		
- plain vanilla			3,863	245,795	4,651	269,482
- exotic			-	239,269		111,965
12. Forward contracts			-	-		
- purchases			-	279,099		
- sales			-	217,931		
- currencies against other currencies			-	35,228		
13. Other derivative contracts	113		113	248,014		443,491
Total	**113**	**-**	**241,537**	**4,454,498**	**250,245**	**2,278,375**

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

	Debt securities and interest rates		Share capital securities and equity indices		Exchange rate and gold	
	Listed	Not listed	Listed	Not listed	Listed	Not listed
A. Trading portfolio for supervisory purposes:						
1. Transactions with capital swap						
- Purchased	28,500	70,000	3,861	112,580		228,593
- Sales	29,200		3,863	110,795		113,205
- Currencies against other currencies						
2. Transactions without capital swap						
- Purchases		1,518,641		171,998		69,532
- Sales	176,000	1,694,929		224,269		104,725
- Currencies against other currencies						35,228
B. Banking portfolio:						
B.1 Hedging						
1. Transactions with capital swap						
- Purchases						
- Sales						
- Currencies against other currencies						
2. Transactions without capital swap						
- Purchases						
- Sales						
- Currencies against other currencies						
B.2 Other derivatives						
1. Transactions with capital swap						
- Purchases						
- Sales						
- Currencies against other currencies						
2. Transactions without capital swap						
- Purchases						
- Sales						
- Currencies against other currencies						

	Other values		12-31-2005		12-31-2004	
	Listed	Not listed	Listed	Not listed	Listed	Not listed
A. Trading portfolio for supervisory purposes:						
1. Transactions with capital						
- Purchases	113		**32,361**	**411,173**		211,770
- Sales			**33,063**	**224,000**		284,416
- Currencies against other currencies			-	-		
2. Transactions without capital swap						
- Purchases			-	**1,760,171**	78,700	933,011
- Sales			**176,000**	**2,023,923**	171,545	849,178
- Currencies against other currencies			-	**35,228**		
B. Banking portfolio:						
B.1 Hedging						
1. Transactions with capital swap						
- Purchases						
- Sales						
- Currencies against other currencies						
2. Transactions without capital swap						
- Purchases						
- Sales						
- Currencies against other currencies						
B.2 Other derivatives						
1. Transactions with capital swap						
- Purchases						
- Sales						
- Currencies against other currencies						
2. Transactions without capital swap						
- Purchases						
- Sales						
- Currencies against other currencies						

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

	Debt securities and interest rates			Share capital securities and equity indexes		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
A. Trading portfolio for supervisory pursoses						
A.1 Governments and Central Banks						
A.2 Public entities						
A.3 Banks	22,053	22,053	14,623	16,247	16,247	12,414
A.4 Financial companies	12,951	12,951	3,256	23,495	23,495	7,425
A.5 Insurance companies						
A.6 Non-financial companies						
A.7 Others						
Total 12-31-2005	**35,004**	**35,004**	**17,879**	**39,742**	**39,742**	**19,839**
Total12-31-2004	**17,929**	**17,929**	**9,143**	**43,586**	**43,586**	**21,357**
B. Banking portfolio						
A.1 Governments and Central Banks						
A.2 Public entities						
A.3 Banks						
A.4 Financial companies						
A.5 Insurance companies						
A.6 Non-financial companies						
A.7 Others						
Total 12-31-2005	-	-	-	-	-	-
Total 12-31-2004	-	-	-	-	-	-

	Exchange rates and gold			Other valuables			Different underlying assets	
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Offset	Future exposure
A. Trading portfolio for supervisory purposes								
A.1 Governments and Central Banks								
A.2 Public entities	123	123	65					
A.3 Banks	15,618	15,618	3,390					
A.4 Financial companies	2,126	2,126	1,976					
A.5 Insurance companies								
A.6 Non-financial companies								
A.7 Other	45	45	53					
Total 12-31-2005	**17,912**	**17,912**	**5,484**	-	-	-	-	-
Total 12-31-2004	**905**	**905**	**316**	-	-	-	-	-
B. Banking portfolio								
A.1 Governments and Central Banks								
A.2 Public entities								
A.3 Banks								
A.4 Financial companies								
A.5 Insurance companies								
A.6 Non-financial companies								
A.7 Other								
Total 12-31-2005	-	-	-	-	-	-	-	-
Total 12-31-2004	-	-	-	-	-	-	-	-

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

	Debt securities and interest rates			Share capital securities and equity indexes		
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure
A. Trading portfolio for supervisory purposes						
A.1 Governments and Central Banks						
A.2 Public entities						
A.3 Banks	26,971	26,971	11,042	36,707	36,707	18,497
A.4 Financial companies	4,541	4,541	2,663	9,179	9,179	2,592
A.5 Insurance companies						
A.6 Non-financial companies						
A.7 Others						
Total 12-31-2005	**31,512**	**31,512**	**13,705**	**45,886**	**45,886**	**21,089**
Total 12-31-2004	**10,381**	**10,381**	**4,671**	**43,836**	**43,836**	**20,612**
B. Banking portfolio						
A.1 Governments and Central Banks						
A.2 Public entities						
A.3 Banks						
A.4 Financial companies						
A.5 Insurance companies						
A.6 Non-financial companies						
A.7 Others						
Total 12-31-2005	-	-	-	-	-	-
Total 12-31-2004	-	-	-	-	-	-

	Exchange rates and gold			Other valuables			Different underlying assets	
	Gross not offset	Gross offset	Future exposure	Gross not offset	Gross offset	Future exposure	Offset	Future exposure
A. Trading portfolio								
A.1 Governments and Central Banks								
A.2 Public entities	13	13	14					
A.3 Banks	11,538	11,538	5,604					
A.4 Financial companies	30,198	30,198	2,911					
A.5 Insurance companies								
A.6 Non-financial companies	304	304	51					
A.7 Others	489	489	763					
Total A 31-12-2005	**42,542**	**42,542**	**9,343**	-	-	-	-	-
Total 31-12-2004	**1,508**	**1,508**	**422**	-	-	-	-	-
B. Banking portfolio								
A.1 Governments and Central Banks								
A.2 Public entities								
A.3 Banks								
A.4 Financial companies								
A.5 Insurance companies								
A.6 Non-financial companies								
A.7 Others								
Total B 31-12-2005	-	-	-	-	-	-	-	-
Total 31-12-2004	-	-	-	-	-	-	-	-

A.6 Residual life of "over the counter" financial derivatives: face values

	Underlying assets/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.	**Trading portfolio for supervisory purposes**				
A.1	Financial derivatives on debt securities and interest rates	207,800	1,455,270	1,620,500	3,283,570
A.2	Financial derivatives on share capital securities and equity indices	392,213	227,431		619,644
A.3	Financial derivatives on exchange rates and gold	354,380	139,367	57,537	551,284
A.4	Financial derivatives on other valuables				
B.	**Banking portfolio**				
A.1	Financial derivatives on debt securities and interest rates				
A.2	Financial derivatives on share capital securities and equity indices				
A.3	Financial derivatives on exchange rates and gold				
A.4	Financial derivatives on other valuables				
	Total 12-31-2005	**954,393**	**1,822,068**	**1,678,037**	**4,454,498**
	Total 12-31-2004	**505,724**	**1,137,879**	**885,017**	**2,528,620**

B. credit derivatives

B.1 Credit derivatives: face values at the end of the period

		Trading portfolio for supervisory purposes		Other transactions	
		on one single object	on more than one object (basket)	on one single object	on more than one object (basket)
1.	**Credit default protection buying operations**				
1.1	With capital swap (1) (with specific indication of type of contract)	550,151			
1.2	Without capital swap (with specific indication of type of contract)		40,000		
	Total 12-31-2005	**550,151**	**40,000**	**-**	**-**
	Totale 12-31-2004	**442,000**			
2.	**Credit default protection selling operations**				
2.1	With capital swap (with specific indication of type of contract)	171,195			
2.2	Without capital swap (with specific indication of type of contract)		25,000		
	Total 12-31-2005	**171,195**	**25,000**	**-**	**-**
	Total 12-31-2004	**112,000**			

B.2 Credit derivatives: positive fair value - counterparty risk

	Types of transactions/Values	Face value	Positive Fair value	Future exposure
A.	**TRADING PORTFOLIO FOR SUPERVISORY PURPOSES**			
A.1	**Credit default protection buying operations with counterparties:**			
	1. Governments and Central banks			
	2. Other public entities			
	3. Banks	96,434	1,259	2,760
	4. Financial companies	49,239	298	564
	5. Insurance companies			
	6. Non-financial companies			
	7. Other			
A.2	**Credit default protection selling operations with counterparties:**			
	1. Governments and Central banks			
	2. Other public entities			
	3. Banks	100,000	514	1,375
	4. Financial companies	16,000	212	155
	5. Insurance companies			
	6. Non-financial companies			
	7. Other			
B.	**BANKING PORTFOLIO**			
B.1	**Credit default protection buying operations with counterparties:**			
	1. Governments and Central banks			
	2. Other public entities			
	3. Banks			
	4. Financial companies			
	5. Insurance companies			
	6. Non-financial companies			
	7. Other			
B.2	**Credit default protection selling operations with counterparties:**			
	1. Governments and Central banks			
	2. Other public entities			
	3. Banks			
	4. Financial companies			
	5. Insurance companies			
	6. Non-financial companies			
	7. Other			
	Total 12-31-2005	**261,673**	**2,283**	**4,854**
	Total 12-31-2004	**187,000**	**840**	**2,100**

B.3 Credit derivatives: negative fair value - financial risk

			FAIR VALUE
TRADING PORTFOLIO FOR SUPERVISORY PURPOSES			
1.	**Credit default protection buying operations with counterparties:**		
1.1	Governments and Central banks		
1.2	Other public entities		
1.3	Banks	369,478	1,409
1.4	Financial companies	75,000	406
1.5	Insurance companies		
1.6	Non-financial companies		
1.7	Other		
	Total 12-31-2005	**444,478**	**1,815**
	Total 12-31-2004	**367,000**	**1,314**

B.4 Residual life of derivative contracts on receivables: face values

	Underlying assets/Residual life	Up to 1 year	Over 1 year up to 5 years	Over 5 years	Total
A.	**TRADING PORTFOLIO FOR SUPERVISORY PURPOSES**				
A.1	Credit derivatives with "qualified" "reference obligation"	99,956	656,390	30,000	**786,346**
A.2	Credit derivatives with "non-qualified" "reference obligation"				
B.	**BANKING PORTFOLIO**				
B.1	Credit derivatives with "qualified" "reference obligation"				
B.2	Credit derivatives with "non-qualified" "reference obligation"				
	Total 12-31-2005	**99,956**	**656,390**	**30,000**	**786,346**
	Total 12-31-2004	**-**	**554,000**		**554,000**

SECTION 3 – LIQUIDITY RISK

Quality-related information

The liquidity risk is represented by the possibility that the Bank might be unable to honour its payment due dates, on account of being unable to retrieve new funds or sell assets on the market.
Given the current capital structure of Banca Profilo, there is no risk of temporal mismatch between deposit-taking and investments: sources of medium/long term deposits (capital, bond issues), typically exceed medium to long term investments (loans repayable on agreed dates, equity investments, fixed assets).

Sources of demand deposits or very short term deposits (funds in customers' current accounts, interbank deposits) exclusively provide for that share of trading portfolio which is not directly funded on the market through repo operations: some bonds, shares, accumulation policies.
This share of the trading portfolio too, is, at any rate, represented by instruments that are easy to liquidate, that can be sold on the spot should a crisis of liquidity occur: these are securities listed on regulated markets (shares or bonds) o redeemable in a few days (7-15 dd) upon the bank's request (accumulation policies).
The management of liquidity is entrusted to the Treasury desk which operates as part of the Fixed Income Area where all of the Bank's flows are centred.

To protect against liquidity risk , the Risk Regulations provide for the following:

- *a limit to net investments of each trading area;*

- *a warning threshold for resorting to the interbank market; once this threshold has been reached the Manager of the Fixed Income Area will be required to adopt or suggest to the Executive Committee a set of corrective measures to bring back liquidity needs to healthier limits.*

Quantity-related information

1. Time distribution by residual contractual date of financial assets and liabilities - Denomination in: **EUR**

Items/ Time ranges	On demand	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years
Cash assets									
A.1 Government securities					13,270	2	10,613	29,612	34,942
A.2 Listed debt securities		15			1,123	630	30,812	119,600	160,259
A.3 Other debt securities		4,498				171	208	263,948	22,102
A.4 Shares in UCIs	24,536								
A.5 Loans									
- Banks	81,701	32,903		554,637					
- Customers	54,572		27,105		14,174		795	3,290	10,892
Cash liabilities									
B.1 Deposits									
- Banks	235,328	93,629		61,396	35,260				
- Customers	138,743	67,512		717,956	4,353			441	
B.2 Debt securities	15,078				902		4,964	12,414	22,867
B.3 Other securities									
"Off-balance sheet" transactions									
C.1 Financial derivatives with capital swap									
+ Long positions				3,460	7,313	3,320	3,919	11,404	6
+ Short positions				-3,460	-7,320	-3,503	-3,837	-16,918	-1,230
C.2 Deposits and loans to be collected									
+ Long positions									
+ Short positions									
C.3 Commitments to grant finance									
+ Long positions		15,705	7,235	22,469	41,919	13,750	22,085	169,906	18,000
+ Short positions		13,200	10,234	24,974	38,920	13,156	14,925	183,500	12,160

1. Time distribution by residual contractual date of financial assets and liabilities - Denomination in: **TRY**

Time ranges	demand	7 days	15 days	1 month	3 months	6 months	1 year	5 years	5 years
Cash assets									
A.1 Government securities									
A.2 Listed debt securities							39	18,902	71,937
A.3 Other debt securities								678	
A.4 Shares in UCIs									
A.5 Loans									
- Banks	90				7,213				
- Customers									
Cash liabilities									
B.1 Deposits									
- Banks					3,608				
- Customers									
B.2 Debt securities									7,057
B.3 Other securities									
"Off-balance sheet" transactions									
C.1 Financial derivatives with capital swap									
+ Long positions							1,002	5,096	213
+ Short positions							-65	-5,953	-2,332
C.2 Deposits and loans to be collected									
+ Long positions									
+ Short positions									
C.3 Commitments to grant finance									
+ Long positions		1,097	3,752						
+ Short positions		4,257	1,402						

1. Time distribution by residual contractual date of financial assets and liabilities - Denomination in: **RESIDUAL**

Items/ Time ranges	On demand	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years
Cash assets									
A.1 Government securities									
A.2 Listed debt securities							70	18,080	495
A.3 Other debt securities								207	
A.4 Share in UCIs	1,125								
A.5 Loans									
- Banks	2,192								
- Customers	1,113								
Cash liabilities									
B.1 Deposits									
- Banks	4			24,436			19,066		
- Customers	635			7,537					
B.2 Debt securities									
B.3 Other liabilities									
"Off-balance sheet" transactions									
C.1 Financial derivatives with capital swap									
+ Long positions				47		167	49		
+ Short positions				-47		-142			
C.2 Deposits and loans to be collected									
+ Long positions									
+ Short positions									
C.3 Commitments to grant finance									
+ Long positions		1,246	50						
+ Short positions		1,200	96						

2. Distribuzione settoriale delle passività finanziarie

Counterparties	Central Banks	entities	companies	companies	companies	Other
1. Due to customers	44	-	668,011	141,518	42,087	85,517
2. Securities outstanding						50,132
3. Financial liabilities held for trading purposes			27,439	4,786	7,446	121,110
4. Financial liabilities valued at fair value	-	-	-	-	-	-
Total 12-31-2005	**44**	**-**	**695,450**	**146,304**	**49,533**	**256,759**
Total 12-31-2004	**21**	**9,456**	**470,630**	**16,107**	**40,865**	**168,771**

Financial liabilities held for trading purposes towards Banks are reported in the column "Other".

3. Geographic distribution of financial liabilities

1. Due to customers	140,975	796,202			
2. Due to banks	244,086	174,221	54,420		
3. Securities outstanding	50,132				
4. Financial liabilities held for trading purposes	59,326	90,611	10,844		
5. Financial liabilities valued at fair value	-	-	-	-	-
Total 12-31-2005	**494,519**	**1,061,034**	**65,264**	**-**	**-**
Total 12-31-2004	**436,974**	**673,497**	**6,265**	**-**	**1,722**

SECTION 4 – OPERATING RISKS

Quality-related information

Operating risk refers to the risk of incurring financial losses owing inadequate internal processes or break-downs thereof, or human errors, malfunctions and shortcomings of technological systems or failures caused by external events.
There are several organizational structures that have been set up to protect against and manage operating risks; such systems serve a fundamental purpose within the Bank:

- *the Organization, which defines and formally sets out the internal procedures by which the several offices abide so as to ensure maximum efficiency of the company as a whole and ensure the appropriate level of control over operations;*

- *the Safety Office the task of which is to control and maintain levels that ensure physical safety, IT safety policies and the safety of workers in the company;*

- *the Information Technology department sees to it that a service and safety level is maintained at all times vis-à-vis on-line facilities, hardware equipment, the software distributed, the software relating to the company's main information system, protection and authorization systems;*

- *the Internal Audit department ensures that the different units of the Bank duly comply with internal procedures and reports on any anomalies or criticalities.*

As far as Business Continuity is concerned, over the years the Bank has further developed and upgraded its technical/organizational systems so as to ensure high standards of business continuity to customers, counterparties and the market at large.
From an operational point of view, all critical IT equipment was disposed of, regular back up copies of data are done and stored in safe locations; specific organizational procedures have been set out to deal with events of non-availability of one or more branches.

As for Disaster Recovery, i.e. the set of measures designed to govern the unavailability of data processing centres in the event of a disaster or unforeseen circumstances, the Bank, through its CSE outsourcer, is equipped with a processing site as alternative to that used in the ordinary course of business that can cater for all the traditional banking procedures; the Bank is also looking into the possibility of setting one up to provide for all the other applications, too.
The subject of business continuity management is currently being addressed through a project that is underway; its completion is expected by the end of the year 2006. The model adopted is in line with the provisions of Bank of Italy and A.B.I. guidelines.

As for issues connected with environmental safety (health of workers - Legislative Decree 626/1994), the office designated to this task carries out on a yearly basis an inspection at every branch, assigning a score to the different risk factors identified (on the basis of the likelihood of the event occurring and the severity of the expected loss): on the basis of this evaluation, the bank sets out priorities in the ensuing action plan for the removal of the risk factors.
In compliance with provisions on privacy (Privacy Consolidated Act - Legislative Decree 196/2003), every year the vulnerability of the company's IT system is evaluated and an external service provider is assigned with the execution of an intrusion test from the inside and outside of the local data transmission network. In addition, in 2005, a new software was purchased that specifically manages, evaluates and provides statistics on the risks: the said software is designed to upgrade the system that identifies and provides a history of safety events within the sensitive sectors of the company's IT systems.

At December 31, 2005, there are no significant legal proceedings pending, that is, legal actions that can potentially produce significant losses for the Bank.

At present, there is no internal model for quantifying operational risks: the Bank will use the standardized method for quantifying regulatory requirements for operational risks.

Part F - Information on the capital

SECTION 1 – COMPANY'S CAPITAL

The capital of the Bank consists of the Capital, Share premium accounts, the other Reserves inclusive of profits/losses carried forward.
The obligatory capital requirements which the bank abides by are those provided for in the legislation on capital and prudential ratios issued by the Supervisory Authority.
Compliance therewith is ensured through a process of constant control and monitoring carried out by the specifically designated offices.
More specifically, with reference to lending operations to entities other than banks, insurance companies and financial brokers, it is hereby noted that, precisely with a view to ensuring and monitoring the capital requirements as requested by the Supervisory Authority, the said operations mainly pertain to "private banking" customers and is conditional upon the creation of appropriate guarantees; the said operations are, at any rate, ancillary to the management of the relationship with medium-to-high bracket customers.
Lending to companies is instead a completely marginal activity of the bank. With regard to the future also, lending operations will continue to be restricted and ancillary to those typical of Private Banking and will continue to be backed by suitable collateral and personal guarantees.
In terms of the current situation and expectations for the future, the current organizational structure and the control procedures in place ensure a healthy and prudent management.

According to art. 2427 of the Italian Civil Code n. 7-bis a table follows with a breakdown of the items included in the shareholders' equity, indicating weather or not they can be used or distributed, as well as their utilisations in previous periods.

Description	Amount	Likelihood to be called on	Available amount	Amounts called on in previous years 2001-2002-2003-2004: to hedge losses	Amounts called on in previous years 2001-2002-2003-2004: for other reasons
Share capital	64,685	-	-		
Capital reserves:					
Reserve for own shares	3,103	-	-		
Share premium reserve	21,439	A,B,C	21,439		-14,978
Reserve-shares underwritten for share capital increase	-	-	-		
Reserves from F.T.A. first time adoption)* (2)	-2,630	-			
Reserves from valuation (A.F.S.)* (2)	-254	-			
Profit-related reserves:					
Legal reserve	12,805	B	-		
Reserve from Stock Option* (2)	1,305	-			
Other reserves	-	-			
Profits carried forward	536	A,B,C	536		
Profits carried forward* (2)	-2.967	-			
Total	98,022		21,975		
Share which cannot be distributed* (1)			6,671		
Remaining share which can be distributed			**15,304**		

Explanation of the table:
A: share capital increase
B: to hedge losses
C: for distribution amongst shareholders

* (1) This is the share which cannot be distributed as it is designed ad hedging for long term expenditures not yet amortised according to art. 2426 n.5for long term expenditures not yet amortised according to art. 2426 n.5
* (2) Reserves according to IAS/IFRS

SECTION 2 – THE CAPITAL AND ADEQUACY RATIOS

2.1 Capital for supervisory purposes

A. Quality-related Information

Banca Profilo SpA - Corso Italia, 49 - Milan is required to submit to the Supervisory Authority Information on the individual Capital for supervisory purposes and on the prudential ratios, as required under applicable regulations. As parent Bank of the homonymous Banking Group, it is also required to submit Information on a consolidated basis regarding the Capital for supervisory purposes and the prudential ratios.

1. Tier 1 capital

Tier 1 capital consists of the Share Capital, the Share premium accounts and the other reserves net of the negative elements represented by own shares of the parent bank in portfolio, goodwill and other intangible fixed assets.

2. Tier 2 capital

Banca Profilo Group has no Tier 2 capital.

3. Tier 3 capital

Banca Profilo has no instruments that fall within the Tier 3 capital category.

B. Quantity-related information

A. Tier 1 capital before the application of the minimum requirements for supervisory purposes	**96,361**	**91,595**
Minimum requirements for supervisory purposes for the Tier 1 capital		
- Positive IAS/IFRS minimum requirements for supervisory purposes	-	-
- Negative IAS/IFRS minimum requirements for supervisory purposes	-	-
B. Tier 1 capital after the application of the minimum requirements for supervisory purposes	**96,361**	**91,595**
C. Tier 2 capital before the application of the minimum requirements for supervisory purposes	**-**	**-**
Minimum requirements for supervisory purposes for the Tier 2 capital		
- Positive IAS/IFRS minimum requirements for supervisory purposes	-	-
- Negative IAS/IFRS minimum requirements for supervisory purposes	-	-
D. Tier 2 capital after the application of the minimum requirements for supervisory purposes	**-**	**-**
E. Total Tier 1 and Tier 2 capital after the application of the minimum requirements for supervisory purposes	**96,361**	**91,595**
Components to be deducted from the total of Tier 1 and Tier 2 capital	-	-
F. Capital for supervisory purposes	**96,361**	**91,595**

2.2 Capital adequacy

A. Qualicy-related information

B. Quantity-related information

	Non-risk weighted balances		Risk weighted balances / requirements	
	12-31-2005	12-31-2004	12-31-2005	12-31-2004
A. RISK WEIGHTED ASSETS				
A.1 CREDIT RISK	518,183	744,150	19,115	18,693
'STANDARD METHOD				
CASH ASSETS				
1. Exposures (other than share capital securities and other subordinated assets) towards (or guaranteed by):				
1.1 Governments and Central Banks				
1.2 Public entities	6,124	4,819		
1.3 Banks	205,254	167,881	41,051	33,576
1.4. Other (other than residential and non-residential mortgages)				
2. Residential mortgages	4,516	176	2,258	88
3. Non-residential mortgages	4,761		4,761	
4. Shares, equity investments and subordinated assets	13,226	19,554	13,226	19,554
5. Other cash assets	220,637	454,031	201,281	188,363
OFF-BALANCE SHEET ASSETS				
1. Guarantees and commitments to (or guaranteed by):				
1.1 Governments and Central Banks				
1.2 Public entities				
1.3 Banks	629	18	63	4
1.4 Other	63,036	97,671	10,430	25,463
2. Derivative contracts towards (or guaranteed by):				
2.1 Governments and Central Banks				
2.2 Public entities				
2.3 Banks				
2.4 Other				
B. MINIMUM REQUIREMENTS FOR SUPERVISORY PURPOSES				
B.1 CREDIT RISK			19,115	18,693
B.2 MARKET RISK (1)			39,717	29,882
1. STANDARD METHOD (2)				
of which:				
+ position risk on debt securities			20,713	20,905
+ position risk on share capital securities			15,011	6,581
+ position risk on exchange rates			451	
+ other risks			3,542	2,396
2. INTERNAL MODELS				
of which:				
+ position risk on debt securities				
+ position risk on share capital securities				
+ position risk on exchange rates				
B.3 OTHER MINIMUM REQUIREMENTS FOR SUPERVISORY PURPOSES			-	-
B.4 TOTAL MINIMUM REQUIREMENTS FOR SUPERVISORY PURPOSES (B1+B2+B3)			**58,832**	**48,575**
C. RISK-WEIGHTED ASSETS AND ADEQUACY RATIOS				
C.1 Risk-weighted assets			**840,451**	**693,935**
C.2 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			**11.47%**	**13.20%**
C.3 Capital for supervisory purposes/Risk-weighted assets (Total capital ratio)			**11.47%**	**13.20%**

(1) Market risks involves the portfolio of financial assets held for trading purposes.
(2) The standard methodology also includes settlement and counterparty risks.

16 December The Governor of Bankitalia, Antonio Fazio, is investigated for insider trading as part of the enquiry into the takeover bid for Antonveneta. He will resign three days later.

Part G - Merger operations regarding companies or business units

Banca Profilo did not carry out in the year 2005 and after closing merger operations involving companies or business units covered in part G.

Part H - Operations with related parties

A. Quality-related information (Ias 24/12, 13, 14, 15, 17)

B. Quality-related information

1. Compensation of directors and executives (Ias 24/16)
Compensations to Directors, auditors and the General Manager pursuant to the CONSOB resolution n. 11971 of 05.14.1999 paid by the issuer and its subsidiaries.

Person	Position		Compensation				
Surname and name	Position	Duration of position	Compensation for the position in the registrant company	Non-monetary benefits	Bonuses and other benefits	Other compensation	
Capotosti Sandro	Chairman*	until approval of financial statements 12.31.06	320,000	1,883	600,000	51,200	
Manara Marco	Vice Chairman*	until approval of financial statements 12.31.06	83,333	493		331,830	a)
Grimaldi Arnaldo	Vice Chairman*	until approval of financial statements 12.31.06	200,000	426	200,000	64,976	
Lagorio Serra Riccardo	Director*	until approval of financial statements 12.31.06	259,000	1,021	790,000	41,440	
Angileri Nicolò	Director, General Manager and CEO*	until approval of financial statements 12.31.06	229,000	559	700,000	69,803	
Cavanna Silvana	Director*	until approval of financial statements 12.31.06	45,000	1,256	130,000	153,800	
Girelli Giorgio Angelo	Director	until approval of financial statements 12.31.06	25,000				
Torchiani Sandro	Director	until approval of financial statements 12.31.06	25,000				
Torchiani Renzo	Director	until approval of financial statements 12.31.06	25,000			35,000	
Galeone Gaetano	Director	until approval of financial statements 12.31.06	30,600				
Mongelli Guido	Chairman of the Board of Auditors	until approval of financial statements 12.31.06	62,537				b)
Rittatore Vonwiller Andrea	Statutory Auditor	until approval of financial statements 12.31.06	37,354				
Bonardi Walter	Statutory Auditor	until approval of financial statements 12.31.06	46,668				

values in euros

(*) Members of the Executive Committee.
a) of which Euros 150,000 from Profilo Servizi Immobiliari S.r.l. and Euros 164,500 from Profilo Real Estate Advisory S.r.l.
b) of which Euros 3,826 as Auditor in the subsidiary company Profilo Merchant Co and Euros 3,319 as Auditor in the subsidiary company Profilo Real Estate S.G.R.

2. Information on transactions with related parties (Ias 24/17, 18, 19, 20, 21, 22)
Hereinafter is a summary table of the financial/operating relations as at December 31, 2005 with the Subsidiaries and other Related Companies.
As for relations existing at year-end with the members of the Boards of the company, Directors and Auditors, and the managers with significant responsibilities, please note that:

Due from Directors, Auditors and General Manager
Receivables for 334 thousand euros and payables for 390 thousand euros;

Due to entities related to the issuer and those with significant influence over the same issuer
Payables for 74 thousand Euros;

Due to companies controlled by the aforementioned natural persons or over which the foregoing natural persons exercise a significant influence
Payables for 25 thousand Euros;

Relationships of the Parent Company in subsidiaries and/or associated companies (Consob - 02.20.1997 and 02.27.1998)

Name	Assets		Liabilities		Guarantees and	Revenues	Costs
	relating to current accounts	other	relating to current accounts	other	commitments		
Towards Group's companies							
- Profilo Suisse S.A.			530			41	
- Profilo Real Estate SGR S.p.A.		-606,078	875,784	6,082		238	-23,820
- Profilo Real Estate Advisory S.r.l.	1,025,607	240,730		5,449		88,324	138,381
- Profilo Servizi Immobiliari S.r.l.		917,767	4,282,181	3,586	1,957,056	116,567	4,320
- Profilo Merchant Co. S.p.A.		64	705,725			598	8,396
- Profilo Asset Management SGR S.p.A.		420,824	778,930	183,262		1,403,977	195,295
Total Group's companies	**1,025,607**	**973,307**	**6,643,151**	**198,379**	**1,957,056**	**1,609,745**	**322,571**
Towards other associated companies:							
- Profilo Holding S.p.A.	2,813,701				954,203		
Total other companies	**2,813,701**	**-**	**-**	**-**	**954,203**	**-**	**-**

Part I - Share-based payment agreements

This section provides information on share-based payments that in the balance sheet are recognised among the "reserves" (items 160 of the liabilities section).
Further information can be found in the Report on Operations.

A. Quality-related information

1. Description of share-based payments
The stock option plans have been issued by the Bank for its employees; they all have the same characteristics though different expiration dates depending on the plans. The option, on all the plans, is exercisable at the expiration date, at the strike price equal to the nominal amount of the share.

B. Quantity-related information

1. 1. Annual variations

Items / Number of options and exercise price		Banking group		Other companies		Total			
						12-31-2005	12-31-2005	12-31-2004	12-31-2004
		Numero	Average exercise prices	Number	Average exercise prices	Number	Average exercise prices	Number	Average exercise prices
A	**Opening balances**	4,866,500	0.52			4,866,500	0.52	3,572,000	0.52
B.	**Increases**								
B.1	New issues	410,000	0.52			410,000	0.52	2,156,500	
B.2	Other variations								
C.	**Decreases**								
C.1	Written-off	84,500				84,500		77,000	
C.2	Exercised	1,073,000	0.52			1,073,000	0.52	785,000	0.52
C.3	Expired								
C.4	Other variations								
D.	**Ending balances**	4,119,000	0.52			**4,119,000**	0.52	**4,866,500**	0.52
E.	**Exercisable options at the end of the year**	4,119,000	0.52			**4,119,000**	0.52	**4,866,500**	0.52

2. Further information
Stock option plans have been evaluated by using financial models and principles generally accepted on the market.
The evaluation takes into account market parameters such as volatility, dividend yield and the Euro Zero-Coupon rate curve, required for the discounting of future cash flows, as provided by Bloomberg.

Attachments to the Financial Statements

RECLASSIFIED BALANCE SHEET

ASSETS	12-31-2005	12-31-2004*	VARIATIONS TOTAL VARIATIONS	%
Cash and cash equivalents	350	85	265	311.6
Financial assets held for trading purposes	934,902	978,888	- 43,986	-4.5
Financial assets valued at fair value	1,980	-	1,980	n.s.
Financial assets available for sale	3,541	3,821	- 280	-7.3
Financial assets held to maturity	-	-	-	n.s.
Due from banks	678,736	113,139	565,597	n.s.
Due from customers	111,941	117,894	- 5,953	-5.0
Equity investments	9,431	15,733	- 6,302	-40.1
Tangible fixed assets	1,056	1,750	- 694	-39.7
Intangible fixed assets	6,671	7,069	- 398	-5.6
Tax receivables	8,413	2,102	6,311	300.2
Other assets	16,819	13,952	2,867	20.5
Total assets	**1,773,839**	**1,254,433**	**519,406**	**41.4**

LIABILITIES				
Due to banks	472,727	412,556	60,171	14.6
Deposits from customers	987,309	604,089	383,220	63.4
Financial liabilities held for trading purposes	160,781	101,762	59,019	58.0
Financial liabilities valued at fair value	-	-	-	-
Tax payables	5,447	-	5,447	n.s.
Other liabilities	22,360	24,741	- 2,381	-9.6
Staff severance indemnities	2,546	2,405	141	5.9
Provisions for risks and charges	500	-	500	-
Total liabilities	**1,651,670**	**1,145,553**	**506,117**	**44.2**
Share capital	64,685	64,023	662	1.0
Share premium account	21,440	22,392	- 952	-4.3
Reserves	16,143	13,411	2,732	20.4
Reserve from valuation	- 254	-	- 254	n.s.
Own shares	- 3,103	- 2,150	- 953	44.3
Profits carried forward	- 3,991	23	- 4,014	n.s.
Profit for the year	27,250	11,181	16,069	143.7
Shareholders' equity	122,169	108,880	13,289	12.2
Total liabilities	**1,773,839**	**1,254,433**	**519,406**	**41.4**

In thousands of Euros

** without IAS 32 and 39*

RECLASSIFIED INCOME STATEMENT

ITEMS	2005	2004*	VARIATIONS TOTAL VARIATIONS	 %
Net interests	16,806	6,932	9,874	142.4
Dividends	31,010	17,073	13,937	81.6
Net commissions	29,429	20,155	9,274	46.0
Net profit (loss) from trading transactions	- 3,755	52	- 3,807	n.s.
Net profit (loss) from financial assets available for sale	- 48	-	- 48	n.s.
Net profit (loss) from financial assets valued at fair value	- 20	-	- 20	n.s.
Brokering margin	**73,423**	**44,212**	**29,211**	**66.1**
Staff expenses	- 36,612	- 23,146	- 13,466	58.2
Administrative expenses	- 12,228	- 11,558	- 670	5,8
Other operating income/charges	- 917	416	- 1,333	-320.5
Provisions for risks and charges	- 500	-	- 500	n.s.
Write-downs on tangible and intangible fixed assets	- 1,582	- 2,475	893	-36.1
Operating charges	**- 51,838**	**- 36,763**	**- 15,075**	**41.0**
Profit (loss) from operations	**21,585**	**7,449**	**14,136**	**189.8**
Net write-downs/write-ups on loans	- 263	- 100	- 163	162.7
Profit (loss) on equity investments	4,403	2,068	2,335	112.9
Profit (loss) from divestitures	-	10	- 10	n.s.
Profit (loss) for the year before taxes	**25,725**	**9,427**	**16,298**	**172.9**
Income taxes for the year for current operations	1,525	1,754	- 229	-13.1
Profit (loss) for the year after taxes	**27,250**	**11,181**	**16,069**	**143.7**

In thousands of Euros

** without IAS 32 and 39*

CASH FLOW STATEMENT - Direct method

A. OPERATING ACTIVITY	12-31-2005	12-31-2004
1. Operations	**25,254,996**	**12,351,124**
- interest income collected	52,532,414	43,537,329
- interest expense paid	-35,726,144	-36,604,909
- dividends and similar income	31,010,065	17,073,258
- net commissions	29,429,385	20,154,956
- staff expenses	-36,047,658	-22,483,530
- other costs	-17,467,603	-11,557,607
- other revenues	-	477,999
- tax and duties	1,524,539	1,753,628
- costs/revenues relating to assets on disposal and after taxes	-	
2. Cash generated/absorbed by financial assets	**-526,798,510**	**119,841,948**
- financial assets held for trading purposes	43,985,861	-455,287,150
- financial assets valued at fair value	-1,980,000	-
- financial assets available for sale	280,058	-
- due from customers	5,689,668	208,584,091
- due from banks: on demand	27,911,323	8,370,134
- due from banks: other loans and receivables	-593,507,559	347,842,620
- other assets	-9,177,861	10.332.253
3. Cash generated/absorbed by financial liabilities	**505,552,358**	**-128,800,879**
- due to banks: on demand	2,847,423	124,042,228
- due to banks: other payables	57,323,480	55,754,612
- due to customers	371,698,049	-257,216,095
- securities outstanding	11,521,856	-12,309,875
- financial liabilities held for trading purposes	59,019,947	-50,924,066
- financial liabilities valued at fair value	-	-
- other liabilities	3,141,602	11,852,317
Cash generated/absorbed by operations	**4,008,845**	**3,392,193**
B. INVESTMENT OPERATIONS		
1. Cash generated by	**10,705,577**	**7,544,821**
- disposal of equity investments	6,285,577	5,984,821
- dividends collected on equity investments	4,420,000	1,560,000
- sales/repayments of financial assets held to maturity		
- sales of tangible fixed assets		
- sales of intangible fixed assets		
- sales of business units		
2. Cash absorbed by	**-489,290**	**-3,685,820**
- acquisitions of equity investments		
- purchases of financial assets held to maturity		
- purchases of tangible fixed assets	-275,793	-300,054
- purchases of intangible fixed assets	-213,497	-3,385,766
- purchases of business units		
Cash generated/absorbed by investment operations	**10,216,287**	**3,859,001**
C. DEPOSIT ACTIVITY	**-13,960,501**	**-7,972,797**
- issues/purchases of own shares	-952,897	-2,007,701
- issues/purchases of equity instruments		
- dividend distribution and other scopes	-13,007,604	-5,965,096
Net cash generated/absorbed by the deposit activity	**-13,960,501**	**-7,972,797**
NET TOTAL CASH GENERATED/ABSORBED DURING THE YEAR	**264,630**	**-721,603**

RECONCILIATION

Item	12-31-2005	12-31-2004
Cash and cash equivalents at the beginning of the year	85,233	806,836
Net total cash generated/absorbed during the year	264,630	-721,603
Cash and cash equivalents at the end of the year	**349,863**	**85,233**

VARIATIONS IN CONSOLIDATED SHAREHOLDERS' EQUITY 2004

	Outstanding as at 12.31.2003	Changes in opening balances	Outstanding as at 1.1.2004	Allocation of profit (loss) of the previous year: Reserves	Allocation of profit (loss) of the previous year: Dividends and other allocations	Variations during the year: Changes in reserves	Variations during the year – Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of own shares	Transactions on shareholders' equity: Extraordinary dividend distribution	Transactions on shareholders' equity: Variations in equity instruments	Transactions on shareholders' equity: Derivatives on own shares	Transactions on shareholders' equity: Stock options	Profit (Loss) for the year at 12.31.2004	Shareholders' equity as at 12.31.2004
Share capital	63,703,640	-	63,703,640	-	-	-	319,800	-	-	-	-	-	-	64,023,440
a) ordinary shares	63,703,640	-	63,703,640	-	-	-	319,800	-	-	-	-	-	-	64,023,440
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	24,400,138		24,400,138		-	-2,007,701	-	-	-	-	-	-	-	22.,392,437
Reserves	12,782,890	-2,135,921	10,646,969	139,318	-	2,007,701	88,400	-	-	-	-	551,572	-	13,433,960
a) profits	12,624,565	-2,135,921	10,488,644	139,318		-	-	-	-	-	-	-	-	10,627,962
b) other	158,325		158,325	-	-	2,007,701	88,400	-	-	-	-	551,572	-	2,805,998
Reserves from valuation:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a) available for sale	-		-	-	-		-	-	-	-	-	-	-	-
b) hedges of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments														
Own shares		-142,725	-142,725					-2,007,701						-2,150,426
Profit (loss) for the year	7,064,050		7,064,050	-139,318	-6,924,732								11,181,062	11,181,062
Shareholders' equity	107,950,718	-2,278,646	105,672,072	-	-6,924,732	-	408,200	-2,007,701	-	-	-	551,572	11,181,062	108,880,473

VARIATIONS IN CONSOLIDATED SHAREHOLDERS' EQUITY 2005

	Outstanding as at 12.31.2004	Changes in opening balances	Outstanding as at 1.1.2005	Allocation of profit (loss) of the previous year: Reserves	Allocation of profit (loss) of the previous year: Dividends and other allocations	Variations during the year: Changes in reserves	Transactions on shareholders' equity: Issue of new shares	Transactions on shareholders' equity: Purchase of own shares	Transactions on shareholders' equity: Extraordinary dividend distribution	Transactions on shareholders' equity: Variations in equity instruments	Transactions on shareholders' equity: Derivatives on own shares	Transactions on shareholders' equity: Stock options	Profit (Loss) for the year at 12.31.2005	Shareholders' equity as at 12.31.2005
Share capital	64,023,440	-	64,023,440	-	-	-	661,960	-	-	-	-	-	-	64,685,400
a) ordinary shares	64,023,440	-	64,023,440	-	-	-	661,960	-	-	-	-	-	-	64,685,400
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium accounts	22,392,437		22,392,437		-	-952,897	-	-	-	-	-	-	-	21,439,540
Reserves	13,433,960	-492,471	12,941,489	577,798	-2,970,464	952,897	-104,000	-	-	-	-	754,794	-	12,152,514
a) profits	10,627,962	-492,471	10,135,491	577,798	-2,970,464	-	-	-	-	-	-	-	-	7,742,825
b) other	2,805,998		2.805.998	-	-	952.897	-104.000	-	-	-	-	754,794	-	4,409,689
Reserves from valuation:	-	-943,060	-943,060	-	-	688.902	-	-	-	-	-	-	-	-254,158
a) available for sale	-	-943,060	-943,060	-	-	688.902	-	-	-	-	-	-	-	-254,158
b) hedges of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments														
Own shares	-2,150,426		-2,150,426					-952,897						-3,103,323
Profit (loss) for the year	11,181,062		11,181,062	-577,798	-10,603,264								27,249,615	27.249.615
Shareholders' equity	108,880,473	-1,435,531	107,444,942	-	-13,573.728	688,902	557,960	-952,897	-	-	-	754,794	27,249,615	122.169.588

2005 STATEMENT OF COSTS AND REVENUES RELATING TO RELATIONSHIPS WITH GROUP'S COMPANIES

Item	Income Statement BANCA PROFILO S.p.A.	Amount	Profilo Asset Management SGR S.p.A.	Profilo Real Estate SGR S.p.A.	Profilo Real Estate Advisory	Profilo Servizi Immobiliari S.r.l.	Profilo Merchant Co. S.p.A.	Profilo Suisse S.A.	Total Intragroup
10	Interest income and similar items	52,532,414	8,145	-	6,150	108,746		-	123,041
20	Interest expense and similar items	-35,726,144	12,032	24,781	151,187	4,320	3.396	-	195,716
40	Commission income	31,949,380	1,334,832	238	37,174	7,821	598	41	1,380,704
50	Commission expense	-2,519,996		-				-	-
70	Dividends and similar income	31,010,065		-				-	-
150	Administrative expenses	-48,829,776	183,262	-48,601	-12,806		5,000	-	126,856
190	Other operating income	921,891	61,000	-	45,000			-	106,000

Report of the board of statutory auditors to the shareholders' meeting pursuant to article 153 legislative decree 58/98 and article 2429 sub-section II of the Italian civil code, concerning the financial statements as at December 31, 2005.

Dear Shareholders,

over the course of the year ended December 31, 2005, and during the first months of 2006, we performed the duties of the Board of Statutory Auditors, in compliance with the law and with the Board of Statutory Auditors' principles of conduct as recommended by the National Board of Chartered Accountants.

Summary and results of supervisory activity

The Board supervised:

- *observance of the law and of the Articles of Association;*
- *adequacy of the organisational structure;*
- *observance of proper management practices;*
- *instructions given to Group companies.*

The Board performed the aforesaid supervisory activity holding fourteen meetings in 2005 and five meetings in 2006, up to the present date. During 2005, they also attended eleven meetings of the Board of Directors and participated in twelve meetings of the Executive Committee, on which occasions the Board was almost always present in its full capacity.
Periodic meetings were also held throughout the year with General Management, with the Internal Auditing Body, with administrators responsible for various business areas and with the Independent Auditors.

Observance of the law and of the articles of association

Our attendance of the meetings of the Board of Directors and of the Executive Committee and our encounters with top management have enabled us to affirm that the actions implemented by management were in compliance with the provisions of the law and of the Articles of Association.
As provided by the Articles of Association, the appropriate Company Offices provided us with quarterly reports on the general trend of activity performed by the Company and by the subsidiaries, on the expected outlook and on the operations of greater economic and financial significance effected by the Company and its subsidiaries. As a result we can reasonably affirm that the actions approved and implemented are in compliance with the law and with the Articles of Association, do not present a conflict of interests, do not contradict Shareholders' Meeting resolutions, nor may they generate risks for the Company, or compromise the integrity of corporate assets.
In the second half of 2005, the company started looking into the impact of the Market Abuse regime on operations of the company and the other companies of the group; this analysis is still in progress also vis-à-vis the recent issue of the Law on the Protection of Savings.

Adequacy of the organisational structure

In the periodic meetings with the managers of the functions concerned we obtained the information required to assess the adequacy of the Company's organisational structure and observance of proper management practices.
We verified, as far as our authority permitted, the adequacy of the internal auditing system and of the administrative and accounting system in the course of frequent meetings with the service managers, from whom we always received extensive cooperation, and who provided us with timely reports on the results of their work and the inspections conducted in addition to the annual schedules for operations.
As specified in the Board of Directors' Report on Operations, we confirm the particular attention being afforded to the consolidation of the processes and procedures implemented by the internal auditing system for the prevention of risks. The said processes and procedures have been submitted to constant revision and improvement, and have also benefited from the substantial investment in IT systems effected in 2004 and now being completed; the company, at any rate, ensures that the same systems are constantly serviced and maintained.
Operations for risk measurement and control are carried out by a special organisational unit, which, according to the company's organisational chart, works under the Chief Executive Officer; this department is separate to and hierarchically independent of the structures assigned to operational risk management and regularly reports to the Executive Committee on the level of risk assumed by the different business divisions.
The Company continued its commitment to the development of staff training activities, providing an investment of 71,035 Euros for a total of 210 training days involving all the employees as well as specific functions. We held frequent meetings with the Independent Auditors, with whom we continued our exchange of informative elements, observations and comments on the organisation, on business processes, on the information system, on the internal

auditing system and on every other control conducted within the scope of our respective mandates. During the year the Independent Auditors kept us informed on the reliability of the administrative and accounting system, on the correct recording of operational items, on the regularity with which the administrative and taxation obligations were met and no significant facts or information worthy of note in this report emerged.
As for Disaster Recovery, i.e. the set of measures designed to govern the unavailability of data processing centres in the event of a disaster or unforeseen circumstances, the Bank is equipped with a processing site as alternative to that used in the ordinary course of business that can cater for all the traditional banking procedures; the Bank is also looking into the possibility of setting one up to provide for all the other applications, too.
The subject of business continuity management is currently being addressed through a project that is underway; its completion is expected by the end of the year 2006. The model adopted is in line with the provisions of Bank of Italy and A.B.I. guidelines.
The Board, in its report, provided sufficient and appropriate information on the procedures connected with the compliance requirements set forth with Legislative Decree 626/1994, health of workers and provisions on privacy (Consolidated Act on Privacy , Legislative Decree 196/2003).
In performing the aforesaid supervisory activity there emerged no significant facts, omissions and/or reprehensible and/or irregular facts necessitating report to the Supervisory Authority and mention hereunder.

Instructions given to group companies

All Group companies have been made sufficiently aware of the obligation to guarantee and maintain information flows and functional liaisons with the offices of the Parent Company.
With regard to instructions given to Group companies, the Auditors disclose that the Administrative Body of each subsidiary includes either the Company's General Manager or a member of the Executive Committee.
The Chairmen of the Boards of Statutory Auditors of the subsidiaries have kept us constantly informed on the situation of these companies.
The Board deems the flow of instructions and information as provided by Article 114, sub-section 2 of Legislative Decree 58/98 to be adequate.

Observance of proper management practices

Information acquired over the year from Company managers and from the Independent Auditors has confirmed the adequacy of the administrative and accounting system and its ability to provide an accurate and timely representation of operational items in the periodic balance-sheets and income statements and in the Company's financial statements.

Relations between group companies and with related parties

Banca Profilo is the Parent Company of the Banca Profilo banking group which includes Profilo Suisse S.A., Profilo Asset Management SGR S.p.A., Profilo Real Estate Sgr S.p.A. (former Profilo Sgr S.p.A.), Profilo Real Estate Advisory S.r.l. (former Profilo Immobiliare S.r.l.), Profilo Merchant Co. S.p.A. (former Profilo Academy S.p.A.).
The Parent Company Banca Profilo provides the subsidiaries with a series of outsourced services, specifically: internal audit, accounting and financial statements, information technology, human resources management, legal advice and corporate affairs, marketing and communication.
A number of inter-group operations have been set up and performed within the scope of integrations and synergies in the various segments of Group activity.
On the basis of information received said operations have been competitively regulated, taking into account the characteristics of the services involved and the furthering of Company interests.
In this respect, we would draw particular attention to the fact that:

- *we have confirmed the absence of operations which are irregular, unusual or in conflict of interests;*
- *in its report the Board of Directors provided adequate information on operations with Related Parties performed by the Company during 2005;*
- *we have confirmed the absence of operations of an ordinary nature between Group companies or with Related Parties which are in contrast to Company interests and which have been carried out under the same conditions as those applied with respect to operations executed with unrelated parties.*

Other information

- *We specify that during the year we did not receive any statements of complaint on the part of Shareholders pursuant to Article 2408 of the Italian Civil Code, nor did we receive petitions on the part of third parties.*
- *With reference to Corporate Governance we hereby affirm that the Board of Directors adhered to the Self-Disciplinary Code for Listed Companies in accordance with the terms set forth in the specific report that the Board submitted to your perusal.*
- *We affirm that during 2005 the Company prepared the Semi-Annual Report, within the terms specified by law, as required by Article 2428, sub-section 3 of the Italian Civil Code and submitted the same to the appointed Independent Auditors, Deloitte & Touche S.p.A., for inspection.*
  The Semi-Annual Report was forwarded to the Board of Statutory Auditors and also made available to the public in the forms provided by regulations in force, as were the quarterly reports; the Board of Statutory Auditors had no cause to issue observations on the document.
- *As expressly declared by the directors and confirmed by the external Auditing Company, the latter company's services*

or those of any entity related to the same under an employment contract on a continuative basis have not been engaged for assignments other than the auditing of the financial statements, the auditing of the preliminary consolidated balance sheet at January 1, 2004, the limited review of the reconciliation statements of the shareholders' equity and profit at June 30, 2005, determined with the criteria for drawing up the preceding financial statements, compared to the value of the same obtained in application of the IFRS.

- *The Board of Directors, in its Report on Operations, has provided ample information on the activity of acquisition and disposal of its own shares and on the stock option plans approved and executed.*
- *Any inaccurate information and anomalies encountered in the performance of our supervisory activities may be considered to be within the norm and of limited extent, and not sufficient to compromise the sound and prudent management by which the Company is distinguished.*
- *Thus the Board of Statutory Auditors has no cause to submit to your attention any proposals pursuant to Article 153, sub-section 2, of Legislative Decree 58/98.*

Financial statements and board of directors' report on operations

The Board of Directors provided us with the financial statements and the report on operations in good time.
The Company closed the financial year 2005 with a net profit of € 27,249,615.
Shareholders' equity, including profit for the year, amounts to € 122,169,587
The Board of Directors' Report on Operations provides information concerning the operations of greater importance to the financial situation and the economic result of the financial year 2005 and those occurring subsequent to closure. These have also been examined in greater detail in the Notes to the Financial Statements. We have submitted both documents to careful study and we are in agreement with the contents thereof.
As it is not our duty to perform the analytic auditing of the contents of the financial statements, we have supervised their general structure and their compliance with current applicable provisions and we have found them to concur with the facts and information of which the Board has acquired knowledge as a result of participation in meetings with Company offices, the supervisory activity performed and information gathered from the Independent Auditors.
As of the financial year 2005, pursuant to Regulation no. 1606/02 of July 19, 2002 of the European Commission, companies whose securities are admitted to trading on a regulated market of the member states of the European Union, are required to draw up their consolidated financial statements in accordance with the international accounting and financial reporting standards (IAS/IFRS) issued by the IASB (International Accounting Standards Board).
The new international accounting and financial reporting standards have been transposed in Italian legislation via Legislative Decree February 28, 2005 no. 38.
Bank of Italy has also issued memorandum no. 262 of December 22, 2005 which sets out the required lay-out and provisions which banks are required to follow when drawing up their financial statements.
Banca Profilo, pursuant to the option provided for in the aforementioned Legislative Decree 38/2005 has decided to adopt the IAS/IFRS principles to draw up its own individual financial statements starting from the year 2005.
The effect of adjusting the initial balances of assets and liabilities to the new principles has been accounted for under the shareholders' equity, account being taken also of the related tax effect to be recognised in the provision for deferred tax or under receivables for prepaid taxes.
For the first time application of the IFRS, the Company – as provided for in IFRS 1 - opted for postponing to January 1, 2005 the date of transition for the first time adoption of IAS 32 and 39 accounting standards which involve the evaluation of financial instruments, including derivatives.
Since the adoption of the new principles may produce on the balance sheet results other than those which would be generated by using national accounting criteria, the Bank has provides in the Notes to the Financial Statements exhaustive information along with the following tables explaining the related changes:

- *the reconciliation to IFRS of the balance sheet opening at January 1, 2004;*
- *the reconciliation to IFRS of the balance sheet at December 31, 2004;*
- *the reconciliation to IFRS of the income statement at December 31, 2004;*
- *the reconciliation to IFRS of the balance sheet at January 1, 2005 inclusive of the effects of the first time application of IAS 32 and 39*

The accounts and the financial statements for the year closed on December 31, 2005 are audited by the Independent Auditors Deloitte & Touche S.p.A., which has also audited the statements of the investee companies Profilo Real Estate SGR S.p.A. and Profilo Real Estate Advisory S.r.l., whereas the accounts and statements of the investee companies Profilo Asset Management SGR S.p.A. have been audited by the Independent Auditors KPMG. S.p.A.
The Independent Auditors informed us of the outcome of the auditing activities to which the financial statements were submitted.
In view of the circumstances set forth above, we invite you to approve the financial statements and the Board of Directors' Report on Operations, and also the proposed allocation of profit.

The board of statutory auditors

Mr. Guido Mongelli
Mr. Walter Bonardi
Mr. Andrea Rittatore Vonwiller

Milano, 24 marzo 2006

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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ARTICLE 156 OF ITALIAN LEGISLATIVE DECREE NO. 58 DATED FEBRUARY 24, 1998

To the Shareholders of
Banca Profilo S.p.A.:

1. We have audited the financial statements, consisting of balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and of the Notes to the financial statements up to December 31, 2005 of Banca Profilo S.p.A. Preparation of the financial statements is the responsibility of the directors of Banca Profilo S.p.A. It is our responsibility to express a professional opinion on the financial statements based on our audit. The aforementioned Financial Statements have been drawn up, for the first time, under the IFRS standards adopted by the European Union.

2. We conducted our examination in accordance with the auditing principles and criteria set forth by CONSOB. In compliance with said principles and criteria, the audit was planned and performed so as to obtain all the necessary data to determine whether the financial statements are free from significant errors and if they are, on the whole, reliable. The auditing procedure includes examining, on a sample test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the appropriateness and the accuracy of the accounting principles applied and the soundness of the estimates made by the Directors. We believe that our audits provide a reasonable basis for our professional opinion.

   The Financial Statements show, for comparative purposes, the data referable to the preceding year - the comparable period - prepared in conformity with the same accounting and financial reporting standards, with the exception of the effects of the application of the IAS 32 and IAS 39 international accounting standards which the company, as provided for under the IFRS 1 financial reporting standard, has opted to apply as of January 1, 2005.
   In addition, part A.3 of the Notes to the Financial Statements show the effects of the transition to the IFRS adopted by the European Union. We have examined the information presented in the aforementioned part A.3 with a view to expressing our opinion on the Financial Statements for the financial year closed on December 31, 2005.

3. In our opinion, the financial statements as at December 31, 2005 of Banca Profilo S.p.A. comply with the IFRS standards adopted by the European Union that regulate their preparation, have been presented clearly, and fairly and correctly present the balance sheet, financial position, income statement, changes in shareholders' equity and cash flows of Banca Profilo S.p.A.

4. To facilitate a clearer understanding of the financial statements, attention is drawn to the fact that the item "staff expenses" includes the cost referred to the variable payment which has yet to be paid to Directors. Said cost, pertaining to the year 2005, as detailed in the Report on Operations, shall be submitted to specific approval of the Shareholders' Meeting prior to the approval of the financial statements.

DELOITTE & TOUCHE S.p.A.

Ezio Bonatto
Partner

Milan, April 3, 2006

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