

**2005 Report
and Financial
Statement
of Iccrea Banca SpA,
Istituto Centrale
del **Credito**
Cooperativo**

CORPORATE BODIES

2004 – 2006

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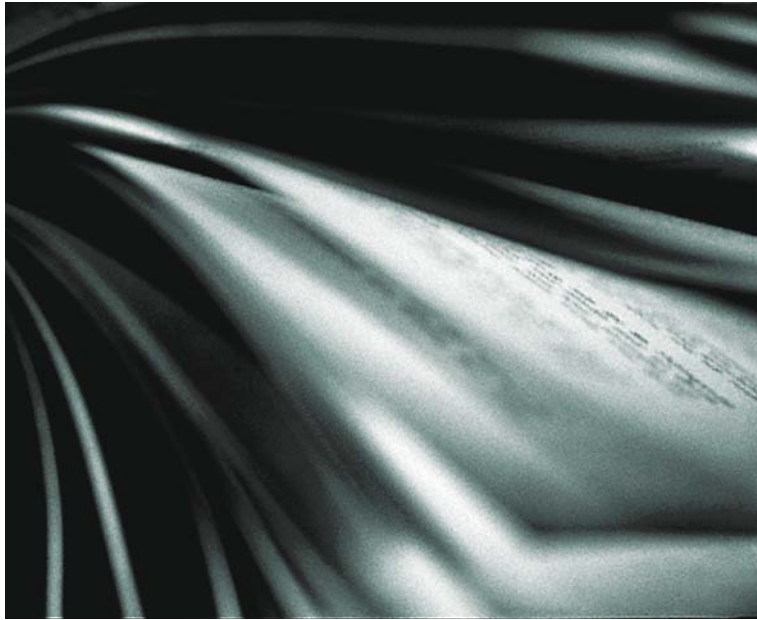
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<i>Auditors</i>	Mariani Vittorio Petrone Silvio
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**Report
on
operations**

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Introduction

Shareholders,

In 2005, the Bank continued with projects and initiatives aimed at focusing our activities in a manner that is in line with the needs and expectations of our market. In that regard, the trends that have characterized the operations of the mutual banks prompted us to identify solutions to increase the synergy of operations with the mutual banks so as to foster the development of the mutual banking system as a whole. Our efforts have confirmed Bank's central role in providing technical and operational support to the mutual banks, especially given the current state of the market, in which increasing competitive pressures require ever higher standards of efficiency. The repositioning of the Bank and its ability to keep pace with technological innovation and changes in the market are key to safeguarding and strengthening the role of the mutual bank system within the Italian economy.

Iccrea Banca's efforts have been carried out in line with the 2004-2006 business plan, and, in accordance with the strategic guidelines defined by the parent company, we have continued to strengthen our mission as point of reference for the mutual bank system in the areas of payment systems, capital market activities, mutual bank support in innovative financing, and securities management services.

In essence, in addition to strengthening our role as a strategic hub in mutual bank payment systems, Iccrea Banca has increasingly operated as a "financial manager" in support of the mutual banks, including acting as an intermediary with the capital markets for the most advanced forms of financing. This approach will involve the use of tools that make it possible to properly assess the needs of the various mutual banks (i.e. ALM) and to accurately analyze their accounts, which will make it possible to provide the proper responses to specific needs and the services needed to increase the overall health of the banks themselves.

More specifically, the Bank has confirmed its focus on:

- maintaining an emphasis on services and on integrating the Finance area into the operations of the mutual banks;
- increasing the average size of loans to ordinary customers, bringing it in line with the needs of mutual bank customers;
- broadening the scope of operations in the trading of derivatives in the face of evolving demand, in part by organizing asset securitization transactions for the mutual banks, as well as consolidating operating relationships with the other companies of the banking group;
- developing business relationships for products and services in which the Bank has commercial leverage (e.g. mutual bank credit cards, securities management, orders collection, international bank transfers, and documentary credit) by developing projects that are currently under way (in Italy and abroad);
- rationalizing costs and investments that can support the following:
 - revenue growth in market segments with the greatest potential. In that regard, in the area of payment systems, we have begun commercial efforts aimed at further increasing mutual bank loyalty and at raising overall service quality by increasing the efficiency and effectiveness of production units. New commercial initiatives include the Pagobancomat authorization and the ABI 8000 project;
 - the enhancement of professional skills and of the tools used by the units (such as

Planning and Control, Risk Management, and Administration) that are most affected by regulatory changes (e.g. IAS, Basel II);

- the containment of maintenance costs for property in operations on the basis of instructions provided by the parent company regarding the project to centralize real estate assets.

The Bank was also involved in strengthening the distribution network with the opening of new local units.

In terms of operations, a number of the targets defined by the business plan have already been achieved:

- in 2005, all commercial key performance indicators (KPIs) were essentially in line with the established targets;
- the projects to rationalize the Bank were approved and completed by the end of the year;
- initiatives in terms of organization, management, and governance have already been prepared.

In terms of organization, on 23 June 2005, corporate rules of the Bank went into effect. These rules incorporate the guidelines for the reorganization of the Central Finance and Lending office and the International unit, and include the principles of corporate governance defined by the parent company, which provides the ability to use “functional roles” in order to better formalize certain roles called for in the reorganization guidelines.

As to the main activities of 2005, the following are of particular note:

With regard to payment services, on 2 May, as part of the standardized interbank collection order process, the Bank established a specific “Mutual Bank Circuit”, which calls for the reduction or, in certain cases, elimination of interbank fees on the exchange of RIBA and RID orders for members of the circuit. The initiative seeks to take advantage of the development potential for the mutual banks – as identified through discussion with all members of the main mutual banks involved in carrying out the project – in this specific segment of the payment system. Over the years, this process has contributed to developing the awareness that the number of mutual bank agencies, and the reach they have throughout the nation, is a key resource enabling each mutual bank to fully exploit the commercial opportunities offered by the marketplace. As such, the objective is to set up this circuit in order to remove what the mutual banks themselves considered to be holding back the marketing of their services to their customers, namely the interbank transaction costs for beneficiaries. Promoting the image of a unified circuit will enable mutual banks to compete on equal footing with the large banking groups, and make it easier to reach a new target group of customers. Given that the success of this initiative can generate benefits for the entire banking group, the Bank has decided to support it by eliminating its rates for collection orders between members of the circuit. Furthermore, in order to give the project greater momentum, and in line with the rates policy adopted in recent years, which calls for more competitive conditions for the collection phase, the Bank has also decided to reduce its rates for exchanges of circuit members with other banks.

In the area of payment cards, the domestic brands Bancomat and PagoBancomat are currently dominating the Italian market in terms of number of cards. These brands are often used in conjunction with other debit card circuits, such as Cirrus and Maestro, or with Visa Electron, in order for the cards to be used internationally, as well. The growing de-

mand for services, together with the need to ensure a high level of security, has led to a need for the system to migrate to the new EMV platform for international circuits. This will require the banking system as a whole to adapt more than 36,000 ATMs and 720,000 POS units and to replace more than 35 million cards, and implies an extensive revision of the central information systems in order to make them compatible with the new card, which has become an intelligent, active player in the transaction. Iccrea's response to all mutual banks for all activities aimed at migrating both cards and equipment is the ABI 8000 project, which will simplify the migration by establishing a single issuer and acquirer for all mutual banks and is a valid solution both in terms of cost and functionality. The ABI 8000 project will provide the critical mass necessary in order for mutual banks to benefit from economies of scale and to considerably reduce the considerable costs related to the migration process. It will also free the banks from a large part of the obligations of migration and enable them to maintain their position of responsibility in customer relations and in the payment business generally. In order to maintain organizational and technological continuity, the banks will maintain responsibility solely for those obligations that are necessary for the gradual upgrading of the ATM and POS networks to the new standard.

In the area of securities management, in order to continue meeting the growing needs of the mutual banks in managing their securities portfolios and to provide a fully transparent service, the following innovations have been implemented: two additional investment lines and a new method of calculating commissions. The new commission structure has been simplified and is now easier to understand. It is now based on the advance calculation of commissions as a percentage of average assets, with the configuration that varies depending upon the line chosen. An annual commission cap for each line has also been introduced for the first time. As mentioned previously, the new rate structure seeks, first and foremost, to foster transparency in relations between Iccrea Banca and the mutual banks. It is also easier for the mutual banks to calculate (in advance) the amount of commissions they will have to pay. In this regard, it should be noted that charges are now totally separate from the number of trades made during the year, which, in the past, resulted in costs that were not totally quantifiable by mutual banks. Another innovation is the debiting of the quarterly payment of the service commission, which will be done in conjunction with the crediting of interest accrued during the same quarter on the average liquidity of the various investment lines.

With regard to innovative finance, such is the importance of securitization of mutual bank loans that operational processes have been revised in order to better cater to the actual needs of the entities involved (special-purpose vehicles, mutual banks). These new operating methods have made it possible to optimize the transmission of cash flows to the special-purpose vehicles, as well as to automatically receive and control the flows sent by the mutual banks and to simplify reconciliation between repayment plans and associated collection instructions.

In the area of online trading, on 4 April 2005, Iccrea Banca and InvestNet reached an agreement that enables all mutual banks to provide their customers with a system in line with that offered by their competitors in the area of financial intermediation. The new application enables users to trade directly on the stock market with their own password, and transactions are settled using accounts held at their mutual banks.

With regard to the Daily Settlement Agreement, the system has made it possible to properly evaluate accounts held with Iccrea Banca. The new IT tools and the related agree-

ment framework have positioned Iccrea Banca and the mutual banks at the cutting edge as compared with the rest of the banking system in terms of interbank account relations. The mutual banks have reported that, with the introduction of this agreement, issues related to correspondence account reconciliation have been definitively resolved. Within the overall framework of account reorganization, Iccrea Banca had also involved the mutual banks in the option to close the centralized accounts held with the various branches of the Bank of Italy and authorize the Bank of Italy to access the Iccrea Banca management account. This solution could not be adopted by those mutual banks that manage treasury operations for public entities for which they handle payments to the State Provincial Treasury sections through Bank of Italy branches. Meetings between Iccrea Banca and the Bank of Italy have recently led, as hoped, to a solution to the problem, which, as of 1 January 2006, will provide the mutual banks with procedures to close the centralized accounts still held at the Bank of Italy and to conduct the same transactions through the Iccrea Banca management account.

As for subsidized lending, the new subsidy mechanism gives local banks a key role in that, for the purposes of granting subsidies, there will need to be a medium to long-term bank loan at market rates of the same amount and maturity (6 to 15 years) as the subsidized financing to cover eligible investments, and this loan can be granted by any bank the company chooses. Coverage of the loan will therefore include a mix of public grants, subsidized financing granted by Cassa Depositi e Prestiti, and ordinary financing provided by a bank at market rates. Iccrea Banca will continue to act as “concessionaire bank” for the Ministry for Productive Activities for the assessment of the admissibility of investment projects, as well as for the disbursement of grants and final investment reporting.

On 23 November 2005, the merger of Simcasse – Società di intermediazione in liquidazione, into Iccrea Banca was formalized. The Bank had acquired all legal relations with its clientele in January 2005 and removed the firm from the Italian register of securities investment forms on 5 April 2005. The merger, effective for all non-tax purposes as of 2 December 2005, with tax effects beginning on 1 January 2005, was essentially justified by the need to concentrate the two companies, both legally and financially, in order to achieve greater financial efficiency and to rationalize their respective organizations. We should also specify that the merger had an insignificant effect on the balance sheet and income statement or on capital ratios.

It is also worthy of note that during the year, particularly in the second half, preparatory work was done on the new premises at the Lucrezia Romana complex. This project is part of the quest for more functional headquarters for national mutual bank entities and companies with operations in Rome and is in line with the objective of rationalizing costs by increasing economies of scale. At the same time, the decision to unite the offices is an important step towards improving services to the mutual banks themselves. Well-designed services provided by the Bank and the other members of the Iccrea Banking Group that are able to respond swiftly to the needs expectations of the mutual banks will enable the mutual bank system to set itself apart from the competition in the Italian banking industry, which is why the board of directors of Iccrea Holding, with the approval of the Federcasse National Council, decided to create a single headquarters complex in Rome.

The rationalization of property logistics is accompanied by a rationalization of joint expenditure and services shared by the companies of the Iccrea Banking Group, as well as by the central mutual bank entities located in Rome. In order to achieve further economies of scale, under the instructions of the parent company the Group companies have granted

BCC Gestioni Immobiliari S.p.A. responsibility for managing activities related to the procurement of the goods and services needed by the companies involved in the centralization project.

The financial performance recorded in 2005, which is described in detail below, reflects the mutual banks' appreciation of the new range of competitive services that are, above all, able to leverage their growth potential. The Bank intends to continue working in this direction, making this the focal point for further initiatives to be promoted in the future.

Shareholders,

Having presented the key events and operating guidelines that characterized the Bank's activities in 2005, we will now report on financial performance and developments in the main balance sheet accounts. The accounting policies and other details are provided in the notes to the financial statements. The following overview of the macroeconomic context, trends in financial intermediation and the position of the mutual bank system will help to better understand the results posted by the Bank.

The macroeconomic context

The world economy

In 2005, the global economy grew at a rapid pace, in part due to favorable financial conditions. The main leading indicators point to a continuation of this expansion in 2006. However, more restrictive economic policies will tend to mitigate this growth over the next two years.

There remains significant imbalance between the various regions of the world, and in some cases this imbalance is even greater than in the past, which reflects the expanding deficits caused by imports of increasingly expensive oil.

Indeed, oil prices, together with balance of payments imbalances and geopolitical tensions, will be among the main risk variables in the coming months.

During the year, the U.S. economy performed well. Growth was driven by consumption (+3.6%) and fixed investment, growth in which, although slower than the previous year, remained strong (+8.1%). The annual increase in GDP came to 3.5% (4.2% in 2004).

Positive signs were also seen in the trends in inventories. Their negative contribution to growth gradually diminished during the year, suggesting the process of divestment that companies had been pursuing is coming to an end.

The consumer price inflation, which averaged 3.4% for the year, was affected by higher energy prices, reaching 4.7% at annual rate in September before falling again in the subsequent months. Core inflation, which excludes the prices of food and energy products, remained stable at around 2% on average for the year. The outlook for the future is for essentially stable inflation, although a number of factors could have a negative impact, including: the increasing use of production capacity, potential excess demand on the labor market, and further increases in energy prices.

In the last quarter of 2005, there was a clear improvement in consumer confidence, marking an end to the uncertainty surrounding the effects of the hurricanes in August and September.

The most recent cyclical indicators also show that the labor market quickly absorbed the impact of Katrina, with unemployment falling to 5%, which is close to the NAIRU full-employment rate.

On the monetary policy front, the Federal Reserve increased its target for the federal funds rate eight times in 2005 to 4.25%, a rise of 2 percentage points.

In Japan, economic activity picked up in the last quarter of 2005. GDP grew by 2.7% annually (compared with 2.3% in 2004), thanks to the positive trend in consumption (+2.2%) and investment (+3.5%).

Full-time employment, which had declined over the last five years in favor of more flexible, less expensive forms of employment, began increasing again in 2005. As a result, nominal salaries rose, for the first time in seven years, by 0.6% over the previous year.

In December, the consumer confidence index rose to its highest level in the last 15 years.

The Tankan survey in December also saw an improvement in business confidence and in the propensity to increase investment. In particular, there was an rise in the number of large manufacturing firms expressing a favorable opinion of the outlook.

The strengthening of domestic demand and the increase in energy prices in the latter part of the year helped push up consumer prices (+0.1% year-on-year in December, excluding fresh foods). Producer prices increased as well (+2.2% year-on-year in December), due primarily to the significant increase in the price of industrial goods and raw materials in 2005.

The Bank of Japan reiterated that it will continue to pursue a strategy focused on the expansion of liquidity, with short-term interest rates close to zero, until the consumer price index shows stable increases.

According to the central bank's forecasts, this should happen during 2006.

The euro-area economy

In 2005, economic expansion in the **euro area (EU-12)** was slower than in the previous year. Gross domestic product increased 1.3% on an annual basis (compared with 2.1% in 2004), with the pattern of growth differing among the individual member states.

The EuroCOIN cyclical indicator, which had remained flat as from the start of the year, rose during the summer months to return closer to its average long-term level.

The German IFO business climate indicator gave similar signals, as did the cyclical surveys of the European Commission.

GDP growth for the euro area was driven primarily by investment (+2.1% year-on-year, compared with 2.3% in 2004), while consumption rose 1.3% on an annual basis (+1.5% in 2004), with a significant slowdown in the latter part of the year. The trend in net foreign demand was unfavorable (-0.2% year-on-year).

The euro-area labor market continued to improve gradually, with unemployment standing at 8.4% in December. The slight increase in this index over the previous month (+0.1 percentage points) is due to rounding effects, with the number of unemployed rising by just 17,000 in December, about half the increase posted in November.

The rate of inflation as measured by the harmonized index of consumer prices (HICP) fell to 2.2% in December from 2.3% in November and 2.5% in October.

In December 2005, the European Central Bank (ECB) raised the minimum bid rate for the Eurosystem's main refinancing operations by 25 basis points, to 2.25%. The rate had been held at a record low level for the last two and a half years. On 2 March, the rate was increased by a further 25 basis points, to 2.50%. This decision will contribute to keeping medium/long-term inflation expectations for the euro area at levels that are consistent with price stability. In fact, interest rates remain very low at all maturities, both in nominal and real terms. The ECB's monetary policy therefore remains accommodating and is geared to provide considerable support to economic expansion and the creation of jobs. In that regard, the latest available data points to a scenario in which the strengthening and expanding of economic activity seen during the second half of 2005 is to continue in much the same way in 2006.

The expectations of rapid growth in 2006, bolstered by financing conditions that continue to be highly favorable, are shared by international organizations and the private sector in general, and are also in line with the economic forecasts of Eurosystem experts. However, there is still the risk that these projections will be revised downwards, primarily in response to the uncertainty surrounding oil prices and global imbalances.

The Italian economy

For the Italian economy, 2005 was essentially a year of zero growth. Gross domestic product, which was expanded significantly in the second quarter (+2.6% on an annual basis), slowed in the third and fourth quarters of the year. The recovery of the Italian economy continues to be handicapped by uncertainty surrounding the business cycle. After suffering a further sharp decline in the second half of 2004 and at the start of 2005, manufacturing posted a significant turnaround in the second quarter, followed by more limited growth in the third. Following sharp declines through the autumn months, November and, more substantially, December saw something of a turnaround, but it was not enough to prevent the fourth quarter from closing with a decline of 0.7%.

Nonetheless, the outlook for 2006 is more encouraging. Confidence indices, boosted primarily by greater optimism regarding order books and a concomitant reduction in inventories, have risen consistently since May 2005, reaching a three and half year high in January 2006.

Italian goods continued to show limited capacity to penetrate international markets. Confirming the trend of the last five years, in industry segments in which Italy has traditionally been strong, industrial activity contracted even further during the year.

Average consumer spending for the year remained virtually stable in real terms (+0.1%), while savings increased further, continued the trend which began in 2001.

Net wealth increased in both the financial and real estate components, benefiting from the further increase in property values (+9.7% for the year). Consumer debt rose, although it remains lower than in other industrialized economies, both as regards consumer credit and home loans.

Consumer confidence, as measured by ISAE, improved overall in the second half of the year, but fell slightly in December.

As for the labor market, in the fourth quarter of 2005, the number of people in employment came to 22,685,000, an annual increase of 0.2% (56,000). Unemployment was 8.0%, down 0.2 points from the same period of 2004. compared with the third quarter of 2005, the seasonally-adjusted unemployment rate rose by 0.1 points.

The consumer price index for entire population whole fell in 2005 to an average of 2.0%, from the 2.2% of 2004. Core inflation on unregulated non-food and non-energy goods remained moderate at just under 1% on average for the first ten months of the year, due in part to weak growth in consumption. As in the previous year, the sharp reduction in mobile phone prices contributed to curbing inflation (about 0.1 percentage points).

According to European Commission forecasts, in 2006, the Italian economy is expected to grow at just over 1% on average, with this growth being sustained by investment and some recovery in exports.

The Italian banking system in the euro area

In 2005, lending in Italy grew 7.8% from the previous year (+5.3% in 2004), although this was slightly slower than the pace in the EU-12 area as a whole. Making a significant contribution to this acceleration were financing activities for a number of large groups for the purposes of corporate reorganization, as well as bank loans to smaller firms (sole proprietorships and companies with less than 20 employees).

By industry segment, the growth in lending, which was concentrated in the medium to

long-term component, was fastest for companies in real estate services, distribution and construction.

Consumer credit grew by approximately 15% during the year, nearly double the average for the euro area as a whole.

In 2005, Italian banks recognized new bad debts amounting to 0.8% of the total (0.9% in 2004). The rate of new bad debts loans was higher for borrowers in southern Italy (1.3%).

The level of bad debt as a ratio to total lending fell significantly due to a number of securitization transactions.

Substandard loans, to borrowers experiencing temporary difficulties, fell by 2.2% for the twelve months (-0.3% in 2004), which involved both central and northern Italy as well as the South.

Lending conditions remained favorable, with the spread between the average rate on short-term loans and the minimum rate, a differential that tends to rise in periods in which credit supply is tightening, falling slightly to 2.4 percentage points. Available margins on current account lines of credit remained ample for all customer categories.

The change in official rates in December was transmitted to Italian lending rates in much the same manner as in the rest of the EU-12 area. Specifically, the interest rate on short-term loans to businesses rose by 0.2 points to 5.0% at the end of January. The overall effective interest rate on home loans and on consumer credit also rose by 0.2 points to 4.1% and 9.1%, respectively. The effective rate on consumer credit in Italy remains 1.2 percentage points higher than in the rest of the euro area.

On the funding side, in December, the 12-month rate of growth in bank funding came to 8.0% (slightly lower than the average for the EU-12 area), with demand deposits rising 7.6%.

Bond funding continued its rapid expansion (up 10.3%) and contributed to keeping the gap stable between the durations of assets and liabilities. Including off-balance sheet assets and liabilities, which include derivatives used for hedging purposes, the difference was 1.3 months as of December 2005, virtually unchanged from the end of 2004.

Following the rise in money market yields, the interest rate on consumer current account deposits increased by about 0.1 points between the end of November and the beginning of January this year (to 0.7%, in line with the average rate for the euro area).

Bond yields for Italian banks increased even more (from 2.4% to 2.8%).

In the first half of 2005, Italian banks' ROE came to an annualized 10.8%, an increase of nearly a percentage point over 2004. However, this increase is attributable to a reduction in net writedowns rather than to an increase in profit margins. Indeed, operating income is essentially unchanged from the same period of 2004 (+0.4%), reflecting a greater increase in funding costs than the increase in money management revenues and negative performance in securities trading activities.

The performance of mutual banks

In 2005, the main balance sheet aggregates of the mutual banks continued to expand on the whole. In particular, there was strong growth in lending, particularly at medium and long term, as well as a solid increase in funding, both in sight and time deposits.

Assets

As of December 2005, lending to mutual bank customers totaled €84,830 million, an annual growth rate of 11%, as compared with the 7.8% posted by the Italian banking system as a whole. Within this total, mortgage loans also registered particularly strong growth (14.3%, compared to 12.4% for the entire system), although the rate of growth gradually slowed throughout the year. At the end of December, mutual bank mortgage loans totaled €46,258 million.

Broken down by economic segment of borrowers, the figures at 31 December 2005 show the typical mutual banks focus on households and smaller craft businesses. Indeed, although the mutual banks' share of total lending came to 6.6%, their market share in the segment of small craft firms with fewer than 20 employees was more than 20%, while their share of lending to producer households (small artisans) was 15.4%.

Nonetheless, lending to larger businesses continued growing at a rapid rate in 2005. Lending to non-financial companies (largely corporations) increased by 13.0% for mutual banks, compared with an average of 8% for the entire system. The mutual banks' market share in this customer segment came to 5.5% at the end of 2005 (compared with 5.3% at the end of 2004).

Lending to consumer households remains significant, although growth has slowed appreciably (12.4% on an annual basis, compared with 15.2% on average for the banking system as a whole). In December 2005, the mutual banks' share of lending in this category was slightly lower than at the end of 2004, at 8.7%.

Against the background of the strong and continuing growth in lending, an analysis of credit risk for mutual banks in 2005 confirms the trends seen for the previous year, with bad debts increasing more rapidly than the banking system average across nearly all customers segments and, for business customers, all industries.

In particular, unlike previous reports on this phenomenon, there was also faster growth in the bad debts of mutual banks in their lending to consumers than in the banking system as a whole.

The sharp increase in lending has, however, limited the negative impact of this trend, with the ratio of bad debts to total lending remaining unchanged at 2.8%.

Substandard loans, for which the ratio to total lending is historically higher for mutual banks than for the banking system on the whole, also increased at a faster rate in 2005 than for the whole banking industry.

As for the other assets, interbank lending was, taking account of the typical variability from month to month, essentially stable in 2005. At the end of December, mutual banks' interbank lending came to €6,243 million (up 0.8% on an annual basis), for a ratio to total assets of 4.9%, which is significantly lower than that of the banking systems as a whole (20.5%).

With regard to securities investment, the securities portfolio of mutual banks grew 3.6% year-on-year, compared with 16.9% on average for the entire banking system. As a percentage of total assets, the mutual banks' securities portfolio remained at about double that of the banking system as a whole (20% for mutual banks versus the 10.7% for the entire industry).

Liabilities

At the end of 2005, direct funding by mutual banks came to €102,713, an increase of 8.8%, slightly higher than that of the banking system as a whole (8%).

The greatest growth, both for mutual banks and for the entire banking industry, was posted by time deposits (9.0% for mutual banks and 8.5% on average for the banking system). Although slower than the previous year, growth in bond issues was particularly strong (13.3% versus the 10.3% overall for the system).

Current account and savings deposits also increased significantly (8.7%, as against 7.6% for the banking system).

At 31 December 2005, mutual bank equity totaled €13,205 million (up 7.4%) and amounted to 10.6% of total assets (the "capital and reserves" of the banking system as a whole came to 8.2% of assets).

At the end of the year, indirect funding for mutual banks totaled €26,771 million, a decline of 2.9% on an annual basis, whereas the banking system as a whole posted an increase.

Indirect funding as a percentage of direct funding came to 26.1% for mutual banks, compared with 162.7% for the Italian banking industry as a whole.

Profitability

In the first half of 2005, the mutual banks posted better profitability than that of the banking system as a whole. Gross income grew by 8.1% (compared with 2.2% for the banking system), while operating income was up 7.8% (0.4% for the system). Mutual banks' costs also rose sharply (up 8.2%, compared with 3.5% on average for the banking system), both in terms of staff costs (6.8%) and, to a greater degree, other administrative expenses (10.4%). Nevertheless, the ratios of administrative expenses to total lending and funding and cost-to-income were unchanged from the previous twelve months (at 1.1 and 65.6%, respectively). ROE for the mutual banks, based on net income for the 12 months through June 2005, came to 8% (7.3% at the end of 2004).

Structural aspects

Finally, with regard to the structure of the mutual bank system, as of December 2005, there were 439 mutual banks, which accounts for 55.4% of all banks operating in Italy, while mutual bank branches numbered 3,617, for 11.2% of the banking system as a whole. As of 30 September 2005, mutual bank branches were located in 98 Italian provinces and 2,406 municipalities, in 22.1% (531 municipalities) of which the mutual bank was the only bank present.

At the end of 2005, mutual bank members numbered 776,224, an increase of 6.4%, and the average number of members per bank came to 1,768 (up 6.4% on an annual basis).

Borrowers totaled 1,463,584, an annual increase of 2.5%, in line with the average for the banking system as a whole (up 2.4%).

At the end of the year, the number of mutual bank employees numbered 26,850, an annual increase of 1.7%, compared with virtually no change for the banking system as a whole (up 0.1%).

The activity of the bank

The following section provides an overview of the Bank's balance sheet and income statement at 31 December 2005, with comparative figures for 31 December 2004. Greater detail is provided in the financial statements and the related notes.

The balance sheet

At 31 December 2005, total assets amounted to €7,192.3 million, compared with €6,888.1 million at the end of 2004. The increase in assets was concentrated in the securities portfolio and, to a lesser extent, in loans to ordinary customers. Loans to banks, on the other hand, fell 8.7%. The increase in liabilities is due to growth in funding from both mutual banks and other banks (3.8%), as well as to securities funding. Conversely, funding from ordinary customers fell by 13.1%.

BALANCE SHEET DATA (millions of euros)			
	2005	2004	CHANGE % CHANGE
ASSETS			

Loans to banks	4,604.0	5,042.0	-438.0	-8.69%
Loans to customers	881.6	698.8	182.8	26.16%
Securities	1,219.5	683.6	535.9	78.39%
Equities	96.9	86.2	10.7	12.41%
Total interest-bearing assets	6,802.0	6,510.6	291.4	4.48%
Other assets	390.3	377.5	12.8	3.39%
TOTAL ASSETS	7,192.3	6,888.1	304.2	4.42%
LIABILITIES & EQUITY				
Due to banks	5,601.7	5,395.1	206.6	3.83%
Due to customers	388.2	446.9	-58.7	-13.13%
Debt securities in issue	582.0	408.1	173.9	42.61%
Total interest-bearing liabilities	6,571.9	6,250.1	321.8	5.15%
Other liabilities	299.9	327.2	-27.3	-8.34%
Shareholders' equity	307.9	299.8	8.1	2.70%
Net income	12.5	11.0	1.5	13.64%
TOTAL LIABILITIES & EQUITY	7,192.3	6,888.1	304.2	4.42%

The following pages describe developments in the main asset and liability aggregates.

Assets

Total interest-bearing assets increased from €6,510.6 million in 2004 to €6,802.0 million in 2005 (up 4.9%). The increase was mainly concentrated in securities (€535.9 million) and, to a lesser extent, loans to customers (€182.8 million), which were partially offset by the significant reduction in lending to banks, which declined by €438 million to stand at €4,604.0 million at the end of 2005. Within loans to banks, loans to mutual banks increased 17.4% (from €730.3 million to €857.1 million), which contrasts with the 13.1% reduction in loans to other banks (from €4,311.6 million to €3,746.8 million).

BREAKDOWN OF LOANS TO BANKS	31/12/2005	31/12/2004	CHANGE	% CHANGE
Mutual banks	857,083	730,325	126,758	17.36%
Other banks	3,746,818	4,311,631	-564,813	-13.10%
TOTAL INTEREST-BEARING LIABILITIES	4,603,901	5,041,956	-438,055	-8.69%

(in thousands of euros)

Loans to customers rose by 26.2%, from €698.8 million in 2004 to €881.6 million in 2005. Bad debts totaled €20.8 million, a decline of 1.6% compared with 2004 (€21.1 million). As a result, the percentage of bad debts fell from 3% in 2004 to 2.3% in 2005.

BREAKDOWN OF LOANS TO CUSTOMERS	31/12/2005	31/12/2004	CHANGE	% CHANGE
Current accounts	205,585	130,437	75,148	57.61%
Mortgages and other loans	566,639	453,684	112,955	24.90%
Portfolio discounting	59	159	-100	-62.89%
Repurchase agreements	6,047	7,091	-1,044	-14.72%
Loans to parent company	73,107	75,505	-2,398	-3.18%
Third-party funds under administration	6,274	7,039	-765	-10.87%
Bad debts	20,756	21,087	-331	-1.57%
Loans to Credito Funding (CBO)	3,172	3,840	-668	-17.40%
TOTAL	881,639	698,842	182,797	26.16%

(in thousands of euros)

The bond portfolio grew significantly, rising €535.9 million from €683.6 million to €1,219.5 million, up 78.4% over the previous year. Equity securities and fund units totaled €96.9 million, an increase of €10.7 million (12.4%).

At 31 December 2005, the carrying amount of the Bank's portfolio (bonds and equity), which is entirely classified among trading securities, totaled €1,316.4 million, compared with €769.8 million at the end of 2004.

BREAKDOWN OF SECURITIES	31/12/2005	31/12/2004	CHANGE	% CHANGE
Treasury securities	551,990	170,850	381,140	223.08%
Bonds	667,500	512,737	154,763	30.18%
Total debt securities	1,219,490	683,587	535,903	78.40%
Equity securities	96,906	86,245	10,661	12.36%
Total securities	1,316,396	769,832	546,564	71.00%
Investment securities	0	0	0	0.00%
Trading securities	1,316,396	769,832	546,564	71.00%

(in thousands of euros)

The Bank's securities portfolio does not include an investment component.

Writedowns came to €1,565,000 and writebacks to €278,000. Securities in complex portfolios yielded gains of €8,691,000, which were recognized in the income statement in partial coverage of €8,854,000 in capital losses, as indicated in the table for "Other liabilities" in the notes to the financial statements. A further €612,000 in gains at market values were not recognized, in compliance with the valuation criteria described in Part A - Section 1 of the notes to the financial statements.

Equity securities include a €57,236,000 interest in Securfondo.

For further details, see Part B, Section 2 ("Securities"), of the notes to the financial statements.

Liabilities & equity

Interest-bearing liabilities amounted to €6,571.9 million, an annual increase of 5.1%, mainly as a consequence of increased interbank and securities funding.

Interbank deposits totaled €5,601.7 million, a rise of 3.8% compared with 2004. The €206.6 million increase was due to a €308.7 million rise in amounts due to other banks, which was partially offset by a decrease of about €102 million in amounts due to mutual banks. Mutual bank deposits include €680.7 million in reserve requirements managed by the Bank on their behalf.

BREAKDOWN OF AMOUNTS DUE TO BANKS	31/12/2005	31/12/2004	CHANGE	% CHANGE
Mutual banks	4,095,819	4,197,932	-102,113	-2.43%
Other banks	1,505,919	1,197,193	308,726	25.79%
TOTAL	5,601,738	5,395,125	206,613	3.83%

(in thousands of euros)

The increase in interbank funding was accompanied by a decrease in funding from ordinary customers (from €446.9 million in 2004 to €388.2 million in 2005).

Funding through securities increased by €173.9 million (from €408.1 million in 2004 to €582.0 million in 2005). The main components of this aggregate are as follows: outstanding checks (€384.2 million); bonds (€105.4 million); and credit-linked notes (€92.4 million). In 2005, €60 million in securities were issued, while €2.5 million were redeemed.

At 31 December 2005, excluding net income for the year, but including the allocation to the provision for general banking risks, shareholders' equity amounted to €307.9 million, up €8.1 million (2.7%) compared with the €299.8 million at the end of 2004. This increase is the result of growth in the legal reserve (to which, pursuant to law, three tenths of earnings for 2004 were allocated) and accruals to the general banking risk provision (€4.7 million)

In 2005, the Bank was also active in business areas other than credit intermediation, notably collection and payment services, in addition to management and advisory services for financial products and services.

Information on the activities and results of the main businesses undertaken is provided in the remainder of this report.

The income statement

INCOME STATEMENT AGGREGATES	31/12/2005	31/12/2004	CHANGE	% CHANGE
Interest income	176,552,069	167,113,319	9,438,750	5.65%
Interest expense	-144,527,538	-137,589,811	-6,937,727	5.04%
Net interest income/(expense)	32,024,531	29,523,508	2,501,023	8.47%
Dividends	7,161,084	5,308,415	1,852,669	34.90%
Commission income	184,960,661	169,202,701	15,757,960	9.31%
Commission expense	-91,858,997	-83,437,404	-8,421,593	10.09%
Income on financial transactions net of revaluations/writedowns	11,230,046	13,546,757	-2,316,711	-17.10%
Other operating income	6,141,429	7,665,505	-1,524,076	-19.88%
Other operating expenses	0	-2,471,065	2,471,065	-100.00%
Net income from services	117,634,223	109,814,909	7,819,314	7.12%
Gross income	149,658,754	139,338,417	10,320,337	7.41%
Administrative expenses	-110,350,837	-102,846,009	-7,504,828	7.30%
Gross operating income	39,307,917	36,492,408	2,815,509	7.72%
Amortization/depreciation	-9,444,176	-10,617,174	1,172,998	-11.05%
Net operating income	29,863,741	25,875,234	3,988,507	15.41%
Net income	12,513,154	11,048,810	1,464,344	13.25%

Net interest income

At 31 December 2005, net interest income, which is the sum of money management activities and interest income on hedging derivatives, amounted to about €32.0 million, up 8.5% on 2004 (€29.5 million).

Net interest income as a percentage of gross income increased from the 21.2% of 2004 to 21.4% in 2005.

Intermediation and other revenues

Revenues from intermediation and other activities (net income on services) at 31 December 2005 amounted to €117.6 million, up 7.1% over the prior year. These revenues accounted for 78.6% of gross income, which is slightly less than the 78.8% of the previous year.

Commissions

At 31 December 2005, net commissions from services amounted to €93.1 million, an increase of 8.6% over 2004 (€85.8 million). This growth was primarily driven by net commissions on management, intermediation, and advisory services, which increased by more than 30% over the previous year (up €4.1 million) and net commissions on other services, which increased by about 9.6% (up €2.5 million). Commissions on collection and payment services, which the most important component of net commissions, increased €0.8 million (from €46.7 million to €47.5 million).

BREAKDOWN OF COMMISSIONS	31/12/2005	31/12/2004	CHANGE	% CHANGE
Collection and payment services	47,542	46,724	818	1.75%
Management, intermediation and advisory services	17,437	13,384	4,053	30.28%
Other services	28,123	25,658	2,465	9.61%
Total Net Commissions	93,102	85,766	7,336	8.55%

Income and loss on financial transactions

The aggregate, which is the least stable revenue item, fell 17.1% from €13.5 million in 2004 to €11.2 million in 2005.

Other operating income and expenses

Net other operating income came to €6.1 million, up 18.2% over the €5.2 million of 2004. Operating income primarily includes the following: expense reimbursements of €2.4 million (seconded personnel, stamp duties and withholdings, Solidarity Fund contributions); insourcing revenues (€0.8 million); revenues on subsidized lending services (€0.6 million); and property rental income (€0.7 million).

Gross income

In 2005, the Bank's gross income totaled €149.7 million, an increase of 7.4% or about €10.3 million over the previous year (€139.3 million). This rise was due to growth in both service income (up 7.1% over 2004) and net interest income (up 8.5% over 2004).

Administrative expenses

General and administrative expenses rose by 7.3% in 2005. The total, which includes staff costs, administrative expenses, and indirect taxes and duties, came to €110.4 million.

Staff costs

In 2005, staff costs came to €56.2 million, a 7% increase compared with the €52.5 million of the previous year. This increase was influenced both by developments in the contractual components and by performance bonuses and the corporate incentives program.

Other administrative expenses

In 2005, other administrative expenses totaled €54.1 million, an increase of 7.5% over 2004 (€50.3 million). The increase is primarily the result of growth in software and data processing costs (€2.6 million), indirect taxes and duties (€1.1 million), and professional and consulting fees (€0.9 million). Conversely, there was a significant decline in postal and advertising costs (down €1 million).

OTHER ADMINISTRATIVE EXPENSES	31/12/2005	31/12/2004	CHANGE	% CHANGE
Data processing and software maintenance	18,407.00	15,834.00	2,573.00	16.25%
Mutual bank network management	6,218.00	5,618.00	600.00	10.68%
Office expenses	5,629.00	5,950.00	-321.00	-5.39%
Promotional expenses, association dues, contributions	1,552.00	1,483.00	69.00	4.65%
Professional and consulting fees	4,095.00	3,174.00	921.00	29.02%
Fees and reimbursement of directors	526	542	-16	-2.95%
Advertising	690.00	1105	-415	-37.56%
Outsourcing of EDP services	3,069.00	3,100.00	-31.00	-1.00%
Other outsourcing activities	2,680.00	2,700.00	-20.00	-0.74%
Postal and other correspondence costs	3,166.00	4,192.00	-1,026.00	-24.48%
Maintenance of real estate and other property	2,441.00	2,158.00	283.00	13.11%
Other expenses	989	882	107	12.13%
Indirect taxes and duties for the year	4,667.00	3,610.00	1,057.00	29.28%
TOTAL	54,129.00	50,348.00	3,781.00	7.51%

(in thousands of euros)

Amortization and depreciation

Amortization and depreciation fell from €10.6 million in 2004 to €9.4 million del 2005, a decrease of 11% from the previous year.

Net operating income

As a result of the developments described above, net operating income increased by 15.4% to €29.9 million.

Provisions for liabilities and contingencies

Provisions for liabilities and contingencies totaled €0.6 million, remaining essentially in line with the €0.5 million of 2004.

Net adjustments to loans and provisions

At 31 December 2005, writedowns of loans amounted to €2.9 million, compared with €3.6 million in 2004. Writebacks totaled €2.5 million, up from the €2 million recorded the previous year.

Income on ordinary operations

Income on ordinary operations was €28.7 million, a 21.7% rise on the €23.6 million posted in 2004. The growth in this profit aggregate reflects the benefits of actions aimed at increasing overall performance across company units.

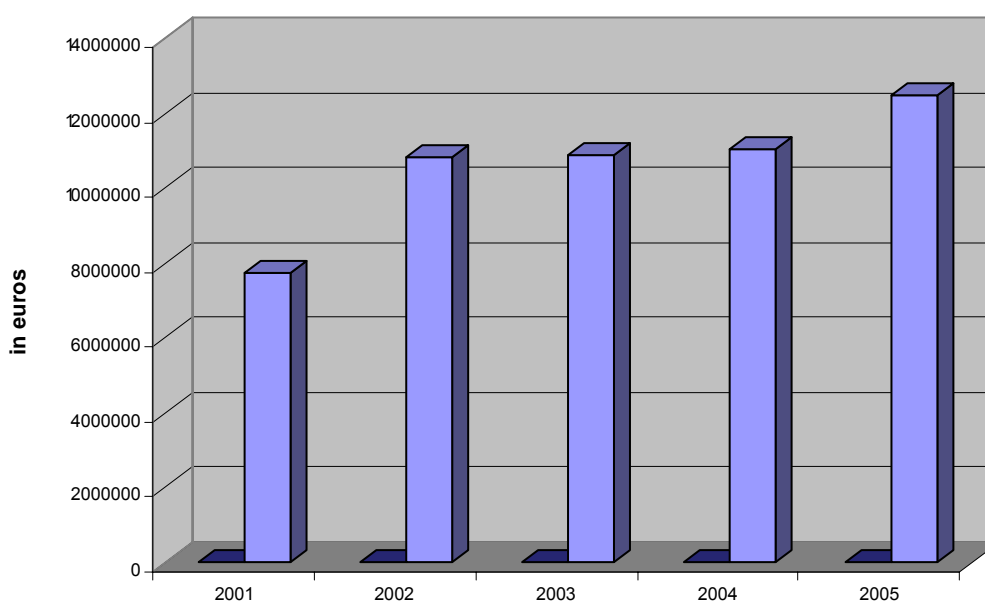
Extraordinary income

Extraordinary items produced a net gain of €1.4 million, compared with net expense of €0.8 million in 2004. The €4.5 million in extraordinary income (€2.8 million in 2004) includes €2.7 million for the sale of a portion of the interest held in MTS SpA and €1.4 million for reductions in liabilities (€2.6 million in 2004) related to settlement of outstanding items. Extraordinary expenses totaled just under €3 million (€3.6 million in 2004), and included about €1.8 million related to staff reductions as part of the activation of the “Solidarity Fund” and €0.7 million in credit card fraud.

Net income

Net income in 2005, consisting of both ordinary and extraordinary income net of the change in the provision for general banking risks and direct taxes for the period, amounted to about €12.5 million, 13.2% up on the preceding year.

Net income for the year



Below we set out the main measures that the Bank implemented in its areas of business.

Finance

In line with the previous plan, the 2006-2008 Business Plan confirmed the Finance area's role as that of serving mutual bank operations, with the exclusion of taking on any speculative positions.

The various segments of traditional finance have consistently supplied appropriate support to mutual bank operational requirements, while maintaining the Bank's own risk exposure low. The different areas of operation are described in greater detail below.

Treasury and foreign exchange

With regard to intermediation, funding on mutual banks' running accounts averaged about €2.6 billion, a slight reduction from the average levels of 2004. Average volumes of tied funding remained in line with the levels of the previous year at about €1.1 billion.

The Bank also managed reserve requirements on behalf of 305 mutual banks, which at year-end amounted to over €680.7 million, for which the Bank provided adequate turnover and management.

The securities portfolio for treasury operations (used to secure the overdraft with the Bank of Italy) averaged €355 million and had a balance of €400 million at the end of the year, a balance that was invested exclusively in Treasury credit certificates (CCTs).

Managed portfolios

Managed portfolios amounted to about €3.1 billion (€2.3 billion in 2004), an increase of around 35.5% over 2004. The number of portfolios managed on behalf of mutual banks rose from 134 in 2004 (in addition to four institutional clients) to 171 in 2005 (in addition to four institutional clients). With regard to the National Pension Fund, the balance of assets under management reached €837 million (up 11.3% over 2004). Assets under management by BCC Vita grew significantly to €449 million.

Securities portfolio

In the government securities market, the Bank retained its primary dealer status and met the quotation requirements imposed by the management committee in both the cash and repurchase segments.

The desk received orders from some 193 mutual banks in 2005 and carried out over 3,962 transactions amounting to about €16.75 billion.

As regards the other securities portfolios, an average of about €250 million in securities was managed in respect of various guarantees owed by the Bank.

During the year, 12 bond issues of mutual banks were acquired.

Customer Desk

In 2005, the volume of orders of listed instruments increased thanks to a sharp rise in the equity component. As compared with 2004, trading volumes on the Italian screen-based equity market went from €4.35 billion to €6.46 billion (up 48%), while the bond component went from €10.1 billion to €8.6 billion (down 15.6%).

Trading through Aureo Gestioni for Iccrea resulted in gains of about €500,000, while the portion reserved for Iccrea totaled 43.2%.

Also significant was the performance of trading on the Bank's proprietary securities portfolio (which is, nonetheless, instrumental to the primary business of collecting orders and trading for third parties), which contributed to the strong performance of the unit while remaining well within the limits established in terms of risk and VaR.

Innovative finance

Financial year 2005 saw a significant decline in trading volumes (down 35.8% from 2004):

- demand focused on highly defensive, "plain-vanilla" products in order to limit risk. Direct dealings with the mutual banks posted a decrease in trading volumes of 42.5%, while the number of transactions fell 26.1%.

Iccrea's business relationship with the insurance company BCC Vita was further consolidated in 2005. This made it possible to act as an arranger in policy issue and placement through the structuring and trading of all financial instruments required for insurance products.

With regard to Bank activities involving the various forms of securitization (loans, CBOs, etc.), and in compliance with the requirements of the Bank of Italy, in April 2005, the fourth multiple-assignor loan securitization transaction was completed, with 16 mutual banks assigning performing loans to the special-purpose vehicle Credico Finance 4 S.r.l. with a total value of about €400 million.

In December, a fifth transaction was completed in which 15 mutual banks assigned per-

forming loans to the special-purpose vehicle Credico Finance 5 S.r.l. with a total value of about €465 million.

Lending

In 2005, despite weak economy activity, Iccrea Banca posted positive lending performance in volume terms as a result of greater commercial penetration by the mutual banks, customers that generated significant flows of business for the Bank.

At 31 December 2005, loans (excluding credit ceilings for institutional counterparties) totaled more than €5.3 billion – 69% of which for credit to banks (primarily the mutual banks) and 31% for lines of credit to corporate/retail customers – compared with €4.5 billion at the end of 2004 (70% banks and 30% “ordinary” customers). At the end of 2005, total loans granted to non-institutional customers were as follows: 53% mortgage loans, 45% current account credit (17% of which for credit lines secured by mortgages), and 2% for guarantee commitments.

In 2005, excluding credit ceilings for mutual banks and other banks, 1,188 transactions were approved (118 of which special loans, 732 ordinary loans, and 338 for mutual and other banks) – compared with the 1,266 approvals of 2004 – for a total authorized amount of €3.8 billion (€2.4 billion of which for institutional counterparties).

The average amount approved for the corporate/retail segment was about €1.2 million, compared with €0.6 million in 2004, as a result of the increase in the target customer size in the lending activities of mutual banks, a phenomenon that directly affects Iccrea lending, acting in its role as a second-level bank.

At 31 December 2005, loans to ordinary customers reached €870 million (€201 million for current account credit, 57% of which for credit secured by mortgages; €505 million for ordinary loans; €139 million for special loans; and €25 million for guarantee commitments), as compared with the €678 million of 2004 (+28%). Also significant was the performance of special loans, which increased from €107 million in 2004 to €139 million (up 30%), despite significant levels of early repayments.

Lending performance in 2005 must also be viewed in light of strategies that, since 2004, have sought to limit lending to large corporate customers that are not strictly related to the operations of Iccrea Banca and the mutual banks. The significant increase in current accounts is related to disbursement for the opening of real estate credit.

Subsidized lending

In 2005 the Bank continued operating as a “concessionaire bank” for public entities (mainly the Ministry for Productive Activities) in the evaluation and management of applications for grants for investment projects submitted by firms in response to calls issued by the bodies managing the funds made available under various laws.

During the year, initial assessments were carried out on 271 applications submitted in response to the 19th “tourism” call for applications and the 20th “wholesale and retail distribution” call for applications. The investment projects related to these requests totaled some €286 million.

Acting on behalf of 180 mutual banks, the Bank formed a temporary business grouping with Artigiancassa, Banca Nazionale del Lavoro, Credito Italiano, and the Monte dei

Paschi di Siena Group to participate in the call for tenders conducted by INAIL (the Italian industrial accidents insurance agency), which was seeking a bank to manage the assessment and disbursement of subsidized loans to small and medium businesses and agricultural enterprises, for which INAIL will provide interest subsidies and capital grants for projects to improve workplace health and safety. The group was awarded the engagement.

On 1 August 2005 and 1 February 2006, the mutual banks disbursed financing for a total of €42.5 million for the first and second calls.

During the year, the temporary business grouping with BNL (lead company), Artigiancassa, and Iccrea Banca won the tender to manage the Guarantee Fund set up by the Campania regional government to support local small and medium enterprise. In 2006, the fund is to become operational.

On 28 September 2005, the Ministry for Productive Activities issued a decree establishing the Fund for Technological Innovation in order to subsidize pre-competitive development programs for product innovation in high-tech and other technological sectors by small businesses or business startups. Iccrea Banca, in a temporary grouping with Prominvest SpA, is one of the “concessionaire banks” of the Ministry for Productive Activities and will handle the tasks related to the assessment activities for grant requests through Prominvest SpA, as well as the disbursement of the grants to companies that intend to take advantage of them.

Furthermore, the decree of the Minister for Productive Activities of 5 December 2005 established the terms for presenting grant applications pursuant to Law 215/92 concerning female entrepreneurship. Iccrea Banca will act as “concessionaire bank” for the Ministry for the assessment of the admissibility of investment projects, as well as for the disbursement of grants and final financial reporting, for the following regions that did not supplement the state funds: Campania, Emilia Romagna, Liguria, Lombardy, Marche, Molise, Umbria, Veneto, Sicily, and the autonomous province of Bolzano.

Payment systems

Collection and payment services

In 2005, the Collection and Payments department continued to ensure the full compliance of internal collection and payments procedures with evolving domestic and international market standards and worked towards integrating procedures with the intermediated banks in order to:

- establish a mutual bank circuit: the circuit for mutual bank collection orders has been launched, and the collection fees have been essentially eliminated for those participating in the circuit through Iccrea. This will enable the mutual banks to offer their customers rates that are in line with those of Italy’s largest banks;
- increase service efficiency: the test phase has been completed for the integrated check processing product, and new procedures were implemented in September 2005 that will enable participants to:
 - receive images of checks processed by Iccrea, thereby reducing the local costs for acquiring the checks;
 - send Iccrea data on processed checks, thereby promoting consistent processing and facilitating the reconciliation of any differences.

These initiatives will enable the mutual banks to approach the market more effectively

and allow Iccrea to strengthen its role as intermediary, as well as for both parties to increase the efficiency of managing these products and to reduce related costs.

Applications Center

The Applications Center has assumed an important role in the Italian interbank network (*Rete Nazionale Interbancaria*, or RNI). The applications available on the RNI have met the needs of the mutual banks and local technical units in this period of high flows generated by their branches.

The unit has provided reliable and constant support for all the needs of both the mutual banks and the technical and policy units. The unit was also highly important in assisting with the “Europeanization” of the mutual bank system during 2005. In that regard, the unit remained focused on developments in technological innovation and the evolution of the integration of payment systems both domestically and throughout Europe.

E-bank

The mutual bank credit card brand gained ground in 2005, posting growth both in cards in circulation (from 338,298 at the end of 2004 to 449,129 at the end of 2005) and in net commission income, which rose from €8.7 million to €12 million over the same period.

MUTUAL BANK CREDIT CARDS

	2005	2004	2003	2002
Cards issued	795,514	581,884	406,712	279,722
Cards in circulation	657,711	525,249	406,712	279,722
Active cards	449,129	338,298	249,209	176,059
Active cards/cards in circulation	68%	64%	61%	63%

This growth generated gross revenues of €1.9 million in the international acquiring segment and €5.7 million in the issuing segment for mutual bank credit cards.

The contribution of commissions on the PagoBancomat service was also significant, reaching €1.6 million, together with the more traditional Bancomat service, which generated €2.5 million in gross revenues.

International

In 2005, international operations were characterized by the creation of the International Merchandise unit within the Lending Department. Training and development also continued with the provision of programs for mutual bank personnel.

Also in 2005, a product catalogue was implemented with the introduction of trade promotion services, such as trade information, VAT recovery, and foreign mission organization. For the latter in particular, a trade mission was carried out in China (known as BCCina), which involved the participation of more than 70 mutual bank customers and managers.

In order to meet both the needs of the mutual banks and the requirements of the Ministry for Productive Activities, correspondent banking activities were intensified with the so-called BRIC countries and eastern Europe, a region for which we have also opened a local account for a Ukrainian bank.

With regard to mutual bank corporate customers, the International Merchandise Support unit has been established. This unit assists this customer segment in the various phases of these activities, from market analysis through to the provision of innovative products and services (forfeiting, buyer's credit).

In 2005, migrant banking continued along the development guidelines defined during the previous year, and both expanded retail services (Bonifico Friendly) and increased the Bank's domestic and international visibility by, in part, participating in a number of related events.

Organization, information systems and support structures

In 2005, the efforts of the Information Systems unit focused on a variety of areas.

Work continued to configure the new operational continuity system, and, in particular, in accordance with the plans notified to the supervisory authorities, the following phases were completed:

- business impact analysis, with an assessment of the impact of disaster on all corporate processes;
 - design of the new metropolitan disaster recovery infrastructure, capable of providing “hot” recovery (without data loss) between two sites that are about 9 km apart.

The procedures for migration from the current Via Torino campus to the new Lucrezia Romana site were defined, and, in accordance with instructions received from the parent company, steps have been taken to ensure coordination of the start of operations at the new site for the internal and external communication systems (i.e. LAN, WAN and VoIP).

Support for the various business areas was also intense, with some of the key results including the launch of:

- the front-to-back system for the management of OTC derivatives from the interest rate book, which makes management of the related operations more efficient and more reliable;
- the GLWIN trading outsourcing with SIA, with the consequent reduction in related management costs and investment;
- IAS compatible versions of software;
- support procedures for loan securitization.

Particular emphasis has also been placed on meeting the needs of IT support of the mutual banks as concerns the more complex procedures (Birel, Express, International, etc.).

During the year, efforts continued to strengthen internal IT processes and to improve the following: project planning and management; IT cost accounting; and the system of monitoring service levels.

Staff

At the end of 2005 the Bank had 752 employees, 10 more than at 31 December 2004. The average number of employees was 747 in 2005, compared with 737 in 2004.

BREAK-DOWN OF STAFF BY GRADE (AVERAGE)

	2005	2004	2003	2002	2001	2000
Management	12	12	13	13	19	20
Supervisors	79	76	73	74	91	93
Other	656	649	647	656	666	675
TOTAL	747	737	733	743	776	788

BREAK-DOWN OF STAFF BY GRADE (% OF TOTAL, AVERAGE)

	2005	2004	2003	2002	2001	2000
Management	1.6	1.6	1.8	1.7	2.4	2.5
Supervisors	10.6	10.3	10	10	11.7	11.8
Other	87.8	88.1	88.2	88.3	85.9	85.7
TOTAL	100	100	100	100	100	100

During the year, 22 employees left the bank (4 in completion of early retirement incentive scheme, 14 resigned, of whom 6 moved to different positions in the Iccrea Group and mutual banks, 2 retired and 1 died, while the contract for 1 other employee came to an end). Four employees were seconded to other Group companies, of which 1 was hired by the new company.

The recruitment strategy focused on the need to introduce new skills and expertise to the Bank; 32 resources were hired over the year.

In addition to these new positions, which became necessary as a result of reorganization, 35 employees were transferred within the company.

Last year saw the start of the three-year training plan for 2005-2007 envisaged in the agreement of 19 April 2005 with the delivery of specialized technical courses and behavioral-organizational training sessions for a total of 29,754 classroom hours involving 503 employees.

In connection with the training provided, two grants were requested from the Solidarity Fund for "absences from work for 29,624 training hours in the total amount of €685,027.31. One of these, in the amount of €420,266.78, has already been received.

Qualitative risk information

The Bank considers risk monitoring and control systems as essential preconditions for:

- ensuring reliable and sustainable value generation in a controlled risk environment;
- protecting the Bank's financial soundness and reputation;
- enabling transparent representation of the risks associated with its portfolios.

For a number of years the Bank has been working to bring its methods and operating practice into line with recent regulations on capital requirements for credit and operating risks and to further enhance the effectiveness of the tools already utilized in Bank processes.

Increasingly rigorous and timely risk measurements have been carried out, as required in increasingly complex markets, while monitoring processes have been rendered more ef-

fective by fine-tuning delegation of decision-making responsibility and processes. The establishment of operational ceilings linked to indicators (such as VaR) of the risk implicit in the Bank's range of portfolios is one of the steps that has been taken to ensure that the operational implementation of the strategic and policy guidelines adopted by the Board of Directors is consistent all along the Bank's decision-making chain, right down to individual operating units and desks, is.

Consistency in risk management is ensured through an integrated and methodologically coherent approach to all risk profiles, along with regular monitoring that enables risk owners to proactively manage their own portfolios and, where necessary, take timely corrective actions.

The Bank's risk monitoring and control departments – Risk Management, Lending, Internal Audit and Inspectorate – meet on a regular basis with the staff of the operating units responsible for monitoring risks and ensuring the proper operation of control mechanisms, in compliance with the observance of strict separation criteria.

The Bank's financial situation testifies to the fact that its economic and financial balance and capital adequacy profiles are sound.

Exposure to interest rate risk was monitored with respect to the overall banking book and to specific credit and finance sectors.

The Bank's asset and liability structure remained essentially in line with the previous year's in terms of its capital absorption profile for both credit and market risks.

In terms of its overall objectives, the Bank's lending activity focuses primarily on the mutual banks and their larger customers, and mainly consists of medium/long-term operations.

The relevant decisions are taken at Iccrea headquarters on the basis of decision-making authorizations established by the Board of Directors.

Treasury operations reflect the Bank's typical position as a borrower of mutual bank liquidity and a lender of funds on the interbank deposit market. This generates in significant volumes of short-term interbank flows, mainly denominated in euros. Foreign exchange operations are also carried out with the mutual banks and other leading Italian and foreign banks.

The short-term liquidity position is maintained in compliance with the operational and quantitative criteria introduced during the year as part of the review of internal limits, with the aim of ensuring that liquid assets are kept constantly in line with liabilities falling due.

In treasury operations, credit exposure ceilings are established for each banking counterparty. The ceilings are divided by product type and determined on the basis of formal criteria regarding the creditworthiness and size of the counterparty.

In securities trading, the Bank mainly acts as primary dealer in the government securities market on behalf of the mutual banks. The amount of equities held, all of which are issued by leading companies, is marginal. Counterparties are assessed on the basis of formal criteria regarding creditworthiness, size and type of activity.

The methods used to evaluate credit risk are the same for new loans and position reviews. The only parameters to change are the extent to which these are applied and the degree of analysis to which they are subjected, depending on the type of customer and the amount and type of loan. In examining applicants' creditworthiness, their solvency is evaluated on the basis of their current and prospective capacity to generate income.

The Bank has established the rules and IT structures and procedures described briefly below for the classification and measurement of impaired loans. The criteria for the classification of bad, substandard or restructured loans are drawn from the provisions laid down by the supervisory authorities and translated into sectoral rules with which the loan management structures (the Loan Development and Management Department) and those responsible for controls (the Loan and Credit Limits Department and the Risk Management Department) or oversight tasks (Inspectorate Department) have to comply. Loans are evaluated on an ongoing basis for classification purposes, and regular reports are drawn up to coincide with the half-yearly and annual financial statements. With the help of computerized screening procedures and information from a variety of internal and external sources, the departments involved – acting independently or subject to authorization by senior management – classify loans according to risk category. The control units carry out sample checks throughout the year, with especially extensive controls in June and December.

With a view to a more wide-ranging review of ordinary customer loan monitoring procedures is carried out, taking into account the new regulatory environment new being implemented (Basle 2, Reporting to Central Credit Register, etc.), in 2005 the provisions applicable on the basis of the Bank's current organizational and operational structure were updated.

For information regarding the criteria and methodologies used to forecast losses, please refer to the notes to the financial statements.

Controls (Internal Audit and Inspectorate)

As stated in the previous Report, on 1 February 2003 the Bank transferred its internal auditing functions (including control activities pursuant to Consob regulation 11522/98 as amended) to the Internal Audit Unit for Group Companies, a structure that has been set up for this purpose in Iccrea Holding S.p.A.

In carrying out its duties, the Group Internal Auditing management team adopted preliminary analysis methods regarding risks inherent to different sectors, preparing its examination plan on the basis of these assessments and the resulting priorities. This risk-based planning criterion was in any case supplemented to ensure adequate temporal coverage and presence with operating units.

In 2005, direct monitoring and control functions to ensure the regular conduct of operations (for example, anti-money-laundering activities, transparency, privacy, etc.) continued to be carried out by the Inspectorate Department. Both structures also provide support to the Board of Auditors in their auditing activities.

In this regard, as from 1 January 2006, inspection activity carried out previously by the Inspectorate has been transferred to the internal audit function, which is performed on an outsourcing basis by the Internal Audit Unit for Group Companies.

Risk Management

In 2005 the Bank continued its activities and projects to strengthen its arrangements for identifying, measuring and controlling risk.

The activities of the Risk Management unit are directed at current monitoring of risks and:

- a) updating methods and instruments to comply with the legal and regulatory requirements of IAS and international supervisory guidelines (Basle 2);
- b) pursuing specialized ALM operations and quantitative analysis;

Management reporting concerning market and credit risks, capital absorption, and the examination of the structure of the assets and liabilities on Iccrea's banking book continued last year, with developments in content and expanded coverage.

A number of adjustments were made to the financial reporting system and the procedures for monitoring portfolios in the light of the progressive introduction of the front-to-back information systems for the Finance area, which has initially been rolled out for derivative contract operations.

In coordination with the parent company, the Bank continued to develop an internal rating system for its bank counterparties in the credit risk area. Feasibility studies began for the integration of a rating system for corporate counterparties. As regards operational risks, methods and measurement tools for operational losses were introduced.

Quantitative analysis continued in order to certify pricing models for unlisted financial instruments in the Bank's portfolio, as well as risk analysis models

Planning and control activities and management information systems

In 2005 the Planning and Control Department continued to improve the quality and range of data collection. Methodologies for representing management results have been updated to comply with amended legal and regulatory requirements, particularly regarding segment reporting.

The individual product margin budgeting and accounting system is now completed, while the measurement methodologies for customer relationships are at an advanced stage of assessment.

The dynamic A&LM project is also at an advanced stage. The implementation of the tool will make it possible to carry out analyses of the sensitivity of income statement aggregates to developments in external variables and the Bank's shares.

Adopting IAS/IFRS

As discussed in the 2003 Report, Regulation 1606/2002 approved by the European Parliament on 19 July 2002 requires companies listed in EU member states to prepare their consolidated financial statements in conformity with IAS/IFRS international accounting standards, following endorsement by the European Commission, from 1 January 2005.

The standards were recently transposed into national law by the Italian Government with the enactment of a legislative decree. In compliance with the mandate received from Par-

liament, the decree extends the scope of application of IAS to individual financial statements (voluntarily in 2005, compulsorily in 2006) for listed companies, banks and other supervised financial institutions, in addition to the consolidated financial statements of unlisted banks and supervised financial institutions and insurance companies. It is also permissible to apply the new standards to all companies that are required to draw up consolidated financial statements and to the subsidiaries of such companies, listed companies, banks and supervised entities.

The Bank is applying these new international standards at the consolidated level from 1 January 2005, in compliance with the policy of the parent company. On 24 February 2005 the Bank's Board of Directors passed a resolution authorizing the adoption of the standards for the Bank's individual company accounts starting from the 2006 financial year.

As noted in the 2004 Report, in the run-up to this significant change, working closely with the parent company, the Bank launched an IAS Project to adjust accounting and organizational structures to comply with the new standards. This project falls within the framework of a broader review of the Bank's accounting systems.

Decisions have been taken regarding the accounting system architecture to be used to generate the information flows required for IFRS. Work is now under way on the applications that will be used to handle the new IFRS standards at the Finance and Lending units. Procedural analyses have been formalized for organizational macro-processes, with the involvement of all internal organizational structures.

Other information on operations (Art. 3.2 of Legislative Decree 87/1992)

Shareholders,

Pursuant to Article 3, paragraph 2, of Legislative Decree 87/1992 and the Instructions on the Financial Statements of Credit Institutions issued by the Bank of Italy (section 2, paragraph 6 of circular 166/1992 as amended), we inform you that:

1. The Bank does not invest resources in research and development activities proper;
2. The Bank does not hold and has not purchased or sold its own shares or shares of the parent company, either directly or through a trust company or third party;
3. Pursuant to Legislative Decree 196 of 30 June 2003 governing the protection of personal data, the Security Policy Document has been revised and updated with regard to the minimum security measures adopted for data protection;
4. information is provided in a special section of the Bank's notes to the financial statements (Part D: Other information – Section 1) regarding remuneration paid to directors and statutory auditors as of 31 December 2005.

Loans and guarantees with Group companies and other investees

Relations with the companies of the Iccrea Holding S.p.A. Banking Group form part of ordinary operations for a multi-purpose group. For banking operations, this includes current accounts, deposit accounts and loans (for banks), or financing of activities undertaken in different sectors (for other companies).

ASSETS	A.	1.	OF	2.	OF	3.	OF	4.	OF
	ASSETS	LOANS -	WHICH:	LOANS	WHICH:	LOANS	WHICH:	BONDS AND	WHICH:
		TO BANKS -	SUBOR-	TO FINANCIAL	- SUBOR-	TO OTHER	- SUBOR-	OTHER DEBT	- SUBOR-
		DINATED	DINATED	INSTITUTIONS	DINATED	CUSTOMERS	DINATED	SECURITIES	DINATED
TOTAL	114,131,979.87	1,606,605.20		78,172,396.00		32,162,686.36		0 1,600,000.00	
iccrea holding	78,071,249.92			78,071,249.92					
banca agrileasing	1,606,605.20	6,605.20						1,600,000.00	
immicra	535,384.14					535,384.14			
credico finance	12,000.00			12,000.00					
aureo gestioni	42,433.46			42,433.46					
tk leasing									
BCC securis	10,800.00			10800.00					
BCC gestione crediti	34,872.04			34,872.04					
BCC capital									
BCC servizi innovativi									
simcasse									
BCC private equity	1,040.58			1,040.58					
nole'	1,108,924.60					1,108,924.60			
BCC web									
sef consulting									
BCC gestioni immobiliari	24,945,465.45					24,945,465.450			
BCC vita	6,639,712.77					6,639,712.77			
LIABILITIES	B.	1.		2.		3.		4.	
	LIABILITIES	DUE TO BANKS		DUE TO FINANCIAL		DUE TO OTHER		DEBT SECURITIES	
				INSTITUTIONS		CUSTOMERS		IN ISSUE	
TOTAL	356,103,553.36	190,480,558.25		26,437,696.96		46,800,298.15		92,350,000.00	
iccrea holding	20,811,769.35			20,811,769.35					
banca agrileasing	191,046,984.52	191,046,984.52							
immicra	200,811.71					200,811.71			
credico finance	41,496.57			41,496.57					
aureo gestioni	2,499,675.67			2,499,675.67					
tk leasing	1,089,346.45			1,089,346.45					
BCC securis	8,891.50			8,891.50					
BCC gestione crediti	1,042,322.85			1,042,322.85					
BCC servizi innovativi	240,263.29					240,263.29			
BCC private equity	944,194.58			944,194.58					
nole'	0								
BCC web	1,576,916.74					1,576,916.74			
sef consulting	1,108,924.60					1,108,924.60			
BCC gestioni immobiliari	16,554.24					16,554.24			
BCC vita	135,138,621.89					42,753,621.89		92,385,000	

Receivables/payables and guarantees and commitments involving other Group companies at end-2005 are presented in the following schedules.

COMMITMENTS	C.	1.	2.
	GUARANTEES AND COMMITMENTS	GUARANTEES ISSUED	COMMITMENTS
TOTAL	253,428,792.30	253,428,792.30	0
Banca Agrileasing	253,428,792.30	253,428,792.30	

The economic effects of these transactions are settled on an arm's length basis at the market terms applied to prime customers.

COSTS	C.	1.	2.	3.	4.	5.
	COSTS	INTEREST EXPENSE	COMMISSION EXPENSE	LOSSES ON FINANCIAL TRANSACTIONS	ADMINISTRATIVE EXPENSES	OPERATING EXPENSES
TOTAL	11,905,354.00	9,028,812.87	0	219,250.95	3,087,723.23	10,329.14
iccrea holding	3,449,150.64	877,804.35			2,571,346.29	
banca agrileasing	4,220,318.45	3,608,108.46		571,299.89	40,910.10	
immicra	396.90	396.90				
credico finance	490.31	490.31				
aureo gestioni	67,713.16	67,713.16				10,329.140
tk leasing	49,593.85	49,593.85				
BCC securis	135.49	135.49				
BCC gestione crediti	91,475.85	14,482.60			76,993.25	
BCC servizi innovativi	198,084.65	2,604.71			195,479.94	
simcasse						
BCC private equity	6,122.51	6,122.51				
nole'	8,387.01	8,387.01				
BCC web	194,847.32	21,073.32			173,800.00	
sef consulting	8,387.01	8,387.01				
BCC gesioni immobiliari	9,193.65				29,193.65	
BCC vita	7,480,415.02	3,831,088.99		3,649,326.03		

REVENUES	E.	1.	2.	3.	4.
	REVENUES	INTEREST INCOME	COMMISSION INCOME	OPERATING INCOME	INCOME FROM FINANCIAL TRANSACTIONS
TOTAL	16,500,050.12	3,581,519.10	1,216,908.63	1,107,656.08	10,593,966.31
Iccrea Holding	4,147,404.30	3,344,761.45		802,642.85	
banca agrileasing	1,989,646.42	256,824.32	845,692.82	18,123.73	869,005.55
immicra	35,034.08	34,779.01	181.27	73.80	
credico finance	27,140.30		7,000.00	20,140.30	
aureo gestioni	189,613.45		76,429.66	113,183.79	
tk leasing	5,269.91	2,898.34	1,663.48	708.09	
BCC securis	32,133.80		7,000.00	25,133.80	
BCC gestione crediti	77,858.35		221.80	77,636.55	
BCC servizi innovativi	219.80			219.80	
BCC private equity	1,193.88			1,193.88	
nole'	655.80			655.80	
BCC web	463.80		2.50	461.30	
sef consulting	655.80			655.80	
BCC gestioni immobiliari	230,638.42	183,971.01	191.37	46,476.04	
BCC vita	4,127,501.99	10,124,.98	278,525.73	350.55	3,838,500.73

The balances of receivables/payables and guarantees and commitments vis-à-vis other significant equity interests at end-2005 are presented in the following schedule.

	TOTAL	PROMINVESTMENT
a. Assets	1,135,245.15	1,135,245.15
1. Loans to banks		
Of which: - subordinated	0.00	
2. Loans to financial institutions	1,135,245.15	1,135,245.15
Of which: - subordinated	0.00	
3. Loans to other customers	-	
Of which: - subordinated	0.00	
4. Bonds and other debt securities	-	
Of which: - subordinated	0.00	
b. Liabilities	54,683.06	54,683.06
1. Due to banks	-	
2. Due to financial institutions	54,683.06	54,683.06
3. Due to other customers	-	
4. Debt securities in issue	0.00	
5. Subordinated liabilities	0.00	
c. Guarantees and commitments	-	-
1. Guarantees issued	-	
2. Commitments	0.00	
d. Costs	268.30	268.30
1. Interest expense	268.30	268.30
2. Commission expense	0.00	
3. Losses on financial transactions	0.00	
4. Administrative expenses	-	
5. Operating expenses	0.00	
e. Revenues	528,484.28	528,484.28
1. Interest income	-	
2. Commission income	350.00	350.00
3. Operating income	528,134.28	528,134.28

A full list of Group companies and other significant equity investments is given in the notes to the financial statements.

Significant post-period events and the outlook

In accordance with the provisions of Article 3, paragraph 2, of Legislative Decree 87/1992, we inform you that no significant events affecting the position as reported in the financial statements occurred after the close of the financial year.

As from 1 January 2006, inspection activity carried out previously by the Inspectorate has been transferred to the internal audit function, which is performed on an outsourcing basis by the Internal Audit Unit for Group Companies (DIASG). In this regard, the outsourcing of the Inspectorate's functions to the DIASG also involved the Inspectorate's activities regarding managing complaints, anti-money laundering, privacy and transparency.

The parent company, in a directive of 5 January 2006, announced the transfer of the registered offices of the subsidiaries to via Lucrezia Romana nos.41/47 - 00178 Rome, with effect from 20 February 2006. Accordingly, the change was notified to all persons or entities with whom the Group companies have legal relationships of any nature, including banking and commercial connections, either directly or through the parent company.

On 6 March 2006, the Group Operating Unit was established at BCC Gestioni Immobiliari. It will be responsible for the organizational and operational aspects of managing joint services. With a view to reaping economies of scale over and above those already achieved, the companies in the banking group, acting on the instructions of the parent company, granted BCC Gestioni Immobiliari S.p.A. a mandate to manage free of charge in their name all activities regarding the purchasing of goods and services necessary for the operations of the companies involved in the centralization project.

Outlook

The Bank confirms its goals for the current year: to improve significantly the service it supplies mutual banks, in part through the implementation of a production and distribution model that is more closely tailored to this role, adjusting as appropriate tools, professional skills, resources and capital. In line with the strategic guidelines laid down by the parent company, the 2006-2008 Business Plan confirms the Bank's mission to serve as a system interface for mutual banks in their payment system operations, capital market activity, liability financing and outsourced securities management services. Efforts will focus on the following areas:

Finance

- pursue the objective of broadening and structuring the provision of securitization services for operations involving mutual banks' assets and liabilities, in line with the latter's requirements, so as to increase the number of participants in this area of operations;
- develop innovative finance activities in support of the mutual banks, both with regard to hedging their interest rate and exchange rate risk and to promoting the mutual banks' business with their own corporate and retail customers;
- plan initiatives to consolidate the share of mutual banks' resources under management with the Bank as a more efficient and effective alternative to direct investment in securities;
- further increase operational synergies and the economies associated with the activities of BCC Vita and the investment fund and securities portfolio trading activities of Aureo Gestioni, seeking maximum competitiveness of fee structures, partly in the light of

regulatory requirements for asset management companies to seek out the best terms and conditions for their investors;

- identify the most appropriate actions necessary for providing adequate financial disclosure, with a view to developing the investment activities of the Group companies, the mutual banks and their customers more effectively, thereby expanding the operations of the Bank;
- develop organizational and commercial initiatives to ensure the profitability of securities custody and administration services, including the exploitation of synergies with other entities in the mutual bank system;
- implement a comprehensive project that identifies all of the actions needed to be able to offer expert consulting services to the mutual banks with regard to integrated asset and liability management, with a view to developing operations in the products and services mentioned above.

Lending

Aware of the fact that the rapid growth in mutual bank lending calls for increasing attention to the sector, as well as of the need to offer appropriate, qualified support to the mutual banks and to act swiftly to rationalize the activities of the corporate segment by identifying and separating operations involving corporate customers from those involving institutional customers, the Plans aims to:

- provide support to mutual banks in the ordinary finance area within the scope of the operational ceilings in the various corporate segments, containing risks, especially in the real estate segment, through appropriate sectoral diversification of activity;
- activate initiatives to strengthen and develop international operations. Specifically, attention will be paid to developing relationships with firms located in the territories covered by the mutual banks that are especially active in foreign markets, drawing on the skills of a number of experienced outside experts in this sector to interface appropriately with these companies. The expectation is to gradually acquire business that currently does come to mutual banks and at the same time strengthen the loyalty of a significant portion of mutual bank customers;
- establish an “excellence center” for subsidized finance, providing support and cooperation to all the members of the mutual bank system involved in this segment.

Payment systems

The Bank will continue to track closely all developments under way with regard to technological innovation and the integration of payments systems at the national and European level (SEPA, EBA Step 2).

As far as traditional payment systems are concerned, in view of the relative stability of the volumes handles, action will focus on continuing:

- the rationalization and reorganization of productive processes with a view to increasing efficiency and, therefore, reducing operating costs;
- the extension of the service to non-mutual bank enterprises (such as smaller banks, oil companies that operate credit cards, etc.) to maximize the return on investment.

As regards electronic payment systems, we will be seeking to:

- increase the penetration of the mutual bank credit card in terms of the number of cards issued and used and the volumes handled;
- expand and upgrade the range of cards issued, with the development of the more profitable lines;
- consolidated the number of debit cards.

Shareholders,

In conclusion, the Board wishes once again to express its gratitude to you for the keen interest you have taken in the activities of the directors and management.

We would like to take this opportunity to thank the mutual banks for their confidence in us and their continued custom.

We offer our sincere thanks to our management and staff for their work, commitment and efforts during this transitional period.

We should also like to express our thanks and appreciation to the trade unions representing our staff, for their responsible attitude and constructive spirit during this delicate stage in the company's life.

As ever, we acknowledge the commendable commitment and professionalism demonstrated by the Board of Auditors in a spirit of teamwork that goes beyond the call of their institutional duty.

We should also like to express our gratitude and appreciation to the Bank of Italy, CONSOB and the rating agencies for the close attention with which they have always followed the work of the Bank and for their accessibility and cooperation.

And, finally, we wish to thank all the central and local representatives of the mutual banking sector, especially Iccrea Holding and Federcasse, for their great skill and spirit of mutual cooperation in carrying out our business.

Proposed distribution of net income for the year

Shareholders,

We invite you to approve the financial statements, accompanied by the report on operations, for the financial year ending 31 December 2005, which have been audited by Reconta Ernst & Young S.p.A. We also propose that the net income for the year, totaling €12,513,154, be allocated as follows:

Legal reserve	€ 3,774,500
Dividends in the amount of €20.66 per share	€ 8,677,200
At the disposal of the Board of Directors	€ 61.454

Rome, 24 March 2006

THE BOARD OF DIRECTORS



**Balance sheet
and income
statement**

BALANCE SHEET	AT 31 DECEMBER 2005		AT 31 DECEMBER 2004	
ASSETS				
10 Cash and balances with central banks and post offices		33,439,144		25.125.540
20 Treasury securities and other securities eligible for refinancing with central banks		551,989,607		170.850.103
30 Loans to banks		4,603,901,169		5.041.955.888
a) repayable on demand	595,289,887		319,994,962	
b) other	4,008,611,282		4,721,960,926	
40 Loans to customers		881,639,086		698.842.016
of which:				
loans financed with third-party funds under administration	6,273,784		7,038,787	
50 Bonds and other debt securities		667,500,485		512.736.936
a) public issuers	325,818,495		270,673,410	
b) banks	159,280,204		66,834,668	
of which: own securities	2,095,615		354,843	
c) financial institutions	182,085,197		174,927,592	
d) other issuers	316,589		301,266	
60 Shares and other equities		96,905,896		86.244.965
70 Equity investments		2,416,634		2.684.132
80 Equity investments in Group companies		812,067		617.067
90 Intangible assets		3,096,647		4.235.981
100 Tangible assets		102,486,401		104.058.777
130 Other assets		117,578,631		143.132.979
140 Accrued income and prepaid expenses		130,446,652		97.646.492
a) accrued income	85,628,066		56,222,392	
b) prepaid expenses	44,818,586		41,424,100	
of which:				
discount on issue of securities	3,081,935		4,556,082	
TOTAL ASSETS		7,192,212,419		6,888,130,876

BALANCE SHEET		AT 31 DECEMBER 2005		AT 31 DECEMBER 2004	
LIABILITIES AND EQUITY					
10	Due to banks		5,601,737,921		5.395.125.217
	a) repayable on demand	3,216,526,397		3,066,113,913	
	b) term or notice	2,385,211,524		2,329,011,304	
20	Due to customers		388,186,043		446.856.139
	a) repayable on demand	366,260,661		383,990,847	
	b) term or notice	21,925,382		62,865,292	
30	Debt securities in issue		581,997,965		408.057.181
	a) bonds	105,400,000		47,900,000	
	c) other	476,597,965		360,157,181	
40	Third-party funds under administration		6,273,784		7.038.787
50	Other liabilities		223,488,345		244.310.669
60	Accrued expenses and deferred income		23,144,312		33.939.957
	a) accrued expenses	7,379,362		13,907,614	
	b) deferred income	15,764,950		20,032,343	
70	Staff severance pay provision		18,996,965		18.739.649
80	Provisions for liabilities and contingencies		23,358,622		18.424.401
	b) provision for taxes and duties	12,282,482		9,009,691	
	c) other	11,076,140		9,414,710	
90	Loan-loss provision		4,585,958		4.780.716
100	Provision for general banking risks		18,050,000		13.350.000
120	Share capital		216,913,200		216.913.200
140	Reserves		25,100,500		21.680.500
	a) legal reserve	24,808,509		21,388,509	
	c) reserves provided for in bylaws	205,191		205,191	
	d) other	86,800		86,800	
150	Revaluation reserve		47,865,650		47.865.650
170	Income (loss) for the period		12,513,154		11.048.810
TOTAL LIABILITIES AND EQUITY			7,192,212,419		6,888,130,876

GUARANTEES AND COMMITMENTS	AT 31 DECEMBER 2005		AT 31 DECEMBER 2004	
10 Guarantees issued		338,411,018		342,647,473
of which:				
- acceptances	10,296,621		10,827,474	
- other	328,114,397		331,819,999	
20 Commitments		547,508,026		701,567,572
30 Credit derivatives		143,505,000		126,010,000

INCOME STATEMENT		AT 31 DECEMBER 2005		AT 31 DECEMBER 2004	
10	Interest income and similar revenues		176,552,069		167,113,319
	of which:				
	- on loans to customers	28,967,469		23,022,882	
	- on debt securities	24,831,442		21,107,571	
20	Interest expense and similar charges		144,527,538		137,589,811
	of which:				
	- on amounts due to customers	6,711,621		7,394,336	
	- on debt securities	5,225,632		3,726,051	
30	Dividends and other income		7,161,084		5,308,415
	a) on shares and other equity securities	6,771,582		5,119,933	
	b) on equity investments	389,502		188,482	
40	Commission income		184,960,661		169,202,701
50	Commission expense		91,858,997		83,437,404
60	Income (loss) on financial transactions		11,230,046		13,546,757
70	Other operating income		6,141,429		7,665,505
80	General and administrative expenses:		110,350,837		102,846,009
	a) staff costs	56,221,861		52,497,885	
	of which:				
	- wages and salaries	38,030,672		34,296,607	
	- social security contributions	10,736,226		9,705,260	
	- staff severance pay	3,125,066		2,890,936	
	- pensions and similar charges	1,373,413		1,298,647	
	b) other administrative expenses	54,128,976		50,348,124	
90	Amortization and depreciation of intangible and tangible assets		9,444,176		10,617,174
100	Provision for liabilities and contingencies		567,630		529,635
110	Other operating costs		0		2,471,065
120	Writedowns of loans and provisions for guarantees and commitments		2,906,986		3,611,327
130	Writebacks of loans and provisions for guarantees and commitments		2,488,931		1,951,377
150	Writedowns of financial assets		144,000		79,921
170	Income (loss) on ordinary operations		28,734,056		23,605,728

INCOME STATEMENT	AT 31 DECEMBER 2005	AT 31 DECEMBER 2004
180 Extraordinary income	4,471,277	2,799,335
190 Extraordinary expense	2,967,179	3,556,253
200 Income (loss) on extraordinary items	1,504,098	-756,918
210 Change in provision for general banking risks	4,700,000	2,700,000
220 Income taxes for the year	13,025,000	9,100,000
230 Net income (loss) for the period	12,513,154	11,048,810



**Structure
and content
of the financial
statement**

The Bank has prepared its financial statements, consisting of the balance sheet, income statement and notes to the financial statements, accompanied by the Directors' report on operations, pursuant to articles 2 and 24 of Legislative Decree 87/1992.

The notes to the financial statements provide a description and analysis of the financial data and present the information specifically required by Legislative Decree 87/1992, the Bank of Italy measure of 30 July 2002 and other laws. They also contain all the supplementary information considered necessary to provide a true and fair view of the Bank's financial position and operating results, even where not specifically required by law. The following schedules are therefore attached to the notes:

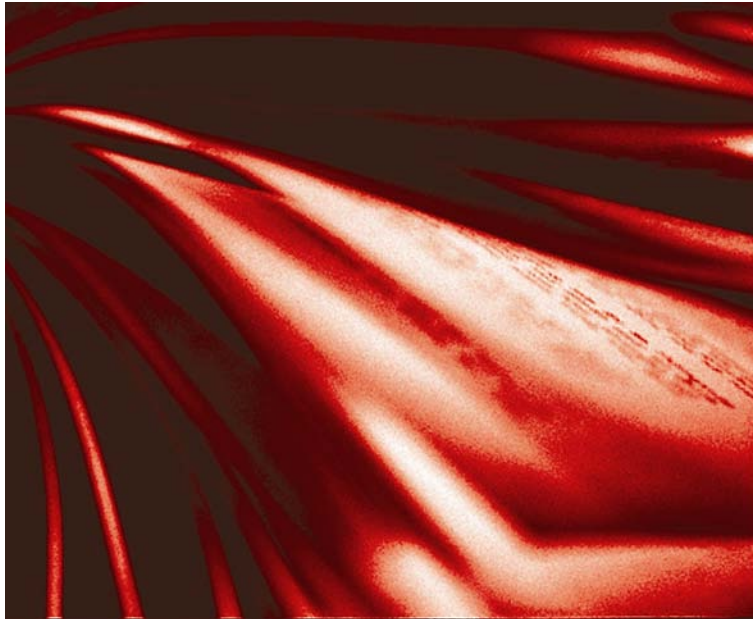
Statement of changes in shareholders' equity;
Statement of cash flows;
Schedule of revaluations;
Statement of the Central Guarantee Fund;
List of equity investments
Financial statements of Bcc Securis S.r.l.
Financial statements of Credico Finance S.r.l.

The financial statements are audited by Reconta Ernst Young S.p.A. in accordance with the shareholders' resolution of 29 September 2004, which engaged the auditors on a voluntary basis.

The financial statements have been drawn up in accordance with current legislation and reference has been made to accounting principles generally accepted in Italy.

The figures in the notes to the financial statements are stated in thousands of euros.

The most significant accounting policies adopted in preparing the financial statements are described below. They have been agreed with the Board of Statutory Auditors where required by law and are the same as those used in previous years.



**Notes to the
financial statement**

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Part A:
Significant
accounting
policies

SECTION 1: DESCRIPTION OF ACCOUNTING POLICIES

1. Loans, guarantees and commitments

Loans to banks

Loans to banks are recognized at their estimated realizable value, which normally coincides with the nominal value increased by accrued interest at year-end and net of repayments.

Loans to customers

Transactions settled on current account facilities are recorded at the moment of execution; other transactions (portfolio discounting, foreign transactions, securities, etc.) are recorded at the time of settlement.

The value of loans stated in the balance sheet, including accrued contractual and default interest, represents their estimated realizable value. The figure is obtained by deducting writedowns (specific and general) of principal and interest from the total amount disbursed, net of repayments.

The original value of loans is reinstated in subsequent years if the reasons for the writedowns cease to obtain.

Expected losses are calculated using analytical and statistical methods, the latter being used for bad debts in respect of personal loans and for calculating normal risk.

The analytical method (used with bad debts, substandard loans and restructured loans) is based on standard criteria approved by the Board of Directors that envisage the prudent valuation of any guarantees and/or ability to repay the loan.

For bad debts in respect of personal loans, the statistical method is based on stratification by age category, with the measurement of collections and losses on closed transactions. The results are then processed to produce a percentage of expected loss, which is applied to the entire stock outstanding.

Other loans are written down on a general basis using statistical techniques that use the values for impairment rates (impaired loans as a percentage of total loans) and the percentage of non-recoverability (percentage of expected losses on impaired loans over time). The results contribute to prudently determining the percentage of provisions required.

Other loans

Other loans are reported at nominal value, increased by any interest accrued at year-end. This represents their estimated realizable value.

Loans financed with third-party funds under administration

Loans with third-party funds under administration include loans financed with funds provided by central government or other government bodies. Remuneration is effected in the form of a lump-sum fee. They are posted in the balance sheet under both assets and liabilities, in that they generate credit risk for the Bank.

The corresponding item under liabilities represents the Bank's debt in respect of the funds received.

Guarantees and commitments

Guarantees issued are stated at the total amount of the commitment.

Any estimated risks associated with guarantees are reflected in the provisions for liabilities and contingencies with appropriate charges.

Securities to be received are stated at the forward price indicated in the contract. Commitments to disburse funds to counterparties and customers are reported at the amount to be settled.

2. Securities and off-balance-sheet transactions (excluding foreign exchange transactions)

2.1 Investment securities

Securities held as stable long-term investments are carried at historical cost adjusted for accrued issue and trading discounts. Such securities are written down in the event of a lasting deterioration in the solvency of the issuer. The original value is reinstated should the reasons for the writedowns cease to obtain. The difference between purchase price, calculated as indicated previously, and the redemption value of debt securities adjusts the interest earned on the securities on an accruals basis over the respective residual maturity.

2.2 Trading securities

Securities that are not held as non-current financial assets, which are not included in complex portfolios, are carried at the lower of cost, calculated as the weighted average daily cost and adjusted to account for accrued issue discounts, and market price, determined as:

- the arithmetic mean of December prices for securities listed on regulated or organized markets in Italy or abroad;
- for unlisted securities, the price resulting from a comparison with the nominal value of securities with similar characteristics listed on regulated markets in Italy or abroad or, where not available, on the basis of other objectively identifiable information.

The original value is reinstated in subsequent years if the reasons for any writedowns cease to obtain.

Repurchase agreements that oblige the buyer to resell the securities forward are treated as contangos. Accordingly, the amounts received and paid are posted as payables and receivables. The cost of funding and income from loans, comprising coupon payments and accrued issue discounts and the differential between the spot and forward prices of the securities are reported on an accruals basis under interest.

Off-balance-sheet transactions excluding foreign exchange transactions

Off-balance-sheet transactions include unsettled securities purchase and sale transactions and derivatives on securities and interest rates.

Securities transactions unsettled at year-end are stated as follows:

- for commitments to purchase, at the lower of the settlement price and the year-end market price;

- for commitments to sell, at the lower of the settlement price and book value.

Derivative contracts are valued in accordance with the purpose for which they were entered into. In particular:

- economically linked transactions entered into for hedging purposes are valued on a basis consistent with the hedged assets and liabilities.
- economically linked transactions incorporated in complex financial portfolios made up of securities, other financial instruments and derivatives are valued at the lower of cost and market price, recognizing capital gains only up to the amount of recognized capital losses ;
- trading contracts on the Bank's own behalf are valued at the lower of purchase cost and the corresponding market value. Any negative differences are recognized under "Income (loss) on financial transactions".

Commissions in respect of trading contracts on behalf of customers are recognized in the financial year in which the contracts were made.

Premiums paid and received in the purchase and writing of options are capitalized under caption 130 of assets (other assets) and 50 of liabilities (other liabilities).

Premiums in respect of options exercised by the expiry date increase or decrease, depending on the case, the price of the underlying assets (if the option contract provides for the exchange of principal) or the difference received or paid (if the option does not involve the exchange of principal).

Premiums in respect of options unexercised at the expiry date are recognized in the income statement under caption 60 (Income (loss) on financial transactions) or under items 70 or 110 (other operating income - other operating costs), depending on whether the options form part of trading activity or not. Profits and losses on options trading are also posted under caption 60.

3. Equity investments

Equity investments are valued at cost. The value is written down for lasting impairment where the investee company has suffered losses that are not expected to be offset by profits in the immediate future. The original value is reinstated in subsequent years if the reasons for the writedown cease to obtain.

Dividends and any related tax credit are recorded in the year in which they are approved, which normally coincides with the year in which they are paid.

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

Assets and liabilities denominated in or indexed to foreign currencies are stated at year-end spot rates.

Off-balance-sheet transactions in foreign currencies consisting of unsettled sale or purchase contracts or forward hedging contracts are valued at year-end spot rates.

Foreign currency derivatives are valued at the year-end forward exchange rate applicable to maturities corresponding to those of the transactions involved.

The economic effects of the valuations are recognized in the income statement with a contra-item under other assets and liabilities in the case of off-balance-sheet transactions.

The difference between exchange rate at the date of the transaction and the contractual forward rate is charged to the income statement on an accruals basis in line with the recording of interest on the hedged assets or liabilities.

Costs and revenues denominated in foreign currencies are translated at the exchange rate on the recording date.

5. Tangible assets

Tangible assets are carried at cost including incidental expenses; the carrying value includes revaluations carried out in compliance with law and is stated net of accumulated depreciation.

Tangible assets are depreciated on a straight-line basis applying ordinary rates of depreciation determined in relation to the estimated useful lives of the assets. The rates correspond to the maximum rates allowed under tax regulations. In the event of a permanent impairment of value, regardless of accumulated depreciation, the asset is written down accordingly. The original value is reinstated in subsequent years if the reasons for the writedown cease to obtain.

Improvement costs are capitalized and allocated to the related asset. They are then depreciated on the basis of the remaining useful life of the asset.

6. Intangible assets

These are carried at cost including incidental expenses and net of accumulated amortization, which is calculated on a straight-line basis over the estimated useful life of the assets and in any case over no more than five years.

Start-up and expansion costs, purchased goodwill and other deferred costs are carried under assets with the consent of the Board of Auditors. Such costs are amortized over a maximum period of five years.

7. Other items

Accruals and deferrals

Accruals and deferrals include the accrued share of revenues and expenses covering two or more accounting periods.

Staff severance pay

The staff severance pay provision covers the entire liability accrued in respect of severance pay entitlements in accordance with the applicable legislation and collective and company-level labor contracts.

Provision for liabilities and contingencies

The tax provision covers accrued income and indirect taxes, allocated on the basis of the estimated tax liability as calculated in accordance with tax regulations.

Following the tax reform introduced with Legislative Decree 344/2003, the Bank elected to participate as from the 2004 financial year in the national consolidated taxation mechanism, entering into a specific agreement with the parent company, Iccrea Holding S.p.A.. Under the mechanism, the Bank transfers its taxable income and tax credits to the parent company. The parent then discharges the tax liability in respect of corporate income tax (IRES) for all participating companies. All the financial assets and liabilities transferred to the parent company are posted here under "Other assets" and "Other liabilities". "Other assets" contains advances paid, tax withheld and tax credits due for 2005; "Other liabilities" includes the overall IRES liability.

Deferred tax is calculated on the basis of the tax effect of temporary differences between the amount of an income component recognized under statutory provisions and that recognized for tax purposes, or when expenses (revenues) can be deducted (taxed) in a different year from that in which they are charged to the income statement.

To this end, "taxable temporary differences" are those that in future periods will give rise to taxable amounts (for example, deferred capital gains) and "deductible temporary differences" are those that in future periods will give rise deductible amounts (for example, writedowns of payables in excess of 0.4% of their value).

Deferred tax assets are reported if it is reasonably certain that they will be recovered, while deferred tax liabilities are reported on an accruals basis.

The provision for personnel costs includes accrued liabilities in respect of staff, such as bonuses, unused holiday entitlement and contract renewals.

Other provisions for liabilities and contingencies include the theoretical net worth of the Central Guarantee Fund.

Other provisions are made to cover risks associated with guarantees issued and other commitments as well as liabilities that are likely or certain to be incurred but uncertain as to amount or the date on which they will arise. The provisions made to cover such liabilities reflect the best possible estimate based on the information available.

Loan-loss provision

The provision covers possible credit risks only and does not adjust the value of loans.

Provision for general banking risks

This provision covers general business risks and therefore forms part of shareholders' equity. The net change over the year is charged to the income statement.

SECTION 2: WRITEDOWNS AND PROVISIONS EFFECTED SOLELY FOR TAX PURPOSES

Part B:
Information
on the
balance sheet

SECTION 1: LOANS

Cash and balances with central banks and post offices "Caption 10"

	31/12/05	31/12/04
The item shows a balance of :	33,439	25,126
and includes:		
- Notes and coin	33,391	24,905
- Balances at post offices	48	221

The item includes €28,058 thousand in "Notes and coins" with third parties.

1.1 Breakdown of caption 30 "Loans to banks"

	31/12/05	31/12/04
The item shows a balance of:	4,603,901	5,041,956
And includes:		
a) claims on central banks (1)	166,302	138,830
b) bills eligible for refinancing with central banks	0	0
c) repurchase agreements	49,291	123,277
d) securities lending	0	0

(1) This is the reserve requirement of the Bank and that managed on behalf of mutual banks/rural and artisans' banks (BCCs and CRAs) as at 31 December 2005.

The following table details transactions with BCCs/CRAs and other banks:

	31/12/05	31/12/04
- repurchase agreements:	49,291	123,277
- BCCs and CRAs,	49,291	0
- Other banks	0	123,277
- other loans:	4,554,610	4,918,679
- deposits	3,544,965	4,002,727
- BCCs and CRAs,	0	0
- Other banks	3,544,965	4,002,727
- current accounts	347,005	318,946
- BCCs and CRAs,	145,257	133,969
- Other banks	201,748	184,977
- other	662,640	597,006
- BCCs and CRAs,	662,535	596,356
- Other banks	105	650
Total BCCs and CRAs,	857,083	730,325
Total Other banks	3,746,818	4,311,631
Total	4,603,901	5,041,956

Other loans to BCCs are mainly foreign currency loans.

1.2 Status of loans to banks

	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE
A. Impaired loans	0	0	0
A.1. Bad debts	0	0	0
A.2. Substandard loans	0	0	0
A.3. Restructured loans	0	0	0
A.4. Past due loans	0	0	0
A.5. Unsecured loans to countries at risk	0	0	0
B. Performing loans	4,603,901	0	4,603,901
Total	4,603,901	0	4,603,901

1.3 Changes in impaired loans to banks

	BAD DEBTS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	PAST DUE LOANS	UNSECURED LOANS TO COUNTRIES AT RISK
A. Opening gross exposure	0	0	0	0	0
A.1. of which: default interest	0	0	0	0	0
B. Increases:	0	0	0	0	0
B.1. from performing loans	0	0	0	0	0
B.2. default interest	0	0	0	0	0
B.3. transfers from other categories of impaired loans	0	0	0	0	0
B.4. other increases	0	0	0	0	0
C. Decreases:	0	0	0	0	0
C.1. to performing loans	0	0	0	0	0
C.2. cancellations	0	0	0	0	0
C.3. collections	0	0	0	0	0
C.4. assignments	0	0	0	0	0
C.5. transfers to other categories of of impaired loans	0	0	0	0	0
C.6. other decreases	0	0	0	0	0
D. Closing gross exposure	0	0	0	0	0
D.1. of which: default interest	0	0	0	0	0

1.4 Changes in total adjustments of loans to banks

	BAD DEBTS	SUBSTANDAR	RESTRUCTURED	PAST DUE	UNSECURED	PERFORMING
		D LOANS	LOANS	LOANS	LOANS	LOANS
					TO COUNTRIES	
					AT RISK	
A. Total opening adjustments	0	0	0	0	0	0
A.1. of which: default interest	0	0	0	0	0	0
B. Increases:	0	0	0	0	0	0
B.1. writedowns	0	0	0	0	0	0
B.1.1. of which: default interest	0	0	0	0	0	0
B.2. utilization of loan-loss provision	0	0	0	0	0	0
B.3. transfers from other categories of loans	0	0	0	0	0	0
B.4. other increases	0	0	0	0	0	0
C. Decreases:	0	0	0	0	0	0
C.1. writebacks from valuations	0	0	0	0	0	0
C.1.1. of which: default interest	0	0	0	0	0	0
C.2. writebacks from collections	0	0	0	0	0	0
C.2.1. of which: default interest	0	0	0	0	0	0
C.3. cancellations	0	0	0	0	0	0
C.4. transfers to other categories of impaired loans	0	0	0	0	0	0
C.5. other decreases	0	0	0	0	0	0
D. Total closing adjustments	0	0	0	0	0	0
D.1. of which: default interest	0	0	0	0	0	0

1.5 Breakdown of caption 40 "Loans to customers"

	31/12/05	31/12/04
The item shows a balance of:	881,639	698,842
and includes:		
a) bills eligible for refinancing with central banks	0	0
b) repurchase agreements	6,047	7,091
c) securities lending	0	0
Current accounts	31/12/05	31/12/04
Loans and other financing	205,585	130,437
Receivables due from parent company	566,639	453,684
Portfolio discounting	73,107	75,505
Third-party funds under administration	59	159
Bad debts	6,274	7,039
Receivables in respect of CBOs	20,756	21,087
Repurchase agreements	3,172	3,840
Total	6,047	7,091
Current accounts	881,639	698,842

1.6 Loans to customers secured by

	31/12/05	31/12/04
a) mortgages	596,856	421,693
b) collateral:	16,818	6,019
1. cash	0	0
2. securities	4,474	5,872
3. other assets	12,344	147
c) guarantees issued by:	42,795	34,684
1. governments	0	0
b) other public entities	958	747
3. banks	21,043	23,408
4. other	20,794	10,529
Total	656,469	462,396

For partly secured loans, only the secured portion is included.

1.7 Status of loans to customers

	GROSS EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE
A. Impaired loans	48,075	14,977	33,098
A.1. Bad debts	34,125	13,368	20,757
A.2. Substandard loans	10,449	1,073	9,376
A.3. Restructured loans	2,741	536	2,205
A.4. Past due loans	760	3	757
A.5. Unsecured loans to countries at risk	0	0	0
B. Performing loans	851,186	2,642	848,544
Total	899,261	17,622	881,639

1.8 Changes in impaired loans to customers

	BAD DEBTS	SUBSTANDARD LOANS	RESTRUCTURED LOANS	PAST DUE LOANS	UNSECURED LOANS TO COUNTRIES AT RISK
A. Opening gross exposure	32,791	8,354	2,749	0	0
A.1. of which: default interest	8,884	312	0	0	0
B. Increases:	5,251	7,699	0	760	0
B.1. from performing loans	0	7,538	0	742	0
B.2. default interest	401	161	0	18	0
B.3. transfers from other categories of impaired loans	4,743	0	0	0	0
B.4. other increases	107	0	0	0	0
C. Decreases:	3,917	5,604	8	0	0
C.1. to performing loans	0	333	0	0	0
C.2. cancellations	334	77	0	0	0
C.3. collections	3,583	386	8	0	0
C.4. assignments	0	65	0	0	0
C.5. transfers to other categories of of impaired loans	0	4,743	0	0	0
C.6. other decreases	0	0	0	0	0
D. Closing gross exposure	34,125	10,449	2,741	760	0
D.1. of which: default interest	8,607	307	0	18	0

1.9 Changes in total adjustments of loans to customers

	BAD DEBTS	SUBSTANDARD	RESTRUC-	PAST DUE	UNSECURED	PERFORMING
	LOANS	LOANS	TURED LOANS	LOANS	LOANS	LOANS
					TO COUNTRIES	
					AT RISK	
A. Total opening adjustments	11,704	1,245	536	0	0	2,933
A.1. of which: default interest	6,211	194	0	0	0	0
B. Increases:	3,508	1,025	0	3	0	7
B.1. writedowns	2,322	824	0	0	0	0
B.1.1. of which: default interest	435	103	0	0	0	0
B.2. utilization of loan-loss provision	181	7	0	0	0	7
B.3. transfers from other categories of loans	1,004	194	0	3	0	0
B.4. other increases	1	0	0	0	0	0
C. Decreases:	1,844	1,197	0	0	0	298
C.1. writebacks from valuations	868	116	0	0	0	95
C.1.1. of which: default interest	501	114	0	0	0	0
C.2. writebacks from collections	642	0	0	0	0	0
C.2.1. of which: default interest	496	0	0	0	0	0
C.3. cancellations	334	77	0	0	0	7
C.4. transfers to other categories of impaired loans	0	1,004	0	0	0	196
C.5. other decreases	0	0	0	0	0	0
D. Total closing adjustments	13,368	1,073	536	3	0	2,642
D.1. of which: default interest	5,604	120	0	0	0	0

Expected losses are calculated using analytical and statistical methods, the latter being used for bad debts in respect of personal loans and for calculating normal risk.

The analytical method (used with bad debts and substandard loans) is normally based on standard criteria approved by the Board of Directors that, among other things, envisage the prudent valuation of any guarantees (for example, for loans secured by mortgages, the value of the asset is considered as 50% of the updated appraised value; for those backed by supplementary guarantees, such as the Central Guarantee Fund, the guarantor's contribution is reduced by at least 10% of the Fund's liability as established by law) and/or the financial situation of any guarantors.

For bad debts in respect of personal loans, the statistical method is based on stratification by age category, with the measurement of collections and losses on closed transactions. The results are then processed to produce a percentage of expected loss, which is applied to the entire stock outstanding.

Other loans are written down on a general basis using statistical techniques that use the values for impairment rates (impaired loans as a percentage of total loans) and the percentage of non-recoverability (percentage of expected losses on impaired loans over time) as determined on the basis of statistical analysis of data for the previous five years, with a focus and consequent opening of the stock of loans to ordinary customers on the basis of the forms of security backing such investments. The results contribute to prudently determining the percentage of provisions required. Loans bearing non-market rates are written down by discounting at average market rates. Among other things, this approach seeks to provide a solution that is consistent with recent methodological developments introduced with the adoption of international accounting standards (IAS).

As in the case of classification, specific analytical valuations are carried out by line management, with extensive sample checks by control units. The Risk Management Department develops the general forecasts.

Valuations are submitted to the Board of Directors for approval.

SECTION 2: SECURITIES

Securities holdings are classified as follows:

	31/12/05	31/12/04
Treasury securities and other securities eligible for refinancing with central banks (caption 20):	551,990	170,850
Bonds and other debt securities (caption 50)	667,500	512,737
Shares and other equities (caption 60)	96,906	86,245
Total:	1,316,396	769,832
Of which:		
Investment securities	0	0
Trading securities	1,316,396	769,832

2.1 Investment securities

	BOOK VALUE		MARKET VALUE	
	31/12/05	31/12/04	31/12/05	31/12/04
1. Debt securities	0	0	0	0
1.1 Government securities	0	0	0	0
- listed	0	0	0	0
- unlisted	0	0	0	0
1.2. Other securities	0	0	0	0
- listed	0	0	0	0
- unlisted	0	0	0	0
2. Equity securities	0	0	0	0
- listed	0	0	0	0
- unlisted	0	0	0	0
Total	0	0	0	0

2.2 Changes in investment securities

	2005	2004
A. Opening balance	0	0
B. Increases	0	0
B1. Purchases	0	0
B2. Writebacks	0	0
B3. Transfers from trading portfolio	0	0
B4. Other changes	0	0
C. Decreases	0	0
C1. Sales	0	0
C2. Repayments	0	0
C3. Writedowns	0	0
of which:		
- permanent writedowns	0	0
C4. Transfers to trading portfolio	0	0
C5. Other changes	0	0
D. Closing balance	0	0

2.3 Trading securities

	BOOK VALUE		MARKET VALUE	
	31/12/05	31/12/04	31/12/05	31/12/04
1. Debt securities	1,219,490	683,587	1,219,798	684,117
1.1. Government securities	877,802	441,515	877,827	441,669
- listed	877,802	441,515	877,827	441,669
- unlisted	0	0	0	0
1.2 Other securities	341,688	242,072	341,971	242,448
- listed	909	223	910	224
- unlisted	340,779	241,849	341,061	242,224
2. Equity securities	96,906	86,245	97,191	86,278
- listed	75,660	73,589	75,936	73,618
- unlisted	21,246	12,656	21,255	12,660
Total	1,316,396	769,832	1,316,989	770,395

Valuation of securities produced writedowns of €1,565 thousand and writebacks of €278 thousand.

Securities in complex portfolios showed capital gains of €8,691 thousand, which were taken to income in partial coverage of capital losses of €8,854 thousand, as shown in the breakdown of “Other liabilities”.

There are also unrecognized capital gains of €612 thousand at market values, as indicated in Part A - Section 1 on significant accounting policies. Equity securities include €57,236 thousand in Securfondo units.

Trading volumes for the year divided by type of security are shown below:

2.4 Changes in trading securities

	2005	2004
A. Opening balance	769,832	659,256
B. Increases	49,756,204	60,133,889
B.1. Purchases	49,735,755	60,111,671
- Debt securities	48,670,472	59,546,556
+ government securities	42,672,992	52,245,325
+ other	5,997,480	7,301,231
- Equity securities	1,065,283	565,115
B.2. Writebacks and revaluations	8,969	4,417
B.3. Transfers from investment portfolio	0	0
B.4. Other changes	11,480	17,801
C. Decreases	49,209,640	60,023,313
C.1. Sales and redemptions	49,197,917	60,015,959
- Debt securities	48,140,698	59,448,094
+ government securities	42,276,557	52,252,786
+ other	5,864,141	7,195,308
- Equity securities	1,057,219	567,865
C.2. Writedowns	1,565	1,883
C.3. Transfers to investment portfolio	0	0
C.4. Other changes	10,158	5,471
D. Closing balance	1,316,396	769,832

SECTION 3: EQUITY INVESTMENTS

3.1 Significant equity investments

	REGISTERED OFFICE	SHAREHOLDERS' EQUITY	NET INCOME (LOSS)	% HOLDING	BOOK VALUE
A. Subsidiaries					
1 Credico Finance S.r.l.	Rome	54	1	92	48
2 Bcc Securis S.r.l.	Rome	10	0	90	9
B. Companies subject to significant influence					
1 Prominvestment S.p.A.	Rome	1,675	61	30	685

Pursuant to Article 24 of Legislative Decree 87/1992 the Bank's subsidiaries are consolidated by the parent company, Iccrea Holding S.p.A.

As regards the valuation of Prominvestment S.p.A., the difference with respect to the corresponding portion of shareholders' equity represents the greater amount paid in the acquisition.

3.2 Assets and liabilities with Group companies

	31/12/05	31/12/04
a. Assets	135,491	86,750
1. Loans to banks	718	9
Of which: - subordinated	0	0
2. Loans to financial institutions	78,291	81,622
Of which: - subordinated	0	0
3. Loans to other customers	54,882	3,519
Of which: - subordinated	0	0
4. Bonds and other debt securities	1,600	1,600
Of which: - subordinated	0	0
b. Liabilities	365,022	452,835
1. Due to banks	191,831	277,411
2. Due to financial institutions	34,389	69,822
3. Due to other customers	46,417	105,602
4. Debt securities in issue	92,385	0
5. Subordinated debt	0	0
c. Guarantees and commitments	253,429	253,429
1. Guarantees issued	253,429	253,429
2. Commitments	0	0

The composition of **assets** with Group companies is as follows:

	31/12/05	31/12/04
ICCREA Holding S.p.A - parent company -	78,190	81,481
Banca Agrileasing S.p.A.	2,318	1,609
Immicra S.r.l.	540	669
Bcc Vita S.p.A.	27,464	105
Nolè S.p.A.	1,932	2,327
Aureo Gestioni S.G.R.p.A.	42	90
Credico Finance S.r.l.	12	4
Bcc Gestione Crediti S.p.A.	35	29
Bcc Gestioni Immobiliari S.p.A.	24,946	417
Bcc Private Equity S.G.R.p.A.	1	0
BCC Securis S.r.l.	11	0
Bcc Capital S.p.A.	0	19

The composition of **liabilities** with Group companies is as follows:

	31/12/05	31/12/04
ICCREA Holding S.p.A - parent company -	27,261	60,570
Banca Agrileasing S.p.A.	191,831	277,411
Aureo Gestioni S.G.R.p.A.	2,500	5,042
BCC Servizi Innovativi S.r.l.	240	191
Immicra S.r.l.	201	83
Credico Finance S.p.A.	41	7
BCC Capital S.p.A.	0	41
BCC Gestione Crediti S.p.A.	1,042	485
TKLeasing & Factoring S.p.A.	1,089	3,178
BCC Vita S.p.A.	135,658	103,818
BCC Securis S.r.l.	9	9
BCC WEB S.p.A.	1,577	1,331
Bcc Private Equity S.G.R.p..A.	2,447	56
SEF Consulting S.p.A.	1,109	179
Bcc Gestioni Immobiliari S.p.A.	17	0
Simcasse S.p.A.in liquidazione	0	434

3.3 Assets and liabilities with affiliated companies (excluding Group companies)

	31/12/05	31/12/04
a. Assets	3,928	6,415
1. Loans to banks	0	0
of which:		
- subordinated	0	0
2. Loans to financial institutions	3,531	6,317
of which:		
- subordinated	0	0
3. Loans to other customers	397	98
of which:		
- subordinated	0	0
4. Bonds and other debt securities	0	0
of which:		
- subordinated	0	0
b. Liabilities	12,088	8,616
1. Due to banks	0	0
2. Due to financial institutions	8,994	7,616
3. Due to other customers	3,094	1,000
4. Debt securities in issue	0	0
5. Subordinated debt	0	0
c. Guarantees and commitments	0	0
1. Guarantees issued	0	0
2. Commitments	0	0

3.4 Composition of caption 70 "Equity investments"

	31/12/05	31/12/04
a. banks	0	0
1. listed	0	0
2. unlisted	0	0
b. financial institutions	1,177	1,180
1. listed	0	0
2. unlisted	1,177	1,180
c. other	1,240	1,504
1. listed	0	0
2. unlisted	1,240	1,504

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

	31/12/05	31/12/04
a. banks	0	0
1. listed	0	0
2. unlisted	0	0
b. financial institutions	442	357
1. listed	0	0
2. unlisted	442	357
c. other	370	260
1. listed	0	0
2. unlisted	370	260

3.6 Changes in equity investments

3.6.1 Equity investments in Group companies

	31/12/05	31/12/04
A. Opening balance	617	510
B. Increases	297	107
B1. Purchases	212	107
B2. Writebacks	0	0
B3. Revaluations	0	0
B4. Other changes	85	0
C. Decreases	102	0
C1. Sales	0	0
C2. Writedowns	0	0
of which:		
- permanent writedowns	0	0
C3. Other changes	102	0
D. Closing balance	812	617
E. Total revaluations	0	0
F. Total writedowns	0	0

Purchases include the capital increase in Bcc Vita S.p.A. in the amount of €110 thousand and the acquisition of 100% of Simcasse Spa in liquidation for €102 thousand. Other increases include a contribution to an equity reserve for Bcc Gestione Crediti. The item other decreases reflects the absorption of Simcasse S.p.A. in liquidation on 23 November 2005 with tax effects as from 1 January 2005.

3.6.2 Other equity investments

	31/12/05	31/12/04
A. Opening balance	2,684	2,710
B. Increases	2,933	245
B1. Purchases	1	92
B2. Writebacks	0	0
B3. Revaluations	0	0
B4. Other changes	2,932	153
C. Decreases	3,200	271
C1. Sales	418	191
C2. Writedowns	144	80
of which:		
- permanent writedowns	144	80
C3. Other changes	2,638	0
D. Closing balance	2,417	2,684
E. Total revaluations	0	0
F. Total writedowns	0	0

Sales and other changes mainly concern the partial sale of the investment in M.T.S. S.p.A., the remainder of which was divested in February 2006. Other increases and decreases include €2,353 thousand in respect of the revenues from the sale of 51% of our holding in Borsa Italiana S.p.A..

During the year, the Bank made a contribution of €144 thousand to reserves for coverage of losses to Invoicing, which was subsequently written down.

SECTION 4: TANGIBLE AND INTANGIBLE ASSETS

TANGIBLE ASSETS

4.1 Changes in tangible assets

	LAND AND BUILDINGS		MOVABLES		MACHINERY AND PLANT		TOTAL	
	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04
A. Opening balance	96,884	100,801	744	889	6,431	7,029	104,059	108,719
B. Increases	0	0	43	59	4,977	3,465	5,020	3,524
B1. Purchases	0	0	43	59	4,977	3,465	5,020	3,524
B2. Writebacks	0	0	0	0	0	0	0	0
B3. Revaluations	0	0	0	0	0	0	0	0
B4. Other changes	0	0	0	0	0	0	0	0
C. Decreases	3,917	3,917	204	204	2,472	4,063	6,593	8,184
C1. Sales	0	0	36	9	140	2,081	176	2,090
C2. Writedowns	3,917	3,917	168	195	2,332	1,982	6,417	6,094
a) depreciation	3,917	3,917	167	195	2,332	1,982	6,417	6,094
b) permanent writedowns	0	0	0	0	0	0	0	0
C3. Other changes	0	0	0	0	0	0	0	0
D. Closing balance	92,967	96,884	584	744	8,936	6,431	102,486	104,059
E. Total revaluations	0	102,960	0	0	0	0	102,960	102,960
F. Total writedowns	38,095	34,178	2,813	2,913	15,311	14,295	56,218	51,386
a) depreciation	38,095	34,178	2,813	2,913	15,311	14,295	56,218	51,386
b) permanent writedowns	0	0	0	0	0	0	0	0

INTANGIBLE ASSETS

Intangible fixed assets, representing costs with long-term benefits, are shown net of amortization in the table:

	31/12/05	31/12/04
- software licenses	2,674	3,257
- projects in use	423	979
Total	3,097	4,236

4.2 Changes in intangible assets

	31/12/05	31/12/04
A. Opening balance	4,236	5,195
B. Increases	1,889	3,563
B1. Purchases	1,889	3,563
B2. Writebacks	0	0
B3. Revaluations	0	0
B4. Other changes	0	0
C. Decreases	3,028	4,522
C1. Sales	0	0
C2. Writedowns	3,028	4,522
a) amortization	3,028	4,522
b) permanent writedowns	0	0
C3. Other changes	0	0
D. Closing balance	3,097	4,236
E. Total revaluations	0	0
F. Total writedowns	6,077	10,089
a) amortization	6,077	10,089
b) permanent writedowns	0	0

Purchases regard software licenses. Intangible fixed assets are amortized over three years.

SECTION 5: OTHER ASSETS

5.1 Composition of caption 130 "Other assets"

	31/12/05	31/12/04
- Tax receivables	9,430	11,312
- Tax credit in respect of ICCREA Holding contribution	20,050	19,673
- Commissions to be charged	15,152	19,210
- Premiums on options purchased	56,488	71,305
- Commercial collections	16	517
- Revaluation of foreign exchange transactions	0	3,630
- Due from parent company for consolidated taxation mechanism	4,439	5,362
- Other	12,004	12,124
Total	117,579	143,133

Tax receivables regard advances on account for indirect taxes and IRAP and deferred tax assets. Outstanding items totaling €112,781 thousand have been reclassified under a separate heading.

Other assets vis-à-vis the parent company represent payments on account for IRES, withholdings and tax credits to transfer as part of consolidated taxation mechanism.

Premiums on options decreased owing to the transfer of operations in interest rate swaps.

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

The caption breaks down as follows:

	31/12/05	31/12/04
Accrued income :		
- interest on securities	7,430	3,104
- interest on reserve requirement	1,140	850
- interest on mortgages and loans	5,501	2,987
- interest on special credit transactions	1,132	2,949
- interest on deposits and other foreign transactions	26,463	16,745
- repurchase agreements	132	157
- derivatives transactions	43,830	29,430
- other transactions	0	0
Total accrued income	85,628	56,222
Prepaid expenses:		
- discount on issue of securities	3,082	4,556
- derivatives transactions	36,936	32,758
- other	4,801	4,110
Total prepaid expenses	44,819	41,424

The increase in accrued income and prepaid expenses for derivatives operations is attributable to an increase in operations in interest rate swaps (see table 10.7).

5.3 Adjustments for accrued income and prepaid expenses

No direct adjustments were made to balance sheet items in respect of accrued income and prepaid expenses except for those expressly provided for by law

5.4 Distribution of subordinated assets

	31/12/05	31/12/04
a) Loans to banks (BCCs)	5,500	11,697
b) Loans to customers	3,239	3,840
c) Bonds and other debt securities:	194,193	207,428

The item regards loans to BCCs.

Loans to customers regard the financing issued to the Credico Funding 2 S.r.l. special purpose vehicle as part of the CBO2 operation.

The bonds regard BCC issues and the subscription of mezzanine and junior securities from the securitizations (CBO1 and CBO2) discussed in section 11.8.

SECTION 6: DEBT AND PAYABLES

6.1. Breakdown of caption 10 "Due to banks"

	31/12/05	31/12/04
a) repurchase agreements	79,834	91,582
b) securities lending	0	0

The item breaks down as follows:

	31/12/05	31/12/04
- repurchase agreements	79,834	91,582
- BCCs and CRAs	79,035	91,582
- Other banks	799	0
- other liabilities	5,521,904	5,303,543
- deposits	5,034,129	4,963,098
- BCCs and CRAs	3,893,137	3,964,771
- Other banks	1,140,992	998,327
- current accounts	442,138	304,970
- BCCs and CRAs	123,647	141,579
- Other banks	318,491	163,391
- other	45,637	35,475
- Other banks	45,637	35,475
Total BCCs and CRAs	4,095,819	4,197,932
Total Other banks	1,505,919	1,197,193
Total	5,601,738	5,395,125

The deposits of the BCCs and CRAs include €680,693 thousand in respect of reserve requirements managed by the Bank on their behalf.

6.2 Breakdown of "Due to customers"

	31/12/05	31/12/04
a) repurchase agreements	2,898	14,085
b) securities lending	0	0
Total	2,898	14,085

The amount of "Due to customers", equal to €388,186 thousand, mainly consists of current accounts; the interest paid is in line with market rates.

6.3 Breakdown of caption 6 "Debt securities in issue"

	31/12/05	31/12/04
The item totals>	581,998	408,057

The item breaks down as follows: bonds totaling €105,400 thousand, credit linked notes totaling €92,385 thousand and checks in circulation totaling €384,213 thousand. Securities maturing during the year came to €2,500 thousand, while new issues amounted to €60,000. Early redemptions of credit linked notes totaled €3,465 thousand.

6.4 Breakdown of caption 6 "Third-party funds under administration"

	31/12/05	31/12/04
The item totals:	6,274	7,039

The item is the balance of central government funds, former Agensud funds (Southern Italy Development Agency) and regional funds provided for special loans.

SECTION 7: PROVISIONS

Staff severance pay provision "Caption 70"

The staff severance pay provision totals €18,997 thousand. It represents employees' accrued severance entitlement at year-end.

Changes for the year were as follows:

Balance at 31 December 2004:	18,740
Releases for advances and severance pay:	-2,043
Transfer to the Solidarity Fund:	-186
Transfer to the Supplementary Pension Fund:	-582
Capital gains tax on revaluation:	-57
Provisions:	3,125
Balance at 31 December 2005:	18,997

Provisions for liabilities and contingencies "Caption 80"

- Provision for taxes and duties " 80_B":

The provision of €12,283 thousand represents allocations made in respect of liabilities for direct, indirect and deferred taxes, calculated on the basis of tax legislation, as well as the liability for IRAP.

Changes for the year were as follows:

Balance at 31 December 2004:	9,010
Releases for income taxes:	-5,018
Releases for excess provisions	-125
Increase for deferred taxes:	2,492
Increase for IRAP:	3,901
Increase for indirect taxes:	2,023
Balance at 31 December 2005:	12,283

7.1 Composition of caption 90 "Loan-loss provision"

	31/12/05	31/12/04
The item totals:	4,586	4,781

The provision of €4,586 thousand covers the risk of potential loan losses. It therefore does not adjust asset items. During the year releases amounted to €195 thousand to cover losses recognized pursuant to Article 101 of Presidential Decree 917/1986

7.2 Change in "Loan-loss provision" (caption 90)

	31/12/05	31/12/04
A. Opening balance	4,781	5,000
B. Increases	0	0
B1. Allocations	0	0
B2. Other changes	0	0
C. Decreases	195	219
C1. Releases	195	219
C2. Other changes	0	0
D. Closing balance	4,586	4,781

7.3 Composition of caption 80 c) "Provisions for liabilities and contingencies: other provisions":

	31/12/05	31/12/04
The item totals:	11,076	9,415

The item comprises the following provisions:

Provision for future liabilities and contingencies

The item totals €6,520 thousand and was established to cover the risk of revocatory actions in bankruptcy involving a number of claims, the estimated losses on pending suits, the risk in respect of tax credits whose reimbursement is uncertain and the risk associated with litigation following the takeover of Simcasse S.p.A. in liquidation. Any greater charges in respect of such litigation are guaranteed by the parent company, Iccrea Holding S.p.A..

Provision for personnel costs

The provision of €2,637 thousand covers liabilities in respect of incentive programs, bonuses and unused holiday entitlement.

Central Guarantee Fund

The provision, which totals €1,919 thousand, represents the theoretical net worth of the Central Guarantee Fund, established in 1979 for the purpose of protecting the image of the BCCs and CRAs, to maintain branches and provide financing and capital to those in temporary difficulty.

The management of the Fund does not have an impact of the Bank's results.

The assets and liabilities of the Fund at 31 December 2005 are shown below:

ASSETS	31/12/05	31/12/04
Deposits with banks	20,340	7,957
Loans to CRAs	0	11,362
Other assets	0	496
Total assets	20,340	19,815
LIABILITIES	31/12/05	31/12/04
BCC deposits	18,315	18,040
Other liabilities	7	0
Provision for taxes	99	15
Central Guarantee Fund reserve	1,919	1,760
Total liabilities	20,340	19,815

Changes in the Fund reserve for the year were as follows:

Balance at 31 December 2004	1,760
Allocation for the year	159
Balance at 31 December 2005	1,919

The increase in deposits with respect to the previous year is attributable to the repayment of loans outstanding at 31 December 2004. As regards prior-year activities, the only items to settle regard the guarantee issued to Credito Emiliano, repayment of certain differential gains due from the BCCs and the allocation of the existing reserve.

The amount of the reserve is considered sufficient to cover the commitments of the Fund. At the start of 2006, following a resolution by Federcasse, the tied deposits totaling €18,315 thousand of the BCCs were repaid in full.

The annexes detail the economic and financial situation regarding the formation of the Fund reserve.

7.4 Changes in deferred tax assets

1. Opening balance	2,945
2. Increases	915
2.1 Deferred tax assets arising during the year	915
2.2 Other increases	0
3. Decreases	-1,120
3.1 Deferred tax assets reversed during the year	-1,120
3.2 Other decreases	0
4. Closing balance	2,740

7.5 Changes in deferred tax liabilities

1. Opening balance	3,770
2. Increases	3,892
2.1 Deferred tax liabilities arising during the year	3,892
2.2 Other increases	0
3. Decreases	-1,400
3.1 Deferred tax liabilities reversed during the year	-1,400
3.3 Other decreases	0
4. Closing balance	6,262

SECTION 8: SHARE CAPITAL, RESERVES, PROVISION FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

The Bank's **shareholders' equity** at 31 December 2005 amounted to €320,441 **thousand**, as shown in the schedule in the annexes.

8.1 Regulatory capital and prudential capital requirements

	2005	2004
A. Regulatory capital		
A.1 Tier 1 capital	260,742	251,128
A.2 Tier 2 capital	51,829	51,930
A.3 Deductible elements	5,523	17,571
A.4 Regulatory capital	307,048	285,487
B. Prudential capital requirements		
B.1 Credit risk	133,639	124,623
B.2 Market risks	41,560	40,670
of which:		
- risk on trading portfolio	41,560	40,670
- exchange rate risk	0	0
B.3 Tier 3 subordinated debt	0	0
B.4 Other requirements	5,416	5,416
B.5 Total capital requirements	180,615	170,709
C. Risk assets and capital ratios		
C1. Risk-weighted assets	2,580,214	2,438,700
C2. Tier-1 capital/risk-weighted assets	10.11%	10.30%
C3. Regulatory capital/risk-weighted assets	11.90%	11.71%

Provision for general banking risks "Caption 100"

	31/12/05	31/12/04
The item totals:	18,050	13,350

The provision increased by €4,700 thousand.

Share capital "Caption 120"

	31/12/05	31/12/04
Fully subscribed share capital totals:	216,913	216,913

Share capital consists of 420,000 shares with a par value of €516.46 each, held by the parent company, ICCREA HOLDING S.p.A., the Federazione Lombarda delle BCC and the Cassa Centrale delle C.R. Trentine – Bcc North Est S.p.A.

Reserves "Caption 140"

	31/12/05	31/12/04
Reserves total:	25,100	21,680

Reserves increased following the allocation of net income approved by the Shareholders' Meeting of 29 April 2005.

Revaluation reserve "Caption 150"

	31/12/05	31/12/04
Reserves total:	47,866	47,866

The item represents the revaluation of real estate carried out pursuant to Law 350/2003 (ex Law 342/2000).

Net income for the year "Caption 170"

	31/12/05	31/12/04
Net income for the year totals:	12,513	11,049

In accordance with the Bank's bylaws, three tenths of net income is allocated to the legal reserve. The remaining seven tenths is available for distribution to shareholders, with a portion available to the Board of Directors to fund charitable or public relations initiatives.

Information on the components of shareholders' equity at 31 December 2005

	AMOUNT	POSSIBLE USES (*)	AVAILABLE AMOUNT	USES MADE DURING PAST THREE YEARS	
				TO COVER LOSSES	OTHER REASONS
Share capital	216,913				
Reserves:	24,809	B	24,809		
a) legal reserve					
b) Reserve provided for in bylaws	205	A – B - C	205		
c) other reserves	87	A – B - C	87		
Revaluation reserve (Law 342 of 22/11/2000)	47,866	A – B – C (**)	47,866		
Net income for the year	12,513				
TOTAL	302,393				
Provision for general banking risks	18,050	A – B - C	17,627		

(*) A = for capital increase; B = for coverage of losses; C = for distribution to shareholders

(**) If the reserve is used to cover losses, no earnings may be distributed until the reserve has been restored or reduced to a corresponding degree. Any reduction must be approved by the Extraordinary Shareholders' Meeting without need for compliance with the provisions of paragraphs 2 and 3 of Article 2445 of the Civil Code. If the reserve is not imputed to capital, it may only be reduced subject to compliance with the provisions of paragraphs 2 and 3 of Article 2445 of the Civil Code.

If it is distributed to shareholders, it forms part of the taxable income of the company and the shareholders.

SECTION 9: OTHER LIABILITIES

9.1 Composition of caption 50 "Other liabilities"

The item breaks down as follows:

	31/12/05	31/12/04
- Adjustments of illiquid customer and bank items	20,151	26,639
- Payables on farmer and craft loans	2,128	2,960
- Invoices be received and paid	13,842	13,338
- Withholdings to be paid	3,013	2,698
- Commissions to be paid	11,247	14,911
- Social security contributions	2,177	1,789
- Expired bank transfers	25,348	20,322
- Funds available to BCCs for pension payments	560	2,069
- Premiums on options written	71,643	78,481
- Coupons and securities to be credited	406	2,167
- Solidarity allowances	5,265	6,658
- Overdrafts caused by technical factors	23	38,845
- Prepaid debit cards	11,169	3,678
- Due to parent company for consolidated taxation mechanism	6,425	5,616
- Guarantees for loans being granted	8,510	3,679
- Revaluation of foreign currency transactions	2,437	0
- Losses on derivative contracts	13,513	4,843
- Other	25,631	15,618
Total	223,488	244,311

As in the case of assets, outstanding items totaling €291,480 thousand were reclassified to a separate item.

The outcome of valuations of off-balance-sheet transactions is recognized under losses on derivative contracts and is composed of receivables amounting to €157,426 thousand and payables of €170,939 thousand. The change of €8,670 thousand is made up of €8,854 thousand in respect of losses on derivative contracts in the complex portfolio and €184 thousand representing the net balance of transactions not included in the complex portfolio that were closed out during the year.

As noted in the section on accounting policies, amounts due to the parent company regard the IRES liability for the year.

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

The caption breaks down as follows:

ACCRUED EXPENSES:	31/12/05	31/12/04
- interest on bonds and atypical securities	1,468	1,859
- interest on reserve requirement	1,003	826
- interest on current accounts, loans and other	0	0
- interest on deposits and other foreign transactions	3,176	3,786
- repurchase agreements	190	199
- derivatives transactions	1,242	6,842
- other	300	396
Total accrued expenses	7,379	13,908
DEFERRED INCOME:	31/12/05	31/12/04
- interest on portfolio discounting	0	0
- interest on foreign transactions	576	510
- other transactions	1,422	822
- derivatives transactions	13,767	18,700
Total deferred income:	15,765	20,032

9.3 Adjustments for accrued expenses and deferred income

No direct adjustments were made to balance sheet items in respect of accrued expenses and deferred income except for those expressly provided for by law.

SECTION 10: GUARANTEES AND COMMITMENTS

10.1 Composition of caption 10 "Guarantees issued"

	31/12/05	31/12/04
a) Commercial guarantees	42,283	50,427
b) Financial guarantees	296,128	292,220
c) Assets pledged as collateral	0	0
Total	338,411	342,647

10.2 Composition of caption 20 "Commitments"

	31/12/05	31/12/04
a) Commitments to disburse funds - certain utilization	547,508	452,554
b) Commitments to disburse funds - uncertain utilization	0	249,014
Total	547,508	701,568

Commitments to disburse funds with certain utilization regard securities transactions to be settled and loans to be made and disbursed.

Composition of caption 30 "Credit derivatives"

	31/12/05	31/12/04
a) Sales of protection on banking book		
with exchange of principal	102,785	106,250
b) Sales of protection on trading book		
with exchange of principal	40,720	19,760
Total	143,505	126,010

The transactions on the banking book regard purchase of protection implicit in credit linked notes totaling €92,385 thousand.

Credit derivatives in the trading book regard implicit derivatives on securities holdings.

10.3 Assets pledged as collateral for own liabilities

Assets pledged as collateral for the liabilities of the Bank consist mainly of securities and regard:

	31/12/05	31/12/04
- repurchase agreements	82,732	104,128
- guarantees for derivatives transactions	29,500	29,374
- Euroclear guarantee	168,500	168,500
- security for cashier's checks	85,000	50,000
Total	365,732	352,002

10.4 Undrawn margins on credit lines

	31/12/05	31/12/04
a) central banks	0	0
b) other banks	0	0

10.5 Forward transactions

CATEGORY OF TRANSACTION	31/12/05			31/12/04
	HEDGING	TRADING	OTHER	
1. Purchases/sales:				
1.1 Securities				
- purchases	0	489,777	0	410,250
- sales	0	288,358	0	306,486
1.2 Foreign currencies				
- foreign currency vs. foreign currency	45,417	0	0	72,032
- purchases against euros	99,229	0	0	185,323
- sales against euros	146,879	0	0	311,746
2. Deposits and loans				
- to be disbursed	0	57,731	0	53,321
- to be received	0	37,021	0	23,356
CATEGORY OF TRANSACTION				
1. Purchases/sales:				
1.1 Securities	0	489,777	0	410,250

Foreign currency operations involve outright transactions for hedging purposes, translated at the year-end spot exchange rate.

10.6 Credit derivatives

CATEGORY OF TRANSACTION	31/12/2005		31/12/2004	
	TRADING	OTHER	TRADING	OTHER
1. Purchases of protection	1,200	104,385	0	107,850
1. With exchange of principal :	1,200	104,385	0	107,850
- credit linked notes	1,200	104,385	0	107,850
1 .2 Without exchange of principal	0	0	0	0
2. Sales of protection:	40,720	102,785	19,760	106,250
2. 1 With exchange of principal :	40,720	102,785	19,760	106,250
- credit default swaps	1,200	102,785	0	106,250
- credit linked notes	39,520	0	19,760	0
2 .2 Without exchange of principal	0	0	0	0

10.7 Financial derivatives by type (notional amounts)

	DEBT SECURITIES AND INTEREST RATES			EQUITY SECURITIES AND EQUITY INDICES			EXCHANGE RATES AND GOLD			OTHER ASSETS		
	Trading	Hedging	Other	Trading	Hedging	Other	Trading	Hedging	Other	Trading	Hedging	Other
1. Forward rate agreements	5,947,448	0	0	0	0	0	0	0	0	0	0	0
2. Interest rate swaps	19,486,424	1,494,039	0	0	0	0	0	0	0	0	0	0
3. Domestic currency swaps	0	0	0	0	0	0	0	0	0	0	0	0
4. Currency interest rate swaps	0	0	0	0	0	0	0	0	0	0	0	0
5. Basis swaps	678,486	15,150	0	0	0	0	0	0	0	0	0	0
6. Equity index swaps	0	0	0	0	0	0	0	0	0	0	0	0
7. Real index swaps	0	0	0	0	0	0	0	0	0	0	0	0
8. Futures	418,400	0	0	4,045	0	0	0	0	0	0	0	0
9. Cap options												
- Purchased	473,820	0	0	0	0	0	0	0	0	0	0	0
- Sold	447,629	0	0	0	0	0	0	0	0	0	0	0
10. Floor options												
- Purchased	193,792	15,150	0	0	0	0	0	0	0	0	0	0
- Sold	133,694	0	0	0	0	0	0	0	0	0	0	0
11. Other options	0	0	0	0	0	0	0	0	0	0	0	0
- Purchased												
- Plain vanilla	474,839	0	0	419,574	0	0	14,803	0	0	0	0	0
- Exotic	2,490	0	0	189,070	0	0	0	0	0	0	0	0
- Sold												
- Plain vanilla	472,724	50,000	0	470,059	0	0	10,985	0	0	0	0	0
- Exotic	2,490	0	0	339,743	0	0	0	0	0	0	0	0
12. Other derivatives	0	0	0	359,743	94,135	94,135	0	0	0	0	0	0

Other transactions regard implicit derivatives in bond issues.

10.8 Financial derivatives: purchase and sales of underlyings (notional amounts)

		DEBT SECURITIES AND INTEREST RATES			EQUITY SECURITIES AND EQUITY INDICES			EXCHANGE RATES AND GOLD			OTHER ASSETS		
		Trading	Hedging	Other	Trading	Hedging	Other	Trading	Hedging	Other	Trading	Hedging	Other
1. Transactions with exchange of principal													
- Purchases		283,227	1,494,039	0	0	0	0	11,843	0	0	0	0	0
- Sales		232,244	0	0	0	0	0	13,945	0	0	0	0	0
- Foreign currency vs. foreign currency		0	0	0	0	0	0	0	0	0	0	0	0
2. Transactions without exchange of principal													
- Purchases		14,516,620	184,435	0	803,580	94,135	0	0	0	0	0	0	0
- Sales		13,700,144	1,389,904	0	978,653	0	94,135	0	0	0	0	0	0
- Foreign currency vs. foreign currency		0	0	0	0	0	0	0	0	0	0	0	0

10.9 Over-the-counter financial derivatives: counterparty risk

	DEBT SECURITIES AND INTEREST RATES			EQUITY SECURITIES AND EQUITY INDICES			EXCHANGE RATES AND GOLD			OTHER ASSETS		
	Notional amount	Positive fair value	Future exposure	Notional amount	Positive fair value	Future exposure	Notional amount	Positive fair value	Future exposure	Notional amount	Positive fair value	Future exposure
	Gross	Netted		Gross	Netted		Gross	Netted		Gross	Netted	
A. TRADING												
A.1 Governments and central banks	1,444	1										
A.2 Public entities	16,109	130	219									
A.3 Banks	13,316,692	129,819	50,247	704,262	5,540	55,546	10,306	19	54	1,408	1,408	47
A.4 Financial companies	751,724	2,547	1,407	86,106	122	6,963	500		5			
A.5 Insurance undertakings	414,789	22,472	1,715	6,900		552						
A.6 Non-financial companies												
A.7 Other	80	3		5								
B. HEDGING												
B.1 Governments and central banks												
B.2 Public entities												
B.3 Banks	1,379,062	15,168	19,378	79,135	6,874	6,206	57,818	1,408	1,408			
B.4 Financial companies	15,150	902	227									
B.5 Insurance undertakings												
B.6 Non-financial companies												
B.7 Other												
C. OTHER												
C.1 Governments and central banks												
C.2 Public entities												
C.3 Banks												
C.4 Financial companies												
C.5 Insurance undertakings												
C.6 Non-financial companies												
C.7 Other												

10.10 Over-the-counter financial derivatives: financial risk

	DEBT SECURITIES AND INTEREST RATES		EQUITY SECURITIES AND EQUITY INDICES		EXCHANGE RATES AND GOLD		OTHER ASSETS	
	NEGATIVE FAIR VALUE		NEGATIVE FAIR VALUE		NEGATIVE FAIR VALUE		NEGATIVE FAIR VALUE	
	GROSS	NETTED	GROSS	NETTED	GROSS	NETTED	GROSS	NETTED
A. TRADING								
A.1 Governments and central banks	0	0	0	0	0	0	0	0
A. 2 Public entities	27	27	0	0	0	0	0	0
A. 3 Banks	125,932	125,932	66,336	66,336	1,031	1,031	0	0
A. 4 Financial companies	11,948	11,948	4,879	4,879	6	6	0	0
A. 5 Insurance undertakings	90	90	4,355	4,355	0	0	0	0
A. 6 Non-financial companies	0	0	0	0	0	0	0	0
A. 7 Other	1	1	0	0	0	0	0	0
B. HEDGING								
B.1 Governments and central banks	0	0	0	0	0	0	0	0
B. 2 Public entities	0	0	0	0	0	0	0	0
B. 3 Banks	12,881	12,881	7,719	7,719	31,044	31,044	0	0
B. 4 Financial companies	0	0	0	0	35	35	0	0
B. 5 Insurance undertakings	0	0	0	0	0	0	0	0
B. 6 Non-financial companies	0	0	0	0	0	0	0	0
B. 7 Other	0	0	0	0	0	0	0	0
C. OTHER								
C.1 Governments and central banks	0	0	0	0	0	0	0	0
C. 2 Public entities	0	0	0	0	0	0	0	0
C. 3 Banks	0	0	0	0	0	0	0	0
C. 4 Financial companies	0	0	0	0	0	0	0	0
C. 5 Insurance undertakings	0	0	0	0	0	0	0	0
C. 6 Non-financial companies	0	0	0	0	0	0	0	0
C. 7 Other	0	0	0	0	0	0	0	0

10.11 Credit derivatives: counterparty risk

	NOTIONAL AMOUNT	POSITIVE FAIR VALUE	FUTURE EXPOSURE
A. TRADING PORTFOLIO			
A.1 Purchases of protection with counterparties			
1. Governments and central banks			
2. Public entities			
3. Banks	1,200	2	96
4. Financial companies			
5. Insurance undertakings			
6. Non-financial companies			
7. Other			
A.2 Sales of protection with counterparties			
1. Governments and central banks			
2. Public entities			
3. Banks	40,720	39,544	3,258
4. Financial companies			
5. Insurance undertakings			
6. Non-financial companies			
7. Other			
B. OTHER			
B.1 Sales of protection with counterparties			
1. Governments and central banks			
2. Public entities			
3. Banks	90,785	1,481	7,263
4. Financial companies			
5. Insurance undertakings			
6. Non-financial companies			
7. Other			
Total	132,705	41,727	10,617

10.12 Credit derivatives: financial risk

	NEGATIVE FAIR VALUE
TRADING PORTFOLIO	
1. Purchases of protection with counterparties	
1.1 Governments and central banks	0
1.2 Public entities	0
1.3 Banks	0
1.4 Financial companies	0
1.5 Insurance undertakings	0
1.6 Non-financial companies	0
1.7 Other	0
Total	0

SECTION 11: CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.1 Large exposures

	31/12/05	31/12/04
a) amount	97,206	56,950
b) number	2	1

The item regards current account positions, securities and off-balance-sheet risk assets.

Credit derivatives – Protection Buyer: distribution by main counterparties

	TRADING	OTHER
a) Governments	0	0
b) Other public entities	0	0
c) Non-financial companies	0	92,385
d) Financial companies	1,200	12,000
e) Producer households	0	0
f) Other	0	0
Total	1,200	104,385

11.2 Distribution of loans to customers, by type of borrower

	31/12/05	31/12/04
a) Governments	0	0
b) Other public entities	9,712	10,755
c) Non-financial companies	526,047	385,985
d) Financial companies	134,423	114,748
e) Producer households	41,917	44,312
f) Other	169,540	143,042
Total	881,639	698,842

11.3 Breakdown of loans to resident non-financial companies and producer households

	31/12/05	31/12/04
a) Other market services	196,665	98,890
b) Building and public works	90,666	57,302
c) Products of agriculture, forestry and fishing	67,018	65,037
d) Food, beverages and tobacco products	46,569	52,973
e) Distribution services	39,761	28,409
f) Other sectors	127,275	127,676
Total	567,954	430,287

11.4 Breakdown of guarantees issued, by counterparty

	31/12/05	31/12/04
a) Governments	0	0
b) Other public entities	0	0
c) Banks	311,722	321,576
d) Non-financial companies	25,947	20,334
e) Financial companies	24	224
f) Producer households	203	3
g) Other	515	510
Total	338,411	342,647

Credit derivatives – Protection Seller: distribution by counterparty and reference entity

	TRADING		OTHER	
	COUNTERPARTY	REFERENCE ENTITY	COUNTERPARTY	REFERENCE ENTITY
a) Governments				
b) Other public entities				
c) Banks	40,720		102,785	
d) Non-financial companies		40,720		12,000
e) Financial companies				90,785
f) Producer households				
g) Other				
Total	40,720	40,720	102,785	102,785

11.5 Geographical distribution of assets and liabilities

	ITALY		OTHER EU		OTHER COUNTRIES	
	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04
1. Assets	5,090,552	4,608,470	1,437,964	1,661,596	273,420	240,564
1.1 Loans to banks	2,970,636	3,167,664	1,379,653	1,633,763	253,612	240,529
1.2 Loans to customers	876,269	694,851	5,357	3,985	13	6
1.3 Securities	1,243,647	745,955	52,954	23,848	19,795	29
2. Liabilities	6,098,174	5,858,687	356,915	327,412	123,107	70,978
2.1 Due to banks	5,121,854	4,999,197	356,777	324,950	123,107	70,978
2.2 Due to customers	388,048	444,394	138	2,462	0	0
2.3 Debt securities in issue	581,998	408,057	0	0	0	0
2.4 Other	6,274	7,039	0	0	0	0
3. Guarantees and commitments	741,711	706,484	231,910	443,539	55,803	20,202

11.6 Distribution of assets and liabilities by residual maturity

	SPECIFIED MATURITY														UNSPECIFIED MATURITY							
	FROM 1 TO 3 MONTHS						FROM 3 MONTHS TO 12 MONTHS						FROM 1 TO 5 YEARS						MORE THAN 5 YEARS			
	ON DEMAND		TO 3 MONTHS		FROM 3 MONTHS TO 12 MONTHS		FIXED RATE		FLOATING RATE		FIXED RATE		FIXED RATE		FIXED RATE		FIXED RATE		FIXED RATE			
	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	
1. Assets	865,293	1,138,700	11,665,637	6,984,608	6,984,608	6,984,608	8,543,554	6,228,435	1,101,269	971,330	1,158,200	968,106	706,313	318,174	197,266	169,629						
1.1 Treasury securities eligible for refinancing	1	1	3,082	12	12	12	457	443	434,633	165,750	1,011	32	110,120	4,612	0	0						
1.2 Loans to banks	602,424	393,408	948,935	945,085	945,085	945,085	0	2,203	14,452	13,793	0	0	3,259	5,474	166,610	138,831						
1.3 Loans to customers	223,394	142,881	62,791	57,879	57,879	40,594	36,494	170,576	248,225	455,395	7	6	149,873	28,563	0	0						
1.4 Bonds and other debt securities	34,403	0	131,228	15,322	15,322	433	449	449	233,383	187,766	1,079,353	885,591	180,403	93,469	0	0						
1.5 Off-balance-sheet transactions	5,071	602,410	10,519,601	5,966,310	5,966,310	8,502,070	6,188,846	6,188,846	233,383	187,766	1,079,353	885,591	180,403	93,469	0	0						
2. Liabilities	4,708,862	5,029,135	11,423,659	6,228,689	6,228,689	8,139,229	6,124,878	6,124,878	358,913	171,666	1,151,190	971,666	213,556	49,748	0	0						
2.1 Due to banks	3,923,513	3,718,829	1,497,791	1,478,555	1,478,555	23	32	32	127	190	0	0	0	0	0	0						
2.2 Due to customers	365,288	432,733	2,898	14,123	14,123	0	0	0	0	0	0	0	0	0	0	0						
2.3 Debt securities in issue:																						
- bonds	0	0	1,750	2,500	2,500	0	0	0	38,500	30,250	0	0	65,150	15,150	0	0						
- certificates of deposit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
- other	384,213	264,307	4,500	0	0	0	0	0	87,885	95,850	0	0	0	0	0	0						
2.4 Subordinated liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0						
2.5 Off-balance-sheet transactions	15,848	613,266	10,243,983	6,028,670	6,028,670	8,139,206	6,124,846	6,124,846	232,401	45,396	1,151,190	971,666	148,406	34,598	0	0						

11.7 Foreign currency assets and liabilities

	31/12/05	31/12/04
a) Assets:	1,261,978	1,088,496
1. Loans to banks	1,255,177	1,078,211
2. Loans to customers	1,899	5,622
3. Securities	1	19
4. Equity investments	0	0
5. Other	4,901	4,644
b) Liabilities:	1,213,394	966,880
1. Due to banks	1,204,817	938,711
2. Due to customers	8,577	28,169
3. Debt securities in issue	0	0
4. Other	0	0

The difference between assets and liabilities is covered by outright foreign currency transactions, as detailed in table 10.5, point 1.2.

11.8 Securitizations

At the end of 2001 and on 2004, pursuant to Law of 130 April 30, 1999 on the securitization of claims, the Bank carried out the assignment of securities issued by mutual banks (BCCs).

The operation was conducted to meet the BCCs direct medium/long-term funding needs aimed at:

- reducing the exposure to interest rate risk of the BCCs through maturity transformation;
- rebalancing assets and liabilities;
- expanding lending capacity.

The first assignment, which involved bonds with a nominal value of €889,600 thousand, was carried out on 21 December 2001 with Credico Funding S.r.l. of Milan, an Italian special purpose vehicle established pursuant to Law 130/1999 and entered at no. 32929 in the general register maintained by the Italian Foreign Exchange Office pursuant to Article 106 of Legislative Decree 385/1993, its sole purpose being to conduct one or more securitization transactions pursuant to Article 3 of Law 130/1999.

Credico Funding S.r.l. is wholly owned by Stichting Chatwin and Stichting Amis, both Dutch-registered companies. They granted Iccrea Banca S.p.A. a call option to acquire the entire holding. Iccrea Banca S.p.A. simultaneously issued a put option to the two companies to sell the holding in the SPV. Credico Funding S.r.l. financed the purchase of the securities via the issue of six classes of asset-backed securities, denominated A, B, C, D, E and F for a total of €889,600 thousand.

The characteristics of the securities issued are as follows:

- Class A with a value of €742,810 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.23%;
- Class B with a value of €26,690 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.33%;
- Class C with a value of €26,690 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.38%;
- Class D with a value of €44,480 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.50%;
- Class E with a value of €22,240 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 1.20%;

- Class F with a value of €26,690 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 3.00%.

The following ratings have been assigned to the different classes of securities:

	Standard & Poor's	Moody's
Class A	AAA	AAA
Class B	AAA	
Class C	AA	
Class D	A	
Class E	BBB	

The Class A securities were placed with institutional investors, while the other classes of security, including Class F, were entirely subscribed by the Bank and partially placed with BCCs.

The Bank's remaining exposure after completion of the transaction is essentially represented by the Class F securities held in portfolio.

At 31 December 2005, the Bank held Class F securities with a nominal value of €450 thousand, while the nominal value of the remaining classes amounted to €75,769 thousand. Payments have been made on a regular basis and none of the participating BCCs is in default.

The second assignment, which involved bonds with a nominal value of €1,159,500 thousand, was carried out on 5 July 2004 with Credico Funding 2 S.r.l. of Milan, an Italian special purpose vehicle established pursuant to Law 130/1999 and entered at no. 35452 in the general register maintained by the Italian Foreign Exchange Office pursuant to Article 106 of Legislative Decree 385/1993 and the special register maintained by the Bank of Italy pursuant to Article 107 of Legislative Decree 385/1993 at number 32898. Credico Funding 2 S.r.l. is wholly owned by Stichting Chatwin and Stichting Amis, both Dutch-registered companies.

The securities were assigned to the SPV at par. The issuer financed the purchase of the bonds with the issue of the following asset-backed securities pursuant to and for the purposes of Law 130:

- Class A with a value of €1,008,800 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.20%;
- Class B with a value of €24,400 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.33%;
- Class C with a value of €47,500 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 0.50%;
- Class D with a value of €44,000 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 1.20%;
- Class E with a value of €34,800 thousand, quarterly coupon at a floating rate of 3-month Euribor plus 2.50%;

The following ratings have been assigned to the different classes of securities:

	Standard & Poor's	Moody's
Class A	AAA	AAA
Class B	AA	
Class C	A	
Class D	BBB-	

The Class A securities were placed with institutional investors, while the other classes of security, including Class E, were entirely subscribed by the Bank and partially placed with BCCs.

The Bank's remaining exposure after completion of the transaction is essentially

represented by the Class E securities held in portfolio and the subordinated loan to the SPV in the amount of €3,239 thousand.

At 31 December 2005 our portfolio contained Class E securities amounting to €9,710 thousand, while the nominal value of the securities of the other classes was €75,590 thousand.

Credico Funding S.r.l. and Credico Funding 2 S.r.l have engaged Iccrea Banca S.p.A. to handle servicing activities for the operations. The servicer acts in the name and on behalf of the issuer in administering, managing and recovering amounts in respect of the underlying securities and monitors collections of the related receivables, including collecting coupons and repaying principal on the underlying securities. To date payments have been made on a regular basis and none of the participating BCCs is in default.

SECTION 12: MANAGEMENT AND INTERMEDIATION SERVICES

12.1 Securities trading

	31/12/05	31/12/04
a) Purchases	8,372,621	7,722,909
. settled	8,294,394	7,603,664
. not yet settled	78,227	119,245
b) Sales	6,375,665	5,686,047
. settled	6,328,341	5,566,830
. not yet settled	47,324	119,217

12.2 Asset management

	31/12/05	31/12/04
1. securities issued by reporting entity	0	0
2. other	4,369,359	3,022,125
of which external supplementary pension funds	806,317	713,872

12.3 Custody and administration of securities

	31/12/05	31/12/04
a) Third-party securities on deposit (excluding asset management)		
1. securities issued by reporting entity	386,762	350,448
2. other	60,065,352	56,408,115
b) third-party securities deposited with third parties	56,274,831	52,558,150
c) securities owned by bank deposited with third parties	1,275,326	701,109

12.4 Claims collection for third parties: debit and credit adjustments

	31/12/05	31/12/04
a) Debit adjustments	333,544	360,711
1. current accounts	179,495	212,072
2. central portfolio	154,049	148,639
3. cash	0	0
4. other	0	0
b) Credit adjustments	353,677	387,281
1. current accounts	184,771	219,099
2. assignors of bills and documents	168,906	168,182
3. other	0	0

12.5 Other transactions

	31/12/05	31/12/04
The item totals	0	0

Part C:
Information
on the income
statement

SECTION 1: INTEREST

1.1 Composition of caption 10: "Interest income and similar revenues"

	31/12/05	31/12/04
a) on loans to banks	122,032	118,721
of which:		
- on claims on central banks	13,693	12,198
b) on loans to customers	28,967	23,023
of which :		
- on loans financed with third-party funds under administration		
c) on debt securities	24,832	21,107
d) other interest income	721	649
e) positive balance on differences on hedging transactions	0	3,613
Total	176,552	167,113

Interest income and similar revenues on loans to customers includes default interest of €456 thousand.

1.2 Composition of caption 20: "Interest expense and similar charges"

	31/12/05	31/12/04
a) on amounts due to banks	129,839	126,470
b) on amounts due to customers	6,712	7,394
c) on debt securities	5,226	3,726
of which:		
- certificates of deposit	0	0
d) on loans with third-party funds under administration	0	0
e) on subordinated debt	0	0
f) negative balance on differences on hedging transactions	2,751	0
Total	144,528	137,590

1.3 Breakdown of caption 10: "Interest income and similar revenues"

	31/12/05	31/12/04
a) on foreign-currency assets	36,772	24,759

1.4 Breakdown of caption 20: "Interest expense and similar charges"

	31/12/05	31/12/04
a) on foreign-currency liabilities	30,474	13,371

SECTION 2: COMMISSIONS

2.1 Composition of caption 40 "Commission income"

	31/12/05	31/12/04
a) guarantees issued	820	681
b) credit derivatives	906	2,030
c) management, intermediation and advisory services :		
1. securities trading	5,737	5,432
2. foreign exchange	1	46
3. asset management		
3.1 individual	3,318	1,457
3.2 collective	0	0
4. custody and administration of securities	4,641	3,047
5. depository services	5,580	5,257
6. securities placement	2,420	3,854
7. order collection	1,421	525
8. advisory services	855	637
9. distribution of third-party services		
9.1 asset management		
9.1.1. individual	0	0
9.1.2. collective	0	0
9.2 insurance products	0	0
9.3 other	0	0
d) collection and payment services	58,654	56,762
e) servicing activities for securitizations	197	141
f) tax collection services	0	0
g) other services	100,411	89,334
Total	184,961	169,203

Item "g) other services" includes €83,704 thousand from commissions on credit card issues, usage and renewals and €12,803 thousand from commissions on BCC network and Bancomat ATM services.

*Breakdown of caption 40 "Commission income":
Distribution channels for products and services*

	31/12/05	31/12/04
a) own branches:		
1. asset management	3,318	1,457
2. securities placement	2,420	3,854
3. third-party services and products	0	0
b) off-premises distribution:		
1. asset management	0	0
2. securities placement	0	0
3. third-party services and products	0	0
Total	5,738	5,311

2.3 Composition of caption 50 "Commission expense"

	31/12/05	31/12/04
a) guarantees received	745	407
b) credit derivatives	935	2,025
c) management and intermediation services :		
1. securities trading	1,532	1,862
2. foreign exchange	22	5
3. asset management		
3.1 own portfolio	5	4
3.2 third-party portfolio	0	0
4. custody and administration of securities	2,770	2,819
5. securities placement	2,207	2,181
6. off-premises distribution of securities, products and services	0	0
d) collection and payment services	11,112	10,038
e) other services	72,531	64,096
Total	91,859	83,437

The item "e) other services" mainly concerns commissions passed through to the BCCs/CRA's, with €69,674 thousand regarding credit card issues, usage and renewals

SECTION 3: INCOME (LOSS) ON FINANCIAL TRANSACTIONS

3.1 Composition of caption 60 "Income (loss) on financial transactions"

	SECURITIES TRANSACTIONS		FOREIGN EXCHANGE TRANSACTIONS		OTHER	
	31/12/05	31/12/04	31/12/05	31/12/04	31/12/05	31/12/04
A1 Revaluations	8,969	4,417				
A2 Writedowns	1,565	1,883			8,880	4,843
B. Other income/loss	4,433	9,535	1,615	2,363	6,658	3,958
Total	11,837	12,069	1,615	2,363	-2,222	-885
1. Government securities	152	3,903				
2. Other debt securities	4,035	5,636				
3. Equity securities	7,607	6,371				
4. Derivative contracts on securities	43	-3,841				

SECTION 4: GENERAL AND ADMINISTRATIVE EXPENSES

Description of caption 80 "General and administrative expenses "

General and administrative expenses include staff costs totaling €56,222 thousand. Other administrative expenses, equal to €54,129 thousand, include:

	31/12/05	31/12/04
Data processing, software maintenance, press agency	18,407	15,834
BCC network management	6,218	5,618
Office expenses	5,629	5,950
Promotional expenses, association dues, contributions	1,552	1,483
Professional fees, consulting, reimbursements	4,095	3,174
Fees and reimbursement of directors	526	542
Advertising	690	1,105
Outsourcing of EDP services	3,069	3,100
Other outsourcing	2,680	2,700
Postal expenses	3,166	4,192
Maintenance of real estate and movable property	2,441	2,158
Other	989	882
Indirect taxes and duties	4,667	3,610
Total	54,129	50,348

4.1 Average number of employees

AVERAGES	31/12/05	31/12/04
a) senior management	12	12
b) 3rd and 4th level supervisors	79	76
c) other staff	656	649

SECTION 5: WRITEDOWNS, WRITEBACKS AND PROVISIONS

5.1 Composition of caption 120 "Writedowns of loans and provisions for guarantees and commitments"

The item breaks down as follows:

	31/12/05	31/12/04
a) writedowns of loans	2,907	3,611
Of which:		
- general country risk	0	0
- other general writedowns	0	164
b) provisions for guarantees and commitments	0	0
Of which:		
- general country risk	0	0
- other general provisions	0	0
Total	2,907	3,611

Composition of caption 130 "Writebacks of loans and provisions for guarantees and commitments"

	31/12/05	31/12/04
a. writebacks of loans		
- default interest	1,280	1,217
- principal	1,207	652
b. writebacks of guarantees and commitments	2	82
Total	2,489	1,951

Depreciation and amortization of intangible and tangible assets

	31/12/05	31/12/04
	9,444	10,617

Depreciation and amortization for the year are detailed separately in the tables reporting changes in tangible and intangible assets. The rates applied are the maximum rates allowed under tax regulations, which are considered to be representative of the assets' economic lives.

Provision for liabilities and contingencies

	31/12/05	31/12/04
	568	530

The item reflects the amount needed to adjust the provision for liabilities and contingencies. See point 7.3.

Allocations to loan-loss provision

	31/12/05	31/12/04
	0	0

Composition of caption 150 "Writedowns of financial assets"

	31/12/05	31/12/04
	144	80

The item regards the investment in Invoicing S.r.l.

Composition of caption 160 "Writebacks of financial assets"

	31/12/05	31/12/04
	0	0

SECTION 6: OTHER ITEMS OF THE INCOME STATEMENT

6.1 Composition of caption 70 "Other operating income"

The item breaks down as follows:

	31/12/05	31/12/04
Revenues from property management services	123	149
Property rentals	681	558
Reimbursement:		
- expenses for seconded personnel	646	735
- stamp duty	807	552
- Solidarity Fund contributions	420	607
- withholding tax	587	551
Premiums on options	0	2,471
Revenues from subsidized financing services	576	439
Insourcing revenues	765	365
Other	1,536	1,239
Total	6,141	7,666

No hedging option positions were abandoned during the year.

6.2 Composition of caption 110 "Other operating costs"

	31/12/05	31/12/04
	0	2,471

No hedging option positions were abandoned during the year.

6.3 Composition of caption 180 "Extraordinary income"

The item includes:

	31/12/05	31/12/04
Disposal of investment securities	0	0
Gains on disposals	166	9
Income from equity investments	2,728	152
Out-of-period income and non-existent liabilities	1,370	2,638
Out-of-period income - Central Guarantee Fund reserve	207	0
Total	4,471	2,799

The out-of-period income mainly regards the settlement of litigation and suspended items.

The income from equity investments regards the partial disposal of the holding in M.T.S. S.p.A..

6.4 Composition of caption 190 "Extraordinary expense"

The item includes:

	31/12/05	31/12/04
Losses on disposals	32	31
Losses on equity investments	0	0
Out-of-period expenses and non-existent assets	467	790
Voluntary separation incentives	1,790	2,301
Credit card fraud	678	434
Total	2,967	3,556

The expenses for voluntary separation incentives regard the application of the agreements of 21 February 2002, 16 June 2003 and 19 April 2005 on the activation of the "Solidarity Fund to support the income, employment and professional retraining of mutual bank employees". In 2005, a total of 9 staff left the Bank. Of these, 7 registered with the Fund, 1 retired directly and 1 resigned.

6.5 Composition of caption 220 "Income taxes for the period"

	31/12/05	31/12/04
1. Current taxes	-10,327	-8,987
2. Change in deferred tax assets (+/-)	-206	1,347
3. Change in deferred tax liabilities (-/+)	-2,492	-1,460
4. Income taxes for the period	-13,025	-9,100

SECTION 7: OTHER INFORMATION ON THE INCOME STATEMENT

7.1 Geographical distribution of income

All revenues for the year were generated in Italy.

Part D:
Other
information

SECTION 1: DIRECTORS AND STATUTORY AUDITORS

1.1 REMUNERATION:	31/12/05	31/12/04
a) Directors	337	326
b) Statutory auditors	109	116

1.2 LOANS AND GUARANTEES ISSUED	31/12/05	31/12/04
a) Directors	246	0
b) Statutory auditors	0	0

SECTION 2 - PARENT BANK OR EU PARENT BANK

2.1 Name

Iccrea Holding S.p.A.

2.2 Registered office

Rome - Via Lucrezia Romana, 41-47

2.3 Highlights at 31 December 2004 (thousands of euros)

BALANCE SHEET	
Assets	711,072
Liabilities	119,039
Provision for general banking risks	4,865
Share capital	512,420
Legal reserve	12,192
Reserve for treasury stock	1,311
Reserve provided for in bylaws	19,834
Other reserves	4,110
Revaluation reserve	23,077
Net income	14,225
Shareholders' equity	587,168
INCOME STATEMENT	
Revenues on ordinary operations	28,309
Costs on ordinary operations	-19,441
Income (loss) on ordinary operations	8,867
Extraordinary income and expense	2,952
Change in provision for general banking risks	400
Income taxes	2,005
Net income	14,225

The parent company performs management and control functions.



Annexes

The following annexes provide information supplementing that presented in the notes to the financial statements, of which they are an integral part.

The annexes are as follows:

- Statement of changes in shareholders' equity;
- Statement of cash flows;
- Schedule of revaluations;
- Statement of the Central Guarantee Fund;
- List of equity investments;
- Financial statements of Bcc Securis S.r.l.
- Financial statements of Credico Finance S.r.l

Statement of changes in shareholders' equity

	SHARE CAPITAL	LEGAL RESERVE	RESERVE PROVIDED FOR IN BYLAWS	OTHER RESERVES	PROVISION FOR GENERAL BANKING RISKS	REVALUATI ON RESERVES	NET INCOME	SHAREHOLD ERS' EQUITY
Balance at 31 December 2004	216,913	21,389	205	87	13,350	47,866	11,048	310,858
Allocation of 2004 net income:								
- to legal reserve		3,420					-3,420	0
- to reserve provided for in bylaws								
- to extraordinary reserve								
- to shareholders							-7,589	-7,589
- to Board of Directors							-39	-39
Provision for general banking risks					4,700			
Net income for 2005							12,513	12,513
Balance at 31 December 2005	216,913	24,809	205	87	18,050	47,866	12,513	320,443

Statement of cash flows for the year ending 31 December 2005

FUNDS USED AND INVESTED		FUNDS GENERATED BY OPERATIONS AND RAISED	
Writebacks and use of funds generated by operations :		Funds generated by operations	
Use of provision for taxes and duties	5,143	Provision for taxes and duties	8,416
Use of provisions for liabilities and contingencies and sundry	336	Provisions for liabilities and contingencies and sundry	568
Writebacks of loans	2,487	Writedowns of loans and guarantees and commitments	2,907
Use of staff severance pay provision	2,868	Amortization and depreciation of intangible and tangible assets	9,444
Use of provision for personnel costs	2,358	Allocation to staff severance pay provision	3,125
Use of loan-loss provision	195	Allocation to provision for personnel costs	2,161
Writebacks of guarantees and commitments	2	Change in provision for general banking risks	4,700
		Net income	12,513
Increase in funds invested:		Increase in funds raised:	
Securities	546,564	Due to banks	206,613
Equity investments in Group companies	195	Debt securities in issue	173,941
Other assets	7,246	Provision for liabilities and contingencies for Simcasse merger	1,629
Tangible assets	4,844		
Intangible assets	1,889		
Loans to customers	183,217		
Cash and balances with central banks and post offices	8,314		
Decrease in funds raised:		Decrease in funds invested:	
Due to customers	58,670	Loans to banks	438,055
Other liabilities	31,618	Equity investments	267
Dividends distributed and funds available to Board of Directors	7,629		
Third-party funds under administration	764		
Total funds used and invested	864,339	Total funds generated and raised	864,339

Schedule of revaluations

PROPERTY	COST	REVALUATIONS EFFECTED BY ICCREA HOLDING S.P.A.				ACCUMULATED DEPRECIATION	BOOK VALUE
		REVALUATION (LAW 72/83)	REVALUATION (LAW 408/90)	REVALUATION (LAW 413/91)	REVALUATION LAW 342/00		
Via Torino, 135 Rome	1,172	0	1,334	945	2,302	1,799	3,955
Via Torino, 146 Rome	2,915	5,165	7,580	9,213	24,492	15,727	33,638
Via Torino, 148 Rome	68	0	5	908	997	496	1,481
Via Torino, 150 Rome	1,694	0	0	81	1,689	872	2,592
Via Torino, 153 Rome	4,549	0	4,266	4,145	8,772	7,536	14,196
Via D'Azeglio, 33 Rome	7,959	0	5,550	4,677	12,882	9,432	21,636
Mostacciano Pal.1 Rome	4,010	0	0	0	2,582	887	5,704
Mostacciano Pal.2 Rome	2,897	0	0	0	3,094	751	5,241
Mostacciano Pal.3 Rome	2,834	0	0	0	2,283	595	4,522
Total	28,098	5,165	18,735	19,969	59,093	38,095	92,965

Statement of the Central Guarantee Fund at 31 December 2005

BALANCE SHEET		
ASSETS	31/12/05	31/12/04
Deposits with banks	20,340	7,957
Loans to BCCs	0	5,165
Loans to BCCs - subordinated	0	6,197
Other assets	0	496
Total assets	20,340	19,815
LIABILITIES		
BCC and Casse Centrali deposits	18,315	18,040
Other liabilities	7	0
Provision for taxes	99	15
Central Guarantee Fund reserve	1,919	1,760
Total liabilities	20,340	19,815
MEMORANDUM ACCOUNTS, COMMITMENTS AND CONTINGENCIES		
Securities and guarantees received	5,164	11,362
Central Guarantee Fund guarantees	878	878
Processing of Central Guarantee Fund interventions	0	3,701
Total	6,042	15,941
INCOME STATEMENT		
COSTS AND LOSSES		
Interest on BCC deposits	274	272
Fees and consulting	7	25
Allocation to tax provision	99	15
Allocations to the reserve	160	25
Total costs and losses	540	337
REVENUES AND PROFITS		
Interest on bank deposits	307	217
Interest on loans to BCCs	26	120
Interest on securities holdings	0	0
Gains on securities	0	0
Out-of-period income	207	0
Total revenues and profits	540	337

List of equity investments

GROUP COMPANIES	SHARES OR OTHER EQUITIES	BOOK VALUE	NOMINAL VALUE	PERCENTAGE HOLDING
BCC VITA S.p.A.	320,000	370	320	1.0000%
BCC GESTIONE CREDITI	300,000	385	300	15.0000%
CREDICO FINANCE s.r.l.	92	48	48	92.0000%
BCC SECURIS s.r.l.	90	9	9	90.0000%
Total		812	677	

NON-GROUP COMPANIES	SHARES OR OTHER EQUITIES	BOOK VALUE	NOMINAL VALUE	PERCENTAGE HOLDING
PROMINVESTMENT S.p.A.	428,571	685	223	30.0000%
SI HOLDING S.p.A.	999,783	492	600	2.2220%
SIA S.p.A.	73,290	52	38	0.2090%
C.FIN.CENTRONORD S.p.A. IN FALLIMENTO	170,000	0	88	10.0000%
CIM ITALIA S.p.A.	61,600	258	185	2.8000%
BORSA ITALIANA	7,000	22	4	0.0430%
FONDO GARANZIA DEP. BCC	1	1	0	0.1810%
S.W.I.F.T. S.C.	41	101	7	0.0470%
SIMEST S.p.A.	434,783	258	225	0.1360%
M.T.S. S.p.A.	6,971	231	223	0.916%
P.B. s.r.l.	2,331	4	2	1.9600%
INVOICING s.r.l.	1	33	12	10.0000%
E-MID	4,410	220	220	3.6750%
SOAR	2	1	1	0.110%
S.S.B. S.p.A.	659,771	59	86	0.7970%
Total		2,417	1,914	

BCC Securis Srl

Financial Statement
at 31 dicembre 2005

Registered Office: Via Lucrezia Romana, 41/47 - Rome
Entered in the Rome Company Register
Tax Code and VAT Reg. No. 07122621001
Share capital: €10,000 – fully paid up

Company subject to the management and coordination of
ICCREA HOLDING SPA

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CORPORATE BODIES AND INDEPENDENT AUDITORS

Sole Director

Antonio Bertani

Independent auditors

Deloitte & Touche SpA

Report on operations

1.1 Overview

BCC Securis Srl is a company for the securitization of claims. It was established on 20 June 2002 pursuant to Article 3 of Law 130 of 30 April 1999 and is entered in the special register of financial companies referred to in Article 107 of the 1993 Banking Law. The company's registered office is in Rome at Via Lucrezia Romana 41/47.

On 17 September 2004, Iccrea Holding S.p.A. sold its 90% interest in the share capital of BCC Securis S.r.l. to Iccrea Banca S.p.A., a subsidiary. The share capital, which amounts to €10,000 and is fully paid up, is now divided as follows: 90% is held by Iccrea Banca S.p.A., 5% by Federazione Campana delle BCC S.coop. a.r.l. and 5% by Federazione Siciliana delle BCC S.coop.a.r.l.

As stated in its bylaws, the exclusive purpose of the Company is to effect one or more securitization operations in compliance with Law 130/99 through the purchase of existing and future pecuniary receivables, identifiable en bloc if consisting of more than one position, financed through the issue of notes pursuant to Article 1, paragraph 1(b) of Law 130/99. Pursuant to the bylaws and in compliance with Law 130/99 and related enabling measures, receivables purchased by the company as part of each securitization operation shall remain in every respect separate both from company assets and from assets connected with other securitizations. No creditors other than the holders of the notes issued to finance the acquisition of the related receivables may bring actions against the separate assets.

On 19 July 2002, BCC Securis Srl became fully operational following its acquisition of a portfolio of bad debts in respect of real estate loans, mortgage loans and other financing, assigned by 24 mutual banks, followed by the issue, pursuant to Law 130/1999, of the notes on 12 December 2002.

The company has no employees because it has outsourced the management of the loan portfolio as well as all administration, accounting, corporate affairs, taxation and information technology operations.

The financial statements at 31 December 2005 reflect the only securitization operation effected by the company at that date. At the time of writing, the company has no plans to carry out other securitization operations in the immediate future.

1.2 scope of operations

BCC Securis Srl operates within the framework of Law 130/99. The aspects of that law that have the greatest bearing on the company are as follows:

- the exclusivity of the corporate purpose, which is limited to the performance of securitization operations;
- segregation of assets held by the company: the assets relating to securitization operations are separate both from the assets of the company and from assets relating to other operations.

Various regulations also exist to afford stronger protection to the holders of notes issued by the company. For example, the law obliges the company to use amounts paid by debtors exclusively to satisfy the rights inherent in the notes it issues and to meet the costs of the securitization transaction.

Finally, in relation to the contracts signed by BCC Securis Srl for the purpose of a securitization operation, several types of restriction exist with the purpose of giving further protection to the holders of notes issued by BCC Securis Srl. Accordingly, it is specified that the company shall not carry out new securitization operations if they would have negative impact on the rating assigned to the original securitization.

1.3 The limited recourse nature of the notes

The notes issued by the company to fund the securitization operation completed on 12 December 2002, while differentiated in order of preference, are all “limited recourse”. This means that the repayment of the principal depends on the availability of sufficient financial resources, which are generated from the collection of the receivables acquired by the company.

1.4 Significant contractual aspects

BCC Securis Srl makes use of the services provided by third parties for functions relating to administration, corporate affairs, bookkeeping and taxation.

In particular, responsibility for the collection and recovery of receivables as well as cashier and payment services, which Law 130/99 reserves exclusively for entities entered in the special register referred to in Article 107 of Law 385 of 1 September 1993, is assigned to the 24 mutual banks on the basis of a servicing agreement signed on 6 December 2002.

On the basis of an agency agreement, the financial flows of the company are managed by the Milan office of Deutsche Bank, which acts as Paying Agent. With reference to the terms and conditions of the notes issued by BCC Securis Srl, interest payments are made every six months on 7 August and 7 February of each year at 6-month Euribor plus a spread of 0.23% per year for Class A notes; Class C notes pay an annual fixed rate of 0.1%.

The Representative of the Noteholders is currently SG Hambros Bank & Trust Company (Jersey) Limited.

In addition to the parties mentioned above, BCC Securis Srl also employs the services of Deloitte Outsourcing S.r.l. and Deloitte & Touche S.p.A.. Deloitte Outsourcing S.r.l. is responsible for the establishing the domicile of the company, to which it also supplies administrative, accounting, financial and tax services and advice. Deloitte & Touche S.p.A. is responsible for auditing the accounts of the company.

2 Management of receivables

The receivables acquired by BCC Securis Srl are managed by the individual mutual banks in their capacity as servicers.

3 Financial position and performance

The portfolio acquired by BCC Securis Srl is composed of receivables, identifiable en bloc, in respect of bad debts for real-estate loans, mortgage loans and other financing agreements.

BCC Securis Srl paid the originators a total of €148,076,000 for the claims.

On 12 December 2002, BCC Securis Srl placed notes with a value of €148,076,000 on the market. The notes are divided into 25 classes. Class A notes, which are rated, are the senior securities; Class C notes, which are unrated, make up the subordinated tranche that has been subscribed by each of the mutual banks.

In the 2005, the company recorded a total of €3,949,349 in out-of-period income from recoveries and default interest income in the amount of €4,869,593. Default interest, deemed unrecoverable, was completely written down.

The operation proceeded normally during the year. In particular, collections received as of 31 December 2005 amounted to €17,062,914, which is in line with budget forecasts. At 31 December 2005, the securitization operation had generated net income of €784,482.

4 Significant post-period events

No significant developments occurred between the end of the financial year and the approval of the present report.

5 Outlook

The company currently has no plans to effect other securitization operations.

6 Proposed allocation of net income for the year

The company broke even for the financial year because operating costs are charged to the securitized portfolio.

Management and coordination

Pursuant to Article 2497-bis, paragraph 5, of the Italian Civil Code, we report that the company is subject to the management control and coordination of the parent company Iccrea Holding S.p.A..

8 Other information

BCC Securis Srl:

- does not engage in research and development activities;
- holds no own shares nor shares of parent companies.

As regards the tax aspects relating to the management of the securitized portfolio, the

company has followed the general guidelines based on Bank of Italy directive 14890 of 29 March 2000, confirmed in Circular 8/E dated 6 February 2003 issued by the Revenue Agency relating to the tax treatment of segregated assets held by companies formed to carry out the securitization of claims, according to which the net income generated from the management of securitized assets in the course of the operations in question is not available to the company and as such the company is not liable for tax on those amounts. This is in line with the Bank of Italy's provisions in the Directive of 29 March 2000, according to which the income statement of a special purpose vehicle shall not be affected by revenue or cost flows in respect of receivables that form part of the securitized portfolio, both as regards principal and interest income as well as costs incurred by the company for the management of each securitization operation. Any net income remaining after all the claims of the creditors of the segregated assets have been met, and pertaining to the special purpose vehicle, shall be liable to taxation, in as much as such income legally belongs to the SPV and thus constitutes part of taxable income.

It should also be noted that the Revenue Agency's Resolution 222 of 5 December 2003 clarified certain aspects relating to the tax treatment of the bank deposits and current accounts of the special purpose vehicle.

The withholding taxes levied on the SPV are counted as tax payments on account. Pursuant to Article 79 of the Consolidated Tax Code, they are charged off in the tax period in which the relevant revenues accrued and contributed to the company's total taxable income. Nevertheless, as long as the securitization assets remain segregated, the condition set out in that article does not hold. Not until the securitization operation is complete will interest income and other income from bank deposits and current accounts on which withholding tax has been applied in accordance to law pertain to the special purpose vehicle, which may only then deduct the withholding tax from its tax liability.

BCC SECURIS SRL
The Sole Director

Balance sheet

ASSETS (euros)		
	31.12.2005	31.12.2004
10. Cash and cash equivalents	0	0
20. Loans to banks:	8.891	8.926
a) on demand	8.891	
90 Intangible assets	715	1.429
of which:		
- start-up costs	715	
130. Other assets	53.974	43.339
Total assets	63.580	53.694
LIABILITIES AND EQUITY (euros)		
	31.12.2005	31.12.2004
50. Other liabilities	53.580	43.694
80. Provision for liabilities and contingencies	0	0
- provision for taxes and duties	0	
120. Share capital	10.000	10.000
Total liabilities and equity	63.580	53.694

Income statement

COSTS (euros)		
	31.12.2005	31.12.2004
20. Commission expense	60	41
40. General and administrative expenses:	61.483	60.995
(b) other administrative expenses	61.483	
50. Amortization	715	715
110. Extraordinary expense		1.200
130. Income taxes for the period	3	2.856
Total costs	62.261	65.807
REVENUES (euros)		
	31.12.2005	31.12.2004
10. Interest income and similar revenues	136	134
70. Other operating income	62.125	65.673
Total revenues	62.261	65.807

Notes to the financial statements

PART A – SIGNIFICANT ACCOUNTING POLICIES

Structure and format of the financial statements

The financial statements for the year have been prepared in euros, in conformity with the provisions of Legislative Decree 87 of 27 January 1992 and related measures (notably Directive 103 of the Bank of Italy of 31 July 1992) and the procedures specified in the measure of the Bank of Italy of 29 March 2000, published in the Gazzetta Ufficiale no. 78 of 3 April 2000, and are accompanied by the report on operations.

The financial statements consist of the balance sheet, the income statement and the explanatory notes, in conformity with the format set out in the Bank of Italy measure of 31 July regarding the financial statements of financial institutions.

In view of the fact that, as stated in Law 130/99, “the claims related to each operation are segregated from the assets of the company and from all other securitization operations” and pursuant to the provisions of Legislative Decree 87/1992, the substance of operations shall prevail over form. In application of the Bank of Italy’s instructions in this area, both the accounting information and qualitative and quantitative data concerning the securitization are set out in a specific annex to the notes to the financial statements.

Accounting policies adopted in preparing the financial statements

Section 1 – Description of accounting policies.

The following chart outlines the main accounting policies adopted in preparing the financial statements.

Loans to banks are stated at nominal value increased by accrued interest income.	Loans to banks
Intangible assets, consisting of start-up costs, are carried at purchase cost reduced by amortization on a straight-line basis over a period of no more than five years.	Intangible assets
Other assets are carried at nominal value, which corresponds to their estimated realizable value.	Other assets
Other liabilities are carried at nominal value.	Other liabilities
Costs and revenues are recognized on an accruals basis.	Costs and revenues
Income taxes have been estimated on the basis of a reasonable forecast of the tax liability for the period. The amount due is posted under provisions for liabilities and contingencies.	Income tax

Section 2 – Writedowns and provisions made solely for tax purposes

No writedowns or provisions were made solely for tax purposes.

PART B – INFORMATION ON THE BALANCE SHEET

Assets

	31.12.2005	31.12.2004
Cash and cash equivalents	0	0

The item regards cash on hand.

	31.12.2005	31.12.2004
Loans to banks	8,891	8,926

The item is represented by the balance on the current account held with Iccrea Banca S.p.A..

	31.12.2005	31.12.2004
Intangible assets	715	1,429

The item breaks down as follows:

START-UP COSTS		
Historic cost	3,573	3,573
Amortization for the period	(715)	(715)
Accumulated amortization at end of period	(2,858)	(2,144)
Value at end of period	715	1,429

	31.12.2005	31.12.2004
Other assets	53,974	43,339

The item is composed of:

Receivable from securitized portfolio	44,223	34,243
Deferred tax assets	7,184	7,057
Receivables for IRAP paid on account	496	245
Receivables for IRES paid on account	2,071	1,794

The account “Receivable from securitized portfolio” reports the receivable that the SPV has in respect of the management of the securitized assets.

“Deferred tax assets” represent the receivable in respect of deductible temporary differences, which will reduce taxes in the future. The differences arise in respect of fees due to the independent auditors, whose tax deductibility is postponed to the year in which the service is rendered. This gave rise to deferred tax assets (130 “Other assets”) for 2005, recognized in the income statement as a reduction in income taxes in the amount of €7,184.

LIABILITIES

	31.12.2005	31.12.2004
Other liabilities	53,580	43,694

They mainly consist of:

Invoices to be received	20,343	19,905
Payable to securitized portfolio	16,495	14,301
Withholding tax payable	300	908
Suppliers	16,442	8,580

	31.12.2005	31.12.2004
Provisions for liabilities and contingencies	0	0

The item regards the “Provision for taxes and duties”, which concerns the company’s liability for IRAP, equal to zero, and the liability for IRES, also equal to zero.

Changes in the provision during the year were as follows:

	31.12.2005	31.12.2004
Opening balance	0	6,603
Increases:		
- 2005 allocation	130	2,780
Decreases:		
- 2005 utilization		(6,603)
- 2005 payments on account	(130)	(2,780)
Closing balance	0	0

	31.12.2005	31.12.2004
Share capital	10,000	10,000

Share capital is equal to €10,000 and is fully subscribed and paid up.

CHANGES IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL	LEGAL RESERVE	NET INCOME FOR THE YEAR	TOTAL
Balance at 31/12/04	10,000	-	-	10,000
Balance at 31/12/05	10,000	-	-	10,000

GUARANTEES AND COMMITMENTS

None at 31 December 2005.

FOREIGN CURRENCY LIABILITIES

None at 31 December 2005.

OFF-BALANCE-SHEET OPERATIONS

None at 31 December 2005.

PART C – INFORMATION ON THE INCOME STATEMENT

Costs

	31.12.2005	31.12.2004
Commission expense	60	41

The item regards commissions debited to the bank current account.

	31.12.2005	31.12.2004
General and administrative expenses	61,483	60,995

The main components of this item are:

	31.12.2005	31.12.2004
Remuneration of director	7,488	8,568
Indirect taxes and duties	310	573
Stamp duty	74	254
Penalties and default interest	1	13
Chamber of commerce fees and services	373	373
Fees of independent auditors	18,782	18,450
Other administrative services	33,059	31,237
Travel expenses	0	0
. Civil liability insurance	1,000	0
Legal and notary expenses	396	1,527
	31.12.2005	31.12.2004
Amortization	715	715

The item regards the amortization of start-up costs, which is calculated on a straight-line basis over five years.

	31.12.2005	31.12.2004
Extraordinary expense	0	1,200

No extraordinary expenses were recognized in 2005.

	31.12.2005	31.12.2004
Income taxes	3	2,856

	31.12.2005	31.12.2004
IRAP 2005	17	518
IRES 2005	113	2,262
Deferred tax assets - IRES 2005	(986)	(6,088)
Deferred tax assets - IRAP 2005	(6,198)	(969)
Use of deferred tax assets - 2004	7,057	7,133

Revenues

	31.12.2005	31.12.2004
Interest income and similar revenues	136	134

The item comprises interest on the bank current account.

	31.12.2005	31.12.2004
Other operating income	62,125	65,673

The item consists of the revenues from the charging of operating expenses to the securitized portfolio.

PART D – OTHER INFORMATION

1 – Average number of employees

The company has no employees.

2 – Directors and statutory auditors

2.1 - Remuneration of directors, statutory auditors and general managers.

The following table shows remuneration of the sole director accrued at 31 December 2005:

NAME	DESCRIPTION OF POSITION		COMPENSATION (INCLUDING NON-DEDUCTIBLE VAT)			
	POSITION	DURATION	REMU- NERATION	NON- MONETARY BENEFITS	BONUSES AND OTHER INCENTIVES	OTHER COMPEN- SATION
Antonio Bertani	Sole director	Open-ended	7,488			

The sole director has no equity interest in the company.

2.2 – Securities and guarantees issued

No securities or guarantees have been issued to the director.

3 – Securitization

3.1 – Receivables

At 19 July 2002, the portfolio of receivables amounted to:

CLASSIFICATION	NOMINAL VALUE	ASSIGNMENT VALUE	ASSIGNMENT PRICE
Bad debts	336,301,710	148,199,339	148,076,000

At 31 December 2004, the portfolio broke down as follows:

(euros)

ASSIGNORS	CLASSIFICATION	AMOUNT AT 31.12.04	NUMBER OF POSITIONS
BCC Agro Bresciano	Bad debts	3,495,556	63
BCC Alcamo	Bad debts	8,113,767	393
BCC Altavilla Silentina	Bad debts	4,615,430	176
BCC Battipaglia	Bad debts	9,198,919	303
BCC Canicatti	Bad debts	2,805,421	208
BCC Cantù	Bad debts	1,371,624	15
BCC Casagiove	Bad debts	1,153,370	143
BCC Castellana Grotte	Bad debts	7,313,173	335
BCC Centroveneto	Bad debts	2,995,374	71
BCC Fiumicello	Bad debts	1,332,568	47
BCC Golfo di Gela	Bad debts	446,601	61
BCC Irpina	Bad debts	2,688,825	158
BCC Laurenzana	Bad debts	471,039	78
BCC Laurino	Bad debts	1,306,349	134
BCC Marino	Bad debts	6,506,285	152
BCC Montecorvino	Bad debts	4,694,965	129
BCC Regalbuto	Bad debts	2,354,318	248
BCC Reggiana	Bad debts	3,008,661	153
BCC Salerno	Bad debts	10,449,118	442
BCC San Cataldo	Bad debts	2,410,594	482
BCC San Marco dei Cavoti	Bad debts	1,389,890	58
BCC Sannio Calvi	Bad debts	8,349,983	282
BCC Scafati Cetara	Bad debts	4,265,811	150
BCC Terra d'Otranto	Bad debts	1,708,655	156
TOTAL		92,446,296	4,437

3.2 Notes issued

On 12 December 2002 BCC Securis Srl issued the following securities denominated in euros to finance the purchase of the portfolio of receivables

(euros)		
CLASS	AMOUNT	INTEREST RATE
CLASS A	80,000,000	EURIBOR + 0,23%
Class C Agro Bresciano	3,435,000	0.1%
Class C Alcamo	5,658,000	0.1%
Class C Altavilla Sil	3,175,000	0.1%
Class C Battipaglia	6,767,000	0.1%
Class C Canicatti	2,059,000	0.1%
Class C Cantù	1,064,000	0.1%
Class C Casagiove	1,366,000	0.1%
Class C Castellana Grotte	4,691,000	0.1%
Class C Centro Veneto	1,895,000	0.1%
Class C Fiumicello	876,000	0.1%
Class C Golfo di Gela	436,000	0.1%
Class C Irpina	2,137,000	0.1%
Class C Laurenzana	201,000	0.1%
Class C Laurino	639,000	0.1%
Class C Marino	5,931,000	0.1%
Class C Montecorvino	4,811,000	0.1%
Class C Regalbuto	2,423,000	0.1%
Class C Reggiana	1,606,000	0.1%
Class C Salerno	9,158,000	0.1%
Class C San Cataldo	1,111,000	0.1%
Class C S Marco Cavoti	680,000	0.1%
Class C Sannio Calvi	3,651,000	0.1%
Class C Scafati Cetara	3,459,000	0.1%
Class C Terra d'Otranto	847,000	0.1%
TOTAL	148,076,000	

The Class A securities were placed on the capital market, while the Class C notes were subscribed by the individual mutual banks in the amount of €68,076,000.

The payment of interest on the Class C securities is subordinated to the availability of funds from the management of the portfolio and payment of the holders of the Class A notes.

4 – Disclosures on the parent company or EU parent bank

In compliance with the disclosure requirements for companies subject to management control and coordination, pursuant to Article 2497-bis, paragraph 4 of the Civil Code, the following table reports the main financial information at 31 December 2004 of the parent company Iccrea Holding SpA with registered office in via Lucrezia Romana, 41/47 – Rome.

(thousands of euros)

BALANCE SHEET	
Assets	711,072
Liabilities and equity	119,039
Provision for general banking risks	4,865
Share capital	512,420
Legal reserve	12,192
Reserve for treasury stock	1,311
Reserve provided for in bylaws	19,834
Other reserves	4,110
Revaluation reserve	23,077
Net income	14,225
Shareholders' equity	587,168
INCOME STATEMENT	
Revenues on ordinary operations	28,309
Costs on ordinary operations	(19,441)
Income on ordinary operations	8,867
Extraordinary income (expense)	2,952
Change in provision for general banking risks	400
Income taxes	2,005
Net income	14,225

BCC SECURIS SRL
The Sole Director

ANNEX

A – Status of operation at 31 December 2005

Table summarizing the securitized assets and the notes issued

	31/12/2005	31/12/2004
A. Securitized assets	92,446	107,082
A.1 Receivables	92,446	107,082
A.2 Securities		
A.3 Other assets		
B. Use of liquidity generated by management of the receivables	9,571	11,292
B.1 Debt securities		
B.2 Equity securities		
B.3 Other	9,571	11,292
B.3a) Due from banks	7,365	9,004
B.3b) Due from assignors	1,564	1,399
B.3c) Due from tax auth. for withholdings	243	216
B.3d) Accrued income and prepaid expense	375	610
B.3e) Due from SPV	17	14
B.3f) Other receivables	7	49
C. Notes issued	98,914	115,728
C.1 Class A	31,037	47,652
C.2 Class C	67,877	68,076
D. Financing received	0	0
E. Other liabilities	3,102	2,646
E.1 Reserve Fund (*)	1,934	1,150
E.2 Services	43	76
E.3 SPV	44	34
E.4 Assignors	202	136
E.5 Accrued expenses	879	1,250

(*) The “Reserve Fund” increased by €784 thousand as a result of the net income generated for the period.

		31/12/2005	31/12/2004
F.	Interest expense on notes issued	957	1,679
F.1	Class A	889	1,611
F.2	Class C	68	68
G.	Commissions and fees	615	550
G.1	Servicing	511	447
G.2	Other services	104	103
	G.2a) A/C and Notes Fees	62	61
	G.2b) Corporate Servicer Fees	36	36
	G.2c) Rating Fees	6	6
H.	Other expenses	7,601	8,162
H.1	Management of portfolio	62	66
H.2	Interest expense on limited-recourse loan	1,040	1,907
H.3	Commission expense - LL	11	11
H.4	Legal and administrative services	84	55
H.5	Other expenses	4	3
H.6	Out-of-period expenses	8	37
H.7	Writedowns	1,522	607
H.8	Allocation loan-loss provision	4,870	5,476
I.	Interest generated by securitized assets	4,870	5,476
I.1	Default interest income	4,870	5,476
L.	Other revenues	5,087	5,981
L.1	Bank interest	98	385
L.2	Interest on CCTs	1,040	1,907
L.3	Writebacks	3,949	3,676
L.4	Out-of-period income	0	13

Accounting policies used in preparing the accounts

The policies adopted in preparing the accounts are those envisaged in Legislative Decree 87/1992. All of the items correspond to the data drawn from the accounting records and information system of the company. The accounting system adopted enables reconciliation of the accounting records with the items in the financial statements through appropriate reclassification entries.

The following policies were adopted for the most significant items

1 - Securitized assets – loans

The loans were recognized at their assignment value and are measured on the basis of their estimated realizable value, taking account of the solvency of the debtor.

2 - Use of liquidity – loans to banks

This item is recognized at nominal value increased by accrued interest income.

3 - Other liabilities – Accrued expenses and deferred income

This item is computed on an accruals basis to allocate revenues and costs pertaining to the financial year.

Other liabilities are stated at nominal value

4 - Interest, commissions, income and charges

The costs and revenues in respect of the securitized assets and the notes issued, interest, commissions, income and other charges and revenues are recognized on an accruals basis.

Accrued default interest, considered unrecoverable, is fully written down

B - QUALITATIVE INFORMATION

B.1 Description of the operation and developments during the year.

As of the drafting of this report BCC Securis Srl has carried out a single securitization pursuant to Law 130/99. The main features of the operation are as follows.

On 19 July 2002, 24 mutual banks assigned without recourse, pursuant to and for the purpose of Articles 1 and 4 of Law 30 April 1999, a portfolio of receivables, identifiable en bloc, classified as bad debts in respect of real-estate loans, mortgage loans and other financing.

At the assignment date, the nominal value of the receivables amounted to €336,301,710, while their book value was €148,199,339. The assignment price was set at €148,076,000.

At 31 December 2005, the portfolio broke down as follows:

ASSIGNORS	AMOUNT AT 31.12.04	AMOUNT AT 19.07.2002	NUMBER OF POSITIONS ASSIGNED
BCC Agro Bresciano	3,495,556	8,232,003	237
BCC Alcamo	8,113,767	10,923,408	1028
BCC Altavilla Silentina	4,615,430	5,703,850	313
BCC Battipaglia	9,198,919	14,036,936	708
BCC Canicatti	2,805,421	3,744,193	310
BCC Cantù	1,371,624	4,454,149	60
BCC Casagiove	1,153,370	3,104,530	378
BCC Castellana Grotte	7,313,173	11,009,611	885
BCC Centroveneto	2,995,374	8,245,415	227
BCC Fiumicello	1,332,568	2,360,110	109
BCC Golfo di Gela	446,601	771,039	106
BCC Irpina	2,688,825	4,277,931	292
BCC Laurenzana	471,039	788,220	151
BCC Laurino	1,306,349	1,705,930	222
BCC Marino	6,506,285	10,612,680	277
BCC Montecorvino	4,694,965	8,503,231	300
BCC Regalbuto	2,354,318	4,295,476	464
BCC Reggiana	3,008,661	4,014,119	248
BCC Salerno	10,449,118	16,162,786	838
BCC San Cataldo	2,410,594	3,533,427	651
BCC San Marco dei Cavoti	1,389,890	1,716,005	116
BCC Sannio Calvi	8,349,983	10,569,094	397
BCC Scafati Cetara	4,265,811	6,744,745	307
BCC Terra d'Otranto	1,708,655	2,690,451	294
TOTAL	92,446,296	148,199,339	8,918

The operation proceeded normally during the year. Collections of principal amounted to €17,062,913; writebacks on recoveries totaled €3,949,349, while loan losses came to €1,522,227.

At 31 December 2005 net income generated amounted to €784,482.

B.2 Parties involved

The main parties involved in the securitization, for which Société Générale acted as Arranger, are listed below:

Assignor, Servicer, Depository - Class C notes	BCC Agro Bresciano
Assignor, Servicer, Depository - Class C notes	BCC Alcamo
Assignor, Servicer, Depository - Class C notes	BCC Altavilla
Assignor, Servicer, Depository - Class C notes	BCC Battipaglia
Assignor, Servicer, Depository - Class C notes	BCC Canicatti
Assignor, Servicer, Depository - Class C notes	BCC Cantù
Assignor, Servicer, Depository - Class C notes	BCC Casagiove
Assignor, Servicer, Depository - Class C notes	BCC Castellana Grotte
Assignor, Servicer, Depository - Class C notes	BCC Centro Veneto
Assignor, Servicer, Depository - Class C notes	BCC Fiumicello
Assignor, Servicer, Depository - Class C notes	BCC Golfo di Gela
Assignor, Servicer, Depository - Class C notes	BCC Irpina
Assignor, Servicer, Depository - Class C notes	BCC Laurenzana
Assignor, Servicer, Depository - Class C notes	BCC Laurino
Assignor, Servicer, Depository - Class C notes	BCC Marino
Assignor, Servicer, Depository - Class C notes	BCC Montecorvino
Assignor, Servicer, Depository - Class C notes	BCC Regalbuto
Assignor, Servicer, Depository - Class C notes	BCC Reggiana
Assignor, Servicer, Depository - Class C notes	BCC Salerno
Assignor, Servicer, Depository - Class C notes	BCC San Cataldo
Assignor, Servicer, Depository - Class C notes	BCC San Marco Cavoti
Assignor, Servicer, Depository - Class C notes	BCC Sannio Calvi
Assignor, Servicer, Depository - Class C notes	BCC Scafati Cetara
Assignor, Servicer, Depository - Class C notes	BCC Terra d'Otranto
Representative of the Noteholders	SG Hambros Trust Company (Jersey) Limited.
Corporate Servicer	Deloitte Outsourcing S.r.l.
Reporting Entity	Deloitte ERS S.r.l.
Depository Bank for notes and Account Bank	ICCREA Banca S.p.A.
Arranger and Lead Manager	Société Générale
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Agro Bresciano
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Alcamo
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Altavilla
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Battipaglia
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Canicatti
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Cantù
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Casagiove
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Castellana Grotte
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Centro Veneto
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Fiumicello
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Golfo di Gela
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Irpina
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Laurenzana
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Laurino
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Marino
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Montecorvino
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Regalbuto

Liquidity Line Provider and Limited Recourse Loan Provider	BCC Reggiana
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Salerno
Liquidity Line Provider and Limited Recourse Loan Provider	BCC San Cataldo
Liquidity Line Provider and Limited Recourse Loan Provider	BCC San Marco Cavoti
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Sannio Calvi
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Scafati Cetara
Liquidity Line Provider and Limited Recourse Loan Provider	BCC Terra d'Otranto
Rating Agency	Standard & Poor's Rating Agencies
Central Depository	Monte Titoli S.p.A.
Listing Agent and Luxembourg Paying Agent	Société Générale Bank and Trust N.V.
Calculation Agent	Société Générale
Paying Agent	Deutsche Bank S.p.A.

The administrative and accounting aspects of the operation were handled by Deloitte Outsourcing S.r.l. Reporting to the Central Credit Register, money laundering reporting and tax register reporting are performed by the Servicers. The Corporate Servicer handles reporting to supervisory authorities.

On the basis of the semiannual reports on the performance of collections, Société Générale prepares the semiannual accounts in order to allocate amounts received between expenses and commissions to be paid to the various parties involved and the remuneration to be paid to the noteholders. Payments are made on 7 February and 7 August each year.

B.3 Characteristics of the notes

The notes issued by BCC Securis Srl are limited recourse securities.

The servicing of principal and interest on the notes is financed solely from the collections on the portfolio of loans. Collections are tied in favor of the noteholders in accordance with the provisions of Law 130/99.

The Class A notes pay a floating rate, and the semiannual coupons are paid to the noteholders on 7 February and 7 August each year.

On 4 February 2005 a partial redemption of the Class A notes was carried out in the amount of €9,274,000; on 4 August another partial redemption was carried out in the amount of €7,341,000.

Redemptions of the Class C notes by BCC Regalbuto were carried out on the following dates:

- 17 May 2005 €65,000.00
- 10 August 2005 €134,000.00

The Class C notes were fully subscribed by the individual mutual banks.

CLASS	AMOUNT IN EUROS	INTEREST RATE	MATURITY
A	31,037,000.00	6m Euribor + 0.23%	2009
C	67,877,000.00	0.1%	2013
Total			

The Class A notes (Senior Notes) are listed on the Luxembourg Stock Exchange; the Class C notes (Junior Notes) are not listed.

The rating indicated below offers an assessment of the probability that the principal and interest on the notes will be fully paid by maturity. The Class C notes are unrated.

CLASS	RATING	RATING AGENCY
A	AA	Standard & Poor's Rating Agencies

The rating agencies receive a semiannual report from Société Générale and may change the rating assigned to the notes, either upgrading it or, if problems should emerge in collections, thereby affecting payments and redemption at maturity, downgrading it.

B.4 Ancillary financial operations

Under the terms of the limited recourse loan contract between BCC Securis Srl, Iccrea Banca SpA and the individual mutual banks on 6 December 2002, each assignor bank granted the SPV a limited recourse loan equal to 121.5% of the principal amount of the Senior Notes issued, for a total of €97,212,000.

The individual mutual banks granted the loan by transferring government securities that the company can sell or liquidate to cover any liquidity shortfalls.

The following table shows the amounts loaned by the individual mutual banks:

(euros)	
BCC Agro Bresciano	5,829,000
BCC Alcamo	6,397,000
BCC Altavilla Silentina	3,072,000
BCC Battipaglia	8,832,000
BCC Canicatti	2,048,000
BCC Cantù	4,119,000
BCC Casagiove	2,112,000
BCC Castellana Grotte	7,677,000
BCC Centroveneto	7,578,000
BCC Fiumicello	1,804,000
BCC Golfo di Gela	408,000
BCC Irpina	2,601,000
BCC Laurenzana	714,000
BCC Laurino	1,296,000
BCC Marino	5,688,000
BCC Montecorvino	4,486,000
BCC Regalbuto	2,275,000
BCC Reggiana	2,926,000
BCC Salerno	8,510,000
BCC San Cataldo	2,943,000
BCC San Marco dei Cavoti	1,259,000
BCC Sannio Calvi	8,406,000
BCC Scafati Cetara	3,992,000
BCC Terra d'Otranto	2,240,000
TOTAL	97,212,000

Interest on the loans is equal to the rate on 12-month BOTs plus a spread of 0.3% annually, to be paid at each payment date to each assignor bank. The amount corresponds to the amount of interest accrued on the CCTs and collected by the SPV at that date.

During 2005 the limited recourse loan was repaid in the amount of €20,150,000 as a result of the repayment of principal on the Senior Notes.

At 31 December 2005 the residual value of the limited recourse loan for each mutual bank was as follows:

BCC Agro Bresciano	891,000
BCC Alcamo	3,128,000
BCC Altavilla Silentina	1,970,000
BCC Battipaglia	3,593,000
BCC Canicatti	981,000
BCC Cantù	368,000
BCC Casagiove	509,000
BCC Castellana Grotte	3,249,000
BCC Centroveneto	1,182,000
BCC Fiumicello	528,000
BCC Golfo di Gela	64,000
BCC Irpina	1,150,000
BCC Laurenzana	269,000
BCC Laurino	987,000
BCC Marino	1,587,000
BCC Montecorvino	457,000
BCC Regalbuto	28,000
BCC Reggiana	1,250,000
BCC Salerno	2,794,000
BCC San Cataldo	1,654,000
BCC San Marco dei Cavoti	1,140,000
BCC Sannio Calvi	6,740,000
BCC Scafati Cetara	2,305,000
BCC Terra d'Otranto	923,000
TOTAL	37,747,000

Under the liquidity facility agreed on 6 December 2002 between BCC Securis Srl and the 24 mutual banks, each assignor granted the company a credit line amounting to a total of €11,200,000 to use in the event the SPV does not have sufficient funds to make payments.

The following table shows the amounts committed by each mutual bank

<i>(euros)</i>	
BCC Agro Bresciano	671,580
BCC Alcamo	737,100
BCC Altavilla Silentina	353,920
BCC Battipaglia	1,017,660
BCC Canicatti	235,900
BCC Cantù	474,600
BCC Casagiove	243,320
BCC Castellana Grotte	884,520

BCC Centrovneto	873,180
BCC Fiumicello	207,760
BCC Golfo di Gela	46,900
BCC Irpina	299,600
BCC Laurenzana	82,180
BCC Laurino	149,240
BCC Marino	655,340
BCC Montecorvino	516,880
BCC Regalbuto	262,080
BCC Reggiana	337,120
BCC Salerno	980,560
BCC San Cataldo	339,080
BCC San Marco	145,040
BCC Sannio Calvi	968,520
BCC Scafati Cetara	459,900
BCC Terra d'Otranto	258,020
TOTAL	11,200,000

The amount of credit available is subject to an annual commitment fee of 0.1% on the amount granted, to be paid to each lender at each payment date.

B.5 Operational scope of the assignee

BCC Securis S.r.l. has operational powers limited by its bylaws. In particular, Article 2 states:

“The company has been established with the sole purpose of carrying out one or more securitizations of claims pursuant to Law 130 of 30 April 1999 and any subsequent amendments by means of the purchase for consideration of existing and future pecuniary claims in a manner that ensures that the company assumes no risk whatsoever. In conformity with the provisions of said law, the assets in respect of the claims for each operation shall be segregated from the assets of the company and those of any other operations carried out by the company. No claim on any separate asset group may be advanced by creditors other than the holders of the securities issued to finance the acquisition of the related claims. Within the limits established by Law 130/1999, the company may perform ancillary transactions necessary for the completion of the securitizations it shall carry out or other instrumental transactions necessary for the pursuit of its corporate purpose, including the reinvestment in other financial assets of the funds generated by the management of the claims acquired (including claims similar to those involved in the securitization) that cannot be immediately used to satisfy the rights in respect of such securities referred to in Article 1, paragraph 1, letter b) of Law 130 of 30 April 1999”.

All of the main operational activities associated with the operation have been outsourced (see point B.2).

The company undertakes not to approve, agree or consent to any act or thing that might prejudice the interests of the noteholders and other creditors.

C - QUANTITATIVE INFORMATION

C.1 Flow data for receivables

NET VALUE	SITUATION AT 31.12.2003	SITUATION AT 31.12.2004	SITUATION AT 31.12.2005
a) Opening balance	137,691,625	120,697,859	107,082,087
b) Increases			
b.1 interest income			
b.2 default/legal interest	6,162,580	5,475,689	4.869.593
b.3 legal expense			
b.4 other (writebacks)	2,954,788	3,676,405	3.949.349
c) Decreases			
c.1 collections	(18,514,479)	(16,685,122)	(17.062.914)
c.2 other changes	(2,901)		
c.3 cancellations			
c.4 disposals			
c.5 loan losses	(1,431,174)	(607,053)	(1.522.227)
c.6 writedown of default interest	(6,162,580)	(5,475,689)	(4.869.593)
d) Closing balance	120,697,859	107,082,087	92,446,296

C.2 Changes in past due receivables.

Not applicable as all receivables regard bad debts.

C.3 Cash flow

(euros)

	31.12.2005	31.12.2004
Opening liquidity	8,729,784	26,994,180
Receipts		
on receivables in portfolio	16,898,095	16,685,122
transit items (*)	0	0
interest on CCTs	1,258,446	2,242,891
interest on bank current account	348,720	296,015
other receipts	0	12,500
Total receipts	18,505,261	25,984,442
Payments		
redemption of notes	(16,814,000)	(32,348,000)
interest on notes	(1,054,371)	(1,934,716)
interest on LRL	(1,258,446)	(2,242,891)
commission expense on LL	0	0
servicing fees	(498,232)	(449,421)
interest expense on current account	(2)	(291)
bank charges	(7,107)	(2,610)
other operating expenses	(237,590)	(522,995)
Total payments	(19,869,748)	(37,500,924)
Closing liquidity	7,365,297	8,729,784

In 2005 the company had receipts totaling €16,898,095 in respect of principal repayments on securitized loans, €1,258,446 for interest income on CCTs and €348,720 for interest on bank accounts. The company also redeemed a total of €16,814,000 of Class A notes and paid €1,054,371 in interest on the notes, as well as €1,258,446 for interest on the limited recourse loan.

Overall cash flow was in line with the collection forecasts at the time the operation was structured (the forecasts are reported in the table below under section C5).

C.4 Guarantees and liquidity

(euros)

Limited recourse loan granted by mutual banks	37,747,000
Liquidity line granted by mutual banks	11,200,000

On 2 August 2004 the limited recourse loan was repaid in the amount of €39,315,000 as a result of the redemption of Senior Notes.

C.5 Breakdown by residual maturity

Since they regard bad debts, the securitized claims do not have an established repayment plan.

The following table reports forecast collections by expected collection date:

(euros)

REFERENCE PERIOD	FORECAST COLLECTIONS
Second half - 2002	7,702,655
First half - 2003	8,027,256
Second half - 2003	8,027,256
First half - 2004	7,569,506
Second half - 2004	7,569,506
First half - 2005	7,663,760
Second half - 2005	7,663,760
First half - 2006	7,263,389
Second half - 2006	7,263,389
First half - 2007	7,808,682
Second half - 2007	7,808,682
First half - 2008	7,107,682
Second half - 2008	7,107,683

C.6 Breakdown by geographical area

All the receivables are denominated in euros and the debtors are all Italian residents.

(euros)

REGION	AMOUNT OUTSTANDING AT 31.12.2005
Basilicata	471,039
Campania	51,626,293
Emilia Romagna	2,354,319
Friuli Venezia Giulia	1,332,566
Lazio	1,306,349
Lombardy	4,867,180
Puglia	9,021,828
Sicily	18,471,348
Veneto	2,995,374
TOTAL	92,446,296

C.7 Concentration of exposure

C.7.1 Information on diversification of portfolio by size of position

(euros)

SIZE CLASS (EUROS)	NUMBER OF POSITIONS	AMOUNT
0-25,000	3,582	17,525,793
25,000-75,000	572	24,315,910
75,000- 250,000	238	29,036,589
Over 250,000	45	21,568,004
Total	4,437	92,446,296

C.7.2 Individual receivables that exceed 2% of the value of the total portfolio

None.

BCC SECURIS SRL
The Sole Director

Credico Finance Srl

Financial Statement
at 31 dicembre 2005

Shareholders,

I submit for your approval the financial statements for the year ended 31 December 2005, which consist of a balance sheet, income statement and the explanatory notes, and show net income of €490 and shareholders' equity of €54,463.

I remind you that the company was established on 15 June 2000 pursuant to Law 130/99, which, as you are aware, regulates securitization operations in Italy. The company is entered in the register of financial companies referred to in Article 106 of the 1993 Banking Law and, once it had acquired the receivables, obtained entry in the special register as defined in Article 107 of the same law.

Activity

The company has been established with the sole purpose of carrying out securitizations of receivables pursuant to Law 130 of 30 April 1999 and any subsequent amendments by means of the purchase for consideration of existing and future pecuniary claims through the issue of securities referred to at Article 1 (1b) of Law 130/1999 in a manner that ensures that the company assumes no risk whatsoever. In conformity with the provisions of said law, the assets in respect of the claims for each operation shall be segregated from the assets of the company and those of any other operations carried out by the company. No claim on any separate asset group may be advanced by creditors other than the holders of the securities issued to finance the acquisition of the related receivables.

Within the limits established by the law, the company may perform ancillary transactions necessary for the completion of the securitizations it shall carry out or other instrumental transactions necessary for the pursuit of its corporate purpose, including the reinvestment in other financial assets of the funds generated by the management of the claims acquired that cannot be immediately used to satisfy the rights in respect of such securities.

In September 2001, the company finalized an operation for the securitization of performing loans assigned by five mutual banks, namely: BCC dell'Agro Bresciano, BCC di Alba Langhe e Roero, BCC di Orsago (now named Banca della Marca), BCC di Roma and BCC di Romagna Est.

Full details of the above operations are given in the notes to the financial statements in accordance with the measure of 29 March 2000 issued by the Bank of Italy, which is responsible for regulating financial reporting by financial companies.

The operation was submitted for preliminary examination by the Bank of Italy.

Interest payments to creditors were made semiannually in the contractually-agreed order of priority: service providers, interest on notes, interests on derivatives and, for the remainder, interest on Series C notes.

We should like to inform you that your company continued with the redemption of the principal on the Class A notes, and at end of the financial year, had made repayments totaling €35,879,063.

Treasury stock

The company has no own shares nor any shares in its parent company.

Shareholders

The company share capital breaks down as follows:

92% Iccrea Banca
8% divided in equal amounts among 6 mutual bank regional federations, the Federazione delle Banche di Credito Cooperativo di Puglia e Basilicata and BCC di Roma.

On the basis of a specific servicing contract, the five mutual bank originators act as servicers for the operation, for which they receive an annual commission of 0.50%.
No transactions exist with company shareholders.

Research and development

No specific research and development activities were carried out.

Other information

The company is continuing the checks necessary to comply with the privacy regulations established in Law 196/2003. It will conclude its activity by the deadline of 31 March 2006 set by the Privacy Authority.

The company is subject to management control and coordination as envisaged by Articles 2497- 2497 (*septies*) of Law 6/2003 by Iccrea Holding S.p.A..

Significant post-period events

The operation proceeded normally after 31 December 2005.

Outlook

In view of the current intention not to carry out further securitization operations, management will be dedicated to the regular continuation of the operation currently under way.

Allocation of net income for the year

Shareholders,

We propose allocating the net income for the year of €490 as follows:

€25 to the legal reserve;

€465 to the extraordinary reserve

The Sole Director

ANTONIO BERTANI

Balance sheet

ASSETS (euros)		
	31.12.2005	31.12.2004
10. Cash and cash equivalents	0	0
20. Loans to banks	41.497	6.829
(a) payable on demand	41.497	6.829
90 Intangible assets	480	1.495
of which:		
- start-up and expansion costs	480	1.495
130. Other assets	24.119	64.102
Total assets	66.096	72.426
LIABILITIES AND EQUITY (euros)		
	31.12.2005	31.12.2004
50. Other liabilities	11.633	18.453
80. Provisions for liabilities and contingencies	0	0
of which:		
80. b) provision for taxes and duties	0	0
120. Share capital	51.465	51.465
140. Reserves	2.328	1.546
of which:		
- legal reserve	118	79
170. Net income (loss) for the year	490	782
Total liabilities and equity	66.096	72.426

Income Statement

COSTS (euros)		
	31.12.2005	31.12.2004
40. General and administrative expenses	61.295	66.491
a) staff costs		
b) other administrative expenses	61.295	66.491
50. Amortization and depreciation	1.015	1.014
60. Other operating expenses	1.000	0
110. Extraordinary expense	0	0
130. Income tax	0	0
140. Net income	490	782
Total costs	63.800	68.287
RICAVI (valori in euro)		
	31.12.2005	31.12.2004
10. Interest income and similar revenues	490	782
70. Other operating income	63.310	67.505
80. Extraordinary income	0	0
Total revenues	63.800	68.287

Note to the financial statement

Scope of activity

Established on 15 June 2002, the company's corporate purpose is the securitization of receivables pursuant to Law 130 of 30 April 1999.

Structure and content of the financial statements

The financial statements consist of the balance sheet, the income statement and these explanatory notes, as provided for by Legislative Decree 87 of 27 January 1992, which in implementing Community Directives lays down the legislative framework for the accounts and consolidated accounts of banks and other financial institutions. They have been prepared in conformity with the instructions of the Bank of Italy in Directive 103 of 31 July 1992, published in the Gazzetta Ufficiale no. 186 of 8 August 1992, and the measure of the Bank of Italy of 29 March 2000, published in the Gazzetta Ufficiale no. 78 of 3 April 2000, supplemented where necessary by the provisions of the Italian Civil Code and other laws.

The notes to the financial statements are stated in euros.

PART A – SIGNIFICANT ACCOUNTING POLICIES

Section 1 – description of accounting policies

Loans and amounts due to banks

Loans and amounts due to banks are stated at nominal value increased by accrued interest income. For loans, the amount corresponds to expected realizable value.

Intangible assets

Intangible assets are carried at cost net of amortization, which is charged on the basis of their expected useful life. Start-up and expansion costs are amortized on a straight-line basis over five years.

Other assets

Other assets are carried at nominal value, which corresponds to their estimated realizable value.

Other liabilities

Other liabilities are carried at nominal value.

Provision for taxes and duties

Provisions for taxes are made on an accruals basis. They represent the provision for the tax liability for 2004, determined on the basis of current tax rates and regulations.

Costs and revenues

Costs and revenues are recognized in accordance with the prudence principle and accrue in line with the operations that generate them.

Section 2 – writedowns and provisions made solely for tax purposes

No writedowns or provisions were made solely for tax purposes.

PART B – INFORMATION ON THE BALANCE SHEET

The figures are stated in euros

Assets

20. Loans to banks

Payable on demand

2005	2004	CHANGE
41,497	6,829	(34,668)

The item represents the credit balance on current account no. 23631/230 held with Iccrea Banca, including interest accrued at the reference date.

The increase with respect to the previous year is attributable to the repayment by the segregated assets of funds used to pay suppliers.

90. Intangible assets

	OPENING BALANCE 1/1/2005	INCREASES IN 2005	AMORT. FOR THE YEAR	BALANCE AT 31/12/2005
Start-up and expansion costs:				
Start-up costs	1,495	0	(1,015)	480
Total	1,495	0	(1,015)	480

The balance regards costs in respect of the establishment and subsequent transformation of the company, net of amortization.

130. Other assets

Other assets break down as follows:

	2005	2004
Overheads transit account	21,837	61,578
Withholding tax	132	211
IRPEG/IRES credit	2,112	1,901
IRAP credit	38	412
Advances to suppliers	0	0
Receivable for IRAP paid on account	0	0
Receivable for IRPEG paid on account	0	0
Total other assets	24,119	64,102

Withholding tax concerns tax withhold on interest income accrued at 31 December

2005. The overheads transit account regards the contractual receivable in respect of the transfer of costs and revenues from the company's accounts to those of the segregated assets of the securitization. It was decided to offset the payables and receivables vis-à-vis the separate account at year-end. The payables were originated by the payment of costs that would have been transferred at the end of the year. The IRPEG/IRES and IRAP credits are those reported in the tax return for 2005.

Liabilities

50. Other liabilities

Other liabilities break down as follows:

	2005	2004
- Due to suppliers	11,333	14,718
- IRPEF withholdings on self-employment income	300	0
- IRPEF withholdings on collaborator income	0	1,727
- Due to INPS (social security) for segregated assets	0	2,008
TOTAL	11,633	18,453

The item "Due to suppliers" regards:

- Fis Fiduciaria	11,333
Total	11,333

120. Share capital

Share capital, fully paid up, is equal to €51,645. It is 92% held by Iccrea Banca, while the remaining 8% is divided equally between BCC di Roma, six regional federations and the Associazione della Banche di Credito Cooperativo di Puglia e Basilicata.

The following table shows changes in shareholders' equity between 31 December 2001 and 31 December 2005.

	BALANCE AT 31/12/2001	ALLOCATION OF NET INCOME 2001	CAPITAL DECREASE	COVERAGE OF LOSS	NET INCOME 2002	BALANCE AT 31/12/02
Share capital	154,935		(103,290)			51,645
Legal reserve	2					2
Retained earnings (loss carried forward)	(3,073)	2,521		552		0
Net income for the year	2,521	(2,521)			695	695
Shareholders' equity	154,385	0	(103,290)	552	695	52,342

	BALANCE AT 31/12/2002	ALLOCATION OF NET INCOME 2002	NET INCOME 2003	BALANCE AT 31/12/2003	ALLOCATION OF NET INCO- ME 2003	NET INCOME 2004	BALANCE AT 31/12/04
Share capital	51,645			51,645			51,645
Legal reserve	2	35		37	42		79
Extraordinary reserve	0	660		660	807		1,467
Retained earnings (loss carried forward)	0			0			0
Net income for the year	695	(695)	849	849	(849)	782	782
Shareholders' equity	52,342	0	849	53,191	0	782	53,973

	BALANCE AT 31/12/2004	ALLOCATION OF NET INCOME 2004	NET INCOME 2005	BALANCE AT 31/12/05
Share capital	51,645			51,645
Legal reserve	79		39	118
Extraordinary reserve	1,467		743	2,210
Retained earnings (loss carried forward)	0			0
Net income for the year	782	(782)	490	490
Shareholders' equity	53,973	0	490	54,463

The following table provides an analysis of the origin, possible uses and availability of the individual components of shareholders' equity, as well as any use made in the previous financial year.

	AMOUNT	POSSIBLE USES AVAILABLE		USE OF INCOME IN PREVIOUS YEAR	
		AMOUNT	AMOUNT	COVERAGES OF LOSSES	OTHER REASONS
Share capital	51,645			-	-
Legal reserve	118	B	-	-	-
Extraordinary reserve	2,210	A,B,C	2,210	-	-
Net income (loss) for the year	490	A,B,C	465		
- net income to legal reserve			25	-	-

Key:

A: capital increase

B: coverage of losses

C: distribution to shareholders

Guarantees, commitments and off-balance-sheet transactions*Guarantees to third parties*

None.

Commitments

None other than those reported in the summary schedule in Annex A.

Off-balance-sheet transactions

None at 31 December 2005 other than those reported in Annex B.

PART C – INFORMATION ON THE INCOME STATEMENT

Costs

40. General and administrative expenses

Administrative expenses break down as follows:

	2005	2004
- legal and notary services	0	1.397
- tax and administrative consulting	44,800	48,067
- auditing of financial statements	6,936	6,559
- remuneration of Sole Director	7,488	8,568
- government concession and chamber of commerce fees	683	683
- ABI subscription fees	150	150
- financial statements deposit expenses	257	280
- stamp duty	76	56
- postage	15	22
- revenue stamps	0	636
- translation	813	0
- bank commissions	69	72
- other	8	1
Total	61,295	66,491

50. Amortization and depreciation

The item regards amortization of start-up costs.

AMORTIZATION:	2005	2004
- Start-up and transformation costs	1,015	1,014
Total	1,015	1,014

60. Other operating expenses

	2005	2004
- Insurance policy	1,000	0
Total	1,000	0

Revenues

10. Interest income and similar revenues

2005	2004	CHANGE
490	782	(292)

The item comprises interest on the bank current account.

70. Other operating income

2005	2004	CHANGE
63,310	67,505	4,195

The balance at 31 December 2005 regards the overheads transit account, which breaks down as follows:

	2005
- legal and notary services	0
- tax and administrative consulting	44,800
- auditing of financial statements	6,936
- remuneration of Sole Director	7,488
- government concession and chamber of commerce fees	683
- ABI subscription fees	150
- financial statements deposit expenses	257
- stamp duty	76
- postage	15
- revenue stamps	0
- translation	813
- bank commissions	69
- other	8
- amortization of start-up and transformation costs	1,015
- insurance policy	1,000
Total	63,310

PART D – OTHER INFORMATION

Section 1 – Other information

Employees

At 31 December 2005 the company had no employees.

Remuneration of directors and statutory auditors

Remuneration of the Sole Director came to €7,488.

Information on securitization

See annexes A, B and C below.

Privacy

The Company is taking all necessary steps to comply with the privacy regulations established in Law 196/2003.

It will conclude its activity by the deadline of 31 March 2006 set by the Privacy Authority.

Management and coordination

The company is subject to the management and coordination activities of Iccrea Holding. The following table reports the following table reports the main financial information on Iccrea at 31 December 2005 (thousands of euros).

BALANCE SHEET

Assets	711,072
Liabilities and equity	119,039
Provision for general banking risks	4,865
Share capital	512,420
Legal reserve	12,192
Reserve for treasury stock	1,311
Reserve provided for in bylaws	19,834
Other reserves	4,110
Revaluation reserve	23,077
Net income	14,225
Shareholders' equity	587,168

INCOME STATEMENT

Revenues on ordinary operations	28,309
Costs on ordinary operations	(19,441)
Income on ordinary operations	8,867
Extraordinary income (expense)	2,952
Change in provision for general banking risks	400
Income taxes	2,005
Net income	14,225

ANNEX A - STATUS OF OPERATION AT 31 DECEMBER 2005

Table summarizing the securitized assets and the notes issued

The figures are presented in the format established by the Bank of Italy in its measure of 29 March 2000.

	BALANCE AT 31 DECEMBER 2005 (EUROS)	BALANCE AT 31 DECEMBER 2004 (EUROS)
A. Securitized assets	135,425,336	171,023,776
A1 Receivables	135,700,523	170,172,484
Nominal value	135,700,523	170,172,484
A2 Securities	724,813	
A3 Other		851,292
A3 a) Accrued interest on loans at 31 December	724,813	851,292
B. Use of liquidity generated by management of the receivables	14,111,570	15,599,091
B1 Debt securities		0
B2 Equity securities		0
B3 Liquidity	14,111,570	15,599,091
B3 a) Bank accounts	7,498,667	5,193,539
B3 b) Repurchase agreements	6,604,803	10,405,552
B3 c) Other	8,100	0
C. Notes issued (nominal value)	144,780,117	180,660,107
C1 Class A notes (series 1)	123,173,140	159,052,203
Segregation of Class A notes	922	927
C2 Class B notes (series 2)	15,000,000	15,000,000
C3 Class C notes (series 3)	6,606,977	6,606,977
D. Financing received	48,648	0
E. Other liabilities	5,708,141	5,962,760
E1 Liabilities with company management	21,837	61,578
E2 Suppliers	317,078	360,879
E3 Liabilities with assignors for interest	0	0
E4 Accrued expenses on Class A and B notes	922,822	1,161,609
E5 Excess spread on Class C notes	4,045,327	3,943,795
E6 Differences on swaps	399,697	433,519
E7 Due to mutual banks for receivables collected	1,380	1,380
E8 Accrued expenses on repurchase agreements	0	0
F. Interest expense on notes issued	4,881,095	5,739,487
F1 Interest on Class A and B notes	4,093,305	4,747,133
F2 Excess spread on Class C notes	788,074	992,354
G. Commissions and fees charged to operations	949,257	1,169,634
G1 for servicing	798,665	982,051
G2 for other services	150,592	187,583
H. Other charges	1,651,128	2,309,358
H1 Negative difference on swaps	1,508,153	2,156,910
H2 Other	142,975	152,448
I. Interest generated by securitized assets	7,189,134	8,913,214
L. Other revenues	292,630	305,265
L1 Revenues on repurchase agreements	178,165	192,165
L2 Current account interest	97,344	109,548
L3 Other	17,121	3,552

ANNEX B - QUALITATIVE INFORMATION

B1. Description of the operation and developments during the year.

On 20 September 2001, the following entities:

- Banca di Credito Cooperativo dell'Agro Bresciano S.c.a.r.l. with registered office in Ghedi (BS), Piazza Roma, 17;
- Banca di Credito Cooperativo di Alba, Langhe e Roero S.c.a.r.l. with registered office in Alba (CN), Corso Italia 4/6;
- Banca di Credito Cooperativo di Orsago S.c.a.r.l. with registered office in Orsago (CN), Via Vittorio Veneto, 38;
- Banca di Credito Cooperativo di Roma S.c.a.r.l. with registered office in Rome (RM), Via Sardegna, 129;
- Banca di Credito Cooperativo di Romagna Est S.c.a.r.l. with registered office in Savignano (FO), Corso Peticari, 25/27;

assigned without recourse a portfolio of performing mortgage loans with a nominal value of €303,030,827 to Credico Finance S.r.l.. Credico Finance paid an initial price of €303,030,827, undertaking to repay each assignor interest accrued to 31 August 2001 (valuation date of the assigned portfolio).

The individual mutual banks selected loans for the portfolio with the following characteristics:

1. fully disbursed by 31 December 2000;
2. secured by first mortgage;
3. denominated in lire or euros;
4. the assigned debtors had never been asked by the mutual banks to make full, immediate repayment of the loans for whatever reason;
5. at the valuation date, the assigned debtors did not have substandard positions with the mutual banks;
6. at the valuation date at least one installment on the loans had fallen due and been paid regularly and no installments were unpaid for more than 15 days;
7. the assigned loans were less than €774,685;
8. the assigned debtors were natural persons or small or medium-sized enterprises;
9. the assigned loan contracts had no installments falling due after 31 August 2015;
10. the assigned loan contract did not benefit from any form of subsidy.

The following table shows the nominal value of the assigned receivables for each mutual bank:

BCC Roma	102,247,965
- adjustments 2002 BCC Roma	(555,791)
BCC Alba	75,265,256
- adjustments 2002 BCC Alba	(4,924)
BCC Agro Bresciano	39,459,694
BCC Orsago	56,041,158
BCC Romagna EST	30,016,754
Total	302,470,112

As regards BCC di Orsago, the assigned portfolio amounted to €57,074,469. The differ-

ence of €1,033,311 was repaid as from the first interest payment date in March 2002.

This amount has been completely reimbursed to the bank.

As regards BCC di Roma, in 2002 it was determined that a number of the assigned loans did not meet the eligibility requirements envisaged in Article 3.5 of the loan assignment contract. As envisaged in the contract, the related amount was considered as not assigned and so the mutual bank took steps to make good the shortfall. Since 31 December 2002, the initial receivable, equal to €102,247,965, has been reduced by €555,791.11 and has not changed in subsequent years.

BCC di Alba reported that following examination it found that the portfolio assigned at 20 September 2001 amounted to €75,260,331.60 rather than €75,265,256, as specified in the assignment contract. Accordingly, the value of the receivables assigned by BCC di Alba at 31 December 2002 has been decreased by €4,924.40. The initial portfolio underwent no further adjustments in subsequent periods.

Following the renegotiation of a loan during the year receivables vis-à-vis BCC Romagna Est increased by €17,118.

In 2005 a number of positions were reclassified as bad debts, for a total of €525,299. This event reduced the payment of the excess spread by the defaulted amount. The loans, together with other net defaults outstanding at 31 December 2004 totaling €966,222, were partially recovered (€160,926) during the year. Outstanding default positions at year-end totaled €1,330,595.

The operation continues to proceed normally and in accordance with forecasts. As a result, the order of priority has not changed and payments have continued as contractually established.

B2. Parties involved

Assignors: BCC Agro Bresciano, BCC Alba Langhe Roero, BCC della Marca (formerly Orsago), BCC Roma and BCC Romagna Est

As servicers, the mutual banks are responsible for certifying the existence of the assigned positions and monitoring their extinction. They manage the loan positions, any default events and maintain the guarantees backing the loans, producing the necessary documentation.

Agent Bank: Crédit Agricole Indosuez SA, Milan Branch.

Crédit Agricole Indosuez, Milan Branch, acts as paying agent, depository, cash manager and computation agent.

Counterparty for hedge transactions: Crédit Agricole Indosuez

Crédit Agricole Indosuez is the counterparty with which Credico Finance has entered into an interest rate swap to hedge the interest rate risk associated with the operation.

Lead Manager: Crédit Agricole Indosuez

Senior Co-lead Manager: Tokyo – Mitsubishi International plc

Co-lead Managers: Bakinter SA, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. and DZ Bank AG Deutsche Zentral-Genossenschaftsbank Frankfurt am Main.

Managers: collectively the Lead Manager, the Senior Co-Lead Manager and the Co-lead Managers

These entities are responsible for placing the notes, in compliance with the provisions of law and the contractual terms and conditions.

Representative of the Noteholders: Crédit Agricole Indosuez Luxembourg

Administrative services: FIS Fiduciaria Generale S.p.A.

FIS Fiduciaria Generale S.p.A. provides administrative and accounting services to Credico Finance.

B3. Characteristics of the notes

The issue consists of three series of asset-backed securities issued at par on 27 September 2001 in the nominal amount of €303,106,977, divided as follows:

Class A	281,500,000
Class B	15,000,000
Class C1	860,339
Class C2	1,641,007
Class C3	1,221,865
Class C4	2,229,311
Class C5	654,455
Total	303,106,977

The amounts reported in the table regard the tranching of the notes and were uncalled for at least 18 months. At the balance-sheet date, redemption of principal was under way on the Class A notes, with payments of €18,532,470 on 30 March 2005 and €17,347,515 on 30 September 2005. Following the second redemption of the year, a total of €922 was segregated.

The interest rate on the notes is equal to 6-month Euribor plus the following spreads:

Class A:	+0.33%
Class B:	+0.95%

The Class C notes pay a yield determined annually on the basis of the revenues from collections of interest on the assigned receivables, net of the SPV's operating costs.

Interest on Class A and Class B and the residual excess spread on the Class C notes were paid regularly at the two interest payment dates in 2005. The payments were made in the order established by the order of priority.

The notes are listed on the Luxembourg Stock Exchange and rated by Standard & Poor's, Moody's and Fitch IBCA as follows:

NOTES	STANDARD & POOR'S / FITCH IBCA	MOODY'S	PERCENTAGE	AMOUNT (MILLIONS OF EUROS)
Class A	AAA	Aaa	93%	281.5
Class B	A	A2	5%	15.0
Class C	Not rated	Not rated	2%	6.6

B4. Ancillary financial operations

The interest-rate risk on the notes has been hedged with an interest rate swap divided into 20 classes corresponding to the type of interest rate charged on the individual portfolios of assigned receivables.

The five mutual banks have also granted credit lines totaling €10,606,822, which at the balance-sheet date was drawn by BCC Roma in the amount of €48,365, of which at 31 December 2005 accrued interest came to €283).

B5. Operational scope of the assignee

Credico Finance S.r.l. (as assignee and issuer) has operational powers limited by its by-laws. In particular, Article 4 states:

“The company has been established with the sole purpose of carrying out one or more securitizations of claims pursuant to Law 130 of 30 April 1999 and any subsequent amendments by means of the purchase for consideration of existing and future pecuniary claims financed with the issuance of securities pursuant to Article 1(1) of Law 130/1999 in a manner that ensures that the company assumes no risk whatsoever.

Within the limits established by Law 130/1999, the company may perform ancillary transactions necessary for the completion of the securitizations it shall carry out or other instrumental transactions necessary for the pursuit of its corporate purpose, including the taking out of loans and other financing, establishment of liens and other forms of security and the reinvestment in other financial assets of the funds generated by the management of the claims acquired (including claims similar to those involved in the securitization) that cannot be immediately used to satisfy the rights in respect of such securities referred to in Article 1 (1b) of Law 130 of 30 April 1999 or pay the costs of the operation. The company may not raise funds with the public, engage in credit activities or financial intermediation.

The company’s activity is primarily focused on relations with the companies in the Iccrea Group, mutual banks and rural and artisans’ banks and their associations and service entities.

The company may hold equity interests, including majority stakes - within the limits and on the terms envisaged by applicable law - in companies that because of their business specialization would contribute to the achievement of the corporate purpose.

The company may carry out all other permitted financial activities, as well as other activities instrumental and related to such operations, and in any case all activities that the Board of Directors shall consider necessary or useful for the pursuit of the corporate purpose.”

All of the main operational activities associated with the operation have been outsourced (see point B.2). At 31 December 2005 funds from collections on the securitized assets that had been invested in repurchase agreements amounted to €6,604,803.

ANNEX C – QUANTITATIVE INFORMATION

C1) Flow data for receivables

(euros)

	31 DEC.	COLLEC- TIONS	DE- CREA- SES	IN- CREASES	31 DEC.	COLLEC- TIONS	DE- CREA- SES	IN- CREASES	31 DEC.
	2003	2004			2004	2005			2005
BCC Roma	73,672,362	15,852,633	0	3,512,327	61,332,056	15,852,633	0	3,512,327	61,332,056
BCC Alba	48,928,807	10,870,730	0	1,542,676	39,600,753	10,870,730	0	1,542,676	39,600,753
BCC Agro Bresciano	25,143,462	5,832,573	0	941,053	20,251,942	5,832,573	0	941,053	20,251,942
BCC della Marca (former Orsago)	39,829,547	8,046,531	0	1,446,432	33,229,448	8,046,531	0	1,446,432	33,229,448
BCC Romagna Est	19,473,232	4,334,382	0	619,435	15,758,285	4,334,382	0	619,435	15,758,285
Total	207,047,410	44,936,849	0	8,061,923	170,172,484	44,936,849	0	8,061,923	170,172,484

C2) Changes in past due receivables

The following table shows developments in past due receivables in 2005.

	OPENING BALANCE	INCREASES DURING THE PERIOD	DECREASES DURING THE PERIOD	CLOSING BALANCE
BCC ROMA	918,500	11,419,750	11,318,502	1,019,748
BCC ALBA	590,231	8,350,390	8,285,649	654,972
BCC AGRO BRESCIANO	85,053	4,109,352	4,110,098	84,307
BCC DELLA MARCA (FORMER ORSA- GO)	152,657	6,072,448	5,946,134	278,971
BCC ROMAGNA EST	223,230	3,291,737	3,334,474	180,492
Total	1,969,671	33,243,676	32,994,857	2,218,490

The future performance of the operation is in line with expectations.

C3) Cash flow

Opening liquidity 31/12/2004		5,193,539
Payments		
Servicing fees	876,496	
Suppliers - intercreditor agreement	236,290	
Interest on Classes 1A, 1B and 1C	5,021,633	
Differences on swaps	1,581,677	
Bank charges	1,437	
Repurchase agreements – purchase	34,393,656	
Redemption of principal on Class 1A	35,876,990	
Total payments		77,988,179
Receipts		
Interest	71,095	
Collections on receivables	41,804,692	
Repurchase agreements – sale	38,369,155	
Receipt of part of Alba liquidity line	48,365	
Total receipts		80,293,307
Total liquidity at 31/12/2005		7,498,667

Estimated cash flows for 2005 are in line with the amortization schedule of the assigned receivables

C4) Guarantees and liquidity

At 31 December 2005 only the BCC di Roma liquidity line had been drawn in the amount of €48,365.

C5) Breakdown by residual maturity**Assets**

MATURITY	NO. OF POSITIONS	%	OUTSTANDING DEBT	%
to 3 months	93	2%	405,446.00	0%
from 3 months to 1 year	213	5%	1,351,881.00	1%
from 1 to 5 years	1,556	35%	41,104,400.00	24%
more than 5 years	2,538	57%	126,344,535.00	74%
Default	16	0%	966,222.00	1%
Total	4,416	100%	170,172,484	100%

The assigned receivables mature no later than 31 August 2015.

Liabilities

The Class A and B notes, totaling €296,500,000, have a contractual maturity of 30 September 2021. Repayment is connected with collections on the assigned receivables.

Last year saw the partial redemption of Class A notes in the amount of €18,532,470 at the first interest payment date on 30 March 2005 and €17,347,515 at the second interest payment date on 30 September 2005. Class A notes outstanding at 31 December 2005 amounted to €123,173,140.

Repayment of the Class C notes, amounting to €6,606,977, is subordinated to full repayment of principal and interest on the A and B notes.

C6) Breakdown by geographical area

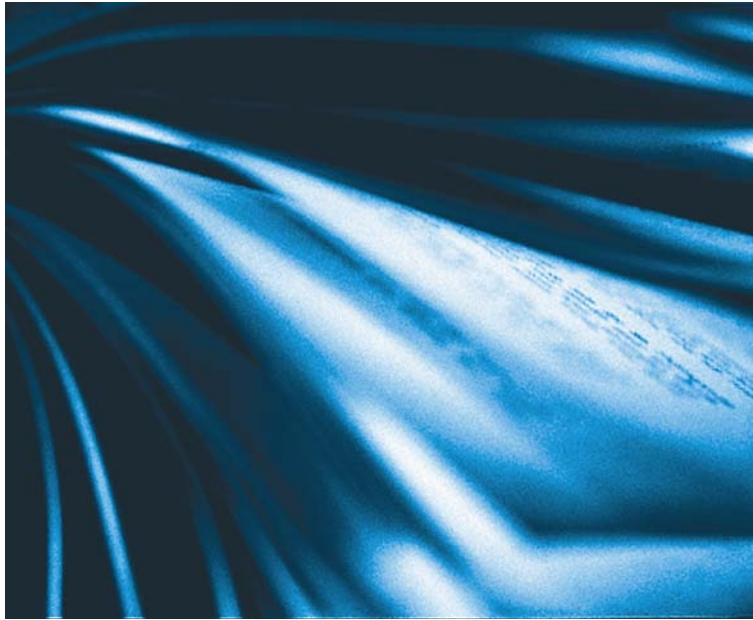
All the receivables are denominated in Italian lire or euros and the debtors are all Italian residents.

C7) Concentration of exposure

The following table shows the diversification of the portfolio by size of positions.

SIZE CLASS	No. OF POSITIONS	%	NOMINAL VALUE	%
up to €25,823	1,866	42%	26,785,291	16%
from €25,823 to €77,469	2,194	50%	97,451,119	57%
from €77,469 to €258,228	317	7%	35,998,099	21%
over €258,228	23	1%	8,971,753	5%
Default	16	0%	966,222	1%
Total	4,416	100%	170,172,484	100%

No receivable exceeds 2% of the total portfolio.



**Report of the
Board of Auditors**

Shareholders,

We monitored compliance with the law and the bylaws and the principles of sound management.

We took part in all the meetings of the Board of Directors and the Executive Committee, which were conducted in accordance with applicable law and regulations and the company bylaws.

The Directors kept us informed of the general performance of the company and the outlook for operations, and informed us of operations of significant size or scope.

We held meetings with the auditing company appointed to monitor the accounts, and no information emerged that would require special mention in the present report.

We acquired information about and monitored the adequacy of the organizational structure of the company. This activity included examination of operations at a sectoral level, acquiring information from those directly responsible for company divisions and for controlling the accounts.

We monitored the auditing activities of the Internal Audit Unit for Group Companies.

Specifically:

In 2005, Internal Audit carried out 19 audits, drafting the related reports, and initiated a further 12, issued 1 follow-up report and carried out 3 verifications that reported irregularities had been eliminated.

Internal Audit also performed consulting functions, participating in working groups and projects.

In accordance with the audit plan agreed and approved with the Board of Auditors, the audits addressed the following issues:

- financial services, consulting and ancillary activities (order receipt and transmission, trading for third parties and own account, management services);
- administration and back-office (settlement of securities transactions, treasury administration, fees to collect);
- payment systems area (bank checks, unpaid checks and notices);
- certain processes in IT systems.

Our administrative audit highlighted the need to increase use of analytical and planning methodologies capable of capturing an overall vision of the issues and transverse relationships, and assigning priority according to importance, as well as ensuring that the various initiatives undertaken be supported by close guidance and coordination.

It would also appear advisable to continue to pursue the objective of implementing more structured control activities aimed at achieving substantive results.

The examinations conducted by the Inspectorate regarded, among other things, compliance with anti-money laundering and anti-usury regulations.

In December 2005 the Inspectorate was eliminated and most of its functions were transferred to the Internal Audit Unit for Group Companies.

The audit plan for 2006 was prepared and approved.

Work continued on the implementation of initiatives to improve the structural organization of the company as well as its operating and control processes that were approved by the Board and notified to the Bank of Italy following its inspection in 2004.

In particular, during the year the "Summit" information system began operation. The system is designed to provide front-to-back processing of the financial transactions carried out by the Bank, from the trade to registration in the accounting system, taking into consideration the requirements of control and market risk analysis functions.

In implementing the system, priority was given to the operations of the Innovative

Finance unit beginning with interest rate instruments (debt securities and derivatives on securities and interest rates, known as the interest rate book).

Some 7,130 positions representing 80% of outstanding contracts and 90% of nominal value migrated to Summit.

The Risk Management department certified the valuation algorithms (5 models) and Central Administration checked the criteria for recognition and reporting to the supervisory authorities.

As regards risk analysis mechanisms and methods, the Bank began daily use of financial risk scenarios linked to changes in the yield curve and volatilities, as well as the potential change in the current value of interest-rate instruments in response to a change of one basis point in interest rates (basis point value)

We evaluated and monitored the adequacy of the administrative and accounting system and measured the reliability with which it represents operational events.

The Directors provided us with the financial statements and the report on operations for the year ended 31 December 2005 on time.

Summary of results:

BALANCE SHEET

Assets	7,192,212,419
Liabilities	6,871,769,915

SHAREHOLDERS' EQUITY

Share capital	216,913,200
Reserves	25,100,500
Revaluation reserves	47,865,650
Provision for general banking risks	18,050,000
Net income for the year	12,513,154

INCOME STATEMENT

Revenues	393,005,497
Costs	375,792,343
Change in the provision for general banking risks	(4,700,000)
Net income for the year	12,513,154

As detailed examination of the substance of the items of the financial statements does not fall within our remit, we have limited ourselves to considering the general presentation of the accounts, and verified that the formulation and structure of the financial statements comply with the law. We verified that the financial statements are consistent with the facts and information that we obtained in the course of carrying out our duties.

No recourse was made to the derogation permitted by the last paragraph of Article 2 of Law 87/92 because the accounting policies applied were felt to be consistent with providing a true and fair representation of the company's situation.

The report on operations prepared by the Board of Directors provides a complete and comprehensive overview of the situation of the Bank and the financial performance of the same in 2005, and also illustrates significant post-period events.

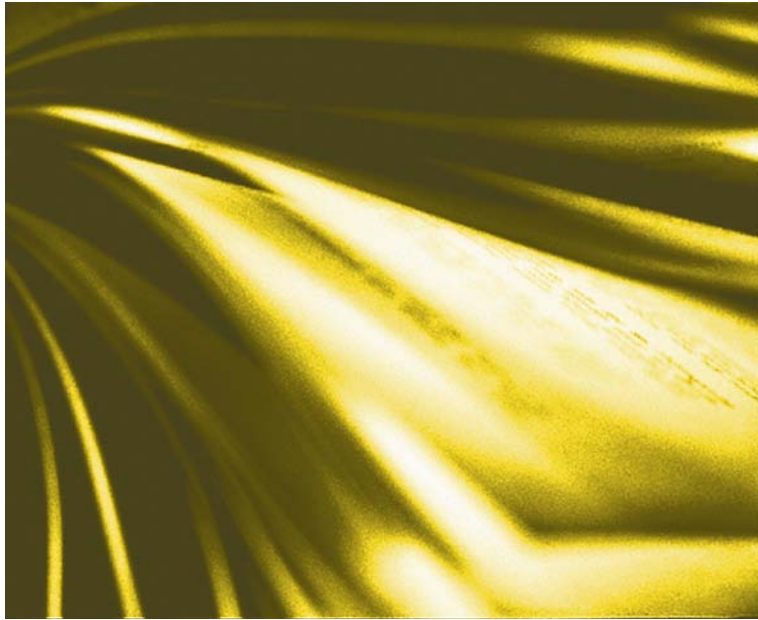
The report was prepared in accordance with the relevant laws.

Our examination of intercompany transactions found that they were conducted on an arm's-length basis.

In view of the findings of the entity appointed to audit the accounts, which are contained in a report appended to the financial statements, we recommend approval of the financial statements for the year ended 31 December 2005, and affirm that the Board of Directors' proposals for the distribution of net income complies with the law and the company's bylaws.

Roma, 12 April 2006

THE BOARD OF AUDITORS



**Report of the
independent auditors**



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AUDITORS' REPORT
pursuant to article 2409-ter of the Italian Civil Code
(Translation from the original Italian text)

To the Shareholders of ICCREA BANCA S.p.A.
Istituto Centrale del Credito Cooperativo

1. We have audited the financial statements of ICCREA BANCA S.p.A. as of and for the year ended 31 December 2005. These financial statements are the responsibility of ICCREA BANCA S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with established auditing standards and procedures. In accordance with such standards and procedures we planned and performed our audit to obtain the information necessary in order to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the financial statements of the prior year, which are presented comparative purposes as required by law, reference should be made to our report dated 12 April 2005.

3. In our opinion, the financial statements of ICCREA BANCA S.p.A. - Istituto Centrale del Credito Cooperativo as of 31 December 2005 comply with the Italian regulations governing financial statements; accordingly, they clearly present and give a true and fair view of the financial position of ICCREA BANCA S.p.A. and the results of its operations for that year.

Rome, 12 April 2006

Reconta Ernst & Young S.p.A.


Francesco Natale
(Partner)

Reconta Ernst & Young S.p.A.
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